

The Grand Ethiopian Renaissance Dam and the Ethiopian Diaspora

By Beyene, B.M.[†]

In 2011, the Ethiopian government announced its plan to construct the Grand Ethiopian Renaissance Dam (GERD) on the Blue Nile. Acknowledging the difficulty to get funding from foreign sources (mainly due to Egypt's campaign against any project on the Nile in the upstream countries), the government made it clear from the onset that the dam would be financed by local sources. It also made its expectations from the Ethiopian people, including those in the diaspora, explicit. Accordingly, members of the Ethiopian diaspora were asked to contribute to the construction of the dam primarily by buying a special bond issued for that purpose. If used properly, diaspora bonds can serve as reliable alternatives to foreign finance. They also provide members of the diaspora a convenient way to support development in their home countries. Countries that have used diaspora bonds successfully in the past include Israel and India.

But was this endeavor of the government successful? While it is not clear how much the government aimed to raise from the Ethiopian diaspora and how much it actually raised so far, given the potential, it is safe to say that the attempt was not very successful. There could be many reasons for that and the major ones are the following: poor marketing from the government's side and negative campaign by the Ethiopian opposition in the diaspora (here after referred to simply as "the opposition"). I will address these two issues in this article.

Poor Marketing

While diaspora bonds can serve as reliable sources of development finance for less developed countries like Ethiopia, they should not at all be considered as "low hanging fruits." Though the vast majority of the Ethiopian diaspora may support GERD, a well planned marketing is required for people to actually invest in it. In this section, I will briefly discuss some examples where the Ethiopian government could have potentially done a better job.

i) Information about GERD

Information about all potential (direct and indirect) costs and benefits should be available easily. It is particularly important to put the return/benefit of the project as concretely as possible. How will GERD improve the current electricity coverage and reliability? How much foreign currency will be raised from the export of electricity to neighboring countries, say in the first five years after the completion of the project? How will GERD support the medium and long term plans of the country? What will be the contribution of GERD to the overall economy? These are some of the questions that have to be addressed clearly. And finally, there should be ways for the diaspora community to raise questions and concerns related to GERD.

ii) Information about the bond

Information about the different bond types along with their principal values, maturities and interest rates should be presented clearly and accessibly. Also important is practical information like where and how to buy the bond, how to collect its value when it matures, etc. Currently, there is no sufficient awareness about the bond among the diaspora. For example, many believe that the bond is denominated only in Birr and that makes them reluctant to buy the bond because of the fear that the bond will lose its value quickly due to high inflation. But in reality, there is also the option of buying the bond denominated in major foreign currencies like the US Dollar, UK Pound, Euro and more as presented in the [The GERD Bond Guidelines](#) or [Basic Information for Ethiopians in the Diaspora](#).

iii) It should be easy to buy the bond

An important element of marketing of any product is easy access. Even when people have the demand for a product, if it is not easily accessible, they may not buy it. This is particularly true if the consumer is planning to buy the product for non-personal reasons (for example, to contribute to the development of her/his country). Thus, it is extremely important that the purchase of the bond is as easy as possible. So far, the government is trying to sell the bond using its embassies (and consular offices) and events organized for this purpose. This is likely to work only for those with extremely high propensity to buy the bond and there are not many such people. It should be possible to buy the bond without going to an embassy or any event in person; embassies need to reach out the potential buyers. It is also important to reconsider if the embassies really have the capacity to market the bond; if they will continue to be the primary selling points, their capacity and overall service delivery have to be improved significantly (currently many complain about their services and this can be a good opportunity to improve their overall performance). Another consideration is to work with local financial institutions like banks and money-transfer companies.

iv) Do not bundle with a wrong product

Immediately after the construction of GERD was started, there was huge coverage about it by government media outlets in Ethiopia. And the fact that the current government started building a dam on the Blue Nile for the first time in history was given too much emphasis and that had significant negative effect for the sale of the bond. This made even the politically neutral to be reluctant to buy the bond while it gave the opposition more reason to wage an aggressive campaign against the dam. The media should have focused on a non-partisan campaign. In effect, the media was trying to sell the overall brand of the government/ruling party along with GERD and that was a bad idea.

Negative Campaign by the Opposition

The government's campaign of raising fund from the diaspora was immediately followed by a counter campaign by the opposition. The opposition's campaign against the dam takes two forms: the first is through media campaign and the other is by disrupting fund-raising events organized by the government. I will first discuss the different reasons given by the opposition and comment on each. I have grouped their reasons into two major categories: 1. GERD is not a wise investment and 2. GERD is not a priority right now. I will also give other possible reasons beyond those openly mentioned by the opposition. Note that this list is by no means exhaustive.

i) GERD is not a wise investment

Some of the arguments by the opposition point to the conclusion that GERD is not a wise investment. One such argument is that the project is not viable or realistic. Many predicted that it can not be completed because the cost is too large to be covered by local sources. For example, Alemayehu G. Mariam in an article entitled "[Ethiopia: Rumors of Water War on the Nile](#)" puts his doubts as follows:

Whether there will be an actual "Grand Renaissance Dam" is the \$5bn dollar question of the country. Because Egypt has been successful in pressuring multilateral development and investment banks not to fund the project, the regime in Ethiopia has defiantly forged ahead to fund the project itself. But is self-funding of the mother of all African dams a realistic possibility?

The viability of GERD partly depends on how much the diaspora contributes to the project. Thus, campaigning against GERD based on the claim that it is not viable is not convincing; in other words it is a kind of "self fulfilling prophecy." Is the dam really not viable? At the beginning, it was reasonable to ask this question. But now that a significant portion of it is completed (based on official reports a third of the project is completed so far), it is easy to believe that it will be completed (if anything, it will be delayed).

Another argument is that GERD is not efficient; its cost outweighs any benefit. Supporters of this idea emphasize the significance of the potential indirect cost of the project, notably on the environment (and

the downstream countries, especially Egypt). Some also argue that GERD, even if it may be efficient, is not cost effective – it is not the cheapest way to produce the same level of electric power; this argument is mainly based on the theory that big dams are in general expensive compared to smaller dams. These arguments are hardly substantiated by sufficient data though some make reference to the “leaked” report that is allegedly prepared by the International Panel of Experts (IPE) formed by Ethiopia, Sudan and Egypt to study the feasibility of the dam in a broader context. But the report is subject to different interpretations. For example, while [Internation Revers](#) claim that “the experts' study confirms Egypt’s concerns that the project’s impacts could be significant and are not well understood,” [Minga Negash et al.](#), citing the same report, say “...both the financial and social cost-benefit preliminary analysis of the project on upstream and downstream countries are favorable and the expected damages on downstream countries are not insurmountable.”

It is unfortunate that there is not enough public information on the cost-benefit/cost effectiveness analysis of the project and the Ethiopian government could have done a better job on this as highlighted before. However, this is not reason enough to campaign against the dam. An important factor worth considering in such analyses, at least viewed from Ethiopia’s side, is the indirect benefit of GERD. If completed successfully, GERD will be a source of national pride and can also serve as a unifying force for future development endeavors and nation building. Its political benefit, especially pertaining to the future use of the Nile will also be huge.

Finally, there are those who argue that Egypt will destroy the dam if it will ever be completed. For example, G. Mariam (in the same article mentioned above) says with certainty that Egypt “will use dam busters to smash and trash it.” But bombing the dam will not likely be in Egypt’s best interest; not only may that lead to flooding which will have a dire consequence on Egypt (and Sudan), Ethiopia can also retaliate, say by polluting the Blue Nile (for a detailed discussion on these see a recent article by [Goitom Gebreluel](#)).

ii) GERD is not a priority

Probably the most widely mentioned reason against GERD is that it is not a priority right now. The proponents of this argument claim that political change/democracy is the priority and has to happen as soon as possible and before anything else. For example, Teklu Abate in his article entitled [On political taboos and woos](#) says:

...The opposition want to ensure that the government has neat and clean hands to collect and manage resources for the construction of the dam. Plus, the government must practice the Constitution it drafted years ago; freedom of all sorts must be guaranteed before damming Abay. Politically-motivated arrests, killings, and persecutions must be dammed first.

And Abebe Gelaw concludes his article [Egypt and Ethiopia: The war of two morons](#) with the following message “No diversion, please! We need freedom, more than a mega dam!”

This argument is hardly presented clearly and can be interpreted in different but related ways. First, it might be based on the premise (albeit implicitly) that political change and economic change/development are mutually exclusive (even accepting the premise, there may not be consensus as to which one to have first, but let us not go into that). Are economic development and democracy mutually exclusive? The answer is “no” – they can happen at the same time and in fact they can complement each other. Absence of one does not also guarantee presence of the other. Amartya Sen has addressed this in his influential book “Development as Freedom.” It should be noted that the government is not building GERD at the expense of political rights or democracy; i.e., even if the government does not build the dam, it will not necessarily be more democratic/less undemocratic.

Second, the argument may be based on the theory that any development project can not be successful without democracy. While there are many ways democracy can affect economic development positively, there is no evidence that democracy is necessary for economic development. In the extreme case, there

are those who tend to believe that democracy is the cure for everything and hence that is where we should put all our efforts. That is not true and Sen, one of the most prominent champions of democracy says “Democracy does not serve as an automatic remedy of ailments as quinine works to remedy malaria.” (Ibid, pp. 155)

Another interpretation is that economic development without democracy is not useful. It is argued that development broadly defined as “human development” or “freedom” can not be achieved without political freedom. While that is true, what proponents of this argument miss is that development happens in a continuum (is not a discrete concept) to which both economic and political freedoms have independent contributions; each has value by its own right. Thus, lack of political right does not make economic right unnecessary.

iii) Other reasons

So far, I have presented different reasons provided by the opposition against GERD. I have also tried to show that none of them is convincing. What other reasons may then explain the negative campaign? One possible reason could be that the opposition simply do not like anything the EPRDF government does (the same way many republicans in the US oppose whatever President Obama does or proposes). The opposition may also be afraid that if GERD is successfully completed people will be happy and as a result the government will enjoy more support or face less pressure from the general public ([this is similar to the theory that some republicans hate Obama Care because they are afraid that the American people will like it](#)). Below I will present a few examples that suggest that these theories may actually be true.

Getachew Beghashaw in his article entitled [More Thoughtful Approach To Building Dams on Abay \(Blue Nile\) - Part III](#) presented a long list of reasons why the government of Ethiopia should not be trusted to build the dam and summarized his message as follows:

...GERD is but a part of one grand wicked scheme that the TPLF regime and its deceased leader have long designed to permanently destroy the notion of a united Ethiopia, to drain her natural resources, and to plan interminable hostilities among inhabitants who have lived for centuries in peace and harmony.

It is not clear how GERD can do any of the harms mentioned above. This is as much as saying anything the current government does is bad or anti-Ethiopia.

Alemayehu G. Mariam, on the other hand, wrote a harsh [rebuttal](#) against the speech made by John Kerry (the US Secretary of State), at the 50th summit of the African Union. Among other things, G. Mariam said “Kerry made a number of statements at that press conference which were not only disconcerting but also appalling. (I was tempted to plug my ears, but didn't have the darn things handy.)” (Brackets in original). What did Kerry say to upset G. Mariam to the extent that he wanted to plug his ears. Well, according to him, “Kerry Glibly remarked” the following:

With respect to the economic growth, we [U.S.] would love to have Ethiopia's economic growth. Ethiopia's one of the ten fastest growing countries in the world. It's up in the double digits in growth. It's really quite an extraordinary story.

It may not be surprising if G. Mariam does not accept the double digit economic growth claim of the Ethiopian government. But to believe that it is “appalling” and “disconcerting” for the Secretary of State to talk about it (which many international organizations reported) is inconceivable. By the same token, Gidey Zeratsion, in an article written in Amharic entitled [“Tiyakie le economists”](#) which can be translated crudely to English as “A question to economists” appeals to economists to reconsider the way they measure economic growth. He thinks that economic growth should be measured in terms of absolute change in Gross Domestic Product (GDP) and not by percentage change in GDP. According to him, this measure makes the Ethiopian economy look as if it is growing faster compared to countries with a higher starting GDP. While measuring economic growth by percentage change in GDP has its own limitations

(like any other measure), what Zeratsion mentioned is not one. This shows how far he went out of his way to refute the double digit economic growth claim.

Summary

Considering the huge potential, the government's attempt to raise funding for GERD from the Ethiopian diaspora has not been very successful and there are two major reasons for that. On the one hand, the government did not apply proper marketing to sell the idea of GERD in general and the diaspora bond in particular. On the other hand, the opposition has been actively campaigning against the dam. Many reasons are given for that and I have tried to show that none of them is convincing. The opposition may be campaigning against GERD just because they do not like the government and/or they are afraid that if GERD is completed successfully, the Ethiopian people will like it and give their support to the government.

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