

## AFRICA RISK CONSULTING

### Ethiopia Monthly Briefing September 2023

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#### Ethiopia Summary 27 September 2023

*British International Investment (BII) and Dutch development bank Financierings-Maatschappij voor Ontwikkelingslande (FMO) announce a joint \$40m lending facility to Dashen Bank on 29 August. The lending facility is targeted at increasing Ethiopian agricultural exports. The initiative is the first loan provided by foreign development finance institutions (DFIs) to an Ethiopian bank. The second round of tri-partite talks between Ethiopia, Egypt, and Sudan concerning the filling of the controversial Grand Ethiopian Renaissance Dam (GERD) ends in a stalemate on 24 September. The United States authorities arrest a US naturalised citizen of Ethiopian descent and charge them with two counts of espionage and one count of wilful retention of classified information. The suspect, Abraham Lemma, allegedly copied and distributed secret and top-secret information to an Ethiopian foreign government official in exchange for cash.*

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#### New lending announced to propel Ethiopia's agricultural exports

The **British International Investment (BII)** and the **Dutch** development bank **Financierings-Maatschappij voor Ontwikkelingslande (FMO)** on 29 August announced their 50-50 commitments of a \$40m loan to local **Dashen Bank** to drive agricultural exports and increase access to foreign exchange (FX) within Ethiopia.<sup>1</sup> BII is a recurring financier of Ethiopia with notable investments such as **Safaricom Ethiopia**, **Family Milk**, and the **SIGI Ethiopia Growth and Transformation Fund**.<sup>2</sup> The newly announced \$40m lending by these development finance institutions (DFIs) intends to support the agricultural sector which contributes 39% to the country's gross domestic product (GDP), employs 80% of the population, and generates 90% of its foreign currency export earnings.<sup>3</sup> Dashen Bank, which was established in 1995 and is currently led by CEO **Asfaw Alemu**, is Ethiopia's third-largest lender and serves over five million customers through over 800 branches.<sup>4</sup> The bank has recently expanded its international partnerships through a partnership with **Togo**-headquartered **Ecobank** to target Ethiopian remittances, and an agreement with **United States**-headquartered **Mastercard** to introduce a multi-currency international prepaid card.<sup>5,6</sup>

The investment will enable Dashen Bank to offer loans in US dollars dedicated to importing agricultural machinery, spur farmers to increase productivity across the supply chain, and allow Dashen's export sector clients to apply to the bank to borrow in dollars. The bank anticipates this will lead to an increase in export earnings and spur further investment into the opportunities and potential throughout the agricultural sector's broad value chain.<sup>7</sup>

The \$40m "landmark investment" is the first lending of its kind provided to an Ethiopian bank by foreign institutions and was made possible due to the foreign currency intermediation directive issued by the **National Bank of Ethiopia** (central bank) in 2021 which permits banks to borrow and extend loans to local entities in denominations of US dollars, pounds, euro, yuan, Canadian dollars and

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<sup>1</sup> British International Investment, Bii.co.uk, 29 Aug 2023

<sup>2</sup> BNN, 29 Aug 2023

<sup>3</sup> African Business, 29 Aug 2023

<sup>4</sup> The Africa Report, 7 Sep 2023

<sup>5</sup> Dashen Bank, dashenbanksc.com, 8 Jun 2023

<sup>6</sup> Ethiopian Monitor, 18 Aug 2023

<sup>7</sup> BNN, 29 Aug 2023

yen.<sup>8</sup> Ethiopia recognised that DFI collaboration is key to private sector development and the joint BII/FMO loan is expected to incentivise the market and build confidence amongst international and domestic investors in pursuit of Ethiopian economic growth.<sup>9</sup> In his statement following the announcement Alemu emphasised Dashen Bank's commitment to following international banking rules and checks:

"On top of the badly needed foreign currency, the lessons learnt through the rigorous due diligence process will help us set the bar high when it comes to sustainable financing in Ethiopia."<sup>10</sup>

BII's Africa Coverage director **Vivianne Infante** stated that this recent initiative is "*definitely not the end for us*" and expressed that BII's commitment will attract further lending by development finance institutions and commercial banks.<sup>11</sup>

### Ethiopia fills GERD reservoir amid unsuccessful talks with Egypt and Sudan

The second round of trilateral talks between Ethiopia, **Egypt**, and **Sudan** over the **Grand Ethiopian Renaissance Dam (GERD)** concluded on 24 September in **Addis Ababa** without significant developments. Following two years of suspended dialogue, Prime Minister **Abiy Ahmed** (2018-current) and Egyptian President **Abdel Fattah el-Sisi** (2014-present) agreed in July to initiate urgent negotiations to finalise an agreement between the three countries on the filling of the dam and its rules of operations.<sup>12</sup> The first round of negotiations in **Cairo** between 27 and 28 August ended similarly without consensus.

The negotiations came on the heels of Ahmed's 10 September announcement on **X** that Ethiopia had completed the fourth and final phase of filling the reservoir. Amidst endemic civil conflict and ethnic violence, the GERD is a symbol of national unity for the country and has become a sovereignty project for Ahmed's ruling **Prosperity Party**. In addition to benefitting Ethiopia's rural population and meeting its growing urbanisation and industrialisation needs, the government has also framed the GERD as helping the country increase its transition to renewable energy.<sup>13</sup>

Construction of the \$4.2 billion GERD began in 2011 and it is located on the **Blue Nile** tributary in northern Ethiopia, the source of 85% of the Nile's waters. The megaproject sits just 30km south of Ethiopia's border with Sudan. It is Africa's biggest hydroelectric dam project and began to generate electricity in February 2022. GERD has a projected capacity exceeding 6,000MW with the potential to generate enough electricity to supply about 70% of its citizens with additional power exported to neighbouring countries.<sup>14</sup>

Although the benefits to Ethiopia are potentially significant, the outlook for downstream countries Sudan and Egypt is negative. The **United Nations (UN)** says Egypt could "*run out of water by 2025*" and parts of Sudan are increasingly vulnerable to drought exacerbated by climate change.<sup>15</sup> Egypt has argued that a 2% reduction in water from the Nile could result in the loss of 200,000 acres of farmland.<sup>16</sup> Cairo maintains that their veto powers over developments concerning the Nile's waters as outlined in their colonial 1929 and 1959 Anglo-Egyptian agreements must be respected. However, the 2010 Nile Basin **Cooperative Frame Agreement (CFA)** gave upstream countries the power to share Nilewaters Ethiopiaa, Egypt, and Sudan signed a **Declaration of Principles** in 2015, however, issues regarding the timeline of filling the dam were never resolved.

<sup>8</sup> National Bank of Ethiopia, Directive No. SBB/82/2021, nbebank.com

<sup>9</sup> British International Investment, Bii.co.uk, 29 Aug 2023

<sup>10</sup> The Reporter, 29 Aug 2023

<sup>11</sup> The Africa Report, 7 Sep 2023

<sup>12</sup> Reuters, 13 Jul 2023

<sup>13</sup> South African Institute of International Affairs, Feb 2016

<sup>14</sup> Africa Defense Magazine, 21 Feb 2023

<sup>15</sup> UNICEF Report, Water Scarcity in Egypt, 2021

<sup>16</sup> BBC News, 24 Feb 2018

The foreign ministry has previously stated that "*Ethiopia is committed to reaching a negotiated and amicable solution through the ongoing trilateral process*" but also that it is doing it out of good faith as the government maintains that Ethiopia does not need permission to use its national resources to provide power and water to its citizens.<sup>17</sup> Egypt has repeatedly demanded a legally binding agreement based on a technical report which takes into account the interests of Egypt, Sudan, and Ethiopia. Due to these fundamental differences, the recent talks concluded without concessions from any side. The spokesperson for Egypt's water resources and irrigation ministry remarked that Ethiopia rejected proposed compromises and technical arrangements that would serve Ethiopia's interests while not harming the rights and interests of the two downstream nations. He further added:

*"The talks witnessed Ethiopia going back on a number of accommodations previously reached between the three nations during the negotiating process."*

The controversy over the GERD has also pulled international actors into the debate. In 2019, **Belgium**-headquartered **International Crisis Group** warned that armed conflict over the GERD was possible, prompting former US president **Donald Trump's** (2017-2021) administration to intervene in negotiations. Ethiopia subsequently accused the US of "*overstepping*" as a neutral observer.<sup>18</sup> In June 2020, Egypt called on the **UN Security Council (UNSC)** to intervene which subsequently issued a presidential statement calling for the nations to resume negotiations led by the **African Union (AU)**.<sup>19</sup> Since 2021 Ethiopia has enhanced protection of the GERD through the use of **Russian**-made Pantsir-S2 air defence systems and **Ukrainian** ST-68UM radar stations.<sup>20</sup> To further bolster safety of the dam's critical infrastructure, Ethiopia awarded a contract to **Israeli** military technology company **Skylock** to provide anti-drone equipment.<sup>21</sup>

The recent inclusion of Ethiopia and Egypt into the **BRICS+** membership could present new opportunities for negotiations under different frameworks. However, the extent to which the dam is tied to Ethiopia's national unity and identity means that Ahmed is unlikely to forgo national interests for the sake of its downstream neighbours. Despite the recent talks ending inconclusively, it remains positive that the three countries can come together in a forum to discuss their various concerns and offer proposals regarding the future of Nile water protection.

### **Ethiopia allegedly made use of US intelligence to counter domestic conflict**

Unsealed documents from the US department of justice (DOJ) revealed on 21 September that **Abraham Teklu Lemma**, a naturalised US citizen of Ethiopian descent, was arrested for spying on behalf of a foreign government while working for the US government. He was charged with delivering national defence information to aid a foreign government, conspiracy to deliver national defence information to aid a foreign government, and the wilful retention of national defence information.<sup>22</sup> The first two charges carry a potential death penalty and wilful retention carries a maximum of ten years in prison. The US **Federal Bureau of Investigations (FBI)** is investigating the case and Lemma is awaiting sentencing by a federal judge.<sup>23</sup>

Court documents note that police arrested Lemma on 24 August following a six-month internal security review following the April arrest of US air national guardsman **Jack Teixeira** who was accused of posting classified documents on social messaging platform **Discord**. An FBI agent's affidavit states that Lemma allegedly copied and/or removed over 100 "*secret*" and "*top secret*" documents including photographs, maps, and satellite images between December 2022 and August 2023 and transmitted them to a foreign government official. Although the court documents refer to

<sup>17</sup> BBC News, 13 Sep 2023

<sup>18</sup> BBC News, 3 Mar 2020

<sup>19</sup> Security Council Report, securitycouncilreport.org, 15 Sep 2021

<sup>20</sup> Military Africa, 21 Sep 2023

<sup>21</sup> Military Africa, 8 Nov 2021

<sup>22</sup> Reuters, 22 Sep 2023

<sup>23</sup> United States Department of Justice, 21 Sep 2023

the destination as a ‘relevant country,’ media outlets are reporting it as Ethiopia due to Lemma’s frequent travels there and family connections.

Lemma was working as an IT administrator in the **Bureau of Intelligence and Research** within the US department of state and as a contract management analyst at the DOJ when he was arrested. Through his DOJ position, he was given ‘top secret’ security clearance and had access to classified information.

While working at the government institutions Lemma allegedly frequently communicated with a foreign official and discussed the military activities of a rebel group which was, at the time, involved in an armed struggle against the government. The FBI agent’s affidavit states that Lemma sent the official an image relating to these armed events and advised them to “*analyse this and establish some sort of sense to this.*” In another communication, the foreign official told Lemma “*it is great to identify the forward deployed command centres and logistic centres*” and further tasked Lemma to collect specific information about certain subjects.<sup>24</sup> The criminal complaint notes that following exchanges with this foreign official, Lemma made several deposits totalling \$55,000 into his US bank account.<sup>25</sup> Spokespeople in the Ethiopian government have not made any comments about Lemma’s arrest and whether this will have wider ramifications for on bilateral relations is yet to be inferred.

The US is Ethiopia’s largest single donor of food and humanitarian aid and, according to the state department, has provided over \$3 billion in aid in recent years.<sup>26</sup> Although the nations’ interactions are largely based on a donor-recipient relationship, in the aftermath of **9/11** Ethiopia’s geographical location was recognised by the US as strategically important to its regional counterterrorism efforts and hailed as “*the linchpin to stability in the **Horn of Africa** and the global war on terrorism.*”<sup>27</sup>

**National Security Agency (NSA)** files leaked by **Edward Snowden** in 2013 revealed that in 2006 the NSA, in exchange for local knowledge and hosting intelligence operations centres, provided Ethiopia with electronic surveillance technology and training.<sup>28</sup> US-based **Human Rights Watch** subsequently documented how Ethiopia’s **Information Network Security Agency (INSA)** used this technology to spy on citizens’ private communications for security and police forces purposes. Often, this information was used to penalise unlawful opposition activities under the pretext of counterterrorism.<sup>29</sup>

In recent years, US-Ethiopian relations have been fraught largely due to the **Tigray** civil war and the federal government’s complicity in human rights abuses against Tigrayan people. The US and other international donors in 2021 significantly limited the amounts of development assistance to Ethiopia as it was being blocked by government forces from reaching intended recipients in the conflict zones. The US special envoy for the Horn of Africa **Mike Hammer**, during his 28 August visit to Ethiopia, restated the need for unobstructed humanitarian access in the Tigray, **Afar**, and **Amhara** regions and stressed the need to respect human rights and avoid civilian casualties.<sup>30</sup> Despite US condemnation of the government’s complicity in human rights violations, Ethiopia has remained of key interest to the US. In March, US secretary of state **Antony Blinken** visited Ethiopia to bolster ties and boost US engagement in Africa amid the rising influence of **China** and **Russia**.<sup>31</sup> Ethiopia also continues to partner with the US on counterterrorism concerns such as **Al Shabaab**. It is likely that going forward, US-Ethiopian relations will be characterised by balancing US commitment to humanitarian goals with strategic security cooperation.

<sup>24</sup> Affidavit in Support of an Application for a Criminal Complaint and Arrest Warrant, Justice.gov, unsealed 21 Sep 2023

<sup>25</sup> Affidavit in Support of an Application for a Criminal Complaint and Arrest Warrant, Justic.gov, unsealed 21 Sep 2023

<sup>26</sup> NY Times, 21 Sep 2023

<sup>27</sup> Crisis Group, 1 Mar 2007

<sup>28</sup> The Guardian, 1 Nov 2013

<sup>29</sup> Human Rights Watch, 3 Oct 2017

<sup>30</sup> United States Embassy in Ethiopia, et.usembassy.gov, 20 Aug 2023

<sup>31</sup> NY Times, 21 Sep 2023

## Planner

28 Sep 2023 **(Ethiopia)** Meskel (national holiday)  
 29 Sep - 1 Oct 2023 **Addis Ababa (Ethiopia)** International Complete Manufacturing Exhibition  
 5 - 6 Oct 2023 **Addis Ababa (Ethiopia)** Second Pan-African Conference on Artificial Intelligence  
 16 - 18 Nov **Addis Ababa (Ethiopia)** African Economic Conference  
 21 - 24 Nov 2023 **Addis Ababa (Ethiopia)** Fifth Conference on Land Policy in Africa (CLPA)

## Chronology

26 Sep 2023 **Addis Ababa (Ethiopia)** *The Africa Report*. **Dashen Bank** hires global consultancy **PwC** to advise on initial public offering (IPO) on Ethiopia's planned stock market;

26 Sep 2023 **Addis Ababa (Ethiopia)** *The National*. **Mohamed Alabbar**, chairman of **Americana Restaurants**, the largest restaurant operator in the **Middle East and North Africa (MENA)** region which operates global brands such as **KFC, Pizza Hut, Hardee's, Krispy Kreme** and **TGI Fridays** announces plans to start a new poultry feed plant in Ethiopia to support its business;

25 Sep 2023 **Addis Ababa (Ethiopia)** *ENA*. **Yasmin Wahbrebi**, the deputy chief executive officer (CEO) of **Ethiopian Investment Holding**, the strategic investment arm of the government, states that following the government's economic reforms most of the public enterprises administered by EIH have become profitable;

23 Sep 2023 **Addis Ababa (Ethiopia)** *Africa News*. Deputy Prime Minister **Demeke Mekonnen Hassen** calls for "*renewed global solidarity*" during the 78<sup>th</sup> **United Nations General Assembly** and states that a fast-tracked resolution of Africa's debt crisis and the provision of additional development finance should be prioritised;

23 Sep 2023 **Addis Ababa (Ethiopia)** *Ahram Online*. The annual gathering of African leaders for the **Tana High-Level Forum on Security in Africa** which is set to take place in the **Amhara** region in October has been postponed to April 2024 "*due to unforeseen circumstances.*"

23 Sep 2023 **Addis Ababa (Ethiopia)** *ENA*. Foreign affairs ministry spokesperson, ambassador **Meles Alem**, says Ethiopia's participation at the 78<sup>th</sup> **United Nations General Assembly (UNGA)** has been very successful and created a good opportunity to increase Ethiopia's influence on the international diplomatic stage;

22 Sep 2023 **Addis Ababa (Ethiopia)** *The Defense Post*. Residents report that federal government troops are firing heavy artillery in the **Amharan** town of **Lalibela** where the **Fano** local militia were believed to be hiding;

21 Sep 2023 **New York (United States)** *ENA*. Ethiopia's innovation and technology minister **Belete Mola** holds productive discussion with **United States**-headquartered **Microsoft's** senior leadership about technology collaboration, and philanthropy for the mutual benefit between Ethiopia and Microsoft;

19 Sep 2023 **Addis Ababa (Ethiopia)** *Anadolu Agency*. **United Nations** says at least 393 people were admitted to the **Kumer Cholera Treatment Centre** over the past week, a 50% increase, as outbreaks continue to escalate;

18 Sep 2023 **Addis Ababa (Ethiopia)** *UN News*. **United Nations** experts release a report noting that **Eritrean Defence Forces** and **Amhara** militia are still committing war crimes and crimes against

humanity in **Tigray** despite the ceasefire between the **Tigray People's Liberation Front** and the federal government;

18 Sep 2023 **Addis Ababa (Ethiopia)** *Trading View*. **United States**-headquartered credit rating agency **Moody's** downgrades Ethiopia's sovereign credit rating from Caa3 to Caa2, citing a high likelihood of default on foreign currency-denominated private sector debt, and changes its outlook from stable to negative;

16 Sep 2023 **Addis Ababa (Ethiopia)** *The East African*. **Amhara Association of America (AAA)**, a group of ethnic Amhara professionals based in the **United States**, announce it has proof that **Ethiopian National Defence Forces (ENDF)** carried out a massacre in **Majete** and the surrounding area in **Efrata Gidim Woreda**, and **North Shewa Zone**;

14 Sep 2023 **Addis Ababa (Ethiopia)** *Addis Standard*. **National Bank of Ethiopia** (central bank) approves strategic foreign direct investment initiatives to establish offshore accounts in a bid to attract investors across various sectors and create new streams of foreign currency flows into Ethiopia;

12 Sep 2023 **Addis Ababa (Ethiopia)** *Mining Weekly*. **Canada**-listed **Allied Gold** approves \$500m for a two-phased development plan for its **Kurmuk** gold mining project in western Ethiopia;

12 Sep 2023 **Addis Ababa (Ethiopia)** *Agence Ecofin*. **Ethio Telecom** confirms it launched commercial 5G technology on 9 September which is now available at 145 sites throughout Addis Ababa before extending to other parts of the country;

7 Sep 2023 **Addis Ababa (Ethiopia)** *VOA*. **United States**-based **Committee to Protect Journalists** indicates that authorities have arrested three journalists since the declaration of a state of emergency in **Amhara** region, stating that the arrested journalists had published information on the conflict;

6 Sep 2023 **Addis Ababa (Ethiopia)** *Think Geo Energy*. **Canada**-headquartered **4<sup>th</sup> Resource** signs a memorandum of understanding (MoU) with **Ethiopia Investment Holdings** for the joint development of the **Harmokale Geothermal Project**;

5 Sep 2023 **Addis Ababa (Ethiopia)** *Ethiopian Monitor*. **Ethiopian Capital Markets Authority (ECMA)** and the **International Finance Corporation (IFC)** sign an agreement for the development of a local currency bond market for government and private issuers;

5 Sep 2023 **Addis Ababa (Ethiopia)** *Al Jazeera*. **United Kingdom**-headquartered **Amnesty International** releases a report detailing that **Eritrean** soldiers who allied with Ethiopian government forces during the **Tigray** conflict committed war crimes and possible crimes against humanity. The report also says that the atrocities continued after the government and **Tigray People's Liberation Front** signed a cessation of hostilities agreement;

1 Sep 2023 **Amhara (Ethiopia)** *Borkena*. Amhara regional state officials announce new appointments to the security structure as conflict continues between **Fano** militia and the **Ethiopian Defence Force** in the region;

30 Aug 2023 **Addis Ababa (Ethiopia)** *Business Insider*. Ethiopia's ambassador to **Nigeria**, **Awwal Wagris Mohammed**, meets with Nigerian president **Bola Tinubu** who expresses desire to enhance relations with Ethiopia in the areas of trade, investment, and security;

29 Aug 2023 **Addis Ababa (Ethiopia)** *AFP*. Political opponent of the government **Bekele Gerba** applies for political asylum in the **United States** citing a deteriorating political situation in Ethiopia and fears for his safety;

29 Aug 2023 **Addis Ababa (Ethiopia)** *Borkena*. Opposition parties **People's Revolutionary Party (EPRP)**, **All Ethiopian Unity Party (AEUP)**, **Amhara Ghion Movement**, **One Ethiopia Democratic**, and **Enat Party** criticise the government's decision to resort to forceful measures to repress popular demands in the **Amhara** region;

29 Aug 2023 **Addis Ababa (Ethiopia)** *AFP*. **United Nations** says at least 183 people have been killed since July in clashes between the **Ethiopian National Defense Force** and **Fano** militia in the **Amhara** region, calling for an end to the killings, violence and human rights abuses ongoing in the region.