

# **A Week in the Horn**

## **1<sup>st</sup> August 2014**

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### **News in Brief**

#### **African Union**

The Ministerial Meeting on New Partnerships for Productive Capacity Building in the Least Developed Countries (LDCs) was held in Cotonou, Benin, this week (July 28-31). State Minister of Foreign Affairs, Dr Yinager Dessie, led the Ethiopian delegation. (See article)

The African Committee of Experts on the Rights and Welfare of the Child (ACERWC) will conduct a one-week visit to South Sudan (August 3-9) to assess the situation of children affected by the conflicts. An assessment of the impact of the conflict on children will also be conducted in Juba, Bor and Bentiu towns.

The U.S Assistant Secretary of State for African Affairs Linda Thomas-Greenfield said terrorism and the complex security challenges of Africa, good governance and democracy will be the main areas of focus for next week's U.S-Africa Summit (August 4-7) as well as combating wildlife trafficking and investment in food security, health and peace and prosperity.

Susan Rice, President Barack Obama's National Security Adviser said that Washington does not intend to engage in Africa militarily to resolve the continent's conflicts. It prefers to boost efforts to train peacekeepers. Ms Rice said the US had contributed close to US\$9 billion to United Nations peacekeeping operations in Africa, and trained almost a quarter of a million peacekeepers from 25 African countries since 2005.

An Experts' Seminar to assess possibilities for the establishment of a Regional Development Bank for IGAD was held on Saturday (July 26) at the UN Economic Commission for Africa in Addis Ababa. Neway Gebre-ab, Chief Economic Advisor to Ethiopia's Prime Minister and Executive Director of the Ethiopian Development Research Institute (EDRI), made a keynote address. (See article)

#### **Ethiopia**

The Fourth Ethio-US Investment Summit held in Houston, Texas on Wednesday (July 30) marked a new commitment from both sides to strengthen economic and business relations.

President Dr Mulatu Teshome led a delegation which included Foreign Minister Dr Tedros Adhanom and 75 private sector representatives. The Summit was attended by 380 US company representatives.

The next round of talks between Ethiopia, Egypt and Sudan on the Tripartite Technical Committee for GERD is due to be held in Khartoum in the last week of August.

The 2<sup>nd</sup> Joint Ethio-Kenyan Technical Boundary Committee met in Hawassa, the capital of Southern Nations, Nationalities and Peoples Regional State last week (July 21-26) to draw up a Joint Inspection and Maintenance Program to cover Sectors 2, 3 and 4 of the common boundary between Ethiopia and Kenya. Sector 1 of the boundary was dealt with last year, May-July 2013.

Ethiopia's Foreign Affairs spokesperson, Ambassador Dina Mufti, on Sunday (July 27) dismissed allegations that South Sudanese rebels were receiving support from Ethiopia or using its territory to destabilize South Sudan.

The Ambassador of Ethiopia to Namibia, Ambassador Mulugeta Kelil, has presented his credentials to the President of Namibia and briefed President Hifikepunye Pohamba on developments in Ethiopia. Ambassador Mulugeta also held talks with Namibia's Foreign Minister, Netumbo Nandi-Nadaitwah.

Ambassador Patricia M. Haslach said this week that the US government was providing up to US\$800 million annually for Ethiopia to help development in the fields of health, education, agriculture and food security, and energy. She said the US was committed to working in partnership with the government of Ethiopia to better the lives of its people.

A European Union Delegation in Addis Ababa statement on Wednesday (July 30) welcomed the Government's commitments to addressing human rights concerns raised at the recent Universal Periodic Review in Geneva, but called for proceedings against those charged under the Anti-Terrorism Proclamation on 18 July, as well as recent arrests of opposition members, to be carried out according to the Constitution and international human rights standards.

In a statement on Thursday (July 31), Ethiopian Airlines said that although Ebola had not been declared an epidemic and no travel ban had been issued, it was taking extraordinary precautions and implementing a number of safety measures both in-flight and on the ground, including specific surveillance for all flights from West Africa arriving at Addis Ababa.

## **Djibouti**

The Japanese Government plans to station an intelligence officer at the Self-Defense Forces' base in Djibouti to deal with anti-piracy operations and to gather information on terrorist activities. The base was set up in 2011 after Japan sent Maritime Self-Defense Force escort ships and P-3C surveillance aircraft to protect commercial shipping in the Horn of Africa.

## **Kenya**

President Kenyatta of Kenya hosted President Museveni (Uganda), Prime Minister Hailemariam (Ethiopia), and President Salva Kiir (South Sudan) in Nairobi on Thursday (July 31) to explore joint financing options for the Lamu Port Southern Sudan-Ethiopia Transport (LAPPSET) corridor project. The seven components of the LAPPSET project will require an estimated US\$24.5 Billion, with Lamu Port alone costing US\$3.1 Billion.

Northern Kenya is facing its fourth consecutive poor rainy season and a nutrition survey, from the Kenyan Health Ministry, found moderate and severe acute malnutrition was 60% higher than a year ago. "Commercialized" cattle-raiding is contributing to malnutrition rates in Turkana County.

## **Somalia**

The Federal Government of Somalia on Wednesday (July 30) endorsed the agreement reached between representatives of Galmudug, the local administration of Himan and Heeb, and Ahlu Sunna wal Jama'a for an administration consisting of Galgaduud and Mudug regions to create the Central Somalia State. (See article)

In a statement issued on Thursday (July 31) the IGAD Special Envoy to Somalia, Ambassador Mohamed Affey welcomed the signing of the agreement to set up a Central State in Somalia. (See article)

On Monday (July 28) AMISOM announced that its forces, together with Somali National Army troops, had captured weapons and ammunition from Al-Shabaab suspects in Mogadishu, including 151 tortoise grenades, 238 Multi-Grenade Launchers, 43 boxes of 82 millimeter motor fuses and rocket-propel grenade pipes as well as RPG shells and guns and sniper rifles, anti-tank bombs and various types of guns and ammunition.

The President of Somalia's Puntland Government, Dr Abdiweli Mohamed Ali Gaas, speaking at the end of the Holy Month of Ramadan, said on Monday (July 28) that his administration was committed to realizing a truly democratic state in Puntland.

The Somali ostrich, declared a separate species earlier this year, inhabits areas of Djibouti, Ethiopia, Kenya and Somalia. It has been put on the International Union for Conservation of Nature's Red List of Threatened Species, threatened by egg collection, hunting and habitat loss.

## **South Sudan**

The fourth round of the IGAD-mediated peace talks between South Sudan's warring parties, due to start on Wednesday (July 30), was delayed because of the extended Eid-el-Fitr holiday and National Martyrs Day in South Sudan. They will resume on Monday, August 4 (See article)

## **Sudan**

The Governor of Khartoum State, Sudan issued a "maximum alert" after eleven hours of torrential rain led to flooding on Wednesday (July 30); weather forecasts warned of continuation of the rains for another two weeks.

The Joint Special Representative of the African Union and the United Nations (UNAMID) and Chief Mediator of the Darfur peace process in a message for Eid-al-Fitr said UNAMID would remain committed to making every possible effort to facilitate peace and reconciliation in Darfur.

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## **South Sudan negotiations to resume with high expectations**

The Fourth Session of IGAD-led peace negotiations was due to resume on Wednesday (July 30), but because of the extended Eid-el-Fitr holiday and National Martyrs Day in South Sudan the resumption has been delayed until the beginning of next week. This will be good news for the people of South Sudan who are still threatened by humanitarian disaster and the conflicts affecting their country as a result of the actions of the warring parties of the Government of South Sudan and the SPLM/A-In-Opposition. It is also a welcome step that should help to sustain the progress made under the auspices of IGAD and push the parties into meaningful, real and inclusive political negotiations to deliver durable peace, real national reconciliation and healing. It further tests the determination and commitment of the warring parties to chart a way out of the current cycle of violence and restore law and order as well as maintain the country's hard-won independence.

The focus of this round of the IGAD-led peace process aims to finalize and sign the Cessation of Hostilities Matrix as well as discuss details of a Transitional Government of National Unity. It comes at a key moment to consolidate and carry forward implementation of the resolutions of the 26<sup>th</sup> Extra-Ordinary Summit Meeting of the IGAD Assembly of Heads of State and Government on June 10. These included the commitment pledged by President Salva Kiir Mayardit and Dr Riek Machar, leader of SPLM/A-In-Opposition, "to end the war" and establish a Transitional Government of National Unity as well as ensure unimpeded humanitarian access and support for those in need. The resolutions underlined the extreme necessity for the parties to engage meaningfully in the peace process and build on the political negotiations to enable the nation to return to peace and rebuild its economy and its social fabric. The Third Session of the IGAD-led South Sudan peace process in Addis Ababa, adjourned on June 23, was the result of the determined efforts of the IGAD Special Envoys and their sustained consultations with the warring parties and the delegations of stakeholders to the peace process including the SPLM leaders (former detainees), political parties, civil society organizations and faith based organizations. The Special Envoys' continued consultations underlined

the urgency for the parties to come to the negotiating table to hammer out the differences and find political solutions.

Despite the developments that have taken place and the positive trajectory of the IGAD-led peace process, the failure of both parties to honor their commitments, and to participate meaningfully in the inclusive IGAD-led peace process threaten to do more harm, to prolong the crisis, escalate the suffering of the civilian population and speed up the disintegration of the nation. The attack that was carried out on July 20, in Nassir Town, in Upper Nile State, by the SPLM/A-in-Opposition is clear evidence of flagrant violation of the Cessation of Hostilities Agreements (signed January 23, and renewed by both parties on May 6, May 9 and June 10). With the apparent absence of any genuine political will to turn commitment into reality, the parties' search for a military option and their disinclination to real, inclusive and meaningful peace negotiations have given insecurity, further attacks and humanitarian crisis a free rein across the whole country. Alarming levels of food insecurity, the displacement of people, the humanitarian crisis and other impediments have continued to increase and affect the lives of millions. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) estimated on Thursday last week (July 24) that 1.1 million people have been internally displaced by the fighting and another 425,000 have fled as refugees to neighboring countries. OCHA says up to 3.8 million people will need urgent assistance by the end of this year. Both parties to the conflict have signed agreements and made pledges to end the crisis. Neither has delivered on their commitments to peace and to agree a just solution to the conflict. The situation in South Sudan makes it an absolute necessity to abandon mere rhetoric and deliver real commitment to save the people of South Sudan from the political and humanitarian catastrophe that threatens them and to save the nation from the impending danger of state collapse. Derailing the peace process in the face of the looming humanitarian crisis raises questions over what were the ultimate objectives of the long struggle for self-determination. What the people of South Sudan and their friends now need from all the parties participating on the IGAD-led peace process is demonstration of a robust political will to commit fully to a peaceful settlement of the crisis, to translate the pledges they have made into a reality to create an integrated, stable and prosperous South Sudan, and subscribe to genuine, real and inclusive dialogue with the view to forge a new South Sudan reflective of the needs and aspirations of its citizens. The parties must shun the winner-takes-all mindset and build real peace, genuine national reconciliation and healing based on the spirit of good-will, mutual trust and mutual cooperation. As Ambassador Seyoum Mesfin, Chairperson of the IGAD Special Envoys, made clear on June 27 at the UN Security Council's South Sudan Interactive Dialogue: "Inclusivity must remain the principle that guides the peace process, and this entails participation of stakeholders without discrimination."

There is no time to lose. The parties must see what the future holds for South Sudan. They must engage in meaningful dialogue to live up to the promise of their independence, to bridge their differences to bring about sustainable solutions, to provide a democratic transformation, good governance and representative institutions. The way has already been outlined: to sign and finalize the Cessation Hostilities Matrix, establish a Transitional Government of National Unity and create an enabling environment for the safe and effective delivery of humanitarian assistance. Now is the right moment for the leaders of the new nation to put their people first and discard their political and personal interests and deliver sustainable peace and real reconciliation and resurrect the waning hopes of their people. The security situation of South Sudan is a very real concern for the entire region and the international community. The region demonstrated its support and commitment to the welfare of the people of South Sudan through the rapid deployment of the IGAD-led mediation process to compel the parties to negotiate a political settlement. IGAD Heads of State and Government have held four extra-ordinary summit meetings aimed at facilitating and supporting the peace process. These helped achieve the signing of the Cessation of Hostilities Agreement, the release of political detainees, the recommitment of the two parties to facilitate humanitarian access to the affected populations, the deployment of Monitoring and Verification Mechanisms in three conflict-affected areas, the start of the deployment of the IGAD Protection force within UNMISS and the commitment of the warring leaders on June 10 to the setting up of a Transitional Government of National Unity within 60 days. Time for this is running out. The region, in association with South Sudan's international partners, must remain seized to the peace process and provide additional impetus to reshape the "landscape" in which the peace talks are being undertaken.

As Ambassador Seyoum Mesfin recommended, the region should jointly stand ready "to alter the landscape in which this peace process takes place... [and]...apply the sort of considered and targeted pressure that will yield positive results in the direction of resolving the conflict..." Equally, the political and diplomatic support of the international community is critical. Ambassador Seyoum has also appealed for it to "demonstrate a

unified voice that the international community will not stand idly by as the tragedy in South Sudan continues. We are absolutely convinced that this is the only way that we can succeed in sending the right signal. Therefore, unity of purpose is critical.” He urged the UN Security Council to “remain united, to continue to provide political and other necessary support” for the IGAD-led mediation efforts, and to call on parties to remain committed to the implementation of the Cessation of Hostilities Agreement. He stressed the need to support the work of AU Commission of Inquiry, expedite humanitarian assistance and strengthen UNMISS’ protection mandate on the ground. If the parties failed to honor their signed agreements and refused to desist from actions that fuel the flames of war, he stressed that punitive measures and calibrated pressures would be applied as the 26<sup>th</sup> IGAD Summit had resolved. He told the UNSC that it should consider holding its planned session on South Sudan and the region “in Addis Ababa, Ethiopia, where the parties in conflict could be available for engagement with the Council.” This will, he said, help those who are willing to stand up for the peace and stability of the nation. The high expectations for the resumption of the IGAD-mediated peace process depend heavily on the determination and commitment of the political and military leaders of South Sudan, on either side, to their peoples’ aspirations and hopes, as well as the survival of the nation. The region and the international community are committed to helping the parties bridge their differences. They have every right to expect the parties to do the same.

### **Somalia’s Federal Government endorses a Central State**

The Federal Government of Somalia on Wednesday (July 30) endorsed a Central Somalia State. President Hassan Sheikh Mohamud and Prime Minister Abdiweli Sheikh Ahmed Mohamed witnessed the signing of a document in which representatives of Galmudug, of the local administration of Himan and Heeb, and of Ahlu Sunna wal Jama’a signed a document in which they stated that they would work together towards the establishment of a new administration in central Somalia. The signing was witnessed by envoys and senior representatives of the African Union, the European Union, the Inter-Governmental Authority on Development (IGAD) and the United Nations. The ceremony took place at Villa Somalia. A press statement from the Prime Minister’s Office said the Government had hosted lengthy discussions during July between representatives of Galmudug, Himan and Heeb, and Ahlu Sunna wal Jama’a to help create “an environment conducive for understanding and mutual cooperation.” The statement said that “having considered the need for a clear political agenda towards the establishment of an inclusive and permanent governance system, in line with the will of the local communities and Provisional Federal Constitution, the parties agreed to an administration consisting of Galgaduud and Mudug regions” for Central Somalia. The Special Representative of the UN Secretary-General for Somalia, Nicholas Kay, welcomed the agreement in principle to form a regional administration in central Somalia under the leadership of the Federal Government. Mr Kay said that “although this was only the first step in a process of state formation in central Somalia, it is a sign of the country’s progress towards meeting the goals set out in Vision 2016 and the Provisional Federal Constitution.”

Mr Kay emphasized that the process of federalism was aimed at building a stronger, more united and peaceful Somalia. He said “Forming an inclusive administration in central Somalia will not be without its challenges, but these can only be resolved through consultation, dialogue and negotiation involving all parties.” He specifically urged the full participation of women in the process and underlined the importance of a regional administration being created in such a way that it protected the interests of both emerging and existing administrations. In a statement issued on Thursday (July 31) the IGAD Special Envoy to Somalia, Ambassador Mohamed Affey, also welcomed the signing of the agreement. Congratulating the Federal Government for its leadership in the process and encouraging the parties to pursue an inclusive, peaceful formation of the regional state, he emphasized that IGAD supported the on-going efforts of the Federal Government to establish a federal system. He said IGAD supported the position of the Federal Government in the formation of this new state in a manner that did not undermine existing federal states. The IGAD Special Envoy said the country was moving towards attaining the goals of federalism as enshrined in the Vision 2016 which aimed to build a strong, peaceful, prosperous, united and sovereign Somalia.

The Central State is the fourth area to start the formation of a state. Discussions in Kismayo led to the formation of the Interim Juba Administration, endorsed in the Addis Ababa Agreement reached in August last year [2013]. This year, in June, President Mohamud presided over a ceremony to declare the formation of the three region Southwest Federal State of Bay, Bakool and Lower Shebelle regions. The Puntland State, of course, was set up earlier, in 1998. This leaves the three regions of Benadir, which includes Mogadishu, Middle Shebelle and Hiiraan to consider their possibilities for state formation.



Meanwhile, at his weekly press conference on Saturday (July 26), Minister of Information, Mustafa Duhulow, noted progress towards the management of public finances. The Financial Governance Committee, which oversees implementation of the Financial Governance Program, released its second progress report last week (July 25). The Program is designed to strengthen public finance and central bank management and provide independent advice in key areas related to financial governance. It strengthens efforts to build robust public finance management systems and aims to address the creation of a well-governed, functional Central Bank, the establishment of sound public revenue and expenditure management, the establishment of orderly public procurement and concession processes, and the effective and transparent repatriation of national assets.

This is part of the effort by the Somali Government to build a more transparent public finance management system to attract additional budget assistance. There have been discussions with the World Bank, the International Monetary Fund and African Development Bank representatives who have helped to oversee the implementation of the recently launched Financial Governance Program. The Committee report highlighted major achievements including the endorsement of the Procurement Amendment Bill and Audit Bill by the Council of Ministers. Both have been submitted to Parliament for approval. The report stated that “when passed into law, these bills will provide critical foundations for honest financial governance”. Financial statements have also been prepared by the Central Bank of Somalia and the Ministry of Finance, to demonstrate transparency and a basis for good governance of the institutions. The Financial Governance Committee meets regularly in Mogadishu to monitor the overall progress of Somalia’s Financial Governance Program and advise the government on critical issues and areas of financial governance. The Committee is comprised of five members and one observer. Members include the Minister of Finance who chairs the Committee, Hussein Abdi Halane; the new Governor of the Central Bank, Bashir Issa; the President’s Senior Policy Adviser, Awes Hagi; the World Bank’s designated representative, Nigel Roberts; the African Development Bank’s designated representative, Elias Ngalande; and the IMF’s designated observer, Ake Lonnberg.

### **Ministerial Meeting on New Partnerships for Productive Capacity Building, Cotonou, Benin**

The Ministerial Meeting of the Least Developed Countries (LDCs) was held from August 27 -31 in Cotonou, Benin under the theme “New Partnerships for Productive Capacity Building in the Least Developed Countries (LDCs)” with the objective of reviewing the implementation of the Istanbul Program of Action (IPoA), adopted in 2011 in Istanbul with the overarching goal of overcoming the structural challenges faced by the LDCs in order to eradicate poverty and achieve internationally agreed development goals. The IPoA aims to enable at least half of the LDCs to graduate to middle-income status by 2020, by strengthening their productive capacities. The meeting was attended by Ministers of LDCs, United Nations agencies representatives, development partners, intergovernmental organizations, international non-governmental organizations and private sector representatives. The day before the Ministerial Conference, the 2014 annual Workshop for the National Focal Points of LDCs was also held. The Ministerial Meeting was opened by the President of the Republic of Benin, Dr Boni Yayi, Chairman of the group of LDCs and Global Coordinator for the Implementation of the IPoA. In his remarks, President Dr Yayi stressed that most LDCs have made only limited progress due to the structural challenges they are facing and the lack of commitment by some development partners to deliver on the promises they made in the Istanbul Program of Action to provide all-round support to LDCs, in particular in areas of strengthening productive capacities. He called on development partners to recommit themselves to the implementation of the Istanbul Program of Action so that half of LDCs would join the group of middle-income countries by 2020. The African Union Commissioner, Dr Nkosazana Dlamini Zuma and Mr M. Gyan Chandra Acharya, United Nations Under-Secretary-General and High Representative for the Office of Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS) also delivered statements addressing the challenges faced by LDCs and called upon development partners to support the efforts of these countries to strengthen their productive capacities and attain the desired levels of development. Dr Zuma described the Conference as of particular importance to Africa, because “despite impressive economic performance by the continent over the last decade, almost two-thirds of African countries are still classified as LDCs.” She said the theme of the Conference, focusing on developing the productive capacities of LDCs, “resonates with the vision of the Africa we want, a continent that is integrated, prosperous and at peace with itself.” She stressed that the key to this vision, “Agenda 2063, the Africa we Want”, is the structural transformation of the continent, and this means the eradication of poverty, the development of Africa’s productive capacity and building shared prosperity. This involved development of human capital, building infrastructure, building up the private sector, adding value to commodities, exploiting mineral resources,

developing technology and investing in Africa's youth and women. Dr Zuma also underlined the importance of peace for effective development, adding that without development, good governance and inclusive societies, it is difficult to sustain peace. She also emphasized the importance of the integration of Africa through Regional Economic Communities, removing non-tariff barriers and moving to the Continental Free Trade Area by 2017.

The Ethiopian delegation, led by Dr Yinager Dessie, State Minister of Foreign Affairs, made two presentations on Ethiopia's experiences in terms of achievements, challenges and lessons drawn from implementation of the IPoA, particularly in two priority areas of the program of action: energy and infrastructure. Dr Yinager stated that the IPoA had been fully taken up and integrated into Ethiopia's medium-term national development plan, the Growth and Transformation Plan (2011-2015). It was yielding results in these two critical sectors of the country's economy. He shared Ethiopia's experiences, in particular the policies, strategies and programs that the government is pursuing and the challenges it has faced. He detailed how it has been addressing them on the basis of national ownership, committed leadership and global partnership principles. He highlighted Ethiopia's energy policy which is focusing on the sustainable development of hydropower, wind, geothermal and solar, bio-mass and exploration of natural gas and other hydrocarbon fuels. He stressed that this sector was taking a leading role in the overall economic activities that are critical in transforming the country's economy. He added that the framework also accords priority to energy efficiency and conservation, environmental sustainability, capacity building and transfer of technology. With regard to infrastructure development, Dr Yinager underlined that reliable and affordable infrastructure services were critical for efficient operation of existing productive assets and enterprises in everybody's economies. They attracted new investments, connected producers to markets, assured meaningful economic development and promoted regional integration. He also detailed Ethiopia's various infrastructure projects, including the expansion of major road networks and the construction of railways and a light railway project. These projects, he underlined, not only served the country's economic development activities, but they also create regional connectivity with states in its sub-region.

During the conference, the setting up of a technology bank and science, technology and innovation supporting mechanisms dedicated to LDCs were announced. These will help LDCs to bring structural transformation into areas of acquisition and upgrade technologies. The UN Secretary General was requested to set up a High-Level Panel of Experts to operationalize the technology bank. The Government of Turkey pledged US\$200,000 towards the bank's establishment. The United Nations' Decade of Sustainable Energy for All is also dedicated to open hubs by the African Development Bank to address challenges and opportunities at country level. These will offer special focus for LDCs. Another initiative is the South-South Technology Transfer Facility which will provide a three-year pilot program focused on technology transfer in LDCs and set up South-South investment funds. The meeting concluded by adopting the Cotonou Agenda for Productive Capacity Building in LDCs. This calls upon development partners to fulfil their official Development Assistance (ODA) commitments of 0.15 to 0.20% of Gross National Income (GNI) to LDCs without further delay. It agrees to review development partners' commitments, as expressed in the IPoA, to allocate at least 50% of the total ODA and Aid for Trade disbursement to LDCs, taking into account the unique structural handicaps and constraints faced by LDCs.

### **Seminar on the need to establish a Regional Development Bank for IGAD**

An Expert Seminar to assess possibilities for the establishment of a Regional Development Bank (RDB) for IGAD was held on Saturday (July 26) at the UN Economic Commission for Africa in Addis Ababa. Attending were experts both from public and private financial institutions, representatives of IGAD member countries, think tanks, and government officials from different institutions.

Mr Elsadiq Abdalla, Director for Economic Cooperation and Social Development of IGAD, in an opening address stressed that a regional bank would complement resource mobilization, provide less restrictive credit, augment the weak private sector by closing the finance gap, and support regional integration efforts. He said it could screen national projects from the perspective of the region, **attract resources from non-regional shareholders**, and increase capacity to explore the potential natural resources of the region. IGAD member countries, he added, had compelling reasons to establish such a financial vehicle to fast-track their economies. Dr Ali I. Abdi, Managing Director of the Horn Economic and Social Policy Institute (HESPI) said the economic integration of IGAD faced multiple challenges including weak financial institutions, a lack of infrastructure and cross-border trade and investment. It was also highly dependent on foreign aid and its own financial institutions were inadequate. So, he emphasized that a regional bank to meet the socio-

economic development needs of the IGAD sub-region, was essential. Neway Gebre-ab, Chief Economic Advisor to the Prime Minister and Executive Director of the Ethiopian Development Research Institute (EDRI), in a keynote address described the idea of establishing a Regional Development Bank for IGAD as an important and innovative idea. He said the rationale for such a bank included the fact that several IGAD member countries were landlocked and the region faced a wide range of development challenges including climate change and problems of security. Intra-regional trade remained low, market access within IGAD was limited and integration with international markets was still weak. Food security and environmental protection, peace and security, economic cooperation and integration were all key factors for cooperation. A Regional Development Bank would speed up infrastructure development and cooperation and play a pivotal role in creating cohesion among the economic communities of the region. This would contribute greatly to ensuring regional and international peace and security through all-inclusive and sustainable development.

In the panel discussion on the feasibility and viability of a RDB for IGAD, Dr Haile Kebret Taye, Director of Research at HESPI, said the need for resource mobilization, economies of scale, diversification and creating an edifice of regional integrations had kindled keen interest in establishing a RDB. He said a regional bank would significantly complement national banks both in mobilizing financial resources and extending access to credit, both of which were bottlenecks in the development process. Dr Haile explained that one of the main economic constraints in the region was securing financial resources to enhance trade, investment and other long-term projects and close the existing resource gap between what IGAD countries can save and their planned or desired investment. He emphasized that one of the vehicles to close such a gap is a development bank, as experience round the world has demonstrated. He noted that there were several such regional banks in Africa - the PTA bank of COMESA, and the East African Development Bank (EADB) in Eastern Africa; the Development Bank for the Central African States and the West African Development Bank serving Central and West African states. IGAD, indeed, was one of the few regional groupings that had yet to establish such a financial institution.

Overall, of course, financial sector development in Sub Saharan Africa was weak compared to many regions of the world and IGAD was even weaker, particularly in terms of its private sector credit to GDP ratios, efficiency, and overall financial sector development. IGAD member countries had a long way to go to reach a stage where the financial sector could play an adequate role in fueling economic growth and closing resource and financial gaps. The reasons for this included a number of interrelated factors including low levels of income, a huge informal sector, low financial literacy, weak and inefficient legal and political mechanisms to enforce contractual agreements and poor infrastructure. Dr Haile noted that IGAD's mandate had appreciably evolved over time and now covered expanded areas of cooperation among its members. It now included enhancement of cooperation and coordination of macro-economic policies; promoting sustainable agriculture development and food security; conserving, protecting and improving the quality of the environment; ensuring prudent and rational utilization of natural resources; cooperating in increased sustainable utilization and development of energy resources and gradual harmonization of national energy policies and plans; and cooperation in technological research and development, transfer of technology and policies on capacity building. Dr Haile underlined the region's resource gap by noting that the IGAD region had a population of about 236.5 million and a GAP of about US\$180 billion, roughly equal to an average GDP per capita of US\$762 in 2010. The annual average saving rate, as a percent of GDP, for the region between 1990 and 2012 was 14.1%, and investment was 19.3%. This indicated an average resource gap of 5.24 percentage points every year over the last twenty years. If the region wanted to grow by around 7% to allow for improving living standards by a significant margin, then investments, and hence savings, had to grow by about 21% to close the resource gap.

Participants agreed on the very real need to mobilize resources, individually and collectively, and on strengthening trade linkages. They also underlined the importance of giving priority to economic cooperation and regional integration. Financial resources were needed to enhance trade, investment, and other long-term projects. Given the existing resource gap, establishing a regional development bank would go a long way in realizing these objectives. A Regional Development Bank would speed up cooperation, minimize information asymmetries, help with innovative market instruments and the provision of counter-cyclical finance, enhance flexibility over conditionality and other austerity measures, and allow for policy ownership, flexibility of policy space and ability to focus on regional priorities. Overall, it would provide for well-functioning regional integration efforts and the overall cooperation required for economic interaction. There was general agreement among participants that this was the most suitable arrangement to help IGAD member countries embark on a cooperative and sustainable growth trajectory.



The Seminar concluded by agreeing that the idea of establishing a Regional Development Bank for IGAD was a creative and important step. The Seminar had provided a preliminary baseline study on relevance and feasibility; issues of when and how it should be established now needed to be assessed. There was no question about the need for IGAD to do more in terms of financial and economic issues but key questions still need to be answered. What is the likely prospect of establishing an effective, relevant and sustainable development bank in the IGAD region in the light of experiences elsewhere? Is there a compelling case to set up such a bank? What would be the modalities of funding? What should be its mission and vision? What would be the financing mechanism, the time-frame and who would pick up this challenge? The Seminar agreed that what was now required was to gain the political will of member states to go ahead, as well as a thorough empirical investigation of the feasibility, financing and governance issues involved. A framework needed to be developed to allow policy makers of member states to discuss all these issues before establishing a development bank that could serve as a conduit to provide the necessary financial resources to address regional investment, trade and economic cooperation.

### **Regional Transport Infrastructure Forum held in Addis Ababa**

A three-day Regional Transport Infrastructure Forum was held at the United Nations Conference Centre in Addis Ababa (July 24-26) under the theme: “Boosting Market Integration and Intra-African Trade through Effective Management of Regional Transport Infrastructure and Services”. The Forum was aimed at assessing the implementation of cross-border transport infrastructure and services projects in Africa, and to address a number of emerging trade issues, including measures to strengthen market integration and enhance intra-African trade. Among several objectives, the Forum allowed participants to discuss the role of transport infrastructure and services in regional trade, as well as mainstreaming trade in transport projects as a strategy for resource mobilization, particularly in the context of the Aid for Trade initiative. With Regional Economic Communities as well as Project Implementation Units at the national level invited, the Forum aimed to contribute to efforts to address emerging trade issues, particularly the role of effective management of cross-border transport infrastructure and services to strengthening market integration and enhancing intra-African trade. Participants were able to exchange information and experience on issues surrounding the relationship between trade and transport, and were offered the opportunity to join a study tour of one of Ethiopia’s major transport infrastructure projects, the new toll expressway from Addis Ababa to Adama. The Forum also allowed an update on where Africa stands on the implementation of the Program for Infrastructure Development in Africa (PIDA) and other regional projects. In his opening remarks, Ethiopia’s State Minister of Transport, Getachew Mengiste, said that the Ethiopian government believed that road transport provided critical support to socio-economic growth and that it was a catalyst for improving poverty reduction. He added that its commitment to the road sector development program had yielded significant positive results for Ethiopia. For example, Ethiopia’s total road network has increased from 26,550 kms in 1997 to more than 95,000 kms in 2014 (an increase of 224%). He added that the quality of the country’s road network had also improved substantially. The State Minister, presenting Ethiopia’s experience in the sector said that even though funding was a major challenge for implementation of road projects, the Government fully believed that domestic resource mobilization was critical to the development of roads in African countries. He noted that about 77% of financing for Ethiopia’s road program over the last sixteen years had come from internal resources. With reference to the regional dimension of transport, State Minister Getachew stressed that Ethiopia has always been fully committed to the implementation of continental and regional policies programs. He said “we continue to give adequate attention to roads linking Ethiopia to its neighbors particularly in the context of the Trans-African Highways network and PIDA.”

Data presented by the UN Economic Commission for Africa at the Forum showed the road network across the continent stood at 34 per cent. In addition, statistics demonstrate that Africa’s accessibility to social services was low compared to similar emerging economies in the Americas and Asia. The UN agency said Africa needed to step up efforts to optimize its infrastructure development through effective policy implementation for the faster economic growth of the continent. ECA Director of Regional Integration and Trade Division, Stephen Karingi, at the opening of the Forum, said that Africa needed to speed up infrastructure development to address the challenges facing intra-Africa trade. Mr Karingi said improved infrastructure would help in reducing a significant proportion of the challenges facing Africa’s development and growth. “Infrastructure development will also be critical to achieving Africa’s vision for the next 50 years, commonly known as “Agenda 2063”, he said. He indicated that Africa’s per capita economic growth could increase by two per cent a year and the productivity of many firms by as much as 40% if the continent’s infrastructure gap was closed. The ECA, however, expressed concern at the slow pace of implementation of the NEPAD Infrastructure Short-Term Action Plan and the recent Program for

Infrastructure in Africa (PIDA). It said only about 15% of the NEPAD programs had been implemented. This has been attributed to a lack of finance, inadequate political support, technical capacity, and institutional frameworks among other problems. The economic, social, political and physical environment of concerned countries has also been identified as contributing factors to the low level of implementation of projects. Equally, monitoring and evaluation of regional infrastructure and trade facilitation projects and programs in Africa remains inadequate, rendering it difficult to analyze progress and plan for improvement.

Ethiopia, in order to boost regional integration, has launched extensive road construction to link up producers and consumers in the East African region, and indeed beyond. This, in turn, will have the immediate impact of addressing in part the poor infrastructure which has manacled sub-Saharan Africa's developing countries in trade, investment potential and even in tourism. Ethiopia has been making steady progress in providing tarmac roads to the borders to link with Sudan, South Sudan, Djibouti, Somalia, and Kenya. Another element in this is the series of projects for railway construction which have been launched to connect the countries of the Horn, connecting Ethiopia with its neighboring countries to enhance and strengthen trade corridors. These include Ethiopia's plans to extend the rail links between Djibouti and Addis Ababa to others cities in Ethiopia and then on to the borders of Sudan and South Sudan, as well as the proposed Addis Ababa to Kenya rail link as part of the new Lamu port to South Sudan connection, the Lamu Port South Sudan Ethiopia Transport Corridor (LAPSSET). Ethiopia has made clear that it strongly supports the LAPSSET Corridor. Another element in the Government's railway program includes the construction of a light railway in Addis Ababa. All of these will have the effect of re-energizing and expanding participation of all the countries of the region in regional and international markets. Above all, these projects will help the peoples of the region in their work to reduce poverty, combat drought and lay additional groundwork for regional infrastructure and trade development.

### **Ethiopia's Growing Role in Multilateral Diplomacy**

As a founding member of the United Nations, the OAU/AU and other numerous international organizations, Ethiopia strongly believes that multilateral diplomacy is of critical importance for solving the myriad of complex challenges that humanity continues to face across the world. In today's globalized international system, no state, regardless of its size and capabilities, can be self-sufficient in addressing peace and security or socio-economic problems nor operate in isolation from other actors, particularly states and international or regional organizations. It is precisely for this reason that Ethiopia actively engages with sub- regional, regional and global structures to bring about socio-economic development as well as peace, security and political stability through different multilateral arrangements. Within the sub-regional mechanism, the Inter-Governmental Authority on Development (IGAD), Ethiopia continues to play an active role to bring peace and stability in Somalia, Sudan and South Sudan. The intra-South Sudanese conflict mediation process, led by Ethiopia as Chair of IGAD, and the involvement in the AMISOM peace support operation in Somalia, clearly demonstrate the commitment of the Government of Ethiopia to regional peace and security - a precondition for economic development and regional stability.

Within the African Union, Ethiopia serves as a member of a number of important Heads of State and Government High-Level Committees, as well as Committees and Sub-Committees of the Ministers and of the Permanent Representatives. These committees promote common African positions on international, continental and regional agendas related to economic, social, and political matters as well as peace and security issues. As Prime Minister Hailemariam Desalegn recently stated, Ethiopia is making tangible contributions in the High Level Committee on the Post-2015 Development Agenda, the Committee of African Heads of State on Climate Change (CAHOSCC), the NEPAD Heads of State and Government Orientation Committee, the AU High-Level Trade Committee, the African Peer Review Mechanism, the Peace and Security Council of the Union and the Ministerial Committee on the AU's Agenda 2063. Ethiopia is also one of the eight member states that founded AIDS Watch Africa (AWA) in 2001 and is an active member of the AWA Heads of State Action Committee. In June 2014, the Prime Minister took over the Chairmanship of the African Leaders Malaria Alliance (ALMA) and will represent Africa's voice on malaria eradication and contributing to mobilizing support for the AU's efforts to work for the end of malaria on the continent.

Ethiopia, together with member States of the African Union, makes every effort to address concerns related to peace and security throughout the continent. It actively participates in the AU project of "silencing the guns by 2020". It strongly believes this can be achieved through the concerted efforts of member states. It is with this conviction that the country is allocating a significant portion of its resources to ensure regional and global peace. Ethiopia's involvement in and cooperation with United Nations peacekeeping operations arises

from its strong belief and commitment to collective security and the Charter of the United Nations. Currently, Ethiopia is the fourth largest provider of peacekeeping forces in the world and the largest from Africa. According to the latest UN data (June 2014), Ethiopia has 22 police, 105 military experts and 7,061 troops (7,188 in total) in five different UN operations - UNAMID, UNISFA, UNMIL, UNMISS and UNOCI. They have repeatedly demonstrated that they can discharge their responsibilities with a high level of professionalism, dedication and courage.

On climate change, the late Prime Minister Meles Zenawi was appointed to Co-Chair the High-Level Panel on Climate Change Financing, and as Spokesperson to the Committee of African Heads of State and Government on Climate Change (CAHOSCC). He was a frequent panelist on various development issues of the United Nations. The different funds and programs of the UN, seeing the tangible results that Ethiopia has registered on all development fronts, have begun to use Ethiopia as a role model. There are frequent references to Ethiopia's experience in its publications and programs. This visibility in the UN has not only helped Ethiopia to secure significant amounts of assistance from the different funds, programs and agencies, but it has also enhanced its place among those helping to set the development agenda and its ability to assume a significant role. Ethiopia served as Co-Chair to the Fourth United Nations Conference on Less Developed Countries (LDCs), which led to the launching of the Istanbul Program of Action. Ethiopia also served as one of the lead negotiators of the African Group during the drafting process of the RIO+20 which led to the adoption of the "Future We Want" in Rio in 2012. Currently, it is playing an active role in the elaboration of the next global development goals and their financial arrangements. These responsibilities have afforded Ethiopia the opportunity to mainstream the country's policies and strategies in international development goals, making the task of mobilizing support and implementation easier. Ethiopia's membership of different committees, executive boards and other principal and subsidiary bodies of the UN, has also grown steadily over the years. Ethiopia continues to have a growing voice in the Group of 77, and as a lead voice representing the least developed and landlocked developing countries, has won the trust and friendship of many developing and developed countries. It has become a reliable partner for all groups to consult and work with in regional and global development issues. It continues to gain the attention and keep the confidence of development partners. It has also become a country for the international community to watch, with the expectation that it will graduate from the status of LDC by the end of this decade.

### **The 3<sup>rd</sup> World Bank Economic Update on Ethiopia**

The 3<sup>rd</sup> World Bank Economic Update on Ethiopia with the theme of "Strengthening Export Performance through Improved Competitiveness" was released last month. The Report said that Ethiopia continued to register rapid economic growth driven by services and agriculture. GDP growth had increased by 9.7% in 2012/13 compared to 8.8% in 2011/12, with industry growing by 18.5%, services by 9.9% and agriculture 7.1%. According to the report, manufacturing, which forms part of the industry sector, added 0.4% points to the overall growth rate of 9.7%.

The report noted that within the agriculture sector, crop production (accounting for 30% of GDP) was the major contributor, and crop value-added increased from 5.0% in 2011/12 to 8.2% in 2012/13. Construction was the major driver of the non-manufacturing industry sector with a growth contribution of 1.4% points in 2012/13. "Within services, transport and communications was the leading sector driven by the activities of Ethiopian Airlines and Ethio-Telecom," it noted. However, the report indicated that growth in electricity generation slowed from 27% to 21% and the growth rate of power sales to industries also fell, from 29% to 15%. On the demand side, private consumption and investment were the major growth contributors. The report also said rising exports had contributed significantly to Ethiopia's double digit economic growth over the past decade. With regard to the growth outlook for 2013/14, the report indicated that a bumper harvest and export contraction were the two opposing forces affecting the situation. It said the forecast for crop production showed an expected increase of 9.9% for 2013/14 compared to the 5.8% in 2012/13. This would add one percentage point to growth overall. However, "declining exports, on the other hand represented a drag on economic activity," it said, and "total exports (of goods and services) declined by 0.6% in 2012/13 and by 2.0% in the first quarter of 2013/14." The report appreciated the various mechanisms set up by the Government to manage inflation which had remained in single digits for almost a year. After peaking briefly at 40.7% percent in August 2011, headline inflation fell to a three-year low of 6.1 percent in April 2013 and stood at 8.8 percent in March 2014. The report also said that besides the measures taken by the government, international factors, such as "internationally traded goods (imported and exported commodities) in Addis Ababa exhibit a much faster decline in inflation than goods which are not internationally traded," and contributed to the reduction of inflationary pressure.

The report reveals that the structure of Ethiopia's output has changed considerably with a considerable shift from agriculture to services. It said the pace of structural change was accelerating and the service sector's relative contribution to output growth was increasing, adding: "the services sector has been the major driver of structural change over past 15 years, while manufacturing remains small." The report suggested that the recent fall in prices exposed underlying vulnerabilities in the export structure, and this emphasized the importance of strengthening competitiveness through diversification and value-added exports. It also noted that exports helped create jobs and earn much-needed foreign exchange, but their value was vulnerable to price swings because the exports were still dominated by unprocessed and undifferentiated agricultural products. Guang Zhe Chen, World Bank Country Director for Ethiopia, introducing the report, said "there is scope for improving the quality of existing commodity exports, through basic value addition, such as coffee (wet processing) or machine flaying of animal skins." Mr Chen noted that by competing on the quality of existing commodity exports, and not just on price, Ethiopia could reduce sensitivity to volatile international prices and so support a shift of production and exports into agro-processing and light manufacturing. Lars Moller, World Bank Lead Economist, Program Leader and one of the lead authors of the report, said that Ethiopia had many economic success stories it could learn from. "Ethiopia", he said, "does not have to look far for inspiration, it can replicate its own successes to boost exports. If we look at the flower industry, it grew from one single firm 14 years ago to about 100 firms today, earning US\$200 million per year from exports, employing an estimated 50,000 people." Equally, despite the successes, he believed several challenges need to be addressed in order to expand the country's export sector and contribute to the structural changes vital for sustaining economic growth and development. He said "Ethiopia's export sector is currently too small to contribute to structural transformation. By contrast, in East Asia, booming exports helped shift economic activity and workers away from low productivity agriculture into higher-productivity manufacturing." In order to strengthen Ethiopia's export sector, the Report makes a number of policy recommendations. These include increasing value-addition, quality, and branding of exports; easing constraints related to reliable power supply, credit, and foreign exchange; dealing with bottlenecks in trade logistics; establishing Industrial Zones that conform to international best practices; revising burdensome business rules that obstruct entry, including high start-up capital requirement and pre-registration bank deposits; improving regulatory quality; and ensuring that the real exchange rate is competitive. The Government's own assessments echo the World Bank's recommendation that, while the progress of industrialization had been encouraging, the process needed to be accelerated to bring about a significant shift in the structure of the economy. The Growth and Transformation Plan (2011-2015) focuses on building a manufacturing base, largely targeting the development of micro and small-scale enterprises. It has had significant success in terms of generating employment. **More than two million jobs were created in 2012/2013 alone.** Apart from this, the private sector involvement in medium- and large-scale manufacturing development is also expected to expand during the GTP period. For the moment, the manufacturing sector's contribution to total export value, at US\$281.1 million although showing improvement, has failed to achieve its targets. To boost the nascent industry sector, the government is implementing measures to increase private sector participation in the sector to improve competitiveness. The 2012/2013 Annual Progress Report of the GTP, assessing the third year of its activities, noted: "to address one of the critical constraints of the private sector, the government has invested significantly in developing industrial zones," setting aside more than 3,500 hectares of land in different cities to establish industrial parks. The Government has also developed a strategy that gives priority to certain industries with the aim of making the country a globally-known cluster for textiles and garment products. The establishment of industrial parks is central to Ethiopia's plans to build an industrial base, with textiles and garments seen as a key sector. In regard to setting up new industrial parks, as well as expanding existing ones, US \$250 million has been secured from the World Bank. Plans are being finalized to expand the existing Bole Lemi Industrial Zone on the southern outskirts of Addis Ababa and a new industrial hub is planned at Kilinto, 30 km further south on 243 hectares of land. Three other manufacturing hubs are planned across the country in the next decade, including a large-scale Special Economic Zone in the eastern town of Dire Dawa.