



ETHIOPIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (EEITI) ANNUAL PROGRESS REPORT



FOR THE PERIOD

8TH JULY 2017 - 7TH JULY 2018TH (2010EFY)

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Introduction

Extractive Industries Transparency Initiative stands at a crucial point in its short history and lend valuable contributions to improved governance of the extractive sector in several countries around the world. Even though the picture is patchier & diverse, the reports of EITI produced at country levels pointed out key information on beneficial ownership, commodity trading, project level reporting, debates on transparency in the extractive sector, free, active and independent stakeholders engagements, among others. These are some of the achievements of the Initiative and have some similarities across all implementing countries, including Ethiopia.

Ethiopia is endowed with various kinds of natural resources. Recently, the Extractive sector has experienced a boom. In view of this development at the national level, and in consideration of the global EITI to foster sustainable natural resources governance, Ethiopia has joined the Initiative in 2009.

This endeavor has now matured to a situation where Ethiopia has firmly recognized that, the EITI process is one of the only functioning national mechanisms to inform and channel debates on the natural resource management among stakeholders.

As part of its responsibility to oversee the implementation of EITI in Ethiopia, the Multi Stakeholder Board (MSB) of EEITI has been publishing its annual progress report every year. This has been a continuous engagement of the Board since launching and most actively following the achievement of candidacy in March 2014/15. At the international level, the publication of the new EITI standard on February 15, 2016 was a remarkable development. This new EITI Standard has focused on the clarification of ambiguities and inconsistencies contained in the previous standard.

Furthermore, the requirements have been restructured and aligned with the extractive industry value chain. The hitherto Annual Activity Report was changed to Annual Progress Report in line with the new EITI Standard. It should be noted also that the new EITI Standard was made to reflect the latest changes such as the protocol on “Participation of civil society” and “Open data policy.”

The MSB has decided to align its Annual Progress Report (*EITI Requirement 7.4 – Review the outcomes and impacts of EITI implementation*) with the Ethiopian Fiscal Year which starts July 8 & ends July 7 each year. As a result of this adjustment, the current Annual Progress Report covers the period from 8th July 2017 to 7th July 2018 (2010EFY).

Ethiopia has now produced its first, second & third EITI reports and the first performance assessment process for validation against the new EITI Standard were conducted from May 14 - May 18, 2018.

EITI Guidance Note 5 was used as a guiding document for preparing the current Annual Progress Report. The report is mainly focused on the action plan endorsed by the MSB for the specific year and tried to capture all the progress and weaknesses, which could in fact become a good lesson for subsequent operation of the upcoming years. The MSB has been fully involved in discussing and explaining some of the contents of the report in terms of their long-term outcome and impact.

And, thus consensus has been reached that, henceforth the EITI report should assess all achievements against their concrete outcomes. Moreover, the progress report has been designed to offer a summary of certain achievements made in the preceding years. These include: Summary of the previous activities, efforts made to meet requirements focusing on revenue management, social expenditure, state transfer, beneficial ownership, contract transparency, recommendations, efforts made to achieve major objectives, and to strengthen their outcomes, institutional effectiveness, and indicators for the outcomes. Based on this outline, the annual progress report of the year ended July 7th, 2018 is presented as follows:

1. Summary of the EEITI for the period 2017/18 (2010EFY)

Recognizing the importance of improving transparency and accountability in the extractive sector, advantage of working together with multi-stakeholder groups & the outcome of their engagement in the overall operation of EITI, the Government has showed its commitment to be open and facilitate fertile environment and to accommodate interested actors and then resumed applying EITI since 2009 and strongly continued extending the objective of the initiative across the country following the designation of the country as a candidate in March 2014. Since then, a lot of endeavors has been made under the close supervision and follow up of the Multi-Stakeholders-Board (MSB) including internal and external situational analysis as annexed to this report.

Executions of all activities were made pertaining to the national priority set out by the MSB.

1.1 National Priorities Identified:

EMSBs gave due attention in selecting key national priorities to address the big gap that affect the mining operation implementation, transparency in the sector, cause for less contribution of the sector in the country`s GDP etc and tried to put in place the following points understanding that these might change over time following progress under different categories.

- Enhance the capacity of the regulatory bodies and related institutions found at federal & Regional level to review all the legal frames against the mining & related issues which affect the operation of EI at both levels.
- Undertaking intensive communication work through different accessible communication means which includes tripartite discussions, public dialogues, Dissemination of EITI reports, etc to increase the awareness of the stakeholders at large;
- Develop/produce vital study based documents on EI economic & social values to be used as first-hand information for MSBs and then organize, analyze, interpret including EEITI reports and disseminate for stakeholders.

- Mainstreaming EEITI implementation process in the government and private extractive sector governance;

1.2 Work Plan Objectives

Considering the national priority identified, specific objectives were also developed and agreed among the governing body at the initial period of the work plan. These are:

- To capacitate and enable the key sectors /institutions for EEITI (i.e. Ministry of Mines, Revenues, Finance & Economic Cooperation including Regional Bureaus with the similar structure) to review, re-design when necessary, improve and implement their legal, regulatory and policy frameworks to effectively govern the extractive sectors
- To maximize high communication effort for formal and informal participatory decision-making processes on the natural resource governance focusing the engagement of the CSOs, local communities, including indigenous peoples to avoid potential conflicts, mistrusts;
- To develop/produce comprehensive study based documents including EEITI report on EIs value chain & benefits to access the citizens with relevant information for active, free & independent participation;
- To undertake an assessment on the outcomes/impacts of EITI implementation and to strategically mainstream in firstling organizations;

1.3 Expected outputs, planned activities and accomplishment

Description of Outputs

The MSB had determined that expected outputs should measure and evaluate achievements against the work plan. In this regard, discussion was made that outputs have to be seen also as interlinked interventions to increase the capacities of all stakeholders' for policy dialogue in the extractive sector. This consideration was reached upon the assumption that the federal, regional

and local level – government and local authorities have a responsibility to inform citizens about transactions done in the mining industry.

Non-state actors, on the other hand, need to have the skills and capacity to access and evaluate the information provided to hold public and private stakeholders accountable to their commitments, and to advocate for ways in which improvements in the extractive sector can facilitate sustainable development pathways for the country. After identification and prioritization of the outputs, wider consultations were carried out among various- stakeholders to inform the necessity of scaling up the gains that have been made thus far, and further improve transparency and accountability in the sector. Detailed information with more measurable and tangible outputs with its associated activities is described in the full-fledged results and resource frameworks. Therefore, the following activities have been carried out under the category of the four output areas.

Output 1.3.1: Capacity building

Planned action:

1.3.1.1 Strengthening institutional capacity of the key sectors identified including EEITI secretariat, MSB and regulatory bodies to effectively and efficiently implement and meet EITI standard.

Accomplished

Direct and indirect awareness creation efforts have been implemented to promote an understanding on the significance of timely updating the status of planned and executed activities. The secretariat has been updating the MSB on the progress of planned activities through sharing reports, fact sheets etc... Besides, agendas were set jointly by the secretariat and MSB in view of including a broader perspective of issues under discussion. In order to enhance the implementation capacity of the secretariat, the Ministry of Mines, Oil and Natural Gas has arranged training for three staff members of the secretariat on managerial data collection and management issues at the Ethiopian Management Institute.

Other than the formal training, the staff of the secretariat had the opportunity to take part on platforms of different institutional/sector based discussions, tour programs, as well as consultative meetings involving a number of stakeholders.

Planned:

1.3.1.2 Raise the capacity of the federal, regional and local regulatory bodies on the legal and policy framework of the EIs, data generating and managing systems, reporting, monitoring and evaluation process of the extractive industries activities;

Accomplished:

Regulatory bodies are responsible for the overall operation of the mining sector; and thereby their deep understanding and role in controlling, supporting and mainstreaming EITI business is quite important. Understanding this crucial group, primary attention was given to identify focus group and to train/aware them. Accordingly, organizations like civil aviation, Attorney general, Revenue authority; Finance and Mining sector were given high attention. 39 members participated in training on the basic EITI concept and on how to arrange revenue data for the purpose of the reconciliation and promotion.

Planned:

1.3.1.3 Identify and train target groups of the civic societies (i.e local communities, indigenous people, media institutions, associations, cooperatives etc on the thematic areas related with where these groups are interested;

Accomplished

This part of the plan is one of the target area where the EITI is interested in. The aforementioned groups in one hand need capacity so that they can have meaningful intervention in the natural resource management issues and to advocate transparency and accountability in the extractive sector for the advantage of the citizen. Onn the other hand it enables the secretariat and MSBs to work with such vibrant groups harmoniously. Awareness creation through workshops, group discussions, peer learning's and study tours were intensively conducted for the last five years. Likewise, similar efforts were made during this fiscal year by dividing into two sessions. The

first session was aimed to update CSOs on their engagement areas especially on how to execute actions planned and endorsed by the constituency which managed by the representatives in the MSB to maximize their engagement in promoting transparency. The second session was focused on the media and community radio practitioners in the universities. For both sessions, about 120 participants attended the workshops and offered necessary informative written material produced or arranged in the secretariat. Apart from these, using different opportunities arranged by different consortiums/coalitions like CCRDA, UEWCA, etc, in formative lessons were given for CSOs especially CSO/association engaged in mining related business. 140 out of which 52 women participated in the workshop arranged at different time.

Planned:

1.3.1.4 Awareness creation given for Companies

Accomplished

Other than the regulatory bodies, CSOs including Media and universities, Mining companies are the other constituency where awareness creation was given two times this in which 75 senior and junior experts participated on the issues related with companies' status in providing data on revenue paid, production disclosed, environmental rehabilitation status, requirements toward BO and other related topics.

Despite of all the efforts made to train different categories of EEITI audience, tremendous tailored platforms, institutional programs, conferences, community discussions etc were used to undertake capacity building works this year. For example: quarter based federal and regional extractive sector discussions, CSO coalition discourses, meeting between association are some of the opportunities that the secretariat used for EEITI promotion. Apart from these, regional commitment to prepare platforms to share the EEITI legacies are the other platform created to extend this initiative as an effective out reach this year.

Output 1.3.2: Strengthened communication and promotion work at the federal, regional and local authorities to advocate/facilitate policy dialogue and community participation in decision making process toward natural resource managements;

Description of Outputs

The federal, regional and local authorities play an increasingly important role in enhancing awareness on the extractive sector. They can contribute to improving understanding of non-state actors and communities on the use of information and data accessed from the EEITI reports. Thus, the production and dissemination of data and engagements in promotional activities requires additional training and institutional strengthening of federal & regional authorities. This will ultimately put these entities in a position where they could advocate for the rights of citizens' and community-based organizations.

Planned Activities

1.3.2.1 Undertake integrated promotional activities using accessible communication mean`s which includes, publication of monthly fliers, TV`s, panel discussions, social medias, dissemination of the EEITI documents

Accomplished

- For the firstling audience like federal and regional regulatory bodies, government and non-governmental media institutions, CSOs and communities dowelling around the mining operation, some discourses over TVs, monthly fliers, panel discussions and social Medias were used to reach them with relevant information`s on the natural resource governance. Thereby, almost six universities out of more than twenty communities radio users at a radius of 250km from the universities radio station are regularly promoting historical, cultural, health issues, environmental rehabilitation and natural resource governance and EEITI report findings as well. In doing this, our secretariat is responsible to produce and share updated information`s to the universities every quarter and similarly, follow up and evaluation was also took place to have an insight about the implementation of the promoting the initiative/ transparency and reflection of the beneficiaries on the other side.

Planned Activities

1.3.2.2 Undertake outdoor advertizing (billboards, banners, posters, comic figures, etc), in areas such as air ports, bus stations, super markets, crossings, Squares, schools, hospitals, cafes, mining sites etc);

Accomplished

- Outdoor advertizing is the other target means's planned to gradually widen EEITI information's to the public for better understanding. Accordingly, basic EEITI information like the objectives, brief findings of the report, etc were posted using billboard at air ports, on the crossing areas, and in the Ministry`s this year.

Planned Activities

1.3.2.3. Publication & dissemination of EEITI documents

Accomplished

- One of the very successful efforts and important achievements we had for the last couple of years including this fiscal year was, the publication of informative documents including EEITI report this year. More than thirteen valid documents out of which 2300 copies were produced and disseminated this year and as a result until yet more than ten thousand audiences were accessed with necessary EITI information's. Hope fully, this effort would help all users especially people`s who are expected to regulate EIs business and responsible for enlightening local communities with deep knowledge on the EIs and environmental issues.

To summarize, shortened version of in-formations captured from the efforts made to promote EITI and extractive sector transaction including ASM and environmental rehabilitation status, job opportunity created, community queries for fair benefit from the natural resource wealth, legal frames to fill observed gaps, stakeholders engagement, recommendations for better implementation and to meet minimum EITI Requirements etc were explicitly identified, organized, stated in the understandable way and shared among key stakeholders including regulatory bodies, media institutions, universities, CSOs etc using multiple platforms conveyed at different place by different institutions. Thus, direct face to face presentations, Ministry`s & EEITI web-site, TVs, face-book's, bill boards, magazines, flyers etc were used to promote the initiative.

Due to formal and informal communication made to advance EEITI, the interest to about on how to know the natural resource management is going on and government structures at regional

level, community interest to take part in advancing the transparency in the sector is growing up from time to time and some signs for impact in the sector starts to show up.

Output1.3.3. Develop/produce comprehensive study based documents including EEITI report to access the citizens' with relevant information on the extractive sector management;

Description of the output

Having a data by itself is not an end. Rather, the proper organization, compilation, analysis and interpretation of data alone demonstrate the overall scenario of the natural resource management to all stakeholders. Therefore, natural resource status particularly, mining related reports need to be organized, analyzed, interpreted in a meaningful way and it has to be comprehensive and contribute to public debate. Non-state actors, on the other hand, need to have the capacity to access and interpret publicly available information/data and to engage in policy dialogue on how to translate results in the extractive sector into sustainable development gains for the country as a whole.

Specific planned activities:

1.3.3.1 Producing EEITI reports for the year 2014/15 and 2015/16

Accomplishments

- Under this category, the emphasis is pertaining to the EITI report and some other related issues including all the procedures how an independent administrator was selected, reporting entities selected and budget utilized for the specific years. Req.4.8 a&b states that, implementing countries are expected to produce EITI report on annual base and this report shouldn't older than the second to last complete accounting period. It was known that Ethiopia produced one pilot report for the year 2009/10 and likewise produced the first formal EITI report for the year ended July 2014 and met the dead line perfectly. Subsequent to the first report accomplishment, adequate preparations like TOR arrangement, company identifications, awareness raising etc) was made for the second and third report to complete before July 2017. However, due to different administrative

problems, we didn't able to manage the report as per the time frame and as a result, the Country was suspended for about six months. Therefore, the 2017/18 (2010EFY) was a busy time for us because of the fact that, in one hand it was mandatory to produce two years report at the same time and on the other hand managing/delivering the cascaded annual plan. For 2014/15 and 2015/16 reporting period, almost 51 companies (28company for 2014/15 & 23company for 2015/16) and three government entities were disclosed revenue data.

Even if wide awareness creation was made at different time, data collection from the relevant entities is still very tough. The challenge behind is mainly skill gap, lack of commitment from some expertise at certain level. Despite of these challenges, both reports were produced and submitted to the secretariat and continuous dissemination for stakeholders is ongoing. To this end, all the issues related with EITI report preparation, implementation of the annual work plan, time frame issues, reasons that led us to fail to comply with the time line, content of the report including its strength and weakness, recommendations given by the independent administrator etc were evaluated by the MSBs and agreed on the lessons learnt from the gaps identified throughout the implementation period.

1.3.3.2 Produce study based document on the contributions of the mining companies for local communities

Accomplishments

- Communities living around mining areas expect financial and in-kind contribution from mining companies. Sometimes there is similar expectation from the public as well. In certain cases, failure of companies to meet these expectations coupled with unrealistic anticipation of communities and environmental related issues have been causing frustration and sporadic conflict.

Nonetheless, before the enactment of the mining regulation on January 2018 (Reg.423/2018), there were no enforcement mechanisms that oblige companies to make contribution for community development consequently, getting relevant and tangible data on social

commitment/contribution of companies to community development has been a grey area for the MSB

The EEITI anticipate that the current regulation will help address challenges of this nature through clarifying the responsibilities of companies and the rights and duties of communities. Also, The EEITI is looking forward to finalize a study based document started on September 2017 covering the contribution of companies for the last two and above years. This will be followed by a public dialogue where communities and companies meet and discuss to resolve some information gap exist on the contribution of Companies and reach on consensus.

At the time of writing this report, a study of 15 companies has been well underway to get a clear picture on the social expenditure of these companies for the last couple of years.

Output 1.3.4:

Planned: Mainstreamed EEITI in the Natural Resource Governance Process

Descriptions of the output

Mainstreaming EEITI is one of the basic parameter to check to what extent the frontline organizations like license issuers and revenue collectors are streamline detail data`s required for the purpose of EITI and stakeholders` queries in one way or the other. These organizations are expected to play pivotal role to promote transparency in the extractive sector. Transparency can only lead to accountability, if there is an understanding of the figures in the EEITI report coupled with a commitment to organize public debate on effective management of the natural wealth of the country. To lobby and convince appropriate organizations for the inclusion of the EITI business, two key activities were intentionally identified and delivered to create deep understanding.

Planned Activity:

1.3.4.1 Promoting the expected outcome of the initiative to the selected organizations

Accomplished

- Though the bedrock for transparency in any government performance is the constitution of the country (Art.12.1 The conduct of affairs of the Government shall be transparent)

practical implementation to make any performance made official or making accessible is not yet well adopted. To fill this knowledge gap, adequate training for more than 40 expertises drawn from federal and regional data generating entities on the existing status of data in all organizations, the growing demand of the citizen toward transparency in the natural resource governance, advantage of the promoting resource wealth to attract investors, role of transparency in resolving potential conflict raised through time, trust that comes due to openness, beneficial ownership etc was given. Apart from this, close and continuous communication was made with those organizations to assign focal person in every department to capture updated data. Therefore, right now the commitment from these organizations is increasing and some starts to assign focal person to workout with secretariat to resolve gaps identified.

Planned:

1.3.4.2. Undertake an assessment against the legal frames that affect the disclosure of data

Accomplished

MSB together with secretariat has continuously lobby the Government to address some of the regulations that affect data disclosure directly or indirectly by explaining the intention of the constitution that clearly stated to make every government performance transparent. Accordingly, currently the newly enacted mining regulation reg.423/18, income tax amendment, mining policy, ASM market transaction regulation, and EITI Act are some of the achievement we had to support EITI mainstreaming.

2.0 An assessment of the progress to meet & maintain EITI Requirements and actions taken to exceed ;(Req.7.4.ii)

2.1) Revenue Management & Expenditure:

Revenue management is one of the concerns of the MSB in realizing transparency in the extractive sector. Hence, the Board had informed the independent administrator to emphasize and clearly explain the country`s fiscal regime during the reconciliation work.

Indeed, this issue was clearly reflected in the three reports produced by the EEITI in the preceding years.

These reports revealed a clear picture for the readers on arrangements and modality of the revenue collection system and its allocation. The MSB have gone through all the reports produced thus far and tried to make an assessment on the revenue management system associated with the practice on the ground.

As it is clearly cited in the Mining & Income tax proclamation, all the corporate taxes are collected by Revenue Authority and royalty is managed by the Ministry of Mines at Federal and Regional Mining Bureaus. All the corporate large tax collected at federal and regional level is channeled to the Ministry of Finance and Economic Cooperation (MoFEC) while for royalty, 60% is forwarded to MoFEC, and 40% is allocated for regional governments. At regional level the revenue bureau is responsible to manage the resource. This type of arrangements is also working for the mining licenses issued at federal government while all the revenue collected from license offered at regional level, including the ASM is managed on the same level.

Briefly, the MSB realized that the current revenue management system is well structured and designed to easily trace the overall revenue flows. However, there is still a need to exert more effort to minimize & avoid the discrepancy observed during reconciliation process. Partly, this could be linked with some technical gaps which could be averted through offering capacity building support to experts.

Besides, the MSB evaluated and suggested the possibility of linking all the revenues collected at federal and regional level for having comprehensive revenue information at national level and make this information part of the reconciliation process in the next report.

With regard to expenditure, the country has well organized and open revenue expenditure and revenue allocation system for regions. This is managed by the House of Federation under different parameters. Once revenue arrangements are made by the Federation, MOFEC takes the responsibility of facilitating the allocation as decided by the highest authority of the country. This is done at the beginning of the year. There is also another modality to fill budget gaps in the course of the year and upon perceived needs of adjustment or supporting emerging regions.

At institution level there are clear revenue expenditure procedures and all these expenditures are audited by Office of Federal Audit General every year and reported back to the Parliament for sound action when necessary.

2.2) Social expenditure:

Reporting on Social expenditure by companies has been applied for the last couple of years in different modalities. The report was made as a unilateral action of companies in the three reporting periods. However, getting data from the government on social expenditure has still been considered as a gap. Though the data on social expenditure is reflected on the reports, the MSB has to verify whether the amount claimed on the report reach the community. In fact, such a proactive action of MSB could minimize community grievance over the action of some companies.

Related to this, the MSB has thoroughly reflected on this critical issue and proposed two recommendations. The first recommendation was undertaking a detailed study to have clear information on how much companies did contribute over the years. Based on this recommendation, a consultant was hired to study the social contribution of 15 mining companies. The findings of this study indicate that most of these companies were contributing material support for the communities and for the local government entities during the last couple of years without being enforced and solely out of their own good will. The MSB is considering informing this fact to the platform of companies and communities in the upcoming outreach programme

The second recommendation was on introducing a regulation that would enforce social contribution of companies at different levels. Currently, the government has put in place a regulation that favors the interest of communities with regard to the social expenditure.

The regulation (Reg: 423/ 2010) which was enacted in January 2018 demand companies to make available social contributions to communities living in their operational areas.

2.3) Regional State transfer

Regional State transfer is a sensitive area where conflict of interest might occur if not managed transparently. As it was clearly stated in the mining proclamation and direction given by the

house of federation some years back, the Ministry of Mines has been applying the 40/60 percentage for royalty and general revenue sharing approach as well as for other corporate taxes collected as income.

2.4) Beneficiary Ownership

The EEITI has gone some distance to deliver specific activities to help prepare a fertile ground for beneficiary ownership disclosure (BOD). Among others, the secretariat did organize frequent training for companies and government entities considered as potential supporters of the actual data collection process. These entities could contribute a great deal to clarify BOD during the preparation of EEITI reports and to assess legal frameworks that might hinder or advance data collection related to BOD.

The MSB had decided to incorporate BOD data on the EITI report. Accordingly, the three reports produced recently constitute BOD data. In addition, the MSB proposed that the mining regulation should explicitly address and enforce reporting entities to disclose details of data by 2020. Furthermore, BOD related activities are also included in the annual plan of EEITI. Apart from this, the mining regulation enacted this year Mining Reg.423/18 clearly stipulate details of companies to be disclosed including BO.

2.5) Contract transparency: -

Ministry of Mines is in charge of regulating and administering both mineral and oil sector. The Oil sector is still under exploration. The entire contract document signed for exploration or prospect is available in the Ministry. Except for some sensitive technical and fiscal information, all other data are accessible. With regard to the mineral sector, an extensive work is underway to put all the data in the flexi-cadastre. This data can be accessed on the web-portal of the Ministry. The commitment to apply an open data policy is actively pursued with financial support made available to the Ministry by some donors.

3/ Status in addressing Recommendations (Req.7.4.iii)

Basically, recommendations are outcomes of a report compiled by the Independent Administrator (IA). The findings could be technical such as un-reconciled figures resulted from

missing receipts, belated reports, or limitation in incorporating all the payment type. Or else, the findings could be non-technical like gaps in legal frame works, relevant policies, proclamations, regulations and directives.

For example, companies under exploration are not expected to pay any material payment before getting mining license. Likewise, social expenditure had not been that much mandatory before the regulation enacted in January,2018. And, regional States has constitutional power to collect revenue and declare for the budget year to run their regional business.

These issues along with the recommendations of the IA were thoroughly discussed by the MSB, and then categorize the recommendations in two broad areas. However, even if the 2016 standard stipulates that all the recommendations should listed and required to react against each reach suggestion, MSB as a team agreed to categorize all the suggestions in to two areas. The reason for categorization is, that all the recommendation given was all about creating awareness and some are even about conducting brief discussion with relevant entities to correct some gaps appeared due to knowledge gap at expertise level. All the recommendations given are attached/ annexed to this report. Therefore, the first category is all about data centralization involving all government reporting entities. The Revenue Authority has almost seven branches assigned to collect revenue data but this data is not well organized and compiled in one place or not centralized at national level. This problem needs further engagement with Revenue Authority to correct recurring mistakes committed by reporting entities. The engagement will be, assigning focal person to assign in each branch other than the effort they made earlier before, work out to centralize data`s to make easier for collecting data within short period.

Similarly, ministry of mines has no clear strategy in place to trap all the revenue collected from royalty in all regions including land rent and other immaterial payments. Simply put, there is no data linkage between federal and regional governments to know how much royalty and other payments are collected under their mandate. Therefore, MSB is closely working with Ministry to finalize flexi-cadastre arrangement and training was also given for the Regions to properly organize data and provide to the Ministry.

The second category is data gap from the mining company resulting in material differences during the reconciliation process. The MSB has discussed this problem and reached on consensus to strictly inform companies to have an updated payment data which must be shared to the Secretariat. The secretariat will in turn develop a data base every year before the commencement of the reconciliation process.

4/Assessments in achieving objectives of work plan (Req.7.4.iv)

The specific objectives outlined under the work plan are:

- Strengthening relevant entities engaged in extractive sector to act as regulatory bodies and direct operators of the resource,
- Extending EEITI rules and principles through sound communicational work,
- Producing comprehensive report and mainstreaming EITI in the first line organizations for the initiative.

The above stated work plan was intended to be achieved with short medium and long-term engagement.

Thus, in line with these objectives, better understanding has been created among regulatory bodies on the necessity of building up trust among stakeholders, mitigating corruption, and encouraging public dialogue, on collection and utilization of revenues from the mining sector.

And yet, neither the capacity & commitment to organize compile and utilize data of the extractive sector nor the mainstreaming of the EEITI rules and principles across different entities are satisfactory. Noting this limitation, the MSB had proposed a number of directions for improved and enhanced engagements.

On the other hand, the interest and motivation of companies and CSOs are growing from time to time. And this should be taken as a good opportunity and thus more effort have to be exerted to create a conducive environment for their meaningful participation in the EEITI process.

In the reporting period, the MSB has developed and applied its annual work plan and Board charter, and also supported CSOs to develop their guidance manual. Company representatives in the MSB have carried out an election with open, participatory and transparent ways. Whereas, CSO are finalizing the process to refresh their members in April 2019.

At the level of the secretariat, a transparent procurement system has been introduced and applied and a report indicating the strong and weak side of the sector has been produced and shared to all stakeholders.

Developing quality data base and advancing towards modern data handling system and implementation of open data policy are underlined as the main intervention areas of the MSB in the upcoming fiscal year.

5/ Efforts made to strengthen the outcomes/impact of EEITI (Req.7.4. v)

Ethiopia is committed to build up on the positive outcome/ impacts registered in the preceding years and to aspire also for more outcome/ impact benefiting its citizens. It is only through effective implementation of the EITI that one can reach to a visible outcome and impact. The bedrock for implementing countries to measure the outcome/impact is a fully coasted work plan that reflects the evolving objectives and actions of the national EITI process. Thus, each implementing countries are required to produce an annual progress report that reflect and monitor the progress against the objectives and actions set out in the work plan.

Accordingly, the MSB has developed coasted work plan categorized as capacity building for all three constituencies, and strengthening communicational work & operational activities. The major achievement of the MSB that could be sited as impact or outcome was the enactment of the Mining regulation (423/2010) in January 2018. This was a big step in institutionalizing the EEITI and ensuring its sustainability. This regulation can enforce companies to disclose details of the beneficiary ownership. Another effort made to strengthen the outcome and impact of previous engagement was to make use of the data of reporting companies in tracking their social contribution. Thus, knowing the social contribution of companies has been helping to identify the resources and ensuring whether such resources are really serving the community.

6/ Institutional effectiveness

Following the global trend, Ethiopia owned EITI principles and rules with its all procedures and established a multi-stake holder board representing government, companies and Civil Societies. This secretariat is responsible for the day to day implementation of activities endorsed by the

MSBs. The MSB, which is chaired by the Minister of Mines, meet every quarter to discuss the progress of the action plan. Agendas of the meeting are forwarded to all MSB members ahead of the meeting and decisions are made on consensus basis. The MSB has two technical and governance sub- committees entirely dedicated to handle technical and communication related activities falling under the plan. Each sub-committee is composed of five members and is led by elected persons from among the members. The sub-committees are assigned to focus on technical and governance related issues ranging from capacity building to promoting EEITI throughout the country.

The MSB coordinate its activities with the secretariat and regularly oversee the implementation of the EEITI process against its action plan. Formal and concrete institutionalization of the EEITI has been well underway through developing an Act, the mining regulations, board charter and, setting up institutional arrangement within the host Ministry and securing the commitment of high level government officials including the President of the country.

7. Attributable Outcomes

Some of the attributable outcomes during the reporting period are:

- Interventions made by the Chair of the MSB to lobby different government entities and create clear understanding of EITI and thereby securing their commitment in providing an updated revenue data.
- Activities of the Secretariat in facilitating & participating on a number of outreach programs,
- Intensive engagement of the MSB with some institutions and its effort to inform about natural resource management and transparency and its success in securing focal person from these organizations,
- Deeper and broader awareness creation program for ASM societies, regional regulatory bodies motivated regional bureaus for an enhanced participation in the EEITI process.

- Commitment of the secretariat in undertaking research and studies through well-known consultants and distributing the findings of these research reports have increased awareness on EITI among a range of stakeholders.

8. Operational Activities

8.1 Facilitate & Manage validation program

Accomplishments

- Arranging all the necessary conditions for the validators coming from the International secretariat was one of the major activities planned in this reporting period.

Initially the program was planned to start data collection process on the 1st of April,2018. However, due to some unforeseen circumstances, the team from the secretariat arrived late and started its operation on 14th of May,2018 and finalized the first work on 18th of May,2018.

The validation team had a series of meetings with different stakeholders including representatives of MSB, CSOs, Companies, Government entities, consultants and other international organizations. They had a fruitful and informative discussion with groups of people representing different sectors and institutions.

In a nut-shell, the validation process was successfully finalized and offered significant lessons to better understand and implement the EITI requirements as well as to ensure transparency in the natural resource management. Prior to releasing the final version, the validators would send the draft report to solicit comments from the secretariat and the MSB

8.2 Conduct audit work for the first grant obtained from world bank

Accomplished

- Conducting auditing for the first grant received from the World Bank was one of the planned activities of the reporting year. Hence following the bank standard, a consultant

was hired under the least cost modality and finalized and submitted the audit report to the Bank at the right time. With this operation, the firm realized that, all the budget (\$600,000USD) was effectively utilized by the group for the actions identified and planned. This operation doesn't include a budget allocated by the government as long as any budget allocated by the government is audited by the office of federal general audit and this has been done following the government procedure.

8.3 Budget

The budget of the national secretariat for the reporting year was USD 475,000; Of which, USD100, 000 was a contribution from the government for salary of five staff members and the remaining USD 375, 000 was from the World Bank out of which 56% was automatically allocated for the independent administrator to produce two years reconciliation report.

Conclusion

Over all, the achievements registered during the reporting period are satisfactory. However, this should not overshadow the fact that most of the activities stated in this report were implemented in spite of a tremendous pressure shouldered by the MSB and the secretariat to produce two reports in one year and facilitate the validation process.

Apart from this, the country was under state of emergency for several months. This has restricted travels of officials and EEITI staff to regions for outreach and other related activities. A budget constraint was also another challenge hindering the prospect of undertaking a broader community consultation process in regions.

Despite the odds, the EEITI has managed to succeed in meeting the objectives of the annual operation plan and worked hard to ensure the lifting of the suspension imposed on the country for six months.

Appendix 1. Operational work plan for the year 2017/18 (2010EFY)

Expected Outputs	Planned action	Outcomes	Responsibility	Budget	status
Output1. Strengthened institutional capacity of the key sectors identified including EEITI secretariat, MSB and regulatory bodies	Strengthened institutional capacity of the EEITI secretariat, MSBs.	Increased commitment to deliver planned activities & oversight the overall implementation of EEITI process	Secretariat	-	completed
	Raise the capacitate of the federal, regional and local regulatory bodies on the legal and policy frames EIs, data generating and managing systems, Reporting, Monitoring and Evaluation process of the extractive industries activities;	Enabled the regulatory bodies to identify basic bottlenecks that affect governance of natural resource & helped them to develop mining policy, regulation, committed for flexi cadastre establishment;	Secretariat, MSBs & the ministry	-	Training was given and policy development & flexi cadastre is ongoing
	Identify and train target groups of the civic societies (i.e local communities, indigenous people, media institutions, associations, cooperatives etc on the thematic areas related with where these groups are interested;	Increased exposure & commitment of stakeholders from government & non-government side to defend unlawful practice exercised by some companies against the local communities, environment, CSR; etc	Secretariat, MSB, Regional bureaus of mines	-	Training was given for about 140 audience while the rest are ongoing
	Awareness creation given for Companies	Increased their understanding in providing necessary report including submission of data			completed
Output 2: Strengthened promotion & communication activities	Undertake integrated promotional activities using accessible communication mean`s which includes, publication of monthly fliers, TV`s ,panel discussions, social medias, dissemination of the EEITI documents	Accessed of EEITI information's for stakeholders through ministry`s web-site, and mainly published documents and face to face presentations/discussions, community radio practiced by universities	Secretariat	-	Completed
	Undertake outdoor advertizing (billboards, banners, posters, comic figures, etc), in areas such as air ports, bus stations, super	Launched banners and banners around air port & target area around the ministry	Secretariat	-	Completed

	markets, crossings, Squares, schools, hospitals, cafes, mining sites etc);				
	1.3.2.4. Publication & dissemination of EEITI documents	2300 copies of EEITI documents are printed & dissemination is underway	Secretariat	\$14000USD	completed
Output3. Developed/produced comprehensive study based documents including EEITI report to access the citizens' with relevant information on the extractive sector management;	Producing EEITI reports for the year 2014/15 and 2015/16	produced two years EEITI report	MSB , Secretariat & consultant	\$210000USD	Completed
	Produce study based document on the contributions of the mining companies for local communities	Tangible data on the company's financial in kind contribution build trust on the companies contribution made for local community development	Consultant	\$80000USD	Ongoing
Output4: Mainstreamed EITI	Promoting the expected outcome of the initiative to the selected organizations	Increased commitment to consider mainly data required for EEITI & initiation toward mainstreaming	secretariat	-	ongoing
	Undertake an assessment against the legal frames that affect the disclosure of data	Enacted laws that address gaps for disclosing information's	secretariat		completed
Operational Activities	Facilitate & Manage validation program	First assessment had accomplished			ongoing
	Conduct audit work for the first grant obtained from world bank	Confirmation on the accurate utilization of budget			completed

Appendix2. Situational Analysis made during planning

The Oil, Gas and Mining Sector is growing at a fast pace in Ethiopia, with an intensive exploration activity that is already delivering results, with reserves being confirmed in gold deposits and gas. As of December 15, 2015 there are 167 mining licenses at exploration and 78 licenses under operation of the mining activities, and about 15 licenses are engaged in the oil exploration field. Out of these, 40 mining companies holding different licenses are joined EITI on a voluntary basis till now period. A number of development partners, including the World Bank are considering interventions that would improve the investment climate and regulatory framework so as to ensure positive outcomes for the country from the extractive industries sector.

The political leadership is committed to an inclusive development of the sector and wants to avoid the negative side effects that have given a bad name to the mining and oil related development in several African countries. EITI is perceived as “the solution” that will ensure a transparent financial and contractual environment, will be a shield from undue corruptive pressures, etc. The commitment of the policy makers to the EITI standards remains strong and similarly, the dedication from Ministry also strong and cooperative to lead the initiative. Legislation making the EITI process mandatory for companies has passed the Parliament and will now be enforced.

A significant number of private sector companies are favorable towards EITI. On one hand, they see EITI as a powerful honest broker that provides a third-party testimonial between the company and the community. Community relations in this country play an important role. On the other hand, EITI can also serve as a shield from undue demands and corruptive behaviors.

SWOT analysis

This analysis regards strictly the implementation environment and related aspects.

Strengths:

- An existing functional Secretariat, that has already delivered several trainings and communication products.

- The existence of a core group on which implementation capacity can be built – the Secretariat and the NSC.
- The NSC is coherent and motivated.
- The Press is favorable to EEITI, which can expect favorable coverage.
- Ethiopian CSOs are favorable to EEITI, are motivated to make it go and can be counted on to provide support to the operations with minimal costs;
- The Ethiopian Constitution supports and encourages transparency;
- The Ethiopian government has declared the new Mining proclamation;
- Mining companies have a positive attitude regarding the Ministry of Mines, petroleum & Natural Gas and Government of Ethiopia and appreciate the willingness of the government to encourage investments;

Weaknesses

- There is less capacity to implement. The present staff doesn't have adequate training necessary to carry out its day to day activities.
- weak data management in government entities and extractive industries;
- Lack of providing the necessary available data on a timely basis;
- The business environment is rather unfriendly to mining and oil industries that are very time sensitive;

Opportunities

- The recent acceptance of EEITI as candidate has raised its visibility and position for the moment and this sudden elevation needs to be exploited, momentum must be maintained for as long as possible;
- As a candidate country, EEITI will enjoy more attention and support from the donors;
- There are a number of companies that now will start mining, raising the scope of EITI;
- Government commitment to implement EITI;
- The World Bank applauded the step, Ethiopia has taken to engage on transparency issues;
- Stakeholders are highly committed to implement EITI in Ethiopia;

Threats

- There is a potential risk that rent-seeking groups (that are looking for undue rents, or bribes) from the extractive industries companies create political obstacles to EEITI;
- The Human rights watch & other right based organizations miss-understanding to the Ethiopia charities and societies proclamation that will reflect on EEITI even if there is no direct connection;
- Lack of sufficient logistics budget;
- The perception of Corruption may lag effective implementation of EEITI;

Appendix 3. Recommendations for the year 2015/16(2008)

- 1) *ERCA comes forward with a training plan for its staff in order that future EITI exercises are more run more smoothly and efficiently*
- 2) *capacity building training workshop for all stakeholders, given the general lack of understanding*
- 3) *EEITI MSB ensures that reporting entities are made aware of the importance of the data they are providing and that due care and attention is paid during the preparation of these reporting templates.*
- 4) *ERCA and reporting companies devote ample time towards the preparation of their respective reporting templates by adhering strictly to the instructions set out by the Independent Administrator and following the supporting schedules carefully.*
- 5) *the future that the instructions for next year's reporting emphasize these matters and reporting entities should be urged to follow the instructions in the reporting process*
- 6) *Government Agencies put in place a system to collect consolidated data from a focal point in order to address the accuracy of data for future reconciliation exercises and to meet the deadlines.*
- 7) *EEITI MSB should undertake more effective outreach activities with civil society organisations, including through communication such as media, website and letters, informing stakeholders of the government's progress in implementing EITI and disseminating the EITI Report.*
- 8) *the timing of the reconciliation exercise is better planned in the future in order to avoid short and pressured deadlines.*
- 9) *the EEITI Secretariat should create its database following the reconciliation exercise.*
- 10) *any new entrants to the extractive sector are registered with the EEITI Secretariat as part of the process before or at the same time as they obtain their licence.*
- 11) *A quarterly review the list of extractive companies licensed to operate in the sector would also ensure that the database can be updated regularly.*
- 12) *Each extractive company and Government Agency previously included in the reconciliation work must appoint a focal point to take responsibility for comprehensive EITI reporting and the reporting entity should notify the Secretariat of the name and contact details of that focal person.*
- 13) *a thorough review of the mining cadastre should undertaken to ensure that it captures all existing licenses and all relevant details from each licenses.*
- 14) *Once the mining cadastre is comprehensive, MMPNG needs to ensure that the cadastre is kept up to date and that all new information on licenses is systematically recorded therein.*
- 15) *Develops procedures to ensure the completeness of the production data reported by companies and a computerised system to monitor, and update this data on a monthly basis to reconcile royalties and other non-tax payments against the production.*

- 16) *Provides the EEITI MSB with a comparison of the production volumes declared by extractive companies with the measurements made by MMPNG throughout the year.*
- 17) *EEITI MSB includes in the terms of reference of the Independent Administrator for future exercise the reconciliation of production volumes in order to investigate these discrepancies with a view to disclose more reliable statistics on production volumes.*
- 18) *an action plan together with implementation period is required to perform the electronic publication of contracts & other details for both mining and petroleum sector to be accessed to the public;*
- 19) *the steps required for all to be published electronically and how to make these considering the enactment of a law which would authorize the publication of all contracts electronically; and*
- 20) *Reviews of the institutional or practical barriers that may be prevent such electronic publication.*
- 21) *Moreover, we recommend that the EEITI Secretariat ensures that a copy of all active contracts is available at its level.*
- 22) *MMPNG should enhance its tax collection & administration capacity to effectively discharge its duties and maximize tax collection.*
- 23) *MMPNG needs to ensure that companies meet their contractual commitments and train officers at regional government level in order to monitor and follow up with extractive company activities.*
- 24) *a system with all relevant data should develop and accessible at both the federal and regional levels in order to monitor all of the contracts of extractive companies to ensure that all financial and environmental requirements of the companies are met.*
- 25) *MoFEC should sets up a system for collecting & administering free equity payments, and provide details of companies which have reported schedule C mining payments.*
- 26) *MoFEC should make an initial assessment of the liability of each company and contact them proactively to request payment Proper and ensure that due payments are collected from the taxpayers.*
- 27) *The EEITI MSB considers including the regional states into the future EITI process of Ethiopia and undertake a feasibility study detailing all institutional, legal and practical barriers prior to such inclusion.*
- 28) *EEITI MSB considers the technical capacities of the regional states and reinforce them in terms of controlling the validity of licenses and managing the local operators holding licenses at the regional level.*
- 29) *For the completeness of the EITI scope for the future reconciliation exercises, the centralization of information regarding all extractive revenues, arrangements and state ownership at the Federal level has to be established.*
- 30) *Joint working and information sharing between the federal and the regional levels of government has to be considered as a key factor for smooth running of a reconciliation.*

- 31) *additional efforts by EEITI Secretariat in conjunction with MMPNG, MoFEC and ERCA is required in order to compile and provide reliable & accurate statistics/data and contextual information on the extractive sector potential, revenues collected, exported, production, GDP contribution, employments, current regulations and upcoming changes, amongst others at least annually .*
- 32) *a committee should set up and have an action plan at MMPNG level with the support of the EEITI MSB members in order to follow up of the recommendations from EEIT reports.*

Appendix 4. Current List of Ethiopian EITI Multi-Stakeholder Board members (EMSB)

Name -	Constituency	Email
Melaku Tadesse	CSOs	melakut@crdaethiopia.org
Eyasu Yimer	CSOs	eyasyy@yahoo.com
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Abrham Tadesse	Companies	mec22attn@gmail.com
Desu Antawi	Companies	dessuant@yahoo.com
Habtu Hagos	Companies	saba21habtu@gmail.com
Henok Sefere	Companies	henok.s@gold.midroc-ceo.com
Akalu Gebrehiyot	Companies	akalugh@gmail.com
Mulay Weldu	Government	mulaywel@yahoo.com
Abebe Senbete	Government	abe2102cmd@gmail.com
Paulos Zerihun	Government	zerpaul@yahoo.com
Yehalashet Begashaw	Government	byewhalashet@gmail.com
Enatfenta Melaku	Government	yenatfen2003@gmail.com
Ketsela Tadesse (Dr)	Government	ktadesse22@gmail.com
Sisay Ayalew	Government	sisayfty@yahoo.com