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Prime minister Hailemariam Desalegn (2012- present) raises the issue of human rights under the Ethiopian People's Revolutionary Democratic Front (EPRDF) after meeting with United States (US) president Barack Obama (2009- present). Ethiopian Electric Power (EEP) signs its first independent power purchase agreement with Corbetti Geothermal Plc and partner Icelandic/ US-based private developer Reykjavik Geothermal Ltd. A court sentences 18 Muslims over involvement in 2012 violence over the government's interference in religious affairs.

Prime minister Hailemariam raises human rights issues

In a rare concession to concerns about the human rights record of the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)**, prime minister **Hailemariam Desalegn** (2012-present) publicly raised the issue following the visit of **United States (US)** president **Barack Obama** (2009- present). Obama visited **Addis Ababa** on 3 and 4 August. In **Kenya**, Obama's focus was on tackling corruption; in **Ethiopia** he prioritised the democratic deficit. Western criticism of Ethiopia's human rights record is typically muted due to its role as a bulwark against militancy in **Somalia** and **South Sudan**.¹ Following Obama's visit, Hailemariam said

"We have raised a number of issues on how the US can support the strengthening of Ethiopia's democratisation process. My government has expressed its commitment to deepen the democratic process already underway in the country, and work towards the respect of human rights and improving governance."²

Hailemariam acknowledged "minor differences here and there"³ with US officials over the pace of democratisation. In an attempt to bridge this difference, Ethiopia has recently released five journalists and bloggers, and another 11 activist students who had been in jail for more than a year. Prior to Obama's visit, foreign minister **Tedros Adhanom** said authorities would allow detained **Ginbot 7** leader **Andargachew Tsige** (see *ARC Briefing July 2015*) to visit Addis Ababa.⁴ Some analysts have taken this as a charm offensive ahead of the Obama visit but some say it signals a change in attitude within the government that will set up its new structure at the EPRDF party congress in October. Ethiopian officials in private deny that there is a connection between the release of political detainees and Obama's visit. Striking a nationalist pose, the justice ministry said,

"... Ethiopia is a sovereign nation and president [Obama] is visiting the country for his own mission."⁵

Some security analysts caution that the release of the journalists may be a government attempt to rally public support ahead of military action against **Eritrea**. Since July, there have been a number of skirmishes in the border area between Eritrea and Ethiopia (see *ARC Briefing July 2015*). The

¹ Source, security analyst, East Africa

² Source, journalist, Addis Ababa

³ Source, journalist, Addis Ababa

⁴ Source, journalist, Addis Ababa

⁵ Source, journalist, Addis Ababa

previously unidentified armed group involved is now believed to be Ginbot 7.⁶ In July, Ginbot 7 leader **Berhanu Nega** confirmed he is now based in Eritrea as part of a merger between Ginbot 7 and the **Ethiopian People's Patriotic Front (EPPF)**, the political party that made gains against the EPRDF in the 2005 elections.⁷ Andargachew's relocation to **Asmara** will support Ethiopian government efforts to portray Ginbot 7 and the opposition as in the pay of the Eritreans. Many Ethiopians view Eritrea's government as worse than their own. Ginbot 7 also said that the merger would pave the way to Ginbot 7 using armed resistance to overthrow the EPRDF government. Previously, analysts have downplayed the threat from Ginbot 7 as it lacked a military wing.⁸

Ethiopia's opposition, however, believes that Hailemariam's comments will not result in any opening of political space for opposition groups.

*"Unless the US actually tells the EPRDF to 'walk the walk as well as talk the talk', the whole thing will just end up being another public relations exercise. The government is currently consciously blocking meaningful democratisation. The May election [when the EPRDF] won every seat was the equivalent of an armed robbery."*⁹

Ethiopia signs first independent power purchase agreement

Ethiopian Electric Power (EEP) signed its first independent power purchase agreement on 27 July. Improved electricity generation remains core to the government's plans for continued growth and an improved current-account position. EEP signed the power purchase agreement with **Corbetti Geothermal Plc** and partner **Icelandic/ US-based private developer Reykjavik Geothermal Ltd** for an initial 500MW.¹⁰ **Nairobi (Kenya)- based Berkeley Partners LLP (Berkeley Energy)** is the majority shareholder in Corbetti Geothermal.¹¹ Corbetti Geothermal expects to start drilling for steam in the third quarter of 2015.¹² EEP will purchase power at \$0.753 cents per kilowatt hour. This compares to the average price of between 8.5 – 9.5 US cents in neighbouring Kenya.¹³ The US supported negotiations over the tariff through its **Power Africa** programme.¹⁴ The independent power purchase agreement follows a December 2013 house of people's representatives proclamation liberalising the energy sector (see *ARC Briefing December 2013*). The proclamation allows independent power producers to compete with state power utilities and provided for the partition of the **Ethiopian Electricity Power Corp** into separate generation and distribution companies, EEP and **Ethiopian Electric Utility**.

Under the independent power purchase agreement, Reykjavik Geothermal is constructing the project in two phases.¹⁵ The first phase will result in 500MW coming online by 2020, and an additional 500MW will come online by 2024.¹⁶ The \$4 billion independent power purchase agreement will represent the largest foreign direct investment in Ethiopia: with equity accounting for 25% of financing and debt 75%.¹⁷ The initial financing will come from Reykjavik Geothermal, the **Icelandic Drilling Co** and Berkeley Energy's **African Renewable Energy Fund**. The **African Union's** geothermal risk mitigation facility provided an \$8m grant to support the drilling of wells in the development of the project.¹⁸ While Ethiopia's current generation capacity of 2,250MW exceeds

⁶ Source, journalist, Addis Ababa

⁷ VOA, 25 Jul 2015.

⁸ Source, western diplomat, Addis Ababa

⁹ Source, senior opposition leader, Addis Ababa

¹⁰ www.out-law.com

¹¹ AFDB, 2014

¹² Source, business consultant, Addis Ababa

¹³ Source, business consultant, Addis Ababa

¹⁴ Bloomberg, 1 Aug 2015.

¹⁵ www.out-law.com

¹⁶ www.out-law.com

¹⁷ www.out-law.com

¹⁸ www.out-law.com

domestic demand, demand is growing 25% annually¹⁹ and dilapidated infrastructure results in frequent failures “*as frequently as every second day*”.²⁰ The EEP’s 25-year power sector strategy expects to have an installed capacity of 37,000MW by 2037.²¹ The government’s **Growth and Transportation Plan 2** reportedly provides for plans to increase electricity generation capacity by 12GW.²²

Renewables play a key part in government plans to increase generation. In June, work finished on the **Chinese-developed 153MW Adama II Wind Farm**, while in April the 70MW **Aluto-Langano** geothermal station (**Rift Valley**) came online. Corbetti Geothermal will use geothermal energy from sources in **Corbetti, Tulu Moyer** and **Abya (Oromia Region)**. These sources lie in the **Central Main Ethiopian Rift** which analysts estimate has the potential to generate 5,000MW from 22 sites.²³ With regard to developing the Rift Valley’s potential, Ethiopia is playing catch up with Kenya where the government has invested heavily in realising the potential of its geothermal power through the state-owned **Geothermal Development Co (GDC)**.²⁴ Similarly, in Tanzania the state-owned **Tanzania Electric Supply Co** established subsidiary **Tanzania Geothermal Development Co.** in September 2014.

A regular and stable electricity supply is key to the government’s \$10 billion plans to develop industrial plants and low-cost manufacturing parks.²⁵ An increased, regular supply is also crucial to Ethiopia’s ambitions to become a regional power hub. EEP CEO **Azeb Asnake** said that the project will be central to an inter-connected regional power distribution system. Ethiopia expects to earn \$1 billion a year from exporting electricity by 2023, notably from the 1,870MW **Gibe III** hydropower project which will come fully online in 2016 and the 6GW **Grand Ethiopian Renaissance Dam** which is on track to be completed by 2018. This will export power to Kenya and **Sudan** along the **China Electric Power Equipment and Technology**-constructed 619km transmission line.²⁶ Exports will move Ethiopia towards a more stable foreign-currency reserve position.

Despite the independent power purchase agreement, the development of the majority of electricity infrastructure projects continues to follow the government’s state-led economic model. The government at the time of its debut \$1 billion **Eurobond** launch in December 2014 said that it would use some of the funds for the electricity sector. The **Industrial and Commercial Bank of China** is financing Gibe III after other backers withdrew over concerns about its socio-environmental impact.²⁷ The GERD is financed in part by civil servants purchasing a compulsory bond. Every civil servant contributes a month’s salary to a national bond to fund it in tribute to late prime minister **Meles Zenawi** (1995-2012).²⁸ The government denies that the scheme is compulsory and claims that it will remunerate civil servants at an unspecified date in the future.

Court sentences 18 Muslims over involvement in 2012 violence

A court has sentenced 18 Muslims over 2012 violence, highlighting continued tensions between the government and Muslim groups.²⁹ The court sentenced the Muslims under the **2009 Anti-Terrorism Proclamation**. Human rights groups have condemned the government for using anti-terrorism laws to curb freedom of expression and close political space for opposition. The court handed down sentences from seven to 18 years on various charges including attempting to establish a religious government. A number of the convicted individuals were detained in July 2012 following a series of

¹⁹ AllAfrica.com

²⁰ Source, senior financial sector executive

²¹ Source, business consultant, Addis Ababa

²² Source, business consultant, Addis Ababa

²³ Source, business consultant, Addis Ababa

²⁴ Source, international financier, London

²⁵ Source, business consultant, Addis Ababa

²⁶ Source, business consultant, Addis Ababa

²⁷ Source, journalist, Addis Ababa

²⁸ FT, 19 June 2013.

²⁹ Addis Fortune, 3 Aug 2015.

protests against perceived government interference in religious affairs. The protests started in **Oromia** and spread to mosques in Addis Ababa, most notably the **Awalia** mosque.³⁰ Friday prayers became a focal point for protests against Meles' decision to support a particular group of Muslims who follow an interpretation of Islam called **Ahbashism**. Meles' support has given the Ahbasha authority over decisions made in Ethiopia's **Supreme Islamic Affairs Council**. This policy is in line with the EPRDF practice of removing potential opponents from all key positions and replacing them with those who seek power and status within the established EPRDF system.³¹

Implications

Hailemariam's comments are unlikely to signal increased political liberalisation. The EPRDF will retain close control over processes of democratisation, and it will only happen on their terms. The absence of a meaningful political challenge to the EPRDF raises Ethiopia's risk profile as it increases the possibility of the eventual transfer of power being tumultuous.

Ethiopia will register strong growth in power generation capacity as major geothermal and hydropower projects come online. Despite the independent power purchase agreement, the state-led economic model will continue to limit opportunities for private investors and raise concerns about the sustainability of domestic debt. Regional electricity trading will offset concerns about Ethiopia's current account. Deterrents in other sectors including bureaucracy and the privileged position of state-owned enterprises will equally deter investors in the energy sector. Hydropower will dominate the energy mix enabling the government to offer the manufacturing sector low cost electricity.

The anti-terrorism ruling is in line with government aims to root out any potential support for Islamist militancy through active support for the non-violent Ahbasha sect and restricting the activities of Salafist Muslims. The ruling may trigger a resumption of protests after Friday prayers. There is no indication at present of widespread Muslim support for militant Islamist groups such as **al Qaeda** or **al Shabaab** but sources in Addis Ababa say there is some evidence of low level Islamist militant infiltration into Ethiopia.³²

³⁰ Source, Western diplomat, Addis Ababa

³¹ Source, security analyst, East Africa

³² Source, Western diplomat, Addis Ababa

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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