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The ruling Ethiopian People's Revolutionary Democratic Front (EPRDF) offers ambassadorial appointments to senior officials in an apparent attempt to marginalise them. A continuing anti-corruption investigation into government officials adds to a sense of instability within the EPRDF ahead of its congress in early 2018. Iceland-based Reykjavik Geothermal Ltd reportedly reaches agreement with government that will end a contract dispute and accelerate development of the \$2 billion 500 megawatt (MW) Corbetti Geothermal project. Parliament lifts the 10-month state of emergency, although trials of detainees from 2016 anti-government protests continue.

Government shuffles senior officials

The **House of Peoples' Representatives** unanimously approved a reshuffle of ministerial and ambassadorial-level officials on 4 August.¹ The unexpected reshuffle, when seen in conjunction with an ongoing high-level anti-corruption investigation, has created a sense of instability within the ruling **Ethiopian People's Revolutionary Democratic Front (EPRDF)**. The reshuffle began on 26 July when state media reported that the president, **Mulatu Teshome** (2013-present), had appointed senior EPRDF officials as ambassadors.² Political commentators responded with surprise as the list of ambassadorial appointments included senior EPRDF figures.³ The EPRDF has typically used diplomatic postings to marginalise dissident party members away from the centre of political power in **Addis Ababa**.

"Some of the names were thought to be untouchables within the EPRDF. If past Ethiopian history tells anything about the appointment of ambassadors, many were thought to be troublemakers or were causing problems within the country were sent abroad from their hot seats in Addis Ababa."⁴

The most unexpected appointment was **Ato Kassa Tekleberhane** as ambassador to the **United States (US)**. Ato Kassa was federal affairs minister since October 2015.⁵ Ato Kassa's successor as federal affairs minister is **Kebede Chane**, former director general of the **Ethiopian Revenues & Customs Authority (ERCA)**, who in turn was replaced by his deputy **Moges Balcha**.⁶ Ato Kassa is a member of the EPRDF executive committee, representing the **Amhara National Democratic Movement (ANDM)**, a constituent member of the EPRDF.⁷ There is tension between the ANDM and the **Tigrayan People's Liberation Front (TPLF)**, the most politically and economically influential of the EPRDF parties, over the causes of, and government response to, the 2016 anti-government protests.

¹ Addis Fortune, 4 Aug 2017.

² ENA, 29 Jul 2017.

³ ENA, 29 Jul 2017.

⁴ Source, journalist, Addis Ababa

⁵ www.hornaffairs.com

⁶ Addis Fortune, 4 Aug 2017.

⁷ www.hornaffairs.com

*“Ato Kassa was one of the most outspoken politicians from the **Amhara Regional State**, with some even hinting in the past that he could assume succeed prime minister **Hailemariam Desalegn** [2012-present] in the near future.”⁸*

It is unclear if Hailemariam intends to remain in power beyond the end of his term in office in 2020 and from which party the EPRDF will choose his successor, either then or in the future. It is equally unclear if Hailemariam will appoint Ato Kassa’s predecessor in **Washington DC**, **Girma Birru**, to another government post.

Another new ambassador is former education minister **Shiferaw Teklemariam**, posted to **South Africa**.⁹ Hailemariam had appointed Shiferaw as education minister as recently as October 2016; before this, Shiferaw was environment minister.¹⁰ Like Hailemariam, Shiferaw comes from the **Southern Nations, Nationalities, and Peoples’ Region (SNPPR)**.¹¹ Shiferaw is a senior member of Hailemariam’s **Southern Ethiopia Peoples Democratic Movement (SEPDM)**.¹² Shiferaw is a member of the EPRDF executive committee, representing the SEPDM. Shiferaw’s successor as education minister is a former education minister, **Tilaye Getu**.¹³

Another appointment was **Berhane Gebre-Christos** as ambassador to **China**.¹⁴ Berhane is a politically powerful official, and was a front-runner to become foreign minister after the then incumbent, **Tedros Adhanom**, became **World Health Organization (WHO)** director general in May.¹⁵ Berhane was a veteran of the powerful TPLF and was a special adviser to Hailemariam, although, within the EPRDF, was considered a strong ally of the former late prime minister, **Meles Zenawi** (1995-2012).¹⁶ It is unclear if Hailemariam will appoint Berhane’s predecessor in **Beijing**, **Seyoum Mesfin**, to another government post.

Another surprise ambassadorial appointment was **Aster Maamo** to **Canada**. Aster was public service minister, with the rank of deputy prime minister, until last October.¹⁷ Aster was a member of the **Oromo Peoples Democratic Organization (OPDO)**, and, like Ato Kassa and Shiferaw, a member of the EPRDF executive committee. Aster was previously deputy chair of the OPDO.¹⁸

Other diplomatic appointments include **Merga Bekana** (former chair of the **National Election Board of Ethiopia**), **Admassu Tsegaye** (president of **Addis Ababa University**) and **Ali Suleiman** (head of the **Federal Ethics and Anti-Corruption Commission (FEACC)**).

“These appointments also caused a stir as they were thought to sit firmly in their positions.”¹⁹

Mulatu also appointed **Ewenetu Blata** head of the prime minister’s special and protocol office, with the rank of an ambassador.²⁰

There are two theories for the diplomatic appointments, which are not mutually exclusive. The first is that Hailemariam, from the small and politically vulnerable SEPDM, is looking to consolidate his political power.²¹ Hailemariam may be targeting figures installed by Meles whom he considers ineffective. The second theory links the appointments to a continuing anti-corruption purge, the most

⁸ Source, journalist, Addis Ababa

⁹ www.hornaffairs.com

¹⁰ Addis Standard, 6 Oct 2015.

¹¹ www.hornaffairs.com

¹² www.hornaffairs.com

¹³ Addis Fortune, 4 Aug 2017.

¹⁴ www.hornaffairs.com

¹⁵ Source, journalist, Addis Ababa

¹⁶ Source, journalist, Addis Ababa

¹⁷ www.hornaffairs.com

¹⁸ www.hornaffairs.com

¹⁹ Source, journalist, Addis Ababa

²⁰ www.hornaffairs.com

²¹ Source, journalist, Addis Ababa

significant since the FEACC arrested **Melaku Fanta**, then head of the ERCA, in 2013 (see *ARC Briefing Ethiopia May 2013*),

*“Appointments as ambassadors and reshuffles are often the methods the current Ethiopian regime uses to disperse or hide its loyal officials that are involved in corrupt practices. For example, under new ambassador Admassu’s presidency, the Addis Ababa University was accused of financial mismanagement and irregularities. Last year, the **Ethiopian Auditor General** found out that the university made 1.5 billion Ethiopian Birr [\$64m] in illegitimate transactions.”²²*

Local media has reported that the **Federal Police Commission Crime Investigation Section** have detained at least 55 middle-tier government officials and senior businesspeople who face corruption allegations focused on the finance ministry, the **Addis Ababa Roads Authority**, the **Ethiopian Roads Authority (ERA)**, the state-owned **Ethiopian Sugar Corp**, and the **Addis Ababa Houses Development Enterprise**.²³ On 10 August, the FEAC froze the assets of 210 individuals and 15 companies linked to the suspects.²⁴ The **National Intelligence and Security Services (NISS)**, under TPLF politburo member **Getachew Assefa**, is reportedly directing the investigations.²⁵ The arrested individuals include:²⁶

- deputy finance minister **Alemayehu Gojo**, who was arrested on 5 August, the day after parliament voted to remove his parliamentary immunity. Alemayehu stands accused of accepting a 500,000 Ethiopian Birr (\$21,400) bribe to award three contracts worth \$26m to two companies outside a formal bidding process;²⁷
- former ERA head **Zaid Woldegebriel**, a member of the TPLF dismissed from the ERA in October 2014;
- businesswoman **Salem Kebede**, a close ally of **Abay Tsehaye**, the influential TPLF veteran and former boss of the Sugar Corp;
- **Wassihun Abate**, the director of the legal affairs directorate at the finance ministry.

Hailemariam appears to be preparing for the EPRDF congress in early 2018. If he is moving to strengthen his own position, he must do so carefully. The SEPDM lacks the influence of the TPLM meaning Hailemariam has had to carefully balance ethnic considerations across the EPRDF. The influence of the TPLF, both within the EPRDF and within the military where it dominates the senior ranks, makes Hailemariam’s position vulnerable should the TPLF fear too great a challenge to its influence. While significant, the anti-corruption investigation has not targeted the highest government officials suggesting the EPRDF appreciates the need for cautious steps.

Reykjavik Geothermal project picks up momentum

Iceland-based geothermal company **Reykjavik Geothermal Ltd** reportedly ended a dispute with the government in August that will facilitate the development of the \$2 billion 500 megawatt (MW) **Corbetti Geothermal** project.²⁸ Should the Corbetti Geothermal project prove successful, it will be the largest geothermal project in **Africa** and unlock additional geothermal investments in the **South East Rift Valley System**. Reykjavik Geothermal and local partner **Rift Valley Geothermal** established **Corbetti Geothermal Plc** as a special purpose vehicle for the project, and signed a framework agreement with the **Ethiopian Electric Power Corp (EEPC)** in October 2013.²⁹ The agreement covered the production of 1,000 MW of electricity from geothermal energy sources in **Corbetti, Tulu**

²² Source, political commentator, Addis Ababa

²³ Addis Fortune, 10 Aug 2017.

²⁴ Governance, Risk & Compliance Monitor Worldwide, 12 Aug 2017.

²⁵ Africa Confidential, 30 Aug 2017.

²⁶ Governance, Risk & Compliance Monitor Worldwide, 12 Aug 2017.

²⁷ Addis Fortune, 4 Aug 2017.

²⁸ Energy Monitor Worldwide, 14 Aug 2017.

²⁹ The Reporter, 12 Aug 2017.

Moye and Abaya.³⁰ Reykjavik Geothermal secured investment from **Asia** and Africa-focused renewable energy fund manager **Berkeley Energy** and Iceland-based geothermal drilling company **Iceland Drilling Ltd**.³¹ Reykjavik Geothermal has a 28.5% stake in Corbetti Geothermal, Berkeley Energy 53.5%, and Iceland Drilling 18%.³² Other investors include development finance institutions: the **African Development Bank (AfDB)** and **European Investment Bank (EIB)**. The **African Union's (AU)** geothermal risk mitigation facility provided an \$8m grant to support the drilling of wells in the development of the project.³³

Following the unbundling of the EEP into separate generation and distribution companies, Reykjavik Geothermal signed an independent power purchase agreement (IPP) with **Ethiopian Electric Power (EEP)** in July 2015.³⁴ It was the first IPP that the EEP had signed, and subsequently EEP officials have said they lacked the technical capacity to negotiate with international investors.³⁵ EEP will purchase power at \$0.753 cents per kilowatt hour.³⁶ At the time of the IPP, Corbetti Geothermal expected to start drilling for steam in the third quarter of 2015.³⁷

Progress on the Corbetti Geothermal project, however, stalled. There were reportedly disagreements between Reykjavik Geothermal and Ethiopian Electric Power over the power purchasing agreement.³⁸ More significantly, subsequent to the signing of the IPP, parliament enacted the **Geothermal Resource Development Proclamation**.³⁹ The proclamation specifically legislated for the geothermal sector whereas previously it was the more general **2010 Mining Proclamation** that regulated it. The proclamation notably transfers licensing powers from the mines ministry to the **Ethiopian Energy Authority**, and regulatory and revenue powers to the electricity ministry.⁴⁰ It sets out a licensing framework: reconnaissance licence; exploration licence; and geothermal well-field development and use licence.⁴¹ The council of ministers instructed the electricity ministry to ensure its agreement with the Corbetti Geothermal complied with the new regulations. The electricity ministry identified a number of incompatible provisions:⁴²

- The new law limits geothermal concession areas to 200 hectares of land, while Corbetti Geothermal's licence covers 700. Corbetti Geothermal claims with 200 hectares of land, they could only generate 100MW not 500MW;
- The original licence included a 25% profit tax on geothermal energy generation, but the electricity ministry levies 30%;
- The original framework agreement was on a build, own and operate model, but the new law provides for a transfer to the Ethiopian government after 25 years.

This held up the final implementation agreement that Reykjavik Geothermal had originally hoped to sign in August 2016. Reykjavik Geothermal, the electricity ministry, and the finance ministry have reportedly almost complemented the necessary negotiations to reach consensus on the final agreement.⁴³ Local media have reported that the two sides expect to complete negotiations in September and sign the project implementation agreement in October or November. Parliament will need to ratify the project implementation agreement. Once signed, Reykjavik Geothermal and the

³⁰ The Reporter, 12 Aug 2017.

³¹ Energy Monitor Worldwide, 14 Aug 2017.

³² The Reporter, 12 Aug 2017.

³³ www.out-law.com

³⁴ Source, business consultant, Addis Ababa

³⁵ Energy Monitor Worldwide, 14 Aug 2017.

³⁶ Source, business consultant, Addis Ababa

³⁷ Source, business consultant, Addis Ababa

³⁸ Energy Monitor Worldwide, 14 Aug 2017.

³⁹ www.theargo.org,

⁴⁰ www.theargo.org,

⁴¹ www.theargo.org,

⁴² The Reporter, 12 Aug 2017.

⁴³ Energy Monitor Worldwide, 14 Aug 2017.

electricity ministry will begin negotiations over the second phase involving the 500MW Tulu Moyo and Abaya project.

The successful resolution to the dispute may encourage additional investment in the sector. **United States (US)**-based **Ormat Technologies Inc** is reportedly in negotiations with EEP to develop four geothermal plants, with a total installed capacity of 450MW, in **Shasheme Dunga, Fango, Boku** and **Dofan**.⁴⁴ **United Kingdom (UK)**-based **Cluff Geothermal Ltd** is also reportedly negotiating with the EEP over an IPP as it plans to construct a 150MW plant.⁴⁵

Ethiopia has an estimated geothermal potential of 10,000MW, compared to its current total generation capacity of 4,280MW. The concern for the government is that delays and concerns about contract sanctity will result in Ethiopia falling further behind **Kenya**, which has a more mature regulatory and institutional framework for the geothermal sector. Low cost reliable electricity is key to government efforts to improve its foreign exchange generation capacity, securing additional hard currency through increased manufacturing sector exports and regional electricity exports.

Parliament lifts state of emergency

Parliament followed the instruction of the government on 4 August and lifted the 10-month state of emergency.⁴⁶ It is noticeable that the EPRDF did not use the state of emergency to address any of the fundamental causes of the anti-government protests in the **Oromia** and **Amhara Regional States** in 2016. Non-governmental organisations (NGO) estimate that the protests left over 1,000 people dead, while the government **Human Rights Commission** estimates 669.⁴⁷ The government initially imposed the state of emergency on 9 October 2016, with parliament subsequently extending it once in March. The defence minister, **Siraj Fegessa**, who chaired the command post that oversaw the state of emergency, told members of parliament (MPs) that normality had returned to Ethiopia, and that the costs of the state of emergency therefore outweighed the benefits.⁴⁸ However, Siraj acknowledged that 7,737 individuals face ongoing criminal charges related to the violence.⁴⁹ Lifting the state of emergency will not impact their cases. Notable detainees include **Oromo Federalist Congress** chairman **Merera Gudina** and first secretary general **Bekele Gerba**.⁵⁰ According to Siraj, 4,136 of these individuals are from Oromia, 1,888 from Amhara, and 1,166 from the less publicised protests in the SNNPR.⁵¹ Independent media in Ethiopia have alleged that courts are under political pressure to deliver individuals detained during the protests to Addis Ababa to face terrorist charges, rather than face criminal charges in local courts.⁵² It is not possible to prove this allegation. The federal supreme court is considering a case brought by the Oromia regional state government to block possible additional terrorism charges against individuals arrested during the protests.⁵³

Governments often find it hard to lift states of emergency once imposed, and temporary restrictions on rights too often become permanent. The Ethiopian government deserves praise for avoiding this. Nevertheless, it has failed to deliver on meaningful political and economic reforms it promised to end the protests and mitigate the risk of a repetition in the future. These include opening political space for the opposition. The state of emergency therefore achieved its short-term aims of increased security – though protests and labour action continue in the Oromia – but has contributed little to Ethiopia’s longer-term political stability.

⁴⁴ The Reporter, 19 Aug 2017.

⁴⁵ The Reporter, 19 Aug 2017.

⁴⁶ The Reporter, 5 Aug 2017.

⁴⁷ www.hrw.org

⁴⁸ Addis Standard, 22 Aug 2017.

⁴⁹ Addis Standard, 22 Aug 2017.

⁵⁰ www.hrw.org

⁵¹ Addis Standard, 22 Aug 2017.

⁵² Addis Standard, 22 Aug 2017.

⁵³ Addis Standard, 22 Aug 2017.

Planner

Early 2018 **(Ethiopia)** *Horn Affairs*. **Ethiopian People's Revolutionary Democratic Front (EPRDF)** to hold congress;

2018 **(Ethiopia)** *Addis Fortune*. Local elections.

Dec 2017 **(Ethiopia)** *Egyptian Daily News*. **Grand Ethiopian Renaissance Dam (GERD)** to begin filling.

1 Sept **(Ethiopia)** *Addis Fortune*. Ethiopia to assume presidency of the **United Nation Security Council (UNSC)**.

Chronology

27 Aug 2017 **Addis Ababa (Ethiopia)** *ENA*. **Ethiopian People's Revolutionary Democratic Front (EPRDF)** officials meet **Communist Party of China (CPC)** counterparts and commit to deepen political engagement;

23 Aug 2017 **(Ethiopia)** *Press Release*. **United States** state department travel advisory warns of violence in the **Gondar region** and Bahir Dar in **Amhara State**, and parts of **Oromia State**;

23 Aug 2017 **(Ethiopia)** *Press Release*. **Premier African Minerals** acquires additional 1% stake in **Danakil Potash Project** developer **Circum Investments** for \$1.36m, taking total stake to 5.2%;

21 Aug 2017 **Oromia (Ethiopia)** *ESAT*. The opposition **Oromo Federalist Congress (OFC)** calls general strike over political prisoners and recent tax increases;

21 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. The council of ministers merges three state-owned enterprises into newly-created **Chemical Industry Corp**;

19 Aug 2017 **Khartoum (Sudan)** *The Reporter*. Prime minister **Hailemariam Desalegn** signs agreement to develop port facility at the **Port Sudan**;

19 Aug 2017 **Addis Ababa (Ethiopia)** *Xinhua*. The finance ministry says its tax revenue target for the current fiscal year is \$8.53 billion, \$1.1 billion higher than amount collected previous year;

16 Aug 2017 **Addis Ababa (Ethiopia)** *Xinhua*. Mayor **Diriba Kuma** publishes masterplan to improve service provision in the city;

12 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. The **World Bank Group's International Development Association (IDA)** says it has allocated \$4.6 billion loan to Ethiopia for 2018;

12 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. The **Ethiopian Trade Practices & Consumer Protection Authority** drops **Diageo** subsidiary **Meta Abo Brewery SC** case against **Heineken Breweries**;

12 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. Draft directive extends government monopoly on fertiliser imports for three years;

11 Aug 2017 **(Ethiopia)** *2Merkato*. **Ethiopian Petroleum Supply Enterprise** data shows it imported 3.3 million tonnes of petroleum products in the last financial year, a 10% year-on-year increase;

11 Aug 2017 **(Ethiopia)** *Press Release*. The **United Nations Food and Agriculture Organization** warns 8.5 million people are hungry due to impact of drought on pastoralists;

11 Aug 2017 **Addis Ababa (Ethiopia)** *Xinhua*. The **Federal Ethics and Anti-Corruption Commission (FEACC)** announces new corruption taskforce involving the FEACC, the **Ethiopian Federal Police Commission**, and the **Ethiopian Revenue and Customs Authority (ERCA)**;

7 Aug 2017 **Addis Ababa (Ethiopia)** *Xinhua*. Government says construction of **Grand Ethiopian**

Renaissance Dam (GERD) is 60% complete;

5 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. The **Ethiopian Investment Commission (EIC)** approves directive lowering agricultural lease fees and extending contract periods;

4 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. The **Ethiopian Railway Corp (ERC)** says the **Addis Ababa Light Rail Transit** carried 35 million passengers in the last fiscal year;

4 Aug 2017 **Addis Ababa (Ethiopia)** *The Reporter*. Parliament lifts state of emergency;

4 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. Parliament lifts parliamentary immunity of deputy finance minister **Alemayehu Gojo**, leading to his arrest on corruption charges;

4 Aug 2017 **Addis Ababa (Ethiopia)** *Addis Fortune*. Parliament approves series of government appointments, including **Moges Balcha** as director general of the ERCA;

3 Aug 2017 **(Ethiopia)** *ENA*. The US extends \$137m humanitarian financing in response to Ethiopian drought;

3 Aug 2017 **(Ethiopia)** *Press Release*. **Moody's** retains Ethiopia's B1 rating with stable outlook.

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