

Headings Covered in this issue



President of Ethiopian Somali
Region visit to HESPI



Horn of Africa leaders keen to
expedite economic integration
in the region

Contents	Pages
• MD Statement	1
• Discussions with senior officials in Somalia	2
• A policy dissemination workshop held in Juba, South Sudan	2
• HESPI Research team participated in AERC workshop	2
• President of Ethiopian Somali Region visit to HESPI	3
• HESPI Meeting with the African High Level Implementation Panel (AUHIP)	3
• HESPI Board of Directors Meeting	4
• National Economic Council of the Federal Republic of Somalia	5
• HESPI Policy and capacity building support - South Sudan	6
• Research Outputs of HESPI	7
• Forthcoming HESPI events	7
• Assessing the Potential for regional integration in the Horn of Africa	8
• Briefs on Current Developments in the IGAD region	9

www.hespi.org

Managing Director's Statement



Ali Issa (PhD)

The macro-economic performance of IGAD countries has varied over the past decade. In particular the growth performance of Djibouti, Ethiopia, Kenya, and Uganda was higher than the sub Saharan African countries annual average of 3-4 percent during 2012-16. But the progress recorded in some of the other IGAD countries was less impressive as demonstrated by lower annual growth rates, poverty prevalence, and limited progress in socio-economic development. Unemployment especially among the youth has contributed to major socio-economic and political challenges in the IGAD member countries. The higher economic growth in some countries has not matched the population growth contributing to huge increase in underutilized labor, with a potential for social upheaval. The prevalence of weak exports performance, recurrent fiscal and trade deficits, and rising external debts have put pressure more recently on the economic performance of most countries in IGAD. HESPI's decade plus experience in the sub-region suggests that multiple factors have contributed to the recent inadequate economic performance in many of the countries.

It is therefore crucial to formulate and implement sound socio-economic policies to create and reinforce effective public institutions, to design and enforce development conducive regulations and incentives to help deliver essential economic and social services to the public. It is also important to enhance regional integration to support economic diversification and promote trade and investment. Sound and stronger policies can be instrumental for seizing existing development opportunities in the region such as the predominantly young work force, the strong diaspora for remittance and knowledge transfer; abundant minerals and renewable energy; as well as evident opportunities to build agro-industrial and manufacturing base.

HESPI will continue to pursue its evidence-based policy research, and organize policy forums conferences to present economic and social reforms to support effective growth and development governance. It will continue to play an autonomous and independent catalytic role for policy reforms and promote change in the sound policy formulation.

The Institute will assist in building needs-based institutional capacities and processes; promote the formulation and implementation of sound policies; broaden the areas of engagement to social and productive sectors; and address the critical needs of private sector development. It will continue to strengthen its own research and institutional capacity, visibility and financial sustainability.

Finally, I wish to express my sincere appreciation to all those involved in the successful delivery of the objectives of the Institute. I also wish to thank the member states, development partners, and many other principal stakeholders for their support to the Institute in order to help realize its objectives and ambitions to promote sustainable prosperity in the sub-region and the continent at large. I look forward to continued cooperation from all partners and stakeholders in the course of the implementation of the Institute's 2019-22 Strategic Plan.

Discussions with senior officials in Somalia

The Managing Director visited Mogadishu, Somalia in October 2018 to hold discussions with senior officials of the Federal Government of Somalia (FGS). The Somali authorities delivered their commitment to turn the corner in introducing impactful reforms in public sector governance, including the strengthening of the civil service at the middle and higher levels; the upgrading of the institutional capacity, management and governance of the Central Bank; and enhancing the capacity of the Office of the Auditor General and other public oversight agencies. Discussions with the State Minister for Finance and other senior officials of the Ministry centered on the early enactment of the Public Finance Management Act, the revenue administration bill including the creation of an autonomous Somalia Revenue Authority, and the monetary reform management at the Central Bank.

On October 11, 2018, the Managing Director of HESPI held discussions with officials at the Office of the Auditor General (OAG) that approached HESPI to assist with institutional capacity building for that office. The OAG officials shared documentation on a proposed training program on selected topics.

Discussions were also held with the Minister and senior staff of the Ministry of Planning, Investment and Economic Development that focused on the preparation of a national 2040 vision document, and a national development and poverty reduction strategy. The official noted that on account of limited capacity at the Ministry, the process of selecting one approach or another and deciding on the form of external technical support to seek could take time.

A policy dissemination workshop held in Juba, South Sudan

Two case studies on South Sudan, commissioned by the African Economic Research Consortium (AERC), were presented by HESPI research team in Juba at a policy dissemination workshop. In attendance at the workshop was H.E Taban Deng Gai, the first Vice President of South Sudan; Hon. Aggrey Tisa Sabuni, the economic advisor to the President of South Sudan; Deng Dau Malek, the Deputy Foreign Minister; representatives from the donor community including the EU and USAID, private sector representatives and guests from the academic community, among others.

The studies presented at the policy forum were entitled “The state of Political Instability and its impact on Trade in South Sudan: A Critical Assessment” and “Identifying Binding Constraints on Growth in the Context of Fragility: The Case of South Sudan”. The first study was conducted by HESPI exclusively, while the second was done in collaboration with Ebony Center for Strategic Studies, a Juba based think tank.

The policy recommendations from the two case studies emphasized the need for political stability to revitalize political and economic institutions, and create room for necessary reforms in South Sudan.

HESPI Research team participated in AERC workshop in Nairobi

On 29-31 Oct. 2018, the African Economic Research Consortium (AERC) organized a workshop on “Growth in Fragile States: Country Case Studies” which was attended by several researchers, Think Tank representatives and higher officials. The Horn Economic and Social Policy Institute (HESPI) was represented by Mr. Edris Seid (HESPI research associate) and Mr. Abdurouhman Hussein (HESPI research fellow) who presented HESPI research projects funded by the AERC on South Sudan. The HESPI participants, also had the chance to strengthen networking with diverse participants from different parts of the African continent. The other papers presented by researchers included studies on the following countries: Kenya, Nigeria, Chad, Zimbabwe, Rwanda, Uganda, Cote d'Ivoire, Mali, and Burundi.

President of Ethiopian Somali Region visit to HESPI

On October 10, 2018 H.E. Mustafa Muhumed, President of Somali Region of Ethiopia paid a courtesy visit to the Horn Economic and Social Policy Institute (HESPI) headquartered in Addis Ababa. The President was warmly welcomed by Ambassador Peter Robleh, Chairperson of the Board of Directors of HESPI and Dr. Ali Issa, Managing Director of HESPI. The Chairperson in his welcoming statements thanked the President for taking time to visit the Institute, and made brief remarks that provided a summary of the mission and mandate of HESPI. Dr. Ali on his part gave a broad presentation of the various activities undertaken by HESPI within the IGAD Region and for individual member countries of the sub-region.



From left: Dr. Ali Issa, H.E. Mustafa Muhumed, Amb. Peter Robleh

The President, expressed his appreciation for the warm welcome and briefing about the activities of the Institute. He then gave a very succinct summary about the socio- economic challenges the Somali state as well as lack of effective institutions in the Region as a whole. In terms of development priorities for the Region, the President indicated, agriculture, health, education and infrastructure as areas of high priority. In this endeavor, the President indicated desire for HESPI to assist the region in institutional capacity building as well as in other areas of its competence.

HESPI representatives expressed readiness to work closely with all the states in the sub-region and to assist the region in capacity building, mapping and assessing development needs, and related challenges. The meeting was concluded with the understanding that further discussions will be necessary to establish mechanisms between HESPI and the regional state offices in order to chart the way forward.

HESPI Meeting with the African High Level Implementation Panel (AUHIP)

The African Union Peace and Security Council has given a mandate to an African High Level Implementation Panel (AUHIP), Chaired by President Thabo Mbeki of South Africa, to undertake all necessary activities in preparation for a Conference on Peace, Security, Stability, Cooperation and Development in the Horn of Africa.

In pursuit of this goal the Panel has requested two partner organizations; the Horn Economic and Social Policy Institute (HESPI) and the World Peace Foundation (WPF) to constitute themselves into a Working Group on the Horn of Africa and provide the AUHIP with necessary research and other support as necessary in their areas of competence. HESPI will be responsible for studies on economic transformation, and regional economic integration challenges and opportunities; while WPF will undertake studies on the security and political cooperation matters that impact the Horn of Africa.

In this regard, HESPI was invited on 14 Aug, 2018 by the Panel during its meeting in Addis, to make a brief presentation on its core activities and in particular as it relates to the studies and research on the select topic on economic development and integration. Accordingly, Amb. Peter Robleh Chairperson of the Institute and Dr. Haile Kibret, Director of Research of HESPI made a presentation, which was well received by the members of the High Panel. In his closing remark, President Mbeki expressed his thanks to HESPI and noted that the Panel will inform HESPI once necessary funding is obtained for the initiation of the studies.

HESPI BOARD OF DIRECTORS MEETINGS



Participants at the HESPI Board of Directors Aug 4, 2018

As a mandatory corporate requirement, HESPI regularly conducts Board of Directors Meetings at least twice a year. On August 4, 2018, the Board of Directors reviewed the half year progress on the Work Program and Budget (WPB) activities, and other agenda items including:

- Initiation of the 2019-22 Strategic Plan
- Review of the annual External Audit Reports.
- The discussion of the work program and budget plans for the 2nd half of 2018 were presented, reviewed, and endorsed by the Board.
- Closure of the ACBF's phase I project and alternative flexible funding sources were discussed.
- Delivery of activities under commissioned IGAD Secretariat facility was reviewed.
- Alternative staff remuneration strategies were presented for Board comments.

The 2nd Board of Directors meeting was held on 20th of December 2018, in Addis Ababa. This meeting was conducted as usual with most participating Directors present (face-to face) and partly with one Director participating by video conferencing. The meeting addressed the following key issues:

- A preliminary draft of the Four Years Strategic Plan (2019-22).
- Review of funding for the HESPI programs including for 2019 and the medium term.
- Board consideration of a project-based staff remuneration policy.
- Review of Management report of the second half of 2019, and Board consideration of the WPB for 2019.
- Consideration and selection of External Auditor for 2019-21



HESPI Board of Directors face-to-face and Skype meeting Dec 20, 2018

National Economic Council of the Federal Republic of Somalia



National Economic
Council Members

Adequate institutional capacity is a precondition for sound public policy making in any country's economic and social development. Effective institutions are required for markets to function efficiently and for the private sector to thrive; to ensure proper management of a country's domestic resources and external assistance; and to implement home-grown economic policies and reforms. The need for effective domestic institutions particularly for post-conflict African countries is highlighted in the report of the Commission for Africa set up by the UK Government, which concluded that "developing local capacities to take the lead in solving problems is an essential prerequisite to good governance and sustainable development"

Somalia's emergence from prolonged civil conflict and long absence of central authority is being constrained by lack of effective institutions to formulate and implement sound policies which undermines stability and socio-economic recovery. Somalia needs to build credible and effective public finance management institutions to underpin effective governance. Accountability, transparency, and integrity are the pillars of good governance, and are essential elements of what a healthy democracy should embrace. These elements are mutually reinforcing. For example, where there is effective financial accountability, public sector performance is likely to be managed and reported fairly and honestly. This in turn minimizes systemic corruption; mitigates fraud, waste, and abuse in the use of public funds.

In this regard, on August 14th, 2018 the Government of the Federal Republic of Somalia established a National Economic Council (NEC) as an advisory Council that supports the President and government on management of pertinent economic policy matters, as well as provides objective evidence-based economic analysis and policy advice on the development and implementation of domestic and international economic policy issues. The Council comprises a team of economic advisers selected on the basis of their academic training and broad experience to conduct research, analyze and interpret economic developments, and formulate and recommend sound national policies to promote sustainable economic growth, high employment, and the reduction of poverty. The council is expected to assist all relevant government agencies to address the imperative need to implement sound management of public finances and promote building the capacity of effective public sector officials and institutions.

Accordingly, the National Economic Council will be advising on key elements of the national economic and financial management and also enhancing the capacity of financial integrity institutions. The NEC will work with the personnel, systems and procedures of the government institutions and will be complementary to the existing economic and financial institutions and assist in building their effectiveness as a matter of first priority

The rationale of the establishment of the NEC is to signal to the people of Somalia and the country's development partners that the Government is committed to the principles of sound economic and financial management, will undertake effective reforms with efficiency and urgency, and will strengthen the government's capacity to formulate and execute its economic programs and plans with the highest commitment and seriousness to improve the welfare of the general public and in particular the most vulnerable. The Council will also be an evident signal to the general public, on the part of the government, to focus on good economic governance, accountability, transparency, and integrity. It further underscores the determination of the Government to signal to the international community that external financial assistance to the country will be utilized with effectiveness and efficiency, and for the intended purposes.

HESPI Policy and capacity building support to conflict- affected countries project South Sudan

One of the key activities HESPI has done during the second half of 2018 is its policy research and institutional capacity building support to the Republic of South Sudan (SS), one of the fragile and conflict affected countries in the IGAD region, with financial support from the African Capacity Building Foundation (ACBF).

The activity conducted in the newest nation of SS was designed as a starter-initiative for institutional capacity building support to the country to assist its transition from fragility to sustainability by way of ensuring effective and efficient Public Finance Management (PFM) and enhancement of Trade and Regional Integration. It was aimed to contribute to improved performance of public institutions for macroeconomic stability through strengthening the capacity of public financial institutions in PFM and to improve the country's participation in regional economic integration, within the East African Community and IGAD.

The project activities were designed to address the identified key problems through a tripartite background study between HESPI, ACBF and the GSS. The studies disclosed that there is prevailing lack of fiscal sustainability, which needed to be addressed urgently for optimal financial governance and fiscal discipline. There was a broad consensus that improving the capacities of the financial integrity institutions is a critical requirement to achieve these objectives.

On the Trade and Regional Integration front, the joint assessment that followed the research study indicated that the South Sudanese export economy is nearly 100% dependent on oil which was seriously affected by the international oil market price shocks and recurring local conflict which hindered oil exploitation in some localities. The country has been member of the ECA since 2016 but there has been concerns by the public and professional researchers alike on the actual benefits of being a member of this regional economic community. Because of the country's limited and highly oil dependent exports, South Sudan has no near-term potential to trade with more advanced East African Economies. The pros and cons of trade and regional integration in the EAC have not been addressed and policy propositions have not been made.

Against this backdrop, HESPI conducted its activities in three categories:

- Two policy oriented research activities on trends and practices of PEM to identify the hindering gaps and regional trade and integration to assess reciprocal benefits of membership of the ECA and IGAD economic communities as regards the SS economy. It also made valid and adoptable recommendations for policy reforms.
- A skill building training on PFM for the senior leadership to ensure evidence based budget preparation and execution; and training for middle-level staff members of the relevant public sectors Preparation and Execution of Public Budget to equip and enable them with the PFM data management gathering required data/evidence, prepare budgets and present to the decision-makers, and execute the approved budget.
- Two separate policy dialogue forums on the findings and recommendations of the research on PFM involving the key stakeholders to come up with actions for implementation and recommend policy directions/reforms; and on regional trade and integration based on the findings of the research to come up with actions for future policy decisions. The policy forum brought together more than 80 researchers and policy makers for debate and policy discussions.

Research Outputs of HESPI in 2018

IGAD Annual Economic Review for 2018

Background paper on recent economic developments with food security issues focus, for a proposed 2018 HESPI conference on the IGAD economies, was issued.

Trade and regional integration in the republic of South Sudan

This study assesses major initial considerations of the Republic of South Sudan joining the IGAD and EAC Regional Economic Communities, and extent of benefits gained from the regional integration; which include the exposure to market competition and access to supply chain. The study concluded that the country should first attain security and stability, and strive to diversify its trade beyond oil export, and build its bargaining capacity.

State of the political instability and the trade sector in South Sudan: A critical Assessment

This study assessed the impact of the current political instability on South Sudan's exports and imports particularly with neighboring IGAD member countries. This research was conducted with financial support from The African Economic Research consortium (AERC), in Nairobi, Kenya.

The dynamics of unemployment, population and economic growth in the IGAD region

This paper assessed the size, structure and the growth of the population in the IGAD Member countries, the impact of the population explosion on youth unemployment. It also examined the evidence on the extent to which available economic policies help address the problem of youth unemployment.

Identifying binding constraints on growth in the context of fragility: The case of South Sudan

The research addressed the binding constraints of growth in the post-conflict fragile situation in South Sudan; and was done in collaboration with the Ebony Center for strategic research in South Sudan with financial support from the AERC.

Balance of payments prognosis in Ethiopia

This study was conducted at the request of an equity firm (Zoscales Foundation Partners) to inform its potential investors. Accordingly, the study focused on forex exchange reserves short and medium term projections in Ethiopia under different scenarios, including baseline, policy-reform based, and most likely balance of payments outcomes

Trade and structural implications of industrial policies in Sub Saharan Africa (SSA)

The cases of Industrial parks of Ethiopia and manufacturing industries of Nigeria, Mauritius and other Sub Saharan Africa countries was assessed and the trade and structural implications studied.

Forthcoming HESPI Events

Institutional Capacity Building

- HESPI will provide training to the Economic & Finance Committee (EFC) of the Parliament of Somalia on Parliamentary oversight functions.
- HESPI will provide training for officials of the office of the Auditor General of Somalia on core areas of their responsibilities.

Conducting policy dialogue forums and workshop and conferences

- HESPI will Conduct a policy dialogue forum on export diversification in Ethiopia
- HESPI will Conduct a forum on food security and climate change on IGAD economies.
- HESPI will conduct a policy forum on a current topic to be selected among the studies planned in 2019 by the Institute.

Assessing the potential for regional integration in the Horn of Africa

Following political changes in Ethiopia, there is a renewed momentum for regional integration in the Horn of Africa (HoA), particularly between Eritrea, Ethiopia and Somalia. The leaders of the three countries met in September 2018 to revitalize the initiative. It is thus timely to make a brief assessment of the status and potential for regional integration in the sub region and highlight on the constraints that need to be tackled to fast-track regional integration in the sub region.

Regional cooperation by the HoA countries in the security front has been largely successful. However, this synergy seems to be absent in the economic front. Regional integration has potential economic benefits to HoA countries: it allows increased flow of inter-regional and intra-regional FDI due to an expanded market access for investors. It facilitates trade and investment, thereby allowing broad based and fast economic growth for member countries.

Though the level of intra-regional trade in IGAD member states is low, cross border trade (be it formal or informal) is substantial. For instance, Ethiopia's export accounted for a significant share of the imports of Somalia; which rose from 25 percent of Somalia's total imports in 2010 to 36 percent in 2014 (See Table 1). Considering Ethiopia and Somalia as an example, even though both countries rely heavily on agricultural commodities for their foreign export earnings, the trade complementarity index (TCI) for the two countries reveal that there is a substantial potential for further trade between the 2 countries. TCI of trade partners is dynamic and as the composition of domestic production in any two countries becomes more differentiated, the higher the trade gains and correlation. Accordingly as the sub region countries make progress on industrialization and diversify the agricultural products, the higher will be the trade complementarity.

Table (1) Somalia's Imports and Ethiopia's Exports (in 2010-14)

	Somalia's Imports (in US\$ '000) from		% (A to B)	Ethiopia's Exports (in US\$ '000) to		% (C to D)
	Ethiopia (A)	World (B)		Somalia (C)	World (D)	
2010	224,122	901,679	24.9	224,122	2,329,793	9.62
2011	243,311	1,174,501	20.7	243,311	2,614,892	9.30
2012	259,831	1,066,286	24.4	259,831	2,891,347	8.99
2013	651,075	1,887,599	34.5	651,075	4,076,944	15.97
2014	707,248	1,944,957	36.4	707,248	5,666,889	12.48

Source: International Trade Centre, TRADMAP

Some of the challenges of economic growth in the sub region are the low level of capital investment particularly in human and economic infrastructure; and absence of technological innovation and low skills of the labor force. While Djibouti has made major investment in economic infrastructure and transport linkages to Ethiopia, Infrastructure limitations are prevalent in Somalia and Eritrea from ports, roads, and public utility services. There is substantial potential gain for Ethio-Somalia and Ethio-Eritrea cooperation in road, railway and port developments. As in the case of Djibouti, Somalia and Eritrea could benefit from Ethiopia's large external trade potential. Ethiopia on the other hand, would have additional access to the sea through Eritrea's and Somalia's ports. Currently, more than 90% of Ethiopia's external trade is conducted via ports in Djibouti. However, northern Ethiopian cities are closer to Eritrea's ports than Djibouti's. Likewise, south Eastern Ethiopian cities are closer to Somalia's ports than Djibouti's. Hence, cooperation in road and port development would promote trade, investment and growth in the sub-region. Rehabilitation of the existing roads and ports would be a starting point. Also, air transport would promote tourism in Eritrea and Somalia in addition to trade in goods. Ethiopian Airlines resumption of flight to both countries, with frequent flights would be a catalyst for tourism, trade and investment in the three countries.

Hence, in order to fast-track regional integration in the HoA, some of the binding constraints shall be addressed. More specifically, there needs to be intensification and promotion of investment in economic infrastructure and linkages as well as in human capital formation; there needs to be provision for improvements of legal and institutional framework for intensified regional cooperation; and finance related problems shall be addressed.

Briefs on Current Developments in the IGAD region

Horn of Africa leaders keen to expedite economic integration in the region



From left: President Farmajo, President Isayas & Prime Minister Abiy

The Presidents of Somalia, Eritrea and Ethiopia held talks in Asmara on September 6-7, 2018, where they reiterated the need to consolidate socio-economic cooperation among their respective countries. Somalia seeks to play a leading role in fostering economic and social integration in the horn of Africa. Somalia's president, Mohammed Abdullahi Farmajo was 'leading efforts to consolidate gains made at the Forum on China-Africa Cooperation (FoCAC) by facilitating the prospects of a tripartite agreement on economic integration of the horn of African Countries.

Source: <http://ipo-easternafrica.net/horn-of-africa-holds-talks-on-political-stability-and-economic-integration/>

Ethiopia has tripled the size of its main airport as it gets set to be Africa's gateway hub

On 27th January 2019, Prime Minister Abiy Ahmed inaugurated the newly-expanded terminal of the Bole International Airport, the main hub of Ethiopian Airlines in Addis Ababa. The project, which was funded and built by China for \$363 million, triple the airport's size and can now accommodate up to 22 million passengers annually from its current 7 million.

On the same day, the Airline also inaugurated a five-star hotel in Addis Ababa. The terminal and the luxury hotel are a great boost for the state carrier, Ethiopian Airlines, which is currently implementing a 15-year strategic plan aimed at becoming Africa's leading airline group. Founded 74 years ago, the airline has an operating fleet of 111 planes and currently flies to more than 119 international passenger and cargo destinations, with over 61 of those in Africa alone.

Source: Quartz Africa



Djibouti to resume port service to South Sudan

Following the peace deal in South Sudan, Djibouti expects to resume its port service to South Sudan, according to the CEO of the Doraleh Multi-Purpose Port (DMP), Waheb Daher Aden. According to the CEO, the DMP, which began operations in June 2017, has expanded substantially in the recent past. He emphasized that his country is keen to provide the most efficient and customer-oriented port service to other east African countries, beyond Ethiopia.

Source: <https://www.trademarka.com/news/burundi-news/djibouti-port-to-provide-services-to-s-sudan-rwanda-and-burundi/>

Council of Ministers Approves Ethiopia's Membership to AfCFTA

The Council of Ministers today approved Ethiopia's membership to the Africa Continental Free Trade Agreement (AfCFTA) on February 2, 2019. The AfCFTA, one of the biggest trade agreements since the creation of the World Trade Organization (WTO), attempts to create a single market in Africa. The decision is consistent with Prime Minister Dr Abiy Ahmed's vision of creating a closer and full regional integration, where minds are open to ideas and markets are open to trade, Office of the Prime Minister said. Ethiopia's decision and track record of advocating Pan African causes will bring to reality an integrated Africa, the office Added. Among IGAD member states, Uganda, Kenya, Djibouti have already ratified the agreement.

Source: Fana Broadcasting Corporate

15th Ethio-Djibouti Joint Ministerial Commission Meeting held in Djibouti

On topical issues of transport, port utilization, education, health, customs and trade. Addis Ababa, January 29, 2019 (FBC) – The 15th Ethio-Djibouti Joint Ministerial Commission meeting took place in Djibouti. Ethiopia and Djibouti have had comprehensive and multi-faceted economic and political relations over the previous decades. Djibouti is the main import-export port outlet for Ethiopia. The two countries are already linked with vital infrastructural facilities and they have been conducting period monitoring and evaluation on the progress of the multiple projects that are being conducted between the two neighboring countries.

The joint meeting provides a forum on which they can evaluate the progress in the relation between the two countries and also resolve possible upcoming issues.

Source: Fana Broadcasting Corporate

Briefs on Current Developments in the IGAD region

IMF Sees Somalia's Economic Growth Accelerating to 3.1% in 2018

The International Monetary Fund estimated Somalia's economy expanded by 3.1 percent in 2018, as the Horn of Africa nation implemented an economic program monitored by the lender. "Somalia's economy is recovering but further efforts are needed to secure economic resilience and reduce poverty," the Washington-based lender said Wednesday in an emailed statement. "Since 2017, growth has rebounded, inflation has slowed and the trade deficit has narrowed." Data through November 2018 shows that domestic revenue reached \$161 million, or 31 percent higher than the same period in 2017, and the overall cash fiscal position was in surplus by \$8 million, according to the IMF. Earlier this month the IMF completed its first review of an ongoing economic program with Somalia, according to the statement.

Source: Bloomberg Africa

Dramatic drop in South Sudan political violence since peace agreement signing

Since the signing of a September 2018 deal between the South Sudanese President Salva Kiir and his political rival and former deputy Riek Machar to end conflict in the country, political violence has "dropped dramatically," David Shearer, head of the UN Mission in South Sudan told reporters on Tuesday.

Despite the fall in political violence, conflict is still ongoing, said Mr. Shearer, pointing to, among others, ethnic violence that has led to killings, and in the South of the country, where the fighters of Thomas Cirillo's National Salvation Front have been involved in clashes with Government forces.

In the five years since conflict broke out in South Sudan, more than four million people have fled their homes, and almost two million are displaced within the country. Since the peace deal between the warring parties was agreed last September, there have been signs of stability, leading to the prospect of more people returning to their homes.

Source: UN News

South Sudan's new peace deal to help revive the economy

South Sudan expects a windfall of export earnings from resumed oil production to rehabilitate its fragile economy. Unlike the previous peace deals among the warring factions, the July peace pact is expected to hold, building investor confidence to revitalize the economy. South Sudan has the 3rd largest oil reserve in Sub Saharan Africa. In the few years before the conflict broke out, the country's oil production saw an increasing trend, peaking at 350,000 barrels per day (bpd) in 2011. Production tumbled to the current level of 130,000 bpd. In August 2018, the country resumed pumping 20,000 bpd in Toma South Oilfield. Few more oil fields are expected to come in line soon

Source: <https://www.monitor.co.ug/News/National/South-Sudan-oil-production-boost-economy/688334-4858066-wmmuez/index.html>

Sudan reopens border with Eritrea after year-long closure

Sudan President Omar al-Bashir has reopened the border with Eritrea, which had been closed since early January 2018.

Speaking to a crowd of supporters during a visit to the Kassala provincial capital, close to the border with Eritrea, the Sudanese leader announced that he was reaching out to the people of Eritrea, addressing them as "brothers" in his speech. "I announce here, from Kassala, that we are opening the border with Eritrea because they are our brothers and our people," Bashir told the crowd gathered before him on Thursday. "Politics will not divide us," he added.

As the president was addressing supporters in Kassala, fresh anti-government protests calling for him to resign were running in various parts of the capital, Khartoum. Analysts suggest the embattled leader is searching for regional allies as weeks of violent protests continue to threaten his controversial 30-year rule. Bashir has personally visited Egypt and Qatar since the protests began in December 2018, while Kuwait, Saudi Arabia and the United Arab Emirates have expressed their support for the Sudanese president.

Source: The East African Monitor



The Horn Economic and Social Policy Institute

About HESPI

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

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

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

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

Email: contacthespi@hespi.org

www.hespi.org



THE AFRICAN CAPACITY BUILDING FOUNDATION | FONDATION POUR LE RENFORCEMENT DES CAPACITES EN AFRIQUE