

COVID-19 IN THE HORN OF AFRICA: POLITICAL AND ECONOMIC IMPACTS

By Goitom Gebreluel, Jostein Hauge and Michael Woldemariam.



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Published by: Hatèta Policy Research
Title: COVID-19 in the Horn of Africa: Political and Economic Impacts
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EXECUTIVE SUMMARY

- The Horn of Africa was confronted with COVID-19 at a time when its societies were grappling with a combination of extreme humanitarian, security, and economic challenges including insurgencies, ethnic conflict, food insecurity, and a locust swarm. However, the pandemic also arrived at a time when the region was undergoing -- what many hoped would be -- the beginning of a process of long-term political transformation. The two largest states in the region, Ethiopia and Sudan, have since 2018 been trying to consolidate their political transitions. In South Sudan, political leaders had managed to commit to a new peace deal. While Somalia was in 2020 poised to hold its first direct democratic elections since 1969. The prospects of these positive trends have been severely jeopardised by a chain of events unleashed by the pandemic. COVID-19 has in many ways pushed the political and economic capacities of states and societies in the Horn of Africa to their limits but has in the process also displayed their resilience.
- While many of the political and economic consequences of the pandemic in the Horn of Africa have been in line with global patterns, it has also reinforced existing national pathologies. The question of how best to manage the pandemic and its broader effects has created acute conflicts and exacerbated major and old domestic political rifts. The most divisive issue has been the ethics of holding elections during COVID-19. The arrival of the pandemic coincided with election years for Ethiopia and Somalia, which were immediately engulfed in a constitutional crisis. In both states intense political and legal disputes raged over whether the incumbent had the legal right to postpone the elections, followed by exchanges of various threats between incumbents and opposition groups. Ethiopia opted to postpone voting indefinitely, while Somali authorities have been making contradicting statements on the issue.
- States that aren't scheduled to hold elections this year have been less destabilised by the pandemic. Djibouti and Eritrea have imposed some restrictions on movements of people and trade with neighbouring countries, but their domestic politics haven't been significantly affected by COVID-19. South Sudan was faced with the pandemic just as its unity government was formed and when key elements of its peace agreement had to be implemented, and while its fragile political settlement has not collapsed it has seen a spike in communal violence in recent months.
- Although it has been severely destabilising in many instances, the immediate political consequences of the pandemic have been manageable for most states in the region. In the longer term, if the socio-economic consequences worsen, there is a significant danger that elite rivalry may be compounded by bottom-up unrest that is fuelled by economic deprivation. A scenario such as this is plausible and may initiate dangerous long-term poverty-conflict traps that are difficult to reverse.
- The full health impact of COVID-19 in the Horn of Africa remains to be seen. So far, governments in the region have responded well, initiating fairly proactive measures to prevent the spread of the pandemic. In the economic realm, however, things are not looking very bright. There is now a broad consensus that given developments so far, there will be a steep global economic downturn throughout 2020 (and quite possibly further) that will hit hardest in developing countries. According to a study published by the United Nations University, several hundred million people in developing countries will be pushed into extreme poverty because of COVID-19.



INTRODUCTION

1

The Horn of Africa region is home to some of the most fragile states in the world. Somalia and South Sudan are attempting to escape a decades-long cycle of armed conflict. The region's two biggest countries, Ethiopia and Sudan, are in the midst of highly volatile transitions toward more open, competitive politics. And entrenched authoritarian rulers in Eritrea and Djibouti face mounting challenges to their rule. The political tumult within the region's states have long bled into their foreign policy, producing a highly unstable system of inter-state relations marred by intrigue, rivalry and conflict.

Fragility in the Horn of Africa can be observed in the economic realm as well. All the region's countries have limited financial resources to deal with financial shocks and recessions. Most are highly dependent on the often variable flow of remittances from migrant workers abroad (in particular Eritrea and Somalia). Foreign currency shortages means that reductions in international demand can have severe consequences. Chronic food insecurity in the region means that any economic downturn and disruptions to food distribution networks and trade networks can have dire impacts on poverty and basic survival.

To be sure, the Horn has made incremental progress over the past decade in a number of important areas. Somalia has experienced steady gains in building its political and security institutions. A fledgling peace process in South Sudan is slowly moving forward. Ethiopia and Sudan have managed to break out of decades of authoritarianism and are advancing toward elections, and hopefully, democratic consolidation. A number of regional integration projects have been initiated. The Berbera port, Grand Ethiopian Renaissance Dam and the LAPSSET corridor will facilitate deeper economic engagement between Ethiopia, Sudan, Somalil and, Kenya and South Sudan. Economically, Ethiopia has led the way in the region, boasting the world's highest GDP per capita growth rate in the world in the past 15 years. The rapprochement between Eritrea and Ethiopia in the summer of 2018 is also creating new opportunities for regional cooperation. Much of this progress has been achieved through great sacrifice by the peoples of the Horn and international efforts. But these gains remain partial and easily reversible. None have fundamentally altered the region's underlying political and economic precarity. And in some cases, seeming progress has created new impediments to the region's stability.

The addition of Covid-19 to this already combustible mix is notable.

While there is some limited evidence that Covid-19 has created some common political purpose across the Horn of Africa, the early returns are not promising, as the pandemic is reinforcing existing faultiness and exacerbating the region's underlying political fragility. In Ethiopia, Covid-19 has raised new points of contention between the ruling Prosperity Party and its opponents, triggering an election crisis that threatens the viability of the overall political transition. So too in Sudan, where the politics of the pandemic has been inserted into the fluid transitional period in ways that have accelerated antagonism between the military and civilians. In Somalia, South Sudan, Eritrea, and Djibouti, Covid-19 has produced new controversies that are further polarizing already charged political environments. As a political matter, then, Covid-19 poses a grim challenge to the Horn of Africa, and a surge in infections could well push a number of states over the precipice.

This political fragility is reinforced by the economic impacts of Covid-19 in the region, as the pandemic is causing disruptions at several levels. A global reduction in demand is having a negative effect on export volumes. This is compounded by the reduction in prices of primary commodities that some countries in the region are highly dependent on, like oil (Sudan and South Sudan) and zinc (Eritrea). Countries are also being hit hard by capital outflows, in the form of a reduction in foreign investments (Ethiopia and Sudan at highest risk) and a loss of remittances (Somalia and Eritrea at highest risk).

Food security is also an issue of severe concern in the context of the pandemic. The World Bank predicts that in Sub-Saharan Africa, COVID-19 will cause agricultural output to contract between 2.6% and 7%, and food imports to decline between 13% and 25%. The food crisis spells trouble especially for the Horn of Africa, not only because the region is a net importer of food, but also because it is one the world's most food insecure regions. According to the UN's Food and Agriculture Organization, more than 40% of the population in the Horn of Africa are undernourished.

The Horn of Africa may well avoid the worst of Covid-19 with some good fortune and the right mix of policy responses in the political and economic domains.

Yet it is important to take stock of the emerging challenge. This report does exactly that, chronicling the early political and economic impacts of Covid-19 across the region. The hope is that by developing a baseline assessment of emerging trends, we can better clarify the paths forward for a region grappling with a historic global challenge.

2.1 | TRANSITIONAL STATES

2.1.1. ETHIOPIA

Ethiopia's entrenched autocratic regime began faltering in 2018 when a wave of mass protests forced the Ethiopian People's Revolutionary Democratic Front (EPRDF) to initiate a political reform process. Protesters demanding revolutionary change and elements of the government that wanted to maintain the status quo settled on a compromise wherein the government would recognize and reform its autocratic practices. Abiy Ahmed, a former head of the Ethiopian Information Network Security Agency, became the face of Ethiopia's political transition when he was appointed Prime Minister in April 2018. His initial gestures, such as repatriating exiled opposition groups like the Oromo Liberation Front (OLF), the Ogaden National Liberation Front (ONLF) and Ginbot 7, were greeted with euphoria and gave the reform efforts great momentum. A broader opening up of the political space led to a proliferation of new political parties, key among which were the Oromo Federalist Congress (OFC), the Amhara National Movement (ANM), and the Ethiopian Citizens for Social Justice (ECSJ). The reform process also catalyzed differences within the ruling EPRDF, and the resulting power struggle led to the party's dissolution in November 2019. In its place the Prosperity Party (PP) was formed, while the founding member of the EPRDF, the Tigray People's Liberation Front (TPLF), turned into an independent opposition organization.

The procedural side of the reform has been relatively successful: the passing of an electoral law as well the signing of a code of conduct by the political parties are two of several particularly notable achievements. De facto political interactions in this period however reveals an ugly side of the reforms.

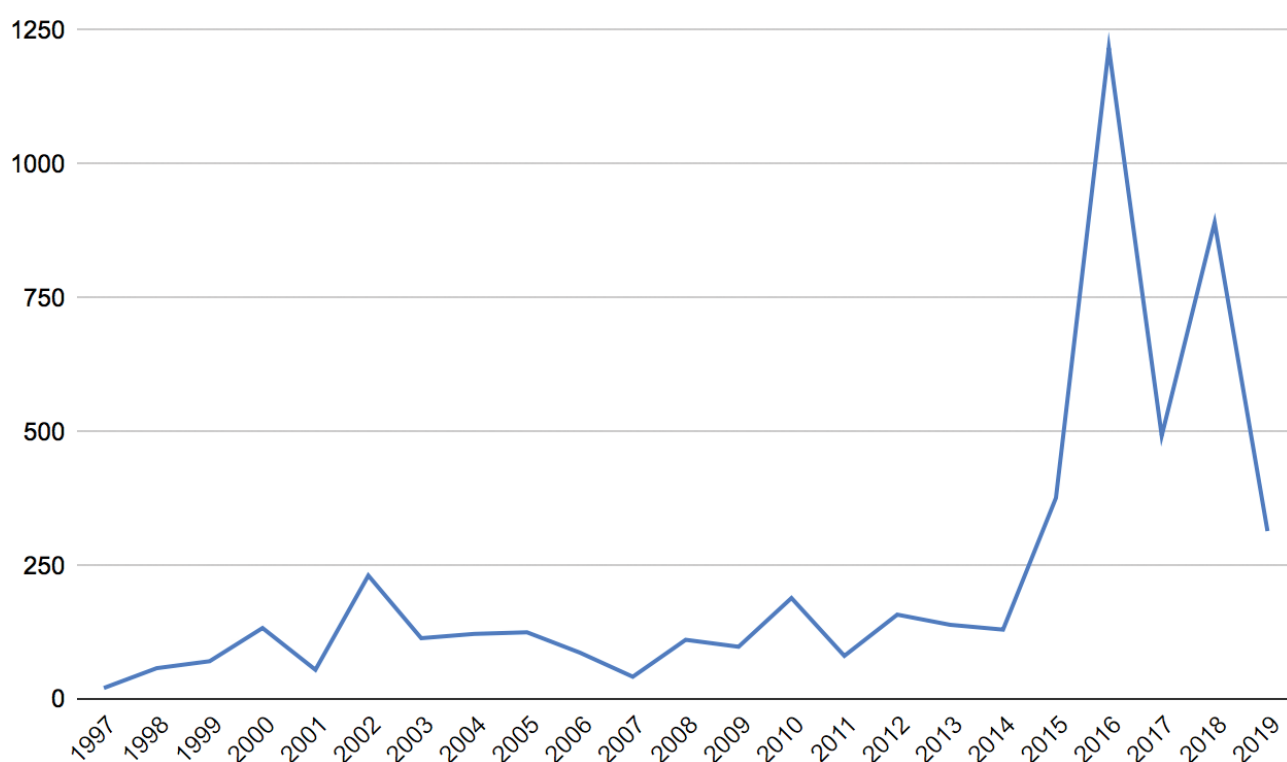
Political violence has been rampant throughout the process with more than 1000 violent events recorded in 2018 and 2019.

The humanitarian consequences of this violence have been significant and include the internal displacement of 1.5 million people in 2018.¹

Two factors have significantly shaped the violent turn of Ethiopia's reform process: Firstly, as opposed to the pre-reform process, the conflict is no longer only between ruling and opposition forces, but is multidimensional and includes horizontal conflicts amongst regional states, vertical rivalry between federal and regional administrations as well as conflicts between the government and newly returned armed groups. The multiplicity of actors and conflicts makes it difficult to manage the reform process and reach a political settlement that can guide the country towards a sustainable experiment in democracy.

1. Abdur Rahman Alfa Shaban, 'One million displaced Ethiopians 'return home,' Africa News, 29.03.2019, <https://www.africanews.com/2019/03/29/one-million-displaced-ethiopians-return-home-abyi-meets-press/>.

FIGURE 1 | ACLED DATA ON POLITICAL VIOLENCE IN ETHIOPIA 1997-2019.²



2. Raleigh, Clionadh, Andrew Linke, Håvard Hegre and Joakim Karlsten. (2010). "Introducing ACLED-Armed Conflict Location and Event Data." *Journal of Peace Research* 47(5) 651- 660.

2.1.1

Second, the mode of political competition has been characterized by provocative and legally dubious tactics.³

Political rivalry has manifested itself through extreme forms of violence such as assassinations and terror attacks,⁴ but the less overtly violent tactics of competition that take place on a daily basis are as detrimental to the democratization process. The most important tactic in this regard is the use of incumbency advantages by regional and federal governments to sabotage and deprive opposition groups of the right to campaign and assemble at the regional level,⁵ as well as using state resources as rent to co-opt followers and pressure the business community to make financial donations to ruling authorities.⁶ The use of regional and federal media not only for propagating ruling party programs but also conducting attacks on opponents has been a common practice and constitutes a legally ambiguous area where state and party boundaries are blurred. Government inaction in the face of crimes committed by non-state actors is another form of ‘foul play.’⁷ The danger of this behavior is that it risks delegitimizing the entire democratic process. It also contributes to the development of a collective perception that one’s political adversaries are not playing according to the rules of the game, therefore encouraging all parties to employ similar tactics. As a consequence we have seen most political parties (notably OLF, OFC, ECSJ and PP) have evolved from allies at the start of the reform process into bitter enemies.

Thus, Ethiopia’s political transition was already on a precarious trajectory before COVID-19. On March 31, the National Election Board of Ethiopia (NEBE) declared that the elections would be postponed on an indefinite basis due to the pandemic, a decision that was soon followed by a declaration of a five-month state of emergency. Parliament’s mandate expires in October and thus the country was put on a path towards a constitutional crisis. Some of the proposed options for managing the legal quagmire were: dissolving parliament and installing a caretaker government, a constitutional amendment that would extend the government’s life, and constitutional interpretation by Ethiopia’s upper house, the House of Federation, that would likely do the same.⁸

3. Examining the methods and nature of political competition does not address the root causes of the conflicts but it does shed light on how competition escalates into violence and how allies turned into bitter rivals.

4. ‘Oromia Police Commission Vows To Hunt Down Perpetrators Of Burayu Attack’, Fana Broadcasting, 22.2.2020, <https://www.fanabc.com/english/oromia-police-commission-vows-to-hunt-down-perpetrators-of-burayu-attack>; ‘Amid Ethiopia unrest, Amhara political party spokesman arrested’, Reuters, 28.6.2019, <https://www.reuters.com/article/us-ethiopia-security/amid-ethiopia-unrest-amhara-political-party-spokesman-arrested-idUSKCN1TT23W>.

5. In Tigray opposition regularly complain of harassment and violence by regional security forces. See: ‘Interview with Aregawi Berhe’, BBC Tigrigna, 12.05.2020, <https://www.youtube.com/watch?v=6vpAGS-04V4>; In Addis Ababa, Eskinder Nega’s Balderas party’s meetings are regularly disrupted by government security forces. See: ‘Police Interrupted Eskinder Nega Press Conference’, Addis Standard, 30.03.2020, <https://www.addisinsight.net/2019/03/30/police-interrupted-eskinder-nega-press-conference/>; And in Amhara and SNNP the ECSJ’s public gatherings have also been disrupted. See: ‘Berhanu Nega Public Statement’, 26.02.2020, <https://youtu.be/Vk7ogriZRac>

6. ECSJ’s Berhan Nega has accused the ruling PP of these actions. See: ‘Berhanu Nega Public Statement’, 26.02.2020, <https://youtu.be/Vk7ogriZRac>; While the opposition in Tigray has accused the TPLF of using access to land and other rents as a means of rewarding followers.

7. Blocking roads and prohibiting grains from coming to Tigray is a grave crime’, The Reporter, 15.06.2019, <https://www.thereporterethiopia.com/article/blocking-roads-and-prohibiting-grains-coming-tigray-grave-crime>.

The ruling PP preferred the option of referring the case to the upper house for constitutional interpretation, and on May 5 it pushed through this decision in parliament. However, some observers have criticised the decision on the grounds that there is no constitutional dispute to interpret as the issue at hand doesn't involve a law that has been formally disputed.⁹ The House of Federation adopted the recommendations of the Council of Constitutional Inquiry on June 11, whose key recommendation was to delay elections until the Ministry of Health had declared that COVID-19 no longer constituted a public health threat, and then allow a 9-12 months period of election preparations to ensue before holding parliamentary elections.

The TPLF opposed the PP's motion in parliament as illegal and declared that they would start preparations for holding local elections in Tigray. Yet the TPLF's proposal has also been criticized for lacking a constitutional basis notably by the head of NEBE Birtukan Mideksa. Members of the OFC and Ethiopian Democratic Party (EDP) have accepted the imperative of postponing the elections but have declared that come October Ethiopia will not have a legitimate government and that an inclusive political dialogue as well as some form of power sharing arrangement is required.¹⁰ Their fear seems to be that an extension of the PP's ruling mandate will allow it to further entrench itself ahead of the elections.

While a healthy constitutional debate took place in Ethiopia, the downside is that it provided competing groups with a legal cover to double down further on their polarized positions and refuse to compromise.

COVID-19 had initially a stabilizing effect on Ethiopian politics as it led to a reduction in protests and in general public gatherings.

The state effectively mobilized people and resources to contain the pandemic,¹¹ which in some respects has revealed the resilient and versatile nature of Ethiopia's state apparatus, qualities rooted in Ethiopian history.

This trajectory of stability however drastically changed on June 29 when the famous Oromo singer Hacaaluu Hundeessaa was assassinated in Addis Ababa. The murder sparked riots and mass violence across Oromia and Addis Ababa that lasted for several days leaving more than 200 people dead.¹² The federal government accused a branch of the OLF of conducting the assassination, but also insinuated that their rivals, the TPLF as well as external actors, were co-conspirators. Immediately after the assassination key opposition leaders such as Jawar Mohammed, Bekele Gerba and Eskinder Nega were arrested on suspicion of amongst other things inciting violence. COVID-19 effectively tilted a contested and fragile political transition towards a zero-sum confrontation along Ethiopia's age-old ethno-nationalist versus unitary nationalist cleavage. Moving forward, the indirect effects of COVID-19 will be critical. If the pandemic does lead to a sharp rise in unemployment and food insecurity, elite ideological rivalry could be supplemented by bottom-up socio-economic grievances.

8. Solomon Derso, 'Constitutional based national dialogue: The best way to avert a constitutional crisis triggered by differed election' Addis Standard, 30.04.2020, <https://addisstandard.com/op-ed-constitutional-based-national-dialogue-the-best-way-to-avert-a-constitutional-crisis-triggered-by-differed-election/>

9. Mulugeta Aregawi, 'There is only one winner when legislation clashes with the constitution,' Ethiopia Insight, 12.5.2020, <https://www.ethiopia-insight.com/2020/05/12/theres-only-one-winner-when-legislation-clashes-with-the-constitution/>

10. 'Interview with Jawar Mohamed and Lidetu Ayalew', OMN, 2.5.2020, <https://www.youtube.com/watch?v=FlJTlp5zKRM>

11. Arkebe Oqubay, 'Ethiopia's unconventional COVID-19 response', World Economic Forum, 5.6.2020, <https://www.weforum.org/agenda/2020/06/ethiopia-covid19-response>

12. 'Ethiopians protest in London over detentions', BBC, 17.07.2020, <https://www.bbc.co.uk/news/topics/cwllw3xz047jt/ethiopia>

2.1.2. SUDAN

Much like neighboring Ethiopia, Sudan is a country in the midst of profound transition. A consummate political survivor, President Omar al-Bashir was ousted in April 2019 after three decades in power. Built as a coalition between the military and Sudan's Islamists, the old regime was undone by popular protests that began in Atbara in December 2018, and an eventual coup by Bashir's own security apparatus that dealt the final blow. What ensued in the next several months was a power struggle between the civilian protest movement, which was generally keen on a full transition to democratic rule, and Bashir's successor the Transitional Military Council (TMC), that sought to preserve the military's political dominance in Sudan. The transition almost flew off the rails in early June 2019 when security forces attacked thousands of protesters who were encamped outside the Ministry of Defense in Khartoum.

In August 2019, pressure from AU and Ethiopian mediators, along with the engagement from the US and Europeans, resulted in an agreement between the TMC and the Forces for Freedom and Change (FFC), the umbrella organization representing the civilian protest camp. At its core, the agreement established a coalition government between the security apparatus and the FFC that would rule the country for a three-year period culminating in national elections. The leadership organs would be a Sovereignty Council evenly balanced between civilians and the military, and a civilian cabinet headed by a civilian PM.

While the August agreement has granted Sudan some respite, the situation remains volatile. Mutual distrust and antagonism between the security apparatus and the FFC persists, and has paralyzed the transitional government in many areas. As during the Bashir era, the security apparatus is

divided against itself, as officers of the Sudanese Armed Forces have run-up against the newly ascendant Rapid Support Forces (RSF) of Mohamed Hamdan Dagalo, a paramilitary group cultivated under the former President. The FFC, for its part, remains a large and unwieldy collection of politically disparate interests, as exemplified by Sadiq al-Mahdi's decision to break with the coalition in April. Armed groups and political parties from the Sudan's peripheries – Darfur, South Kordofan and Blue Nile, and Eastern Sudan – are restive, as are the Islamists and remnants of Bashir's ruling National Congress Party (NCP). All of these fissures exist against the backdrop of an economy in crisis and an insidious set of external rivalries that is further destabilizing the Sudanese body politic.

These explosive tensions have played out in ominous acts of violence that are still difficult to fully situate.

Clashes in Darfur and South Kordofan continue, even as new areas, like Port Sudan and Kassala in the East, have fallen victim to episodes of conflict.¹³ In March 2020, civilian Prime Minister Abdullah Hamdok survived an assassination attempt which remains unattributed to any actor. In the aftermath, Information Minister Faisal Mohammed Saleh noted that "Terrorist attempts and dismantling the old regime will be dealt with decisively."¹⁴

13. "Darfur Ethnic Violence Endangers Sudan's Peace Plan," DW.COM, February 1, 2020, <https://www.dw.com/en/darfur-ethnic-violence-endangers-sudans-peace-plan/a-51872908>; Mohammed Amin, "Sudan Deploys Army to Quell Tribal Clashes in Kassala and South Darfur," Middle East Eye, accessed May 17, 2020, <http://www.middleeasteye.net/news/sudan-deploys-army-quell-tribal-clashes-kassala-and-south-darfur>.

14. "Sudan PM Abdalla Hamdok Survives Assassination Attempt - BBC News," [bbc.com](https://www.bbc.com/news/world-africa-51800278), accessed May 17, 2020, <https://www.bbc.com/news/world-africa-51800278>.

Broader efforts to advance the transition appear to be slowing as well. The formation of a transitional legislature and the appointment of civilian governors has yet to occur, milestones in large part derailed by the need to accommodate slow moving talks in Juba between the transitional government and a fractious collection of armed groups.

In this fragile context, Covid-19 has become a destabilizing force. The crux of the issue is the tug-of-war between the military and the civilian components of the transitional government, and whether Sudan's transition is to be "civilian-led" as the August 2019 agreement stipulates.

One concern is that the security apparatus, so severely implicated in Bashir's thirty-year dictatorship, may leverage Covid-19 to sabotage the democratic aspirations of the Sudanese revolution.

Much of this concern is related to optics and public support. As economic conditions worsen and the Covid-19 caseload grows, there is some risk that Hamdok and his civilian cabinet could take the blame, creating a scenario in which the security apparatus might invoke the exigencies of a national emergency and seize control. Reports from Khartoum suggest that the possibility of a coup against the civilians is a distinct possibility, although this may overstate the case.¹⁵ The RSF and Hemedti, arguably Khartoum's new kingmakers, are eagerly using the crisis to burnish their image, and have leveraged their control of the illicit gold trade and substantial off-book budget to resource Covid-19 assistance to the Sudanese people.¹⁶

Covid-19 related tensions between the two sides have manifested themselves with some regularity in recent months. In April, when the military governor of Khartoum refused an order from PM

Hamdok to close places of worship, he was fired but declined to step-down. An obvious challenge to the authority of civilians in government, the crisis was only averted through tough talks with military top brass and the head of the Sovereign Council, General Abdel Fattah-al Burhan.¹⁷ Yet a subsequent effort to replace all of Sudan's governors (who are all military men) and install civilians appears to have again been delayed.

In May, another controversy erupted over the health ministry, when generals in the Sovereign Council attempted to engineer the ouster of the Minister and exceeded their constitutional mandate by releasing a press statement unilaterally announcing the move. Although the generals sought to place the limitations of Sudan's Covid-19 response at the Minister's feet, he had earlier criticized the security forces for perpetrating abuses against doctors combating the virus. Hamdok and his cabinet appear to have resisted this usurpation of civilian authority and the minister remains in place for now, but the Sudanese Professionals Association (SPA) - a key stakeholder in the FFC - threatened to send protesters to the streets.¹⁸ Such a move would have placed serious pressure on the generals, as Covid-19 had for some time demobilized the protest movement and the ability of the civilian elements of the transitional government to leverage it. It could also have generated a confrontation that led to another round of violence. Either way, by the end of June 2020, it was clear that the Covid induced hiatus on popular protest was over, with mass pro-democracy protests held in Khartoum on June 30 and large protests in Darfur a few days later.

15. Declan Walsh, "Concerns of a Coup Stir in Sudan as Capital Braces for a Virus Lockdown," *The New York Times*, April 17, 2020, sec. World, <https://www.nytimes.com/2020/04/17/world/africa/Sudan-coup-coronavirus.html>.

16. Mohammed Alamin and Salma El Wardany, "Notorious Sudanese Militia Poses as Savior in Coronavirus Fight," *Bloomberg.Com*, April 13, 2020, <https://www.bloomberg.com/news/articles/2020-04-14/notorious-sudanese-militia-poses-as-savior-in-coronavirus-fight>.

17. "Sudan to Replace Military Governors over Dispute," *The National*, accessed May 18, 2020, <https://www.thenational.ae/world/sudan-to-replace-military-governors-over-dispute-11007662>.

18. Mohammed Amin, "Sudanese Activists Threaten Protests If Health Minister Fired," *Middle East Eye*, May 16, 2020, <http://www.middleeasteye.net/news/sudan-health-minister-akram-altoum-threat-protests-civil-society>.

2.2 COVID-19 AND STATE-BUILDING

2.2.1. SOMALIA AND SOMALILAND

The Federal Government of Somalia (FGS) has made slow but steady progress in its state-building project over the last decade. In addition to holding a number of legislative and presidential elections, it has painstakingly negotiated the establishment of five federal member states, and made some progress in building the capacity of its security forces.¹⁹ Still, the federation-making process has unleashed a fierce competition over the contours and content of Somalia's federalism, which arguably remains the second most significant source of insecurity next to al Shabaab.

Institutional power struggles are particularly destabilising in the Somali context because of the propensity of political actors at all levels to leverage the intervention of national and foreign powers in an illicit manner. In regional elections the contenders often draw on the political and military support of their allies in the FGS as well as from other federal member states (FMS),²⁰ while in the vertical power struggles between the FGS and FMS it is also common to draw on the support of foreign powers.²¹ The political change that took place in Ethiopia, for instance, had significant strategic implications for Somali state-building and democracy, as Abiy Ahmed of Ethiopia shifted his country's Somalia policy, and prioritized an alliance with the FGS over that of the FMS. FMS officials have thus accused Ethiopian troops of intervening politically and militarily in regional elections on behalf of the FGS and its allies. Meanwhile politicians in Jubaland have leveraged Kenya's support.²² These rivalries have also encouraged the interference of actors from outside the Horn of Africa, such as the Gulf states and Turkey.²³ The Somalia was scheduled to hold elections in December 2020 and has made important procedural progress on election preparations, notably the enactment of an electoral law to hold direct elections.

But COVID-19 led to speculation that President Mohamed Abdullahi Mohamed would use the pandemic as an opportunity to postpone the elections.

The Forum for National Parties (FNP), consisting of six opposition parties including former President, Sheikh Sharif Ahmed and Sheikh Hassan, voiced concerns about this possibility as soon as it was raised.²⁴ While Somalia's electoral law does have an emergency clause that allows for the postponement of elections, the Speaker of the Somali Parliament quickly ruled out the prospects for a future term extension.²⁵

After extensive political pressure from opposition groups Prime Minister Hassan Ali Kheyre confirmed that Somalia would hold direct parliamentary and presidential elections in December 2020 and January 2021, respectively. However the Somali electoral commission reversed this decision in July and declared that they wouldn't be able to hold elections in time due to COVID-19, among other factors. Stiff opposition from regional state leaders eventually led to a two-week long negotiation in Dhusamareb between the FGS and FMS leaders, which resulted in an agreement to establish a joint technical committee to examine options for election modalities as well as a commitment to hold elections within the original time-frame - despite the electoral commission's statement. In yet another twist in the saga over the elections, in July Somalia's parliament moved to dismiss Prime Minister Hassan Khaire July, one of the chief architects of the Dhusamareb consensus.

19. Michael Keating and Sagal Abshir, 'The Politics of Security in Somalia,' NYU Center on International Cooperation, 04.2018, https://cic.nyu.edu/sites/default/files/politics_of_security_in_somalia_2018_final_0.pdf.

20. Fred Oluoch, 'Jubbaland's Madobe risks isolation over ally,' The East African, 09.12.2019, www.theeastafrican.co.ke/news/ea/Jubbaland-Madobe-risks-isolation/4552908-5378732-view-asAMP-14hw089z/index.html.

21. Mohamed Olad Hassan, 'Somali Regional States Suspend Ties With Federal Government,' VOA, 08.09.2018, <https://www.voanews.com/africa/somali-regional-states-suspend-ties-federal-government>

22. Aggrey Mutambo, 'Leaders in row over Somalia's Galmudug,' The East African, <https://www.theeastafrican.co.ke/news/ea/Leaders-in-row-over-somalia-galmudug/4552908-5282062-395ggj/index.html>

23. Mohammed Yusuf, 'Somalia Tries to Keep Rival Gulf States at Bay,' VOA, 15.11.2019, <https://www.voanews.com/africa/somalia-tries-keep-rival-gulf-states-bay>.

24. Aggrey Mutambo, 'Somalia races to beat time ahead of planned polls,' The East African, 17.12.2019, www.nation.co.ke/news/africa/Somalia-races-to-beat-time-ahead-of-planned-polls/1066-5389170-ps042tz/index.html

25. 'Somalia: Parliament Speaker rules Out Farmajo's Term Extension,' Garowe Online, 23.04.2020, <https://www.garoweonline.com/en/news/somalia/somalia-parliament-speaker-rules-out-farmajos-term-extension>.

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If the government is able to deliver on its promises this will be Somalia's first one-person-one-vote direct election since 1969, and would mark the end of its indirect clan-based electoral system adopted in 2000. Somalia's past elections have been significantly compromised by vote buying, foreign interference, coercion and gerrymandering.²⁶ In this context, direct elections would constitute a major milestone for Somalia's democratization process and may reduce the ability of foreign actors to engage in vote buying and interference. Yet progress on this front will not be easy, given the current institutional rivalries and the ways in which they have been compounded by the pandemic. Moreover, efforts to delay the elections, even if to put a one-person-one vote election in place, is pushing Somalia's fractious political system to the brink.

COVID-19 might also have a negative impact on Somalia's efforts to contain al Shabaab's insurgency. Al Shabaab has unsurprisingly dismissed the UN's global call for a ceasefire and continued to conduct violent attacks during the pandemic.²⁷ The AU's peacekeeping mission in Somalia (AMISOM) immediately restricted its operations when the first COVID-19 cases were confirmed in the country.²⁸

A combination of government infighting, an inability to provide necessary health services, and a reluctance on the part of international peacekeeping efforts to conduct normal operations, could provide a further boost to al Shabaab's insurgency, and consequently complicate Somalia's state-building process.

26 'Following enactment of federal electoral law, Somalia's international partners urge all Somali stakeholders to work together to hold elections on time,' UNSOM, 25.02.2010, <https://reliefweb.int/report/somalia/following-enactment-federal-electoral-law-somalia-s-international-partners-urge-all>.

27. Louis Platts-Dunn, 'Al-Shabaab and increasing civilian harm in Somalia,' AOA, 22.04.2020, <https://reliefweb.int/report/somalia/al-shabaab-and-increasing-civilian-harm-somalia>.

28. Cedric de Coning, 'The Impact of COVID-19 on Peace Operations,' IPI, 02.04.2020, <https://theglobalobservatory.org/2020/04/impact-covid-19-peace-operations/>.

Somaliland, which has been de-facto independent since 1991, faces a very different set of challenges. It ratified its constitution in 2002 and stands out from the rest of the region in that it has managed to establish a relatively robust democratic system. Presidential elections have been held regularly, and power has alternated peacefully on a number of occasions. Parliamentary elections on the other hand were last held in 2005 and finally scheduled for March 2020, but were again postponed to 2023 by the Kulmiye led government.

Somaliland's elites had agreed to postpone the legislative elections before the arrival of COVID-19, and are therefore not confronted with the same constitutional crises that its neighbours are facing.

But even when faced with electoral and constitutional disputes its elites have a track-record of finding an elite bargain. Given that Somaliland's democratic institutions are relatively robust, they will likely be able to manage a sudden economic by relying on various non-coercive mechanisms to maintain order.²⁹

29. Pegg, S. and M. Walls, 2018, 'Back on track? Somaliland after its 2017 presidential election', *African Affairs*, 117(467): 326-337.

2.2.2. SOUTH SUDAN

Two years after attaining independence South Sudan plunged into a civil war which has claimed almost 400,000 lives and displaced some 4 million others.³⁰ Sustained peace mediation efforts by regional and international actors resulted in a successful signing of the Agreement on the Resolution of Conflict in South Sudan (ARCSS) in 2015 and the return of Vice President Riek Machar to Juba in 2016. Within a few months however fighting broke out again between Machar and President Salva Kiir's troops resulting in Machar once again fleeing the capital. The subsequent fighting induced one million South Sudanese to flee to Uganda.

Although the US spearheaded targeted sanctions on individual leaders as a consequence, it was IGAD member states that managed to persuade the warring parties in September 2018 to sign an expanded version of the ARCSS, which came to be known as the R-ARCSS. In April 2019 the peace process was also given new impetus after the two leaders were invited to the Vatican by Pope Francis for mediation. The agreement was a two-phased program composed of a preparatory pre-transitional phase of 8 months and a transitional phase of three years with a unity government that would end with general elections.³¹ This paved the way for Machar's return to Juba to be sworn in as

one of Kiir's Vice-Presidents in February 2020.

While there are many similarities between the R-ARCSS and its predecessor agreement from 2015, there are also significant differences. A central difference is its more inclusive nature: signatories to the R-ARCSS included, in addition to Kiir and Machar, another 8 political factions as well as 16 representatives from civil society. Kiir also agreed to reduce South Sudan's administrative units from 22 to 10 (an issue that had been a key stumbling block),³² and while Machar had returned to South Sudan in 2016 with his personal militia of more than 1000 soldiers, in 2020 he agreed to incorporate his soldiers into a unified state army.

While the progress that R-ARCSS represents should be a cause of optimism, it has significant shortcomings that need to be considered. First of all, the peace plan was rejected by key military factions, such as those led by Paul Malong and Thomas Cirillo. Secondly, potentially conflict inducing policy issues have lingered for some time, including finalizing the appointment of the 10 regional governorships, the integration of warring forces totalling 83 thousand into a unified national army, and the establishment of a transitional parliament.

30. Francesco Checchi, Adrienne Testa, Abdihamid Warsame, Le Quach, Rachel Burns, 'War in South Sudan estimated to have led to almost 400,000 excess deaths,' London School of Hygiene & Tropical Medicine, <https://www.lshtm.ac.uk/newsevents/news/2019/war-south-sudan-estimated-have-led-almost-400000-excess-deaths>

31. Clayton Hazvinei Vhumunu, 'Reviving peace in South Sudan through the Revitalised Peace Agreement,' ACCORD, 04.2018, <https://www.accord.org.za/conflict-trends/reviving-peace-in-south-sudan-through-the-revitalised-peace-agreement/>.

32. 'Revitalised Agreement on the Resolution of the Conflict in the Republic of South Sudan (R-ARCSS),' University of Edinburgh, 12.09.2018, [https://www.peaceagreements.org/view/2112/Revitalised%20Agreement%20on%20the%20Resoluti%20on%20of%20the%20Conflict%20in%20the%20Republic%20of%20South%20Sudan%20\(R-ARCSS\)](https://www.peaceagreements.org/view/2112/Revitalised%20Agreement%20on%20the%20Resoluti%20on%20of%20the%20Conflict%20in%20the%20Republic%20of%20South%20Sudan%20(R-ARCSS)).

COVID-19 came to South Sudan at critical phase in its peace and state building process.

A major concern is that the pandemic will delay the implementation of critical portions of the peace agreement and open the space for escalating mistrust, competition and consequently a relapse of conflict.

Since the first COVID-19 case was confirmed in South Sudan, political rivalry and competition has not slowed down. On the contrary, we have seen a pattern of defections from the two big political camps as part of a realignment of allegiances, much of it related to friction over the distribution of governance posts. Key members of Machar's SPLM-IO have defected to Salva Kiir in recent months, while members of Kiir's camp have also defected to Machar, further exacerbating suspicion between the rival camps.³³ Moreover, the two main parties in the R-ARCSS are also already disagreeing on the implementation of the agreement. On May 7 President Kiir unilaterally issued a statement on the allocation of the governorships, which was immediately rejected by Vice-President Machar on the grounds that the decision wasn't made through consensus and that the allocation didn't reflect the prominence of the country's political parties.³⁴ During the peace processes South Sudan has also experienced a substantially higher level of political violence that is both of communal character and that involves armed groups.³⁵

33. Aggrey Mutambo, 'South Sudan monitoring team cites Covid-19, defections as barriers to transition', The East African, 21.04.2020, <https://www.theeastafrican.co.ke/news/ea/Juba-monitoring-team-cites-defections-as-barriers-to-transition/4552908-5530666-ov5v8o/index.html>.

34. 'Machar rejects allocation of South Sudan's state governors, calls for RJEMC's intervention', Sudan Tribune, 7.5.2020, <https://www.sudantribune.com/spip.php?article69302>

35. 'South Sudan Mission Chief Warns More Inter-Communal Violence Could Unravel Peace Deal', VOA, 09.06.2020, <https://www.voanews.com/africa/south-sudan-focus/south-sudan-mission-chief-warns-more-inter-communal-violence-could-unravel>

2.3. | STRAINED AUTHORITARIANISM

2.3.1. ERITREA

Since securing independence in 1991, Eritrea's affairs have been guided by its armed nationalist movement turned ruling party the People's Front for Democracy and Justice (PFDJ). The country took a profound authoritarian turn in 2001 following a two-year border war with Ethiopia, after which President Isaias Afewerki emerged with a complete monopoly on political and economic power. The country's fledgling democratic institutions, like parliament and the press, were eroded; disappearances and incommunicado detention became routine occurrences; and most aspects of society were militarized, with much of the working age population impressed into government service at substandard wages. These developments had further knock-on effects, as political polarization deepened, economic conditions deteriorated significantly, and the country's international relations crumbled.³⁶ Partly as a result, Eritreans have voted with their feet, with the country producing half-a-million refugees worldwide by 2018.³⁷

Amid this structural turmoil President Isaias has proven resilient. Beyond an attempted coup in January 2013, most direct threats to his rule have been stamped out before acquiring critical momentum.³⁸ Yet the foundations of the system he presides over are showing some cracks. Much of this is related to the summer 2018 thaw in Eritrea-Ethiopia relations, which had been frozen since the border war broke out in 1998. The end of the impasse removed the ruling elite's primary rhetorical justification for autocracy: namely, the specter of Ethiopian invasion or subterfuge. The

government's subsequent unwillingness to engage in a meaningful program of political reform, contrary to popular expectations, thus further heightened discontent among the population, although its outward manifestations remained muted. The thaw also threatened to break the country's economic and social isolation, which had long served to reinforce the government's system of control. Out-migration rates surged dramatically in the months following the opening of the Eritrea-Ethiopia frontier in September 2018.³⁹ For a time, the PFDJ's command-economy began to unravel as uncontrolled cross-border trade blossomed. Eritrea's large but unwieldy diaspora-based opposition was galvanized by the new political realities and its activity-levels surged, with some indications that their clandestine presence in the country was expanding. Even in ruling circles, discontent began to manifest.⁴⁰

There are two additional dynamics that will shape Eritrea's political terrain in the coming months and years. The first is the dramatically improved international position of President Isaias and his network, which predates the thaw with Ethiopia but has been accelerated by it. This has relieved considerable pressure on the PFDJ and allowed the President to reemerge as a player in the Horn of Africa region; but it has also created new opportunities for external actors to influence the country's domestic political dynamics going forward—in particular, Eritrea's Gulf allies and Ethiopia. The second dynamic is the looming political vacuum within the PFDJ itself, since President Isaias is now in the twilight of his political career and has no obvious successor.

Decades of personal rule mean the ruling party lacks a credible second generation of leadership and any processes and decision-making structures that might inform a potential transition.

Against this backdrop, the pandemic has given way to a battle of competing narratives between the PFDJ and its opponents over the government's response. President Isaias' critics demanded aggressive action to contain Covid and argued that maladministration had rendered the country vulnerable.⁴¹ Under-equipped hospitals, a dearth of qualified medical personnel, the government's recent seizure of Catholic clinics, shortages of clean water, and the unsafe living conditions of national service conscripts and political prisoners are among the issues that have been cited.⁴² These concerns were amplified by several international NGOs and Daniela Kravetz, the UN's Special Rapporteur on the situation of human rights in Eritrea, who called on the Eritrean government to "immediately and unconditionally release those detained without legal basis...and to adopt urgent measures to reduce the number of people in detention to prevent the spread of Covid-19."⁴³ As the situation has evolved further, so have the critiques. Some insist that a number of Covid-related restrictions are posing a dangerous economic burden, and threatening the livelihoods and food security of communities throughout the country. The government's decision to reject Covid-19 supplies from Jack Ma and his Alibaba group – which was to be flown to Eritrea by Ethiopian Airlines – was widely derided in opposition circles.⁴⁴ So too with what some viewed as the President's invisibility during a moment of crisis, beyond a short address on April 18 that largely bypassed the substance of the government's Covid-19 efforts, a fact which eventually gave way to yet another round of wild speculation about his health that was finally put to rest when he travelled to Ethiopia in early May. Since then, the president has made further high profile trips to Egypt and Sudan, and other public appearances in the country.

36. Gaim Kibreab, *Eritrea: A Dream Deferred* (Oxford: James Currey, 2009); Martin Plaut, *Understanding Eritrea: Inside Africa's Most Repressive State*, 1 edition (Oxford: Oxford University Press, 2017).

37. Milena Belloni, "Why Young Eritreans Are Going to Keep Risking Deadly Migration Crossings to Europe," Quartz Africa, accessed May 16, 2020, <https://qz.com/africa/1676254/young-eritreans-are-still-migrating-at-alarming-rates/>.

38. Jeffrey Gettleman, "Coup Attempt by Rebel Soldiers Is Said to Fail in Eritrea," *The New York Times*, January 21, 2013, sec. World, <https://www.nytimes.com/2013/01/22/world/africa/coup-attempt-fails-in-eritrea.html>.

39. James Jeffrey, "Eritrea-Ethiopia Peace Leads to a Refugee Surge," *The New Humanitarian*, November 15, 2018, <https://www.thenewhumanitarian.org/news-feature/2018/11/15/eritrea-ethiopia-peace-leads-refugee-surge>.

40. Salem Solomon, "Former Top Eritrean Official Arrested After Criticizing President," *Voice of America* – English, accessed May 2, 2020, <https://www.voanews.com/africa/former-top-eritrean-official-arrested-after-criticizing-president>.

41. "The 2020 Manifesto of Eritrean Scholars and Professionals in the Diaspora," ERISAT, April 6, 2020, <http://erisat.org/the-2020-manifesto-of-eritrean-scholars-and-professionals-in-the-diaspora/>; Also see Eritrean Healthcare Professionals Network, "Open Letter to the Government of Eritrea on the Spread of Covid-19," March 22, 2020.

42. Abraham T. Zere, "Can Eritrea's Government Survive the Coronavirus?," *Al Jazeera*, accessed May 4, 2020, <https://www.aljazeera.com/indepth/opinion/eritrea-government-survive-coronavirus-200424113745581.html>.

43. OHCHR, "Eritrea Must Free Political Prisoners and Low-Risk Offenders to Reduce COVID-19 Threat in Crowded Jails, Says UN Expert," accessed May 4, 2020, <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25764&LangID=E>.

44. Simon Marks, "COVID-19 Supplies From Alibaba Never Reached Eritrea," *Voice of America*, accessed May 4, 2020, <https://www.voanews.com/science-health/coronavirus-outbreak/covid-19-supplies-alibaba-never-reached-eritrea>.

2.3.1

The PFDJ and its supporters accuse its critics of politicizing the pandemic. The government released a statement on April 8 that noted “...we have seen a miniscule clique of avowed arch-enemies of Eritrea who have seen a ‘golden opportunity’ in the global pandemic to revive their pipedream of ‘regime change’” and went on to excoriate the Special Rapporteur for her decision “...to jump on this bandwagon to unwittingly become the mouthpiece of Eritrea’s archenemies.”⁴⁵ Meanwhile, the PFDJ’s rejection of supplies from Alibaba founder Jack Ma has been turned into a virtue, and an illustration of its principled commitment to “self-reliance.” Having raised millions in donations at home and among its diaspora supporters (something official media reports on meticulously), the resource gap will be filled by domestic resources the PFDJ says. The additional message here being conveyed is unmistakable: the PFDJ is the legitimate government of Eritrea and it is inseparable from the Eritrean masses who support it.

Not surprisingly, the overall picture on Covid-19 presented in official media is positive. Despite the dire challenge, the government’s proactive containment measures have yielded dividends—with only a few hundred reported cases, the narrative goes, Eritrea appears to be succeeding where others have failed. Objectively speaking, there are few signs that the country is experiencing wide-spread community transmission.

Thus, the primary political impact of Covid-19 in Eritrea is that it has reinforced existing political cleavages. Whether it has deeper impacts on the stability of the current political system will depend on how serious the health and economic crisis gets. Here, tracking developments will be hard—Eritrea is, for all intents and purposes, a data desert, where the most basic statistics are national secrets or incredibly hard to vet. Despite a bevy of government press releases and statements, this remains the case on Covid related matters as well: the authorities have not disclosed, for instance, the members or leadership of its “High Level Task Force” running the pandemic response, and there is not a good deal of clarity on testing numbers. On the issue of top-line infection numbers, there is simply no way to ascertain their accuracy, although to its credit the government reports numbers regularly. The UN system in a normal setting might offer a reliable source of information, but in-country officials often steer clear of disclosing information that presents the government in negative light and as such are largely unable to serve as a neutral arbiter of data in the Eritrean context.

45. Permanent Mission of the State of Eritrea to the United Nations Geneva, “Harassment of Eritrea is Unconscionable,” April 8, 2020, accessed May 4, 2020, <http://shabait.com/news/local-news/30430-press-release>

2.3.2. DJIBOUTI

Ismail Omar Guelleh has ruled Djibouti since 1999, and his People's Rally for Progress (RPP) has effectively been power since the early days of the country's independence in late 1970s. Propelled by the exigencies of a dangerous civil war the RPP transitioned to multi-party politics in the early 1990s, but Djibouti is a dominant party system and Guelleh reigns supreme. Most key officials are close confidantes or family members of the President and politics and governance remain a deeply personalized affair. While elections have been regularly held, the main opposition parties USN alliance and Movement for Democratic Renewal and Development (MRD) have at times boycotted parliamentary and presidential elections, arguing that they did not want to legitimize rigged polls through their participation.⁴⁶ Term limits were also adjusted to allow Guelleh to run for, and win, third and fourth terms in 2011 and 2016 respectively.

This monopolization of political power has produced several cycles of protest, most recently following the arrest of an opposition figure in October 2019, which resulted in 50 deaths and the blockage of roads to Ethiopia.

The political economy of authoritarian resilience in Djibouti has been rooted in its geo-strategic location. Straddling the Bab-el Mandeb strait that connects the Red Sea and Gulf of Aden has made Djibouti an attractive ally to global powers, and host to several foreign military bases that house American, Chinese, and French personnel. It is also the sea outlet for the most populous landlocked economy in the world, Ethiopia, with over 90% of that country's sea borne trade flowing thru Djibouti's port. These services have provided Djibouti's government with significant financial rents as well as political influence.⁴⁷

Yet there are two serious challenges that exist for Djibouti's political establishment going forward. The first is question of succession, as Guelleh is of relatively poor health and in the twilight of his political career. There is no clear-cut replacement for the President, and the palace intrigue surrounding who might replace him – involving jockeying between key members of his family and leading RPP stalwarts – risks taking more pernicious forms under the right conditions. Overlaying these struggles are ethnic and clan cleavages, and the perception that Guelleh's sub-clan has monopolized power for too long. Some suggest that the President may stand for yet another term in 2021, yet that may simply serve to postpone the inevitable power struggle until the 2026 elections, or precipitate further popular unrest.⁴⁸

46. Abdulaziz Osman, "Djibouti Opposition Rejects Election, Cites Fraud," Voice of America, April 10, 2016, <https://www.voanews.com/africa/djibouti-opposition-rejects-election-cites-fraud>.

47. David Styan, "Djibouti: Changing Influence in the Horn's Strategic Hub," Chatham House, April 1, 2013, <https://www.chathamhouse.org/publications/papers/view/190835>.

48. "A Fifth Term for Ismail Omar Guelleh alongside a Possible Successor?," The Indian Ocean News Letter, June 7, 2019.

2.3.2

The second challenge is shaped by the changing nature of regional politics in the Horn. Over the last five years, the UAE has emerged as a major player in the Red Sea basin at exactly the same time that escalating diplomatic tensions between Guelleh and Abu Dhabi over Franco-Djiboutian businessman Abdourahman Boreh and DP World's management contract for Djibouti Port evolved into a full-scale rupture.⁴⁹ Although recent rumors suggest that Djibouti and the UAE may soon resolve their differences, the entire affair points to the uncertainties a small nation faces in volatile region with much bigger powers.⁵⁰ There is also the recent thaw in relations between Eritrea and Ethiopia, the former one of Djibouti's biggest rivals, which has left Guelleh in the cold. Alongside the UAE's investments in Somaliland's Berbera port, these developments create considerable risk that Djibouti could lose significant market share as an outlet for Ethiopian goods and services.

Djibouti has been a leader in testing in Africa, and for a time ranked first in tests conducted per capita. Not surprisingly, it had, until recently, the highest official disease burden in the Horn region. That Covid has not had a bigger impact on Djiboutian politics is thus notable. But there are warning signs. The infection of patients at al-Rahma hospital in Balbala by two Egyptian doctors

that had recently returned to Djibouti, and the subsequent transfer of these infected patients to a hospital in the south where the disease spread further, prompted public frustration with the government's containment measures. There was also anger at the abruptness of the government's lockdown orders, and the seeming failure to forewarn the population, many of whom work in the service sector.⁵¹

What this all might portend for Djibouti going forward is hard to ascertain. No doubt, the performance of various sectors of government amid the emergency will be scrutinized in the coming months, and could be used as a political football among contending factions angling to inherit power from Guelleh. There is also some risk that a worsening public health crisis brings to the fore, yet again, long running grievances about the monopolization of political and economic power by Guelleh's inner circle. In that scenario, his reelection in 2021 would require a level of repression that destabilizes what has hitherto been one of the Horn's more stable political systems.

49. "Djibouti Defies UAE by Nationalising Container Port," The New Arab, September 10, 2018), <https://english.alaraby.co.uk/english/news/2018/9/10/djibouti-defies-uae-by-nationalising-container-port>.

50. "Djibouti : DP World Increasingly Optimistic about DCT Comeback," The Indian Ocean News Letter, December 27, 2019, https://www.africaintelligence.com/eastern-and-southern-africa_business/2019/12/27/dp-world-increasingly-optimistic-about-dct-comeback108387725-art.

51. "Coronavirus Surges in Djibouti as Population Ignores Measures," Al Jazeera, April 24, 2020, <https://www.aljazeera.com/news/2020/04/coronavirus-surges-djibouti-population-ignores-measures-200424100351031.html>.

The full health impact of the COVID-19 pandemic in the Horn of Africa remains to be seen. So far, governments in the region have responded remarkably well, initiating measures to prevent the spread of the pandemic well ahead of many governments in Europe and North America. In the economic realm, on the other hand, things are not looking very bright.

There is now a broad consensus that we will inevitably witness a steep global economic downturn throughout 2020 (and quite possibly further) that will hit hardest in developing countries. According to a study published by the United Nations University, several hundred million people in developing countries will be pushed into extreme poverty because of COVID-19.⁵² The economic impact of COVID-19 is analyzed by many as a macroeconomic shock, similar to that of the global financial crisis of 2007/2008. The COVID-19 shock, however, is different from the global financial crisis in many ways. First, the immediate reduction in global supply and global demand is turning out to be more severe. Second, in economic terms, the COVID-19 crisis does not originate in one country, spreading through other countries through ripple effects. In the case of the COVID-19 crisis, each country is forced to implement domestic lockdown measures on movement and economic activity which has an immediate and direct consequence to the domestic economy. Countries in the Horn of Africa are particularly fragile, as they are all countries with limited financial resources to deal with both the global downturn caused by the pandemic and the rising unemployment / reduced domestic economic activity as a result of lockdown measures. In the following sections, we map out the main channels through which countries in the Horn of Africa are impacted economically by the COVID-19 crisis.

52. Sumner, A., Ortiz-Juarez, E. and Hoy, C. (2020). COVID-19 and poverty incidence, intensity, and severity in developing countries. United Nations University WIDER Working Paper 2020/77.

3.1. | INTERNATIONAL TRADE

The COVID-19 pandemic is causing several disruptions to the global economy, impacting countries in the Horn of Africa through many channels. The first is a severe reduction in international trade, due to both reduced global demand and global supply.

According to the World Trade Organization, world merchandise trade is projected to decline between 13% and 32% in 2020 due to the COVID-19 pandemic.⁵³

The most optimistic scenario (13%) forecasts a larger reduction in merchandise trade than that caused by the global financial crisis. In other words, trade disruptions caused by the COVID-19 pandemic will be unprecedented. This will severely reduce the export volumes of countries in the Horn of Africa. The negative effect on export volumes is compounded by the reduction in prices of goods that countries in the Horn of Africa export, in particular prices of primary commodities which have already dropped precipitously since the start of the pandemic. According to the UN Conference for Trade and Development, the overall price decline of primary commodities has been 37% this year.⁵⁴ This is led by the massive reduction in the

price of oil, which impacts the exports of South Sudan (where crude petroleum accounts for 99.3% of exports) and Sudan (where crude petroleum accounts for 15% of exports) significantly. Eritrea is also hit hard because the price of Zinc has dropped steeply (Zinc Ore accounts for 75% of all exports in Eritrea).⁵⁵ Not only are goods exports affected by the drop in global demand, tradable services are also suffering. For example, Ethiopia's State Minister of Finance reported that Ethiopian Airlines — which has grown to become Africa's largest airline as measured by passengers carried — as well as the country's tourism industry is taking a massive hit.⁵⁶ This hit to the tradable service sector is confirmed by recent export figures from Ethiopia.⁵⁷

The reduction in exports is a serious cause for concern in the Horn of Africa because most countries have severe trade balance constraints: the trade balance in goods and services as a percentage of GDP is negative in all countries, as shown in Figure 1. There is, of course, variation in each country's situation. In Somalia, the situation is critical, whereas in Sudan, it is better. We did not find reliable data for Eritrea and South Sudan for the indicator we have used for Figure 1, but other sources indicate that in Eritrea, both the volume of exports and imports is very low, and in South Sudan, the trade balance is positive due to the large volume of petroleum exports.⁵⁸ However, as

53. World Trade Organisation (2020). Trade set to plunge as COVID-19 pandemic upends global economy. Press release 8 April 2020.

54. UN Conference for Trade and Development (2020). The Covid-19 Shock to Developing Countries: Towards a 'whatever it takes' programme for two-thirds of the world's population left behind. Trade and Development Report Update. Geneva: UNCTAD.

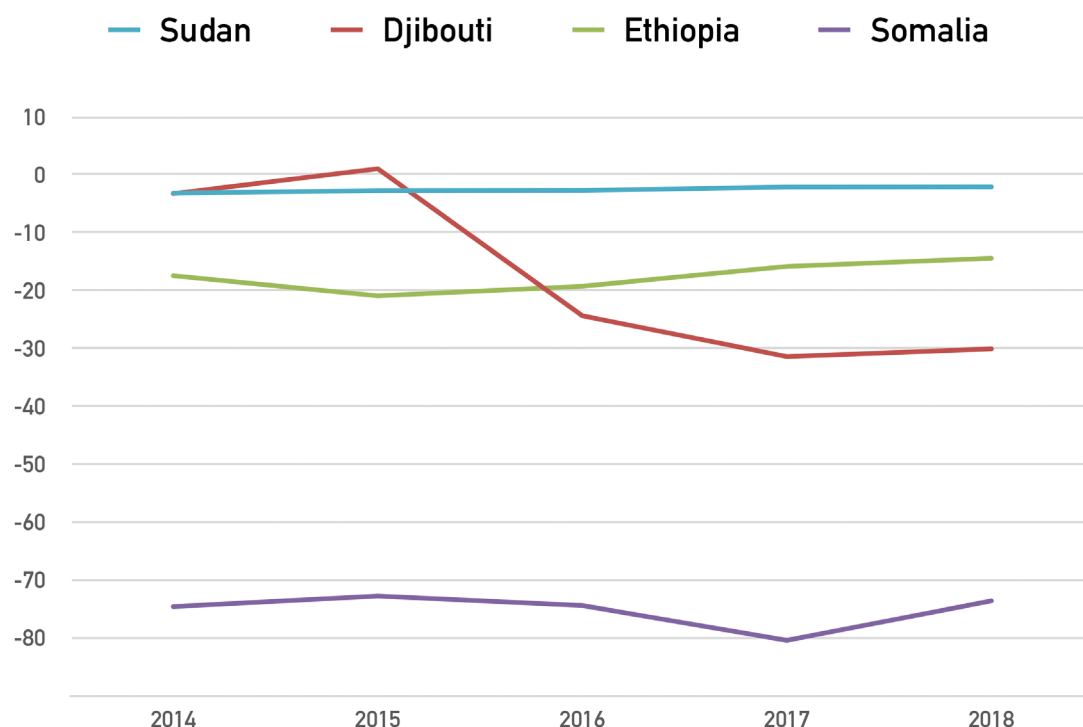
55. These country-specific trade statistics are retrieved from the Observatory for Economic Complexity: <https://oec.world/en/>

56. Ethiopia Policy Forum (2020). Economic Impact of COVID 19 on Ethiopia. 9 April 2020.

57. Beyene, S. and Gebrewolde, T. M. (2020). Projecting the impact of COVID-19 on exports in Ethiopia

58. Data retrieved from the Observatory of Economic Complexity: <https://oec.world/en/>

FIGURE 2 | TRADE BALANCE IN GOODS AND SERVICES AS % OF GDP, 2014-2018 ⁶³



mentioned, Eritrea, Sudan, and South Sudan will most likely take massive hits in their exports due to their reliance on primary commodity exports whose prices are falling.

The COVID-19 pandemic therefore exacerbates the existing foreign currency shortages in countries in the Horn of Africa, making imports of essential goods a greater challenge than it already is. The constraints on import capacity is compounded by disruptions to global supply chains,⁵⁹ and a global scramble for importing essential medical equipment, like masks, gloves, goggles and ventilators. Many countries are repurposing their

factories to produce essential goods needed for the pandemic,⁶⁰ but countries in the Horn of Africa do not have that luxury as manufacturing capabilities are limited. They must largely rely on imports. While most analyses focus on medical supplies — health officials in a number of African countries are warning of chronic medical shortages⁶¹ — there are other essential imported goods affected by the pandemic. For example, in Ethiopia there are reports that due to the disruptions in global supply chains, the country is facing import shortages of fertilizer,⁶² which is completely essential for maintaining food security in the country.

59. Adnan Seric, Holger Görg, Saskia Möhle and Michael Windisch (2020). Managing COVID-19: How the pandemic disrupts global value chains. Industrial Analytics Platform, April 2020.

60. Cambridge Industrial Innovation Policy (2020). COVID-19: International manufacturing policy responses. 7 April, 2020. Institute for Manufacturing, University of Cambridge.

61. Neil Munshi (2020). African health officials warn of chronic medical shortages. Financial Times, 8 April 2020.

62. Ethiopia Policy Forum (2020). Economic Impact of COVID 19 on Ethiopia. 9 April 2020.

63. World Development Indicators databank: <https://databank.worldbank.org/source/world-development-indicators>

3.2. FOREIGN DIRECT INVESTMENTS AND REMITTANCES

While the COVID-19 crisis impacts these countries' trade balances negatively, inflows of foreign capital and foreign currency depend on more variables, like foreign direct investment and remittances. The development does not look good with respect to these variables either. The International Monetary Fund has already reported a staggering US\$83 billion worth of capital outflows from developing countries,⁶⁴ the largest outflows ever recorded. Fluctuations in foreign direct investment are normally less volatile, but the impact in this area is also predicted to be unprecedented: the UN Conference for Trade and Development estimates a global reduction in foreign direct investment of 30–40% during 2020, a further decrease in 2021, and recovery not being initiated until 2022.⁶⁵ In the Horn of Africa, this will hit Ethiopia and Sudan hardest, who are the largest recipients of foreign direct investment. While foreign investment in Sudan focuses mostly on extractive industries (gold and petroleum), Ethiopia has a more diversified base, as the government has been working relentlessly in the past ten years to attract

foreign direct investment into its manufacturing sector to produce apparel and leather-based products.⁶⁶ These types of investments have greater economic development potential, so a possible contraction in foreign direct investments in Ethiopia could spell trouble for future economic growth and development in the country.

Most African economies are dependent on remittances — money transfers from private individuals abroad, often relatives — a dependence that has been increasing over time. Remittances as a share of private capital flows to Africa increased from 42% in 2010 to 51% in 2016,⁶⁷ totalling US\$64.9 billion in 2016. To put this into perspective, this is higher than foreign direct investment into Africa, which totalled US\$46.5 billion in 2016.⁶⁸ In other words, remittances are a tremendously important source of capital flows into Africa. Now that the COVID-19 crisis is increasing economic hardship for people around the world, in particular migrant workers, remittances to African countries are falling sharply.⁶⁹

64. International Monetary Fund (2020). The Great Lockdown: Worst Economic Downturn Since the Great Depression. IMF press release No. 20/98 (23 March 2020).

65. UN Conference for Trade and Development (2020a). Impact of the Covid-19 Pandemic on Global FDI and GVCs. Investment Trends Monitor No. 35 (special issue March 2020). Geneva: UNCTAD; UN Conference for Trade and Development (2020b) World Investment Report 2020: International Production Beyond the Pandemic. Geneva: UNCTAD.

66. Hauge, Jostein (2019). "Should the African lion learn from the Asian tigers? A comparative-historical study of FDI-oriented industrial policy in Ethiopia, South Korea and Taiwan." *Third World Quarterly*, 40(11): pp. 2071–2091. DOI: <https://doi.org/10.1080/01436597.2019.1629816>

67. UN Conference for Trade and Development (2018). EDAR Facts and Figures. UNCTAD press release 31 May 2018.

68. UNCTAD Data Center: <https://unctadstat.unctad.org/EN/Index.html>

69. The Economist (2020). Covid stops many migrants sending money home. The Economist, 16 April 2020.

This fall in remittances is worrying for countries in the Horn of Africa, especially for Eritrea and Somalia, two countries which are among the world's most dependent on remittances. While reliable economic data on Eritrea is notoriously difficult to come by, our sources indicate that a majority of households in the capital city, Asmara, are dependent on remittances to sustain their livelihoods. The Eritrean government is also dependent on remittances as a source of foreign exchange. Part of the reason why the government has pegged the domestic currency, Nakfa, at an artificially high level against most major foreign currencies is to take advantage of the large amounts of remittances flowing into the country. In Somalia, remittances are estimated at between US\$1.3 billion and US\$2 billion, making up 42% of the country's GDP if we use the latter estimate. Approximately 40% of households are dependent on these remittances.⁷⁰

Although remittances are falling, there is hope that the trend will reverse once the situation gets better in Europe and the US, where a large part of the remittances to both Eritrea and Somalia come from. It is also possible that the stimulus packages in Europe and the US will ease some of the economic hardship of Eritreans and Somalis there. Moreover, it is encouraging to see that community groups abroad have come together to raise funds for COVID support in their home countries.⁷¹ But if employment does not start picking up again in Europe and the US, this will have severe consequences for the Eritrean and Somali economy through the remittance channel. Given the aggregate negative effects on trade balances and capital inflows to countries in the Horn of Africa, economic stimulus plans and debt relief have become a central topic of discussion. Additionally, domestic lockdowns in countries in the Horn of Africa have the ability to hamper economic activity more seriously than global trade and investment disruptions. We turn our focus to these issues in the following sections.

70. Nisar Majid, Laura Hammond, Khalif Abdirahman, Guhad Adan, Nauja Kleist (2020). How will remittances affect the Somali COVID-19 response? LSE blogs, Conflict Research Programme.

71. Nisar Majid, Laura Hammond, Khalif Abdirahman, Guhad Adan, Nauja Kleist (2020). How will remittances affect the Somali COVID-19 response? LSE blogs, Conflict Research Programme.

3.3. LOCKDOWN AND ECONOMIC STIMULUS PLANS

The COVID-19 crisis has forced governments around the world, including every country in the Horn of Africa, to implement lockdown measures in an attempt to slow the spread of the virus.

The global lockdown is at the core of the economic crisis, causing soaring unemployment and a standstill to most economic activities. Governments have responded with unprecedented fiscal stimulus plans. The largest one so far, by the United States, amounts to US\$2 trillion dollars.⁷² In Table 1, we have compiled an overview of lockdown measures and economic stimulus plans by countries in the Horn of Africa as a response to the COVID-19 crisis. While, as seen from the Table, Sudan and Ethiopia have been able to formulate some fiscal and monetary responses to the crisis, domestic fiscal capacity is more strained in Eritrea, Djibouti, Somalia, and South Sudan.

72. Emily Cochrane and Nicholas Fandos (2020). Senate Approves \$2 Trillion Stimulus After Bipartisan Deal. New York Times, 25 March 2020.

73. International Monetary Fund COVID-19 Policy Tracker: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>. Current as of August 2020.

TABLE 1 | LOCKDOWN MEASURES AND ECONOMIC STIMULUS PLANS IN THE HORN OF AFRICA⁷³

	LOCKDOWN MEASURES (HAVE BEEN EASED GRADUALLY IN SOME COUNTRIES)	FISCAL POLICY	MONETARY AND MACRO POLICY
Djibouti	Restrictions on air, land, and sea borders, interruption of passenger flights and trains to (and from) Djibouti; suspension of visa issuance; confinement of non-essential employees, and steps to encourage social distancing.	The government has announced a package of measures to respond to the shock, amounting to 2.4% of GDP. It includes increases in health and emergency spending in support of households and firms affected by the pandemic	No measures.
Eritrea	All citizens are compelled to stay at home except for those engaged in indispensable developmental and security tasks. All trading activities and transactions are banned during this period except in major productive and service sectors (manufacturing, food processing, construction, trucking etc.) which will continue their functions. Food production, supply and processing enterprises as well as grocery stores, pharmacies and banks will continue to provide services but must close at 8:00 pm every evening. All government institutions stopped routine services and functions to focus on indispensable developmental and security tasks.	No measures.	No measures.
Ethiopia	Closing of borders, schools, nightclubs and entertainment outlets, as well as social distancing measures. Called in retired and in-training medical personnel. In addition, all people entering Ethiopia from another country are subject to a mandatory 14-day quarantine.	<p>April 3: Announcement of COVID-19 Multi-Sectoral Preparedness and Response Plan. The plan is to be implemented over the next three months and will require US\$1.64 billion in funding (about 1.6 % of GDP). The funds are expected to be allocated as follows: (i) \$635 million (0.6% of GDP) for emergency food distribution; (ii) \$430 million (0.4% of GDP) for health sector response under a worst-case scenario of community spread; (iii) \$282 million (0.3% of GDP) for provision of emergency shelter and non-food items; (iv) The remainder (\$293 million, 0.1% of GDP) would be allocated to agricultural sector support, nutrition, the protection of vulnerable groups, additional education outlays, logistics, refugees support and site management support.</p> <p>April 30: Approval of another set of economic measures to support firms and employment. These include forgiveness of all tax debt prior to 2015/16, a tax amnesty on interest and penalties for tax debt pertaining to 2015/2016–2018/2019, and exemption from personal income tax withholding for 4 months for firms who keeping paying employee salaries despite not being able to operate due to COVID-19.</p>	The central bank has provided 15 billion birr (0.45% of GDP) of additional liquidity to private banks to facilitate debt restructuring and prevent bankruptcies. It has also provided 33 billion birr of additional liquidity to the Commercial Bank of Ethiopia.

	LOCKDOWN MEASURES (HAVE BEEN EASED GRADUALLY IN SOME COUNTRIES)	FISCAL POLICY	MONETARY AND MACRO POLICY
Somalia	Restriction of large meetings and gatherings; closing of schools and universities; suspension of international and domestic flights; evening curfew	Authorities are seeking donor support to respond to the crisis. On April 15, the authorities announced a three-month tax holiday on specific basic commodities (e.g. rice), reduced consumption tax on some additional basic goods (including flour), and lifted restrictions on rice imports.	The Central Bank is releasing funding-for-lending support for medium and small enterprises through commercial banks.
South Sudan	(i) international flight suspension (with few exceptions for planes bringing in health-related cargo, and essential/critical food items; (ii) land border restrictions; (iii) passenger bus prohibitions; (iv) evening curfews; (v) social distancing; and (vi) a mandatory 14-day quarantine period for any traveller arriving from a virus-affected country.	The government has allocated a COVID-19 fund of US\$ 8.0 million, of which US\$ 5.0 million has been allocated to the Ministry of Health to combat the pandemic.	From April to July, the Bank of South Sudan has cut the Central Bank Rate by 5 percentage points, from 15 percent to 10 percent.
Sudan	Shut-down of borders, closing of airports for passenger travels, imposing daily curfew from 6:00 p.m. to 6:00 a.m. Other social distancing measures include closure of schools and banning of mass gatherings. People returned from traveling abroad are requested to have a one-month quarantine.	Government is considering boosting the social safety net by increasing direct cash transfers, providing unemployment benefits and delivering basic food baskets to poor families at discounted prices. These measures could cost about US\$1.5 billion. The government is working with international donors to cover most of the costs.	Government is preparing to freeze loan repayment and services for three months to ease the pressure on the private sector.

Ethiopia has the most detailed and expansionary of all the fiscal stimulus plans by countries in the Horn of Africa, yet the sum of Ethiopia's plan announced in early April amounts to less than 0.1% of the US\$2 trillion stimulus in the United States (less than 0.3% if measured by per capita). While this comparison does not take differences in domestic prices and wages into account, it makes it abundantly clear that low-income countries,

such as Ethiopia, have less fiscal capacity than high-income countries to mitigate the economic impacts of the crisis. Countries in the Horn of Africa also face a greater challenge in reaching the people who need help the most, as a large share of people are employed in the informal sector (i.e. on non-contractual arrangements or working for their families, often in subsistence farming).

The difference in the fiscal capacity between countries is the main reason we should be more concerned about the economic impact of COVID-19 in low-income and middle-income countries rather than high-income countries. In fact, low-income and middle-income countries are arguably in need of more fiscal stimulus than high-income countries because:

- 1) People in these countries will be left in a more precarious state when the economy contracts
- 2) The cumulative economic effects of the pandemic are larger in these countries, as already outlined.

It should come as no surprise then that at this point already, close to 100 countries have already approached the International Monetary Fund for short-term emergency assistance — around double the number of countries that called on the fund in the immediate aftermath of the 2007/2008 financial crisis.⁷⁴

The limited fiscal capacity in developing countries is at the most obvious level a result of limited tax revenues and a low tax base. However, fiscal capacity is also constrained by governments' obligations to service external debt. All countries in the Horn of Africa struggle with external debt overhang, with Ethiopia considered to be at high risk of debt distress.⁷⁵ African leaders as well as The International Monetary Fund recently called for all bilateral creditors to suspend debt repayments from all low-income countries, due to the COVID-19 crisis.⁷⁶ In a positive development, G20 leaders have agreed to freeze bilateral government loan repayments for low-income countries until the end of the year.⁷⁷ But some African leaders call for more. Arkebe Oqubay, senior minister and special advisor to the Prime Minister in Ethiopia, has called for the international community to step up their efforts in assisting African countries with foreign-exchange liquidity, and waiving debt repayments for longer than just the end of 2020.⁷⁸ Additionally, he encourages the International Monetary Fund to boost its stimulus package to developing countries, including a large new issue of IMF Special Drawing Rights.⁷⁹ If implemented, it is crucial that both debt relief and new funding is unconditional on domestic market reforms and on terms favourable to developing countries.

74. Delphine Strauss and Jonathan Wheatley (2020). Developing countries scramble for funds to stave off virus impact. *Financial Times*, 1 April.

75. Rustomjee, Cyrus (2018). Restoring Debt Sustainability in African Heavily Indebted Countries. Centre for International Governance Innovation, Policy Brief No. 133.

76. Ngozi Okonjo-Iweala and Brahim Coulibaly (2020). Africa Needs Debt Relief to Fight COVID-19. Project Syndicate, 9 April 2020; International Monetary Fund (2020). Joint Statement World Bank Group and IMF Call to Action on Debt of IDA Countries. IMF Press Release No. 20/103 (25 March 2020).

77. Andrew England, Jonathan Wheatley and James Politi (2020). G20 agrees debt relief for low-income nations. *Financial Times*, 15 April 2020.

78. Arkebe Oqubay (2020). How Africa Can Fight the Pandemic. Project Syndicate, 17 April 2020.

79. Izabella Kaminska (2020). Time for and SDR injection? *Financial Times* 13 March 2020.

3.4. FOOD SECURITY

COVID-19 has the potential to create a global food crisis of unprecedented magnitude, both because of disruptions to global food supply chains and disruptions to domestic food production.

As for global food supply chains, disruptions are especially worrying because they are not only a result of the aggregate supply and demand shocks we are witnessing across most supply chains right now, they are also a result of countries' increasing hesitancy to export food.

For example, two of the world's largest producers of wheat and rice, Kazakhstan and Vietnam, have suspended rice exports.⁸⁰ Besides, countries in the Horn of Africa are not only dependent on food imports but also on inputs needed in food production — we already mentioned how Ethiopia is struggling to get enough fertilizer imports, one of the most essential inputs agriculture.

We are also starting to witness disruptions to domestic food production systems, as farmers, processors, truck drivers, harvesters, pickers, etc. are forced to stay at home either due to quarantine or illness. The Ebola epidemic in West Africa provides a warning of what could happen to domestic food production, where more than 40% of agricultural land in affected countries went uncultivated as small-scale farmers were unable to work their land, sell their products, or buy seeds and other essential inputs.⁸¹ Second, many rural communities in Africa, including those in the Horn of Africa, lack basic infrastructure for sanitation and clean water, which are critical during the pandemic. Third, panic buying of food is causing local price hikes in countries across Africa, seen already in Rwanda, South Africa, Kenya, and Nigeria.⁸²

80. Jagjit Srari (2020). What does lockdown mean for the future of our food supply? University of Cambridge.

81. Cedric Habiyaremye (2020). A pandemic-driven food crisis in Africa can be prevented. Al Jazeera, 19 April 2020.

82. Cedric Habiyaremye (2020). A pandemic-driven food crisis in Africa can be prevented. Al Jazeera, 19 April 2020.

The World Bank predicts that in Sub-Saharan Africa, COVID-19 will cause agricultural output to contract between 2.6% and 7%, and food imports to decline between 13% and 25%.⁸³ The food crisis spells trouble especially for the Horn of Africa, not only because the region is a net importer of food, but also because it is one of the world's most food insecure regions. According to the UN's Food and Agriculture Organization, more than 40% of the population in the Horn of Africa are undernourished.⁸⁴ The Horn of Africa is also suffering from an unprecedented locust invasion — the worst in 70 years — which has already damaged over 200,000 hectares of cropland in Ethiopia and could potentially cause 5 million people in East Africa to face starvation.⁸⁵ COVID-19-linked flight restrictions have hampered efforts to wipe out the locust swarms by causing delays in the delivery of pesticides.

It is essential that governments in the Horn of Africa incorporate food security into all COVID-19 planning and policy. This most importantly includes targeted emergency food aid and regulation of price hikes for essential food items.

As for imports, it is critical that organizations that are already providing emergency medical supplies, like the World Bank, also focus their efforts on supplying products that are vital to maintaining food security, such as pesticides and fertilizer.

83. World Bank (2020). For Sub-Saharan Africa, Coronavirus Crisis Calls for Policies for Greater Resilience. World Bank publication, 9 April 2020.

84. Food and Agriculture Organization (2010). Food Insecurity in the Horn of Africa. Nairobi: FAO.

85. Al Jazeera (2020). Locust invasion creates food crisis for 1 million Ethiopians. Al Jazeera, 13 April 2020; International Rescue Committee (2020). The other plague: Locusts are devastating East Africa IRC, 23 June, 2020.

CONCLUSION

In the first half of 2020 states in the Horn of Africa faced a menacing combination of a global pandemic, an unprecedented locust swarm, politically volatile election preparations and peace negotiations. COVID-19 has affected all aspects of political and economic life in the Horn of Africa. The political effects of the pandemic in the region have on the one hand been in-line with global patterns, while also reinforcing existing national political pathologies.

Much like so many other parts of the world, COVID-19 led to constitutional crises in parts of the Horn of Africa.

Notably in Ethiopia and Somalia, where elections were scheduled for 2020, intense political and legal disputes have raged about whether the incumbent had the legal right to postpone the elections. While the legitimacy of the processes was disputed by some actors, both states were able to pursue legal mechanisms to manage the disputes, at least for a time. In Somalia it led to a decision to pursue elections on schedule despite the pandemic (although the firing of PM Hassan Khairi raises questions about Dhusamareb consensus), while Ethiopia postponed its parliamentary elections on an indefinite basis. The legality of these decisions has not been able to conceal or contain the contested and fragile political settlements that characterize these polities. In Ethiopia the age-old nationalist rivalry between ethno-nationalists and unitary nationalists has yet again come to the fore, and the political settlement between the ruling party and most of the opposition parties is collapsing. The chain of events that led to the riots that led to more than 200 deaths in the beginning of July was in many ways a function of COVID-19. States that aren't scheduled to hold elections this year have been less destabilised by the pandemic. Eritrea has been in a de facto state of emergency-like situation since 2000, and, while it has restricted movement of people and trade with neighbouring countries, not much has changed in its domestic politics due to COVID-19. Djibouti's government has also not been politically destabilised by the pandemic.

COVID-19 IN THE HORN OF AFRICA: POLITICAL AND ECONOMIC IMPACTS

South Sudan was faced with the pandemic just as its unity government was formed and when key elements of its peace agreement had to be implemented. Although strained, the political process has not collapsed under the weight of COVID-19, but communal violence has spiked during this period.

The second immediate impact of COVID-19 on politics has been the decline in protests and riots. Both the pandemic and the state of emergency decrees seem to have deterred people from protesting. Nevertheless, if anything, political divisions seem to have grown, and as recent events in Ethiopia illustrate, the decline in protests was temporary and did not reflect a long-term trend. Sudan too has experienced recurrent protests.

The variation in political responses to the pandemic in all these cases illustrate how institutional pathologies have been reinforced. In Somalia, for example, the rivalry between the federal government and federal member states has intensified, as it provided an additional policy issue to compete over, while in Eritrea the government has become further entrenched in autocracy.

Economically, every country in the region has been hit hard as the pandemic is causing a global economic downturn.

On the trade side, the pandemic has caused massive disruptions to global exports and imports, both due to containment measures and due to changes and reductions in demand. According to the World Trade Organization, world merchandise trade is projected to decline between 13% and 32% in 2020 due to the COVID-19 pandemic. The most optimistic scenario (13%) forecasts a larger reduction in merchandise trade than that caused by the global financial crisis. Countries in the Horn of Africa are taking a double hit: the negative effect on export volumes is compounded by the reduction in prices of goods that countries in the Horn of Africa export, in particular prices of primary commodities which have already dropped precipitously since the start of the pandemic. The reduction in exports is a serious cause for concern in the Horn of Africa because most countries have severe trade balance constraints.

CONCLUSION

The pandemic has also caused disruptions to cross-border capital flows, loss of investment confidence, and a decline in remittances. The International Monetary Fund has reported capital outflows from developing countries in excess of US\$100 billion, the largest such outflows ever recorded. Fluctuations in foreign direct investments (FDI) are normally less volatile, but the impact in this area is also predicted to be unprecedented: the UN Conference for Trade and Development estimates a global reduction in FDI of 30-40% during 2020-21, a further decrease in 2021, and recovery not being initiated until 2022. In the Horn of Africa, the contraction in FDI will hit Ethiopia and Sudan hardest, who are the largest recipients of FDI in the region. Remittances are also falling sharply as the COVID-19 crisis is increasing economic hardship for people around the world, in particular migrant workers. This fall in remittances is worrying for countries in the Horn of Africa, especially for Eritrea and Somalia, two countries which are among the world's most dependent on remittances.

There has been a variation in fiscal and institutional capacity to take measures to support the domestic economy. Ethiopia has the most detailed and expansionary of all the fiscal stimulus plans by countries in the Horn of Africa, yet the sum of Ethiopia's plan announced in early April amounts to less than 0.1% of the US\$2 trillion stimulus announced in late March in the United States (less than 0.3% if measured by per capita). The difference in the fiscal capacity between countries is the main reason we should be more concerned about the economic impact of COVID-19 in low-income and middle-income countries rather than high-income countries. In fact, low-income and middle-income countries are arguably in need of more fiscal stimulus than high-income countries because:

- 1) People in these countries will be left in a more precarious state when the economy contracts; and
- 2) The cumulative economic effects of the pandemic are larger in these countries.

It should come as no surprise then that close to 100 countries have already approached the International Monetary Fund for short-term emergency assistance.

COVID-19 IN THE HORN OF AFRICA: POLITICAL AND ECONOMIC IMPACTS

A mass mobilisation of financial resources is needed to deal with the negative economic knock-on effects.

One obvious way to ease the financial constraints that countries in the Horn of Africa are facing during this crisis is to suspend debt repayments, seeing that all countries in the region struggle with external debt overhang. In a positive development, G20 leaders have agreed to freeze bilateral government loan repayments for low-income countries until the end of the year. But more can be done. Given the severity of the crisis, creditors should suspend debt repayments until at least the end of 2021. The International Monetary Fund should also consider boosting its stimulus package to developing countries — including a large new issue of IMF Special Drawing Rights — unconditional on domestic market reforms and on terms favourable to developing

countries. With respect to food security, it is essential that governments in the Horn of Africa incorporate this into all COVID-19 planning and policy. This most importantly includes targeted emergency food aid and regulation of price hikes for essential food items. As for food imports, it is critical that organizations that are already providing emergency medical supplies also focus their efforts on supplying products that are vital to maintaining food security, such as pesticides and fertilizer.

The Horn of Africa has displayed economic and political resilience to the immediate effects of the pandemic. However, the social and humanitarian consequences are likely to get progressively worse during the pandemic. And the real danger lies in the long-term interaction of the political and economic consequences of the pandemic. In particular, the possibility that socio-economic consequences combined with elite-level rivalry might fuel riots and other forms of political violence. Given the political and economic fragility of the region this might pave the way for a mutually reinforcing poverty-conflict cycle.



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