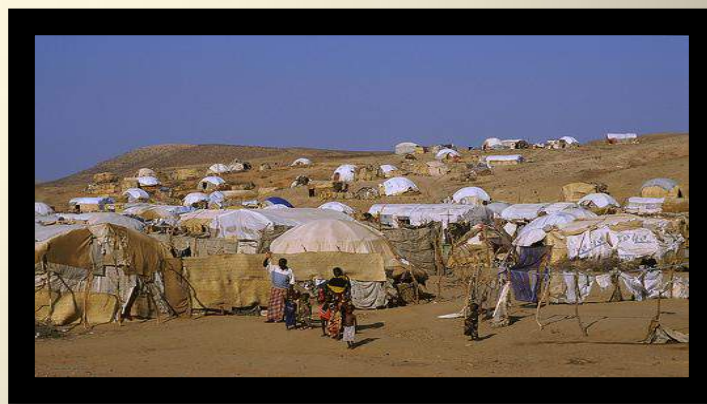


# (DRAFT) REGIONAL INITIATIVE IN SUPPORT OF THE HORN OF AFRICA



**WORLD BANK  
REGIONAL INTEGRATION DEPARTMENT  
AFRICA REGION**

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## ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Assistance (World Bank Group)
AfDB	African Development Bank
AEC	African Economic Community
AIDS	Acquired Immune Deficiency Syndrome
ALG	Lipatako-Gourma Development Authority
AMISOM	African Union Mission in Somalia
AUBP	Africa Union's Border Program
AUC	African Union Commission
CAR	Central African Republic
CAS	Country Assistance strategy
CEWARN	Conflict Early Warning and Response Mechanism
CEWS	Continental Early Warning System (African Union)
CILSS	Inter-States Committee on Drought Control in the Sahel
COMESA	Common Market for East and Southern Africa
CPS	Country Partnership Strategy
CSO	Civil Society Organizations
CVP	Cross-border Crime and Violence Prevention
DFID	Department for International Development (UK)
DRC	Democratic Republic of Congo (The)
EAC	East African Community
ECOWAS	Economic Community of West African States
EU	European Union
EUSR	EU Special Representative
FAO	Food and Agriculture Organization of the United Nations
GIZ	The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GFPD	Global Program on Forced Displacement
HIV	Human Immunodeficiency Virus
HoA	Horn of Africa
ICGLR	International Conference on the Great Lakes Region
ICT	Information and Communications Technology
IDA	International Development Association
IsDB	Islamic Development Bank
IDDRSI	IGAD Drought Disaster Resilience and Sustainability Initiative
IDP	Internally Displaced Person
IFC	International Finance Corporation
IGAD	Intergovernmental Authority on Development
ISN	Interim Strategy Note
ISSP	IGAD Security Sector Programme
JFA	Joint Financial Arrangement
LRA	Lord's Resistance Army
MDTF	Multidonor Trust Fund
MIGA	Multilateral Investment Guarantee Agency

ML/TF	Money laundering/terrorist financing
NGO	Nongovernmental Organization
OFID	The OPEC Fund for International Development
PPP	Public-private Partnership
PRG	Partial Risk Guarantee
PSC	Peace and Security Council (African Union)
PSCF	Peace, Security and Coordination Framework (Great Lakes)
REC	Regional Economic Community
RFA	Regional Fragility Assessment
RPLRP	Regional Pastoral Livelihoods Resilience Project
SADC	Southern Africa Development Community
SALW	Small Arms and Light Weapons
SMEs	Small and Medium-sized enterprises
STI	Sexually Transmitted Infection
TB	Pulmonary Tuberculosis
TBC	To Be Confirmed
UEMOA	West African Monetary Union
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNREDD	The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
USAID	US Agency for International Development
WBG	World Bank Group

## EXECUTIVE SUMMARY

1. The Horn of Africa (HoA) region has many security and development challenges whose origins and consequences go well beyond the borders of individual countries. It is also a region with many human assets and resource endowments, and some of the most dynamic economies in the world. Despite its numerous challenges, the Horn of Africa offers significant potential to address cross-border issues that can help transform its countries and the region.

2. This paper describes a World Bank Group (WBG) initiative to address some of the key drivers of instability in the HoA and promote development in the area. The initiative is intended to build on and complement the large country and regional programs the WBG and other partners are already supporting in the HoA, bringing value by addressing a number of issues which demand cross-border collaborative solutions to reducing fragility and instability. The central rationale to this initiative is that WBG cannot effectively support the elimination of extreme poverty and boost shared prosperity in the region without engaging more intensively and creatively in addressing very difficult development problems, including those linked to insecurity and vulnerability. The WBG package totals \$1.8 billion to be committed over approximately 24 months, with about \$600 million investments from the International Finance Corporation (IFC) and an estimated \$200 million in guarantees from the Multilateral Guarantee Investment Agency (MIGA). The initiative builds on two previous programs aimed at similar issues in the Great Lakes Region (May 2013) and the Sahel (November 2013)—efforts that recognize the link between security and development, and the importance of giving hope to vulnerable citizens, including women and children, that they can overcome poverty and deprivation.

### A. Regional Context and Development Agenda

3. *Promise and Possibilities.* The HoA countries has some of the world's most buoyant economies—Ethiopia, where GDP growth has been averaging 8.5 percent; Kenya, where GDP has been growing at nearly 6 percent; Uganda, with 5.3 percent GDP growth in 2013, and Djibouti with 4.8 percent in 2012. On balance, all of the countries have made some progress in cooperation on conflict prevention and security, and also around regional infrastructure development. All have some solid assets on which to base future progress—for example, they are rich in natural resources, including both renewable and nonrenewable sources of energy; they have vast groundwater reserves; they have great untapped agricultural capacity; and they have a business community that is entrepreneurial, innovative, and increasingly vibrant. However, it is also clear that the countries of the HoA face many challenges, individually and collectively.

4. *Ongoing Conflict.* At present, the region is affected by four main ongoing conflicts: internal conflict in Somalia and the military intervention of its neighbors; the sensitive separation of South Sudan from Sudan; the unresolved dispute between Ethiopia and Eritrea; and most recently, the internal conflict in South Sudan. However, no individual state in the HoA has been insulated from one or more of these conflicts, irrespective of their distance and comparative strengths or weaknesses.

5. *Displacements.* Wars and famines have triggered major displacements of people, both within countries and across borders, so that the concentration of refugees and internally displaced people (IDPs) in the Horn is among the highest in the world. The region has generated over 2.7 million refugees and hosts around 2 million of them—and many of them have experienced prolonged displacement, often lasting for decades. There are also over 6 million IDPs in the region. Host countries may not have incentives and resources to address refugees' needs, and tensions may arise between refugees and host communities over land, natural resources, and livelihood opportunities.

6. **Poverty.** The proportion of people living on less than US\$1 a day is declining only marginally, while in many countries the absolute number of poor people is increasing. The average population growth rate of about 3 percent means the population is doubling every 23 years, compounding efforts to reduce absolute rates. It is a region where the most basic necessities (clean water, food, health care, and education) are not available to much of the population, and where some countries have adult and infant mortality rates that are among the highest in the continent. The majority of countries are not on track for meeting the Millennium Development Goals (MDG) targets, such as reducing maternal and under-five mortality and addressing food insecurity. Most countries will be able to halve the percentage of people without access to safe water by 2015, but in many the baseline is so low that achieving this goal will still leave millions without access to safe water. Disparities in education, health, and other dimensions of human development are often evident, with particular social groups (especially the most marginalized and vulnerable parts of the population) suffering disproportionately from income poverty, inadequate access to quality services, and limited financial protection in case of catastrophic health expenses.

7. **Borderlands.** Some borders in the HoA are contested and fought over, and are a common conflict trigger. Resource scarcity, combined with rapid population growth, poverty, and underdevelopment in border regions, exacerbates both communal conflict and civil wars. Border areas of the Horn have been viewed at times as neither economically nor politically important. Sparsely populated, often by groups who lack representation in central power structures, and offering limited economic potential, these areas are underdeveloped, and limited investment of public resources in them has been the norm. Because the reach of the state in these areas is limited, border communities find it particularly difficult to cope with increasing resource scarcity or with pressures to engage in criminal or violent activity. In the arid lowland border zones of the Horn, droughts are frequent and often devastating, causing communal clashes over scarce pasture and water.

8. **Agriculture.** Agricultural performance has a strong influence on economic growth, level of employment, demand for other goods, food security, and overall poverty reduction. Agriculture is a mainstay of most of the economies of the HoA, often the largest contributor to GDP. The HoA's agricultural potential has yet to be exploited; it has large amounts of arable land that are not yet under cultivation. Pastoralist communities and the livestock on which they rely—despite their significant contributions to national economies and to the maintenance of ecosystems—remain socially, economically, and marginalized.

9. **Climate change, environment, and water.** Climate change poses a considerable threat of undermining development gains and future opportunities in the HoA. Many of the HoA countries have been identified as being among the countries at highest climate-related risks, particularly because of the impacts of droughts and floods. As the HoA develops, it is facing growing challenges with managing its environmental and renewable natural resources—land, water, forests, livestock, fish, and the ecosystems on which they depend—in a sustainable way. Water scarcity and climate change will continue to put pressure on a region whose resources are already stretched by population growth and environmental degradation. Efforts to manage water and make it available where it is most needed are hampered by underdeveloped water storage infrastructure, changing climates, and the weak capacity of regional water-resource management institutions. Equitable management and development of water resources, in particular groundwater resources, could make a significant contribution to meeting the region's demand for food security.

10. **Youth.** As the HoA countries' populations grow larger, most are also growing younger: the Horn countries now have some of the most youthful populations in the world. In many countries, a majority of 14 to 19 year olds are unemployed, and research has shown a positive association between the growth of youth unemployment and the brutality and incidence of violence. In addition, young people are not finding ways to legitimately voice their concerns in the political arena. Instead, the outlet for their

frustration becomes the streets or the bush. Youth need alternatives to joining piracy, rebel groups, and organized crime.

11. **Public health.** Some HoA countries are not well prepared to respond to regional and global public health threats. They have made limited progress on the delivery of regional public goods that are critical for controlling or eliminating communicable diseases and promoting regional public health security. The sub-region faces multiple challenges, with outbreak-prone diseases (cholera, meningitis, Kala-azar, and hemorrhagic fevers), endemic diseases (multi-drug-resistant tuberculosis), and diseases with pandemic potential (influenza). Many of these diseases are associated with or exacerbated by poverty, displacement, malnutrition, illiteracy, and poor sanitation and housing. Increased cross-border trade and economic activity in the HoA will necessitate simultaneous investments in strengthening disease control efforts and outbreak preparedness.

12. **Gender.** Although the benefits of empowering women during transitions out of fragility are many, women continue to face such obstacles as limited land rights, lack of education, and antiquated social customs that often thwart their ability to improve food security conditions for their families and their communities.

13. **Illicit money flows and human trafficking.** Corruption, piracy, trafficking in people and arms, terrorism, and related money flows are significant and interconnected threats in the Horn of Africa. Illicit financial flows are one of the most damaging economic problems facing Africa; it is estimated that the continent has lost \$55.6 billion each year over the past decade. Money laundering and terrorist financing (ML/TF) are major challenges, and remittance flows are perceived as a significant ML/TF risk. People trafficking is a growing problem in the region.

14. **Connectivity and trade issues.** Limited sub-regional transport connectivity and non-tariff barriers remain a significant impediment to formal cross border trade. A container sent from Malawi to Ethiopia is routed through Mozambique to Beira, by sea to Djibouti, and then overland to Addis, and takes four months to arrive. A container sent from China to Ethiopia takes a maximum of three weeks. Informal trade is highly significant, in both volume and value. Social connections across borders will continue to facilitate the movement of people, goods, and money that are necessary to underpin regional economic integration. There is enormous potential for intraregional and global trade, and exploiting opportunities for cross-border trade is likely to have a direct impact on incomes and employment in the region and to improve outcomes for many households, particularly if the extensive informal trade relations can be capitalized on. Most governments of the region do not rank highly on trading across borders in the Doing Business Report. At the formal level, poor trade facilitation and weaknesses in institutions, regulations, and currencies of some countries exact a major cost on intraregional trade. Some regional trade is taking place; however, the Intergovernmental Authority on Development (IGAD) has lagged behind other Regional Economic Communities in negotiating and interpreting trade agreements and the institutional framework to resolve associated disputes is weak.

## **B. Working toward Regional Integration and Cooperation**

15. Among the countries of the HoA, there are encouraging signs of political momentum for enhanced regional economic interdependence. Increasingly, HoA countries are members of the East African Community, IGAD, and the Common Market for East and Southern Africa. Some countries are showing strong political will to solve both security and development issues through increased cooperation—for example, many have sent troops to participate in peace-keeping efforts and have participated in diplomatic initiatives.



16. **Regional infrastructure.** Improving regional infrastructure connectivity can help to improve human development and business competitiveness, and can also help to strengthen trust and cross-border collaboration. Recognizing that cross-border cooperation is critical to more connected and competitive markets to spur faster economic growth, several HoA countries are working to strengthen their economic ties to their neighbors, particularly through support to cross-border infrastructure. For example, Ethiopia is exporting its abundant hydroelectric power, Kenya is experiencing the transformational effect of improved communications infrastructure, and Djibouti is upgrading its ports and electricity grid. The development of transport corridors to seaports, the management of shared water resources, improved ICT connectivity, and enhanced energy security are all potential drivers of economic integration.

17. **Oil and gas production.** The region is about to undergo dramatic and lasting change when oil production starts in Kenya, Uganda, and possibly Somalia and Ethiopia. Sudan and South Sudan are currently the only oil producers, though almost every state in East Africa has announced that it has substantial oil and gas reserves. To Uganda's more than 2 billion barrels of reserves have been added oil finds in Ethiopia's south Omo region and in Kenya's Turkana—discoveries that rival some of the most productive oil fields on the continent. The secessionist state of Somaliland has signed production-sharing agreements with foreign firms on areas yet to be drilled, and exploration companies report substantial prospects along Somalia's coastline that need to be tested by drilling.

### C. World Bank Group Initiative

18. Analysis and consultations confirm the need to seek more collaborative solutions among countries to the issues of fragility, vulnerability, and insecurity in the HoA—issues that do not respect national boundaries. There is recognition at the highest levels of government that, for development to be both successful and sustainable, a stronger regional political dimension will need to be a key part of the solution. This paper suggests some focused interventions that could help to do so; but the WBG cannot and will not attempt to do everything that our analysis and consultations have concluded are important issues that demand a regional approach. There will be considerable room for other partners to engage and intervene. As in the Great Lakes and Sahel Initiatives, there will also be a need to learn by doing, to mobilize additional resources, and to sustain high-level political engagement. Finally, the initiative must complement and coordinate with ongoing WBG country programs and planned short-term programs to provide emergency humanitarian assistance to communities in need.

19. **Selective, programmatic approach.** The WBG initiative proposes supporting a selective number of operations that are focused on the region's challenges and that have strong country ownership. Given the different stages of development of these countries and their relationships with international and regional partners, the initiative will also be rolled out programmatically at the country level, as and when an appropriate environment exists.

20. **Two pillars.** The regional approach to the Horn will be built on two interrelated pillars—vulnerability and resilience, and economic opportunity and integration.

- **Vulnerability and resilience.** Under this pillar the primary objectives are to (a) enhance the productive capacities and coping mechanisms of displaced populations to allow them to contribute to the local economy in their areas of displacement, and promote durable social and economic reintegration for voluntary returnees; and (b) provide support to communicable disease surveillance, diagnosis, and treatment.
- **Economic opportunity and integration.** Efforts under this pillar will (a) support connectivity through regional transport infrastructure, and increased access to broadband, along with improved enabling environments to encourage a competitive private sector market; (b) foster

cross-border growth and stability through support for local governance, border management, and trade facilitation; and (c) support the regional development of the extractives sector through pipeline development and expansion of tertiary education.

In all these efforts, it will be crucial to take an integrated approach that acknowledges the need for greater security and stability in the region. It will also be important to promote the involvement of the private sector and give particular attention to the needs of women and youth.

21. **Knowledge products.** The operational programs will be accompanied by a knowledge program designed to provide the foundation for the operational response and the further evolution of the HoA Initiative, and also to inform governments and partners on appropriate policy and investment choices.

22. **Regional leadership and broad ownership.** In developing this initiative, the WBG has worked very closely with IGAD and has consulted widely with the UN family, other multilateral and bilateral institutions, and various government officials in the sub-region. Consultations and close partnership will continue throughout implementation.

23. **Partnerships.** The WBG is committed to working together with a range of partners to ensure successful delivery of the initiative and results on the ground. The initiative strives to take advantage of new opportunities arising from regional leadership and political developments on the ground, and the growing resolve of the international community to support more ambitious efforts to solve problems in the region, while giving those efforts a greater international profile. Operationally, the initiative is expected to facilitate increased support to the region from multiple stakeholders, to promote a greater degree of alignment and collaboration in areas of mutual interest, and, importantly, to encourage more operations that promote more cross-border solutions to long-standing problems of poverty. Timely and efficient operations that deliver results quickly will require effective partnerships in which some institutions are best placed to lead, and others to contribute. The WBG is not best placed to lead on everything; therefore, with IGAD, it will promote these partnerships.

## 1. INTRODUCTION

1. **This paper analyzes key factors contributing to regional instability and vulnerability in the Horn of Africa (HoA) and proposes steps to address them.** Despite the past and ongoing diplomatic, security, and development efforts of multiple stakeholders, the Horn sub-region remains vulnerable. All parties—countries and development partners alike—increasingly recognize that national programs alone are not sufficient to mitigate the sub-region’s vulnerability. This understanding has led to a growing program of regional activities under the leadership of Heads of State within the Intergovernmental Authority on Development (IGAD), a robust response to the region’s 2011 famine crisis by multiple parties, and growing regional collaboration and support on security and development issues. The central rationale for the initiative set out in this paper is that we cannot eliminate extreme poverty and boost shared prosperity in the Horn without engaging more intensively and creatively in addressing very difficult development problems. These problems are regional in nature and therefore require regional solutions.

2. **For the purposes of this initiative, the Horn of Africa refers to Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda<sup>1</sup>** (see Figure 1). With a total area of around 5.2 million square kilometers, the HoA includes some of the largest and the smallest countries in Africa. There is sound logic in looking at regional instability and vulnerability in these countries as a group. Despite the region’s diversity, its problems are interlinked: events in one country affect others, and the problems of one can often be solved only with the involvement of others. Indeed, for any of the countries, social, economic, and political development can only be achieved in a climate of enhanced security and stability for all. Given the different stages of development of these countries and their relationships with international and regional partners, the initiative will be rolled out programmatically at the country level, as and when an appropriate environment exists.

### 1.1. Wide Range of Development Needs

3. **In the HoA, a complex set of historical, ideological, political, social, economic, humanitarian, geographical, territorial, and environmental factors have created tensions within and between states.** One result has been interstate, intrastate, and inter-communal conflicts. At present, the region is affected by four main ongoing conflicts: internal conflict in Somalia and the military intervention of its neighbors; the sensitive separation of South Sudan from Sudan; the unresolved dispute between Ethiopia and Eritrea; and most recently, the internal conflict in South Sudan. However, no individual state in the HoA has been insulated from one or more of these conflicts, irrespective of their distance and comparative strengths or weaknesses. This is particularly true of instability in border areas—drivers of conflict and fragility transcend political borders, and weakly governed areas provide refuge for criminal activity.<sup>2</sup>

4. **Wars and famines have triggered major displacements of people, both within countries and across borders, so that the concentration of refugees and internally displaced people (IDPs) in the Horn is among the highest in the world.** The region has generated over 2.7 million refugees and hosts over 2 million of them (see Table 1)—and many of them have experienced prolonged displacement, often lasting for decades. There are also over 6 million IDPs in the region. Host countries may not have

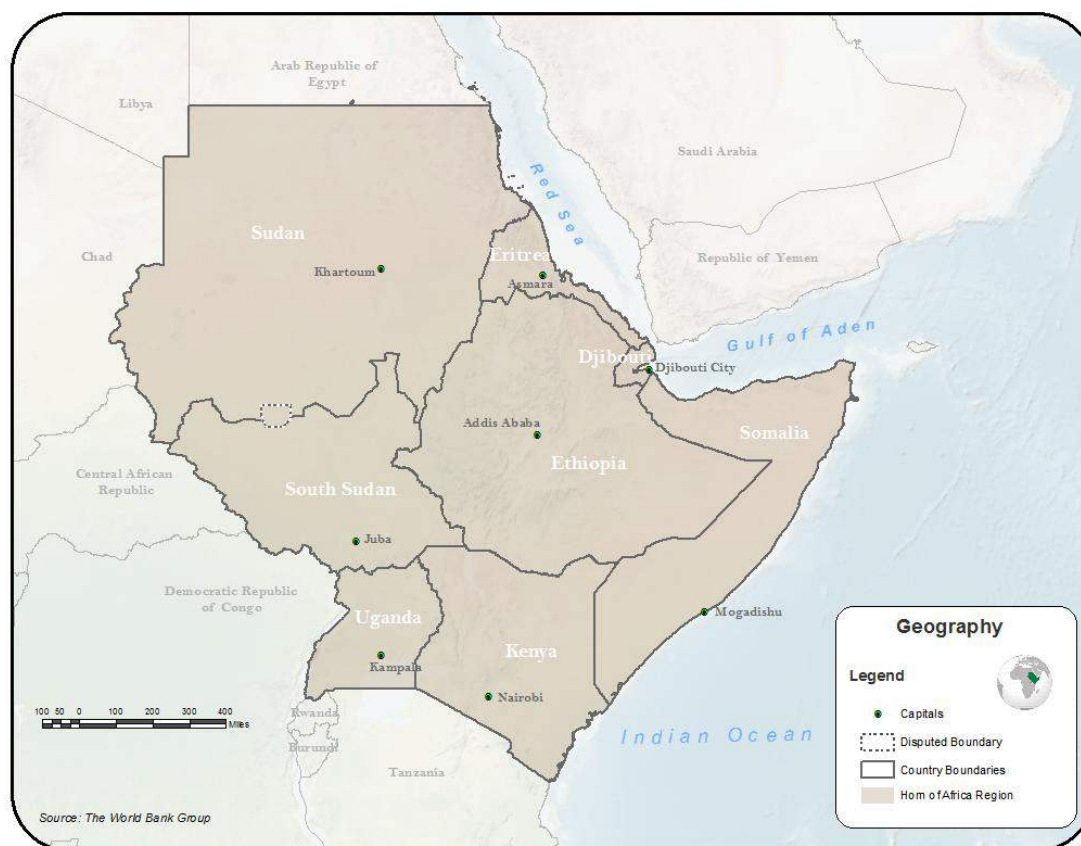
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<sup>1</sup> All are members of IGAD, though Eritrea’s membership is currently suspended.

<sup>2</sup> Horn of Africa Regional Fragility Assessment, World Bank, 2014.

incentives and resources to address refugees' needs, and tensions may arise between refugees and host communities over land, natural resources, and livelihood opportunities.

**Figure 1. Regional Area Map of the Horn of Africa**



**Table 1. Displaced Population in the Horn of Africa**

<i>Country</i>	<i>Refugees by origin</i>	<i>IDPs</i>	<i>Refugees hosted</i>
Djibouti	1,168	0	23,810
Eritrea	338,060	10,000	3,169
Ethiopia	125,779	316,090	629,718 <sup>a</sup>
Kenya	10,745	412,000 <sup>b</sup>	550,587 <sup>a</sup>
Somalia	967,038 <sup>h</sup>	1,106,000 <sup>c</sup>	12,301 <sup>f</sup>
South Sudan	595,913 <sup>i</sup>	1,400,000 <sup>d</sup>	244,805 <sup>f</sup>
Sudan	678,036	2,890,000 <sup>e</sup>	170,665
Uganda	11,764	29,776	388,950 <sup>g</sup>
<b>Total</b>	<b>2,728,503</b>	<b>6,163,866</b>	<b>2,024,005</b>

*Sources:* All data UNHCR 2013 except where otherwise noted.

<sup>a</sup> July 2014; <sup>b</sup> January 2013; <sup>c</sup> March 2014; <sup>d</sup> September 2014; in addition, there are 20,000 IDPs in Abyei; <sup>e</sup> June 2014; <sup>f</sup> October 2014; <sup>g</sup> June 2014; <sup>h</sup> September 2014; <sup>i</sup> October 2014.

5. **The region is going through substantial demographic changes.** While infant and under-five mortality rates have declined over the past two decades, fertility rates have remained high and will continue to be the main driver of population growth. The total population of the eight HoA countries, about 43 million in 1950, has grown to 225 million in 2010 and is projected to reach 258 million by 2015.<sup>3</sup> In many countries the median age is as young as 16 years, and it is estimated that in 2020 there could be 60.5 million young people aged 15-24 years in the eight countries in the Horn. The population dynamics imply that these countries will continue to face such challenges as keeping pace with critical investments in health and education, creating jobs, eradicating malnutrition, and reducing poverty and vulnerability.

6. **Much of the Horn's population remains vulnerable to shocks from environmental degradation, harsh climate, and growing food insecurity.** The frequency and severity of drought are likely to increase as a result of climate-related change, exacerbating such factors as poverty, degraded ecosystems, uncoordinated water resource management, conflict, and ineffective governance.

## 1.2. Assets to Build on

7. **There is an opportunity for the HoA to break free from its cycles of drought, food insecurity, water insecurity, and conflict by building on some emerging trends and approaches:** (a) high-level political resolve and investment to improve regional security (including through diplomacy and robust mechanisms for enforcement and monitoring); (b) scaled-up efforts to generate a peace or development dividend, especially for the most vulnerable groups and the region's growing youth populations; and (c) cross-border cooperation in areas of mutual interest such as infrastructure and regional public goods.

8. **Oil, electricity, water, and agriculture all present unprecedented opportunities to transform the region over the next decade.** Significant oil and gas finds in Kenya and Uganda, and possibly in Ethiopia and Somalia, will change the face of the region dramatically. Through domestic revenue generation, the infrastructure and services to develop and operationalize production, and the billions of dollars that will flow in as foreign direct investment. Large-scale energy development—whether through hydroelectric power, oil and gas, or alternative forms of generation such as geothermal and wind—has great promise. The potential to harness groundwater resources to increase resilience in drought areas and provide water for irrigation is great. The area has rich agricultural land for food production that has yet to be exploited. Thus the region is well positioned to supply both itself and the economies of the Gulf and South Asia with food and energy, if it manages the risks of instability associated with the development of these opportunities and gives attention to governance and transparency issues.

9. **The business community, particularly in Kenya and Somalia, is entrepreneurial, innovative and increasingly vibrant.** In Kenya the diversified private sector, benefiting from a well-educated and entrepreneurial workforce, bolsters the country's ability to weather external shocks and drives growth and employment in the economy. Similarly, with a long history of trade and a tradition of enterprise and innovation, the Somali private sector has continued to grow over the last 20 years, filling the gaps as the state retreated. Somali traders have successfully penetrated markets in neighboring countries, where they have become an accepted part of commercial life, covering essential services like fuel stations, foreign exchange, money transfer, supermarkets, and transportation services.

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<sup>3</sup> UN Population Division medium projection variant projection applied.

### 1.3. The Horn of Africa Initiative

10. **The HoA Initiative complements initiatives in the Great Lakes and the Sahel.** The Great Lakes Initiative was the first innovative collaboration among the World Bank, the UN, and other partners to try to bridge the gap between peace, security and development in fragile and conflict-affected regions of Africa. In May 2013 the World Bank President and the UN Secretary General made a historic first joint trip in support of the Peace, Security and Cooperation Framework for the Great Lakes Region signed in February 2013. Then, in November 2013, with the Chair of the African Union Commission (AUC), the President of the African Development Bank (AfDB) and the Commissioner for Development of the European Union, they launched the Sahel Initiative, designed to address the persistent socioeconomic challenges and civil and food security vulnerabilities of the Sahel region by building resilience and promoting economic opportunity through deeper regional integration. The HoA Initiative reflects the lessons from these experiences,<sup>4</sup> as well as extensive consultations with governments in the region, the AUC, AfDB, IGAD, the United Nations system, the European Union, and other key development partners.

11. **The World Bank Group (WBG) HoA Initiative is structured around two pillars—(a) vulnerability and resilience, and (b) economic opportunity and integration—with close attention to security, youth, gender and private sector development.** The challenges and the high level of regional complexity in the HoA underscore the need to work on a long-term and systematic approach to building the resilience of vulnerable countries and populations and creating additional economic opportunity for them.

## 2. REGIONAL CONTEXT AND DEVELOPMENT AGENDA<sup>5</sup>

### 2.1. Political and Economic Context

12. **History and location go a long way in explaining the complex geopolitics of the region.** Located in a geo-strategic position with regard to the Red Sea, the Arabian Sea, the Indian Ocean, and the Gulf, the HoA has a special regional and international significance, even in the post-Cold War world.<sup>6</sup> Many economies, for example, continue to have a vital interest in keeping open the strait of Bab-el-Mandeb, the port of Djibouti, and the Red Sea for the free flow of international shipping, not least because of the sheer quantity of oil that passes through them.

13. **A complex regional history has resulted in states that were created in significantly different ways—a fact that shapes their governance systems, patterns of justice and exclusion, and the ways they relate to one another today.** For many decades, external intervention in the region has been important in contributing to conflict and cross-border relations.<sup>7</sup> The resulting security interdependence in the Horn is complex, with interstate, intrastate, and proxy forms of war. Many ethnic groups were divided across state boundaries and regional management of ecosystems, which is essential to many livelihood approaches, was limited.

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<sup>4</sup> *Reviving the Great Lakes: A World Bank Group Regional Initiative for Peace, Stability and Economic Development*, March 2013; *The Sahel: Towards a Regional Approach*, August 2013.

<sup>5</sup> This section has been informed by a regional fragility assessment carried out by the Fragility, Conflict and Violence Global Practice of the WBG, provided as Annex IV.

<sup>6</sup> Woodward, P. *The Horn of Africa; State Politics & International Relations*. International Library of African Studies, 2002.

<sup>7</sup> Pavsic, P. *The Horn of Africa: International influence as a basis for the never ending violence*. Consultancy, Africa Intelligence, 2012.

14. **Afro/Arab identities continue to shape interactions in the region.** There is a long history of social, cultural, and economic interaction between the Arab world and the Horn. Some of this interaction is founded on historical trading relationships and Oman’s colonial footprint, and some on more recent developments, such as insecurity in the Red Sea.<sup>8</sup>

15. **The economic performance of countries in the region is mixed**—all countries are low income countries except Kenya, Djibouti and South Sudan, which have lower-middle-income status (see Table 2).

- At one end of the scale, **Ethiopia** was the 12<sup>th</sup>-fastest growing economy in the world in 2012, growing at an average of 8.8 percent.<sup>9</sup> The country’s growth was driven by agriculture and services on the supply side and by public investment and private consumption on the demand side. However, the policy mix adopted to promote public investment has resulted in (i) a short-term crowding-out of the private sector due to credit and foreign exchange rationing and a very low private investment rate; and (ii) the risk of external debt distress is rising due to substantial non-concessional borrowing commitments.
- At the other end of the scale, **South Sudan** experienced a deep slump in 2012: GDP plunged by 56 percent as a result of the oil shutdown, showing that overdependence on oil as the major source of revenue comes at a real cost. South Sudan is the most oil dependent country in the world, with oil accounting for almost the totality of exports, and for around 80% of gross domestic product (GDP), directly and indirectly. The country had a GDP of US\$ 10.2 billion in 2012, or US\$ 1000 per capita - almost half the previous year’s - following the suspension of oil production due to a dispute with neighboring Sudan. It is estimated that the conflict will cost up to 15% of the potential GDP in FY14.
- **Eritrea’s** GDP has risen as growth in mineral exploitation<sup>10</sup> of gold and copper helps diversify exports. More than 20 mining companies in Eritrea are licensed to explore for minerals, and more foreign firms are being attracted.
- In **Uganda** GDP growth has been much slower than historical averages due to a series of exogenous shocks from the global economy and bad weather as well as slippages in fiscal management. GDP growth was recorded at 4.7% percent in FY14 compared to 5.3 percent in FY13. The medium-term growth prospects remain strong, but downside risks abound. Strong growth is expected from the construction sector as Uganda prepares for oil production and invests heavily in infrastructure; eventual productivity dividend from increased infrastructure investments; and increased trade within the Great Lakes region. Risks to manage include those emanating from weaknesses in the fiscal management regime as well as the South Sudan crisis.
- **Kenya.** Following the rebasing of its GDP in September 2014, Kenya passed the World Bank’s lower-middle-income country threshold. Economic growth is projected to be above 5 percent for 2014 and 2015. This growth is being driven by consumption spending and public infrastructure investment, accompanied by rising output in industry and services. Growth prospects have been hampered by the negative effects of poor weather on agricultural and electricity output, and security concerns hampering tourism. Growth alone will not be enough to deliver the poverty reduction that Kenya seeks to realize its Vision 2030; the country must address inequality by

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<sup>8</sup> Horn of Africa Regional Fragility Assessment, World Bank, 2014.

<sup>9</sup> The sub-Saharan Africa average was 6% in 2012.

<sup>10</sup> IMF – World Economic Outlook, 2013

reaching those who consistently miss essential services while ensuring that the services they receive are of adequate quality and contribute to building human capital.

- GDP growth in **Djibouti** was 4.5 percent in 2012. With very few natural resources and virtually no industry, the country is highly dependent on tax revenues from in-transit trade flow, and it depends on foreign assistance to finance development and current account deficits. Increasing foreign direct investment in the country's port facilities is expected to drive accelerated growth.
- **Somalia's** macroeconomic framework reflects the country's underlying fragility, and economic data are not available. Agriculture and services are the key contributors to GDP. The livestock sector is the backbone of the economy and the main source of livelihoods: pastoralism represents a way of life and a livelihood for about 60 percent of the population, generating about 40 percent of GDP.<sup>11</sup> Somalia is eligible for HIPC debt relief and is one of only three countries not yet qualified. As part of the path to normalization with its creditors and debt relief, Somalia will need to receive support for debt reconciliation to assess its debt picture. Once successfully completed this would give Somalia access to much needed IDA and other concessional resources to help it achieve its development goals.
- In **Sudan** the oil sector has been pivotal in the last decade, accounting for over half of government revenues and 95 percent of exports. The secession of the South in 2011 meant the loss of about three-quarters of oil production and a significant correction to past economic trends. Sudan benefits from the transit fees it charges on oil from South Sudan, and it stands to lose out from the prolonged shutdown of South Sudanese oil. The country has introduced new austerity measures, including lifting fuel subsidies (a move that almost doubled fuel prices). Major creditors have taken part in a World Bank-IMF Technical Working Group on Sudan's External Debt for the past two and a half years, but substantive progress on debt relief will require Sudan to engage directly with major creditors. In the long term, cuts in federal transfers to the regions, cuts in the health and education budgets, and an overall low level of development spending are affecting the provision of basic services and the country's development. The cost of this crisis on the country's human development is already evident: in the years since South Sudan seceded, Sudan itself has slid almost 20 places down the Human Development Index. Although in the last two years an increase in exports, particularly gold, coupled with the austerity measures, has helped ameliorate some of the economic imbalances, Sudan is failing to attract the investment it needs for sustainable growth.<sup>12</sup>

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<sup>11</sup> Interim Strategy Note (FY14 – FY16), for the Federal Republic of Somalia, World Bank, November 11, 2013.

<sup>12</sup> Update on Macroeconomic Developments in Sudan, UNDP, March 2014.



**Table 2. Recent Macroeconomic Data<sup>a</sup>**

	<i>GDP growth %<sup>a</sup></i>	<i>Inflation %</i>	<i>GDP (\$ billion)</i>	<i>GDP per capita (\$)</i>	<i>CPIA rating<sup>b</sup></i>
<b>Ethiopia</b>	<b>9.7</b>	<b>7.0</b>	<b>46</b>	<b>470</b>	<b>3.4</b>
<b>Kenya</b>	<b>5.7</b>	<b>5.7</b>	<b>55.3</b>	<b>1,246</b>	<b>3.9</b>
<b>Uganda</b>	<b>4.9<sup>c</sup></b>	<b>5.9</b>	<b>21.45</b>	<b>572</b>	<b>3.7</b>
<b>Djibouti<sup>d</sup></b>	<b>4.8</b>	<b>3.7</b>	<b>1.35</b>	<b>1,660</b>	<b>—</b>
<b>Eritrea</b>	<b>7</b>		<b>3.1</b>	<b>544</b>	<b>2.0</b>
<b>South Sudan</b>	<b>-47.6</b>	<b>47.3</b>	<b>9.34</b>	<b>862</b>	<b>2.1</b>
<b>Sudan</b>	<b>-10.1</b>	<b>37.4</b>	<b>58.77</b>	<b>1,580</b>	<b>2.4</b>
<b>Somalia</b>	<b>n.a</b>	<b>n.a</b>	<b>2.6</b>	<b>288</b>	<b>-</b>

*Note:* The Doing Business report for South Sudan covers only Juba, while the report for Somaliland covers Hargeisa.

a World Bank Group 2013/2014 data.

b June 2014 data. The World Bank's Country Policy and Institutional Assessment, carried out annually for all its borrowing countries, has a set of criteria that are grouped in four clusters: (a) economic management; (b) structural policies; (c) policies for social inclusion and equity; and (d) public sector management and institutions. Ratings for each of the criteria reflect a variety of indicators, observations, and judgments. They focus on the quality of each country's current policies and institutions – which are the main determinant of present aid effectiveness prospects. In 2013, 3.2 was the average for IDA borrowers in SSA.

c 2013 estimate.

d 2013 data

16. **High inflation has accompanied high growth rates in the last five years.** Inflation has fallen more recently, but all countries are sensitive to global commodity prices; higher local prices may feed social unrest or exacerbate the vulnerability of certain populations.

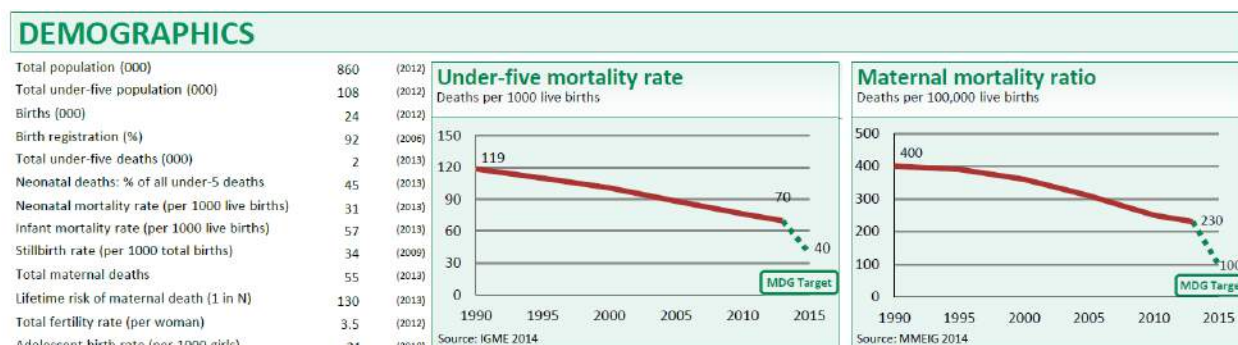
## 2.2. Poverty

17. **The region is one of the poorest in Africa.** The proportion of people living on less than US\$1 a day is declining only marginally, while in many countries the absolute number of poor people is increasing. The average population growth rate of about 3.0 percent means the population is doubling every 23 years, compounding efforts to reduce absolute rates. It is a region where the most basic necessities (clean water, food, health care, and education) is not available to much of the population, and where some countries have adult and infant mortality rates that are among the highest in the continent. The HoA's dependence on climate-sensitive sectors makes it more vulnerable than other regions to climate hazards. Climate-related shocks manifested by extreme weather conditions have destroyed livelihoods and exacerbated the HoA's food insecurity, resulting in high incidences of underweight and stunted children, widespread hunger, and poor dietary consumption patterns.

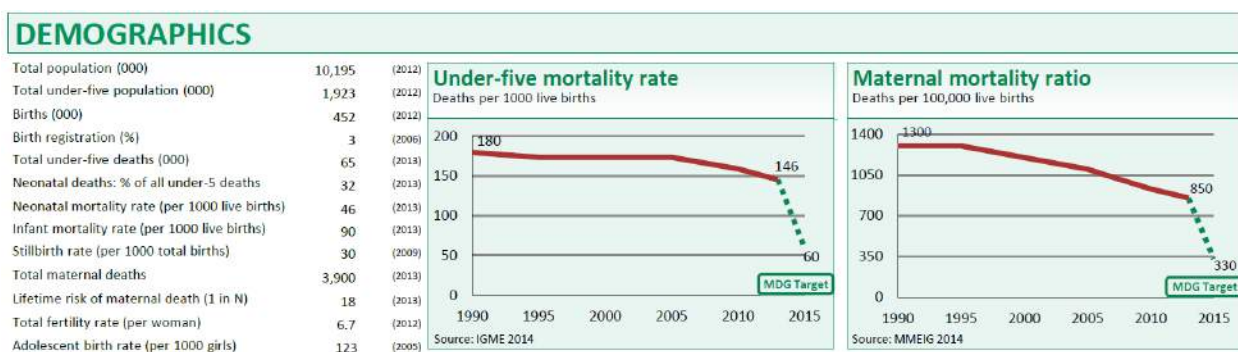
18. **The majority of countries are not on track for meeting the MDG targets, such as reducing maternal and under-five mortality and addressing food insecurity.** Most countries will be able to halve the percentage of people without access to safe water by 2015, but in many the baseline is so low that achieving this goal will still leave millions without access to safe water. Disparities in education, health, and other dimensions of human development are often evident, with particular social groups (especially the most marginalized and vulnerable parts of the population) suffering disproportionately from income poverty, inadequate access to quality services, and limited financial protection in case of catastrophic health expenses.

- At an average of \$1,511 (2011) per capita, gross national income in **Djibouti** is higher than in all neighboring states, although the figure masks extreme inequalities. With unemployment

estimated at 48 percent, the country has some of Africa's worst indices of absolute and relative poverty<sup>13</sup>.

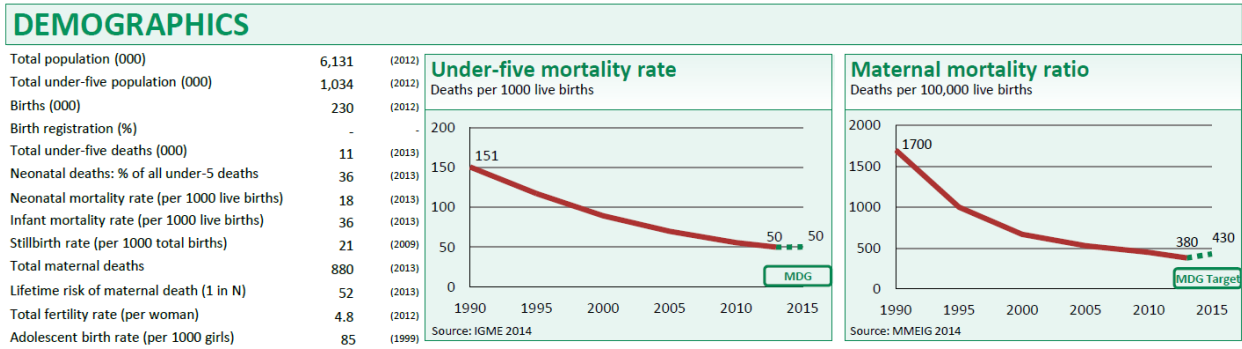


- In **Somalia** the consequences of conflict are clear and devastating: the poverty incidence is 73 percent (61 percent in urban centers and 80 percent in rural areas), with extreme poverty estimated to be 43 percent.

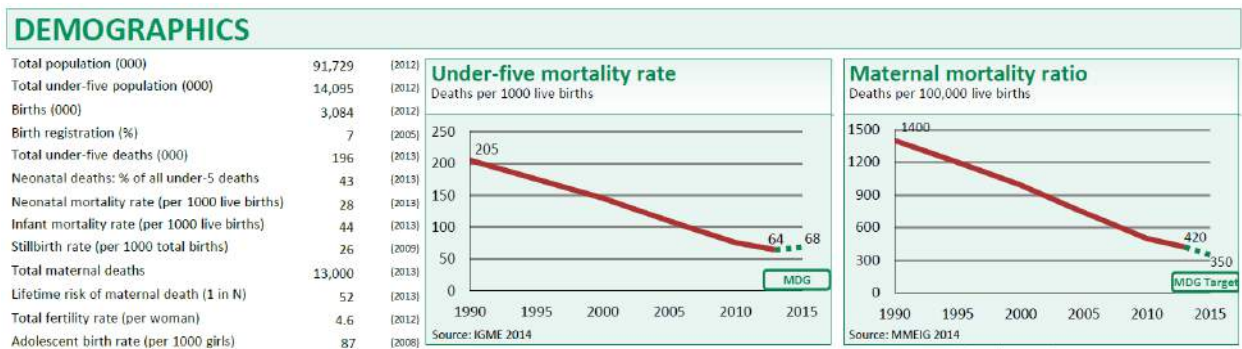


- **Eritrea**, although it is one of Africa's fastest growing economies, is one of the least developed countries in the world, with an average annual per capita income of US\$403 in 2010. Of its population of about 5.3 million, an estimated two-thirds live in rural areas. Eritrea is ranked 177<sup>th</sup> out of 187 countries in the 2011 United Nations Human Development Index, and the Eritrean diaspora is large and increasing. Official statistics on the prevalence of poverty in the country are limited. Some social indicators have improved: falling maternal mortality (from 1,700 deaths per 100,000 live births in 1990 to 380 in 2010), increasing primary school completion (from 17 percent in 1994 to 31 percent in 2013), and higher life expectancy at birth (from 52.5 years in 1995 to 61.6 years in 2011). Some improvements have been achieved through targeted investments in health and education in partnership with the United Nations Children's Fund (UNICEF), World Health Organization, United Nations Population Fund (UNFPA), and United Nations Development Programme (UNDP). However, school enrollment rates remain low at 37 percent in 2012, and girls are less likely than boys to enroll in school.

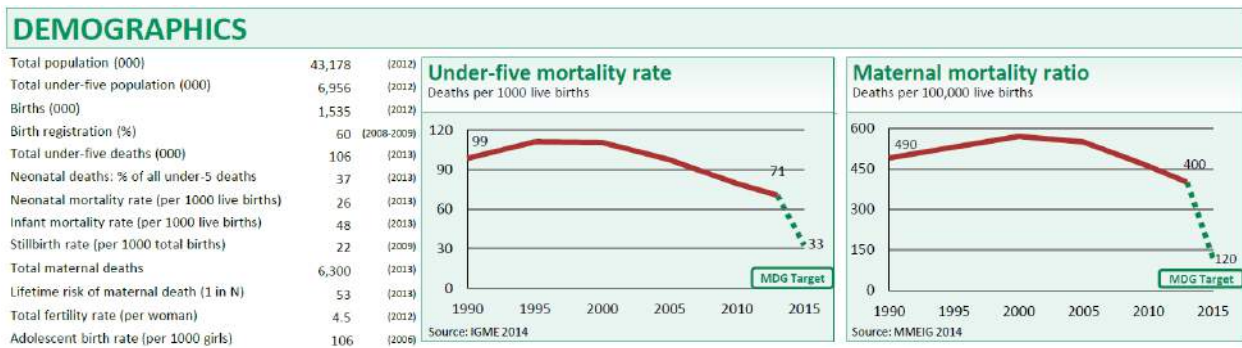
<sup>13</sup> All demographic, under-five and maternal mortality rates from UNICEF country profiles, September 2014



- **Ethiopia** has substantially reduced poverty in both urban and rural areas during the last decade. Nevertheless, the poverty rate in Ethiopia as measured by international standards remains very high: 39 percent of Ethiopians live on less than US\$1.25 a day; 78 percent live on less than US\$2 a day; and the Oxford Poverty and Human Development Index calculates the poverty rate in Ethiopia to be 90 percent, the second highest after Niger of the 104 developing countries covered. In addition, income inequality has worsened in rural areas in Ethiopia.

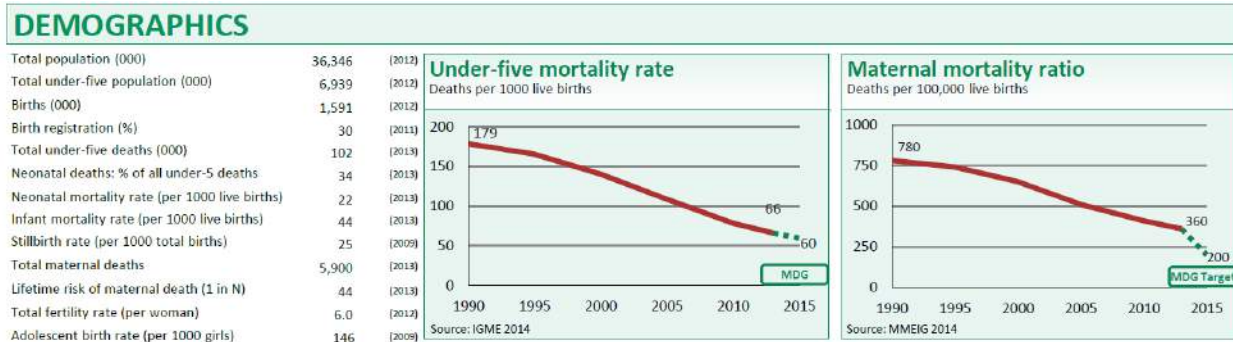


- **Kenya's** poverty level is estimated to have declined from 47 percent in 2005 to 34-42 percent, but reliable data are unavailable because the last household survey was conducted in 2005-06. While the average Kenyan is healthier and better educated and receives better infrastructure services than a decade ago, a large fraction of the population continues to live in fragile conditions with substandard access to water, sanitation, and energy—particularly in the north and northeast, where poverty levels and vulnerability are highest.

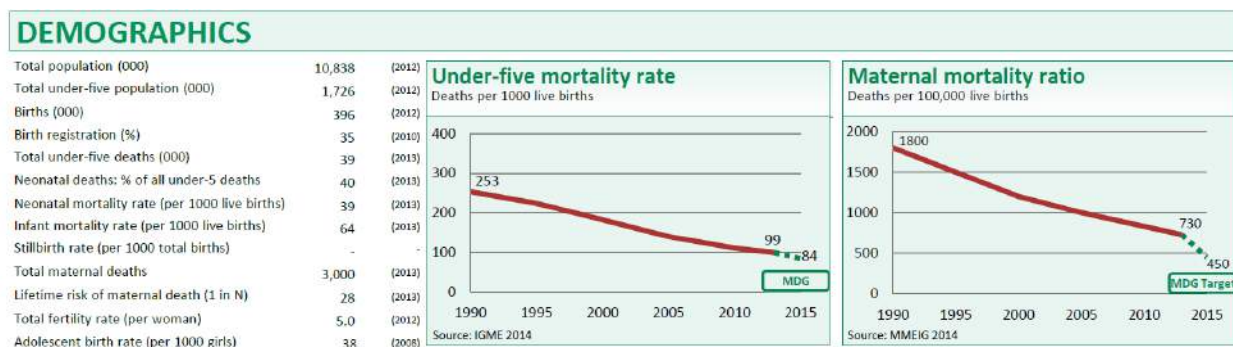


- With a per capita income of US\$510 (2013), **Uganda** remains a poor country. With a poverty rate down to 19.7% by 2013, Uganda is set to meet the first MDG, to eradicate extreme poverty and hunger. However, the vast majority of its non-poor people are vulnerable. The lower poverty

headcount has yet to translate into gains in other welfare dimensions. There are concerns about uneven progress, with distinct geographic patterns of unequal outcomes in health and education, and uneven access to basic social services. In 2012, Uganda ranked 161st of 187 countries on the UNDP's Human Development Index.



- Despite **South Sudan's** great resource wealth, over half the population lives below the national poverty line. Inequities in access to services, resources, and opportunities, combined with the politics of exclusion and patronage, ineffective governance, and lack of transparency associated with oil revenue, could present a serious threat to physical and economic security and undermine the institutional transformation needed to secure South Sudan's stability and legitimacy.<sup>14</sup>



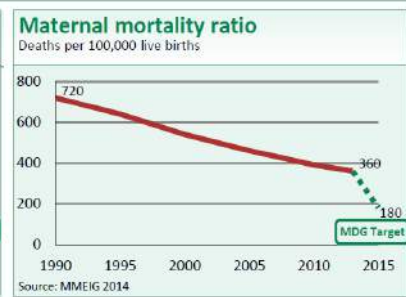
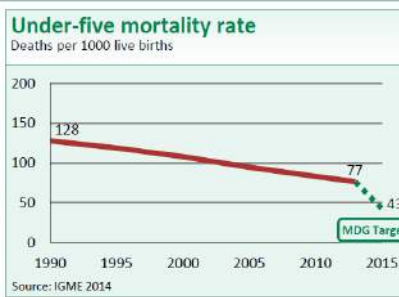
- Even after 10 years of an oil boom, **Sudan** continues to suffer wide and deep swaths of poverty and stark inequality between regions. Although in 2011 Sudan was nominally a lower-middle-income country, this status was mainly due to its highly overvalued exchange rate and large oil production; both fell short in 2012, bringing the country back to low-income-country status. Poverty estimates set the average rate of poverty incidence at 46.5 percent (2009 National Baseline Household Survey), indicating that some 15 million people are poor; and the poverty rate is significantly higher in rural areas (58%) than in urban areas (26%).<sup>15</sup>

<sup>14</sup> Interim Strategy Note (FY2012-FY2014) for the Republic of South Sudan, World Bank, January 2013.

<sup>15</sup> World Bank, 2013.

## DEMOGRAPHICS

Total population (000)	37,195	(2012)
Total under-five population (000)	5,671	(2012)
Births (000)	1,263	(2012)
Birth registration (%)	59	(2010)
Total under-five deaths (000)	94	(2013)
Neonatal deaths: % of all under-5 deaths	39	(2013)
Neonatal mortality rate (per 1000 live births)	30	(2013)
Infant mortality rate (per 1000 live births)	51	(2013)
Stillbirth rate (per 1000 total births)	24	(2009)
Total maternal deaths	4,600	(2013)
Lifetime risk of maternal death (1 in N)	60	(2013)
Total fertility rate (per woman)	4.5	(2012)
Adolescent birth rate (per 1000 girls)	102	(2009)



19. **In the HoA, poverty is predominantly a rural phenomenon.** Across the region around 70% of the population lives in rural areas (except in Djibouti, where 70% of the population lives in urban areas); more than half of those people live on less than US\$1 per day, and smallholder farmers work in conditions of static or declining productivity, vulnerability to drought, and environmental degradation. A heavy dependence on low-productivity rain-fed agriculture means that yields are failing to keep pace with population growth.

### 2.3. Drivers of Fragility and Development Challenges

20. **A range of continuing issues pose threats to the HoA's stability and development:** continuing conflict; growing numbers of refugees and internally displaced people; pronounced problems of center-periphery relations in borderlands; weak agricultural performance; water and land rights; youth unemployment and young people's susceptibility to radicalization; poor trade facilitation across borders; regional and global public health threats; and illicit financial flows.

#### A. Continuing Conflict

21. **Insecurity, conflict, displacement, poverty, and underdevelopment are closely related.** Sustainable development cannot be achieved in an environment characterized by tensions, armed conflicts, and unstable and weak government institutions; and at the same time, poverty and underdevelopment help to generate conflict. Over time the ongoing conflict in Somalia has taken on an increasingly regional character through the military intervention of the African Union Mission in Somalia (AMISOM). The huge numbers of refugees that have long gathered in the camps of mainly Ethiopia and Kenya are now becoming an intricate part of the regional political economy. In South Sudan and Sudan, disputes over oil transit have been resolved, however tensions remain over delineation of borders and support to rebel groups on either side of the border. Meanwhile, the internal conflict in South Sudan itself has regional implications—the UN recently voiced a concern that the conflict will lead to another humanitarian food crisis. Local conflicts over equitable access to natural resources, and between host communities and displaced populations, are on the rise and have caused massive displacement in the region.

#### B. Displacement

22. **About 2 million refugees and over 6 million other displaced peoples continue to burden weak local and national institutions and host communities** (see Figure 2), with negative development impacts on human and social capital, economic growth, poverty reduction, and environmental sustainability. The United Nations High Commissioner for Refugees (UNHCR) recently announced that Ethiopia has overtaken Kenya to become the largest refugee-hosting country in Africa, sheltering 629,718

refugees as of the end of July 2014. The conflict in South Sudan, which erupted in mid-December 2013, has sent around 188,000 refugees into Ethiopia and 125,000 into Uganda since the beginning of 2014.

23. **The socioeconomic impacts of displacement are significant and frequently regional.** Forced displacement can itself fuel further instability, insecurity, and conflict by concentrating or diluting ethnic, clan, religious, or political groups or fueling conflicts between refugees, IDPs, and host communities over land, natural resources, and livelihood opportunities. Displaced people are frequently the most deprived, vulnerable, and excluded; in addition, the considerable costs of servicing displaced populations place significant strains on national and local governments and host communities. Issues related to the status and return of refugees also continue to be a source of tension within the region, with host communities often overwhelmed and cross-border conflict spillovers associated with displacement leading to instability.

**Figure 2. Overview of the Displacement Situation in the Horn of Africa**  
*(Numbers of IDPs and refugees and their country of origin, as of September 2014)*

**Displacement in the HOA**

**Djibouti**

1,168 Refugees (12/2013)

**Eritrea**

# Refugees from Eritrea # IDPs (03/2014)  
 338,060 Refugees (12/2013)

**Ethiopia**

# Refugees from Ethiopia # IDPs (03/2014)  
 125,779 Refugees (12/2013)

**Kenya**

# Refugees from Kenya # IDPs (01/2013)  
 10,745 Refugees (12/2013)

**Somalia**

# Refugees from Somalia # IDPs (03/2014)  
 967,038 Refugees (09/2014)

**South Sudan**

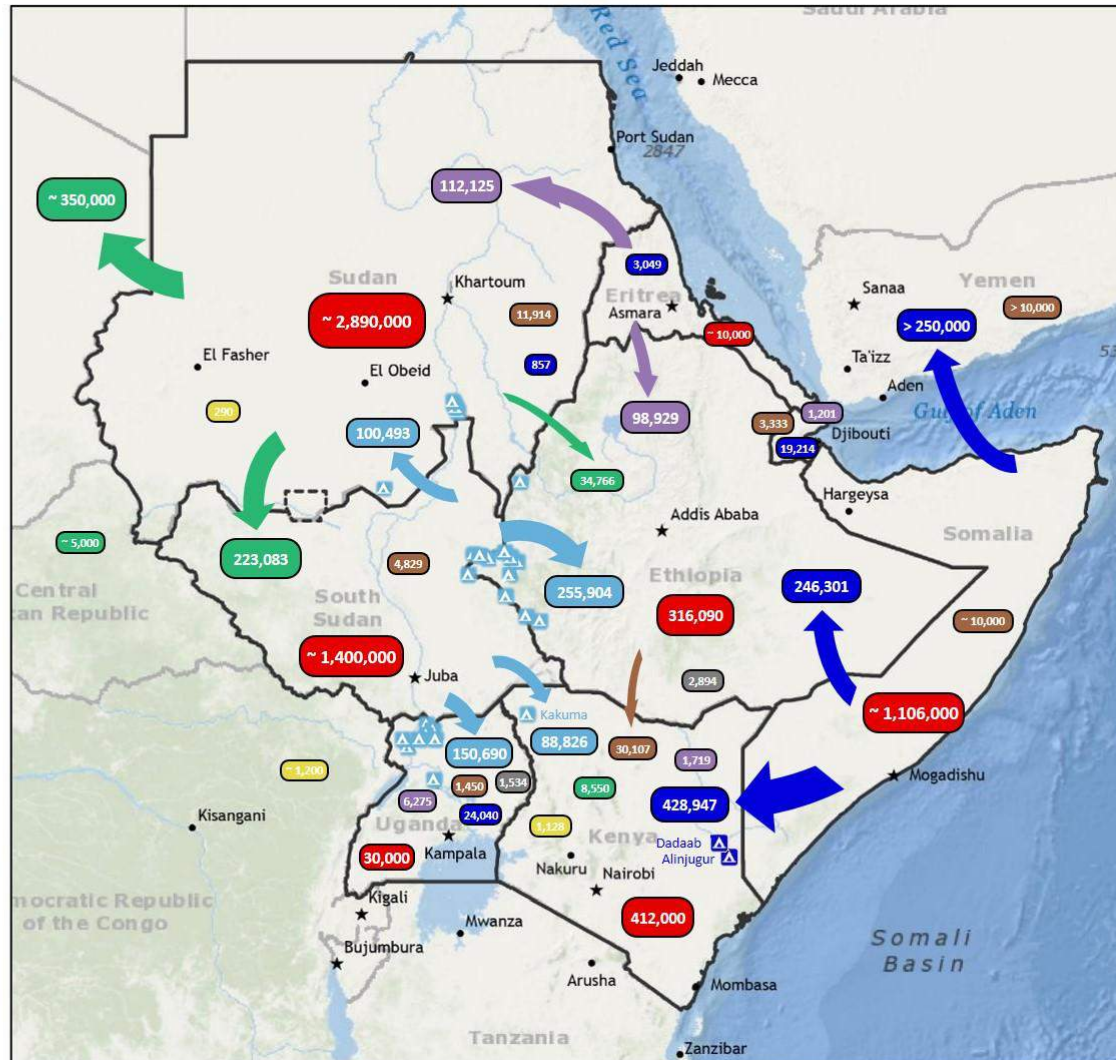
# Refugees from South Sudan # IDPs (09/2014)  
 Major Refugee Camps  
 595,913 Refugees (10/2014)

**Sudan**

# Refugees from Sudan # IDPs (06/2014)  
 678,036 Refugees (12/2013)

**Uganda**

# Refugees from Uganda # IDPs (12/2013)  
 11,764 Refugees (12/2013)



24. **The needs of people in protracted displacement and those who eventually return to their places of origin are largely developmental in nature; humanitarian responses are inadequate.** Some communities have received humanitarian assistance, including food aid, for over 20 years. This situation has built dependence and an artificial aid economy that in most cases tend to prevent communities from becoming more resilient. Drawing on the productive capacity of displaced people and equipping them and their host or return communities with assets for recovery—for example, improving access to land, services, and livelihoods and strengthening local governance and institutional capacity—can bring benefits for the wider society and region. There are critical gaps in the delivery of basic health care services, nutrition interventions, and basic education services to cross-border and mobile populations, particularly women and children. Another area of concern is that violence against women and children is a systemic and growing problem for displaced populations (see Box 1).

**Box 1. Conflict-Related Sexual Violence: Acute Vulnerability of Refugees and Internally Displaced Persons**

Since 2009 the United Nations Security Council has maintained a consistent focus on conflict-related sexual violence, recognizing that such violations constitute a legitimate threat to international peace and security, and thus require an operational security, justice, and service response. Although there are significant challenges to securing comprehensive data on the prevalence, scope, and scale of conflict-related sexual violence, in the past several years the international community has gained a deeper understanding of this phenomenon and the multi-sectoral response that is needed to prevent and address it.

Despite universal underreporting—because of the risks faced by survivors and witnesses who come forward, and the limited availability of services—the reports published since 2009 by the United Nations Secretary-General on sexual violence in conflict indicate that such violations are a consistent feature of the conflicts in a number of the HoA countries, including Sudan (Darfur), South Sudan, Somalia, and Kenya. Refugees and IDPs, as well as women and girls in villages and towns surrounding refugee camps and IDP settlements, are especially vulnerable to sexual violence.

Across the region the significant number of incidents has put pressure on justice and health services, highlighted their deficiencies, and led to a lack of trust in law enforcement and justice systems, compounding survivors' reluctance to bring charges against perpetrators. Women and girls are subjected to sexual assaults by militiamen, bandits, or men with guns while in transit and upon arrival in refugee camps, and when they travel outside camp perimeters to engage in routine livelihood activities. Very often these attacks involve multiple perpetrators. Between January and November 2012, for example, in Mogadishu UN agencies registered over 1,700 rape cases. Almost one-third of the incidents were against children. In South Sudan the UN has received information about radio broadcasts being used to incite members of one ethnic group to rape women of rival groups. In addition, many women and young girls are being forced into marriage with al-Shabaab fighters.

Beyond the devastating consequences on individual survivors, their families, and their communities, sexual violence carries broader implications for peace-making and post-conflict recovery and development. Therefore, conflict-related sexual violence merits priority attention in the key regional initiatives for the HoA by the WBG and other multilateral institutions and bilateral donors.

*Source:* Office of the United Nations Special Representative of the Secretary-General on Sexual Violence in Conflict, September 2014.

### C. Borderlands

25. **Some borders in the HoA are contested and fought over, and are a common conflict trigger.** Resource scarcity, combined with rapid population growth, poverty, and underdevelopment in border regions, exacerbates both communal conflict and civil wars. Border areas of the Horn have traditionally been viewed as neither economically nor politically important. Sparsely populated, often by groups who lack representation in central power structures, and offering limited economic potential, these areas are



underdeveloped, and limited investment of public resources in them has been the norm. Because the reach of the state in these areas is limited, border communities find it particularly difficult to cope with increasing resource scarcity or with pressures to engage in criminal or violent activity. In the arid lowland border zones of the Horn, droughts are frequent and often devastating, causing communal clashes over scarce pasture and water. Where governments have ignored demands for basic services, closed avenues for political participation, or failed to address grievances, marginalized groups may resort to violence. (Box 2 describes the situation in one borderland area.)

26. **Borderland communities that have relied on traditional conflict management tools are overwhelmed by well-financed armed groups or criminal networks.** Indeed, the political goals of several armed opposition movements—social change to guarantee political inclusion, services, justice, and peace—are designed to appeal to marginalized groups. Flows of arms and of people skilled in violence contribute to increased militarization of the borders and thus often, to an increase in both communal conflicts and trafficking. Trans-border crime and violent extremism are becoming increasingly regional and global in nature—they include extremism in Somalia and Kenya, with its links to al-Qaeda; the mineral trade,<sup>16</sup> which is driven by global demand; piracy involving financial investors in Europe and diaspora populations; and arms and drug trafficking involving international criminal networks from as far afield as South America and South Asia.<sup>17</sup>

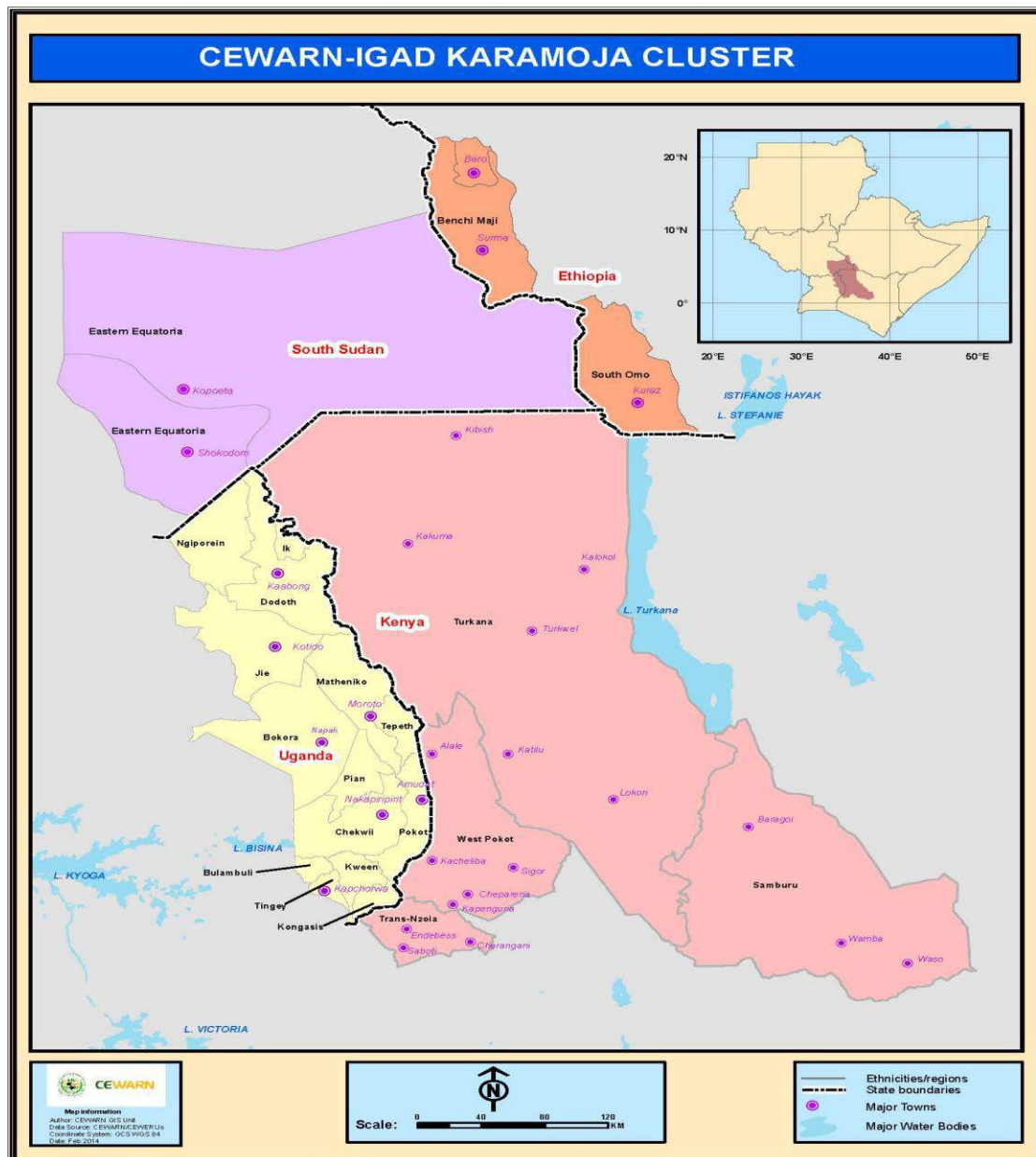
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<sup>16</sup> There is anecdotal evidence of substantial gold and gemstone smuggling in the region, drawing on artisanal mining in the region and in neighboring central African states: <http://uk.reuters.com/article/2013/10/08/us-sudan-darfur-gold-idUKBRE99707G20131008>; <http://www.sudantribune.com/spip.php?article47474>

<sup>17</sup> Horn of Africa Regional Fragility Assessment, World Bank, 2014.

## Box 2. The Karamoja Cluster

The Karamoja Cluster is a region on the arid and semi-arid peripheries of Ethiopia, Kenya, South Sudan, and Uganda. In the area, which hosts most of the 32 million pastoralists who live in the HoA, crossing national borders to migrate between seasonal pastures is common. The cluster is characterized by regular drought, insecurity, and marginalization; livestock herds are often malnourished and their pastures overgrazed and degraded.



Communities living in the cluster identify insecurity as their main problem<sup>a</sup> not least because of the increasing involvement of external actors in cattle raiding. A commercial raiding economy is evolving, comparable to a war economy and forms of organized crime. The use of small arms and light weapons facilitates commercial raiding and makes clashes more brutal. The important link between security and development in Karamoja is underscored by the delayed start of the WBG's Northern Uganda Social Action Fund Project in that region, and the inability of the airborne geological mapping of Uganda to cover Karamoja.

Uganda's government put the pacification and development of Karamoja among its top priorities, developing the Karamoja Integrated Development and Disarmament Programme to address the unique context and development challenges of Karamoja with the overall goal "to contribute to human security and promote conditions for recovery and development in Karamoja." Under the program, the following has been achieved:

- **Comprehensive disarmament program.** The army has collected over 29,000 illegal guns from the communities, police units have been established in every sub-county to maintain law and order, and electronic branding of about 200,000 heads of cattle helps identify cows in case of thefts. The success of this program has led to peaceful coexistence of the communities, resettlement of the people, and increased productivity. There is also a significant reduction in the population relying on food aid—from 90 percent in 2009 to 10 percent in 2013—as well as increased infrastructure development and provision of social services.
- **Water for human consumption and production.** Over 52 valley tanks and five strategic dams/reservoirs have been constructed in the grazing areas to provide water for livestock, especially in the dry season, and to reduce the pastoralists' seasonal migration.
- **Improved livelihoods and food security for households.** The Community Empowerment and Peace Building Programme, launched in 2011 to enhance food security and augment household income, has procured 4,000 oxen for vulnerable households; 2000 ox ploughs; 1,000 heifers for improved milk production and enhanced child nutrition; 1,000 goats for groups of vulnerable women; tractors; the planting of 300 acres of maize for school feeding programs; and a supply of improved cassava cuttings.
- **Improved infrastructure and education and health services.** The supply of hydropower and the construction of health and education infrastructure have spurred companies to undertake mineral prospecting and exploration in the region, and there are plans for an industrial park.

Cross-border raids continue in the four countries. While Uganda's efforts have led to a general improvement in the security situation and the restoration of law and order, the refusal elsewhere to disarm and general regional criminality need to be addressed in a more comprehensive and holistic manner by all four affected countries working together.

In 2011, an IGAD analysis found that despite numerous development interventions by countries and partners (often focused on emergency short-term measures), a broader and comprehensive regional approach was lacking. In 2013 the Caucus of Karamoja Members of Parliament and Government Ministers endorsed the following (among other IGAD recommendations): (a) creation of regional policies; (b) strengthening of the institutions that deal with migration and livestock routes; (c) enforcement of existing peace agreements and protocols; (d) enhanced rangeland planning and management; (e) strengthening of alternative basic education; (f) establishment of a sub-regional peace council to coordinate cross-border conflict early warning and response; (g) introduction of innovative financial services; (h) encouragement of local community policing; (i) establishment of higher learning institutions in the Karamoja Cluster; and (j) promotion of community radio for social cohesion.

<sup>a</sup> IGAD Regional Integrated and Comprehensive Development Planning for the Karamoja Cluster, September 2012.

## D. Agriculture

27. **Agricultural performance has a strong influence on economic growth, level of employment, demand for other goods, food security, and overall poverty reduction.** Agriculture is a mainstay of most of the economies of the Horn of Africa. In low-income countries, such as Somalia and Ethiopia, agriculture is often the largest contributor to GDP (60% and 50% respectively). In the past, growth in agricultural output in the region has been driven largely by increases in factor inputs, including land brought under cultivation; now the adoption of improved technologies and management can play a critical role in lifting yields and output. At the same time, regular support through national safety nets has been shown to enable the poorest households to move their livelihoods along the risk-return continuum.

28. **The HoA's agricultural potential has yet to be exploited.** South Sudan's greatest asset is not oil, but land: about 80 percent of its 644,000 km<sup>2</sup> land area is considered arable, but less than 5 percent is under cultivation. South Sudan has the potential to be a key regional production center for a range of food staples—the breadbasket of the region. (By contrast, only 14-18 percent of Kenya's 582,000 km<sup>2</sup> is considered suitable for farming.) Thus there is massive untapped potential for agricultural production and trade, which can contribute to food security, increased employment throughout the region, and the return of IDPs. Uganda also has a comparative advantage in agriculture: agricultural production in the north is expected to increase, and there is growing regional demand for Uganda's exports. Similarly, in Sudan, agriculture, including livestock, holds the highest potential for broadly-shared growth and poverty reduction in Sudan. Through the Interim Poverty Reduction Strategy Paper, the Government has strongly emphasized transforming agriculture from subsistence production to a modern sector responsive to market signals as a way to rapidly lift the majority of Sudanese out of poverty.

29. **Pastoralist communities—despite their significant contributions to national economies and to the maintenance of ecosystems—remain socially, economically, and politically marginalized.** Pastoralism—the extensive, mobile grazing of livestock on communal rangelands—is the key production system practiced in the region's arid and semi-arid lands. These lands represent more than 60 percent of the total Horn area, with a pastoral population estimated at 12-22 million and a 41 percent incidence of extreme poverty.

## E. Climate Change, Environment, and Water

30. **Climate change poses a considerable threat of undermining development gains and future opportunities in the Horn of Africa.** Many of the HoA countries have been identified as being among the countries at highest climate-related risks, particularly because of the impacts of droughts and floods. In addition, there are a number of indirect impacts of climate variability and change—the increased spread of human and livestock diseases (epidemics such as the Rift Valley fever), increase in unsustainable natural resource extraction (leading to soil nutrient depletion and deforestation), increased conflicts and insecurity, and the breakdown of various services. All such impacts will affect highly vulnerable groups most.

31. **As the HoA develops, it is facing growing challenges with managing its environmental and renewable natural resources—land, water, forests, fish, and the ecosystems on which they depend—in a sustainable way.** Heating and cooking in poor households are widely dependent on the use of wood and charcoal, which gradually reduces forest reserves, encourages soil erosion, and damages the grazing habitat for livestock. Producing charcoal for sale is a traditional coping mechanism for pastoralists during drought. In Somalia, the demand for wood and charcoal, boosted by the absence of alternative fuels, appears to be drastically reducing forest reserves and providing a valuable source of income for al-Shabaab. The livelihoods of large numbers of people affected by extreme poverty and food insecurity in the Horn are made worse by erratic rainfall and the severe droughts that have become more frequent.

Water scarcity and climate change will continue to put pressure on a region whose resources are already stretched by population growth and environmental degradation. Efforts to manage water and make it available where it is most needed are hampered by underdeveloped water storage infrastructure, changing climates, and the weak capacity of regional water-resource management institutions.

**32. Equitable management and development of water resources, particularly groundwater resources, could make a significant contribution to meeting the region’s demand for food security.** Five of the eight HoA countries share the Nile Basin, which is at the center of potential regional tensions. Although the Nile Basin Initiative has begun laying the groundwork for investments in water storage and power generation and transmission, more effort will be required to help preserve the Basin’s catchment areas for future generations. However, the HoA is rich in groundwater—which is resilient to climate change and thus has huge potential to reduce fragility in the Horn region if properly exploited (see Figure 3). The United Nations Educational, Scientific and Cultural Organization (UNESCO) and the Kenya Government recently announced the discovery of one of the world’s largest underground water aquifers in the desert north of Turkana, and similar finds are being made elsewhere in the region. Studies are needed to evaluate the potential and the vulnerability of these new water resources and assess how they might be exploited to benefit the region’s populations.

## **F. Youth**

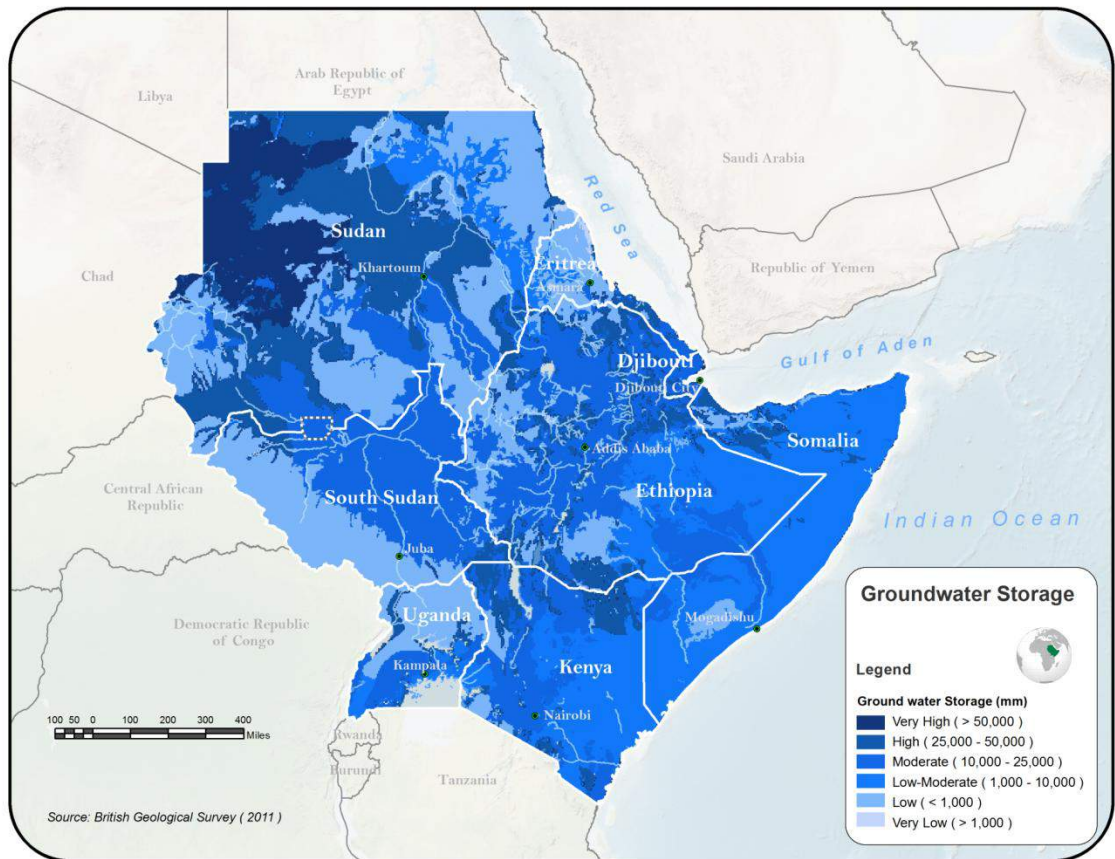
**33. Unemployed young populations and weak economies are drivers of fragility.** As the HoA countries’ populations grow larger, most are also growing younger: the Horn countries now have some of the most youthful populations in the world. In 2010 Uganda had a median age of 15.5 years and Somalia a median age of 16 years. But demography and the “youth bulge” is not the entire problem; it is a question of social and economic segregation. As the importance of the traditional decision-making institutions erodes, young people are not finding ways to legitimately voice their concerns in the political arena. Instead, the outlet for their frustration becomes the streets or the bush. In countries with rebel movements and religious extremism, these angry young men become a fertile recruiting ground of fresh soldiers for the cause. More attacks similar to Westgate in Kenya could deter foreign investment and tourism, which supports hundreds of thousands of jobs across the region.

**34. Empirical results suggest a positive association between the growth of youth unemployment and the brutality and incidence of violence.**<sup>18</sup> In Kenya, over 60 percent of the population is under 25 years of age, and an estimated 75 percent of out-of-school youths are unemployed. The unemployment rate for youths in Somalia is one of the highest in the world, at 67 percent of all 14- to 29-year-olds. Growing youthful populations demand our attention, especially given the sense of exclusion many of them feel. Youth need alternatives to joining piracy, rebel groups, and organized crime—especially in fragile states such as South Sudan and Somalia, where 70 percent of the population is under 30 years of age.

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<sup>18</sup> Caruso, R., and E. Gavrilova. 2012. “Youth Unemployment, Terrorism and Political Violence: Evidence from the Israeli/Palestinian Conflict.” *Peace Economics, Peace Science and Public Policy* 18.

**Figure 3. Groundwater Storage Potential in the Horn of Africa**



## G. Trade Issues

35. **Informal trade<sup>19</sup> is highly significant, in both volume and value.** Regional integration is happening in an ad hoc way and outside of formal arrangements, though it is not without the risks of poor quality control and labor and gender exploitation. The close social and economic ties linking people across borders underpin trading networks that play a vital part in the region's economic life. The value of informal trade is notoriously hard to estimate, but fragmentary information suggests it is substantial.<sup>20</sup> Much of the small-scale trade across borders in the Horn involves essential foodstuffs and basic requirements such as medicines, clothing and fuel. The livestock trade is very important to the regional economy; estimated in value at over \$200 million annually. At least half the animals originate in eastern Ethiopia;<sup>21</sup> Somalia, Sudan, and Ethiopia are also major exporters of livestock.

36. **Social connections across borders will continue to facilitate the movement of people, goods, and money that are necessary to underpin regional economic integration.** Such networks strengthen trade and can build the foundations for business and commerce. As an example, the growth in demand and the lack of local production capacity in South Sudan have led to a sharp increase in cross-border trade

<sup>19</sup> Informal trade is essentially a free trade area with elements of a common market in the movement of people and capital and is localized in border regions

<sup>20</sup> Healy, S. Hostage to Conflict: Prospects for Building Regional Economic Cooperation in the Horn of Africa. A Chatham House Report, 2011.

<sup>21</sup> Healy, S. op. cit.

between South Sudan and Uganda. For both formal and informal trade, South Sudan has been the single largest destination of Uganda's exports since 2007.<sup>22</sup>

37. **Most governments of the region are ranked poorly on trading across borders in the Doing Business Report.** By nature, landlocked countries receive lower Doing Business rankings than those with deep sea ports, such as Djibouti (see Table 3). Nonetheless, Kenya's poor ranking seriously affects South Sudan and Uganda, since Kenya hosts the main port of entry for goods to those countries.

**Table 3. Ranking in Trading across Borders (Doing Business 2014)**

<i>Country</i>	<i>Rank<sup>a</sup></i>	<i>Documents to export (number)</i>	<i>Time to export (days)</i>	<i>Cost to export (US\$ per container)</i>	<i>Documents to import (number)</i>	<i>Time to import (days)</i>	<i>Cost to import (US\$ per container)</i>
<b>Djibouti</b>	60	5	20	885	5	18	910
<b>Sudan</b>	155	7	32	2,050	7	46	2,900
<b>Kenya</b>	156	8	26	2,255	9	26	2,350
<b>Uganda</b>	164	7	30	2,800	10	33	3,375
<b>Ethiopia</b>	166	7	44	2,180	10	44	2,760
<b>Eritrea</b>	170	10	50	1,460	12	59	1,600
<b>South Sudan</b>	187	10	55	5,335	12	130	9,285

<sup>a</sup> Out of 189 economies.

38. **At the formal level, poor trade facilitation and weakness in institutions, regulations, and currencies exact a major cost on intraregional trade.** There is enormous potential for intraregional and global trade. Exploiting opportunities for cross-border trade is likely to have a direct impact on incomes and employment in the region and to improve outcomes for many households, particularly if the extensive informal trade relations can be capitalized on. At the forefront of these opportunities are exports to the global market from the new oil and gas yet to be developed. Some regional trade is taking place: Sudan has started to supply petroleum products to Ethiopia, and Port Sudan has become an outlet for Ethiopian agricultural exports. Ethiopia has introduced a licensing system to regulate cross-border trade with Sudan, Kenya, Djibouti, and Somalia, governing the types of goods that can be traded, how often, and how far from border posts goods can be traded. However, IGAD has lagged behind other Regional Economic Communities (RECs) in negotiating and interpreting trade agreements, and the institutional framework to resolve associated disputes is weak.

## **H. Public Health and Gender**

39. **The HoA countries are not well prepared to respond to regional and global public health threats.** They have made limited progress on the delivery of regional public goods that are critical for controlling or eliminating communicable diseases and promoting regional public health security. The porous nature of borders, the rise in regional and global travel, and the highly mobile and nomadic lifestyles in the HoA elevate the risk of disease outbreaks. The subregion faces multiple challenges, with outbreak-prone diseases (cholera, meningitis, Kala-azar, and hemorrhagic fevers, including Ebola), endemic diseases (multi-drug-resistant tuberculosis), and diseases with pandemic potential (influenza). Many of these diseases are associated with or exacerbated by poverty, displacement, malnutrition, illiteracy, and poor sanitation and housing. The Ebola outbreak in West Africa has underscored the importance of a regional approach to communicable disease control, since weak health systems and disease control capacities in one country can have negative repercussions for neighboring countries. It has

<sup>22</sup> Yoshino, Ngungi & Asebe. Africa Trade Policy Notes: Enhancing the Recent Growth of Cross-Border Trade between South Sudan and Uganda. Policy Note No. 21, World Bank. July, 2011.

served as a wake-up call to all countries on the importance of putting in place strong disease surveillance and laboratory systems for monitoring disease patterns; accurately and quickly diagnosing pathogens; and containing disease outbreaks to minimize human suffering, transmission, and mortality. Increased cross-border trade and economic activity in the HoA will necessitate simultaneous investments in strengthening disease control efforts and outbreak preparedness.

40. **The benefits of empowering women during transitions out of fragility are many.** At the national level, women bring alternate voices to political processes, while at the community level they play a vital role in building social cohesion and crafting conflict-resolution mechanisms.<sup>23</sup> As economic actors they are key to raising productivity and improving livelihoods—for example, through their important role in pastoral and agricultural value-chains and communities. However, women face such obstacles as limited land rights, lack of education,<sup>24</sup> and antiquated social customs that often thwart their ability to improve food security conditions for their families and their communities.

## I. Illicit Money Flows and People Trafficking

41. **Corruption, piracy, trafficking in people and arms, terrorism, and related money flows are significant and interconnected threats in the HoA.** Illicit financial flows are one of the most damaging economic problems facing Africa; it is estimated that the continent has lost \$55.6 billion each year over the past decade.<sup>25</sup>

42. **Money laundering and terrorist financing (ML/TF) are major challenges, and remittance flows are perceived as a significant ML/TF risk.** Somalia and Kenya represent the most visible ML/TF risk in the region: Somalia has no effective financial regulatory institutions and essentially no formal banking system. The World Bank is working to support government-led financial sector reforms which will help to address ML/TF risk over time. In addition, the Bank is partnering with UK to pilot a “Safer Corridor Initiative” with the objective to provide a temporary mechanism to continue the flow of remittances from the UK to Somalia through secure, legitimate, accessible, and affordable channels by reducing their exposure to the risk of abuse for illicit purpose.<sup>26</sup> A recent WBG study found that pirates collected up to US\$413 million between April 2005 and December 2012.

43. **People trafficking<sup>27</sup> is a growing problem in the region.** Persons are often victims of such abuses as rape, torture, debt bondage, unlawful confinement, and threats against their family or other people close to them, as well as other forms of physical, sexual, and psychological violence. Djibouti is a key transit and destination country for people subjected to forced labor and sex trafficking. Over 80,000 men, women, and children from Ethiopia, Somalia, and Eritrea are estimated to have transited through Djibouti as voluntary and undocumented economic migrants en route to Yemen and other locations in the

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<sup>23</sup> Ending Conflict and Building Peace in Africa: A Call to Action. High Level Panel on Fragile States, 2014.

<sup>24</sup> On average, women receive less education than men across the HoA. For example, in Somalia, 50 percent of men and only 27 percent of women can read and write. These wide divisions in education reduce the women’s ability to improve their family’s food security. The Impact of Gender and Land Rights on Food Security in the Horn of Africa. Civil-Military Fusion Centre and Allied Operations Command, 2013.

<sup>25</sup> Global Financial Integrity, *Illicit Financial Flows from Developing Countries: 2002-2011*, Washington DC, 2013.

<sup>26</sup> Ethiopia and Kenya were placed on the FATF International Cooperation Review Group process for lack of progress in addressing their deficiencies. Kenya exited the process in June 2014 based on its progress; Ethiopia is due for an on-site visit before October 2014, the last step before de-listing.

<sup>27</sup> Trafficking in people is defined as “the recruitment, transportation, transfer, harboring or receipt of persons, by means of threat, use of force or other means of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the receiving or giving of payment... to a person having control over another person, for the purpose of exploitation.” (Article 3 of the UN Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, Supplementing the UN Convention Against Transnational Organized Crime).



Middle East<sup>28</sup>. An unknown number of these migrants are subjected to conditions of forced labor and sex trafficking upon arriving at these destinations.<sup>29</sup>

44. **As the *World Development Report 2011* reveals, illicit flows and the criminal activities that underlie them threaten not only security but also development.** Addressing crime and insecurity is key to economic development, financial inclusion, and poverty alleviation, and tackling illicit money flows is one element of the response. Expanding the tools to combat illicit flows will require integrated action by all countries, and by both the public and private sectors.

## 2.4. Working toward Regional Integration and Cooperation

45. **Despite the challenges the HoA faces, there are encouraging signs of political momentum for enhanced regional economic interdependence, particularly through support to cross-border infrastructure.** The development of transport corridors to seaports, the management of shared water resources, and improved energy security are all potential drivers of economic integration.

46. **Economic interdependence in the region is complex, and different stages of economic integration coexist.** Except for Kenya, countries in the region are building from a low economic base. In the formal sector, Kenya and Uganda are members of the East African Community (EAC) and are implementing a common market. South Sudan has applied for membership in the EAC, and Somalia also wants to join. All IGAD members except Somalia are members of the Common Market for East and Southern Africa (COMESA), but only Djibouti, Kenya, Sudan, and Uganda have acceded to the COMESA Free Trade Area; Ethiopia has not signed COMESA's zero tariff (hence the strength of its informal sector). Manufacturing sectors and tax bases are small in most countries, and exports are limited to a small number of overlapping primary commodities (such as coffee, livestock, seeds, and khat) to an erratic and unpredictable global market. Meanwhile, the HoA countries depend heavily on manufactured goods imported from outside the region. The result is a region in a disadvantaged trading position, with countries largely in competition with each other and therefore with little incentive for trade liberalization.

47. **Some countries are showing strong political will to solve both security and development issues through increased cooperation,** though across the region it has not yet been possible to develop a unified early warning system between IGAD, the EAC, and the East African Standby Force for detecting and preventing regional conflict.

- Ethiopia has sent troops to the joint UN-AU peacekeeping force in Darfur (UNAMID) to help maintain peace and stability in that troubled region, has deployed 4,000 troops in Abyei to maintain peace and stability for the UN Interim Security Force for Abyei, and is cooperating with the Somali government to fight terrorism and extremism.
- Kenya has also participated in prominent regional diplomatic initiatives and provided leadership in solving regional conflicts, as it did during the Sudan peace process and more recently through deploying troops in neighboring Somalia. In 2012 Kenya and Ethiopia agreed that they would work closely together to promote peace and security.
- Uganda has contributed over 2,500 troops to the African Union Mission in Somalia (AMISOM), and it also has troops in the Central African Republic.
- Djibouti recently sent its second contingent in support of AMISOM.
- A number of the subregion's governments have been very actively involved in IGAD-led mediation efforts in South Sudan.

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<sup>28</sup> United States Department of State, 2014 Trafficking in Persons Report - Djibouti, June 20, 2014.

<sup>29</sup> United States Department of State, 2014 Trafficking in Persons Report - Djibouti, June 20, 2014.

48. **Normalizing relations between neighboring states is one of the greatest development challenges in the region.** Cross-border politics is characterized today by mistrust, suspicion, and in some cases hostility. Bringing an end to active and latent conflicts and border disputes will go a long way toward stabilizing the region and creating a better environment for cooperation and common action to address the region's difficult development problems. A long history of conflict is recognized as an especially unhelpful backdrop for furthering projects of economic integration.<sup>30</sup>

49. **Economic interconnections are affected by the region's security dynamics.** Countries of the Horn have uneven patterns of engagement that are largely driven by the security agenda. For example, because of long-standing conflict and contestation, Eritrea and Ethiopia do not cooperate on the potential logistics corridor from landlocked Ethiopia to Eritrea's coastal ports; and Somalia's instability discourages its neighbors from making more use of its ports for export. Any regional initiatives and agreements must consider the issue of stability: countries may be unwilling to pursue seemingly fruitful economic partnerships—such as formalizing trade routes or developing cross-border livelihood approaches—that are perceived as undermining their security.

50. **Improving regional infrastructure connectivity can help to improve human development and business competitiveness, and can also help to strengthen trust and cross-border collaboration.** Trade-driven economic growth is hindered by the region's high transport costs and prices and by the limited physical transport links between countries and between capitals and areas of economic activity. There has been progress on regional ICT connectivity, especially since submarine fiber-optic cables landed at Mombasa in 2009 and high-speed internet access spread inland to Uganda and Rwanda; but across the region its potential to enhance integration and support diversification into a broader range of economic activities is underexploited. Recognizing that cross-border cooperation is critical to more connected and competitive markets to spur faster economic growth, several HoA countries are working to strengthen their economic ties to their neighbors.

- **In recent years Ethiopia has embarked on ambitious cross-border infrastructure development.** Supplying hydroelectric power to Djibouti in 2011 was the first phase of Ethiopia's major regional strategy to export its abundant hydroelectric power; a connection with Sudan was made in December 2013, and the Addis-Nairobi link is under development. A further element of bilateral infrastructure cooperation was added in January 2013 when ministers signed a contract to construct a pipeline to supply drinking water from Ethiopia to Djibouti City. Ethiopia has also launched extensive road and rail construction to link producers and consumers in border cities with Sudan, South Sudan, Djibouti, Somalia, Somaliland, and Kenya. The Government of Ethiopia has as a high priority a functioning transport corridor to Berbera Port in Somaliland (see Box 3)—a corridor that has the potential to enhance economic development in the eastern part of the country and Somaliland.
- **Kenya is central to many key regional initiatives as it seeks integration and cooperation as a way to advance its own economic prosperity.** Not only does Kenya seek to be a maritime gateway for South Sudan, Uganda, and southern Ethiopia, but it also views these countries as markets for its good and services. Kenya's development of the Lamu Port-Southern Sudan-Ethiopia Transport Corridor project has the potential to bring development to large parts of its arid and underdeveloped northern territories while proving a more cost-efficient alternative to Mombasa for South Sudan and southern Ethiopia; and the first phase may involve extending an oil pipeline to Juba.

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<sup>30</sup> Healy, S., op. cit.

- **Djibouti has accelerated plans for regional economic integration, building on close ties with Ethiopia.** Ports are central to the country’s geo-strategic importance in military and economic terms and are a conduit for Ethiopian trade and a platform for the transshipment of goods. Existing port upgrades and electricity grid integration are to be enhanced by the development of the northern port of Tadjourah. Recent agreements suggest that both Chinese and Arab actors are also keen to back Djibouti’s economic vision as a strategic regional hub.

51. **The region is about to undergo dramatic and lasting change when oil production starts in Kenya, Uganda, and possibly Somalia and Ethiopia.** Sudan and South Sudan are currently the Horn’s only oil producers, though almost every state in East Africa has announced that it has substantial oil and gas reserves. To Uganda’s more than 2 billion barrels of reserves have been added oil finds in Ethiopia’s south Omo region and in Kenya’s Turkana. Somaliland has signed production-sharing agreements with foreign firms on areas yet to be drilled. More adventurous exploration companies also report substantial prospects along Somalia’s coastline that need to be tested by drilling.

52. **Oil and gas discoveries are changing the regional economic geography reinforcing the need to ensure countries and their populations are well placed to benefit from this resource windfall.** In addition to the potential revenue and investments required, the possible reorientation of oil flows from Southern Sudan and Uganda is likely to substantially alter the political relations between these two countries and neighboring Kenya. Uganda hopes to shake off its dependence on imports and is looking to explore its own refining capacity and have capacity for crude exported from South Sudan. Kenya, for its part, is aiming to secure its regional position by developing a port at Lamu, and it has ambitious plans for regional pipeline development with which to service the needs of both Uganda and South Sudan. For Ethiopia, Somaliland, and Puntland, excitement about oil prospects has been muted by fears of increased conflicts—oil here is located in disputed zones where insecurity threatens the development of the industry.<sup>31</sup>

### Box 3. The Berbera – Addis Ababa Corridor

As the HoA takes off economically, import-export corridors and sea routes will become ever more important. The Berbera-Addis Corridor extends from the Berbera Sea Port, on the south coast of the Gulf of Aden in Somaliland, eastward through eastern Ethiopia to Addis Ababa. Of the total distance of around 940 km, 696 km are in Ethiopia and 244 km in Somaliland.

The port and the associated road corridor are strategically important. The Government of landlocked Ethiopia is keen to expand the country’s limited maritime access. Berbera, which is almost the same distance as Djibouti from Addis Ababa, is well placed as an alternative port to serve Ethiopia and its neighbors. Competition between ports can be effective in driving down costs and improving operational performance. Support to a development corridor would better exploit the agricultural potential in the southern and eastern parts of the country, encouraging enhanced international exports through value addition and the creation of cross-border supply chains.

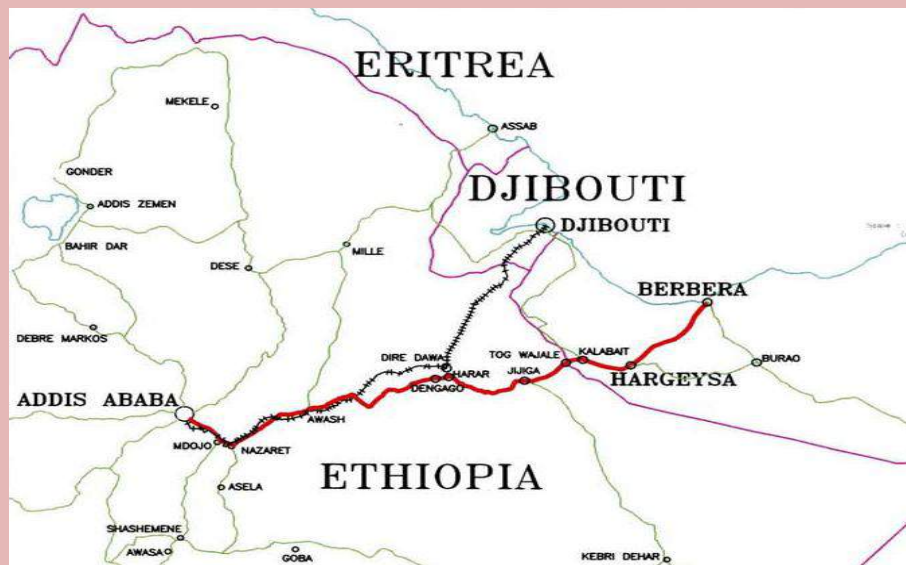
The northern Somali livestock trade involves the annual export of at least \$200 million worth of live animals through the ports of Berbera, Bosasso, and Djibouti across the Gulf of Aden—said to be the largest movement of live animal trade anywhere in the world.<sup>a</sup> The emergence of Djibouti as a major livestock export hub is in large part due to the stamp of credibility that a sovereign country can bring to the sensitive issue of livestock health regulations. The Somali pastoral economy is a critical platform for economic interdependence, linking the port of Berbera with Somaliland’s interior rangelands and those of Ethiopia’s Somali Region. The people of Ethiopia’s Somali Region, the Ogaden, will always have links to their kin and neighbors over the border as a result of ethnic and trade connections, and a more regulated trade environment has the potential to reduce political stresses and conflict

<sup>31</sup> Anderson and Browne. The politics of oil in eastern Africa. *Journal of Eastern African Studies*, 2011.

Enhanced port operations in Somaliland would also support the broader macro economy. Besides having strong potential for generating jobs, services, investment opportunities, and revenues, the Berbera corridor could serve as a regional model for development through expanded private sector activities.

The existing road in Ethiopia connecting Addis Ababa to the border with Somaliland at Tog Wajaale is paved throughout, but it follows a difficult alignment, passing through mountainous terrain. The Government of Ethiopia has identified a shorter route that avoids these highlands and that would also be used by traffic to Djibouti Port. To help mobilize external funding, a recent technical feasibility and design report funded by the European Commission<sup>b</sup> has prepared six different tender packages for the road segments in Somaliland that require upgrading.

The Berbera Corridor cannot function as a transit route if the border crossing between Somaliland and Ethiopia is not properly controlled. Strengthening the Somaliland Customs Department and improving the efficiency of the Berbera port operation are also key objectives.



<sup>a</sup> Livestock Trade in the Djibouti, Somali and Ethiopian Borderlands: Nisar Majid, Chatham House briefing paper, 2010.

<sup>b</sup> Feasibility Study and Detailed Design for Berbera – Togochale Road. Engineering Report, August 2014. Funded by the European Commission and presented by HP Gauff Ingenieure GmbH & Co.

### 3. WORLD BANK GROUP INITIATIVE

53. **Early consultation with governments in the region and with development partners has ensured buy-in and informed the choices made by the WBG.** Unlike for the Great Lakes initiative, which was prepared in a short time, the preparation lead time for this initiative has allowed for a structured consultative process to build consensus and to demonstrate the additionality it would bring to the ongoing national and regional programs being supported by multiple stakeholders. The process also informed the development of diplomatic, policy, and operational choices that were aided by efforts to understand ongoing and planned partner activities. In addition, the consultations allowed for expectations to be managed, not least in the context of the WBG's relatively constrained financing envelope, set against the wider needs of the region. The consultative process involved regular dialogue with key development partners and visits to a number of countries in the region in partnership with the IGAD. Annex I gives details of the lessons learned from the Great Lakes and Sahel and the 2011 drought emergency response, which informed the process and design of this initiative; Annex II gives an illustrative overview of key interventions by certain partners which are aligned with the themes of the initiative; Annex III explains how the proposed program is aligned with IGAD's strategy and ongoing operations; and Annex IV provides highlights of ongoing WBG country programs.

54. **Analysis and consultations confirm the need to seek more collaborative solutions among countries to the issues of fragility, vulnerability, and insecurity in the HoA—issues that do not respect national boundaries.** There is recognition at the highest levels of government that, for development to be both successful and sustainable, a stronger regional political dimension will need to be a key part of the solution. Through IGAD, the countries of the Horn have a well-articulated vision of their future as a more peaceful, prosperous, and integrated region—a vision with which this initiative is fully aligned. Governments are developing a political and diplomatic agenda to accompany the development program, building on the WBG's and others' regional and country programs.

55. **The WBG initiative proposes supporting a selective number of operations that are focused on the region's challenges and that have strong country ownership.** There will be ample room for partners to take up other parts of this agenda. The regional approach to the Horn will be built on two interrelated pillars—vulnerability and resilience, and economic opportunity and integration—with cross-cutting themes of security, youth and private sector development.

56. **The key aims of the proposed regional approach are to:**

- (a) Reduce vulnerability in mobile cross-border populations and host communities through collective cross-border action;
- (b) Strengthen disease control efforts in cross-border areas by improving diagnosis and surveillance capacities;
- (c) Improve regional connectivity through support to cross-border infrastructure investments focused on the ICT and transport sectors;
- (d) Increase the resilience of people living in extreme poverty in selected border zones; and
- (e) Promote the regional development of the extractives industry through support for developing skills, policy, and infrastructure.

Implementation of the two pillars will emphasize youth employment as a key factor in mitigating the causes and effects of regional insecurity and destabilization as well as the important role of the private sector in providing solutions to the challenges identified.

## Pillar I. Vulnerability and Resilience

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57. Pillar I will address two main issues: (a) the acute vulnerabilities of refugees, IDPs, and returnees in the region, as well as the impact of population displacement on host communities, and (b) the need for better regional health outcomes.

### 3.1. Vulnerabilities of Refugees, IDPs, Returnees, and Host Communities

58. **The primary objectives are to:**

- **Enhance the productive capacities and coping mechanisms of displaced populations to allow them to contribute to the local economy in their areas of displacement, recognizing that displacement is mostly protracted.** This effort will include support to increase livelihood opportunities for displaced populations and their host communities in a way that promotes social cohesion and mitigates tension. Such support will be provided with the overall aim of preparing the displaced for return, when that is possible. Support will also aim to improve the voice and inclusion of vulnerable groups, including IDPs and refugees, in processes for development planning and social accountability.
- **Promote durable social and economic reintegration for voluntary returnees.** This effort will include support for restitution of land and shelter, promotion of livelihoods, and expanded access to services for both returnees and their receiving communities, as well as strengthened mechanisms for local governance (with a focus on voice and social inclusion) and the peaceful resolution of conflicts related to land and other disputes.

59. **The program focus is aligned with the Bank's comparative advantage and would demand a multidisciplinary response and strong partnerships for delivery,** in particular with relevant UN agencies. Strong political will between neighboring countries and across the region will be key to ensuring that there is agreement on priority cross-border action, particularly given governments' different policy stances toward refugees. The following are preliminary ideas for operations developed after consultations with UNHCR; they still need to be discussed further with Bank country teams, governments, development partners, and potential beneficiaries.

- (a) **The Somalia situation.** With over 2.2 million Somalis displaced inside Somalia or in the HoA, forced displacement for extended periods is a challenge that requires urgent attention. Finding durable solutions for the refugees and IDPs requires addressing the following development challenges: (i) improving the delivery of services, including education and health facilities; and (ii) improving livelihood opportunities for the IDPs, returnees, and host communities. Since the Kenyan and Somali governments and UNHCR signed the November 2013 Tripartite Agreement, a number of efforts have been made to facilitate the voluntary repatriation of the Somali refugees: for example, pilot projects in Baidowa, Luq, and Kismayo are supporting the return of refugees, and regional initiatives (such as the Solutions Alliance-Somalia and Global Initiative for Somali Refugees<sup>32</sup>) have been created.

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<sup>32</sup> The Solutions Alliance was launched at the Copenhagen Roundtable held on April 2-3, 2014. The roundtable brought together a range of humanitarian actors, development organizations, affected states, donor nations, academics, the private sector, and other actors to contribute to addressing new approaches to forced displacement. The UN Global Initiative on Somali Refugees aims to assist in the voluntary repatriation of Somali refugees from several East African countries.

- (b) **South Sudanese in Kenya.** Over 43,000 refugees have arrived from South Sudan to Turkana since December 15, 2013. The WB Kenya Country Unit is preparing to undertake an economic social impact analysis in Turkana to inform policy and development interventions benefiting refugees and host communities in Turkana County. World Bank operations could contribute to addressing some of the development challenges and create economic opportunities for the host and refugee communities while UNHCR could provide minimal humanitarian assistance to the most vulnerable. In this way refugees would become less dependent on humanitarian handouts. The approach would also bring economic development to the area to the benefit of the locals, even after the refugees return home. Newly discovered water resources in the area might be used for irrigated agricultural production.
- (c) **Ethiopia.** With around 630,000 refugees—mainly Somali and South Sudanese—in its territory, Ethiopia hosts the largest numbers of refugees of any country in Africa. The situation of the refugees in Shire, Dollo Ado, and other areas of the country demonstrates the generosity of the Ethiopian Government and the host communities. However, the presence of a large number of refugees is leading to environmental degradation and increasing competition over scarce resources. Although the economies of the refugee-hosting areas have been stimulated by the presence of the refugees, as well as by international and national agencies, increased food and fuel prices are affecting the poorer members of the host communities. To some extent, members of the host communities are benefiting from health and education services offered to the refugees, although there is an enormous need to extend basic services in these very poor, underserved areas of the host country. A development intervention addressing refugee-hosting areas in Ethiopia needs to focus on building the resilience of host communities by addressing the negative environmental and economic impacts while investing in infrastructure that creates better economic opportunities for the refugees and host communities, to better prepare refugees to return to their countries of origin.

60. **Durable solutions for the displaced are a necessity for creating peace and development.** There is a need for a broad vision that includes both host communities and displaced people in a comprehensive social and economic development effort. There is demand for a new “financial architecture for durable solutions.” Kenya’s new devolution policy provides a unique opportunity to address decentralized regional development and displacement together. The new governors for Wajir, Garissa, and Turkana have approached UNHCR and the international community requesting assistance with the budgetary and capacity stresses of hosting many refugees. Annex VI provides background information on the displacement situation in the Horn of Africa.

61. **Greater attention must be given to women and children and victims of gender-based violence; in particular, they must receive the poverty reduction and livelihood support that is largely missing from the overall response to conflict-related sexual violence.** Because women who are raped are often shunned by their husbands and communities, they and their children are often homeless and destitute. It is therefore critical that poverty reduction strategies and programs have a specific focus on and provision for the victims of sexual violence. The response should include the provision of basic economic needs and livelihood support to enable survivors to pick up the pieces of their shattered lives and care for their families.

### 3.2. Support to Communicable Disease Surveillance, Diagnosis, and Treatment

62. **Expansion of the East Africa Public Health Laboratory Networking Project.** The HoA region is ill prepared to deal with regional and global public health threats. National capacities are highly variable and fragmented, and regional collaboration is inadequate. High levels of migration and refugee movements across porous borders elevate the threat of communicable disease outbreaks. The emergence of drug-resistant strains of TB also raises serious public health concerns, given the risk of cross-border and global transmission. The region faces new threats from emerging global epidemics, such as Ebola and H1N1 influenza. While some countries (Kenya, Uganda) in the HoA are working closely with neighboring countries (Rwanda, Tanzania, Burundi) to strengthen disease surveillance and diagnostic capacity, much more needs to be done to build regional capacity for efficient cross-border disease control. The development objective of the project is to establish a network of efficient, high-quality, accessible public health laboratories for the diagnosis and surveillance of TB and other communicable diseases. To this end, the project will (a) strengthen capacity to rapidly diagnose communicable diseases of public health importance and share information to mount an effective regional response (Component I); (b) conduct joint training and capacity building to expand the pool of qualified laboratory technicians (Component II); and (c) carry out joint operational research and promote knowledge sharing to enhance the evidence base for these investments (Component III). These activities are consistent with the broader health policy documents of the participating countries, currently Kenya, Uganda, Tanzania, and Rwanda. The initiative could support the expansion of the East Africa Public Health Laboratory Networking project to Ethiopia and possibly other HoA countries.

63. **Support to the IGAD Regional HIV/AIDS Partnership Program.** The IGAD program seeks to facilitate the delivery of needed services to targeted cross-border and mobile populations, migrants, refugees, returnees, and IDPs to reduce the spread of HIV/AIDS, provide care, and mitigate its impact. Through regional cooperation coordinated by IGAD, member countries are developing mechanisms for continuity of services across borders, including referral systems in selected sites, and are developing a regional strategy for improved and sustainable HIV/AIDS/STI prevention, treatment, and care services directed to cross-border and mobile populations. An expansion of this project could be considered under the initiative.



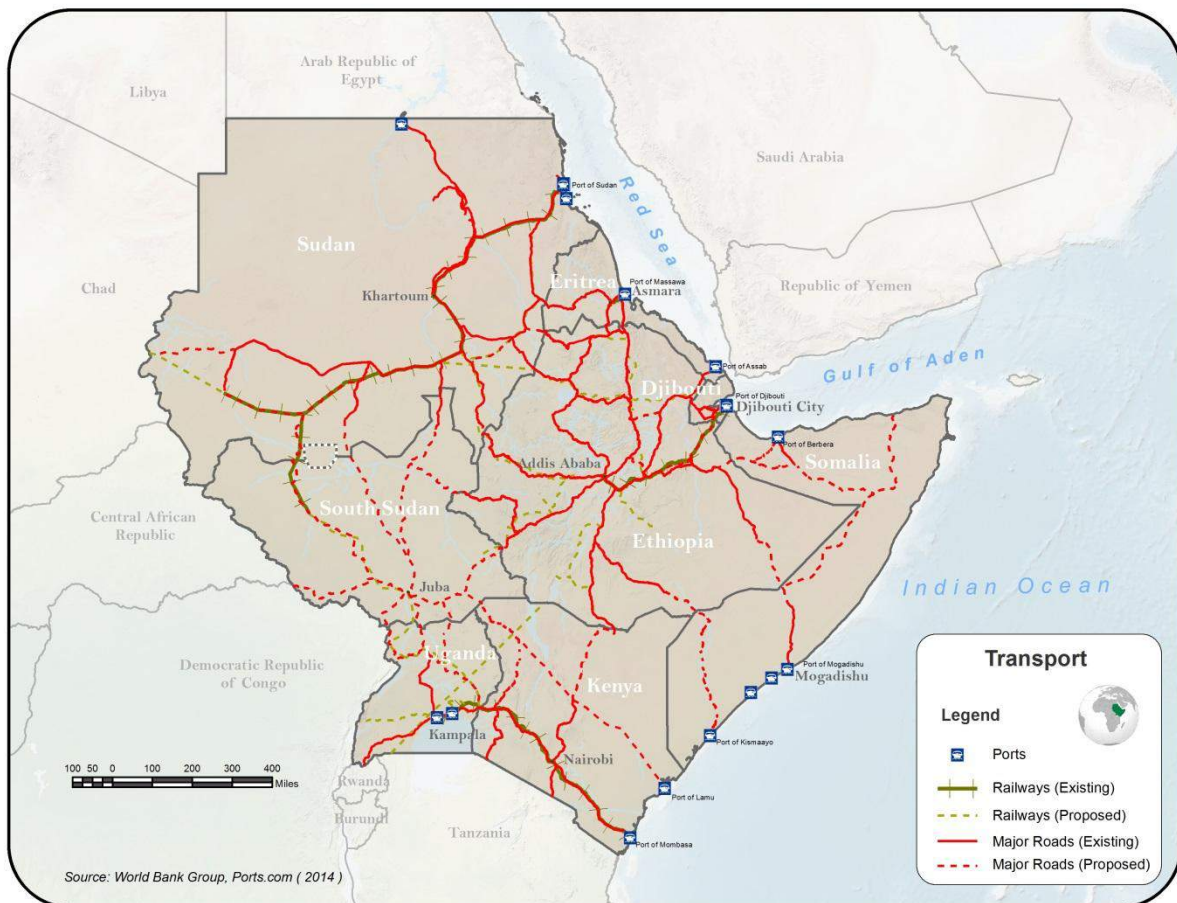
## Pillar II. Economic Opportunity and Integration

### 3.3. Connectivity

#### Transport

64. **Regional transport infrastructure connectivity in the subregion is weak even by the standards of Sub-Saharan African** (see Figure 4). A container sent from Malawi to Ethiopia is routed through Mozambique to Beira, by sea to Djibouti, and then overland to Addis, and takes four months to arrive. A container sent from China to Ethiopia takes a maximum of three weeks. Improving regional connectivity will require a focused, coordinated approach by governments, development partners, and the private sector. The Berbera corridor is a good example of what might be possible by creatively combining resources and a political agreement.

Figure 4. Transport Connectivity in the Horn of Africa



65. **The initiative will support the second phase of the South-Sudan – Eastern Africa Regional Transport, Trade and Development Facilitation Program.** The overall program is focused on creating a direct route from Juba in South Sudan through Kenya to Mombasa Port, as part of broader national- and regional-level infrastructure planning. Upgrading the development corridor has the potential to be

transformative for several reasons: it will (a) encourage the development and exploitation of the massive agricultural potential (forestry, fishery, tea, coffee, cereals, live animals, and animal products) in South Sudan, creating jobs and livelihoods in that area and enhancing regional food security through intraregional trade; (b) provide a more efficient corridor for goods imported to South Sudan, both lowering the costs to consumers in that country and making South Sudan a more attractive export destination for goods from Kenya; (c) provide critical infrastructure for the extractives industries to support exploitation of oil in South Sudan, Uganda, and Northern Kenya in particular, and potentially of other minerals; and (d) facilitate the delivery of social and administrative services and promotion of commercial services, including storage facilities and roadside businesses. The road transport infrastructure along the corridor from Eldoret in Kenya to Juba (a distance of over 1000 km) is in poor condition and is the main focus of the program, which is being carried out in close partnership with the AfDB, EU, Japan International Cooperation Agency, and China's Export-Import Bank. The program will also promote sound trade facilitation measures that will help to reduce non-tariff barriers and strengthen the institutional and legal framework to enhance the efficiency of border management and cross-border coordination. This should reduce the time and costs for traded goods and lower the prices that consumers pay.

**66. Phase I of the program, approved by the World Bank Board in FY14, is an US\$80 million investment project financing for South Sudan,** supporting (a) the construction and rehabilitation of bridges between Kapoeta and Nadapal, and the upgrading of approximately 30 km of the Kapoeta-Narus section of the Juba-Nadapal-Eldoret corridor; (b) the facilitation of regional transport, trade, and development promotion measures to increase the efficiency of the corridor; (c) the development of institutional capacity in roads and customs, and in program management; and (d) the construction of a fiber-optic cable to connect Juba, Torit, and Kapoeta with high-speed broadband Internet.

**67. Phase II, to be supported by the HoA initiative, will mostly support activities in Kenya,** including financing for 300 km of road infrastructure from Nadapal to Eldoret. It will also have a strong trade facilitation component in that sustainability will be guaranteed through the innovative use of an output-based long-term maintenance contract.

## **Access to broadband**

**68. Broadband connectivity boosts overall economic productivity and stimulates job creation, enables improved service delivery by both governments and the private sector, and can help promote resilience.** World Bank research indicates a strong link between broadband and economic growth: a 10 percent points in broadband penetration increases the GDP growth rate by 1.38 percentage points in developing economies. Broadband connectivity provides jobs—both directly, through the construction and operation of networks, and indirectly, by boosting entrepreneurship and self-employment. Investment in international broadband connectivity also has a galvanizing effect on other parts of the economy, such as trade, remittances, and mobile money, which are currently constrained by unreliable local networks. Finally, broadband connectivity can enable better government service delivery to remote or neglected populations, facilitate citizen feedback and engagement, and enable real-time early warning systems for such areas as regional disease outbreak, drought risk, and conflict.

**69. Even though the Red Sea is a thoroughfare for many major international cables, some of the HoA countries have the highest prices for bandwidth and lowest levels of broadband services penetration of any region of the world.** The challenges include inadequate international and regional connectivity and noncompetitive markets in several of the countries in the region. The HoA's average broadband services (mobile and fixed) penetration of around 1.5 percent compares unfavorably to the Africa Region's 4 percent and the rates of some high performers—such as Morocco, with 12.5 percent,

and South Africa, with 9.8 percent.<sup>33</sup> Connectivity is also unevenly distributed in the region. Countries such as Eritrea, Somalia, and South Sudan have little or no broadband connectivity services (through terrestrial and/or sea fiber optic) services and infrastructure, and Somalia acquired its first fiber-optic cables in 2014. However, Kenya has benefitted from World Bank financing worth about US\$200 million under the Regional Communications Infrastructure Program<sup>34</sup> and from investments by IFC and other donors and private partners in the East African Submarine Cable System, and it is already demonstrating the transformational effect that low-cost bandwidth can bring. Since 2007, when fiber-optic cables landed for the first time, it is estimated that ICT has contributed 30 percent of Kenya's overall GDP growth<sup>35</sup>. (1.5% per year).<sup>36</sup> (Box 4 describes Djibouti's experience.)

#### **Box 4. Broadband Infrastructure and Connectivity in Djibouti**

The telecom sector in Djibouti (almost 872,000 inhabitants) is characterized by a state monopoly. All telecom services (fixed, mobile, and Internet) are all provided by a unique state-owned operator Djibouti Telecom. For the past 20 years, Djibouti Télécom has developed a now internationally recognized expertise in submarine cable management and has focused on the development of its international connectivity. With six submarine cables operational, Djibouti Télécom manages an enormous international capacity. In addition, Djibouti Télécom has recently acquired a point of presence from the international provider Level 3. This allows Djibouti to drain most of the Internet traffic in the sub-region, and to propose high-quality service to ISPs operating in the HoA. Djibouti is now the only country on the African continent to own a point of presence of that capacity. Furthermore, Djibouti continues its infrastructure development: within the next 12 months two new cables (Sea-Me-We 5 and a new Djibouti-Yemen cable) and a terrestrial link to the Eritrea border are expected. Despite this growing international connectivity, Djibouti has one of the lowest penetration rates for mobile and fixed broadband in the Middle East and North Africa Region. The current ADSL subscribers base (less than 18,000 subscribers, representing 2.2% of population) uses the service in Djibouti-city only. Penetration rate of mobile broadband in Djibouti is among the lowest in the world, since only 1.6% of the population has access (compared to 43% in Cape Verde in 2013).

**70. The initiative will support a coordinated regional program focused on three interrelated areas:** (a) addressing key connectivity gaps; (b) improving the enabling environment, including providing regulatory support to promote competition and private investment; and (c) leveraging improved connectivity to improve public service delivery, business transactions, and payment systems, and to facilitate regional integration and trade. The three areas would be addressed in each of the participating countries, based on the country's needs and priorities. Phase A would support Uganda and South Sudan (\$100 million IDA), and Phases B and C would support Somalia and potentially Djibouti, depending on each country's readiness for and commitment to enabling environment reform (up to \$100 million IDA + multi-donor trust fund (MDTF) for Somalia). (Table 4 and Figure 5 show the top priorities for this work.) Besides using IDA and Somalia MDTF funds, the costs could also be financed through private sector contributions under public-private partnership (PPP) schemes and the contributions of other donor partners. In addition to the main backbone links, emphasis would be placed on extending connectivity to border and other underserved areas. In each scenario, PPPs would be leveraged to obtain maximum value for money.

<sup>33</sup> Adapted from Telegeography data and reports.

<sup>34</sup> A third phase, estimated at US\$30 million, is expected to be approved in March 2104.

<sup>35</sup> McKinsey Study on the transformative impact of Internet

[http://www.mckinsey.com/insights/high\\_tech\\_telecoms\\_internet/lions\\_go\\_digital\\_the\\_internets\\_transformative\\_potential\\_in\\_africa](http://www.mckinsey.com/insights/high_tech_telecoms_internet/lions_go_digital_the_internets_transformative_potential_in_africa)

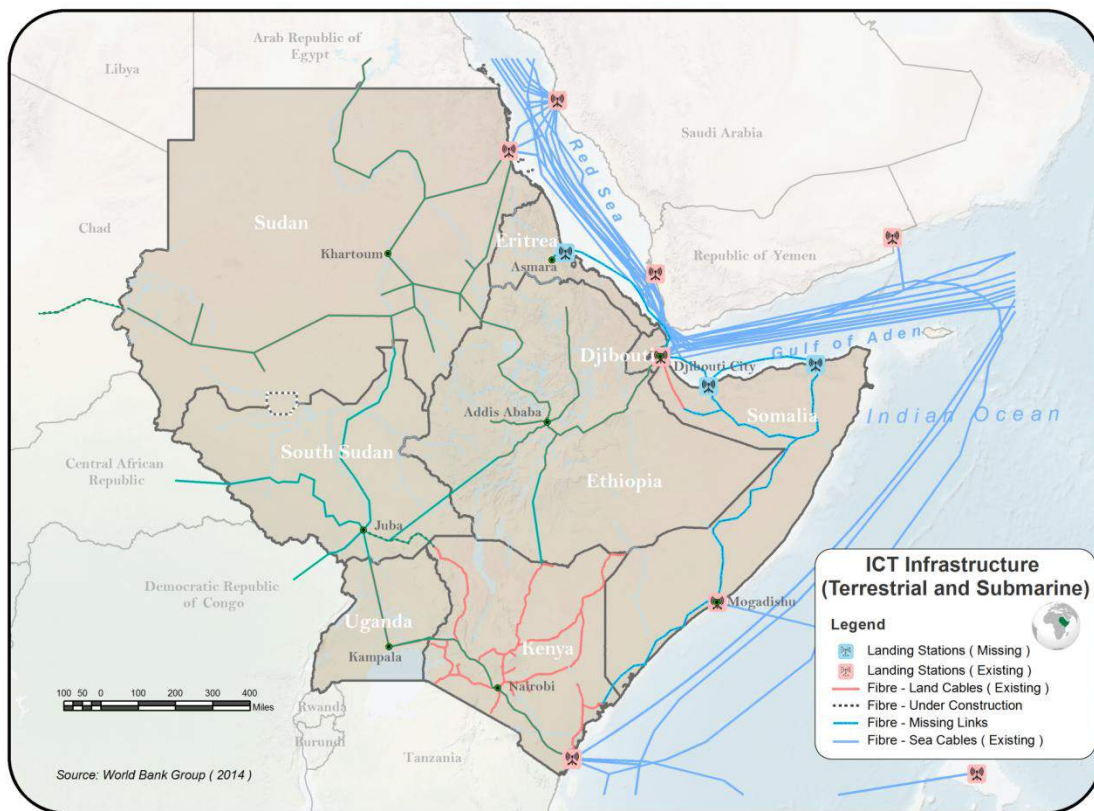
<sup>36</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22779917~pagePK:64257043~piPK:437376~theSitePK:4607,00.html>

**Table 4. Key Connectivity Gaps in the HoA and Illustrative Investments to Fill Them**

<i>Missing link (countries)</i>	<i>Description (routing and rationale)</i>
Somalia (Somaliland, Puntland, South Central) – Djibouti - Eritrea Submarine Cable	Undersea fiber-optic cable linking Eritrea to Djibouti to Berbera and Bosaso. The cable would link the last unconnected coastal nation in Africa (Eritrea) and Somaliland and Puntland in Somalia, with Djibouti, which has the single highest concentration of cables anywhere on the continent. The cable would cover a relatively short distance but would serve several major cities. Estimated cost: \$30 million.
Somalia International Backbone Network	National backbone network linking the new fiber that has arrived in Somaliland (SOMcable) and Mogadishu (EASSy), south through Kismayo and ultimately providing connection to the liquid telecom cable across the Kenyan border. The backbone network would also link Mogadishu by terrestrial fiber to the different economic zones, including intermediate population centers such as Garowe and Galkayo, and would add resilience to the network through redundant connections. Estimated cost: \$65 million. Since Somalia is not IDA-eligible, funding under the Somalia MDTF could be considered donor resources are available and the Government is in agreement, in combination with private investment and the IFC.
Ethiopia International Backbone Network	Ethiopia, which has borders with six HoA countries, has a potentially critical role in ensuring connectivity in the region. New fiber links could include (a) reinforcement of the Djibouti-Addis terrestrial cable, to provide redundancy and accommodate additional regional traffic from South Sudan; (b) extension of the existing fiber-optic network in Eastern Ethiopia, which currently serves Gambela, including a link to South Sudan (interconnection with the fiber running from Juba to Lokichoggio in Northern Kenya, which the World Bank is financing under the South Sudan – EA Regional Trade, Transport and Development Facilitation Program (SS-EARTTDF); and (c) extension of the existing network into Sudan, to provide redundancy for the gateway in Port Sudan. Estimated cost: \$70 million.
South Sudan International Backbone Network	Like Ethiopia, South Sudan has a strategic location that positions it to play a critical role as a regional connectivity hub. New fiber links radiating from Juba could include connections to Nimule on the Ugandan border, to CAR for onward connectivity to Bangui, and to Ethiopia for onward connectivity to Addis. These links would provide diversity for the planned link from Juba to Kenya under SS-EARTTDF, which already has financing. Estimated cost: \$38 million.
Uganda International Backbone Network Strengthening	New fiber-optic links to extend the reach of Uganda’s National Backbone Infrastructure to additional border crossings and all regions of the country, and to improve its resilience and availability by creating more rings benefiting domestic users and other countries (South Sudan, Rwanda, and potentially DRC) using Uganda as their primary or back-up transit routes to the submarine cables. The new links are expected to be in the northern and south-western regions of Uganda. A study to prioritize the missing links will be completed by the end of 2014.

**Figure 5. Existing and Missing Broadband Links in the HoA**



71. **Besides closing the physical connectivity gaps, it is perhaps even more important to address the enabling environment to encourage a competitive private sector market for communications services.** Thriving competition, paired with quality infrastructure networks, has been shown to dramatically improve affordability and access to ICT services in even the most rural areas in countries such as Kenya. The proposed program will address the following critical elements and technical support as relevant in each of the participating countries to ensure a strong enabling environment:

- (a) **Open-access principles in all network infrastructure investments.** All government - or PPP-financed - infrastructure must be available for use on equal terms by all operators (current and future).
- (b) **Private sector participation in state-owned enterprises.** Three of the IGAD countries (Djibouti, Eritrea, and Ethiopia) currently have full state-owned monopolies, resulting in high-cost, poor-quality connectivity.
- (c) **Sector liberalization, and the introduction of competition** in monopoly markets, including by building the capacity of the regulator, introducing new operator licenses, and supporting the implementation of reforms.
- (d) **Establishing independent regulation in countries that lack a regulator,** such as South Sudan and Somalia.
- (e) **Regulatory frameworks and platforms for mobile money and ecommerce,** to encourage the greater use of mobile money and offer some basic level of security for users.

72. **Finally, connectivity will be leveraged to provide new and improved government services and promote provision of new e-services by the private sector and civil society, including to**

**underserved mobile and host populations.** Government service applications, to be developed, will target vulnerable and underserved populations and will be adapted to the particular country's context, opportunities, and needs. Boosted connectivity and better regulation will also enable innovation by the private sector and other actors to provide valuable new services, including mobile money (domestic transactions and international remittances), which is especially important to mobile and displaced populations; mobile weather and market information to boost farming and livestock productivity and livelihoods; and improved health and education applications.

### 3.4. Cross-border Growth and Stability Program

73. **Trans-border trade and the creation of trans-border markets offer opportunities for building resilience along the Horn's unstable border zones.** Economic exchanges that build on tradition and culture could strengthen governance and address instability. In many areas, a vibrant informal commercial economy creates shared interests and alliances across communities and borders. Strengthening these ties and deregulating trade in such a way as to develop market-based cooperation and economic security could bring enormous benefits. When communities are fractured across borders, regional initiatives can enhance stability by rebuilding social trust and developing a cohesive sense of community and identity.

74. **HoA countries are increasingly committed to building stability and strengthening governance in the borderlands,** which provide a haven for extremist groups, violent criminals, and illicit economic activities. The region could capitalize on thriving informal trade routes and the versatility and interconnectedness of its business communities, but it often does not because of concerns over territorial and political control of border areas. Thus countries have largely resisted opportunities to deregulate trade, soften borders, and develop cross-border livelihoods, seeing such activity as being at odds with their own security agenda.

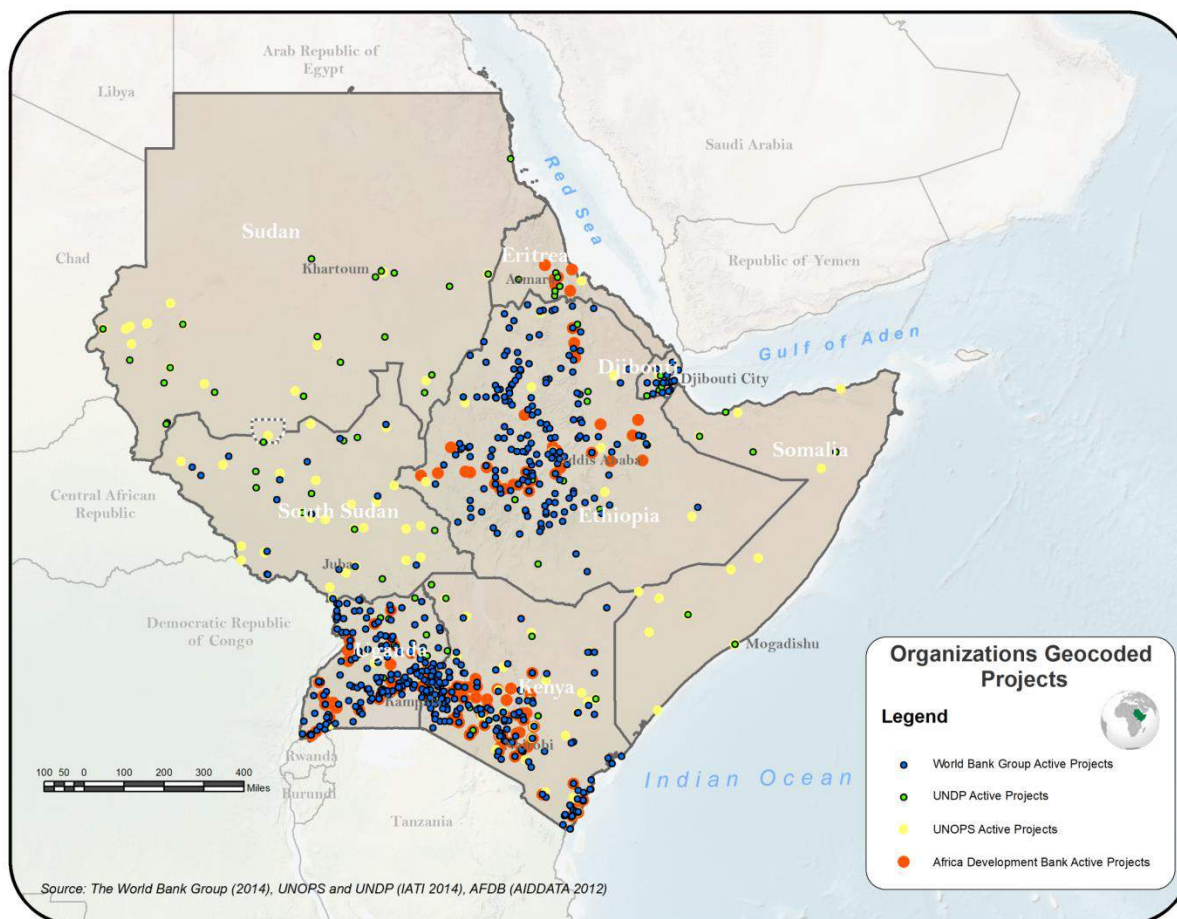
75. **A successful cross-border program would be beneficial for all the border communities, contribute to the region's economic stability, and manage common social, economic, and strategic cooperation to maximize the growth potential of the local economies.** Often the communities in these areas tend to be peripheral, though they are capable of contributing greatly to regional peace and security if their commercial potential is opened up. IGAD should be placed in a strategic role to facilitate the soft-border approach, with support by the AU, World Bank, and other partners.

76. **It is necessary to take an inclusive, integrated approach to supporting local governance, border management, and trade facilitation.** This will require the development of border controls even where local security and state actors may be ineffective or corrupt. Local populations should be actively included, as their knowledge and networks can help to stabilize borders and address illicit trade. Local communities have proven capacity to build informal systems of protection and use the rule of law to deter and mitigate trans-border crime and violence.

77. **The program would provide support for a limited number of border zones that are characterized by high levels of forced displacement and/or insecurity.** It would be aligned to the priorities identified by participating governments and the African Union's Border Programme, which has the general objective of preventing conflicts and promoting regional integration. Figure 6 reflects an initial effort by the WBG to spatially map projects by key development partners; in Sudan, for example, the UNDP works with various partners on community stabilization and the reduction of small arms proliferation. Overall, however, as Figure 6 shows, there are very few active projects in remote borderlands regions across the HoA; thus the WBG plans to launch a broader partnership on borderlands

in collaboration with IGAD and other partners to ensure that programming gaps are identified and priorities properly set.

**Figure 6. Geo-mapping of the Active Projects of the WBG, UNDP, UNOPS, and AfDB<sup>37</sup>**



78. **Under this initiative, the first operations could support borderlands where there are high concentrations of people who are forcibly displaced; subsequent operations could then be informed by a growth and stability diagnostic of the region.** Support to the Karamoja Cluster offers an interesting test case; lessons from Uganda might be replicated in northern Kenya, South Sudan, and southern Ethiopia. Annex VII outlines initial WBG thinking on the issue on borderlands.

### 3.5. Extractives

79. **The HoA is on the cusp of an oil-driven economic revolution.** Over 70 years after the first exploration well was drilled in Lake Albert (1938), a combination of improved technologies and higher oil prices make smaller oil fields in “frontier” regions commercially viable for the first time. To reduce

<sup>37</sup> Projects for which geo-coded data is available.

dependence on costly petroleum product imports, the region can look forward to supplying its own needs<sup>38</sup> and becoming a net exporter to international markets. Gas produced in association with oil can potentially be harnessed for local energy generation (as is planned in Uganda), although at this stage the gas resource base appears to be limited. The hydrocarbon potential in the HoA includes such yet-to-be-commercialized gas, as well as oil prospects in the early stages of investigation in Ethiopia, and potential oil resources offshore from Somalia.<sup>39</sup>

80. **Oil resources in Uganda, Kenya, and South Sudan need access to export markets; for this, both regional connectivity and economic cooperation will be needed** (see Figure 7). Several oil companies are taking positions, both upstream and in potential pipeline and port facility developments. Projects that could eventually support up to 500,000 barrels a day of crude oil for a mix of local refining and export to the Far East are at stake (equivalent to nearly US\$20 billion annually at today's prices).

81. **Clarifying policy frameworks and building the requisite regulatory oversight are important for progress.** The scope for harnessing petroleum resources for sustainable development will depend, in the first instance, on ensuring a stable base for investments to take place. By capturing the rents generated by such investments, governments should be able to create the fiscal space to strengthen state institutions. If countries manage their natural resource endowments well, they can amass the financial resources to support smart investments in human development, infrastructure, and the promotion of new sources of economic growth. The development of a region-wide petroleum sector and associated transport corridors could also provide spin-off benefits more directly through supply chains and the opening up of market channels for agricultural products. The generation and allocation of revenues, which are typically prone to rent-seeking, and the impacts of petroleum-based development on fragility and the environment, will all need careful management. Expectations are prone to inflation, and a realistic assessment will be needed of how the opportunities presented by resource abundance can be seized.

82. **Oil and gas discoveries could enhance regional collaboration; but if insufficient attention is paid now to the development of affected communities, such discoveries could be a source of future conflict.** Disputes in border zones may be intensified by discoveries of oil and gas. Collaboration and robust arrangements for the allocation and use of benefits will be essential to avoid tensions and promote regional cooperation. Besides having weak mechanisms for negotiating and resolving trade disputes, countries in the region tend to engage in bilateral negotiations involving only two or maybe three countries, rather than seeking greater regional potential and thus avoiding the establishment of competitive initiatives (such as oil pipelines or railway routes).<sup>40</sup>

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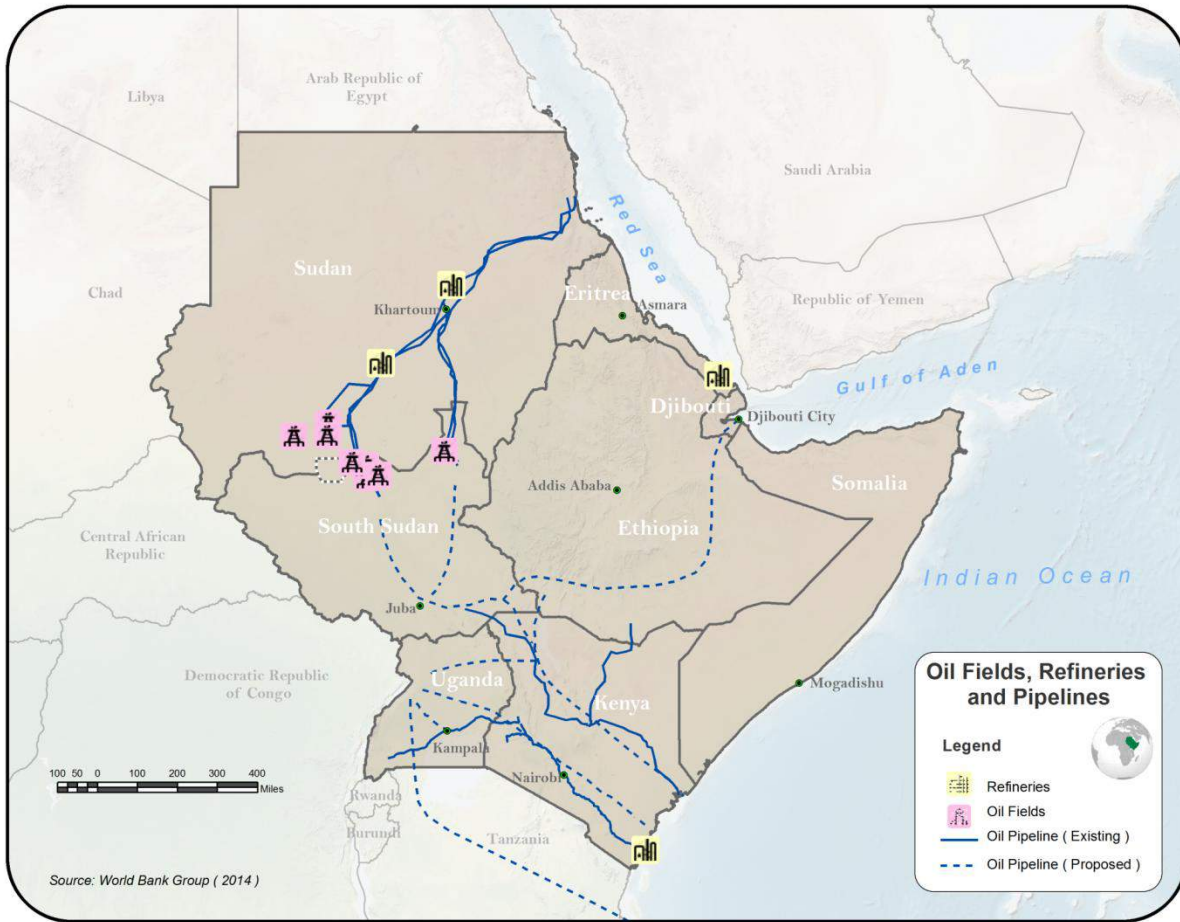
<sup>38</sup> The very difficult logistics involved with providing the partially landlocked region with fuel for generators is increasingly recognized as a constraint on industrial development.

<sup>39</sup> Three or four international oil companies are expected to begin 2D seismic exploration campaigns in Somaliland in 2014. In Somalia, a new UK-based oil company, Soma Oil and Gas Company, has signed a contract with the Somali Federal Government for seismic exploration. BP and Shell, which acquired onshore and offshore exploration blocks in the 1980s, are in talks with the Government to have their production-sharing agreements restored.

<sup>40</sup> Horn of Africa Regional Fragility Assessment, World Bank, 2014.



**Figure 7. Existing Oil Fields, Refineries, and Pipelines in the Horn of Africa**

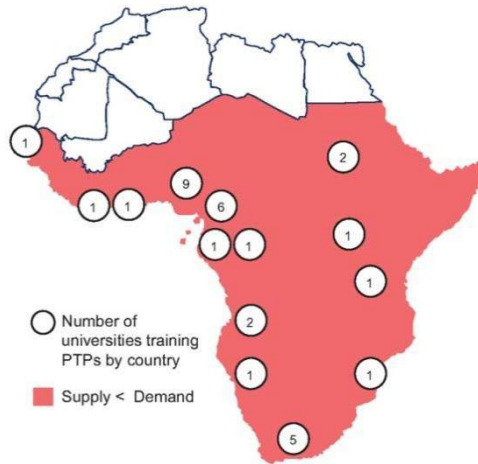


83. **Regional universities have largely ignored teaching oil and gas-related courses**<sup>41</sup> (see Figure 8). In an annual industry HR assessment, Schlumberger estimates that Africa will require at least an additional 4,300 petroleum professionals by 2020 to support production growth. In the same survey, international companies report that over 75 percent of local recruitment is not achieved.<sup>42</sup> The paucity of petroleum professionals is a growing global problem, and the Horn region will have to compete in the global marketplace for talent.

<sup>41</sup> Kenya estimates it will require over 30,000 engineers across multiple disciplines if it is to achieve its Vision 2030 goal of becoming a middle-income economy, and it has agreed funding from the AfDB to support education and training.

<sup>42</sup> Schlumberger Business Consulting's Oil & Gas HR Benchmark, 2012. The survey provides information on trends involving petrotechnical professionals—geoscientists and petroleum engineers. The annual study has become a reference for exploration and production executives seeking to understand industry trends and develop HR strategies.

**Figure 8. Supply of Petroleum Professionals (PTPs) in Africa**



Source: Schlumberger Business Consulting's Oil & Gas HR Benchmark, 2012.

84. **The initiative will support the regional development of the extractives sector, with a focus on oil and gas, in the following ways:**

- (a) **Regional pipeline development.** The WBG would support interested governments in developing an appropriate framework agreement and instruments for a regional approach to pipeline development. This could include the establishment of a consortium, equitable principles to allow the transport of oil through future pipelines, freedom of transit of oil, principles for transit fees and tariffs, use of WBG partial risk guarantee (PRG) products, lending operations, political insurance, principles regarding investment protection, and currency and taxation commitments. This support would also include environmental and social impact assessments for proposed pipelines. South Sudan is exploring options for an alternative pipeline export route and has commissioned a consulting firm to develop feasibility studies for the possible export routes: (i) connection to the Uganda-Kenya pipeline, or (ii) a new line from Ethiopia to Djibouti. The South Sudan portion of the pipeline is expected to cost \$4-5 billion, and the total cost from Uganda to Kenya would cost an additional \$12-15 billion.
- (b) **Extension of the Bank's tertiary education project to engineering faculties in the Horn region to train petroleum professionals.** Overseas academic institutions would be encouraged to partner with African institutions to build their training capabilities for the sector, and government officials would be supported to study abroad or to take up secondments—for example, with partner countries that have strong experience with extractives. Unless there are serious attempts to build local capacity, companies will have no qualms about importing talent from outside the region, which will mean a huge missed opportunity for local skills development. With the anticipated expansion of ports in the subregion, in particular in Djibouti and Somalia, this project could also support the development of regional maritime skills.
- (c) **Launch of the capacity building support for geo-mapping.** This support aims to build the capacity of African national institutions to collect, collate, and reinterpret all the geo-data that have been produced over time, using a common technological platform and scientific protocol. It is a geo-spatial information system that can combine many different types of spatial data (topography, infrastructure, geological data, etc.) and that will allow users to (i)

provide public geo-data to a global audience and use it to accelerate and cost-reduce the exploration process; (ii) de-risk investments to improve value assessment; (iii) improve competitiveness and transparency in the extractives sector; (iv) improve benefits to countries by avoiding asymmetrical information disadvantage; and (v) maximize economic development impacts by identifying growth poles and corridors.

## 4. CROSS-CUTTING THEMES

### 4.1. The Private Sector

85. **Private sector development is an important cross-cutting theme of this initiative.** The private sector is often overlooked as a partner, but as the sector that creates jobs, it is key to the region's youth challenge. In countries transitioning out of conflict, the private sector is also a vital stabilizing force, creating alternatives to conflict economies founded on predatory or illicit activity.<sup>43</sup>

86. **The private sector needs to create millions of productive, well-paying jobs, especially for youth, to keep pace with the demographic transition and increase stability in the region.** Small and medium-sized enterprises (SMEs) need to improve their productivity and competitiveness to become local suppliers to exporters, participate in extractive value chains, and benefit from the economic growth generated by manufacturing and agricultural exports in Ethiopia and Kenya, and by extractives in Uganda, South Sudan, and Sudan. Any job creation program should also include safety nets, since the average growth of the formal and informal private sector does not generate enough economic opportunities to absorb the number of youth entering the job market.

87. **Priority programs for job creation under this initiative will include investments in supporting regional infrastructure**—particularly for ICT, border communities, and service delivery. A second priority will be to invest in skills, especially for the extractives and maritime industries, and to develop links among producers, traders, and consumers. In line with the recommendations of the World Development Report 2011, *Conflict, Security and Development*, this initiative proposes a bold approach to drawing together the capacities of development agencies, the private sector, foundations, and nongovernmental organizations (NGOs) to galvanize investments in countries where high unemployment and social disengagement contribute to the risks of conflict.

### 4.2. Youth

88. **The challenge of youth employment in the HoA is not amenable to easy solutions.** The key employment issue is that productivity, and therefore earnings, are low, while aspirations, especially those of youth, are high. Addressing the challenge in any of the Horn countries will require country-specific analysis.

89. **As the nature of jobs created will depend partly on the structure of growth, agriculture and extractives look certain to be key industries.** Elsewhere in Africa the extractives sector has failed to sufficiently increase the number of wage jobs that youth most desire, though there are prospects for reversing this trend, not least through promoting local providers of goods and services to the industry. Likewise, the largely unexploited opportunities in farming offer great possibility at a time of high global prices for agricultural commodities, and rising local and regional demand for food. In agriculture—unlike

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<sup>43</sup> Ending Conflict and Building Peace in Africa: A Call to Action. High Level Panel on Fragile States, 2014.

other sectors—the projection of new jobs (in low-income and lower-middle-income countries) is not based on demand for labor in the sector. Instead it represents the labor force that does not find a wage job or start a business.<sup>44</sup>

90. **The employment challenge is not to create jobs in the formal sector, important as that may be, but to increase the productivity of the almost 80 percent of the workforce who are in the informal sector.**<sup>45</sup> Raising the productivity of smallholder farmers in remote borderlands, pastoralists, and displaced peoples—which was the key to structural transformation in Asia and Latin America—is precisely what will enable the formal sector to develop and thrive and create jobs for the region’s youth.

### 4.3. Security

91. **A key aim of the initiative is to bring increased international attention to the security/development nexus.** Countries in the region could enjoy much greater levels of economic interdependence and prosperity if a more benign regional security environment could be achieved. This underlines the importance the AUC, IGAD, UN, WBG,<sup>46</sup> EU, and other partners attach to increasing efforts to integrate security and development issues. The EU has been a key supporter of the security agenda in the region: its 2011 Strategic Framework for the Horn of Africa underlines the need to address the links among insecurity, poverty, and governance. An EU Special Representative (EUSR) for the Horn has been appointed to contribute to the implementation of the Framework, working closely with the EUSR for Sudan and South Sudan.

92. **The AUC is developing a regional approach to the challenges of peace and security in the HoA.** At the behest of the AU Peace and Security Council (PSC) and in collaboration with IGAD, the EU, the UN, and other stakeholders, the AUC has initiated consultations that would lead to a regionally organized endeavor for peace, security, cooperation, and development in the HoA.<sup>47</sup> At the latest meeting of the PSC in Nairobi, the AU expressed deep concern over the worsening scourge of terrorism and violent extremism in Africa and the growing linkages between terrorism and violent extremism, on the one hand, and transnational organized crime, on the other—notably in the areas of drug and human trafficking, money laundering, illicit trafficking in firearms—and the serious threats to peace, security, stability, and development. The PSC also commended IGAD and other RECs for the important role they are playing, particularly in developing regional strategies and common action to prevent and combat terrorism and violent extremism. There is a deepening partnership between the UN Security Council and the PSC.<sup>48</sup>

93. **A framework to align partner actions in the security-development nexus in the HoA would need to build on ongoing high-level and technical partnerships.** Such a framework could be overseen by IGAD and have three key pillars: (a) peace-building, (b) crime and violence, and (c) porous borders and marginalization.

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<sup>44</sup> Youth employment in Sub-Saharan Africa. Africa Development Forum. World Bank Group and the French Development Agency. 2014.

<sup>45</sup> Youth employment in Sub-Saharan Africa op. cit.

<sup>46</sup> The WBG’s Articles of Agreement constrain its direct involvement in member countries’ security sectors.

<sup>47</sup> Report of the Peace and Security Council on its activities and the state of Peace and Security in Africa; see more at <http://www.peaceau.org/en/article/report-of-the-peace-and-security-council-on-its-activities-and-the-state-of-peace-and-security-in-africa-2#sthash.B1LFMOYW.nss1qUbn.dpuf>

<sup>48</sup> General Ban Ki-moon, Security Council, Remarks to African Union Peace and Security Council meeting on UN-AU Cooperation, September 23, 2013.

## 5. Knowledge Products

94. **A knowledge program will provide the foundation for the operational response and further evolution of the HoA Initiative, and will also seek to inform governments and partners on appropriate policy and investment choices.** There is a need to add to the existing knowledge base to inform policy and operations choices. The development of knowledge and analytics represents a clear value-added activity under this initiative, and an area of particular comparative advantage for the WBG. The ongoing and proposed knowledge program is as follows:

- (a) **A regional extractives industry assessment.** The World Bank is investing heavily in analytic work on extractives in Africa to support the development of a country-level lending program and to explore opportunities for regional interventions and synergies, especially in relation to infrastructure. In 2014, Country Economic Memoranda for Kenya, Uganda, and Sudan will each include an appraisal of opportunities and challenges resulting from extractive resources and the mineral sector. A mineral sector assessment has also been conducted in Ethiopia. Policy advice and capacity-building programs are under way in Kenya (IDA-funded) and South Sudan (funded by the State- and Peace-building Fund) and are under preparation in Ethiopia and Uganda with the support of bilateral donors. Early-stage engagement with Somalia has begun. Until recently there was limited opportunity to offer support through regional initiatives, whether linked to transboundary issues or to region wide thematic challenges, but that has begun to change. Given the World Bank's ongoing and planned work on natural resources in the region, and its unique position to provide impartial advice that draws on regional and global best practice, there is a great opportunity to draw these strands together and provide regional solutions to countries in the HoA. The areas of greatest potential for regional initiatives are those in which some degree of joint dependence would help groups of countries harness the value of their mineral and hydrocarbon resources. The proposed regional assessment would comprise the following:
- *A resource endowment assessment*, looking at the juxtaposition of nonrenewable and renewable natural resources, demographics, ecology and environment assets, infrastructure, and trade routes and markets, modeled on *Growth without Borders*.<sup>49</sup> There is also an opportunity to draw on similar work covering the EAC countries (Kenya and Uganda as well as non-Horn member countries), which is due to be launched soon.
  - *A petroleum supply chain assessment* for the region, to ensure that the regional governments are in a position to take well-informed investment decisions for production development and export in such areas as port capacity and expansion, pipelines, refineries, road and rail corridors, energy and water requirements, input and labor supply opportunities, and trade logistics and customs preparedness. Some elements of this assessment have already been undertaken—for example, by the consortium evaluating the exploitation and export of Uganda's oil—but there is a need to draw together the various strands.
  - *A policy framework assessment* that evaluates the state of policy preparedness of the countries in the region to seize the opportunities presented by extractive resources and the points of policy discontinuity/conflict, including political economy underpinnings. This work would draw in part on analytic work recently launched by

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<sup>49</sup> *Growth without Borders: A Regional Growth Pole Diagnostic for Southern Africa*, Finance and Private Sector Development Department, Africa Region, World Bank, 2013.

the Trade and Competitiveness Global Practice on the political economy of regional integration.

- (b) **A regional forced displacement analysis.** The Global Program on Forced Displacement, in collaboration with UNHCR, will carry out a regional study on displacement in the Horn of Africa (similar studies have been or are being carried out in the Sahel and Great Lakes regions). The study will profile displacement in the region, analyze displacement dynamics, and propose policy options and operational priorities for regional assistance to displaced populations, returnees, and their host communities. The findings could usefully inform the Bank's policy dialogue, governments' policies on issues of displacement and its consequences for vulnerability and security, and the design of future regional operations addressing these issues.
- (c) **A regional fragility assessment.** This assessment was undertaken to build a common understanding of the exact nature and magnitude of regional drivers of fragility, the elements of resilience, and the region's stability-development nexus. It will inform the development of transformational regional interventions that address and/or accommodate drivers of fragility/instability, and will provide guidance on implementation and monitoring. (The completed assessment is attached as Annex IV.)
- (d) **A borderlands diagnostic.** The diagnostic's aim is to recommend an approach that supports cross-border development through local economic integration, social capital building, and trade as a catalyst for reducing tension and making development interventions at the local level. The objective of the Bank's involvement would be to improve the socioeconomic conditions of populations on all sides of the border. The starting point of the study would be the African Union's Border Programme, which is based on three pillars: (i) cooperation and coordination, (ii) capacity building, and (iii) community involvement.
- (e) **A regional groundwater assessment.** The Horn of Africa has high climate variability, and water scarcity constrains development in the region. Around 80 percent of the HoA is arid or semi-arid, with limited precipitation, highly variable climate, high evaporation rates, and low levels of water use. The assessment will examine the potential for developing and managing the region's transboundary aquifers. The Bank's ongoing work on the Nile Basin illustrates potential development opportunities through cooperative management of water resources. There are no known regional initiatives to address the joint management and development of some of the transboundary aquifer systems in the HoA, and this work would be a key contribution to enhancing resilience and conflict mitigation.

## 6. OVERVIEW OF PROPOSED WBG SUPPORT TO THE HORN OF AFRICA INITIATIVE

<i>Pillar 1 – Vulnerability and Resilience</i>			<i>Delivery FY</i>
<b>IDA (HoA)</b>			
a) Support to forced displacement <sup>50</sup>	Support to enhance the productive capacities, livelihood opportunities (including pastoralism and animal health) and coping mechanisms of displaced populations and their host communities, in particular women and children.	\$150m	FY16
b) Strengthening regional health systems	Strengthening regional health systems, for example, by extending the East Africa Lab project to other countries.	\$20m	FY15
c) HIV/AIDs	Expansion of the successful IGAD Regional HIV/AIDs partnership programme.	\$10m	FY15
d) Pastoralism	Expansion of the Regional Pastoral Livelihood and Resilience Project to South Sudan	\$40m	TBD
<i>Pillar 2 – Economic Opportunity and Integration</i>			<i>Delivery FY</i>
a) Regional ICT connectivity for service provision and e-Transformation	i) Investments in fiber optic network infrastructures, through PPPs, ii) strengthening the legal and regulatory enabling environment to promote private sector competition and investment, and iii) develop government e-services applications.	\$100m \$50m	FY15 (Uganda & S. Sudan); FY16 (Djibouti)
b) South Sudan Kenya road link phase II	Mostly support activities in Kenya and include financing for 300km of road infrastructure from Nadapal to Eldoret.	\$300m	FY15 (Kenya) & FY16 (South Sudan)
c) Energy	Support for feasibility study for the Ethiopia – Somaliland energy interconnector	\$2m	FY16
d) Fisheries	Expansion of South West Indian Ocean Fisheries and Shared Growth project to Somalia	\$10 m (TBC)	FY16
e) Cross-border growth and stability	Assistance for a limited number of border zones characterized by high levels of forced displacement, insecurity, and limited service delivery	\$300m	FY16
f) Extractives	Regional pipeline development using WBG products (PRG, political risk insurance etc.); and build local capacity in relevant geological and other technical skills.	\$35m	FY16
g)	Coordinated institutional support to the IGAD Secretariat	\$5m (TBC)	FY16
<b>IFC</b>			<i>Delivery FY</i>
Financial Services, Agribusiness, Extractives	Regional projects or national projects, including PPPs, with regional implications in the HoA. Examples of key sectors for special attention include Financial Markets, Oil and Gas, Renewable Energy, ICT, Transport, Mining, and Agribusiness. An indicative list of projects for special targeting include:	\$ 600 m (est)	FY17

<sup>50</sup> There are about 51.2 million displaced persons globally; 75 percent live in protracted displacement. The average duration now exceeds 18 years.

	<ul style="list-style-type: none"> <li>Regional pipeline and roads projects linking Uganda, Kenya and South Sudan.</li> <li>Investment and advisory work in the extractives, including local content.</li> <li>Possible PPPs in pharmaceutical industry; renewable energy and transport (e.g. Port of Berbera); PPP frameworks in the extractives and other critical sectors.</li> <li>Agribusiness sector opportunities including storage, processing, warehouse receipt systems, and seeds.</li> <li>Additional advisory support to enhance market access, ease of doing business across the region, and access to finance.</li> </ul>		
<b>MIGA</b>			<i>Delivery FY</i>
Support for Economic Opportunity and Integration:  Infrastructure, Energy, Agribusiness	<p>MIGA will continue to seek regional and national project opportunities, to support to private investments into HoA, building on successful cooperation with Bank/ IFC and on international investors' interest in infrastructure, power, and agri-business sectors.</p> <p>An indicative list of projects for special targeting include:</p> <ul style="list-style-type: none"> <li>Regional pipeline and roads projects linking Uganda, Kenya and South Sudan.</li> <li>Renewables projects in Kenya, South Sudan, Uganda and Ethiopia</li> </ul>	\$200m (est)	FY17
<b>AAA</b> <i>Pillar 1: Vulnerability and Resilience</i>			<i>Delivery FY</i>
A Regional Fragility Assessment	Build a common understanding on the exact nature and magnitude of regional drivers of fragility, on the elements of resilience, and on the region's stability-development nexus. This will inform the development of regional interventions which address and/or accommodate drivers of fragility/instability, and provide guidance on implementation and monitoring.		FY15 (Delivered)
Regional Forced Displacement Study	Collaborate with UNHCR is carrying out a regional study on displacement in the Horn of Africa, including the profile of displacement, displacement dynamics, and possible operational priorities for regional assistance to displaced populations, returnees and their host communities.		FY15
<b>AAA</b> <i>Pillar 2: Economic Opportunity and Integration</i>			<i>Delivery FY</i>
A Regional Extractive Endowment Assessment	Launch regional programmatic analytic work, building where possible on national studies, modeled on "Growth without Borders" ie, juxtapositioning demographics, natural resources, ecology and environmental assets, infrastructure and trade routes, markets, supply chains, relevant policy reforms, etc.		FY16
Geo-mapping of Mineral Resources	Launch initiative to capacitate countries to collect, collate and reinterpret various types of data to generate geological maps.		FY16
Transport connectivity	Launch phased development of a regional infrastructure strategic investment plan for Somalia, including identification of some early wins.		FY16
Regional	Regional groundwater assessment to address food insecurity, energy		



Groundwater Assessment	insecurity and water insecurity, and promote regional integration between nation states sharing water resources.	FY16
Borderlands diagnostic	Launch programmatic borderlands diagnostic work program (in line with African Union's Border Programme (AUBP) which is based on three pillars: (a) co-operation and co-ordination, (b) capacity building, and (c) community involvement) to help identify opportunities for local economic integration, social capital building, service delivery, trade, local governance and peace building.	FY16
<b>Special Partnerships</b>		<i>Delivery FY</i>
WBG/UN/other partners	Enhanced World Bank/UN partnership a new broad-based partnership with UNHCR, UNOCHA and other parties, including the AUC, Solutions Alliance, and African Governments, focused on development approaches to IDPs and refugees. A number of partners have structural issues which inhibit their ability to act regionally and thus initiative could help facilitate change in this area.	FY15-16
WBG/AUC/IGAD /ICGLR/UN/EU etc	Launch a new partnership on borderlands development with a programmatic work program. Such a partnership could also begin to address the borderland development issues in Western and Central Africa.	FY15-16
TerrAfrica <sup>51</sup>	TerrAfrica partnership on Sustainable Land and Water Management will prioritize a program in the Horn of Africa	FY16

<sup>51</sup> TerrAfrica is nationally driven and depends on the leadership and commitments of Sub-Saharan African countries. The Executive Committee consists of Sub-Saharan African governments, NEPAD, the UNCCD Secretariat, the UNCCD's GM, the FAO, IFAD, UNDP, the AFDB, the European Commission, bilateral donors, civil society representatives, and the World Bank.

## 7. IMPLEMENTING THE REGIONAL PLAN

95. **With the IDA17 replenishment recently finalized, regional and national IDA resources will be made available.** Given the ambitious scale of this plan, leveraging finance from other sources, including donors and the private sector, will be a key feature of its implementation, particularly in Somalia, Eritrea, and Sudan, which are in non-accrual status with the WBG.

96. **Managing implementation will be challenging, and the WBG is committed to ensuring that all projects and programs announced under the initiative are committed within roughly 24 months after the high-level visit.** The implementation of the development plan will be the subject of regular internal review and scrutiny. The first review will be initiated six months after the plan has been adopted through a report to be submitted to the Board.

97. **Maintaining momentum on the political and diplomatic front is a key objective of the initiative.** Only the region's leaders, working collaboratively, can solve the more intractable problems for which political and policy change is required. The WBG will join other partners, within its mandate, to support IGAD in facilitating this process, which will include regular meetings of the Ministers of Foreign Affairs, in addition to regular meetings of Ministers of Finance and relevant sector ministries. It is proposed that the inaugural meeting of Ministers of Foreign Affairs will take place at the time of the high-level visit, and thereafter an appropriate framework will be put in place for follow up and monitoring.

## 8. PARTNERSHIPS AND COORDINATION

98. **Partnerships are critical to successful delivery.** The initiative strives to take advantage of new opportunities arising from regional leadership and political developments on the ground, and the growing resolve of the international community to support more ambitious efforts to solve problems in the region, while giving those efforts a greater international profile. Operationally, the initiative is expected to facilitate increased support to the region from multiple stakeholders, to promote a greater degree of alignment and collaboration in areas of mutual interest, and, importantly, to encourage more operations that promote more cross-border solutions to long-standing problems of poverty. Timely and efficient operations that deliver results quickly will require effective partnerships in which some institutions are best placed to lead, and others to contribute. The WBG is not best placed to lead on everything; therefore, with IGAD, it will promote these partnerships.

99. **On the security agenda, the AU, IGAD, UN, and EU are key partners and interlocutors.** For example, IGAD's Security Sector Program of 2011 provides a framework for aligning and harmonizing specific security and development actions agreed by the countries of the region.<sup>52</sup> The EU continues to play a leading role at the political level and by financing concrete peace and security initiatives in the HoA. The EU adopted a Strategic Framework for the HoA on November 14, 2011, that underlines the need to address the links among insecurity, poverty, and governance. An EU Special Representative (EUSR) for the Horn has been appointed to contribute to the implementation of the Framework, working

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<sup>52</sup> An existing regional initiative on counterterrorism run by IGAD (IGAD Capacity Building Program Against Terrorism) brings together intelligence and military agencies across the region through a capacity-building platform. The program was transformed recently to become the IGAD Security Sector Strategy Program with an expanded mandate to include organized crime, trafficking, piracy, and other aspects of regional security.

closely with the EUSR for Sudan and South Sudan. In all these contexts, development is seen as a medium- to longer-term approach to counterterrorism and prevention of violent extremism.<sup>53</sup>

100. **Partner-led dialogue to unlock political bottlenecks and facilitate more economically sound cross-border solutions is as important as the financial investments in concrete projects and programs.** It will require considerable technical support to ensure that high-level dialogue is well informed and is sustained. Sustained diplomacy at the highest levels will also be required to help build trust between neighboring governments to resolve conflicts—such as the latent conflict between Djibouti and Eritrea, the unresolved border dispute between Ethiopia and Eritrea, and the active conflict in South Sudan.

101. **IGAD capacity needs to be strengthened.** It is important that IGAD be supported by its member states and development partners to enable it to effectively plan, coordinate, and monitor the processes required to further integration. Africa’s current integration landscape contains an array of RECs, including eight considered to be the building blocks of the African Economic Community; IGAD, one of these eight, has a stated ambition to achieve peace, prosperity, and regional integration among its member states. IGAD has a growing influence on the regional process in the Horn—partly through its regional peace and security activities, which continue to gain in importance and stem from the recognition that national security interests are intimately connected across the region, but also through its important activities and programs in support of drought disaster resilience and sustainability, and its growing number of activities in support of economic integration. Support to IGAD will require a closer working relationship with the WBG, which will require a great deal of dedicated time and resources. The initiative will consider what support the IGAD Secretariat might require to enable it to deliver effectively on the work that this initiative will bring.

## 9. RESULTS FRAMEWORK

102. A results framework for the initiative will be developed once the operations have been agreed.

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<sup>53</sup> Rethinking International Counterterrorism to the Greater Horn of Africa: Toward a Regional Risk Reduction Strategy. Matthew Schwartz, Liat Sheret, and Alister Millar. Perspectives of terrorism, Volume 7, Issue 6 Terrorism Research Initiative and the Center for Terrorism and Security Studies, December 2013.

## Annex I. Applying Lessons from the Great Lakes and Sahel Initiatives, and the 2011 Drought Emergency Response

1. **This initiative needed to raise the profile of security issues, a problem which is more complex and pronounced in the region.** The region suffers from the twin problems of ongoing conflict, border tensions, and an increasing terrorist threat from the extremists. Increased security, which is a function of the state will have fiscal implications, and given the dynamics of violence, will demand a more integrated and coordinated regional approach to addressing vulnerability, fragility and conflict, in particular through the need to implement projects which bring about collective cross-border action. Notwithstanding the timeliness of the Horn of Africa drought response package in 2011, the intervention was a series of multi-country operations with only one regional project which is still under preparation<sup>54</sup>.

2. **The institutional context is more coherent with all target countries being members of the Inter-Governmental Authority on Development (IGAD).** IGAD has, in particular, comparative advantage in peace and security issues and will be a key partner and driving force for the initiative helping with its convening capacity to bring coherence to substantive political discussions which are required to bring multiple stakeholders together to build trust and form consensus on security and development investment plans. The Economic Community of West African States (ECOWAS) has played a similar role under the Sahel initiative, though in the Great Lakes reaching consensus initially proved more challenging given the overlapping mandates of multiple regional organizations

3. **The importance of a strong analytical underpinning.** The challenges and opportunities of the Horn region are relatively under-studied and are most often looked at through a national lens, in particular on issues such as forced displacement, fragility and the security - development relationship at border zones. The initiative has made a head start on starting to fill some of the important knowledge gaps through the early commissioning of AAA in order to inform operational choices both of the WBG, though also with the intention of influencing those of other development partners. In the Sahel two international conferences, one on pastoralism and another on irrigation, performed a similar function whilst in the Great Lakes a 'conflict filter' has been developed and is being applied to our investment program.

4. **The importance of engaging with the extractives industry.** A wave of new natural resource discoveries across the region has the potential to transform some economies of the region. If used well, revenues could provide a route out of fragility, and help to build essential infrastructure and extend public services. The oil and gas industry in particular looks certain to be very important through the development and operation of new production sites and transport infrastructure, making engagement with the industry as well as bilateral countries where most companies are listed will be important, for example, Arab states, Australia, UK, Canada, Norway and South Africa.

5. **Be pragmatic and keep it simple - bigger more complex projects equal bigger problems for both clients and the Bank.** Regional projects are by their nature inherently complex for a combination of technical, social, financial, legal, policy, organizational, time horizons, multi-sector, and often multi-financier reasons. However many countries in the Horn region have weak procurement, FM and project management capacity and large, technically complex operations can be particularly difficult to

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<sup>54</sup> Out of 30 projects under the Horn of Africa drought response package, 9 projects have been identified for the rapid response phase, and 21 projects for medium to long term economic recovery and drought resilience. The total response package for Africa region now stands at \$1.83 billion. The current break down is rapid response: \$0.24 billion, medium term: \$0.39 billion and long term: \$1.2 billion. To date an estimated \$233 million has been disbursed from 15 projects; \$190 million for rapid response (9 projects) and \$43 million (6 projects) for medium to long term recovery.

implement. Reducing complexity will be important to value for money considerations, not least more efficient delivery, and also the ability to demonstrate results.

6. **Strengthening existing partnerships and building new ones is essential to successful delivery.** IGAD has a key role to play in facilitating and advocating for political solutions, and also in being focused and bringing coherence to on-going resilience efforts which are substantial. Certain operational aspects of programming will demand greater collaboration between the UN and WBG systems for delivery of rapid results, and also civil society and the private sector for the delivery of essential services in remote regions and job creation. Unlike in the Sahel and Great Lakes the initiative also demands a closer engagement with Arab Funds given their cultural and geo-political ties to the region, financing envelopes and ability to operate in countries where the WBG presence is absent.

7. **Good communication is essential.** The initiative will be supported by a structured communications plan which will identify target audiences and have the objectives of i) providing information, ii) increasing awareness, iii) encouraging action, iv) building consensus, v) influencing behavior ,and v) promoting participation. The Great Lakes initiative in particular highlighted the importance of early communication with careful messaging to avoid any miscommunication about WBG financing commitments and the aims and objectives of the initiative.

8. **The initiative will have a results framework, and will learn from the challenges of ongoing efforts to develop such frameworks for the Great Lakes and Sahel initiatives.** It is important that the WBG is able to demonstrate measurable results with clear linkages between investments and poverty reduction, and which is aligned with its new corporate focus on linking solutions to results. The initiative will build-in an institutional mechanism for monitoring and evaluation, mirroring the role of coordination group for the Sahel and the role being played by the office of UN Special Envoy to the Great Lakes region which is based in Nairobi.

## Annex II. Illustrative overview of development partner projects and programs in the Horn of Africa

Projects highlighted in red denote regional programs designed to foster collective cross-border action<sup>55</sup>

Thematic Area	Partner	Details	Countries
<b>Pastoralism</b>	AfDB	Water point and livestock-related infrastructure and capacity building.	Ethiopia, Djibouti, Kenya, South Sudan, Sudan, Somalia and possibly Eritrea to be added.
	WBG	Regional pastoralism support	Kenya, Uganda, Ethiopia
	IsDB	Regional pastoralism support (health and education)	Djibouti, Somalia, Uganda
	EU	Support to livestock productivity and animal disease control	Sudan
<b>Extractives</b>	AfDB	Extractives information center	Kenya
	IsDB	Contract negotiation	Somalia
	UNDP	Local content policies	Kenya
	WBG	Support to local content policies and key analytics	Kenya, Uganda
<b>Connective infrastructure</b>			
<i>Transport</i>	AfDB	Regional road missing links Ports development	Kenya – S Sudan, Kenya – Ethiopia, Ethiopia – Djibouti Djibouti
	EU	Regional road missing links	Ethiopia, Kenya
	OFID	Ports development	Djibouti
	WBG	Kenya – S Sudan Road Phase 1 Ports development	South Sudan Djibouti
	IsDB		Uganda <sup>56</sup> , Sudan
<i>ICT</i>	WBG	National broadband expansion and e-government	Kenya
<i>Energy</i>	OFID	Generation	Kenya, Ethiopia, Uganda,

<sup>55</sup> Specific national projects targeting youth, gender and private sector development are not included.

<sup>56</sup> In support of the Global Drylands Initiative the IsDB recently approved \$20m for the Government of Uganda towards integrated development of the Karamoja Region.

Thematic Area	Partner	Details	Countries
<i>generation &amp; transmission</i>	WBG	Kenya – Ethiopia Interconnector	Djibouti Kenya – Ethiopia
	AfDB	Kenya-Ethiopia Interconnector	Kenya – Ethiopia
	EU	Generation and transmission	Ethiopia
<b>Environment &amp; water resource management</b>	IsDB	Dam construction	Sudan
	OFID	Dam construction	Somalia
	Multiple donors	Nile Basin Initiative	Nile riparian states
	EU	Sewage treatment and waste disposal	Djibouti
	UNDP	Drought resilience and land use	Multiple countries
	WBG, FAO, UNDP, UNEP, AfDB, EU	TerrAfrica Sustainable Land Management Program	Sudan, Ethiopia, Kenya, Uganda
	REDD Africa Program to Reduce Deforestation and Forest Degradation	FAO, UNDP, UNEP, EU	Ethiopia, Sudan, Uganda, and pipeline Kenya-South Sudan
<b>Forced displacement</b>	UNDP	Support to refugees	Multiple countries
	UNHCR	Budget of \$1.2bn	
	UNFPA UNICEF		
	EU	Livelihood support to communities and displaced populations	Sudan
<b>Health</b> <sup>57</sup>	IGAD	Regional HIV/AIDS program	
<b>Peace and Security</b>	EU EU EU	Anti-piracy capacity building Anti-terrorism capacity building Security mission and AMISOM	
<b>Safety nets</b>	EU	Support to enhance resilience	Multiple countries
<b>IGAD</b>	UNDP	General capacity building and drought response	
	EU	General capacity building	

<sup>57</sup> This does not reflect the totality of partner assistance to national health systems and peoples in displaced situations outside of national systems.

Thematic Area	Partner	Details	Countries
	WBG AfDB	Project-linked capacity building General capacity building	



## **Annex III. Alignment with IGAD strategy and programs**

### **Pillar I: Vulnerability and Resilience**

- Displaced populations – the initiative will help to fill gaps in the IGAD Drought Disaster Resilience and Sustainability Initiative (IDDRSI) which does not have operations targeted specifically at displaced people.
- Support to regional health – fully in line with the aims and objectives of the IGAD Regional HIV/AIDS Partnership Program (IRAPP) Support Project which targets mobile cross border populations

### **Pillar II: Economic Opportunities and Integration**

- Kenya – South Sudan transport connectivity is one of IGAD’s 6 regional priority road corridors. An IGAD infrastructure master plan is currently being developed with the support of AfDB for the region.
- Strengthening exiting regional ICT connectivity is in line with the HoA IGAD Backbone Project which plans to fill missing links, including linking Eritrea and Somalia (Berbera and Bosaso) to Djibouti, and address policy and regulatory environments.
- IGAD has started addressing borderland issues under IDDRSI and the initiative will enhance the IGAD approach.
- Extractives - new discoveries and exploitation will enhance economic growth. Assessment and mapping of extractives will enhance IGAD regional planning in economic integration and environmental protection. Efforts to support groundwater evaluation and extraction will complement IGAD’s efforts under IDDRSI which has a groundwater component.

Private sector development – IGAD has a Civil Society Forum which is used to enhance the involvement of the civil society in IGAD overall activities. The HoA initiative will enhance IGAD’s efforts to promote private sector development, where the IGAD business forum has an important role to play.

Security – the IGAD region is beset with a number of conflicts, security threats and fragility. Currently, there are 4 on-going conflicts. IGAD has been actively engaged in addressing some of the above threats through mediation, establishment of the Conflict Early Warning and Response Mechanism (CEWARN) and the IGAD Security Sector Programme (ISSP). The initiative will reinforce IGAD’s efforts in these areas and enhance its capacity.

## Annex IV. Overview of WBG country programs in Horn of Africa countries

### 1. UGANDA Country Assistance Strategy (CAS) 2011 -2015

The World Bank Group's Country Assistance Strategy (CAS), aligned with Uganda's National Development Programme (NDP) covering FY11-15, supports structural transformation of the economy. It provides a framework for World Bank Group support for five years (FY11-15). IDA resources under the FY011-15 CAS are estimated at about SDR1.3 billion (US\$1.97 billion equivalent). Development policy operations are expected to account for about one-third of annual IDA financing. The CAS focuses on four strategic objectives and eleven outcomes:

- **Promote Inclusive and Sustainable Economic Growth.** There are four outcomes: (i) improved conditions for private sector growth; (ii) improved interconnectivity for regional integration; (iii) increased productivity and commercialization of agriculture; and (iv) increased efficiency and sustainability of natural resource management.
- **Enhance Public Infrastructure.** There are four outcomes: (i) increased access to electricity; (ii) improved access to and quality of roads; (iii) increased access to and quality of water and sanitation services; and (iv) improved management and delivery of urban services.
- **Strengthen Human Capital Development.** There are two outcomes: (i) improved access to and quality of primary and post-primary education; and (ii) strengthened health care delivery.
- **Cross-cutting: Improve Good Governance and Value for Money.** There is one outcome: strengthened accountability and efficiency of public financial and human resource management.

The CAS includes interventions to address the skills development and demand side interventions geared towards continued creation of private wage jobs, entrepreneurial training, supporting household enterprises in the non-farm sector to increase their incomes, and public works and community programs that help youth identify opportunities and find support.

The WBG is heavily involved in building domestic capacity to engage in the oil sector. Policy notes on fiscal federalism, establishment of a petroleum training center, oil production in environmentally sensitive areas, and development programs for local communities in oil-affected areas are being produced under the current CAS period.

### 2. KENYA Country Partnership Strategy (CPS) 2014 -2018

Kenya's "Vision 2030" rests on three pillars: economic, social, and political and is operationalized by the second Medium-Term Plan (MTP2, 2013-17), and provides a good anchor for this Country Partnership Strategy (CPS). The Bank's annual commitments will be governed by the IDA17 settlement, provisionally assumed at around US\$600 million each year. This will build on the IDA portfolio in Kenya of US\$4.3 billion at mid-FY14, covering 23 national projects (US\$3.5 billion) and 7 regional projects in which Kenya is a partner (US\$0.8 billion). It is important to continue to "move to scale" especially in IDA investments, but also in IFC commitments, by focusing on larger projects and the judicious use of additional finance. The WBG could be providing over US\$1 billion per year to Kenya over the life of this CPS. IFC is targeting portfolio expansion perhaps even beyond the US\$785 million of commitments at mid-FY14 if market conditions permit. MIGA's current total exposure to Kenya is US\$255 million, and

international investors' interest in infrastructure, power, and agri-business sectors provides potential for this to expand further. The CPS focuses on:

- **Competitiveness and sustainability.** WBG policy advice will help the authorities create a well-functioning and properly regulated energy market; IDA financing will be used for some publicly merited investments; and IFC and MIGA instruments help leverage more private resources. More broadly, the Bank Group will redouble its support public-private partnerships, especially in the water and transport sectors where there is medium-term potential. On transport, the focus of new IDA lending will be on significant rural feeder roads within and between counties to connect communities to emerging economic opportunities. The Bank will support the Government's oversight of the rapidly emerging oil and gas sector. Both IFC and Bank resources will be deployed to help create private sector and try to make cities livable and sustainable, with a special focus on secondary cities where poverty is proving most stubborn.
- **Protection of the vulnerable and help them develop their potential.** The social pillar focuses on investing in people, including in education, health, and housing, with a focus on women, youth, and vulnerable communities. Health is a pressing priority; in this sector the combined resources of IDA and IFC, alongside global funds and other partners, will be scaled up. Another key to help target support for the poor is to focus on agriculture, a high priority since it has such a direct link with helping families in rural areas where a majority of Kenyans live. Potential IFC investments in infrastructure, agro processing, and financial institutions further support the goal. The burgeoning youth population brings opportunities and challenges for WBG support in education, jobs, and skills. Protecting the poor who are disproportionately impacted by climate variability will also be an area of support. And across the board the gender focus of WBG operations and analytical work will be upgraded, including support for female education, entrepreneurship, and rural women's groups.
- **Building consistency and equity.** The Bank's large-scale capacity building and AAA program will inform a series of IDA operations to help counties and national agencies to make devolution work. The consistency of Kenya's development will be buttressed by deepening regional integration with its neighbors; and WBG investments will be made in multi-country projects, including in energy and transport

The Bank will support the Government's oversight of the rapidly emerging oil and gas sector. Both IFC and Bank resources will be deployed to help create private sector jobs and try to make cities livable and sustainable, with a special focus on secondary cities where poverty is proving most stubborn.

The consistency of Kenya's development will be buttressed by deepening regional integration with its neighbors. The WBG will provide a mixture of analytical activities and investment for near and longer-term initiatives. Some—such as advisory services to the capital markets authority to help facilitate regional financial deepening, or partnering for results with TradeMark East Africa on a Mombasa Port Charter to enhance operations—can be delivered primarily with Kenya counterparts. Others such as continuing transformative road and energy investments linking Kenya with Tanzania, Ethiopia, and other locations require multi-country agreements.

### **3. DJIBOUTI County Partnership Strategy (CPS) 2014 – 2017**

The CPS is anchored in the Government of Djibouti's Vision 2035, a long-term development plan that focuses on economic integration, governance, and human development. The overarching objective of the CPS is to support the government's vision, working to reduce extreme poverty and build the foundations

for shared growth by harnessing the country's human and economic potential. The CPS rests on two pillars—reducing vulnerability and strengthening the business environment—while focusing on institutional strengthening and gender as cross-cutting themes. This is the first joint World Bank Group strategy prepared for Djibouti, demonstrating the deepening engagement with national authorities, civil society, the private sector, and development partners. The strategy has been defined cooperatively by the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). The CPS aims to leverage the Bank Group's modest financial resources for Djibouti by supplementing a focused country program with regional and global resources. The CPS assumes an indicative IDA envelope of US\$25 million under IDA17.

- The first pillar of the CPS will seek to support the government's efforts to alleviate poverty and boost shared prosperity through improvements in **social protection and disaster risk mitigation**, as well as indirectly through enhancements to **education, health, and basic infrastructure services**. In particular, the CPS program will aim to address the following challenges: (i) the inadequate targeting of beneficiaries of safety net programs and difficulties in ensuring that benefits reach the poorest and most vulnerable; (ii) the lack of institutional capacity in the Ministry of National Education and Vocational Training, which holds back the delivery of efficient and effective education services; (iii) the weak quality of maternal and child health care and communicable disease control programs; (iv) the lack of access to basic infrastructure, including water and agro-pastoral resources in rural communities and water and roads in poor urban areas of Djibouti-Ville; and (v) the country's poor resilience to climate change and natural disasters.
- The second pillar of the CPS focus on strengthening Djibouti's job creation, in **energy, and telecommunications programs**. In particular, the CPS program will seek to reduce the barriers to business growth and investment by: (i) working to reduce the costs of electric power by improving the government's capacity to assess the commercial viability of geothermal energy and addressing the tenuous financial viability of the energy utility, Electricité de Djibouti; (ii) helping to improve access to telecommunications by addressing the limited coverage and high cost of internet services; and (iii) improving the quality of the business environment.

#### 4. SUDAN Interim Strategy Note 2014 -2015

Given Sudan's non-accrual status and ineligibility for IDA, the Bank will continue to work in partnership with bilateral and multi-lateral donors. Knowledge intensive services, including capacity building and training, have and will continue to constitute a significant part of the proposed program through a select number of trust-funded interventions with a value of over \$120m. The Bank will continue to work closely with the IMF on the macro-economic issues and especially on the technical preparedness for debt relief and on the macro-economic framework to support sustainable fiscal adjustment and to provide incentives for growth. The Bank will focus on supporting activities that accelerate growth and expand sources of growth, ensure equitable distribution of resources and access to services, and respond urgently to opportunities to consolidate peace in areas emerging from conflict:

- **Pillar 1: Manage the Economic Transition:** Support policy and institutional reforms at the national level to improve economic management to achieve fiscal adjustment, proper debt management and readiness for debt relief; to promote new sources of growth and to accelerate growth that empowers citizens; and institutional reforms that ensure equitable distribution of fiscal resources across regions.

- **Pillar 2: Address Socio-economic Roots of Conflict:** Support to national and local programs for service delivery focusing on key human development outcomes; to establish mechanisms that minimize the impact of the fiscal shock transmitted to households through cutbacks in services or through inflation; and to building systems for service delivery and accountability, especially in areas emerging from conflict, including Darfur.

## 5. SOUTH SUDAN Interim Strategy Note 2013 – 2014

The proposed interim strategy is aligned with GRSS’s ambitions as reflected in the South Sudan Development Plan. The central challenge for South Sudan will be to lay the foundations for effective and accountable institutions that will use the country’s own resources to respond to its citizens’ needs. The Bank’s role in the ISN period will be to assist South Sudan in meeting this challenge by selecting interventions which will, over time, have a foundational or transformational impact that are guided by the priorities of GRSS, aligned with the activities and focus of development partners, and responsive to emerging needs. Building institutional accountability and capacity will be central to all programming. Gender sensitivity will figure prominently in all activities, both for equity and efficiency considerations. During the ISN period, the Bank expects that South Sudan will receive an IDA finance allocation of **approximately US\$130 million during FY14**. The program will have two clusters of activities:

- Cluster 1 will focus on improving **economic management and governance** for effective local service delivery, and includes (i) knowledge activities and technical assistance that address macroeconomic policies, public financial management and oil revenue management, and develop statistical capacity for generating data for decision making and accountability; (ii) a lending operation to build responsive, inclusive government structures for local service delivery and for addressing local grievances. A comprehensive approach to expanding productive employment opportunities is more effective than isolated interventions; therefore, a robust analytical program will underpin employment interventions in Cluster 2.
- The second cluster will pilot a **public works and skills** operation on livelihoods, targeting gender, youth and vulnerable groups, including ex-combatants; it will also help build the foundations of the economy by **improving connectivity** through a core network of roads, ICT and trade, including regional links. IFC is expected to focus on support to private-public partnerships in pharmaceutical development, introduce new mobile enabled services, and build capacity in small and medium enterprises.

## 6. ETHIOPIA Country Partnership Strategy 2013 – 2016

The CPS builds on the progress achieved by Ethiopia during the past five years and aims to help the Government of Ethiopia address this structural transformation and assist in the implementation of Ethiopia’s Growth and Transformation Plan (GTP). The CPS sets out a proposed IDA program which will span the last two years of IDA 16 (FY13-14) and the first two years of IDA17 (FY15-16). The lending program for the first two years IDA 16 of the will be US\$1.5bn in FY13 and US\$1.2bn in FY14. The CPS framework includes two pillars with governance as foundation and two cross cutting themes:

- **Pillar One**, “Fostering competitiveness and employment”, aims to support Ethiopia in achieving the following strategic objectives: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity; (iii) increased and improved delivery of infrastructure; and (iv) enhanced regional integration.

- **Pillar Two**, “Enhancing resilience and reducing vulnerabilities”, aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. Good governance and state building form the foundation of the CPS. In line with the GTP, gender and climate change have been included as cross-cutting issues in the CPS to strengthen their mainstreaming across the portfolio. The programs of IFC and MIGA are well aligned with the CPS framework, contributing mainly to the strategic objectives under Pillar 1.

## 7. SOMALIA Interim Strategy Note 2014 to 2016

A transformational moment: In August 2012 the Federal Government of Somalia (FGS) was brought to power with a four-year term under a provisional constitution approved by a new parliament - ending Somalia's long period of revolving transitional government at the federal level. Since its establishment, the FGS has emphasized improved governance and economic management as key pillars of its development plan and is also laying the foundations for the implementation of a federal system of governance. The new government is responsible for meeting important political, security and economic milestones during its term, including the passage of a permanent constitution and the preparation for national elections in 2016. Regional countries and international actors have re-doubled efforts to support and sustain this window of opportunity, endorsing a New Deal for Somalia at the September 2013 Brussels Conference and pledging US\$2.4 billion against the Somali Compact ("the Compact"), which includes a "Special Arrangement for Somaliland". The Bank has now put in place an operation to provide recurrent cost financing to finance critical expenditure in the first phase of the transition.

1. The binding constraints to poverty reduction are stability and the rudimentary elements of state-building: While Somalia's trajectory is now positive, transitions are rarely linear and the situation is likely to remain fragile unless progress is made on the following three issues:
  - Achieving consensus on a federal system that provides for inclusive representation and political accommodation among the regions on power and wealth-sharing;
  - Establishing core institutions that can deliver basic services to citizens, including security, and can manage the economy transparently and effectively;
  - Redressing the elite capture and economic exclusion that has resulted in widespread vulnerability among the Somali population

To tackle these issues, the Compact commits international and domestic actors to priority peace- and state-building goals, whose implementation will demand strong domestic political will and sustained international engagement. Important steps on the political front have already been taken: key legislation has been passed to enable the constitutional review process and political dialogue has been initiated with the regions. The August 2013 agreement on the formation of an interim administration in the southern region of Jubbaland is an important milestone. Progress has also been commendable on economic governance issues. This is important given the need for Somalia, an IDA-only country, to address its stock of debt and arrears, and the intention of the authorities to engage Somalia's creditors through the Heavily Indebted Poor Country Initiative (HIPC). Nevertheless, deep rooted issues of economic governance and mistrust between regions remain and building inclusive governance will require concerted efforts by Somalia's leadership.

A renewed World Bank Group engagement: The ISN aims to lay the foundations for poverty reduction and shared prosperity by delivering selected activities in two priority areas: (a) strengthening core economic institutions; and (b) expanding economic opportunity. The ISN aligns the Bank's work fully within the framework of the new Somali Compact that is committed to priority peace and state-building goals necessary to address the binding constraints to poverty reduction in Somalia. In preparing this ISN, the Bank has renewed its engagement with a de jure government in Mogadishu while also strengthening its dialogue and engagement with regional authorities. Maintaining this balance will be critical to the successful delivery of the ISN, given a spectrum of contexts across Somalia's regions, and the sensitivity of economic resource allocation. The proposed program will rely on trust fund resources and will build on the activities initiated under the FY08-09 ISN (mainly in Somaliland and Puntland). In addition to the US\$19.5 million committed under the State- and Peace-Building Fund (SPF), additional resources will be mobilized from international partners through a Bank-administered Multi- Partner Fund<sup>7</sup> (MPF) to implement the ISN (up to \$150m contributions expected in FY14). The MPF will be a discrete fund that will share the governance structure of the Somalia Development and Reconstruction Facility (SDRF), a coordinated financing architecture proposed as the centerpiece of Compact implementation.

## Annex V. Horn of Africa Regional Fragility Assessment

### INTRODUCTION

1. **Recognizing the potential to accelerate poverty reduction and bolster shared prosperity in the Horn of Africa (HoA), the World Bank Group (WBG) is developing a regional initiative to support critical regional initiatives for the area's development** and also to address the instability and vulnerability that could undermine the region's potential. Many of the region's zones of extreme fragility are near border areas, thus making a regional approach a critical tool to improve stability and reduce the risk of conflict. Here, the Horn of Africa is defined as Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, South Sudan, and Uganda.

### Links to wider WBG goals and strategy

2. **The WBG's regional HoA initiative will contribute to delivery of its Africa Regional Strategy (2011–2016) which sets out two pillars: (1) competitiveness and employment; and (2) vulnerability and resilience**, with governance and public sector capacity serving as a foundation. It recognizes conflict and political violence as drivers of vulnerability and proposes mitigation measures, including strengthening accountability, participation, and political consensus building. The Africa Regional Strategy prioritizes programmatic operations and partnerships.

### Objective of the Regional Fragility Assessment

3. **The HoA Regional Fragility Assessment (RFA) serves as a framing paper for the regional initiative and offers a summary analysis of the primary regional drivers of conflict and fragility in the Horn**, focusing on those factors that have a regional impact or can be addressed through a regional approach. On this foundation, the RFA considers how the WBG's regional initiative can build on the region's resilience factors to promote security through development, both through direct interventions and by mitigating the risks of instability associated with regional development.
4. **The entry points suggested in the RFA seek to complement ongoing regional support by other institutions and country-specific initiatives of the WBG.** They build on suggestions set out in the Working Concept Note for the regional initiative of January 10, 2014, in which two pillars of support are proposed: one on addressing vulnerability and building resilience, and another on strengthening economic opportunity and integration. Both pillars will be supported by cross-cutting themes on security and the private sector. The recommendations of this RFA therefore focus on how to integrate security into the development initiatives proposed within each pillar, as well as on complementary, standalone initiatives to build security.

### DRIVERS OF CONFLICT AND FRAGILITY

5. **Despite increasingly effective regional collaboration—for instance, in developing trade and transport—the HoA has experienced significant levels of conflict and tension.** Whether interstate, intrastate, or inter-communal, many of the region's conflicts are connected. This is particularly true of instability in border areas where drivers of conflict and fragility transcend political borders and weaker governance provides refuge for criminal and violent activity. Cross-border spillover of conflicts means that the fates of the region's more stable countries are inextricably linked to their troubled neighbors. Governments cannot ignore conflicts in or among



their neighbors, nor can they expect containment strategies to be sustainable. This is well understood by the region's states, and many are taking active roles either within regional institutions such as the Intergovernmental Authority on Development (IGAD) and the East African Community (EAC), or bilaterally, to support stabilization and stronger regional integration and collaboration.

6. **Endowed with very different environmental capital and thus livelihood approaches, built on contested histories, and often lacking consistent delivery of state functions to generate greater state legitimacy, untangling the drivers of disenfranchisement, poverty, and vulnerability in the Horn is a complex task.** Such drivers are often exacerbated by ineffective governance and intragroup power struggles. Furthermore, linkages are found between different levels of conflict, with interstate relations frequently played out through intrastate or communal conflicts and regional governments engaging in proxy wars in each other's territories.
7. **Covering an area over half the size of Europe and hugely diverse, generalizations on trends and drivers of fragility in the Horn are difficult, with each case having its own unique set of characteristics and context.** This section looks only at the broad trends and drivers of conflict and fragility in the Horn, focusing on their regional characteristics. The implications of these drivers for the WBG's regional initiative are highlighted.

### Geopolitical Environment

8. **The geopolitical environment in the HoA has for a long time been one of the most complex in the world.** The many conflicts all have spillover effects that complicate political relations and stability between neighbors. Regional development programs in this part of the world will therefore undoubtedly be more politically sensitive than elsewhere.
9. **In Somalia, the differentiated development between southern Somalia, Somaliland, Puntland, and more recently, Jubbaland, has created localized power centers, some that are perceived to be even more powerful than Mogadishu itself.** While recognizing the positive local effects on stability and development of these areas, they also increase tensions around the nation-building agenda and create specific challenges for the unity ambitions of Mogadishu, backed by the international community.
10. **Over the course of time the ongoing conflict in Somalia has come to take on an increasingly regional character through the military intervention of the African Union Mission in Somalia (AMISOM).** AMISOM is playing a crucial role in stabilizing Somalia, but can also be perceived by some observers as provoking Al-Shabaab toward its increasingly international character. The huge numbers of refugees that have long gathered in the camps of mainly Ethiopia and Kenya are now becoming an intricate part of regional political dynamics. They are now at the center of the debate of the increasing number of terrorism attacks in Kenya, which in turn fuels anti-Somali sentiments among the general population and further adds complexity to Kenya-Somalia bilateral relations. Kenya has openly stated that one of the objectives of its intervention in Somalia is to create a safe zone for refugees to return.
11. **Al-Shabaab is playing an increasingly destabilizing role regionally, and has demonstrated its ability to execute terrorist acts in both Uganda and Kenya.** The group is now actively promoting radicalization of other Islamist groups in the region, most notably in the coastal regions of Kenya.

12. **The continued exclusion of Eritrea from IGAD and some other sub-regional mechanisms presents an obstacle to comprehensively addressing peace and security as well as development and humanitarian issues in the HoA.** Eritrea continues its attempts to reactivate IGAD membership.
13. **In South Sudan and Sudan, the unresolved disputes over oil transit and several border regions, such as Abyei, Kafia Kingi, and the Heglig oilfield, have become overshadowed by the recent internal conflict in South Sudan,** but could surface again once the country returns to relative stability. The internal conflict in South Sudan—where IGAD is acting as a mediator—also has regional implications, with a strong Ugandan military presence and large numbers of refugees. However, it is still too early to foresee the full extent of the spillover effects. The UN recently voiced its concern that the conflict will lead to another humanitarian food crisis.
14. **The most striking development in the region’s recent political economy has been the emergence, or reemergence, of Ethiopia as its dominant and centrally placed power.** The current Ethiopian regime’s ability to contain the major sources of conflict within the country that have historically restricted its regional role, coupled with a remarkable level of economic growth, has given Ethiopia a central role in any initiative to reduce regional instability. The attractions of such an initiative are greatly increased by the fact that the current government in Ethiopia has embraced this role, including mediating conflicts in the region. This is most strikingly demonstrated by its attempts to remain even-handed in dealing both with sources of tension between the two Sudans and with the current conflict within South Sudan. Most basically, Ethiopia has come to see conflicts that affect any of its neighbors as presenting a threat to its own central strategy of pursuing economic growth, not least because it is a landlocked state whose access to the sea depends on transit across potentially highly unstable coastal borderlands. As the headquarters state of the African Union (AU), which for more than fifty years has been at the core of African diplomacy, Ethiopia is also acutely aware of its need to remain within a continent-wide consensus.<sup>58</sup>

## Historical Influences

15. **Unlike other parts of Africa, the Horn includes countries where conquest was internal rather than external.** The region’s mix of histories has resulted in states that were created in significantly different ways, which in turn shapes their governance systems, patterns of security and justice, levels of inclusion, and how each state now relates to others.
16. **Ethiopia and Somalia are examples of countries that do not fit the typical African pattern in that their historical identity may drive their engagement with their neighbors.** For instance, Ethiopia’s historical identity as the Abyssinian Empire encouraged an expansionist approach to incorporate and retain its lowland peripheries. Somalia’s history of nationalism, meanwhile, fuelled enormous instability after the fall of the Barre regime and continues to challenge efforts to build a functional and stable state.
17. **Colonialism in other parts of the region has left its own legacy.** Many ethnic groups are divided across state boundaries, which restrict social and cultural ties, cuts through political communities, and limit the regional management of ecosystems, which is essential to many livelihood approaches. The division between sociocultural identities has also played out at the national level by colonial powers. This division of ethnic groups has often been coupled with a

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<sup>58</sup> This paragraph on Ethiopia is from Christopher Clapham at the Centre of African Studies, University of Cambridge, which he wrote as peer review comments to an earlier version of this document. It is published here with his kind permission.

sense of marginalization where extractive colonial states privileged some areas over others. For example, in Kenya, the colonial administration identified central Kenya and the Rift Valley as profitable, while the western and northeastern regions were seen as troublesome and unprofitable and were thus marginalized. This has left long-lasting grievances that have often been manipulated for political or economic purposes.

18. **Afro/Arab identities continue to shape interactions in the region based on a mix of geopolitical interests.** There is a long history of social, cultural, and economic interaction between the Arab world and the Horn. Some of this is founded on historical trading relationships and Oman's colonial footprint, others through more recent developments such as insecurity in the Red Sea. Djibouti, for example, is a member of both the AU and the League of Arab States and seeks to balance its population's sense of identity with its regional trading and security relations.
19. **The WBG should therefore recognize that in regional initiatives, some parties may adopt a competitive approach.** This reflects distrust in interstate relations and negotiations, which has strong historical roots. However, some countries, such as Kenya, Ethiopia, and others, have promoted regional strategies and actively participated in mediation efforts and the design of regional projects that are central to the development of their economies. Regional initiatives have not always succeeded because of the history of mistrust and because of the tensions created by the weight of geopolitical dynamics described in the previous sections.

#### **The Domination of a Security and Stability Agenda**

20. **Governance systems in much of the Horn are often primarily geared toward security and stability.** Political dispensations and governance systems that prioritize security may be less democratic, less inclusive, and less accountable, with those in power arguing that this is by necessity—in order to avoid greater instability. As a result, the region is characterized by huge differences in social and political opportunities, with ongoing instability in some areas encouraging more directive and restrictive governance. States that feature authoritarian and semi-authoritarian governments are often less inclined to partner with non-state actors to manage conflict. Hybrid governance and peacebuilding arrangements that promote interaction between state and non-state actors may therefore be more viable in the region's more open states.
21. **In the Horn, avenues for the transmission of instability from one country to another are numerous, as are potential trigger points from which conflict may spark.** Governments in the region, many of which originated from a violent beginning and are experiencing internal and/or neighboring conflicts, tend to prioritize security imperatives in their relations with neighbors and peripheral regions. Economic interconnections—both dependencies and opportunities—are often strengthened or weakened by the region's security dynamics (Healy, 2011). For example, due to longstanding conflict and contestation, Eritrea and Ethiopia do not cooperate on the potential logistics corridor from landlocked Ethiopia to Eritrea's coastal ports.
22. **Security-oriented governance systems can encourage countries in the region to intervene directly or indirectly in neighboring states.** For example, Somalia now has five of its neighbors with armed forces in its territory, some hatted under AMISOM, while Ugandan forces were deployed rapidly in response to South Sudan's current crisis. The Horn is a typical "regional conflict complex" (Wallenstein and Sollenberg, 1998) in that there is extensive and direct engagement of regional states in another's affairs. Given the ongoing dominance of a security agenda in parts of the region, regional initiatives and agreements should **consider the stability imperatives of regional actors.** What may appear to be **fruitful economic partnerships may**

**not be pursued**, such as formalizing trade routes or developing cross-border livelihood approaches, if they are perceived as undermining a country's security.

### **Persistent Conflict and Widespread Displacement**

23. **The greatest single predictor of a civil war is a past civil war (Collier et al., 2009) and almost all countries in the Horn have had a period of serious armed conflict in the last thirty years.** Some countries, such as Somalia and South Sudan, have been in a near continuous state of low-grade war for decades. These wars leave a legacy of displaced populations, unresolved grievances, militarization, damaged economies, polarized power, and distrust. Their form and purported objective may change, but the conflicts persist. Even in conflicts aimed at overthrowing governments, parties to the conflict have commonly committed human rights atrocities that target civilians. For example, when faced with declining popular support, the Lord's Resistance Army (LRA) resorted to abductions and the massacre of suspected government allies to terrorize the civilian population (ICG, 2004). Furthermore, over the last century, civil wars in Eritrea, Ethiopia, Somalia, and Uganda have contributed to massive humanitarian crises that take decades to heal.
24. **The long-running conflicts in several countries of the Horn have also produced a large diaspora population, which sends remittances back home.** Private remittances from abroad, channeled through the *hawalla* system, play a significant role in several parts of the region. In Eritrea, the remittances arrive through official channels and add to the central bank foreign exchange reserves. In other countries, unofficial remittances are often used to sustain extended families and their businesses, but it has also in some cases been used to support armed factions, fuel conflict, and finance jihad (Love, 2009).
25. **Given the protracted nature of many of the region's conflicts, the causes of the initial conflict are often not those that promote its continuance.** As such, it is important to understand both the genesis of a conflict but also how it has evolved and how new conflict drivers have developed, with ongoing division and violence sometimes used to advance political and economic interests. Conflict is costly to many, but profitable to a few. For example, in Somalia, the desire of some to sustain a war economy for monetary gain is widely recognized as a driver of the country's ongoing instability. Persistent conflict in many areas of the Horn has served to entrench and deepen existing grievances, creating deep trauma and frequently enforced stereotypes of identity. The conflict and crimes committed against civilians often leave lasting psychological effects. The deep psychological scars and collective sense of trauma, if left unaddressed, can contribute to conflict and fragility by deepening divisions in society. Trauma affects trust by transforming the relationships in both the public sphere (between groups, between society and the state, and within communities) as well as in the private sphere (within families, between generations). It can also transform identities, hardening the distinctions groups draw between "us" and "them" (Marc et al., 2013).
26. **Children are particularly vulnerable to recruitment by armed groups, sexual exploitation and abuse, and physical violence.** These risks are exacerbated by the disruption to community and family structures caused by displacement. Children are also more likely to have experienced a recent traumatic event and be recruited to fight. For instance, in northern Uganda, between 20,000 and 66,000 children were abducted by the LRA between 1986 and 2006. During this period, abducted children made up 80 to 90 percent of LRA soldiers (Dagne, 2011). Children recruited into an armed conflict suffer threefold. Firstly, they lose their rights to a normal childhood, including the right to education. Secondly, their risk of being killed or maimed is very

high. Thirdly, even after the war they may suffer from psychological trauma and limited access to decent work and livelihood opportunities.

27. **It will be important that the WBG’s regional initiative be informed by an understanding of the political and economic power dynamics that underpin a conflict so as to avoid reinforcing war economies or vested political interests.** Regional support to peace processes and associated development interventions should incorporate measures to address trauma, rebuild social trust, and develop a sense of community and identity that is cohesive. Addressing abuse and human rights violations is likely to be necessary following long and brutal conflicts, with the impact on children deserving particular attention. Failing to recognize and address these issues may see them emerge as conflict drivers in the future. This is particularly true given the erosion of many traditional dispute resolution mechanisms and systems for grievance redress in the region.
28. **In the Horn of Africa, political uncertainty, violence, drought, and governance failures have led to the displacement of millions of refugees and internally displaced persons (IDPs).** In their own territories, the eight countries of the HoA currently host over 6 million IDPs and over 2 million refugees. Around 700,000 refugees from the Horn currently reside outside of the region. Still, these figures do not adequately portray the complexity and magnitude of the problem. Ethiopia is now the largest refugee-hosting country in Africa. Almost a quarter of Somalia’s population has been affected by forced displacement. In South Sudan, almost half of the country’s population consists of IDPs, refugees in other countries, and returnees. Most of these refugees and IDPs are in protracted displacement situations, which have moved beyond the initial emergency phase but for which solutions do not exist in the foreseeable future. Too often, international attention begins to fade after the initial emergency phase, and long-term support becomes less predictable as displacement situations become protracted. Humanitarian assistance and the generosity of host communities are overstretched, especially when policy frameworks and institutional arrangements are for short-term humanitarian interventions. In these situations, the challenge is often developmental—rather than humanitarian—in nature. The development challenges of protracted displacement situations include the reestablishment of livelihoods and the equitable delivery of services. The areas hosting the displaced are often affected by conflict and displacement, and host communities and areas often lack the institutional capacity to deliver or manage the delivery of the necessary protection and assistance to the displaced.
29. **If neglected or poorly managed, protracted forced displacement in the Horn of Africa could be a driver of conflict and fragility.** Cross-border conflict spillovers—including a massive influx of refugees—are among the security-related stress factors that lead to fragility. The consequences of displacement are frequently regional, with large-scale displacement of people due to internal conflicts often spilling over borders. This in turn can fuel further tensions between refugees and host communities over land, natural resources, and livelihood opportunities, as well as between countries, as described in the geopolitical section of this paper. The massive influx of displaced persons also overwhelms the institutional capacity of host communities. For instance, the post-1994 Rwandan genocide refugee influx is often cited as one of the factors that contributed to the conflict in the Democratic Republic of Congo (DRC). In the HoA, several protracted displacement situations are characterized by low-level tensions and conflicts between host communities and refugees over firewood and access to energy resources.
30. **The presence of refugees and IDPs does not necessarily have negative outcomes. Depending on the context, the presence of displaced populations could have a positive impact.** For instance, in Kenya, the presence of a large number of refugees in the Dadaab area has increased economic opportunities for the local communities. Displacement is not per se a driver of fragility;

it is the management of displaced populations that determines its impact. By taking a development approach to displacement rather than strictly a humanitarian one, governments and aid agencies could contribute to building institutions that help mitigate the stresses caused by large-scale displacement and instead promote these groups' potential to make positive impacts.

### **Neglected Peripheries and Border Zones**

31. **Many of the Horn's border areas have been viewed as neither economically nor politically important.** Populated by low numbers of groups that often lack representation in central power structures, and located in areas that offer limited economic potential, it is common to limit investment of scarce public resources in border areas and peripheries. As a result, they are frequently underdeveloped and the reach of the state and formal governance structures are limited. This makes it difficult for border communities to cope with either the pressures associated with increasing resource scarcity or taking up criminal or violent activity. Armed groups are mobilizing disenfranchised populations to exploit existing fissures in society to further violence based on religious or ethnic identity. Indeed, in some border areas of the Horn, armed groups are increasingly using religion as a common identity that transcends borders.
32. **In the arid lowland border zones of the Horn, droughts are frequent, often devastating, and can cause communal clashes over scarce pasture and water.** Periodic drought, such as that in part of the eastern Horn in 2011, which affected 12 million people and had an estimated death toll of 250,000 in Somalia alone (Food Security and Analysis Unit, 2013) caused massive displacement—often to resource-scarce border areas. Resource scarcity, displaced communities, poverty, and underdevelopment in the border areas exacerbate both communal conflict and civil war. Traditional mechanisms for managing resource scarcity have become overwhelmed.
33. **Armed resistance movements often target civilian populations for recruits, usually by force, as do some governments when developing irregular counterinsurgency forces.** There is a resultant increase in arms flow and in those skilled in violence, which contributes to increased militarization of the borders, with a concurrent increase in both communal conflicts and trafficking. For instance, inter-communal cattle rustling operations have, in some cases, evolved into militarized campaigns that transcend national boundaries. Cattle rustling, highway banditry, and communal vengeance have not only increased in the region, but have caused increasing numbers of casualties due to greater access to modern weapons. The areas on the border with South Sudan, Kenya, and Uganda have particularly suffered from criminality and cattle rustling at a massive scale over the last decade. Trafficking is also common, with lucrative smuggling opportunities of minerals, products of poaching, guns, consumer goods, and people being exploited by local security actors, middle men, and entrepreneurs.
34. **With border areas offering a haven to extremist groups, violent criminals, and illicit economic activities, countries of the Horn are increasingly committed to building stability and strengthening governance in the borderlands and peripheral areas.** In some countries, this is also driven by changes in governance and an opening of the media. Under Kenya's new constitution, for example, devolution means that counties on its northern and eastern borders have more voice and influence over decisions that affect their own populations.
35. **The discovery of minerals, oil, gas, and water resources in remote and peripheral areas is a potential driver of fragility but also an opportunity for better integration.** Disputes within border zones may be intensified by recent discoveries of oil, gas, and water reserves. Control over the exploitation of and revenues from oil and gas deposits have triggered or fuelled insurgencies in Sudan and Ethiopia, as well as raised tensions with neighbors. But such discoveries also put the

focus on earlier ignored regions, and in some cases could lead to efforts to better integrate them, as in the case of the Turkana County in Kenya following the discovery of important oil reserves, or in Uganda where oil has been discovered in the Lake Albert regions.

36. **The region could capitalize upon thriving informal trade routes and the versatility and interconnectedness of its business communities, but often does not due to concerns over territorial and political control of peripheral and border areas.** As such, opportunities to deregulate trade, soften borders, and develop cross-border livelihoods—notably pastoralism has been largely resisted. For example, some see the development of cross-border infrastructure and opportunities, as promoted by the African Union’s Border Program, as at odds with their own security agenda.
37. **The WBG regional initiative should capitalize on the window of opportunity offered by a renewed interest in the peripheries and support integrated approaches to developing the border zones.** These should seek to capitalize on trade opportunities including livestock and labor movement, the development of soft borders with shared services, the control of illicit trade, and should mitigate the risks of extractives development.

### **Grievance of Marginalized Groups**

38. **Conflict in the Horn is often fuelled by deep rooted social grievances related to poverty, unemployment, and limited upward mobility.** All generate a strong sense of exclusion, particularly among youth. Ethnic and sectarian marginalization has proven to be particularly explosive in the Horn, and is often overlaid upon each other. Challenged both from modern systems of central and local governance and by the changes in social structures linked to modernization, traditional systems of conflict resolution and decision making no longer serve to address grievances and conflicts as they once did. With this decline in the importance of the traditional decision-making institutions, marginalized groups are failing to find ways to legitimately voice their concerns in the political arena.
39. **A large part of the East African drylands is populated by pastoralists whose social and economic life is structured around the maintenance and well-being of their livestock.** During the dry season or drought spells, pastoralists must move and look for other sources of pasture for their livestock. In essence, mobility and adaptability are essential for pastoral livelihoods to thrive. However, this movement often causes localized conflicts to emerge between pastoralists and farmers competing for scarce resources such as land and water. As mentioned earlier, although pastoralist conflicts are often low profile and subnational in nature, they can and have sometimes escalated into the broader insurgencies that have afflicted the HoA. Furthermore, these conflicts are increasingly fatal and have far-reaching consequences that destabilize pastoralists’ livelihoods, uproot them from their traditional pasture grounds, and increase their marginalization by depriving them of their mobility. This situation of heightened vulnerability leaves pastoral communities increasingly exposed to radicalization and recruitment by insurgent groups, traffickers, and other criminal and rebel enterprises. Policies of forced sedentarization and stricter border controls based on security threats also threaten the social and economic fabric of pastoralist communities because of their dependence on mobility.
40. **In the Horn, political economies often favor patronage as determinants for opportunities for education and access to jobs, leading to a pronounced sense of exclusion among the region’s burgeoning youth population.** Empirical results suggest that there is a positive association between the growth rate of youth unemployment and the brutality and incidence of violence (Caruso and Gavrilova, 2012). In countries with rebel movements and religious extremism, these

men become a fertile recruiting ground of fresh soldiers for the cause. Several research reports on the conflict in Somalia identify economic incentives as a primary reason for foot soldiers to join the movement.

### **Trade and resource Management as Flash Points**

41. **Poverty and limited economic diversification characterize many parts of the Horn.** Manufacturing sectors and tax bases are small, and exports are limited to a few overlapping primary commodities (such as coffee, livestock, seeds, and khat) (Healy, 2011). Meanwhile, countries of the Horn depend heavily on imported manufactured goods. The result is a region in a disadvantaged trading position, composed of countries that are largely in competition with each other, and which therefore have little incentive for trade liberalization. A number of the region's states also have strong economic nationalism tendencies and will prioritize securing their own position as the region's economic powerhouse over regionalism as a development approach. Negotiation and interpretation of trade agreements can become flash points for conflict, and the institutional framework to resolve associated disputes is weak.
42. **Local-level competition over scarce resources is increasingly becoming a reason for violence in many countries of the Horn.** As stated in the section on marginalization, mobile pastoralist populations move across borders between Kenya, Ethiopia, and Somalia in competition over grazing grounds for their cattle. In combination with the increased militarization of the peripheries discussed earlier, and with easy access to weapons, these conflicts have a tendency to blow out of proportion and across borders. Even in urban centers, land rights continue to be a driver of fragility where unequal distribution of land is poorly managed through often corrupt cadastral systems for registration and distribution of property set against rapidly increasing demand.
43. **Disagreements around the use of the region's most significant natural resources such as oil and gas are already, or are likely to become, flash points.** Oil and gas represent a huge opportunity to generate income for the region's development. At the same time, tensions are rising around sharing revenues from oil and gas. It is unclear how the local communities will benefit vis-à-vis the central parts of the countries. Similarly, the competition is increasing over transport routes and the use of land and water needed to exploit these resources. The management, exportation, and revenue sharing of oil between South Sudan and Sudan is just one example of how difficult this can be and how large the potential for interstate conflict is. In Uganda, Kenya, and Somalia, there is also potential for important oil development, and the prospects for commercial exploitation of gas in Ethiopia's Somali region are also real. However, effective development of these resources and management of conflict risks requires very strong regional collaboration. In each case, political cooperation and robust arrangements for sharing the benefits would be essential to avoid rising tensions and to promote regional integration, but is hampered by the distrust and securitization of governments' political agendas. In combination with weak mechanisms for negotiating and resolving trade disputes, there is an inclination in the region to engage in bilateral negotiations involving only two or maybe three countries, rather than seeking greater regional potential and thus avoiding the establishment of competitive initiatives (such as oil pipelines or railway routes).
44. **Ethiopia's ambitious plans for hydropower generation and export will influence future regional dynamics, and an inclusive and negotiated agreement on the use of the Nile waters has still to be reached.** Historical relations do not often engender the trust required to enter into long-term agreements, even where the mutual benefits are clear. The discussion over the use of the Nile waters deserves special mention as an illustration of how natural resource management



can become a flash point for conflict, and to demonstrate how hard it can be to reach agreement over the management of common resources in a region characterized by distrust. Ten countries are directly dependent on the water of the Nile for energy and agriculture. Water flow in the Nile river basin is asymmetrical and the access to physical flow of the Blue Nile by Egypt and Sudan in the downstream has extremely heightened hydro-political tension.

45. **A lack of consensus over the use of the Nile basin has a tendency to escalate into transboundary conflict involving emerging dominant states.** Ethiopia is developing water resources through hydroelectric power along the Nile, while Egypt has denied other riparian countries complete access to water resources along the Nile. That said, relations between Ethiopia, Sudan and Egypt have improved recently.

## **CAPITALIZING ON RESILIENCE FACTORS**

46. **In the HoA, there are a number of factors of resilience—including institutions and unexploited economic opportunities—that could help mitigate fragility.**

### **Institutions**

47. **Regional institutions and bodies are serving as platforms for intergovernmental cooperation on conflict and fragility issues.** Despite the history of mistrust between the various governments in the region and the common practice of meddling in each other's conflicts, governments are showing a renewed interest in promoting regional cooperation to address conflict and fragility. There appears to be a pragmatic realization that many of the region's most pressing problems can be effectively addressed only through cooperative relations with neighboring states and through multilateral efforts. The AU, in collaboration with the Regional Economic Communities (RECs), has established the African Peace and Security Architecture (APSA) to deal with prevention, management, and resolution of conflicts in Africa. Its core organ is the African Union Peace and Security Council (PSC). The other components include the Continental Early Warning System (CEWS), the African Standby Force (ASF), the Panel of the Wise, and the Peace Fund. The AU is currently operating a peacekeeping operation in Somalia, AMISOM, to support transitional governmental structures, implement a national security plan, train the Somali security forces, and assist in creating a secure environment for humanitarian aid delivery.
48. **In addition to the AU, IGAD has a broad mandate in peace and security, operationalized through the IGAD Security Sector Programme (ISSP).** The Conflict Early Warning and Response Mechanism (CEWARN) is a part of the ISSP and it collects information on possible or imminent conflict in border areas, disseminates those reports to member states, and facilitates a rapid response to the crisis. Established in 2002, CEWARN remains the principal platform for regional cooperation on conflict prevention and mitigation through data-based early warning and response, and feeds its data to AU's CEWS system at the continental level. This network was designed to promote collaboration between government and civil society and includes regional, national, and local dimensions in data collection, analysis, and decision making. CEWARN represents a significant milestone in regional and continental efforts to build peace and security, but has encountered problems in transforming its vast data into actionable recommendations and projects. Currently, the mechanism is in the process of revising its methodology based on lessons learned since its inception.
49. **The East African Community (EAC) is an intergovernmental organization comprised of five countries in the African Great Lakes region in eastern Africa: Burundi, Kenya, Rwanda, Tanzania, and Uganda.** The organization was originally founded in 1967, collapsed in

1977, and was officially revived on July 7, 2000. In 2008, after negotiations with the Southern Africa Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA), the EAC agreed to an expanded free trade area that included the member states from all three organizations. The EAC is an integral part of the African Economic Community (AEC).

50. **The EAC is a potential precursor to the establishment of the East African Federation, a proposed federation of its five members into a single state.** In 2010, the EAC launched its own common market for goods, labor, and capital within the region, with the goal of creating a common currency and eventually a full political federation. In 2013 a protocol was signed outlining their plans to launch a monetary union within 10 years.
51. **In December 2012, Tanzania officially agreed to South Sudan's bid to join the EAC, clearing the way for the world's newest state to become the regional bloc's sixth member.** A team was formed to assess South Sudan's bid; however, in April 2014, the nation requested a delay in the admissions process, presumably due to ongoing internal conflict. Similarly, both Sudan and Somalia have applied to join the EAC.
52. **The EAC aims to widen and deepen cooperation among the member states in political, economic, and social spheres (among others) for their mutual benefit, but its track record so far has been on the trade and economic side.** Dispute, conflict management, and interventions in the area of peace and security have largely been left to other regional institutions. Still, the Treaty for the Establishment of the East African Community recognizes peace and security as prerequisites for the success of the EAC regional integration process, and a strategy for regional peace and security in East Africa was adopted in 2012. Other organs of the EAC include the East African Court of Justice and the East African Legislative Assembly.
53. **While there are a number of challenges constraining the regional organizations, their capacity to manage conflict and instability in East Africa is growing and contributes to a window of opportunity for more effective collaboration between member states.**
54. **Sub-national governmental authorities, especially those in marginal and border areas, are playing a growing role in conflict management.** In past decades, local governmental structures possessed little authority and few resources. In some countries of the region (notably Ethiopia and Kenya), there is a process of decentralization and devolution, which seeks to empower local government institutions, with local communities electing their own leaders and (potentially) demanding more responsive local government. Local governments are devoting a considerable amount of time to cross-border conflict management, often meeting with their counterparts in the adjoining state on a frequent basis and attending multiple regional fora to encourage intergovernmental and regional cooperation on security and access issues.
55. **Customary institutions and civil society, including religious figures, women's groups, youth groups, professionals, and business interests have also been managing conflicts and building peace.** Traditional civic authorities have always played a central role in managing local disputes, applying customary or religious law, and engaging in relations with other social groups. These traditional sources of conflict management have been joined by additional civic actors, including women's groups, business people, faith-based groups, professionals, and youth organizations, creating a new landscape of local conflict management that is both more promising and more complex. Today, most borderland peace building involves coalitions between local government and civil society actors.

56. **In remote border areas, traditional community and religious leaders play a significant role in mediating disputes within and between groups, and hearing criminal cases.** The involvement of traditional leaders and civil society organizations (CSOs) in local conflict mitigation and prevention has strengthened local resilience. Customary institutions have also played a role in the reconciliation and reintegration of ex-combatants. For instance, in northern Uganda, traditional Acholi rituals such as “stepping on the egg” (nyouo tong gweno) and “drinking the bitter herb” (mato oput) have played a key role in reconciling and reintegrating ex-combatants or abductees into their communities.

### **Unexploited Economic Opportunities**

57. **The very characteristics that have, or are perceived to have, driven conflict and fragility in the Horn could also serve as factors of resilience, if strengthened in a conflict-sensitive manner.** For example, the cross-border ties of communities divided by political borders but with common identities provide a foundation for informal trade and entrepreneurship. In many areas, there is a vibrant informal commercial economy that creates shared interests and alliances across communities and borders. If these ties were to be formalized, and trade deregulated in such a way so as to develop market-based cooperation and economic security, the benefits could be enormous.
58. **Economic exchanges that build on tradition and culture could serve to strengthen governance and address instability.** Trans-border trade and the creation of trans-border markets and livelihood development—particularly of pastoralism—offer opportunities for building resilience along the Horn’s unstable border zones. This will require the development of border controls in a context where local security and state actors may be ineffective or corrupt. Local populations should be actively included, as their knowledge and networks can help stabilize borders and address illicit trade—the capacity of local communities to build informal systems of protection and rule of law that deter and mitigate trans-border crime and violence is proven. An inclusive, integrated approach of supporting local governance, border management, and trade facilitation is necessary.
59. **Legitimate and conflict-free trade regimes over extractives and water resources can also play a critical role in building resilience in the Horn.** The costs associated with the violation of certification schemes and from smuggling are high. This, coupled with the potential for the exploitation of natural resources by criminal networks and armed groups, creates an opportunity to develop robust regional norms and codes, and penalties for illegal trade.

### **BUILDING STABILITY THROUGH A REGIONAL APPROACH**

60. **This section aims to inform how the objective of building security through development can be delivered in the proposed intervention areas of the WBG regional initiative.** Based on the analysis of conflict drivers and factors of resilience above, recommendations are made for how to address security as a cross-cutting theme within these interventions.

#### **Expand the Cross-Border Growth and Stability Program**

61. **A spatially organized cross-border program that focuses on creating economic opportunities and improved governance of areas is critical to the region’s stability in border areas.** These zones could include the Mandera cluster in the border zones of Kenya, Somalia, and

Ethiopia; the Karamoja cluster in the border zones of Uganda, South Sudan, Ethiopia, and Kenya; and clusters in portions of the Sudan-South Sudan and Ethiopia-South Sudan borders.

62. **The program could include the development of shared cross-border services that facilitate movement of populations and promote cross-border economic exchange.** It should also promote improvement of livelihood and economic activity and strengthen governance of these areas through support to local governments.

#### **Establish a Program to Address Vulnerability Among IDPs and Refugees**

63. **The program could support incentives for the return of protracted displaced populations, or, where politically feasible, support the improvement of skills and economic opportunities of displaced populations to reduce the strain on host communities.**

#### **Support the Development of Pastoralists in Building Regional Security**

64. **Support could be provided to develop the pastoralism economy, facilitate cross-border movement, strengthen the security of pastoralist activities, support conflict resolution mechanisms, and ensure and improve service delivery and interaction with local governments.** Work on pastoralist livelihoods is already underway through several projects with pastoralism components in Uganda, Somalia, and Sudan, but a new regional pastoralism initiative developed in partnership with the Agriculture Practice and the FCV Group, the Regional Pastoral Livelihoods Resilience Project (Horn of Africa—RPLRP), will focus on supporting pastoralism development in order to contribute specifically to conflict prevention and mitigation. Furthermore, the initiative will have a component on knowledge building and exchange in collaboration with the major donors and stakeholders involved in the intersecting realms of pastoralism, conflict prevention, and stabilization.

#### **Strengthen IGAD’s Conflict Early Warning and Response Mechanism**

65. **Over the last decade, CEWARN has focused on pastoralist and related conflicts and become a continental benchmark for data-based early warning and response systems.** It has pioneered region-wide mechanisms and its presence stretches from local communities to policy-level structures in member states.
66. **The CEWARN 2012–2019 strategy calls for expanding the monitoring and analysis of the types, causes, and drivers of violent conflicts, as well as of CEWARN’s geographic focus.<sup>59</sup>** This expansion of CEWARN’s mandate in a politically sensitive space reflects a faith in and ownership of the system and a drive for solutions arising from combined local, national, and regional efforts. Today, CEWARN runs a slim organization not equipped for this expansion. To be able to deliver on its strengthened mandate, CEWARN will need resources to be able to recruit new staff at both central and field levels, and also to make training and investments in technical equipment. CEWARN currently runs an annual budget of over US\$1.5 million. Funding comes from member states, the U.S. Agency for International Development (USAID), GIZ, and the Scandinavian countries through a facility known as the Joint Financial Arrangement (JFA).

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<sup>59</sup> CEWARN’s mandate is now “to receive and share information concerning potentially violent conflicts as well as their outbreak and escalation in the IGAD region; undertake and share analyses of that information; develop case scenarios and formulate options for response; share and communicate information, analysis and response options; carry out studies on specific types and areas of conflict in the IGAD region.”

67. **A partnership with the World Bank could provide external recognition and resources and allow CEWARN to take on new challenges as it expands its mandate in the early warning and conflict resolution space.** Capacity transfer between the two institutions—in human resource (people), skills, technological capabilities, and, where possible, data-sharing, as well as joint country risk and vulnerability research and assessments—are areas highlighted for potential institutional support to IGAD. Technical support for the expansion of the use of mobile technology in reporting on conflict and incidents of violence as well as for the ongoing revision of the reporting system and the handling of both historical and current data could also be crucial for CEWARN’s future success.

#### **Promote Responsible Management of Extractive Resources**

68. **With the support of IGAD, a regional program could be undertaken that (1) facilitates dialogue on the transport and export of extractive industry products; (2) provides technical assistance for designing sound regional projects; and (3) looks at mechanisms for mediating conflicts in the extractive sector.** This initiative would promote transparency and the flow of information, incentives for the promotion of regional social and environmental standards, and regional skills development. An analysis of conflict risks around extractives in the Horn and interventions needed to mitigate these risks could be undertaken to ensure that programming is cognizant of ongoing and potential conflicts around revenue sharing, responds to opportunities and challenges arising from decentralization, and builds the preparedness of the region’s institutions to respond to grievances.

#### **Support Inclusive Dialogue Processes**

69. **To break repeated cycles of violence, it is imperative that peace and national dialogue processes are both inclusive of all parties affected by the conflict, as well as sufficiently comprehensive so as to offer a route to address trauma and rebuild social trust.**

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## Annex VI. Forced Displacement in the Horn of Africa

### 1. Demographics, Causes and Consequences of Displacement

**1. War, conflict and insecurity, compounded by drought and poor economic conditions, have triggered major displacements of people in the Horn of Africa.** The region hosts an estimated 2 million refugees and over 6 million IDPs many of whom have experienced multiple or prolonged displacements. Kenya and Ethiopia are respectively the fourth and sixth largest hosts of refugees in the world<sup>60</sup>, hosting almost one million refugees between them. Somalis were the third largest refugee group under UNHCR's responsibility, with 1,157,210 people in January 2014. There are approximately over 1,200,000 Somali refugees in the Dollo Ado area of Ethiopia and over 500,000 registered in Kenya's Dadaab camp - the largest refugee settlement in the world and effectively Kenya's third largest city. These figures may even underestimate the true scale of displacement in the region, as they do not include many 'invisible' IDPs.

**2. Much of the displacement in the region is protracted and the socio-economic impacts are significant.** These include the prolonged alienation of displaced people from their land, disruptions to their livelihoods and access to services, and their lack of participation in the social, economic and political life of host communities. The fiscal costs of servicing displaced populations are considerable for host countries relative to their capacity and resources, putting significant strain on weak national and local government and host communities. The needs of people in protracted displacement and those who may eventually return to their places of origin when security permits are largely developmental in nature (i.e. improving equitable access to land, housing and services, reestablishing livelihoods and strengthening local governance) and significant untapped potential exists for the economic empowerment of displaced people and returnees in both rural and urban areas. These are areas where humanitarian responses are inadequate and where the Bank has a significant comparative advantage in terms of its technical expertise, convening power, analytical capacity and operations.

### 2. Major Displacement Crises and Prospects for Durable Solutions

**3. Sudan: More than three million Sudanese are displaced, the majority in a state of protracted displacement in urban and peri-urban areas, and numbers continuing to grow due to ongoing conflict.** There are several prolonged conflicts in Sudan fueled by economic, political and socio-cultural marginalization of peripheral regions and leading to large-scale and protracted displacement. There are at least 1.7 million IDPs in the Darfur region, 931,000 in South Kordofan State and 185,000 in Blue Nile State. Armed conflict in these areas has become increasingly violent over the last 18 months; at least 875,000 people were displaced in these areas between January 2012 and May 2013 (IDMC, 2013). Additionally, there are an estimated 150,000 IDPs in the eastern states of Red Sea, Kassala and Gedaref and a further 632,014 people who sought refuge in neighboring countries. The prospects for sustainable return of displaced are limited, particularly in Darfur, due to ongoing insecurity (often leading to secondary displacement), more limited access to services in return areas or because land has been occupied by others. It is anticipated that many IDPs in Darfur would prefer to integrate locally in urban or

peri-urban areas. Some IDP families have chosen to separate, with men returning to cultivate land and prevent its occupation and women, children and elderly remaining in camps (IDMC, 2013). Sudan is also host to refugees from neighboring countries, including South Sudan (up to 350,000 in Khartoum plus increasing numbers from the current conflict), Ethiopia, Eritrea and Chad.

4. **Somalia: More than two million Somalis are displaced and conditions not yet conducive to large-scale returns.** Almost a quarter of Somalia's population has been affected by forced displacement, the majority as a consequence of armed conflict or generalized violence, compounded by periods of acute drought and famine. There are over 1,106,000 IDPs and 1,157,210 Somali refugees (the second largest refugee group under UNHCR's responsibility), the majority of whom have sought refuge in Kenya (426,367), Ethiopia (244,995) and Yemen (233,723). Improving security in parts of Somalia has raised expectations about the return of Somali refugees and IDPs. In November 2013, a Tripartite Agreement between UNHCR, the Government of Kenya, and the Somali Government was signed to facilitate the voluntary repatriation of Somali refugees from Kenya, however no deadline was established and organized returns have yet to begin. Conditions are not yet conducive to large-scale returns to Somalia particularly in areas where security is still fragile and livelihood options are limited. If returns occur prematurely, it is likely that returning refugees will find themselves in IDP-like situations, with competition over scarce resources and employment opportunities leading to new tensions. It is expected that many IDPs in protracted displacement are likely to remain in urban centers such as Mogadishu, Hargeisa and Bossaso. In January 2013, the government announced a six-stage plan to relocate hundreds of thousands IDPs currently living in settlements in and around Mogadishu to areas outside the city, although the relocation was put on hold due to deteriorating security.

5. **South Sudan: More than a million South Sudanese are displaced and numbers rising rapidly due to current crisis.** Forced displacement in South Sudan is a consequence of the north-south conflict, tribal conflicts fueled by competition over natural resources, attacks by the Lord's Resistance Army (LRA), instability in neighboring countries, and most recently by the ongoing internal conflict. As at August 7, 2014, there were over 1.3 million IDPs in South Sudan including 50,000 previously displaced by LRA attacks who have not found durable solutions. Around 600,000 people have crossed into neighboring countries. Since October 2010, 366,000 South Sudanese have returned from Sudan but there have been no documented returns, local integrations or resettlement of IDPs since 2012. Large numbers of refugees and returnees are living in vulnerable urban settings, and insecurity and lack of access to land, services, or livelihood opportunities have complicated the pursuit of durable solutions.

6. **Uganda: Almost all IDPs in Northern Uganda have returned to areas of origin, however recovery and development efforts need further attention.** The conflict in Northern Uganda caused the displacement of over 1.8 million people, the majority of whom have now returned to their areas of origin. About 30,000 IDPs are thought to remain in camps - most of which have been officially closed—unable to return to their areas of origin due to age, illness or disability, or lack of land. Recovery and development efforts in areas of return have not been sufficient, with inadequate basic services and limited support to rebuild livelihoods. Uganda also hosts 121,577 South Sudanese and over 172,000 Congolese refugees (fleeing conflict in North Kivu and Province Orientale) in the eastern Democratic Republic of the Congo and provides asylum to refugees from Burundi, Eritrea, Rwanda and Somalia. Uganda ranks seventh in the world in terms of refugees hosted per US\$1 of GDP.

7. **Kenya: Second largest host of refugees in Africa and fourth largest in the world in terms of refugees hosted per 1 USD of GDP.** At the end of 2012, there were over 412,000 IDPs in Kenya, including IDPs displaced during the 2007/08 post-election violence. Kenya also hosts over half a million refugees, including over 426,000 Somali refugees in Kenya's Dadaab camp - the largest refugee settlement in the world and effectively Kenya's third largest city.



8. **Ethiopia: Home to the highest number of refugees than any other African country.** Ethiopia hosts over 244,000 Somalis, over 255,000 South Sudanese, over 98,000 Eritreans and over 33,000 Sudanese refugees, the majority in refugee camps situated near the borders of their respective countries of origin. At the end of 2012, the Dolo Ado camp complex had grown to become the second largest in the world with a population of 200,000 Somali refugees. Camp-based refugees are required to obtain permits to leave the camps. In August 2010, the Ethiopian Government introduced a new policy allowing Eritrean refugees to reside outside camps, provided they are self-sufficient or have other support in Ethiopia. Approximately 1,000 refugees benefited from this policy, including 200 Eritrean students granted scholarships by Ethiopian universities.

#### 4. Bank's Engagement on Forced Displacement in the Horn of Africa

9. **The Bank's Global Program on Forced Displacement (GPF) in collaboration with UNHCR is carrying out a regional study on displacement in the HoA.** The study will profile displaced populations in the region, analyze displacement dynamics including prospects for durable solutions and their consequences for vulnerability and security, and propose policy options and operational priorities for assistance to displaced populations, returnees and their host communities. Additionally, it is envisaged that forced displacement will be a key focus of the proposed Regional Initiative on the HoA. Specifically, Pillar I on vulnerability and resilience would address the acute vulnerabilities of refugees, IDPs and returnees as well as the impact of population displacement on host and return communities in terms of access to land, services, livelihoods and local governance. This would complement ongoing assistance by UNHCR and others in the region.

The issues to be covered by the assignment are the following:

- **History, Regional and Country Context:** Forced displacement often has a regional impact in the areas where it occurs. Population flows may also be rooted in centuries-old historical forces. Analysis of present day displacement should start with an overview of the historical forces and present day implications of the phenomenon. Regional drivers and implications of displacement should be distinguished from country-specific drivers in order to crystallize the needs of a regional World Bank approach.
- **Displacement Profile:** Present a typology of the different displacement situations and the latest demographic and other data on refugees and returnees. This study is focusing on forced displacement due to conflict or political upheaval and natural disasters. Discuss the socio-economic characteristics of displaced populations, whether there is protracted and new displacement, whether secondary or tertiary displacement is occurring, with particular focus on issues related to gender and children. What are the locations of those displaced across borders (urban vs. rural; camp-based or dispersed within host communities)? Can these populations be characterized by ethnic, geographic, or socio-economic variables?
- **Identify Actors, Factors and Interests:** Provide a detailed discussion of the causes, background, and drivers of displacement, as well as the interests, incentives, and distribution of resources among key actors and institutions. Identify stakeholders, their interests and influence, including elements of the displaced population, host populations, governments, the private sector, political groups, aid agencies, etc. Distinguish regional drivers and implications of displacement from those that are country-specific.

- **Analyze the Needs of the Displaced and Displacement Prospects, including Prospects for Return.** Identify the needs and coping strategies of the displaced and their hosts, and classify these in terms of short-, medium- and long term expectations, and if appropriate, distinguish between new and protracted displacement. Review possibilities for assessing the impact of displacement on host governments (both local and national), including implications on planning and service delivery, as well as fiscal and economic impact. Focus on the main development challenges for displaced people, including: (i) access to land, housing and property; (ii) livelihoods; (iii) service delivery; and (iv) voice, inclusion and accountable governance. The study will focus on a regional approach to support solutions with the overriding goal of securing return of refugees to their country of origin. In situations of protracted displacement this may require support on both sides of the border including possible area development programs benefitting both host populations and refugees to mitigate the impact of refugee presence and to prepare the refugees for return and to improve development for the host populations. What general developmental interventions are appropriate under these circumstances?
- **Map Existing Displacement Policies and Programs:** Describe and assess policies and programs addressing displacement to highlight opportunities, gaps, and constraints for targeted development action. Highlight government programs, if any, as well as operations by multilateral, bilateral, and civil society actors. If there are programs in the existing World Bank portfolio that address displacement directly or indirectly, these should be noted.
- **Provide Operational Recommendations:** Discuss the scope for addressing development challenges through analytical work and operations. Based on the analysis and program mapping, provide recommendations for the Bank and other development actors for analytical, operational, and policy activities to promote solutions to issues of displacement.

## **Annex VII. Borderlands Development, West Africa, the Horn of Africa and the Great Lakes Region**

### **1. Rationale**

**1. Traditionally border areas in many parts of Africa have been viewed as neither economically nor politically important by central government.** Yet many borders are contested and are a common conflict trigger. Resource scarcity, combined with rapid population growth, the diversion of resources to serve politico-military networks, poverty and underdevelopment in border regions is exacerbating communal conflict, tensions between ethnic groups associated with neighboring countries, civil wars and general insecurity. Populated by low numbers of groups that often lack representation in central power structures and offering limited economic potential, limited investment of scarce public resources has been the norm. As a result these areas are underdeveloped and the reach of the state is limited, making it even more difficult for border communities to cope with either the pressures associated with increasing resource scarcity or with pressures to engage in criminal or violent activity. Where governments have ignored demands for basic services, closed avenues for political participation, participated in illegal trade or failed to address grievances, marginalized groups may resort to violence.

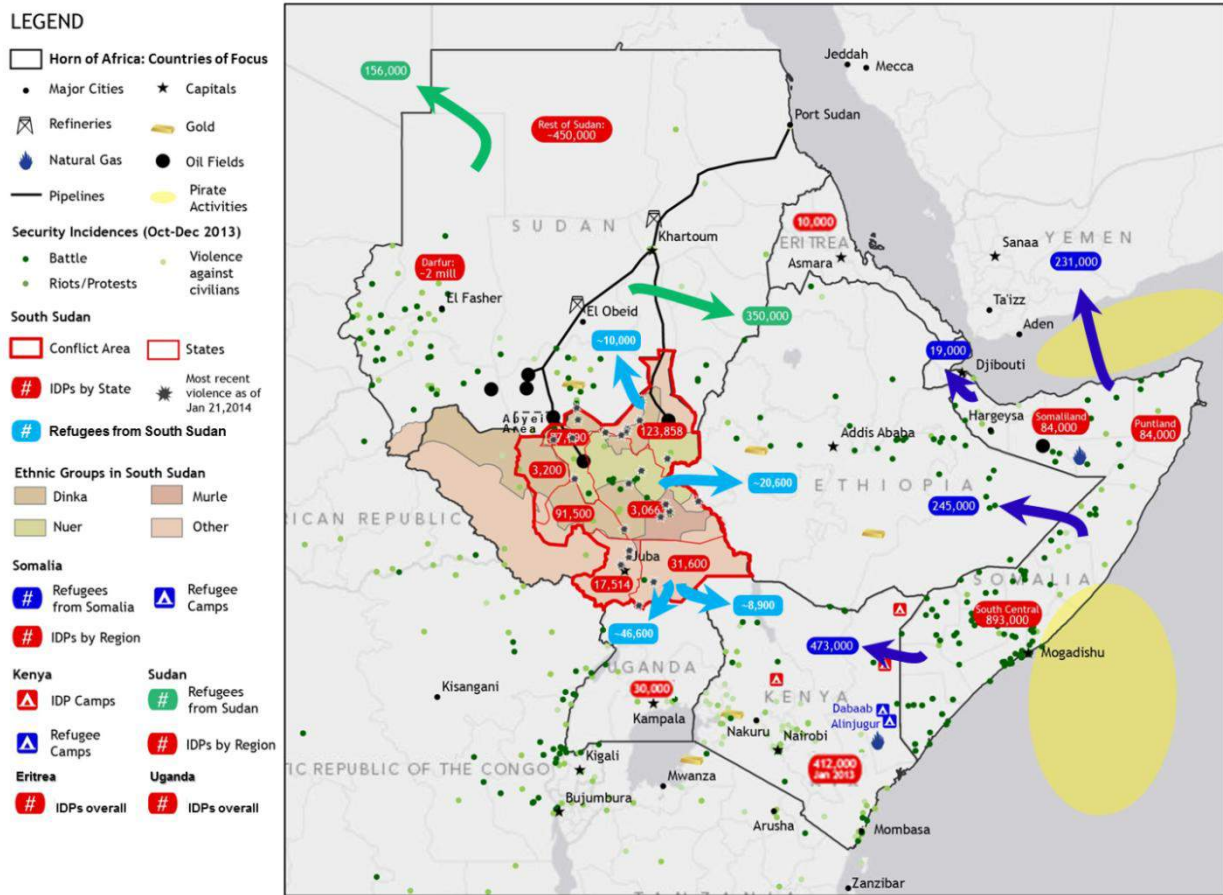
**2. In the HoA neglected border zones are susceptible to influence by armed groups.** Resource scarcity combined with rapid population growth, poverty and underdevelopment is exacerbating both communal conflict and civil wars in these areas with traditional conflict management mechanisms overwhelmed by well financed armed groups and criminal networks. The increasing regional and international threat emanating from border areas, along with a recognition of the potentially destabilizing effect of natural resource finds, has resulted in countries' increasing interest in strengthening security, governance and development in the borders.

**3. In the HoA the twin issues of forced displacement and borderlands often overlap.** Wars and famines have generally triggered major displacements of people both within countries and across borders, making the concentration of refugees and internally displaced people one of the highest in the world. The region has generated over two million refugees and hosts around 1.6 million of them, many of whom have experienced multiple or prolonged displacement, often lasting for decades. There are also over five million internally displaced people in the region (See figure 1).

**4. In some parts of Central Africa the lack of state territorial control and effective coordinating mechanisms have to date prevented a coordinated sub-regional approach.** An example is provided by the Lord's Resistance Army (LRA) which has morphed into a regional menace, effecting the Central African Republic (CAR), South Sudan and Democratic Republic of Congo (DRC). To date there are no specific regional policies or strategies to deal with the stabilization and recovery of LRA affected areas. Supporting and strengthening of traditional ethnic social capital, transport corridors and informal and formal trading links between affected countries (including Uganda), are all strategically important, and could form elements of a borderlands development program. Not all countries are members of a single Regional Economic Community (REC) which continues to impede progress on a coordinated regional approach.

**5. Stabilization and rehabilitation demand a regional approach and has a strong borderlands development dimension that needs to be twinned with effective security arrangements.** The cross-border activities and loyalties of combatants in the Chad-CAR-Sudan zone and around the porous borders

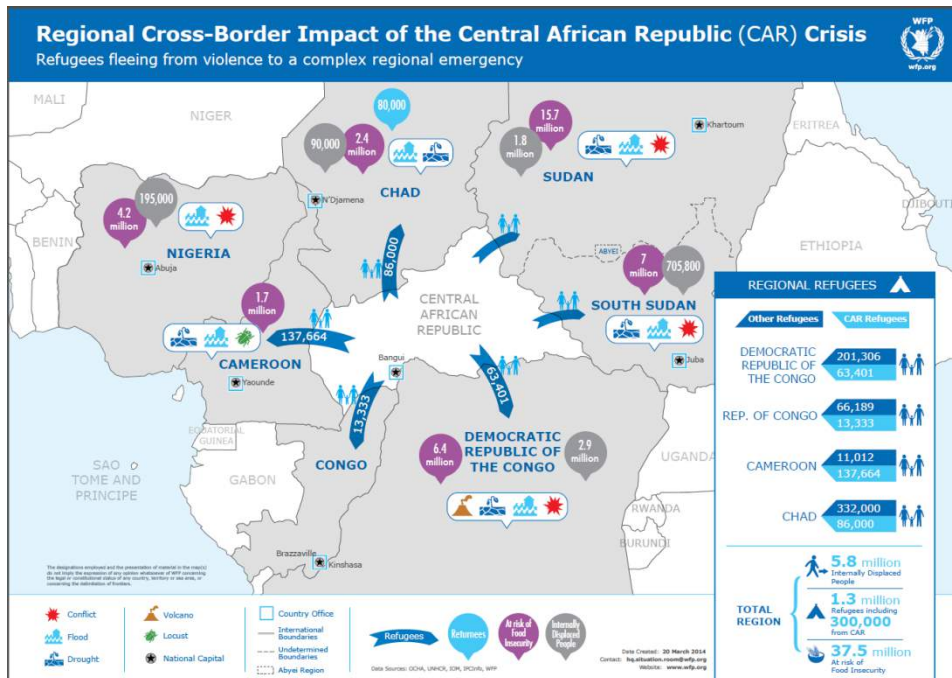
of the DRC with Sudan, Uganda, Burundi and Rwanda have been a structured pattern of conflicts at both the local and transnational levels. The close networks of ethnic groups that live astride current borders are playing an important role; raiders, poachers, road-blockers and pastoralists are all active in the



**Figure 1 - Patterns of displacement in the Horn of Africa**

borderlands and partake in the governing of the area<sup>61</sup>. Widespread road banditry had led to the displacement of population in Northern CAR to refugee camps in the south of Chad. Details of the extent of forced displacement due to these incidences and from the current crisis in the CAR can be seen in Figure 2. In the Great Lakes Region, the porous nature of the Congo's borders with surrounding states have led to a zone where political and armed actors on all sides use the incomes gained from smuggling natural resources such as minerals, wood and ivory to finance their networks. In combination with the ready availability of small arms, this has led to chronic conflict in the Kivus and Orientale province, with thousands of deaths and refugee flows over the last decade as a result.

<sup>61</sup> Lombard, L.N. Raiding sovereignty in Central African Borderlands, PhD dissertation, Duke University, 2012.



**Figure 2: Forced displacement from CAR**

6. **Countries in Africa are increasingly committed to building stability and strengthening governance in the borderlands, and borderlands development is becoming a reality in many border areas.** In 2006 the ECOWAS convention on cross-border cooperation was approved by its member states, and these efforts have had a snowball effect in that the West African Monetary Union (UEMOA), the Inter-States Committee on Drought Control in the Sahel (CILSS) and the Lipatako-Gourma Development Authority (ALG)<sup>62</sup>, have all launched cross border cooperation initiatives. Obstacles identified by a recent EU study were conflicts due to the pressure on land and natural resources, poor infrastructure, administrative procedures and national compartmentalization<sup>63</sup>. In the Great Lakes Region, the regional Peace, Security and Coordination Framework (PSCF) of 2013, which followed a period of serious conflict in the DRC and the defeat of the M23 rebel group has led to an agreement between the states to increase security cooperation around the borders.

7. **The WBG cannot achieve its stated corporate goals of eliminating extreme poverty and boosting shared prosperity without engaging more intensively and creatively in addressing very difficult development problems, including those linked to insecurity and vulnerability.** There has, and continues to be, very few projects and programs which aim to bring about localized collective action of neighboring countries to help solve problems and exploit opportunities for states to intensify efforts towards the development of their borderlands. In addition, lasting and peaceful solutions to current and crises can only be found if complex regional and international connections are recognized and addressed within the framework of a comprehensive strategy.

<sup>62</sup> A regional organization seeking to develop the contiguous areas of Malo, Burkina Faso and Niger.

<sup>63</sup> Opportunities for cross-border cooperation in West Africa, Association of European Border Regions. 2012.

## 2. Opportunity

8. **Cross-border socioeconomic dynamics in Africa have a potential for integration and to increase sustainable human development that is still underestimated.** Examples include: joint management and preservation of natural resources; rationalization of trade networks; control of illegal trafficking; strengthening of the capacities of customs agents and border police; joint capitalization of export goods; coordination of security force and emergency teams; support to discussion platforms between cross-border communities to reduce tensions; local radio networks; and the handling of refugees and displaced people.

9. **Trans-border trade and the creation of trans-border markets, and livelihood development offer opportunities for building resilience along unstable border zones.** Localized cross-border collaboration and integration could also help in normalizing relations between neighboring states which remains a key challenge in West Africa, the Great Lakes Region and the Horn. Regions could capitalize more upon thriving informal trade routes and the versatility and inter-connectedness of its business communities, but often do not due to concerns over territorial and political control of border areas. As such, opportunities to deregulate trade, soften borders, and develop cross-border livelihoods have largely been resisted. West African border markets have been extensively documented over the last decades – see Figure 2.

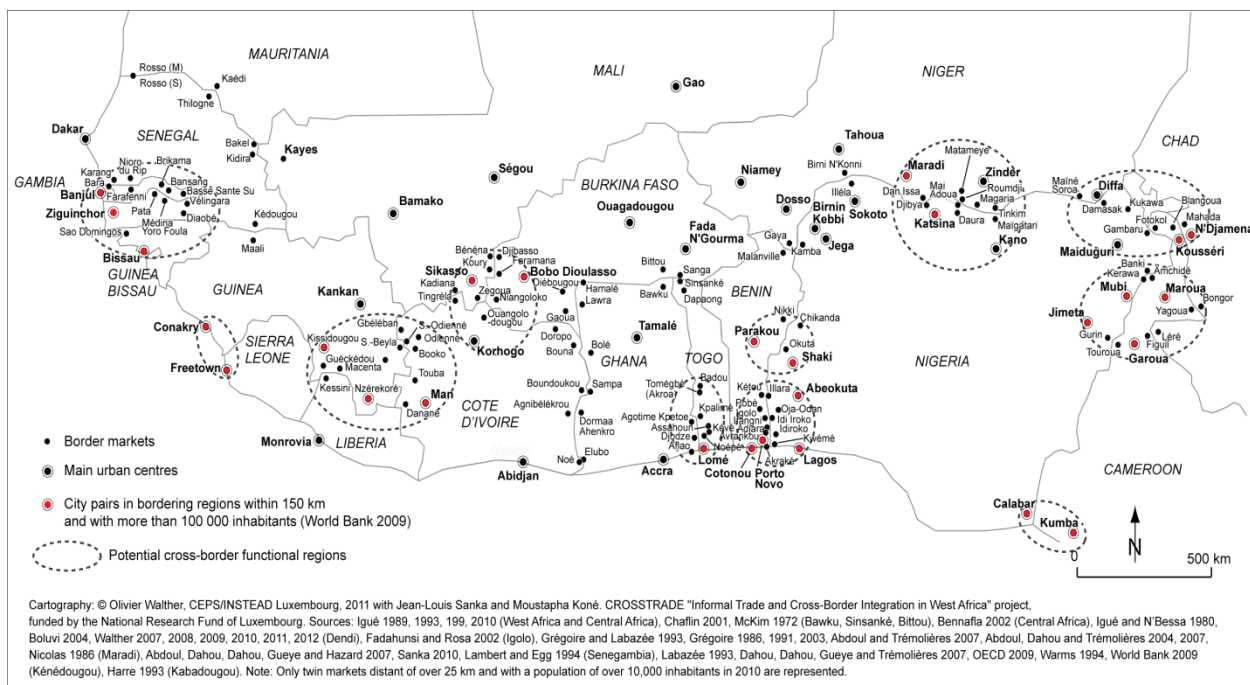


Figure 2: Cross-border markets in West Africa. Source, Crosstrade<sup>64</sup>.

10. **Economic exchanges which build on tradition and culture could serve to strengthen governance and address instability.** An important consideration is that even where cross-border tensions are very strong, there are nearly always regional markets which act as points of convergence, where people from different backgrounds come together to trade based on common interests. In many areas, there is a vibrant informal commercial economy that creates shared interests and alliances across

<sup>64</sup> Informal Trade and Cross Border Integration in West Africa, National Research Fund of Luxembourg, 2011.

communities and borders and if these ties can be strengthened and trade deregulated in such a way as to develop market-based cooperation and economic security, the benefits could be enormous. Particular ethnic groups with cross-border connections can play a particularly constructive role in this undertaking, if this is accompanied with measures to decrease stereotyping.

**11. Yet the development of cross border infrastructure and opportunities, as promoted by the African Union's Border Program is seen by some as at odds with their own security agenda.** Security as defined in the context of borderlands development is not the provision of military hardware for the militarization of the border, but the progressive dimension aimed at poverty reduction and the provision of health and education services. For example, the porosity of Nigeria's borders is an important factor in the survival of *Boko Haram*, offering a lifeline to external support from transnational groups in the form of weapons, training, radicalization and funding.

**12. Development of 'borderlands' would aim to promote zones of contact and exchange, rather than lines of confrontation between separate sovereignties<sup>65</sup>.** It promotes a new form of border cooperation based on the process of sub-regional integration and strengthened decentralization. Development of borderlands recognizes the existence of borders between countries but also to often dynamic communities that are united by socio-economic and cultural realities.

**13. New WBG programs could provide support for a limited number of border zones which are characterized by high levels of forced displacement and / or insecurity and high numbers of people living in extreme poverty.** It would be aligned to the African Union's Border Programme (AUBP) which has the general objective of the structural prevention of conflicts and the promotion of regional integration.

### **3. What is the WBG already doing?**

**14. A more considered and structured approach to borderlands development would enable enhanced support, facilitate internal thematic coherence, and be an exciting area for new partnerships.** Several ongoing and planned WBG activities contribute to elements of borderlands development whether operationally, for example, through support to pastoralism in the Sahel and Horn regions, or our ongoing analyses on forced displacement in those same sub-regions and also in the Great Lakes Region. Issues of forced displacement are often inextricably linked spatially to borderlands development and require new solutions beyond traditional humanitarian interventions. A sample of ongoing activities is detailed in Table 1. Internal coherence would extend to IFC and MIGA as opportunities for private sector investments and borderlands are not mutually exclusive, and operations could also leverage MIGA's Conflict-Affected and Fragile Economies Facility.

**15. A more coherent WBG approach to borderlands development has the potential to leverage significant partnerships opportunities.** For example, the European Union is already active in this area in West Africa and looking to do more in the context of the Horn, and also through new arrangements with NGOs such as the Red Cross who often have a good ground presence in these more remote areas and who are looking increasingly to support more development-orientated interventions. A promising partnership opportunity in the Great Lakes Region is with the UN, through links with the Regional Peace, Security and Cooperation Framework (PSCF). The WBG's regional conflict facility, managed by the Fragility, Conflict and Violence Group in close collaboration with the UN Secretary-General's Special Envoy for the Great Lakes Region is supporting these programmes to address the root causes of regional

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<sup>65</sup> Nigeria-Cameroon borderland: Prospects for economic cooperation and integration. American Journal of Social Issues and Humanities, Vol 4, Issue 2, March 2014.

conflicts, and align with national programmes, as well as with the PSCF. The conflict facility could support the integration of a borderlands-focus into planned and ongoing Great Lakes programming.

**Table 1: Ongoing WBG activities in support of borderlands development**

Name	Status	Geography	Thematic Area	Key activities
<b>Eastern Nile Watershed Management Project</b>	Project ongoing	Egypt, Sudan (Lake Nubia/Nasir)	Sustainable Watershed Management	Regional import focused on sustainable watershed management in communities on the Eastern Nile Basin.
<b>National Poverty Map</b>	AAA - planned	Sudan	Social Protection	Inform the development of a national social protection system in Sudan. Provide better empirics around the level of deprivation in the border areas.
<b>Gum Arabic Phase II</b>	Project – Planned	Sudan	Employment & Economic Growth	Addressing employment and economic growth considerations in Darfur (bordering Chad) and in Kordofan (South Kordofan borders South Sudan)
<b>Service Delivery in Areas Emerging from Conflict</b>	Project – Planned	Sudan all regions that border neighboring countries	Employment & Economic Growth	
<b>Regional Roads</b>	Project – Planned	South Sudan	Transport	
<b>Ruzizi Agricultural Development Project</b>	Pre-concept note	DRC, Rwanda, Burundi	Agriculture and trade	Strengthening cross border agriculture trade, supporting the emergence of regional value-chain in food products and support the development of agribusiness
<b>Improving resilience and social cohesion in Border communities</b>	Pre-concept note	DRC- Zambia- Uganda	Economic development and basic services	Local economic recovery and stabilization activities in conflict-affected border communities including support for conflict affected people and providing access to basic services for refugees and displaced persons.
<b>Facilitating Trade in the Great Lakes Region</b>	Project – concept note	DRC, Uganda Rwanda, Burundi, Tanzania, Zambia	Trade	Cross-border trade in goods and services, policy reform, and infrastructure in conflict-affected borders of the Great Lakes
<b>Regional Sahel Pastoralism Support Project</b>	Project – April 2015 board date	Burkina Faso, Chad, Mauritania, Mali, Niger, Senegal	Pastoralism	Animal health, improving natural resource management, market access and supporting pastoral livelihoods
<b>Regional Pastoral Livelihoods Resilience</b>	Project – board approval March 2014	Kenya, Uganda, Ethiopia	Pastoralism	Natural resource management, market and trade access, livelihood support & risk management



Program				
<b>Growth Without Borders</b>	AAA - ongoing	Mozambique, Malawi, Zambia, Zimbabwe	Growth Poles	Geospatial analysis of endowments of and areas of economic potential in agribusiness, mining, tourism and trade
<b>EAC spatial analysis</b>	AAA – July start	Kenya, Uganda, Rwanda, Burundi, Tanzania	Growth poles	Geospatial analysis of oil and gas resources and future impacts on spatially driven growth and regional infrastructure connectivity
<b>Forced displacement of IDPs and refugees in the Sahel</b>	AAA – completed	Burkina Faso, Chad, Mali, Mauritania and Niger	Forced displacement	Analysis of Sahel displacement situation and development needs
<b>Forced displacement in the Horn of Africa</b>	AAA – ongoing	Uganda, Kenya, Somalia, South Sudan, Sudan, Ethiopia, Eritrea, Djibouti	Forced displacement	Regional study with UNHCR to assess situation and inform development operations
<b>Economic integration &amp; stability in the Tamazuj region</b>	Concept note	Sudan – South Sudan	Trade & community governance	Parallel and coordinated cross-border development for integration and stability. Infrastructure, access to finance (mobile), technical and vocational training and cross border policy harmonization
<b>Value chain support project</b>	Project – approved May 2014	Chad	Value chains	Improvement of cross-border trading business environment, with focus on meat and dairy sub-sectors

#### 4. Which borders?

**16. Much of the literature on borderlands in Africa resides in the academic sphere with little written on examples of practical implementation or on the typology of borders.** There exists substantial academic research on borderlands and cross-border affairs and a growing literature on African issues. Research initiatives such as Border Regions in Transition<sup>66</sup>, the Association for Borderlands Studies<sup>67</sup> and specialist research centers such as International Boundaries Research Unit<sup>68</sup> (Durham University) and Centre for International Borders Research<sup>69</sup> (Queen’s University Belfast) are all active in this field. In the Great Lakes region, the NGO International Alert has undertaken a number of policy studies into the functioning of the DRC’s borders for the WBG<sup>70</sup>.

<sup>66</sup> <http://www.brit2014.org/>

<sup>67</sup> <http://absborderlands.org/> in addition the association organized a conference that features a large number of studies and papers on borderlands. Information on the conference can be found on the following link: <http://absborderlands.org/studies/absworld/>

<sup>68</sup> <https://www.dur.ac.uk/ibru/>

<sup>69</sup> <http://www.qub.ac.uk/research-centres/CentreforInternationalBordersResearch/>

<sup>70</sup> See for example International Alert, ‘The Crossing’, 2011

**17. In the absence a border typology, an initial internal analysis has looked into two main areas: (i) regional connectivity, and (ii) the level of vulnerability.** These two main categories were then broken down into a number of sub-categories as can be seen in Table 2 based on publicly available data and indicators.

**Table 2: Criteria used in ranking border areas**

Level of Vulnerability		Regional Connectivity			
Vulnerability	Insecurity	Structural collaboration	Trans-border trade	Economic potential	Government openness
<ul style="list-style-type: none"> <li>▪ Population density</li> <li>▪ Adult Literacy</li> <li>▪ Refugee/IDPs</li> <li>▪ Poverty Rate</li> <li>▪ Demographic Pressures</li> </ul>	<ul style="list-style-type: none"> <li>▪ Perceived criminality in society</li> <li>▪ State legitimacy</li> <li>▪ Security apparatus</li> <li>▪ Group grievance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Neighboring country relations</li> <li>▪ Membership to RECs</li> <li>▪ Trans-border trade</li> </ul>	<ul style="list-style-type: none"> <li>▪ Status of trade</li> <li>▪ Market access</li> <li>▪ Relative importance of trade to the border area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Existing infrastructure</li> <li>▪ Natural resources</li> <li>▪ Potential for economic growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Client perception</li> </ul>

For the scope of the HoA Initiative, the following border areas were identified: (i) Ethiopia-Somalia-Kenya, (ii) Kenya-Somalia, (iii) Sudan-South Sudan-Ethiopia, (iv) Sudan-South Sudan, (v) Kenya-Uganda-South Sudan, (vi) Ethiopia-Eritrea-Sudan and; (vii) Eritrea-Djibouti. Scores were allocated to each sub-categories in Table one to enable an initial ranking based on total scores. This ranking can be seen in Table 3. The first three border areas in Table 3 might constitute multiple options and higher potential for trans-border activities envisaged in the Horn Initiative. It is important to note however that the analysis is preliminary in nature and there is a need for validation and further analyses and research.

For the Great Lakes Region, the cross-border trade programme is still under development, including its methodology for the selection of zones. However, based on discussions with the regional states, the following DRC border posts were selected, which may strongly benefit from a Borderlands-approach as well: (1) Goma-Gisenyi and Bukavu-Cyangugu (DRC-Rwanda); (2) Kavimvira-Gatumba(DRC-Burundi); (3) Fizi-Kigoma (DRC-Tanzania); (4) Kasindi-Kasese, Ishasa-Mpondwe, Aru-Arua and Mahagi (DRC-Uganda); and one yet to be identified border crossing between the DRC and Zambia. These zones have all known serious problems related to illegal smuggling and cross-border ethnic tensions, yet represent serious potential for increased commerce and stabilization as well.

**18. Areas with low population density, weak governance, poor basic services infrastructure, and high levels of heterogeneity among ethnic groups (sedentary or pastoralist) exhibit not only higher levels of conflict; but also higher levels of illegal cross-border trade.** In addition, these areas exhibit higher levels of militarization due to persistent insecurity and human rights abuses by state and non-state actors (foreign and domestic). For example, in Vakaga prefecture in Northeast CAR, which has an extremely low population density (under 1/km<sup>2</sup>), there are many sedentary groups (Runga, Gula, Kara, Sara, Kreich, and Yulu) residing in a vast and remote area with internal problems (viz. Kara – Gula; and Gula-Runga) as well as conflicts with pastoralists from Chad and Sudan (Darfur). The Northeast region of CAR is also an area (Savannah Natural Zone) where pastoralists roving from Chad and Sudan descend in the dry seasons with their herds, staying for longer periods due to a combination of climate change and conflict in Darfur and eastern Chad. In the same vein, the Ruzizi Plain in the eastern DR Congo acts as a pass-through channel for pastoralists to the neighboring countries, which lead to violent clashes with local agricultural communities and wider regional instability. Therefore, although the WBG has a corporate focus on extreme poverty, it seems necessary to have to assess the wider regional economic impacts of

inaction in borderlands. Table 4 gives an overview of the types of operational interventions that might be possible.

**Table 3: Ranking of Border Areas**

Border Area (high to low priority)	
1.	Ethiopia-Somalia-Kenya
2.	Kenya-Somalia
3.	Sudan-South Sudan-Ethiopia
4.	Sudan-South Sudan
5.	Kenya-Uganda-South Sudan
6.	Ethiopia-Eritrea-Sudan
7.	Eritrea-Djibouti

A similar ranking will be done for West/Central Africa and for the Great lakes Region, although the methodology may need to be adapted. For the Great Lakes Region, the regional conflict facility is already looking into studies into cross-border dynamics, but this work could easily be combined with a Borderlands-approach. It is clear that on-going conflicts and insecurity in borderlands, which maybe sparsely populated, are having serious negative economic impacts on whole sub-regions though to date these impacts are not quantified.

## 5. Next steps

**19. A WBG’s approach to borderlands development is being explored as a subcomponent of AFR’s regional integration strategy, partly in preparation for the high level visit in the fall.** In recent discussions with a small number of key academics, key messages included: 1) migration to borderlands (particularly in West Africa) is pronounced and a growing trend; 2) the best practical examples to date are in West Africa where some have received EU financing, but also some small-scale initiatives in the Eastern DRC focused on dialogue between small traders and border authorities; 3) upstream mapping of cross-borders actors and regional networks and their subsequent involvement is key; 4) the engagement of the WGB in this field is welcome.

New analytics are required to help the WBG in prioritizing possible new operations.

**Table 4: Options for Operations**

The following options are preliminary in nature and should not be taken as final suggestions deriving from a comprehensive understanding of needs and potential of abovementioned border areas. The options, however, represent applicable activities that can start the conversation and set a framework for formulating the right kind of operations that would contribute to the objectives set out in Horn of Africa Initiative.

Activity	Objectives/Activities	Impact
Cross-border connectivity projects	<ul style="list-style-type: none"> <li>- Improving trans-border connectivity by upgrading border crossings.</li> <li>- Developing integrated local transport connections including road construction/ improvements to increase logistical capacity and efficiency of the border area.</li> </ul>	<ul style="list-style-type: none"> <li>- Improved access to transport and communication network</li> <li>- Joint use of infrastructure to support regional integration</li> <li>- Support connectivity with border areas and central/local authorities</li> <li>- Increased trade volume</li> </ul>
Cross-border basic infrastructure improvements	<ul style="list-style-type: none"> <li>- Increasing access to basic services in border areas</li> <li>- Developing infrastructure aimed at reducing the number of (illegally present) border actors, leading to ‘one-stop’ borders;</li> <li>- Developing infrastructure to protect (particularly female) small traders based on their own recommendations</li> </ul>	<ul style="list-style-type: none"> <li>- Promote social cohesion between communities living in border areas.</li> <li>- Decreasing harassment and facilitating small trade</li> <li>- Improved access to basic services and security</li> </ul>
Enhancement of Cross-border Economic Development	<ul style="list-style-type: none"> <li>- Strengthening economic development through common interventions</li> <li>- Facilitating cross-border relations.</li> <li>- Supporting local economic associations</li> <li>- Supporting regional governments in simplifying border procedures and clarifying laws, regulations and tax systems</li> </ul>	<ul style="list-style-type: none"> <li>- Promoting entrepreneurship and enhancement of Human Resources in the border area.</li> <li>- Partnerships between associations and cooperatives across borders.</li> </ul>
Enhancement of Cross-border Interactions	<ul style="list-style-type: none"> <li>- Supporting development of community-based organizations which transcend ethnicity</li> <li>- Improving overall governance in relation to the provision of services for communities in border areas.</li> <li>- Supporting a dialogue between border authorities and small traders to create understanding over-and-back and decrease stereotyping</li> <li>- Supporting the independent monitoring of the functioning of border services</li> <li>- Supporting governments in addressing impunity of state agents on the border</li> <li>- Increase educational, cultural and sporting exchanges between border area communities.</li> </ul>	<ul style="list-style-type: none"> <li>- Enhanced social and cultural integration in border areas.</li> <li>- Improved performance of border agents;</li> </ul>
Cross-border civilian disarmament project	<ul style="list-style-type: none"> <li>- Reducing Small Arms and Light Weapons (SALW)</li> </ul>	<ul style="list-style-type: none"> <li>- Increased social cohesion and trust between communities living in border areas.</li> <li>- Increased border security.</li> </ul>
Community Reinsertion for IDPs	<ul style="list-style-type: none"> <li>- Supporting the return of IDPs</li> <li>- Supporting IDPs to organize into trading consortiums and providing them with training and micro-credit</li> </ul>	<ul style="list-style-type: none"> <li>- Increased social cohesion</li> </ul>

Cross-border crime and violence prevention (CVP) initiatives	- Integrating CVP initiatives into development process	- Increased security in cross-border areas - Improved social and economic activity
Cross-border environmental management	- Improving cooperation between authorities and international agencies in bordering countries to reduce, damages caused by IDP and refugee populations e.g. deforestation	- Improved national and cross-border mechanisms to cope with potential risks stemming from environment disasters.
Education across borders	- Improving overall quality and efficiency of education for the populations living in border areas by establishing cooperation among education and skills training institutions in border areas.	- Increased cross-border mobility connecting children and teachers in a multicultural environment. - Increased social cohesion between and within cross-border populations.