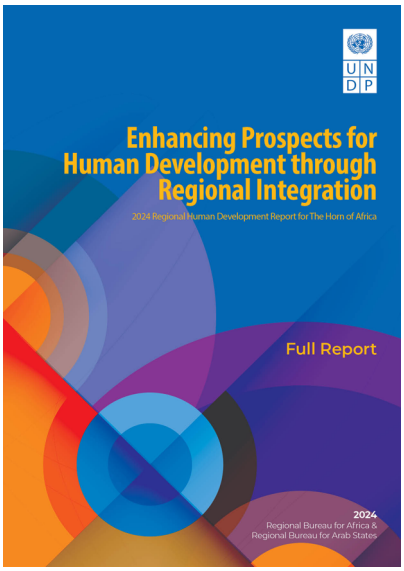
Enhancing Prospects for Human Development through Regional Integration

2024 Regional Human Development Report for The Horn of Africa

Executive Summary

2024
Regional Bureau for Africa &
Regional Bureau for Arab States



2024 Regional Human Development Report for The Horn of Africa

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Foreword

The sub-regional human development report, "*Enhancing Prospects for Human Development through Regional Integration*," considers strengthening regional cooperation as key to enhancing the ability of countries in the Horn of Africa to leverage resources and address common challenges. The report shows how regional integration can significantly increase growth, resilience and stability in the sub-region, accelerating human development and expanding opportunities, especially for the region's young population.

The report proposes taking concrete steps towards trade liberalization and expansion within the sub-region, increasing collaborative management of natural resources and strengthening water, energy and food linkages, as well as adopting measures that can strengthen governance and peace. The report shows that such an approach can lead to more robust economic growth in the sub-region – with the possibility for GDP to grow by 3.9 percent and for one million new jobs to be added by 2030. In addition, regional cooperation on water, energy and food value chains, accompanied by investments in infrastructure and connectivity, can increase resilience to climate impacts, while providing better access to basic services. Strengthened ties between countries can facilitate cross-border exchanges, leading to enhanced development in borderlands. When supported by better governance of borders, devolution and decentralization initiatives, and electoral reforms that promote trust and legitimacy, such efforts can enhance prospects for sustained peace.

The report is a collaboration between UNDP's two regional Bureaus - Africa and the Arab States. Focusing on the eight countries in the Horn – Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda – it enables looking beyond national frontiers to consider broader structural problems and their root causes. The report acknowledges the severity of prevailing challenges in the Horn of Africa, such as destructive conflicts which erupted in parts of the region even while the research was ongoing. We have chosen however, to focus on possibilities for changing the narrative - from one which emphasizes present challenges, to one that recognizes future opportunities.

UNDP supports integrated and system-wide approaches, seeking to connect development priorities horizontally across sectors, and vertically from regional to national to sub-national levels. Our programming in the Horn has enabled action on many key development issues, from recovery and reconstruction efforts, to supporting governance and peacebuilding, climate readiness and clean energy transition, to increasing sustainable livelihoods and supporting growth in the blue and green economies. Flagship regional programmes have demonstrated innovative approaches, such as the Africa Mini-Grids, Drought Resilience, Borderlands, and Prevention of Violent Extremism programmes, among others. Future programming can further support trade and investment critical for the sub-region's structural transformation and leverage the water-energy-food nexus to build resilience, while continuing to support important governance and peace-building reforms.

There are also promising developments in the region, such as the expansion of the African Continental Free Trade Area, which can be an engine to drive new opportunities. The Inter-Governmental Authority for Development, with its strengthened and expanded mandate, is also poised to play a key role in promoting sustainable development in the Horn of Africa. The frameworks for peace and security supported by the United Nations, African Union, and League of Arab States will be crucial signposts to navigate the way out of crises and towards peace and development.

Implementing the recommendations of this report will require concerted efforts from governments, regional bodies, the private sector, civil society, and international partners, and UNDP is keen to collaborate with all. By fostering intra-regional trade, ensuring sustainable resource management, and strengthening good governance, the Horn of Africa can create a foundation for lasting peace and development, ultimately transforming challenges into shared opportunities for a prosperous future.

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The **Horn of Africa Human Development Report 2024** represents a unique approach to analyzing the human development challenges and opportunities in a sub-region that straddles both Africa and the Arab States. It is based on a strong partnership between UNDP's Regional Bureau for Africa (RBA) and Regional Bureau for Arab States (RBAS) and builds on the valuable contributions of many over two years, during which several crises and shocks have impacted countries in the Horn of Africa.

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List of Acronyms

AfCFTA	African Continental Free Trade Area
ARII	Africa Regional Integration Index
AU	African Union
AUDA	African Union Development Agency
AUBP	African Union Border Programme
DPPA	Department of Political and Peacebuilding Affairs of the UN
EAC	East African Community
EAPP	Eastern Africa Power Pool
ECOWAS	Economic Community of West African States
EU	European Union
EVI	Economic and Environmental Vulnerability Index
GII	Gender Inequality Index
GDI	Gender Development Index
GDP	Gross Domestic Product
GNI	Gross National Income
HDI	Human Development Index
HDR	Human Development Report
HOA	Horn of Africa
IGAD	Inter-Governmental Authority for Development
IFPRI	International Food Policy Research Institute
IHDI	Inequality Adjusted Human Development Index
IOM	International Organization for Migration
ILO	International Labour Organization
IMF	International Monetary Fund
IPCC	International Panel on Climate Change
LAPSSET	Lamu Port and Lamu-Southern Sudan-Ethiopia Transport Corridor
LAS	League of Arab States
LDC	Least Developed Country
MIC	Middle Income Country
NEPAD	New Partnership for Africa's Development
NTMs	Non-Tariff Measures
OCHA	UN Office for Coordination of Humanitarian Affairs
P-HDI	Planetary Pressures Adjusted Human Development Index
RSF	Rapid Support Forces
SAARC	South Asian Association for Regional Cooperation
SAF	Sudanese Armed Forces
SDG	Sustainable Development Goals
UN	United Nations
UNCTAD	UN Commission for Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme

Introduction

The Horn of Africa (HoA) is often seen through the lens of vulnerability given the multi-layered economic, environmental, and institutional/political challenges in the region. However, the eight HoA countries[1] also stand out for their remarkable diversity and their notable human and economic resources that hold potential to increase resilience and prosperity in a region. With 70 percent of its population under the age of 30, the region has many young people who can bring growth and innovation—provided youth (and especially young women) benefit from quality education and participate in the labour force. It has important potential for the sustainable development of energy and water resources, particularly via renewables.

Strengthening collective and individual capabilities through regional integration can help HoA countries more effectively harness their national potential while also addressing shared challenges. The Regional Human Development Report (HDR) explores how regional integration fosters socio-economic opportunities for people, ensures equitable access to resources, and promotes more effective governance. Regional cooperation can also help improve the quality of governance by supporting the exchange of best practices and encouraging collaborative approaches to common challenges.

In this context, the African Continental Free Trade Area (AfCFTA) offer opportunities for expanding intra-regional trade.

Regional institutions like the Intergovernmental Authority on Development (IGAD) can play key roles in mediating conflicts, coordinating development efforts, and promoting good governance across the region. Effective collaboration between IGAD, the African Union (AU), the League of Arab States (LAS) and the United Nations (UN) can further propel and anchor the peace agenda.

These efforts enhance quality of life, unlock human development potential, and build resilience against vulnerabilities and shocks.

Background

Efforts to harness the development potential of the HoA countries face many sources of fragility. Drought conditions have historically plagued the region: the International Panel on Climate Change (IPCC) projects that the Horn of Africa will be particularly negatively affected by climate change. In addition to environmental challenges, wars and crises have increased food insecurity and displacement in the region. Regional dynamics, including competition over water (and other strategic transboundary) resources, exacerbate the region's fragility. The interplay of political, social, and economic vulnerabilities with climate change impacts and other shocks, threatens development gains. Stronger regional cooperation can help build resilience and unlock the region's human development potential in the face of these threats.

Recent shocks such as the COVID-19 pandemic, the economic fallout from Russia's invasion of Ukraine, and the repercussions of the war in Sudan have further intensified challenges, elevating food prices, fuel, and other key commodities. Food insecurity has also accelerated and protracted population displacements and external forced migration. The HoA in 2024 accounted for the largest global humanitarian caseload, accounting for 22 percent of the world's needs identified by the UN Office for the Coordination of Humanitarian Affairs (OCHA) — due to severe climate shocks, conflict, widespread displacement, and critical food and health crises. Despite its potential to address challenges in the sub-region, intra-regional trade in the Horn of Africa remains relatively limited—UNDP calculations indicate that only 12 percent of HoA countries' (recorded) exports were directed to the region, and just six percent of their (recorded) imports came from within the region, in 2022.

Many of the conflicts and political instability witnessed in the HoA are byproducts of ethnic, clan-based, and populist politics that have polarized political landscapes and impeded effective and inclusive governance. In many countries,

1. In this report the HoA region is defined as the Intergovernmental Authority on Development (IGAD) member states—Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, and Uganda.

governance systems have been weakened by conflict and violence, and institutions are therefore often unable to enforce laws, provide basic services, or maintain security. At the same time, the rule of law is impacted, with legal and judicial systems in some HoA countries lacking independence or capacity, limiting effective access to justice and sometimes resulting in impunity for atrocity crimes and corruption. In the worst cases, human rights abuses, including arbitrary detention and unjustified restrictions on freedom of expression, are seen. Productive investments (in human as well as physical capital) can easily suffer in such circumstances.

Addressing the root causes of these issues can strengthen prospects for peace and prosperity in the HoA. Regional cooperation and integration can accelerate economic growth, improve natural resource management, build greater resilience to risks, and strengthen peace and security.

Regional cooperation is also key to more sustainable natural resource management, which must underpin efforts to build resilience against climate (and other) shocks and increase food and energy production.

Human development trends in the Horn of Africa

Human development emphasizes the importance of expanding people's capabilities, choices, agency, and freedoms. It goes beyond narratives that reduce development to increases in per-capita incomes and focuses on increases in individuals' capacities to benefit from health, education, and other policy measures.[2] Because human development is concerned with the welfare, and because it recognizes the trade-offs (as well as synergies) between rising living standards, climate change, and environmental sustainability, the human development paradigm can be seen as another form of sustainable development.[3] National human development progress can be measured using the human development index (HDI),[4] which ranks countries by their internationally accepted data on life expectancy and education (measured in terms of actual and expected years of formal education completed), as well as on per-capita gross national income (GNI).

Political and economic insecurities have hindered human development progress in the HoA, where HDI values generally lag behind regional and global averages. Of the eight countries in the region, only Uganda and Kenya are within the medium human development range, while all HoA countries have HDI values placing them in the bottom 25 percent of countries worldwide. Although progress was noted for most HoA countries prior to 2020, the onset of the COVID-19 pandemic in that year had a serious impact on prospects for human development.

Despite modest advances, life expectancy in the HoA remains critically low, with the most recent data ranging from 55.6 years in South Sudan to 66.6 years in Eritrea. While life expectancy in the HoA on average (63.8 years) surpasses that of Sub-Saharan Africa (60.6 years), it still trails global averages (global life expectancy in 2022 averaged 72.0 years), as well as those for Arab States (71.3 years) and developing countries generally (70.5 years). These gaps highlight the urgent need for sustained efforts and support to the region for improving living conditions and increasing access to quality healthcare.

Expected and mean years of schooling data show significant variation across the HoA. While Uganda and Kenya report education outcomes that compare favourably with other Sub-Saharan African countries, in 2022 expected and mean years of schooling data for the other HoA countries look less positive, relative to regional and global averages.

The greatest divergences in HoA human development metrics lie in per-capita incomes, reflecting the diverse economic trajectories within the region. South Sudan and Somalia remain low-income countries (as per World Bank classification). In Sudan, household incomes have declined sharply,

2. For more on the roots and content of human development, see UNDP (1990).
3. For more on human development and sustainable development, see Neumayer (2010).
4. The HDI is the geometric mean of normalized indices for each of its three dimensions (a long and healthy life, being knowledgeable, and having a decent standard of living). The health dimension is assessed by life expectancy at birth. The education dimension is measured by mean of years of schooling for adults aged 25 years and more, and expected years of schooling for children of school entering age. The standard of living dimension is measured by per-capita gross national income. The scores for the three HDI dimension indices are then aggregated into a composite index. For more on the HDI and its cousins, see https://hdr.undp.org/data-center.

since the most recent conflict erupted in April 2023, according to a study by UNDP and the International Food Policy Research Institute (IFPRI). Reports indicate income declines of over 40 percent in rural areas, exacerbating already dire economic situations and increasing the number of people living in poverty. At the other end of the spectrum, Kenya and Djibouti have achieved lower middle-income countries status.

Inequalities remain a significant challenge for countries in the HoA. In 2022, all countries in the region had significant human development losses due to inequalities in education, health and income (as measured by the difference between their HDIs and inequality-adjusted HDIs). These losses ranged from 26 percent in Kenya to 42 percent in South Sudan (which was the third largest such loss in the world). Compounding this issue is pronounced gender inequality, marked by limited women's participation in the labour force, political representation, and access to education and healthcare. These disparities often exceed global averages. Increasing female labour force participation could yield considerable human development gains, unlocking untapped potential for economic growth and societal progress.

Underlying these challenges are structural barriers, including restricted access to water, energy, and food, and the destabilizing effects of conflict, disasters, and displacement. Governments in the HoA face significant challenges in providing clean drinking water, sanitation, and other basic services. This is exacerbated by climate change which has resulted in periods of severe water scarcity. The most recent data indicate that at least one-third of the population in HoA countries (except Djibouti) lacks access to basic drinking water services. The situation is particularly challenging in rural areas and among displaced populations, where water scarcity and contamination challenges are more prevalent. Access to sanitation services likewise remains limited. In all HoA countries except Djibouti, more than two-thirds of the population lacks access to basic sanitation services. Underinvestment in water infrastructure, has likewise contributed to making access to improved water sources costly and unaffordable for many, especially in drought-affected areas. Meanwhile, rapid population and economic growth have increased water demands, straining municipal systems (particularly in informal settlements).

Access to electricity remains a challenge in the region, with particularly large gaps in rural areas. In addition to reducing the quality of life, unreliable electricity supplies limit business formation and expansion. Expanding access to electricity is a critical goal for the region, requiring continued investment in infrastructure, renewable energy projects, and international cooperation to expand sustainable and reliable power supplies. At present, less than two-thirds of the population in HoA countries have consistent and reliable energy access.

The HoA is currently experiencing one of the world's most severe food crises, driven by a combination of prolonged drought, conflict, and political and economic instability. Shares of populations classified as moderately or severely food insecure in HoA countries have generally been rising in the past decade—particularly in Ethiopia, Kenya, South Sudan, and Sudan Between 2020 and 2022, it was estimated that at least half of the population of all HoA countries were moderately or severely food insecure. Some 23.4 million people were displaced internally or were forced to migrate, including 5 million refugees and asylum seekers and 18.4 million internally displaced persons (IDPs).

Towards sustainable development

This Human Development Report posits that strengthening the region's collective capabilities through expanded regional cooperation and (where appropriate) integration could help the HoA countries to better address the common challenges more effectively. By fostering socio-economic opportunities for people, ensuring equitable access to resources, and promoting more effective governance, such collaboration can unlock development potential and strengthen resilience across the region.

It highlights three key pillars on which regional collaboration could focus: enhanced intra-regional trade; increasing sustainability and resilience in the water-energy- food nexus; and fostering effective governance and peace.

5. A 2021 World Bank study found that unregistered or under-reported HoA border trade can be up to 20 times larger than officially recorded volumes (World Bank, 2021).

Intra-regional trade

Intra-regional trade can be a pivotal driver for human development in the Horn of Africa. However, trade among HoA countries remains limited due to regulatory complexities, inadequate infrastructure, informality, political instability, and conflicts. Only 12 percent of (reported) HoA country exports were directed to the region, while just six percent of (reported) imports came from the region, in 2022.[5] Moreover, reported intra-regional trade has been declining since 2010. In 2022, countries mainly traded manufactured goods (57 percent of traded goods regionally and 62 percent of total traded goods in 2022), followed by processed food (11 percent of traded goods regionally and 11 percent of total traded goods in 2022). Ethiopia and Kenya are the largest markets for imports and suppliers of exports in the region.

The African Continental Free Trade Area came into force in 2021; 54 African Union countries had signed and ratified AfCFTA as of January 2024.[6] AfCFTA seeks to eliminate tariffs on 90 percent of member state trade, as well as reduce non-tariff measures (NTMs) that unnecessarily limit trade.[7] As of December 2024, Djibouti, Ethiopia, Kenya, and Uganda had signed and ratified AfCFTA, while Somalia, South Sudan, and Sudan had signed the agreement but not yet ratified it. An IMF assessment found that AfCFTA could boost intra-African trade by 52 percent by 2025, increase Africa's income by $450 billion by 2035, and lift 30 million Africans out of extreme poverty.[8] AfCFTA's success hinges on developing the transport and logistics infrastructure needed for expanded trans-continental trade, and on reducing or removing unjustified NTMs among other factors.

Harnessing AfCFTA's potential for the HoA countries means investments in enhancing people's capabilities to benefit from trade, to strengthen links between trade and human development. The Horn of Africa has made significant investments in building integrative infrastructure, including the development of roads, air and marine ports, and railways. These projects are expected to generate positive multiplier effects for communities located in their proximity. They could help other actors (such as public service suppliers) to better service borderland areas. Investment in transportation and communication infrastructure attracts people, skills, and capital. The fast mobility of people, goods, and services helps foster integrative opportunities. Furthermore, economically integrated countries create interdependence that incentivizes the avoidance of conflicts and their peaceful resolution and management. This can lead to additional mutual economic benefits, creating incentives for countries to maintain peaceful relations.

A notable example is railway construction between Djibouti and Ethiopia, covering 4,744 km. Launched in 2016, it became operational within the same year. The Lamu Port and the Lamu-Southern Sudan-Ethiopia Transport Corridor (LAPSSET), initiated in 2012, includes the development of a new port on the Kenyan coast, designed to better connect landlocked South Sudan and Ethiopia to the Indian Ocean, thus facilitating direct access to international trade routes. By strengthening logistical capabilities and reducing transport costs, the Corridor expects to stimulate intra-regional trade and attract foreign investment, particularly in sectors like agriculture and energy. The improved infrastructure is expected to foster economic growth, attract global trade partnerships, and promote regional stability by enhancing economic integration among the participating countries.

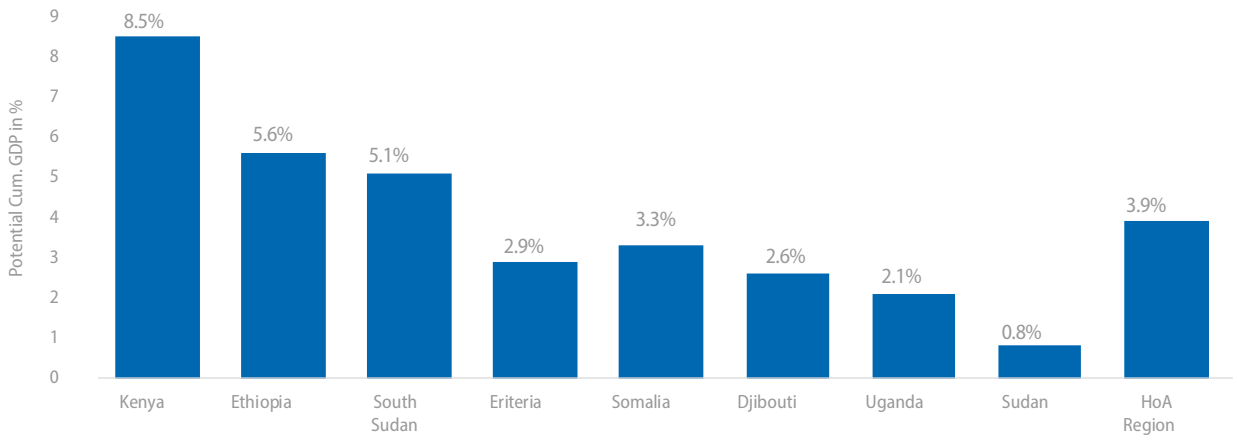
Additionally, there are projects aimed at exporting hydroelectric power and water concessions to neighbouring countries under the Eastern Africa Power Pool (EAPP). Air connectivity in the region (and beyond) is among the most advanced in Africa and continues to expand. The Horn of Africa Initiative, launched in 2019 by Djibouti, Ethiopia, Kenya, Somalia, and Eritrea (with support from international partners like the World Bank and African Development Bank—as well as from IGAD, in which all HoA countries are members), promotes regional integration, stability, and development. Flagship projects under this initiative include the Ethiopia-Djibouti Corridor—a vital road and rail transport route strengthening connections between Ethiopia to Djibouti's port.

6. The African Union's Agenda 2063 identifies regional integration among its five key transitions, seeking the freer movement of goods, services and capital, and increases in intra-African trade.
7. OCHA 2024
8. IMF (2023), '*Trade Integration in Africa: Unleashing the Continent's Potential in A Changing World*', Washington DC.

Policy reforms called for by the AfCFTA can bring numerous benefits to HoA countries. To estimate their size, computable general equilibrium (CGE) modelling was applied to the HoA region. The GDP impact of the complete removal of tariffs and NTMs on trade in HoA countries was simulated, in order to give an upper-bound estimate of potential trade policy reform impact. The CGE results indicate that the removal of tariffs and NTMs (as per the AfCFTA) would generate a cumulative increase in HoA regional GDP of 3.9 percent by 2030, with Kenya, Ethiopia, and South Sudan benefitting in particular (Figure 1). An additional 1 million jobs would likewise be generated by 2030 (Figure 2).

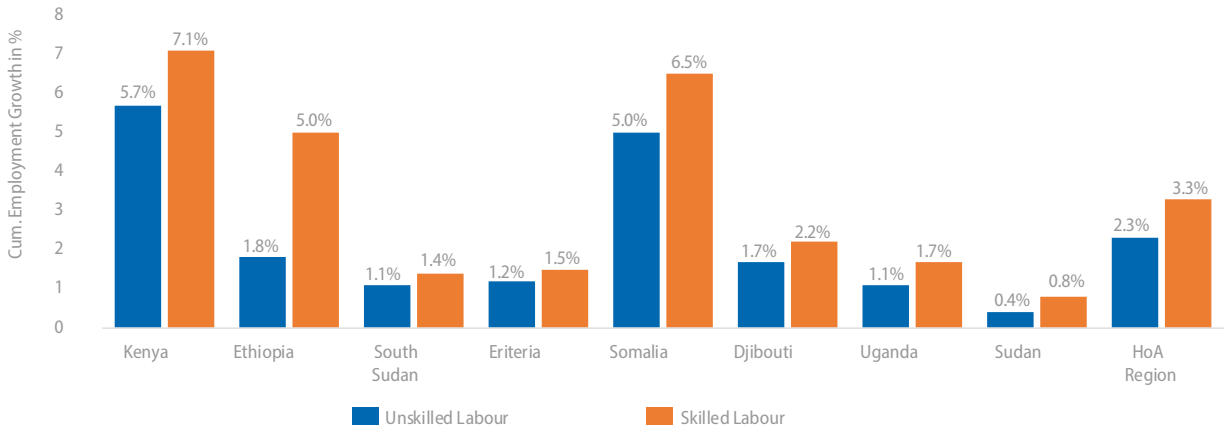
If half of the GDP gains estimated from the CGE model were to be directed towards public education and health spending (and if reforms would be able to improve governance in the health, education and other relevant social areas, to boost public sector efficiency), human development progress in HoA countries could accelerate significantly (Table 1). In the short term (2024-2027) Kenya's human development trajectory could accelerate by up to 6.2 years, Ethiopia's by up to 2.3 years, and Uganda's by up to 1.3 years. Over the medium term (2028-2030), these investments could accelerate Kenya's human development trajectory by up to 8.9 years, Ethiopia's by up to 3.2 years, Djibouti's by up to 2.8 years, and Uganda's by up to 1.9 years.

Figure 1 *Potential Cumulative GDP Gains from Trade Reforms (2024 - 2030)*



Source: UNDP estimates.

Figure 2 *Predicted Cumulative Employment Growth (2024 - 2030)*



Source: UNDP estimates.

Table 1 *Projected Human Development Progress in Horn of Africa*

	Future scenarios					
	No Trade		Short Term (2024-2027)		Medium Term (2028-2030)	
	HDI 2027	HDI 2030	HDI 2025	Years gained	HDI 2030	Years gained
Djibouti	0.532	0.563	0.535	0.4	0.580	2.8
Ethiopia	0.506	0.531	0.517	2.3	0.547	3.2
Kenya	0.609	0.622	0.625	6.2	0.646	8.9
Sudan	0.516	0.515	0.517	0.3	0.517	0.5
Uganda	0.560	0.576	0.564	1.3	0.583	1.9

Source: UNDP estimates.

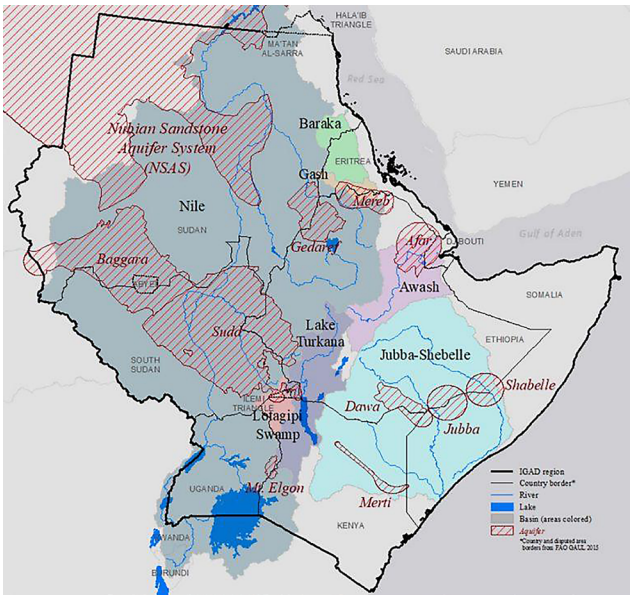
Enhancing sustainability and resilience along the water-energy-food nexus

Compounding sources of fragility threaten to slow or reverse the development progress that HoA countries have made in food, energy, and water security, and in the sustainable management of the ecosystems that underpin them. Many countries promote food production, both to satisfy domestic food needs and to boost food export revenues. However, more food can mean less of something else—particularly if its production requires irrigation in regions relying on hydropower and facing water shortages. Similarly, energy is vital for both food security and development. However, devoting more land and water to the cultivation of biofuels (for energy security reasons) can place pressure on food production and increase food insecurity.

Rising heat levels and increased variability in precipitation patterns are aggravating these trade-offs in the Horn. Since 2000, the region has suffered 16 droughts (Funk et al., 2019). Between 2018 and 2023, the Horn of Africa suffered its worst drought in 40 years. Most harvests in Somalia and semi-arid regions in Kenya and Ethiopia failed and some 3.6 million head of livestock perished, pushing some 16.7 million people into acute food insecurity.

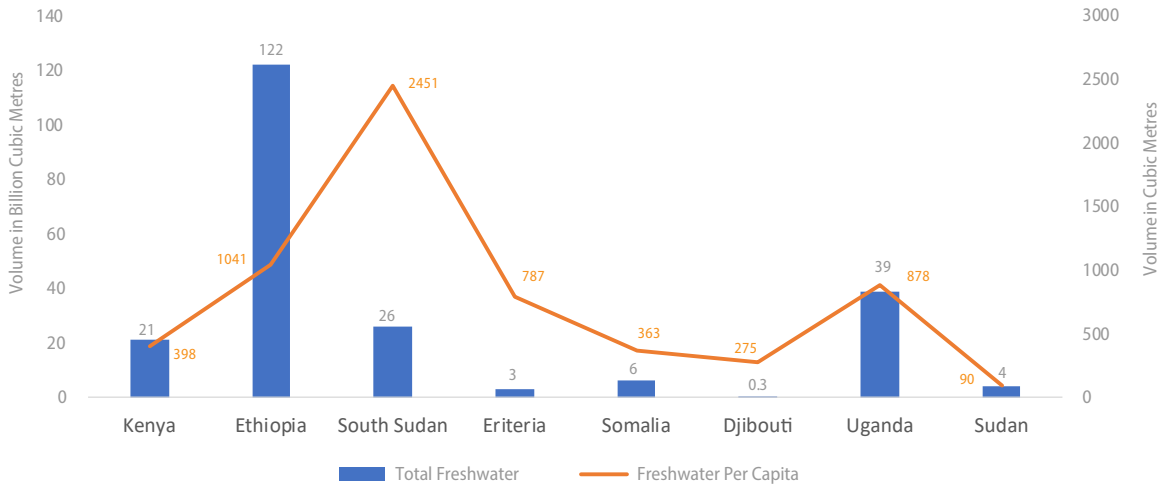
Sustainable management of water, energy, and food resources (in keeping with the logic of the integrated water resources management paradigm) is therefore central to HoA development prospects. And because much of the region's water resources are located in transboundary river basins (and aquifers), sustainable water management requires regional cooperation. Within the HoA region, Ethiopia is in an advantageous position in that it hosts the head waters of the region's two major perennial water systems: the Nile and the Juba-Shabelle river basins (Figure 3). These basins are of critical importance to its neighbours, as well as to Ethiopia. In such circumstances, inter-state river basin commissions among riparian countries (like the Nile River Basin Commission) play crucial roles in the sustainable management of water resources—and in the food and energy systems that depend on them.

Figure 3 *Shared River Basins and Aquifers in Horn of Africa*



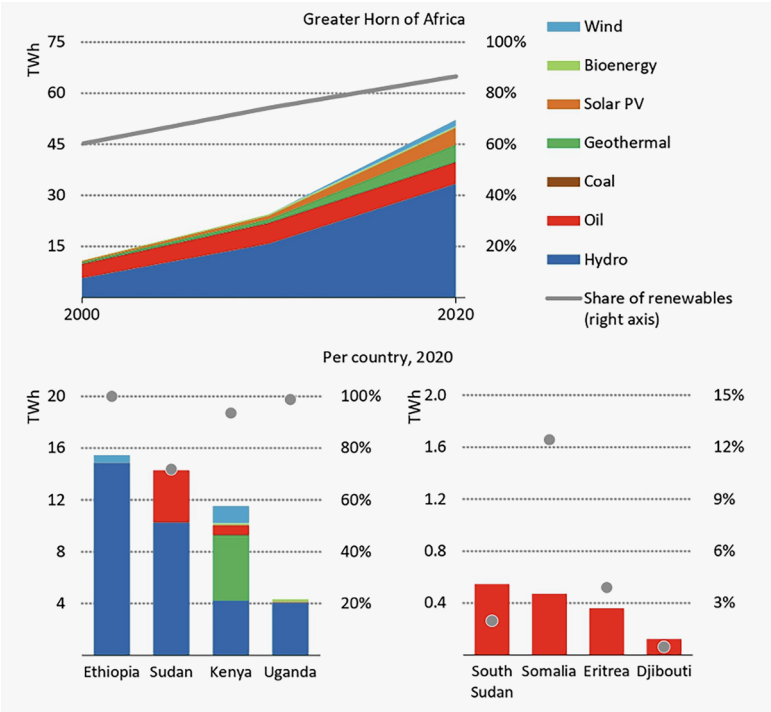
Source: Adopted from UNEP (2024).

Figure 4 *Renewable Internal Freshwater Resources as of 2020*



Source: Authors' Elaboration using World Bank and FAO

Figure 5 *HoA electricity generation by fuel source (2020)*



Source: Adopted from IAE (2022).

These trends also highlight the importance of exploring options for the construction of new hydroelectric stations and dams with multi-year storage capacity, which can reduce flood risks while increasing irrigation and hydropower generation potential. Regional cooperation during their construction phase (e.g., via inter-state financial and managerial consortia that can be supported by development partners) can pave the way for regional cooperation in the allocation of electricity and irrigated water from these facilities.

Riparian countries often view river basin management in terms of national security and economic sovereignty. However, access to water does not necessarily guarantee security or prosperity. For example, South Sudan has extensive water resources (especially on a per-capita basis, see Figure 4), as it benefits both from Nile flood plains and from seasonal rains. However, because of water governance challenges, low levels of investment in water infrastructure, and frequent episodes of political instability and population displacements, water insecurity in South Sudan remains high.[9]

Thanks in large part to its water resources, the HoA region has one of the world's highest shares of renewables in its energy mix (over 85 percent, Figure 5). Electricity

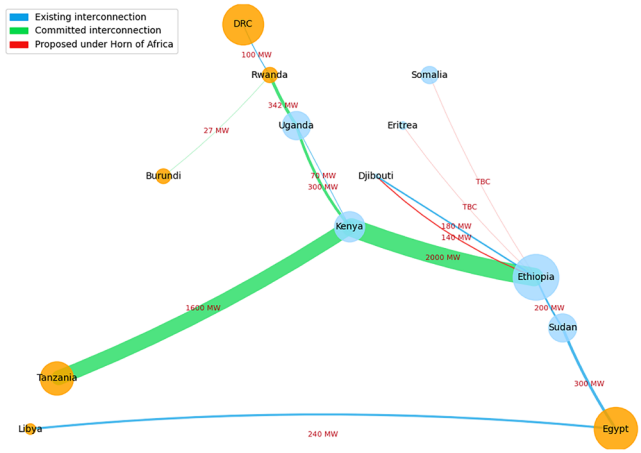
9. The World Resource Institute lists Somalia and South Sudan among the seven countries facing the highest levels of water insecurity globally.

generation in three of the four largest HoA economies (Ethiopia, Sudan, and Uganda) is largely based on hydropower, with Ethiopia and Uganda producing nearly all their electricity from this source. Even Sudan, whose primary export is oil, generates most of its power through dams on the Nile.

Investments in hydropower have helped these countries to provide electric power to growing shares of their population. Ethiopia and Kenya significantly increased the percentage of the population with access to electricity (from 10 percent to 54 percent and 17 percent to 77 percent, respectively) between 2010 and 2020. Uganda has also made great strides in electrification through investments in hydropower, increasing the share of its population with access to electricity from nine percent to 45 percent during this time. Somalia is a special case as it lacks a national power grid outside its main cities.

This highlights the importance of additional investments in electricity transmission and distribution (a need that is shared by many of its neighbours). Despite this challenge, however, Somalia's electrification rate has risen to around 50 percent, thanks in part to the emergence of an active off-grid power market. However, the vast majority of off-grid operations rely on diesel generators, which have adverse environmental and health effects and do not benefit from the falling costs of renewables. Meanwhile, World Bank data indicate that only eight percent of the population in South Sudan had access to electricity in 2022. Moreover, only Sudan was able to provide more than half of its population with access to clean cooking fuels (in 2022), while in other HoA countries this share was less than a third. In Ethiopia, Eritrea, Somalia, and South Sudan, less than 10 percent of the population had access to clean fuels and technologies.

Figure 6 *Energy Interconnection Network between Horn of Africa and its Neighbors*



Source: Elaborated using Remy, T, and Chattopadhyay, D. (2020)
Note: Blue nodes represent Horn of Africa countries; yellow nodes represent the rest of Africa. Node sizes are proportional to the countries' populations, and edge sizes are proportional to the interconnection capacity (MW).

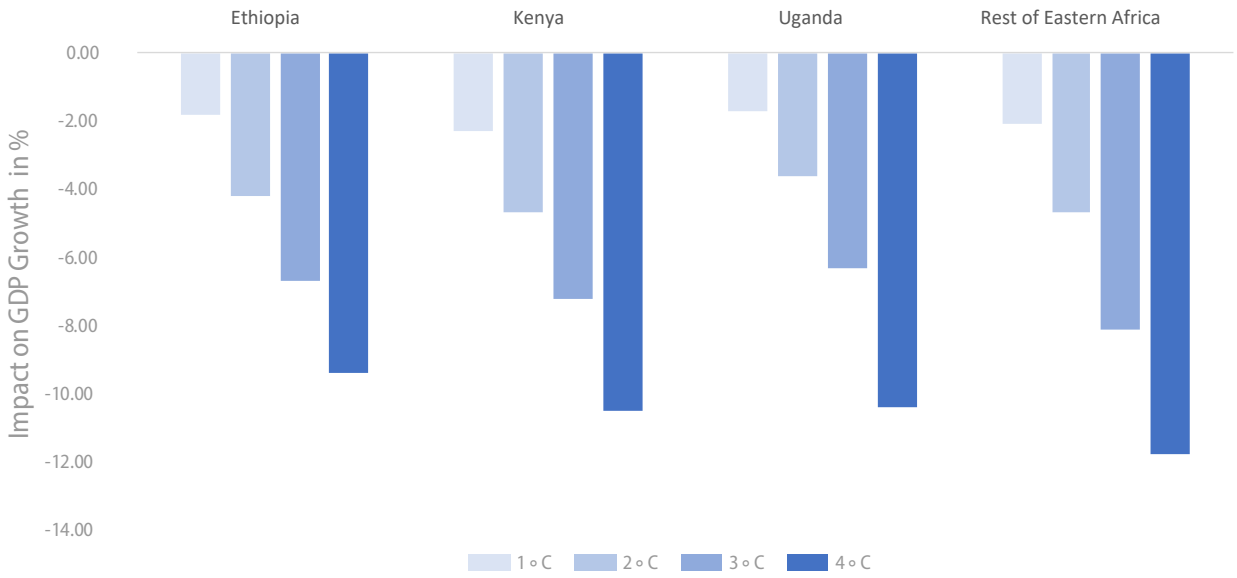
Despite significant progress, the region continues to experience major shortfalls in access to sustainable and reliable energy supplies. Some 140 million people remain without access to electricity and most people lack access to modern cooking fuels and technologies (IEA, 2022). Meanwhile, thanks to population and economic growth, electricity consumption in the HoA region has been growing by three percent annually over the last decade—growth that seems likely to continue (if not accelerate) for the foreseeable future (Ibid.).

As power generation from fossil fuels in most HoA countries is now much more expensive than from renewables,[10] demands on the region's hydropower resources (and on the water underpinning them) seem destined to grow—along with the climate risks affecting these resources. At the same time, Ethiopia, Kenya, and (to a lesser extent) Uganda are bringing more renewable power generation capacity on-line, and as such are becoming (or could become) net electricity exporters. This highlights the need for regional cooperation to increase investments in the regional power transmission grid. HoA countries' ability to import power from neighbours with surplus generation capacity could further increase electrification and increase the reliability of supply while also keeping regional carbon emissions low.

In light of these risks, and of the importance of hydropower and the unequal distribution of water resources in the region, expanded electricity trade in HoA countries would be highly advantageous. Many countries in the region already rely on imported power (Figure 6). Djibouti, for instance, imports 80 percent of its electricity from Ethiopia's hydropower. Regional cooperation to expand the high voltage

10. In Kenya, for example, a kilowatt hour of electricity generated from diesel- or gas-fired thermal power is now four times as expensive as electricity generated from hydropower.

Figure 7 : *Projected Long-Run Impact of Temperature Increases on Horn of Africa Economies**



Source: Kompas, T et al (2018)
*Note: *data is only available for the countries displayed above. Rest of Eastern Africa includes countries not in the Horn of Africa region such as Tanzania, Rwanda and Burundi*

power connections between countries with significant electricity generation potential and those lacking generation capacity (such as Somalia and South Sudan) can help build climate resilience and meet national energy needs. More power and better transmission links could also help HoA countries to further extend their national grids, especially to rural areas. Expanded intra-regional power trade can also deepen mutual interests in regional integration and cooperation.

Although it is difficult to predict the extent to which climate change will affect economic growth and livelihoods, the impact is negative, and the Horn of Africa is one of the hardest-hit regions globally. Kompas et al. (2018) find that annual GDP declines in HoA countries could reach double digits in the long run (Figure 7).

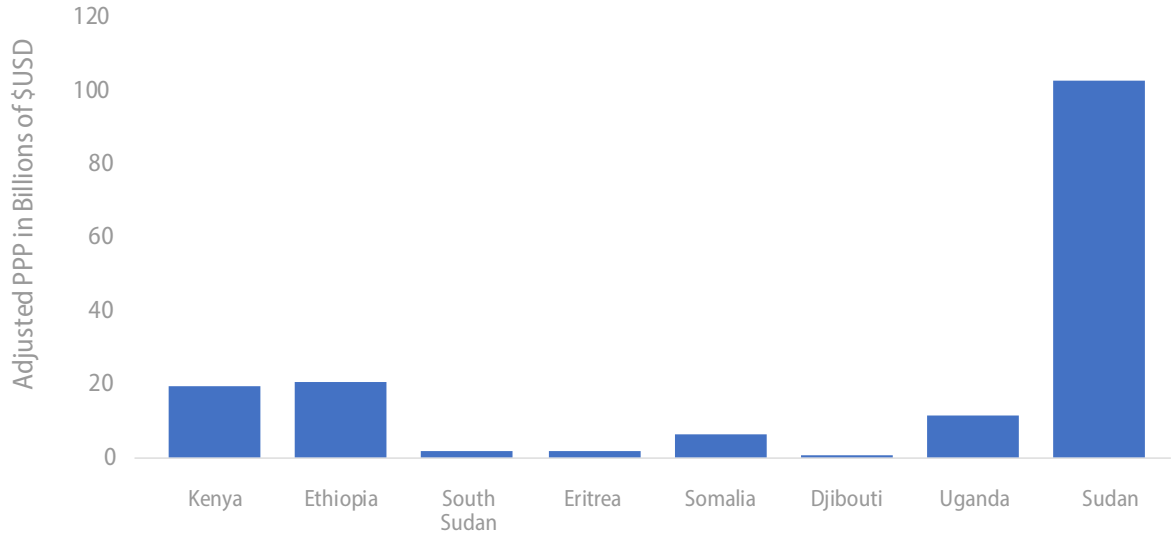
Few areas of the world are more exposed to climate risks and environmental shocks than the Horn of Africa. Increased regional cooperation would help HoA countries to better manage the challenges to food, energy and water security they face. Measures to increase intra-regional trade in food and electricity could bring benefits across the region. Water resource management (as concerns both river basins and groundwater) can be similarly improved via regional cooperation. National efforts to promote human development would be well served by accelerating the implementation of existing regional initiatives in these areas (e.g., AfCFTA, the IGAD regional power transmission programme), as well as by developing new ones.

Fostering effective governance and peace

Governance challenges and conflicts threaten human security and slow human development progress in the Horn of Africa. In parts of the region deep-seated politics of identity, power, and resources, coupled with historical grievances, and the impacts of natural disasters and pandemics, have contributed to longstanding fragility and aggravated governance challenges. By contrast, a climate of effective governance, peace, and security provides the best environment for human development to flourish.

Conflict and violence have brought loss of life, injuries, destruction of property, and development reversals to millions of people in the Horn. Many have been compelled to leave their homes, communities, and native countries in search of a more secure

Figure 8 *Estimated Economic Impact of Violence in Horn of Africa (2021)*



Source: Global Peace Index (2022).[11]
Note: PPP stands for purchasing power parity. GPI 2022: The economic impact estimates the direct and indirect costs of violence as well as an economic multiplier applied to the direct costs. See https://reliefweb.int/report/ world/global-peace-index-2022.

existence. The 2022 Global Peace Index found that violent conflict in the Horn of Africa generated $163 billion in losses and damages, representing 29 percent of the global total. In 2023, these figures likely surged significantly due to the escalation of the war in Sudan, which resulted in an estimated[12] $125 billion in economic losses within the first year of conflict, massive displacement of over 10.5 million people, and widespread destruction of infrastructure, healthcare systems, and essential services across the region.

These economic consequences are immediate and can have lasting detrimental effects. They disrupt productivity, undermine business confidence, and hinder human development. Over time, such disruptions can reduce investment and public revenues, diminishing the effectiveness and legitimacy of national institutions. They also create streams of displaced people. In 2021 alone, 11.4 million people were internally displaced as a result of conflicts in the region. The UN High Commissioner for Refugees (UNHCR) reported in that year that, of 15 million refugees and asylum seekers worldwide, an estimated 5 million were from the Horn of Africa, making it one of the world's largest sources of displaced people.[13]

'Democratic peace theory' indicates that democracies rarely go to war with each other (Layne, 2002; Owen, 2000; Ray, 1995). Factors that prevent wars between democracies include shared norms, institutional checks and balances that disperse powers, electoral and legal accountability that constrains power, and respect for the rule of law. In light of interconnectedness through such channels as trade, production, macroeconomic policies, infrastructure, and the free movement of people, economic interdependence can play a pivotal role in contributing to positive peace. When countries are economically entwined, the costs of conflict are more likely to outweigh the benefits. Economic integration can thereby foster environments in which peace is not just a moral choice but also a pragmatic one, aligning national interests with cooperation rather than conflict.

11. GPI 2022: The economic impact estimates the direct and indirect costs of violence as well as an economic multiplier applied to the direct costs. See https://reliefweb.int/report/world/global-peace-index-2022.

12. International Food Policy Research Institute (IFPRI) and United Nations Development Programme (UNDP). (2024). The Socioeconomic Impact of Armed Conflict on Sudanese Urban Households. (accessed 3 December 2024).

13. Internal Displacement Monitoring Center (2021). Global Internal Displacement Database | IDMC (internal-displacement.org) (accessed 31 January 2023)

Links between peace and development are reflected in many regional and global policy documents, including the UN 2030 Agenda for Sustainable Development and various instruments of the African Union (AU). These assert that sustainable development cannot be realized without peace and security, and that peace is at risk without sustainable development. The SDGs reflect this linkage; for instance, Goal 16 (Peace, Justice, and Strong Institutions) promotes peaceful and inclusive societies for sustainable development.

The effective implementation of the normative and institutional frameworks of the African Union (AU) and Regional Economic Communities (RECs), including the African Peace and Security Architecture and the African Governance Architecture, is central to responding to these challenges. The timely ratification and implementation of the AU Charter on Democracy, Elections, and Governance, the African Charter on the Values and Principles of Decentralization, Local Governance, and Local Development, and the Protocols on the Free Movement of Persons is also urgently needed. IGAD's draft Protocol on Democracy, Governance, and Elections Treaty should also be finalized and ratified.

Similarly, the League of Arab States (LAS, which includes among its members Djibouti, Somalia, and Sudan) also has a mission to promote peace, security and stability by preventing conflict and resolving disputes. LAS has developed several frameworks for promoting peace and security, including the Arab Strategy for Youth, Peace and Security launched in 2024, as well as initiatives on Women, Peace and Security, and Counter-Terrorism. Coordination of efforts between the UN, LAS, the AU, IGAD and other partners will be key to ensuring long-term peace and security in the HoA, in particular towards addressing the conflict in Sudan.

When considering the HoA it is important to differentiate between 'state' and 'nation' (Salih and Markakis, 1998). Many states with diverse ethnic, religious, and geographic groups within their territory have failed to build a nation in which these different groups can identify themselves as belonging to the same citizenry, polity, and state. Some nations are spread across different states, such as the Somali people living in Djibouti, Ethiopia, Kenya, and Somalia. Additionally, some states like Ethiopia, are an amalgam of many nations. Nation-building projects that try to impose specific cultures, languages, and religions on other peoples, risk fomenting discontent, violence, and war. Likewise, reliance on identity politics to mobilize political constituencies, and the formation of sectarian platforms based on ethnicity, religion, and geography, have frequently had disastrous consequences (in the HoA and elsewhere). In this way, political, military, and social mobilizations can be subsumed by power politics. Political power can become a racketeering and money-making business, with the political marketplace being driven by identity, power, and resource politics (de Waal, 2014).

Variants of devolution, decentralization, or federalism have been introduced in Ethiopia, Somalia, Sudan, Kenya, and South Sudan to manage conflicts and tackle deep-rooted challenges related to diversity governance. Managed correctly, these initiatives can help to better address the challenges of diversity governance and empower citizens at the local level to help ensure government accountability. They can also improve cross-border governance and bilateral relations among states. The AU has therefore adopted the African Charter on the Values of and Principles of Decentralization, Local Governance and Local Development; and the Charter on Values and Principles of Public Service and Administration. Applied with varying degrees of commitment, these efforts towards decentralization have yielded differing levels of success. Unfortunately, the emergence of populist forces has often led to conflicts between forces of centralization and decentralization. Such conflicts have at times resulted in wars or brought with them boundary disputes between sub-national governments, as well as arms proliferation and militarization.

It is widely accepted that inclusive, fair, and transparent elections are a prerequisite for good governance. Currently, elections in the HoA range from participatory and relatively tolerant on the one hand, to highly contested and largely uncompetitive on the other. Some elections have been marred by physical attacks, detentions, intimidation, harassment of opposition figures, and even killings. Mandates provided by credible electoral victories are sometimes taken as a blank cheque to implement policies without the engagement of, or accountability vis-à-vis, electorates and their representatives.

Elections are a regular component of politics in the region (except for in Eritrea and South Sudan). But as more diverse, connected, and vocal generations have joined the electorate, contestation and conflicts around voting have intensified. As occurred in Ethiopia (2005, 2021), Kenya (2007), Uganda (2010), Djibouti (2010), and Sudan (2005, 2015), electoral unrest and violence can spill over into post-election periods and hamper peaceful political transitions (McKnight, 2023). A newer, younger, and more forceful electorate is also putting state institutions under greater pressure by challenging the neutrality, accountability, and strength of peace and security institutions like election management bodies. (Kenya stands out as an exception because its electoral processes in 2022 and 2017 represent significant milestones in the country's democratic journey; International Crisis Group, 2022).

There have been more than 40 disputes over colonial borders in Africa since their original demarcation (Foucher, 1991). Central governments have often regarded HoA borderlands as economically unviable and of secondary development importance. Consequently, these areas have largely remained outside the purview of the state, with reduced community access to public services. This has often given rise to grievances that threaten state stability and foster the emergence of insurgent armed groups, contrabandists, elicit traders, cattle rustlers, smugglers, and traffickers. As a result, many borderlands have become highly militarized and securitized. When poorly governed, border territories can become fertile ground for small arms proliferation and violent extremism; since 1993 Ethiopia, Kenya and Uganda each have faced terrorist attacks. Border disputes have at times escalated into border wars, as with the Ethiopia-Somalia war of 1977, the Ethiopia-Eritrea conflict of 1998, the Djibouti-Eritrea conflicts of 1995 and 2008, and the 2012 South Sudanese and Sudanese border-related wars in Abyei and Heglig/Panthou.

In response, there have been several efforts by the AU, RECs, and trilateral agreements to address challenges related to transboundary resources and border governance. Through the Niamey Convention on Cross-Border Cooperation, the AU Border Programme (AUBP), and the AU Border Governance Strategy, the AU Commission has focused on turning colonial borders into a soft and green border over the past two decades. The AUBP has assisted South Sudan, Sudan, and Uganda in resolving their border disputes, by conducting consultative meetings and establishing the AUBP Technical Team of African experts on border issues. Future work on transboundary resource management could benefit from this team's expertise. The Comprehensive Framework Agreement, the transboundary Nile Basin Initiative, and the tripartite negotiations between Egypt, Ethiopia, and Sudan, are now being used to govern the use of the Nile as a transboundary resource.

To address deep-seated sources of insecurity in the HoA, states in the region must strengthen responsiveness to public demands through inclusivity, transparency, and accountability. Better governance can help accelerate development progress and peacebuilding, while human development strengthens state, social, and individual capacities to withstand adversity. Better governance can also reduce competition over resources and help to manage power contests, increase tolerance of diversity and, ultimately, limit violent conflict. Human development and effective governance can go hand in hand to sustain peace, while peace can foster human development through strengthening effective governance and building social resilience.

Integrative and interventionist mandates, along with the normative, institutional, and collaborative frameworks of the RECs, the AU, and the LAS, focus on transforming HoA states in terms of both norms and capabilities. If implemented effectively, these frameworks can help address the challenges facing the Horn of Africa, enabling the region to capitalize on the opportunities it faces. However, governance issues in the work of inter-governmental regional institutions have traditionally been subordinated to security, economic integration, and development concerns (Maru and Fassi, 2015). These inter-governmental bodies are naturally sensitive to member state prerogatives regarding domestic governance, elections, and human rights issues. Increasingly, however, these institutions (with support from the international community) are focusing on promoting good governance, including sending election observers to HoA countries.

Moving forward

Countries in the Horn of Africa possess strategic geopolitical locations and considerable human and natural resources. However, they face challenges associated with climate shocks as well as conflicts and crises, which have resulted in dire humanitarian consequences and human development setbacks.

As many of the HoA countries' socio-economic, political, and climate vulnerabilities transcend national borders, regional cooperation is essential for effectively addressing these vulnerabilities. Reinforcing regional cooperation can strengthen the foundations for peace and security in the region, thereby helping countries to create virtuous circles of investing in human development, which in turn can accelerate economic growth and contribute to good governance.

To realize this vision, this report investigates three key inter-related areas in which the HoA countries could better leverage the region's potential: increasing intra-regional trade, enhancing collaborative natural resource management; and bolstering regional security and governance. Each of these areas is also interdependent and needs to be addressed in an integrated way.

More effective governance is necessary to translate prospective gains from increased trade and more sustained resource management into tangible improvements in the quality of life for people in the Horn of Africa, and to promote and sustain peace.

Key recommendations

The main recommendations emerging from the report's analysis (concerning intra-regional trade, the sustainable management of the water-energy-food nexus, and governance and peace) are presented below. Their implementation requires concerted and coordinated actions undertaken by governments in the HoA countries, as well as IGAD and other regional bodies, as well as the private sector, civil society, researchers, and the public at large. Support from extra-regional and international actors (development partners and donors), to strengthen the enabling conditions for human development in this important and strategic region, is also needed.

Increasing opportunities for intra-regional trade. Trade reforms should focus on four key areas:

- *Prioritize the implementation of AfCFTA* and other relevant regional trade-enhancement initiatives. The HoA countries that have not yet signed and ratified AfCFTA are encouraged to consider accelerating national approval processes. Countries that have already prepared national implementation strategies are encouraged to accelerate their implementation, while countries that have not yet prepared such strategies are encouraged to do so. For some sectors, the drafting of strategic roadmaps of relevant regional and global value chains can help eliminate unnecessary trade barriers. This should allow HoA countries to capture higher value-added activities, create better-paying jobs and spur local economies.
- *Governments and regional bodies should accelerate the completion of integrative projects* like the Lamu Port-South Sudan-Ethiopia Transport Corridor (LAPSSET) and East Africa Power Pool (EAPP).
- *Increase active labour market investments* in skills needed in sectors (e.g., logistics, IT, tourism, domestic trade) benefitting from trade liberalization.
- *These measures should be supported by reforms addressing lacunae in domestic business environments,* to strengthen traders' resilience to future shocks. Improvements in business registration procedures, tax administration, and public procurement to reduce informality and increase MSME access to finance and commercial services are particularly important.

Regional cooperation for sustainable natural resource management. To reap the benefits of more sustainable natural resource management along the food-energy-water (and climate change) nexus, the following measures are particularly important:

- *Promote the cooperative management of regional electric power transmission* and (where possible and appropriate) *generation infrastructure*. In line with IGAD's Energy Sector Strategy for 2050, power-deficit countries can use imported electricity to cover national needs, while countries with power generation capacities that exceed their national transmission and distribution capacities can benefit from increased electricity exports. Because HoA power surplus countries rely extensively on hydroelectricity, stronger regional cooperation in this sector would also expand green energy. More hydropower stations with multi-year water storage capacity would allow HoA countries to capture more water during wet seasons, for use within their borders during dry seasons and/or to export either directly or virtually (via sales of agrifood, hydroelectricity, and other water-intensive goods and services) to other parts of the region. Downstream country concerns about possible negative water security implications can be addressed via the Nile Basin Initiative (and similar bodies), as well as the creation of inter-state consortia that can be supported by international development partners and can

afford downstream country's participation in water management decisions affecting them.

- *Accelerate the cooperative exploration and exploitation of the region's groundwater reserves*. Only about one percent of cultivated land in the region is equipped for irrigated agriculture, and of this, only about three percent is equipped for irrigation using groundwater. As a number of high-yield aquifers are located in border areas, cooperative approaches are needed to sustainably and responsibly harvest this bounty.
- *Reduce food insecurity through agricultural diversification*. Diversification is needed in crop cultivation, animal husbandry, and food imports (Tscharntke et al., 2021). It should extend to diversifying income sources, insurance schemes, social benefits, and the expansion of agricultural cooperatives. Diversifying crops and cultivation methods can also improve soil quality and biodiversity (Hufnagel et al., 2020).
- *Increase investments in early warning systems*. Early warning systems are one of the most effective ways of preventing and managing environmental shocks. Building on the experience of the Climate Prediction and Application Centre in Nairobi can strengthen regional and national climate information systems.

Governance reforms are needed in the region, to support peace and security, to manage natural resources more sustainably, and to ensure that the gains from expanded intra-regional trade are widely shared (inter alia via improved service delivery). In particular:

- *Governments should design and implement holistic national development strategies that capture synergies across economic, social, and environmental objectives*. For example, state investments in the construction of hydropower stations with multi-year water storage capacities can both reduce climate/disaster risks (accelerating progress towards SDGs 11 and 13) while reducing food and water insecurities (accelerating progress towards SDGs 2 and 6). These strategies can also prioritize investments in health, education, and social protection, helping to ensure that gains from trade translate into tangible human development improvements. Similarly holistic, area-based development approaches can be applied in borderland communities and other sub-national regions facing acute food, energy, or water insecurities. Where appropriate, governments should work with local governments, civil society, and the private sector to increase access to healthcare, education, and other basic services in borderlands and other vulnerable communities.
- *National elites should look to address governance deficits by practicing constitutional democracy* through support for active political pluralism and competitive elections. Governance lacunae in the region remain important triggers and accelerators of threats to peace and security. Without effective constitutional governance, prevention and response to threats to national and human insecurity are much more difficult (if not impossible).
- *Governments should invest in national peace and security architectures*, to strengthen in-house capacities for risk prediction, prevention, response, and adaptation.
- *HoA states and RECs should accelerate the adoption, ratification, and implementation of treaties and protocols on governance, cross-border trade, transboundary resource sharing and the free movement of persons*. To effectively implement the AU Border Governance Strategy, investments should be made in the capabilities of RECs in border governance and transboundary resource sharing. This requires a robust mandate, proportionate resource allocation, and a focus on the participation and livelihoods of borderland communities. RECs should likewise focus on building member state capacities to deliver and distribute public goods. Borderland governance may also be strengthened through initiatives like UNDP's Africa Borderlands Centre and IGAD's Informal Cross-Border Trade initiative.
- *Regional bodies (such as the AU, IGAD, and the EAC) need to support the ratification and implementation of instruments aimed at promoting decentralization*. These include the African Charter on the Values and Principles of Decentralization, Local Governance, and Local Development, as well as the African Charter on Democracy, Elections, and Governance, and the Protocols on the Free Movement of Persons.
- *Strengthening of Regional bodies should be undertaken along with reforms* in terms of changes in mandate and institutional setup. Reforms should be carried out in cooperation with national governments and relevant sub-national entities and should support transitions from discharging interventionist mandates to fulfilling preventive functions. Here the strengthening of institutional

capacities of regional bodies like IGAD and EAC should be addressed. IGAD requires enhanced legal standing to more effectively promote democratic election processes and governance; the implied mandate it presently enjoys in these areas should become an explicit, fully-fledged one. The 2023 ratification of a draft treaty to replace the 1996 IGAD Establishing Agreement grants IGAD a stronger mandate and opens doors for its effective transformation. Once the draft Protocol on Governance is adopted following the Treaty's ratification, IGAD will have the tools needed to support the region's governance, peace, security, early warning, and human development priorities.

Annex

African regional economic communities' member states

CEN-SAD	Burkina Faso, Central African Republic, Chad, Comoros, Cote d'Ivoire, Djibouti,* Egypt, Eritrea,* The Gambia, Ghana, Guinea-Bissau, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan,* Togo, Tunisia
COMESA	Burundi, Comoros, Democratic Republic of Congo, Djibouti,* Egypt, Eritrea,* Ethiopia,* Kenya,* Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Somalia,* Sudan,* eSwatini, Tunisia, Uganda,* Zambia, Zimbabwe
EAC	Burundi, Democratic Republic of Congo, Kenya,* Rwanda, Somalia,[14] South Sudan,* Tanzania, Uganda*
ECCAS	Angola, Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Equatorial Guinea, Gabon, Republic of Congo, Rwanda, Sao Tome and Principe
ECOWAS	Benin, Burkina Faso, Cape Verde, The Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
The Arab Maghreb Union	Algeria, Libya, Mauritania, Morocco, Tunisia
Horn of Africa	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan, Uganda

*Also in the Horn of Africa.

14. Somalia was formally invited to join on 24 November 2023 during the 23rd ordinary summit of the heads of state. The treaty of accession was signed on 15 December 2023 at the presidential residence in Kampala, Uganda, with Somalia having 6 months to complete its ratification of the treaty after which it would officially become a member. On February 10, 2024, Somalia's Parliament endorsed the treaty of accession. Somalia deposited its instruments of ratification on 4 March 2024, thus becoming the eighth member of the organisation.

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