RapidResponseBRIEFING

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CHURNING WATERS: STRATEGIC SHIFTS IN THE NILE BASIN

A new strategic landscape is emerging in the Nile Basin. In February 2011, the late Ethiopian Prime Minister, Meles Zenawi, made the calculated political decision to announce the construction of a 6000 MW dam on the main stem of the Blue Nile at a time when Egypt was undergoing the most serious political upheaval for more than 50 years. It was a calculated decision based on the fact that his own influence was increasing in tandem with Egypt and Mubarak's loss of prestige in sub-Saharan Africa. The diplomatic rift between Ethiopia and Egypt over the Grand Ethiopian Renaissance Dam's (GERD) construction shines an important light on how a wider re-balancing of power is occurring within the Nile Basin. The challenge now is to consider the impact of these shifts on broader development in the Basin and determine what kinds of accommodation can be reached between the riparian states.

A new strategic landscape

In 2007, eight years after the establishment of the Nile Basin Initiative (NBI), a group of upstream Nile states met together in Entebbe, Uganda and agreed a new common approach to Nile issues. This established a 'breakaway group' including Ethiopia, Kenya, Uganda, Rwanda and Tanzania (and Burundi at a later date) and fractured the ongoing process of completing negotiations towards a Nile Cooperative Framework Agreement (Nile CFA) that donors had supported since 1999. This breakaway alliance of states was not party to the pre-existing 1929 and 1959 Nile Waters Agreements (NWAs) and, collectively, was cautious about being caught in an endlessly drawn-out process to the benefit of downstream Egypt and Sudan. The sticking point lay in the use and meaning of the term 'water security'. To downstream Egypt and Sudan this meant the continuance of pre-existing treaties; to upstreamers, such as Ethiopia, Uganda, Rwanda and Kenya, this meant shifting to a more equitable basis for water sharing. Upstream states viewed downstream states as holding an effective veto on their development ambitions, above all in relation to dam construction for hydro-electric power.

For many years Egypt had used its substantial diplomatic clout, economic power and implicit threat of force to prevent financing of dam construction. The country's GDP alone is equivalent to all other Nile states combined. However, events in 2011 suggested that wider political and strategic changes were taking place within the Basin which meant that downstream claims of an 'historic right' to the Nile's waters - inspiring the populist Egyptian phrase (subsequently used by the former President Morsi) that Egypt is the 'gift of the Nile' - no longer carried the same weight. These shifts and their implications for future relations in the region and more widely in sub-Saharan Africa include:

1. New legal-institutional norms

An Ethiopian official 20 years ago stood on the High Aswan Dam in Egypt and stated quietly that the vast Lake Nasser before him was 'ours'. This iteration of the sovereign right argument (at a very personal level) directly challenged the established doctrine of historic or prior rights to the Nile waters as enshrined in the NWAs, signed exclusively between Egypt and Sudan. These agreements had effectively 'closed' the Basin to other countries – meaning all water was apportioned between only two states. In the intervening years the notion of historic rights has been challenged by the increasing emphasis on 'equitable use', supported by many within the international community and enshrined in the 1997 UN Water Convention. At root this is an economic argument that water should be used where it accrues the greatest number of net 'benefits' to the Basin as a whole. Although the principle has become widely accepted and quoted - including by Sudan - the reality on the Nile has been an unwillingness by downstream states to actually relinquish historic claims in spite of multiple cooperation agendas encouraged by the World Bank and other development partners. The spat over negotiations under the Nile CFA was the latest manifestation of this unwillingness in spite of years of donor 'process financing' to reach common ground ground between riparian states. In these talks, the fundamental political-economic logic remained the same – hold on to existing shares. However, a clash of doctrines was inevitable once fundamental shifts in upstream political and economic power were accompanied by (real or perceived) downstream weaknesses.

2. Shifting investment landscapes

Since the late 1990s, the investment landscape has radically changed. Chinese private and public sector investment across the Horn and East Africa is now a major influence on government decision-making, contributing substantially and visibly to infrastructure, trade and manufacturing. These investments, and the financing that China brings with them, have enabled governments to avoid other more traditional investment channels such as the World Bank or International Monetary Fund (IMF). The Chinese built the Merowe Dam (completed in 2007) in North Sudan, and the Tekezze Dam in Ethiopia (completed in 2009), and have established a strong presence in major infrastructure development across the region.

With financing and development alternatives for upstream states, Egypt lost its substantial leverage over funding by multilaterals and bilaterals for large-scale infrastructure, particularly in Ethiopia. Other changes that have taken place include a shift to hydrocarbon exploitation (leading to hitherto unprecedented revenue streams that are not dependent on the vagaries of rainfall patterns) and capacity to reduce dependence on global aid channels facilitated by such oil revenues. The sudden 'wealth rush' was largely due to rapid increases in oil prices which effectively was a function of rapacious Chinese economic growth during the 1990s and early 2000s. South Sudan's independence is a direct result of this new political economy of oil and effectively enabled the formation of (and caused the current disagreement between) the two Sudanese states, adding a further complex equation to the upstream-downstream relationship.

A subtle shift has also taken place over the same period in global perceptions on large dams – from a concern about their environmental and social costs (following the World Commission on Dams Report in 2000), to an emphasis on contributions to renewable energy, clean development and climate proofing; indeed Clean Development Mechanism finance has been available for the development of some dams. In Ethiopia, this narrative is a central pillar of the Climate Resilient Green Economy approach, which received explicit support from donors including the UK Department for International Development (DfID) and the World Bank. This changing investment environment has provided new pathways by which upstream states can build infrastructure on the Nile.

3. Changing political discourse and the NBI

Ethiopia enthusiastically engaged in the NBI believing that it would open up future investment opportunities. The Eastern Nile Technical Regional Office (ENTRO) was established in Addis Ababa in 2002 as a subsidiary institution under the NBI. It was staffed from across the Basin and included a substantial Egyptian and Sudanese technical presence. ENTRO was heralded as a symbol of new inter-state cooperation and representative of strengthening economic relations between countries, including between Ethiopia and Egypt, where until recently, bilateral trade amounted to some USD 150 million. Investment by Egyptians in Ethiopia peaked at around USD 1 billion, but has subsequently been punctuated by Nile politics and dwindled since 2010, when the Nile CFA was signed by upstream states.

The GERD – or the Border Dam as it was known under the NBI – originally came under the Joint Multipurpose Project (JMP). This involved Ethiopia, Sudan and Egypt in a decade of cooperation and donor 'process financing' to study different dam options on key Nile tributaries flowing from Ethiopia's 'water tower'. Under Ethiopia's influence the project focused on the Blue Nile, emphasising issues of equitable 'benefit sharing' (rather than water sharing); hence the logic of Ethiopia building dams to trade electricity with neighbouring countries as part of a wider Nile Basin 'power pool'. Cooperation between countries under the NBI included political as well as technical channels, building on the establishment of the Nile Council of Ministers prior to the NBI being launched. Many other accompanying projects under the NBI focused on creating the right 'mood music' for Nile development, with media, parliamentarian and other primary and secondary stakeholder involvement. However, interestingly, the NBI 'successes' received scant media attention and there was little public uptake of this new cooperation agenda in advance of the storm between Egypt and Ethiopia over the GERD.

4. Development transitions

The rationale for GERD is compelling, when viewed from the angle of social and economic shifts in the Basin. In the second half of the 20th century Egypt's rapid population growth led to social and economic dominance within Basin states. However, by 2010, the balance had strategically shifted upstream; more people now lived in upstream states than in Egypt and Sudan combined, and they formed part of a new economically-active population requiring energy, jobs and economic opportunities. Ethiopia's population alone now stands at an estimated 94 million compared to Egypt's 82 million. This was more than a symbolic shift as regular power outages across upstream states reinforced the emerging political message that Egypt in particular was blocking upstream states from narrowing the energy demand-supply gap. Burgeoning, economically-active populations upstream were not able to access the required energy capacity to generate growth and development. For governments in the region these became compelling reasons to seek the development of large hydropower dams.

Investment options were emerging and the Chinese were willing and able to supply key elements including transmission lines, technical expertise and the hardware for dam construction. In the GERD case, the Italian company Salini Construttori and Alstom of France are undertaking construction. Ethiopia's government calculated that it would take a long time to gather the financial support required from donors and international banks for the GERD, and undertook the unprecedented step of announcing its own funding. Though there is overall consensus amongst Ethiopians regarding the benefits of building this dam, there are signs of growing reluctance to contribute financially. Public sector employees have had a month's salary directly deducted for one year to contribute towards financing the dam, and may be expected to continue for a second year, though this is not confirmed. This form of contribution has been a mark of the government during past construction and development initiatives. Other sources of funding for the dam include private business and the diaspora.

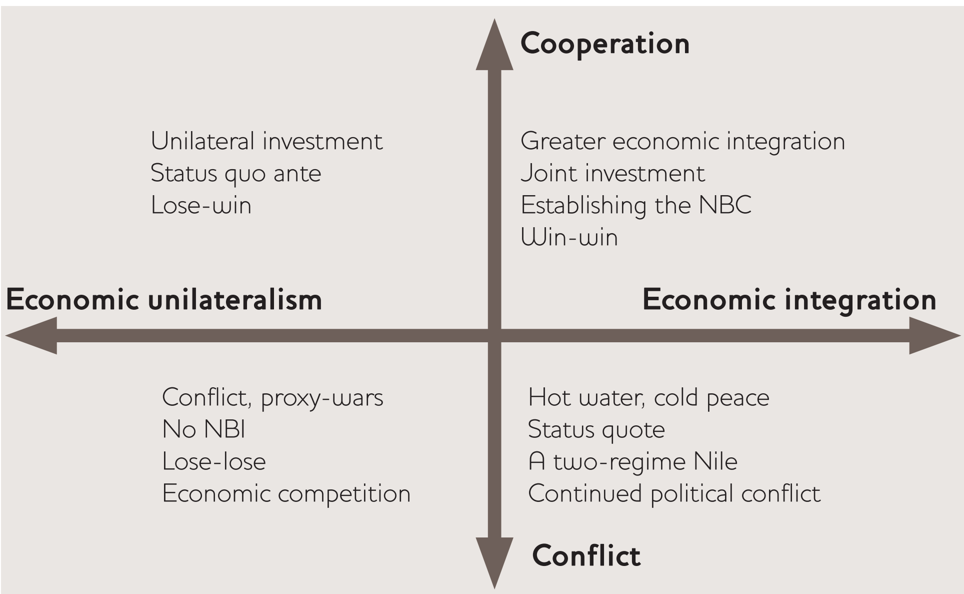
The Grand Ethiopian renaissance Dam (GERD) symbolises a far wider, more substantial strategic shift in power

5. Ongoing political turbulence

The Nile River's political waters are now churning as never before. Major landmarks include the signing of the Nile CFA in May 2010 and its ratification by Ethiopia in 2013. Having reached the required six states signatories the treaty can now come into force once legislatures in all signatory countries have ratified it. The launching and rapid construction of GERD from April 2011 onwards marks the embodiment of a determined upstream state taking matters into its own hands and ignoring what, in the past, would have required international endorsement. In this light, GERD symbolises a far wider, more substantial strategic shift in power. Meles was brazen enough to make the announcement on live television, and, unlike other Ethiopian projects, construction began almost immediately. The Government rapidly promoted the dam as an emblem of national progress and of the strides made under the former Prime Minister. Computer images of a completed dam adorn state-owned television studios, cafes in many regions of the country and frequent roadside hoardings – a potent and repeated image of Ethiopia's economic aspiration to become a middle-income country by 2025.

Egypt's reaction was initially muted by internal political strife. However, with the election of President Morsi, institutional attention shifted upstream, particularly as his legitimacy waned during 2013. The fragile President sought to use a firm stance against Ethiopia's GERD to strengthen his popularity. This backfired in part due to the overly belligerent rhetoric used. An erstwhile partner under the NWAs, Sudan began to distance itself from Egypt's position, becoming increasingly – and more publicly – supportive of the dam, arguing that it could benefit the operation of its own large dams, by reducing siltation and improving flood control downstream.

Fig 1. Possible future scenarios for the Nile Basin



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Conclusions

The following outlines four possible diplomatic and developmental scenarios (see Fig.1) that could emerge as construction progresses.

1. Status quo ante: This scenario would see financing for the dam dry up through lack of domestic capacity, no willing external donors contributing and possible economic shocks within Ethiopia. This would leave a half-completed project. Egypt will have re-emerged from its period of chaos and marshalled diplomatic and other resources to prevent completion of the GERD. This is unlikely – and probably only ever a temporary reality – given the structural shifts identified above that have enabled the current situation, including Ethiopia's continually growing economy.

2. Hot water, cold peace: Under this scenario the dam is finished in the next five years and enters full hydroelectric production. Egypt remains hostile to the project under the new non-Islamist government (with the military remaining in control by proxy), but Ethiopia benefits from revenue streams from sale of power to Sudan and elsewhere in East Africa. The NBI ceases to exist and there is no Nile Basin Commission (NBC). Uganda and other upstream states also pursue their separate hydropower projects independently (e.g. Karuma Falls which is being financed by China). As Egypt's perception of threat levels increases, the country brandishes further threats towards Ethiopia (and other upstream states), but is countered by the US. Referral to international arbitration is attempted (in the face of Egyptian reluctance) to resolve the 'conflict' between different treaty regimes on the Nile, initially supported by the African Union. This is a more likely scenario, given current political and economic trajectories in the Basin.

3. Greater integration, stronger economies: There is confirmation after construction that downstream flows have not changed which leads to greater discussion between Egypt, Ethiopia and Sudan about joint operation of all dams from GERD to the High Aswan Dam, presenting a system of interconnected structures. Joint management reflects a new agreement between the three states and increases the flow of benefits (including reduced flooding and siltation and increased hydropower generation). Greater economic benefits result and more trade and integrated development takes place. Ethiopia cements itself economically within East Africa through becoming part of the East African Community (and through a trade agreement facilitates Egypt's investment in the region under Common Market for Eastern and Southern Africa). This scenario is plausible, but less likely. It would be the most optimistic outcome.

4. A two-regime Nile: Political conflict continues, but upstream states set up the NBC under the new Nile CFA and begin developing their portions of the Basin with funding from a range of 'unconventional' donors. Egypt is forced to renegotiate agreements with Uganda and eventually North and South Sudan. A face-saving formula is negotiated with Egypt (to assist in internal domestic politics). The NBC is established in Uganda and engagement remains open to Egypt. The 1959 Treaty continues in force in name only but with tacit acceptance that shares downstream remain in place. This 'binary Nile' is possible, but would most likely lead to one of scenarios 1-3 in the longer-term.

Further reading

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Sileshi Bekele, Vladimir Smakhtin, David Molden, Don Peden (eds) (2012) ***The Nile River Basin: Water, Agriculture, Governance and Livelihoods***, IWMI Addis Ababa

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Credits

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