ETHIOPIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EEITI)

EEITI Report
for the year ended 7 July 2017

AUGUST 2019

BDO

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LIST OF ABBREVIATIONS	
ASM	Artisanal and Small-scale Mining
CSO	Civil Society Organizations
EFY	Ethiopian Fiscal Year
EEITI	Ethiopian Extractive Industries Transparency Initiative
EITI	Extractive Industries Transparency Initiative
ERCA	Ethiopian Revenues and Customs Authority
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
FOB	Free On Board
GDP	Gross Domestic Product
MoF	Ministry of Finance
MLAD	Mineral Licensing and Administration Directorate
MoMP	Ministry of Mines and Petroleum
MSB	Multi-Stakeholder Board
NBE	National Bank of Ethiopia
OFAG	Office of Federal Auditor General
PAYE	Pay As You Earn
SNNP	Southern Nations, Nationalities, and Peoples
SOC	State-Owned Companies
TIN	Taxpayer Identification Number
ToR	Terms of Reference
VAT	Value Added Tax

INTRODUCTION

Background[1]

The Extractive Industries Transparency Initiative (EITI) was first announced at the World Summit for Sustainable Development in Johannesburg in 2002 (the 'Earth Summit 2002'), and officially launched in London in 2003. It was founded on the recognition that, while oil, gas and minerals can help to raise living standards across the world, in countries where these resources are not managed appropriately, this may often lead to corruption and conflicts and, for many people, a lower quality of life.

The Extractive Industries Transparency Initiative is a global coalition of government agencies, extractive companies and civil society organisations working together to improve openness and accountable management of revenues from natural resources. EITI therefore promotes better governance in countries rich in oil, gas and mineral resources and seeks to reduce the risk of diversion or misappropriation of funds generated by the development of a country's extractive industries. This report has been prepared on the 2016 EITI Standard (published on 23 February 2016 - the "EITI Standard") as detailed in the following link: https://eiti.org/document/eiti-standard-requirements-2016. Its principles are based on the affirmation that public understanding of government revenues and expenditure over time, could help public debate and inform the choice of appropriate and realistic option for sustainable economic growth and reduction of poverty in resource-rich countries.

The 2016 EITI Standard sets out the requirements which countries need to meet in order to be recognised, first as an EITI Candidate and ultimately as an EITI Compliant country. There are currently 52 implementing countries of which 34 made meaningful to satisfactory progress.

EITI in Ethiopia

The Ministry of Mines and Energy committed to EITI and launched the Ethiopian EITI (EEITI) in July 2009. The launching conference for the implementation of EITI in Ethiopia was held between 28 and 29 July 2009 in Adama, Ethiopia, involving more than 100 participants from CSOs, extractive companies and Government Agencies.

However, the International Secretariat deferred the application of Ethiopia as candidate seeking further explanations from the Government of Ethiopia with regards to the free and active participation of CSOs in the EEITI implementation.

Additionally, before becoming an EITI country candidate, Ethiopia published a pilot reconciliation report, for the period 2009/10 running from 8 July 2009 to 7 July 2010 covering 16 companies in February 2013.

Ethiopia became an EITI Candidate country in March 2014 and published its first EITI report in March 2015 covering the period 2013/14 from 8 July 2013 to 7 July 2014, the second EEITI report was published in January 2018 and the third report in March 2018 covering the period 2015/16.

In a bid to reinforce the EEITI legal framework and to institutionalise the EITI Process, an EITI Act is currently being reviewed by the Attorney General to be proposed to the Council of Ministers for adoption.

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[1] Source: https://eiti.org/eiti

Objective

EITI requires publishing comprehensive EITI reports, including full disclosure of government revenues from the extractive sector, as well as the disclosure of all material payments made to the government by companies operating in the oil, gas and mining sectors[2].

The objective of this EITI report is to help the understanding of the level of contributions of the extractive sector to the economic and social development of Ethiopia in order to improve transparency and good governance at all levels of the extractive industry value chain.

The objectives set in the EITI implementation are detailed in the EITI Standard.[3]

Scope of Work

BDO LLP was appointed as Independent Administrator to prepare the fourth EEITI Report for the year ended 7 July 2017.

This engagement was carried out in accordance with the International Auditing Standard on Related Services (ISRS 4400 Engagements to perform agreed upon procedures regarding Financial Information). The procedures performed were those set out in the terms of reference as defined in the Contract for Consultants' Services.

The reconciliation procedures carried out were not designed to constitute an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements and as a result, no assurances on the transactions beyond the explicit statements set out in this report are being expressed. Had additional procedures been performed other matters might have been reported here.

The report consists of seven (7) chapters as follows:

1) Executive Summary;
2) Approach and Methodology;
3) Contextual Information on the Extractive Industry;
4) Defining the reconciliation scope;
5) Reconciliation results;
6) Analysis of reported data; and
7) Recommendations.

Reported data disaggregated by private entities, Government Agencies and revenue streams are presented in Sections 5 and 6 of this report.

This report incorporates information received up to 16 June 2019. Any information received after this date have not, therefore, been included in this report.

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[2] Requirement 4 of the EITI standard (2016)

[3] https://eiti.org/document/eiti-standard-requirements-2016

1. EXECUTIVE SUMMARY

This report covers payments made by extractive companies and revenues received by Government Agencies and other material payments and benefits to Government Agencies as stated by Requirement 4.1 of the 2016 EITI Standard.

It also includes contextual information about the extractive industries in accordance with EITI Requirements n°2 and 3. This information includes a summary description of the legal framework and fiscal regime, an overview of the extractive industries, the extractive industries' contribution to the economy, production data, the State's shareholding in extractive companies, revenue allocations, licence registers and licence allocations.

1.1. Revenue Generated from the Extractive Industries

The receipts reported by the Government during the Ethiopian Fiscal year running between 8 July 2016 and 7 July 2017 (EFY 2016/17), after reconciliation are presented below:

Structure of direct revenues of the extractive sector

Total revenues received from the extractive sector amounted to ETB 2,244 million in EFY 2009. Ethiopian Revenues and Customs Authority (ERCA) accounted for 85% of the total revenue streams generated by the sector, followed by the Ministry of Mines and Petroleum (MoMP) accounting for 9% of total extractive industry revenues. The breakdown of revenues is set out in the table below:

Table 1: Revenues detailed by Government Agency

Government Agency	EFY 2016/17		EFY 2015/16		Variance	
	(ETB million)	%	(ETB million)	%	(ETB million)	%
Ethiopian Revenues and Customs Authority (ERCA)	1,905	86%	1,338	78%	567	42%
Ministry of Mines and Petroleum (MoMP)	209	9%	237	14%	(28)	(12%)
Ministry of Finance (MoF)	0	0%	28	2%	(28)	(100%)
Regional Governments (RG)*	78	4%	71	4%	(7)	(10%)
Social contributions (SC) *	52	1%	33	2%	(19)	(57%)
Total extractive revenues	**2,244**	**100%**	**1,707**	**100%**	**537**	**31%**

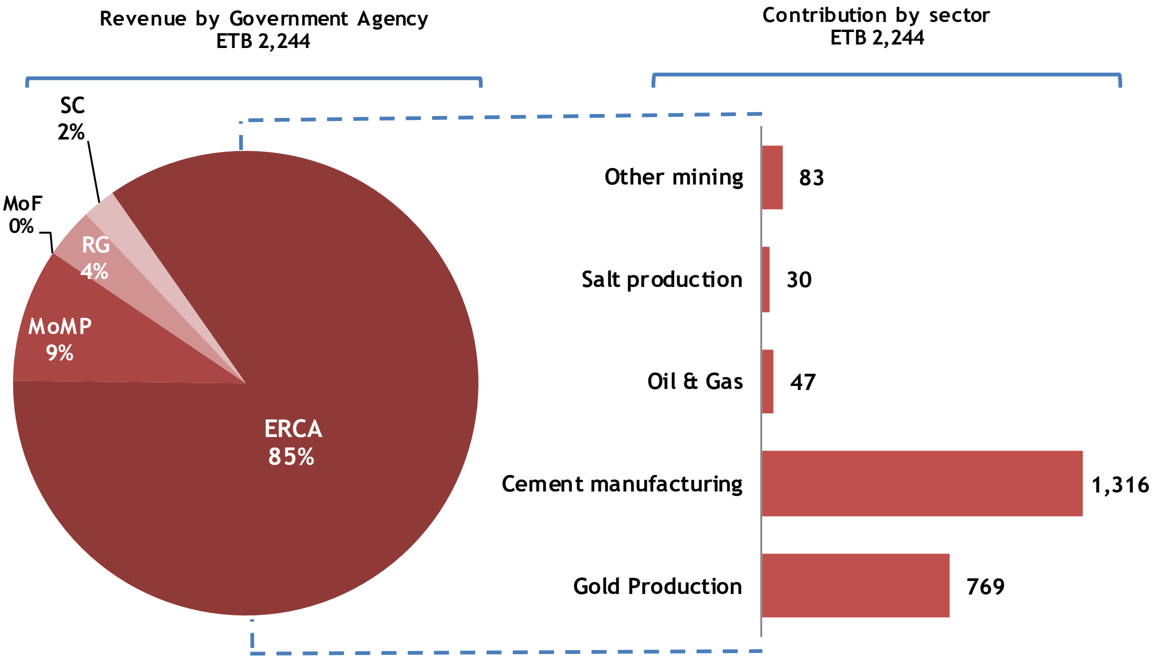
Source: EEITI Reporting templates

Table 2: Revenues detailed by sector

Sector	EFY 2016/17		EFY 2015/16		Variation	
	(ETB million)	%	(ETB million)	%	(ETB million)	%
Gold mining	769	34%	833	49%	(64)	(8%)
Cement manufacturing	1,316	59%	362	21%	954	263%
Oil and Gas	47	2%	156	9%	(109)	(70%)
Salt production	30	1%	29	2%	1	3%
Other mining	83	4%	326	19%	(243)	(75%)
Total extractive revenues	**2,244**	**100%**	**1,707**	**100%**	**537**	**31%**

Source: EEITI Reporting templates

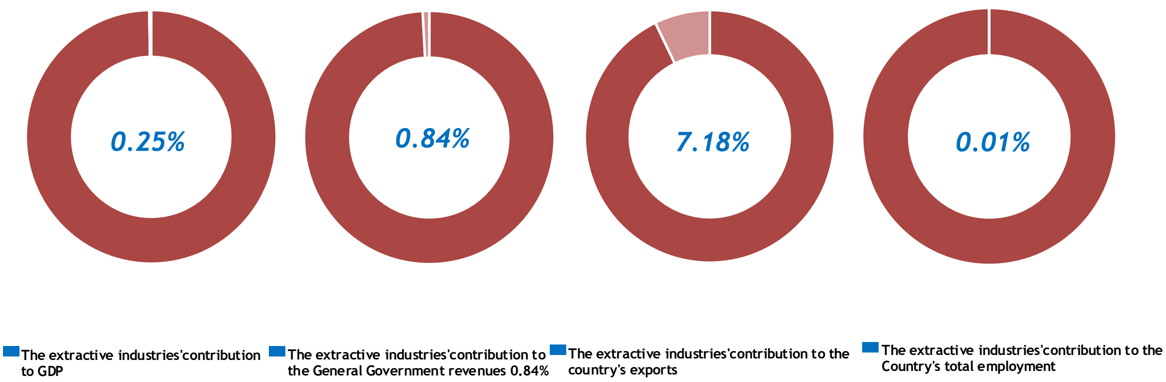
Figure 1: Structure of extractive sector revenues



Contribution to Ethiopia's economy

Based on the economic data presented in Section 3.7 of the report, the contribution of the extractive sector can be summarised as follows:

Figure 2: Contribution of the extractive sectors to the economy



According to data provided by the National Planning Commission, the contribution of the mining and quarrying sectors to the Gross Domestic Product (GDP) in the fiscal year 2016/17 was ETB 4,297 million which represents about 0.25% of the GDP[4] as detailed in Section 3.7.1 of the report.

Based on the data collected in the course of the reconciliation exercise, the revenues collected from the extractive sector amounted to ETB 2,243 million and accounted for 0.84 % of the total revenues of the Government revenues during the fiscal year 2016/17 as detailed in Sections 3.7.1 and 3.7.2 of this report.

[4] At constant prices (2008 EFY)

Based on the annual report[5] of National Bank of Ethiopia, the value of gold exported amounted to USD 208.8 million, which represented approximately 7.18% of the total exports of the country during fiscal year 2016/17. Other minerals exported were aggregated with other exported products not related to the extractive sector amounted to USD 283.2 million representing 9.7% of the total exports of the country during the fiscal year 2016/17.

Employment reported by extractive companies retained in the scope amounted to 3,570 employees representing 0.01% of the total labour force during the fiscal year 2016/17 as detailed in Sections 3.7.1 and 3.7.2 of the report.

1.2. Production

EITI Requirement 3.2: states that: 'Implementing countries must disclose production data for the fiscal year covered by the EITI Report, including total production volumes and the value of production by commodity and when relevant, by state or region. The production data reported by MoMP, extractive companies as well as the information on ASM production data reported by the National Bank of Ethiopia are summarised below:

Table 3: Summary of production data during the fiscal year 2016/17 by mineral type

Mineral	2016/17		%	Region
	Quantity produced (Tons)	Value of Production in ETB		
Gold (*)	3	4,128,650,222	83.6%	Oromia, Endeslassie, Gambella, Hawassa, Assosa, Mizan teferi, Shakisso
Limestone	4,391,745	474,328,239	9.6%	Dire Dawa, Oromia
Pumice	992,299	83,456,973	1.7%	Oromia
Salt	438,192	82,677,712	1.7%	Afar
Soda Ash	6,785	51,651,383	1.0%	Oromia
Marble	21,527	38,705,956	0.8%	Benshangul Gumuz
Basalt	265,475	30,613,925	0.6%	Oromia
Gypsum	74,299	18,946,245	0.4%	Oromia
Others	157,722	29,867,878	0.6%	Amhara, Oromia
Total production		**4,938,898,535**	**100%**	

Source: Declarations of NBE, MoMP and companies
(*) Production data includes large scale production data declared by company and ASM production data declared by NBE

Production data submitted by these reporting entities is detailed in Section 3.7.1 of the report.

1.3. Scope of the data collection and reconciliation

Reconciliation scope

Three (3) Government Agencies, namely: ERCA, MoMP and MoF have been requested to submit reporting templates. These Government Agencies received payments from the extractive companies as detailed in Section 4.1 and 4.3 of the report.

Based on the revenue structures collected by the Ministry of Mines and Petroleum (MoMP) and Ethiopian Revenues and Customs Authority (ERCA), seven (7) extractive companies have been identified to be included in the reconciliation scope for the fourth EEITI Report. These extractive companies made payments above ETB 30 million to Government Agencies during the fiscal year

[5] Annual Report 2017/18, National Bank of Ethiopia

2016/17 as detailed in Section 4.2 of the report and they were therefore included in the reconciliation scope.

Payments made by extractive companies below the materiality threshold (MT) of ETB 30 million were included in the EITI Scope through unilateral disclosure in accordance with EITI Requirement 4.1.d. The list of extractive companies which made payments below the materiality threshold is set out in Section 6.2 of the report.

Reconciled revenues represent 92% of revenues declared by Government Agencies as detailed below:

Table 4: Summary of reconciled revenues

Payments from :	Revenues (ETB million)	% of government revenues
Reconciled Government revenues (a) (*)	**1,955**	**92%**
Unilateral disclosure by Government Agencies (b) (**)	159	8%
Total Government revenues (c = a + b)	2,114	100%
Unilateral disclosure by companies (d) (***)	130	
Total revenues (c + d) (****)	2,244	

(*) Reconciled revenues are detailed in Section 5.1.1 of this repor.t
(**) Unilateral disclosure from Government Agencies are detailed in Section 6.2.1 of this report.
(***) Unilateral disclosure from companies are detailed in Section 6.2.2 of this report.
(****) Detailed in Section 6.1 of this report.

Based on the above, we have included payments of ETB 159 million as unilateral disclosure from Government Agencies in the report. These account for 8% of total revenues declared by Government Agencies.

Extractive companies disclosed payments of ETB 130 million unilaterally which cover social payments and payments made to the regional States.

Details of the unilateral disclosures by Government and by companies are presented in Section 6.2 of the report.

EITI report scope

According to the Constitution of Ethiopia, the Federal Republic comprises nine-member states, which have their own legislative, executive and judicial powers. Regional Government Agencies have not been requested to report data on extractive revenues. Payments made to regional Governments and social payments have been declared unilaterally by extractive companies included in the reconciliation scope.

The revenue contribution of artisanal activities is not included in this report given the lack of comprehensive information on this sector at federal level. This lack of information is due to the scattered nature of the sector and to the fact that licences for operators in this sector are issued by regional States. The overall contribution of artisanal gold producers to the country's total gold production could be assessed from data of the National Bank of Ethiopia as it acts as a clearing house for gold produced by artisanal miners. The National Bank of Ethiopia has therefore been requested to report the quantities and value of the gold produced by ASM mining sector as detailed in Section 3.7.1 (i) of the report.

1.4. Completeness and Reliability of Data

Data submission

Government Agencies

MoMP and ERCA submitted reporting templates to confirm total receipts of ETB 1,955 million accounting for 100% of reconciled revenues.

The Ministry of Finance did not submit reporting templates. Total payments to the Ministry of Finance confirmed by a company included in the reconciliation scope amounts to ETB 27 million representing 1.3% of total reconciled revenues.

ERCA was not able to submit the statement of customs duties. Companies included in the reconciliation scope confirmed ETB 103 million of customs duties representing 5.2% of total reconciled revenues.

MoMP was not able to provide the list of active licences during the fiscal year 2016/17 in order to identify all extractive companies active during the year. ERCA was therefore unable to provide or confirm revenues of all companies holding active licences during the reconciliation period. However, it only confirmed the payments for companies that made payments to MoMP instead. The amount of payments collected by ERCA from active extractive companies that did not make payments to MoMP could not therefore be estimated or included in this report.

Extractive companies

Five (5) extractive companies included in the reconciliation scope submitted reporting templates. Receipts reported by Government Agencies and relating to these extractive companies amounted to ETB 1,401 million accounting for 71.7% of the reconciled revenues.

Two (2) extractives companies included in the reconciliation scope did not submit their reporting templates. Receipts reported by Government Agencies and relating to these extractive companies amounted to ETB 554 million accounting for 28.3% of reconciled revenues as detailed in Section 5.3.a of the report.

On this basis, we were unable to conclude that this report covers all significant contributions made in the fiscal year 2016/17 by extractive companies to the revenues of Ethiopia.

Data Reliability

Government Agencies

MoMP and Ministry of Finance submitted their audited financial statements.

MoMP and ERCA submitted reporting templates that were not signed by an authorised officer. The revenues from these Government Agencies from the extractive industries amount to ETB 1,955 million accounting for 100% of reconciled revenues.

Extractive companies

Four (4) extractive companies submitted their reporting templates signed by authorised officers at management level.

One (1) extractive company, East Cement Sc, submitted its reporting template unsigned by an authorised officer at management level. The revenues reported by Government Agencies in respect of the company amounted to ETB 1.1 million representing 0.6% of reconciled revenues.

Two (2) extractive companies submitted reporting templates without their audited financial statements. The revenues reported by Government Agencies in respect of these two companies amounted to ETB 445 million representing 2.1% of reconciled revenues. These are as follows:

Table 5: List of extractive companies

Company	Amount (ETB million)	% of reconciled revenues
Pioneer Cement Manufacturing Plc	44	2.0%
East Cement Sc	1	0.1%
Total	**45**	**2.1%**
Total reconciled revenues	**1,955**	**100%**

Source: EEITI Reporting templates

The status of reporting templates submitted by extractive companies are presented in **Annex 3** of this report.

Given the significance of the matters stated above, we were unable to conclude that the financial data submitted by reporting entities and included in this report were subject to audits which have been performed in accordance with international standards.

1.5. Reconciliation of Cash Flows

The purpose of reconciling payment flows is to identify any potential discrepancies in the declarations and to clarify them. The discrepancies initially identified were analysed and adjusted whenever the relevant supporting documents were made available by the reporting parties.

In accordance with the data collected from extractive companies and Government Agencies, revenues generated from the extractive industries amounted to ETB 2,220 million. The revenues included in the reconciliation scope amount to ETB 1,955 million and represent 93% the total Government revenues during the fiscal year 2016/17.

After adjustments and reconciliation work, a net negative difference of ETB 364 million remained unreconciled and which represents (22%) of Government revenues as set out below:

Table 6: Cash flow reconciliation

Sector	Extractive entity (ETB million) (a)	Government (ETB million) (b)	Unreconciled Difference (ETB million) (c) = (a) - (b)	% (d) = (c)/(b)
Ethiopian Revenues and Customs Authority (ERCA)	1,343	1,802	(459)	(25%)
Ministry of Mines and Petroleum (MoMP)	150	153	(2)	(2%)
Ministry of Finance and Economic Cooperation (MoFEC)	27	0	27	
Reconciled Government revenues	**1,490**	**1,955**	**(434)**	**(22%)**

Source: EEITI Reporting Templates

The unreconciled differences relate mainly to reporting templates which have not been submitted by companies for a totalling ETB 554 million and customs duties and exercise taxes not reported by ERCA amounting to ETB 130 million. The unreconciled discrepancies are summarised as follows:

Table 7: Summary of unreconciled discrepancies

Reasons for differences	Differences (in ETB million)	%
Reporting template not submitted by the extractive companies	(554)	(28.3%)
Taxes not reported by the Government Agencies	131	6.7%
Taxes not reported by the extractive company	(43)	(2.2%)
Reporting templates not submitted by the Ministry of Finance	27	1.4%
Missing extractive company details per receipt number	5	0.2%
Total differences	**(434)**	**100%**

Source: EEITI Reporting Templates

Details of the reconciliation exercise and adjustments made by company and by tax are set out in Section 5 of the report, while individual reconciliation templates by company are presented in **Annex 8** of the report.

1.6. Recommendations

Relevant recommendations and additional measures to be implemented in order to improve the EITI process in Ethiopia can be summarised as follows:

Table 8: List of recommendations

N°	Recommendations
1	Mainstreaming the creation of an open data for EITI
2	Reporting at project level
3	Disclosure of a register of licences
4	Disclosure of contracts/agreements
5	Tax, non-tax administration and social payments
6	Mining activities managed by the regional governments
7	Accuracy of production data
8	Data quality and assurance
9	Improve stakeholders' participation
10	Accuracy and comprehensiveness of data included in the reporting templates
11	Use of unique identification number for all Government Agencies
12	Meeting the recommendations made in the previous EEITI reports

These recommendations are detailed in Section 7 of this report.

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2. APPROACH AND METHODOLOGY

The reconciliation process relating to the EITI reporting consisted of the following steps:

- conducting a scoping study to determine the scope of the reconciliation exercise and to design the reporting templates;
- the collection of payment data from Government Agencies and extractive companies, which provides the basis for the reconciliation;
- a comparison of amounts reported by Government Agencies and extractive companies to determine if there are discrepancies between the two sources of data; and
- contact with Government Agencies and extractive companies to resolve the discrepancies identified.

2.1. Scoping

The scope was agreed based on matters which should be considered in determining the scope for the EEITI report for the fiscal year 2016/17, including:

- materiality threshold for receipts and payments;
- taxes and revenues to be covered;
- companies and Government Agencies to be included in the report;
- reporting templates to be used; and
- assurances to be provided by reporting entities to ensure the credibility of the data made available to us.

The results of the scoping study described in Section 4 of the report.

2.2. Data Collection

We updated instructions, including reporting templates and reporting guidelines, requesting extractive companies and Government Agencies to report all required data.

Extractive companies and Government Agencies have been requested to fill in and submit a reporting package, including the Reporting Templates and the Instructions for its completion.
Extractive companies and Government Agencies were also required to report directly to the Independent Administrator (IA), to whom they were also requested to direct any queries about the reporting templates.

The deadline for submission of the reporting templates was 21 June 2019. Accordingly, any data submitted after that date has not been considered in this report.

2.3. Reconciliation and Investigation of Discrepancies

The process of reconciling the data and investigating discrepancies was carried out between 14 and 21 June 2019. In carrying out the reconciliation, the following procedures were performed:

- figures reported by extractive companies were compared item-by-item to figures reported by Government Agencies. Consequently, all discrepancies identified have been listed item by item in relation to each Government Agency and extractive entity;
- where data reported by extractive companies agreed with the data reported by Government Agencies, the government figures were considered to be correct and no further action was undertaken; and

- Government Agencies and extractive companies were asked to provide supporting documents and/or confirmation for any adjustments to the information provided on the original data collection templates.

In cases where it was not possible to resolve discrepancies, reporting entities have been contacted directly for additional supporting documentation evidencing the payments declared. In certain cases, these differences remained unresolved. The results of the reconciliation exercise are presented in Section 5 of the report.

2.4. Reliability and Credibility of Data Reported

In order to comply with EITI Requirement 4.9 and to ensure credibility of the data submitted, the following approach has been followed in the preparation of the EEITI Report for the fiscal year 2016/17:

- for each company the "Payment/Receipt Report" should be signed by an authorised senior official (at board level);
- for every Government Agency the "Payment/Receipt Report" must be signed by an authorised senior officer;
- extractive companies were requested to submit their 2017 audited financial statements; and
- in order to make any changes to the information provided on the original data collection templates, supporting documents and/or confirmation from reporting entities were requested in order to make them available to the IA.

2.5. Accounting records

In accordance with Requirement 4.7 of the EITI Standard, data has been reported by company, by payment flow and by Government Agency. Reporting entities were requested to provide relevant details along with the reporting templates for each payment flow, as well as contextual information.

The reconciliation has been carried out on a cash basis. Accordingly, payments made prior to 8 July 2016 have been excluded. The same applies to payments made after 7 July 2017.

The reporting currency is ETB. For payments made in foreign currency, the reporting entities were required to report in the currency of payment. Payments made in foreign currency have been converted to ETB at the actual rate used by the Government Agencies to record the amount received.

2.5.1. EXTRACTIVE COMPANIES

Extractive companies normally prepare their accounting records on the accrual basis, i.e. the tax expense is recognised at the time it is due rather than the time when it is paid. However, only the amounts actually paid during the Ethiopian Fiscal Year from 8 July 2016 to 7 July 2017 would have to be declared in the Reporting Templates.

2.5.2. GOVERNMENT AGENCIES

In respect of Government Agencies, care has been taken to ensure that amounts shown on the "Payment/Receipt Report" include all receipts during the fiscal year 2016/17, irrespective of whether the receipt was allocated in the Agency's records against amounts due in previous or subsequent fiscal years.

3. CONTEXTUAL INFORMATION ON THE EXTRACTIVE INDUSTRIES

In the fiscal year 2016/17 Ethiopia produced a variety of mineral commodities, including gold, salt, limestone, marbles and basic stones. According to the Ministry of Mines and Petroleum, the oil and gas sector is still at the exploration phase.

The extractive sectors covered in this report are:

- mining and quarrying; and
- oil and gas exploration.

3.1. General context of the extractive sector prospective projects

3.1.1. MINING AND QUARRYING SECTOR

Ethiopia is the twenty seventh largest country[6] in the world. The country has over 1.1 million km^2 of land area[7] and a population of around 105 million[8] in 2017. Various mineral deposits and occurrences have been discovered in different parts of Ethiopia. Some of these places such as the Lega Dembi Gold Mine, Kenticha Tantalo-columbite, Lake Abijata Soda Ash, Bombawoha kaolin, and dimension stones in various areas have been developed into operating mines.

Although current mineral production is still small, Ethiopia actually has a diverse and complex geological history with three major geological terrains which are:

- the Proterozoic crystalline basement for gold prospection that underlies about 18% of the country;
- late Palaeozoic, Mesozoic and Tertiary continental and marine sediments occur mostly in the East and occupy about quarter of the land area of the country; and
- the Cenozoic volcanic and sedimentary rocks, including those of the East African Rift Valley transects the country in a North-Easterly direction and underlines the remaining 57% of the land of the country.

There are mineral deposits that cover different types of commodities, including:

- precious, basic and rare, metals such as gold, niobium, and tantalum;
- industrial minerals such as cement, limestone, nitrogen and phosphate rock, potash, soda ash and gemstones; and
- energy minerals such as coal and petroleum[9].

<u>Gold extraction:</u>

Lega dembi gold mine is the only modern primary gold mine operating in the country. It is a medium to large scale mine which produces approximately three tons of gold per year using Carbon in Pulp (CIP) processing plant. The mine is currently operated by Midroc Gold Mine plc which is a subsidiary of Midroc Ethiopia Investment Group of Saudi Arabia.

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[6] https://www.countries-ofthe-world.com/largest-countries.html

[7] World Bank (https://data.worldbank.org/indicator/AG.SRF.TOTL.K2)

[8] https://data.worldbank.org/indicator/SP.POP.TOTL?locations=ET

[9] https://minerals.usgs.gov/minerals/pubs/country/2014/myb3-2014-et.pdf

Tulu Kapi: is a gold project located in Western Ethiopia in the Oromia region at 160 km West of Addis Ababa. In accordance with the scoping study carried out by CRC Sogema, the deposit has approximately 1 million ounces of contained gold.

Additionally, the majority of artisanal mining is extracting gold from alluvial sources derived originally from weathering and erosion effects from hard rock gold ore bodies as reported by CRC SOGEMA's scoping study. There are more than sixty shear-zone hosting gold occurrences in geologic formations called Greenstone Belts. They main regions of greenstone belts are: ·

- Southern (including the Adola, Ageremariam and Moyale areas);
- Western (including the Akobo area); and
- ·Northern (Tigray area).

Cement production:

in accordance with the Forbes Publication of June 2015, Dangote Cement is looking to build more cement plants across Africa to realise its ambition of reaching an annual production of 62 million tons before 2020. The production of clay, gypsum, limestone, and pumice is also expected to increase, in accordance with the Mineral Licensing and Administration Directorate, because of increased demand from cement plants The output of other construction materials is also likely to increase by the coming years.

Marble production:

Marble has also been quarried for a variety of architectural and artistic purposes in Ethiopia[10] since ancient times. The country has marble deposits in several regional states including Harrar, Tigray, Oromia, and Benishangul-Gumuz[11]. Marble, potash, limestone, granite, coal and minerals used to produce cement are used to produce cement, ceramic, paper and glass as well as fodder for cattle and poultry. Several of these minerals such as the marble[12] are also exported helping the country earn foreign currency.

Potash projects:

Some companies are at the development and mining stages of various industrial minerals such as potash, cement raw materials and others. While BHP Billiton left Danakil Depression in 2012, Yara International carried out an independent feasibility study in February 2015, which confirmed significant potential to extract potash in the Danakil depression in North Eastern Ethiopia. An annual production of 600,000 metric tons of potassium sulphate over 23 years was identified by the study from these reserves (Kainite, Carnallite and Sylvinite) at Yara's Danakil concession. The company aims to start mining activities in 2018 and is currently seeking equity partners to develop the project as published by Tom Zanki.

3.1.2. OIL AND GAS EXPLORATION

Ethiopia has one of the highest deposits of natural gas, most of which is untouched. It expects to start production and exports of natural gas from under-developed reserves from the South East by 2020. Over one-third of the surface area of Ethiopia is covered by the sedimentary rocks located in the basins of different geologic time cover. The Basins formed in the Upper Paleozoic-Lower Mesozoic are known as: the Ogaden, Abay (Blue Nile) and Mekele Basins and those of the Upper Mesozoic to Middle Tertiary Basins are called the Gambela and Southern Rift Basins. Younger Tertiary rift grabens also occur all along the axis of the East African Rift System.

[10] Geological Survey Of Denmark And Greenland http://extra.geus.info/cet/ethiopia/EthiopiaFS_Marble_Web.pdf
[11] Geological Survey of Ethiopia (http://gis.gse.gov.et/map/sharing/rest/content/items/8add832161f6437f8e37418c12136347/data)
[12] Section 6.5 of this report

A number of international companies are currently undertaking petroleum exploration in various parts of Ethiopia. Oil companies actively involved in the petroleum exploration and development undertakings are: Africa Oil Ethiopia B.V, POLY-GCL Petroleum Investments Ltd, South West Energy (HK) Ltd, New Age Ethiopia Ltd and GPB Ethiopia Resources B.V. Many of these companies have been engaged in acquiring geophysical data, including airborne gravity and magnetic, while others have done 2D seismic surveys covering large areas, and have also carried out geological studies. GPB Ethiopia Resources B.V and Delonex Energy Ethiopia Ltd signed Production Sharing Agreements in July and August 2014 respectively in order to operate in Afar and Somali regions.

Ogaden Basin: in November 2013, POLY-GCL Petroleum Holdings Limited ("POLY-GCL"), jointly set up by China POLY Group and GCL Group, signed oil and gas exploration and development contracts for 10 blocks (with an area up to 117,000 km^2) in the Ogaden Basin with the Ethiopian government. Poly-GCL has drilled five deep gas wells so far around Calub and Hilala areas at the Ogaden basin and began drilling the 6th petroleum and natural gas well at Hilal in January 2017. Natural gas and oil exploration is scheduled to be concluded by 2020.

Cross-Border Gas Pipeline: in February 2015, a Cross-Border Pipeline Agreement was drafted by the Ethio-Djibouti Joint Ministerial Meeting as released by POLY-GCL. The draft agreement states that POLY-GCL will cooperate in building a natural gas pipeline from the Ogaden Basin in Ethiopia to Djibouti, where the natural gas will be processed in a marine terminal and transported all over the world. It is expected that the pipeline construction would begin before 2020.

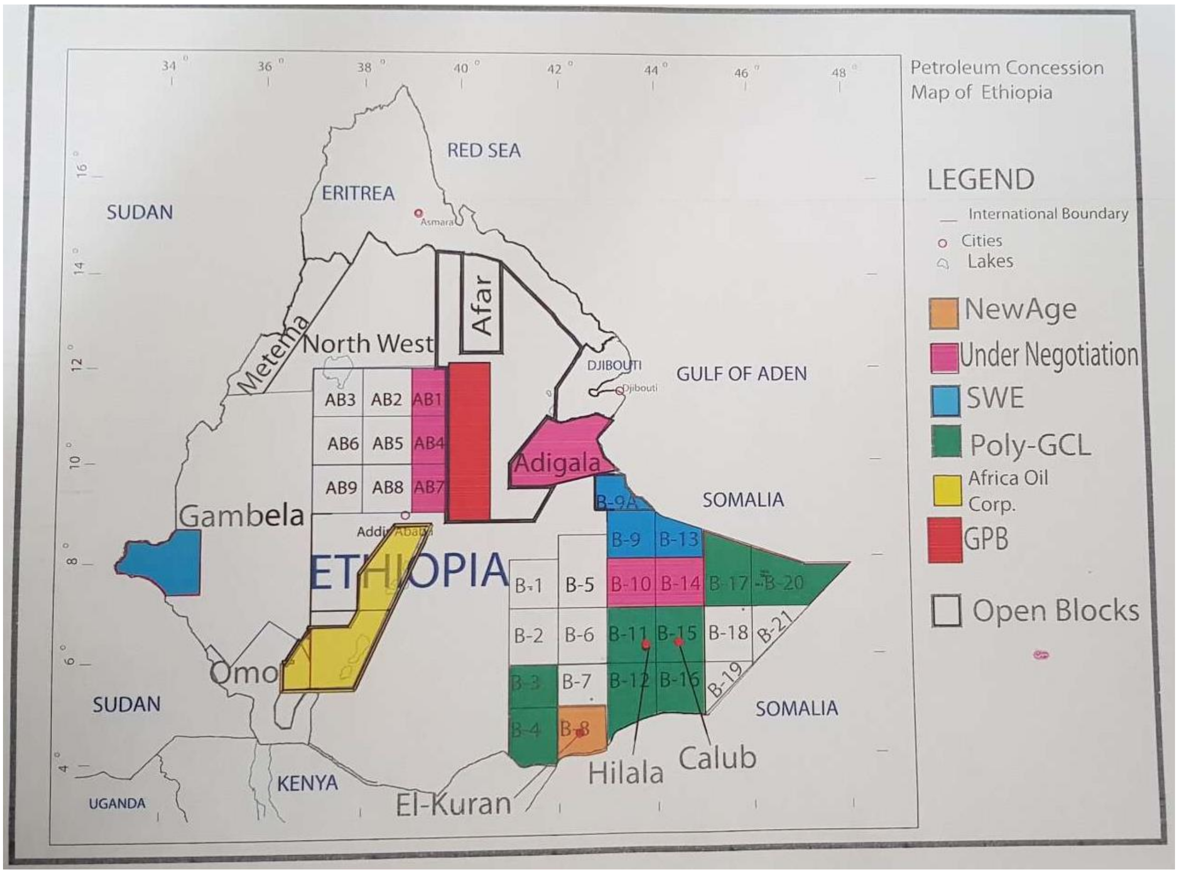
Rift Valley: it is considered as one of the best spots in the world to understand the formation of continents and the dynamics of tectonic plates. Rift Valley stretches from Ethiopia southwards, through Kenya, the Democratic Republic of Congo, Uganda, Rwanda, Burundi and Tanzania, ultimately ending in Malawi. GPB Global Resources, a unit of Russia's state-owned Gazprom Bank Group, won approval from the Ethiopian government in 2014 for a Production Sharing Agreement which covers exploration for seven years and 25 years for production. Investment for exploration will focus on conducting surveys and drilling test wells in a 42,000 square kilometre area in the Afar region as reported by Bloomberg. GPB reported in October 2014 that it has put up an international tender inviting companies for the provision of airborne geophysical surveys in its concession and that the US company, Bell Geospace, won the contract for the provision of airborne Full Tensor Gradiometry (FTG) and magnetic surveys in the Gewane-El Wiha Block.

Gambella Basin: South West Energy Ltd's assets cover 17,000 Km^2 in the Gambella Basin. Previous exploration activities in the Gambella Basin were conducted by Petronas, which included 1,500 km of 2D seismic, geochemical survey and two wells were drilled. South West Energy announced that preliminary resource estimates show potential in excess of 2 BBO.[13]

A significant portion of the country is presumed to have petroleum potential and labelled into different basins as per the map provided by the Petroleum Licensing Directorate below:

[13] Overview Presentation, SouthWest Energy, October 2017

Figure 3: Petroleum concession Map of Ethiopia



3.2. Legal framework

3.2.1. LEGAL FRAMEWORK IN THE MINING SECTOR

Before the advent of the new economic policy of Ethiopia, the government was solely responsible for the exploration or development mining activities and private investments were previously not allowed in the mining sector from 1974 to 1991. Several mining laws and mining tax laws were enacted starting from 1993 and these were constantly reviewed with a view to boost investment in the Ethiopian minerals sector.

The legal framework of the extractive industries can be summarised as follows:

Table 9: Summary of the legal framework

Legal framework	Observations
Income Tax Amendment Proclamation No. 979/2016	Federal income tax proclamation
Transaction of Precious Minerals Proclamation No 651/2009	To promote and regulate transactions of precious minerals
Mining Operations (Amendment) Proclamation No 816/2013[14]	To amend the mining operations proclamation
Mining Operations Proclamation No 678/2010	To promote sustainable development of mineral resources

[14] http://www.mom.gov.et/upload/816-2013.pdf

Legal framework	Observations
Mining Operations Regulations (Amendment) No 124/2006	Council of Ministers regulations on mining operations (amendment)
Mining Operations Regulations No 182/1994[15]	Council of Ministers regulations on mining operations
Mining Income Tax (Amendment) Proclamation No 802/2013	To amend the mining income tax proclamation
Mining Income Tax Proclamation No 53/1993 [16]	To provide for payment of income tax from mining operations
Mining Income Tax (Amendment) Proclamation No 22/1996[17]	To amend the mining income tax proclamation
Mining Income Tax (Amendment) Proclamation No 23/1996[18]	To amend the mining income tax proclamation
Mining Proclamation No 52/1993	To promote the development of mineral resources

3.2.2. LEGAL FRAMEWORK IN OIL AND GAS SECTOR

The upstream oil and gas sector is regulated by three basic proclamations which are:

- the Petroleum Operations Proclamation (N°295/1986[19]);
- the Petroleum Income Tax Proclamation (N°226/1986[20]); and
- the Petroleum Income Tax Amendment Proclamation (N°226/2000).

Additionally, the terms of the Production Sharing Agreements (PSA) signed with oil and gas companies are part of legal framework governing the oil and gas activities. PSA's terms are negotiable and form the basis of the licences. The legislative framework offers considerable flexibility to the Government in negotiating acceptable proceeds sharing terms with oil companies. Under the PSA, signature and production bonuses are negotiable.

3.3. Institutional framework

Ethiopia adopted a federal, democratic government system, in the early 1990s, with nine autonomous states ('regions') and two Administrative[21] cities[22]. The main institutions that are involved in managing the extractive industries in Ethiopia are as follows:

- **The Ministry of Mines and Petroleum (MoMP)** is responsible of the development of mining and petroleum sectors, to promote them, to issue licences to private investors and ensure that they conduct minerals and petroleum operations in accordance with their concession agreements. MoMP is also the signatory of the Production Sharing Agreements (PSA) or the Modern Concession contracts on behalf of the Government of Ethiopia;
- **Ethiopian Revenue and Customs Authority (ERCA)** is the government agency responsible for collecting revenues from customs duties and domestic taxes from extractive companies and individuals holding mining licences. ERCA was created on 7 July 2008 as a result of the merger

[15] http://www.mom.gov.et/upload/miningreg.pdf
[16] http://extwprlegs1.fao.org/docs/pdf/eth85042.pdf
[17] http://extwprlegs1.fao.org/docs/pdf/eth85043.pdf
[18] https://chilot.me/2011/08/proclamation-no-1181998-a-proclamation-to-amend-the-mining-proclamation/
[19] http://www.mom.gov.et/upload/Petrolum%20Operations%20Proclamation%20No.%20295_%201986%20p%2062-70.pdf
[20] http://www.mom.gov.et/upload/Petroleum%20Operations%20Income%20Tax%20%20Proclamation%20No.%20296_1986%20p%2071-80.pdf
[21] http://www.ethiopia.gov.et/regional-states1
[22] The Regions are Afar, Amhara, Benishangul-Gumuz, Gambella, Harari, Oromia, Ethiopian Somali region, SNNPR (Southern Nations, Nationalities
and Peoples), and Tigray. The Administrative cities are Addis Ababa and Dire Dawa

of the Ministry of Revenues, the Ethiopian Customs Authority and the Federal Inland Revenues into one big organisation;

- **Ministry of Finance (MoF):** is responsible of allocating budgets and introducing systems of utilising resources to both federal and regional governments[23]. Additionally, MoF is also responsible for collecting free equity of interest of 5% in any large scale mining investment on behalf of the government in accordance with article 72 of the Mining Operations Proclamation (Amendment) No. 816/2013;
- **Mines Bureaux of National Regional States:** are responsible for issuing artisanal mining licences, reconnaissance, exploration and retention licences with respect to construction and industrial minerals, small scale mining licences for industrial minerals, large scale mining licences for construction minerals and certificates of discovery for minerals other than strategic minerals; and
- **National Bank of Ethiopia (NBE):** was created by proclamation 206 of 1963 and is responsible for regulating the supply, availability and cost of money and credit. NBE plays a focal role in the supply chain of gold produced in artisanal small-scale mining sector. Licensed artisanal miners and small-scale miners are required to sell all gold produced to NBE via the bank's licensed regional purchase centres. NBE acts as a clearing house by holding the gold it produced by ASM sector in stock or recording it in sales of gold in the international market.

3.4. Types of licences and allocation in the extractive sector in Ethiopia

3.4.1. Types of rights and licences allocation in mining sector

Types of rights in the mining sector

In accordance with the Mining Operations Proclamation No.678/2010, there are four types of licences that cover medium to large scale mining activities and two certificates as follows:

Table 10: List of types of rights for medium to large-scale mining

Type	Licence Period
Reconnaissance Licence	Up to 1.5 year, non-exclusive and non-renewable
Exploration Licence	Up to 10 years (3 years initial, 2 renewals of 1 year each and 5 extension of 1 year each
Retention Licence	Up to 6 years and exclusive (3 years initial and one time renewal for 3 years)
Large-Scale Mining Licence	Up to 20 years plus possibility of 10 year renewal
Certificate of Discovery	Up to 1.5 year, non-renewable
Certificate of Professional Competence	The validity period, renewal and revocation of a certificate of professional competence shall be prescribed by regulations

With regards to artisanal and small-scale mining activities, the Mining Operation Proclamations No°678/2010 and the preceding proclamations underlined that artisanal and small-scale miners should necessarily be organised as cooperatives and that there is no specific requirement for the technology used and for the competence required. Licensed miners fall into three categories: (i) Mining cooperatives (ii) Small and Micro Enterprises (SME) and (iii) Mining Development Groups. The amended Mining Operations Proclamation No°816/2013 has recognised four types of mining licences and outlined limitations on the durations. The table below summarises the types of mining operations and their pre-defined durations:

[23] http://www.mofed.gov.et/web/guest/overview-of-the-ministry

Table 11: List of types of licences for artisanal to small-scale mining

Type	Licence Period
Artisanal Mining Licence	Up to 2 years not renewable
Small-Scale Mining Licence	Up to 10 years renewable for 3 years
Special Small-Scale Mining Licence	Up to 10 years renewable for 5 years
Large-Scale Mining Licence	Up to 20 years unlimited renewals (each 10 years)

With regards to the rights of trading precious minerals, the Transaction of Precious Minerals Proclamation (No. 651/2009) provides that there are three types of licences and two certificates as follows:

Table 12: List of types of rights for training precious stones

Type	Description
Precious minerals brokerage licence	Grants to the holder of the licence the right to purchase, hold for sale purposes, transport and forthwith sale of precious minerals locally.
Precious minerals crafting licence	Grants to the holder of the licence the right to purchase, hold and transport precious minerals in an amount to be specified by directives of the National Bank of Ethiopia, carry out smithery or lapidary and sell its product locally or abroad pursuant to the directives of the Bank. The holder of such licence may engage in purchase or maintenance of used, broken or damaged jewelleries and report periodically every month about its activities.
Precious minerals refining licence	Grants the licence holder the right to engage in refining precious metallic minerals produced locally or imported.
Precious Mineral Trade Certificate of competence	Grants to the holder of the licence the right to Purchase in bulk and retail sale of finished Precious Minerals locally.
Precious Mineral Export Certificate of Competence	Grants to the holder of the Certificate the right to purchase, hold, and export the following precious minerals pursuant to the directives of the Central Bank: gold and silver which are in their final shapes and other precious minerals in raw, semi processed or in their final state.

Allocation process of mining licences

The Mining Operations Proclamation (No.678/2010) set the order of application processing. In this respect, applications for licences have to be submitted to the Licensing Authority for the issuance, renewal or transfers accompanied by the documentation required by the Proclamation, regulations and directives and with the payment of the prescribed application fee. The Licensing Authority registers and gives a receipt to the applicant once approved. The following rules are generally applied unless otherwise agreed:

- an application submitted for a large-scale mining licence takes precedence over those for small scale and artisanal mining licensees, and an application for small scale mining licence takes precedence over those for artisanal mining licences;
- the applications are dealt with in the order of date of receipt if the Licensing Authority receives more than one application for licences of the same status covering the same mineral and area; and
- where two or more applicants lodge applications for licences of the same status at the same time covering the same mineral and area, the Licensing Authority constitutes a technical team to evaluate the applications and the priority shall be determined on the basis of the evaluation of the technical work plan, the financial proposal, as well as the technical competency of the applicants.

The general procedure required for licence allocation are summarised as follows:

Table 13: Summary for awarding licence procedures

STAGES N°	PROCEDURES
1- Information	The applicant enquires about the general information on the application procedures at MoMP. The applicant is also referred to the Geology Survey of Ethiopia in order to obtain information about the surveys and mineral deposit in all regional states of the country.
2- Field visit	The applicant writes an official letter to MoMP in order to arrange for a geological visit at the relevant location (Wareda, region). MoMP notifies the Regional Mines Bureau of that particular area in order to request them to assist the applicant during the geological visit. The applicant defines the particular coordinates of the area subject to the application during the geological visit. MoMP cross-checks the coordinates with its records in order to confirm that the area is not overlapping with any other licence. MoMP records the Application Identification Code in the cadastre in case of no overlap.
3- Applications	The applicant pays the application fees, fills in the official Application Form for Mineral Operations Licence and Other Services and submits the application to MoMP along with the following documents: 1- ID Card/Passport; 2- Principal Business Registration Certificate; 3- Evidence of the applicant's financial status; 4- Work Programme (for Reconnaissance/Exploration) 5- Feasibility study (for Mining Licence Applications only); 6- Environmental and Social Impact Assessment (ESIA) report (for Mining & Exploration Licence Applications only); 7- Tax Identification Number (TIN) (for Mining Licence Applications only); 8- Articles of Association (for companies); and 9- Memorandum of Association (for companies).
4- Evaluation	MoMP assesses the applications based on the following criteria: - number of years the applicant has been in mining operation and directly/indirectly related experience with a maximum of 15 points; - human resources capacity and experience with a maximum of 10 points; - financial performance with a maximum of 10 points; - proposed project location and area coverage with a maximum of 2 points; - objective of the proposed project in specific, measurable, achievable and time framed (SMART) with a maximum of 3 points; - previous work assessment citing appropriate reference with a maximum of 10 points; - exploration work proposal (detail exploration programme for the first year and comprehensive work programmes for 2nd and 3rd year) with a maximum of 30 points; - expenditure obligation for the initial three years of exploration period with a maximum of 10 points; and - financial status of the applicant related to the exploration period with a maximum of 10 points. The above criteria are detailed in Annex 1 of the report. The minimum score out of the technical criteria for Exploration application is 75 points. For Mining Licence application, the Economic Resource and Mining Engineering Sections should evaluate and give their comments on the feasibility study of the applicant. The applicant should then comment in the presence of the mining committee members.
5-Draft Agreement	MoMP decides to grant the licence or not.

STAGES N°	PROCEDURES
letter and approval[2]	a- If the application is not approved, the application code reference will be removed from the licence records of MoMP. b- If the memo of evaluation is approved by the Ministry, an Agreement Letter and its Annexes should be prepared and signed in 9 copies by MoMP.
6- Issue of licence	A copy of the agreement is delivered to the applicant and another copy is delivered to the Regional National States Mine Bureau. The licence fee should be paid by the applicant and a licence certificate is then delivered to the licensee.

Requirement 2.3 of the EITI Standard stipulates that the following information related to the award or transfer of licences pertaining to the companies covered in the EITI Report during the accounting period covered by the EITI Report should be disclosed:

i. a description of the process for transferring or awarding the license;

ii. the technical and financial criteria used;

iii. information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; and

iv. any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.

Information required by Requirement 2.3 of the EITI Standard could not be disclosed given that the list of licences awarded during the fiscal year 2016/17 was not available.

Transferability of mining licences

The Mining Operations Proclamation (N°678/2010) sets out state ownership of minerals and provides rights and conditions to explore, develop and produce such minerals. The Proclamation groups minerals into several categories in order to define incentives, penalties, specialist skills development and minerals administration. The categories of minerals are as follows:

Table 14: List of categories of minerals

Categories	Type
Construction minerals	Minerals directly or indirectly used as input for construction purposes such as marble, granite, limestone, basalt, sand, aggregate, ignimbrite and clay
Industrial minerals	Minerals directly or indirectly used as industrial input such as kaolin, bentonite, quartz, coal, limestone, gypsum, pumice, clay and graphite
Metallic minerals	Iron, copper, zinc, lead, chromite, nickel and manganese
Precious minerals	Platinum, gold and silver or precious stones such as diamond, ruby, emerald and sapphire
Semi-precious minerals	Gemstones that are used for jewellery such as opal, rhodolite, olivine, jadeite and lazurite.

The above proclamation allows the transfer of licences, other than reconnaissance and retention, with prior consent of the Licensing Authority. However, artisanal or special small-scale mining licences may only be transferred through inheritance.

Requirement 2.2 of the EITI Standard stipulates that: "Implementing countries are required to disclose the following information related to the award or transfer of licenses pertaining to the companies covered in the EITI Report during the accounting period covered by the EITI Report:

- description of the process for transferring or awarding the license;
- the technical and financial criteria used;

- information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; and
- any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.

However, the information regarding licences transferred could not be disclosed given that the list of licences transferred during the fiscal year 2016/17 was not available.

Policy on disclosure of mining contracts

The mining legislation allows MoMP to enter into agreements for prospection, exploration or production with mining operators. As part of the licence awarding process, MoMP signs a mining agreement with each of the licensees.

These agreements set the work plan for the operator and the legal, social and environmental requirements of the licence.

The existing mining legislation does not include any restrictions on the public disclosure of contracts and licences by the government or their access at MoMP level. However, signed contracts are not currently published electronically.

Register of mining licences

According to EITI Requirement 2.3 b), implementing countries are required to maintain a publicly available register of licences or mining cadastre. However, MoMP confirmed that the cadastre system is not updated and has yet to be implemented. The register of all active mining licences during the reconciliation period 2016/17 was not available.

The list of mining licences as disclosed by extractive companies included in the reconciliation scope is presented in **Annex 5** of the report.

3.4.2. Type of rights and licence allocation in oil and gas sector

The Petroleum Licensing and Administration Core Process (PLACP) is the section within the Ministry of Mines and Petroleum that oversees all activities related to petroleum operations in Ethiopia. It comprises of two main branches, which are the Petroleum Licensing and the Contract Administration.

The main duties and responsibilities of the Petroleum Licensing and Administration are:

- organising and preparing bid documents for tendering exploration blocks and take part in the screening and evaluation of final bid documents;
- negotiating with applicant companies in accordance with the Model Petroleum Production Sharing Agreement and Petroleum Operations and Income Tax Proclamations;
- performing promotional activities, by disseminating brochures, exhibiting posters and making presentations;
- monitoring and inspecting companies' operations to ensure that the activities of a contractor are carried out in accordance with signed agreement;
- providing support to contractors by communicating with other government institutions and offices;
- ensuring that financial terms of the signed agreements are fulfilled in a timely manner: these include rentals, royalties, bonuses and other payments;
- representing the Ministry at international and regional forums in petroleum upon the consent of the Minister or the State Minister; and
- keeping all petroleum data in a secure repository and make them accessible to relevant business partners, academia and staff engaged in research and development.

Types of oil and gas rights

The Petroleum Operations Proclamation N°295 (1986) defines the rules and conditions of any arrangement between the Government and petroleum companies. The Minister of Mines and Petroleum has the power to enter into an Exclusive or a Non-Exclusive Petroleum Agreement[24] either by competitive bidding or, subject to the directives of the Council of Ministers, by direct negotiation:

- the Exclusive Petroleum Agreement confers a company the right to carry out petroleum operations in a particular area for up to four years for exploration activities and for up to twenty-five years for development and production activities. Extensions of four years and of ten years may be granted respectively for exploration and for development and production. Further extensions may be granted in accordance with Article 11 of the Petroleum Operations Proclamation N°295 (1986); and
- the Non-Exclusive Petroleum Agreement authorises a company to carry out geological and geophysical surveys in a particular area for up to two years. The Minister may grant an extension of two additional years and further extensions may be granted in accordance with Article 11 of the Petroleum Operations Proclamation N°295 (1986).

Licences allocation process

Applications from individual companies as well as from groups of companies should be submitted to the Ministry of Mines and Petroleum in sealed envelopes delivered by registered mail or by hand without an application fee. All documents relating to an application are kept confidential by all parties and the Government may, at its sole discretion invite a successful applicant for negotiation.

While assessing applications, the Government shall focus, amongst others, on:

- the minimum exploration work and expenditure obligations;
- the economic benefits to the country, with emphasis on the profit oil sharing; and
- the applicant's proposal regarding natural gas.

The Minister of Mines and Petroleum reserves the right to accept or reject any proposal, without justifying his decision on the subject. All documents relating to an application are kept confidential by all parties and the Government may, at its sole discretion invite a successful applicant for negotiation and signature.

In the event of a company's interest, negotiation will be carried out between the company and MoMP until an agreement is reached on the fiscal terms and for articles of the Petroleum Agreement. The Agreement will be endorsed to the Council of Ministers for approval, then presented to the company and MoMP for signature.

MoMP confirmed that no oil and gas block was allocated during the 2016/17 reconciliation period.

Transferability of oil and gas rights

The Petroleum Operations Proclamation N°295 (1986) sets out state ownership of oil and gas and provides rights and conditions to explore, develop and produce oil and gas. This proclamation allows the transfer of part or all rights, obligations and interests under a Petroleum Agreement with the condition of prior written consent of the Minister. The terms and conditions of transfer, assignment or disposal shall be governed by the provisions of the Petroleum Agreement.

MoMP confirmed that no oil and gas block was transferred during the 2016/17 reconciliation period.

Policy on disclosure of oil and gas contracts and register of licences

According to EITI Requirement 2.3 b), implementing countries are required to maintain a publicly available register of licences or mining cadastre. EITI Requirement 2.4 encourages countries to publicly disclose any contracts and licences.

[24] http://www.momines.gov.et/about-the-sector

The existing Oil and Gas contracts are Production Sharing Agreements (PSAs) entered into by MoMP and private operators. PSAs are all based on a model agreement that MoMP has used for several years. This model contract contains a confidentiality provision which prevents the public disclosure of information that the extractive company supply the MoMP. Clause 17.1 of the model agreement PSA stipulates that “Any information and data (referred to herein as "information") which the Contractor may supply to the Minister under this Agreement shall be supplied at the expense of the Contractor and the Minister shall, except with the consent of the Contractor, which shall not be unreasonably withheld, keep such information confidential, and shall not disclose such information other than to a person employed by or on behalf of the Government”. The EEITI MSB agreed that this confidentiality clause does not apply to the publication of the contracts but covers technical information submitted by oil and gas companies.

The petroleum legislation does not include any express restrictions on the public disclosure of contracts and licences by the government. However, signed contracts and register of oil and gas licences are not currently published electronically.

3.5. Fiscal regime in the extractive sector in Ethiopia

3.5.1. Fiscal regime in mining sector

Royalties on minerals are regulated by the Mining Operations Proclamation and are levied on ad valorem basis according the table below:

Table 15: List of royalty rates

Categories	Royalties
Construction minerals	3%
Industrial minerals	4%
Metallic minerals	5%
Precious minerals	7%
Semi-precious minerals	6%
Salt	4%
Geothermal	2%

Applicable legislation under the fiscal regime for large scale mining licence is the Mining Income Tax Proclamation. The Proclamation provides details on licensing procedures, fees and fines. The fiscal regime is mainly defined by the 25% charge on taxable income generated from large and small mining, 10% dividend tax; and by several deductions and calculations of expenditure. However, holders of artisanal licences are exempt from income tax.

The Mining Operations Proclamation provides exemptions from customs duties on imports of several machinery and vehicles required for holders of exploration and mining licences. The Proclamation also provides exemptions from customs duties on exports of minerals produced by holders of artisanal, small scale and large-scale mining licences.

The detailed description of the payment flows made by extractive companies are presented in Annex 2 of the report.

3.5.2. Fiscal regime in oil and gas sector

The fiscal terms applicable to upstream petroleum activities in Ethiopia are governed primarily by the terms of the Petroleum Operations Proclamation (1986), the Petroleum Income Tax Proclamation (1986) as amended by Proclamation (226/2000) and any PSA entered into as set out below:

- royalties, rentals and bonuses: a registered holder of a development licence must, under the Petroleum Operation Proclamation, pay a royalty and annual rentals to the government. The chargeable royalty rates may vary in accordance with the level of production and the rates are negotiable. The rates of annual rentals are negotiable and may vary in accordance with the exploration periods. All rates of royalties, annual rentals and bonuses shall be set and agreed in the Petroleum Agreement;
- taxation: the contractor is subject to income tax under the Petroleum Operations Income Tax Proclamation stating that any person engaged in petroleum operations under a petroleum agreement shall pay thirty percent (30%) income tax on its taxable income as stated by Sub-Article (1) of Article 3 of Petroleum Income Tax Proclamation (1986) as amended by Proclamation (226/2000).
- where interest is paid on a loan, the lender shall be liable to income tax at the rate of 15% on the interest;
- losses realised during the accounting period may be carried forward to a maximum of 10 years;
- no income tax shall be chargeable on dividends paid to shareholders out of income derived from petroleum operations; and
- customs duties: under the Petroleum Operation Proclamation, all machinery, equipment, vehicles, materials, supplies, consumable items and moveable property imported for use in petroleum activities can be imported and exported free of all duties and taxes.

The detailed description of the payment flows made by extractive companies are presented in Annex 2 of this report.

3.6. State participation in the extractive sector in Ethiopia

FDRE's Constitution stipulates that "the right to ownership of rural and urban land, as well as that of all-natural resources are exclusively vested in the State and in the people of Ethiopia". The constitutional principle of custodianship of the country's mineral resources by the Government was subsequently brought into effect by the Mining Operation Proclamation No.678/2010.

The Mining, Energy and Construction Capacity Building and Competitiveness Directorate of the Ministry of Public Enterprises confirmed[25] that the Federal Government holds directly all the shares of a single State-owned company (SOC) operating in the extractive industries and which is named Ethiopian Mineral Petroleum and Biofuel Co.

A Council of Ministers Regulation No. 413/2017 gave the state-owned company (SOC) Ethiopian Mineral Petroleum and Biofuel Co the responsibility to represent the Government in its equity participation and administration of private companies engaged in petroleum and natural gas as well as minerals development starting from 31 August 2017. However, MoMP confirmed that this SOC is still being restructured.

3.6.1. State participation in the mining sector

Free equity

Article 72 of the Mining Operations Proclamation (Amendment) No. 816/2013 stipulates that the Government is also entitled to acquire without cost, a participation interest of 5% in any large-scale mining investment. Additional participation beyond the 5% free equity may also be provided to the Government by agreement with the licensee. Companies operating under the Mining Operations

[25] Third EEITI Report 2015/16

Proclamation (Amendment) No. 816/2013 are required to pay dividends in respect of the 5% free equities held by MoF.

The rate for Regional State Governments' participation in small scale mining through the mechanisms of free equity and additional shareholding shall be determined by their regional laws.

State Owned Companies (SOCs)

With regards to the reconciliation exercise for the year 2016/17, Abijata-Shalla Soda Ash Sc and Afar Salt Production Sc declared that 38% and 83.33% of their respective capital shares are State-owned.

Additionally, MIDROC Gold Mine Plc submitted a reporting template confirming that 2% of its capital shares are State-owned.

Details of State participations as confirmed by companies is set out as follows:

Table 16: List of state participations in the mining sector

N°	Companies	N°	Name/Entity	Level of ownership	Nationality of the owner
1	MIDROC Gold Mine Plc	1	Ministry of Finance & Economic Coopreation	2.00%	Ethiopian
		2	Sheikh Mohammed Hssein Ali Al-Amoudi	80.00%	Saudi Arabian
		3	Mrs. Sophia Saleh Al-Amoudi	18.00%	Saudi Arabian
2	Abijata-Shalla Soda Ash Sc	1	Ethiopia Public Enterprises Asset and Administration Agency	38.00%	Ethiopian
		2	National Mining Corporation Plc.	31.07%	Ethiopian
		3	Seid Hussein Ali	11.19%	Ethiopian
		4	Hassan H. Al-Amoudi	9.94%	Ethiopian
		5	Abdulah H. Al-Amoudi	9.94%	Ethiopian
3	Afar Salt Production Sc	1	State Owned (Federal Government)	83.33%	Ethiopian
		2	Ezana Mining Development PLC	3.98%	Ethiopian
		3	Saba Dimensional Stones PLC	11.67%	Ethiopian
		4	Guna Trading PLC	1.00%	Ethiopian
		5	Ato Tewodros Hagos	0.02%	Ethiopian

Just like the private companies, the State Owned Companies are also subject to the fiscal regime detailed in Section 3.3 of the report. Accordingly, State Owned Companies operating in the mining sector are required to pay non-tax and tax payments to mining and tax authorities and to pay dividends to their shareholders.

3.6.2. State participation in the Oil and Gas sector:

Under the Petroleum Operations Proclamation, the oil and gas industry in Ethiopia is regulated by the Ministry of Mines and Petroleum, which sets industry-specific policies, strategies and laws. The ministry is also the signatory of Petroleum Agreements on behalf of the Government of Ethiopia and the counterparty signatory is the company contractor.

The terms of PSAs are negotiable and form the basis of the licences. The legal framework offers considerable flexibility to the Government in negotiating acceptable proceeds sharing terms with oil companies. Under the PSA, signature and production bonuses are negotiable. The contractor's production share is also negotiable and tiered on production, but it should not exceed a maximum of 85% and should not be lower than 25%. Cost recovery limits are also negotiable.

The standard PSA[26] used by MoMP states that the Government, as a party under the agreement, shall in respect of the development area concerned separately take and dispose of its Participating Interest share of all Petroleum produced and saved.

It also states that the Government may require the Contractor to lend to the Government up to negotiable percentage of the funds required to pay the Government's share of expenditure pro-rata. The loan shall bear interest and may be reimbursed on a quarterly basis in an amount equal to a negotiable percentage of the difference between the gross receipts attributable to the Government's Participating Interest in the Development Area and the costs and expenses.

We understand that MoMP does not hold any interests in the capital of Oil and Gas operators currently.

3.7. The extractive sector contribution to the Ethiopian economy

3.7.1. Mining Sector contribution to the Ethiopian economy

Over the last years, the mining and quarrying sectors have remained one of the undeveloped industries of in the country with a low contribution to GDP and exports as detailed below.

[26] http://www.mom.gov.et/upload/Model%20Petroleum%20Production%20Sharing%20Agrement(MPPSA).pdf

(i) Production data

The industrial and large-scale mining sector comprises gold, tantalum, potash and other minerals such as industrial and construction minerals. As part of the reconciliation process, we have collected production volumes and values from several companies including those retained in the reconciliation scope as well as from the NBE. Based on the data reported by the companies and NBE, the production volumes and values for each type of mineral during 2015/16 and 2016/17 can be summarised as follows:

Table 17: Detailed production data

Mineral	2015/16		2016/17			Variation		Regions
	Quantity produced (Tons)	Value of Production in ETB	Quantity produced (Tons)	Value of Production in ETB	%	Value of Production in ETB	%	
Gold	3	2,591,037,078	5	4,128,650,222	83.6%	1,537,613,145	37%	Oromia, Endeslassie, Gambella, Hawassa, Assosa, Mizan teferi, Shakisso
Limestone	4,888,043	222,508,631	4,391,745	474,328,239	9.6%	251,819,608	53%	Dire Dawa, Oromia
Salt	29,634	49,817,364	438,192	82,677,712	1.7%	32,860,348	40%	Afar
Coal	14,582	17,012,042	0	0	0.0%	(17,012,042)		Oromia
Soda Ash	4,177	30,285,414	6,785	51,651,383	1.0%	21,365,970	41%	Oromia
Basalt	389,960	21,317,013	265,475	30,613,925	0.6%	9,296,912	30%	Oromia
Marble	18,610	14,097,278	21,527	38,705,956	0.8%	24,608,679	64%	Benshangul Gumuz
Pumice	733,054	29,385,306	992,299	83,456,973	1.7%	54,071,667	65%	Oromia
Sandstone	52,478	7,346,974	22,763	3,186,820	0.1%	-4,160,154	-131%	Oromia
Silver	1	2,737,316	1	7,796,248	0.2%	5,058,932	65%	Oromia
Clay Soil	141,098	8,902,289	45,891	4,517,349	0.1%	-4,384,940	-97%	Oromia
Gypsum	89,520	18,358,437	74,299	18,946,245	0.4%	587,808	3%	Oromia
Trona	30	27,812	0	0	0.0%	-27,812		Oromia
Silica sand	90,469	1,731,263	89,067	14,367,461	0.3%	12,636,198	88%	Amhara, Oromia
Total production value		**3,014,564,214**		**4,938,898,535**	**100.0%**	**1,924,334,321**	**39%**	

Source: Companies and MoMP reporting templates EFY 2016/17
(*) The value of the gold production includes the production from Midroc Gold Mine Ltd as detailed in Annex 9 of this report and the production from ASM declared by the National Bank of Ethiopia for ASM sector as detailed below in this Section.

Gold

Large scale gold production contributed to over 3 tons of total gold production as confirmed by Midroc Gold Mine Plc and ASM contributed to 1.9 tons only during 2016/17 as confirmed by the National Bank of Ethiopia.

Currently, Midroc Gold Mine Plc is the only large-scale gold mining company in the country and it was privatised in 1997. It operates an open pit mining in Oddo Shakisso and exports gold and silver in Dore form. Detailed estimates of the production value of the company is presented in Annex 9 of the report.

The National Bank of Ethiopia (NBE) acts as a clearing house for gold produced by Artisanal and Small-scale (ASM) miners and holds it in stock or includes it in sales of gold on the international market. A 5% premium above the daily official gold price is offered to producers when selling gold to NBE. Despite this incentive, illicit sale of gold to non-licensed buyers is still widespread.

The gold production decreased significantly in quantity and value as detailed in the table 17 above. This is mainly due to the decrease of ASM production of gold by ETB 1,739 million as detailed below.

Table 18: Detailed ASM gold production data and production Midroc Gold Mine Plc

N°	*Name of Purchase Centre*	Gold purchased 2015/2016		Gold purchased 2016/2017		Variance			
		Grams	ETB	Grams	ETB	[(c)-(a)]/(a)		[(d)-(b)]/(b)	
		(a)	(b)	(c)	(d)	Grams	%	ETB	%
1	Hawassa Branch	122,469	94,084,662	24,170	21,976,841	(98,299)	(80%)	(72,107,821)	(77%)
2	Mizan Teferi Branch	1,064,005	820,937,438	728,197	629,570,699	(335,808)	(32%)	(191,366,739)	(23%)
3	Assossa Branch	1,019,118	812,989,073	413,583	376,820,167	(605,535)	(59%)	(436,168,906)	(54%)
4	Shakiso	1,066,398	834,860,127	192,361	169,992,414	(874,037)	(82%)	(664,867,713)	(80%)
5	Endeselassie Branch	902,814	714,234,342	548,370	489,169,701	(354,444)	(39%)	(225,064,641)	(32%)
6	Gambella			13,532	12,120,904	13,532.00	-	12,120,904.00	-
7	Production Midroc Mine Plc	3,292,467	2,591,037,078	2,783,329	2,428,999,495	(509,138)	(16%)	(162,037,583)	(6%)
Total		**7,467,271**	**5,868,142,720**	**4,703,542**	**4,128,650,222**	(2,763,729)	(37%)	(1,739,492,498)	(30%)

Source: National Bank of Ethiopia and Reporting template of Midroc Gold Mine Plc

Limestone

Although most of the limestone extracted is used for cement, significant amounts are also used as a filler by the paint and rubber industries, and for glass manufacture. Limestone production decreased by 53% during the period 2016/17 as detailed in the table 17 above. The major companies that extracted limestone can be summarised as follows:

Table 19: List of major limestone producers

Companies	Quantity (Tons)	Value of the production in ETB	% value
Dangote Industries (Ethiopia) Plc	2,588,022	246,169,173 (*)	52%
Derba Midroc Cement Plc	1,342,898	114,482,055	24%
Pioneer Cement Manufacturing Plc	460,825	32,257,772	7%
Derba Lime and Chemicals Plc		65,152,73 (*)	14%
East Cement Plc		11,266,501(*)	2%
Inchini Bedrock Cement plc		5,000,000(*)	1%
TOTAL		**474,328,240**	**100%**

Source: EITI Reporting template 2016/17 from companies
(*) Source : MoMP Reporting template

Salt

Salt production increased by 40% during the period 2016/17 as detailed in the table 17 above due mainly to the increase of quantities produced by Erta Ale Salt Work Plc and Afar Salt Production Sc as detailed below:

Table 20: List of major salt producers

Companies	Quantity (Tons) 2015/16	Quantity (Tons) 2016/17	Variance %
Erta Ale Salt Work Plc	11,702	128,129	995%
Afar Salt Production Sc	17,500	310,063	1672%
Lucy Salt Producing Plc (*)	397		
Afdera Salt Producing Plc (*)	35		
TOTAL	**29,634**	**438,192**	1379%

Source: Companies' declarations

(ii) Contribution of the Extractive Industries sector to Gross Domestic Product (GDP)

The National Planning Commission produced a brief note on the national accounts statistical data for the recent years. As a result, the contribution of the mining sector to GDP accounts for 0.3% during the year 2016/17 as detailed below:

Table 21: Extractive industries' contribution to GDP

Extractive industries contribution to GDP	2016/17 ETB (million)	(%)
Mining & quarrying	4.30	0.3%
Others	1,712.83	99.7%
Gross Domestic Product at Constant Market Prices	**1,717.13**	**100%**

Source: National Planning Commission

(iii) Extractive industries Contribution to Exports

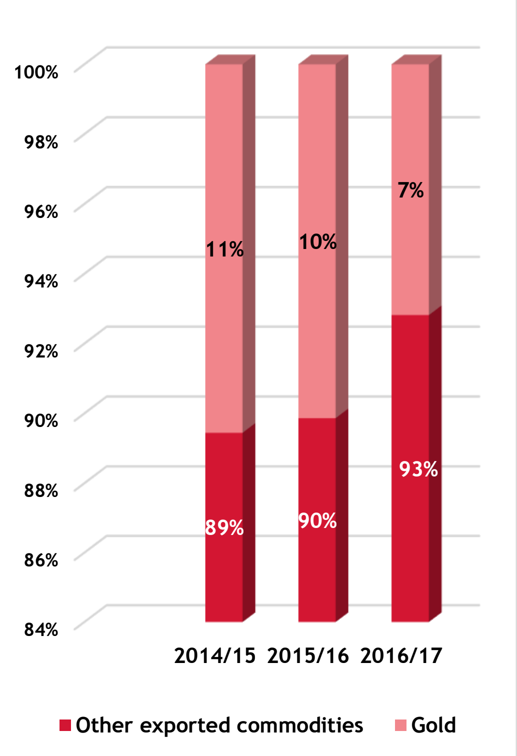
We set out in the table below the key commodities exported over the last three financial years. We note amongst others that gold exports represented 10% and 7% of the export earnings of the country for the years 2015/16 and 2016/17 respectively.

Table 22: contribution of gold exports

Major Export Items	2014/15		2015/16		2016/17	
	USD (million)	%	USD (million)	%	USD (million)	%
Coffee	780.5	26%	722.7	25%	883.2	30%
Oilseeds	510.1	17%	477.2	17%	351	12%
Leather and Leather products	131.6	4%	115.3	4%	114	4%
Pulses	219.9	7%	232.4	8%	279.9	10%
Meat & Meat Products	92.8	3%	96.4	3%	98.7	3%
Fruits & Vegetables	47.6	2%	53.7	2%	56.1	2%
Live Animals	148.5	5%	147.8	5%	67.6	2%
Khat	272.4	9%	262.5	9%	273	9%
Gold	318.7	11%	290.7	10%	209	7%
Flower	203.1	7%	225.3	8%	218.5	8%
Electricity	42.8	1%	31.5	1%	73	3%
Others	251.4	8%	212.3	7%	283	10%
Total	**3,019.4**	**100%**	**2,867.8**	**100%**	**2,907.0**	**100%**

Source: National Bank of Ethiopia - Annual report 2016-17

Figure 4: contribution of the extractive sectors to the economy



The contribution of other exports was 10% of total exports as per the table above. The other exports are expected to include significant amounts from exporting other minerals because only one (1) company out of the 7 mining companies selected within the reconciliation scope reported export figures for gold and silver, as detailed below:

Table 23: Summary of exports declared by reporting entities

Company	Ethiopian Fiscal Year 2016/17			Destinations
	Solid Minerals Types	Quantity (Ozt)	FOB Value (ETB)	
MIDROC Gold Mine Plc	Gold	3	2,967,437,513	Zurich, Switzerland
	Silver	1	3,785,738	
Total			**2,971,223,251**	

Source: EEITI Reporting templates

(iv) Contribution to Employment

A lack of recent official statistical information was also noted at the Central Statistical Agency of Ethiopia in relation to employment statistics.

In accordance with the employment data submitted by the mining companies, the mining sector provided employment to 3,570 individuals during the year 2016/17 as summarised below:

Table 24: Summary of employment data declared by reporting entities

	Number of employees	%
Gold Production	1,192	33.4%
Cement manufacturing	1,306	36.6%
Salt production	151	4.2%
Other mining	921	25.8%
Total number of employees of mining companies	**3,570**	**100.0%**

Source: EITI reporting templates of companies

In accordance with the figures published by the Central Statistical Agency, total labour force of Ethiopia was 42,403,879 in March 2014[27]. Employment figures as collected from reporting companies in the mining sector is therefore approximately 0.01% of total labour force in the country.

Details of employment data as declared by companies, including those retained in the reconciliation scope, are reported in **Annex 6** of the report.

Additionally to the large and medium-scale mining contribution to total employment of the country, ASM mining of gold and gemstones generate the greatest potential for wealth generation which constitutes an alternative livelihood for a large number of miners operating informally for which there were no official statistical data available.

(v) Contribution to Government revenues

Based on the data received, the revenues collected from the extractive sector represented 0.8% of total revenues of General Government during the fiscal year 2016/17, as detailed in the table below:

Table 25: Contribution of the mining sector to Government revenues

Indicators	Amount in 2016/2017 (in ETB million)	Contribution to Government Revenues in %
Total General Government revenues (*)	266,862	100.00%
Mining Revenues (**)	**2,198**	**0.82%**
Total Extractive Revenues (***)	2,244	0.84%

(*) Source: National Bank of Ethiopia - Annual report 2016/17
(**) Source: EITI Reporting template 2016/17 from companies
(***) Source: This total includes Oil and Gas companies detailed in Section 3.7.2 of this report.

3.7.2. Oil and Gas Sector contribution to the Ethiopian economy

(i) Contribution to Employment, GDP and export

The oil and gas sector was still at the exploration stage during the year 2016/17and has therefore non-significant to no contribution to exports, GDP and total employment of the country.

(ii) Contribution to Government revenues

[27] Statistical bulletin on the 2013 National Labor Force Survey, March 2014

Data collected from NBE in the course of the reconciliation exercise indicated that revenues generated by MoMP in the year 2016/17 from the oil and gas sector amounted to ETB 42 million as detailed in the table below:

Table 26: Contribution of the oil and gas sector to Government revenues

Indicators	Amount in 2014/2015 (in ETB million)	Contribution to Government Revenues in %
Total General Government revenues (*)	269,059	100.00%
Oil & Gas Revenues (**)	**47**	**0.02%**
Total Extractive Revenues (***)	2,244	0.84%

(*) Source: National Bank of Ethiopia - Annual report 2016/17
(**) Source: EITI Reporting template 2016/17 from companies
(***) Source: This total includes mining companies detailed in Section 3.7.1 of this report.

3.8. Collection and distribution of the extractive industry revenues

3.8.1. Budget process

Ethiopia has a well-established legal framework governing its budget system that derives from its 1995 Constitution. The Constitution clearly defines the structure, division of powers and responsibilities among the State's departments.

(i) Budget planning and formulation:

MoF prepares macro-economic and fiscal plans (forecasts) available for allocation to line ministries. It issues a budget guideline and gives indicative-spending ceilings. Each spending agency submits its proposal to MoF. The overall budget envelope, finalised after the budget hearing process is submitted to the Council of Ministers for approval. The budget is subsequently presented to Parliament and published.

MoF coordinates donor funding and matches resources with relevant projects. All donor funds are subject to the government approval and to normal budget reporting.

(ii) Budget preparation process:

The budget prepared by MoF is then approved by the Parliament. The House of the People's representatives makes the budget open through a public call to the media.

(iii) Audit of the Financial Statements of the Federal Government:

The Office of Federal Auditor General was set up by Proclamation (No. 68/1997). The Auditor General is appointed upon the recommendation of the Prime Minister by the House of Peoples' Representatives. The Office of the Auditor General is responsible for the inspection of the accounts of all government bodies. Its main task is to ensure that expenditure is made in accordance with the approved allocation for the fiscal year and submits a report to the House of Peoples' Representatives.

The Federal Ethics and Anti-Corruption Commission was introduced by Proclamation (No 235/2001) as an Independent Federal Government body. Its main functions are combating corruption, investigations and prosecution. This Commission is headed by a Commissioner supported by a Deputy Commissioner and is accountable to the Prime Minister. Both Commissioner and his Deputy are appointed by the House of Representatives upon nomination by the Prime Minister.

(iv) Audit of the Financial Statements of public enterprises:

The financial statements of public enterprises are audited by the Office of the Auditor General. The Auditor General submits its report to the House of Peoples' Representatives. However, there is no evidence of systematic follow up of issues raised by the Auditor General. The lack of resources and limited understanding of accountability among some members of the Budget and Finance Affairs Committee is considered as a barrier to maintain clear oversight of budget implementation. Some reports indicate that more stringent mechanisms are needed to ensure that public offices comply with requests and queries from the Auditor General and/or with the recommendations made by the House of Representatives regarding audit reports.

3.8.2. Revenues collection

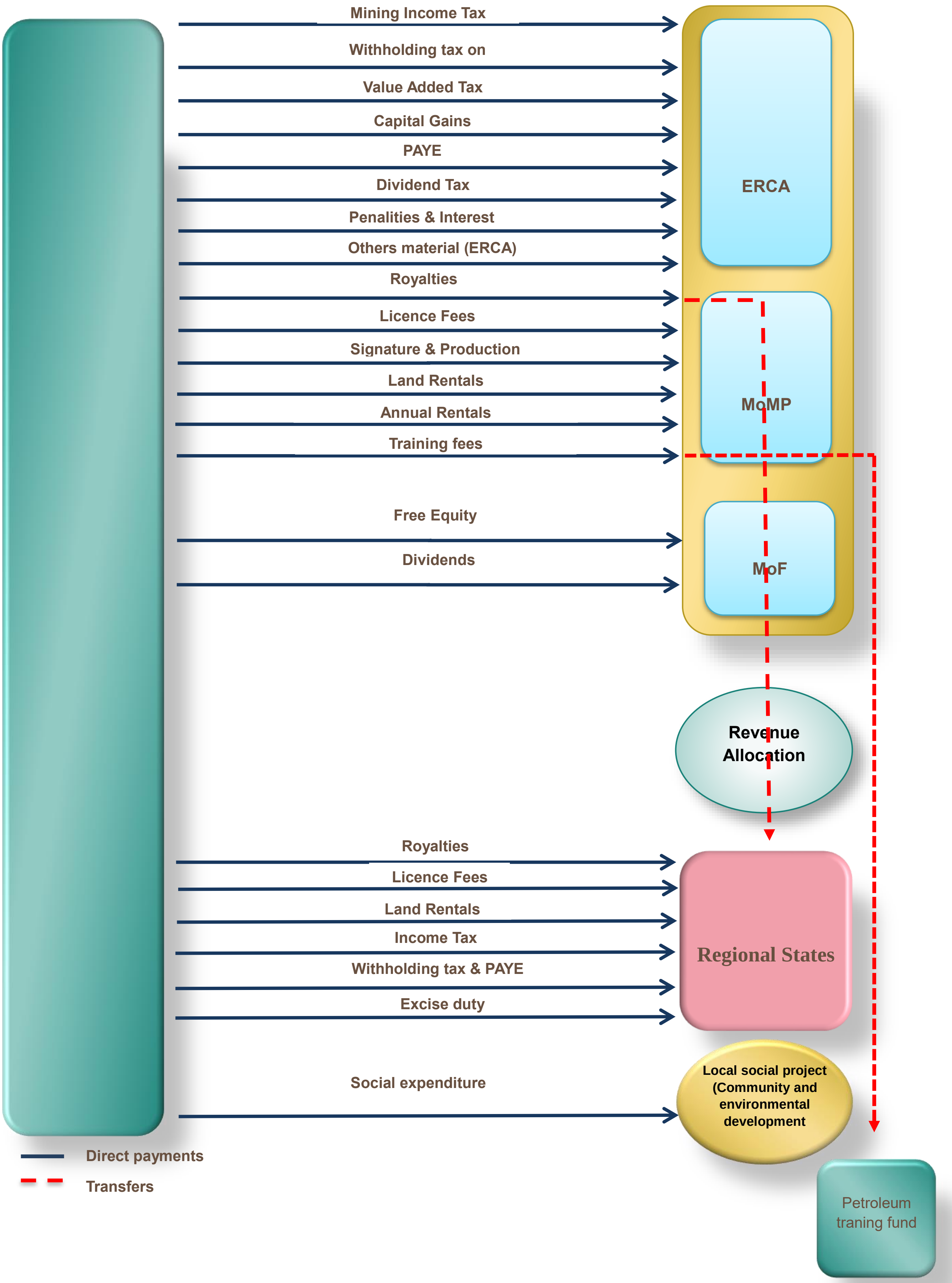
(i) Revenues recorded in Federal budget

The contribution of mining revenues to the budget of Federal Democratic Republic of Ethiopia can be determined in the Consolidated Revenue accounts prepared by MoF. However, the tax generated from the sector may not be easily determined because the consolidated accounts provide information only on the royalties received during the year by MoMP. In principle, other revenues collected by ERCA are categorised between direct and indirect taxes and taxes on foreign trade.

The other payments from the mining sector to MoF as dividends and free equity are presented as other non-tax revenues.

The mining revenue collections framework can be represented diagrammatically as follows:

Figure 5: Contribution of the extractive sectors to the economy



3.8.3. Revenues allocations

(i) Transfers to Regional States

In Ethiopia, the Federal constitution declares that the federal government shall levy taxes and collect duties on sources reserved to it, and the states likewise exercise the same power with respect to sources that fall under their jurisdiction. Thus, the two tiers of government exercise their legislative and administrative powers within their respective taxation jurisdictions. As a result, the revenues generated from respective sources belong exclusively to each level of government. The FDRE Constitution does not explicitly limit the powers of the states to alter the taxes or influence the tax bases. However, it provides general directives on taxation which they must consider in exercising their taxation powers.

The tax revenues are generally allocated to regional Governments based on a budget formula that is voted by the House of Federation, the upper house of the Federal Parliamentary Assembly. The taxes administered by the federal government include: employment tax from the employees of the federal government and its public enterprises and international organisations, federal stamp duties, monopoly tax, value added tax, national lottery, fees from licences issued and services provided by organs of the federal government. This is in addition to the federal government ' share on royalty and non-tax revenues on natural resources (mainly gold and natural gas).

In relation to large-scale mining and petroleum and gas operations, Article 98/3 of the Constitution stipulates that the Federal Government and the States shall jointly levy and collect taxes on incomes derived from such operations. The division of revenues derived from joint Federal and State tax sources is within the powers of the House of Federation by virtue of Article 62/7 of the Constitution. The current revenue sharing ratios applicable for royalties and income tax stemming from large mine and petroleum and gas that were decided by the House of Federation are as follows:

- Royalties: 60% for Federal Government and 40% for Regional States; and
- Income tax: shared between the two levels on a 50/50 basis.

Total royalties collected by MoMP during the fiscal year 2016/17 amounts to ETB 152,390,239. Forty percent of royalties collected amounts to ETB 60,956,095 and is due to be transferred to the regional States. MoMP transferred a total amount of ETB 65,013,110 in royalties to Regional States during the Ethiopian Fiscal Year 2016/17. These include an amount of ETB 3,220,274 due from the previous Ethiopian fiscal year balance. Total amounts transferred to the regional States during the fiscal year 2016/17 are summarised as follows:

Table 27: List of transfers to the regional States

Region	Amount transferred (ETB)
State of Oromia	62,867,122
State of Afar	1,338,779
State of Benshangul	406,143
Dire Dawa City Administration	335,242
State of Amhara	34,309
State of Amhara	27,700
Addis Ababa City Administration	3,815
Total	**65,013,110**

Income tax is a common payment stream that is not specific to the extractive sector. It is therefore transferred to the Regional States among the other taxes collected.

(ii) Petroleum training fund

According to the Petroleum Production Sharing Agreement (Art 3.6), the companies shall define a training and employment programme and shall contribute to the training of Ethiopian Government personnel and/or acquisition of training facilities, identified by the Minister.

The Petroleum Training Fund is a separate bank fund which is managed by MoMP and aims to fund capacity building activities in the oil and gas sector. Training fees from oil and gas companies are paid directly to the Petroleum Training Fund account.

3.9. Legal and Beneficial ownership

Companies retained their in the reconciliation scope declared legal ownership as set out in Annex 7 of the report.

With regards beneficial ownership, there is no legal definition of in Ethiopia in its current legislation. In accordance with the EITI Standard, Requirement 2.5.f. a beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.

A scoping study on Ethiopian EITI beneficial ownership[28] has been carried out for Ethiopia in March 2017. The study included the following points:

- stakeholder consultations;
- overview of legal framework for extractive companies;
- assessment of institutional capacity of Government;
- review of company registers;
- review of existing definition of beneficial ownership and proposals;
- suggested methodology for data collection; and
- review of beneficial ownership information collected during the first EITI Report.

Ultimate ownership

To satisfy the need for the current EEITI reporting process, “ultimate beneficial ownership” of an extractive company is defined as any individual who:

- has control over the extractive company, either directly or indirectly; or
- has a substantial interest in or receives substantial economic benefits from the assets of the extractive company.

The “ultimate beneficial ownership” shall therefore mean a natural person, and not another company or a trust. For companies with complicated ownership structures, involving many different corporate vehicles or private agreements over ownership and/or control, the ultimate beneficial owners are the individuals who are right at the very top of the chain.

“Control” means the power of a person to secure that the affairs of the extractive company are conducted in accordance with the wishes of that person. Such power would be derived from:

(i) a sufficient percentage of shareholding or voting rights in the extractive company, including through bearer shareholdings, other than a company;

(ii) a percentage of 25% plus one share shall be evidence of ownership or control through shareholding and applies to every level of direct and indirect ownership and a 5% shareholding by Politically Exposed Person PEP**; and

[28] https://eiti.org/document/ethiopia-beneficial-ownership-scoping-study

(iii) a control over the management of the extractive company through other means such as :

a) having the power to appoint or remove over half of the members of the governing body of the extractive company; or

b) holding rights in relation to the extractive company that, if exercised, would result in the conditions in sub-paragraphs (i) and (b) being satisfied; or

c) whose consent is needed for the appointment of a person to be a member of the governing body of the extractive company.

Publicly listed companies, including wholly-owned subsidiaries, are not required to disclose information on their beneficial owner(s). They only have to provide guidance on how to access this information.

In the case of joint ventures, each entity within the venture should disclose its beneficial owner(s), unless it is publicly listed or is a wholly-owned subsidiary as per above. Each entity is responsible for the accuracy of the information provided."

Politically exposed person (PEP) definition

Politically exposed persons (PEP) may include local citizens of or foreigners who were entrusted with or are currently entrusted with prominent state and political functions in the local or in the foreign country such as heads of state or of government, senior political figures, senior officials in the government, the courts, the military, law enforcement and fiscal authorities, and heads and public figures of political parties and religious associations, including former such persons. The term 'politically exposed person' may include the following:

(a) heads of State, heads of government, ministers and deputy or assistant ministers;

(b) members of parliament or of similar legislative bodies;

(c) members of the governing bodies of political parties;

(d) members of supreme courts, of constitutional courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;

(e) members of courts of auditors or of the boards of central banks;

(f) ambassadors, chargés d'affaires and high-ranking officers in the armed forces;

(g) members of the administrative, management or supervisory bodies of state-owned enterprises; and

(h) directors, deputy directors and members of the board or equivalent function of an international organisation.

3.10. Audit and assurance practices in Ethiopia extractive sector

3.10.1. Audit practices for extractive companies

The Commercial Code makes directors of companies responsible for the preparation of financial statements, including consolidated financial statements for group companies, and for ensuring that an audit of the financial statements is carried out.

The Commercial Code stipulates that books and accounts shall be maintained as required in accordance with business practices and Ethiopian regulations, including tax laws. Proclamation 847/2014 requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

The Accounting and Auditing Standard Board (AABE) was set up by Proclamation 847/2014 and the Council of Ministers Directives No 332/2014 in order to regulate the accounting system in the private sector. AABE is responsible for granting audit licences, defining the Code of Ethics and setting the standards according to International Auditing standards.

As a result, extractive companies are implicitly expected to have their financial statements audited at the end of every financial year. Financial statements of private companies are available to the general public on voluntary basis. In the case of listed companies, publication of its financial statements is mandatory.

3.10.2. Audit practices for Government Agencies

In Ethiopia there is a special Government Agency – OFAG – the supreme audit institution, which carries out controls over the execution of the government's budget and payment of taxes and other mandatory payments, including payments from Government Agencies as described in Sections 3.2.4 and 3.3.4 above.

The Auditor General, who is appointed by the House of Peoples' Representatives, audits and inspect the accounts of the all Government Agencies, ministries and other agencies of the Federal Government to ensure that expenditure are properly accounted for activities carried out during the fiscal year and in accordance with the approved allocations. The Auditor General draws up his office's annual budget which he submits to the House of Peoples' Representatives for approval.

4. DEFINING THE RECONCILIATION SCOPE

The work included a general understanding of the extractive sector in Ethiopia. Government Agencies have been consulted in order to collect relevant information on the size of the extractive sectors in Ethiopia, its contribution to the economy and to government revenues, as a part of the process to define the scope for the reconciliation for the fiscal year ending 7 July 2017.

4.1. Revenue flows

4.1.1. DIRECT PAYMENTS

Ministry of Mines and Petroleum (MoMP)

In accordance with relevant laws and regulations there are 7 categories of taxes payable by oil, gas and mining companies. These taxes are set out in the table below:

Table 28: List of direct payments to MoMP

Ref.	Payment flows
1.1	Royalties
1.2	License Fees
1.3	Penalties
1.4	Land Rentals
1.5	Signature Bonuses
1.6	Production bonuses
1.7	Training Fees

All of the above fees and charges have been included in the reconciliation scope in order to ensure completeness of revenues.

Ethiopian Revenues and Customs Authority (ERCA)

According to the relevant laws and regulation and data collected from ERCA there are 11 categories of taxes payable by oil, gas and mining companies to ERCA. These taxes are set out in the table below:

Table 29: List of direct payments to ERCA

Ref.	Payment flows
2.1	Income tax: Schedule C (Mining)
2.2	Income tax: Schedule C (Normal)
2.3	Withholding taxes on payments
2.4	Customs duties
2.5	Taxes on Dividends
2.6	Personal Income tax (Pay As You Earn "PAYE")
2.7	Capital gains
2.8	Value Add Tax (VAT)
2.9	Excise Taxes
2.10	Penalties
2.11	Withholding taxes on imports

All of the above taxes have been included in the reconciliation scope in order to ensure completeness of revenues.

Ministry of Finance (MoF)

According to the relevant laws and regulation there are two (2) types of payment flows payable by mining companies to MoF as set out in the table below:

Table 30: List of direct payments to MoF

N°	Payment flows
3.1	Free Equity
3.2	Dividends from State Owned Companies

Both payments have been included in the reconciliation scope in order to ensure completeness of income.

4.1.2. PAYMENT TO REGIONAL STATE GOVERNMENTS

Fees and taxes paid by mining companies to Regional State Governments are as follows:

Table 31: List of direct payments to Regional State Governments

N°	Payments to Regional States
4.1	Land Rentals
4.2	Royalties
4.3	Licence Fees
4.4	Penalties
4.5	Personal Income taxes
5.1	Income tax: Schedule C (Normal)
5.2	Withholding tax on payments
5.3	Personal Income tax (Pay As You Earn "PAYE")
5.4	Excise duty
4.6	Other payments to State Government

Payments to Regional State Governments have been included in the 2016/17 EITI scope through unilateral disclosure by extractive companies.

4.1.3. SOCIAL PAYMENTS

These consist of all contributions made by extractive companies to promote local development and to finance social projects in line with the EITI Standard. The Standard encourages the Multi Stakeholder Board to apply a high standard of transparency to social payments and transfers by disclosing the parties involved in the transactions, the materiality of these payments and transfers to other benefit streams, including the recognition that these payments may be reported even though it is not possible to reconcile them.

These contributions can be voluntary or mandatory and can be made in cash or in kind depending on individual contracts. This category includes, inter alia: health infrastructure, school infrastructure, road infrastructure, market gardening infrastructure, projects related to the promotion of the agriculture and the grants provided to the population.

Social payments have been included in the 2016/17 EITI scopes through unilateral disclosure by extractive companies. These disclosures have been segregated between mandatory and voluntary social payments as follows:

Table 32: List of direct payments to social payments

N°	Payment flows
6.1	Voluntary Corporate Social Responsibility
6.2	Mandatory Social Responsibility

4.1.4. INFRASTRUCTURE PROVISIONS AND BARTER ARRANGEMENTS

Payment flows related to barter arrangements involving infrastructure works as set out in EITI Requirement 4.3 have been included in the reporting templates in case they exist:

Table 33: List of payments under Infrastructure provisions and Barter arrangements

N°	Payment flows
7.1	Total budget of the Engagement/Project
7.2	Value of engagements/project incurred from 08/07/2016 to 07/07/2017
7.3	Cumulated value of engagements/project incurred on 07/07/2017

However, none of the companies included in the reconciliation scope reported expenses under infrastructure provisions or barter arrangements in their reporting template.

4.1.5. STATE'S SHARE OF PRODUCTION AND OTHER IN-KIND REVENUES

There was no payment in-kind in the mining sector during the fiscal year 2016/17. Furthermore, all Oil and Gas companies are in the exploration phase. As a result, there were no in-kind revenues from the oil and gas sector during the fiscal year 2016/17.

4.1.6. QUASI FISCAL EXPENDITURE

Quasi-fiscal expenditure include arrangements whereby SOCs undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, outside of the national budgetary process. According to EITI Requirement 6.2, the Multi-Stakeholder Board is required to develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include State-owned enterprise subsidiaries and joint ventures. These payments have been included through unilateral disclosure by State-owned companies.

4.1.7. REGIONAL STATES' TRANSFERS

In accordance with EITI Requirement 5.2 a), where transfers between Federal and Regional States relate to revenues generated by extractive industries and are mandated by a national constitution, statute or other sharing mechanism, Material transfers are disclosed in the EITI Reports;

We note that the Federal Government transfers royalties to Regional Governments as detailed in Section 3.4.3 of this report. Given that royalties are payment flows specific to the extractive sector, the transfer of royalties to the Regional States is included in the scope of information to be disclosed unilaterally by MoMP.

4.1.8. OTHER SIGNIFICANT PAYMENTS

The reporting template included an additional heading in order to report any other significant payments made/collected during 2016/17 and not included in the previous revenue streams.

4.1.9. LOAN AND LOAN GUARANTEES

Reporting entities have been requested to disclose any loans or loan guarantees provided to extractive companies by the Government or by State-Owned Companies.

None of the Government Agencies reported loans or loan guarantees granted to extractive companies.

4.2. Extractive companies

In accordance with the statement of revenues from MoMP and ERCA, seven (7) mining companies have been retained in the reconciliation scope and which made payments above ETB 30,000,000 accounting for 93.2% of combined revenues of MoMP and ERCA before reconciliation. These entities comprised the following:

Table 34: List of payments above the materiality threshold

N°	Designation	MoMP	ERCA	Total	%	Cumul %
1	MIDROC Gold Mine Plc	127,909,818	560,257,614	688,167,432	31.9%	31.9%
2	Messebo Cement Factory Plc	0	469,529,198	469,529,198	21.8%	53.7%
3	Dangote Industries (Ethiopia) Plc	12,607,331	387,502,061	400,109,392	18.6%	72.2%
4	Derba Midroc Cement Plc	9,661,127	257,426,043	267,087,170	12.4%	84.6%
5	National Cement Sc.	0	84,237,049	84,237,049	3.9%	88.5%
6	East Cement Sc	1,112,348	66,661,770	67,774,118	3.1%	91.7%
7	Pioneer Cement Manufacturing Plc	1,263,712	32,062,424	33,326,136	1.5%	93.2%
	Other payments	42,894,135	103,174,909	146,069,044	6.8%	100.0%
	Total	**195,448,470**	**1,960,851,068**	**2,156,299,538**	**100.0%**	

For extractive companies operating in the extractive sector which made payments below the materiality threshold, these have been retained for unilateral disclosure by Government Agencies as detailed in Section 6.2 of the report in accordance with EITI Requirement 4.1.d.

4.3. Government Agencies

Based on the scope proposed above, the Government Agencies that were required to submit reporting templates are as follows:

Table 35: List of Government Agencies retained in the reconciliation scope

N°	Central Agencies
1	Ministry of Mines and Petroleum (MoMP)
2	Ethiopian Revenues and Customs Authority (ERCA)
3	Ministry of Finance (MoF)

Although NBE was not required to submit reporting templates for the reconciliation process for the fiscal year 2016/17, it remains part of the reporting process to provide unilateral disclosure on ASM's production.

5. RECONCILIATION RESULTS

Detailed results of the reconciliation exercise, as well as differences noted between amounts paid by extractive companies and received by Government Agencies are set out below. The tables below highlight the amounts initially reported and the adjustments made following the reconciliation work, as well as the final amounts and unreconciled differences.

5.1. Payment Reconciliation between extractive companies and Government Agencies

5.1.1. Reconciliation by Extractive Entity

The table below summarises the differences between the payments reported by extractive companies and receipts reported by Government Agencies. It includes consolidated figures based on the reporting templates prepared by each extractive entity and Government Agency, adjustments made by us following the reconciliation work and the residual, unreconciled differences. Details of the adjustments are presented in Section 5.2 of this report and in order to keep the report size reasonable, detailed reporting templates for each company are included in **Annex 8** of the report.

Table 36: Reconciliation by extractive entity

Amounts in ETB

No.	Company	Templates originally lodged			Adjustments			Final amounts		
		Extractive company (a)	Govt (b)	Difference (c) = (a - b)	Extractive company (d)	Govt (e)	Difference (f) = (c-d)	Extractive company (g) = (a+d)	Govt (h) = (b+e)	Difference (i) = (g-h)
1	MIDROC Gold Mine Plc	686,050,271	688,182,992	(2,132,721)	30,388,498	467,611	29,920,887	716,438,769	688,650,603	27,788,166
2	Messebo Cement Factory Plc	-	469,529,198	(469,529,198)	-	-	-	-	469,529,198	(469,529,198)
3	Dangote Industries (Ethiopia) Plc	365,925,722	400,109,392	(34,183,670)	-	-	-	365,925,722	400,109,392	(34,183,670)
4	Derba Midroc Cement Plc	379,642,984	267,087,170	112,555,814	13,645,090	-	13,645,090	393,288,074	267,087,170	126,200,904
5	National Cement Sc.	-	84,237,049	(84,237,049)	-	-	-	-	84,237,049	(84,237,049)
6	East Cement Sc	64,041,602	67,781,394	(3,739,792)	(63,439,595)	(66,661,770)	3,222,175	602,007	1,119,624	(517,617)
7	Pioneer Cement Manufacturing Plc	44,827,715	33,326,136	11,501,579	(892,526)	10,609,051	(11,501,577)	43,935,189	43,935,187	2
	Total	**1,540,488,294**	**2,010,253,331**	**(469,765,037)**	**(20,298,533)**	**(55,585,108)**	**35,286,575**	**1,520,189,761**	**1,954,668,223**	**(434,478,462)**

Source: EITI Reporting Templates

5.1.2. Reconciliation by revenue stream

The table below shows the total Basic Payments reported by extractive companies and Government Agencies, after adjustments:

Table 37: Reconciliation by revenue stream

Amounts in ETB

N°	Description of Payment	Templates originally lodged			Adjustments			Final amounts		
		Extractive company (a)	Govt (b)	Difference (c) = (a) - (b)	Extractive company (d)	Govt (e)	Difference (f) = (d) - (e)	Extractive company (g)	Govt (h)	Difference (i) = (g) - (h)
1- Payments to Ministry of Mines and Petroleum(MoMP)		**150,309,543**	**152,577,172**	**(2,267,629)**	**(143,446)**	**-**	**(143,446)**	**150,166,097**	**152,577,172**	**(2,411,075)**
1.1	Royalties paid	150,241,617	152,390,239	(2,148,622)	(143,446)	-	(143,446)	150,098,171	152,390,239	(2,292,068)
1.2	License Fees	15,340	15,540	(200)	-	-	-	15,340	15,540	(200)
1.3	Penalties	52,586	-	52,586	-	-	-	52,586	-	52,586
1.4	Land Rentals	-	-	-	-	-	-	-	-	-
1.5	Signature Bonus	-	-	-	-	-	-	-	-	-
1.6	Production bonuses	-	-	-	-	-	-	-	-	-
1.7	Training Fees	-	-	-	-	-	-	-	-	-
1.8	Other material payments to Mining authority	-	171,392	(171,392)	-	-	-	-	171,392	(171,392)
2- Payments to Ethiopian Revenues and Customs Authority (ERCA)		**1,363,461,141**	**1,857,676,159**	**(494,215,018)**	**(20,155,087)**	**(55,585,108)**	**35,430,021**	**1,343,306,054**	**1,802,091,051**	**(458,784,997)**
2.1	Income tax : Schedule C (Mining)	394,875,816	387,458,218	7,417,598	-	7,417,598	(7,417,598)	394,875,816	394,875,816	-
2.2	Income tax : Schedule C (Normal)	5,247,729	231,738,337	(226,490,608)	(5,247,729)	(15,247,729)	10,000,000	-	216,490,608	(216,490,608)
2.3	Withholding tax on payments	45,826,627	66,061,637	(20,235,010)	(5,015,228)	(3,563,156)	(1,452,072)	40,811,399	62,498,481	(21,687,082)
2.4	Customs duties	119,811,656	-	119,811,656	(16,762,170)	-	(16,762,170)	103,049,486	-	103,049,486

N°	Description of Payment	Templates originally lodged			Adjustments			Final amounts		
		Extractive company (a)	Govt (b)	Difference (c) = (a) - (b)	Extractive company (d)	Govt (e)	Difference (f) = (d) - (e)	Extractive company (g)	Govt (h)	Difference (i) = (g) - (h)
2.5	Dividend Tax	132,935,745	135,870,828	(2,935,083)	-	707,098	(707,098)	132,935,745	136,577,926	(3,642,181)
2.6	Personal Income tax (Pay As You Earn "PAYE")	63,363,063	120,749,629	(57,386,566)	11,270,603	(6,033,871)	17,304,474	74,633,666	114,715,758	(40,082,091)
2.7	Capital gains	26,413,074	26,413,074	-	-	-	-	26,413,074	26,413,074	-
2.8	Value Add Tax (VAT)	541,129,473	888,527,304	(347,397,831)	(5,898,765)	(40,806,264)	34,907,499	535,230,708	847,721,040	(312,490,332)
2.9	Excise Tax	27,273,924	-	27,273,924	-	-	-	27,273,924	-	27,273,924
2.10	Penalities	6,584,034	701,596	5,882,438	1,342,665	1,941,216	(598,551)	7,926,699	2,642,812	5,283,887
2.11	Witholding tax on importation	-	-	-	-	-	-	-	-	-
2.12	Other material payments to ERCA	-	155,537	(155,537)	155,537	-	155,537	155,537	155,537	-
3-	**Payments to Ministry of Finance (MoF)**	**26,717,610**	-	**26,717,610**	-	-	-	**26,717,610**	-	**26,717,610**
3.1	Free Equity	26,717,610	-	26,717,610	-	-	-	26,717,610	-	26,717,610
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	-	-
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	-	-
	Total payments	**1,540,488,294**	**2,010,253,331**	**(469,765,037)**	**(20,298,533)**	**(55,585,108)**	**35,286,575**	**1,520,189,761**	**1,954,668,223**	**(434,478,462)**

Source: EITI Reporting Templates

5.2. Adjustments

5.2.1. Adjustments to Extractive companies' templates

The adjustments were carried out on the basis of confirmations received from extractive companies and Government Agencies and were supported by adequate evidence wherever deemed appropriate. The adjustments made are as follows:

Table 38: Adjustments to Extractive companies' templates

Adjustments to extractive entity payments	Total amount (in ETB)
Taxes paid not reported **(a)**	61,656,267
Taxes related to activities other than mining **(b)**	(63,439,595)
Taxes reported as being paid but falling outside the reconciliation scope **(c)**	(12,515,613)
Taxes reported as being paid but falling outside the period covered **(d)**	(5,974,698)
Tax amounts incorrectly reported	(24,895)
Total added/deducted to amounts originally reported	**(20,298,533)**

(a) Payments made but not reported

These are payment flows reported by Government Agencies but not reported by Extractive companies. Adjustments were made on the basis of flag receipts or confirmations made available by the companies. A summary of the adjustments made to company payments is set out in the table below:

Table 39: Adjustments for payments made not reported

Company	Amount (in ETB)	Payment flow
MIDROC Gold Mine Plc	30,310,821	Personal Income tax (Pay As You Earn "PAYE")
Pioneer Cement Manufacturing Plc	1,342,665	Penalties
Derba Midroc Cement Plc	30,002,781	VAT
Total adjustments	**61,656,267**	

(b) Taxes related to activities other than mining

These are payments to ERCA reported by East Cement Sc while the company declared that 100% of its inputs were purchased and not extracted.

(c) Taxes reported as paid but falling outside the reconciliation scope

These payments were reported, but fall outside the reconciliation scope such as payments made to the Regional States. Details of the adjustments made to company payments are set out in the table below:

Table 40: Adjustments for payments reported but outside the reconciliation scope

Company	Amount (in ETB)	Payment flow
MIDROC Gold Mine Plc	102,572	Withholding tax
Derba Midroc Cement Plc	(10,382,994)	Personal Income tax (Pay As You Earn "PAYE")
Pioneer Cement Manufacturing Plc	(2,235,191)	Personal Income tax (Pay As You Earn "PAYE") Royalties
Total adjustments	**(12,515,613)**	

(d) Payments reported but falling outside the period covered

These payments were reported by Derba Midroc Cement Plc, but fall outside the reconciliation period as these payments were made either before 8 July 2016 or after 7 July 2017. Details of the adjustments made to company payments are set out in the table below:

Table 41: Adjustments for payments but falling outside the period covered

Payment Flow	Amount (in ETB)
2.8- Value Add Tax (VAT)	(4,138,007)
2.3- Withholding tax on payments	(1,460,619)
2.6- Personal Income tax (Pay As You Earn "PAYE")	(376,071)
Total adjustments	**(5,974,698)**

5.2.2. *A*djustments to Government Agency templates

The adjustments were carried out on the basis of confirmations received from extractive companies or from Government Agencies and supported by flag receipts wherever deemed appropriate. The adjustments are detailed as follows:

Table 42: Adjustments to Government Agencies' templates

Adjustments to Government Agencies' receipts	Total amount (in ETB)
Revenues received but not reported **(a)**	11,076,662
Revenues relating to activities other than extractive **(b)**	(66,661,770)
Total added/deducted to amounts originally reported	**(55,585,108)**

(a) Revenues received but not reported

These are revenue flows reported by extractive companies, but which were not reported by Government Agencies. After examining details of revenues submitted by Government Agencies, we note that the amounts originally recorded in the reporting templates were under-reported as manual receipts have been issued and these had not subsequently been recorded in the system.

Adjustments to reported payments were therefore made based on confirmations received from the companies and/or a review of the supporting documents (receipts). Details of the adjustments by payment stream are presented as follows:

Table 43: Adjustments for revenues received but not reported

Revenue stream	Government agency	Amount (in ETB)
Income tax : Schedule C (Mining)	ERCA	7,417,598
Withholding tax on payments	ERCA	94,025
Dividend Tax	ERCA	707,098
Value Add Tax (VAT)	ERCA	467,611
Penalities	ERCA	2,390,330
Total		**11,076,662**

Details of the adjustments by extractive entity can be presented as follows:

Table 44: Adjustments by extractive entity

Company	Amount (in ETB)
MIDROC Gold Mine Plc	467,611
Pioneer Cement Manufacturing Plc	10,609,051

Company	Amount (in ETB)
Total	11,076,662

(b) Revenues relating to activities other than extractive

These are payments reported by East Cement as the company declared that 100% of its activities were non-extractive. Details of the adjustments made to Government Agencies are set out in the table below :

Table 45: Adjustments for revenues relating to activities other than extractive

Revenue stream	Government agency	Amount (in ETB)
Income tax : Schedule C (Normal)	ERCA	(15,247,729)
Withholding tax on payments	ERCA	(3,657,181)
Personal Income tax (Pay As You Earn "PAYE")	ERCA	(6,033,871)
Value Add Tax (VAT)	ERCA	(41,273,875)
Penalities	ERCA	(449,114)
Total		(66,661,770)

5.3. Unreconciled discrepancies

Following the adjustments made, the total unreconciled discrepancies amounted to ETB (464,481,243) representing 24% of total revenues included in the reconciliation scope. This is the sum of positive differences of ETB 162,377,491 and negative differences of ETB (626,858,734). These unreconciled differences can be analysed as follows:

Table 46: Summary of unreconciled discrepancies

Reasons for differences	Differences (in ETB)
Reporting templates not submitted by extractive companies (a)	(553,766,247)
Taxes not reported by Government Agencies (b)	130,858,673
Taxes not reported by extractive companies (c)	(73,092,293)
Reporting templates not submitted by Government Agencies (d)	26,717,610
Missing extractive company details by receipt number (e)	4,801,208
Immaterial differences < KETB 20	(194)
Total differences	(464,481,243)

Unreconciled differences by company and by payment stream are summarised in Annex 10 of the report.

(a) Reporting templates not submitted by extractive companies

This unreconciled difference is a result of two (02) extractive companies which did not submit their reporting templates. The payment flows reported by Government Agencies in respect of these companies amounted to ETB (553,766,247) representing 28% of the reconciled revenues of ETB 1,954,668,223. The extractive companies that failed to submit reporting templates were:

Table 47: Unreconciled differences for reporting templates not submitted by extractive companies detailed by company

No.	Extractive companies that did not submit reporting templates	Amount (ETB million)
1	Messebo Cement Factory Plc	(469,529,198)

No.	Extractive companies that did not submit reporting templates	Amount (ETB million)
2	National Cement Sc.	(84,237,049)
	Total extractive companies that did not submit their reporting templates	**(553,766,247)**

Unreconciled differences detailed by revenue stream can be presented follows:

Table 48: Unreconciled differences for reporting templates not submitted by extractive companies detailed by revenue stream

Revenue Stream	Government agency	Total (in ETB)
Income tax : Schedule C (Normal)	ERCA	(216,490,608)
Withholding tax on payments	ERCA	(20,226,484)
Dividend Tax	ERCA	(3,642,181)
Personal Income tax (Pay As You Earn "PAYE")	ERCA	(38,540,763)
Value Add Tax (VAT)	ERCA	(274,866,211)
Total		**(553,766,247)**

(b) Taxes not reported by Government Agencies

These differences relate mainly to customs duties and exercise tax reported by companies but not confirmed by ERCA. The table below presents a breakdown of the unreconciled differences by revenue stream:

Table 49: Unreconciled differences for revenues not reported by Government Agencies

Revenue Stream	Government agency	Amount (in ETB)
Customs duties	ERCA	103,049,486
Excise Tax	ERCA	27,273,924
Penalties	ERCA	482,677
Total		**130,858,673**

(c) Taxes not reported by extractive companies

These differences relate mainly to revenues reported by MoMP and ERCA. In most cases, it was not possible to confirm from the companies the existence of certain payments declared, given the lack of the receipt number relating to these payments. The breakdown of unreconciled differences by company is presented in the table below:

Table 50: Unreconciled differences for revenues not reported by extractive companies

Extractive entity	Amount (in ETB)
Dangote Industries (Ethiopia) Plc	(38,984,902)
Derba Midroc Cement Plc	(33,589,774)
East Cement Sc	(517,617)
Total	**(73,092,293)**

The table below presents a breakdown of unreconciled differences by revenue stream:

Table 51: Breakdown of unreconciled differences for revenues not reported by extractive companies detailed by revenue stream

No.	Revenue Stream	Government Agency	Amount (in ETB)
1.1	Royalties paid	MoMP	(2,292,092)

No.	Revenue Stream	Government Agency	Amount (in ETB)
1.8	Other material payments to Mining Authority	MoMP	(171,372)
2.3	Withholding tax on payments	ERCA	(1,460,598)
2.6	Personal Income tax (Pay As You Earn "PAYE")	ERCA	(1,541,328)
2.8	Value Add Tax (VAT)	ERCA	(67,626,902)
Total			**(73,092,293)**

(d) Reporting templates not submitted by Government Agencies

This unreconciled difference is a result of Ministry of Finances being unable to submit its reporting templates for the Free Equity reported by MIDROC Gold Mine Plc and amounting to ETB 26,717,610.

(e) Missing extractive entity details by receipt number

These differences relate to withholding Taxes reported by Dangote Industries (Ethiopia) Plc without providing the details by receipt number.

6. ANALYSIS OF REPORTED DATA

6.1. Analysis of total extractive revenues

Total extractive revenues are made up of the government revenues after adjustment of ETB 2,112,991,900 and unilateral disclosure of payments made by companies of ETB 130,225,131 as detailed below:

Table 52: Summary of reconciled revenues and unilateral disclosure

Payments from :	Revenues (ETB)
Reconciled Government revenues after adjustment (a)	1,954,668,223
Unilateral disclosure by Government Agencies (b)	159,385,557
Total Government revenues (c = a + b)	2,112,991,900
Unilateral disclosure by companies (d)	130,225,131
Total revenues (c + d)	2,114,053,780

Source: EITI Reporting Templates

6.2. Analysis of total extractive revenues

6.1.1. Analysis of total revenues by sector's contribution

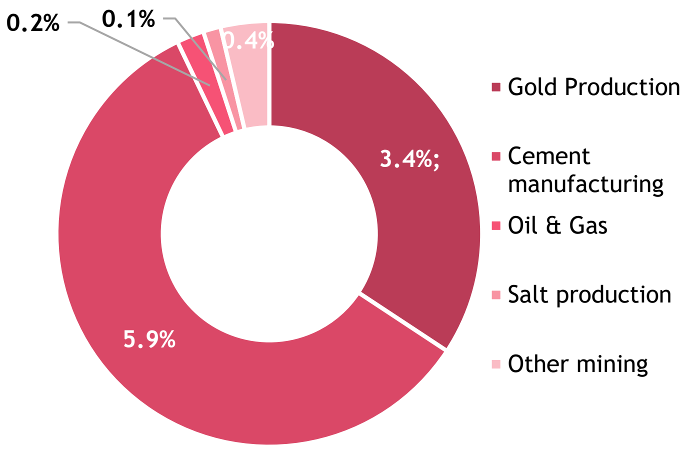
The analysis of Government revenues by sector indicates that cement manufacturing accounted for 58% of the total extractive revenues during the fiscal year 2016/17. The table below presents the contribution of each sector:

Table 53: Analysis of total revenues by sector

Sector	Reported revenue (ETB)	% of total payment
Cement manufacturing	1,315,547,146	58.2%
Gold mining	769,346,208	34.7%
Oil & Gas	41,999,640	1.9%
Salt production	29,891,938	1.4%
Other mining	86,432,099	3.9%
Total	2,244,278,910	100%

Source: EEITI Reporting templates

Figure 6: Contribution by sector



6.1.2. Analysis of revenue contribution by extractive entity

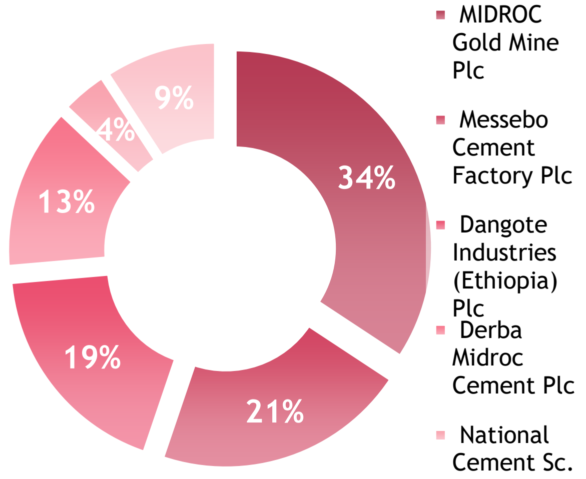
The analysis of Government revenues by company indicates that 5 companies accounted for over 91% of the total extractive revenues during the year 2016/17. Midroc Gold Mine Plc and Messebo Cement Factory Plc account for almost 35% and 21% of the country's extractive revenues respectively.

Table 54:Analysis of total revenues by extractive entity

Company	Activity	Reported revenue (ETB)	% of total payment
MIDROC Gold Mine Plc	Gold Mining	769,346,208	35%
Messebo Cement Factory Plc	Cement Manufacturing	469,529,198	21%
Dangote Industries (Ethiopia) Plc	Cement Manufacturing	413,476,368	19%
Derba Midroc Cement Plc	Cement Manufacturing	300,913,801	12%
National Cement Sc.	Cement Manufacturing	84,237,049	4%
Others	Other mining	206,776,286	9%
Total		2,244,278,910	100%

Source: EITI Reporting Templates

Figure 7: Top five companies' contribution



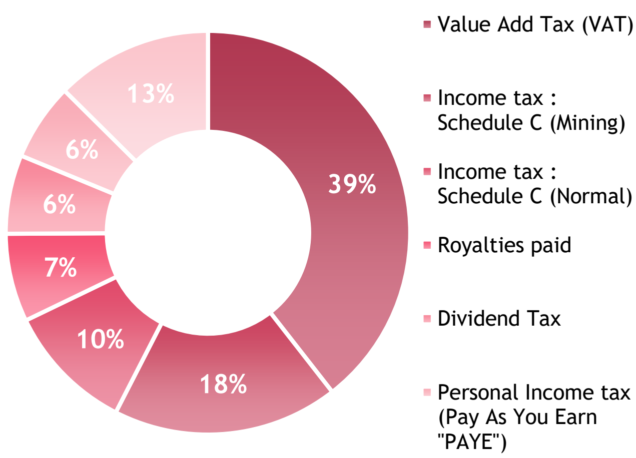
6.1.3. Analysis by revenue stream

The analysis of payment flows by contribution shows that the top six payment streams represent 89% of the total extractive sector revenues during the year 2016/17. Value Add Tax (VAT) accounts for 40% followed by Income tax : Schedule C (Mining) and Income tax : Schedule C (Normal) accounts for 18% and 10% each respectively of the total extractive revenues.

Table 55: Top six payment flows

Payment stream	Reported revenue (ETB)	% of total payment
Value Add Tax (VAT)	885,615,684	40%
Income tax : Schedule C (Mining)	405,647,840	18%
Income tax : Schedule C (Normal)	231,376,950	10%
Royalties paid	158,708,209	7%
Dividend Tax	141,925,952	6%
Personal Income tax (Pay As You Earn "PAYE")	139,171,705	6%
Other	281,832,571	11%
Total	2,244,278,910	100%

Figure 8: Top six payment flows



Source: EITI Reporting Templates

6.1.4. Analysis of revenues by Government Agency

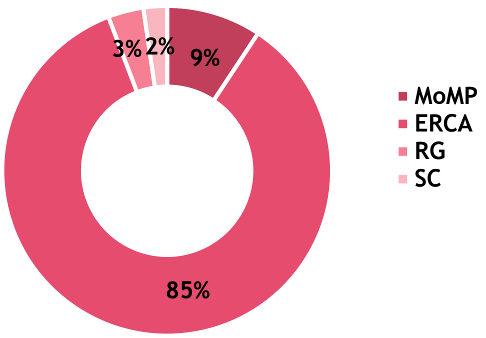
During the financial year 2017, ERCA collected the largest amount of revenues accounting for 86% of total revenues, followed by the Ministry of Mines and Petroleum accounting for 9% of total revenues as shown in the table below:

Table 56: Government Agencies' contribution

Government Agency	Reported revenue (ETB)	% of total payment
ERCA	1,905,266,488	86%
MoMP	208,787,292	9%
RG	78,269,367	4%
SC	51,955,764	1%
Total	**2,244,278,910**	**100%**

Source: EITI Reporting Templates

Figure 9: Government Agencies' contribution



6.3. Unilateral disclosure of revenues by reporting entities

Extractive companies retained in the reconciliation scope were requested to disclose unilaterally payments made to Regional States as well as social contributions while Government Agencies were requested to disclose unilaterally revenues specific to the extractive sector collected from companies not retained within the reconciliation scope. We set out in the table below a summary of the amounts reported:

Table 57: Summary of unilateral disclosure

Payment flows	Amount (in ETB)
Regional State Mining Authority	1,713,990
Regional State Tax Authority	76,555,377
Social Contributions	51,955,764
Total Unilateral disclosure by companies retained in the reconciliation scope	130,225,131
Payments made by companies not retained in the reconciliation scope to MoMP	**56,210,120**
Payments made by companies not retained in the reconciliation scope to ERCA	103,175,437
Total Unilateral disclosure by Government for payments of companies not retained in the reconciliation scope	159,385,557

Source: EEITI Reporting Templates

6.2.1. Payments made to Regional States disclosed by companies

Companies were requested to disclose revenue streams paid to Government Agencies unilaterally in accordance with EITI Requirement 4.1. Details of payments by Company are set out in the table below:

Table 58: Payments made to Regional States

In ETB

No.	Company	Regional State Mining Authority				Regional State Tax Authority				
		Royalties paid	Land Rentals	Adjustment	TOTAL	Withholding tax on payments	Personal Income tax (Pay As You Earn "PAYE")	Other material payments to Regional State Tax Authority	Adjustment	TOTAL
1	MIDROC Gold Mine Plc	-	1,469,817	-	**1,469,817**	123,474	35,952,303	14,752,390	(114,505)	**50,713,662**
2	Dangote Industries (Ethiopia) Plc	-	-	-	**-**	-	13,366,976	-	-	**13,366,976**
3	Derba Midroc Cement Plc	-	-	-	**-**	-	-	-	10,382,994	**10,382,994**
4	East Cement Sc	100,727	-	-	**100,727**	-	392,121	-	(392,121)	**-**
5	Pioneer Cement Manufacturing Plc	-	-	143,446	**143,446**	-	-	-	2,091,745	**2,091,745**
	Total	**100,727**	**1,469,817**	**143,446**	**1,713,990**	**123,474**	**49,711,400**	**14,752,390**	**11,968,113**	**76,555,377**

Source: EEITI Reporting Templates

6.2.2. *Social payments disclosed unilaterally by companies*

Only Midroc Golde Mine Plc and Derba Midroc Cement Plc reported social contributions as follows:

Table 59: Summary of social contributions reported by companies

No.	Company	Total social Contributions (in ETB)	Voluntary contributions (in ETB) Name and function of beneficiary	Amount (ETB)
1	MIDROC Gold Mine Plc		Mandatory contribution to Ministry of Mines and Petroleum	360,000
			Voluntary to Ministry of Mines and Petroleum	200,000
			Ye Enat Weg Charitable Association	13,000,000
			Unity University	334,235
			Guji zone Reji Kebele	842,391
			Ye Enat Weg Charitable Association	13,000,000
			Didolla Village	127,650
			Didolla Village	297,850
			Amhara Development Association	100,000
			Meqa Promotion	200,000
			ODA Unity for Development	50,000
			Total	**28,512,126**
2	Derba Midroc Cement Plc		Education	280,320
			child Book	5,000
			child Book	5,000
			Other	350,000
			Other	100,000
			A.A KOSHE	13,000,000
			Handaa Wayiero Tena tabiya	40,000
			ZER ETHIOPIA Mothers and children health	1,000,000
			Access Roap Development	1,169,069
			5 cummunal water points development	100,000
			employment creation for local youth	6,544,250
			Reintegrate youth displaced from eastern part of Ethiopia (Somalia Region)	749,999
			Support for Sululta Woreda Aba Geda Union	100,000
			Education	280,320
			Total	**23,443,638**
Total		**51,595,764**		**51,955,764**

Source: EEITI Reporting Templates

6.2.3. *Unilateral disclosure of revenues by Government Agencies*

Government Agencies were requested to disclose unilateral revenue streams collected from companies not included within the reconciliation scope in accordance with EITI Requirement 4.1.d. The unilateral disclosure of revenues by MoMP and ERCA is summarised as follows:

Table 60: Unilateral disclosure of revenues by Government Agencies

In ETB

Companie	MoMP						ERCA									Unilateral disclosure of revenues by Government Entities
	Registration and licence fees	Royalties	Land rentals	Training fees	Other	Total unilateral disclosure MoMP	Income tax : Schedule C (Mining)	Income tax : Schedule C (Normal)	Withholding tax on payments	Dividend Tax	Personal Income tax (Pay As You Earn "PAYE")	Value Add Tax (VAT)	Excise Tax	Other material payments to ERCA	Total unilateral disclosure ERCA	
POLY-GCL Petroleum Investments Ltd Ethiopian Branch			10,685,428	11,158,200		**21,843,628**			3,756,119		2,270,830			514,740	**6,541,689**	**28,385,317**
Ethiopian Mineral Development Sc						**0**	4,710,736	10,229,329	609,487	898,703	6,965,421				**23,413,676**	**23,413,676**
Afar Salt Production Sc		1,846,609				**1,846,609**	3,130,054		251,878	832,436	435,898	6,891,880		175,157	**11,717,303**	**13,563,912**
National Mining Corporation Plc		168,809				**168,809**			334,165		3,227,054	9,657,807			**13,219,025**	**13,387,834**
Daylight Applied Technologies Plc						**0**			459,909		2,104,574	10,526,117		432	**13,091,032**	**13,091,032**
Other Miscellanious revenues					7,602,584	**7,602,584**									**0**	**7,602,584**
Other fees and charges			3,179,484		3,871,423	**7,050,907**									**0**	**7,050,907**
Allana Potash Afar Plc						**0**			2,089,475		1,632,528	2,000		2,949,744	**6,673,746**	**6,673,746**
Africa Oil Ethiopia B.V.			3,611,343	1,061,880		**4,673,223**			86,869		1,885,183	0			**1,972,053**	**6,645,276**
Lucy Salt Producing Plc		223,747			149,065	**372,812**		4,044,842	16,498	142,407	26,996	1,577,408	374,063		**6,182,214**	**6,555,026**
Erta Ale Salt Work Plc		1,018,252				**1,018,252**	1,719,546		30,697		57,958	3,192,668		349,580	**5,350,449**	**6,368,701**
GPB Ethiopia Resources B.V			3,701,379	1,095,905		**4,797,284**									**0**	**4,797,284**
Sammakka Stones Plc		286,709			201,936	**488,645**	1,800		38,588		371,068	2,817,701			**3,229,157**	**3,717,802**
Afdera Salt Producing Plc		78,584			53,610	**132,194**	1,203,888		5,166		59,437	1,318,914	684,700		**3,272,105**	**3,404,299**
Tullow Ethiopia B.V.						**0**			117,246		2,759,235				**2,876,480**	**2,876,480**
Delonex Energy Ethiopia Ltd			2,629,773			**2,629,773**									**0**	**2,629,773**
Abijata-Shalla Soda Ash Sc		2,101,447				**2,101,447**									**0**	**2,101,447**
New Age Ethiopia Ltd						**0**	5,100		136,132		1,150,500			30	**1,291,762**	**1,291,762**
A-Zeyneba Mining Plc						**0**		105,093	17,593		67,226	1,051,747			**1,241,658**	**1,241,658**
Nurit General Business						**0**		502,878				432,538			**935,416**	**935,416**
ETNO Mining Plc						**0**		4,200	21,715		627,189	3,508			**656,611**	**656,611**
Adola Gold Mine						**0**			70,607		561,931				**632,538**	**632,538**
Registration and licence fees	468,645					**468,645**									**0**	**468,645**
Bezalel Construction Material Manufacturing Plc		21,960			14,640	**36,600**			42,603		72,859	279,365			**394,826**	**431,426**
Inchini Bedrock Cement Plc		212,510			155,201	**367,711**									**0**	**367,711**
JAM Industrial Plc		2,010			1,340	**3,350**			91,092		137,598	121,572			**350,262**	**353,612**
Sourish Marbles Plc		116,579			82,647	**199,226**									**0**	**199,226**
Aayana Marbles PLC		73,171			53,224	**126,395**									**0**	**126,395**
Allied Chemical Plc		50,325			36,231	**86,555**									**0**	**86,555**
Alisha mining		48,744			33,142	**81,885**									**0**	**81,885**
Royalties		43,936			29,291	**73,227**									**0**	**73,227**

Companie	MoMP						ERCA									Unilateral disclosure of revenues by Government Entities
	Registration and licence fees	Royalties	Land rentals	Training fees	Other	Total unilateral disclosure MoMP	Income tax : Schedule C (Mining)	Income tax : Schedule C (Normal)	Withholding tax on payments	Dividend Tax	Personal Income tax (Pay As You Earn "PAYE")	Value Add Tax (VAT)	Excise Tax	Other material payments to ERCA	Total unilateral disclosure ERCA	
SouthWest Energy (HK) Ltd						**0**	900		46,071						**46,971**	**46,971**
Target Industries Plc						**0**			783		42,464				**43,246**	**43,246**
Hua Yi Cement Plc						**0**			21,709			21,420			**43,129**	**43,129**
Dam industri		19,090			12,727	**31,816**									**0**	**31,816**
China Long Hoa Milla Construction Materials Plc		3,712			2,475	**6,187**									**0**	**6,187**
3M Marbel		1,776			579	**2,355**									**0**	**2,355**
Mugher Cement Factory						**0**								90	**90**	**90**
Total général	**468,645**	**6,317,970**	**23,807,407**	**13,315,985**	**12,300,113**	**56,210,119**	**10,772,024**	**14,886,342**	**8,244,399**	**1,873,546**	**24,455,947**	**37,894,645**	**1,058,763**	**3,989,773**	**103,175,437**	**159,385,557**

1Source: EEITI Reporting Templates

7. RECOMMENDATIONS

In order to improve the EITI reporting process in Ethiopia, the following measures are recommended:

7.1. Mainstreaming the creation of an open data for EITI

In accordance with EITI Requirement 4.9.c, the Multi-Stakeholder Board may seek approval from the International Secretariat to mainstream EITI data in accordance with the "Agreed upon procedure for mainstreamed disclosures". Data required to be published by the Standard include a vast range of information such as: revenues collected by Government Agencies, transfers of funds, data on production, exports and register of active licences, when it is established that there is:

(i) routine disclosure of the data required by the EITI Standard in requisite detail; and

(ii) that the financial data is subject to credible, independent audits, applying international standards.

Although Government Agencies have made a significant amount of EITI data available, we note that financial data were not systematically subject to independent audits as required by Requirement 4.9.c of the EITI Standard.

Additionally, contextual information on the extractive sector, data on revenues collected and budget allocation are not yet subject to electronic publication in the form of interactive open data.

In order to improve transparency in Ethiopia and to comply with Requirement 4.9.c of the EITI Standard, Government Agencies should set-up an open EITI database in the government systems by:

- *implementing and upgrading a cadastral system with adequate details such as data about the shareholders and the beneficial owners of the companies;*
- *enhancing the current management information systems of the Government Agencies involved in the EEITI process (i.e. NBE, ERCA, MoMP, MoF, CSA) in order to allow, among other benefits, systematic publication of EITI data required to be published in the EITI report;*
- *implementing /updating manual of procedures for relevant Government Agencies to have processes in place to ensure timeliness, quality of data and cost effectiveness of the systems; and*
- *capacity building and raising awareness of government officials on transparency and open data disclosure.*

7.2. Reporting at project level

EITI Requirement 4.7 entails the reporting of EITI data at project level in certain circumstances provided that such data is consistent with the United States Securities and Exchange Commission rules and the forthcoming European Union requirements.

In Ethiopia, several licence holders operate in different regions and they may accordingly own several licences. Government Agencies were not able to report EITI data by licence, by region or at project level. This was the case for MoMP, which did not report revenues collected by project. Additionally, MoMP aggregated production values related to different licences and as a result, it was not possible to identify the production value by licence. Similarly, for ERCA where the system is such that it presents information by TIN and does not necessarily capture exports data or revenues collected by project or by licence.

We recommend that Government Agencies ensure that disaggregated payment flows, exports and production by project can be made available in order to allow the reporting of relevant data at project level by:

- *improving the information systems of Government Agencies especially at MoMP, in order to include the relevant modules for reporting exports data, revenue collections, and production data at project level; and*
- *updating the tax declaration processes and forms to be submitted by extractive companies for MoMP and ERCA in order to mainstream information about disaggregation and reporting at project level wherever applicable.*

7.3. Disclosure of a register of licences to the public

EITI Requirement 2.3 (a) states that the term licence refers to any licence, lease, title, permit, contract or concession by which the government confers on a company or individual rights to explore or exploit oil, gas and/or mineral resources.

The EITI Standard requires implementing countries to maintain a publicly available register or cadastre system with the following up to date and comprehensive data regarding each of the rights pertaining to companies included in the EITI Report:

i. Name(s) of licence holder(s);

ii. Coordinates of the licensed area;

iii. Date of application, date of award and duration of the licence; and

iv. In the case of production licences, the commodity being produced.

MoMP confirmed that a cadastre system is in place, which allows both of the Federal and regional licensing authorities to use it simultaneously. However, it would appear that the integrated system has not been used systematically by all the officers at Federal and regional states level because of the lack of internet connection or lack of technical skills. MoMP subsequently confirmed that the register of licences was not updated and as a result, the list of active licences during the fiscal year 2016/17 was not available.

The regular updating of the licence registry system is extremely important to ensure the comprehensiveness of the EEITI scope.

Additionally, the lack of centralised and up to date mining cadastre which summarises all the concessions/licensed coordinates in a single national data system, is key to allow MoMP to both fulfil its licensing authority duties and to ensure an effective oversight of the extractive sector.

We recommend that an inventory of all active licences should be undertaken in order to capture all relevant details from each licence as required by the EITI Standard. Once the register of licences is comprehensive, MoMP should ensure that the cadastre is kept up to date and that all data on licences is systematically recorded therein.

The development of the online cadastral portal should be expedited in order to make publicly available the mining cadastre as required by the EITI Standard.

7.4. Disclosure of contracts/agreements

In accordance with Requirement 2.4 (a) of the 2016 EITI Standard, implementing countries are encouraged to publicly disclose contracts and licences that provide the terms attached to the exploitation of oil, gas and minerals.

The Mining Act and Petroleum Operations Proclamation do not include any express restrictions on the public disclosure of mineral agreements and licences by the government. However, we note that mining and petroleum agreements are not available from the websites of [please complete].

We recommend that the EEITI Secretariat maintains an archive of copies of all active agreements.

Additionally, we recommend that the EEITI MSB sets out a work plan for the publication of all agreements in the extractive industries. This work plan may include the following:

- *identifying any legal or commercial constraints for publishing mining and oil and gas agreements;*
- *the steps required for all mineral agreements to be published electronically and how to make these accessible to the public;*
- *a realistic timeline as to when such data could be available; and*
- *reviewing the institutional barriers that may prevent such publication electronically.*

7.5. Tax, non-tax administration and social payments

Payments at the regional level

Companies are required to make payments to regional states in accordance with their agreements. We note that payments to regional states were not declared by several companies despite the terms of the contracts requiring them to do so. These are detailed as follows:

- Dangote Industries Ethiopia Plc is supposed to pay land rental to the Oromia region in accordance with Article 12 of its mining agreement. We understand that the company did not declare any land rental payments to the regional state in its reporting template;
- Derba Midroc Cement Plc is supposed to pay land rental to the Oromia region in accordance with Article 12 of its mining agreement but the company did not declare any land rental payments to the regional state in its reporting template;
- East Cement Sc is supposed to pay land rental to the Oromia region in accordance with Article 12 of its mining agreement but the company did not declare any land rental payments to the regional state in its reporting template; and
- Pioneer Cement Manufacturing Plc is required to pay land rental to the Dire Dawa regional state in accordance with Article 12 of its mining agreement but the company did not declare any payments made to the regional state in its reporting template.

This lack of follow up may have resulted in revenue shortfalls for regional states. Payments of taxes and other revenues of the country are made in a decentralised way. Government receipts can be collected by Federal Agencies and by Regional Government Agencies. In accordance with the Constitution of the country, there are nine-member States and in spite of the number of revenue collectors involved there is no system in place to centralise and follow these revenues. We note that there is no sharing of information between the federal and regional states with regards to the taxes that have been collected at each level. As a result, payments made by extractive companies at the Regional States were not available at federal level, which led to a limitation of the EITI scope because of the lack of a centralised system of information on extractive tax revenues.

Environmental protection, community development and training

Companies are required to make contributions towards environmental protection, community development and training. We note that social contributions were not declared by several companies despite the terms of the contracts requiring them to do so.

In accordance with Article 16.5 of the mining agreements, companies are required to:

- participate in community development activities within the mining licence area and close vicinity and allocate budgets every year for the duration of the development and mining period; and
- make the following contributions:
    - Pioneer Cement Manufacturing Plc: 500,000 ETB per year for the community development programme;

- East Cement Sc : 150,000 ETB per year for the community development programme; and
- Dangote Industries Ethiopia Plc: 200,000 ETB per year for the community development programme.

However, these companies did not declare any social contributions in their respective reporting templates. This lack of reporting suggests that these companies may not have complied with the terms of their respective agreements with regards to the requirements for community development in their respective regions.

Non-tax payments

MoMP is the Government Agency responsible for monitoring and collecting royalty payments at federal level. Royalties are levied on the value of sales of minerals produced based to the rates defined in Proclamation No°678/2010 for each category of minerals. MoMP does not seem to have a sound monitoring system in place to calculate liabilities on uncollected royalties from companies that undertook mineral production activities without declaring any payments.

Similarly, we noted that the provisions of article 72 of the Mining Operations Proclamation No. 816/2013, which entitles the Government to 5% free equity in large scale mining companies, were not enforced as only one company declared free equity payments during the fiscal year 2016/17 for an amount of ETB 27 million. This could also have been the case for the previous three years while several licensed companies that are still in operation during years. In accordance with the templates submitted by ERCA, several companies recorded paid income tax on their profits during the year 2015/16 but failed to pay free equity to MoFEC. Our estimate of the Free Equity to be paid to MoF is over ETB 79.7 million as detailed in table below:

Table 61: Estimated free equity payments

Company	Income tax schedule C (Mining) paid as per ERCA Templates	Estimate profit (ETB)	Free Equity 5%
MIDROC Gold Mine Plc	387,458,218	1,549,832,871	77,491,644
Messebo Cement Factory Plc	0	0	0
Ethiopian Mineral Petroleum and Bio Fuel Co	4,710,736	18,842,943	942,147
Lucy Salt Producing Plc	0	0	0
Afar Salt Production Sc	3,130,054	12,520,217	626,011
Erta Ale Salt Work Plc	2,049,708	8,198,834	409,942
Afdera Salt Production Sc	1,203,888	4,815,551	240,778
Total général	**398,552,604**	**1,594,210,417**	**79,710,521**

However, the lack of follow up by MoMP has led to lost opportunities and revenues for the Government.

We recommend that a systematic follow up of companies is made on a regular basis to ensure that all fees due are collected on a timely basis. MoMP should also enhance non-tax administration and collection capacity to effectively discharge its duties and maximise tax collection. MoMP needs to ensure that companies meet their contractual commitments. This can only be achieved if officers at regional government level are properly trained in order to monitor and follow up with extractive company activities.

Moreover, we recommend that a system with all relevant data is developed and which can be accessible at both the federal and regional levels in order to monitor all of the contracts of extractive companies to ensure that all financial and environmental requirements of the companies are met.

We recommend that MoF sets up a system for administering free equity payments, whereby an official request is made to ERCA annually to provide details of companies which have reported schedule C mining payments and are therefore supposed to allocate free equity to the Ethiopian Government. MoF should make an initial assessment of the liability of each company and contact them proactively to request payment. Proper follow up should be made systematically to ensure that due payments are collected from the taxpayers.

7.6. Mining activities managed by the regional governments

Requirement 4.6 of the 2016 EITI Standard stipulates that the Multi-Stakeholder Board establishes whether direct payments, within the scope of the agreed benefit streams, from companies to Regional States' Government Agencies are material. Where material, the Multi-Stakeholder Board is required to ensure that company payments to Regional States are disclosed and reconciled in the EITI report.

The revenues collected by the Regional States have been excluded from the EEITI reconciliation scope. Contribution of mining activities conducted under the supervision of regional states was included in the EITI report as unilateral disclosure by companies rather than as comprehensive disclosure by Regional States.

In order to assess the materiality of payments to Regional States, only reporting companies retained in the reconciliation scope unilaterally declared tax payments made to the Regional Governments amounting to ETB 78,269,367. These partially declared payments account for 3.4% of the total revenue from the extractive companies. However, given that payments made to regional governments have only been declared by extractive companies included in the reconciliation scope, the total amount of payments to regional States is expected to be higher.

We recommend that the EEITI MSB considers including the regional states in future EEITI processes. The EEITI MSB may perform a feasibility study detailing all institutional, legal and practical barriers prior to such inclusion.

We also recommend that the EEITI MSB considers enhancing the technical capacities of the regional States to be considered in the EITI reporting process. Regional resources and qualifications of regional officers may have to be reinforced in terms of building their capacities with a view to assist them with controlling the validity of licenses and manage the local operators holding licenses.

In order to ensure the completeness of the EITI scope for future reconciliation exercises, we recommend the implementation of a reporting system which allows the centralisation of data regarding all extractive revenues and production data at Federal levels. Joint working and information sharing between the federal and the regional levels of government would be a key factor to the establishment and smooth running of such system.

7.7. Accuracy of production data

EITI Requirement 3.2 requires the disclosure of production data for the fiscal year covered by the EITI Report, including total production volumes and the value of production by commodity. MoMP is the Government Agency responsible for collecting reliable production data in order to assess the companies' liabilities in terms of royalties on production and the subsequent monitoring of their payments.

MoMP declared total production value of ETB 758,411,029 for the fiscal year 2016/17 while production is estimated to be over ETB 4,602,584,761 as detailed in Section 3.7.1 of this report.

Additionally, we note that the minerals' production data declared by MoMP does not state the quantities extracted nor the names of companies involved. Several production values related to different licences have been combined and it was not therefore possible to identify the production value by licence. Additionally, the value of several minerals extracted during the fiscal year 2016/17 were also missing from the production data submitted by MoMP.

Table 62: List of differences in production value

Comapny	Mineral type	Value of the production (in ETB)		
		MoMP (a)	Companies (b)	Variance t (a) - (b)
Derba MIDROC Cement Plc	Basalt	21,720,813	10,031,819	**11,688,994**
	Gypsum	26,835,180	18,946,245	**7,888,935**
	Limestone	64,646,439	114,482,055	**(49,835,616)**
	Pumice		46,235,039	**(46,235,039)**
	Sandstone		3,186,820	**(3,186,820)**
Pioneer Cement Manufacturing Plc	Limestone	22,338,756	32,257,772	**(9,919,016)**
	Clay Soil		3,212,349	**(3,212,349)**
National Mining Corporation	Marble	5,682,036	13,618,648	**(7,936,612)**
Erta Ale Salt Work Plc	salt	22,954,980	24,923,256	**(1,968,276)**
Abijata-Shalla Soda Ash Sc	Soda Ash	52,536,185	51,651,383	**884,802**
Afar Salt Production Sc	Salt	46,165,226	46,165,226	**0**

Source: Reporting templates

We understand that extractive companies may not declare their production systematically every month. We also note that MoMP does not have its own procedures and systems in place to collect and control production data reported by extractive companies.

In addition to declarations submitted, we recommend that MoMP:

- *sets-out procedures to ensure the comprehensiveness of the production data reported by extractive companies and implements a computerised system to monitor and update the data on a monthly basis. This would assist MoMP with the reconciliation of royalties, other non-tax payments, and production data as well as investigate any discrepancies arising from these reconciliations; and*
- *provides the EEITI MSB with a comparison of the production volumes declared by extractive companies with the data collected by MoMP throughout the year.*

7.8. Data quality and assurance

EITI Requirement 4.9 requires an assessment of whether the payments and revenues made available for the reconciliation have been subject to credible, independent audits, following international auditing standards.

As part of the procedures set to ensure the reliability of the data reported to the Independent Administrator, reporting entities were requested to provide signed copies of their reporting templates along with a copy of their latest audited financial statements. We note that:

- one (1) East Cement Sc, submitted its reporting template unsigned by an authorised officer at management level. The revenues reported by Government Agencies in respect of the company amounted to ETB 1.1 million representing 0.6% of reconciled revenues; and
- reporting templates submitted by ERCA and MoMP were not signed by an authorised officer. The revenues collected from the extractive sector by these Government Agencies amounted to ETB 1,955 million accounting for 100% of reconciled revenues.

We recommend that the instructions for next year's reporting emphasize the importance of complying with adequate signature and certification of templates by auditors in accordance with Requirement 4.9 (a) of the EITI Standard. The MSB should also ensure that every effort is made to ensure that reporting entities are adequately notified about such requirements.

7.9. Improve stakeholders' participation

We understand that the current statutes do not make EITI reporting mandatory. The reporting period for entities retained in the reconciliation scope started with a training workshop and the reconciliation phase ended on 21 June 2019. All information submitted within this reporting period has been considered in the EEITI report. We make the following observations:

- two (2) extractive companies, namely Messebo Cement Factory Plc and National Cement Sc., did not submit reporting templates. Receipts reported by Government Agencies and relating to these extractive companies amounted to ETB 554 million accounting for 28.3% of reconciled revenues as detailed in Section 5.3.a of the report;
- the Ministry of Finance did not submit reporting templates. The total payments made to the Ministry of Finance confirmed by companies included in the reconciliation scope amounted to ETB 27 million representing 1% of total reconciled revenues; and
- ERCA was unable to submit the statement of customs duties. Companies included in the reconciliation scope reported customs duties paid of ETB 103 million, representing 5% of total reconciled revenues.

Additionally, the list of active licences during the fiscal year 2016/17 was not available. This issue was coupled with the lack of reporting templates from both Government Agencies and extractive companies It was therefore not possible to ensure the comprehensiveness of the list of extrative companies operating in the country during the reconciliation period 2016/17, leading us to conclude that the revenues of the sector may not be complete.

We recommend that the EEITI MSB members liaise with their constituency groups, as provided by Requirement 1.4 (b).iii of the EITI Standard, to raise awareness of the importance of participation amongst reporting entities and to ensure an adequate timeline for submitting reporting templates within the set deadlines.

Notwithstanding the significant efforts already made in this respect, EEITI may focus on enhancing the communication lines of the EITI process in Ethiopia through a strong awareness campaign such as conferences and outreach activities as provided by Requirement 1.4 (b).ii of the EITI Standard.

The EEITI MSB must also set out a realistic timeframe for the reporting process to be carried out including the selection of reporting entities, updating and submitting the reporting templates and instructions for completion of all reconciliation work.

We recommend for the future that a review of the mining regulations is carried out with a view to incorporate EITI reporting within and cover matters such as:

- *reporting' obligations for extractive companies while specifying the level of disaggregation of the data to be submitted; and*
- *sanctions which could be imposed against extractive companies in the event of non-compliance or false declarations.*

7.10. Accuracy and comprehensiveness of data included in the reporting templates

Reporting templates from extractive companies and Government Agencies were not adequately prepared. We set out below several weaknesses noted during the EITI reconciliation process:

- companies and Government Agencies were requested to report detailed payment flows by receipt number, as this information is vital for reconciliation work. However, in several cases:
  - ✓ extractive companies reported aggregated figures without providing the required level of breakdown by receipt number and by payment stream;
  - ✓ details of payment flows reported by ERCA did not include relevant flag receipt numbers for significant revenues associated with each of the payments as requested in the instructions for completing the reporting templates;
- several reporting templates submitted by extractive companies did not include information on:
  - ✓ comprehensive details of their legal and beneficial ownership as set out in **Annex 7** of the report;
  - ✓ export details as mentioned in **Section 6.5** of the report;
  - ✓ employment data; and
  - ✓ production details such as shown in **Section 6.5** the report.

These shortcomings led to several discrepancies, to missing contextual data and to delays in the reconciliation process.

We recommend for future reconciliation exercises that extractive companies and Government Agencies devote ample time towards the preparation of their respecive reporting templates in accordance with the instructions set out by the Independent Administrator and following the supporting schedules.

We also recommend that all reporting entities are made aware of the importance of the EITI data they are providing, and that due care and attention is paid during the preparation of these reporting templates.

These recommendations were already made in previous EITI reports.

7.11. Use of unique identification number by all Government Agencies

During the reconciliation process, we noted that the statement of receipts collected by MoMP does not include the Taxpayer Identification Number (TIN) nor any other internal reference numbers to identify all the payments made by the same taxpayer.

Additionally, the names of some taxpayers are spelt differently from one payment record to another. This can lead to compilation of revenues collected by taxpayer.

As a result, the materiality analysis would be biased and it may not allow to accurately identify the extractive companies making significant contributions to MoMP. This could lead to some of the key taxpayers being left out of the reconciliation scope.

Additionally, this weakness does not allow ERCA to identify the payments related to extractive companies in its management information system, or to cross-check data with other Government Agencies (including MoMP).

The Statements of revenues from Government Agencies *should include a unique identification number such as TIN or an internal reference numbers for identifying taxpayers rather than using names. This would lead to an efficient tracking of receipts, ensure harmonisation of databases and ensure proper sharing of data across different Government Agencies.*

We recommend that Government Agencies collecting revenues from the extractive sector, in particular MoMP should revise their management information system in order to include TIN when recording receipts.

7.12. Meeting the recommendations made in the previous EEITI reports

We note that despite the efforts of MSB members to implement recommendations from the previous EEITI reports, several of these recommendations have yet to be implemented. A number of issues which arose during the course of the current reconciliation exercise could have been avoided if recommendations made previously had been addressed. The list of the recommendations expressed in the previous EEITI report and yet to be implemented are summarised below:

- preparation of reporting templates by the different stakeholders (Ref. Section 7.10 of this report);
- meeting reporting deadlines (Ref. Section 7.9 of this report);
- compiling an EITI Database (Ref. Section 7.1 of this report);
- updating the licences register (Ref. Section 7.3 of this report);
- accuracy of production data Reliability (Ref. Section 7.7 of this report);
- electronic publication of contracts/agreements (Ref. Section 7.4 of this report);
- tax and non-tax administration and collection of payments (Ref. Section 7.5 of this report);
- enhancing the assurance on reported data Reliability (Ref. Section 7.8 of this report); and
- mining activities managed by the regional governments (Ref. Section 7.6 of this report).

We recommend that a committee is set up at MoMP level with the support of the EEITI MSB members in order to follow up of the recommendations from EEIT reports. This committee should prepare an action plan to address weaknesses and findings raised in the EITI report within a reasonable timeframe.

ANNEXES

Annex 1: Technical criteria for evaluation of exploration right applications

Ser.no.	Evaluation Criteria for Exploration Licence Applications	Weight (%)
1	Experience and technical capacity	
1.1	**No. of years the applicant has been in mining operation and directly/indirectly related experience (max. 15 points)**	**15**
1.1.1	Directly related and > 9 years	15
1.1.2	Directly related and > 5 - 9 years	12
1.1.3	Directly related and 3 - 5 years	9
1.1.4	Indirectly related and > 9 years	8
1.1.5	Indirectly related and > 5 – 9 years	6
1.1.6	Indirectly related and 3 - 5 years	4
1.1	**No. of years individual applicant has been in mining operation and directly/indirectly related experience (max.10 points)**	**10**
1.1.1	Directly related and > 9 years	10
1.1.2	Directly related and > 5 - 9 years	8
1.1.3	Directly related and 3 - 5 years	6
1.1.4	Indirectly related and > 9 years	5
1.1.5	Indirectly related and > 5 – 9 years	3
1.1.6	Indirectly related and 3 - 5 years	2
1.2	**HR capacity & experience - Background of key executives (max. 10 points)**	**10**
1.2.1	Relevant educational background with	4
	· Ph.D	4
	· MSc. ,	3
	· BSc. ,	2
1.2.2	Relevant Experience	**6**
	· > 10 years	6
	· > 5 - 10 years	4
	· < 5 years	2
1.3	**Financial performance (max. 10 points)**	**10**
1.3.1	Experience of operating in a similar amount of finance with the project under application	
	≥ 75 % of finance under application	10
	< 75 % of finance under application	6
2	Proposed project location and area coverage(max. 2 points)	2
2.1	**The area should have coordinate showing lat/long or UTM**	**0.5**
2.2	**Appropriate projection and datum**	**0.5**

Ser.no.	Evaluation Criteria for Exploration Licence Applications	Weight (%)
2.3	**Area coverage should be quantified**	**0.5**
2.4	**Location map of the area overlain on any geosciences map as base map**	**0.5**
3	**Objective of the proposed project in specific, measurable, achievable and time framed (SMART) (max. 3 points)**	**3**
3.1	**Clear objective that can be achieved in long term**	**1**
3.2	**Clear objective that can be achieved in short term**	**2**
4	**Previous work assessment citing appropriate reference**	**10**
4.1	**Chronological literature review of previous works with reference**	**3**
4.2	**Clear statement about the implication of the assessment in selecting the area**	**4**
4.3	**Clear statement how the previous work assessment is used in planning the next stage of proposed work**	**3**
5	**Exploration work proposal (detail exploration program for the 1st year and comprehensive work program for 2nd and 3rd year)**	**30**
5.1	**Exploration work for 1st year**	**25**
5.1.1	Appropriate methods (conventional and modern) of exploration (geology, geochemistry, remote sensing, airborne & ground geophysical survey, pitting/trenching, drilling)	10
5.1.2	Exploration stage or scale of operation (reconnaissance, regional, follow up, detail, grid system)	8
5.1.3	Quantified volume of work with unit of measurement	4
5.1.4	Implementation schedule for the 1st year using Gantt chart	3
5.2	**Comprehensive exploration work for 2nd and 3rd years**	**5**
6	**Expenditure obligation for the initial three years of exploration period**	**10**
6.1	**Detail estimated expenditure based on the proposed work program for 1st year**	**8**
6.1.1	Required for each human resource	4
6.1.2	Required for each equipment and machinery	2
6.1.3	Required for each service	2
6.2	**Comprehensive expenditure for 2nd and 3rd years**	**2**
7	**Financial status of the applicant related to the exploration period * ***	**10**
7.1	**Deposit equal to the minimum of 1st year financial expenditure**	**3**
7.2	**Equivalent deposit to the minimum of 3 years financial expenditure**	**7**
		100

Annex 2: Payment flows description

Ref	Payment flows	Paid to / Received by	Description
Ministry of Mines Petroleum (MoMP)			
1.1	Royalties paid to Federal Government	MoMP	Payment made each mining license holder based on the sales price of the commercial transactions of the minerals produced in accordance with the Mineral Proclamation N°678-2010
1.2	License Fees	MoMP	This payment is made for the issuance and renewal of licenses in accordance with Mining Operations Council of Ministers Regulations 182/1994
1.3	Penalties	MoMP	This payment is made by any extractive companies that contravenes or fails to comply with any order, provision of a proclamation, regulations, directives or the terms and conditions of a license or permit
1.4	Land Rentals	MoMP	A licensee is required to pay annually in advance a rental for area covered by a lease. The rates of rentals have been specified in the Mining Operations Council of Ministers Regulations No. 182/1994. The rentals are usually paid to regional governments
1.5	Signature Bonus	MoMP	This payment is made by companies operating in Oil & Gas sector to the Ministry of Mines Petroleum and Natural Gas within a period of time after the effective date of the Production Sharing Agreement signed between the government and the company. The signature bonus is generally made in USD currency
1.6	Production bonuses	MoMP	A company shall pay to the Ministry of Mines Petroleum and Natural Gas Petroleum and Natural Gas a amounts namely "Production bonunes" when production of crude oil attains for the specified periods of time some levels that are defined in the Production Sharing Agreement
1.7	Training Fees	MoMP	Payment made by extractive company to the Ministry of Mines Petroleum and Natural Gas (MOMP) for the training of Ethiopian Government personnel and/or acquisition of training facilities identified by the Minister
Ethiopian Revenues and Customs Authority			
2.1	Income tax : Schedule C (Mining)	ERCA	Any payment made to either the Federal or Regional level as being a Mining Income Tax as defined by the Mining Operations Proclamation N°678/2010. A Mining Income tax is paid: - by any holder of a large scale mining license in accordance with the Mining Income Tax Proclamation No. 53/1993 as amended which set it at 25% of taxable income; and - by holders of artisanal and small scale mining licenses shall be determined by the laws of the states.
2.2	Income tax : Schedule C (Normal)	ERCA	Payment made for income tax on profit from any industrial, commercial, professional or vocational activity or any other activity recognised as trade by the

			Commercial Code of Ethiopia and carried on by any person for profit.
2.3	Withholding tax on payments	ERCA	Any payment relating **to any kind of tax** that was withheld by the extractive company and that has been paid to the government
2.4	Customs duty	ERCA	Custom duties are payments made by extrative companies and that are relating to taxes imposed on the imports and exports of goods and services. Dutiy amounts paid on commodities depend on the class of such commodities in accordance to the Proclamation No. 38/1993
2.5	Dividend Tax	ERCA	These payments are relating to taxes on dividends that are separtly paid by the extractive company to the government when these payments are not already reported in another payment flow such as the income tax above or the withholding tax above
2.6	Personal Income tax (Pay As You Earn "PAYE")	ERCA	These are payments relating to the income tax of the own staff of the extractive companies. These income tax on salaries are withheld by the extractive companies and paid to the Federal or Regional government
2.7	Capital gains	ERCA	Capital gains tax are paid on capital nature gain such as plants, building, factory or office, and shares of companies
2.8	Value Add Tax (VAT)	ERCA	Payments made in accordance to the Value Added Tax (VAT) Proclamation N°285/2002 as amended. The VAT is charged on the supply of goods and services by registered persons, and on the importation of goods and services into Ethiopia and services
2.9	Excise Tax	ERCA	Excise tax is a payment made on certain goods specified under the Schedule to the Excise Tax Proclamation, when imported and when produced locally. The excise tax rate varies from 10% to 100% on the cost of production, or CIF (“cost-insurance-freight”)
2.10	Penalities	ERCA	This payment is made, to either Federal or Regional State lever, by any extractive companies that contravenes or fails to comply with any provision or conditions of the tax regulation
2.11	Witholding tax on importation	ERCA	When extractive companies are importing items, they pay an advance on their income tax to ERCA.
Ministry of Finance (MoF)			
3.1	Free Equity	MoF	These are the proceeds of participation interest aquired without cost by the government in any large scale or small scale mining. This participation is possible because the government may government may acquire without cost a participation interest of five percent of any large scale or small scale mining investment
3.2	Dividends from State Owned Companies	MoF	These are the proceeds of various investments in the State Owned Companies accruing to the Government. This participation of the government is possible because the Government may undertake mining

			operations that are vital for the overall economic growth either by itself or in partnership with private investors
3.3	Other payments to MoF	MoF	Any other payment made to MOF and that exceeds 500,000 Birr

Annex 3: Data submission

N°	Name of company	Soft copy of the Reporting template (Submitted/Not submitted)	Audited Financial Statements (Submitted/Not submitted)	Hard copy of Reporting template signed by Senior Management (Submitted/Not submitted)
1	MIDROC Gold Mine Plc	Submitted	Submitted	Submitted
2	Messebo Cement Factory Plc	Not Submitted	Not Submitted	Not Submitted
3	Dangote Industries (Ethiopia) Plc	Submitted	Submitted	Submitted
4	Derba Midroc Cement Plc	Submitted	Submitted	Submitted
5	National Cement Sc.	Not Submitted	Not Submitted	Not Submitted
6	East Cement Sc	Submitted	Not Submitted	Not Submitted
7	Pioneer Cement Manufacturing Plc	Submitted	Not Submitted	Submitted

Annex 4: Company profiles

No.	Company	TIN	Founding date	Nature of operation/Business	% Other than extractive activity	% Extractive activity	Capital (ETB)	Company Address	Regional State
1	MIDROC Gold Mine Plc	0000030220	04/08/2003	Mining	0%	100%	2,720,527,800	Mechare Meda Addis Ababa	Addis Ababa
2	Messebo Cement Factory Plc		*(*)*		*(*)*		*(*)*		*(*)*
3	Dangote Industries (Ethiopia) Plc	0004224329	01/01/2008	Cement	0%	100%	2,973,530,000	Addis Ababa Ethiopia	Oromya
4	Derba Midroc Cement Plc	0002937443	15/02/2006	Cement production	0%	100%	500,000,000	Addis Ababa Ethiopia	Oromya
5	National Cement Sc.		*(*)*		*(*)*		*(*)*		*(*)*
6	East Cement Sc	0003477494	2009	Cement production, machinery rental	100%	0%	510,000,000	Nefas Silk Lafto Oromiya	Oromya
7	Pioneer Cement Manufacturing Plc	0005172817	2011	Mining /Cement	0%	100%	163,351,000	Dire Dawa Ethiopia	Dire Dawa

Source: EEITI Reporting templates of companies
(*) Reporting templates not submitted

Annex 5: Detail of Licenses disclosed by companies selected in the scope

N°	Company	Commodity extracted	Number of Licence/Lease	Licence type	Licence number or Blocks awarded	Status of the lease	Issue date	Duration	Regional State	Local / Woreda
1	MIDROC Gold Mine Plc	Precious Metals	1	Mining	43 Blocks	Active	29/03/1998	20 Years	Oromia	Oddo Shakisso
		Precious Metals	2	Mining	0111/2002	Active	24/11/2009	20 Years	Oromia	Oddo Shakisso
		Gold, Base Metal	3	Exploration	MOM/EL\3 - 25\97	Active	05/03/2005	10 Years	Oromia	Oddo Shakisso
		Gold, Base Metal, Iron	4	Exploration	MOM/\026 - 124\97	Active	21/03/2005	13 Years	Benishangul	Bullen
		Gold, Base Metals, Iron, Chromite, Phosphate	5	Exploration	MOM\EL\352\2010	Active	04/10/2010	15 Years	Benishangul	Debate
		Precious Metals	6	Exploration	MOM\EL\352\2010	Active	12/02/2015	3 Years	Amhara	Gwangua
		Precious Metals	7	Exploration	MOM\EL\500\2010	Active	12/02/2015	3 Years	Oromia	Oddo Shakisso
2	Messebo Cement Factory Plc	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
3	Dangote Industries (Ethiopia) Plc	Limestone	1	Mining	MOM/LSML/125/2013	Active	09/06/2013	20 Years	Oromia	Adabrga
		Clay	2	Mining	MOM/LSML/1/2013	Inactive	23/04/2014	20 Years	Oromia	Adabrga
		Gypsum	3	Mining	MOM/LSML/304/2014	Inactive	12/10/2014	20 Years	Oromia	Adabrga
		Silca sand	4	Mining	MOM/LSML/413/2014	Active	20/01/2015	20 Years	Oromia	Adabrga
		Basalt	5	Mining	MOM/LSML/414/2014	Active	20/01/2015	20 Years	Oromia	Adabrga
		Pumice	6	Mining	MOM/LSML/421/2014	Active	20/01/2015	20 Years	Oromia	Bora
4	Derba Midroc Cement Plc	(**)		(**)	(**)	(**)	(**)	(**)	(**)	(**)
5	National Cement Sc.	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)
6	East Cement Sc	Gypsum	1	Mining	MOM/SSML/148/2010	Active	06/10/2010	10 Years	Oromia	Filiklik
		Pumice	2	Mining	1971/2010	Active	05/08/2010	10 Years	Oromia	Dire/Chalo

N°	Company	Commodity extracted	Number of Licence/Lease	Licence type	Licence number or Blocks awarded	Status of the lease	Issue date	Duration	Regional State	Local / Woreda
		Clay	3	Mining	455/99	Active	04/07/2010	10 Years	Oromia	Gandashano
		Limestone	4	Mining	452/99	Active	04/06/2010	10 Years	Oromia	Amuma Mecha
		Limestone	1	Mining	(**)	(**)	(**)	(**)	(**)	(**)
7	Pioneer Cement Manufacturing Plc	Clay	2	Mining	(**)	(**)	(**)	(**)	(**)	(**)
		Gypsum	3	Mining	(**)	(**)	(**)	(**)	(**)	(**)

Source: EEITI Reporting templates
(*) Reporting templates not submitted
(**) Information not communicated

Annex 6: Employment data declared by the companies

N°	Companies	Sector	Average number of direct domestic employees (Local)	Average number of direct domestic employees (Non local)	Average number of direct foreign employees (Expatriates)	TOTAL
1	MIDROC Gold Mine Plc	Gold Production	1,167	0	25	**1,192**
2	Messebo Cement Factory Plc	Cement manufacturing	*(*)*	*(*)*	*(*)*	*(*)*
3	Dangote Industries (Ethiopia) Plc	Cement manufacturing	301	256	23	**580**
4	Derba Midroc Cement Plc	Cement manufacturing	*(**)*	*(**)*	*(**)*	*(**)*
5	National Cement Sc.	Cement manufacturing	*(*)*	*(*)*	*(*)*	*(*)*
6	East Cement Sc	Cement manufacturing	295	0	51	**346**
7	Pioneer Cement Manufacturing Plc	Cement manufacturing	350	30	0	**380**
8	National Mining Corporation Plc	Other mining	654	0	0	**654**
9	Erta Ale Salt Work Plc	Salt production	84	0	0	**84**
10	Abijata-Shalla Soda Ash Sc	Other mining	242	25	0	**267**
11	Afar Salt Production Sc	Salt production	20	47	0	**67**
	Total		**3,113**	**358**	**99**	**3,570**

Source: Declarations of companies
(*) Reporting templates not submitted
(**) Information not communicated

Annex 7: Legal ownership declared by companies in the reconciliation scope

N°	Companies	N°	Name/Entity	Level of ownership	Nationality of the owner	Stock exchange quotations (yes/no)	Stock exchange	Owner (if the company's shares are not quoted)
1	MIDROC Gold Mine Plc	1	Ministry of Finance & Economic Coopreation	2.00%	Ethiopian			
		2	Sheikh Mohammed Hssein Ali Al-Amoudi	80.00%	Saudi Arabian			
		3	Mrs. Sophia Saleh Al-Amoudi	18.00%	Saudi Arabian			
2	Messebo Cement Factory Plc		*(*)*	*(*)*	*(*)*	*(*)*	*(*)*	*(*)*
3	Dangote Industries (Ethiopia) Plc	1	Aliko Dangote	100.00%	*(**)*			
4	Derba Midroc Cement Plc		*(**)*	*(**)*	*(**)*	*(**)*	*(**)*	*(**)*
5	National Cement Sc.		*(*)*	*(*)*	*(*)*	*(*)*	*(*)*	*(*)*
6	East Cement Sc	1	Mr. Lu Qiyuan	1.00%	*(**)*			
		2	Mr. Li Peihua	1.00%	*(**)*			
		3	Mr. Lu Qizhong	1.00%	*(**)*			
		4	China Africa Development Bank	40.00%	*(**)*	*(**)*	*(**)*	*(**)*
		5	Giangsu Qiyuan Group Co	57.00%	*(**)*	*(**)*	*(**)*	*(**)*
7	Pioneer Cement Manufacturing Plc		*(**)*	*(**)*	*(**)*	*(**)*	*(**)*	*(**)*

Source: EEITI Reporting templates of companies
(*) Reporting templates not submitted
(**) Information not communicated

Annex 8: Reconciliation sheets by company

Company name: MIDROC Gold Mine Plc **Reporting period:** 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A-	Bilateral company disclosures	686,050,271	30,388,498	716,438,769	688,182,992	467,611	688,650,603	27,788,166	
1-	Payments to Ministry of Mines and Petroleum(MoMP)	127,925,158	-	127,925,158	127,925,378	-	127,925,378	(220)	
1.1	Royalties paid	127,909,818	-	127,909,818	127,909,818	-	127,909,818	-	
1.2	License Fees	15,340	-	15,340	15,540	-	15,540	(200)	Not material difference < KETB 20
1.3	Penalties	-	-	-	-	-	-	-	
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	20	-	20	(20)	Not material difference < KETB 20
2-	Payments to Ethiopian Revenues and Customs Authority (ERCA)	531,407,503	30,388,498	561,796,001	560,257,614	467,611	560,725,225	1,070,776	
2.1	Income tax : Schedule C (Mining)	387,458,218	-	387,458,218	387,458,218	-	387,458,218	-	
2.2	Income tax : Schedule C (Normal)	-	-	-	-	-	-	-	
2.3	Withholding tax on payments	3,477,128	102,572	3,579,700	3,579,700	-	3,579,700	-	
2.4	Customs duties	1,070,776	-	1,070,776	-	-	-	1,070,776	Tax not reported by the Government Agencies
2.5	Dividend Tax	130,916,291	-	130,916,291	130,916,291	-	130,916,291	-	
2.6	Personal Income tax (Pay As You Earn "PAYE")	7,992,584	30,155,284	38,147,868	38,147,868	-	38,147,868	-	
2.7	Capital gains	-	-	-	-	-	-	-	
2.8	Value Add Tax (VAT)	492,506	(24,895)	467,611	-	467,611	467,611	-	
2.9	Excise Tax	-	-	-	-	-	-	-	
2.10	Penalities	-	-	-	-	-	-	-	
2.11	Witholding tax on importation	-	-	-	-	-	-	-	
2.12	Other material payments to ERCA	-	155,537	155,537	155,537	-	155,537	-	
3-	Payments to Ministry of Finance (MoF)	26,717,610	-	26,717,610	-	-	-	26,717,610	
3.1	Free Equity	26,717,610	-	26,717,610	-	-	-	26,717,610	Reporting template not submitted by the Government Age
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	686,050,271	30,388,498	716,438,769	688,182,992	467,611	688,650,603	27,788,166	

N°	Description of Payment	Original	Adjust	Final
B-	Unilateral company disclosures	80,810,110	(114,505)	80,695,605
6-	Regional State Mining Authority	1,469,817	-	1,469,817
6.1	Royalties paid	-	-	-
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	1,469,817	-	1,469,817
6.5	Other material payments to Regional State Mining Authority	-	-	-
7-	Regional State Tax Authority	50,828,167	(114,505)	50,713,662
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	123,474	(114,505)	8,969
7.3	Personal Income tax (Pay As You Earn "PAYE")	35,952,303	-	35,952,303
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	14,752,390	-	14,752,390
8-	Social Contributions	28,512,126	-	28,512,126
8.1	Voluntary Corporate Social Responsibility	28,152,126	-	28,152,126
8.2	Mandatory Social Responsibility	360,000	-	360,000

Company name: Messebo Cement Factory Plc

Reporting period: 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A- Bilateral company disclosures		-	-	-	469,529,198	-	469,529,198	(469,529,198)	
1- Payments to Ministry of Mines and Petroleum(MoMP)		-	-	-	-	-	-	-	
1.1	Royalties paid	-	-	-	-	-	-	-	
1.2	License Fees	-	-	-	-	-	-	-	
1.3	Penalties	-	-	-	-	-	-	-	
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	-	-	-	-	
2- Payments to Ethiopian Revenues and Customs Authority (ERCA)		-	-	-	469,529,198	-	469,529,198	(469,529,198)	
2.1	Income tax : Schedule C (Mining)	-	-	-	-	-	-	-	
2.2	Income tax : Schedule C (Normal)	-	-	-	216,490,608	-	216,490,608	(216,490,608)	Reporting template not submitted by the extractive company
2.3	Withholding tax on payments	-	-	-	13,800,814	-	13,800,814	(13,800,814)	Reporting template not submitted by the extractive company
2.4	Customs duties	-	-	-	-	-	-	-	
2.5	Dividend Tax	-	-	-	3,608,470	-	3,608,470	(3,608,470)	Reporting template not submitted by the extractive company
2.6	Personal Income tax (Pay As You Earn "PAYE")	-	-	-	38,540,763	-	38,540,763	(38,540,763)	Reporting template not submitted by the extractive company
2.7	Capital gains	-	-	-	-	-	-	-	
2.8	Value Add Tax (VAT)	-	-	-	197,088,543	-	197,088,543	(197,088,543)	Reporting template not submitted by the extractive company
2.9	Excise Tax	-	-	-	-	-	-	-	
2.10	Penalities	-	-	-	-	-	-	-	
2.11	Witholding tax on importation	-	-	-	-	-	-	-	
2.12	Other material payments to ERCA	-	-	-		-	-	-	
3- Payments to Ministry of Finance (MoF)		-	-	-	-	-	-	-	
3.1	Free Equity	-	-	-	-	-	-	-	
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	-	-	-	469,529,198	-	469,529,198	(469,529,198)	

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final
B- Unilateral company disclosures		-	-	-
6- Regional State Mining Authority		-	-	-
6.1	Royalties paid	-	-	-
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	-	-	-
6.5	Other material payments to Regional State Mining Authority	-	-	-
7- Regional State Tax Authority		-	-	-
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	-	-	-
7.3	Personal Income tax (Pay As You Earn "PAYE")	-	-	-
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	-	-	-
8- Social Contributions		-	-	-
8.1	Voluntary Corporate Social Responsibility	-	-	-
8.2	Mandatory Social Responsibility	-	-	-

EITI ETHIOPIA

Company name: Dangote Industries (Ethiopia) Plc **Reporting period:** 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A- Bilateral company disclosures		**365,925,722**	**-**	**365,925,722**	**400,109,392**	**-**	**400,109,392**	**(34,183,670)**	
1- Payments to Ministry of Mines and Petroleum(MoMP)		**12,607,355**	**-**	**12,607,355**	**12,607,331**	**-**	**12,607,331**	**24**	
1.1	Royalties paid	12,607,355	-	12,607,355	12,607,331	-	12,607,331	24	Not material difference < KETB 20
1.2	License Fees	-	-	-	-	-	-	-	
1.3	Penalties	-	-	-	-	-	-	-	
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	-	-	-	-	
2- Payments to Ethiopian Revenues and Customs Authority (ERCA)		**353,318,367**	**-**	**353,318,367**	**387,502,061**	**-**	**387,502,061**	**(34,183,694)**	
2.1	Income tax : Schedule C (Mining)	-	-	-	-	-	-	-	
2.2	Income tax : Schedule C (Normal)	-	-	-	-	-	-	-	
2.3	Withholding tax on payments	19,263,843	-	19,263,843	19,316,711	-	19,316,711	(52,868)	Tax not reported by the extractive company
2.4	Customs duties	-	-	-		-	-	-	
2.5	Dividend Tax	-	-	-	-	-	-	-	
2.6	Personal Income tax (Pay As You Earn "PAYE")	33,614,715	-	33,614,715	34,922,628	-	34,922,628	(1,307,913)	Tax not reported by the extractive company
2.7	Capital gains	-	-	-		-	-	-	
2.8	Value Add Tax (VAT)	295,628,644	-	295,628,644	333,252,765	-	333,252,765	(37,624,121)	Tax not reported by the extractive company
2.9	Excise Tax	-	-	-	-	-	-	-	
2.10	Penalities	4,811,165	-	4,811,165	9,957	-	9,957	4,801,208	Missing extractive company detail per receipt number
2.11	Witholding tax on importation	-	-	-		-	-	-	
2.12	Other material payments to ERCA	-	-	-	-	-	-	-	
3- Payments to Ministry of Finance (MoF)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	
3.1	Free Equity	-	-	-	-	-	-	-	
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	**365,925,722**	**-**	**365,925,722**	**400,109,392**	**-**	**400,109,392**	**(34,183,670)**	

N°	Description of Payment	Original	Adjust	Final
B- Unilateral company disclosures		**13,366,976**	**-**	**13,366,976**
6- Regional State Mining Authority		**-**	**-**	**-**
6.1	Royalties paid	-	-	-
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	-	-	-
6.5	Other material payments to Regional State Mining Authority	-	-	-
7- Regional State Tax Authority		**13,366,976**	**-**	**13,366,976**
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	-	-	-
7.3	Personal Income tax (Pay As You Earn "PAYE")	13,366,976	-	13,366,976
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	-	-	-
8- Social Contributions		**-**	**-**	**-**
8.1	Voluntary Corporate Social Responsibility	-	-	-
8.2	Mandatory Social Responsibility	-	-	-

Company name: Derba Midroc Cement Plc

Reporting period: 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A-	Bilateral company disclosures	379,642,984	13,645,090	393,288,074	267,087,170	-	267,087,170	126,200,904	
1-	Payments to Ministry of Mines and Petroleum(MoMP)	7,767,865	-	7,767,865	9,661,127	-	9,661,127	(1,893,262)	
1.1	Royalties paid	7,715,279	-	7,715,279	9,497,030	-	9,497,030	(1,781,751)	Tax not reported by the extractive company
1.2	License Fees	-	-	-	-	-	-	-	
1.3	Penalties	52,586	-	52,586	-	-	-	52,586	Tax not reported by the Government Agencies
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	164,096	-	164,096	(164,096)	Tax not reported by the extractive company
2-	Payments to Ethiopian Revenues and Customs Authority (ERCA)	371,875,119	13,645,090	385,520,209	257,426,043	-	257,426,043	128,094,166	
2.1	Income tax : Schedule C (Mining)	-	-	-	-	-	-	-	
2.2	Income tax : Schedule C (Normal)	-	-	-	-	-	-	-	
2.3	Withholding tax on payments	15,239,981	(1,460,619)	13,779,362	15,187,092	-	15,187,092	(1,407,730)	Tax not reported by the extractive company
2.4	Customs duties	101,978,710	-	101,978,710	-	-	-	101,978,710	Tax not reported by the Government Agencies
2.5	Dividend Tax	-	-	-	-	-	-	-	
2.6	Personal Income tax (Pay As You Earn "PAYE")	13,630,148	(10,759,065)	2,871,083	3,104,499	-	3,104,499	(233,415)	Tax not reported by the extractive company
2.7	Capital gains	-	-	-	-	-	-	-	
2.8	Value Add Tax (VAT)	213,269,679	25,864,774	239,134,453	239,134,453	-	239,134,453	0	Not material difference < KETB 20
2.9	Excise Tax	27,273,924	-	27,273,924	-	-	-	27,273,924	Tax not reported by the Government Agencies
2.10	Penalities	482,677	-	482,677	-	-	-	482,677	Tax not reported by the Government Agencies
2.11	Witholding tax on importation	-	-	-	-	-	-	-	
2.12	Other material payments to ERCA	-	-	-	-	-	-	-	
3-	Payments to Ministry of Finance (MoF)	-	-	-	-	-	-	-	
3.1	Free Equity	-	-	-	-	-	-	-	
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	379,642,984	13,645,090	393,288,074	267,087,170	-	267,087,170	126,200,904	

N°	Description of Payment	Original	Adjust	Final
B-	Unilateral company disclosures	23,443,638	10,382,994	33,826,632
6-	Regional State Mining Authority	-	-	-
6.1	Royalties paid	-	-	-
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	-	-	-
6.5	Other material payments to Regional State Mining Authority	-	-	-
7-	Regional State Tax Authority	-	10,382,994	10,382,994
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	-	-	-
7.3	Personal Income tax (Pay As You Earn "PAYE")	-	10,382,994	10,382,994
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	-	-	-
8-	Social Contributions	23,443,638	-	23,443,638
8.1	Voluntary Corporate Social Responsibility	23,443,638	-	23,443,638
8.2	Mandatory Social Responsibility	-	-	-

Company name: National Cement Sc. Reporting period: 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A- Bilateral company disclosures		-	-	-	84,237,049	-	84,237,049	(84,237,049)	
1- Payments to Ministry of Mines and Petroleum(MoMP)		0	0	0	0	0	0	0	
1.1	Royalties paid	-	-	-	-	-	-	-	
1.2	License Fees	-	-	-	-	-	-	-	
1.3	Penalties	-	-	-	-	-	-	-	
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	-	-	-	-	
2- Payments to Ethiopian Revenues and Customs Authority (ERCA)		0	0	0	84,237,049	0	84,237,049	-84,237,049	
2.1	Income tax : Schedule C (Mining)	-	-	-	-	-	-	-	
2.2	Income tax : Schedule C (Normal)	-	-	-	-	-	-	-	
2.3	Withholding tax on payments	-	-	-	6,425,670	-	6,425,670	(6,425,670)	Reporting template not submitted by the extractive company
2.4	Customs duties	-	-	-	-	-	-	-	
2.5	Dividend Tax	-	-	-	33,711	-	33,711	(33,711)	Reporting template not submitted by the extractive company
2.6	Personal Income tax (Pay As You Earn "PAYE")	-	-	-	-	-	-	-	
2.7	Capital gains	-	-	-	-	-	-	-	
2.8	Value Add Tax (VAT)	-	-	-	77,777,668	-	77,777,668	(77,777,668)	Reporting template not submitted by the extractive company
2.9	Excise Tax	-	-	-	-	-	-	-	
2.10	Penalities	-	-	-	-	-	-	-	
2.11	Witholding tax on importation	-	-	-	-	-	-	-	
2.12	Other material payments to ERCA	-	-	-	-	-	-	-	
3- Payments to Ministry of Finance (MoF)		0	0	0	0	0	0	0	
3.1	Free Equity	-	-	-	-	-	-	-	
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	-	-	-	84,237,049	-	84,237,049	(84,237,049)	

N°	Description of Payment	Original	Adjust	Final
B- Unilateral company disclosures		-	-	-
6- Regional State Mining Authority		0	0	0
6.1	Royalties paid	-	-	-
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	-	-	-
6.5	Other material payments to Regional State Mining Authority	-	-	-
7- Regional State Tax Authority		0	0	0
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	-	-	-
7.3	Personal Income tax (Pay As You Earn "PAYE")	-	-	-
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	-	-	-
8- Social Contributions		0	0	0
8.1	Voluntary Corporate Social Responsibility	-	-	-
8.2	Mandatory Social Responsibility	-	-	-

Company name: East Cement Sc | Reporting period: 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A-	Bilateral company disclosures	64,041,602	(63,439,595)	602,007	67,781,394	(66,661,770)	1,119,624	(517,617)	
1-	Payments to Ministry of Mines and Petroleum(MoMP)	602,007	-	602,007	1,119,624	-	1,119,624	(517,617)	
1.1	Royalties paid	602,007	-	602,007	1,112,348	-	1,112,348	(510,341)	Tax not reported by the extractive company
1.2	License Fees	-	-	-	-	-	-	-	
1.3	Penalties	-	-	-	-	-	-	-	
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	7,276	-	7,276	(7,276)	Tax not reported by the extractive company
2-	Payments to Ethiopian Revenues and Customs Authority (ERCA)	63,439,595	(63,439,595)	-	66,661,770	(66,661,770)	-	-	
2.1	Income tax : Schedule C (Mining)	-	-	-	-	-	-	-	
2.2	Income tax : Schedule C (Normal)	5,247,729	(5,247,729)	-	15,247,729	(15,247,729)	-	-	
2.3	Withholding tax on payments	3,657,181	(3,657,181)	-	3,657,181	(3,657,181)	-	-	
2.4	Customs duties	16,762,170	(16,762,170)	-	-	-	-	-	
2.5	Dividend Tax	-	-	-	-	-	-	-	
2.6	Personal Income tax (Pay As You Earn "PAYE")	6,033,871	(6,033,871)	-	6,033,871	(6,033,871)	-	-	
2.7	Capital gains	-	-	-	-	-	-	-	
2.8	Value Add Tax (VAT)	31,738,644	(31,738,644)	-	41,273,875	(41,273,875)	-	-	
2.9	Excise Tax	-	-	-	-	-	-	-	
2.10	Penalities	-	-	-	449,114	(449,114)	-	-	
2.11	Witholding tax on importation	-	-	-	-	-	-	-	
2.12	Other material payments to ERCA	-	-	-	-	-	-	-	
3-	Payments to Ministry of Finance (MoF)	-	-	-	-	-	-	-	
3.1	Free Equity	-	-	-	-	-	-	-	
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	64,041,602	(63,439,595)	602,007	67,781,394	(66,661,770)	1,119,624	(517,617)	

N°	Description of Payment	Original	Adjust	Final
B-	Unilateral company disclosures	492,848	(392,121)	100,727
6-	Regional State Mining Authority	100,727	-	100,727
6.1	Royalties paid	100,727	-	100,727
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	-	-	-
6.5	Other material payments to Regional State Mining Authority	-	-	-
7-	Regional State Tax Authority	392,121	(392,121)	-
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	-	-	-
7.3	Personal Income tax (Pay As You Earn "PAYE")	392,121	(392,121)	-
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	-	-	-
8-	Social Contributions	-	-	-
8.1	Voluntary Corporate Social Responsibility	-	-	-
8.2	Mandatory Social Responsibility	-	-	-

Company name: Pioneer Cement Manufacturing Plc

Reporting period: 2016/17 (2009 EFY)

N°	Description of Payment	Per Company Original	Per Company Adjust	Per Company Final	Per Government Original	Per Government Adjust	Per Government Final	Final difference	Comment
A- Bilateral company disclosures		44,827,715	(892,526)	43,935,189	33,326,136	10,609,051	43,935,187	2	
1- Payments to Ministry of Mines and Petroleum(MoMP)		1,407,158	(143,446)	1,263,712	1,263,712	-	1,263,712	-	
1.1	Royalties paid	1,407,158	(143,446)	1,263,712	1,263,712	-	1,263,712	-	
1.2	License Fees	-	-	-	-	-	-	-	
1.3	Penalties	-	-	-	-	-	-	-	
1.4	Land Rentals	-	-	-	-	-	-	-	
1.5	Signature Bonus	-	-	-	-	-	-	-	
1.6	Production bonuses	-	-	-	-	-	-	-	
1.7	Training Fees	-	-	-	-	-	-	-	
1.8	Other material payments to Mining authority	-	-	-	-	-	-	-	
2- Payments to Ethiopian Revenues and Customs Authority (ERCA)		43,420,557	(749,080)	42,671,477	32,062,424	10,609,051	42,671,475	2	
2.1	Income tax : Schedule C (Mining)	7,417,598	-	7,417,598	-	7,417,598	7,417,598	-	
2.2	Income tax : Schedule C (Normal)	-	-	-	-	-	-	-	
2.3	Withholding tax on payments	4,188,494	-	4,188,494	4,094,469	94,025	4,188,494	-	
2.4	Customs duties	-	-	-	-	-	-	-	
2.5	Dividend Tax	2,019,454	-	2,019,454	1,312,356	707,098	2,019,454	-	
2.6	Personal Income tax (Pay As You Earn "PAYE")	2,091,745	(2,091,745)	-	-	-	-	-	
2.7	Capital gains	26,413,074	-	26,413,074	26,413,074	-	26,413,074	-	
2.8	Value Add Tax (VAT)	-	-	-	-	-	-	-	
2.9	Excise Tax	-	-	-	-	-	-	-	
2.10	Penalties	1,290,192	1,342,665	2,632,857	242,525	2,390,330	2,632,855	2	Not material difference < KETB 20
2.11	Witholding tax on importation	-	-	-	-	-	-	-	
2.12	Other material payments to ERCA	-	-	-	-	-	-	-	
3- Payments to Ministry of Finance (MoF)		-	-	-	-	-	-	-	
3.1	Free Equity	-	-	-	-	-	-	-	
3.2	Dividends from State Owned Companies	-	-	-	-	-	-	-	
3.3	Other material payments to MoFEC	-	-	-	-	-	-	-	
	Total payments	44,827,715	(892,526)	43,935,189	33,326,136	10,609,051	43,935,187	2	

N°	Description of Payment	Original	Adjust	Final
B- Unilateral company disclosures		-	2,235,191	2,235,191
6- Regional State Mining Authority		-	143,446	143,446
6.1	Royalties paid	-	143,446	143,446
6.2	License Fees	-	-	-
6.3	Penalties	-	-	-
6.4	Land Rentals	-	-	-
6.5	Other material payments to Regional State Mining Authority	-	-	-
7- Regional State Tax Authority		-	2,091,745	2,091,745
7.1	Income tax : Schedule C (Normal)	-	-	-
7.2	Withholding tax on payments	-	-	-
7.3	Personal Income tax (Pay As You Earn "PAYE")	-	2,091,745	2,091,745
7.4	Excise duty	-	-	-
7.5	Other material payments to Regional State Tax Authority	-	-	-
8- Social Contributions		-	-	-
8.1	Voluntary Corporate Social Responsibility	-	-	-
8.2	Mandatory Social Responsibility	-	-	-

Annex 9: Production data declared

N°	Companies	Solid Minerals Types	Quantity (Tons)		Value of the production in ETB	
1	MIDROC Gold Mine Plc	Gold	3	(*)	2,428,999,495	(*)
		Silver	1	(*)	7,796,248	(*)
3	Dangote Industries (Ethiopia) Plc	Limestone	2,588,022	(*)	246,169,173	(**)
		Basalt	150,826	(*)	19,521,564	(**)
		Silica sand	89,067	(*)	12,270,600	(**)
		Pumice	377,880	(*)	37,221,934	(**)
4	Derba Midroc Cement Plc	Limestone	1,342,898	(*)	114,482,055	(*)
		Basalt	114,649	(*)	10,031,819	(*)
		Sandstone	22,763	(*)	3,186,820	(*)
		Pumice	614,419	(*)	46,235,039	(*)
		Gypsum	74,299	(*)	18,946,245	(*)
7	Pioneer Cement Manufacturing Plc	Limestone	460,825	(*)	32,257,772	(*)
		Clay Soil	45,891	(*)	3,212,349	(*)
9	National Mining Corporation Plc	Marble	21,527	(*)	13,618,648	(*)
10	Erta Ale Salt Work Plc	Salt	128,129	(*)	24,923,256	(*)
11	Abijata-Shalla Soda Ash Sc	Soda Ash	6,785	(*)	51,651,383	(*)
12	Afar Salt Production Sc	Salt	310,063	(*)	46,165,226	(*)
13	AAYNA Marbles Plc	Marble			3,703,034	(**)
14	Afdera Salt Production Plc	Salt			3,254,515	(**)
15	Alisha Mining Plc	Marble			1,686,938	(**)
16	Allied Chemicals Plc	Silica sand			2,096,861	(**)
17	Bezalel Construction Material Manufacturing Plc	Clay soil			1,305,000	(**)
18	Derba Lime and Chemicals Plc	Limestone			65,152,739	(**)
19	East Cement Plc	Limestone			11,266,501	(**)
20	Inchini Bedrock Cement plc	Limestone			5,000,000	(**)
21	JAM Industrial Plc	Basalt			1,060,542	(**)
22	Lucy Salt Producing Plc	Salt			8,334,715	(**)
23	Sammakka Stones Plc	Marble			15,933,974	(**)
29	Sourish Marbles Plc	Marble			3,763,363	(**)
	Total		6,348,047		3,239,247,808	

Source: (*) Reporting Templates of Companies and (**) MoMP Reporting templates

Annex 10: Summary of unreconciled differences by company and payment stream

- **Unreconciled differences by company:**

Amounts in ETB

No.	Company	Unreconciled difference	Reasons for differences: Reporting template not submitted by the extractive company	Reporting template not submitted by the Government Agencies	Missing extractive company detail per receipt number	Tax not reported by the extractive company	Tax not reported by the Government Agencies	Not material difference < KETB 20
1	MIDROC Gold Mine Plc	27,788,166	-	26,717,610	-	-	1,070,776	(220)
2	Messebo Cement Factory Plc	(469,529,198)	(469,529,198)	-	-	-	-	-
3	Dangote Industries (Ethiopia) Plc	(34,183,670)	-	-	4,801,208	(38,984,902)	-	24
4	Derba Midroc Cement Plc	126,200,904	-	-	-	(3,586,993)	129,787,897	0
5	National Cement Sc.	(84,237,049)	(84,237,049)	-	-	-	-	-
6	East Cement Sc	(517,617)	-	-	-	(517,617)	-	-
7	Pioneer Cement Manufacturing Plc	2	-	-	-	-	-	2
	Total	**(434,478,462)**	**(553,766,247)**	**26,717,610**	**4,801,208**	**(43,089,512)**	**130,858,673**	**(194)**

- **Unreconciled amounts by type of payment:**

Amounts in ETB

No.	Revenu Stream	Unreconciled difference	Reasons for differences: Reporting template not submitted by the extractive company	Reporting template not submitted by the Government Agencies	Missing extractive company detail per receipt number	Tax not reported by the extractive company	Tax not reported by the Government Agencies	Not material difference < KETB 20
1- Payments to Ministry of Mines and Petroleum(MoMP)		**(2,411,075)**	**-**	**-**	**-**	**(2,463,465)**	**52,586**	**(196)**
1.1	Royalties paid	(2,292,068)	-	-	-	(2,292,092)	-	24
1.2	License Fees	(200)	-	-	-	-	-	(200)
1.3	Penalties	52,586	-	-	-	-	52,586	-
1.4	Land Rentals	-	-	-	-	-	-	-
1.5	Signature Bonus	-	-	-	-	-	-	-
1.6	Production bonuses	-	-	-	-	-	-	-
1.7	Training Fees	-	-	-	-	-	-	-
1.8	Other material payments to Mining authority	(171,392)	-	-	-	(171,372)	-	(20)
2- Payments to Ethiopian Revenues and Customs Authority (ERCA)		**(458,784,997)**	**(553,766,247)**	**-**	**4,801,208**	**(40,626,048)**	**130,806,087**	**2**
2.1	Income tax : Schedule C (Mining)	-	-	-	-	-	-	-
2.2	Income tax : Schedule C (Normal)	(216,490,608)	(216,490,608)	-	-	-	-	-
2.3	Withholding tax on payments	(21,687,082)	(20,226,484)	-	-	(1,460,598)	-	-
2.4	Customs duties	103,049,486	-	-	-	-	103,049,486	-
2.5	Dividend Tax	(3,642,181)	(3,642,181)	-	-	-	-	-
2.6	Personal Income tax (Pay As You Earn "PAYE")	(40,082,091)	(38,540,763)	-	-	(1,541,328)	-	-
2.7	Capital gains	-	-	-	-	-	-	-
2.8	Value Add Tax (VAT)	(312,490,332)	(274,866,211)	-	-	(37,624,121)	-	0

No.	Revenu Stream	Unreconciled difference	Reasons for differences: Reporting template not submitted by the extractive company	Reporting template not submitted by the Government Agencies	Missing extractive company detail per receipt number	Tax not reported by the extractive company	Tax not reported by the Government Agencies	Not material difference < KETB 20
2.9	Excise Tax	27,273,924	-	-	-	-	27,273,924	-
2.10	Penalities	5,283,887	-	-	4,801,208	-	482,677	2
2.11	Witholding tax on importation	-	-	-	-	-	-	-
2.12	Other material payments to ERCA	-	-	-	-	-	-	-
3- Payments to Ministry of Finance (MoF)		**26,717,610**	**-**	**26,717,610**	**-**	**-**	**-**	**-**
3.1	Free Equity	26,717,610	-	26,717,610	-	-	-	-
	Total	**(434,478,462)**	**(553,766,247)**	**26,717,610**	**4,801,208**	**(43,089,512)**	**130,858,673**	**(194)**