THE BRIEF

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AFRICAN ECONOMIC SOVEREIGNTY

Connecting Africa's Trade, Security and Economic Future

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ETHIOPIA AND RUSSIA

BEYOND HISTORIC FRIENDSHIP

In 1896, following the Battle of Adwa, a Russian Red Cross mission arrived in Ethiopia to treat wounded soldiers. Among its contributions was the translation of a medical guide into Amharic. It was a modest act of humanitarian assistance, but one that left a lasting impression on the history of relations between the two countries. Knowledge had crossed borders to serve a human need.

More than a century later, Prime Minister Abiy Ahmed returned to that episode in Moscow, invoking it to illustrate the historical foundations of Ethiopia's relationship with Russia. His reference, however, was directed as much towards the future as towards the past. The challenge, he suggested, was to ensure that cooperation continued to produce meaningful exchanges of knowledge, expertise and practical capabilities.

That question gives the Third Russia–Africa Summit, held in Moscow on 28 and 29 October 2026, much of its significance for Ethiopia.

The meeting was the third in a series of high-level engagements initiated in Sochi in 2019 and continued in St Petersburg in 2023. Together, the three summits reflect an effort to establish a more regular and institutionalised framework for relations between Russia and African countries. The latest gathering produced a joint declaration, a framework for cooperation on the civilian application of artificial intelligence and a Partnership Forum Action Plan for 2027–2029.

Yet the significance of the Moscow meeting should not be measured simply by the number of agreements adopted or the breadth of subjects discussed. For Ethiopia, its importance lies in how the emerging cooperation agenda intersects with the country's development priorities and its place in a changing international environment.

Ethiopia's relationship with Russia carries historical and diplomatic weight. Its origins extend well beyond contemporary geopolitical alignments, rooted in a period when Ethiopia's struggle to defend its independence attracted expressions of solidarity from abroad. That history remains an important foundation, but it cannot alone determine the future direction of the partnership.

The more consequential question is what both countries can build upon it. In his Moscow address, Prime Minister Abiy identified three priorities underpinning Ethiopia's national development ambitions.



Food security, reliable energy and the transfer of skills and knowledge. Their significance lies in their interdependence. Agricultural productivity requires technology, energy and infrastructure. Industrialisation depends on reliable power, skilled personnel and investment. Technological advancement, in turn, requires research institutions capable of producing knowledge rather than merely consuming it. This provides a useful lens through which to understand the summit's broader cooperation agenda.

The declaration and the 2027–2029 Action Plan cover areas ranging from investment, manufacturing and agriculture to education, scientific research, digital technologies and transport. These are not exclusively Ethiopian concerns. They reflect a wider African interest in strengthening productive capacity and reducing structural dependence on external suppliers and expertise.

For Ethiopia, however, they offer a framework through which longstanding diplomatic relations could acquire a more tangible economic purpose.

Perhaps the most consequential area of bilateral cooperation is nuclear energy.

> **"Our philosophy of Medemer holds that every partner has something to give.** — Prime Minister Abiy Ahmed, Third Russia–Africa Summit, Moscow, 29 October 2026.

Ethiopia's engagement with Russia towards developing its first nuclear power plant represents an important prospective step in the country's energy ambitions. Its electricity system relies heavily on hydropower, making diversification an important consideration as demand grows alongside urbanization, industrial expansion and economic activity.

Prime Minister Abiy described nuclear cooperation as a means of diversifying the country's energy mix. But the significance of such a project extends beyond electricity generation.

Nuclear technology requires specialized engineering, scientific research, regulatory institutions, safety systems and a trained workforce. Its civilian applications also extend into medicine, agriculture and other fields of scientific inquiry. The potential benefits, therefore, depend not only on constructing a facility but on developing the domestic institutions and expertise necessary to operate and regulate it responsibly.

This is where technology transfer becomes especially important. A partnership that leaves Ethiopia with a functioning facilityfacility, but limited indigenous technical capacity would offer a narrower benefit than one that develops Ethiopian engineers, researchers and regulators over the long term.

The same consideration applies to industrial cooperation more broadly.

For Ethiopia, one of the most promising aspects of the Russia–Africa agenda is the possibility of linking foreign investment with domestic production.

In his speech, Prime Minister Abiy invited Russian enterprises to establish joint ventures in Ethiopian special economic zones, particularly in pharmaceuticals and machinery, with the wider African market in view. The proposal deserves attention because it moves the discussion beyond bilateral trade towards the question of where and how goods are produced.

Ethiopia's ambition should not be limited to attracting foreign companies to sell into its domestic market. It should seek investment that develops local suppliers, trains workers, introduces technology and creates products capable of competing beyond national borders.

Agriculture presents a similar opportunity. Cooperation in farm machinery, fertilizers, agricultural research and processing could help address constraints that have long limited the sector's productivity. The objective should be to strengthen the entire chain, from production and storage to processing, transport and export.

The African Continental Free Trade Area adds another dimension. Ethiopia's industrial zones could serve as platforms connecting Russian investment and technology with a larger continental market. That possibility, however, depends on competitive production, efficient logistics and the removal of practical barriers to trade.

One of the most thought-provoking parts of Prime Minister Abiy's address concerned artificial intelligence. Rather than presenting it simply as another field for technological cooperation, he raised questions about who develops AI systems, which languages they serve and whose experiences they represent.

"An African researcher should be able to create tools in the language of our people," he observed.

The statement touches on an increasingly important dimension of national sovereignty. Countries that lack the capacity to develop, govern and adapt digital technologies risk becoming dependent on systems whose design, priorities and underlying data are determined elsewhere.

Ethiopia's Medemer University of Artificial Intelligence in Addis Ababa offers an opportunity to address this challenge through research, education and international academic partnerships. Cooperation with Russian universities and institutions could contribute to that effort, provided it strengthens Ethiopian research capabilities and supports locally relevant innovation.

The historical reference to the Amharic translation of a medical guide therefore acquires a contemporary meaning. The movement of knowledge between countries remains valuable, but the ambition today should be greater. Ethiopia must be equipped not only to receive knowledge but also to produce it.

The Moscow summit also reflects a wider contest over the character of international relations. Russia is seeking to deepen its engagement with African countries at a time of considerable geopolitical and global economic tension changes.and growing competition among major powers. Its emphasis on multipolarity, sovereignty and reform of international institutions resonates with longstanding African demands for a more representative global order.

The summit declaration supports stronger African representation in the United Nations Security Council and calls for reforms to international financial institutions, including the International Monetary Fund and World Bank. These questions matter because African countries continue to seek greater influence over decisions that affect their economies, security and development.

For Ethiopia, a country with an established diplomatic role in continental and global affairs and a full member of BRICS since 2024, engagement with Russia forms part of a broader effort to diversify international partnerships. Such diversification should not be confused with choosing one geopolitical camp over another. Its value lies in expanding Ethiopia's options while preserving its ability to determine its own national interests.

Ethiopia's hosting of COP32 in 2027 provides another opportunity to connect its diplomatic position with practical development concerns, particularly climate finance, energy access, water security and agricultural resilience.

The historical relationship between Ethiopia and Russia has endured through very different international circumstances. Its future relevance will be strengthened by how the two countries build upon this shared historical legacy and translate it into meaningful cooperation and mutually beneficial achievements.

In Moscow, prime Minister Abiy offered a fitting expression of his philosophy of Medemer, the idea that partners have something to contribute to one another. He recalled that a Russian medical guide had once been translated into Amharic. He also noted that his book Medemer had now been translated into Russian. Knowledge, he suggested, should move in both directions.

For Ethiopia, this vision offers a constructive framework for understanding the opportunities presented by the renewed Russia–Africa engagement. Building on a history of diplomatic solidarity, it points towards a forward-looking partnership that advances the exchange of knowledge, technology and expertise, while mobilising investment and strengthening productive capacity. The success of this engagement will be reflected in the tangible contributions it makes to Ethiopia's development, particularly in expanding national capabilities, fostering innovation and supporting sustainable economic transformation.



SEA ACCESS

STRATEGIC NECESSITY, NOT BARGAINING CHIP

By Ambassador Biruk Mekonnen



Ethiopia's pursuit of reliable access to the sea must be understood in the context of its long-term national interests, economic development and regional security. It is neither an arbitrary political ambition nor a temporary diplomatic preference. It is a strategic and developmental necessity for a country of more than 130 million people, a population projected to double by 2050, whose economic future depends in no small measure on dependable access to international markets.

As Prime Minister Abiy Ahmed stated in his message on the formation of the Medemer Government on October 5, 2026, "Ethiopia's prosperity cannot be fully realized without access to the sea. Consequently, guided by the principle of give-and-take, we will work diligently to secure access for the country." He further affirmed that "Our neighbours are our natural friends" and that Ethiopia would pursue engagement based on peace, mutual benefit and cooperation. This is an unambiguous national position.

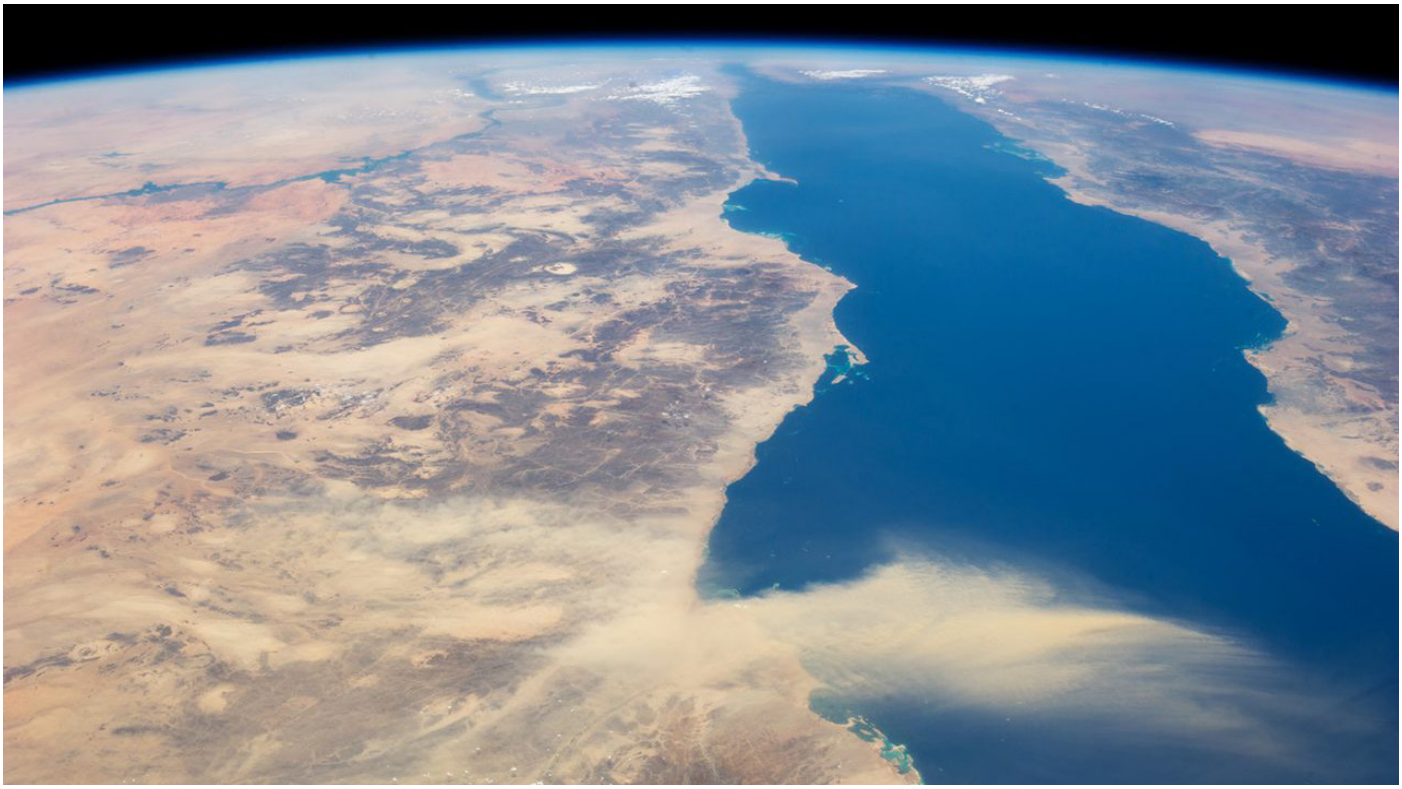
Yet Eritrea's response to Ethiopia's pursuit of this policy reveals a striking contradiction between its diplomatic declarations and its practical conduct. Following the 2018 rapprochement, Ethiopia explored opportunities for cooperation involving the rehabilitation of the road to Assab, port infrastructure and electricity supply. Prime Minister Abiy has publicly described these initiatives and Eritrea's reluctance to advance them. Ethiopia subsequently pursued alternative avenues, including the January 2024 memorandum of understanding with Somaliland concerning maritime access and cooperation involving Berbera. Eritrea was among the first to oppose that agreement.

Eritrea's response to these two initiatives raises a fundamental question about the consistency of its stated position. When opportunities for cooperation through Assab emerged, they were not consolidated. When Ethiopia explored an alternative access, Eritrea opposed the initiative. This raises a serious question about whether Eritrea's position is genuinely guided by the principles of mutual benefit and regional integration, or by an underlying preference for an Ethiopia whose geographical limitations continue to constrain its economic and strategic options.

Another troubling feature of official Eritrean discourse is the tendency to interpret statements by Ethiopian commentators, journalists, academics and individual citizens as though they represented formal government policy. This is a fundamental misreading of political and diplomatic communications. Public opinion is not government policy. A citizen's aspiration, a journalist's argument or an academic's analysis cannot automatically be attributed to the Ethiopian state. Ethiopia's maritime policy must be assessed through authoritative government statements, adopted policies and actual state conduct. The Prime Minister's October 5 message provides precisely that guidance. Ethiopia's democratic framework allows the public to express views openly, a practice that may seem unfamiliar in societies where such debate is absent. Conflating public debate with official policy distorts diplomatic communication, fuels unnecessary suspicion and increases the risk of miscalculation.

Despite its frequent invocation of sovereignty, territorial integrity and international law, Eritrea's own record raises serious questions about the consistency of its commitment to these principles. One notable example is its initiation of the unlawful armed attack against Ethiopia on May 12, 1998. In its December 19, 2005 decision, the Eritrea-Ethiopia Claims Commission found that Eritrea had violated Article 2(4) of the United Nations Charter by launching the attack and occupying Badme and other Ethiopian territory. This history makes Eritrea's selective invocation of international law particularly difficult to reconcile with its own conduct. Respect for sovereignty and territorial integrity must be genuinely reflected in a state's actions, not merely in its diplomatic posture.

The Badme aggression is, of course, only one example. Eritrea's continued support for anti-peace forces and armed groups operating in Ethiopia, its alignment with Ethiopia's historical adversaries, and its provision of weapons, logistical support and intelligence, as well as its participation in direct attacks against Ethiopia, cannot simply be concealed behind diplomatic languages or dismissed as matters relating solely to Ethiopia's internal conflicts. No doubt that it is deeply entangled in the internal affairs of Ethiopia and this repeated involvement raises equally serious questions about its commitment to the principle of non-interference. A government that consistently



A panoramic orbital photograph of the Red Sea from the International Space Station

invokes sovereignty and non-interference in its dealings with others must be equally mindful of those principles in its own conduct. They cannot be treated as obligations for others alone.

These contradictions reflect a broader problem in Eritrea's political discourse. Criticism of its economic performance, administrative failures and human rights record is routinely deflected by pointing to Ethiopia's own challenges rather than confronting its domestic realities. Such comparisons neither answer legitimate questions nor absolve Eritrea of its responsibilities. Ethiopia's shortcomings do not excuse Eritrea's failures, just as Eritrea's record does not diminish Ethiopia's legitimate interests. Historical grievances, the liberation struggle and external pressures cannot indefinitely substitute for domestic accountability, constitutional governance and institutional reform.

Ethiopia's long history of independent statehood and its continuity as a sovereign nation are rooted in strategic policy choices that have enabled it to preserve balance in its external relations and safeguard its national interests as well as preserve international principles. Its foreign policy has consistently demonstrated a commitment to constructive engagement, mutual respect and cooperation with diverse partners and institutions, both bilaterally and multilaterally. Eritrea's conduct, by contrast, reveals a fundamentally different approach, with its foreign policy repeatedly aligning itself with external agendas, turning against neighbouring states and, particularly in its relations with Ethiopia, pursuing proxy interests at the expense of regional peace, stability and the well-being of both countries. This is not a constructive regional policy; it is a pattern of conduct that undermines the very principles of sovereignty, good neighbourliness and mutual benefit that Eritrea routinely invokes.

Against this backdrop, the future of relations in the Horn of Africa must be guided by mutual respect for the legitimate economic and strategic interests of all states in the region, as well as a genuine commitment to peaceful coexistence and regional cooperation.

For Ethiopia, the question of maritime access is particularly consequential. Its landlocked status has far-reaching implications for national security, trade competitiveness, industrial development, investment, logistics and its capacity to participate fully in the global economy. The central issue, therefore, is how Ethiopia can secure reliable access to the sea through a durable and mutually beneficial arrangement. For a country of Ethiopia's size and ambitions, access to the sea is fundamental to its long-term security, economic prosperity and national development.

Ethiopia's approach is grounded in partnership rather than confrontation, negotiated access rather than territorial acquisition, and regional cooperation rather than hostility. The principle of give-and-take offers a practical basis for an arrangement in which all parties can benefit. But it requires political will, consistency and a genuine commitment to cooperation.

Ethiopia cannot be expected to place a fundamental national interest on hold indefinitely because of the objections or unwillingness of others to cooperate. Its pursuit of access to the sea is a legitimate responsibility to present and future generations. Ethiopia's maritime future cannot be determined by the political preferences or strategic calculations of its neighbours, nor can its national development be held hostage indefinitely to their unwillingness to cooperate. ■

This article was written by H.E. Biruk Mekonnen, Ambassador Extraordinary and Plenipotentiary of Ethiopia to the United Kingdom and Northern Ireland.



AFRICAN ECONOMIC SOVEREIGNTY

Connecting Africa's Trade, Security and Economic Future

For a country of more than 130 million people, access to the sea is not simply a matter of geography. It is an existential issue, a question of economic opportunity, national security and the possibilities available to future generations. This was the point Prime Minister Abiy Ahmed brought to the centre of the 12th Tana High-Level Forum on Security in Africa in Bahir Dar.

"Imagine planning for generations ahead, when every road to the world must pass through other countries. This concerns our security, our sovereignty, and the future of our children," he said.

His remarks captured a question that extends well beyond Ethiopia. In an increasingly interconnected world, how can African countries secure their economic interests, protect their sovereignty and build lasting peace while recognizing their mutual dependence?

Held from October 23 to 25, 2026, under the theme "Pathways to Peace in Africa: Economic Sovereignty and Geopolitical Transformation," the Tana High-Level Forum on Security in Africa, offered a particularly relevant setting for this discussion. Now in its twelfth edition, the annual gathering has established itself as a distinctive African platform where serving and former leaders, diplomats, scholars and security practitioners can exchange views candidly on the continent's challenges. Organized by the Tana Forum Secretariat with the hHost nation Ethiopia, at the Institute for Peace and Security Studies of Addis Ababa University, the gathering has become a distinctive African platform where political experience and academic thinking meet, with discussions intended to inform policy beyond the forum itself.

For Prime Minister Abiy, the starting point was Africa's need to become an active participant in shaping its own future. Drawing on Ethiopia's philosophy of Medemer, he called for countries to combine their resources, capabilities and diplomatic influence. Africa, he argued, must move beyond being a passive observer of international developments and become an influential actor in shaping the political and economic

rules that affect its future, including in emerging fields such as artificial intelligence.

This ambition is closely connected to economic sovereignty. Africa possesses resources essential to the global energy transition and the digital economy, yet much of their value is still realised outside the continent. President John Dramani Mahama of Ghana, Chairperson of the Tana Forum Board, addressed this contradiction when presenting the 2026 State of Peace and Security in Africa Report. He argued that the continent's conflicts cannot be understood simply by examining armed groups and military capabilities. The more fundamental questions concern who controls resources, who benefits from their extraction and whose interests are served by instability.

From Sudan and eastern Democratic Republic of Congo to Mozambique's Cabo Delgado and the Sahel, the competition over resources, economic exclusion and weak governance have become important dimensions of insecurity. The argument is not that economic interests explain every conflict, but that lasting peace requires addressing the conditions that allow violence to become economically sustainable.

President Évariste Ndayishimiye of Burundi, Chairperson of the African Union, reinforced this connection between economic transformation and security. African sovereignty, he argued, cannot be measured simply by the possession of natural resources. It must be reflected in the ability to process, commercialize and invest their value for the benefit of citizens. Employment and meaningful opportunities for young people are therefore not merely development objectives. They are investments in peace.

Ethiopia's experience offers an important perspective on this argument. Prime Minister Abiy highlighted the country's home-grown economic reforms, the Green Legacy initiative and the successful completion of the Grand Ethiopian Renaissance Dam as examples of what domestic resource mobilization and collective determination can achieve. The wider challenge is to translate such investments into productive capacity, regional economic connections and improved livelihoods.

It is in this context that Ethiopia's maritime interests acquire a broader regional significance. The Prime Minister was clear about the country's position, while also emphasizing the means through which it should be pursued. "We will continue to persuade through dialogue and mutual benefit," he said. Reliable transport corridors, he added, are a shared African interest because they connect producers to markets and benefit communities along their routes.

The Special Envoys' Dialogue, held ahead of the official opening, brought this question into the wider discussion of regional security. Ambassador Redwan Hussien, Director General of Ethiopia's National Intelligence and Security Service, argued that the security of the Red Sea cannot be safeguarded exclusively by a few littoral states. He called for collective arrangements that recognize the legitimate interests of both coastal and landlocked countries.

The discussion reflected the strategic importance of the Red Sea and Bab el-Mandeb, where growing militarization and competing international interests have heightened security concerns. United Nations Special Envoy Guang Cong emphasised the leading role of the African Union and IGAD in finding regional solutions.









Ghanaian President John Dramani Mahama, Tana Forum Board Chairperson, alongside Ethiopian Prime Minister Abiy Ahmed and other senior officials at the Forum's official opening.

He also highlighted the need for inclusive maritime security arrangements, noting that international law recognizes landlocked countries' right of access to the sea.

This is an important distinction. Maritime security and access to maritime routes are not interests that should be considered in isolation from the economic realities of the wider region. The stability of these corridors affects trade, investment and the livelihoods of countries well beyond the coastline. Their governance consequently requires dialogue, and cooperation among the states whose interests are connected to them, not exclusion.

The same logic underpins the African Continental Free Trade Area. Prime Minister Abiy described its full implementation as essential to bringing together a market of more than 1.3 billion people. President Mahama presented regional integration as something more consequential than a commercial arrangement. By making neighbouring economies more interdependent, trade can increase the benefits of cooperation and reduce the economic incentives that sustain conflict. Traceable value chains and legitimate cross-border commerce can also weaken the illicit networks that profit from insecurity.

Deputy Chairperson of African Union Commission, Ambassador Selma Malika Haddadi, similarly called for stronger coordination between the African Union and regional organizations. She emphasized that integration must become tangible through better transport corridors, more efficient border procedures and opportunities for people to trade and move across borders. Importantly, she cautioned against treating informal cross-border traders as security threats, recognizing their contribution to local economies and the livelihoods of border communities.

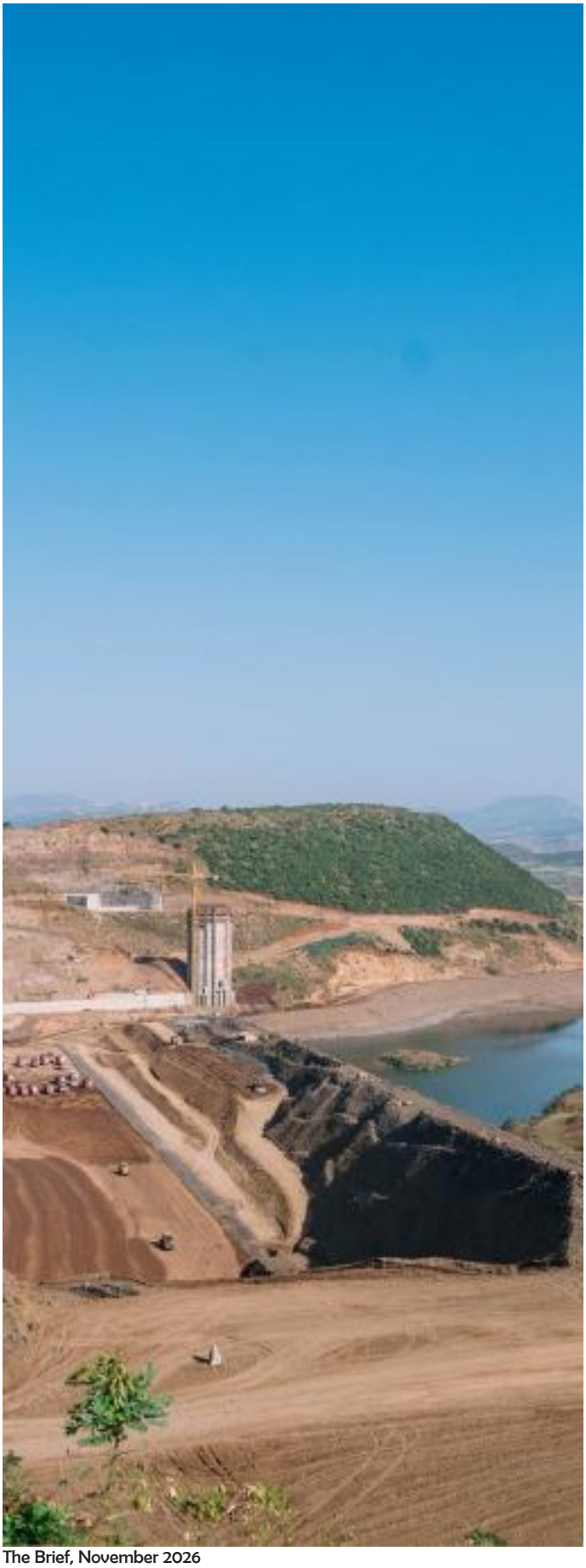
Yet integration requires institutions capable of translating commitments into action. President Ndayishimiye drew attention to the gap between early warning and effective response, observing that "An alert that is not followed by early action serves little purpose." President Mahama made a related point about political will, arguing that it should be measured through concrete actions, including budget allocations, the disbursement of pledged funds and institutional follow-through. Both highlighted the importance of African countries taking greater responsibility for financing their peace and security priorities.

What connects these discussions is a recognition that national sovereignty and regional cooperation need not be competing objectives. For Ethiopia, reliable maritime access is an important national interest. For the Horn of Africa, secure and accessible trade corridors are a shared economic and strategic concern. For Africa as a whole, stronger integration offers greater bargaining power in a world where geopolitical and economic competition is intensifying.

Prime Minister Abiy's call for Africa to become an active force in shaping the international order therefore has a practical foundation. A continent that can mobilize its resources, connect its markets, finance its institutions and cooperate across borders is better positioned to defend its interests and contribute to global decisions.

The conversations in Bahir Dar ultimately pointed towards a simple but consequential proposition. Geography connects African countries whether they choose to cooperate or not. The task is to make a rational decision for that interdependence work in their common interest. The future of African peace will depend, in no small measure, on how successfully the continent turns its geographical connections into economic opportunity, mutual confidence and collective influence.

CLIMATE Groundwork for a Greener Ethiopia



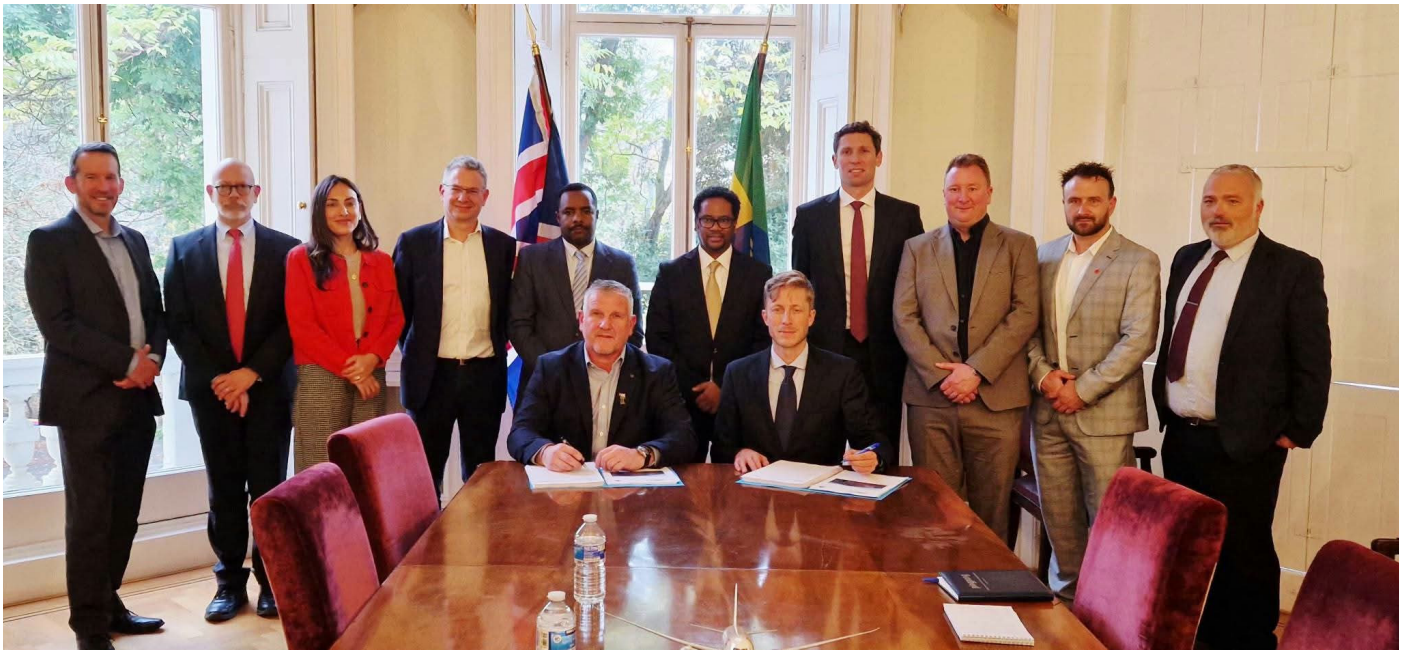
Ethiopia's climate resilience, renewable energy ambitions and the road to COP32

A child born when construction of the Megech Irrigation Dam began nearly two decades ago could now be approaching university age. The observation by Prime Minister Abiy Ahmed at the project's inauguration in Gondar captured the extraordinary length of a delay that had deprived communities of an important development asset. More importantly, it drew attention to what changed. Rather than simply committing additional resources, the government adopted a different implementation approach, replacing underperforming contractors, correcting defective work and strengthening federal-regional coordination. Guided by the Medemer philosophy of collective action, the renewed effort brought the long-awaited project to completion.

With a capacity of 185 million cubic metres and the potential to irrigate more than 17,000 hectares, Megech is expected to strengthen agricultural production, improve water security and create opportunities in fisheries, tourism and urban agriculture. Its completion is more than an infrastructure achievement. It illustrates how effective implementation can turn development ambitions into practical gains in climate resilience and people's livelihoods.

Ethiopia's climate ambitions also encompass renewable energy. The signing of drilling agreements for the Corbetti Geothermal Project between Corbetti Geothermal PLC and Marriott Drilling marks progress towards developing the country's geothermal potential. With Taranis Operations as project developer and PIDG's InfraCo Africa as financial partner, the initiative brings together international investment and technical expertise. Geothermal energy offers the prospect of reliable renewable electricity, diversifying Ethiopia's energy mix and supporting its growing economy.

Megech and Corbetti represent complementary dimensions of Ethiopia's climate agenda. One strengthens adaptation through water security and agricultural resilience, while the other advances renewable energy development.



Corbetti Geothermal PLC and Marriott Drilling sign project drilling agreements at the Ethiopian Embassy in London, in the presence of Embassy officials and project partners.

Together, they demonstrate how environmental priorities can be connected to economic opportunity and sustainable development.

This domestic agenda is closely linked to Ethiopia's international partnerships, particularly with the United Kingdom. The signing of the Corbetti drilling agreements at the Ethiopian Embassy in London in October underscored the role of diplomacy in facilitating investment, fostering international partnerships and advancing Ethiopia's strategic development priorities. London's importance as a centre for international finance and climate dialogue offers further opportunities to deepen Ethiopia–UK cooperation in renewable energy, technology and sustainable infrastructure.

The diplomatic dimension was also evident at a London discussion organised by the Delegation of the European Union to the United Kingdom and the Grantham Institute. Addressing Ethiopia's preparations for COP32, Ambassador Biruk Mekonnen emphasized climate finance, adaptation and continuity in international negotiations. His message highlighted a central concern for developing countries. Climate commitments must be matched by predictable finance, accessible technology and the capacity to implement them. For Africa, despite its relatively small contribution to global emissions, securing fair access to these resources remains fundamental.

Hosting COP32 in Addis Ababa in 2027 offers Ethiopia an opportunity to advance this agenda and strengthen Africa's voice in shaping global climate solutions. As the diplomatic capital of Africa and home to the African Union, Addis Ababa provides a natural setting for dialogue on climate finance, adaptation and equitable international cooperation. Ethiopia seeks not merely to host a conference, but to contribute to an international process in which African countries are recognised as partners in defining priorities and shaping solutions.

For Ethiopia and the United Kingdom, this creates scope for deeper cooperation in renewable energy, climate finance, research, technology transfer and institutional capacity. British expertise and international investment can complement Ethiopia's development priorities, making diplomacy a practical instrument of sustainable development.

Ultimately, Ethiopia's climate leadership will be measured by the relationship between its international commitments and domestic achievements. Megech demonstrates the value of turning stalled projects into functioning infrastructure, while Corbetti illustrates the potential of international partnerships to advance a diversified renewable energy future. Both reflect a development agenda in which climate action is integral to protecting livelihoods, expanding economic opportunities and building resilience.

As the world looks towards Addis Ababa, Ethiopia has an opportunity to bring this experience into the global climate conversation. The credibility of climate ambition lies not simply in the commitments countries make, but in their ability to turn them into lasting improvements in people's lives.

ECONOMIC MOMENTUM

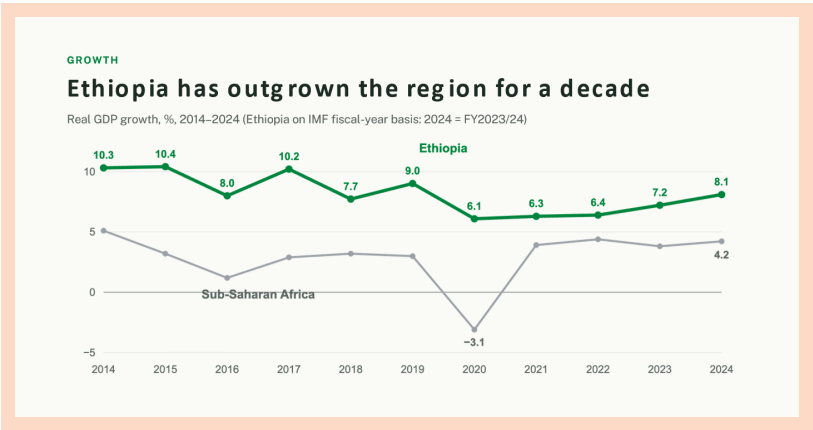
In July 2024, Ethiopia moved to a market-determined exchange rate and launched a wide-ranging programme of monetary, fiscal and financial-sector reforms under its Homegrown Economic Reform Agenda (HGER II). Data for the first half of 2026 now indicate that these reforms are beginning to bear fruit. This update examines the state of the economy, its direction and what these developments mean for companies seeking to raise international capital.

GROWTH

Ethiopia has been one of Africa's most consistent growth stories. Between 2014 and 2024, real GDP grew by an average of about 8% a year, exceeding the Sub-Saharan African average every year. Even in 2020, when the region's economy contracted by 3.1%, Ethiopia recorded growth of 6.1%. Growth moderated to around 6% in 2021–2022 amid COVID-19 and domestic conflict, before picking up to 7.2% in FY2022/23, 8.1% in FY2023/24 and 9.2% in FY2024/25.

Incomes have risen even faster. In US dollar terms, GDP per capita roughly tripled between 2014 and 2024, from about US$640 to US$1,940, marking one of the fastest increases in Africa. Ethiopia also recorded faster economic growth than Kenya, Tanzania, Uganda and Rwanda, although from a lower base. Between 2011 and 2024, its economy expanded by an average of about 8.5% a year, almost double Kenya's 4.6% and well ahead of Uganda's 4.9% and Tanzania's 6.1%. This represents a growth advantage of roughly 2.5–4 percentage points a year. GDP per capita temporarily declined following the 2024 exchange-rate adjustment, falling to about US$1,140 in 2025, but is projected to recover to around US$1,800 by 2030.

The IMF expects growth to remain at around 8% over the medium term. However, the sources of growth are expected to change. Under the Ten-Year Development Plan, agriculture's share of GDP is projected to decline from 32.6% in 2019/20 to 22% by 2029/30. Industry's share is expected to rise to 35.9%, while manufacturing alone is projected to increase from 6.9% to 17.2% of output. For investors, this points to expanding opportunities in agro-processing, manufacturing, mining, logistics and services.



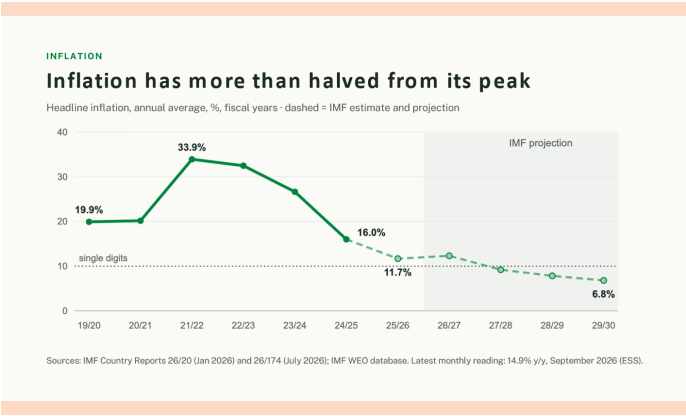
INFLATION

Average annual inflation fell from a peak of 33.9% in FY2021/22 to an estimated 11.7% in FY2025/26. The IMF projects that it will fall to single digits from FY2027/28. This decline reflects deliberate policy measures. In July 2024, the National Bank of Ethiopia (NBE) introduced an interest-rate-based policy framework, setting the policy rate at 15%. It raised the rate to 16% in July 2026. Commercial lending rates currently range from roughly 18% to 25%.



By Deborah Mekbib

> **Improving fundamentals and tight domestic credit create a clear opening for international capital.**



However, the decline in inflation has not been steady. Year-on-year inflation reached a low of 9.7% in December 2025, before rising to 11.7% in April 2026 and 14.9% in September 2026. This increase followed fuel price rises and higher food prices. In April 2026, food inflation stood at 13.5%, while non-food inflation was 9.1%. By September, both were close to 15%. Import costs and exchange-rate movements continue to feed into domestic prices, helping explain why the NBE tightened monetary policy in July.

EXTERNAL SECTOR

Foreign exchange, which has long been a major constraint on Ethiopian businesses, is becoming less restrictive. Gross foreign exchange reserves tripled from US$1.4 billion in FY2023/24 to US$4.4 billion in FY2024/25. The IMF estimates that reserves reached about US$5.9 billion, equivalent to 2.1 months of imports, by June 2026. It projects that they will rise further to about US$16 billion by FY2029/30. Exports of goods and services have also increased, rising from about US$10.8 billion in FY2022/23 to US$16.6 billion in FY2024/25. Based on the IMF's latest growth projections, they could reach around US$30 billion by FY2029/30. In FY2024/25, goods exports generated about US$8.3 billion, with gold contributing approximately US$3.4 billion and coffee about US$2.6 billion. Early figures for FY2025/26 point to export earnings exceeding US$11 billion.

Ethiopia's export base is also broadening. Under the Ten-Year Development Plan, agriculture's share of exports is projected to fall from 77% in 2019/20 to 36% by 2029/30. Industry, led by manufacturing, is expected to increase its share from 13% to 48%, while mining's share is projected to rise from 7% to 11%. Measures such as digitised customs procedures, duty drawback schemes, bonded warehouses and VAT zero-rating are intended to reduce the cost of exporting. Investors are also responding to these developments. Foreign direct investment rose from US$3.27 billion in 2023 to US$3.98 billion in 2024, supported by the opening of sectors such as retail and agriculture to foreign participation.

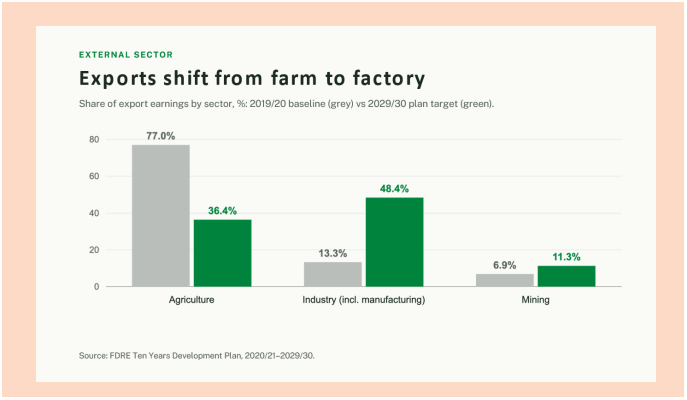
PUBLIC FINANCES

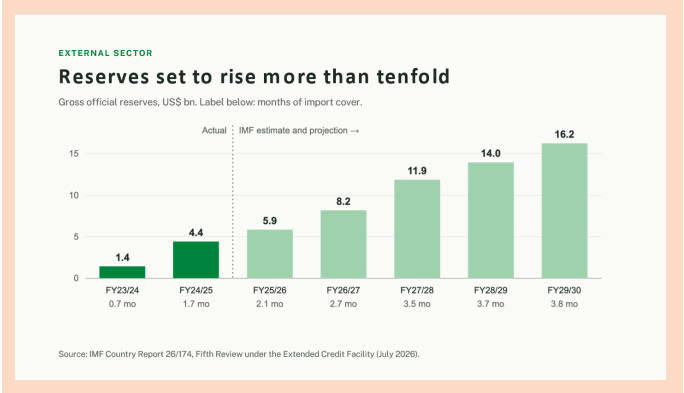
Ethiopia's domestic debt has nearly halved relative to the size of the economy, falling from about 27% of GDP in 2021 to an estimated 15.4% in FY2025/26. This reflects improved revenue collection, tighter fiscal discipline, concessional financing and debt restructuring. Lower government borrowing from domestic sources also reduces the risk of crowding out private businesses by limiting their access to credit from the domestic banking system.

External debt presents a more complex picture. It fell to 15.8% of GDP in FY2023/24 before rising sharply to 31.8% in FY2024/25. The IMF estimates it at 29.9% for FY2025/26. Much of this increase was driven by the depreciation of the Birr, which raised the local-currency value of foreign-currency debt, rather than by new borrowing. This highlights why exchange-rate stability remains central to the economic outlook.

INTERNATIONAL CAPITAL

Improving economic fundamentals, combined with tight domestic credit, are creating opportunities for Ethiopian companies to access international capital. With local lending rates ranging from 18% to 25% and loan tenors remaining short, many growing Ethiopian businesses, particularly capital-intensive and export-oriented firms, cannot finance expansion through domestic banks alone. Improved foreign exchange availability also makes it easier to service foreign-currency financing.





There are several international financing options available. Development finance institutions such as IFC, AfDB, British International Investment, FMO and Proparco offer long-term debt, equity and mezzanine finance to established companies with expansion or export plans. Exporters of coffee, oilseeds, horticultural products and minerals can also access trade and supply-chain finance through Afreximbank, DFI trade programmes and international banks. Impact and private equity funds provide growth capital and governance support to businesses with the potential to expand and deliver measurable social or environmental benefits. Meanwhile, blended finance, guarantees and climate funds can help reduce investment risks in larger projects involving energy, climate-smart agriculture and infrastructure.

However, accessing international capital requires companies to demonstrate institutional readiness. This includes audited accounts, sound corporate governance, strong environmental and social frameworks, and capital structures that take account of currency and interest-rate risks. For UK-based investors and the Ethiopian diaspora, these developments also point to opportunities in priority sectors such as agriculture and agribusiness, manufacturing, mining, energy, logistics, ICT, tourism and financial services.

OUTLOOK

Ethiopia enters the second half of 2026 on firmer footing than at any point in recent years. Growth remains resilient at around 8–9%, inflation is well below its peak, foreign exchange reserves are rebuilding and the export base is becoming more diversified. Tight domestic credit, which is helping to ease inflationary pressures, also creates scope for international financing and gives Ethiopian companies an opportunity to access international and development finance.

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