

# Validation of Ethiopia

## Report on initial data collection and stakeholder consultation

## Abbreviations

ASM	Artisanal and Small-scale Mining
CSO	Civil Society Organizations
EEITI	Ethiopian Extractive Industries Transparency Initiative
EFY	Ethiopian Fiscal Year
EITI	Extractive Industries Transparency Initiative
ERCA	Ethiopian Revenues and Customs Authority
ETB	Ethiopian Birr
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
IA	Independent Administrator
MoFEC	Ministry of Finance and Economic Cooperation
MLAD	Mineral Licensing and Administration Directorate
MMPNG	Ministry of Mines Petroleum and Natural Gas
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
SOE	State-Owned Enterprise
TIN	Taxpayer Identification Number
ToR	Terms of Reference
VAT	Value Added Tax

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## Executive Summary

The government of the Federal Democratic Republic of Ethiopia (FDRE) committed to implement the EITI in February 2009 through a televised address and at the EITI's 4<sup>th</sup> Global Conference in Doha. An interim multi-stakeholder group (MSG), the EEITI National Steering Committee (ENSC), was formed in July 2009. After several deferments of the EITI Board's decision on Ethiopia's 2009 EITI Candidature application, the government restructured the ENSC to the Multi-Stakeholder Board (MSB) and re-applied in October 2013. The country was accepted as an EITI Candidate in March 2014 at the EITI Board's meeting in Oslo.

On 25 October 2016, the Board agreed that Ethiopia's Validation under the 2016 EITI Standard would commence on 1 April 2018. This report presents the findings and initial assessment of the International Secretariat's data gathering and stakeholder consultations. The International Secretariat has followed the Validation Procedures and applied the Validation Guide in assessing Ethiopia's progress with the EITI Standard. While the assessment has not yet been reviewed by the MSG or been quality assured, the Secretariat's preliminary assessment is that 15 of the requirements of the EITI Standard have not been fully addressed in Ethiopia. Two of these are unmet with inadequate progress. The recommendations and suggested corrective actions identified through this process relate in particular to the environment for civil society engagement, MSG oversight, legal framework, license registers, state participation, direct subnational payments and transfers as well as the comprehensiveness and reliability of reporting.

## Overall conclusions

While the extractive industries only account for a small share Ethiopia's recorded economy, contributing 0.7% of government revenues, 0.8% of gross domestic product (GDP) and 15% of exports, they have been related to social strife in recent years. Most recently, social unrest led to the revocation of MIDROC Gold's mining licenses in 2018. Broader social unrest and security challenges have overshadowed the period of Ethiopia's EITI (EEITI) implementation (2014-18).

Ethiopia's EITI implementation has targeted some issues of national importance, such as artisanal and small-scale mining, social expenditures and mining licensing by different tiers of government. Of crucial importance in a country with a population that is 80% rural<sup>1</sup>, EEITI has focused on outreach and dissemination at the local level, in *woredas* hosting mines and quarries.

The strong country ownership on the part of the government has not been matched by an equivalent engagement from industry or civil society. The lack of clear coordination mechanisms linking MSG representatives to their constituencies has led to a disconnect between the two. Civil society representation on the MSG has tended to follow EEITI activities rather than be a real driver of all aspects of implementation, from oversight of EITI reporting to dissemination and outreach.

Broader constraints on civil society operation in Ethiopia have also played a role in weakening the broader constituency's engagement in EITI implementation. Assiduously applied legal constraints introduced in 2009 bar foreign-funded civil society organisations (CSOs) from engaging in the advocacy necessary for

<sup>1</sup> World Bank, Rural population data, accessed [here](#) in May 2018.

successful EITI implementation. Amidst reforms announced since Prime Minister Abiy Ahmed's appointment in April 2018, there is a need for Ethiopia to more effectively carve out a space to enable interested civil society organisations to fully engage in all aspects of EITI implementation. Such dedicated EITI legislation had been pledged as part of Ethiopia EITI Candidature application in 2013.<sup>2</sup>

The EEITI's focus on reconciliation, licensing and social expenditures has not been matched by an equivalent attention to detail in areas such as state participation or subnational transfers, despite public interest in such issues. There are clear opportunities for the EITI to provide much-needed intermediation between civil society, industry and the government on pressing issues of concern both to local communities and policy-makers in the Federal Government.

Ethiopia has been a pioneer in aspects of its EITI implementation, from its subnational outreach and dissemination to extending the scope of EITI reporting to ASM. The government, through the Ministry of Mines, Petroleum and National Gas, has engaged actively in international EITI events and played a regional role both in East Africa and on the wider continent. Refinements to its disclosure practices and a wholesale strengthening of its multi-stakeholder oversight should enable Ethiopia to consolidate transparency gains and leverage them for tangible improvements in accountability in its management of natural resource governance.

## Recommendations

While the following report includes recommendations for specific improvements the MSG may wish to consider implementing, the following is a list of strategic suggested corrective actions that should help Ethiopia make greater use of the EITI as an instrument to support reforms.

- In accordance with Requirement 1.3.b, the government should ensure an enabling environment for civil society to freely express opinions with regards to natural resource governance. In accordance with Requirements 1.3.c and d, the government must ensure that there are no obstacles to civil society participation in the EITI process and must refrain from actions which result in narrowing or restricting public debate in relation to implementation of the EITI. In accordance with Requirement 1.3.a, civil society must demonstrate that it is fully, actively and effectively engaged in the EITI process.
- In accordance with Requirement 1.4, the MSG should ensure that each constituency has clear procedures for the selection of MSG members and channels of communication between the MSB representatives and their constituencies. The MSG could task each stakeholder group to clarify their internal nominations and representation procedures to improve the transparency and participation in the process. The MSG should also agree a process to ensure greater accountability of MSG representatives to the constituencies. This should include establishing mechanisms of consultation and reporting between MSG representatives and their wider constituencies.
- In accordance with Requirement 2.1, Ethiopia should ensure that descriptions of the main government entities involved in overseeing the mining, oil and gas sectors and of recent or ongoing extractives reforms be publicly accessible.
- In accordance with Requirement 2.3, Ethiopia is required to maintain a publicly available register or cadastre system(s), including comprehensive information on all active oil, gas and mining licenses. In the interim, the MSG should ensure that information set out under Requirement 2.3.b

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<sup>2</sup> EITI (2014), Secretariat assessment candidature of Ethiopia EITI, accessed [here](#) June 2018.

be publicly-accessible for all mining, oil and gas licenses held by companies included in the scope of EITI reporting.

- In accordance with Requirement 2.4, Ethiopia should ensure that the government’s policy on contract disclosure is publicly clarified for both mining contracts and oil and gas PSAs. Where applicable, Ethiopia should provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location where these are published or guidance on how to access them.
- In accordance with Requirement 2.6, Ethiopia should disclose a comprehensive list of state participations in the extractive industries, including the terms associated with state equity, and publicly clarify the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. This should include a comprehensive overview of loans and guarantees extended by the state or SOEs to any extractives company.
- In accordance with Requirement 3.3, Ethiopia should ensure that the export volumes and values of each mineral commodity exported in the year(s) under review are publicly available.
- In accordance with Requirement 4.1, Ethiopia should ensure that future EITI reporting clearly explain all unreconciled discrepancy and provide a clear assessment of whether discrepancies materially affect the comprehensiveness of the reconciliation. In addition, Ethiopia should ensure that full unilateral government disclosure of material revenues, including from non-material companies, is provided disaggregated per material revenue stream.
- In accordance with Requirement 4.5, Ethiopia should ensure that all material company payments to SOEs and all transactions between SOEs and government entities be comprehensively disclosed and reconciled.
- In accordance with Requirement 4.6, Ethiopia should establish whether direct subnational payments, within the scope of the agreed benefit streams, are material ahead of future EITI reporting. Where material, the MSG is required to ensure that reconciled information on company payments to subnational government entities and the receipt of these payments be publicly accessible.
- In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:
  - a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator’s inception report should document the options considered and the rationale for the assurances to be provided.
  - b. ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
  - c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the

Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.








- In accordance with Requirement 5.2, Ethiopia is required to ensure that material subnational transfers of extractives revenues are publicly disclosed, when such transfers are mandated by a national constitution, statute or other revenue sharing mechanism. Ethiopia should also disclose any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount transferred between the central government and each relevant subnational entity. Ethiopia may wish to consider whether publishing the detailed calculations of subnational royalty transfers as a means of achieving this objective. Ethiopia is encouraged to reconcile subnational extractives transfers.
- In accordance with Requirement 6.1, Ethiopia should ensure that information on mandatory social expenditures, clearly disaggregated between cash and in-kind and by non-government beneficiary, is publicly accessible.
- In accordance with Requirement 6.2, Ethiopia should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal. Ethiopia should develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.
- In accordance with Requirement 7.4, the MSB should annually assesses and document progress made by Ethiopia against the EITI requirements or recommendations from the EITI Report.



Figure 1– initial assessment card

EITI Requirements		LEVEL OF PROGRESS				
		No progress	Inadequate	Meaningful	Satisfactory	Beyond
Categories	Requirements					
MSG oversight	Government engagement (#1.1)				■	
	Industry engagement (#1.2)				■	
	Civil society engagement (#1.3)		■			
	MSG governance (#1.4)			■		
	Work plan (#1.5)				■	
Licenses and contracts	Legal framework (#2.1)			■		
	License allocations (#2.2)				■	
	License register (#2.3)			■		
	Policy on contract disclosure (#2.4)			■		
	Beneficial ownership (#2.5)	■				
	State participation (#2.6)		■			
Monitoring production	Exploration data (#3.1)				■	
	Production data (#3.2)				■	
	Export data (#3.3)			■		
Revenue collection	Comprehensiveness (#4.1)			■		
	In-kind revenues (#4.2)	■	■	■	■	■
	Barter agreements (#4.3)	■	■	■	■	■
	Transportation revenues (#4.4)	■	■	■	■	■
	SOE transactions (#4.5)			■		
	Direct subnational payments (#4.6)			■		
	Disaggregation (#4.7)				■	
	Data timeliness (#4.8)				■	
Data quality (#4.9)			■			
Revenue allocation	Distribution of revenues (#5.1)				■	
	Subnational transfers (#5.2)			■		
	Revenue management and expenditures (#5.3)	■	■	■	■	■
Socio-economic contribution	Mandatory social expenditures (#6.1)			■		
	SOE quasi-fiscal expenditures (#6.2)			■		
	Economic contribution (#6.3)				■	
Outcomes and impact	Public debate (#7.1)				■	
	Data accessibility (#7.2)	■	■	■	■	■
	Follow up on recommendations (#7.3)				■	
	Outcomes and impact of implementation (#7.4)			■		

*Legend to the assessment card*

	<b>No progress.</b> The country has made no progress in addressing the requirement. The broader objective of the requirement is in no way fulfilled.
	<b>Inadequate progress.</b> The country has made inadequate progress in meeting the requirement. Significant elements of the requirement are outstanding and the broader objective of the requirement is far from being fulfilled.
	<b>Meaningful progress.</b> The country has made progress in meeting the requirement. Significant elements of the requirement are being implemented and the broader objective of the requirement is being fulfilled.
	<b>Satisfactory progress.</b> All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.
	<b>Beyond.</b> The country has gone beyond the requirement.
	This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.
	The MSG has demonstrated that this requirement is not applicable in the country.

## Introduction

### Brief recap of the sign-up phase

Minister of Mines and Energy Alemayehu Tegenu announced the government's intention to apply for EITI Candidature in a televised public statement<sup>3</sup> and at the 4<sup>th</sup> EITI Global Conference in Doha<sup>4</sup>, both in February 2009.<sup>5</sup> The government appointed the Ministry of Mines as the lead on EITI implementation. Following the government's public calls through national television and local press on companies and civil society organisations to participate in EITI in June-July 2009, the Ministry of Mines hosted the inaugural EEITI launch conference on 28-29 July 2017 at Adama.<sup>6</sup> At the conference, the three constituencies signed a MoU and established the multi-stakeholder group (MSG), the EEITI National Steering Committee (ENSC), composed of five members from each constituency.<sup>7</sup>

While Ethiopia first submitted an EITI Candidature application in August 2009, the EITI Board deferred its decision on the application at its 10<sup>th</sup> and 11<sup>th</sup> meetings in October 2009<sup>8</sup> and March 2010<sup>9</sup> to seek further explanations from the government regarding the free and active participation of civil society organisations in the EEITI implementation. Nonetheless, Ethiopia continued to implement an EITI-like process outside the formal international EITI structures.<sup>10</sup> Following three country visits by EITI Board representatives in 2010-2013, Ethiopia submitted a second EITI Candidature application in October 2013.<sup>11</sup> Ethiopia was subsequently admitted as an EITI candidate country in March 2014.<sup>12</sup>

### Objectives for implementation and overall progress in implementing the work plan

Ethiopia's overall objectives for implementation include optimising the benefits of the extractive industries to transform Ethiopia's human development path and enhancing the capacity of the regulatory bodies engaged in extractive sector management. More specific objectives outlined in their 2017/18 work plan include enabling key government agencies to design, improve and implement their legal, regulatory and policy frameworks to effectively govern the extractive sectors by addressing the capacity constraints through capacity building efforts.<sup>13</sup>

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<sup>3</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018, p.10; and Ministry of Mines and Energy (February 2009), 'Government public statement on EITI', accessed [here](#) in March 2018.

<sup>4</sup> EITI (February 2009), 'The 4th EITI Global Conference', accessed [here](#) in March 2018.

<sup>5</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018, p.20.

<sup>6</sup> Extractives Hub (February 2016), 'Ethiopia Extractive Industries Transparency Initiative Report mid 2013 to mid 2014', accessed [here](#) in March 2018.

<sup>7</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018, p.10.

<sup>8</sup> EITI (October 2009), 'Minutes of the 10<sup>th</sup> EITI Board meeting in Baku, 14-15 October 2009', accessed [here](#) in March 2018.

<sup>9</sup> EITI (March 2010), 'Minutes of the 11<sup>th</sup> EITI Board meeting, Oslo, 9-10 February 2010', accessed [here](#) in March 2018, p.8.

<sup>10</sup> Jonas Moberg and Eddie Rich (September 2015), 'Beyond Governments: Making Collective Governance Work - Lessons from the Extractive Industries Transparency Initiative', accessed [here](#) in March 2018, pp.59-60.

<sup>11</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018.

<sup>12</sup> EITI (March 2014), 'Ethiopia's application for 'candidature' approved', accessed [here](#) in March 2018.

<sup>13</sup> Ethiopia EITI (December 2016), Ethiopian EITI 2017 work plan, accessed [here](#) in March 2018.

The objectives of Ethiopia's 2014-15 EITI work plan included ensuring revenue transparency, raising awareness about license allocation procedures, and promoting corporate social responsibility in the mining sector.<sup>14</sup>

## History of EITI Reporting

Ethiopia has published a total of three EITI Reports covering three fiscal years (2013-16), which are available on the Ethiopia page on the global EITI website.<sup>15</sup> While the country had published an extractives revenue reconciliation report (covering 2009-10) in February 2013 prior to its acceptance as an EITI Candidate<sup>16</sup>, it published its first EITI Report (covering 2013-14) in February 2016. Having missed the July 2017 deadline for publication of its 2014-15 EITI Report, Ethiopia was temporarily suspended by the EITI Board in September 2017.<sup>17</sup> The suspension was lifted following publication of the second EITI Report (2014-15) in January 2018. The third EITI Report (covering 2015-16) was published in March 2018. The reports cover both the oil, gas and mining sectors. EITI reporting in Ethiopia has also sought to cover the artisanal and small-scale mining sector (ASM), and a dedicated report on ASM and its contribution to the economy was published in April 2016. Comprehensive disclosures of revenues collected at the regional level has been identified as a challenge due to administrative obstacles.

## Summary of engagement by government, civil society and industry

In July 2009, an MoU was signed between government, companies and civil society representatives, setting out the objectives of the EEITI National Steering Committee (ENSC – renamed Multi-Stakeholder Board, MSB in 2017) as well as the composition, responsibilities and mandate of MSB members, and internal rules.<sup>18</sup> The government restructured the ENSC to the Multi-Stakeholder Board (MSB) in October 2013. The current MSB consists of five representatives each from government, extractives companies and NGOs. The MSB Chair and EEITI Champion is Minister of Mines, Petroleum and Natural Gas Melese Alemu.

The government and in particular the Ministry of Mines, Petroleum and Natural Gas has been engaged throughout the EITI process. An EEITI Act with the view of institutionalising the EITI process has been in drafting stage since 2015 and was at the time of Validation being reviewed by the Attorney General. Industry and civil society representatives that are represented on the MSB has also been engaged throughout, although there is a need to strengthen coordination between MSB members and their constituencies. The 2009 Charities and Societies Proclamation poses further obstacles for full civil society engagement in the EITI process.

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<sup>14</sup> Ethiopia EITI (January 2014), 'EEITI 2014-15 work plan', accessed [here](#) in March 2018, p.6.

<sup>15</sup> Ethiopia page on the EITI website, accessed [here](#) in March 2018.

<sup>16</sup> Ethiopia EITI (January 2018), '2014-15 EEITI Report', accessed [here](#) in March 2018, p.5.

<sup>17</sup> EITI (September 2017), 'The Board suspends Ethiopia for not meeting the publication deadline of their 2014/2015 Report', accessed [here](#) in March 2018.

<sup>18</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018, p.10.

## Key features of the extractive industry

Ethiopia is not an economy reliant on the extractive industries, which accounted for only 0.8% of GDP, around 15% of exports and 0.7% of government revenues in 2015-16.<sup>19</sup> Yet the government plans to expand the mining sector's contribution to 10% of GDP, between USD100m and USD 500m in tax revenues and USD 1.5bn in export earnings by 2024, under its five-year Growth and Transformation Plan (GTP).<sup>20</sup> Ethiopia accounted for around 3% of global tantalum mine production in 2014 according to the US Geological Survey<sup>21</sup> and was the world's 36<sup>th</sup>-largest producer of gold in 2016 according to the World Gold Council.<sup>22</sup> The country is also a significant producer of cement, crushed stone and gemstones and holds deposits of coal, tantalum, iron, nickel, manganese, oil and gas, potash and phosphates.<sup>23</sup> There is extensive artisanal and small-scale mining (ASM) in Ethiopia, focused on gold, tantalum and gemstones. Estimates of employment in ASM range from around 300k people<sup>24</sup> to 1m.<sup>25</sup> There is active exploration for oil and gas, with estimated reserves of 4.7tn cu ft of liquid natural gas and 13.6 million barrels of associated liquids in fields of the Ogaden basin, discovered in the 1970s, with first production expected in late 2018.<sup>26</sup>

According to the 2017 Resource Governance Index from the Natural Resource Governance Institute (NRGI), Ethiopia scored 40 out of 100 points and ranked 57<sup>th</sup> of 89 countries assessed.<sup>27</sup> Ethiopia was ranked 17<sup>th</sup> of Sub-Saharan African countries assessed in the index, revealing weak resource governance scores comparing to the world's average. According to the index, Ethiopia showed good results in tax transparency, although its results in enabling environment, licensing, revenue management and value realisation were poor and its performance on state-owned enterprises was considered failing.

## Explanation of the Validation process

Validation is an essential feature of the EITI implementation process. It is intended to provide all stakeholders with an impartial assessment of whether EITI implementation in a country is consistent with the provisions of the EITI Standard. It also addresses the impact of the EITI, the implementation of activities encouraged by the EITI Standard, lessons learnt in EITI implementation, as well as any concerns stakeholders have expressed and recommendations for future implementation of the EITI.

The Validation process is outlined in chapter 4 of the EITI Standard<sup>28</sup>. It has four phases:

1. Preparation for Validation by the multi-stakeholder group (MSG)

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<sup>19</sup> African Development Bank (May 2017), 'African Economic Outlook: Ethiopia', accessed [here](#) in March 2018, p.4, and EEITI (April 2017), , Ethiopia EITI Report 2015/16, accessed [here](#) in May 2018.

<sup>20</sup> Center for Social Responsibility in Mining (May 2016), 'Prospects for inclusive development from oil, gas and mining in Ethiopia', accessed [here](#) in March 2018, p.1.

<sup>21</sup> US Geological Survey (August 2017), 'The minerals industry of Ethiopia in 2014', accessed [here](#) in March 2018, p.1.

<sup>22</sup> World Gold Council (2017), 'Gold mining map', accessed [here](#) in March 2018.

<sup>23</sup> Ministry of Mines, Petroleum and Natural Gas (June 2017), 'The mineral industry and investment opportunities in Ethiopia', accessed [here](#) in March 2018; and Federal Democratic Republic of Ethiopia (2014), 'Prospectus for USD 1bn sovereign Eurobond issue, 2014', accessed [here](#) in March 2018, p.46.

<sup>24</sup> EITI (March 2016), 'Ethiopia: Collecting data where little was previously available', accessed [here](#) in March 2018.

<sup>25</sup> Center for Social Responsibility in Mining (May 2016), 'Prospects for inclusive development from oil, gas and mining in Ethiopia', accessed [here](#) in March 2018, p.2.

<sup>26</sup> World Bank (November 2016), 'Project information document: Ethiopia EITI (Grant II)', accessed [here](#) in March 2018.

<sup>27</sup> NRGI (2017) Resource Governance Index: Ethiopia, accessed [here](#) in March 2018.

<sup>28</sup> See also <https://eiti.org/validation>.

2. Initial data collection and stakeholder consultation undertaken by the EITI International Secretariat.
3. Independent quality assurance by an independent Validator who reports directly the EITI Board
4. Board review.

The [Validation Guide](#) provides detailed guidance on assessing EITI Requirements, and more detailed [Validation procedures](#), including a standardised procedure for data collection and stakeholder consultation by the EITI International Secretariat and standardised terms of reference for the Validator.

The Validation Guide includes a provision that: “Where the MSG wishes that validation pays particular attention to assessing certain objectives or activities in accordance with the MSG work plan, these should be outlined upon the request of the MSG”. The Ethiopia EITI MSG did not request any issues for particular consideration.

In accordance with the Validation procedures, the International Secretariat’s work on the initial data collection and stakeholder consultation was conducted in three phases:

### 1. Desk Review

Prior to visiting the country, the Secretariat conducted a detailed desk review of the available documentation relating to the country’s compliance with the EITI Standard, including but not limited to:

- The EITI work plan and other planning documents such as budgets and communication plans;
- The multi-stakeholder group’s Terms of Reference, and minutes from multi-stakeholder group meetings;
- EITI Reports, and supplementary information such as summary reports and scoping studies;
- Communication materials;
- Annual progress reports; and
- Any other information of relevance to Validation.

In accordance with the Validation procedures, the Secretariat has not taken into account actions undertaken after the commencement of Validation.

### 2. Country visit

A country visit took place on 13-18 May. All meetings took place in Addis Ababa. The secretariat met with the multi-stakeholder group and its members, the Independent Administrator and other key stakeholders, including stakeholder groups that are represented on, but not directly participating in, the multi-stakeholder group. In addition to meeting with the MSG as a group, the Secretariat met with its constituent parts (government, companies and civil society) either individually or in constituency groups, with appropriate protocols to ensure that stakeholders are able to freely express their views and that requests for confidentiality are respected. The list of stakeholders consulted is outlined in Annex D.

### 3. Reporting on progress against requirements

This report provides the International Secretariat initial assessment of progress against requirements in accordance with the Validation Guide. It does not include an overall assessment of compliance.

The International Secretariat's team comprised: Ines Schjolberg Marques, Alex Gordy, Eddie Rich and Sam Bartlett. Ines Schjolberg Marques and Alex Gordy conducted stakeholder consultations and prepared the draft initial assessment. Eddie Rich and Sam Bartlett provided quality assurance.

## Part I – MSG Oversight

### 1. Oversight of the EITI process

#### 1.1 Overview

This section relates to stakeholder engagement and the environment for implementation of EITI in country, the governance and functioning of the multi-stakeholder group (MSG), and the EITI work plan.

#### 1.2 Assessment

### Government engagement in the EITI process (#1.1)

#### Documentation of progress

*Public statement:* Minister of Mines and Energy Alemayehu Tegenu announced the government's intention to apply for EITI Candidature in a televised public statement<sup>29</sup> and at the 4<sup>th</sup> EITI Global Conference in Doha<sup>30</sup>, both in February 2009.<sup>31</sup> The government appointed the Ministry of Mines and Energy Alemayehu Tegenu as the lead on EITI implementation. Following the government's public calls through national television and local press on companies and civil society organisations to participate in EITI in June-July 2009, the Ministry of Mines hosted the inaugural EEITI launch conference on 28-29 July 2009 at Adama, where then-State Minister of Mines and Vice-Chair of the EITI National Steering Committee (NSC) Tolessa Shagi also confirmed the government's support to the EITI.<sup>32</sup> During statements made at an event officially launching Ethiopia's EITI Candidature on 17 June 2014, President of Ethiopia Mulatu Teshome, then-Minister of Mines and Energy Tolessa Shagi and then-State Minister Tewodros Egziabhe made further statements reaffirming the government's commitment to EITI.<sup>33</sup>

As Chair of the EEITI National Steering Committee, Minister Tolessa Shagi (EITI Champion from March 2014 - October 2016) publicly reiterated the government's commitment to EITI during Ethiopia's application for EITI Candidature in 2013-14<sup>34</sup> and at various public forums including a December 2014

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<sup>29</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018, p.10; and Ministry of Mines and Energy (February 2009), 'Government public statement on EITI', accessed [here](#) in March 2018.

<sup>30</sup> EITI (February 2009), 'The 4th EITI Global Conference', accessed [here](#) in March 2018.

<sup>31</sup> Ethiopia EITI (October 2013), EITI Candidature application, accessed [here](#) in March 2018, p.20.

<sup>32</sup> Extractives Hub (February 2016), 'Ethiopia Extractive Industries Transparency Initiative Report mid 2013 to mid 2014', accessed [here](#) in March 2018.

<sup>33</sup> Ethiopia EITI (June 2015), Annual Activity report 2014, accessed [here](#) in July 2018, p. 9.

<sup>34</sup> EITI (March 2014), 'Ethiopia's application for 'candidature' approved', accessed [here](#) in March 2018.



extractives workshop<sup>35</sup> and at the 7<sup>th</sup> EITI Global Conference in February 2016.<sup>36</sup> His successor as Minister of Mines, Petroleum and Natural Gas since October 2016, Motuma Mekassa, reiterated government commitment at the launch of the 2014-15 EITI Report in February 2018.<sup>37</sup>

*Senior lead:* The EITI is led by the Minister of Mines, Petroleum and Natural Gas, currently Meles Alemu Hirboro since April 2018. The EITI MSB Charter states that “The board shall be permanently chaired by the Minister or State Minister of the Ministry of Mines, Petroleum and Natural Gas” (section 1.5). The former Minister of Mines, Motuma Mekassa (EITI Champion from October 2016 – April 2018), chaired most EITI MSB meetings in 2017-2018, and attended the EITI Board meeting in Oslo on 23-24 May 2017 to meet with International EITI stakeholders. In the absence of the minister, the State Minister Tewodros Egziabhe chaired the meetings.

*Active engagement:* Government representatives have engaged at a high level throughout EITI implementation, both during MSB meetings and wider dissemination and outreach activities. MSB meetings have been consistently chaired by the Minister or State Minister of Mines.

The government is represented by five members on the MSB, from the Ministry of Finance and Economic Development (MOFEC), Ethiopia Revenues and Customs Authority (ERCA), Ministry of Mines, Petroleum and Natural Gas, National Bank and General Auditor. Attendance by government representatives has been high, at an average of four out of five representatives per meeting (see Annex B on meeting attendance). The MSB also agreed in early 2018 to invite three permanent observers to the MSB, to ensure that the MSB would have access to the expertise needed to make progress on issues such as systematic disclosures and follow-up on recommendations. The permanent observers are representatives from the Mineral Licensing and Administration Directorate, Petroleum Licensing and Administration Directorate and the Environment and Social Development Directorate.<sup>38</sup>

In a November 2016 project update, the World Bank considered implementation of EEITI as sustainable from both financial and political perspectives, given awareness of EITI and commitment to its implementation at the highest levels of government (including the Prime Minister’s office).<sup>39</sup> In financial terms, donors that have expressed interest in supporting EEITI implementation include Canada’s DFTAD, the UK’s DFID and the European Union. The government has also allocated some of its limited finances towards EITI implementation, reflecting solid country ownership with around USD 20,000 allocated to support EITI implementation by the Ministry of Mines, Energy and Natural Gas for 2016 and USD 100,000 in 2017.<sup>40</sup> Based on feedback from EEITI Secretariat staff, funds dedicated to EITI implementation by the government have increased consistently year-on-year.<sup>41</sup> The government has also demonstrated its commitment to EITI by including provisions mandating company disclosures in accordance with EITI in the 2013 Mining Operations Proclamation. EEITI has also been drafting and consulting widely on an EITI Act

<sup>35</sup> United Nations Development Programme (December 2014), ‘Stakeholders Meet to Discuss Ethiopia’s Extractive Industry’, accessed [here](#) in March 2018.

<sup>36</sup> EITI (February 2016), The 7th EITI Global Conference, accessed [here](#) in March 2018.

<sup>37</sup> Ethiopian News Agency (February 2018), ‘Ethiopia Release Extractive Industries Transparency Initiative Report’, accessed [here](#) in March 2018.

<sup>38</sup> EEITI MSB meeting minutes, MSB meeting 27 January 2018.

<sup>39</sup> World Bank (November 2016), ‘Project information document: Ethiopia EITI (Grant II)’, accessed [here](#) in March 2018.

<sup>40</sup> EEITI (June 2018), Annual Progress Report 2017, accessed [here](#) July 2018.

<sup>41</sup> World Bank (November 2016), ‘Project information document: Ethiopia EITI (Grant II)’, accessed [here](#) in March 2018.

that is currently being reviewed by the Attorney General.

### Stakeholder views

Stakeholders generally considered that there had been strong government commitment to EITI since the government first stated its intention to implement EITI in 2009, in particular from the Ministry of Mines, Petroleum and Natural Gas. The Minister of Mines, Petroleum and Natural Gas's regular attendance and participation at MSB meetings was cited as evidence of the government's strong commitment to the EITI.

Some stakeholders from civil society and industry noted that the commitment from other government agencies represented on the MSB beyond the Minister of Mines, Petroleum and Natural Gas did not appear to be as strong, in particular from MOFEC despite its regular attendance at MSB meetings. Some non-government stakeholders noted that the Ministry of Mines, Petroleum and Natural Gas did not appear to fully practice transparency nor open communications about ongoing activities other than EITI reporting. However, stakeholders from all constituencies noted that there had been some recent improvements following the appointment of a new government in April 2018, reflected in high-level political statements in support of more transparency.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress in meeting this requirement. The government has made various public statements of support to the EITI, has appointed a senior individual to lead EITI implementation and is fully, actively and effectively engaged.

To strengthen implementation, Ethiopia is encouraged to ensure that the level of government participation in all operational aspects of EITI implementation is commensurate with the high-level political support for EITI. The government and MSB is further encouraged to continue efforts to engage government agencies beyond the Ministry of Mines, Petroleum and Natural Gas in the EITI process.

## Industry engagement in the EITI process (#1.2)

### Documentation of progress

The large-scale industrial mining sector in Ethiopia is still in its nascent stages, with only one large-scale mining company (MIDROC) operating the Lega Dembi gold mine. Certain companies are also developing potash projects, such as the Danakil project developed by Yara. The 2015-16 EITI Report lists five companies producing cement from limestone extraction with Dangote Industries and Derba Midroc Cement accounting for more than 80% of production in 2015-16.<sup>42</sup> The report also lists four salt mining companies, with Afar Salt Production being the largest. There are seven oil and gas companies at the exploration phase.<sup>43</sup>

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<sup>42</sup> Ethiopia EITI Report 2015/16, p. 31, accessed [here](#).

<sup>43</sup> Ethiopia EITI Report 2015/16, p. 41, accessed [here](#).

*Active engagement:* The mining industry in Ethiopia has been actively engaged in and supportive of EITI implementation since the start, with 32 mining companies having agreed to ‘join’ or commit to supporting the EITI at the national level through a formal letter ahead of candidature in 2014, and agreed to disclose their payments to the government.<sup>44</sup> There are five industry representatives on the MSB, from Abraham Mining Plc, National Mining Corporation, MIDROC Gold, Mughher Cement and Afar Salt Plc. Industry representatives’ attendance at MSB meetings has been consistent in the 2016-18 period, and industry MSB members contribute actively to outreach and dissemination events.

One recent example of industry engagement was the participation by companies both on and off the MSB<sup>45</sup> during consultations for the EEITI scoping study on beneficial ownership. The study noted that there was a high level of enthusiasm and support for beneficial ownership transparency within the constituency.<sup>46</sup> Industry MSB members have also suggested that the EITI undertake a study of the contribution of Corporate Social Responsibility projects to mining communities.<sup>47</sup>

*Enabling environment:* There do not appear to be obstacles to company participation in the EITI process. In 2013, the Mining Operations Proclamation introduced mandatory EITI reporting requirements for all small- and large-scale mining license-holders.<sup>48</sup> The EEITI By-laws (EITI MSB Charter) states that company representatives on the MSB should be organised through a process initiated independently by the industry constituency.<sup>49</sup>

## Stakeholder views

Stakeholders consulted considered that company representatives had been actively engaged in EITI implementation since the start of Ethiopia’s EITI Candidature, although some explained that industry MSB members were not necessarily representative of the broader constituency (see stakeholder views under *Requirement 1.4*). While an industry representative noted that most companies were at the exploration stage, which affected the constituency’s capacity to actively engage in EITI, a development partner explained that industry representation appeared to have improved with MIDROC’s participation on the MSB, given that it was the only company engaged in large-scale mining at present. Another development partner recommended that industry representation on the MSB should work through the recently-established Chamber of Mines and that the oil and gas sector should be represented on the MSG. Industry stakeholders consulted considered that there were no obstacles to companies’ participation in EITI implementation.

## Initial assessment

The International Secretariat’s initial assessment is that Ethiopia has made satisfactory progress in meeting this requirement. Companies are fully, actively and effectively engaged in the EITI process. The government has ensured that there is an enabling environment for company participation with provisions

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<sup>44</sup> Ethiopia EITI Candidature assessment, date

<sup>45</sup> These included National Mining Corporation, Afar Salt Production Company, Abijata-Shalla Soda Ash, Midroc Gold Mine, Dangote Cement and Modern Building Industries PLC.

<sup>46</sup> Engaged and Michael Barron Consulting (2017), Ethiopia Beneficial Ownership Scoping Study (p.5), accessed [here](#).

<sup>47</sup> A draft report on CSR contributions by mining companies to local communities was shared with the International Secretariat during the Validation process.

<sup>48</sup> Mining Operations Proclamation No. 678/2010, Article 36 (9) (m), accessed [here](#).

<sup>49</sup> EITI by-laws, Section 2.3.

in the 2013 Mining Operations Proclamation mandating payments disclosures as required by EITI.

To strengthen implementation, the industry constituency may wish to consider ways of strengthening intra-constituency coordination in relation to EITI implementation, perhaps leveraging the newly-established Chamber of Mines, to ensure that companies in both mining and petroleum sectors are regularly canvassed for their views as part of EITI implementation.

## Civil society engagement in the EITI process (#1.3)<sup>50</sup>

### Documentation of progress

While formalised civil society organisations (CSOs) have operated since the 1930s, with high growth in humanitarian NGOs following the 1973 famine, the first independent, non-political and non-partisan non-governmental organisations (NGOs) started to emerge following the end of military rule in 1991.<sup>51</sup> Inflows of foreign aid during the 1990s drove strong growth in the number of CSOs, from 70 in 1994 to 368 in 2000 and 2275 by 2009<sup>52</sup>, although the Carnegie Endowment for International Peace has described most CSOs as “led by urban elites and [lacking] a strong grassroots base.”<sup>53</sup> By the early 2000s, Ethiopia was the largest African recipient of overseas development assistance, much of it directed to NGOs.<sup>54</sup>

The period following the 2005 general elections is widely seen by international observers as a turning point in the oversight of civil society in Ethiopia. Following incarcerations of demonstrators, political opponents and journalists in 2006<sup>55</sup>, the government enacted a series of controversial legal reforms related to civic space. The 2008 Freedom of the Mass Media and Access to Information Proclamation (590/2008)<sup>56</sup> introduced new curbs on the media, while the 2009 Anti-Terrorism Proclamation (652/2009)<sup>57</sup> provided for unlimited police powers of arrest, search and seizure. The 2009 Charities and Societies Proclamation (CSP) (621/2009)<sup>58</sup> introduced new curbs on civil society activities as part of a new registration and oversight process, enforced by the Charities and Societies Agency (CSA).

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<sup>50</sup> The first Validation under the EITI Standard (Azerbaijan 2016) established precedent for the Validation of requirement 1.3. The CSO protocol “operationalises” requirement 1.3. Each part of the CSO protocol speaks to specific parts of Requirement 1.3:

2.1 of the CSO protocol is intended to assess provisions 1.3(d), 1.3(e)(i), 1.3(e)(iv).

2.2 of the CSO protocol is intended to assess provisions 1.3(b) and 1.3(c).

2.3 of the CSO protocol is intended to assess provision 1.3(e)(iii).

2.4 of the CSO protocol is intended to assess provisions 1.3(a) and 1.3(e)(ii)

2.5 of the CSO protocol is intended to assess provision 1.3(d).

<sup>51</sup> Association for Human Rights in Ethiopia (January 2018), ‘Ailing civic space in an authoritarian state: the state of human rights defenders and cost of dissent in Ethiopia’, accessed [here](#) in March 2018, pp.16-17; and International Journal of Corporate Social Responsibility (2017), ‘The role of NGOs in corporate environmental responsibility practice: evidence from Ethiopia’, accessed [here](#) in March 2018, p.4; and Carnegie Endowment for International Peace (May 2017), ‘Surveillance and State Control in Ethiopia’, accessed [here](#) in March 2018.

<sup>52</sup> Peace Research institute Frankfurt (July 2017), ‘Negotiating international civil society support: the case of Ethiopia’s 2009 Charities and Societies Proclamation’, accessed [here](#) in March 2018, p.2.

<sup>53</sup> Carnegie Endowment for International Peace (May 2017), op.cit..

<sup>54</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.1.

<sup>55</sup> Around 20,000 protesters and as many as 150 opposition leaders, activists, and journalists were arrested in the aftermath of the 2005 elections, according to Carnegie Endowment for International Peace (May 2017), op.cit..

<sup>56</sup> Freedom of the Mass Media and Access to Information Proclamation no.590/2008, accessed [here](#) in March 2018.

<sup>57</sup> Anti-Terrorism Proclamation no.652/2009, accessed [here](#) in March 2018.

<sup>58</sup> The Charities and Societies Proclamation no.621/2009, accessed [here](#) in March 2018.

The general opinion of most external civic space monitors appears to be that the situation has deteriorated since 2009. According to the 2017 Freedom in the World report by Freedom House, Ethiopia's score remains low through the 2011-2018 period, having been downgraded from "partly free" in the 1998-2010 period to "not free" in 2011, following the May 2010 elections and 2009 CSP.<sup>59</sup> In 2018, it ranked at 6 and 7 (with 7 being the lowest score) in political rights and civil liberties respectively. Human Rights Watch characterised the civil society situation in Ethiopia as follows: "Ethiopia is among Africa's leading jailers of journalists and has little independent media. Repressive laws severely restrict the activities of nongovernmental organizations."<sup>60</sup> Many other international stakeholders have echoed concerns over restrictions on foreign funding for Ethiopian CSOs and allegations of anti-terror rules to repress civic activism, including the African Union's Commission on Human & People's Rights, OECD countries' Foreign Ministries, the World Bank, the International Center for Not-for-Profit Law and Amnesty International.<sup>61</sup> The international NGO CIVICUS categorises Ethiopia as a closed civic space for EITI implementation, one of two EITI implementing countries so ranked.<sup>62</sup>

Rejecting the view that the CSP was meant to restrict the operations of civil society, the government explained its Ethiopia's EITI Candidature application that the Proclamation was meant to create a conducive legal framework for civil society's activities and ensure transparency and accountability.<sup>63</sup> In accepting Ethiopia as an EITI Candidate in March 2014, the Board recommended that the EEITI MSG update its workplan to include a detailed assessment and actions to address potential capacity constraints, as well as plans for addressing any legal, regulatory or administrative barriers to implementation identified in a legal review commissioned by the MSG.<sup>64</sup>

Since Ethiopia became an EITI implementing country, CSO MSG members supported by the EEITI Secretariat have established an informal network of CSOs on EITI in 2014. This was the vehicle for organising the MSG nomination process for civil society, and for adopting the EEITI Charity and Societies Governance Manual in January 2017. According to the Governance Manual, the major roles of civil society in the EITI process in Ethiopia are defined as:<sup>65</sup>

- Contribute and provide input to the EEITI process.
- Promote key MSB deliberations on issues such as the workplan, scope of EEITI reporting, approval of EEITI report, Annual Progress Report, validation process and other related activities.
- Participating in MSB meetings, working groups and other EEITI events.
- Undertake capacity building for supporting CHSOs, communities and extractive industries.
- Promote public debate, undertake workshops and conferences, and conduct mining site visits.

<sup>59</sup> Freedom House (2018), 'Freedom in the world, 1998-2018', accessed [here](#) in March 2018.

<sup>60</sup> Human Rights Watch (2018), Ethiopia country page, accessed [here](#) in March 2018.

<sup>61</sup> US Senate Resolution 168, op.cit.; Carnegie Endowment for International Peace (May 2017), op.cit.; International Center for Not-for-Profit Law (March 2017), Ethiopia: Philanthropy Law Report', accessed [here](#) in March 2018; UK Home Office (October 2017), 'Country Policy and Information Note Ethiopia: Background information, including actors of protection and internal relocation', accessed [here](#) in March 2018, pp.11-12; World Bank (November 2016), 'Project information document: Ethiopia EITI (Grant II)', accessed [here](#) in March 2018; US Department of State (March 2017), 'Country Report on Human Rights Practices for 2016', accessed [here](#) in March 2018, p.7; Amnesty International (June 2012), 'Amnesty International's written statement to the 20th Session of the UN Human Rights Council (18 June – 6 July 2012)', accessed [here](#) in March 2018, p.1; African Union (2014), 'African Commission on Human & People's Rights: Report of the Study Group on Freedom of Association & Assembly in Africa', accessed [here](#) in March 2018, p.42; and Finland Ministry of Foreign Affairs (2017), 'Country Strategy for Development Cooperation ETHIOPIA 2016–2019', accessed [here](#) in March 2018, p.14.

<sup>62</sup> CIVICUS (August 2017), 'Civic space under threat in EITI countries', accessed [here](#) in March 2018, pp.5,9.

<sup>63</sup> Ethiopia EITI (2013), EITI Candidature application, accessed [here](#) in March 2018, p.2.

<sup>64</sup> EITI (March 2014), "Ethiopia's application for 'candidature' approved", accessed [here](#) in May 2018.

<sup>65</sup> EEITI CHSO Governance Manual (January 2017), section 1.5 on "1.5 Basic roles of CHSOs in EEITI", p.8.

- Engage in activities and debates about natural resources governance and conduct analyses, communicate the findings of EEITI reporting and consult with relevant stakeholders.

The EEITI has also established a basket fund to support CSOs' EITI activities, although there is no evidence that any funding had been committed as of May 2018.

### (i) Expression (Requirements 1.3(d), 1.3(e)(i), 1.3(e)(iv); Civil society protocol 2.1)

#### Documentation of progress

Legal framework: Article 29 of the 1995 Constitution guarantees the freedom of the press, access to information of public interest and prohibition of censorship.<sup>66</sup> Article 13(2) confirms that the fundamental rights are to be interpreted in line with the principles of the Universal Declaration of Human Rights, International Covenants on Human Rights and “international instruments adopted by Ethiopia.” However, the 2005 Criminal Code includes provisions on criminal defamation, restrictions on ‘obscene’ material and criticism of public officials that international NGOs consider have together limited freedom of the press.<sup>67</sup> While the government’s Freedom of the Mass Media and Access to Information Proclamation 590/2008 in December 2008 reaffirmed the constitutional guarantees related to access to information, including from public bodies, it also introduced a complex registration processes for media companies and high fines for defamation, which were considered to contradict constitutional protections by international NGOs.<sup>68</sup>

The July 2009 Anti-Terrorism Proclamation allowed the government to waive constitutionally-guaranteed rights to freedom of expression, association, demonstration, petition and assembly in terror cases. The International Center for Not-for-Profit Law has raised concern over the vague definition of “terrorist act” in the proclamation, alleging that it could include acts of peaceful political dissent.<sup>69</sup> According to Ethio-Trial Tracker, an independent website tracking individuals charged under the Anti-Terrorism Proclamation, the government started 92,346 ongoing cases and 526 closed cases between 2009 and 2018<sup>70</sup> against individuals including journalists, bloggers, students, teachers, opposition members and religious leaders.<sup>71</sup> The case of the “Zone 9” blogging group attracted significant international attention, when they were initially acquitted of charges of terrorism after 14 months in jail in October 2015<sup>72</sup> before the Supreme Court ruled that they should be tried on charges of inciting violence through their writing in April 2017.<sup>73</sup> However, in late January 2018 the government released 528 of the 923 political prisoners and the Attorney-General announced more releases in coming months of detainees on terror charges. It

<sup>66</sup> The 1995 Constitution of the Federal Democratic Republic of Ethiopia, accessed [here](#) and [here](#) in March 2018.

<sup>67</sup> Freedom House (2016), ‘Freedom of the Press 2016: Ethiopia’, accessed [here](#) in March 2018, p.2; and GAN Business Anti-Corruption Portal (August 2017), ‘Ethiopia Corruption Report’, accessed [here](#) in March 2018.

<sup>68</sup> Freedom House (2016), ‘Freedom on the Net 2016: Ethiopia’, accessed [here](#) in March 2018, p.11; and International Center for Not-for-Profit Law (March 2017), *op.cit.*, pp.2-3.

<sup>69</sup> International Center for Not-for-Profit Law (March 2017), *op.cit.*, p.2.

<sup>70</sup> The Ethio-Trial Tracker estimated 923 individuals were in prison on terrorism charges as of January 2018.

<sup>71</sup> Association for Human Rights in Ethiopia (January 2018), *op.cit.*, p.25.

<sup>72</sup> Committee to Protect Journalists (October 2015), ‘In Ethiopia, Zone 9 bloggers acquitted of terrorism charges’, accessed [here](#) in March 2018.

<sup>73</sup> Committee to Protect Journalists (April 2017), ‘Ethiopia Supreme Court says two Zone 9 bloggers should face incitement charges’, accessed [here](#) in March 2018. Also cited in US Senate Resolution 168, *op.cit.*; The Economist (January 2018), ‘Ethiopia’s regime flirts with letting dissidents speak without locking them up’, accessed [here](#) in March 2018.

also issued a statement conceding “mistakes” and announcing planned revisions to the Anti-Terror Proclamation.<sup>74</sup>

The government imposed a six-month state of emergency in October 2016, which was prolonged until August 2017.<sup>75</sup> This followed a series of anti-government protests in 2015 due to opposition in the Oromia region to plans to expand the capital Addis Ababa to the area.<sup>76</sup> In total, international NGOs estimate some 1200 deaths in the April 2014 – July 2017 period.<sup>77</sup> While the protests in Oromia were not primarily linked to extractive activities, grievances included alleged abuses related to local business and development projects, including in light manufacturing and mining.<sup>78</sup> For instance, Human Rights Watch noted that protests in the Guji zone raised concerns over gold and tantalum mining in Shakiso, while those in the Mirab Welega zone voiced objections to marble quarrying near Mendi.<sup>79</sup> However, it does not appear that the primary focus of public protests was on mining. There have been conflicts related to land rights between artisanal, small-scale, miners and state-owned mining companies in Adola and Tulu Kapi, as well as between farmers and mining exploration companies in Lega Dembi.<sup>80</sup> The state of emergency declared in 2016 was widely condemned by international NGOs as permitting “draconian restrictions on the rights to freedom of expression, association, and assembly.”<sup>81</sup>

Restrictions on advocacy: The 2009 CSP introduced restrictions on the ability of CSOs that received more than 10% of their funding from foreign sources (i.e. Ethiopian Resident Charities and Foreign Charities) from engaging in public advocacy.<sup>82</sup> International NGOs have highlighted that some 70% of CSOs had reregistered as non-advocacy NGOs by 2017, as a consequence of the CSP.<sup>83</sup>

Media freedom: In June 2016, the government enacted the Computer Crime Proclamation, providing for greater online surveillance and censorship powers as well as penalties for a wide range of online activities.<sup>84</sup> There has been particular international concern over provisions allowing imprisonment in cases of digital dissemination of any written or audio-visual media inciting violence, chaos or conflict among people, and in cases of online “intimidation.”<sup>85</sup>

Human Rights Watch has criticised the “tightly controlled media landscape”, citing 85 journalists in exile in 2010-2017 and a practice of self-censorship from those who remained.<sup>86</sup> Freedom House estimated that

<sup>74</sup> The Economist (January 2018), op.cit..

<sup>75</sup> Human Rights Watch (August 2017), “State of Emergency Ends in Ethiopia”, accessed [here](#) in May 2018.

<sup>76</sup> Financial Times (January 2018), ‘Ethiopia regime caught between will to survive and call for change’, accessed [here](#) in March 2018; and Financial Times (August 2017), ‘Ethiopia lifts 10-month state of emergency’, accessed [here](#) in March 2018.

<sup>77</sup> International Peace Institute Global Observatory (June 2017), ‘Data Analysis: The Roots of Popular Mobilization in Ethiopia’, accessed [here](#) in March 2018.

<sup>78</sup> International Peace Institute Global Observatory (June 2017), op.cit.; and Human Rights Watch (2016), “Such a Brutal Crackdown”: Killings and Arrests in Response to Ethiopia’s Oromo Protests’, accessed [here](#) in March 2018, p.14.

<sup>79</sup> Human Rights Watch (2016), “Such a Brutal Crackdown”, op.cit., p.14.

<sup>80</sup> Center for Social Responsibility in Mining (May 2016), ‘Prospects for inclusive development from oil, gas and mining in Ethiopia’, accessed [here](#) in March 2018, p.2.

<sup>81</sup> Human Rights Watch (2018), op.cit.; and Human Rights Watch (January 2018), op.cit., p.1.

<sup>82</sup> International Center for Not-for-Profit Law (January 2018), ‘Civic Freedom Monitor: Ethiopia’, accessed [here](#) in March 2018.

<sup>83</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.14.

<sup>84</sup> The Computer Crime Proclamation (958/2016), accessed [here](#) in March 2018.

<sup>85</sup> UK Home Office (October 2017), op.cit., p.12.

<sup>86</sup> Human Rights Watch (January 2018), ‘Ethiopia: country summary’, accessed [here](#) in March 2018, p.2.

Ethiopia had Africa's second-highest number of journalists imprisoned on terror charges in 2016.<sup>87</sup> In 2017, CIVICUS estimated that Ethiopia was one of eight EITI implementing countries where media freedom and journalist integrity were most compromised.<sup>88</sup> The NGO has reported on the arrests and occasional convictions of citizens with no organisational affiliation as well as committed activists for publishing social media posts.<sup>89</sup> The government is reported (by international NGOs and foreign governments) to have intermittently cut access to social media such as Facebook, Viber, and WhatsApp in localised areas (the Oromia and Amhara regions) as well as for a few days nationwide in July 2016, to have increased monitoring of online communications and to have used social media posts documenting clashes with security forces as evidence in criminal charges against online activists.<sup>90</sup>

There is some evidence, albeit limited, of use of EITI data by the Ethiopian media, albeit usually in the form of coverage of EITI Report launches.<sup>91</sup>

**Expression in EITI:** In terms of freedom of expression within the EITI, there is evidence from EEITI documents of civil society MSG representatives actively engaging in MSG meetings, work-planning, outreach and dissemination activities.<sup>92</sup> The EEITI Charities and Societies Governance Manual adopted in January 2017 states under section 4.2.2 on advocacy, information dissemination and outreach that based on the EEITI Reports and related findings, the civil society representatives will organise various platforms of dialogue and discussion. There is however no evidence of civil society representatives undertaking any public advocacy at the Federal level, in Addis Ababa related to EITI or using EITI data. Civil society does not appear to have publicly campaigned in relation to EITI in Ethiopia. Most of the public expression by civil society on issues related to natural resource governance such as effects of mining activities at the community level appear to take place in the regions and by stakeholders that are not involved in the EITI process.

### Stakeholder views

There were stark divergences in opinion on the space for free expression on EITI-related issues, between a majority of the 43 CSOs involved in the informal civil society EITI network and other civil society and media representatives. While the former considered that there was space for free civil society expression on natural resource governance issues, the latter considered that there were both legal and practical barriers to free expression on issues directly related to EITI implementation such as the financial contribution by mining companies to the government and the procedures for awarding mining rights to certain companies. When discussing specific examples raised in the media, representatives consulted expressed different opinions on whether it was possible to publicly make a critical statement without reprisal. None of the examples cited where some form of reprisal had been faced were directly related to EITI implementation or natural resource governance. It was also explained that whether it was possible to express a critical opinion on a sensitive issue related to the extractive sector also depended on who would

<sup>87</sup> Freedom House (2016), 'Freedom in the World 2016: Ethiopia', accessed [here](#) in March 2018.

<sup>88</sup> CIVICUS (August 2017), op.cit., p.16.

<sup>89</sup> CIVICUS (August 2017), op.cit., p.13.

<sup>90</sup> International Center for Not-for-Profit Law (January 2018), op.cit.; and UK Home Office (October 2017), op.cit., pp.11-12.

<sup>91</sup> The Reporter (February 2018), "Ministry working to resolve mining disputes", accessed [here](#) in May 2018, Ethiopian Herald (February 2018), "Transparency Initiative to strengthen social, economic dev't", accessed [here](#) in June 2018, Ethiopian Herald (Mar 2018), "Alternatives to advance mining", accessed [here](#) in June 2018, Ethiopian Herald (June 2017), "Ensuring fair wealth distribution via avoiding resource curse", accessed [here](#) in June 2018.

<sup>92</sup> Examples are cited in the EEITI publication (March 2016) "Engagement and participation of civil society in EITI process". Community level outreach activities in which civil society representatives on the MSB have participated are listed in the section on *Public debate (#7.1)*.



say it and what relation they had to the government. There was a clear deficit of trust between different groups of CSOs. Nonetheless, there was consensus among all CSOs consulted that there were encouraging signs of improvements in the general space for free expression since the appointment of Prime Minister Abiy Ahmed in April 2018, even if most CSOs considered it too early to assess whether reforms would be successfully implemented.

Media: There was consensus among stakeholders consulted that the media landscape had been dominated by state-owned media over the 2014-18 period. Several journalists considered that there had been a tangible tightening of media oversight since the 2008 Freedom of the Mass Media and Access to Information Proclamation. This had been felt both in terms of the written press and in the closing of many private AM and FM radios, of crucial importance in a country with a 39% literacy rate.<sup>93</sup> Several journalists also cast doubt on the independence of the remaining private media outlets, alleging informal links with government or self-censorship to avoid closure. One journalist consulted emphasised that Ethiopia had the highest number of exiled journalists and the second-largest number of incarcerated journalists in Africa.

However, national secretariat staff and the MSG highlighted a few instances of coverage of EITI data and emphasised the EEITI's work with journalists, including through a capacity-building workshop in 2017. Despite differences of opinion over the state of media freedom in Ethiopia, there was consensus among CSOs consulted that there had been changes since April 2018. Stakeholders highlighted the recent emergence of new AM/FM radio stations and the appearance of more critical opinions on government-owned media outlets. One example provided was the coverage of critical of the environmental impact of the MIDROC gold mine by the Oromia Broadcasting Network in November 2017. However, some CSOs emphasised that it was too early to assess whether such an opening in the media landscape would be sustained.

Freedom of expression: There was a similar split among CSOs consulted over freedom of expression in relation to EITI. Civil society MSG members and several CSOs on the informal EITI network considered that they had the freedom to discuss any EITI-related issue without constraint. One of the CSO MSG members considered that CSOs could express critical opinions in their annual reports, although offered no specific example of CSO views critical of the government in relation to EITI. Some CSO representatives and development partners cited lack of capacity among civil society to use the EITI process to express their views on issues relating to wider extractive sector governance to be a significant challenge, rather than the legal obstacles related to freedom of expression.

However, several stakeholders consulted considered that the 2008 media proclamation, the 2009 anti-terror proclamation and the 2016-17 state of emergency had created an environment of fear on the part of civil society. While protests in Oromia leading up to the state of emergency were primarily linked to the pan-Oromia movement, an international CSO noted that some protests had occurred in the south of Oromia, at the MIDROC Gold-operated Lega Dembi mine, where the response by the security forces to the protests appeared to be linked to security concerns around the mine site. The CSO noted difficulties for local communities to express discontent with the way mines were operated for fear of arrest. Civil society representatives and development partners consulted did not have specific examples of activists being arrested due to anti-mining expression, noting the difficulties in tracking the precise reasons for arrests (anti-terror in particular). However, there was consensus that the majority of arrests had taken

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<sup>93</sup> On average in 2008-2012, according to UNICEF. See UNICEF (December 2013), "Ethiopia Statistics", accessed [here](#) in May 2018.

place in the Oromia and Amhara regions. A human rights lawyer highlighted the vagueness of terms in the state of emergency, which barred anything that “might incite hatred, including criticising the state of emergency itself”. A development partner noted that the broad definitions under the 2009 Anti-Terror Proclamation rendered any public demonstration in areas of investment, including mining, could be considered acts of terror. While most stakeholders shared optimism over Prime Minister Ahmed’s release of the majority of political prisoners since assuming power, there were differences of opinion on the number of people still incarcerated.

Freedom of advocacy: All stakeholders consulted agreed that the 2009 CSP did not contain detailed guidance for defining ‘advocacy’, aside from excluding foreign-funded CSOs from engaging in it. Noting that the Constitution reserved political rights for Ethiopians only, a government official explained that the CSA worked with charities and societies as part of their annual review of their work plans, bank statements to avoid any instances of advocacy by foreign-funded CSOs. The official stated that no CSO’s registration had ever been revoked purely due to instances of public advocacy.

There were differences of opinion among CSOs consulted over the impact of this ambiguity. Some CSOs and development partners considered that this lack of clear definition provided foreign-funded CSOs with the flexibility to engage in some advocacy on the margins of their development work (e.g. in health). Taking the example of CSO consortiums, one representative considered that CSOs were able to undertake some lobbying on the margins of their development work, subject to the CSA’s monitoring (see section on *Regulation*). Meanwhile all CSOs confirmed that Ethiopian CSOs allowed to engage in public advocacy were typically underfunded or mass-based organisations affiliated with the government (see Association section). Another CSO in the EITI network emphasised that CSOs had the ability to freely advocate directly in meetings with government officials, but not publicly.

Other CSOs considered that the ambiguity allowed the CSA to apply the rule expansively as a means of curbing any advocacy, providing the example of the Human Rights Council that was forced to stop its training for parliamentarians on political rights. A development partner noted that the vagueness in the CSP’s language was characteristic of legislation enacted over the past decade (on media, terror, political parties, charities), which provided the government scope for interpretation. One CSO noted that the expansive definition of ‘human rights’ included the rights of indigenous peoples near mining sites, which would be of relevance to the EITI. Another CSO emphasised differences in enforcement of civil society regulations by region. There was broad consensus among development partners consulted that the term ‘advocacy’ also included expression related to natural resource governance.

In terms of EITI-related advocacy, the example of Poverty Action Network Ethiopia (PANE) was provided by several CSOs. Engaged in budget transparency advocacy until 2009, PANE had restructured to focus on ‘development’ issues after 2009 and joined the informal CSO EITI network in 2014. Several CSOs noted that PANE became the voice of opposition to the 2009 CSP, which they consider to have led to the revocation of its registration on grounds of breaches to the 70/30 rules in 2015 (see section on *Funding*). On the other hand, all CSOs on the MSG and several CSOs on the informal EITI network considered that there had been no curbs on their freedom of expression on any issue related to EITI implementation. One consultant considered that while the space was not perfect, CSOs remained in the process to achieve incremental gains in space for expression on extractives transparency issues.

Self-censorship: As in all countries, there was consensus that national security issues were considered off limits for public discussion. In the context of Ethiopia however, this meant that most stakeholders on the MSG or EITI CSO network did not appear comfortable discussing the coal mining operations of the state-

owned Metals and Engineering Corporation (METEC) (see Requirement 3.2). Nonetheless, CSO MSG members did consider that they had the freedom of expression on any issue they considered relevant to EITI implementation.

Upon discussion, most stakeholders consulted concurred that issues related to METEC, MIDROC Gold Mine and endowments affiliated with political parties, such as Endowment Fund for the Rehabilitation of Tigray (EFFORT), had until recently been entirely off the table. Several development partners considered that there was self-censorship on those issues, with one partner noting that METEC and EFFORT were informally called “the untouchables”. Several CSOs explicitly linked public questioning of these issues with fear of extra-judicial reprisals. One journalist noted he had received a letter from MMPNG officials threatening with a suit “on terror charges” due to negative coverage of the mining sector. A development partner explained that questions had sometimes been raised in Parliament over METEC, but that these had never been followed up on. Many CSOs considered that the level of freedom of expression on sensitive issues such as METEC depended on the person and the seniority of its links to government. A journalist stated that METEC refused to undergo external audits, on national security grounds given its work with the Ministry of Defence. Several overseas journalists considered that any corruption-related story would be considered off-limits for publication in Ethiopia, providing examples of stories they did not pursue once they realised the identity of people involved.

There was broad optimism among most stakeholders consulted that there had been an opening of space for expression under incoming Prime Minister Ahmed however. There was consensus that issues such as MIDROC Gold Mine were now more open for public discussion following the suspension of its mining license in the wake of popular protests in Oromia. There was also optimism that METEC would be opened up to more scrutiny given the replacement of its military oversight with civilian management in early 2018. Several overseas journalists considered that EFFORT, including its mining activities through Delbi Coal Mining, would remain a ‘taboo’ topic given the endowment’s links to the ruling party. However, these journalists considered that EFFORT should be considered a ‘parastatal’ despite the lack of legal government ownership, given what they considered the symbiotic relationship between the ruling political party and government.

There were differences of opinion over the value of the EITI as a channel for civil society expression on natural resource governance issues. A journalist praised the value of MSG meetings and EITI activities as an opportunity for access to MMPNG officials, including the Minister. A development partner considered that mining did not tend to be publicly discussed aside from at the launch of biannual government income reports or occasional anti-mining protests, and that EITI did not feature in such debates.

## (ii) Operation (Requirements 1.3.(b), 1.3(c); Civil society protocol 2.2)

### Documentation of progress

Legal framework governing NGO activities: Prior to the 2009 CSP, there was no standalone legal framework for CSOs. The then-Ministry of Internal Affairs was designated to oversee CSOs under the 1960

Civil Code<sup>94</sup> and issued the Association Registration Regulation (321/1966) in the 1960s, updated through the 1995 Guidelines for NGO Operations to classify types of NGOs and programmatic areas of operation.<sup>95</sup>

The Council of Ministers' Charities and Societies Proclamation (621/2009)<sup>96</sup> issued in February 2009 restructured oversight of CSOs, from the registration process to curbs on access to funding and areas of work. The CSP established the CSA<sup>97</sup> as a separate legal entity accountable to the Ministry of Justice<sup>98</sup>, with a seven-member board including two CSOs appointed by Attorney-General.<sup>99</sup> The CSA is given broad enforcement powers, is required to maintain a register of NGOs and revoke the licenses of CSOs breaching rules.<sup>100</sup> The CSA has also issued several detailed directives (eight in 2010-11 alone) related to consortium of CSOs (1/2010)<sup>101</sup>, operational and administrative costs (2/2011)<sup>102</sup>, requirements for Charitable Committees (3/2011)<sup>103</sup>, for Charitable Endowment, Charitable Trust and Charitable Institution (4/2011)<sup>104</sup>, for public collections (5/2011)<sup>105</sup>, for the Liquidation, Transfer and Dissolution of Properties (6/2011)<sup>106</sup>, for income-generating activities (7/2011)<sup>107</sup> and for audit and activity reports (8/2011)<sup>108</sup> among others.<sup>109</sup>

The CSA's broad powers have been described as "problematic" and "virtually unlimited" by international NGOs.<sup>110</sup> The US Department of State's 2017 investment climate report on Ethiopia noted that the country had "not [yet] embraced the need for independent, non-governmental organizations."<sup>111</sup> However, the government defended the CSP in its October 2013 EITI Candidature application by stating that it did not pose obstacles to CSOs' participation in EITI implementation, but was rather designed for "transparency and accountability in the activities" of CSOs.<sup>112</sup> A number of international and expatriated Ethiopian CSOs have made calls for reform of the 2009 CSP since the appointment of Prime Minister Ahmed in April 2018.<sup>113</sup>

<sup>94</sup> Civil Code of 1960 and Internal Security Act of 1966, accessed [here](#) in March 2018.

<sup>95</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.3.

<sup>96</sup> The Charities and Societies Proclamation no.621/2009, accessed [here](#) in March 2018.

<sup>97</sup> Charities and Societies Agency (CSA) website, accessed [here](#) in March 2018.

<sup>98</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.11.

<sup>99</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), 'Shrinking Civil Society Space in the Horn of Africa: The Legal Context', accessed [here](#) in March 2018, p.47; and International Center for Not-for-Profit Law (March 2017), op.cit., pp.16-17.

<sup>100</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.11.

<sup>101</sup> The Consortium of Charities and Societies Directive no.1/2010, accessed [here](#) in March 2018.

<sup>102</sup> The Directive to Determine the Operational and Administrative Costs of Charities and Societies no.2/2011, accessed [here](#) in March 2018.

<sup>103</sup> The Directive to Provide for the Establishment of Charitable Committee no.3/2011, accessed [here](#) in March 2018.

<sup>104</sup> The Directive to Provide for the Establishment of a Charitable Endowment, Charitable Trust and Charitable Institution no.4/2011, accessed [here](#) in March 2018.

<sup>105</sup> The Directive to Provide for Public Collection by Charities and Societies no.5/2011, accessed [here](#) in March 2018.

<sup>106</sup> The Directive to Provide for the Liquidation, Transfer and Dissolution of Properties of Charities and Societies no.6/2011, accessed [here](#) in March 2018.

<sup>107</sup> The Directive to Provide for Income Generating Activities by Charities and Societies no.7/2011, accessed [here](#) in March 2018.

<sup>108</sup> The Directive to Determine the Particulars of the Audit and Activity Reports of Charities and Societies no.8/2011, accessed [here](#) in March 2018.

<sup>109</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.47; and International Center for Not-for-Profit Law (March 2017), op.cit., p.2.

<sup>110</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.46; and Peace Research institute Frankfurt (July 2017), op.cit., pp.3-4.

<sup>111</sup> US Department of State (June 2017), '2017 Investment Climate Statement: Ethiopia', accessed [here](#) in March 2018.

<sup>112</sup> Ethiopia EITI (2013), EITI Candidature application, accessed [here](#) in March 2018, p.12.

<sup>113</sup> See Freedom House (March 2018), "Ethiopia: New Prime Minister's Opportunities for Reforms", accessed [here](#) in May 2018; Amnesty International (March 2018), "Ethiopia: New prime minister must address the country's deep-rooted human rights crisis", accessed [here](#) in May 2018; and Chatham House (April 2018), "Ethiopia's Prime Minister Shows Knack for Balancing Reform and Continuity", accessed [here](#) in May 2018.

**Registration of CSOs:** Article 31 of the 1995 Constitution guarantees the freedom of association<sup>114</sup>, with three types of non-profit organisations<sup>115</sup> recognized under Ethiopian law, depending on the location of establishment, source of income, membership composition and members' residential status.<sup>116</sup> Ethiopian CSOs are defined as organisations established under Ethiopian law, wholly-controlled by Ethiopians and do not receive more than 10% of their total funding from foreign sources. Ethiopian resident CSOs are Ethiopian non-profits that receive more than 10% of their funding from foreign sources. Finally, foreign CSOs are organisations formed under laws of foreign countries, whose members include foreigners, which are controlled by foreigners, or who receive funds from foreign sources.<sup>117</sup>

The 2009 CSP introduced new curbs on the activities of Ethiopian resident CSOs and foreign CSOs, prohibiting them from a range of activities including promotion of human rights and democracy, of equality of nations, nationalities, peoples, gender and religion, of the right of the disabled and children's rights, of conflict resolution or reconciliation, as well as of the efficiency of justice and law enforcement services. A number of CSOs were explicitly excluded from the Proclamation, including "mass-based societies", "religious organisations", traditional, financial, cultural or religious associations, "societies governed by other laws" as well as "international or foreign organisations operating in Ethiopia by virtue of an agreement with the government".<sup>118</sup> The World Bank has raised concern over the CSP's restrictions forcing "the CSOs engaging in advocacy to look for domestic sources of funding, which are very limited."<sup>119</sup>

The process for registering NGOs set out in the CSP introduced new restrictions on areas of activities for specific CSOs and required all CSOs to seek registration within three months of their formation.<sup>120</sup> Applicants for the registration of a CSO are required to submit their application form, the memorandum of association, a list of regions where it intends to operate, copy of the founders' decision to register, the CSA's model rules, a statement about share of income from local and foreign sources, the names, ages, educational status, residential address and nationalities of all the CSO's members, the CSO's legal nature (Ethiopian or Ethiopian resident, society or charity), the symbol, if any, and the founders' declaration of sincerity.<sup>121</sup> Registration costs range from a total of ETB 900 for charities and ETB 1400 for societies.<sup>122</sup> The CSA is not required to provide a written explanation for refusals of registration, which can be based on non-compliance with CSP provisions, in cases of purposes "prejudicial to public peace, welfare or good order" (albeit without defining these), in cases where the CSO's name is similar to that of another institution, is considered "contrary to public morality" or illegal, or in cases where a CSO's areas of work do not cover at least five regional states.<sup>123</sup>

According to data from CSA, around 1500 CSOs were re-registered in 2009-11, followed by about 200 new

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2018.

<sup>114</sup> The 1995 Constitution, op.cit..

<sup>115</sup> Ethiopian CSOs, Ethiopian resident CSOs and foreign CSOs.

<sup>116</sup> International Center for Not-for-Profit Law (March 2017), op.cit., pp.8-9.

<sup>117</sup> International Center for Not-for-Profit Law (January 2018), op.cit..

<sup>118</sup> Peace Research institute Frankfurt (July 2017), op.cit., pp.3-4; and International Center for Not-for-Profit Law (March 2017), op.cit., p.10.

<sup>119</sup> World Bank (November 2016), op.cit..

<sup>120</sup> The Charities and Societies Proclamation no.621/2009, op.cit..

<sup>121</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.11.

<sup>122</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.11.

<sup>123</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.12.

registrations a year until April 2018, when the number reached 3360 registered CSOs.<sup>124</sup> While the overall number of CSOs had regained its pre-2009 levels, the composition of civil society organisations changed significantly, with a reduction in the number of Ethiopian charities and growth in numbers of Ethiopian resident charities on the one hand and mass-based organisations on the other. A 2011 survey by the Taskforce for Enabling Environment for Civil Society in Ethiopia found that, of the 32 NGOs assessed, 70% of development CSOs and 44% of human rights CSOs had changed their mandates to preserve access to foreign funds.<sup>125</sup> A number of rights organisations<sup>126</sup> chose to re-register as Ethiopian CSOs, but had to downsize their operations in light of domestic funding constraints as a consequence.<sup>127</sup> The U4 anti-corruption resource centre has argued that, as a consequence of implementation of the CSP, “there are almost no remaining independent rights-focused organisations in Ethiopia, limiting the presence within initiatives like EITI of groups that have a rights-based focus on natural resource management.”<sup>128</sup> A select few Ethiopian CSOs<sup>129</sup> appear to have been exempted from the CSP’s restrictions on funding, although these appear exclusively-related to prisoner-focused charities.<sup>130</sup>

Access to funding: In a country where some 95% of Ethiopian NGOs received more than 10% of their funding from foreign sources in 2009 according to the African Union<sup>131</sup>, the CSP had a stark effect on the funding structure of CSOs in Ethiopia. The Civil Society sub-group of the Ethiopia Development Assistance Group established a monitoring system to track enforcement of the CSP and launched adaptation facilities<sup>132</sup> to assist CSOs with transitioning to the CSP rules.<sup>133</sup> Development partners have by and large been able to adjust CSO programmes to bring them into line or exempt them from the new regulations.<sup>134</sup> According to the donor-backed Tracking Trends in Ethiopian Civil Society (TECS), funding for CSOs remained relatively static over 2008-2011, before increasing significantly in 2011-12. However, a large share of assistance is channelled through a small set of international NGOs’ emergency funds, with only a small share for Ethiopian resident NGOs.<sup>135</sup>

Development partners launched three key CSO support funds with relevance to EITI:

- The EUR 35m multi-donor Civil Society Support Programme<sup>136</sup>, to which the UK was the largest contributor, focused on improving relations between CSOs and government entities at all levels, including at the CSA.<sup>137</sup> In its seven years of operation over 2011-17, the CSSP worked with 600

<sup>124</sup> Data provided by the CSA during stakeholder consultations.

<sup>125</sup> Carnegie Endowment for International Peace (May 2017), op.cit..

<sup>126</sup> Such as the Ethiopian Bar Association, the Human Rights and Peace Center, the Human Rights Council (HRCO) and the Ethiopian Women Lawyers Association (EWLA).

<sup>127</sup> Carnegie Endowment for International Peace (May 2017), op.cit.; and Peace Research institute Frankfurt (July 2017), op.cit., p.12; and Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.48.

<sup>128</sup> U4 anti-corruption resource centre (2017), ‘The global participation backlash: Implications for natural resource initiatives’, accessed [here](#) in March 2018, p.7.

<sup>129</sup> Including Justice for All - Prison Fellowships of Ethiopia and the Peace and Development Centre.

<sup>130</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.13.

<sup>131</sup> African Union (2014), op.cit., p.42.

<sup>132</sup> AF1, funded by USAID, and AF2, backed by Swedish International Development Agency, Irish Aid, the Danish and Dutch embassies, the Canadian International Development Agency, executed by a local CSO taskforce.

<sup>133</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.13; and Carnegie Endowment for International Peace (May 2017), op.cit.

<sup>134</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.2.

<sup>135</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.12.

<sup>136</sup> INTRAC, Civil Society Support Programme Ethiopia, accessed [here](#) in March 2018.

<sup>137</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.13.

partner organisations to reach 3m people in remote communities.<sup>138</sup> The CSSP disbursed funds to several of the Ethiopian resident charities in the informal EITI network, albeit not for projects directly related to EITI implementation.

- The EU's EUR 12m Civil Society Fund II (CSF2)<sup>139</sup> has funded civil society activities in areas like "access to justice", "human and women's rights", "conflict transformation" and "consolidation of democracy".<sup>140</sup> The CSF2 funded an independent assessment of civil society engagement in Ethiopia's EITI implementation in 2015, but has not otherwise funded CSOs engaged in the informal EITI network.
- The World Bank's EUR 24m multi-donor Ethiopian Social Accountability Program and the Protection of Basic Services (ESAP2)<sup>141</sup> has been the only fund explicitly focused on facilitating public engagement, accountability and rights based advocacy for public services at the local level. The program has enabled CSOs including rights advocacy organisations to access external funds<sup>142</sup>, although disbursements have primarily focused on Ethiopian resident charities rather than Ethiopian-owned charities and societies

While CSF2 and ESAP2 are considered domestic sources of funding under a special inter-governmental agreement and can be channelled to Ethiopian CSOs working on advocacy, CSSP is not.<sup>143</sup> As part of the exemptions for CSF2 and ESAP2, the government holds seats on the steering committees for both funds and participates in fund allocation decisions.<sup>144</sup> While the majority of donors consulted in a July 2017 Peace Research Institute Frankfurt study considered that the CSP had not affected their funding of CSO either in choice of sector or category of CSO, the number of CSOs funded directly fell from 43 in 2009 to 20 by 2013 given the increasing reliance on CSO umbrellas or networks for sub-grants.<sup>145</sup>

There is general consensus among international observers that "overall the financial viability and the organisational space of Ethiopian CSOs have been reduced significantly" since the CSP.<sup>146</sup> However, the CSP's impact has been greatest on CSOs working on rights advocacy issues, while those focused on development and service delivery have experienced growth. There is also evidence that localised community-based CSOs (working in one region only) and membership-based organisations were the least affected.<sup>147</sup>

In terms of funding for CSOs engaged in EITI, the vast majority of CSOs on the informal EITI network (40 of 43) are either Ethiopian resident charities or foreign charities, meaning they do not face caps on foreign funding but are barred from advocacy under the CSP. While the major CSO funds have provided funding to some of the Ethiopian resident charities on the informal EITI network<sup>148</sup>, only a handful of these appear

<sup>138</sup> British Council Ethiopia (2017), 'Civil Society Support Programme', accessed [here](#) in March 2018.

<sup>139</sup> European Union, Ethiopia-EU Civil Society Fund II, accessed [here](#) in March 2018.

<sup>140</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.13.

<sup>141</sup> World Bank, Ethiopia Protection of Basic Services Social Accountability Program, accessed [here](#) in March 2018.

<sup>142</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.13.

<sup>143</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.49; and Peace Research institute Frankfurt (July 2017), op.cit., p.12.

<sup>144</sup> Carnegie Endowment for International Peace (May 2017), op.cit.; and Peace Research institute Frankfurt (July 2017), op.cit., p.12.

<sup>145</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.12.

<sup>146</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.12.

<sup>147</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.12.

<sup>148</sup> Including the Consortium of Christian Relief and Development Association (CCRDA), Non- State Actors Coalition (NSAC), Mujejejuwa Loka

to have a link to EITI, including a localised ASM study and a report on CSO engagement in EITI. Attempts by USAID to provide a USD 0.3m grant for CSO support through the CSO PACT in 2015 were unsuccessful. The EEITI Secretariat, supported by MMPNG, established a bank account for an EITI Basket fund for CSOs in 2016, with the World Bank encouraging donors to route funding for CSOs' EITI-related work through the fund. The EEITI MSG, under the supervision of CSO Committee members, would administer the fund.<sup>149</sup> Draft legislation proposed by the EEITI and pending review by the Solicitor General in May 2018 included provisions institutionalising the CSO EITI basket fund. No funds had been committed to the EITI CSO basket fund as of May 2018.

The EEITI Charities and Societies Governance Manual adopted by the EEITI civil society network in January 2017 (section 4.2.4 on resource mobilisation) states that, for activities planned by civil society related to EEITI, the civil society representatives will work in collaboration with the MSB to identify and mobilise resources to implement EEITI. The 2017/18 EEITI work plan includes various activities to be undertaken by civil society, including organising an annual workshop for 450 representatives targeting regulatory agencies and miners from all regions (allocated USD 35,000 from the World Bank and 33,000 from UNDP), organising stakeholder consultation and outreach events (allocated USD 7000 from UNDP), training events for civil society (allocated USD 5000 from the World Bank), and the development, publication and dissemination of the Governance Manual (allocated USD 5000 from UNDP). These activities however appear to be organised with substantial support from the EEITI Secretariat, and are not organised independently from the rest of the MSB.

Financial regulations: The CSA's 2011 Directive on operational and administrative costs (the so-called 70/30 Directive) capped allowable administrative costs at 30% of total costs.<sup>150</sup> International NGOs have raised concerns that "a broad swath of expenses could theoretically be classified as "administrative""<sup>151</sup>. In 2014, the CSA amended the 70/30 Directive for CSOs focused on AIDS, disabilities, clean water, environmental protection, climate change, agricultural, construction activities and capacity building activities, reclassifying some expenses as 'project', rather than 'administrative', costs.<sup>152</sup> However, international NGOs objected that the amended Directive still discouraged CSO consortiums, given their pooling of non-operational costs that could be categorised as 'administrative'.<sup>153</sup> A new Income Tax Proclamation (979/2016) in July 2016 revised language on tax exemptions for charitable donations, excluding gifts to CSOs not "established solely to provide relief to those suffering ill-health or for the advancement of education".<sup>154</sup> The reform discouraged domestic fundraising by Ethiopian charities and societies.<sup>155</sup>

While most CSOs involved in the informal EITI network have complied with the 70/30 rule as part of their annual compliance with CSA directives, it appears that the CSO PANE, an umbrella coalition member of

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Women Development Association, Transparency Ethiopia and Union of Ethiopian Women Charitable Association (UEWCA), which received funds for specific projects from CSF2 in the period 2016-2017.

<sup>149</sup> World Bank (November 2016), op.cit..

<sup>150</sup> The Directive to Determine the Operational and Administrative Costs of Charities and Societies no.2/2011, op.cit..

<sup>151</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.15.

<sup>152</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.15.

<sup>153</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.48.

<sup>154</sup> Federal Income Tax Proclamation (979/2016), accessed [here](#) in March 2018.

<sup>155</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.4.



the informal network, had its registration rescinded in 2015 due to breaches in the 70/30 rule.

**Monitoring of NGO activities:** Under the 2009 CSP, all CSOs are required to renew their registration every three years.<sup>156</sup> All CSOs are required to keep records of all revenues and expenditures and, for CSOs with revenues of more than ETB 100k (roughly USD 4.6k), complete an internal or external audit. The CSA is allowed to examine bank accounts of CSOs upon request<sup>157</sup>, which has prompted concerns from Amnesty International that the agency's powers to demand any document from CSOs "contravene[ed] the essential principle of confidentiality".<sup>158</sup> In mid-2016, the CSA launched a grading system for CSOs, based on their annual reports, bank statements and compliance with the CSP and the CSA's implementing directives (although the grading methodology was not public).<sup>159</sup> According to the CSA grades published in the local press, 286 CSOs were graded A, 925 as B and 1,531 as C.<sup>160</sup> The CSA closed 108 CSOs in 2015<sup>161</sup> and 200 in 2016.<sup>162</sup>

**Freedom of assembly:** With regards to freedom of assembly, Article 30 of the 1995 Constitution guarantees freedom of assembly, public demonstration and the right to petition.<sup>163</sup> However, the state of emergency allowed security services to arrest and detain individuals without court warrant<sup>164</sup>, imposed curfews, banned all protests without government permission and required "rehabilitation" (short-term detention) for those arrested.<sup>165</sup>

In terms of CSOs' freedom of association in relation to EITI, there is no evidence of any standalone outreach and dissemination by CSOs in relation to EITI. However, there is evidence that CSO MSG members have played an active role in EEITI outreach and dissemination roadshows in the regions, although evidence of the other members of the informal EITI network's engagement is sparser.

### Stakeholder views

There were similar differences of opinion regarding the impact of the broader CSO registration and monitoring process on civil society engagement in EITI. However, there was consensus among all stakeholders consulted that funding for civil society's engagement in EITI had been a chronic challenge since the start of implementation.

**CSO registration:** Stakeholders confirmed that three of the five CSO MSG members were Ethiopian charities, societies or mass-based organisations entitled to undertake advocacy under the CSP. These were the only three of the 43 CSO members of the informal EITI network that were entitled to engage in advocacy, since the others were Ethiopian resident or foreign charities. Some CSO members of the informal network did not consider the curbs on their ability to advocate to pose a challenge for their engagement in EITI, noting that it was possible to liaise with the Ethiopian CSOs in the network on their advocacy. However, none of the CSOs consulted provided concrete examples of inter-network

<sup>156</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.11.

<sup>157</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.19.

<sup>158</sup> Amnesty International (June 2012), 'Amnesty International's written statement to the 20th Session of the UN Human Rights Council (18 June – 6 July 2012)', accessed [here](#) in March 2018, p.1.

<sup>159</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.17.

<sup>160</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.4.

<sup>161</sup> Horn of Africa Civil Society Forum & Pax for Peace (Netherlands) (August 2017), op.cit., p.49.

<sup>162</sup> Carnegie Endowment for International Peace (May 2017), op.cit..

<sup>163</sup> The 1995 Constitution, op.cit..

<sup>164</sup> US Department of State (March 2017), op.cit., p.7.

<sup>165</sup> Human Rights Watch (January 2018), op.cit., p.2; and International Center for Not-for-Profit Law (March 2017), op.cit., pp.3-4.

collaboration on EITI-related advocacy work. A development partner also highlighted that the CSOs' EITI network remained informal because CSO consortium were not allowed to have members of different types of CSOs (e.g. Ethiopian-owned and Ethiopian resident charities). Other CSOs and some development partners stated categorically that those few CSOs statutorily enabled to work on advocacy were barred from the lion's share of funding, while those enabled to raise funds were prohibited from the advocacy they considered fundamental to civil society's role in EITI implementation.

A government official stated that no CSO, either engaged in EITI or otherwise, had been denied registration and considered that close monitoring by the CSA ensured that potential problems could be resolved before the revoking of registration was required. The official emphasised that the number of registered CSOs, at 3360, was above pre-2009 levels, and that exemptions from CSP provisions had only been granted to a handful of Ethiopian charities focused on prisoner and nomadism issues. Several development partners noted that the CSA had demonstrated particular zeal in enforcing the CSP and considered its role as one of watchdog rather than enabler. Several CSOs and development partners argued that the aggregate CSO registration figures did not tell the whole story and noted the conversion of most CSOs previously engaged in advocacy into Ethiopian resident charities since 2009. They also noted that the number of Ethiopian charities and societies had declined, in favour of mass-based organisations more closely aligned to government. Several CSOs both in the informal EITI network and out considered that the prohibition on advocacy had weakened civil society's ability to meaningfully engage in EITI implementation. A development partner noted regional differences between different mass-based organisations, with those in Oromia and Amhara regions particularly strong. However, there was consensus amongst most CSOs consulted that the mass-based organisation involved in EITI, the Ethiopian Youth Federation, was closely aligned with the Federal Government.

**Funding:** There was consensus, including among CSO MSG members, that funding for CSOs' EITI activities had posed a chronic challenge since the start of Ethiopia's EITI Candidature. CSOs on the informal EITI network and development partners confirmed that the CSF2 and ESAP2 had provided some funding for some Ethiopian resident charities part of the informal EITI work, but confirmed that the only projects linked to EITI were a 2015 report on CSO EITI engagement and a study on the effects of ASM on women in a local community. Development partners confirmed that government civil servants sat on the committees reviewing proposals at both CSF2 and ESAP2, they noted that these officials had never blocked the approval of funding for a specific proposal in practice.

A development partner noted challenges in the USAID USD 0.3m funding for PACT in 2015, explaining that the EEITI Secretariat and MMPNG had objected to the disbursement of CSO support funds independently from EEITI oversight, as well as to the idea that CSOs could develop an EITI communications strategy independently from the MSG. The donor explained that the MMPNG had put a halt to what it considered direct USAID funding for CSOs on advocacy issues.

Although CSOs on the MSG considered that all the conditions were in place for donor funding of the EITI Basket fund for CSOs, a development partner noted that donors did not wish to transfer funds to a bank account that had been opened by MMPNG on behalf of EITI. National Secretariat staff expressed confusion at donors' resistance to funding the EITI basket fund for CSOs. The MSG confirmed that donor funding through the EEITI basket fund would be considered a domestic source of funding, enabling support for Ethiopian charities, societies and mass-based organisations. Civil society MSG members explained that activities in the work plan to be undertaken by CSOs were awaiting funding through the EITI basket fund, but that not funding had yet been secured. This explained the lack of independent EITI dissemination and outreach by CSOs and their lack of use of EITI data to date, according to MSG

members.

With regards to domestic sources of funding for Ethiopian-owned charities and societies, a government official explained that these consisted primarily of membership fees and income-generating activities. The official considered that the level of such domestic funding for CSOs was increasing. However, several development partners highlighted the challenges in mobilising membership fees for Ethiopian charities and societies, given their tendency to have only narrow constituencies. Several development partners and CSOs both on and off the informal EITI network noted that two of the three CSOs on the MSG enabled to engage in advocacy (the Ethiopian Youth Federation and the Ethiopian National Journalists Union) received funding from government. While some CSOs on the informal network did not consider it a problem that CSOs received funding from government, others considered this a conflict of interest and stated that these CSOs were co-opted.

Monitoring of CSOs: All stakeholders consulted, including from government, confirmed that the CSA undertook field visits on an annual basis to verify compliance with the CSA's directives. While government officials, representatives from CSO MSG members and members of the informal EITI CSO network considered that monitoring by the CSA was routine, most other CSOs considered that inspections by the CSA were intrusive and intimidating. There were also differences of opinion with regards to the cause of CSOs' registration having been suspended.

With regards to the 90/10 rule on foreign vs domestic for charities, societies and mass organisations, there was consensus that foreign funding for Ethiopian-owned charities had been severely restricted since 2009. A government official confirmed that no charity or society had seen its registration revoked as a consequence of infringing the 90/10 rule only, but rather that the CSA had worked closely with the relevant CSO to address the problem before the CSA had to act. On the other hand, several CSOs both on and off the informal EITI network noted that "a number of" CSOs had been shut down for breaching the 90/10 rule, albeit without specifying the names of CSOs affected.

There was more precision regarding CSOs who allegedly infringed on the 70/30 statutory split between 'administrative' and 'project' costs. There were equal differences of opinion in relation to CSOs' active engagement in EITI implementation, with some CSOs (on the MSG and the informal EITI network) considering that CSOs could engage in advocacy alongside their 'project' work, while other CSOs and development partners considered that the ambiguity in the terms 'advocacy' and 'human rights' allowed for excessive restriction of free speech (see Freedom of expression). Various CSOs gave several examples of CSOs having lost their registration officially because of infringements of the 70/30 rule, including PANE.

A senior government official explained that 99% of CSOs that had their registration cancelled because they could not fulfil the registration criteria, usually due to lack of funds, while less than 1% was due to regulatory matters. The official noted that the CSA had access to bank accounts of all registered CSOs on demand, with all bank transactions submitted as part of audited financial statements of registered CSOs on an annual basis. While the official claimed that the around 700 CSOs whose registration had been revoked in the 2009-2017 period were due to lack of funding, several other CSOs and development partners explained the challenges for CSOs with narrow-to-no constituencies to raise any kind of meaningful membership revenue. Several CSOs consulted considered the 70/30 rule to be a constraint on effective EITI engagement, given that consortium – umbrella coalitions – had to implement activities itself and channel funding to other CSOs in order to comply with the 70/30 split. However, several development partners described a system of pooling capacity-building workshops for several CSOs at once, booking the cost as a donor-executed project to avoid booking these workshop costs as

‘administrative’ costs on each of the participating CSO.

The senior official noted that all CSOs had to re-register every three years, re-submitting all documents. The CSA then monitored each CSO on an annual basis, verifying audited financial statements of each company with its 40 core staff for 3360 registered CSOs. The official stated that the 70/30 rule was under internal review by the CSA, but did not provide additional details on potential reforms. The only instance of a CSO having its registration revoked is PANE in 2015 for breach of the 70/30 rule.

Freedom of assembly: There was a general sense among MSG and CSO members that civil society assembly in relation to EITI was primarily driven by the EEITI Secretariat, in regional outreach and dissemination. The EITI has provided a forum for CSOs to meet on mining issues according to some CSOs on the informal EITI network. Yet another CSO member of the informal EITI group questioned the value of engagement if it consisted only of coffee meetings in five-star hotels.

There was however a marked improvement in sentiment among stakeholders consulted since the appointment of Prime Minister Ahmed in April 2018. The Ethiopian Charities and Societies Forum, as the coordinator of civil society input, had submitted proposed amendments to the 2009 CSP to Prime Minister Ahmed in April 2018, including proposed revisions to the 90/10 rule, the 70/rule and the amount of time for a registered CSO to raise funds (from two to five years). There were differences of opinion over the likeliness of reforms of the CSP, although several government officials noted that CSP reform had been mentioned in Prime Minister Ahmed’s inaugural speech. While several CSOs and development partners considered that reform of the CSP was required to lift curbs on civil society’s ability to fully engage in all aspects of EITI implementation, other CSOs and development partners considered that the EITI Proclamation could potentially carve out sufficient space if it included provisions to exclude all EITI activities from the definition of advocacy.

### (iii) Association (Requirements 1.3(e)(iii); Civil society protocol 2.3)

#### Documentation of progress

Despite the restructuring prompted by the 2009 CSP, the overall number of registered CSOs recovered to pre-2009 levels by 2014, with the numbers of registered CSOs rising from 1500 in 2011 to 3360 by April 2018 according to CSA figures. However, the majority of NGOs re-registered as Ethiopian resident CSOs.<sup>166</sup> There are also an estimated 200,000 informal self-help groups in both rural and urban areas, unaffected by the CSP.<sup>167</sup>

There is evidence to suggest that CSOs are able to associate, communicate and cooperate with other national or international NGOs on EITI-related issues without restrictions. Within a year of Ethiopia’s formal acceptance as Ethiopia’s EITI Candidature application, the civil society constituency, with support from the EEITI National Secretariat and the World Bank, established an informal EITI network of CSOs, whose membership had grown to 43 organisations by 2017.<sup>168</sup> Of the 43 CSO members, 40 are either Ethiopian resident or foreign charities. There is evidence that the informal network coordinates via email

<sup>166</sup> Peace Research institute Frankfurt (July 2017), op.cit., p.11.

<sup>167</sup> International Center for Not-for-Profit Law (March 2017), op.cit., p.10.

<sup>168</sup> World Bank (2017), ‘Strengthening Mineral Sector Governance to Attract Investment’, accessed [here](#) in March 2018.

and meets at least once a year.

In 2015, the informal CSO network coordinated the nominations process for nominating civil society's MSG representation, with one seat reserved each for mass-based organisations, Ethiopian societies, Ethiopian charities, Ethiopian resident charities and foreign charities. Although there was only one candidate for each of the three seats reserved for mass-based organisations, Ethiopian societies and Ethiopian charities, there is evidence that the nominations process was advertised in advance and included over 30 CSOs (see Requirement 1.4).

The MSG members from civil society include two CSOs that appear to receive funding from government. The Ethiopian Youth Federation<sup>169</sup>, with 8.5m registered members<sup>170</sup>, manages a ETB 10bn revolving fund from the Federal Government providing grants to youth projects.<sup>171</sup> The Ethiopian National Journalists Union<sup>172</sup> (ENJU) is the only association with members from both public and private media, with around 300 journalists as members.<sup>173</sup> The ENJU has been categorised as aligned with the government by Human Rights Watch.<sup>174</sup> Transparency Ethiopia<sup>175</sup> (TE), established in 2002 as an affiliate of Transparency International, is registered as an Ethiopian charity. The Consortium of Christian Relief & Development Associations<sup>176</sup> (CCRDA) is the largest civil society umbrella consortium in Ethiopia with around 360 members, focused on projects in agricultural development and food security, rural and urban development, HIV/AIDS prevention and control, environmental protection and gender mainstreaming. The fifth MSG member, from the Association for Development and Biodiversity Conservation (ADBC), is primarily focused on environmental conservation issues.

While there is no evidence of CSO activities related to EITI undertaken independently of the MSG and National Secretariat, there is ample evidence of consistent CSO involvement in EEITI-led regional outreach and dissemination roadshows.<sup>177</sup> The EEITI workplan includes activities carried out by CSOs on the MSB including EEITI Report dissemination, civil society and media capacity building and community level outreach activities.<sup>178</sup> While the civil society constituency on the MSG established a basket fund for CSO support in relation to EITI, the fund has not received any funding to date (see section on *Funding*). Coordination of EEITI matters appears to be based on emails from CSO MSG members to their constituents, e.g. CCRDA emails draft EITI Reports to their 360 members annually.

In March 2017, the civil society constituency agreed a EEITI Charities and Societies Governance Manual,

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<sup>169</sup> <https://www.facebook.com/Ethiopian-Youth-Federation-1578498362411958/>

<sup>170</sup> The Ethiopian Herald (May 2017), "Ethiopia: Federation Striving to Ensure Youth Participation, Benefit", accessed [here](#) in May 2018.

<sup>171</sup> The Ethiopian Herald (May 2017), "Ethiopian youths' enthusiasm for change", accessed [here](#) in May 2018.

<sup>172</sup> <https://www.facebook.com/Ethiopian-National-Journalists-Union-412332072247137/>

<sup>173</sup> IREX (2008), "Media sustainability index 2008: Ethiopia", accessed [here](#) in May 2018, p.131.

<sup>174</sup> Human Rights Watch (January 2015), "'Journalism Is Not a Crime' Violations of Media Freedom in Ethiopia", accessed [here](#) in May 2018, p.52.

<sup>175</sup> <http://transparencyetiopia.org/>

<sup>176</sup> <https://www.ccrdaeth.org/>

<sup>177</sup> Examples are cited in the EEITI publication (March 2016) "Engagement and participation of civil society in EITI process", indicating that civil society representatives have been involved in the planning and delivery of outreach and dissemination events, in particular at the community level, between 2014-2016. Community level outreach activities in which civil society representatives on the MSB have participated are listed in the section on *Public debate* (#7.1).

<sup>178</sup> EEITI 2017/18 work plan, accessed [here](#) in August 2018.

which outlines the expected roles and responsibilities of the civil society constituency in the EITI process, governance rules for the constituency including the process for selecting MSB representatives, and a code of conduct. It appears from MSG meeting minutes that Tsigereda Zewdu Demelewu of the EYF, a member of the MSB, was the lead on finalising the guidelines,<sup>179</sup> which were developed with support from UNDP, and the coordination process was supported by the EITI national secretariat.

The membership of the informal CSO EITI network consists of the three above-mentioned Ethiopian-owned entities (EYF, ENJU and TE) able to engage in advocacy and a whole range of 40 Ethiopian resident and foreign charities. These range from PACT, the Sustainable Land Use Forum (SLUF), Professional Alliance for Development (PADeT), Catholic Agency for Overseas Development (CAFOD) and Forum for Environment (FfE) to CSOs with less directly related interests such as the Federation of Ethiopian National Association of persons with disability<sup>180</sup> (FENAPD), health-focused and humanitarian charities<sup>181</sup>, faith-based organisations<sup>182</sup>, local women development charities<sup>183</sup>, and regional charities aligned with political parties.<sup>184</sup>

Despite the lack of independent CSO studies using EITI data, there is evidence of collaboration between CSOs in Ethiopia and international counterparts. While Ethiopian CSOs are not part of the Publish-What-You-Pay network, there is evidence that they have participated in peer exchanges and conferences related to EITI, liaising with their counterparts in East Africa and across the continent (e.g. Nigeria). While confirming that the CSP did not impose any direct restrictions on international communication or contact, the International Center for Not-for-Profit Law has raised concerns that the CSP's restrictions on foreign funding could have a potential indirect impact on international cooperation by international NGOs.<sup>185</sup>

### Stakeholder views

There was a similar split in opinion over how well civil society operated as a constituency in relation to EITI. While MSG members and many CSOs on the informal network considered that the constituency was sufficiently informed of EITI developments through regular group emails and meetings on an ad hoc (bi-monthly) basis, several other CSOs both on and off the informal network considered that MSG members from civil society only represented their own narrow interests, without doing enough to cultivate the constituency. Several CSOs and development partners noted the country's broad geography with an 80% rural population as significant challenges to most CSOs' (aside from mass-based organisations) ability to mobilise a real constituency.

There were familiar splits in opinion about the nominations process for civil society's MSG representatives, with some categorising the process as fair while others considered the process co-opted by a small number of CSOs together with the National Secretariat. Development partners involved considered the selection process highly publicised (see Requirement 1.4). Civil society MSG members

<sup>179</sup> MSG meeting minutes, 25 March 2017

<sup>180</sup> The largest CSO representing the interests of persons with disability in Ethiopia. See FENAPD website [here](#).

<sup>181</sup> Such as Society for Women and Aids in Africa – Ethiopia (SWAA-E), Mesert Humanitarian Organization (MHO) and Walta Mothers Children Health Care Organization.

<sup>182</sup> Such as God for People Relief & Development Organization (GPRDO) and Ethiopian Guenet Church and Development Organization.

<sup>183</sup> Such as Mujejeguwaloka Women Development Association (MWDA), Hanseshia Assistance Development Organisation (HADO) and Siiqqee Women's Development Association.

<sup>184</sup> Such as Relief Society of Tigray (REST)

<sup>185</sup> International Center for Not-for-Profit Law (January 2018), op.cit..

highlighted the constituency's internal guidelines, in the CSO Charter, as a clear attempt to establish feedback mechanisms with the broader constituency. However, several CSO members of the informal EITI network did not consider that their MSG representatives were serving their interests. None of the stakeholders consulted could explain why the ENJU's seat had been left vacant for two years since the MSG member Anteneh Babanto's departure to the United States. CSOs and Secretariat staff explained that the planned renewal of civil society representation on the MSG had been delayed from April 2018 due to the start of Validation.

With regards to the informal EITI network, CSOs consulted confirmed that it was open to any NGO who wished to join and that interested parties only had to contact the EEITI National Secretariat, which provided secretarial services to the informal network. Several CSOs brought up the "civil society advisory committee", formed in 2014 to support MSG members' work but without subsequent meetings. The CSO MSG members explained that there was no need for the committee given that they felt they had sufficient capacity to undertake their duties. However, several CSOs who had been part of the original committee in 2014 lamented that this meant the loss of a key mechanism for providing feedback and input to civil society's MSG members. Several CSO members of the informal EITI network claimed never to have seen an EITI Report. Several CSOs both on and off the informal network questioned the network's value aside from a venue for toothless conversation. There was consensus among stakeholders consulted that the EYF and ENJU were aligned with government. There was disagreement however over whether that represented a problem.

#### (iv) Engagement (Requirement 1.3.(a), 1.3(e)(ii); Civil society protocol 2.4)

##### Documentation of progress

Civil society representatives on the MSG appear to actively contribute to the design, implementation, monitoring and evaluation of the EITI process, including through participation in MSG meetings. There is evidence of civil society representatives contributing to the scope and production of the EITI Reports, commenting on TORs for the IA, drafting comments and suggested edits to the EITI Reports. Despite concerns over Ethiopian civil society being "less vivid" than in neighbouring countries<sup>186</sup>, there is evidence of CSO engagement in other aspects of EITI implementation like dissemination and outreach.

Development partners such as the World Bank have considered the government as "overall supportive of the engagement of CSOs on EEITI."<sup>187</sup> The World Bank has noted CSOs' engagement in EITI, including in drafting a constituency action plan to support EITI implementation.<sup>188</sup> The government highlighted the "enabling framework for Civil Societies and companies to play their role in the implementation of EEITI" in its EITI Candidature application.<sup>189</sup>

However there is less evidence of the civil society constituency having undertaken any other form of EITI-

<sup>186</sup> BTI (2016), 'Ethiopia country report', accessed [here](#) in March 2018, p.22.

<sup>187</sup> World Bank (November 2016), op.cit..

<sup>188</sup> World Bank (November 2016), op.cit..

<sup>189</sup> Ethiopia EITI (2013), EITI Candidature application, op.cit., p.13.

related engagement aside from events initiated by the EEITI MSG and National Secretariat, apparently for lack of funding. There is no evidence of analytical studies being produced on the basis of Ethiopia's EITI data. There are only a handful of online news article quoting EITI data, primarily in The Reporter.<sup>190</sup>

In terms of capacity to participate in the EITI, civil society has participated in and contributed to a number of capacity building events and projects. Meanwhile the EEITI National Secretariat has combined capacity building with its dissemination and outreach activities in the 2014-16 period (see Requirement 7.1). The World Bank has supported capacity-building of CSOs in line with the constituency's action plan, contracting the NGO PACT for the second phase of trainings at the regional level and mapping of local CSOs.<sup>191</sup>

### Stakeholder views

Most CSOs consulted agreed that some of the civil society members on the MSG were fully engaged in all aspects of EITI implementation. Many confirmed that the CCRDA and TE representatives were most active on EITI-related issues, while the EYF and ABDC were less engaged. Several CSOs confirmed that the ENJU representative on the MSG had not been replaced in the two years since leaving for the United States.

There were however differences of opinion over the broader civil society constituency's engagement in EITI implementation. Members of the MSG consulted confirmed that CSOs were actively engaged in dissemination and outreach, particularly in extractives regions. While CSO MSG members confirmed that one of the key demands for information at the regional level related to the economic benefits of mining for host communities, they explained that there were no formal mechanisms for feeding back regional views into MSG discussions aside from MSG members' canvassing of opinions during regional outreach roadshows. While CSO MSG members considered that civil society played a role in following up on past EITI recommendations during MSG meetings, they considered that such efforts had not sufficiently been documented through meeting minutes and reports. Several CSOs on the informal network stated that they had participated in capacity-building workshops held by EEITI. Several CSOs highlighted that a local women's association had secured donor funding for a study on the effects of artisanal mining on women.

On the other hand, several CSOs both on and off the informal network held that the broader constituency was disengaged from EITI implementation and did not consider that occasional group emails from MSG members was sufficient to provide a channel for the broader constituency's engagement. Several CSOs consulted did not feel that they were consulted in the MSG's discussions on the scope of EITI reporting, through its annual review of the ToR for the IA. However, CSOs on the MSG confirmed that they had provided input to the IA's ToR, even if they had not consulted broadly on it beforehand. Several CSOs and development partners highlighted a deficit of trust between many CSOs and the government, as well as between many CSOs and those involved in EITI implementation. There were several allegations of co-optation levelled at CSOs on the MSG. A handful of CSOs on the informal network considered that the National Secretariat had intruded on the civil society constituency's internal organisation. However, several government officials considered that the process for participating in EITI implementation was open to all and that it was individual CSOs' responsibility if they chose not to engage in EITI activities.

There was however consensus over significant financial capacity constraints for CSOs engaging in EITI,

<sup>190</sup> See The Reporter website, accessed [here](#) in May 2018.

<sup>191</sup> World Bank (November 2016), op.cit..



given challenges to funding described above. All CSOs broadly agreed on the general lack of capacity to make use of EITI data. Members of the MSG from civil society highlighted plans in the EEITI workplan to translate the EITI Report summaries into local languages (Amharic), which they considered would help enhance dissemination and use. All CSOs highlighted the lack of dedicated EITI funding, either through the EITI basket fund or directly (see funding section). Most stakeholders also highlighted the constraints on capacity from the CSP, which barred foreign-funded CSOs from the advocacy required for EITI implementation. Many CSOs highlighted provisions of the draft EITI Proclamation that would institutionalise support for civil society, although the bill was still under review by the Solicitor-General at the start of Validation.

#### (v) Access to public decision-making (Requirement 1.3(d); Civil society protocol 2.5)

##### Documentation of progress

Regarding the ability of civil society to engage in analysis and advocacy on natural resource issues, there are legal provisions in place providing for freedom of access to information (FOI), through the 2008 Freedom of the Mass Media and Access to Information Proclamation, which vests the Ombudsman with responsibility for handling FOI requests.

As part of its Growth and Transformation Plan, Ethiopia has introduced a system of public budgeting at the local level, in woredas, where the public is invited to participate in budget-planning townhall meetings and the annual budget is publicly displayed for the year.<sup>192</sup>

There is no evidence of civil society campaigns surrounding regulatory changes in the extractive industries, such as the 2013 Mining Operations Proclamation or new mining regulations in 2018 that were enacted with only informal consultations with civil society.

More broadly, there is evidence of civil society campaigns in Ethiopia, some more successful than others. The Ethiopia Charities and Societies Forum (ECSF) has acted as the coordinator of civil society input to suggested reforms of the 2009 CSP by Prime Minister Ahmed's incoming government in April 2018. Despite the lack of extensive evidence of public debate on mining issues in the press, there is ample evidence of social tensions linked to mining projects. In the most recent, successful, instance, MMPNG revoked MIDROC Gold's mining licenses following weeks of public demonstrations in May 2018.<sup>193</sup>

The objectives of the civil society constituency for its engagement in EITI are unclear. The EEITI Charities and Societies Governance Manual states that the constituency should develop an annual plan, drawing from the EEITI work plan and related budget. Most of the activities where civil society has been actively engaged appear to relate to community level outreach about mining sector activities and introducing other stakeholders to the EITI process.

<sup>192</sup> Ministry of Finance and Economic Development (August 2009), Layperson's guide to the public budget process at regional level, accessed [here](#) in May 2018.

<sup>193</sup> Voice of America (May 2018), "Ethiopia Agrees to Suspend MIDROC Gold Mining After Protests", accessed [here](#) in May 2018; Bloomberg (May 2018), "Protesters Demand Ethiopia Cancel Billionaire's Gold License", accessed [here](#) in May 2018.

## Stakeholder views

Civil society representatives consulted explained that the legal changes governing CSOs since 2009 had been openly discussed amongst civil society, who had come together through the ECSF umbrella to formally submit proposed changes to the CSP and its implementing directives (issued by the CSA). Several development partners considered that the CSA showed excessive zeal in issuing and applying directives, which they considered at odds with recent political trends.

With regards to access to information, several development partners and CSOs noted that the FOI law was ineffective given that the Ombudsman, who was charged with implementing it, complained of its own weakness in public statements. None of the stakeholders consulted had heard of a successful FOI request in relation to extractives or public finance issues.

In terms of public hearings, a development partner and a CSO noted that there were consultations at the regional and federal level on key legislative changes, although this included only Proclamations, not necessarily Directives or Regulations. A development partner considered that ministries (like MMPNG) tended to select the CSOs it invited to consultations, prioritising mass-based organisations aligned more or less closely with government. A CSO considered that civil society had not been consulted by the government in either of the two Growth and Transformation Plans, as the government was prioritising investment and economic growth over the social considerations.

With regards to access to decision-making on the MSG, civil society MSG members consulted confirmed that they were able to add items to meeting agendas and that all MSG decisions had consistently been taken by consensus. However, one development partner considered that Ethiopian resident charities involved in EITI had been weakened by having to focus on 'development issues' rather than policy research.

On the objectives for civil society engagement in the EITI, most civil society representatives appeared to consider outreach to community levels to be the main priority for EITI implementation. When asked about the content of the EEITI Reports and how this could be utilised to achieve civil society priorities for the extractive sector, such as understanding the financial contribution made by mining companies to the government, there appeared to be less interest, apart from understanding community level benefits.

There was widespread optimism among all stakeholders consulted that the space for influencing public policy was improving since the inauguration of Prime Minister Ahmed in April 2018. Stakeholders highlighted the suspension of MIDROC Gold's mining licenses, the replacement of METEC's military leadership with civilians and recent high-level meetings between government and civil society on reforms to the CSP as examples.

## Initial assessment

The information collected during the initial assessment shows that space for civil society in Ethiopia clearly narrowed since 2009, with some encouraging signs of political opening under Prime Minister Ahmed since April 2018. In the period from becoming an EITI country in 2014 and commencement of Validation in April 2018, there appeared to be limited improvement in freedom of expression, some degree of self-censorship on issues related to natural resource governance and the greater restrictions

and control over civil society imposed by the legal framework. While it could be argued that Ethiopia has made meaningful progress in addressing this requirement within the remit of the Ministry of Mines Petroleum and Natural Gas and the MSB given attempts to establish structures to facilitate access to funding for Ethiopian Charities and Societies and plans to submit EITI legislation to Parliament, neither of these attempts had been successful as of the start of Validation (1 April 2018). Notwithstanding these attempts, the initial assessment concludes that Ethiopia has made inadequate progress in meeting this requirement and that the broader objective of the requirement has not been fulfilled for the following reasons:

- The EITI requires that civil society representatives who are substantively involved in the EITI process are able to engage in public debate related to the EITI process and freely express opinions.” While there is evidence that civil society on the MSG freely expresses its opinion at MSG meetings, there are legal and practical constraints on public advocacy, including on extractives issues, by foreign-funded CSOs. There also appears to be a certain level of self-censorship in relation to certain mining issues amidst a state-controlled media, at least until the change in government in April 2018.
- The EITI requires that civil society substantively engaged in the EITI is able to operate freely. Evidence gathered as part of the initial assessment process shows a regressive trend when it comes to an enabling legal framework for NGOs. Several regulations since 2009 have weakened civil society’s capacity to engage fully and proactively in EITI implementation. The 10% cap on foreign funding for CSOs able to engage in advocacy has led to a reduction in the number of such charities since 2009. The 30% cap on ‘administrative’ costs, defined broadly to include all capacity-building and coordination activities, has forced CSOs to dedicate most attention to pure ‘project’ costs. There is evidence of one CSO directly involved in the informal EITI network (PANE) having lost its registration from the Charities and Societies Agency in 2015.
- The EITI requires that civil society representatives are able to communicate and cooperate with each other regarding the EITI process. There do not appear to be any regulatory or practical barriers to CSOs’ ability to communicate with each other in relation to EITI, aside from the logistical challenges of operating in a vast, predominantly rural, country. While the constituency has established an informal EITI network and agreed a charter to coordinate its activities, there are questions regarding the degree of representativeness and independence of organisations involved.
- The EITI requires that civil society representatives are able to be fully, actively and effectively engaged in the design, implementation, monitoring and evaluation of the EITI process. Evidence gathered as part of the initial assessment process shows that civil society members of the MSG appear to be actively engaged in EITI activities, but that there appears to be a disintermediation with the broader constituency that does not appear to engage with EITI aside from participation in regional roadshows, which have halted since late 2016.
- The EITI requires that civil society is able to contribute to public debate. This requirement underpins the assumption that such debate can influence public policy making and reform. The initial assessment shows that civil society to some extent has access to opportunities and forums for engaging in public decision-making around the extractive sector and the environment for civil society. In some instances, civil society views have been heard and taken into account, in other cases not. There are some questions regarding the degree to which civil society consultations are representative of the diversity of opinions. Lack of access to funds and lack of a strategic direction for the civil society input on EITI issues are also important factors limiting this ability.

In accordance with Requirement 1.3.b, the government should ensure an enabling environment for civil society to freely express opinions with regards to natural resource governance. In accordance with Requirements 1.3.c and d, the government must ensure that there are no obstacles to civil society

participation in the EITI process and must refrain from actions which result in narrowing or restricting public debate in relation to implementation of the EITI. In accordance with Requirement 1.3.a, civil society must demonstrate that it is fully, actively and effectively engaged in the EITI process.

## MSG governance and functioning (#1.4)

### Documentation of progress

*MSG composition and membership:* The Ethiopian National Steering Committee (ENSC) was established in July 2009 and is governed by a MoU signed on 29 July 2009 between government, industry and civil society. The composition of the 17-member ENSC is set out in the MoU, with equal representation (five seats) for each constituency and two additional seats for the Minister and State Minister of Mines and Energy as respective Chair and Co-Chair. While not stipulated in the 2009 MoU, government has been represented by the MOFEC, Revenues and Customs Authority, Auditor General, Ministry of Mines and Petroleum and National Bank of Ethiopia in the 2014-18 period. Companies have been represented by five companies (Abraham Mining, National Mining Corp, MIDROC Gold, Muger Cement and Afar Salt). Civil society has been represented by five organisations (Transparency Ethiopia, Ethiopian Youth Federation, Ethiopian National Journalists Association, Christian Relief and Development Association and Association for Development and Biodiversity). While it does not confirm each constituency's right to appoint their own representatives, nor the mode of designation, the MoU sets the term limits of ENSC members at two years (Article 6). However, Ethiopia's 2013 EITI Candidature application confirmed each constituency's right to freely appoint its ENSC representatives free from outside interference.<sup>194</sup>

The ENSC approved the EEITI Charter as its Terms of Reference in March 2017. While the EEITI Charter refer to a dedicated Proclamation on EITI, the draft EITI Proclamation was not enacted at the commencement of Ethiopia's Validation (1 April 2018). The Charter renamed the ENSC as the Multi-Stakeholder Board (MSB) but preserved its membership at 15, split equally between the three constituencies (Section 1.4), alongside the Minister and State Minister of Mines, Petroleum and Natural Gas as respective Chair and Co-Chair (Section 1.5). While MSB members are not required to appoint alternates, the Charter allows for each constituency to decide whether to appoint "second ranked" members (i.e. alternates) (Section 3.3). Term limits for MSB members are set at three years (Section 2.5).

The March 2017 Charter sets out procedures for the nomination of MSB members, reaffirming each constituency's rights to appoint its own representatives (Section 2.1). The Charter requires government MSB members to be senior officials of "relevant" Federal Government entities, nominated by their respective ministries (Section 2.2). For industry and civil society, the Charter requires that MSB members be appointed in a consensual way through a constituency conference (Sections 2.3 and 2.4). In cases where a constituency is unable to designate MSB representatives in this way within six months, the Charter allows the MSB to organise a forum to facilitate selection of MSB members (Section 2.4). They also require the nominations procedures and records to be submitted to the EEITI executive secretariat for reference (Section 3.2). The Charter provides for the replacement of MSB members at the constituency's request, due to incapacity, or in cases where a MSB member misses three consecutive

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<sup>194</sup> Ethiopia EITI (2013), EITI Candidature application, accessed [here](#) in March 2018, p.20.

meetings (Sections 3.1 and 3.3).

However, a World Bank mission in May 2017 noted that the process for refreshing MSB members from industry and government, meant to be completed by August 2016, had not yet commenced as of May 2017. It also noted that the renewal of civil society MSB members, due for completion by May 2017, had not yet begun.

*Civil society representation:* Civil society MSB representatives were selected through a General Assembly of the informal CSO constituency, consisting of 43 representatives as of May 2018. Civil society representatives register with the Ethiopia EITI national secretariat by sending a letter requesting to become a member. Calls for civil society to participate in the initial meeting of civil society organisations in July 2009 were advertised in national newspapers (including the Reporter Ethiopia and Ethiopian Herald).<sup>195</sup>

According to local press reports in May 2015 and the documentation from the elections, the civil society constituency identified five categories of CSOs<sup>196</sup> from which to select MSB representatives, with the five selected CSOs selecting one MSB member each.<sup>197</sup> On 19 May 2015, the second election of civil society representatives for the MSB was organised. A 2016 EEITI publication on “Engagement and Participation of Civil Societies in the EITI process”<sup>198</sup> notes that a major concern was the preservation of institutional memory from outgoing civil society MSB members. It was agreed that the MSB membership of two previous civil society representatives would be renewed, with the election covering the other three MSB seats. Additionally, documentation from the civil society election indicate that for each of the five categories, only two of them (consortium and resident/foreign charities) had more than one candidate in the category. Representatives from Transparency Ethiopia, Ethiopian Youth Federation, Ethiopian National Journalists Union, Consortium of Christian Relief and Development Association and the Association for Development and Association for Development and Bio-diversity Conservation (ADBC) were selected, with ADBC replacing the Federation of Ethiopian National Associations of people with Disabilities.<sup>199</sup> In November 2016, the World Bank categorised the nominations process for selecting civil society MSB members as “a free and fair election process despite the prevailing laws of Ethiopia that curb civil society participation in advocacy activities”.<sup>200</sup> In January 2017, a CSO Charter (EEITI CSO Governance Manual) was approved by the MSB. The CSO Charter reconfirms the General Assembly as the highest decision-making body for the civil society constituency engaged in EITI. It outlines the procedures for the MSB member nomination process (Part 1). The CSO Charter amended the MSB membership term for civil society representatives from two to three years, with a two-term limit (Section 3.6.3). The next election of civil society MSB members is scheduled to take place in April 2019.

*Industry representation:* There is no evidence of a publicly-codified process for selecting industry

<sup>195</sup> The International Secretariat were given access to the news clippings from 2009 recorded at the national secretariat in Addis Ababa.

<sup>196</sup> Mass-based, societies, Ethiopian charities, consortium and resident/foreign charities.

<sup>197</sup> PRECISE (May 2015), ‘Ethiopia Prepares For Full Membership Of The Extractive Industries Transparency Initiative’, accessed [here](#) in March 2018.

<sup>198</sup> EEITI (2016), ‘Engagement and Participation of Civil Societies in the EITI process’ (not published).

<sup>199</sup> EEITI (2016), ‘Engagement and Participation of Civil Societies in the EITI process’, p. 17, (not published).

<sup>200</sup> World Bank (November 2016), ‘Project information document: Ethiopia EITI (Grant II)’, accessed [here](#) in March 2018.

representatives to the MSB. The nominations process has remained informal, but appears to have included the major companies operating in the sector. Re-elections for industry MSB members were held in 2017. A meeting for the industry constituency was convened by MMPNG on 12 August 2017, where active mining companies were invited to establish a nominations committee that oversaw the MSB member election process. According to the minutes from the meeting, participants voted and agreed that the current industry representatives should continue to represent their constituency for the following three years.<sup>201</sup>

*Government representation:* There does not appear to be a codified nominations procedure for government representatives on the MSB. The agencies to be represented are outlined in the MSB Charter. In practice, it appears that the head of each government entity names its representative to the MSB upon invitation by the MSB Chair. Refreshment of government MSB members has taken place only once since Ethiopia joined the EITI, in 2017. This resulted in a new representative from OFAG taking a seat at the MSB. The MSB also agreed in early 2018 to invite three permanent observers to the MSB, from the Mineral Licensing and Administration Directorate, Petroleum Licensing and Administration Directorate and the Environment and Social Development Directorate. Given that these directorates fall within the Ministry of Mines, Petroleum and Natural Gas, the observers were appointed by the and MSB Chair.<sup>202</sup>

*Terms of reference:* The original July 2009 MoU between government, industry and civil society provided the general ToR for the MSB, pending approval of the EEITI Bylaws that formed the MSG's ToR in March 2017. Highlighting the government's commitment to EITI and to work with industry and civil society, the July 2009 MoU confirms the MSB's responsibilities for preparing and approving the annual work plan, policies and procedures related to EITI implementation, procurement of the Independent Administrator and validator, including Terms of Reference, as well as for monitoring and evaluation (Article 3). The MSB's authority to approve and disseminate reports is also confirmed (Article 5), as are its powers to adopt working procedures and internal regulations for the MSB and secretariat (Article 8). However, Article 11 states that the MoU represents a statement of intent, rather than a set of rights, obligations or contractual commitments. The March 2017 MSB Charter reaffirmed the MSB's rights (Section 4) and responsibilities (Section 5), including for formulating policies to support EITI implementation, approving work plans and annual progress reports, overseeing the EITI reporting process, outreach and constituency liaison, and support for communications (Sections 5.1 and 5.4).<sup>203</sup>

*Internal governance and procedures:* Both the July 2009 MoU (Article 4) and the March 2017 MSB Charter (Sections 13 and 13.6) set the frequency of MSG meetings at one a quarter, with additional meetings upon the MSG Chair or Co-Chair's request. The Charter requires advance planning of MSB meetings at the beginning of the fiscal year, reconfirmed at the preceding meeting "as much as practically possible" (Section 13.2), with a final call one week prior to the meeting (Sections 13.3 and 14.2). The rules for quorum are set at half of the MSB members plus one (Section 14.1). In cases where quorum is unlikely to be met, the MSB Chair is allowed to postpone the meeting (Sections 13.4 and 14.2). The Bylaws require advance circulation of documents together with the meeting invitation (Section 13.5), implying that

<sup>201</sup> EEITI mining company constituency meeting minutes, 12 August 2017 at the Ministry of Mines and Natural Gas

<sup>202</sup> EEITI MSB meeting minutes, MSB meeting 27 January 2018.

<sup>203</sup> MSG meeting minutes, 25 March 2017

documents are to be sent at least one week prior to MSB meetings. The MSB meeting minutes do not give any indication that meetings have been rescheduled due to a lack of quorum. In 2017, MSB meetings were convened significantly more frequently than once every quarter (at least eleven meetings held in 2017), due to the need for the MSB to follow up on delays in procurement and reporting. Some irregularities in the scheduling of MSB meetings was raised in a meeting in the first quarter of 2017,<sup>204</sup> The issues raised included how MSB members were informed about the meeting schedule, questions about how the minutes were recorded. It was noted that these issues should be addressed during the review of the TORs for the MSB. According to the minutes it was clarified during the meeting that changes to the MSB meeting schedule were made in consultation with the MSB chairs, and that meetings were called and minutes recorded and approved in line with the TORs for the MSB.

The Bylaws' description of the MSB's rights include the freedom to deliberate on any issue relevant to EITI implementation and the right to table agenda items for MSB discussion (Sections 4 and 6). The Bylaws also contain an extensive Code of Conduct for MSB members, including requirements for the disclosure of any private business interest related to issues discussed by the MSB, any infringement on the independence of MSB members, and data confidentiality provisions (Section 11).

The Bylaws confirm the MSB's right to establish council sub-groups to oversee specific aspects of its work (Section 9). Working groups have been established on an ad-hoc basis with specific objectives. For instance, a technical working group was established in August 2017 to oversee the procurement of the IA for the 2015/16 EITI Report<sup>205</sup>, liaise with the selected consultant during the reconciliation process and report on progress to the MSB. The working group consisted of a representative from government, industry and civil society (with an alternate) and a secretary from the national secretariat, and met on 23 September and 21 November 2017.<sup>206</sup> In early 2018, the MSB agreed to establish sub-committees on a more permanent basis, and established a Technical Governance Committee and a Communications and Promotions Committee, with representatives from each constituency.<sup>207</sup>

**Decision-making:** While the 2009 MoU did not define decision-making rules, the 2017 Bylaws provide extensive detail on the MSB's decision-making procedures. Decisions are to be made by consensus where possible, and by two-thirds majority vote in cases where consensus is not practicable (Section 14.3). Provisions are made for the postponement of decisions where two-thirds majority cannot be achieved during a vote (Section 14.4). There are also provisions for decision-taking by electronic circular for urgent matters (with electronic replies counted as votes) (Section 13.7) and for MSB decisions to be delegated to the MSB Chair or EEITI executive secretariat on specific matters, without the need for a MSB meeting but with decisions reported by the Chair at the subsequent MSB meeting (Section 14.5). Minutes of MSB meetings suggest that decisions are in practice made by consensus, with no decisions recorded as having been made by vote in the 2016-18 period.

**Record-keeping:** The 2009 MoU requires all documents related to EITI implementation to be archived at

<sup>204</sup> MSB meeting minutes, 3 March 2017.

<sup>205</sup> MSB meeting minutes, 16 August 2017.

<sup>206</sup> MSB technical working group meeting minutes, 23 September 2017.

<sup>207</sup> MSB meeting minutes, 27 January 2017.

the Ministry of Mines and Energy and on the EEITI website (Article 9). The 2017 Bylaws provide more detailed instructions on record-keeping, including the EEITI executive secretariat's role in support of the MSB (Section 1.2) as well as the approval and publication procedures for the MSB's record-keeping by the MSB Secretary, i.e. the EEITI executive secretariat director (Section 15). The MSG meeting minutes are not publicly available on the EEITI website.<sup>208</sup>

*Capacity of the MSG:* The 2009 MoU (Article 3) and the 2017 Bylaws (Sections 7 and 8) define the responsibilities of the MSB Chair and MSB members. Ethiopia's 2013 EITI Candidature application highlighted the capacity-building for the then-ENSC (now MSB) prior to the October 2013 application.<sup>209</sup> Neither the 2009 MoU nor the 2017 Bylaws define the source of funding for EITI implementation in Ethiopia. The Bylaws only refer to the executive secretariat's responsibilities for collecting and accounting for funds received by EEITI "from various sources", including holding accounts and ensuring the annual audit of EEITI accounts (Section 10.5.4). The main source of financial support for EEITI activities has been the World Bank EITI Multi-Donor Trust Fund, with an active grant until March 2019. In 2017, the World Bank provided USD 451,627 in support for implementation, the UNDP provided USD 100,000, and the Government of Ethiopia allocated USD 76,021.

The 2017/18 EEITI work plan has a significant focus on capacity building activities for the MSB, with activities aimed at enhancing the capacity of the EEITI Secretariat and MSB to fully implement the EITI Standard. Capacity building activities for the MSB in the past has included training on EITI reporting (June 2011), EEITI training for MSB and constituencies (April 2012), EITI training on 2013 Standard (August 2014), a series of mining site visits (2015-2016), capacity building workshop on beneficial ownership transparency (April 2017).<sup>210</sup>

*Per diems:* While the 2009 MoU does not refer to per diems for ENSC members, the 2017 Bylaws describe the MSB's practice of sitting allowances and compensation for travel costs (Section 16). While the Bylaws provide for the revision of sitting allowance rates every three years "based on a study of current practices within the Country by the EEITI Executive Secretariat" (Section 16.2), none of the EEITI governance documents describe the actual rate of per diems (sitting allowances) in the 2013-18 period. According to MSB meeting minutes, three MSB members (with one additional MSB member advising the group) were tasked together with the national secretariat to investigate and recommend a per diem policy to the MSB.<sup>211</sup> The group presented a comparison of per diem practices in a selection of EITI countries at a meeting in April 2017<sup>212</sup>, and the MSB agreed to write to MOFEC to request a per diem of USD 120 per meeting (not to be paid out more than twice in a quarter). A policy has however not been fully adopted and there was no practice of per diems as of the start of Validation.

*Attendance:* Members of the MSB regularly attend meetings, which have been quorate in the 2014-18 period according to successive Annual Progress Reports.<sup>213</sup> Average participation in MSB meetings

<sup>208</sup> The

<sup>209</sup> Ethiopia EITI (2013), EITI Candidature application, accessed [here](#) in March 2018, p.13.

<sup>210</sup> Ethiopia EITI 2016/17 Annual Progress Report, accessed here in June 2018, Ethiopia EITI Annual Progress Report 2015 accessed here in June 2018, Ethiopia Annual Activity Report 2014 accessed here in June 2018, Summary of EEITI implementation process and achievements (since 2009 – June 2016)" from 2016.

<sup>211</sup> MSG meeting minutes, 25 March 2017

<sup>212</sup> MSG meeting minutes, 9 April 2017.

<sup>213</sup> See Ethiopia EITI (June 2015), 2014 EEITI annual activity report, accessed [here](#) in March 2018; Ethiopia EITI (June 2016), 2015 EEITI annual activity report, accessed [here](#) in March 2018; Ethiopia EITI (June 2017), 2016-2017 EEITI annual progress report, accessed [here](#) in March 2018.



consisted of around 12 out of 15 MSB members. Attendance was slightly higher in the period of 2014-2016, with a significantly higher number of MSB meetings scheduled in 2017 (due to the need for MSB follow-up on delays in procurement and reporting) a likely cause of lower meeting attendance.

The MSB's right to invite external stakeholders to meetings as observers is confirmed in the Bylaws (Section 4.5), upon written application to the MSB at least ten days prior to the meeting (Section 12). The meeting minutes do not indicate that observers have requested to participate in meetings, although three permanent government observers were invited in early 2018 (*see 'Government representation' section*).

*National secretariat:* While the 2009 MoU did not refer to the existence of a national secretariat to support the ENSC, Ethiopia's 2013 EITI Candidature application provided for an EITI Implementation Secretariat, hosted by the Ministry of Mines and Energy and responsible for the EEITI's day-to-day activities and for assisting and supporting the ENSC.<sup>214</sup> The 2017 Bylaws provide an extensive description of the roles and responsibilities of the national secretariat, renamed the EEITI executive secretariat (Section 10). The Bylaws allow for the MSB to delegate some of its responsibilities to the executive secretariat (Section 4.5) and require the MSB to ensure that the executive secretariat is adequately resourced and staffed (Section 5.2). The Bylaws appoint the EEITI executive secretariat director as secretary to the MSB and provide for other secretariat staff to serve as interim secretary in the Director's absence (Section 1.6).

The EEITI Secretariat consists of four full-time members of staff and is hosted in the MMPENG is responsible for supporting the MSB and handling day-to-day activities related to EITI implementation. In practice, the secretariat has also provided support for coordinating the civil society and company constituencies when needed. A World Bank mission in May 2017 highlighted continuing capacity challenges within the EEITI executive secretariat due to the lack of staff/consultants for communication, legal and project management support, although it noted that recruitment of new secretariat staff was on-going in May 2017.

## Stakeholder views

*MSG composition and membership:* Some stakeholders expressed concerns about the same representatives having served on the MSB for a significant time, suggesting that refreshing MSB members was important for the process to remain dynamic. This was noted with particular regard to industry and civil society representation. A development partner further explained that representation by the large-scale mining companies was important to ensure adequate sector representation. It was suggested that media should be better represented on the MSB.

*Civil society representation:* Civil society MSB members consulted stated that they were committed to ensuring that new civil society representatives would join the MSB given that their maximum two terms for serving as members were coming to an end. Some stakeholders consulted expressed concerns about not all civil society members on the MSB adequately reporting to their wider constituency, or that there was some selectiveness with regards to which civil society members the MSB representatives would keep informed. One example raised was the lack of consultation with the wider constituency on the scope of

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<sup>214</sup> Ethiopia EITI (2013), EITI Candidature application, accessed [here](#) in March 2018, p.20.

the EITI Report. There were also some questions raised about some CSO members who had been represented on the MSB for a significant time, as well as the independence from government of some MSB civil society representatives. The national secretariat noted that the Charter allowed them to organise the MSB selection process on behalf of the constituency if new members were not nominated within six months after their terms ended.

*Industry representation:* According to a company representative on the MSB, the two rounds of selection of industry members on the MSB had been free from interference by external stakeholders. Industry representatives not on the MSB expressed that they were satisfied with the outcome and that the election process was free and fair, and that the majority of the industry constituency had supported the renewal of previous MSB members' MSB seats for another term. It was further explained that the companies select their MSB membership through simple majority voting. With regards to regular communication about discussions and decisions taking place within the MSB, there appeared to be limited feedback-mechanisms between the MSB members and industry constituency, which led to limited input by industry on the objectives of the work plan and the content of the EITI Report. Most of the industry representatives beyond the MSB only knew who 1-2 of their MSB representatives were.

*Government representation:* A government representative on the MSB highlighted that two of the government MSG members (OFAG and NBE) were accountable to Parliament, not the government.

*Terms of reference:* MSB members explained that they had been involved in the preparations of the MSB Charter, and that civil society MSB members had been particularly involved.

*Internal governance and procedures:* MSG members consulted confirmed that they can influence the agenda and receive draft meeting minutes for approval ahead of the meetings.

*Decision-making:* MSB members confirmed that all decisions had always been taken by consensus. Some MSB members noted that deliberations would sometimes take a long time depending on the issues, but that decisions would in those cases be postponed to allow for the MSB to reach consensus.

*Attendance:* There were few comments about MSB meeting attendance, and there appeared to be general satisfaction with attendance levels by MSB members. A civil society representative referred to the regular attendance of the MSB Chair to be a positive sign of MSB functioning. It was noted that one of the civil society representatives had stopped attending the MSB meetings as he had moved abroad.

*National secretariat:* There appeared to be an expectation among industry stakeholders that the national secretariat would be responsible for coordinating the constituency. A development partners also noted that civil society in particular was heavily reliant on the national secretariat for coordinating their constituency, which was an additional burden.

## Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement.

The MSG has reviewed and adopted internal governance rules that address all aspects of Requirement

1.4 of the EITI Standard, and appears to largely follow these in practice. Stakeholders are adequately represented and regularly attend MSB meetings, and there appears to be advance notice of meetings and circulation of documents. Although each stakeholder group has the right to appoint its own representatives, there appear to be no clearly-defined procedures for the selection of MSG members. Civil society members are in the process of developing guidance on how their next MSG member selection will take place in early 2019. The lack of coordination in particular within the industry constituency and lack of feedback mechanisms between company representatives on the MSG and their constituency appears to have an effect on how companies' views are represented in the MSGs discussions and decisions. There also appears to be a need to improve reporting between government representatives on the MSG and the agencies they represent to be able to make progress on EITI implementation and follow-up on recommendations from EITI reporting.

In accordance with Requirement 1.4, the MSG should ensure that each constituency has clear procedures for the selection of MSG members and channels of communication between the MSB representatives and their constituencies. The MSG could task each stakeholder group to clarify their internal nominations and representation procedures to improve the transparency and participation in the process. The MSG should also agree a process to ensure greater accountability of MSG representatives to the constituencies. This should include establishing mechanisms of consultation and reporting between MSG representatives and their wider constituencies.

## Work plan (#1.5)

### Documentation of progress

2017/18 EEITI work plan (Ethiopian Fiscal Year 2009) was agreed by the MSB on 4 February 2017.<sup>215</sup>

*Publicly accessible workplan:* The 2017-18 work plan has been published on the EITI international website upon request by the EEITI national secretariat.<sup>216</sup>

*Objective for implementation:* The 2017-18 work plan indicates the national priorities for EITI implementation and lists the objectives for the year covered by the plan (p.5). The overall objectives for implementation include optimizing benefits of the extractive industries to transform Ethiopia's human development path and enhancing the capacity of the regulatory bodies engaged in extractive sector management. More specific objectives include enabling key government agencies to design, improve and implement their legal, regulatory and policy frameworks to effectively govern the extractive sectors by addressing the capacity constraints through capacity building efforts.

*Measurable and time-bound activities:* The work plan provides a table disaggregated by major pillars, objectives, activities, expected outcomes, delivery period, responsible body, budget and source (p.10). Some of the actions are aimed at mainstreaming EITI disclosures, reaching out to target stakeholder groups and assessing impact of EITI implementation.

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<sup>215</sup> MSB meeting minutes, 2 February 2018

<sup>216</sup> Ethiopia EITI 2017/18 work plan, accessed [here](#) in June 2018.

*Capacity constraints:* One of the main priorities in the work plan appears to be to strengthen capacity both at the level of government agencies, civil society as a constituency and the MSB. One of the activities is aimed at raising financial and technical support to enhance the capacity of the EEITI Secretariat and MSB to work towards fulfilling Ethiopia's commitments under EITI candidacy status and ensure the country becomes compliant with the EITI standard by 2018.

*Scope of EITI reporting:* The MSG has undertaken an analysis of strengths and weaknesses of EITI implementation and has identified extension of scope of reporting as an opportunity in terms of companies to be covered in the reconciliation (p.18).

*Legal or regulatory obstacles identified:* The work plan notes that legislation was passed making the EITI process mandatory for companies (2013 Mining Operations Proclamation). Activities are also included with regards to adopting the EEITI Act to conduct stakeholder consultations with parliamentarians, representatives from the Ministry of Justice, and civil society on the EEITI (p.11). Another activity is to organize a civil society annual general council assembly to help address regulatory obstacles to full civil society engagement in the EITI process (p.12).

*Recommendations from Validation and EITI reporting:* Under the work plan's pillar 25, it is indicated that there are regular and urgent MSB meetings every year with the aim of implementing EEITI principles and requirements. While the work plan itself does not specifically outline activities aimed at addressing recommendations from the EITI Report, the MSB has developed an action plan in early 2018 for how to address recommendations from the second and third EEITI Report. The action plan had not been made publicly available at the time of stakeholder consultations.

*Costings and funding sources:* Sources of funding are indicated in the work plan, with a total budget for the period of USD 627,648. A large part of these funds is provided by the World Bank (USD 451,627), the UNDP (100,000) and the Government of Ethiopia (USD 76,021). Each of the pillars in the work plan disaggregates the source of funding for the activities.

## Stakeholder views

MSB members appeared to be content with their work plan and considered that it aligned with national priorities. Civil society MSB members explained that they usually shared the work plan with the wider constituency for comments by email. Stakeholders from the industry constituency that were not on the MSB did not appear to have seen the EITI work plans (see section on *MSG governance and functioning (#1.4)* under stakeholder views). Civil society representatives appeared to have seen the work plan prior to approval by the MSB, although it was not clear whether the representatives had provided input to the work plan.

## Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress towards meeting this requirement. The MSB maintains an annual EITI work plan, that is publicly accessible, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board. The 2017-18 work plan includes measurable and time-bound activities, identifies domestic and external sources of funding. The objectives of the EITI work plan are aligned with the EITI Principles and to some extent reflect the national priorities for the extractive industries.

To strengthen implementation, it is recommended that the MSB ensures that the objectives for EITI implementation as outlined in the work plan fully reflect the results of consultations with key stakeholders and their priorities for transparency and accountability in the extractive sector.

**Table 1 – Summary initial assessment table: MSG oversight**

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Government oversight of the EITI process (#1.1)	The government has made various public statements of support to the EITI, has appointed a senior individual to lead EITI implementation and is fully, actively and effectively engaged.	Satisfactory progress
#Company engagement (#1.2)	Companies are fully, actively and effectively engaged in the EITI process. The government has ensured that there is an enabling environment for company participation with provisions in the 2013 Mining Operations Proclamation mandating payments disclosures as required by EITI.	Satisfactory progress
Civil society engagement (#1.3)	The space for civil society in Ethiopia has clearly narrowed since 2009. There is limited freedom of expression, a degree of self-censorship and the legal framework has imposed greater restrictions and control over civil society. Notwithstanding this overall picture of the civic space, there is limited evidence that civil society representatives on the MSG have actively engaged in all aspects of EITI implementation, albeit in a support role for EITI-driven activities. Curbs on foreign funding for advocacy organizations and strict application of administrative directives by the state have weakened civil society's ability to engage in the advocacy required for EITI implementation.	Inadequate progress
MSG governance and functioning (#1.4)	The MSG has reviewed and adopted internal governance rules that address Requirement 1.4 of the EITI Standard, and appears to largely follow these in practice. Although each stakeholder group has the right to appoint its own representatives and constituencies have developed procedures to nominate their members, there appear to be no clearly-defined procedures for the selection of MSG members. The lack of coordination in particular within the industry constituency and lack of feedback mechanisms between company representatives on the MSG and their constituency appears to have an effect on how companies' views are represented in the MSGs discussions and decisions. There also appears to be a need to improve reporting between government representatives and their agencies to be	Meaningful progress

	able to make progress on EITI implementation, including encouraging systematic disclosures of EITI data and follow-up on recommendations from EITI reporting.	
Work plan (#1.5)	The MSB maintains an annual EITI work plan, that is publicly accessible, fully costed and aligned with the reporting and Validation deadlines established by the EITI Board. The 2017/18 work plan includes measurable and time-bound activities, identifies domestic and external sources of funding. The objectives of the EITI work plan are aligned with the EITI Principles and does to some extent reflect the national priorities for the extractive industries.	Satisfactory progress
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> <li>• To strengthen implementation, Ethiopia is encouraged to ensure that the level of government participation in all operational aspects of EITI implementation is commensurate with the high-level political support for EITI. The government and MSB is further encouraged to continue efforts to engage government agencies beyond the Ministry of Mines, Petroleum and Natural Gas in the EITI process.</li> <li>• To strengthen implementation, the industry constituency may wish to consider ways of strengthening intra-constituency coordination in relation to EITI implementation, perhaps leveraging the newly-established Chamber of Mines, to ensure that companies in both mining and petroleum sectors are regularly canvassed for their views as part of EITI implementation.</li> <li>• In accordance with Requirement 1.3.b, the government should ensure an enabling environment for civil society to freely express opinions with regards to natural resource governance. In accordance with Requirements 1.3.c and d, the government must ensure that there are no obstacles to civil society participation in the EITI process and must refrain from actions which result in narrowing or restricting public debate in relation to implementation of the EITI. In accordance with Requirement 1.3.a, civil society must demonstrate that it is fully, actively and effectively engaged in the EITI process.</li> <li>• In accordance with Requirement 1.4, the MSG should ensure that each constituency has clear procedures for the selection of MSG members and channels of communication between the MSB representatives and their constituencies. The MSG could task each stakeholder group to clarify their internal nominations and representation procedures to improve the transparency and participation in the process. The MSG should also agree a process to ensure greater accountability of MSG representatives to the constituencies. This should include establishing mechanisms of consultation and reporting between MSG representatives and their wider constituencies.</li> <li>• To strengthen implementation, it is recommended that the MSB ensures that the objectives for EITI implementation as outlined in the work plan fully reflect the results of consultations with key stakeholders and their priorities for transparency and accountability in the extractive sector.</li> </ul>		

## Part II – EITI Disclosures

### 2. Award of contracts and licenses

#### 2.1 Overview

This section provides details on the implementation of the EITI requirements related to the legal framework for the extractive sector, licensing activities, contracts, beneficial ownership and state participation.

#### 2.2 Assessment

##### Legal framework (#2.1)

###### Documentation of progress

**Legal framework:** The 2015-16 EITI Report provides a brief overview of the legal framework, including links to the full-text of relevant legislation listed, for mining (pp.17-18,27<sup>217</sup>) and oil and gas (p.37).

**Government agencies' roles:** The report describes the Ministry of Mines, Petroleum and Natural Gas (MMPNG)'s responsibilities for oversight and licensing in mining (p.18) and oil and gas through its Petroleum Licensing and Administration Core Process (PLACP) (pp.37,39).

**Fiscal regime:** The report provides an overview of the fiscal regime in mining, including key applicable rates for different types of minerals (pp.27-28) and a summary of fiscal terms associated with 13 contracts made available to the IA (pp.22-26). A cursory description of the National Bank of Ethiopia (NBE)'s responsibilities as a clearing house for artisanal-mined gold is provided (pp.10,31). In oil and gas, the report provides an overview of fiscal terms in relevant laws and the production-sharing agreements (PSAs), highlighting the government's flexibility in agreeing different terms depending on the PSA (pp.38-39).

**Degree of fiscal devolution:** The report explains that the Federal Republic of Ethiopia is composed of 9 states with tax-raising powers (p.10). The value of total extractives revenues collected by Regional Governments is provided, equivalent to 4.2% of total government extractives revenues in 2015-16 (p.7).

**Reforms:** The report only refers to "constant" revisions to the 1993 mining laws (p.17) without describing other relevant reforms such as the 2016 amendments to the Income Tax Proclamation. The report mentions the EEITI Act currently under review by the Attorney General (p.5).

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<sup>217</sup> All references to (p.) in the initial assessment are to EITI (31 March 2018), 'Ethiopia 2015-16 EITI Report', accessed [here](#) in April 2017. Page numbers refer to those in the PDF version of the report, not to the printed version.



## Stakeholder views

Stakeholders consulted did not express any particular views about the 2015-16 EITI Report's coverage of the legal environment and fiscal regime for the extractives. While most stakeholders agreed that MMPNG had primary jurisdiction over the mining, oil and gas sectors, several CSOs highlighted the role of the Ministry of Industry (Mol) in granting rights for developing mega-projects that had extractives components. For instance, the Mol had granted a subsidiary of the state-owned Metals and Engineering Corporation (METEC) rights to mine coal for the purposes of the planned Yayu Fertilizer Complex according to several CSOs and journalists. A CSO and a government official also noted that the Mol was developing projects for mining iron ore, coal and potash (*see Requirements 2.3 and 3.2*). With regards to reforms, several government officials highlighted the significance of the 2016 Income Tax Proclamation's harmonization of income tax rates for extractives at 25%, linking it to follow-up on past EITI recommendations (*see Impact analysis*).

## Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress in meeting this requirement. The 2015-16 EITI Report provides an overview of relevant laws and regulations, fiscal terms, including the degree of fiscal devolution, as well as the government entity with primary responsibility for the mining, oil and gas sectors. However, the report does not provide an overview of ongoing or planned reforms related to extractives or public finance management beyond general reference to unspecified reforms since 1993 and the EEITI Act currently under review.

In accordance with Requirement 2.1, Ethiopia should ensure that descriptions of the main government entities involved in overseeing the mining, oil and gas sectors and of recent or ongoing extractives reforms be publicly accessible.

## License allocations (#2.2)

### Documentation of progress

**Awards/transfers:** For *mining*, the 2015-16 EITI Report confirms that eight mining licenses<sup>218</sup> were awarded in 2015-16 (pp.20-21). However, the report's recommendation 7.7 also notes the lack of centralised system for Federal Government tracking of licenses allocated by Regional State Governments (p.79), implying that there may have been licenses allocated by Regional Governments to material companies in 2015-16 without the Federal government's knowledge. Although details of licenses reported by material companies in Annex 8 include one license granted by a Regional Government<sup>219</sup> (in 2003) (pp.97-99), the lack of reporting of licenses held by one company indicate that this list is not comprehensive. The report does not state whether there were any transfers of mining licenses in 2015-16.

<sup>218</sup> MOM/SSML/560/2016 to Dawit G/Egziaber Abrha Gold Mining Enterprise; MOM/LSML/509/2015 to GEOFIX Industrial & Construction Materials Production Plc; MOM/LSML/185/2015 to Habesha Cement Sc; MOM/LSML/197/2013 to Letto Mineral Plc; MOM/SSML/304/2012 to Loz Bez Mining Plc; MOM/LSML/475/2015 to Mengste Ab Industrial and Commercial Plc; MOM/LSML/300/2013 to Sammakka Stones Plc; and MOM/LSML/405/2015 to Stella Trading and Industry Plc.

<sup>219</sup> ORO/LSML/132/2011 covering coal to East African Holding SC.

For *oil and gas*, the report notes that no oil and gas blocks were awarded in 2015-16 (p.37), but does not state whether there were any transfers of oil and gas licenses (or interests therein) in 2015-16.

*Award/transfer process:* For *mining*, the report confirms that MMPNG is responsible for awarding mining licenses for prospection, exploration and mining (production) (p.18) and describes the general licensing process (pp.19-20). While the report refers to provisions of Mining Operations Proclamation 678/2010 on licensing procedures (p.27), it does not describe them. The report confirms Regional State Mining Authorities' responsibilities for issuing licenses for artisanal mining, reconnaissance, exploration and retention licenses covering construction and industrial minerals, small-scale mining licenses for industrial minerals, large-scale mining licenses for construction materials and certificates of discovery for minerals other than (undefined) "strategic minerals" (p.18). The seven types of mining licenses are described, including their option for renewal (p.18), alongside three types of mineral processing and trading licenses and two types of certificates, all for precious minerals (pp.18-19). The report provides the categorisation of five mineral commodity types<sup>220</sup> covered by mining licenses (p.27). The Mining Inventory report produced by EITI in February 2016 provides a description of the process for awarding licenses by Regional Governments, highlighting the requirement for seeking consent of local communities.<sup>221</sup>

In terms of mining license transfers, the 2015-16 EITI Report confirms that transfers are allowed for all licenses aside from reconnaissance and retention licenses, in line with Mining Operations Proclamation 678/2010 (p.27). However, it only notes that "prior consent from the licensing authority" is required for transfers and that artisanal and special small-scale mining licenses can only be transferred through inheritance (p.27), without providing a comprehensive overview of the transfer process.

For *oil and gas*, the report describes the general process for awarding licenses either by competitive bidding or, subject to "directives of the Council of Ministers", through direct negotiations (pp.37-38). The two types of oil and gas licenses are described, including their validity periods and options for extension (p.38). The report refers to provisions of Petroleum Operations Proclamation 295/1986 describing the rights and conditions for exploring, developing and producing oil and gas (p.38), albeit without describing them.

In terms of oil and gas license transfers, the report confirms the possibility of transfer licenses (or interests therein) upon prior written consent by the Minister. It notes that the conditions of transfer, assignment or disposal are governed by the provisions of the petroleum agreement (p.38), but does not provide a comprehensive description of the transfer process.

*Technical and financial criteria:* For *mining*, the report lists five technical and financial criteria<sup>222</sup> assessed by MMPNG during mining license applications, including the weightings of different criteria (pp.19-20,86-87). The report does not refer to any technical and financial criteria assessed in transfers of mining licenses.

For *oil and gas*, the report only refers to the need to submit application documents by hand or registered

<sup>220</sup> Construction minerals, industrial minerals, metallic minerals, precious minerals and semi-precious minerals.

<sup>221</sup> Ethiopia EITI (February 2016), "Mining Inventory in Ethiopia", accessed [here](#) in May 2018, pp.vii-viii.

<sup>222</sup> Number of years the applicant has been in mining operation; human resources capacity and experience; financial performance; previous work assessment citing appropriate references; financial status of the applicant related to the exploration period.

mail (p.37), but does not define technical and financial criteria assessed for oil and gas license awards. Likewise, the report does not refer to any technical and financial criteria assessed in transfers of oil and gas licenses.

License awardee information: For *mining*, the report provides the list of license-holders of the eight mining licenses awarded in 2015-16 (pp.20-21). It is unclear from the report whether any mining licenses were transferred in 2015-16.

For *oil and gas*, the report confirms the lack of license awards in 2015-16 (p.37), although it is unclear whether any licenses were transferred in 2015-16, nor the names of license-holders involved if applicable.

Non-trivial deviations: For *mining*, the report states that the IA did not note any non-trivial deviations from the applicable legal framework for the eight mining licenses awarded in 2015-16 (p.21), although the basis for determining non-trivial deviations is unclear. The report does not specify whether any mining licenses were transferred in 2015-16, nor whether there were any non-trivial deviations therein if applicable.

It is unclear whether any *oil and gas* licenses were transferred in 2015-16, nor any non-trivial deviations therein if applicable.

Comprehensiveness: The report only covers the award of *mining* licenses in 2015-16, but describes the award of one *oil and gas* license to GBP Ethiopia in 2014-15, highlighting the lack of non-trivial deviations from the statutory licensing procedures in that process (p.38).

Bidding process: It appears from the report's description of the *mining* license allocation process that licenses are not awarded through bidding in 2015-16 (p.19). In *oil and gas*, the report states that *oil and gas* licenses can be awarded through competitive bidding or, subject to "directives of the Council of Ministers", by direct negotiations (pp.37-38), but clarifies the lack of oil and gas license awards in 2015-16 (p.37).

Commentary on efficiency: The report's recommendation 7.7 highlights the lack of centralised system for tracking license allocations by Regional State Governments, with no information at the Federal Government level on licenses awarded by regional authorities (p.79).

## Stakeholder views

Mining: All stakeholders consulted who expressed an opinion on the issue confirmed that there had been only eight mining license awards at the federal level in 2015-16 as stated in the EITI Report. However, several stakeholders from all constituencies considered that it was possible that licenses may have been awarded to material companies by Regional Governments during the period, without these being reflected in the Federal Government's cadastre. A senior government official confirmed that there had been two transfers of mining licenses in 2015-16, although these had involved non-material companies (YGL and African Ore). In both cases, the transfers involved the conversion of licenses awarded by the Oromiya Regional Government to licenses awarded by the Federal Government. The official explained that Regional Governments were legally empowered to award licenses (of the types described in the EITI Report) to wholly Ethiopian-owned companies, but that these needed to be converted (transferred) to

MMPNG-awarded licenses when transferred to foreign-invested companies. These types of transfers represented administrative transfers, rather than ownership transfers. The official confirmed that MMPNG tracked license transfers through its internal cadastral management software, but that these were not visible on the publicly-accessible Mining Cadastre Portal. Government officials and the IA confirmed that the same technical and financial criteria applied to both license awards and transfers, in line with Article 12 of the 2010 Mining Proclamation.<sup>223</sup> Company representatives consulted explained that MMPNG typically undertook a field visit as part of the process for renewing or transferring licenses. With regards to “strategic minerals” for which licenses could only be awarded by MMPNG, a consultant noted that the definition of “strategic minerals” was currently under review, but that the term had to date referred to minerals used for alternative energy (such as lithium, graphite and tantalum) and minerals used in Ethiopia’s existing industries that could be used for import-substitution.

With regards to deviations from statutory procedures, several representatives from government, industry and civil society noted the existence of deviations in license awards, although there were differences of opinion over whether these could be considered trivial. Several industry representatives explained that it was common for the timeframe set for processing license applications being exceeded in practice, although all of them considered such deviations to be trivial. A government representative hinted at the existence of political pressures in certain license awards, albeit without providing concrete examples of deviations in specific licenses. Several CSOs had strong opinions that there were non-trivial deviations in the award of mining licenses and described the process as “opaque” given the lack of public hearings. However, beyond expressing concerns over the way in which licenses had been awarded to MIDROC in the past given allegations of environmental abuses, none of the CSOs consulted provided examples of non-trivial deviations in license awards in the 2015-16 period. A government official described MMPNG plans, with support from the Canadian Government, to move the license application process and work programme monitoring online.

*Oil and gas:* A senior government official explained that transfers of interests in oil and gas licenses were allowed by law, but that there had been no such transfers in 2015-16. The official considered that petroleum regulations codified the need to demonstrate technical and financial capabilities. However, the IA noted that there were no specific codified technical and financial criteria for license awards and transfers and that evaluations were made on a case-by-case basis. The IA confirmed it had not seen a request for expressions of interest for oil and gas licenses given the lack of oil and gas license awards in 2015-16.

### Initial assessment

The International Secretariat’s initial assessment is that Ethiopia has made satisfactory progress towards meeting this requirement. The 2015-16 EITI Report describes the process for awarding licenses in the mining, oil and gas sectors, but significantly less detail on license transfers. The report describes mining, oil and gas license awards in 2015-16, but does not specify whether any mining, oil and gas licenses (or interests therein) were transferred in the period. Detailed technical and financial criteria are described for mining license awards, but not for transfers, nor for oil and gas license awards or transfers. However, stakeholder consultations confirmed the lack of oil and gas license awards and transfers in 2015-16. Stakeholders also confirmed that the two mining license transfers in 2015-16 involved non-material

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<sup>223</sup> Proclamation no. 678/2010, “A proclamation to promote sustainable development of mineral resources”, accessed [here](#) in May 2018.

companies.

To strengthen implementation, Ethiopia is encouraged to clearly define the number of mining, oil and gas licenses awarded and transferred in the year(s) under review, describe the statutory allocation and award procedures, including specific technical and financial criteria, and highlight any non-trivial deviations in practice. In addition, Ethiopia may wish to comment on the efficiency of the current license allocation and transfer system as a means of clarifying procedures and curbing potential non-trivial deviations, particularly related to Regional Governments' licensing activities.

## License registers (#2.3)

### Documentation of progress

For *mining*, the 2015-16 EITI Report's Annex 8 provides details of 37 active licenses held by material mining companies, but details of licenses held by 1 material company<sup>224</sup> were not reported (pp.97-99). However, the Mining Cadastre Portal provides some of the information mandated per Requirement 2.3 for all active and inactive mining licenses.<sup>225</sup> The EEITI Mining Inventory published in February 2016 notes that over 3800 mining licenses have been awarded by Regional Governments and that many of these have not yet been reported to the Federal Government's cadastre. The Inventory manually collected details of some of these Regional Government licenses and highlighted gaps in available information, such as the total area covered by some licenses.<sup>226</sup>

For *oil and gas*, Annex 8 provides the details of 11 active licenses held by material oil and gas companies (p.97). The information on active licenses was sourced from material companies' reporting, rather than MMPNG.

*Licenses held by material companies:* The report details licenses held by material mining, oil and gas companies only, not those held by non-material companies.

*License-holder names:* The report provides the license-holder names for the 37 *mining* licenses held by material companies listed in Annex 8 (pp.97-99), aside from one company's licenses that remain unreported. The MMPNG mining license register's provision of license-holder names and TIN is also confirmed (p.76). The report also provides license-holder names for all 11 active *oil and gas* licenses held by material companies in Annex 8 (p.97).

*License coordinates:* The report provides names of districts (woredas) for all but three of the 37 material *mining* licenses (pp.97-99) and nine of 11 material *oil and gas* licenses (p.97), but no guidance on accessing license coordinates. While the report states that MMPNG does not provide license coordinates (p.76), the Mining Cadastre Portal provides coordinates of all active and inactive licenses in mining, not oil and gas.<sup>227</sup> The report provides a low-definition map of petroleum concessions (p.36), albeit without

<sup>224</sup> Derba Midroc Cement Plc.

<sup>225</sup> Ethiopia Mining Cadastre Portal, accessed [here](#) in May 2018.

<sup>226</sup> Ethiopia EITI (February 2016), 'Mining Inventory in Ethiopia', op.cit., pp.vii-x.

<sup>227</sup> Ethiopia Mining Cadastre Portal, op.cit..

coordinates.

*Dates:* For *mining*, Annex 8 provides dates of award and duration of licenses for all but 4 of the 37 mining licenses reported by material companies (pp.97-99), but not dates of application. For *oil and gas*, Annex 11 provides the dates of award and duration of licenses for all 11 active oil and gas licenses reported by material companies (p.97), but no dates of application.

*Commodity:* For *mining, oil and gas*, the Annex 8 provides the commodity(ies) covered by each of the 37 mining licenses and 11 oil and gas licenses held by material companies listed in Annex 8 (pp.97-99). The Mining Cadastre Portal provides commodity(ies) covered by all active and inactive licenses in mining, not oil and gas.<sup>228</sup>

*Licenses held by non-material companies:* The information provided in the 2015-16 EITI Report only covers licenses held by material companies, although partial information on all active and inactive mining licenses is accessible through the Mining Cadastre Portal.<sup>229</sup>

*Public cadastre/register:* For *mining*, the report confirms that MMPNG maintains a mining cadastre system and provides a link to the publicly-accessible Mining Cadastre Portal<sup>230</sup>, based on the Flexicadastre system (p.27), but does not describe the data available therein. The report notes in recommendation 7.5 that the mining license register provides TIN, but that it does not include license numbers or coordinates (p.76). However, a review of the Mining Cadastre Portal in May 2018 revealed that both license numbers and coordinates are publicly-accessible for all active and inactive mining licenses.<sup>231</sup> The report highlights FlexiCadastre's ability for the Federal and Regional State Governments to use the integrated system simultaneously, but it is noted that the system has not been systematically used due to lack of internet connection or of technical skills (p.77). It is also noted that the status of licenses is not systematically updated on the FlexiCadastre when a license is suspended or revoked (p.77).

For *oil and gas*, the report states that the mining legislation does not include any provisions to maintain oil and gas licenses in a public register and that oil and gas licenses are not publicly available (p.38).

## Stakeholder views

*Mining:* A senior government official explained that MMPNG's internal Flexicadastre system provided all information mandated per Requirement 2.3, but that the online Mining Cadastre Portal provided less information. The official clarified that the aim of the online portal was to indicate available blocks for would-be applicants. A government official highlighted the value of requesting material companies to report details of their active licenses as a means of ensuring the completeness of MMPNG's records. Government and industry representatives could not explain the reasons for Derba Midroc Cement's lack of reporting of its mining licenses in the 2015-16 EITI Report. A government official highlighted that the MMPNG's internal system revealed that Derba Midroc Cement held six active licenses awarded by MMPNG in the period under review, but could not explain why this information had not been included in

<sup>228</sup> Ibid.

<sup>229</sup> Ibid.

<sup>230</sup> Ibid.

<sup>231</sup> Ibid.

the 2015-16 EITI Report to address the gaps in the company's reporting.

With regards to comprehensiveness, a senior official noted that MMPNG's cadastral system included details of many licenses awarded by Regional Governments but that MMPNG could not yet guarantee its comprehensiveness. While the rule was that all licenses awarded at all levels of government were required to be reported to the MMPNG cadastre, capacity and internet connectivity challenges had posed challenges. The official considered that it was possible that some material companies engaged in construction-material quarrying held licenses awarded by Regional Governments that may not have been reported to the cadastre or EITI. Government officials explained that licenses awarded at the Federal level had codes starting with "MOM", while others started with a three-letter code according to the relevant Regional Government.

There was considerable debate among civil society stakeholders consulted over allegations that a subsidiary of state-owned METEC had engaged in commercial coal production and sales (including in the 2015-16 period) without holding a mining license from MMPNG. Several CSOs highlighted media coverage of METEC's coal production and sales in November 2017.<sup>232</sup> While METEC had been licensed by the Ministry of Industry to extract coal for use in a planned fertilizer plant in Yayu, the CSOs noted that the company had been selling coal commercially given delays in completing the fertilizer project (see *Requirement 3.2*).

*Oil and gas:* A senior government official confirmed that MMPNG's cadastral system did not cover oil and gas licenses. The official confirmed that there were only 11 active oil and gas licenses in 2015-16 EITI Report, which were covered in the EITI Report. The official considered that it would be possible for MMPNG to provide the dates of application (considered as the date at which direct negotiations had started) and coordinates for all oil and gas licenses, but that these were not accessible online. The official confirmed that all oil and gas licenses were awarded by MMPNG, and not by Regional Governments.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement. The 2015-16 EITI Report provides, for all but one material company, details of active mining, oil and gas licenses held in 2015-16, including license-holder name, dates of award and expiry, commodity(ies) covered and general area, but no coordinates or dates of application. The online Mining Cadastre Portal provides access to license-holder name and coordinates for all licenses in mining, but not oil and gas. There was consensus among stakeholders consulted that MMPNG's cadastral information was comprehensive for oil and gas, but not necessarily for mining. Stakeholders considered that it was possible that material (wholly Ethiopian-owned) mining companies could hold licenses awarded by Regional Governments that were not recorded in the EITI Report or online cadastral portal.

In accordance with Requirement 2.3, Ethiopia is required to maintain a publicly available register or cadastre system(s), including comprehensive information on all active oil, gas and mining licenses. In the interim, the MSG should ensure that information set out under Requirement 2.3.b be publicly-accessible

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<sup>232</sup> See for instance PWYP Norway (November 2017), "An independent journalist in Ethiopia is as stranger to a source of major news as anyone can be", accessed [here](#) in May 2018.

for all mining, oil and gas licenses held by companies included in the scope of EITI reporting.

## Contract disclosures (#2.4)

### Documentation of progress

***Government policy:*** For *mining*, the 2015-16 EITI Report confirms MMPNG's right to enter into agreements for prospection, exploration and production with mining operators (p.28). The report states that mining legislation does not include any restrictions on the public disclosure of contracts and licenses (pp.28,78), but does not clarify the government's policy on contract disclosure in the mining sector.

For *oil and gas*, the report states that the oil and gas legislation does not include any provisions to maintain oil and gas licenses in a public register and that oil and gas licenses and contracts are not publicly available (pp.38,40,78). The confidentiality provision in PSAs (all based on the model PSA, Clause 17.1) is highlighted, alongside the MSG's view that the confidentiality clause only applies to technical information submitted by oil and gas companies, not the publication of contracts themselves (p.40). However, the report does not clarify the government's policy on disclosing oil and gas contracts.

***Actual practice:*** For *mining*, the report notes that mining contracts were signed for each of the eight mining licenses awarded in 2015-16 (p.21), but does not provide a figure for the total number of active mining contracts. The report states that signed contracts are not currently published electronically (pp.28,78). The report provides a list of 13 contracts that were made available to the IA and provides a summary of key information on the contracts' validity periods, fiscal and social development terms (pp.22-26), but does not provide guidance on how to access these published contracts. The report implies that hard copies of contracts are available upon request from MMPNG, but highlights four contracts<sup>233</sup> that are not available in the MMPNG archives (p.78).

For *oil and gas*, the report notes that petroleum agreements are currently not publicly available (pp.38,78). However, it highlights that the Petroleum Agreement Model is available on the MMPNG website and provides two links<sup>234</sup> (pp.38,39), although these links were not operational at the start of Validation.

Recommendation 7.7 encourages the MSG to establish a roadmap for publishing all contracts and for the EITI Secretariat to maintain a database of all contracts (p.78).

### Stakeholder views

There were significant differences of opinion over the public availability of signed contracts in both the mining and oil and gas sectors. In *mining*, the IA confirmed that it had been provided access to the full-text of 13 contracts. While the IA had requested copies of all mining contracts, it confirmed that MMPNG only appeared to have 13 contracts available, given weaknesses in record-keeping. However, an industry

<sup>233</sup> The four contracts that are not available from MMPNG archives are: Ethiopian Mineral, Petroleum and Fuel Co, Erta Ale Salt Work Plc, Lucy Salt Producing Plc, China Long Hoa Milla Construction Materials Plc.

<sup>234</sup> <http://www.momines.gov.et/about-the-sector> and <http://www.mom.gov.et/upload/Model%20Petroleum%20Production%20Sharing%20Agreement>



representative not on the MSG considered that mining contracts were strictly confidential and that confidentiality provisions in mining contracts covered the whole contract. Government officials consulted did not clarify the government's policy on contract disclosure, aside from confirming that 13 contracts had been disclosed to the IA.

In *oil and gas*, a senior government official categorically stated that the government's policy was to not disclose signed PSAs. Given that Ethiopia was still a frontier exploration area, the official explained that the government did not wish to reduce its scope for negotiating different fiscal terms in future contracts by publishing existing PSAs. Beyond fiscal terms (and production splits in particular), the official did not consider other aspects of PSAs (such as geological information) to be confidential. While publication of redacted versions of PSAs (omitting fiscal terms) was a possibility according to the official, this would require consent from the contractual parties. The official noted that smaller companies were particularly sensitive about publishing contracts.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement. The 2015-16 EITI Report highlights the lack of legal constraints on the publication of mining contracts, but does not clarify whether the government's policy is pro-disclosure. The report highlights the MSG's view that confidentiality provisions of oil and gas PSAs cover only technical information rather than the contract as a whole, but does not clarify whether this implies that the government's policy is to publish redacted versions of oil and gas contracts. While the report implies that mining contracts are available upon request from the MMPNG, it does not comprehensively document the list of contracts that are freely available upon request from the MMPNG. Stakeholder consultations revealed significant differences of opinion compared to information in the 2015-16 EITI Report.

In accordance with Requirement 2.4, Ethiopia should ensure that the government's policy on contract disclosure is publicly clarified for both mining contracts and oil and gas PSAs. Where applicable, Ethiopia should provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location where these are published or guidance on how to access them.

## Beneficial ownership disclosure (#2.5)

### Documentation of progress

Government policy: The 2015-16 EITI Report does not describe the government's policy on beneficial ownership disclosure. The report notes that the IA did not find a legal definition of beneficial ownership in Ethiopia's current legislation (p.45). The report provides definitions of "ultimate beneficial ownership", "control" and "PEPs", and sets thresholds of 25% for beneficial ownership disclosures and 5% for reporting of beneficial ownership involving politically-exposed persons (PEPs) (pp.46-47).

The report refers to EEITI's three-year beneficial ownership roadmap agreed and published by the MSG in

December 2016.<sup>235</sup> The report refers to the beneficial ownership scoping study, published in March 2017, including an overview of its scope and a link to the study (pp.45-46).<sup>236</sup> The scoping study explains that EITI stakeholders have considered the mining license register as a possible basis for a beneficial ownership register.

*Actual practice:* The report does not comment on the current practice of public disclosure of legal or beneficial ownership information. The report confirms the MSG's request for material companies to unilaterally disclose details of their beneficial ownership (p.50), with Annex 4 providing the names of natural persons who own 8 of the 23 material companies (pp.88-90). One company<sup>237</sup> is a joint-venture of two publicly-listed companies.

*Legal owners of material companies:* Annex 4 of the report provides the details of legal ownership (above 5% shareholding) of 17 of 23 material companies, including shareholder name and percentage interest (pp.88-90). According to the beneficial ownership scoping study, information on legal ownership of companies registered in Ethiopia should be available from the Commercial Register at the Ministry of Trade, although this is not the case in practice.<sup>238</sup>

## Stakeholder views

A government official explained that companies applying for mining licenses were requested to submit their articles of association and Memorandum of Understanding of creation to ascertain the shareholders of the company, although the MMPNG Licencing Department would not investigate further to identify the ultimate beneficial owners. Several government stakeholders consulted stated that the new Mining Proclamation (423-2018) included some provisions which could be interpreted as applying to beneficial owners. One official explained that the Mining Proclamation had set a cap of 1500 square km for the maximum area to be covered by licenses held by one company. However, it was explained that companies were circumventing this by creating special purpose vehicles to obtain mining licenses. As a result, the representative explained that the Ministry had issued a regulation that holdings of licensed areas should be calculated at the level of individual beneficial owners. Another government official explained that, for oil and gas licenses, ultimate beneficial ownership was not part of the assessment for awarding exploration and production rights.

National secretariat staff explained that EEITI was planning to develop a system for beneficial ownership disclosure through EITI reporting, with a specific template for data collection. An industry representative from a company that reported their beneficial owners for EITI reporting purposes explained that the template had been filled out based on assumptions of the beneficial owner taken from publicly-available information, rather than based on internal company documentation and data verification.

## Initial assessment

Implementing countries are not yet required to address beneficial ownership and progress with this requirement does not yet have any implications for a country's EITI status. Ethiopia EITI has agreed a

<sup>235</sup> Ethiopia EITI (December 2016), Beneficial ownership disclosure road map, accessed [here](#) in March 2018.

<sup>236</sup> EITI (2017), 'EITI scoping study on beneficial ownership reporting requirements in Ethiopia', accessed [here](#) in March 2018.

<sup>237</sup> Africa Oil Ethiopia BV.

<sup>238</sup> EITI (2017), 'EITI scoping study on beneficial ownership reporting requirements in Ethiopia' (p. 12), accessed [here](#) in March 2018.

three-year beneficial ownership roadmap and has piloted EITI reporting of legal and beneficial ownership of roughly half of material companies.

To strengthen implementation, Ethiopia may wish to build on its piloting of beneficial ownership reporting in EITI Reports to institutionalise beneficial ownership reporting, including definitions and thresholds. In particular, the MSG may wish to consider the various types of control that can be exercised over a company. Ethiopia EITI may also wish to conduct broader outreach to the companies on the objectives of beneficial ownership transparency, as well as hold conversations with government agencies on how to make such disclosures mandatory.

## State participation (#2.6)

### Documentation of progress

**Materiality:** The 2015-16 EITI Report confirms constitutional provisions<sup>239</sup> for exclusive ownership of all natural resources by the state and its citizens (pp.28,39) and describes the state's 100% ownership of Ethiopian Mineral, Petroleum and Biofuel Co. (EMPBC) (p.28). The report confirms that there were no SOEs operating in the oil and gas sector in 2015-16 given that the sector was still at the exploration phase and that MMPNG does not hold any interests in oil and gas companies (p.39). The report confirms that the statutory fiscal regime for extractives companies applies to EMPBC, which is required to make tax and non-tax payments to government (p.28). However, it does not appear that EMPBC was included in the scope of reporting for the 2015-16 EITI Report, hindering readers' ability to independently assess the materiality of its payments to government in the period under review.

**Financial relationship with government:** The report confirms that SOEs such as EMPBC are subject to the same fiscal regime as private extractives companies (p.28). The report refers to the Mining Operations Proclamation 678/2010, which it says provides details on state ownership in the mining sector (p.27), albeit without describing the Proclamation's provisions related to state ownership. However, review of Proclamation 678/2010 indicates that it only defines the government's statutory 5% free-equity share under Article 70.<sup>240</sup>

The report refers to the restructuring of EMPBC in 2017<sup>241</sup> that gave it responsibility for representing the government's equity participations and administration of private companies "engaged in petroleum and natural gas as well as minerals development" as of 31 August 2017 (p.28), implying that it was not responsible for this in 2015-16.

**Government ownership:** For *mining*, the report confirms that the Federal government owns 100% of the only company considered an extractives SOE, EMPBC (p.28). The report describes EMPBC's 83% interest in Afar Salt Production Sc (p.28), and lists it as a general "Federal Government" interest of 83.3% in Annex 4 (p.88). However, the terms associated with EMPBC's equity in the Afar Salt are not described. The report also states that Abijata-Shalla Soda Ash Sc. (ASSAS) reported a Federal Government interest of 38%

<sup>239</sup> confirmed in the Mining Operations Proclamation 678/2010.

<sup>240</sup> Mining Operations Proclamation No. 678/2010, op.cit..

<sup>241</sup> under Council of Ministers Resolution 413/2017.

(pp.28,88), without specifying which entity is the direct shareholder.

The report describes the government's entitlements to equity in *mining*, consisting of a right to 5% free-carry equity in large-scale mining projects and the option for an additional 5% free equity by agreement with the licensee, under the Mining Operations Proclamation (Amendment) 816/2013 (Article 72) (p.28). The Regional State governments' entitlement to free-carry equity and additional shares (presumably on commercial terms) is described, although with reference only to the fact these are to be determined by regional laws (p.28) without a description of whether any such regional laws have been issued to date.

The restructuring of EMPBC in 2017 that gave the company responsibility for the government's equity interest in all extractives companies as of 31 August 2017 (p.28) implies that EMPBC did not hold other extractives interests in 2015-16. While it is not explicitly stated, the listing of the Ministry of Finance and Economic Cooperation (MOFEC) as the owner of the 2% government interest in MIDROC Gold Mine Plc in Annex 4 (p.88) implies that other free-equity interests are held by MOFEC, although this is not explicitly stated in the report. The report implies that the government should have been entitled to exercise its right to 5% free equity in 2015-16 by providing calculations of what four companies<sup>242</sup> should have paid in dividends ("free-equity payments") had the government held that equity (p.79). However, information on the legal ownership of these companies in Annex 4 confirms that the government did not hold this 5% equity in each company in 2015-16 (it is assumed that the 5% equity calculations for Abijata-Shalla Soda Ash Sc relate to 5% additional free-equity on top of the state's existing 38% interest) (pp.88-89).

For *oil and gas*, the report confirms that MMPNG does not hold interests in any oil and gas contractor (p.39). It describes the government's ability to require an oil and gas contractor to lend the government a negotiable percentage of funds required to pay for the government's pro-rata share of expenditures associated with PSAs<sup>243</sup> (p.39). The report states that Petroleum Operations Proclamation 295/1986 describes the terms of state ownership in the oil and gas sector (p.38), but does not summarise key terms.

Ownership changes: The report does not refer to any changes in state ownership in the extractive industries in 2015-16. Information on the MMPNG website indicates that EMPBC was established on 18 December 2015 with paid-up capital of ETB 15bn, of which ETB 4bn was paid in cash or in-kind.<sup>244</sup>

Loans and guarantees: The report states that no government agency reported any loans or loan guarantees granted to extractives companies (p.73), but does not refer to the existence of any loans or loan guarantees from an extractives SOE (such as EMPBC) to any other extractives company (such as one of the companies it holds interests in).

## Stakeholder views

Government ownership: Several government and industry stakeholders confirmed that EMPBC had been established through Council of Ministers Regulations 367/2015 on 18 December 2015, as confirmed on the Ministry of Public Enterprises (MPE) website.<sup>245</sup> However, a government representative explained that

<sup>242</sup> Abijata-Shalla Soda Ash Sc, East Cement Sc, Allied Chemical Plc and Erta Ale Salt Work Plc.

<sup>243</sup> The loan is interest-bearing and can 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 areas and the costs and expenses".

<sup>244</sup> Ministry of Mines, Petroleum and Natural Gas website, EMPBC page, accessed [here](#) in May 2018.

<sup>245</sup> Ministry of Public Enterprises (2016), 'Ethiopian Mineral, Petroleum and Bio-fuel Corporation', accessed [here](#) in May 2018.

while the government had pledged share capital when the corporation had been established, there had been delays in providing the paid-up capital to establish the SOE. The representative explained that EMPBC was created as the merger of the former state-owned mining company (Ethiopian Mineral Development Share Co. (EMDSC)) and the recently-established state-owned petroleum company. During the 2015-16 period, the representative explained that EMPBC sustained the existing operations at historical mining sites (producing dolomite, feldspar, niobium, quartz, and tantalum), retaining revenues to pay for its operating costs. The MSG and IA confirmed the lack of EMPBC payments to government in 2015-16, which explained why the SOE had not been included in the scope of reporting.

There was considerable uncertainty over the ownership structure of the government's free-equity and commercial equity interests in mining companies. Several government and industry representatives highlighted the October 2017 reform that gave EMPBC responsibility for managing the state's interest in all extractives companies. However, a government representative explained that the government's extractives equity interests had yet to be centralised through EMPBC at the time of Validation, despite the government taking 5% free-equity interests in companies such as Harvest Mining and Yara Dallol in 2017. Despite the 2015-16 EITI Report's calculations of free-equity liabilities for four mining companies, all stakeholders confirmed that the state did not hold this free equity during the period under review. Rather, such calculations were based on the thesis that the government was entitled to such equity interests and associated payments. The IA confirmed that free-equity liability calculations were based on the government receiving 5% of the company's profits. A government official confirmed that all free-equity interests were still held by MOFEC. With regards to the 2015-16 period, while several government representatives confirmed that EMPBC held the 83.3% equity interest in Afar Salt Production SC., several industry representatives considered that the interest was held by the MPE. In terms of the state's 38% interest in Abijata-Shalla Soda Ash Sc, there was disagreement between various government and industry stakeholders over whether the interest was held by MOFEC or by MPE. A government official expressed concern at the lack of centralisation of all extractives assets within EMPBC, for efficiency's sake.

*Financial relations:* Despite confusion over the ownership of state assets in the extractives, there was broad consensus that the MPE had primary responsibility for overseeing extractives SOEs, although not the state's free-equity interest in private mining companies. A government representative noted challenges in the fact that EMPBC was regulated by the MPE but was required to pay dividends to MOFEC. Stakeholders confirmed that Abijata-Shalla Soda Ash and Afar Salt Production were statutorily entitled to retain earnings for reinvestment and to raise third-party (debt) funding. An industry representative explained that Abijata-Shalla Soda Ash had unsuccessfully sought a sovereign guarantee for USD 500m in the past.

With regards to EMPBC's financial relations with the government, a government official explained that EMPBC was statutorily required to transfer all profit to MOFEC when it was profitable and would then receive 5% of its profit back as budgetary allocations. However, EMPBC had never been profitable since its inception in 2015. As such, the SOE had retained all earnings from its mining operations to cover operating costs and had never received budgetary allocations to date. The official explained that EMPBC had the legal right to raise loans, without sovereign guarantee. However, given that the SOE had yet to receive its paid-up capital, the official considered that it would not be possible to raise such loans in practice. While EMPBC was not entitled to sell equity to private investors, the official explained it was allowed to establish joint-venture companies with private investors for specific projects.

*Other state-owned entities:* Beyond the government's interests in mining license-holders, there was considerable debate over whether the Metals and Engineering Corporation (METEC), established in June 2010 through the aggregation of seven industries formerly under the Ministry of Defence.<sup>246</sup> There was a lack of clarity over the ownership structure of METEC, although stakeholders hinted that it remained under the purview of the Ministry of Defence. METEC has 15 subsidiaries operating in different industries, including a subsidiary dedicated to developing the Yayu fertilizer complex.<sup>247</sup> The project includes plans to develop a 90MW coal-fired power plant<sup>248</sup>, with a license from the Ministry of Industry. While METEC was only allowed to extract coal in the areas adjacent to the planned Yayu complex for the purposes of the project, press coverage in November 2017 indicated that the SOE had been producing coal for commercial sales to third-parties for several years, despite only holding an authorisation letter from the Ministry of Industry, rather than a mining license from MMPNG.<sup>249</sup> As a consequence, the Oromiya Regional Government ordered a halt to METEC's coal extraction in November 2017, claiming unpaid land rent of ETB 47m.<sup>250</sup> Several journalists consulted confirmed that METEC had been producing coal for commercial purposes during the 2015-16 period and considered that METEC should be considered a SOE for EITI reporting purposes. However, there was consensus on the MSG that METEC should not be considered an extractives SOE since it did not hold any mining license, even if the MSG had not explicitly discussed this issue to date. There was considerable unease among stakeholders consulted over the issue of METEC, with several CSOs stating that it had only recently become possible (since the inauguration of Prime Minister Abiy Ahmed in April 2018) to discuss METEC's operations publicly (*see Requirement 1.3*).

*Non-state actors:* There was similar unease over questions related to the extractives operations of non-profit endowments established by political parties, most notably the Endowment Fund For the Rehabilitation of Tigray (EFFORT) established by the Tigray Peoples Liberation Front (TPLF) in 1992. The endowment controls interests in several mining companies, including Delbi Coal Mining Sc.<sup>251</sup> Several stakeholders confirmed that other political parties part of the ruling coalition had established similar endowments on the model of EFFORT. While several journalists considered that EFFORT could be considered a parastatal organisation and argued that the distinction between political party and state was academic, they conceded that there was no government ownership in EFFORT, which was structured as a non-profit with the Tigray people as the nominal beneficiaries. Most stakeholders consulted did not wish to comment on the status or operations of EFFORT, even in private.

*Outlook:* There was consensus among government officials consulted that EMPBC's importance was likely to grow in future, with the centralisation of government extractives interests within the SOE and given the outlook for natural gas production and exports. However, a government official noted that 2018 had been a challenging year for the SOE, given the lack of transfer of free-equity interests to date and the closure of its mining operations given social unrest, which had cut off the source of its operating funds. Another senior government official highlighted plans for EMPBC to hold the government's interest in the natural gas project under development by Poly-GCL, including the company that would be established to

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<sup>246</sup> Proclamation 183/2010, accessed [here](#) in May 2018.

<sup>247</sup> African Development Bank (November 2014), 'Eastern Africa's Manufacturing Sector: Ethiopia country report', accessed [here](#) in May 2018, p.22.

<sup>248</sup> US Geological Survey (August 2017), '2014 Minerals Yearbook: Ethiopia', accessed [here](#) in May 2018, p.3.

<sup>249</sup> PWYP Norway (December 2017), *op.cit.*

<sup>250</sup> Ethiopian Think Tank Group (November 2017), 'OROMIA: METEC is Stripped of its Undeserved Mining Privilege in Ilu Ababora', accessed [here](#) in May 2018.

<sup>251</sup> Capital Ethiopia (November 2013), "India's mining company to invest in Ethiopian coal mine", accessed [here](#) in May 2018.

operate the gas pipeline to the LNG terminal in Djibouti.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made inadequate progress in meeting this requirement. The 2015-16 EITI Report lists government interests in two extractives SOEs and minority interests in two mining companies, although it is unclear whether the list of state extractives interests is comprehensive. The terms associated with state equity in extractives companies are not described. The report provides a cursory description of the statutory rules governing the financial relations between the Ethiopian Minerals, Petroleum and Bio-Fuels Corporation (EMPCB) and the government, but does not describe the financial relations with other companies in which the state holds and interest. The report does not highlight changes to state participation in the extractives in 2015-16, such as the creation of EMPBC, nor the terms of such transactions. While the report clarifies that the government did not provide any loans or guarantees to any extractives company in 2015-16, it does not describe whether EMPBC, or any other extractives SOE, had any outstanding loans or loan guarantees extended to another extractives company.

In accordance with Requirement 2.6, Ethiopia should disclose a comprehensive list of state participations in the extractive industries, including the terms associated with state equity, and publicly clarify the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. This should include a comprehensive overview of loans and guarantees extended by the state or SOEs to any extractives company.

**Table 2- Summary initial assessment table: Award of contracts and licenses**

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Legal framework (#2.1)	The 2015-16 EITI Report provides an overview of relevant laws and regulations, fiscal terms, including the degree of fiscal devolution, as well as the government entity with primary responsibility for the mining, oil and gas sectors. However, the report does not provide an overview of ongoing or planned reforms related to extractives or public finance management beyond general reference to unspecified reforms since 1993.	Meaningful progress
License allocations (#2.2)	The 2015-16 EITI Report describes the process for awarding licenses in the mining, oil and gas sectors, but significantly less detail on license transfers. The report describes mining, oil and gas license awards in 2015-16, but does not specify whether any mining, oil and gas licenses (or interests therein) were transferred in the period. Detailed technical and financial criteria are described for mining license awards, but not for transfers, nor for oil and gas license awards or transfers. However, stakeholder consultations confirmed the lack of oil and gas license awards and transfers in 2015-16. Stakeholders also confirmed that the two mining license transfers in 2015-16 involved non-material companies.	Satisfactory progress
License registers (#2.3)	The 2015-16 EITI Report provides, for all but one material company, details of active mining, oil and gas licenses held in 2015-16, including license-holder name, dates of award and expiry, commodity(ies) covered and general area, but no coordinates or dates of application. The online Mining Cadastre Portal provides access to license-holder name and coordinates for all licenses in mining, but not oil and gas. There was consensus among stakeholders consulted that MMPNG's cadastral information was comprehensive for oil and gas, but not necessarily for mining. Stakeholders considered that it was possible that material	Meaningful progress



	(wholly Ethiopian-owned) mining companies could hold licenses awarded by Regional Governments that were not recorded in the EITI Report or online cadastral portal.	
Contract disclosures (#2.4)	The 2015-16 EITI Report highlights the lack of legal constraints on the publication of mining contracts, but does not clarify whether the government's policy is pro-disclosure. The report highlights the MSG's view that confidentiality provisions of oil and gas PSAs cover only technical information rather than the contract as a whole, but does not clarify whether this implies that the government's policy is to publish redacted versions of oil and gas contracts. While the report implies that mining contracts are available upon request from the MMPNG, it does not comprehensively document the list of contracts that are freely available upon request from the MMPNG. Stakeholder consultations revealed significant differences of opinion compared to information in the 2015-16 EITI Report.	Meaningful progress
Beneficial ownership disclosure (#2.5)	Ethiopia EITI has agreed a three-year beneficial ownership roadmap and has piloted EITI reporting of legal and beneficial ownership of roughly half of material companies.	
State-participation (#2.6)	The 2015-16 EITI Report lists government interests in two extractives SOEs and minority interests in two mining companies, although it is unclear whether the list of state extractives interests is comprehensive. The terms associated with state equity in extractives companies are not described. The report provides a cursory description of the statutory rules governing the financial relations between the Ethiopian Minerals, Petroleum and Bio-Fuels Corporation (EMPCB) and the government, but does not describe the financial relations with other companies in which the state holds and interest. The report does not highlight changes to state participation in the extractives in 2015-16, such as the creation of EMPBC, nor the terms of such transactions. While the report clarifies that the government did not provide any loans or	Inadequate progress

	<p>guarantees to any extractives company in 2015-16, it does not describe whether EMPBC, or any other extractives SOE, had any outstanding loans or loan guarantees extended to another extractives company.</p>	
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> <li>• In accordance with Requirement 2.1, Ethiopia should ensure that descriptions of the main government entities involved in overseeing the mining, oil and gas sectors and of recent or ongoing extractives reforms be publicly accessible.</li> <li>• To strengthen implementation, Ethiopia is encouraged to clearly define the number of mining, oil and gas licenses awarded and transferred in the year(s) under review, describe the statutory allocation and award procedures, including specific technical and financial criteria, and highlight any non-trivial deviations in practice. In addition, Ethiopia may wish to comment on the efficiency of the current license allocation and transfer system as a means of clarifying procedures and curbing potential non-trivial deviations, particularly related to Regional Governments' licensing activities.</li> <li>• In accordance with Requirement 2.3, Ethiopia is required to maintain a publicly available register or cadastre system(s), including comprehensive information on all active oil, gas and mining licenses. In the interim, the MSG should ensure that information set out under Requirement 2.3.b be publicly-accessible for all mining, oil and gas licenses held by companies included in the scope of EITI reporting.</li> <li>• In accordance with Requirement 2.4, Ethiopia should ensure that the government's policy on contract disclosure is publicly clarified for both mining contracts and oil and gas PSAs. Where applicable, Ethiopia should provide an overview of the contracts and licenses that are publicly available, and include a reference or link to the location where these are published or guidance on how to access them.</li> <li>• To strengthen implementation, Ethiopia may wish to build on its piloting of beneficial ownership reporting in EITI Reports to institutionalise beneficial ownership reporting, including definitions and thresholds. In particular, the MSG may wish to consider the various types of control that can be exercised over a company. Ethiopia EITI may also wish to conduct broader outreach to the companies on the objectives of beneficial ownership transparency, as well as hold conversations with government agencies on how to make such disclosures mandatory.</li> <li>• In accordance with Requirement 2.6, Ethiopia should disclose a comprehensive list of state participations in the extractive industries, including the terms associated with state equity, and publicly clarify the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. This should include a comprehensive overview of loans and guarantees extended by the state or SOEs to any extractives company.</li> </ul>		

## 3. Monitoring and production

### 3.1 Overview

This section provides details on the implementation of the EITI requirements related to exploration, production and exports.

### 3.2 Assessment

#### Overview of the extractive sector, including exploration activities (#3.1)

##### Documentation of progress

The 2015-16 EITI Report provides an overview of the extractive industries, including a brief history of mining, oil and gas, estimates deposits and the general location of deposits (pp.16-17), an overview of major mining projects, including significant exploration activities (pp.28-29), and an overview of artisanal and small-scale mining (ASM) (pp.29-31). An overview of the oil and gas sector is also provided, including history and key operators (pp.35-36) as well as prospective oil and gas projects and significant exploration activities (pp.40-41).

##### Stakeholder views

Several government and industry stakeholders highlighted the significant discoveries of natural gas in the country's South-East and plans to develop a gas pipeline to a planned LNG terminal in Djibouti. Several representatives from all constituencies emphasised the importance of artisanal and small-scale mining (ASM) for Ethiopia and praised the EITI Reports' coverage of ASM given the issue's significance in the domestic context. Civil society organisations consulted did not express any particular views on the EITI Reports' coverage of the extractive industries.

##### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress towards meeting this requirement. The 2015-16 EITI Report provides an overview of the extractive industries, including informal activities and significant exploration work.

#### Production data (#3.2)

##### Documentation of progress

The 2015-16 EITI Report confirms that there was no oil and gas production in 2015-16 given that the sector was still at the exploration phase (pp.39,52). The report presents production volumes and values for 14 minerals produced in 2015-16 (pp.9,32-32,77,93), based on material companies' reporting and, where not available, production data from MMPNG (pp.50,72). The report also provides production volumes and values disaggregated by company for limestone (p.32) and salt (p.33). The volumes and values of artisanal-mined gold purchased by the NBE are provided (pp.9-10,31).

While the report indicates that USD 0.05m of platinum was exported in 2015-16 (p.34), it does not provide volumes or values of platinum production for 2015-16.

The report raises concerns and issues recommendations regarding MMPNG's production data, which relies on monthly self-reporting by companies without independent verification (p.78), raising concerns over discrepancies between the production figures in MMPNG's database and those reported by material companies (p.77).

The report provides the location of production, highlighting the main regions of production per commodity (p.9) and the Regional States of operation for each of the 17 material mining companies (p.93). A low-definition map of petroleum concessions is provided (p.36).

### Stakeholder views

All stakeholders consulted confirmed the lack of oil and gas production in 2015-16. Stakeholders from all constituencies highlighted the inclusion of data on ASM production in EITI Reports as a key strength of Ethiopia's EITI implementation. With regards to the lack of production figures to match export values of platinum, a consultant noted that there was artisanal platinum production in Ethiopia, which could explain this discrepancy.

There was considerable debate over commercial coal production by state-owned METEC in 2015-16 (*see Requirement 2.6*). While several journalists considered that such coal production should have been reflected in the 2015-16 EITI Report, the MSG considered that this did not represent licensed production and was thus beyond the scope of EITI reporting.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress towards meeting this requirement. The 2015-16 EITI Report highlights weaknesses in official government production data and provides companies' reporting of production volumes and values for each of the 14 mineral commodities produced in 2015-16.

To strengthen implementation, Ethiopia is encouraged to follow up on findings in EITI Reports related to weaknesses in government production data with a view to embedding regular reporting of accurate production data in routine government and company disclosure mechanisms.

## Export data (#3.3)

### Documentation of progress

The 2015-16 EITI Report provides three of 17 material companies' reporting of export volumes and values by commodity for three types of minerals (silver, gold and marble) (pp.72-73). The report confirms the MSG's decision for companies to unilaterally report mining export volumes and values (pp.50,72), but does not explain why comprehensive export volumes and values disaggregated by commodity were not requested from government.

The report also provides government data (from NBE and ERCA) on export values for three other commodities (gold, tantalite ore, platinum) alongside a row for “other minerals” (p.34). It is notable that the value of “other minerals” exports (USD 12.45m) was 67% higher than the value of tantalite ore and platinum combined (USD 7.44m).

The report does not provide additional information on how export data is calculated, nor the location of exports.

### Stakeholder views

A senior government official highlighted the significant growth in NBE purchases of ASM gold over the past decade. With regards to exports of platinum despite the lack of official production figures or information on related licenses in the 2015-16 EITI Report, a consultant noted the existence of artisanal platinum mining, which could explain the existence of platinum exports.

Stakeholders consulted could not confirm that the three companies reporting export data in the 2015-16 EITI Report were the only companies exporting minerals in the period. None of the stakeholders could explain the composition of the “other minerals” export value in the 2015-16 EITI Report. A senior government official noted that all NBE export data was sourced from ERCA, aside from gold export data that was sourced directly from MIDROC and NBE. The NBE annual report for 2015-16 only provides disaggregated export volumes and values for gold<sup>252</sup> and tantalum<sup>253</sup> for 2015-16.<sup>254</sup> A civil society representative categorically rejected all export data provided by the government and companies, considering that such data would have been prepared in advance and could not be considered reliable given the lack of independent verification by ERCA.

### Initial assessment

The International Secretariat’s initial assessment is that Ethiopia has made meaningful progress in meeting this requirement. The 2015-16 EITI Report provides three reporting companies’ export volumes and values, as well as government figures for export values of three commodities (gold, tantalite ore, platinum). However, the comprehensiveness of export data reporting is unclear and the report does not highlight weaknesses in government record-keeping related to export data.

In accordance with Requirement 3.3, Ethiopia should ensure that the export volumes and values of each mineral commodity exported in the year(s) under review are publicly available.

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<sup>252</sup> 8.6 metric tons, valued at ETB 6,113.231m.

<sup>253</sup> 185.9 metric tons, valued at ETB 151.564m.

<sup>254</sup> National Bank of Ethiopia (2016), ‘2015-2016 annual report’, accessed [here](#) in May 2018, pp.119-120.

**Table 3- Summary initial assessment table: Monitoring and production**

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Overview of the extractive sector, including exploration activities (#3.1)	The 2015-16 EITI Report provides an overview of the extractive industries, including informal activities and significant exploration work.	Satisfactory progress
Production data (#3.2)	The 2015-16 EITI Report highlights weaknesses in official government production data and provides companies' reporting of production volumes and values for each of the 14 mineral commodities produced in 2015-16.	Satisfactory progress
Export data (#3.3)	The 2015-16 EITI Report provides three reporting companies' export volumes and values, as well as government figures for export values of three commodities (gold, tantalite ore, platinum). However, the comprehensiveness of export data reporting is unclear, and the report does not highlight weaknesses in government record-keeping related to export data.	Meaningful progress
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> <li>• To strengthen implementation, Ethiopia is encouraged to follow up on findings in EITI Reports related to weaknesses in government production data with a view to embedding regular reporting of accurate production data in routine government and company disclosure mechanisms.</li> <li>• In accordance with Requirement 3.3, Ethiopia should ensure that the export volumes and values of each mineral commodity exported in the year(s) under review are publicly available.</li> </ul>		

## 4. Revenue collection

### 4.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue transparency, including the comprehensiveness, quality and level of detail disclosed. It also considers compliance with the EITI Requirements related to procedures for producing EITI Reports.

### 4.2 Assessment

#### Materiality (#4.1)

##### Documentation of progress

Materiality threshold for revenue streams: The 2015-16 EITI Report states that the MSG decided to include all 20 extractives revenue flows, collected by three material government entities<sup>255</sup>, set out in relevant laws and regulations with a materiality threshold of zero (pp.48-49,50-51).

Descriptions of material revenue streams: The report lists and describes the 20 material revenue flows (pp.48-49,50-51,94-95).

Material companies: The report describes the MSG's materiality decisions related to selecting reporting companies, albeit without a quantitative materiality threshold (e.g. as a share of government revenues). For *mining*, the MSG selected companies that both held an active license and that reported production in 2015-16, with a materiality threshold of zero in terms of their payments to government (p.52). The report also clarifies that companies holding mining licenses awarded by Regional State Governments were excluded from the scope of reporting (p.80). For *oil and gas*, the MSG selected all companies with a materiality threshold of zero in terms of payments to government (pp.9,52). While the report notes that seven oil and gas companies have undertaken exploration and made payments to MMPNG in the past, it notes that only six companies "remained active", albeit without specifying that this statement referred to 2015-16.

The six material oil and gas companies and 17 material mining companies are clearly listed (pp.52-53,84-85). Annex 2 provides the share of material companies' activities related to extractives (pp.84-85).

Material company reporting: The report confirms that all material companies submitted reporting templates (p.10) but also provides conflicting information regarding whether all material companies did in fact report. The report states both that Afar Salt Production Sc did not report any quasi-fiscal expenditures, but also that Afar Salt Production Sc did not submit any reporting template (p.73). However, the reconciliation table for Afar Salt Production in Annex 10 indicates that the company submitted its template (p.123).

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<sup>255</sup> Seven material revenue streams are collected by MMPNG, 11 by ERCA and two by MoFEC.

**Material government entities:** The report confirms that the MSG included three government entities in the scope of reporting (MMPNG, ERCA and MoFEC) based on their collection of extractives revenues (pp.9,48,53). The report confirms that ERCA accounted for 78.4% of the ETB 1707m in total extractives revenues collected in 2015-16, followed by MMPNG (13.9%) and MoFEC (1.6%) (pp.7,11). The value of total extractives revenues is provided disaggregated by collecting government entity and by mineral commodity (pp.7,11).

The report clarifies that NBE was required to unilaterally report ASM production, despite not collecting any material extractives revenues (pp.9-10). The report explains that the MSG decided that Regional State Governments would not be requested to report on the revenues collected from the extractive sector (p. 10). Such payments have been unilaterally reported by companies within the reporting scope, which reveals that payments collected by Regional Governments accounted for 4.2% of extractives revenues in 2015-16 (p.7).

**Government reporting:** The report confirms that all material government entities submitted reporting templates (p.10).

**Discrepancies:** The report sets a materiality threshold for investigating discrepancies at ETB 20k per revenue flow and company (p.53). While the report states that all material extractives payments to government were reconciled (p.10), it also provides the value of net unreconciled discrepancies in absolute terms (ETB 290m) and relative to total government extractives revenues (18.39%), disaggregated by collecting government entity<sup>256</sup> (p.11). The report provides details of adjustments during reconciliation (pp.58-62), and unreconciled discrepancies (pp.62-64), per company (p.65) and per revenue stream (p.66). The report provides discrepancies disaggregated by company and government agency (pp.54-55), and per company, by revenue stream and government agency (pp.56-57,100-122). Recommendation 7.1 highlights challenges in data collection that resulted in significant discrepancies in ERCA's reporting (pp.74,75).

**Full government disclosure:** The report confirms that the government provided unilateral disclosure of revenues collected from non-material companies (the one oil and gas companies and all mining exploration companies) (pp.9,52,53). However, the report only provides the government's full unilateral disclosure of all material revenues (including from non-material companies) in aggregate, not disaggregated by revenue stream (pp.9,11,67,69). The government's full unilateral disclosure is also provided for license fees from exploration companies and in aggregate per company for eight companies, not disaggregated by revenue stream (p.72).

## Stakeholder views

The MSG confirmed that it had set a materiality threshold for selecting revenue streams of zero for revenues collected by the Federal government, while excluding revenues collected by Regional Governments from the scope of reconciliation. While several CSOs noted that they had originally called for the inclusion of all payments associated with ASM to be included in the scope of reconciliation, they considered it acceptable that the MSG agreed to include all available non-financial information on ASM to

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<sup>256</sup> The largest net unreconciled discrepancies are recorded in revenues collected by ERCA.



start with given the level of formalisation of the sector.

With regards to the materiality of companies, all stakeholders consulted expressed confidence that the inclusion of only producing mining companies ensured the comprehensiveness of the reconciliation. Several government and industry representatives confirmed that non-producing mining companies made only minimal payments to government, such as license fees and penalties. While oil and gas companies at the exploration stage could make material payments such as signature bonuses, the MSG considered that the inclusion of all oil and gas companies (with a materiality threshold of zero) ensured the comprehensiveness of reconciliation for oil and gas. All stakeholders consulted who expressed a view on the issue confirmed that state-owned EMPBC had not been included in the scope of reporting given the lack of any payments to government from the SOE in 2015-16.

The MSG and IA confirmed that all material companies submitted reporting templates. Despite the lack of reporting of details on active licenses by Derba Midroc Cement (*see Requirement 2.3*), they confirmed that the company had reported its payments to government. Secretariat staff clarified that Afar Salt had in fact submitted its reporting template, despite the typo indicating the contrary in the EITI Report.

With regards to discrepancies, secretariat staff considered that the majority of discrepancies were due to one company's reporting. While the company had claimed significantly higher payments than those reported as received by ERCA, staff explained that the company had been unable to provide receipts for the additional payments. They explained that the MSG was now following up with the company to avoid such errors in reporting in the future. In terms of other discrepancies, primarily within ERCA-reported revenues, a government official considered that one explanation could be that payments were filed during a period when ERCA's SIGTAS treasury management system was offline without the handwritten receipts being reported to the system when it resumed operations.

In terms of the lack of full unilateral government reporting disaggregated by revenue flow, the IA considered that this was merely an oversight and that it had sufficient data to present total government extractives revenues per stream.

### Initial assessment

The International Secretariat's assessment is that Ethiopia has made meaningful progress towards meeting this requirement. The 2015-16 EITI Report includes a definition of the materiality thresholds for payments and companies to be included in reconciliation, including a justification for why the threshold was set at this level. The MSG approved the materiality threshold for payments and for companies. While a quantitative threshold was not provided for selecting companies, the MSG's agreed approach provides sufficiently comprehensive coverage of extractives revenues. Justification for the two materiality thresholds is provided and all material revenue streams and companies are listed. While it is unclear from the report whether all material companies and government entities reported fully, stakeholder consultations confirmed that all material companies and government entities submitted reporting templates. While final unreconciled discrepancies are listed and partly explained, the combined value of net discrepancies appears to be significant, at nearly one fifth of total reconciled revenues. In addition, full unilateral government disclosure of all extractives revenues, including from non-material companies, was not provided disaggregated by revenue stream, hindering readers' ability to calculate the coverage of reconciliation per revenue stream.

In accordance with Requirement 4.1, Ethiopia should ensure that future EITI reporting clearly explain all unreconciled discrepancies and provide a clear assessment of whether discrepancies materially affect the comprehensiveness of the reconciliation. In addition, Ethiopia should ensure that full unilateral government disclosure of material revenues, including from non-material companies, is provided disaggregated per material revenue stream.

## In-kind revenues (#4.2)

### Documentation of progress

The 2015-16 EITI Report states that the government is entitled to receive and dispose of its participating interest share of all petroleum produced and saved (p.39), but also notes that there was no oil and gas production in 2015-16 (p.37). The report does not refer to the existence of any in-kind revenues in the mining sector.

### Stakeholder views

All stakeholders consulted confirmed that there was no oil and gas production in 2015-16. Several government and industry representatives confirmed the lack of legal provisions for the government to receive a share of mineral production in kind. A government official noted that the government would be eligible to a share of oil and gas production in the future, but that it could elect to receive these proceeds either in cash or in kind. While the government and EMPBC did not currently have the capacity to lift oil and gas, the official noted that the government had the legal right to receive in-kind revenues in future if it so wished.

### Initial assessment

The International Secretariat's initial assessment is that this requirement is not applicable to Ethiopia in the period under review (2015-16). The 2015-16 EITI Report describes statutory provisions for the government to receive oil and gas revenues in-kind but confirms the lack of production to date. While the report is not explicit about the mining sector, stakeholders confirmed the lack of in-kind revenues in the mining sector.

To strengthen implementation, Ethiopia is encouraged to assess the existence and materiality of any in-kind revenues ahead of future cycles of EITI reporting, given the prospects for commercial oil and gas production (and thus statutory entitlements to in-kind oil and gas revenues) in the future.

## Barter and infrastructure transactions (#4.3)

### Documentation of progress

The 2015-16 EITI Report notes that the MSG and IA did not identify any barter or infrastructure provisions during the scoping phase for the 2015-16 EITI Report. However, given limitations in the scoping

exercise, the MSG agreed to request details<sup>257</sup> of any barter or infrastructure provisions from material companies (pp.49,51). Annex 7 describes the possible payment flows associated with barter or infrastructure provisions (p.96), although there is no evidence that any company reported such payments.

Indeed, the report notes that one company (the SOE Abijata-Shalla Soda Ash Sc) had miscategorised expenditures on an Environmental and Social Impact Assessment Study and on the feasibility study of Shalla Soda Ash Plant as “infrastructure provisions”, although these had no relationship to any infrastructure or barter arrangement (p.73).

### Stakeholder views

All stakeholders consulted from government and industry confirmed that there were no agreements in force in 2015-16 involving the exchange of goods or services in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities.

### Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable to Ethiopia in the period under review (2015-16). The 2015-16 EITI Report included a request for companies to report details of any barter or infrastructure provisions and there is no evidence of such arrangements.

## Transport revenues (#4.4)

### Documentation of progress

The 2015-16 EITI Report does not refer to transportation revenues linked to extractives.

### Stakeholder views

None of the stakeholders consulted were aware of any transportation revenues collected by government from the transport of minerals in 2015-16. A government representative noted that the Addis Ababa-Djibouti railway had only been completed in 2017. No stakeholders knew of any road toll on the transport of minerals.

A senior government official described plans for the development of a natural gas pipeline from Ethiopia to Djibouti, which would be developed by the Chinese company Poly-GCL. The official explained that the plan was to establish a standalone company for the management of the pipeline, in which state-owned EMPBC would be given an interest. The pipeline would be designed for open access for third parties, with a set tariff for transporting natural gas to the planned LNG terminal in Djibouti.

### Initial assessment

The International Secretariat’s initial assessment is that this requirement is not applicable to Ethiopia in the period under review (2015-16). While the 2015-16 EITI Report does not refer to the existence of any

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<sup>257</sup> 7.1 Total budget of the Engagement/Project; 7.2 Value of engagements/project incurred from 08/07/2015 to 07/07/2016; and 7.3 Cumulated value of engagements/project incurred on 07/07/2016.

transportation revenues, stakeholders confirmed that the government does not receive any revenues from the transportation of minerals.

To strengthen implementation, Ethiopia is encouraged assess the existence and materiality of transportation revenues ahead of future cycles of EITI reporting, given government plans to take an interest in the Ethiopia-Djibouti natural gas pipeline in the future.

## Transactions between SOEs and government (#4.5)

### Documentation of progress

In terms of *company payments to SOEs*, the 2015-16 EITI Report's description of payment flows in Annex 7 confirms that dividends from mining companies to SOEs and free equity payments from mining companies to MOFEC were included in the scope of reporting (p.96). However, the reconciliation tables in Annex 9 indicate that no company reported any dividends to SOEs (pp.100-122) while only one company (MIDROC Gold Mine Plc) reported free equity payments<sup>258</sup> to MOFEC (p.106). There were no discrepancies in the reconciliation of this free equity payment.

The report implies that the government should have been entitled to exercise its right to 5% free equity in 2015-16 by providing calculations of what four companies<sup>259</sup> should have paid in dividends ("free-equity payments") had the government held that equity (p.79). However, information on the legal ownership of these companies in Annex 4 confirms that the government did not hold this 5% equity in each company in 2015-16 (it is assumed that the 5% equity calculations for Abijata-Shalla Soda Ash Sc relate to 5% additional free-equity on top of the state's existing 38% interest) (pp.88-89). The reconciliation results in Annex 9 show that Abijata-Shalla Soda Ash Sc. (ASSAS) (p.107) and Afar Salt Production Sc (p. 113) did not disclose any dividend payments to government.

In terms of *SOE payments to government*, the report confirms that SOEs are subject to the same fiscal regime as private extractives companies (p.28). It appears from the report that EMPBC was not included in the scope of reporting (p.123), although the reasons for its exclusion are not explained in the report.

The report does not refer to any other transfers between SOEs and government.

### Stakeholder views

The MSG and IA considered that EMPBC was not operational in 2015-16, which explained the MSG's exclusion of the SOE from the scope of reporting. However, a government representative explained that EMPBC was operating legacy mines that produced dolomite, feldspar, niobium, quartz, and tantalum. Despite the lack of new investment in these mines historically operated by state-owned Ethiopian Mineral Development Share Co. (EMDSC), the representative confirmed that EMPBC retained revenues from the mines to fund its operational expenditures. The representative confirmed that EMPBC had not received

<sup>258</sup> Of ETB 28,085,841.

<sup>259</sup> Abijata-Shalla Soda Ash Sc, East Cement Sc, Allied Chemical Plc and Erta Ale Salt Work Plc.

any funding from the Federal Government budget in 2015-16.

While a company representative explained that Abijata-Shalla Soda Ash Sc had not paid dividends in 2015-16 (but had in the subsequent year), which explained the lack of dividends to MOFEC, none of the stakeholders consulted could explain the lack of dividend payments from Afar Salt Production Sc to EMPBC in 2015-16.

Several government and industry representatives confirmed that the only free-equity interest held by the government in 2015-16 was the 2% equity in MIDROC Gold Mine Plc. They explained that the free-equity liability calculations in the EITI Report consisted of calculations of liabilities if the government had exercised its right to the 5% free equity in profitable producing mining companies. There was considerable debate over the categorisation of “free equity payments” from mining companies like MIDROC Gold Mine Plc to the government. The IA considered these to be a type of profit tax, while government officials considered them to be payments associated with state equity in extractives companies. However, the officials did not consider the “free equity payments” to be the equivalent of dividends, since the classification of dividends was considered distinct in Ethiopia’s payments nomenclature.

### Initial assessment

The International Secretariat’s initial assessment is that Ethiopia has made meaningful progress in meeting this requirement. The 2015-16 EITI Report attempts to disclose and reconcile dividends associated with government equity, although the report does not provide sufficient information to assess the comprehensiveness of the reconciliation of a single mining company’s free equity payment to government. The lack of explanation in the report for the exclusion of Ethiopian Mineral, Petroleum and Biofuel Co. (EMPBC) from the scope of reconciliation is a concern, not least given gaps in the description of the SOE’s financial relations with the government (*see Requirement 2.6*).

In accordance with Requirement 4.5, Ethiopia should ensure that all material company payments to SOEs and all transactions between SOEs and government entities be comprehensively disclosed and reconciled.

## Subnational direct payments (#4.6)

### Documentation of progress

The 2015-16 EITI Report explains the federal nature of the Ethiopian state, composed of nine Regional governments that have tax-raising powers (pp.10,79). The report states that companies are required to make direct subnational payments in line with their signed contracts (Article 12), which also require them to disclose these payments (p.78). The value of aggregate extractives revenues collected as direct subnational payments by Regional Governments shows that they collected 4.2% of total extractives revenues collected by government in 2015-16 (pp.7,69). The report’s recommendation 7.8 highlights the lack of centralised system to follow up on the direct subnational payment liabilities, with no available information at the Federal government level (p.79).

The report states in one section that there are nine revenue flows<sup>260</sup> (pp.49-51) and in other sections that there are six<sup>261</sup> (p.44) paid by extractives companies directly to Regional governments. Based on the results of reconciliation, it appears that companies make three types of payments<sup>262</sup> to Regional Mining Authorities (alongside “other payments”) and four types of payments<sup>263</sup> to Regional Tax Authorities (alongside “other payments”) (pp.70,100-122). It can be deduced that the nine revenue streams relate to the seven types of define payments and two types of “other payments”. The report explains that the MSG decided to include the nine direct subnational payments in the scope of the EITI Report “because they are material in relation to the areas served by Regional Governments” but that it was not possible to reconcile these payments. The MSG thus agreed to include the nine revenues for unilateral disclosure by companies (pp.9,10,49,80), although recommendation 7.8 encourages the MSG to include Regional governments in the scope of future EITI reporting (p.80).

The report notes that three companies<sup>264</sup> did not disclose any direct subnational payments (pp.78-79). The report provides the results of 15 mining companies’ unilateral disclosures of direct payments to Regional Governments, disaggregated by company and revenue stream (pp.70,100-122), but without indication of which Regional governments collected the revenues. Annex 2 provides the Regional States where material companies’ activities are based (pp.84-85), although two material companies operate in more than one Regional State.

### Stakeholder views

The MSG and IA confirmed the MSG’s decision to exclude Regional Governments from the scope of reporting given logistical challenges in contacting them and the Federal Government’s constitutional inability to force subnational governments to participate in EITI reporting. The MSG confirmed that no materiality threshold had been set for excluding direct subnational payments from the scope of reconciliation. Yet the MSG considered that unilateral reporting of such payments by material companies was an important first step in ensuring transparency in subnational direct payments. National Secretariat staff confirmed the MSG’s intention to pilot EITI reporting for Regional governments in the 2016-17 EITI Report, most likely including the four Regional governments collecting the most extractives revenues (such as Oromia Regional government). A 2016 report on the mining sector by the World Bank confirmed that the direct subnational payment streams described in the 2015-16 EITI Report were comprehensive of all extractives flows collected by regional authorities.<sup>265</sup>

### Initial assessment

The International Secretariat’s initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement. The 2015-16 EITI Report describes the seven types of direct subnational payments levied on extractives companies, although it is unclear if all seven revenue streams are extractives-specific. While the *de facto* materiality threshold of zero for selecting direct subnational payment streams implies that the 2015-16 EITI Report should have reconciled material companies’

<sup>260</sup> Land Rentals; Royalties paid by Holders of Small Scale Mining Licences; Licence Fees; Penalties; Personal Income taxes; Income tax: Schedule C (Normal); Withholding tax on payments; Personal Income tax (Pay As You Earn “PAYE”); Excise duty.

<sup>261</sup> Royalties, License fees, Land rentals, Income tax, Withholding tax & PAYE, Excise duty, and Social expenditures.

<sup>262</sup> Royalties, License fees and Land rentals.

<sup>263</sup> Income Tax (Schedule C), Withholding tax on payments, Personal Income Tax (Pay As You Earn), and Excise Duty.

<sup>264</sup> East Cement Sc is required to pay land rental to the Oromia region; Derba Midroc Cement Plc is required to pay land rental to the Oromia region; and Afar Salt Production Sc is required to pay land rental to the Afar regional state.

<sup>265</sup> World Bank (February 2016), ‘Ethiopia Mining Sector Development #7175163’, accessed [here](#) in March 2018, p.30.

payments of these seven types of payments, the report only includes the results of companies' unilateral reporting of payments. The report is transparent about constraints hindering the inclusion of Regional Governments in the scope of reporting.

In accordance with Requirement 4.6, Ethiopia should establish whether direct subnational payments, within the scope of the agreed benefit streams, are material ahead of future EITI reporting. Where material, the MSG is required to ensure that reconciled information on company payments to subnational government entities and the receipt of these payments be publicly accessible.

## Level of disaggregation (#4.7)

### Documentation of progress

The 2015-16 EITI Report provides the results of reconciliation disaggregated by company and government agency (pp.54-55), by revenue stream and government agency (pp.56-57), by company, government entity and revenue stream in Annex 9 (pp.100-122). Reconciled data is not presented disaggregated by project.

### Stakeholder views

Stakeholders consulted did not express any particular views regarding the level of disaggregation of reconciled financial data. Stakeholders confirmed that all common taxes collected by ERCA and all revenues collected by MOFEC were levied on a consolidated company basis, rather than per project. There is evidence that reporting templates required project-level reporting for royalties and production (although reporting templates are not publicly-accessible and were only presented during the course of stakeholder consultations), yet only a limited number of companies appear to have reported on a project-level and information presented in the report is aggregated per company.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress in meeting this requirement. The 2015-16 EITI Report presents reconciled financial data disaggregated by company, government entity and revenue stream, although not yet per project for payments levied on a per-project basis.

To strengthen implementation, Ethiopia may wish to consider the extent to which it can make progress in implementing project-level EITI reporting ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018.

## Data timeliness (#4.8)

### Documentation of progress

The 2015-16 EITI Report was published on 1 April 2018, within two years of the end of the 2015-16 fiscal year (on 8 July 2016). The 2015-16 EITI Report includes explicit confirmation that it covers the year ending 7 July 2016 (p.6) and that the 2015-16 Ethiopian fiscal year covers 7 July 2015 to 8 July 2016 (p.7).

Ethiopia published its first EITI Report, covering 2013-14, in February 2016. On 4 September 2017, the Board suspended Ethiopia for not meeting the publication deadline for their 2014/2015 Report.<sup>266</sup> The delay was due to a prolonged procurement process, partly caused by the MSGs decision that the report should cover two years (2014/15 and 2015/16) to ensure more timely data, prompting a relaunch of the procurement process (see *Requirement 4.9*). The 2014-15 EITI Report was published in January 2018 and the suspension was subsequently lifted by the EITI Board on 21 January.<sup>267</sup>

### Stakeholder views

Stakeholders did not express any particular views about the timeliness of EITI reporting. While certain journalists expressed the desire for information on the extractives that was closer to real time, they considered EITI data useful given the alleged paucity of publicly-accessible information on the mining, oil and gas sectors.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress towards meeting this requirement. The 2015-16 EITI Report was published within two years of the end of the fiscal period covered.

To strengthen implementation, the MSG may wish to liaise with key revenue collecting agencies and sector regulators to explore means of embedding disclosures of EITI-required information in routine government systems to ensure timelier EITI reporting.

## Data quality (#4.9)

### Documentation of progress

*Terms of Reference for the Independent Administrator:* The MSG originally agreed a draft IA's ToR for the 2014-15 EITI Report in December 2016. Ahead of the re-tendering of procurement for the IA for both the 2014-15 and 2015-16 EITI Reports, the MSG agreed revised ToR in May 2017. The ToR for the 2014-16 EITI Reports, whilst not publicly-accessible on the Ethiopia EITI website, are broadly in line with the standard ToR agreed by the EITI Board as of mid-2016.

*Appointment of the Independent Administrator (IA):* Funded by the World Bank's Extractives Global Programmatic Support (EGPS), procurement of the IA for the 2014 EITI Report followed World Bank procurement guidelines for competitive bidding, with the Minister of Mines, Petroleum and Natural Gas acting as the procurement entity for the IA contract. The MSG undertakes procurement of the IA on a Consultant Qualifications Selection (CQS) basis, including bid evaluations and selection of the winning bidder, with all documents submitted to MSG members. The IA's ToR, evaluation of bids and selection of the winning bid are consistently submitted to the World Bank for "no-objection" for every round of IA

<sup>266</sup> EITI (September 2017), 'The Board suspends Ethiopia for not meeting the publication deadline of their 2014/2015 Report.', accessed [here](#) in March 2018.

<sup>267</sup> EITI (January 2018), "The Board lifted Ethiopia's suspension", accessed [here](#) in August 2018.



procurement. Moore Stephens was the winning bidder for all three EITI Reports covering 2013-2016.

Administrative bottlenecks delayed procurement of the IA for the 2014-15 EITI Report in 2017 however. The National Secretariat initially published a call for expressions of interest (EOI) for the 2014-15 EITI Report in the Ethiopian Herald Newspaper on 20 January. The MSG opened the EOIs from nine companies on 9 February and reviewed the technical and financial proposals on 3 May 2017. However, the MSG subsequently decided to combine the tenders for the 2014-15 and 2015-16 EITI Reports, prompting a re-tender. The National Secretariat published a combined tender in the same paper on 21 July. The MSG evaluated the bids from four companies on 19 August and issued a request for proposals on 22 August, before finalising its preferred bidder on 8 September 2017.<sup>268</sup>

Agreement on the reporting templates: The MSG approved the reporting templates as part of its approval of the inception report for the 2014-15 and 2015-16 EITI Reports in November 2017.

Review of audit practices: The 2015-16 EITI Report describes statutory accounting and audit procedures for *companies*, including provisions of the Commercial Code requiring company directors to prepare financial statements, provisions<sup>269</sup> requiring financial statements to be prepared in line with IFRS, and provisions<sup>270</sup> and the Council of Ministers Directives<sup>271</sup> establishing the Accounting and Auditing Standard Board (AABE) (p.47). The report states that extractives companies prepare their accounting records on an accrual accounting basis (p.15). It notes that private companies' financial statements are only publicly-accessible "on a voluntary basis", while those of publicly-listed companies are required to be published (p.47). The report states that all but one<sup>272</sup> material companies provided copies of their 2015-16 audited financial statements and includes the value of its payments to government in absolute and relative terms (p.11).

For *government entities*, the report describes the statutory audit procedures for the Federal Government's financial statements by OFAG (pp.42,47), albeit without reference to international audit standards. The report also describes OFAG's statutory audit procedures for SOEs (p.42). The report explains that OFAG reports are required to be submitted to the House of Peoples' Representatives (pp.42,47), but does not state whether all material government entities had their 2015-16 financial statements audited. The report does not provide guidance on how to access any published financial statements.

Assurance methodology: The report describes the quality assurances agreed for reporting entities (p.14). For *companies*, quality assurances included:

- Sign-off on reporting templates by an authorised senior official (at Board level) (pp.10,14);
- Confirmations<sup>273</sup> from a registered external auditor (pp.10,14,75);

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<sup>268</sup> Based on documents provided by the EEITI Secretariat during stakeholder consultations.

<sup>269</sup> of Proclamation 847/2014.

<sup>270</sup> of Proclamation 847/2014.

<sup>271</sup> 332/2014.

<sup>272</sup> Sammakka Stones Plc.

<sup>273</sup> that the figures reported in the Reporting Templates are in accordance with instructions issued by the Independent Administrator, are complete and are in agreement with their financial statements for the period covered by the reconciliation.

- Extractive companies were “encouraged” to submit their audited financial statements for 2015-16 (p.14). Elsewhere the report states that companies were required to provide copies of their latest financial statements (p.75).

For *government entities* (pp.11,14):

- Sign-off on reporting templates by an authorised senior officer (pp.11,14);
- Confirmation from the Auditor General that the figures reported in the Reporting Templates are in accordance with instructions issued by the Independent Administrator, are complete and are in agreement with the audited accounts of government for the Ethiopian fiscal year 2015/16 (pp.14,75). However, the report also states that government entities were not required to provide certification from the Office of the Auditor-General (OFAG) as agreed by the MSG (pp.11,75).
- The OFAG was required to carry out “agreed upon procedures under international standards” in certifying reporting templates provided by government entities (p.14), although these procedures are not described.

**Confidentiality:** The report does not include any explicit provisions for preserving the confidentiality of information pre-reconciliation. However reference to the IA’s work being in line with ISRS 4400 on agreed upon procedures regarding financial information imply confidentiality mechanisms (p.6).

**Reconciliation coverage:** The report states that the reconciliation coverage was 92.3% of total extractives payments in 2015-16, although this includes the value of companies’ social contributions (p.10). The report does not provide a figure for the final reconciliation coverage.

**Assurance omissions:** For *companies*, the level of quality assurances provided by each of the 23 material companies is provided in Annex 10 (p.123). The report states that all but one company<sup>274</sup> submitted reporting templates signed by management (pp.10,75). The materiality of the non-complying company’s payments to government is assessed in absolute terms (ETB 43,919,801) and relative to total government extractives revenues (2.6%) (p.10). The report states that all but three companies<sup>275</sup> provided certification for their reporting templates from external auditors (pp.10,75). The value of each of the three non-complying companies’ payments to government is provided in absolute and relative terms (p.10). It is notable that Dangote Industries (Ethiopia) Plc accounted for 15.9% of the government’s extractives revenues (p.10).

For *government entities*, the report states that all material government entities provided management sign-off on their reporting templates (p.11). It also notes that MoFEC and MMPNG provided copies of their audit reports (p.11), implying that ERAC did not. It is possible to assess the materiality of these omissions based on the reconciliation results provided. The report also confirms that none of the government entities provided certification from OFAG as agreed by the MSG (pp.11,75).

**Data reliability assessment:** The report includes the IA’s caveat of lack of assurance on transactions beyond the explicit statements set out in the report (p.6), but also notes that all material extractives payments to government were reconciled (p.10). The report notes that, aside from the omissions from

<sup>274</sup> Pioneer Cement Manufacturing Plc.

<sup>275</sup> Dangote Industries (Ethiopia) Plc, Pioneer Cement Manufacturing Plc and Sammakka Stones Plc.

non-complying reporting entities, “financial data submitted by reporting entities and included in this report were subject to credible, independent assurance process, applying international standards” (p.11).

The report includes an overview of the IA’s work, including scoping, data collection and reconciliation, which was conducted according to ISRS 4400 and “International Standards on Auditing or International Standards on Review Engagements” (pp.6,11,13-15). The period for data collection is confirmed as starting on 1 November 2017 (p.13) and ending on 18 January 2018 (p.6), cash-based (p.15). The IA’s training workshop for reporting entities on 1 November 2017 is described (p.75).

Sourcing of information: The contextual information in the report appears clearly and consistently sourced. No stakeholders other than the IA appear to have included any comments in the report.

Summary tables: There is evidence that the IA prepared summary tables of EITI data for the three EITI Reports published to date (2013-16), although these are neither available on the Ethiopia EITI website nor the Ethiopia page of the EITI website.

Recommendations: The report notes that several recommendations of past EITI Reports have yet to be addressed. It describes the mechanisms employed by the MSG to follow up on past recommendations, but does not detail specific follow-up on previous EITI recommendations, and recommends the establishment of a MMPNG committee to support the MSG in following up on past recommendations (p.81). However, the report presents a list of 11 recommendations based on the 2015-16 EITI Report (pp.12,74-81).

## Stakeholder views

Procurement of the IA: Secretariat staff explained that the IA’s procurement for the two latest EITI Reports had been delayed due to the MSG’s late decision to combine procurement for both. While all MSG members expressed satisfaction with the IA’s procurement, confirming the MSG’s involvement in all key stages of the selection process, several government and industry members, as well as the IA, considered that the timing of the IA’s work (September-December) had been challenging since it coincided with the closing of annual accounts. Indeed government entities and companies were preparing their annual accounts during this period. Several government representatives expressed satisfaction at the IA’s work but noted certain limitations, primarily linked to the IA’s base outside of Ethiopia. While one official questioned why the IA did not accept government initial reporting at face value, most government officials did not have any critical comments of the IA’s work.

Assurance practices: While there was consensus among MSG members consulted, including all CSOs, that the government’s audit practices were robust and in line with international standards, there was a clear defensiveness from government officials over questions of reliability of government data. According to Ethiopia’s latest Public expenditure and financial accountability (PEFA) report, external audits of Federal Government budget revenues follow the International Standards for Supreme Audit Institutions (ISSAIs) issued by the International Organization of Supreme Audit Institutions (INTOSAI).<sup>276</sup> Several government representatives noted that OFAG also undertakes performance audits of specific entities on an ad hoc

<sup>276</sup> The Federal Democratic Republic of Ethiopia (June 2015), ‘The financial management performance of the Federal Government (PEFA report)’, accessed [here](#) in May 2018, pp.7,65.

basis. A senior official noted that the government was increasingly taking action on the basis of recommendations in OFAG audit reports. While all stakeholders directly involved in EITI expressed confidence in the reliability of government revenue data, there was a categorical lack of trust in any official data on the part of certain journalists and CSOs not directly involved in EITI. There was considerable debate among most stakeholders consulted over the public accessibility of government audit reports. While several government officials considered that it was possible for certain individuals to request access to OFAG reports, given that they were submitted to Parliament annually, several CSOs confirmed that these reports were not freely accessible to the public.

With regards to company audit practices, industry representatives confirmed the accuracy of information in the 2015-16 EITI Report, but noted that audited financial statements were not accessible to the public.

*EITI assurance procedures:* With regards to quality assurances for company EITI reporting, several industry representatives expressed frustration at the requirement for companies to submit certification from their external auditors. They explained that this certification incurred additional costs for reporting companies without providing additional value, given that all reporting companies had to undergo statutory external audits. The MSG explained that it had approved these quality assurances as it believed that they were mandated under the EITI Standard.

In terms of quality assurances for government reporting, there was considerable debate over the requirement for OFAG to provide certifications of government entities' reporting. The MSG confirmed that it had requested OFAG's sign-off as it believed this was mandated under the EITI Standard, but did not consider that this was necessary to ensure the reliability of government reporting. Several government officials were adamant that OFAG certification was not necessary given OFAG's statutory audits of government revenues as part of its verification of budget execution. A number of CSOs not directly involved in EITI expressed reservations over OFAG's audit of government revenues however. There was a general lack of clarity among MSG members over whether OFAG had provided this certification for all government entities in the 2015-16 EITI Report. A senior government official explained that OFAG had provided certification to the IA for the template submitted by MMPNG, but not for MOFEC or ERCA reporting. Another government official explained that the IA had reviewed transaction records at each of the three material government entities.

*EITI data reliability:* There was consensus among MSG members consulted that the reconciled financial data in the 2015-16 EITI Report was reliable. However, there was a marked trust deficit with a handful of CSOs and journalists not directly involved in EITI implementation, who questioned any data sourced from government and companies.

*Recommendations:* Several MSG members confirmed that the MSG reviewed the IA's draft recommendations prior to publication of the EITI Report. A government representative noted that OFAG had made recommendations regarding uncollected royalty revenues, but noted that these were not included in the 2015-16 EITI Report. The MSG confirmed there had been follow-up on past EITI recommendations (see *Requirement 7.3*).

## Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards

meeting this requirement. The MSG has approved the selection of the IA for the 2015-16 EITI Report, including a ToR consistent with the Board-approved template and reporting templates. The IA appears to have reviewed material entities' statutory audit procedures prior to agreeing quality assurance procedures for ensuring the reliability of reconciled data in the 2015-16 EITI Report, and actual audit practices over the course of reporting. While the report lists quality assurances requested from reporting entities, it is unclear from the report whether the MSG required OFAG certification for government EITI reporting. The 2015-16 EITI Report assesses the materiality of payments from entities that did not comply with the agreed quality assurance procedures, although the IA's assurances regarding the comprehensiveness and reliability of reconciled data are scattered and relatively weak. The IA has prepared summary tables of data in Ethiopia's 2015-16 EITI Report, albeit yet to be published at the start of Validation. The report provides a cursory overview of the lack of follow-up on past EITI recommendations, and adds a set of new recommendations based on the current report.

In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

- a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.
- b. ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

**Table 4- Summary initial assessment table: Revenue collection**

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Comprehensiveness (#4.1)	<p>The 2015-16 EITI Report includes a definition of the materiality thresholds for payments and companies to be included in reconciliation, including a justification for why the threshold was set at this level. The MSG approved the materiality threshold for payments and for companies. While a quantitative threshold was not provided for selecting companies, the MSG's agreed approach provides sufficiently comprehensive coverage of extractives revenues. Justification for the two materiality thresholds is provided and all material revenue streams and companies are listed. While it is unclear from the report whether all material companies and government entities reported fully, stakeholder consultations confirmed that all material companies and government entities submitted reporting templates. While final unreconciled discrepancies are listed and partly explained, the combined value of net discrepancies appears to be significant, at nearly one fifth of total reconciled revenues. In addition, full unilateral government disclosure of all extractives revenues, including from non-material companies, was not provided disaggregated by revenue stream, hindering readers' ability to calculate the coverage of reconciliation per revenue stream.</p>	Meaningful progress
In-kind revenues (#4.2)	<p>The 2015-16 EITI Report describes statutory provisions for the government to receive oil and gas revenues in-kind but confirms the lack of production to date. While the report is not explicit about the mining sector, stakeholders confirmed the lack of in-kind revenues in the mining sector.</p>	Not applicable
Barter and infrastructure transactions (#4.3)	<p>The 2015-16 EITI Report included a request for companies to report details of any barter or infrastructure provisions and there is no evidence of such arrangements.</p>	Not applicable

Transport revenues (#4.4)	While the 2015-16 EITI Report does not refer to the existence of any transportation revenues, stakeholders confirmed that the government does not receive any revenues from the transportation of minerals.	Not applicable
Transactions between SOEs and government (#4.5)	The 2015-16 EITI Report attempts to disclose and reconcile dividends associated with government equity, although the report does not provide sufficient information to assess the comprehensiveness of the reconciliation of a single mining company's free equity payment to government. The lack of explanation in the report for the exclusion of Ethiopian Mineral, Petroleum and Biofuel Co. (EMPBC) from the scope of reconciliation is a concern, not least given gaps in the description of the SOE's financial relations with the government (see <i>Requirement 2.6</i> ).	Meaningful progress
Subnational direct payments (#4.6)	The 2015-16 EITI Report describes the seven types of direct subnational payments levied on extractives companies, although it is unclear if all seven revenue streams are extractives-specific. While the <i>de facto</i> materiality threshold of zero for selecting direct subnational payment streams implies that the 2015-16 EITI Report should have reconciled material companies' payments of these seven types of payments, the report only includes the results of companies' unilateral reporting of payments. The report is transparent about constraints hindering the inclusion of Regional Governments in the scope of reporting.	Meaningful progress
Level of disaggregation (#4.7)	The 2015-16 EITI Report presents reconciled financial data disaggregated by company, government entity and revenue stream, although not yet per project for payments levied on a per-project basis.	Satisfactory progress
Data timeliness (#4.8)	The 2015-16 EITI Report was published within two years of the end of the fiscal period covered.	Satisfactory progress
Data quality (#4.9)	The MSG has approved the selection of the IA for the 2015-16 EITI Report, including a ToR consistent with the Board-approved template and reporting templates. The IA appears to have reviewed material entities' statutory audit procedures prior to agreeing quality assurance	Meaningful progress

	<p>procedures for ensuring the reliability of reconciled data in the 2015-16 EITI Report, and actual audit practices over the course of reporting. While the report lists quality assurances requested from reporting entities, it is unclear from the report whether the MSG required OFAG certification for government EITI reporting. The 2015-16 EITI Report assesses the materiality of payments from entities that did not comply with the agreed quality assurance procedures, although the IA's assurances regarding the comprehensiveness and reliability of reconciled data are scattered and relatively weak. The IA has prepared summary tables of data in Ethiopia's 2015-16 EITI Report, albeit yet to be published at the start of Validation. The report provides a cursory overview of the lack of follow-up on past EITI recommendations, but adds a set of new recommendations based on the current report.</p>	
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> <li>• In accordance with Requirement 4.1, Ethiopia should ensure that future EITI reporting clearly explain all unreconciled discrepancy and provide a clear assessment of whether discrepancies materially affect the comprehensiveness of the reconciliation. In addition, Ethiopia should ensure that full unilateral government disclosure of material revenues, including from non-material companies, is provided disaggregated per material revenue stream.</li> <li>• To strengthen implementation, Ethiopia is encouraged to assess the existence and materiality of any in-kind revenues ahead of future cycles of EITI reporting, given the prospects for commercial oil and gas production (and thus statutory entitlements to in-kind oil and gas revenues) in future.</li> <li>• To strengthen implementation, Ethiopia is encouraged assess the existence and materiality of transportation revenues ahead of future cycles of EITI reporting, given government plans to take an interest in the Ethiopia-Djibouti natural gas pipeline in future.</li> <li>• In accordance with Requirement 4.5, Ethiopia should ensure that all material company payments to SOEs and all transactions between SOEs and government entities be comprehensively disclosed and reconciled.</li> <li>• In accordance with Requirement 4.6, Ethiopia should establish whether direct subnational payments, within the scope of the agreed benefit streams, are material ahead of future EITI reporting. Where material, the MSG is required to ensure that reconciled information on company payments to subnational government entities and the receipt of these payments be publicly accessible.</li> <li>• To strengthen implementation, Ethiopia may wish to consider the extent to which it can make progress in implementing project-level EITI reporting ahead of the deadline for all EITI Reports covering fiscal periods ending on or after 31 December 2018.</li> <li>• To strengthen implementation, the MSG may wish to liaise with key revenue collecting agencies and sector regulators to explore means of embedding disclosures of EITI-required information in routine government systems to ensure timelier EITI reporting.</li> <li>• In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international</li> </ul>		



auditing standards. In accordance with requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:

- a. examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.
- b. ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.
- c. ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

## 5. Revenue management and distribution

### 5.1 Overview

This section provides details on the implementation of the EITI requirements related to revenue management and distribution.

### 5.2 Assessment

#### Distribution of revenues (#5.1)

##### Documentation of progress

The 2015-16 EITI Report provides a diagram of extractives revenue flows (pp.42-44). In total, 15 revenue flows are marked as paid directly to ERCA, MMPNG and MoFEC and transferred to the Consolidated Revenue account, while six revenue streams<sup>277</sup> are paid directly to Regional State mining and tax authorities (p.44). It appears from the diagram that royalties, license fees, land rentals and income tax appear to be both paid to the Consolidated Revenue account and to Regional State authorities.

It is unclear from the report whether Training fees are transferred to the Petroleum Training Fund off-budget, or whether they are recorded in the national budget. The report explains that companies are required<sup>278</sup> to contribute directly to the government's Petroleum Training Fund, a separate bank account managed by MMPNG (p.45). The purpose of these payments is described as being for training or acquisition of training equipment by MMPNG (p.94). Aside from payments to the PTF, there do not appear to be any off-budget extractives revenues in Ethiopia.

The report does not refer to national or international revenue classification systems.

##### Stakeholder views

All stakeholders consulted considered that extractives revenues collected by the Federal Government were entirely transferred to the Consolidated Revenue Fund operated by MOFEC. Ethiopia's 2015 PEFA report confirms that all federally-collected revenues were promptly transferred to Treasury-controlled bank accounts, mostly daily, and reconciled monthly.<sup>279</sup> A senior government official confirmed that the proceeds of NBE sales of ASM gold were recorded in the national budget. A government official confirmed that Petroleum Training Fund contributions could be considered forms of social expenditures. There was however some disagreement regarding whether the 40% of royalties deducted by MMPNG for transfers to Regional Governments were recorded in the Federal Government, or only in the Regional Governments' budgets. A senior government official confirmed that Ethiopia was implemented GFSM 2014 for its government statistics.

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<sup>277</sup> Royalties, License fees, Land rentals, Income tax, Withholding tax & PAYE, Excise duty, and Social expenditures.

<sup>278</sup> in line with Article 3.6 of the PSA.

<sup>279</sup> The Federal Democratic Republic of Ethiopia (June 2015), 'The financial management performance of the Federal Government (PEFA report)', accessed [here](#) in May 2018, p.7.

## Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress in meeting this requirement. The 2015-16 EITI Report implies with its diagram of extractives revenue flows that all extractives revenues collected by the Federal Government aside from training fee contributions to the Petroleum Training Fund are transferred to the Consolidated Revenue account and recorded in the national budget.

To strengthen implementation, Ethiopia is encouraged to publicly clarify which extractive industry revenues, whether cash or in-kind, are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation of these revenues must be explained, with links provided to relevant financial reports as applicable. Ethiopia may wish to use EITI reporting to track the evolution of national revenue classification systems.

## Sub-national transfers (#5.2)

### Documentation of progress

The 2015-16 EITI Report describes statutory subnational transfers of mining and petroleum royalties and income tax (pp.45,72).

The report confirms that the MSG included subnational transfers of royalties to Regional State Governments in the scope of unilateral reporting (pp.50,72). The report explains that the extractives component of common taxes such as Income tax is not disaggregated, implying that the MSG did not consider it a subnational transfer of extractives revenues. The report provides the aggregate value of subnational transfers of royalties in 2015-16 (ETB 68,273,392), albeit not disaggregated by receiving Regional State Government (p.72).

The report provides the general formula for sharing royalties (FG 60%, States 40%) and income tax (50-50) (pp.45,72), but does not provide Regional State-level information to calculate subnational transfers according to the formula. The report notes that the IA "did not note any non-trivial deviations from the applicable legal sharing formulas" and that the Auditor General's report for 2015-16 did not express any qualifications to the amounts transferred to Regional States (p.72).

The report does not refer to any ad hoc subnational transfers.

### Stakeholder views

The MSG confirmed that it did not consider income tax to be an extractives-specific form of subnational transfers. Several government officials confirmed that MMPNG deducted 40% of royalties from its transfers to Treasury (MOFEC), although there was disagreement over whether those were recorded in the Federal budget in addition to Regional Governments' budgets (*see Requirement 5.1*). Upon discussion with the National Secretariat and relevant government officials, MMPNG provided data to the EEITI Secretariat (unpublished) on the executed transfers of royalties per Regional Government in May 2018. A government official confirmed that the calculations for subnational transfers of royalties were not public. Stakeholders consulted recognised the value of including calculations of subnational transfers in EITI

Reports but did not comment on why this had not been included in the 2015-16 EITI Report. Several industry and civil society stakeholders considered that more information on subnational transfers would be of value for public accountability, given that companies were often blamed for not paying their fair share of revenues for the benefit of local communities. The MSG confirmed that information on extractives revenue flows to the Regional Governments and local communities were key demands during the EEITI subnational roadshows.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement. The 2015-16 EITI Report describes statutory subnational transfers and discloses the aggregate value of subnational transfers of royalties. The data is disclosed in aggregate, not disaggregated by Regional State Government. The report states that no non-trivial deviations from the applicable legal sharing formulas were identified.

In accordance with Requirement 5.2, Ethiopia is required to ensure that material subnational transfers of extractives revenues are publicly disclosed, when such transfers are mandated by a national constitution, statute or other revenue sharing mechanism. Ethiopia should also disclose any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount transferred between the central government and each relevant subnational entity. Ethiopia may wish to consider whether publishing the detailed calculations of subnational royalty transfers as a means of achieving this objective. Ethiopia is encouraged to reconcile subnational extractives transfers.

## Additional information on revenue management and expenditures (#5.3)

### Documentation of progress

The 2015-16 EITI Report provides a diagram of extractives revenue flows, which shows that training fees are earmarked for the Petroleum Training Fund (p.44). The report explains that companies are required to contribute directly to the government's Petroleum Training Fund, a separate bank account managed by MMPNG (p.45).

The report provides a description of Ethiopia's budget-making process, including planning, preparation, execution and audit (p.42), but does not provide other relevant information like production and revenue projections, budget forecasts, etc.

### Stakeholder views

The MSG did not express any particular comment on the 2015-16 EITI Report's coverage of budget, audit and other public finance information. Several stakeholders from all constituencies praised the EEITI's coverage of ASM. There was considerable defensiveness on the part of several government officials over the issue of public accessibility of key budget and audit documents, while other officials were more receptive to the idea of disclosing such documents noting that these were distributed amongst government agencies. A development partner noted that one of the key aspects of Ethiopia's Growth and Transformation Plan (GTP) was the public accessibility of local government budget documents, with some 70% of woredas routinely displaying their budgets for the year. Woredas were increasingly engaging in participatory budgeting meetings with mass-based civil society organisations as part of their budget

planning process. However, at the national level, an April 2014 report by international credit insurer Coface highlighted the lack of public-sector data transparency.<sup>280</sup>

### Initial assessment

Reporting on revenue management and expenditures is encouraged but not required by the EITI Standard. It is encouraging that the MSG has made some attempt to including some, albeit limited, information on the budget-making process and audit procedures in the EITI Report.

To strengthen implementation, Ethiopia is encouraged to canvass more broadly to ensure its EITI reporting caters to popular demand for information on budget-making, expenditures and forecasts.

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<sup>280</sup> Economist Intelligence Unit (April 2014), 'EITI candidacy approved', accessed [here](#) in March 2018.

**Table 5 - Summary initial assessment table: Revenue management and distribution**

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Distribution of revenues (#5.1)	The 2015-16 EITI Report implies with its diagram of extractives revenue flows that all extractives revenues collected by the Federal Government aside from training fee contributions to the Petroleum Training Fund are transferred to the Consolidated Revenue account and recorded in the national budget.	Satisfactory progress
Sub-national transfers (#5.2)	The 2015-16 EITI Report describes statutory subnational transfers and discloses the aggregate value of subnational transfers of royalties. The data is disclosed in aggregate, not disaggregated by Regional State Government. The report states that no non-trivial deviations from the applicable legal sharing formulas were identified.	Meaningful progress
Information on revenue management and expenditures (#5.3)	It is encouraging that the MSG has made some attempt to including some, albeit limited, information on the budget-making process and audit procedures in the EITI Report.	
<p>Initial conclusions and recommendations:</p> <ul style="list-style-type: none"> <li>• To strengthen implementation, Ethiopia is encouraged to publicly clarify which extractive industry revenues, whether cash or in-kind, are recorded in the national budget. Where revenues are not recorded in the national budget, the allocation of these revenues must be explained, with links provided to relevant financial reports as applicable. Ethiopia may wish to use EITI reporting to track the evolution of national revenue classification systems.</li> <li>• In accordance with Requirement 5.2, Ethiopia is required to ensure that material subnational transfers of extractives revenues are publicly disclosed, when such transfers are mandated by a national constitution, statute or other revenue sharing mechanism. Ethiopia should also disclose any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount transferred between the central government and each relevant subnational entity. Ethiopia may wish to consider whether publishing the detailed calculations of subnational royalty transfers as a means of achieving this objective. Ethiopia is encouraged to reconcile subnational extractives transfers.</li> <li>• To strengthen implementation, Ethiopia is encouraged to canvass more broadly to ensure its EITI reporting caters to popular demand for information on budget-making, expenditures and forecasts.</li> </ul>		

## 6. Social and economic spending

### 6.1 Overview

This section provides details on the implementation of the EITI requirements related to social and economic spending (SOE quasi-fiscal expenditures, social expenditures and contribution of the extractive sector to the economy).

### 6.2 Assessment

#### Social expenditures (#6.1)

##### Documentation of progress

The 2015-16 EITI Report provides a definition of social expenditures (including mandatory and voluntary), which 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” (pp.49,95-96). A list of 13 contracts that have been “made available” (understood to mean “published”) is provided, alongside a summary of key information on the contracts’ social development terms (pp.22-26). The report confirms that companies were required to unilaterally disclose their social contributions (pp.9,49,51).

The value of Social Contributions unilaterally reported by companies is provided<sup>281</sup>, in aggregate (p.7) and disaggregated by company (p.71), although it is not clear whether these include both mandatory and voluntary social expenditures, or only mandatory ones. The results of 15 companies’ reporting of social expenditures are more clearly provided in Annex 5, including 10 companies’ mandatory social expenditures (pp.91-92).

The report explains that companies are required to contribute to the government’s Petroleum Training Fund, a separate bank account managed by MMPNG, in line with Article 3.6 of the PSA, and that training fees are paid directly to the Fund (p.45). The results of 5 companies’ payments of Training Fees are provided in the reconciliation results per company provided in Annex 9 (pp.100-120).

***Cash/in-kind:*** While the report’s description of payment flows in Annex 7 indicate that mandatory social expenditures can be made in cash or in-kind (pp.95-96), the report’s list of in-kind social expenditures reported by 4 companies does not include associated costs/values and it is unclear whether they are mandatory or voluntary (p.71). The results of 10 companies’ reporting of mandatory social expenditures provided in Annex 5 are not disaggregated between cash and in-kind expenditures (pp.91-92).

***Beneficiaries:*** The results of 10 companies’ reporting of mandatory social expenditures provided in Annex 5 are disaggregated by beneficiary, although 4 of the 10 companies reporting mandatory social

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<sup>281</sup> showing that they accounted for 1.9% of total extractives companies’ payments to government in 2015-16.

expenditures did not provide the names of beneficiaries (pp.91-92).

*Voluntary:* The report confirms that companies were requested to unilaterally disclose details of their voluntary social expenditures (pp.49,95). The results of 15 companies' reporting of social expenditures are provided in Annex 5, including 9 companies' voluntary social expenditures (pp.91-92).

### Stakeholder views

A government and industry representatives considered Petroleum Fund contributions as forms of mandatory social expenditures for oil and gas companies dedicated for the MMPNG's capacity building. Industry representatives confirmed that oil and gas companies were required to undertake a set amount of mandatory social expenditures annually as part of their operating contracts, including at the exploration phase, and that these expenditures could be undertaken in cash or in kind.

For mining, industry representatives confirmed that exploration companies had not been required to undertake mandatory social expenditures until a new Mining Regulation issued in early 2018 that set fixed rates of social spending requirements. Producing mining companies had always been required to undertake mandatory social expenditures in the form of contributions to the Community Development Fund, managed by MMPNG on behalf of affected communities. The representatives explained that Regional Governments made proposals for the use of these funds, which were reviewed and approved by MMPNG. Several MSG members highlighted the MSG's ongoing work on assessing gaps in gaps in companies' compliance with their social expenditure obligations, with a report due in 2018.

Several representatives from industry, civil society and development partners highlighted that it was common for both mining and petroleum companies to undertake voluntary social expenditures in addition to mandatory ones. While CSOs consulted noted that they had not made use of EITI data on social expenditures to date, they intended to use this data as part of plans for citizen oversight of mining companies' social expenditures in future. Several industry representatives highlighted the value of EITI reporting of social expenditures, noting that it had spurred a realisation on the part of mining companies of the need to pay proper attention to social expenditures and ensure robust record-keeping. Several government representatives highlighted the use of EITI data on social expenditures to underpin the government's enactment of set mandatory social expenditures requirements in the 2018 Mining Regulation.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement. The 2015-16 EITI Report presents information on companies' mandatory social expenditures, albeit not disaggregated between cash and in-kind, or by non-government beneficiary. Ethiopia has also made efforts to go beyond the minimum requirements by providing additional information on discretionary social expenditures as encouraged by the EITI Standard.

In accordance with Requirement 6.1, Ethiopia should ensure that information on mandatory social expenditures, clearly disaggregated between cash and in-kind and by non-government beneficiary, is publicly accessible.



## SOE quasi fiscal expenditures (#6.2)

### Documentation of progress

The 2015-16 EITI Report notes that the MSG agreed to request unilateral disclosures from SOEs of any quasi-fiscal expenditures (p.50), but does not state whether the scoping exercise identified any quasi-fiscal expenditures prior to reporting. The report states that Afar Salt Production Sc did not report any quasi-fiscal expenditures, but also states that Afar Salt Production Sc did not submit any reporting template (p.73). However, reporting templates in Annex 9 indicate that Afar Salt production submitted its reporting template (p.113).

The report does not refer to the MSG's assessment of the existence of any quasi-fiscal expenditures by Ethiopian Mineral, Petroleum and Biofuel Co. (EMPBC). There is no evidence in MSG meeting minutes that the MSG explicitly considered the existence of quasi-fiscal expenditures.

### Stakeholder views

The MSG did not have any particular comments on the existence of quasi-fiscal expenditures on the part of extractives SOEs. A government official stated that EMPBC did not undertake quasi-fiscal expenditures and that its revenues drawn from operating legacy mines was only sufficient to cover the SOE's operating costs (*see Requirement 2.6*).

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress towards meeting this requirement. While it is possible that none of Ethiopia's extractives SOEs undertakes any quasi-fiscal expenditures, the lack of MSG discussion of the issue in relation to EMPBC is a concern. Although the 2015-16 EITI Report included data collection on quasi-fiscal expenditures from Afar Salt Production, the exclusion of EMPBC from the scope of reporting is a concern.

In accordance with Requirement 6.2, Ethiopia should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal. Ethiopia should develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.

## Contribution of the extractive sector to the economy (#6.3)

### Documentation of progress

The 2015-16 EITI Report's Recommendation 7.10 highlights constraints in the availability of public information on the economic contribution of the extractives industries, particularly in terms of data on GDP and employment (p.81).

***Share of GDP:*** The report provides the extractives' contribution to GDP in absolute terms (ETB 5680m) and relative to total GDP (0.7%), sourced from the Central Statistical Agency of Ethiopia (CSA) (pp.8,32). This data is only for the mining sector, not for oil and gas, as the report notes that the oil and gas sector is still at the exploration stage (p.42). While this implies that the oil and gas sector had no value in 2015-

16, the report also estimates the value of government revenues from oil and gas as accounting for 9.2% of total government extractives revenues (p.7).

An overview of ASM is provided, including estimates of the share of total production that is informal (through informal ASM), the legal framework and estimates of production and ASM gold purchased by NBE (pp.29-31), but not the contribution of ASM to GDP.

Government revenues: The report provides the extractives' contribution to total government revenues in absolute terms (ETB 1707m) (pp.7-8,11,35,41,67) and relative to total government revenues (0.7%) based on government EITI reporting (pp.8,35,41). The information is disaggregated for government revenues from mining and oil and gas.

Exports: The report provides the extractives' contribution to total exports, in absolute terms (USD 310.59m) and relative to total exports (10.83%), based on National Bank of Ethiopia and ERCA data (p.8). These figures are also provided disaggregated for gold, tantalite ore, platinum and "other minerals" exports (p.34).

Employment: The report notes the lack of recent official statistics from CSA on figures for mining employment and total employment (p.34) and confirms that the MSG requested material companies to report details of their employment (p.50). The report provides the extractives' contribution to total employment in absolute terms and relative to total employment, based on company EITI reporting and CSA figures for total employment (pp.8,34-35,41). The 24 reporting companies' disclosures of direct employment are provided in Annex 1, disaggregated by company and between local, non-local and expatriates (p.83).

Location: The report provides the names of regions where mining production is based, disaggregated per commodity (p.9). The general location of mineral deposits is provided (p.17). A low-definition map of petroleum concessions is also included (pp.35-36).

## Stakeholder views

The MSG did not express any particular opinion about the 2015-16 EITI Report's coverage of the economic contribution of the extractive industries but appeared broadly satisfied. One government official expressed concern that the EITI Report's data on the contribution to government revenues underestimated the actual contribution, given that it did not include total revenues from the sector collected by Regional Governments. Several stakeholders from all constituencies on the MSG expressed satisfaction at the inclusion of information on ASM in Ethiopia's EITI reporting.

## Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress towards meeting this requirement. The 2015-16 EITI Report provides, in absolute and relative terms, the extractive industries contribution to GDP, government revenues, exports, employment as well as the location of production. The report is transparent about weaknesses in official government GDP and employment data, providing the results of EITI reporting as a proxy for government revenue and employment figures. Although the estimated contribution of the extractive industries to GDP excludes the nascent oil and gas

sector, the International Secretariat understands that the sector's contribution to GDP is still marginal compared to mining.

To strengthen implementation, Ethiopia may wish to provide additional analysis on official extractives GDP, revenues and employment data, with a view to using EITI reporting to refine official statistics.

**Table 6- Summary initial assessment table: Social and economic spending**

EITI provisions	Summary of main findings	International Secretariat's initial assessment of progress with the EITI provisions
Social expenditures (#6.1)	The 2015-16 EITI Report presents information on companies' mandatory social expenditures, albeit not disaggregated between cash and in-kind, or by non-government beneficiary. Ethiopia has also made efforts to go beyond the minimum requirements by providing additional information on discretionary social expenditures as encouraged by the EITI Standard.	Meaningful progress
SOE quasi fiscal expenditures (#6.2)	While it is possible that none of Ethiopia's extractives SOEs undertakes any quasi-fiscal expenditures, the lack of MSG discussion of the issue in relation to EMPBC is a concern. Although the 2015-16 EITI Report included data collection on quasi-fiscal expenditures from Afar Salt Production, the exclusion of EMPBC from the scope of reporting is a concern.	Meaningful progress
Contribution of the extractive sector to the economy (#6.3)	The 2015-16 EITI Report provides, in absolute and relative terms, the extractive industries contribution to GDP, government revenues, exports, employment as well as the location of production. The report is transparent about weaknesses in official government GDP and employment data, providing the results of EITI reporting as a proxy for government revenue and employment figures. Although the estimated contribution of the extractive industries to GDP excludes the nascent oil and gas sector, the International Secretariat understands that the sector's contribution to GDP is still marginal compared to mining.	Satisfactory progress
Initial conclusions and recommendations:		

- In accordance with Requirement 6.1, Ethiopia should ensure that information on mandatory social expenditures, clearly disaggregated between cash and in-kind and by non-government beneficiary, is publicly accessible.
- In accordance with Requirement 6.2, Ethiopia should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal. Ethiopia should develop a reporting process for quasi-fiscal expenditures with a view to achieving a level of transparency commensurate with other payments and revenue streams.
- To strengthen implementation, Ethiopia may wish to provide additional analysis on official extractives GDP, revenues and employment data, with a view to using EITI reporting to refine official statistics.

## Part III – Outcomes and Impact

### 7. Outcomes and Impact

#### 7.1 Overview

This section assesses implementation of the EITI Requirements related to the outcomes and impact of the EITI process.

#### 7.2 Assessment

##### Public debate (#7.1)

##### Documentation of progress

*Comprehensibility and promotion:* Ethiopia EITI has made efforts to make EITI Reports comprehensible and accessible through the EEITI website.<sup>282</sup> EEITI has also made significant efforts to promote their work and reports to different stakeholder groups. A list of activities includes:

- Training on preparing for EITI reporting with Revenue Watch Institute (now Natural Resource Governance Institute) (Addis Ababa, 12-14 June 2011).
- EEITI outreach workshop for extractive companies organized by the MSB (Addis Ababa, 28 July 2011).
- EEITI training for extractives companies and government representatives from Ministry of Mines Addis Ababa, (2-3 April 2012) with a total of 60 participants.
- Civil society and media workshop on the EITI Principles in Bishoftu (May 2014).
- EITI training on 2013 EITI Standard and the value chain of the extractive industries in Addis Ababa, (19 August 2014).
- Stakeholder forum on key challenges and opportunities for EITI implementation in Ethiopia in Ababa (7-8 October 2014) for over 100 participants.
- Workshop on natural resource governance for EEITI stakeholders in Adama (25-26 December 2014), with more than 140 participants.

Significant promotion and outreach has also taken place at the regional and community levels, with activities organized by EEITI including:

- Workshop with regional administration offices in Adama to discuss coordination of licensing and payments between federal and sub-national government (4-5 April 2012)
- Workshop for civil society engaging with mining communities in Adama (16-19 May 2013). Over 100 participants attended the workshop.
- Regional EEITI workshop on artisanal and small-scale mining and possible inclusion in EITI reporting in Semera (27-30 April 2015), with over 230 participants.

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<sup>282</sup> The new EEITI website (<http://www.eeiti.org.et>) has been facing some operational challenges and not always been accessible, although it was running at the time of Validation.

- Regional EEITI workshop for civil society, regional government, mining companies and artisanal and small-scale miners in Assosa (31 May – 7 June 2015), with more than 210 participants.
- EEITI MSB regional outreach programme in Adama (12 July 2015), with more than 270 participants
- Site visits and outreach to mining communities by MSB (8-11 July 2015).
- Regional EEITI workshop in Hawassa, 19-20 December 2015, with more than 250 participants
- Regional EEITI workshop targeting regional government representatives in Shire, 20-21 April 2016, with more than 380 participants.
- Regional EEITI workshop in Bahr Dar, 27-28 October 2016, with over 300 participants.

The state of emergency declared in 2017 resulted in delays and a slowdown of outreach activities. However, in 2017, EEITI also launched a communication initiative to engage universities in matters pertaining to natural resource governance in the country. EEITI plans to sign an MoU with a large network of universities, to leverage their campus radio stations to allow for effective sharing of information on resource governance and revenue transparency.

***Public accessibility:*** EEITI has produced a significant number of publications during four years of implementation, including a summary report on the achievements of the EITI in the 2009-16 period, a dedicated report on artisanal and small-scale mining, a report on the social contribution by mining companies at community level, and a summary of civil society engagement in the EITI process. No summaries of the EEITI Report itself appear to have been produced.

A detailed communications strategy for how to strengthen and maximise communications activities and outreach was developed in 2013, and was updated in 2018. The MSB has also prepared various promotion materials that have been distributed to stakeholders during meetings and training workshops.

The EEITI had until 2016 been using the Ministry of Mines, Petroleum and Natural Gas website (<http://www.mom.gov.et>) to publish reports and governance-related documents. In 2016, EEITI launched a new website ([www.eeiti.org.et](http://www.eeiti.org.et)) which includes key information about the EITI process in Ethiopia and the EITI Reports.

The diversity of languages in Ethiopia (with more than 80 different languages spoken in the country) also poses a challenge with regards to dissemination of EITI information. The report from 2016 on “Summary of EEITI implementation process and achievements (since 2009 – June 2016)” was translated into Amharic, one of the largest language groups (spoken by close to 30% of the population). The 2015 communications strategy notes that “translating documents into the local languages is essential not only to reach a large proportion of the public but also to enhance the credibility of the messages” (p.26.)

***Open data policy:*** The MSB approved an EITI open data policy in December 2016<sup>283</sup>, which has as a mission “to put in place an enabling environment for the public to access extractive industry data and promote use and re-use of data through efficient and effective technology for public development” (p.4).

***Contribution to public debate:*** The EITI’s contribution to public debate in Ethiopia appears to have been

<sup>283</sup> Ethiopia EITI open data policy, accessed [here](#) in June 2018.

more significant at the subnational and community level, where the EEITI has been particularly active in terms of outreach and dissemination (see list of activities undertaken in this section under ‘Comprehensibility and promotion’).<sup>284</sup> There appear to be a few documented examples of use of EITI data in contributing to public debate on extractives, including in the media. Many of the news articles on EITI relate to report launches<sup>285</sup>, and some media articles refer to the potential EITI has to contribute to improved governance and the stakeholder engagement EITI has undertaken.<sup>286</sup> Some media articles have cited EITI data in the reports, in particular figures related to its contribution to the national economy and employment, and findings related to lacking engagement by companies in community development.<sup>287</sup>

### Stakeholder views

MSG members confirmed that government, CSOs and companies on the MSB participated in dissemination and outreach, including in the regions. They were proud that State government officials also participated and were engaged in these outreach efforts. MSG members raised translation of reports as a challenge, as funds were not available to translate all publications into local languages.

Various civil society and development partner stakeholders noted that civil society in particular lacked capacity to use EITI data in a way that would strengthen the contribution of EITI to public debate in the country. Some stakeholders consulted indicated that the restrictions posed by the 2009 Charities and Societies Proclamation on funding for organisations which could undertake advocacy activities had had a negative effect on the ability of civil society and the public more generally to use the information disclosed in EITI to inform debate on natural resource governance (*see Requirement 1.3*). It was added that clarifying the scope of what constituted advocacy would help make it clearer how EITI data could be used by the public to help inform debate about management of the extractive industries.

A development partner highlighted the significant outreach efforts that been undertaken by EEITI, although they noted that there were further opportunities for reaching out strategically to stakeholders who would be interested in using the data in the EITI Report. It was mentioned that messaging by EEITI on ongoing activities and increasing understanding of publicly-accessible extractives data was a key challenge.

### Initial assessment

The International Secretariat’s initial assessment is that Ethiopia has made satisfactory progress in meeting this requirement. The MSB has worked towards making the EITI Reports comprehensible and accessible online, and has developed an EITI open data policy. There is evidence that MSB members and leading on EITI outreach efforts and encourage public debate about extractives activities.

The MSG is encouraged to continue its efforts to strengthen communication of findings from the EEITI

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<sup>284</sup> The activities are summarized in the EEITI Report (2016) “Summary of EEITI implementation process and achievements (since 2009 – June 2016)”.

<sup>285</sup> The Reporter (17 January 2018), “Ministry working to resolve mining disputes”, accessed [here](#) in June 2018, Ethiopian Herald (18 January 2018), “Ministry launches second EITI report”, accessed [here](#) in June 2018, Ethiopian Herald (2 July 2015) “EEITI annual activity report launched”, accessed [here](#) in June 2018.

<sup>286</sup> Ethiopian Herald (27 June 2017), “Ensuring fair wealth distribution via avoiding resource curse”, accessed [here](#) in June 2018.

<sup>287</sup> Ethiopian Herald (27 June 2017), “Ensuring fair wealth distribution via avoiding resource curse”, accessed [here](#) in June 2018, Ethiopian Herald (18 February 2018), “Transparency Initiative to strengthen social, economic dev’t”, accessed [here](#) in June 2018, Ethiopian Herald (1 Mar 2018), “Alternatives to advance mining”, accessed [here](#) in June 2018.



Reports and making EITI data comprehensible to the public. The government and MSB is further encouraged to reach out to stakeholders including media and civil society to encourage analysis of the EITI data and to contribute to public debate on improving natural resource governance.

## Data Accessibility (#7.2)

### Documentation of progress

Ethiopia's open data policy, published in December 2016<sup>288</sup>, summarises various government efforts and commitments to open data in the public sector. The policy further confirms that “EITI NSC has discussed and decided that the EITI Open data should be opened, and freely used, re-used and redistributed to the citizen as per the Global EITI requirement to attribute and share alike” (p. 6). There are no documented discussions by the MSB on how to code or tag EITI Reports and data files to enable EITI data to be compared with other publicly available data.

The EITI Report does not reference national revenue classification systems or international standards (such as the IMF Government Finance Statistics Manual). The Independent Administrator has prepared summary data files in accordance with the Standard Terms of Reference for Independent Administrators for all three years covered by EITI Reports (2013/14-2015/16). However, these were yet to be published on the EITI Ethiopia website or on the EITI international website at the time of Validation. There are no documented efforts by the MSB to summarise EITI data or findings from EITI reporting.

### Stakeholder views

Stakeholders consulted did not express any particular views on the accessibility of EITI data.

### Initial assessment

Requirement 7.2 encourages the MSGs to make EITI Reports accessible to the public in open data formats. Such efforts are encouraged but not required and should not be considered in assessing compliance with the EITI Standard. At the time of Ethiopia's Validation data from the three EITI reporting years (2013-14 to 2015-16) is available in machine readable format through the EITI global website.

To strengthen implementation, Ethiopia is encouraged to continue working towards making extractive sector data accessible by implementing the open data policy, publishing EITI data in an open format, code or tag EITI data files to enable comparison with other data sets and summarise EITI data and report findings to make the information more accessible. The MSB could ensure that EITI Reports reference national revenue classification systems or international standards (such as the IMF Government Finance Statistics Manual).

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<sup>288</sup> Ethiopia EITI open data policy, accessed [here](#) in June 2018.

## Lessons Learned and follow-up on recommendations (#7.3)

### Documentation of progress

*MSG input and follow-up:* The MSB has discussed the need to follow up on gaps and findings from EITI Reports, for instance at their MSB meeting on 2 February where gaps in disclosures related to licenses, beneficial ownership, export details, infrastructure provisions and barter arrangements was discussed, and the challenge related to lack of communication and information sharing between government entities and mining companies was raised as a challenge that would need to be addressed ahead of the second reporting cycle.<sup>289</sup> A May 2017 mission by the World Bank noted that the gaps and recommendations mentioned in the first EITI Report still needed to be addressed, and that action was needed by the MSB to engage upon the recommendations with relevant stakeholders.<sup>290</sup> Following the publication of the 2015-16 EITI Report in April 2018, the MSB has developed an action plan for the implementation of the recommendations from the second and third EITI Reports.<sup>291</sup>

*Discrepancies:* The MSB meeting minutes from 2 February show that the MSB discussed the need for addressing the discrepancies from the first EITI Report before starting data collection for the second report. This included issues related to incomplete reports submitted by companies, lack of disaggregation of some revenue streams, failure by some companies to submit reporting templates, and delays in response by companies on the discrepancies identified.<sup>292</sup>

### Stakeholder views

A government representative on the MSB explained that the MSB had developed an action plan to follow up on EITI Report recommendations. A representative from MOFEC explained that each MSB member was responsible for following up on recommendations relevant to his/her agency, individually. A MOFEC representative also explained that MOFEC was following up on a recommendation in the report related to the inconsistencies in the government's right to free equity in mining companies and the lack of collection of dividends. Some government agencies who were responsible for implementing recommendations from EITI Reports noted that the follow-up had not always been systematic, and that more efforts could be done to bring the recommendations to the attention at a higher level within their agencies. Civil society representatives noted that the follow-up of on recommendations by government agencies had not been well-documented.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made satisfactory progress in meeting this requirement. The MSG has started taking steps to act upon lessons learnt from EITI reporting and identified and is investigating causes of any discrepancies. At the commencement of Validation, the MSG had prepared an action plan for implementing recommendations from EITI Reports. Stakeholders expressed that some follow-up has been initiated by the government, although more systematic and

<sup>289</sup> MSG meeting minutes, 2 February 2017.

<sup>290</sup> World Bank (November 2016), 'Project information document: Ethiopia EITI (Grant II)', accessed [here](#) in March 2018.

<sup>291</sup> A draft action plan was shared with the International Secretariat after the commencement of Validation.

<sup>292</sup> MSG meeting minutes, 2 February 2017.

sustained efforts to ensure that the recommendations are implementing would be needed.

To strengthen EITI implementation, the MSB is encouraged to continue following up on and consider the recommendations resulting from EITI reporting. The MSB way wish to document the follow-up and progress made by the government on the recommendations that the MSB has recommended to take forward.

## Outcomes and impact of implementation (#7.4)

### Documentation of progress

Ethiopia EITI evaluates the outcomes and impact of EITI implementation through their Annual Progress Reports, which have been published by the deadline of 1 July of each year since becoming a candidature country in 2014. EEITI has also produced other reports documenting activities, outcomes and impact of EITI implementation, such as the report on “Summary of EEITI implementation process and achievements (since 2009 – June 2016)” published in 2016 and the “EEITI Hand Book” published in 2015.

*Public accessibility:* The 2016/17 APR was submitted to the International Secretariat by the deadline of 1 July 2017 and published on the EITI website.<sup>293</sup>

*Summary of activities:* The 2016/17 APR summarises activities on pp. 4, which mostly include capacity building activities and consultative workshops on issues such as beneficial ownership.

*Progress against meeting EITI Requirements:* The 2016/17 APR does not include an assessment of progress against meeting EITI Requirements. This was included in the previous APR covering 2015/16.<sup>294</sup>

*Progress made in addressing reconciliation recommendations and achieving work plan objectives:*

The report does not mention recommendations from EITI Reports, although this has been included in previous EITI APRs. This was included in the previous APR covering 2015/16.<sup>295</sup> With regards to progress against work plan objectives, these are described in the 2016/16 APR on pp. 4-5, and activities related to implementing these are described on pp. 5-13. An assessment of progress against each of the objectives is provided on pp. 16-19.

*Narrative account of efforts to strengthen implementation:* The 2016/17 APR includes a section on strengths and weaknesses of EITI implementation (pp. 18-21), and the report also describes as part of the assessment of progress against work plan objective: “Systematically and strategically mainstreaming, strengthen EEITI implementation process and assess the impact against the natural resources governance once in a year” (pp. 11-12). The report includes reference to plans to broaden MSG representation and establish an EEITI Law.

<sup>293</sup> Ethiopia EITI 2016/17 Annual Progress Report, accessed [here](#) in June 2018.

<sup>294</sup> Ethiopia EITI 2015/16 Annual Progress Report, pp. 23-25.

<sup>295</sup> Ethiopia EITI 2015/16 Annual Progress Report, pp. 25-27.

*Evaluation of the implementation of the beneficial ownership roadmap:* There is not an evaluation of progress against the roadmap, although the development of the roadmap and key activities related to beneficial ownership are summarised, including a consultation workshop.<sup>296</sup> The APR does not mention of the beneficial ownership scoping study that was prepared in 2017 and published on the EITI website.

*Documentation of impact:* The Annual Progress Report lists key impacts from EITI implementation including raised understanding among government entities regarding importance of extractives transparency; legal amendments favouring extractives transparency, improved coordination with regional government entities regarding natural resource governance; and increased awareness and collaboration with universities regarding need for good natural resource governance.<sup>297</sup>

### Stakeholder views

Stakeholders consulted did not express strong views on the Annual Progress Report. Industry representatives consulted not on the MSB did not appear to be aware of the annual progress reporting process. A government representative consulted noted that the MSB could improve documentation of progress made with addressing recommendations from EITI reporting.

### Initial assessment

The International Secretariat's initial assessment is that Ethiopia has made meaningful progress in meeting this requirement. Ethiopia EITI has made substantive efforts since joining the EITI in documenting the outcomes of EITI implementation. The 2016-17 Annual Progress Report provides a narrative account of EITI implementation in the past year and includes detailed outline and assessment of progress against workplan objectives, but does not include an assessment against the EITI Requirements or recommendations from the EITI Report.

In accordance with Requirement 7.4, the MSB should annually assess and document progress made by Ethiopia against the EITI requirements or recommendations from the EITI Report.

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<sup>296</sup> Ethiopia EITI 2016/17 Annual Progress Report, pp. 5-6.

<sup>297</sup> Ethiopia EITI 2016/17 Annual Progress Report, p. 21.

**Table 7 - Summary initial assessment table: Outcomes and impact**

EITI provisions	Summary of main findings	Validator's recommendation on compliance with the EITI provisions (to be completed for 'required' provisions)
Public debate (#7.1)	The MSB has worked towards making the EITI Reports comprehensible and accessible online, and has developed an EITI open data policy. There is evidence that MSB members and leading on EITI outreach efforts and encourage public debate about extractives activities.	Satisfactory progress
Data accessibility (#7.2)	At the time of Ethiopia's Validation data from the three EITI reporting years (2013/14-2015/16) is available in machine readable format through the EITI global website.	
Lessons learned and follow up on recommendations (7.3)	The MSG has taken concrete steps to act upon lessons learnt from EITI reporting and identified and investigated causes of any discrepancies. Further efforts could be done to ensure systematic follow-up on the recommendations and to document any follow-up by the government.	Satisfactory progress
Outcomes and impact of implementation (#7.4)	Ethiopia EITI has made substantive efforts since joining the EITI in documenting the outcomes of EITI implementation. The 2016-17 Annual Progress Report provides a narrative account of EITI implementation in the past year and includes detailed outline and assessment of progress against workplan objectives, but does not include an assessment against the EITI Requirements or recommendations from the	Meaningful progress

	EITI Report.	
<p>Secretariat's recommendations:</p> <ul style="list-style-type: none"> <li>• To strengthen implementation, the MSG is encouraged to continue its efforts to strengthen communication of findings from the EEITI Reports and making EITI data comprehensible to the public. The government and MSB is further encouraged to reach out to stakeholders including media and civil society to encourage analysis of the EITI data and to contribute to public debate on improving natural resource governance.</li> <li>• To strengthen implementation, Ethiopia is encouraged to continue working towards making extractive sector data accessible by implementing the open data policy, publishing EITI data in an open format, code or tag EITI data files to enable comparison with other data sets and summarise EITI data and report findings to make the information more accessible. The MSB could ensure that EITI Reports reference national revenue classification systems or international standards (such as the IMF Government Finance Statistics Manual).</li> <li>• To strengthen EITI implementation, the MSB is encouraged to continue following up on and consider the recommendations resulting from EITI reporting. The MSB way wish to document the follow-up and progress made by the government on the recommendations that the MSB has recommended to take forward.</li> <li>• In accordance with Requirement 7.4, the MSB should annually assess and document progress made by Ethiopia against the EITI requirements or recommendations from the EITI Report.</li> </ul>		

## 8. Impact analysis (not to be considered in assessing compliance with the EITI provisions)

### Impact

Various stakeholders expressed that it was yet too early to assess the impact of EITI in Ethiopia. However, some early outcomes of the EITI process were highlighted by stakeholders:

- Improving engagement between the federal and regional offices to improve monitoring of the mining sector. The numerous regional outreach events organized by EEITI had helped establish a dialogue that had not taken place before at the regional level and helped improve coordination between different government departments. Several regional governments have established individual government agencies to manage their mining industry.
- Reaching out to communities and building trust between stakeholders. EEITI has undertaken significant outreach activities at the regional and communal level, with participation by government, civil society and industry representatives. Stakeholders on the MSB explained how communities were particularly interested in understanding what economic benefits they should be receiving from mining in their regions.
- Raising awareness about challenges relates to ASM and contributing to policy dialogue. Some government representatives highlight that EEITI had contributed to policy dialogues on how to formalise the sector and provide more accurate information on its economic contribution.
- Improving monitoring of state-participation in the sector through free equity and collection of related payments. According to government representatives, MOFEC was following up on the discrepancies identified in claiming free equity, and used the report findings to calculate their unpaid liabilities associated with free equity in producing companies. One representative explained that MOFEC had already included free equity payments from one mining company (MIDROC) in the budget.

### Sustainability

The World Bank is providing comprehensive support to development of the Extractives Sector in Ethiopia. The interventions began with a series of studies, beginning with the SMA, which identified major areas of intervention in the extractives sector. Following this study, in-depth research into the policy, legal and regulatory, and institutional reforms and capacity building in the oil and gas, mining and artisanal gemstones sectors was completed in 2016, funded by the Extractive Industries Technical Advisory Trust Fund (EI-TAF). The EI-TAF funded project provided the basis for the Government of Ethiopia to identify and request further IDA based support from the World Bank Group in FY 2018 for the entire extractives sector. This request was the result of the government recognizing the importance of the sector for inclusive growth, economic development, diversification and creating a favourable balance of trade. Apart from these projects, the World Bank is also implementing a JSDF funded recipient executed grant for USD

3 million to support Artisanal Miners in Ethiopia (P125487). The Ethiopian Extractive Industries Revenue Transparency Initiative seeks to increase transparency in the sector. Apart from the above-mentioned efforts, the World Bank Group, since 2011, through the erstwhile Multi-Donor Trust-fund (EITI-MDTF), and moving forward through the EGPS Trust Fund, has been supporting the implementation of EITI in Ethiopia.<sup>298</sup>

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<sup>298</sup> World Bank (November 2016), 'Project information document: Ethiopia EITI (Grant II)', accessed [here](#) in March 2018.



## Annexes

### Annex A - List of MSG members and contact details

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- Anteneh Abraham President Ethiopian National Journalists Association, [aababanto@gmail.com](mailto:aababanto@gmail.com)
- Melaku Tadesse Team leader Ethics and Membership Development, CRDA  
[melakut@crdaethiopia.org](mailto:melakut@crdaethiopia.org)
- Ketema Fufa Association for Development and Biodiversity (ADBC) [Ketfufa2001@yahoo.com](mailto:Ketfufa2001@yahoo.com)

## Annex B – Members of EITI civil society network (name and category)

1. Ethiopian Youth Federation (EYF) - Mass based organization
2. Ethiopian National Journalist Union (ENJU)- Society
3. Transparency Ethiopia- Ethiopian Residents' Charity
4. Consortium of Christian Relief and Development Association (CCRDA)- Consortium
5. Poverty Action Network of Ethiopia (PANE)- Consortium
6. Union of Ethiopian Women Charitable Association (UEWCA) - Ethiopian Residents' Charities Consortium
7. Society for Women and Aids in Africa-Ethiopia (SWAA-E) - Ethiopian Residents' charity
8. Common Vision for Development Association (CVDA) - Ethiopian Residents' Charity
9. Mesert Humanitarian Organization (MHO) - Charity
10. Association for Development and Biodiversity (ADBC) - Ethiopian Residents' Charity
11. PACT- Foreign Charity
12. Federation of Ethiopian National Association of persons with disability (FENAPD) - Ethiopian Residents' Charity
13. Siiqee Women's Development Association - Ethiopian Residents' Charity
14. Concern For Integrated Development (CFID) - Ethiopian Residents' Charity
15. Sustainable Land Use Forum (SLUF)
16. Christian Children's Fund of Canada (CCFC) - Foreign Charity
17. Professional Alliance For Development (PADeT)
18. God For People Relief & Development Organization (GPRDO)
19. Participatory Poverty Reduction Organization (PPRO)
20. Organization For Improved Live and Environment - Ethiopian Residents' Charity
21. Mujejeguwa Loka Women Development Association - Ethiopian Residents' Charity
22. Hanseshia Assistance Development Organization (HADO) - Ethiopian Residents' Charity
23. Relief Society of Tigry (REST) - Ethiopian Residents' Charity
24. Catholic Agency For Overseas Development (CAFOD) - Foreign Charity
25. Center for African Women Economic Development (CAWEE) - Ethiopian Residents' Charity
26. Forum for Environment (FfE) - Ethiopian Residents' Charity
27. Live Love Development Organization - Ethiopian Residents' Charity
28. Pro-Development Network (PDN) - Consortium of Ethiopian Resident's Charity Organizations
29. Ethiopian Guenet Church and Development Organization - Local NGO
30. Vision Community Based Rehabilitation Association - Ethiopian Residents' Charity
31. Fayyaa Integrated Development Organization (FIDO) - Ethiopian Residents' Charity
32. Bright Hope Organization
33. Non- State Actors Coalition (NSAC)
34. Christian Children's Fund of Canada (CCFC)
35. Center For Accelerated Women's Economic Empowerment
36. Miraf Hulegeb Yeketema Limat - Ethiopian Resident Charity
37. Cafod, Sciaf, Trocaire (CST)
38. Light Ethiopia
39. Peace Family and Media Association
40. Segeda Development Association
41. Walta Mothers @ Children Health Care Organization
42. Tiret Community Empowerment for Change Association (TCECA)

## Annex C – MSG meeting attendance (2014-2018)

	2014				2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Leaders</b>											
H.E. Tolessa Shagi, Minister of Mines, Petroleum and Natural Gas, & chairman of ENSC until 2016 / Motuma Mekassa until 2018											
H.E. Dr Alemu Sime, State Minister of Mines, Petroleum and Natural Gas until 2015 / H.E. Mr. Tewdros G/Egizabher, State Minister of Mines, Petroleum and Natural Gas, & vice chairman of ENSC											
<b>Civil society Organisations</b>											
Mr. Eyasu Yimer, Board Chairman, Transparency Ethiopia											
Mrs. Tsigereda Zewdu, Vice President, Ethiopian Youth Federation											
Mr. Anteneh Abraham, President, Ethiopian National Journalists Association											
Mr. Melaku Tadesse, Team leader, Ethics and Membership Development, CRDA											
Mr. KetemaFufa Association for Development and Biodiversity (ADBC)											
<b>Companies</b>											
Mr. Abraham Tadesse, Manager, Abraham Mining PLC											
Mr. Dessu Antawi, Chief Accountant, National Mining Corporation											
Mr. Henok Seferu, Head Finance & Administration, MIDROC Gold											
Mr. Akalu G/Meskel, Head Procurement, Muger Cement											
Mr. Habtu Hagos, Manager, Afar Salt PLC											
<b>Government</b>											



## Annex D – Cost of EITI Reports

<b>EITI Report</b>	<b>Cost</b>	<b>Independent Administrator</b>
2013-14 EITI Report	USD 150,100	Moore Stephens
2014-15 and 2015-16 EITI Reports	USD 209,670	Moore Stephens

*Source: Ethiopia EITI Secretariat*

## Annex E - List of stakeholders consulted

### Government

- Abebe Michael, Advisor, Ethiopia Revenues and Customs Authority
- Abebe Senbeta, Director, National Bank of Ethiopia
- Berhe Sellasie Senior Expert Ministry of Mines and Petroleum
- Ketsela Tadesse, Director, Petroleum Licensing and Administration Directorate
- Koang Tutlam, State Minister, Ministry of Mines Petroleum and Natural Gas
- Mesfin Tadesse Bekell, Communications Director, Charities and Societies Agency
- Mulay Woldu, Director of Tax Policy, Ministry of Finance and Economic Cooperation
- Paulos Zerihun Atalel, Performance Audit Director, Office of the Federal Auditor General
- Sisay Taglu, Audit Manager, Office of the Federal Auditor General
- Tadilo Chokol, Director, Office of the Federal Auditor General
- Yewhalashet Begashaw, Ethiopian Revenues and Customs Authority
- [Contact not provided], Ministry of Finance and Economic Cooperation

### Industry

- Abraham Tadesse, Manager, Abraham Mining PLC
- Akalu Meskel, Head Procurement, Muger Cement
- Alemayehu Deressa, Manager, Delbi Coal Company
- Andarge Bekele, Ethiopian Mineral Petroleum and Bio-fuel Corporation (EMPBC)
- Aynalem Getachew, Social performance Manager, Yara Company
- Berhane Amedie, General Manager, Abijata-Shalla Soda Ash
- Dessu Antawi, Chief Accountant, National Mining Corporation
- Habtu Hagos, Manager, Afar Salt PLC
- Henok Sefere, Head Finance & Administration, MIDROC Gold
- Mitiku Wube, Controller, Dangote Company
- Teketsel Tsige, Manager, Tigray Resource Incorporate PLC
- Tesfaye Kebede, Environmental, Health and Safety Manager, Circum Potash Company

### Civil Society<sup>299</sup>

- Anteneh Abraham, President, Ethiopian National Journalists Association
- Asseffa Getaneh, Center of Concern

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<sup>299</sup> The EITI Secretariat reached out directly to by email to representatives of the 43 organisations that are members of the EEITI civil society network and to representatives of the 360 organisations that are members of the 360 members of the Consortium of Christian Relief & Development Associations, which is represented on the MSB. The email included questions related to all aspects of the EITI Protocol for participation of civil society, and invited stakeholders to respond in writing or schedule in-person meetings or phone calls with the International Secretariat to share their views on EITI implementation in Ethiopia.

- Cassandra Cravens, Country Director, PACT Ethiopia
- Edossa Hambisa, HRM, Save the Generation Development Association (SGDA)
- Eyasu Yimer, Board Chairman, Transparency Ethiopia
- Gadisa Haiu, Health Coordinator, PHE-EC
- Getachew Simie, Freelance journalist
- Kalyesus Bekele, Editor, Ethiopian Reporter
- Kassahun Suleman, Programme Director, Fayya Integrated Development Organisation
- Ketema Fufa, Association for Development and Biodiversity
- Mohammed Gelma, Non-State Actors Coalition
- Melaku Tadesse, Team leader Ethics and Membership Development, Consortium of Christian Relief & Development Associations
- Meseret Azage, Founder and General Manager, Meseret Humanitarian Organisation
- Tenaye Tamire, Project Manager, Center for Accelerated Women's Economic Empowerment (CAWEE)
- Tigist Alebachew, Executive Directress, New Millenium Hope Developemtn Organisation
- Tsedale Lemma, Editor, Addis Standard
- Tsigereda Zewdu, Vice President, Ethiopian Youth Federation
- Zerihun Dejene, Environment Coordinator, PHE-EC
- Representatives from Ethiopian Rural Self Help Association (ERSHA)
- Representatives from Afar Pastoral Development Association
- Representatives from Live Addis

### Independent administrators

- Ben Toorabally, Head of Office - IFI Maghreb, Moore Stephens
- Rached Maalej, Manager - International Institution & Donor Assurance, Moore Stephens

### Development partners

- Akalewold Bantirgu, Programme Manager - Technical Assistance Unit, Ethiopia-EU Civil Society Fund II Kirsten Lori Hund, World Bank
- Endegen Ashenafi, Democracy and Governance (Cross-Cutting) Advisor, USAID Ethiopia
- Felix Horne, Senior Ethiopia and Eritrea researcher, Human Rights Watch
- Isabeau Vilandr , Director, SUMM Project Ethiopia
- Jason Schmaltz, International Development Officer, Embassy of Canada in Ethiopia
- Mandeep Tiwana, Chief Programmes Officer, CIVICUS
- Mesganaw Mulugeta Assefa, Governance Coordinator, DFID Ethiopia
- Sridar Padmanabhan Kannan, World Bank
- Tor Hodenfield, UN Advisor & Vuka! Coalition Secretariat Coordinator, CIVICUS

### National secretariat

- Merga Kenea, National Coordinator, Ethiopia EITI
- Mohammedsaid Said, Communications Officer, Ethiopia EITI

## Others

- Beyene Tadess, Independent Consultant (author of *EEITI Report on Artisanal Mining Operation and Its Economic Values*)
- Elias Meseret, correspondent, Associated Press
- John Aglionby, East Africa correspondent, Financial Times
- Kumlachew Dagne, Consultant and Attorney at Law, Lex Ethiopia



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