

Validation of Ethiopia
Response to MSB Feedback
CowaterSogema Independent Validator
23rd November 2018

The Validator wishes to thank the MSB for their helpful and considered feedback. What follows is the Validator's response to the feedback from the MSB.

Requirement 1.3. Civil Society Engagement

We note the view that scoring should be upgraded from 'inadequate', and there is a case for the score to be upgraded to 'meaningful progress'. We acknowledge the MMPNG's claim that civil society engagements were '*free and independent*' and more than 45 CSO members have voluntarily joined the initiative and participated in outreach events and debates. We also acknowledge the proposed revision of some laws affecting civil society, including CSP, as well as the active and effective efforts, including dissemination of EU funded research on artisanal mining. As the CSO's claim, this has been completed despite restrictions imposed by CSP, which itself illustrates how the CSP is still a very serious issue restraining the activities of CSO's in Ethiopia.

It does appear there has been a positive change of mood towards NGO's since the change in Prime Minister and this is indicated by the proposed legislative changes, including changes to CSP. Changes in the laws are welcome but are not yet in effect and even if they were in effect, it takes place following April 1st 2018, when the EITI validation started. Such changes in the legal environment for CSO's, if sustained, can of course be beneficial for EEITI in the next validation period.

However, as the situation stood at the time of validation, there are severe discrepancies in relation to civil society involvement in EEITI. These include the absence of civil society advocacy relating to EITI or using EITI data, the restrictions on foreign-funded CSO's and the cap on administrative costs, as well as the limited involvement of CSO's outside the formal EEITI process.

Requirement 2.6. State Participation

We note the view that scoring should be upgraded from 'inadequate'. This argument is partly based on the instable political situation in Ethiopia which has constrained the MSB's efforts to assess the financial relationships between SOE's and government and to assess the terms of free equity and payment arrangements of SoE's.

Whilst recognising the challenges posed by the political environment, the deficiencies identified by the EITI validation are profound. These include:

- Failure to describe terms associated with state equity in extractives companies
- Failure to describe the financial relations with other companies in which the state holds and interest.
- Failure to highlight changes to state participation in the extractives in 2015-16, such as the creation of EMPBC, nor the terms of such transactions.
- Failure to describe whether EMPBC, or any other extractives SOE, had any outstanding loans or loan guarantees extended to another extractives company.

In light of these omissions, we agree with the initial scoring of 'inadequate'.