Salini and the Gibe Hydroelectric Complex in Ethiopia

SALINI

By ***Re:Common***

Contextualising development

In March 2006, the Prosecutors' Office in Rome instigated criminal proceedings concerning the biggest aid credit ever granted since the creation of the Italian development revolving fund: EUR 220 million for a single project in Ethiopia, raising national and international attention to one of the largest and most complex infrastructural projects in Africa: the Gilgel Gibe hydroelectrical project in the Omo Valley, in Southern Ethiopia.

About the corporation:

Name of the parent company: Salini Impregilo

Sector: Construction, infrastructure and egineering

Country or countries of origin: Italy

Country or countries where the transnational corporation operates: 50 countries all around the world

Location of the case: Omo Valley, Ethiopia.

The region, a vast expanse that stretches 25 thousand square kilometres, is named after the river that runs through it. The Valley has a multitude of of ecosystems, cultures and languages. Most of the land is arid and is considered mainly inhospitable. The inhabitants, about 700,000 people, belong to at least 16 different ethnic groups and until now have maintained a traditional lifestyle, probably because the difficult survival conditions have made the area almost uninhabitable. The Omo River is the main resource for them. This boundless water reserve begins at the confluence of the Gibe and Gojeb rivers in Oromia and Southern Nations, Nationalities and Peoples' Region located in South-Western Ethiopia and it flows over 700 kilometres to the northern shores of Lake Turkana on the Kenyan border. The annual flooding of the Omo is an important time for the practice of recession agriculture, which consists of using residual fertile silt left on the banks when the river recedes in September and October. The extensive rearing of cattle, goats and sheep is vital to the livelihood of local residents, especially when rain is scarce and crops have failed. The communities living along the river's course depend almost entirely on it, to the point that they have established and consolidated specific socio-economic and ecological practices, inherently adapted to the region's harsh and often unpredictable climate conditions.

Unfortunately, the late President Meles Zenawi, who ruled the country with an iron fist from 1995 to his death in 2012, had completely different plans for his country, and specifically for the Omo Valley.

The Growth and Transformation Plan (GTP) is the Ethiopian Government's impetuous development program, which Zenawi initially set up for five years in 2010, and then relaunched in 2015, with the goal of achieving Ethiopia's aspiration to become a Middle Income Country by 2025. The current GTP II aims to "achieve an annual average GDP growth rate of 11 percent, in the context of a stable macroeconomic environment, and at the same time to pursue aggressive measures to promote rapid industrialization and structural transformation."[1]

Although the GTP II claims to be pursuing fair and democratic development, and flaunts reassuring concepts in line with the post-2015 Sustainable Development Goals Agenda, like its predecessor, it actually focuses on major infrastructures and agro-industry upgrades and investments. The methodology appears in direct continuity with the previous five years: Mass movements and the forced sedentarisation of pastoralist communities through villagisation schemes in order to make way for large scale agro-industrial plantations.

This case is part of the report
THE EU AND THE CORPORATE IMPUNITY NEXUS
BUILDING THE UN BINDING TREATY ON TRANSNATIONAL CORPORATIONS AND HUMAN RIGHTS
The full report can be downloaded at:
https://multinationales.org/The-EU-and-the-Corporate-Impunity-Nexus

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In 2012 the international press[2] began to publish alarming articles showing how the vulnerable and marginalized communities of Ethiopia had been affected by the first few years of the Growth and Transformation plan, and the situation only got worse with State repression and the systematic violation of human and civil rights. Villagisation schemes, initially in Gambella (Human Rights Watch, 2012) and then in the Omo Valley, were implemented targeting entire agro-pastoral ethnic communities to encourage them to move in order to meet the needs of foreign investors of large infrastructures and agribusiness. And if they refused to move, they were forcibly evicted. There have been reports of violence, beatings, illegal arrests and rapes, although it is difficult to get information from the country without some kind of retaliation in return. The area is facing a humanitarian disaster, triggered by some of the fiercest land-hoarding ever seen in Africa. The tribes of the lower Valley are violently evicted from their ancestral homes, while their pastures and agricultural land are turned into industrial plantations of sugar cane, cotton and agro-fuel. We are not just talking about beatings, abuse and general intimidation, but also about rapes of women and children by Ethiopian soldiers. Meanwhile, dozens of people in the region have been captured and are being detained for having openly expressed their opposition to the government's development plans, with the Addis Ababa Government continuing to deny all allegations.

This is the social and political context in which the giant Gilgel Gibe hydroelectric project was initiated several years earlier. Consisting of three operating hydro projects, with a fourth under construction and a fifth already announced in the Government's new development plan, the Gilge Gibe Affair (Bankwatch, 2008) is considered to be a very singular and controversial case of public-private partnership. In this case, the public sector is represented by the Ethiopian Electric Power Corporation (EEPCo) – the fully state-owned and sole electricity utility in the country – and the private sector is represented by Salini Costruttori S.p.A., an eminent Italian construction firm that has a strong presence in many African countries. The Gilgel Gibe Dam and the Gilgel Gibe II extension are both located on the Gilgel Gibe River, a tributary of the Gibe River (Gilgel means "little" in Amharic). Gilgel Gibe II consists of a tunnel which channels water from the Gilgel Gibe reservoir through a 26-kilometre tunnel to turbines downstream and empties near the confluence with the Gibe River. Gilgel Gibe III is located on the Omo River 150 kilometres downstream of the Gilgel Gibe II outlet.

The three projects (if not all five of them) should be regarded as a single case: they not only affect the same water basin but they were built by the same contractor: the Italian firm Salini Costruttori S.p.A., and all three projects are extremely controversial.

The Gilgel Gibe Scheme

The **Gilgel Gibe I**, the first dam, is located on the Gilgel Gibe river, a small tributary of the main Gibe river situated approximately 260 kilometres southeast of Addis Ababa. The project dates back to 1985 but it was effectively built between 1997 and 2003. It has been operational since February 2004 and has a capacity of 183 MW. The project consists of a 40-metre high dam, which has created a reservoir of 63 square kilometres, with an underground power house with three turbines. The creation of the reservoir resulted in the displacement of 1,964 households (10,000 people). The project was financed by the World Bank (USD 200 million), the European Investment Bank (EUR 41 million), the Austrian Development Cooperation and the Government of Ethiopia. The project cost approximately 280 million Euro. The construction work was provided by Salini Costruttori and involved more than 15 international companies.

Several fact-finding missions to the area revealed that the resettled and host communities have had their lives dramatically affected by the resettlement, with families forced to move to swamp land of poor agricultural quality, or onto lands which were used by the host communities for grazing, creating inter-community conflicts.

In May 2004, only a few months after the Gilgel Gibe dam had become operational, Salini Costruttori S.p.A. and EEPCo signed a new Engineering Procurement Construction (EPC) Contract for the building of the **Gilgel Gibe II** hydroelectric plant. The estimated cost of the plant was EUR 490 million. Gilgel Gibe II is not a real dam but a 25-kilometre long tunnel that generates power by exploiting the drop between the basin created by the Gilgel Gibe I dam on the Gilgel Gibe river and the river Omo. The contract was signed following direct negotiations between EEPCo and Salini; there

Ethiopia, Omo River, Karo Tribe Photo: Achilli Family | Journeys (https://www.flickr.com/)

Photo: International Hydropower Association (https://www.flickr.com/)

was no international invitation to tender, contravening the procurement procedures issued by the Ethiopian Ministry of Finance and Economic Development, not to mention those of Italy and Europe. The Ethiopian government justified this "exception" on the grounds of Salini's profound knowledge of the project and its established ability to attract international funders. It also mentioned the national energy emergency and the need to balance out electricity supply and demand as quickly as possible.

The reality is that the Directors' Committee of the Italian Directorate General for Development Cooperation (DGCS) approved allocating a EUR 220,000 foreign aid grant to Ethiopia (as well as a EUR 505,000 for monitoring and evaluation) for the project's implementation – the biggest aid grant ever allocated since the Italian development Revolving Fund was created, to finance a project that had already been contracted to the Italian company. Not only was this a breach of all national and international standards on transparency and fair competition. It was also a move frowned upon by the Ministry of the Treasury, in charge of international financial relations, which challenged the exorbitant sum. Ironically, Italy had just formally approved writing off EUR 332,35 million of Ethiopian bilateral debt as part of the the HIPC (Heavily Indebted Poor Country) initiative. In addition to the highly irregular decision-making process, the conduct of the Italian Government made no sense at all. The focus of other countries participating in the HIPC initiative has been preventing the reindebtment of HIPC countries and has consisted of only small loans strictly for poverty eradication and reduction projects.

In a recent visit to the country, we discovered (Re: Common, 2016) that the grant was a little "forced", as we were told by certain experts at the Foreign Ministry. The Directorate-General for Development Cooperation had noted in its technical evaluation that awarding the contract through direct negotiations was highly irregular, and violated Italian and European public procurement rules that require a public invitation to tender, even for cooperation initiatives. The evaluation also cited the absence of a feasibility study prior to the contract's ratification, an inadequate environmental impact study, inadequate monitoring, as well as mentioning the inappropriateness of granting aid credit to a country with which a deal to cancel its debt was already underway.

On 13 January 2010, there was a grand ceremony for the inauguration of Gibe II with the presence of the Italian Foreign Minister at the time Franco Frattini. The Gibe II tunnel partially collapsed 12 days after Frattini's visit.[3]

Ironic as this incident was, it seems that the string had been pulled a little too far with Gibe II, as we understood from chatting with members of the Local Technical Unit of the Italian cooperation in Addis Ababa, who hinted that such a thing would never happen again.

On 19 July 2006, long before Gibe II's (inglorious) inauguration in 2010, Salini Costruttori S.p.A and Eepco signed the contract for the building of the **Gilgel Gibe III dam.**

With an installed capacity of 1,870 MW, the dam is 250 metres tall with a ridge width of 630 metres: a concrete giant whose cost has progressively climbed to more than 1.8 billion dollars, much of which was financed by the African Development Bank. The dam was completed in January 2015 and started producing energy the following October, gradually increasing the number of generators in operation until its official inauguration on 17 December 2016.

As with Gibe II, the contract for Gibe III was awarded through direct negotiation without an international invitation to tender, and the construction of the dam began immediately after the signing of the contract, without an Environmental Permit. In November 2017, the Environmental Protection Authority had still not received the EIA even though two of the three tunnels for diverting the water had already been completed at the dam site.

The dam site is located in the upper Omo basin. The area consists of a large plateau with a long and relatively narrow canyon where the river flows. The climate in the basin is arid to semi-arid. A 200KM long reservoir was created upstream of the dam site, flooding the whole canyon from the dam upstream to the Gibe river, causing the Gojeb River to empty into the reservoir.

The reservoir now has a catchment area of about 34,150 square kilometres (the Gibe I reservoir catchment is about 4,200 square kilometres). Five hundred hectares of agricultural land was flooded as well as 1,532 hectares of riverine forest and 25,506 hectares of deciduous woodland.

Already a controversial project from the design phase, as considered disproportionate to the needs of Ethiopia, Gibe III has already drastically disrupted the ecosystems of the Omo and Turkana valley.

Before the dam's construction, the river banks were mostly used for grazing, collecting firewood, and as an important route of exchange between the communities living on the both sides of the river. But since the flooding of the dam basin began in early 2015, the Omo River no longer floods according to its natural cycle, jeopardizing the territory's extraordinary biodiversity and the food security of at least 100,000 Indigenous Peoples in Ethiopia and about 300,000 Indigenous Peoples around Lake Turkana, in Kenya. These include the Mursi, the Bodi, the Kwegu, the Kara, the Nyangatom and the Dassanach on the Ethiopian front, and the Turkana, the Elmolo, the Gabbra, the Rendille and the Samburu in Kenya. Since 2011 hundreds of households have been displaced and communities forcibly evicted by the government without any consultation beforehand, as required by law.

As confirmed by several reports by Human Rights Watch (2015) and International Rivers (2013), without the steady stream of the Omo flowing into Lake Turkana, the world's largest permanent desert lake, which gets 90% of its water from the Omo, is set to become dramatically smaller. This will result in higher salinity levels, which will be detrimental to the numerous fish species that live in the lake, with devastating consequences for the environment and for the population of the Turkana region who for a long time remained largely unaware of what was being built 500 kilometres upstream. Yet, the environmental and social impact assessment study, which was not disclosed until two years after construction began, only includes vague considerations about the fate of the lake. However, a hydrological study commissioned by the African Development Bank (Avery, 2010) suggests that the lake level will drop by about 2 meters, provided no irrigation policies are implemented in the meantime. But that is exactly what looks set to happen. According to a report by the Oakland Institute (2013), in the coming years about 445,000 hectares in the lower Omo valley will be used for cotton and sugar cane plantations, draining the lake of almost 70 percent of its water.

Meanwhile, the domestication of the Omo River continues unabated: in April 2016 the Ethiopian government also commissioned the construction of **Gibe IV** to Salini-Impregilo. Otherwise known as the Koysha Dam, **Gibe IV** will have an installed capacity of 1,472 MW and will be followed by the smaller **Gibe V**. The Gilgel Gibe hydroelectric system will provide a production capacity of over 4,600 MW, four times more than the maximum domestic consumption of Ethiopia. And this will only increase when the Pharaonic Grand Renaissance Dam on the Blue Nile, the continent's biggest hydroelectric plant (6,000 MW) curently being built also by Salini-Impregilo, will be fully operational.

Development for whom?

This case study illustrates the dangers involved in large energy infrastructure projects when the interests of a corporation coincide not only with weak governance in the host country but are also backed by financial institutions that are more than willing to provide funding in spite of alarming project oversights and impacts. The Gilgel Gibe Affair shows how goals to eradicate poverty and support local communities can be easily compromised when major corporations and/or the political elite are intent on maximising profits.

Ethiopia is in fact heavily dependant on foreign aid. For more than a decade, it has been one of the top ten beneficiary countries, receiving an average of EUR 2-2 .5 billion per year from international donors, an amount that represents between 50 and 60 per cent of the national budget. Development aid in Ethiopia is a key tool directly funding implementation of the Government's development strategy, outlined initially in 2010 with the first growth and transformation plan, and more recently confirmed with the Second Plan (for the period 2015/16 – 2019/20). The government is intent on becoming a middle-income country by pursuing major infrastructure projects and rushing into agroindustrial development. These projects involve moving hundreds of thousands of people from areas they wish to use for industrial plantations through forced distillation schemes. With more than 80% of the Ethiopian population dependent on agriculture and sheep-farming, forced "villagisation" schemes are rapidly undermining the food security of entire communities and destroying valuable cultural heritage. As described in detail in a report by the Oakland Institute (2013), "over the last three years, international donors have been able to verify that the use of violence, intimidation, coercion, and the denial of welfare policy were useful tools for the forced resettlement of ethnic and pastoral communities. However, the donor community has failed to take decisive initiatives to prevent the implementation of policies that deny basic human rights to some of the poorest and most marginalized of Ethiopia". The Oakland Institute report is a valuable collection of examples of how development aid programs in Ethiopia are directly involved in facilitating the implementation of government plans which are often to the advantage of private capital and to the detriment of large sectors of the population, particularly the most marginalized. Through the funding of agricultural investment initiatives such as Land Tenure and Administration Program, Feed the Future, the Pastoral Livelihoods Initiative and the National Food Security Program, donors provide direct and indirect assistance to villagisation schemes, which facilitate the construction of large infrastructure projects and large-scale agri-industrial plans. Donors are also involved in implementing forced resettlement through the multimillion-dollar project called Protecting Basic Services. The Oakland Institute report suggests that there is a close link between aid from the West and State repression in Ethiopia. The fact that the Ethiopian Government requires international financial assistance to implement schemes that severely affect the survival of local communities makes funders complicit in human rights abuses. Despite the millions of dollars paid into Ethiopian State accounts, the donor community has failed to demand the Government minimum standards of human and political rights, effectively financing and supporting the implementation of repressive policies.

ENDNOTES

1 https://www.africaintelligence.com/c/dc/LOI/1415/GTP-II.pdf

2 "Ethiopia's tribes cry for help", by Dominic Brown, Al Jazeera, February 12, 2012. http://www.aljazeera.com/indepth/opinion/2012/02/201221113415497603.html

3 http://www.corriere.it/esteri/10_marzo_23/diga-etiopia_f6e93f78-368c-11df-95eb-00144f02aabe.shtml

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