

The Imperative of Stepping-up Ethiopian Diaspora's Contribution to Hedesè Dam (GERD)

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"The estimated cost will be 3.3 billion Euros (78 billion Birr). As we will be financing several other projects in our plan, the expense will be an additional and heavy burden on us. All our efforts to lighten this have been unsuccessful, leaving us with only two options. Either to abandon the project or do whatever we must to raise the required funds. I have no doubt which of these difficult choices the Ethiopian people will make. No matter how poor we are, in the Ethiopian traditions of resolve, the Ethiopian people will pay any sacrifice. I have no doubt they will, with one voice, say: 'Build the Dam!' "

(Meles Zenawi, Former Prime Minister of Ethiopia)

"The only collaterals we have for the Israeli Bonds are the children and the future of Israel..... When you purchase Israeli Bonds you have a stake in every drop of water we pour into our land, in every mile of road built, in every kilowatt of power, in every field, in every factory"

(Golda Meir, Former Prime Minister of Israel)

Overview

Five years since its inception and half way in the construction stage, the Hedesè Dam (Grand Ethiopian Renaissance Dam – GERD) has abundantly demonstrated the indomitable determination, commitment and patriotism of the Ethiopian People to forge ahead and make their own history where and when it matters. Coming during the 120th Anniversary of the Adwa Victory is pertinent. As always, the Ethiopian People have stood up tall and are counted. By any metric - whether economic, political, diplomatic, environmental, or psycho-social - the construction of the iconic Dam has enormous significance for the people and country, indeed for the wider region. Some of the facts and data are compelling:

- By creating an inner national consensus, unity and peaceful development; and by pursuing a meticulous win-win diplomatic policy, Ethiopia has cast aside century old colonial, imperialist and post-imperialist manoeuvres that have been conjured up to deprive it of its natural right to use and benefit from the Abay (Blue Nile) River Basin.
- When completed, GERD will be the largest hydroelectric power plant in Africa (10th in the World) with over 6000MW capacity. The Dam will increase Ethiopian's installed power generation capacity by 200% (that is excluding Gibe III, which has begun generating power). With 45,000 MW hydropower potential, Ethiopia aspires to install 37,000 MW electricity by 2037 and to become a major power exporter. In the medium term, Ethiopia could generate US\$1 billion foreign currency from power export, and reduce Ethiopia's dependence on imported petroleum.
- Ethiopia has embarked on an ambitious strategy of industrialisation, and the generation of abundant and affordable electricity is crucial to this endeavour. Moreover, the dam construction process builds local capacity through learning by doing, knowledge spill-over and the transfer of technology. A case in point is the role of the Metal and Engineering Corporation (MEtEC), which is the main contractor on divisions of the electromechanical and hydraulic steel structure.

- The construction of the Dam has created employment opportunities for over 10,000 people, and at its peak will employ 15,000.
- The resource mobilisation process has encouraged the culture of saving, where the national saving rate has increased from 9.5% to 22% during the last five years.
- The benefit of the electrification of rural areas and bringing “light” to millions of households.
- With 74 million metric cube of water, the project will create a man-made lake double the size of Lake Tana, unlocking huge potential for agro-fishery development and tourism.

| Socio-economic Categories | Bond purchase (Birr) | % |
|----------------------------------|-----------------------------|-------------|
| Employees | 4,000,000,000 | 47% |
| Businesses | 1,600,000,000 | 19% |
| Diaspora | 600,000,000 | 7% |
| Farmers | 800,000,000 | 9% |
| Other sources | 1,500,000,000 | 18% |
| Total | 8,500,000,000 | 100% |

(Source: GERD Council, April 2016)

Perhaps more importantly, the flagship project has unified the people and country around the national agenda of self-reliance, unity in diversity and growth and transformation. Without regard to party political views, religion, ethnicity, gender, age or socio-economic status, Ethiopians have rallied as one people and as one country. The effort to date to mobilise resources is commendable. Of the 12 billion Birr pledged, so far, 8.1 billion Birr has been collected. The estimated cost of the Hedesé Dam is 100 billion Birr (US\$ 5 billion), and it is expected the bulk of financing would come from Government revenues.

| Regions | Population Projection (2015) | Bond Purchase (Birr) | Per Capita Bond Purchase (Birr) |
|-------------------|-------------------------------------|-----------------------------|--|
| Addis Ababa | 3,273,000 | 568,000,000 | 174 |
| Afar | 1,723,000 | 64,000,000 | 37 |
| Amhara | 20,401,000 | 988,000,000 | 48 |
| Benishangul-Gumuz | 1,005,000 | 68,000,000 | 68 |
| Dire Dawa | 440,000 | 66,000,000 | 150 |
| Gambela | 409,000 | 35,000,000 | 86 |
| Harari | 232,000 | 34,000,000 | 147 |
| Oromia | 33,692,000 | 1,100,000,000 | 33 |
| SNNP | 18,276,000 | 670,000,000 | 37 |
| Somali | 5,453,000 | 137,000,000 | 25 |
| Tigray | 5,056,000 | 405,000,000 | 80 |
| Total | 89,960,000 | 4,135,000,000 | 46 |

(Source: GERD Council, April 2016)

The Hedasé Dam and the Diaspora

The future of Ethiopians in the Diaspora is inextricably linked to the destiny of the home country, and as such, they have a major stake in the development and transformation of the country in general and the construction of the national and strategic Abay project in particular. Their role as investors and agents of knowledge and technology transfer is an important component of the development effort. To date, the Diaspora has bought bonds worth 600-700 million Birr (US\$ 33 million), which is commendable. However, it must be acknowledged that, given the number and resources of the Diaspora, the amount of bond purchased by the Diaspora is way below its potential purchasing power (refer to Table 3). The pertinent question is: could the Diaspora do more, much more? The answer is a definite yes. It is apparent when one examines the evidence base for such an assertion. With combined gross annual income estimates ranging from US\$10 billion to US\$39.6 billion and combined annual savings ranging from US\$1.9 billion to US\$7.6 billion in 2009 (*Author's calculation based on World Bank methodology and Ethiopian Diaspora stock estimates ranging from 0.5 to 2.5 million*), the Ethiopian Diaspora has the potential to invest significantly much more in the country. The average annual per capita income of the diaspora is some US\$ 14,000. Furthermore, remittances inflows to Ethiopia in 2010 were US\$3.2 billion (*World Bank Ethiopian Remittances Survey, 2010*), which far exceeded all foreign direct investment flows, or all official development assistance. In fact, according to National Bank of Ethiopia, remittances inflows to Ethiopia totalled US\$ 3.7 billion in 2014. All of these show that the Ethiopian Diaspora has the income and savings potential to make much more investment contributions than it has done hitherto.

| Global Regions | Bond Purchase (US\$) | % | Diaspora Population* | Per Capita Bond Purchase (US\$) | Per Capita Bond Purchase (BIRR) |
|-----------------------|-----------------------------|-------------|-----------------------------|--|--|
| Africa | 6,488,622 | 19% | 450,000 | 14.4 | 302.8 |
| Europe | 6,107,087 | 18% | 550,000 | 11.1 | 233.2 |
| Middle East | 13,310,145 | 40% | 850,000 | 15.7 | 328.8 |
| North America | 6,896,284 | 20% | 650,000 | 10.6 | 222.8 |
| Asia | 884,004 | 3% | 100,000 | 8.8 | 185.6 |
| Total | 33,686,142 | 100% | 2,600,000 | 13.0 | 272.1 |

(Source: GERD Council, Embassy of Ethiopia UK, March 2016; IOM 2014;* Rough breakdown estimates)

What More Needs To Be Done

- Notwithstanding the challenges of navigating the current Diaspora political landscape, the Government and all stakeholders need to be very bold, persistent and strategic in promoting the Diaspora Bond. It is imperative to reach out to the “Silent Diaspora Majority”, which has yet to be fully engaged and mobilised. In this regard, it is critical to employ the good offices of community and business leaders, faith groups, knowledge and professional networks, development associations and diaspora youth groups through the new social media (e.g. Facebook, Twitter etc.). The tiny (but loud), incorrigible and toxic diaspora needs to be confronted fairly and squarely by being non-party-political, transparent, accountable and by building national consensus around the flagship Abay project. This would require a

comprehensive community engagement and communication approach that is innovative, strategic and sustainable.

- It is also imperative that the Government address real and apparent “confidence-gap” and “trust-deficit” issues within sections of the Diaspora community through community dialogue and partnership working. It is important to underscore that the Ethiopian Government could do more by removing potential barriers and obstacles and creating further opportunities for the Diaspora to participate in economic development; mapping out and profiling the Diaspora population; building sustainable partnerships; facilitating their involvement in the country; consolidating the Diaspora’s sense of attachment to their home country; and further developing actionable strategies and enabling institutions. Many empirical studies and the diaspora literature confirm that diaspora policies work best when the diaspora are engaged with as full partners, that is, when diaspora engagement is a two-way process, meaningful and sustained.
- In addition to making the “*patriotic case*”, it is important to make the “*business case*” for purchasing Diaspora Bond. The GERD Bond provides rate of returns based on floating international rate of returns (i.e. LIBOR + 1.25% – 2%) and maturities ranging from 5 to 10 years. For many potential Diaspora investors in Europe and North America, the GERD Bond provides good value for money as compared to the current interest paid on saving deposits in most banks in the USA and the EU. Furthermore, there is no major issue concerning the credit worthiness of the Government given Ethiopia’s global capital market credit worthiness, which is healthy and credible (e.g. rated B+ by Moody’s). The GERD Bond is denominated in USD, EURO, GBP, other convertible currencies and BIRR. It includes interest bearing and non-interest bearing options.
- It is important to underscore the need to learn from international best practice in the promotion and mobilisation of diaspora bonds, such as the Israeli and Indian diaspora bond initiatives, which involved systematic, comprehensive and sustained as well as targeted campaigns by the highest leadership of those countries. Building on current achievements and taking into account national characteristics, it is feasible and viable to emulate such successful best practices by the highest leadership of federal and regional government in Ethiopia.

In conclusion - Ethiopia is making progress and is marching forward as attested by the successful completion of GTP I, the launch of an ambitious GTP II and the advance in the construction of the Hedsé Dam in spite of challenges that include deficits in good governance, rent seeking, chauvinist and narrow nationalist malaise, and not to mention the severe drought and a detraction of an envious and failed neighbouring dictator. The effort to date to mobilise the Ethiopian Diaspora for economic development has registered real and significant results and demonstrates the commitment of the Government and the willingness of Diaspora members, ***but a lot more needs to be done*** at strategic and policy levels in general and on implementation and co-ordinating infrastructures in particular. Furthermore, it is vitally important to further reach out to the “silent majority” Diaspora, strengthening the currently engaged diaspora members as well as boldly respond to the tiny but vocal toxic diaspora’s contra-development narrative and machinations. As the saying goes, united we stand, divided we fall. The reality on the ground and future trajectory is that Ethiopia and its people are marching forward and scaling new heights, determined as never before to eradicate poverty, backwardness and diseases. Ethiopians in the Diaspora are fellow travellers of this patriotic journey and bright future, and we need to rise to the occasion by saying clearly and loudly “Yes, Ye Chalall” and by leaving our “Ashera” (as our fellow compatriots would say) on this iconic, defining and truly Ethiopian Project.