

U4 Expert Answer



Corruption and anti-corruption in Ethiopia's energy sector

Query

Please can you provide an overview of corruption and anti-corruption in Ethiopia's energy sector, with a focus on international aid?

Purpose

Inform dialogue with the Ethiopian government regarding developing policy for the energy sector.

Content

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Summary

Ethiopia's energy sector is a growing concern and a priority for the Ethiopian government as the government attempts to increase electricity capacity for the country. Recent investments have focussed on the creation of wind power farms and large hydropower dams in an attempt to harness the country's enormous potential of renewable energy resources.

There are a number of corruption risks that threaten the development of Ethiopia's energy sector. Threats specific to the energy sector include petty corruption and corrupt procurement processes, while risks arising from Ethiopia's specific context include weak oversight and governance systems.

Of particular importance in this regard are the differing stances and approaches of the various international aid donors in the country as international aid is crucial for funding the government's ambitious plans.

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U4 is a resource centre for development practitioners who wish to effectively address corruption challenges in their work. Expert Answers are produced by the U4 Helpdesk – operated by Transparency International – as quick responses to operational and policy questions from U4 Partner Agency staff.

1. Overview of corruption risks in Ethiopia's energy sector

Ethiopia's energy sector

Ethiopia's energy sector is primarily focussed on an aggressive expansion of electricity capacity. It involves investments from state-owned enterprises, such as the Ethiopian Electricity Company, and international donors, represented by private companies. The sector is overseen by both the Ministry of Water and Energy and the Ethiopian Electricity Agency, which provide licences for companies working in the sector, oversee and inspect the work, infrastructure and conduct within the sector.

In 2011, 85.2% of the urban population have access to electricity, compared to only 4.8% of the rural population, who have to rely on firewood and other non-renewable resources for energy. In the past, only 70% of the total electricity demand had been met, and Ethiopia needed a 38-fold increase in electricity supply by 2013 just to maintain economic growth (Berlin 2010). Currently, 85% of Ethiopia's electricity is generated at eight hydroelectric dams (Hathaway 2008).

It is estimated that biomass fuels¹ currently meet between 88% and 94% of total energy consumption in the country (Federal Democratic Republic of Ethiopia, Ministry of Water and Energy 2012b; Federal Democratic Republic of Ethiopia, Ministry of Water, Irrigation and Energy, no date). However, there are plans for Ethiopia to harness the great potential of its renewable energy resources, with the intention of becoming a major exporter of power to countries in the surrounding region. The 1994 National Energy Policy was an early attempt to improve the country's energy capacity and production, and attempted to encourage private participation in the development of the sector. It identified hydropower as the backbone of the energy sector's development strategy (International Rivers 2014). Linked to this, the Ethiopian government laid out its Growth and Transformation Plan (GTP) for 2011-2015. (Enterprise Canada Network, no date). The GTP promotes the expansion of Ethiopia's energy

sector, with a focus on renewable energy sources. This includes increasing Ethiopia's power capacity by 8,000 MW by 2015, doubling the electrical customer base, and raising the general rate of access to electricity to 75% (Federal Democratic Republic of Ethiopia, Ministry of Water and Energy 2012a).

Ethiopia enjoys a vast amount of renewable and non-renewable energy resources, ranging from hydro- and solar-power to biomass and natural gas. The country has the potential to generate over 45,000 MW of electricity from hydropower alone, yet currently faces an energy shortfall. (African Development Bank, no date). However, existing infrastructure is unable to operate at full capacity (KPMG 2014). To counter this, Ethiopia has made efforts to improve its use of natural resources with a planned increase in the use of hydro and wind power (Federal Democratic Republic of Ethiopia, Ministry of Water, Irrigation and Energy, no date; Wolde-Giorgis 2015). Indeed, since 2004, eleven new dams have been planned and are currently under construction. This includes the construction of the Grand Ethiopian Renaissance Dam (GERD), at a cost of US\$5 billion², and the creation of a large-scale wind farm aim to increase Ethiopia's wind power output to 800 MW (Maasho 2013; International Rivers 2014).

Private sector investors can generate electricity from any source and without any capacity limit, and indeed an investment guide issued by the Ethiopian government encourages private sector interests to generate electricity in bulk (Ethiopia Investment Commission 2014).

Ethiopia's corruption risks

Ethiopia faces major corruption challenges which influence and underlie the levels of corruption in its energy sector.

Extent of corruption in the country

Due to the huge amounts of resources that are present, it is important that the institutions that oversee the energy sector are free from corruption. However, in Ethiopia there is a high level of corruption by public office holders, and corruption is also present in the top levels of

¹ These include firewood, charcoal, dung cakes and agricultural residues.

² Note: Transparency International takes "billion" to refer to one thousand million (1,000,000,000).

government and its institutions. This has prompted recent anti-corruption drives, but these appear to have had a limited impact due to their selective targets (Bertelsmann Transformation Index 2014). Moreover, in Transparency International's most recent Corruption Perceptions Index Ethiopia has relatively low ranking of 110 out of 175, and a score of 33 out of 100 (0 equals highly corrupt, 100 equals very clean) (Transparency International 2014).

Ethiopia's bureaucracy is also considered to be very complex (Bertelsmann Transformation Index 2014). This creates the opportunity for officials and staff to attempt to circumvent such rules, and therefore be more open to giving and receiving bribes to secure contracts.

Foreign investors are also affected by the country's corruption challenges in their operations, with 32% reporting that it is common to have to pay a bribe to maintain the day to day running of their businesses (FEACC 2014).

The Ethiopian government has made some efforts to fight corruption in the country, including by requiring state officials to publish their assets. However, corruption remains a significant problem, and observers have reported that the anti-corruption policy that the government has implemented has not been effective (Bertelsmann Transformation Index 2014). Indeed, 43% of Ethiopians believe that corruption increased in the country in 2012, and 64% believed that government efforts to tackle corruption had either no effect or were ineffective (Transparency International 2013).

Weak public oversight and participation

Without effective oversight and public participation, the risk of corruption in the energy sector is greatly increased as officials and staff can commit corrupt acts with impunity. Oversight can be provided by the public and the media, who can identify wrongdoings and put pressure on companies to act according to the law.

The public and civil society can play a significant role in holding the actors in the energy sector to account. They can do this by monitoring publicly available information, and also via access to information requests. In Ethiopia, the energy sector lacks this potential for public accountability, and civil society refrains from criticising the government for fear of repression (Hathaway

2008). There is a lack of opportunities for citizens and civil society organisations to hold the government to account as the environment in which they operate is hostile and unstable (Caballero, no date). Moreover, Ethiopia has no standalone access to information law, which limits the amount of information that civil society can access (CoST 2014). Because of the hostility towards civil society and the media, there are currently no groups actively pursuing issues surrounding the construction of or risks to Ethiopia's hydropower dams (International Rivers 2014).

In addition, there is very little chance for local communities to participate in the creation and planning of projects that affect their local environment. Public participation in public affairs promotes sustainable decisions and allows for local expertise to feed into decision making. It can help increase the legitimacy of decisions, and greatly increases the level of transparency and accountability surrounding the decision to begin working on a major project (Chêne and Wheatland 2015). However in Ethiopia, communities that would be negatively affected by the construction of dams and other large infrastructure projects are often not consulted nor are they usually provided with compensation or resettlement packages. This was the case with the construction of the Gilgel Gibe II dam (Hathaway 2008).

Finally, the media can play a significant oversight role by accurately reporting energy sector activity and projects and by using investigative journalism to uncover corruption scandals. However, as with the public, the media in Ethiopia struggles to play an effective oversight role in holding the government to account for its energy policy. The government has repeatedly moved to limit the rights and freedoms of the independent media in the country, particularly since the general election in 2010 (Reporters Without Borders 2015). Because of these developments, Ethiopia's media is rated as "Not Free" by Freedom House, meaning that the capacity for Ethiopia's media to play a meaningful oversight function is severely limited (Freedom House 2015).

Differing governance standards of international aid

Development aid is essential for funding the Ethiopian government, making up 50% to 60% of the total yearly national budget (Flores 2013). The USA, OECD and Norway are the traditional Western donors who have for years extended aid

to Ethiopia and have particular interest in the Ethiopian energy sector. The USA in particular is currently running a US\$7 billion programme which aims to supply 30,000 MW to the African continent (Wolde-Giorgis 2015). These traditional donors provide aid to Ethiopia predominantly via official development assistance in the form of grants, subsidised loans, aid in kind and debt relief. This development assistance tends to come with conditions which attempt to enforce good governance and anti-corruption reforms on the Ethiopian administration in return for resources (AFRODAD 2011). Moreover, there have been many suggestions that the reliance of the government on funding and resources from international donors has meant that the government has had to tackle the issue of corruption (Bertelsmann Transformation Index 2014).

Traditional donors also tend to offer the opportunity for experience transfer from external experts and local populations. However, Ethiopia's government is not keen on this kind of aid, and prefers to accept resources from China or India who do not impose conditions on their funding (Bertelsmann Transformation Index 2014).

Recently there has been an increase in investment from China, and this has brought with it some difficulties regarding the different approaches that these new donors take towards providing aid. Chinese aid to Ethiopia is closely related to its trade and investment in the country. China also follows a policy of non-interference in the domestic politics of Ethiopia, (AFRODAD 2011). This point about lack of conditionality in particular has driven Ethiopia to turn to China for investment, as the government is very reluctant to discuss potential governance reform with foreign investors, and Ethiopia's government regularly ignores advice from Western investors (Bertelsmann Transformation Index 2014). This has the potential to exacerbate the corruption of politicians and institutions as the huge amounts of money associated with energy sector projects can much more easily be siphoned off to serve the interests of the officials in question without the promise of enhanced oversight or governance procedures.

In addition China's aid is also frequently tied aid – tied to the requirement that projects use Chinese companies, equipment and workers (AFRODAD 2011). This is a particular issue as it means that

many of the benefits of international aid, such as the transfer of expert knowledge, professionalism and working practices to the local population involved in development projects is lost, as all of the work is done by Chinese companies (AFRODAD 2011).

China tying its aid also creates a lack of competition, as its companies are able to afford to bid for projects that are beyond the reach of local Ethiopian companies. Weak competition in the planning and procurement stages of projects means that projects in the Ethiopian energy sector might not present value for money, as inflated budgets are proposed to allow for officials to skim off money for themselves (OECD 2009). Similarly, the non-transparent nature of Chinese aid undermines civil society's ability to provide oversight and hold energy sector institutions to account, as there is frequently a lack of data on key information regarding aid packages (AFRODAD 2011).

While Chinese aid remains largely tied aid, the majority of Western donors have begun to untie their aid and have signed up to the 2001 [OECD recommendation on untying aid](#). The recommendation removes all legal and regulatory barriers to open competition for aid funded procurement and attempts to reduce costs of procurement while improving the ownership that recipient countries have over aid in their territory. If donors follow these regulations and completely untie their aid for Ethiopia this would have some benefits for the energy sector, allowing for better value for money, a higher level of involvement for Ethiopian companies and workers, and therefore a higher degree of experience transfer (Ellmers 2011). In 2009, a report published by the OECD found that the amount of untied aid given to the least developed countries had risen from 57% in 2001 to 86% in 2007 (Clay et al. 2009). Despite this, there has been some criticism of the recommendations, suggesting that international donors may try to circumvent its terms by exploiting loopholes that exist regarding minimum thresholds of investment (under which aid does not need to be untied) by splitting contracts up into smaller parts (La Chimia 2004).

Similarly, the [Accra Agenda for Action](#) obliges donors to utilise the procurement systems of the recipient countries when disbursing their aid, as this provides a much larger development impact than the use of donors' own procurement systems. Unfortunately, many donors continue to

use their own procurement systems, depriving the opportunity for capacity development of local governance and institutional structures (Ellmers 2011).

Corruption risks in the energy sector

Corruption risks in energy sectors can come both from general sector related risks. These include the large scale of resources that are necessary for large infrastructure projects, non-competitive procurement processes, and poor project planning and the use of public-private partnerships.

Corruption challenges associated with huge infrastructure projects

Huge hydropower projects create a heightened risk of corruption due to the amount of resources that are involved in projects, the risk of officials with conflicts of interest manipulating the processes involved, and the complexity of the contracts and oversight.

It is estimated that between 2005 and 2015, US\$3.4 billion was required for Ethiopia to meet its electricity development capacity (Hathaway 2008). With such levels of investment in the sector, this creates a number of opportunities for bribery and corruption, as the huge investment sums can allow officials to skim money from budgets by overcharging for goods and services (Butterworth and de la Harpe 2009).

There is also a risk of policy capture, whereby vested interests influence decision making in the project's lifecycle to benefit themselves to the detriment of other stakeholders. Indeed this is the case in Ethiopia's hydropower planning, where local populations are rarely if at all consulted on new projects, and do not even receive compensation in many cases (Hathaway 2008).

Moreover, usually there are multiple government agencies involved in administering the funding and management of the project as creation of large energy infrastructure frequently concerns more than just the government institution that oversees the energy sector. In Ethiopia, these include (but are not limited to) the Ministry of Water and Energy, and the Environmental Protection Authority. Having so many bodies with related interests creates the risk of complex oversight structures. Such complexity can increase the likelihood that corrupt acts and abuses can go undetected and unpunished. That

said, these risks are also present if there is only one agency in a country.

These risks are also exacerbated by a lack of transparency in the decision-making processes (Transparency International 2008).

For example, the Grand Ethiopian Renaissance Dam (GERD) project has developed behind a shroud of mystery, with both the non-competitive awarding of the project's contract and the quality of the assessment of the project's projected environmental impact having been criticised (International Rivers 2014). In addition, there are question marks surrounding the final power output the dam will provide and criticisms that the potential environmental damage the dam will have on the surrounding area and countries that lay downstream of the dam, such as Egypt and Sudan, has not been sufficiently investigated and considered (International Rivers 2014).

Opaque procurement processes and project selection

Procurement plays a vital role in the energy sector, and has a number of risks associated with it that are present as a project progresses.

In the project selection phase, the decision whether or not to create a brand new project or simply to maintain the currently existing infrastructure can be abused to allow corrupt officials and businesses to gain. New infrastructure bids and contracts require much higher levels of resources, therefore increasing the opportunity for corrupt officials to siphon resources from such projects. By contrast, maintenance projects, where the sums are much smaller and there is little need to buy resources in such a massive bulk, are less attractive to potential rent-seeking officials, as they offer less opportunity for corrupt payments to be hidden within bloated budget lines (Transparency International 2008). In addition, projects can be deliberately identified to serve the interests of particular bidders and officials with conflicted interests (Morgner and Chêne 2014).

During the bidding phase, corrupt officials can abuse procurement processes for projects by demanding and offering bribes and kick-backs to accept inflated bills for services and goods. Such payments are usually made via subcontractors and other third party agents. Officials can also help to rig bids to favour one particular company in which the official has a close interest

(Transparency International 2008). For example, the Ethiopian Electric Power Company (EEPCo), was a state-owned utility company engaged in the generation, transmission, distribution and sales of electricity, generated from hydro, wind and geothermal power, before being split into two new companies: the Ethiopian Energy Utility (EEU) and the Ethiopian Energy Power (EEP) in 2014. The EEPCo was believed to engage in direct negotiations with select foreign investors instead of undergoing international open competitive bidding processes (International Rivers 2014).

It is also possible for the contracting authority to deliberately avoid competitive bidding processes by using legal loopholes, using techniques such as contract splitting or bundling, allowing the contract to be awarded to favoured companies. Finally, during the contract implementation stage, there are opportunities for the companies that are awarded the contract to submit false invoices and overcharging for services (Morgner and Chêne 2014). There are also risks of the misappropriation or misuse of resources, deliberate failure to honour social and environmental commitments (such as environmental impact assessments), patronage and conflicts of interest (Transparency International 2008).

It has been suggested that the Ethiopian government has intentionally violated procurement and investment guidelines to maintain investment in its energy sector. For example, the government directly awarded construction contracts to the Italian company Salini without competitive bidding procedures (International Rivers 2014). However, Ethiopia's procurement sector is not considered to be as corrupt as many of its neighbours who have similarly low corruption ratings (Plummer et al. 2012). For example, only 3% of firms expect to have to pay bribes to get access to public contracts in the country, and just 6% expect to give gifts to receive construction permits (International Bank for Reconstruction and Development & World Bank 2012).

Poor project planning

The Ethiopian government is also criticised as having poor planning procedures for its infrastructure construction projects. The lack of public and transparent consultations on the feasibility, necessity and environmental impact of projects means that there can be no competition, thereby limiting the potential to make the proposal

of a project as cost efficient as possible. Instead, it provides opportunities for officials to award contracts to favoured companies and agree to inflated budgets that allow for officials and staff to skim money from the projects for themselves.

Indeed the current Grand Ethiopian Renaissance Dam (GERD) project suffered from poor planning. The sudden announcement of the GERD project left many international donors blindsided, as it was announced without warning and was created in a top-down and unilateral way (International Rivers 2014). The GERD project also nullified the impact of two dam projects funded by Norway, providing further evidence of the lack of planning that took place.

Public-private partnerships (PPPs)

Public-private partnerships (PPPs) are medium to long-term agreements between public sector actors and private sector actors, whereby a degree of the public sector's service obligations are provided by the private sector (Public-Private Partnership in Infrastructure Resource Center 2015). They can circumvent issues such as insufficient government investment and inefficient public sector service delivery (African Development Bank, no date) and since the 1980s have become a popular development strategy (Demuijnck and Ngnodjom 2011). PPPs are usually used for funding economic infrastructure, including in power, transport and telecommunications sectors of the beneficiary countries (Iossa and Martimort 2014).

However, there are a number of corruption risks associated with PPPs, including conflicts of interest for employees or government officials, collusion between parties, officials or staff soliciting and accepting bribes to offer favoured consideration to a particular bid, the misuse of confidential or privileged information, and the inappropriate exchange of gifts as bribes or facilitation payments (Klitgaard 2012).

In Ethiopia, the use of PPPs has so far been limited, but there is a belief that an increase in their use can be used to bridge the gap between supply and demand in the energy and infrastructure sectors. However, the capacity for some government agencies to effectively implement PPPs is low, and there are concerns that a clear set of regulations does not exist to effectively manage the risks and projects that PPPs require (Asubonteng 2011).

2. Anti-corruption frameworks for Ethiopia's energy sector

Ethiopia lacks specific anti-corruption frameworks that are targeted to reduce the corruption risks present in its energy sector. While there do exist some institutions that have a mandate to fight corruption generally, there is no government agency that actively fights against corruption in the energy sector.

Indeed there have been calls for the government of Ethiopia to incorporate a fit-for-purpose regulatory system that is focussed on increased investment and which clarifies the procedures for commercial contracting frameworks, power purchase agreements and licensing, among others (The World Bank 2014).

Despite this, the country does have a number of anti-corruption institutions and legislation that can help to reduce the risk of corruption overall. As many of Ethiopia's contextual corruption risks feed into and can exacerbate the issues of corruption in the energy sector, this is important to note.

Energy sector institutions

Ministry of Water and Energy

The Ministry of Water and Energy (MoWE) is responsible for Ethiopia's energy sector development expansion and supervision, energy policy drafting and implementation (Federal Democratic Republic of Ethiopia, Ministry of Water and Energy 2012a). Its mandate includes issuing permits and regulating the construction and operation of water works, and promoting the growth and expansion of Ethiopia's supply of electric energy (Federal Democratic Republic of Ethiopia Ministry of Water, Irrigation and Energy no date).

The ministry is also tasked with monitoring all construction projects as well as overseeing the operation of completed projects on an on-going basis. However, due to inadequate levels of staffing, the ministry has claimed that it is only able to monitor three or four of the country's eight currently operational dams per year (Hathaway 2008). This presents a potential corruption risk, as it does not provide a strong degree of oversight that might serve as a deterrent against officials acting corruptly. Such inspections could uncover resources that are being misspent on substandard resources, for example.

Moreover, there are no compliance mechanisms in place to ensure that any recommendations the ministry makes are implemented, meaning that even if inspectors were to flag corrupt practices or other abuses, the likelihood of changes occurring are low (Hathaway 2008).

Ethiopian Electricity Agency (EEA)

The Ethiopian Electricity Agency is responsible for the regulation of the operation of the electricity supply sector including licensing, and ensuring safety and quality standards are met and maintained (Federal Democratic Republic of Ethiopia, Ministry of Water and Energy 2012a). Such licences are mandatory for foreign investors, or for Ethiopian companies looking to partner with international investors. The EEA also has the power to approve power purchase agreements (PPAs) and network service agreements, and can arbitrate and settle disputes (The World Bank 2014).

Another role of the EEA is to promote competitiveness within the sector, particularly looking at the processes whereby new investors are found. This is important as competitive bidding can promote good value for money and can also lessen the likelihood that corruption and conflicts of interests can affect the process. However, before its replacement, the EEPCo regularly purchased electricity from suppliers directly and in bulk without competitive procedures, and this is a practice that has continued with the creation of the EEU, the body that is now in charge of buying bulk power for the nation's use (The World Bank 2014).

Anti-corruption institutions

Federal Ethics and Anti-Corruption Commission of Ethiopia

The Federal Ethics and Anti-Corruption Commission of Ethiopia (FEACC) was founded in 2001. However, it only has a mandate on the federal level. To complement this, since 2007 seven of the nine regional states have established their own anti-corruption commissions. The FEACC's mandate includes investigation, prosecution and prevention of corruption. It has the authority to investigate corruption in the private sector if cases involve public officials and collusion, and receives a large number of complaints from whistleblowers via a hotline, e-mails or in person. The FEACC is able to anonymise whistleblowers upon request (Tamayalew 2010).

However, the FEACC is not widely trusted by the Ethiopian people. It also faces severe staffing and funding shortages. Between 2009 and 2010, there was an increase in staffing numbers at the same time as a reduction in the overall budget of the FEACC (Mezmur and Koen 2011). Those staff that are employed do not have the necessary knowledge to carry out their highly specialised tasks effectively (Tamayalew 2010).

The FEACC also suffers from the view that its work is highly politicised, and that its investigations and prosecutions are used to intimidate critics and the opposition into silence. It is also accountable only to the prime minister, which is problematic as many view corruption in the top levels of government and the executive to be a big issue in Ethiopia, and this could risk damaging the ability of the FEACC to carry out its role effectively (Mezmur and Koen 2011).

Despite this, it has had some successes in its anti-corruption efforts. It has undertaken a range of anti-corruption training courses and awareness-raising activities, has popularised the issue of corruption with the Ethiopian people and has been instrumental in revising the working procedures in public offices. It has also helped to close legal loopholes that facilitated corruption, and has investigated over 1,200 cases of corruption, prosecuting 300 individuals (IAACA 2012).

Trade Practice and Consumer Protection Authority

The Trade Practices and Consumer Protection Authority (TPCPA) is an investigative body which regulated anti-competitive, unethical and unfair trade practices. Its mandate includes investigation of complaints and searching premises of accused parties (KPMG 2014).

Since 2011 the TPCPA has been primarily focussed on its own internal organisation, and by 2013 had still not conducted any significant enforcement (United States Department of State 2015).

Legal framework

To reduce the risks of corruption and malpractice from reducing the effectiveness of the Ethiopian energy sector, there needs to be a strong legislative framework that provides sufficient disincentives against corrupt practices. This includes legislation on the investment of foreign investors as well as regulations that encourage

competitive procurement procedures instead of directly awarding contracts to certain firms.

Anti-corruption legislation

In 2005, the Ethiopian penal code was amended to include articles that specifically addressed corruption. This now includes a definition of grand corruption and now means that 80% of on-going corruption investigations in the country are focussed on grand corruption issues (Tamayalew 2010). In 2010, Ethiopia passed the Asset Declaration and Registration Proclamation, which requires government officials and employees to declare and register their assets (Tamayalew 2010).

That year, 2010, also saw the implementation of a new [whistleblower protection law](#) which provides protection to public and private employees. The law also specifically prevents elected officials and public servants from making reprisals against whistleblowers (United States Department of State 2013).

In 2003, Ethiopia signed the African Union Convention on Preventing and Combating Corruption, although has not yet ratified it. The convention criminalises domestic and foreign bribery, the diversion of property by public officials, trading in influence, illicit enrichment, money laundering and the concealment of property (African Union 2003). Ethiopia also ratified the United Nations Convention against Corruption in 2007, and has recently restated its commitment to implementing its provisions. Indeed, the country has recently amended its anti-corruption laws to include private sector under the jurisdiction of the Federal Ethics and Anti-Corruption Commission (Federal Ethics and Anti-Corruption Commission of Ethiopia 2015).

Investment laws

There are a number of requirements that foreign companies must meet to be allowed to invest in Ethiopia. These include a minimum capital of US\$200,000 per project or US\$150,000 if the private company cooperates with domestic investors. This number is reduced to US\$50,000 when investment into engineering works or technical consultancy is made jointly with domestic partners (Ethiopia Investment Commission 2014).

Foreign direct investment is regulated by the Ethiopia Investment Commission (EIC), which provides investment permits and business

licences to foreign investors (Africa Legal Network 2012). The EIC rarely discriminates against foreign investors, and it applies the regulations on foreign investment consistently. However, some investors have complained that the EIC offers differing interpretations of the regulations for certain companies (United States Department of State 2015).

Public procurement

Ethiopia's procurement legislation was updated in 2009 with the Procurement and Property Administration Proclamation No 649/2009. The law itself has been described as "satisfactory" by the World Bank (World Bank 2012).

A 2010 report by the Public Expenditure and Financial Accountability Program states that the 2009 legislation specifically defines the conditions for the use of single-sourcing and other non-competitive public procurement methods, which are key issues in the energy sector. Indeed, it defines five other procurement methods (restricted tender, two stage tendering, requests for proposals, single-sourcing and requests for quotations) and clearly defines in which situations each is allowed to be used. It also requires that the decision to use a non-competitive procurement method must be clearly justified in accordance with legal and regulatory requirements (Caprio & Haile 2010).

However, despite the apparent strength of procurement legislation in theory, Ethiopia's procurement law and regulations are sometimes unclear and are inconsistently applied in practice. The law also lacks a clear debarment process and provision for independent oversight of professional standards and ethics (Vaughan and Gebremichael 2011; Plummer et al. 2012).

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