

NATIONAL STUDY ON PREVENTION
OF **Corrupt** **PRACTICES**
THE MINING SECTOR



Submitted to
Federal Ethics and Anti-Corruption Commission (FEACC)

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Glossary of Terms

Beneficiation is a transformative process where extracted raw ore is converted into a highly concentrated product (e.g. a mineral) to improve its physical properties in preparation for further processing to be locally consumed or exported.

Contraband: Goods that have been imported or exported illegally either in defiance of a total ban or without payment of duty.

Corruption: Abuse of public or private office for personal gain.

Dutch Disease or “deindustrialization” revenue from natural resources hurts traditional manufacturing through an increase in the exchange rate; also, resources such as labor and capital need to be moved from manufacturing to natural resource production.

MACRA Tool: This means the Mining Awards and Corruption Risk Assessment Tool, developed for Transparency International (TI). Its key elements are: 1) collecting information about the process in theory and practice; 2) identifying vulnerabilities; 3) assessing the likelihood and impact of the identified risks; 4) validate findings and prioritizing risks.

Mining Industry: Includes the individuals and organizations, exploring and extracting the minerals and metals as well as their activities, including exploration, exploitation, reclamation and mine closure, and excluding the oil sand, only process, refinery and metallurgical activities, oil, gas, quarry, and aggregate operations. In this study, the mining industry/ies or the extractive sector is used interchangeably as used conventionally.

Money Laundering: Is the process of making money gained illegally or through a criminal activity appear to have a legitimate source. The money supposed to be dirty and attempts made to make it clean through the process of “launders”.

Policy Capture: the result or process by which public decisions over laws, regulations or policies are consistently or repeatedly directed away from the public interest and towards the interests of a narrow interest group or person.

Regulatory Capture: the close identification of a government official with the industry that s/he is regulating.

State Capture: disproportionate and unregulated influence of interest groups in decision-making processes where special interest groups manage to bend state laws, policies, and regulations through practices.

Value Addition refers to the increase in material price resulting from processing or manufacturing of the mineral ore. Value addition involves a range of activities that includes large-scale capital intensive processes such as smelting and refining. Besides, it can involve labor-intensive processes such as craft jewelry and metal fabrication. Value addition

includes capital goods and services into the value chain, coupled with marketing and distribution of these items which further enhances the overall value of the final product.

Value Chain (Mining): A value chain identifies the full range of activities that firms undertake to bring a product or a service from its conception to its end use by final consumers. The following prominent value chain in the mining sector analyzed in detail in this study including *contract negotiation and exploration stage; production, monitoring of operations and collection of taxes stage; transportation and trading stage; smelting, refining, and marketing stage; and revenue collection, management, and investment stage.*

Acronyms and Abbreviations

AEO	Authorized Economic Operator
AFDB	African Development Bank
AMDC	Africa Mining Development Center
AMV	African Mining Vision
APP	Africa Progress Panel
APRM	African Peer Review Mechanism
ASM	Artisanal and Small Scale Mining
AU	African Union
CPI	Corruption Perception Index
CSPRO	Census and Survey Processing System
CSR	Corporate Social Responsibility
CTCS	The Certified Trading Chains Scheme
DIIS	Danish Institute for International Studies
DRC	Democratic Republic of Congo
ECA	Economic Commission for Africa
EIA	Environmental Impact Assessment
EITI	The Extractive Industry Transparency Initiative
EIVC	Extractive Industries Value Chain
EP	Equator Principles
ESIA	Environmental and Social Impact Assessment
ETB	Ethiopian Birr
EVC	Extractive Value Chain

FDI	Foreign Direct Investment
FEACC	Federal Ethics and Anti-Corruption Commission
FGD	Focus Group Discussion
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GoE	Government of Ethiopia
GPS	Geographic Position System
GRI	Global Reporting Initiative
GSE	Geological Survey of Ethiopia
GTP	Growth and Transformation Plan
IFFs	Illicit Financial Flows
KII	Key Informants' Interview
KPCS	Kimberly Process Certification System
LNG	Liquefied Natural Gas
MARCA	Mining Awards Corruption Risk Assessment
MMPNG	Ministry of Mines, Petroleum and Natural Gas
MOM	Ministry of Mining
MoMP	Ministry of Mining and Petroleum
MRU	Mano River Union
NBE	National Bank of Ethiopia
NEPAD	New Partnership for Africa's Development's
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries
PWYP	Publish What You Pay
REACC	Regional Ethics and Anti-Corruption Commission

REC	Regional Economic Communities
SDF	The Sustainable Development Framework
SNNPR	Southern Nations, Nationalities and Peoples Region
SPEE	Soviet Petroleum Exploration Expedition
SPSS	Statistical Package for the Social Sciences
SSA	Sub-Saharan Africa
SWFs	Sovereign Wealth Funds
SWOT	Strength, Weakness, Opportunities, and Threats
TI	Transparency International
UNDP	United Nations Development Programme
UNECA	United Nation Economic Commission for Africa
USD	United State Dolla

FOREWORD

Following from the civil service reform program in late 1994, the Federal Ethics and Anti Corruption Commission established by adopting a single agency approach of an independent and centralized anti-corruption function with a threefold mandate of preventing, investigating and prosecuting corruption in the public sector in 2001 by proclamation number 235/2001, which was replaced by the revised proclamation, number 433/2005. The first proclamation is replaced with the aim to make the Commissions' operation and activities to be guided with the principle of transparency and accountability, and carry out its activity with better efficiency, in order to fight grand corruptions and impropriety through investigation, prosecution and prevention as well as through the promotion of ethical values in the society.

Based on the authority given to it, the Commission involved in different solid tasks that predominantly focused on eradicating corruption from the root. Expanding awareness, providing training, seminars and workshops, evaluations, sectoral reviews, researches, and studies are among others. Currently, the commission is working on how best to combat corruption in the diverse sector of the economy including the mining sector. Ethiopia's mining sector is at its early stage while the sector has great potential to contribute to the economic development of the country. Ethiopia is known to have an ancient history of mining and a wide range of mineral resources including gold, platinum, nickel and other base metals such as tantalum, the gemstone is found in the country. Furthermore, construction and industrial material resources are also available in different parts of the country.

In this context, proclamations were issued based on the legal framework that governs mineral exploration, exploitation, trading, and taxation. The most notable ones are the Mining operations proclamation No. 678/2010 amended under Operations Proclamation No. 816/2016, the transaction of precious minerals Proclamation No. 651/2009, mining operations regulations No. 182/1994 that was amended under regulation No. 27/1998 and Mining income tax proclamation No. 53/1993 amended under proclamation No.23/1996, and regulation no. 423/2018. These laws govern all mining and interrelated activities in Ethiopia. The proclamations were amended subsequently to be competitive internationally and in favor of investors. The legislation addressed several issues such as invite private investment in all kinds of mineral operations, provide exclusive license rights,

require adequate health safety of employees and environmental impact study depending on the type and nature of the project, machinery, and vehicles necessary for mineral operation. Such a new approach has also enhanced the contribution of the mining sector to the national economy.

The government of Ethiopia (GoE) also assimilated a five-year development plan Growth and Transformation (GTP) II, for the period between 2016-2020, sets the overall target to achieve an average growth of 11% and lays the ground to attain lower-middle-income status. The mining sector remains one of the priority sectors in GTP II, with the main strategic direction of attracting sizable foreign direct investment (FDI) for exploration and extraction of minerals, increase foreign exchange earnings of the sector and focus on the production of minerals inputs for the manufacturing sector that promote import substitution. Mining operations within the country are expected to be an important economic catalyst for the government's export-oriented development strategy.

However, on the contrary, the percentage contribution of the mining sector to the overall GDP and the level of growth rate as well as export has experienced declining in recent years based on the annual report of the national bank of Ethiopia. This study on the mining sector in Ethiopia, therefore, is commissioned by Federal Ethics and Anti-Corruption Commission (FEACC) with the purpose of assessing the current level of corruption in the sector and generating recommendations for improvement in management controls and other preventive measures so that the level of corruption is minimized in the future. The study recognises that there are diverse factors for such GDP and revenue loss in the mining sector in the country including lack of peace and security in the country, illegal mining, corruption, and shortage of foreign currency for importing inputs. However, corruption constitutes the lions share as contraband of minerals is an insurmountable challenge in the country in the past few years as this study found out. In this respect, the government and other stakeholders' steady effort is essential to address the sector's shortcomings and enhance the contribution of the mining industry to the GDP. Specially struggle is needed to combat contraband from the sector before it becomes impossible even to minimize.

It is expected that the data and information contained in this study will prove valuable to decision-makers, planners and researchers to share knowledge and experiences across the country in order to combat corruption in the mining sector and achieve prosperity in Ethiopia.

Write the Name of the Commissioner here pls

Commissioner,
Federal Ethics and Anti-Corruption Commission
(FEACC)
Addis Ababa, Ethiopia

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Executive Summary

Mining is an important economic sector which could foster economic development in places where there is proper management of the sector. A vibrant mining sector tends to generate large fiscal incomes, relative to other sectors and has the ability to serve as an “engine of growth”. The mining sector, however, is very vulnerable to corruption in developing countries including Ethiopia, despite the fact that the sector has the potential to pull such countries out of poverty. In most cases, the benefits are lost through weak governance manifested mainly in corruption. Despite the mining sector's enormous potential for national economy and results in Ethiopia, its performance has been largely remained unsatisfactory due to contraband trade and illegal smuggling of precious metals. Furthermore, domestic companies' participation in large-scale mining projects is low due to financial constraints they have faced in the capital-intensive exploration phase.

The percentage contribution of the mining sector to the overall GDP and the level of growth rate has experienced declines in recent years based on the annual report of the national bank of Ethiopia. In the year 2013/14, the sector annual growth rate was 3.2 % then jumped into 25.6% in 2014/15, then declined into 3.3% in 2015/16 then deep into negative 29.8 in 2016/17 and negative 20.8 % in 2017/2018. Moreover, in 2018 mining contributes only less than 1% of Ethiopian GDP declining from 9.1% in 2013 (see figure 1 below). This study on the mining sector in Ethiopia, therefore, is commissioned with the purpose of assessing the current level of corruption in the sector and generating recommendations for improvement in management controls and other preventive measures so that the level of corruption is minimized. **(See figure 1 below).**

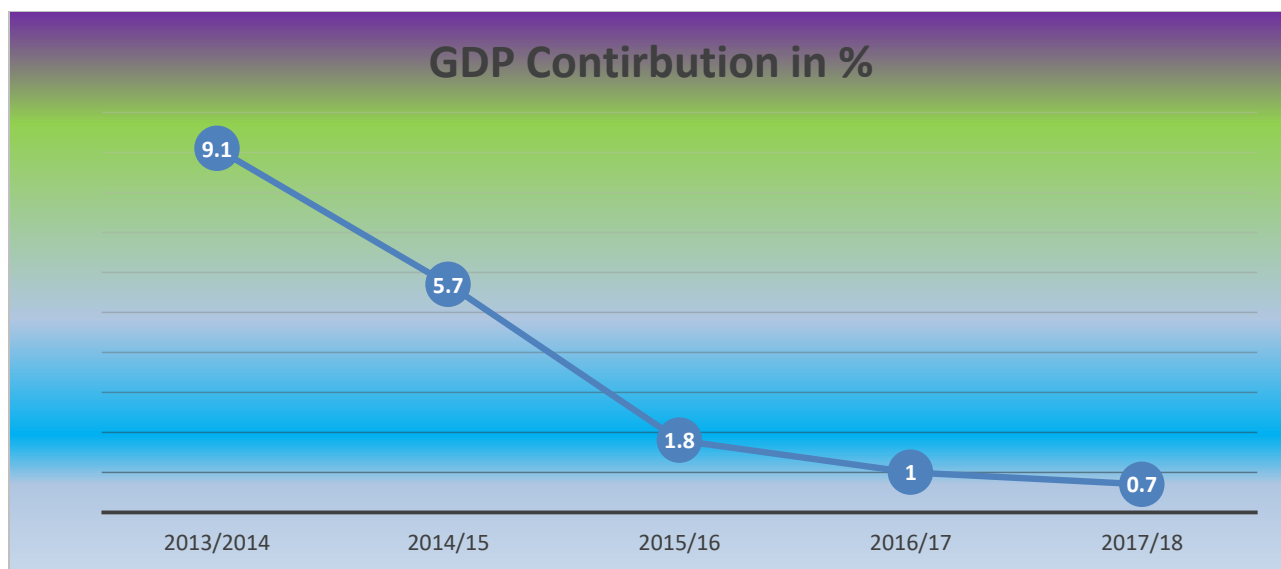


Figure 7: Mining Sector Annual Contribution to GDP (2012 to 2018)

Source: *Annual Report, National Bank of Ethiopia, 2017/2018*

The study was conducted in five regions of the country namely Afar, Benishangul Gumuz, Oromia, Amhara and Tigray regions as well as in Addis Ababa city administration. A combination of quantitative and qualitative research methods employed in this study. Data collected from both primary and secondary sources. In this regard, inter-method triangulation employed i.e., situations in which two or more methods of different methodological origin and nature are used, which do not share the same methodological weaknesses, that are errors and biases. The triangulation methods employed in this study are surveys, including questionnaire and Key Informants Interviews (KII), direct personal observation, case studies, and a desk review. The five regions are deliberately chosen with their mineral potential, diverse mineral availability and contribution in the country.

Concerning data analysis, both qualitative and quantitative method of data analysis has been applied. Exploratory, descriptive, analytical and critical methods of data analysis employed to analyze the data collected. The latest software was used in analyzing the survey. In this regard, the Census and Survey Processing System (CSPro) was used for data entry and Statistical Package for the Social Sciences (SPSS) used for data analysis.

There are four major findings of this study. The first finding is that in general, the challenge of achieving good governance in public offices mainly at local government, regional and federal public offices affected the sectors as government bodies are the main regulatory body of the mining sector yet involved in corrupt activities. This is evidenced, as there is a high risk of corruption in the sector. For instance, 61% of the survey respondents across the five regions and Addis Ababa agree that corruption occurs in the mining sector in their locality while 29% disagree. Nonetheless, variations exist within regions. For instance, 77% of the respondents in Oromia-Shakisso; 69% of the respondents in Amhara-Warla; 59% of the respondents in B/Gumuz- and 52% of the respondents in Afar; 48 % in Tigray-Shire and Addis Ababa do believe that corruption exists in the mining sector ((See figure 2 below).

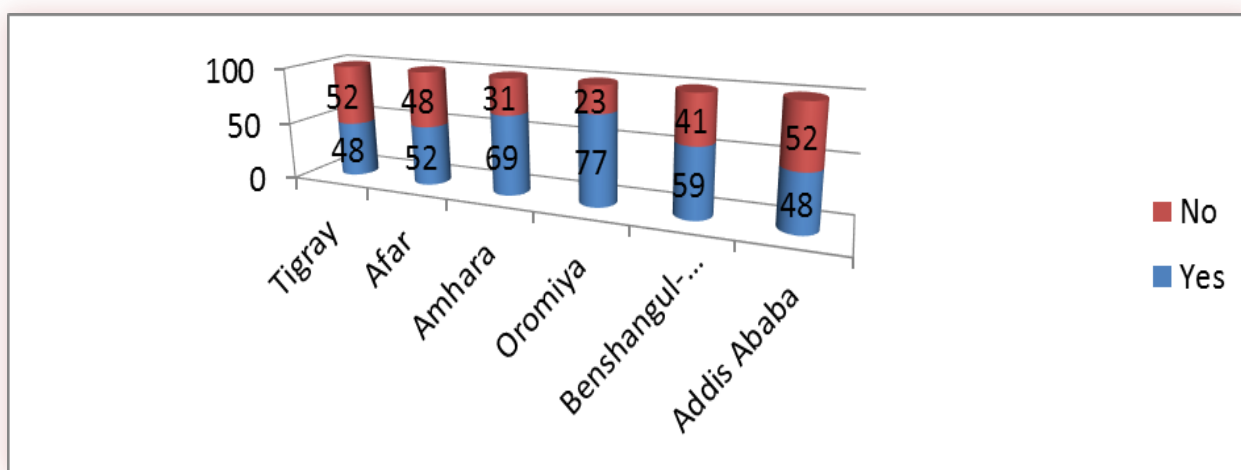


Figure 8: Corrupt Practices in the Mining Sector-Regional Dimensions

Source: Survey Result, 2019.

The second major finding of the study is corruption risks observed along the overall value chain. In this regard, relatively high-risk corrupt practices observed in thirteen indicators along the value chain in surveyed five regions and Addis Ababa. These are Environmental Impact Assessment (EIA) (73%); environmental impact assessment not proved (68%); the government does not conduct due diligence (77%); lack of genuine consultation and negotiations with the community (67%); community interest not represented in negotiation (51%); unfair and not transparent licensing process (58%); companies or minors collude

with government officials (66%); an unethical and unfair process of mining sites (59%); contraband activities exist (69%); tax revenue is not utilized and invested by the government (66%); there is no smooth revenue collection- federal and local (70%); Corporate Social Responsibility (CSR) not implemented (70%), and the community did not benefit from the minerals in the locality (70%) (See figure 3 for further information).

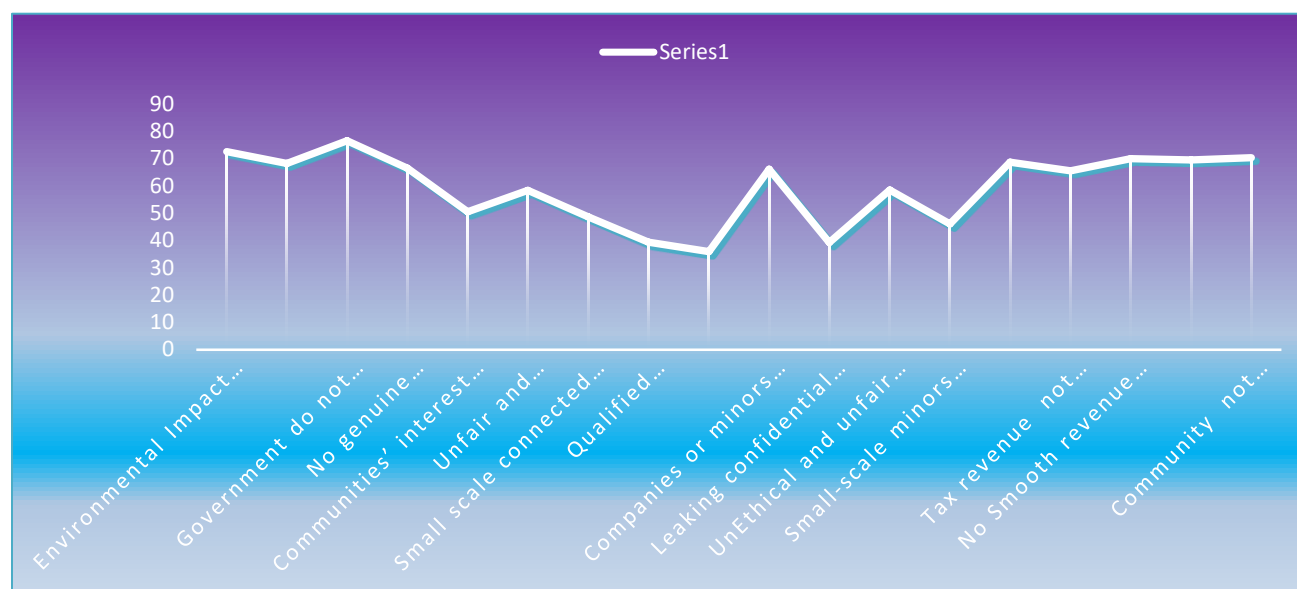


Figure 9: Risk of Corrupt Practices along the Value Chain in Ethiopia

Source: Survey Result, 2019.

While relatively lower corruption risk areas revealed along with five indicators namely: small scale connected with government officials get a license (49%); qualified companies/small scale miners do not get a license (39%); government officials interfere in awarding of licenses (36%); leaking confidential information about licenses and mining leases (39% and small-scale minors involve in corruption in the mining sites (46%). Findings from the overall value chain indicate that the government must focus on areas where high corruption risks observed such as the government does not conduct due diligence, contraband activities exist in the sector, the community did not benefit from the minerals in their locality, Corporate Social Responsibility (CSR) is not implemented well, companies or miners collude with government officials, still strengthening its operation in fewer corruption risks areas.

The third finding of the study is that it has been observed that the sector's GDP contribution has been declining because of various reasons including the instability in the country, which enhanced informal transaction and contraband activities. It has been witnessed that there have been contraband activities in all regions where this study conducted. As the findings from the survey, KIIs and FGDs revealed contraband activity is widespread in the country mainly for the following reasons:

- (i) The price of minerals given at the **informal market (contraband)** is higher than the National Bank though the National Bank always provide higher price than the international market;
- (ii) Some **business people with the help of illegal mineral brokers** buy the mineral products and sell it to neighboring countries to get hard currency such as USD, and Euro, etc;
- (iii) Some people have huge reserves of birr in the country, which is generated through **money laundering** and such individual chooses to buy precious minerals like gold, opal, and deposit in their house than having the money;
- (iv) Miners & small-scale mining associations are very close to the **border of the country** in these regions, which creates a conducive environment for contraband activities & trade;
- (v) Legal mineral trade license holders themselves engage in contraband activities by colliding with **illegal mineral brokers**;
- (vi) **Lack of proper controlling system** by concerned government authorities on contraband activities;
- (vii) **National bank directives** i.e., the bank buy gold, which is 50 gram and above, under the previous directives only 250-gram gold and above, invites minors to resort to contraband market. In this case, those minors that have under 50 grams of gold opt for contraband to get the market.

The fourth finding from stakeholders surveyed in this study i.e., government officials; companies or individual minors; small scale miners and the community or civil society

revealed that there is a high risk of a perception of corruption in the mining sector in varying degrees. Specific findings on each stakeholder is reflected in chapter four.

In response to these and the other findings of the study, the following recommendations are forwarded, such as the necessity of conducting regular monitoring and follow up of the mining sector by the concerned government bodies (Ministry of Mines, FEACC, REACC and other concerned oversight institutions), creation of awareness on the benefit of the sector and the risks associated with corruption for the local community particularly those who are living in the mining areas as well as capacity building for these local communities to encourage them to take part in working for the development of the sector by supporting the government throughout the process as well as to involve on whistleblowing on any corrupt practices by FEACC and REACC. Furthermore, modifying the mining proclamations particularly the legal framework on the measures to be taken on illegal activities including contraband by Ministry of Mines and FEACC and REACC.

The federal government should also engage in collaboration with regional governments to enhance the controlling system of contrabands at the boundaries as well as within the country's localities. The legal mineral trade license giving process must be approved & controlled by government authorities at all levels to restrict & control illegal brokers & illegal traders. These demands hand in hand collaboration between the federal, regional and local governments. The National Bank of Ethiopia should be flexible enough to buy more minerals from the providers. The government (Ministry of Mines along with with Regional Mines Bureau) must encourage legal ASM by providing incentives such as loan facilities, machinery, and other benefits to discourage illegal minors and contrabandists. Punitive measures must be taken by the government (FEACC and REAAC in collbration with courts) on illegal minors, illegal mineral brokers and public officials involved in corruption.

The government (FEACC) also must come with a robust anti-corruption strategy along value chains that are more vulnerable to corrupt practices. In doing so, it is important to see detailed findings in each region along the value chain. The government (FEACC) must also come up with a multi-stakeholder approach in fighting corruption in the mining sector mainly the community, civil societies and the private sector including small scale and

individual minors among others. Furthermore, mining companies, small scale, and individual minors should work closely with the local communities to get the right to social license so that the local community would reach the level that they see the project as their property and work to create a conducive environment for them.

The study is organized into five chapters. The first chapter focuses on introducing the study, which includes the background to the study, statement of the problem, objectives of the study, scope, approach and methodology, ethical considerations and limitations of the study. Chapter two addresses with the mining sector in Ethiopia. The chapter analyses the mining sector contribution to the economy of Ethiopia: potential and actual; Ethiopia's framework for mineral resource governance regime; major global initiatives to address extractive governance challenges; and lessons from other countries and case studies as an overview of natural resources governance experiences vis-à-vis Ethiopia. Chapter three unveils the research design. The chapter explains about description of the study area, sources of data and types of data, the target population, sampling technique, sample size, instruments of data collection and data analysis methods with the rationale for using each is discussed. Chapter four, which is the main part of the study, deals with the challenges of corruption in the mining sector in Ethiopia including analysis of data, and interpretation of findings. The last chapter concludes the study and provides feasible recommendations for future intervention by the concerned bodies.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Mining is the extraction of non-renewable resources from the earth, which includes highly valuable minerals diamond, gold, silver, petroleum, natural gas, etc. Agriculture followed by mining was the earliest economic activity or basic industry, which has significantly contributed to human beings since early civilization. A vibrant mining sector tends to generate large fiscal incomes, relative to other sectors. Since in most developing countries large parts of fiscal incomes are export-based, export sectors such as minerals and ores gain more-than- proportionate weight for government incomes. The mining sector's total impact on socio-economic and human development in a country is determined partially by the size and composition of the sector, partially on how it contributes to the overall industrialization of the country i.e., the sector's ability to serve as an “engine of growth”.

It is important to recall that some of the leading industrial nations such as the USA, Sweden, Germany and UK based their early industrialization on their own mineral resources. Furthermore, some of the world's leading economies like Canada, Germany (in particular Ruhr region), Norway, Australia, Finland and Sweden are strongly mineral resource-driven. Some developing countries likewise benefited from mineral resources based development such as Chile, Bolivia, Indonesia, Malaysia, Argentina, and Brazil among others.¹

Many low and middle-income countries have experienced strong growth rates for a decade or large, propelled by rapid expansion and increasing prices of the mineral they export. The sustained strong economic performance of these countries goes against accepted wisdom,

¹ See African Union, 2009. *The African Mining Vision*. P. 3; African Union, 2013. “Harnessing The African Peer Review Mechanism (APRM) potential to Advance Mineral Resource Governance in Africa”. 3rd AU Conference of Ministers Responsible for Mineral Resources Development, 07-11, October 2013, Bamako, Mali; Weinthal, Erika and Luong, Pauline Jones, 2006. “Combating the Resource Curse: An Alternatives Solution to Managing Mineral Wealth”, *American Political Science Association*, 4(1): 35-53. P.36, 39

which states that, while the mining sectors like other extractive industries, can generate foreign exchange and fiscal revenue; it contributes little to sustained economic growth and by extension human development. It is argued that mining might even have a negative impact by increasing inequality, causing environmental damage that destroys other livelihoods, fostering corruption and rent-seeking and supporting non-democratic regimes.

Africa is abundantly endowed in natural resources, so endowed that some even look at the riches as a disadvantage for the continent. While it is still known as the least-explored continent for its sub-surface resources, more than 70 % of African countries, which account for more than 86 % of the continent's population, are recognized as having significant mineral resource endowments. In 2012 the African Development Bank put Africa's share of the world's total mineral reserves at about 30 percent, while in 2015 *The Economist* observed that Africa is home to a third of the planet's mineral reserves, a tenth of the oil and it produces two-thirds of the diamonds.

While this should give Africa a solid foundation on which to launch broad-based, inclusive and sustainable development, its post-independence history – and indeed the history of many other resource-rich developing countries as well – have shown that resource endowment alone is not enough for a country to realize these development outcomes. On the contrary, the experiences of many resource-rich African countries have been used to support the widely-held view that natural resource-dependency gives rise to a resource curse situation under which resource-rich countries tend to have worse economic performance than resource-poor countries. one of the explanatory factors for this phenomenon is corruption.

Mining in Ethiopia, particularly traditional gold mining has a long history and still is becoming important in foreign currency earning and is playing an important role in the economic development of the country and livelihood of the people. The country with a population of more than 100 million is the second-most populous country in Sub-Saharan Africa (SS) next to Nigeria.² The country is one of the fastest-growing economies in the world, with the overall vision of becoming a lower-middle-income economy by 2025, the

² See *UN Estimates for 2018. Department of Economic and Social Affairs, Population Division.* Available <http://www.worldometers.info/world-population/ethiopia-population/>

overarching development agenda of the Ethiopia Government has primarily has been focusing on poverty reduction and its ultimate eradication.³

The Government of Ethiopia (GoE) assimilated a five-year development plan GTP II, for the period between 2016-2020, sets the overall target to achieve an average growth of 11% and lays the ground to attain lower-middle-income status. The mining sector remains one of the priority sectors in GTP II, with the main strategic direction of attracting sizable foreign direct investment (FDI) for exploration and extraction of minerals, increase foreign exchange earnings of the sector and focus on the production of minerals inputs for the manufacturing sector that promote import substitution.⁴

Mining operations within the country are expected to be an important economic catalyst for the Government's export-oriented development strategy. Other than gold, which is the county's major export mineral, the country exports: sapphire, opal, tantalum, emerald, gemstones, marble, and other metallic and non-metallic minerals. Presently, mining contributes less than 1 percent of Ethiopia's GDP. Gold, industrial minerals and gemstones make the bulk of the mining commodities in the country exports. Tantalum is also proving to be profitable. According to recently conducted geological studies, a wide variety of mineral resources are available in Ethiopia including deposits of platinum, tantalite, soda ash, and phosphate rock. Petroleum and other metallic, industrial and chemical minerals have also been identified. For instance, small-scale production of a wide range of industrial mineral commodities is available throughout the country and there is also an abundant potential for additional production for domestic markets, particularly in building and construction, ceramics and fertilizers. Ethiopia's mineral wealth, combined with its skilled and highly motivated workforce, provide the makings for a thriving and profitable mining sector.

Although Ethiopia considers mining to be one of its main foreign currency earnings, the revenue from mineral exports has been drastically declined since 2012. For instance, the country earned only 39.6 million USD against the projected 766.9 million USD in

³World Bank (2016) *Ethiopia's Great Run: The Growth Acceleration and How to Pace It*, Washington DC: The World Bank.

⁴ See GTP II for more information.

2018/2019.

Only 8.85 percent of the target was attained by the ministry of mining and petroleum. Furthermore, the revenue declined by 78.5 million USD compared to the same period last fiscal year i.e., 2017/2018.⁵ (See figure 4 below) the annual growth rate of the mining sector in Ethiopia from 2013 to 2018.

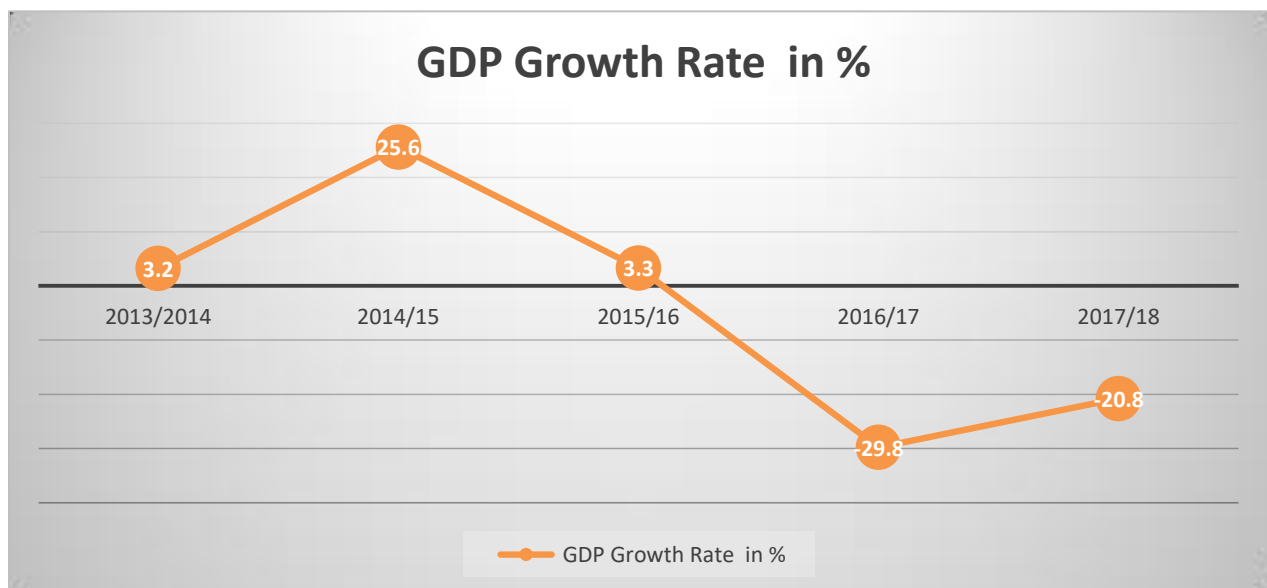


Figure 10: Annual Growth Rate of the Mining Sector

Source: Annual Report, National Bank of Ethiopia, 2017/2018

The major factors that contributed to the low performance of the sector are lack of peace and security, illegal mining, corruption including contraband trade of minerals and shortage of foreign currency for importing inputs. For instance, Ezana gold mine failed because the hard currency was scarce and MIDROC had difficulties with complaints from the local community accusing the company of polluting the environment. MIDROC Gold previously exported four tons of gold per annum from its Lega Dembi gold mine in Oromia Regional State.⁶

⁵ National Bank of Ethiopia, Annual Report, 2018/19

⁶ Ibid

Recent economic data again underlines that the current import intensive growth trajectory is unsustainable. GDP contraction is evidence of the importance of mining but also indicates the critical need to move up the value chain. Upstream mining and downstream beneficiation and linkages to major economic sectors are critical. This is the basis for the GoE to set a strategic goal to increase the exploitation of its formidable mineral resources potential by ten-fold by 2023 to increase its foreign currency earnings and transform the sector into a main economic engine for the nation's development. The strategies to accomplish this objective include delivering basic geological data to the civil and business sectors, attracting private investors in the development of the mining sector and issuing licenses to those engaged in mineral operations and petroleum exploration. Besides, the development of mineral and geological energy resources of Ethiopia has to be undertaken in an environmentally friendly manner and in collaboration with different stakeholders to regulate the market.

The increase in earnings of foreign currency from natural resources has proven to be an important support to Ethiopia's endeavors to achieve the status of a middle-income country by 2025. To achieve this goal, appropriate institutional mechanisms and systems should be in place. Besides, a high level of transparency and accountability is essential in the utilization of the resources to yield the desired results.

1.2.The Issues and Challenges

The dynamic nature of corruption makes it difficult to give it a precise definition, but this difficulty should not in any way belittle the depth and magnitude of the socioeconomic devastation caused by corrupt acts and practices. They pose significant economic costs to developing countries in general and the Ethiopian overall economy in particular, including the subversion of development plans and programmes, and the diversion of resources that may have been invested more efficiently. As a result, the real development priorities of a country are often neglected in favor of those that generate the greatest personal gains for the decision-makers.

Diverse research⁷ shows that vulnerabilities to corruption exist in the mining sector across the world, regardless of economic development, political context, geographic region, or the size and maturity of their mining sectors (up/downstream factors). In the Ethiopian Context, the mining sector is susceptible to corruption and issues observed in the mining sector by federal Ethics and Anti-Corruption Commission⁸ among others are:

- Licenses were given to individuals without fulfilling the requirements/documentation to get a license;
- There have been weak follow up on companies that received licenses;
- There have been organizations working in two distinct regions in a single permit number; and
- There have been gaps in handling documents submitted by companies.

It has been also observed that the mining sector has a declining GDP and overall economic contribution to the country. Even if the country announces that the mining sector in Ethiopia is expected to contribute to the transformation of the country from an agriculture-led economy to industry, the mineral export earnings, have been declining in the past consecutive years, the sector registered low. Ethiopia's economy, which largely dominated by agriculture. The country used to earn more than 600 million USD from the mining sector. i.e., in 2011-2012, the nation earned 618 million dollars from mineral exports. In 2014, the country earned about 541 million USD from mining exports. In the years from 2015 to 2019, both revenues collected and the GDP contribution of the sector reduced drastically. In the year 2013/14, the sector annual growth rate was 3.2 % then jumped into 25.6% in 2014/15 then declined into 3.3% in 2015/16 then deep into negative 29.8 in 2016/17 and

⁷ Norman, Mathew L., 2012. "The Challenge of State Building in Resource Rich Nations", *Northwestern Journal of International Human Rights*. 10 (3): 173-190.; Weinthal and Luong, 2006. "Combating the Resource Curse: An Alternatives Solution to Managing Mineral Wealth", *American Political Science Association*, 4(1): 35-53.; Abraham John, 2008. *Corruption, Social Inequality and Poverty in Mano River Union (MRU) States of West Africa*. A paper prepared for international conference organized by UNECA and CODESRIA on Institutions, Culture and Corruption in Africa. 13-16 October 2008, Addis Ababa. P. 1-18;

⁸ Few studies conducted by the Federal Ethics and Anti-Corruption Commission of Ethiopia on the challenges of corruption in gold extraction in Adolla in 2011, on the operation of Geological Survey of Ethiopia in 2012, and Bayu Fuel Corporation in 2016.

negative 20.8 % in 2017/2018. Moreover, in 2018 mining contributes only less than 1% of Ethiopian GDP declining from 9.1% in 2013.

Several factors can be suggested for such declining in the mining sector including corrupt practices like contraband activities among others. This study, therefore, commissioned in order to identify the current level of corrupt practices in the mining sector, which could be cited as an explanatory factor for the declining of the sector in terms of revenue collections, GDP contribution, and export among others. Furthermore, although the Federal Ethics and Anti-Corruption Commission (FEACC) has undertaken a few studies on the challenges of corruption in gold extraction in Adolla in 2011 and on the operation of the geological survey of Ethiopia in 2012, a comprehensive study on corrupt practices in the mining sector in Ethiopia was not conducted. There has also been an apparent lack of information on the nature of corrupt practices in the mining sector in the country. The study is, therefore, initiated to bridge the existing information and knowledge gaps in corrupt practices in the mining sector in the country, which further helps to prepare a fertile ground for evidence-based intervention by FEACC and concerned bodies as well as stakeholders. The findings of this study will also feed into the national anti-corruption policy and strategy, which will be developed.

1.3.Objectives of the Study

The General objective of the study is to undertake a national study on the prevention of corrupt practices in the mining sector and to propose strategies for minimizing corruption in the sector and enhance stakeholder's oversight role.

The specific objectives of the study are to:

- Identifying constraints, and gaps that lead to corrupt practices/risks
- Assessing the underlying causes of corrupt practices in the mining sector in the country;
- Identifying the most vulnerable mining value chain area/s for a better understanding of corrupt practices in the mining sector. and
- Providing possible recommendations, solutions and actionable strategies for further activities to the eligible stakeholders including FEACC.

1.4. Research Questions

This study attempts to address the following main question and sub-questions:

- What is the nature of corrupt practices/risks in the mining sector in Ethiopia and how to address them?

To answer this broad question the study address the following key research questions:

- What are the constraints, and gaps that lead to corrupt practices/risks in the mining sector in Ethiopia?
- What are the underlying causes of the existence of corrupt practices/risks in the mining sector?
- Which mining value chain/s are most vulnerable to corrupt practices/risks in the mining sector in the country?
- What possible measures/interventions should be taken to address the challenge of corrupt practices in the mining sector in Ethiopia?

1.5. Scope of the Work

The scope of this study is to explore the causes of corruption and fraudulent practices in the mining sector in the country. Corruption can be defined in many ways and in this study the operational definition is the abuse of entrusted authority for private gain. In this regard, relevant concepts used to understand corruption in the mining sector are employed. These are the concepts of contraband, MACRA tool, mining value chain, value addition, beneficiation, and money laundering. The target population for this study is a specialized population group that is familiar in the mining sector or exploitation in the area. In this regard, **cluster sampling and** purposive sampling technique techniques are employed. The study also conducted in five regional states, namely Oromia (in Shakisso- Gold, Tantalum, Chromite, Dolomite, Clay, Gravel, and Granite), Tigray (in Shire-Sapphire, Gold, Copper, Coal, Iron Ore, Silver, and Zink), Benishangul-Gumuz (in Menge, Kurmuk and Kamasha-Marble, Coal, Base Metals such as Tin, Zinc and Gold), Afar (in Afdera, Erta Ale

and Dankhil- Potash and Salt), and Amhara (in Warla –Diverse kinds of Opal), for their higher relative importance in their contribution to the nation’s economy, the potential for mineral resources and geological history/terrenes.⁹

1.6.Significance of the Study

It is believed that this study is the first of its kind as it is a comprehensive study on the challenges of corruption in the mining sector. The findings of the study would contribute not only to understand the challenge of corruption in the mining sector in the country but also to possible remedies. The study, therefore, fills the gap in the existing knowledge about the subject at hand in the country thereby helping the relevant government offices and other stakeholders to develop appropriate strategies in addressing the challenge of corruption in the mining sector. Furthermore, it may help other researchers in undertaking further investigations about the challenge of corruption in the mining sector. The study report, therefore, serves as a useful guide to lawmakers and regulators, operators, companies and civil society organizations as well as the community – regardless of their location – to understand the challenge of corruption in the mining sector in Ethiopia and take appropriate actions, which would help to address the challenge.

1.7.Limitations of the Study

The conduct of the study has been affected by many constraints. These include the problem of security during data collection due to the instability in the country at the time of data collection restricted movement in particular in the Afar region. Carrying out research and securing dependable data on a highly sensitive topic has proven to be another major challenge. To overcome the problem of access to information, different instruments of data collection were employed. The consistencies of the data obtained from different sources were also checked. Time was another constraint. It was initially agreed that the completion of the study would take five months. However, the data collection, analysis, and interpretation took more months than anticipated. About findings from the specific areas, it

⁹*Selection of regions is informed following the data collected and interview conducted with the Ministry of Mines, Petroleum and Natural Gas; Geological Survey of Ethiopia and Ethiopian Investment Commission as well as consultation with the respective authorities at FEACC.*

won't be appropriate to generalize into the regions necessarily. Accordingly, findings from the regions apply to the specific area/s and not necessarily to the region per se. There is an apparent lack of data on the mining sector in terms of the sector's growth, GDP contribution and export. Accordingly, the study relied on data obtained from the National Bank of Ethiopia. The study, therefore, is not bereft of challenges.

CHAPTER TWO

Review of Related Literature

CORRUPTION AND THE MINING SECTOR

2.1. Introduction

Most African countries including Ethiopia are endowed with mineral resources. The minerals in these countries, however, failed to generate marked economic growth, improved quality of life and human development. This is mainly because of poor governance, which manifests in corrupt practices. In this regard, the chapter highlighted diverse governance models designed to strengthen and promote good governance in mineral-rich African countries. The chapter also shows cases of a few African countries able to manage their resources for good economic performance and development. In this regard, Botswana, South Africa (post-1994), Namibia and Morocco, are cases in point as well as other mineral-rich countries outside the continent such as Australia, Chile, and Norway. The experience in these countries suggests specific ways in which transparency, accountability in the use of mineral resources can be encouraged, and corruption correspondingly reduced. The discussion in this chapter aimed at providing a conceptual background to the reader concerning the challenges of corruption in the mining sector. In this regard, the chapter analyzes the definition, typologies, and dimensions of corruption including Ethiopian experience and major global initiatives to address the challenge of corruption in the mining sector. The chapter also discusses the mining sector's contribution to the economy of Ethiopia: potential and actual; Ethiopia's framework for mineral resource governance regime. The chapter also highlights lessons from other countries as an overview of natural resources governance experiences vis-à-vis Ethiopia.

2.2. The Challenge of Corruption: Definition, Typologies, and Dimensions

Defining Corruption: corruption is a complex phenomenon that is difficult to define, characterize and understand its dynamics. Nonetheless, most scholars and practitioners

define it as, “the abuse of public authority or trust for illegal private gains”.¹⁰ This definition is not bereft of challenges; it tends to be less precise and narrower than its economic, social and political implications. Corruption rather would be best explained through its varied manifestations such as bribery, embezzlement, fraud and extortion, abuse of discretion, intimidation, nepotism, favoritism, kickbacks, and patronage. Moreover, receiving an unlawful gift and commission, illegal contributions, money laundry, identity theft, insider trading, abuse of power and white-collar crime are equally considered as acts of corruption. Several studies argue that bribery is the most commonly practiced form of corruption. “It entails beneficiaries using extralegal means of payment to acquire government favors and resource allocations.”¹¹ In Africa, bribery, patronage, nepotism, and clientelism are common forms of corruption.

Typologies of Corruption: There are two broad forms of corruption based on the kind of actors and the amount of money involved: political or grand corruption, and petty administrative or bureaucratic corruption. The grand one or political corruption refers to the phenomena of corruption perpetrated “by politicians and senior officials, their compartment sets the standard for the people under them, and so on down the line”.¹²

It is also “the purposeful and secretive violation of the standards of moral behavior in a certain political community by politicians...”¹³ Political or grand corruption includes embezzlement of public funds, political patronage, and clientelism. Electoral corruption is

¹⁰ See Transparency International and World Bank definition of corruption, “the abuse of public office for private gain”. The World Bank definition recognizes the existence of corruption in both public and private sectors, and Langseth, et al, 1997. *The Role of National Integrity System in Fighting Corruption*. Washington DC: World Bank: P.3

¹¹ See Rose-Ackerman(ed) *International Handbook on the Economics of Corruption*. Massachusetts: Edward Elgar Publishing Inc; Atuobi, Samuel, 2007. ‘Corruption and State Instability in West Africa: An Examination of Policy Options’. *KAIPTC Occasional Paper*. P.7; Kyambalesa, Henry, 2006. “Corruption: Causes, Effects, and Deterrents” in *Journal of Africa Insight*. Vol.36, No.2 P.104

¹² See World Bank, 1998. *Ethiopia: Anti-Corruption Report*. Washington DC: World Bank P. 13

¹³ See Robben, Katrien, 1998. “The Recent Debate on Curbing Political Corruption” in *Ethics and Accountability in a Context of Governance and New Public Management*. Amsterdam: IOS press P.220

also included in this category. Political or grand corruption is mainly dominant in developing and less developed states. In Africa, most of the higher government officials use political offices to amass personal gains. For instance, more than \$ 420 billion is estimated to be held in Swiss banks by African heads of the state alone while the continent is suffering from a total debt amounting to \$ 300 billion.¹⁴

The second type of corruption, which is prevalent in Africa, is petty administrative or bureaucratic corruption. It is defined as the “use of public office for private benefit in the course of delivering a public service”.¹⁵ Such practice is common in the socio-economic settings where personal incomes cannot, largely, meet the basic needs of civil servants.

This kind of corruption is experienced daily at places like hospitals, schools, and local licensing offices. Common forms of administrative corruption include bribes to issue licenses, avoid or lower taxes, escape customs procedures and win public contracts. Such kind of corruption justified as a supplementary income to cope with the increasing living cost among public servants in most African countries. However, it distorts the provision of public services as it leads to the unfair distribution of services and resources.¹⁶ To summarize, the major difference between political or grand corruption and petty administrative corruption is that the former entails “controlling and manipulating the entire systems to serve private interest while the latter reflects specific institutional weaknesses within the system”.¹⁷

Dimensions of Corruption: Corruption has different characteristics. It is by nature enigmatic, distinct and limited to a narrow group. This aspect makes it difficult to accurately

¹⁴ See ‘Global Study on the transfer of funds of illicit origin, especially funds derived from acts of corruption’, *Ad Hoc Committee for the Negotiation of a Convention Against Corruption*, 4th; *Agenda, Item 3*, at 3, U.N. Doc. A/AC.261/12 (2002)

¹⁵ Doig, Alan and Theobald, Robin (eds), 2000. *Corruption and Democratizations*. London: Frank class P.4; Anti-Corruption Website, 2004. <http://www.anticorruption.info>

measure its size and seriousness and come up with a reliable estimate and actual cost of corruption. Hence, institutions dealing with corruption are forced to use perception-based assessments such as expert and public opinion. The characteristics of corruption vary with different levels, ranging from rare to widespread and systemic. When the incidence of corruption is rare, it becomes easy to detect, deal with and punish; and vice versa when it becomes systemic. Thus, the characteristics of corrupt behavior at higher levels are very difficult to detect. Some relate the characteristics of corruption with those of cancer to indicate that corruption, as a phenomenon is complex to treat and eliminate.¹⁸

The effect of corruption on Africa is very high. It is estimated to be more than US \$ 148 billion per annum or 25% of the continent's gross domestic product (GDP). Moreover, 50 % of tax revenue and the US 30 billion dollars in aid for Africa ended up in corruption. Africa is, therefore, losing a significant amount of money and resources, which could be used for development, reduction of poverty and enhancing governance. This effect makes corruption a critical hurdle in the socio-economic development of Africa. As ECA African Governance Report I attests, corruption ranked among the top three problems in Africa following poverty and unemployment.¹⁹

Corruption also affected different sectors and areas in Africa _the extractive industry is a case in point. The large-scale revenues derived from extractive industries in many African countries are vulnerable to grand corruption. Illegal logging and mining, diversion of oil revenues and illicit appropriation of public assets, to mention but a few, have emerged as insurmountable challenges of corruption. For example, in Nigeria, an estimate revealed that about \$400 billion earned from the export of oil and both military rulers and civilian administrators had plundered gas since the 1970s through corrupt practices. A study in the states of Liberia, Sierra Leone and Guinea has pointed out corruption as “the most singular factor that has skewed the economic and political trajectory of these states which have

¹⁸ Rose-Ackerman(ed) *International Handbook on the Economics of Corruption*. Massachusetts: Edward Elgar Publishing Inc. P. xix

¹⁹ African Development Bank, 2006. *Combating Corruption in Africa: Issues and Challenges*. Concept Note Paper for the 2006 Annual Meetings, Ouagadougou.P.7

culminated in economic decadence, political morass and gross abuse of the economic, social and cultural rights”.²⁰

Corruption is a formidable governance challenge in Ethiopia. The trend in the past eighteen years (2000 to 2018) indicates that corruption hardly improved in the country as the country scored below five consistently in the Transparency International (TI) Corruption Perception Index (CPI) (See figure 5 below).

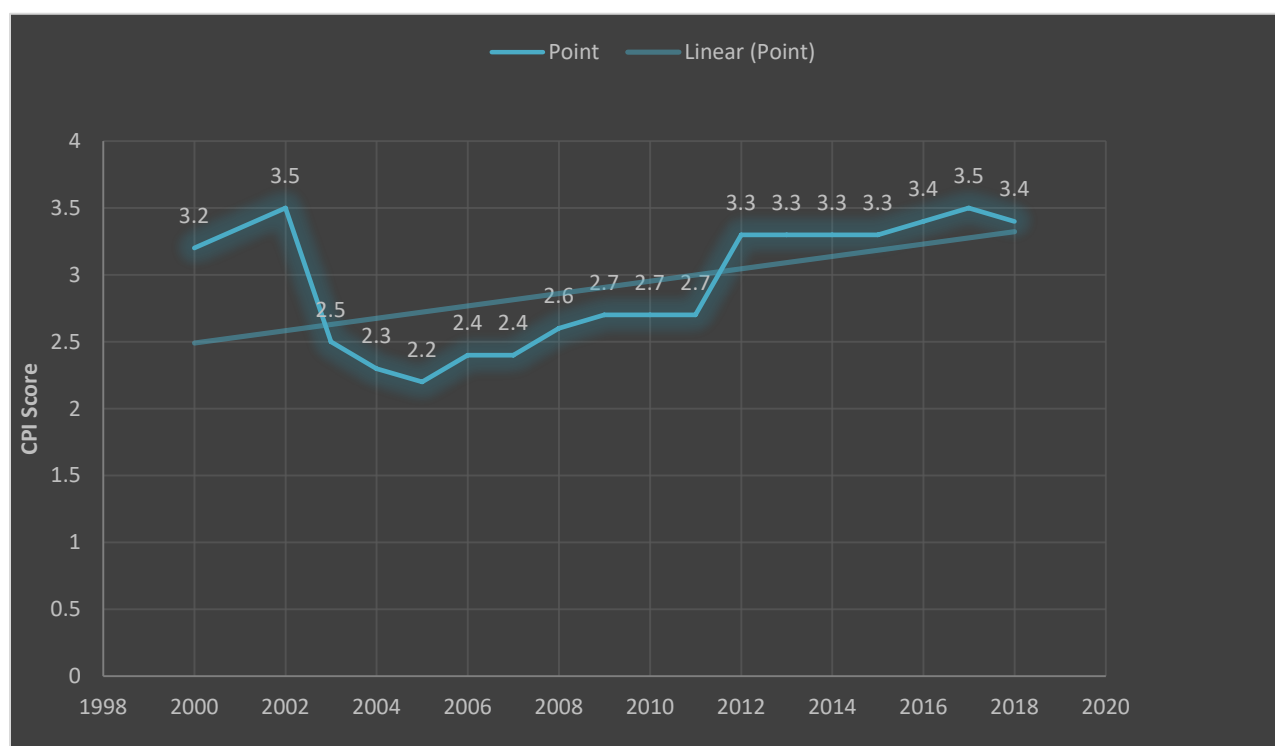


Figure 11: Trends in Corruption Perception in Ethiopia from 2000-2018

Source: Transparency International Corruption Perception Index (TI-CPI)

2.1. Major Global Initiatives to Address Extractive Governance Challenges

Much of the literature argues that good governance is a prerequisite for successful mineral resource-driven development in Africa.²¹ Governance of mineral resources specifically

²⁰ See John, Abraham 2008. *Corruption, Social Inequality and Poverty in Mano River Union (MRU) States of West Africa*. A paper prepared for international conference organized by UNECA and CODESRIA on Institutions, Culture and Corruption in Africa. 13-16 October 2008, Addis Ababa. P. 1-18

refers to the appropriate management of revenues from minerals for sustainable development. It also entails “the adoption of sound principles, and their monitoring, related to the mining value chain, from extraction and processing to trading, and the associated environmental, social, gender, health and other impacts.”²²

In this regard, there have been mechanisms, initiatives, and campaigns that were aimed at promoting and strengthening governance in mineral-rich African countries. These are the: (i) The Kimberly Process Certification System (KPCS), (ii) The Publish What You Pay (PWYP) Campaign, (iii) The Extractive Industries Transparency Initiative (EITI), (iv) the Certified Trading Chains Scheme (CTCS), (v) The Extractive Industries Value Chain (EIVC), (vi) The Equator Principles (EP), (vii) The Global Reporting Initiative (GRI), (ix) ICMM The Sustainable Development Framework (SDF) (x) The African Peer Review Mechanism (APRM), and (xi) The African Mining Vision (AMV). In the subsequent paragraphs, detailed discussions of some of the most notable governance models will follow.

The Kimberley Process was initiated in May 2000 in Kimberley, South Africa, by governments, major diamond traders and civil society initiatives. Its objective is to promote transparency and accountability in the diamond trade, specifically stopping the illicit trade used by rebel movements to fund insurgencies in Sierra Leone, Liberia, Angola and the Democratic Republic of the Congo. The Process has 81 member countries, including 20 African countries. It is also backed by the United Nations and World Trade Organization.²³

The Kimberley Process Certification Scheme requires member States to certify that diamonds mined within their borders are conflict-free. The scheme is monitored through

²¹ See Buur, Lars, et al, 2013. “Extractive Natural Resource Development: Governance, Linkages and Aid”, DIIS Report. Danish Institute For International Studies (DIIS). A DIIS ReCom Publication. P. 65; African Union, 2013. “Harnessing The African Peer Review Mechanism (APRM) potential to Advance Mineral Resource Governance in Africa”. 3rd AU Conference of Ministers Responsible for Mineral Resources Development, 07-11, October 2013, Bamako, Mali; Norman, Mathew L., 2012. “The Challenge of State Building in Resource Rich Nations”, *Northwestern Journal of International Human Rights*. 10 (3): 173-190.

²² See Pedro, Antonio, et.al. 2012. “Mineral Resources Governance for Development in Africa: Extending the APRM Framework to Extractive Industries” In *Reflections on Africa’s Development*. P. 133

²³ See The Kimberley Process Web at <http://www.kimberleyprocess.com/>

review visits, annual reports and regular exchanges and analysis of statistical data. Indeed, the Process is a voluntary pact between governments, industry and civil society initiatives to stop the flow of conflict diamonds i.e., rough diamonds used by rebel movements to finance wars against legitimate governments.²⁴

The process has also contributed to reduced conflicts and civil wars in Angola, Liberia, DRC, Côte d'Ivoire, and Sierra Leone by challenging the funding sources of rebel groups and compelling them to negotiate peace deals. It has also improved the revenues of post-conflict countries by strengthening policies and facilitating improved transparency for the extraction and marketing of diamonds. Despite the progress, there are still challenges to the initiative. While trade in illegal diamonds has been reduced drastically, it has not stopped. Weak internal control mechanisms, especially in post-conflict countries, allow the illicit diamond trade to still flourish.

Corruption of state officials involved in the certification process also thwarts the objectives of the scheme. In Sierra Leone, Angola and the Democratic Republic of Congo illegal foreign and local diamond miners still circumvent the Kimberley Process and use their international networks to place their products in the international market.²⁵

The Publish What You Pay (PWYP) Campaign is an initiative that was launched in 2002 by a coalition of civil societies. The campaign aims to improve transparency and accountability for revenues generated by oil, gas and mineral industries. The campaign was prompted by the lack of transparency that usually characterizes financial transactions between multinational corporations and governments, especially in the extractive sector in the developing world. Citizens rarely know how much MNCs pay in rent on mineral resources to their governments and where the money ends up. Accordingly, the campaign

²⁴ For more information see The Kimberley Process Web at <http://www.kimberleyprocess.com/>

²⁵ See Norman, Mathew L., 2012. "The Challenge of State Building in Resource Rich Nations", *Northwestern Journal of International Human Rights*. 10 (3): 173-190. p. 179-180; Hilson, Gavin and Maconachie, Roy 2009. "Good Governance and The Extractive Industries in Sub-Saharan Africa", *Mineral Processing & Extractive Metall.* 30: 52-100. P. 80; African Union, 2013. "Harnessing The African Peer Review Mechanism (APRM) potential to Advance Mineral Resource Governance in Africa". 3rd AU Conference of Ministers Responsible for Mineral Resources Development, 07-11, October 2013, Bamako, Mali. P. 7

calls for “the mandatory disclosure of payments made by oil, gas, and mining extractive companies to each national government”.²⁶

By encouraging private firms to “publish what they pay” to governments, the initiative enables citizens in mineral-rich countries to hold their governments accountable. At present, 28 African countries have joined the Campaign. There has been some progress through the initiative, albeit not bereft of challenges. The most notable are (a) the lack of a freedom-of-information law in many African countries constrains public disclosure; (b) companies in some cases are wary of a backlash from the State on financial payment disclosure; and (c) there is apparent lack of monitoring, sanctions or enforcement regime for the initiative beyond pressure from CSOs.²⁷

The Extractive Industries Transparency Initiative (EITI) is a multi-stakeholder initiative involving multinational and state-owned companies, host governments, business and industry associations, international financial institutions, and civil society organizations. The objective is to improve governance for mineral resource-based development. More specifically, it aims to increase transparency in the payments made by companies and revenues received by governments relating to the exploitation of extractive resources such as oil, gas, and minerals, which would help the public hold governments accountable for the revenue coming from the extractive resources.²⁸

Under the initiative, governments and private firms are to disclose their financial payments and receipts from the extractive sector. Governments are expected to prepare and present reports disclosing revenues generated from the extractive sector. The EITI is a voluntary process and compliance is monitored by the global civil society coalition known as Publish What You Pay as the launch of EITI motivated largely from the success of Publish What You Pay Campaign.²⁹

²⁶ See Publish What You Pay Campaign website. Available at <http://www.publishwhatyoupay.org/en/resources/new-report-history-and-achievements-publish-what-you-pay-coalition>

²⁷ See Weinthal and Luong, 2006. “Combating the Resource Curse: An Alternatives Solution to Managing Mineral Wealth”, *American Political Science Association*, 4(1): 35-53. P.41

²⁸ See EITI website: <http://eiti.org/eiti>

²⁹ See Hilson, Gavin and Maconachie, Roy 2009. “Good Governance and The Extractive Industries in Sub-Saharan Africa”, *Mineral Processing & Extractive Metall.* 30: 52-100. P. 52;

At present, 24 African countries have joined the initiative while one country's membership has been suspended i.e., the Central African Republic. Reports were issued from 21 African member countries yet only three African member countries - Liberia, Nigeria, and Ghana – have completed the validation process.³⁰ A commitment to good governance is a prerequisite for a country to benefit from the EITI as the agreements are none binding. This is one of the underlying challenges that prevent the EITI from achieving its goals in some mineral-rich African countries.³¹

The APRM, unlike the other three instruments, is exclusively an African owned initiative, which aims at improving governance on the continent. It is rooted in African values of individual responsibility to the collective and seeks to commit African countries to good governance values. The mechanism is a mutually agreed instrument, voluntarily acceded to by member states of the African Union (AU), designed and implemented by Africans for Africa.

It aims to monitor participating countries' progress towards adopting and implementing the New Partnership for Africa's Development's (NEPAD) priorities and programmes, particularly on democratic and political governance, economic governance, corporate governance, and socio-economic development.³²

The mechanism is open to all member states of the AU. At present 38 AU member States have signed the memorandum of understanding on the APRM of which 17 countries have already undergone the review process, and are focused on implementing the national programme of action that emerged from it.³³ Since 2010 through, the revised APRM questionnaire for the country self-assessment, a great move was made in terms of sustainable governance of the mineral sector by including a section on the governance of

³⁰ For more information see EITI website: <https://eiti.org/countries> and <http://eiti.org/eiti/history>

³¹ See Hilson, Gavin and Maconachie, Roy 2009. "Good Governance and The Extractive Industries in Sub-Saharan Africa," *Mineral Processing & Extractive Metall.* 30: 52-100. P. 92

³² See Gedion Gamora, 2014. 'Red Flagged Ignored: Governance Values and Practices in Africa', SAIIA Occasional Paper, No.172, January. P. 12

³³ For more information please see APRM Website. Available at <http://www.nepadkenya.org/aprm.html?keyword=Enter+a+keyword&Search=#>

extractive industries.³⁴ Critics, however, argue that some pertinent issues of governance of the extractive sector are not adequately addressed in the revised questionnaire.

It is important to note that commodity-based industrialization strategies are viable and commendable options for mineral-rich African countries to expedite structural transformation agendas and address challenges about the structural transformation such as creating decent jobs, diversification, resilience, and sustainability.³⁵ In this regard, the African Mining Vision is a step in the right direction as it aims towards the “transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development”.³⁶

The Vision was adopted in 2009 by the African Union’s heads of State and Government. Good economic and political governance has been recognized as a critical factor in facilitating the structural transformation of mineral-rich African economies.

The Vision also underpinned the importance of rent management from minerals and using it for socio-economic development. The Vision also identifies other actions to enhance governance in the extractive sector including an independent judiciary and the use of regional and international protocols; Independent competition authorities and integration into regional economic blocks (FTAs, customs unions) to increase market size and the ability of the market to self-regulate competition; infrastructure regulators (transport, energy, water, telecom) and the pooling of limited national resources through cross-border regulators (catchment bodies, transport authorities, power pools, etc.); and licensing/contracting body, which would benefit from national, regional (RECs).

³⁴ See African Union, 2013. “*Harnessing The African Peer Review Mechanism (APRM) potential to Advance Mineral Resource Governance in Africa*”. 3rd AU Conference of Ministers Responsible for Mineral Resources Development, 07-11, October 2013, Bamako, Mali.

³⁵ At the global level, Africa has about 12% of the world’s oil reserves, 42% of its gold and 80-90% of chromium and platinum group metals. Africa also has deposits of ores that are of much higher grade than anywhere else in the world (e.g. copper in Democratic Republic of Congo, gold in Ghana, and Tanzania etc.). See ECA and AU, 2013. *Economic Report on Africa, Making the Most of Africa’s Commodities: Industrializing for Growth, Jobs and Economic Transformation*. Addis Ababa: Economic Commission for Africa, P. 8

³⁶ See African Union, 2009. *The African Mining Vision*. P. v

Furthermore, each African country is invited to implement AMV and introduce its provisions in its national mining legislation and policy through a special and additional small guide drafted for them under the coordination of AMDC.³⁷ The lack of centralized revenue management for long term development investment, however, is fairly characteristic of mineral-rich African countries. Evidence from Africa suggests that it is a relatively common occurrence in mineral-rich countries for a few individuals to appropriate economic rents for themselves.

Furthermore, various groups with vested interests, attempt to access, control and extract the mineral resources. As a result, low levels of human development and high levels of inequality are recorded in mineral-rich African countries such as Angola, Nigeria, DRC, Cameroon, Chad and Niger among others.³⁸

Efficient rent management, thus, is regarded as one of the explanatory factors for the emergence and development of strong economic performance and developmental states in some South-Eastern Asian, Latin American and African countries. In this regard, the African Mining Vision identifies effective and innovative fiscal regimes as an integral component of a developmental and well-governed mining sector that aims at apportioning “rent” fairly between the investor and the country in which the minerals are located. In this and many other regards, the Vision serves as a “credible blueprint for resource-driven development on the continent.”³⁹ The African Mining Vision is a paramount important

³⁷ See AU's *The African Mining Vision*, 2009; AU, AfDB and UNECA, 2011. *Action Plan for Implementing the AMV: Building a Sustainable Future for Africa's Extractive Industry: From Vision to Action*.

³⁸ Among the 38 mineral-rich and oil exporter in Africa, only 8 (21 %) are in Medium Human Development Index (HDI) - Botswana, Gabon, South Africa, Namibia, Ghana, Congo Republic, Zambia, and Equatorial Guinea,– while the remaining (79%) are in Low Human Development Index. See 2014, *Human Development Report*. Available at <http://hdr.undp.org/sites/default/files/hdr14-report-en-1.pdf>. Detail assessment on this issue is reflected on Africa Progress Panel, 2013. *Equity in Extractives: Stewarding Africa's natural resources for all*. P. 20-25

³⁹ See Pedro, Antonio, et.al. 2012. “Mineral Resources Governance for Development in Africa: Extending the APRM Framework to Extractive Industries” In *Reflections on Africa's Development*. P. 150

underlying structure or essential support for the mining sector in Ethiopia so that it harmonizes and integrates good mining governance in the country if adopted.

Ethiopia is known to have an ancient history of mining and a wide range of mineral resources including gold, platinum, nickel and other base metals such as tantalum, the gemstone is found in the country. Furthermore, construction and industrial material resources are also available in different parts of the country. Ethiopia's mining sector is at its early stage but the sector has great potential to contribute to the economic development of the country⁴⁰.

Indeed, most African countries including Ethiopia are endowed with mineral resources. The minerals in these countries, however, failed to generate marked economic growth, improved quality of life and human development. This is mainly as a result of poor governance, which manifests in corrupt practices. In this regard, the chapter highlighted diverse governance models designed to strengthen and promote good governance in mineral-rich African countries. The chapter also showcased a few African countries able to manage their resources for good economic performance and development. In this regard, Botswana, South Africa (post-1994), Namibia and Morocco, are cases in point as well as other mineral-rich countries outside the continent such as Australia, Chile, and Norway. The experience in these countries suggests specific ways in which transparency and accountability in the use of mineral resources can be encouraged and corruption correspondingly reduced.

2.3.The Mining Sector Contribution to the Economy of Ethiopia: Potential and Actual

Ethiopia is a leading producer of mineral commodities such as gold that accounts for over 90% of the mineral output. The country also produces limestone, salt, pumice, and tantalum. There is likewise significant informal production, with around 350,000 artisanal gold miners estimated to support a population of up to five to seven million. The greater part of Ethiopia's mineral creation (at least 52%) originated from the Artisanal and Small Scale

⁴⁰EITI, 2016. *Mining Inventory of Ethiopia, 2016*. Ministry of Mines, Petroleum and Natural Gas, Addis Ababa.

Mining (ASM) Sector. A continuous investigation is occurring for oil and gas, albeit no monetarily practical disclosures have yet been found.⁴¹

Ethiopia is enriched with different metallic and industrial minerals in different geographical areas as indicated above. The country has rich deposits of opal, coal, tantalum, iron, nickel, manganese, potash and phosphates. Gold and tantalum reserves are found in the South, West, and North of the country. The oil and gas sector is still in the exploration phase. While largely untapped, resources are under development to help diversify Ethiopia's economy away from agriculture (see Annex VII on potential reserves of minerals in Ethiopia)

The mining and quarrying sector is still under-developed as earlier noted. The Government of Ethiopia aims to increase the minerals sector contribution to 10% of GDP by 2020. The oil and gas sector is still in the exploration phase in Ethiopia.⁴²

State governments collect and manage their shares of royalties, excise tax, land rentals, license fees and 'Pay as You Earn' personal income tax in addition to their budget allocations from the Ministry of Finance. The Petroleum Training Fund is a separate bank fund, which is managed by MMPNG and aims to fund capacity building activities in the oil and gas sector. Training fees from oil and gas companies are paid directly to the Petroleum Training Fund account.⁴³

According to the EITI 2015/16 Report, there is limited data on what numbers of individuals are utilized by the extractive area. Figures submitted from a few (6) major companies suggest that the mining sector employed less than 4,000 in 2015/16. The scope of people dependent on the mining sector is, however, much larger if one also considers artisanal and small-scale mining. Between 300,000 and 350,000 people are engaged in artisanal and

⁴¹ See Fasil Amdetsion (2015). Ethiopia's Mining Sector: a Developmental Approach Control Risks. A New Frontier: Oil and Gas in East Africa.

⁴² Available at World Bank (2015), Can Ethiopia's Resource Wealth Contribute to its Growth and Transformation?

Deutsche Bank (2015), Frontier country report Ethiopia

⁴³ *Ibid*

small-scale gold mining, while five to seven million people are believed to depend on mining for their livelihood. There are no figures on how many people are employed by the oil and gas sector in the country, but from the few companies that reported 196 employees were representing 5% of total employment.⁴⁴

As of July 2019, there were about 122 licensed companies engaged in exploration and development of diverse minerals such as gold and associate minerals, limestone, salt, marble, coal, gemstone, precious and base metals, tantalum, potash, iron ore, magnesium, lithium, bromine & other industrial minerals. Out of the total companies 52.45%percent of the licenses issued to foreign firms, 31.15% local firms while 16.4% percent are joint ventures. **(See table 1 below on Companies engaged in the mining sector in Ethiopia)**

Table 1: Companies Engage in the Mining Sector in Ethiopia

⁴⁴ Available at *Ethiopia's EITI Report (2018) "Contributions of Extractive Companies to Community Development and Environmental Protection"*

Local_Foreign_JV	LICENSE_TYPE	Mining Scale	MINERAL_TYPE	REGION
Local	Mining	Large	Salt	Afar
Local	Mining	Large	Salt	Afar
Local	Mining	Large	Salt	Afar
Local	Mining	Large	Salt	
Foreign	Mining	Large	Gold & Associated Minerals	Oromia
Joint Venture	Mining	Large	Basalt	Addis Ababa Administration
Foreign	Mining	Small	Limestone	Hareri
Foreign	Mining	Large	Marble	Benshangul Gumuz
Joint Venture	Mining	Large	Basalt	Addis Ababa Administration
Foreign	Mining	Large	Limestone	Dire Dawa Provisional Administration
Foreign	Mining	Small	Limestone	Amhara
Foreign	Mining	Small	Clay	Oromia
Foreign	Mining	Large	Basalt	Addis Ababa Administration
Local	Mining	Large	Pumice	Amhara
Foreign	Mining	Large	Cement Raw material (limestone,marl,clay,gypsum)	Oromia
Foreign	Exploration		Coal	Oromia
Foreign	Exploration		Gold, Base Metals and Chromite	Benshangul Gumuz
Foreign	Mining	Small	Silica sand	Amhara
Local	Mining	Large	Clay	Oromia
Foreign	Mining	Large	Pumice	Oromia
Foreign	Mining	Large	Pumice	Oromia
Foreign	Mining	Large	Gold	Oromia
Joint Venture	Mining	Small	Clay	Dire Dawa Provisional Administration
Joint Venture	Exploration		Gold & Associated Minerals	Gambella and SNNP
Foreign	Exploration		Gold and related Minerals	Afar and Tigray
Joint Venture	Exploration		Gold & Related Minerals	Benshangul Gumuz
Foreign	Exploration		Precious, Base Metals	Benshangul Gumuz
Foreign	Mining	Large	Limestone	Oromia
Local	Exploration		Gold & Base Metals	Benshangul Gumuz and Oromia
Joint Venture	Mining	Small	Marble	Benshangul Gumuz
Joint Venture	Mining	Small	Marble	Benshangul Gumuz
Foreign	Mining	Large	Basalt	Oromia
Foreign	Mining	Small	Gypsum	Oromia
Foreign	Mining	Large	Limestone	Oromia

Joint Venture	Mining	Large	Marble	Benshangul Gumuz
Local	Exploration		Gold & Base Metals	Tigray
Foreign	Exploration		Precious and Base Metals	Benshangul Gumuz
Foreign	Mining	Large	Silica sand	Oromia
Joint Venture	Mining	Large	Marble	Benshangul Gumuz
Joint Venture	Exploration		Gold & Base Metals	Tigray
Local	Exploration		Gemstone	Oromia
Local	Exploration		Gemstone	Oromia
Local	Exploration		Gold	Benshangul Gumuz and Oromia
Local	Mining		Iron Ore	Amhara
Local	Exploration		Gold & Associated Minerals	Oromia and SNNP
Local	Mining	Large	Gold	Tigray
Local	Exploration		Iron Ore	Tigray
Foreign	Mining	Large	Clay	Oromia
Joint Venture	Exploration		Gold	Oromia
Foreign	Exploration		Primary Gold and Base Metals	Benshangul Gumuz
Foreign	Mining	Small	Marble	Benshangul Gumuz
Foreign	Exploration		Gold and Associated Minerals	Tigray
Local	Exploration		Primary Gold and Base Metals	Oromia
Foreign	Mining	Large	Pumice	Oromia
Foreign	Mining	Large	Gypsum	Oromia
Foreign	Mining	Large	Limestone	Oromia
Foreign	Mining	Large	Silica sand	Amhara
Foreign	Mining	Large	Silica sand	Oromia
Foreign	Mining	Large	Basalt	Oromia
Local	Exploration		Precious and Base Metals	Tigray
Local	Exploration		Precious and Base Metals	Tigray
Local	Exploration		Precious and Base Metals	Tigray
Foreign	Mining	Large	Gold and silver	Oromia
Local	Exploration		Placer Gold	Oromia
Foreign	Exploration		Kaolin	SNNP
Joint Venture	Mining	Large	Marble	Benshangul Gumuz
Local	Exploration		Iron Ore	Amhara
Foreign	Exploration		Feldspar	SNNP
Local	Exploration		Gold, Base Metals and Related Minerals	Oromia
Local	Exploration		Gold, Base Metals and Related Minerals	Oromia
Joint Venture	Mining	Large	Marble	Benshangul Gumuz

Joint Venture	Exploration		Marble	Amhara and Benshangul Gumuz
Foreign	Exploration		Copper	Oromia
Foreign	Mining		Marble	Benshangul Gumuz
Joint Venture	Exploration		Silica sand	Amhara
Local	Mining	Large	Limestone	Oromia
Local	Mining	Large	Placer Gold	Gambella
Local	Mining	Small	Gold and Silver	Tigray
Foreign	Exploration		Iron Ore	Amhara And Tigray
Foreign	Exploration		Gold & Base Metals	Tigray
Foreign	Exploration		Gold & Base Metals	Tigray
Foreign	Exploration		Gold & Base Metals	Tigray
Foreign	Exploration		Gold & Base Metals	Tigray
Foreign	Exploration		Gold & Base Metals	Tigray
Joint Venture	Mining	Large	Marble	Benshangul Gumuz
Local	Mining	Small	Placer Gold	Tigray
Foreign	Exploration		Bentonite	Afar
Local	Mining	Large	Placer Gold	Oromia
Foreign	Exploration		Tantalum	Oromia
Foreign	Exploration		Tantalum	Oromia
Foreign	Mining	Small	Iron Ore	Oromia
Foreign	Exploration		Gold & Associated Minerals	Benshangul Gumuz
Local	Exploration		Iron	Tigray
Joint Venture	Mining	Small	Gold	Oromia
Joint Venture	Exploration		Placer Gold	Benshangul Gumuz
Local	Exploration		Zinc and other base metals	Tigray
Foreign	Exploration		Gold, Base Metals and Associated Minerals	Tigray
Foreign	Mining	Large	Gold and Associated Minerals	Benshangul Gumuz
Foreign	Mining	Large	Potash	Afar
Local	Mining	Small	Placer Gold	Oromia
Foreign	Exploration		Limestone	Amhara
Foreign	Exploration		Gold & Base Metals	Oromia
Foreign	Mining	Large	Potash	Afar
Local	Mining	Small	Silica sand	SNNP
Foreign	Exploration		Placer Gold	Benshangul Gumuz
Joint Venture	Mining	Large	Limestone and Gypsum	Oromia
Foreign	Exploration		Bromine	Afar
Joint Venture	Mining	Large	Gold and silver	Tigray
Foreign	Exploration		Gold & Base Metals	Tigray
Local	Exploration		Iron and Associated Minerals	Tigray

Local	Mining	Large	Placer Gold	Oromia
Foreign	Exploration		Silica sand	Amhara
	Mining	Large	Granite	Somali
	Mining	Large	Limestone	Tigray
	Exploration		Placer Gold	SNNP
Foreign	Exploration		Potash	Afar
Foreign	Exploration		Potash, Magnesium, Lithium, Bromine & other Industrial Minerals	Afar
	Exploration		Gold & Base Metals	Benshangul Gumuz
Local	Exploration		Iron Ore	Amhara
Foreign	Exploration		Iron Ore	Tigray
Foreign	Mining	Small	Marble	Benshangul Gumuz
Foreign	Exploration		Marble	Benshangul Gumuz

Source: Ministry of Mining, Petroleum and Natural Gas, July 2019

2.4. Ethiopia's Framework for Mineral Resource Governance Regime

For several years, Ethiopian mining regulation has put foreign mining companies off from participating in its mineral sector. Before the arrival of the new economic policy of Ethiopia, private investments were not admitted or accepted as legal in the mining sector during the period commencing 1974 to 1991 and the government was solely responsible for the exploration and development of the sector. However, this trend was changed since 1993 to make the minerals sector more attractive to foreign investors. This resulted not only with new mining laws but also with the tax laws that were constantly reviewed to boost investment in the sector.

In this context, proclamations were issued based on the legal framework that governs mineral exploration, exploitation, trading, and taxation. The most notable ones are the Mining operations proclamation No. 678/2010 amended under Operations Proclamation No. 816/2016, the transaction of precious minerals Proclamation No. 651/2009, mining operations regulations No. 182/1994 that was amended under regulation No. 27/1998 and Mining income tax proclamation No. 53/1993 amended under proclamation No.23/1996,

and regulation no. 423/2018. These laws govern all mining and interrelated activities in Ethiopia.⁴⁵

The proclamations were consecutively amended to be competitive internationally and in favor of investors. The legislation addressed several issues such as invite private investment in all kinds of mineral operations, provide exclusive license rights, require adequate health safety of employees and environmental impact study depending on the type and nature of the project, machinery, and vehicles necessary for mineral operation. The legislative prospects in the mining sector during the first growth and transformation plan (GTP I-2010-2015), the hub of the government was to create a favorable environment for private investors for exploration and development of mineral resources.⁴⁶

Among the various government initiatives that were aimed to support the private sector include collection, analysis and interpretation of geoscience information for potential investors. Broadly, speaking, the main strategic direction of the mining sector during GTP I was creating an institutional and regulatory framework to develop a favorable environment for the private sector to contribute towards the development of the mining sector.⁴⁷

Similarly, during the second Growth and Transformation Plan (GTP II), the government has been targeting to improve the sector's policy, legal-frameworks, regulatory and working systems of the government. The major strategic directions of the mining sector during the second growth and transformation plan are expanding the production of minerals for foreign exchange generation and import substitution for local industries. The government also aimed to give due attention to value addition to minerals and producing mineral inputs for the manufacturing sector development.⁴⁸

As mentioned in the background the mining operation proclamations came up with the 4 types of mineral license. Each type of mining has a different duration. In the case of

⁴⁵ See Proclamation No. 816/2016, Proc. No. 678/2010, Proc. No. 651/2009, and regulations No. 182/1994, regul. no. 423/2018

⁴⁶ See GTP I, 2010 to 2015,

⁴⁷ See GTP I, 2010 to 2015,

⁴⁸ See GTP II, 2015 to 2020,

artisanal mining, the license lasts up to three years and can be renewed twice for three years, special small-scale mining lasts up to

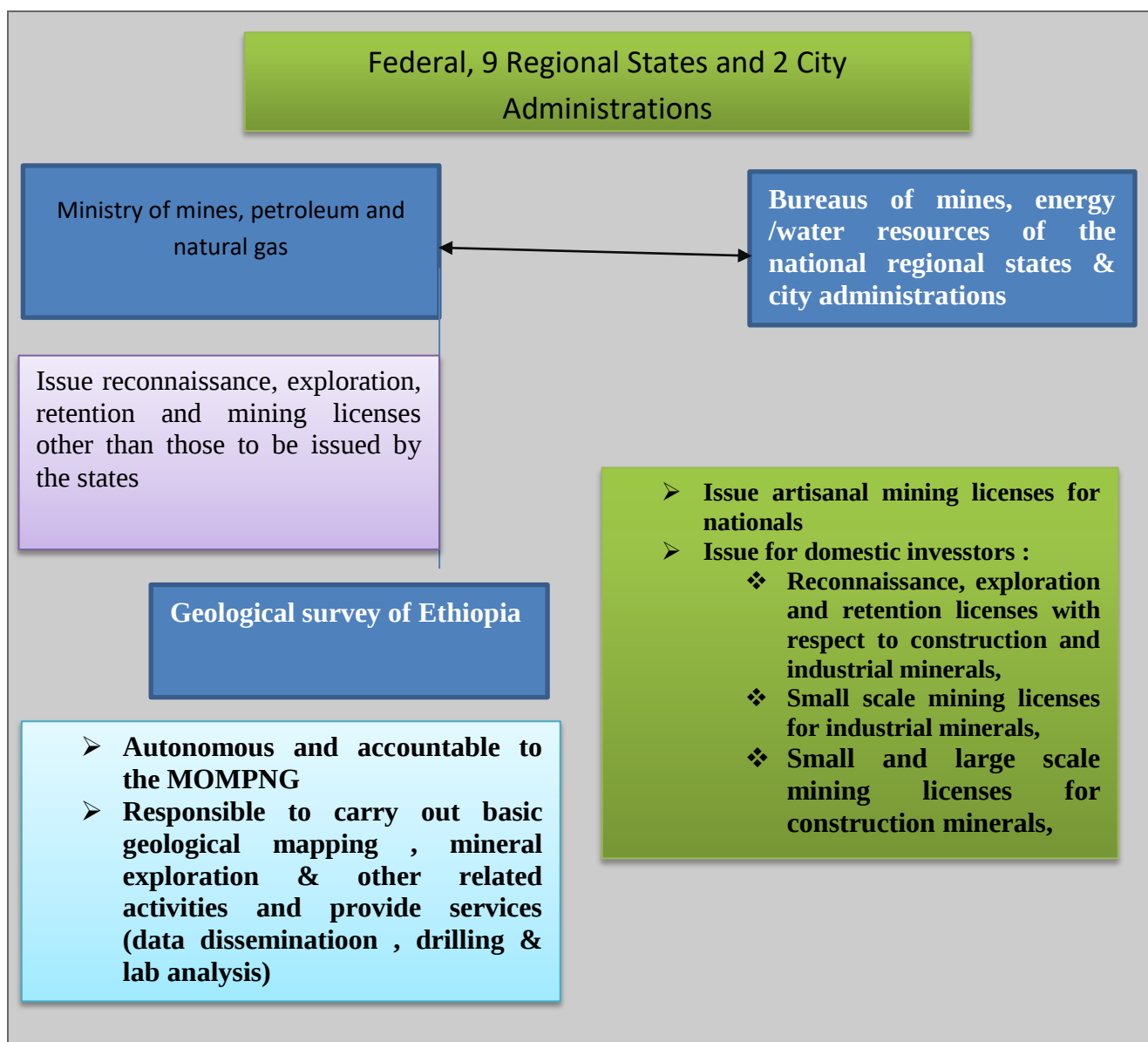
ten years and can be renewed for five years and lastly, large-scale mining lasts up to twenty years and can be renewed for ten years each. The artisanal mining, special-small scale mining are all provided by the regional states only for nationals exclusively but in the case of large scale mining since it's provided by the Ministry of Mining it is available for both national and international exclusively⁴⁹.

The mineral legislation aimed to attract private investment & bring sustainable mineral resource development that will bolster the monetary advancement of the nation. The role of government is restricted to the regulation of the sector, generation, and dissemination of basic geoscience data. The main features of the legislation are to invite private investment in all kinds of mineral operations, which requires adequate health and safety of employees, and environmental protection including completion of environmental impact studies.

Moreover, it provides an exemption from customs duties and taxes on equipment, machinery, and vehicles necessary for the mining operations. Also, it will guarantee licensee's right to sell minerals locally or abroad, and the opening and operation of a foreign currency account in Ethiopian banks, retention of a portion of foreign currency earning and remittance of profits, dividends, principal and interest on a foreign loan, etc. Among these, Ethiopia, require royalties of 2 to 7% *ad valorem* on production site, provide for dispute settlement through negotiation & arbitration, 25% corporate tax rate & permits 10 years loss carries forward, exploration cost recovery for successful companies that commenced mining operation, 5% free government equity.

Ethiopian mining policy and strategic reform are additionally going to progress and advance the country's national mineral development policy and strategy in progress with the national planning commission with the help of partners. The mineral legislations mentioned (proclamations, regulations, directives, etc.) and institutional framework (see figure 6 below) are based on the principles of (i) free-market economic policy; (ii) transparency &

⁴⁹ See *Federal Negarit Gazette of the FDRE*, Proclamation No. 678/2010 Art. 24-29; Proclamation No. 816/2013, see pages 7300;



accountability in the licensing & administration system and investment attraction; (iii) the Ethiopian people's ownership of the mineral resources of their country and the custodianship of the government to ensure the mineral resources development benefit its people; (iv) operations undertaken in an environmentally friendly manner and benefit the community; and (v) guaranteed private investment; and recognizing private investment as an engine for development.⁵⁰ (See figure 6 below).

⁵⁰ MoMP. *The mineral industry and investment opportunities in Ethiopia*. Ethiopia-Canada Trade & Investment Forum 2017, Toronto, Canada, June 28, 2017.

Figure 12: Institutional Framework, Duty and Responsibility of the Mining Sector of Ethiopia.

The Ethiopian legislative frameworks for the mining sector have a well-defined process for controlling mine licensing and operations. Detailed mining laws and regulations govern license issuing, license conditions, mining operations, mining revenues, and the functions of the licensing authorities, as follows:

- **License issuing:** under Ethiopian law, a license is required to prospect, explore, or mine in Ethiopia (although Ethiopian nationals do not need prospecting licenses). The license types include discovery certificates, prospecting licenses, exploration licenses, and mining licenses. There are three types of mining licenses: artisanal, smallscale, and large scale. People who satisfy the license requirements have the right to acquire a license provided they are suitably qualified and possess the required financial resources, technical competence, and professional skill and experience necessary to fulfill the license obligations.
- **License conditions:** the licenses specify the conditions with which the licensee must comply in prospecting, exploring or mining. In particular, the conditions specify the license area; the type of mineral that can be mined; the equipment and resources that the mining company must use; the work program; and any applicable environmental, health and safety, or social conditions.
- **Mining revenues:** a mining company operating in Ethiopia must pay royalties and taxes to the relevant licensing authority. Royalties are calculated on the mineral output of the mine. Artisanal mining is exempted from income tax.
- **Compensation:** the mining company is legally obligated to compensate the people whose land or homes are lost or affected because of the mining operation. The companies are not currently required in Ethiopia to submit and comply with a social management plan. However, the Federal Ministry of Mines now encourages mining companies to consider a social management plan, which may become a legal

requirement in due course. Such a plan government permits may be needed for planning permission, building approvals, safety, and environmental issues, import and export clearances, payment approvals, and currency exchange, among other matters. It could include housing, schools, hospitals, water, and food, and so on for the mineworkers, their families, and the local community.

- **Government permits** may be needed for planning permission, building approvals, safety, and environmental issues, import and export clearances, payment approvals, and currency exchange, among other matters.
- **Customs duties:** mining equipment may be imported. There are exemptions from customs duties and import taxes on the equipment, machinery, vehicles, and spare parts necessary for mineral operations. However, these equipment are restricted not for sale⁵¹.

2.4.1. Regulatory Body and Over-Sight Agency Vs Operation

The regulatory bodies to control the governance of mining sector in Ethiopia is divided among federal, regional, and city licensing authorities who are responsible for issuing all licenses; determining the conditions imposed at the time of license issuance; monitoring mine operations to ensure that mining companies comply with laws, regulations, and license conditions; and monitoring output and profit to ensure that the correct amounts of royalty and tax are paid. The authorities' respective responsibilities break down as follows:

- **Federal licensing authority:** Ministry of Mining (MOM) acts as the federal licensing authority, with responsibility for large-scale mining by domestic investors and all operations by foreign investors.
- **Regional and city licensing authorities:** The relevant regional or city licensing authorities to act as the licensing authorities in their respective areas for artisanal mining, prospecting, exploration, small-scale mining, and small- and large-scale

⁵¹ Plummer, Janelle. (2012). *Diagnosing Corruption in Ethiopia: Perceptions, Realities, and the Way Forward for Key Sectors*, World Bank. Available at <http://documents.worldbank.org/curated/en/210171468024611636/pdf/699430PUB0Publ067869B09780821395318.pdf>

mining of construction minerals, provided that only domestic investors are undertaking these activities

2.5. Lessons from Other Countries and Case Studies as an Overview of Natural Resources Governance Experiences vis-à-vis Ethiopia

Africa is abundantly endowed in natural resources, so endowed that some even look at the riches as a disadvantage for the continent.⁵² While it is still known as the least-explored continent⁵³ for its sub-surface resources, more than 70 % of African countries, which account for more than 86 % of the continent's population, are recognized as having significant mineral resource endowments.⁵⁴ In 2012, the African Development Bank put Africa's share of the world's total mineral reserves at about 30 percent,⁵⁵ while in 2015 *The*

⁵² *The 2012 US Geological Survey reported that Africa "ranks first or second among the continents in share of world reserves of bauxite, chromite, cobalt, ilmenite, industrial diamond, manganese, phosphate rock, platinum-group metals (PGM), rutile, soda ash, vermiculite, and zirconium." See Thomas R. Yager et al, The Mineral industries of Africa: 2012 Minerals Yearbook (2014), available at <http://minerals.usgs.gov/minerals/pubs/country/2012/myb3-sum-2012-africa.pdf>.*

⁵³ As the Africa Progress Panel (APP) observed, on a per square kilometer basis, Africa spends less than a tenth of what major producers such as Australia and Canada spend on exploration. See Africa Progress Panel, *Equity in Extractives: Stewarding Africa's natural resources for all* (2013), p. 41.

⁵⁴ Thirty-eight African countries are listed as members of the Natural Resource Governance Index (NGI) and the Extractive Industry Transparency Initiative (EITI): Algeria, Angola, Botswana, Burkina Faso, Cameroon, Central African Republic, Chad, Democratic Republic of Congo, Côte d'Ivoire, Egypt, Equatorial Guinea, Ethiopia, Gabon, Ghana, Guinea, Liberia, Libya, Madagascar, Mali, Mauritania, Morocco, Mozambique, Namibia, Niger, Nigeria, Republic of Congo, Sao Tome and Principe, Senegal, Sierra Leone, South Africa, South Sudan, Seychelles, Tanzania, Togo, Tunisia, Uganda, Zambia and Zimbabwe. See also UNECA, *Economic Report on Africa 2015: Industrializing through trade* (2015), pp. 180-181 (listing the following 36 countries as rich in minerals, oil and/or gas, which it defines to mean countries that derive at least 20% of their total exports from these resources: Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Central African Republic, Chad, Congo Republic, Côte d'Ivoire, DRC, Djibouti, Equatorial Guinea, Eritrea, Gabon, Ghana, Guinea, Lesotho, Liberia, Libya, Mali, Mauritania, Madagascar, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sierra Leone, South Sudan, The Sudan, South Africa, Tanzania, Togo, Zambia and Zimbabwe. For a more detailed account of Africa's natural resource endowments, see UNECA Sub-Regional Office for Eastern Africa, *Harnessing the African Peer Review Mechanism (APRM) Potential to Advance Mineral Resources Governance in Africa* (2012).

⁵⁵ See AfDB, *Mining Industry Prospects in Africa* (2012), available at <http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/mining-industry-prospects-in-africa-10177/>.

Economist observed that Africa is home to “a third of the planet’s mineral reserves, a tenth of the oil and it produces two-thirds of the diamonds.”⁵⁶

Box 1 Mineral Resources Profile of Selected African Countries

- 1) **Angola:** with a daily average production of 1.8 million barrels of oil and gas, Angola is the second-largest producer of oil in Sub-Saharan Africa. In 2014, the oil and gas sector contributed 80% of government revenues, 95 % of exports and 46 % of GDP. Angola is also rich in other minerals, including diamonds. Angola is a member of the Organization of Petroleum Exporting Countries (OPEC) and participates in the APRM process since July 2004. However, the country is challenged by grand corruption, poverty, and inequality.
- 2) **Democratic Republic of Congo (DRC)** is one of the richest countries in the world in terms of mineral resource endowment. The DRC possesses 80 percent of the world’s coltan (the Colombo Tantalite) reserves, more than 60 percent of known cobalt reserves and the world’s largest supplier of high-grade copper. The country is also endowed with manganese, uranium, timber, diamonds, gold, tin, iron ore, and oil. The DRC is also the fourth-largest diamond producer in the world. The DRC has the potential to be one of the richest countries not just on the African continent but even globally. However, the DRC remains one of the poorest countries in the world, with the mining sector having only a small impact on driving economic growth relative to the scale of mineral resources available in the country (AEO, DRC Profile, 2014: 211). Corruption is one of the formidable governance challenges in the country.
- 3) **Equatorial Guinea** is the third-largest oil producer in Sub-Saharan Africa next only to Nigeria and Angola. Revenues from oil and gas constitute 90 percent of GDP. The sector also contributes overwhelmingly to all of the country’s exports and accounted for a huge percent of government revenues. Revenue from the sector has contributed to developing infrastructure in the country mainly to build roads, schools, hospitals and social housing. The country, however, is still confronted with high levels of poverty, limited access to public utilities such as water, sewerage, and health (AEO, 2013:223). The country is also challenged by the Dutch disease as the contribution of minerals represents 90 percent of GDP, while agriculture stands at 4.6% and services at 8.1%. Corruption is also a major challenge in the country.
- 4) **Nigeria** is Africa's largest oil exporter, and the world's 7th largest oil producer. In 2014, the country produced an average of 2.361 million barrels of oil per day (BP Statistical Review, 2015: 8). Other

⁵⁶ See “*African economic growth: The twilight of the resource curse?*” *The Economist* (10 January 2015).

mineral resources in the country include natural gas, coal, bitumen, limestone, iron ore, barites, lead, zinc, and gold. The Nigerian economy is heavily reliant on oil and gas, which accounted for 96.5% of total merchandise exports in 2013. (APRM Country Report, Nigeria, 2009; Resource Governance Index Country Report for Nigeria, 2013). The oil sector, however, has been affected by high corruption and IFFs originating from under-invoicing of oil exports (Ajakaiye and Olowookere, 2013: 10-11). Nigeria lost almost over 500 billion USD because of corruption.

- 5) **Tanzania** is abundantly endowed with minerals, including gold, copper, coal, silver, diamonds, tanzanite and natural gas. Six large mining companies are engaged in gold mining in Tanzania, a commodity that accounts for 90% of the value of Tanzania's mineral exports. The value of mineral exports increased nearly eight-fold between 2005 and 2010. The main development challenge in the country is that despite high growth averaging 7 % over the past decade, the growth is not sufficiently broad-based and poverty levels remain high (AEO, Tanzania Profile, 2014; 249 and Resource Governance Index Country Report for Tanzania, 2013).
- 6) **Morocco** is the world's largest phosphate exporter and holds three-quarters of global phosphate reserves. Morocco's other mineral resources include silver, copper, and iron ore. The extractive industry accounted for 13 percent of total exports in 2010; by 2013 phosphate production fell by more than 2%, while export turnover fell by 22% as a result of a decline in external demand. Morocco's economy is more diversified than other mineral-rich African economies; with more than five sectors each contributing more than 10% of GDP in 2008 and 2012 (Resource Governance Index Country Report for Morocco, 2013; and AEO, Morocco Profile, 2013/2014).

While this should give Africa, a solid foundation on which to launch broad-based, inclusive and sustainable development, its post-independence history – and indeed the history of many other resource-rich developing countries as well – have shown that resource endowment alone is not enough for a country to realize these development outcomes. On the contrary, the experiences of many resource-rich African countries have been used to support the widely-held view that natural resource-dependency gives rise to a resource curse situation under which resource-rich countries “tend to have worse economic performance than resource-poor countries.”⁵⁷

⁵⁷See World Bank, *Socioeconomic Impact of Mining on Local Communities in Africa* (Report No: ACS14621, June 2015), p. 33.

If the resource curse thesis has been a dominant theory since the 1970s in particular, the experience of resource-rich African countries has provided the evidence base to sustain it. As the Africa Progress Panel (APP) correctly observed, “the pessimists’ case is built on a long, inglorious history in which Africa’s resource wealth has financed colonial-era monuments in Europe, vast private fortunes of post-independence leaders ... and numerous civil wars.”⁵⁸

The resource curse phenomenon is often attributed to three interrelated factors: (1) the Dutch disease which, in the words of *Economic Report on Africa*, refers to “the negative impact on an economy of anything that gives rise to a sharp inflow of foreign currency, such as the discovery of large oil reserves”, which inflows “lead to currency appreciation, making the country’s other products less price competitive on the export market” and often result in “limited economic diversification;”⁵⁹ (2) dependency on typically volatile commodity markets for foreign currency revenues; and (3) rent-seeking behavior, including corruption and conflict that often accompany windfall revenues from natural resources.⁶⁰

The cumulative effect of these factors, and the resource curse hypothesis generally, in political terms is that resource abundance, and particularly resource dependence,⁶¹ “causes” countries to be “more likely to have limited political freedoms, to be governed by nondemocratic regimes, to have higher levels of corruption, and to suffer from civil wars within their boundaries.”⁶² At the same time, however, we also know that not all countries with abundant natural resources are poor, run by corrupt dictators, suffering the scourge of

⁵⁸See APP Report (2013), p. 7.

⁵⁹See UNECA, *Economic Report on Africa 2015: Industrializing through trade* (2015), p. 25 and footnote 13, p. 44. According to Professor Paul Stevens the name ‘Dutch disease’ came from the experience of the Netherlands in the 1970s following the discovery of the Groningen gas field which is believed to have caused “contraction in the non-hydrocarbon traded sector following a real appreciation of the exchange rate.” For the Netherlands this meant a decline in manufacturing, while “for developing countries, it was agriculture that took the hit.” See Paul Stevens, “Resource Impact: Curse or Blessing? – A Literature Survey”, IX:1 *The Journal of Energy Literature* (2003), p. 5.

⁶⁰See World Bank (2015), p. 33.

⁶¹For a discussion of resource abundance and resource dependence and their impact on national economies, see Degol Hailu and Chinpihoi Kipgen, *The Extractives Dependence Index* (2015), available at <http://goxi.org/profiles/blogs/new-paper-the-extractives-dependence-index-edi>.

⁶²See Humphreys, Sachs, and Stiglitz, *Escaping the Resource Curse* (Columbia University Press, 2007) p. 11)

resource-induced civil war.⁶³ On the contrary, there are several success stories, such as Australia, Chile, and Norway, which have succeeded in translating their natural resource wealth into sustained economic prosperity.

From within the continent as well, a recent African Union study identified Botswana, Morocco, Namibia, and South Africa as “notable exceptions in Africa where mineral resources revenues have been well managed for economic and social development”.⁶⁴ The message from this line of research is thus straightforward: although it has contributed some useful insights, the resource curse theory is clearly “flawed”⁶⁵; resource abundance per se does not cause resource curse; only the mix of weak institutions and corruption resource abundance causes the resource curse.”⁶⁶

Experience along the Value Chain

Overall good governance in the country and along the mineral value chain plays an important role to make the most out of the mineral resources a country owns. Transparency International’s (TI) the global coalition against corruption for mining for sustainable development highlighted some of the most common and serious natural resources corruption risks by providing case studies along the value chain such as weaknesses in the licensing process; due diligence; capacity to verify environmental and social impact assessments (ESIAs); and requirements for consultation.

For instance, **weaknesses in the licensing process**. A fair and transparent licensing process has clear rules and an effective licensing authority with a complete and accurate register of licenses. This avoids conflicts between competing for license applicants and existing license holders and reduces the possibility that investors will resort to corrupt conduct to have conflicts resolved in their favor. As is common practice in mining, all countries in this study

⁶³For a detailed discussion of the resource curse thesis in the context of African extractive resources and its rebuttal, see APP Report (2013).

⁶⁴ See African Union, *Harnessing the African Peer Review Mechanism (APRM) Potential to Advance Mineral Resources Governance in Africa* (Oct. 2013), para. 3.

⁶⁵ See Paul Stevens, Glada Lahn and Jaakko Kooroshy, *The Resource Curse Revisited* (Chatham House, 2015), p. 28.

⁶⁶ Halvor Mehlum, Karl Moene, and Ragnar Torvik “Institutions and the Resource Curse.” *The Economic Journal* (2006), pp. 1–20.

grant licenses on a “first come, first served” basis, although many also have provisions for competitive tender when a geological potential is known. A complete, accurate and public register of licenses and the areas to which they apply is important to ensure that the “first come, first served” rule is respected.

Zimbabwe’s mining license register is paper-based, which limits public access and makes it vulnerable to tampering. Poor management of the current license register has led to many conflicts because overlapping mining licenses have been granted. The duration and timing of each step of the licensing process are at the discretion of licensing staff, enabling them to manipulate the timing of applications received to preference certain applicants.⁶⁷ In Ethiopia, the same limitations in the licensing process occur because the exploration and mining license grant process is based on “first-come, first-served” and paper-based registration though at the moment the Ministry of mining is in the process of online application and licensing using South African experience.

Effective due diligence on license applicants’ technical capacity and financial resources ensures that only qualified and experienced applicants are successful. This also requires effective investigation into applicants’ compliance history and past conduct to screen out undesirable applicants. Checks to verify applicants’ claims about their financial resources, technical capacity and beneficial owners reduces the risk that applicants will deliberately provide false information and that unqualified and under-resourced actors will be granted rights to mineral resources. In **Australia**, the mining states of Western Australia and Queensland have limited mechanisms for due diligence investigations into the backgrounds, previous conduct and beneficial owners of mining companies.

While applicants are required to disclose their record of environmental compliance, this is limited to their activities in Australia. There are numerous examples of both foreign and Australian companies being granted licenses even though they have been investigated for or charged with corruption or other offenses overseas, such as failing to comply with laws and

⁶⁷See at
https://www.transparency.org/files/content/feature/2017_CombattingCorruptionInMiningApprovals_CaseStudy_LicensingProcess.pdf

environmental permits. The current framework does not encourage rigorous due diligence of the integrity, character and track record of applicants. Risk of inadequate due diligence corruption was identified in both developed and developing mining economies including Ethiopia and is more likely to arise when: **(1)** Due diligence on past conduct and compliance and verification of claims about beneficial owners, financial resources or technical capacity is weak allowing dishonest applicants to lie or provide misinformation about their qualifications, or companies with a history of corruption to be granted mining rights. **(2)** The regulation and disclosure of license transfers are ineffective enabling unscrupulous actors to bypass due diligence mechanisms and obtain mining licenses.⁶⁸

Capacity to verify environmental and social impact assessments (ESIAs): Properly verifying environmental and social impact assessments (ESIAs) ensures that the potential impacts of mining developments are identified before work starts. This enables government authorities to impose effective license conditions to manage these impacts by requiring mining enterprises to develop and implement effective mitigation plans. Thorough verification of ESIAs makes it more likely that a license applicant will provide a robust and effective ESIA that does not contain misleading or fraudulent statements or that omits critical information. In **South Africa** under the streamlined mining approvals process – the One Environmental System – the Department of Mineral Resources is responsible for the environmental approvals process for mining companies: approving environmental impact assessments; issuing environmental authorizations; and monitoring and enforcing compliance with environmental obligations. The Department lacks the necessary capacity and expertise to properly perform these functions and its failure to fulfill its environmental responsibilities has led to multiple legal actions and an increased burden on the courts.⁶⁹

The same corruption is more likely to arise in Ethiopia since (1) the relevant government authority of the country (MoMP, Regional & city mineral, and environmental governments) doesn't have the capacity or resources to verify the contents of ESIAs enabling applicants to knowingly provide incorrect information about the potential impacts of their project. (2) The

⁶⁸ *Ibid*

⁶⁹ *Ibid*

relevant government authority is unable to monitor compliance opening the door for applicants to commit to conditions that they have no intention of fulfilling.

Requirements for a consultation: Genuine consultation with communities is fundamental to ensure that mining contributes to sustainable development. Ensuring genuine consultation and negotiations with communities is critical to securing the legitimacy of any mining project. Corruption undermines the credibility of the consultation process, the resulting agreements and, by extension, a company's social license to operate. It can increase conflict between the community and the mining operator, leading to major disruptions to mining activities. If community consultation or negotiations are manipulated, conducted in bad faith or avoided despite legal duties to consult, this can lead to the destruction of livelihoods.

It can also negatively impact on the human rights of community members, such as their access to land for subsistence or to natural and cultural resources. Clear and binding processes and standards guide what constitutes appropriate consultation and safeguard against the risk that affected communities are deliberately bypassed, or consultations are done as a formality and not in good faith. Such type of corruption is more likely to arise when (i) consultation only occurs with elites who do not represent community interests - allowing leaders to take advantage of negotiations for personal gain ; (ii) the negotiation process is not transparent and agreements are not published making it difficult to detect whether negotiations have been manipulated and (iii) there are no clear, binding requirements for consultation - opening the door for the duty to consult to be ignored or undertaken superficially.

In **Cambodia**, despite some positive changes to the mining approvals process, there are still no formal guidelines on who should be invited to participate in community consultations on social and environmental impacts or how agreements should be reached and officially recorded.⁷⁰ The same is true in Ethiopia.

⁷⁰ *Ibid*

CHAPTER THREE

APPROACH AND METHODOLOGY

3.1. Introduction

The chapter explains the approach and methodology used for the study including a description of the study area, sources of data and types of data, the target population, sampling technique, sample size, instruments of data collection and data analysis methods with the rationale for using each is discussed. This study employs a mixed research design. To this effect, quantitative data was collected through a questionnaire or survey. Furthermore, qualitative data, which was collected through Key Informant Interviews (KII) and Focus Group Discussions (FGDs) to supplement data obtained through a questionnaire. These categories of data collection methods were further supplemented by document analysis or desk research. This helped the researcher to triangulate data and generate more reliable research outcomes on the topic under consideration. The research design has been structured to ensure that meaningful recommendations can be provided for improvements in management, controls and other preventive measures in the Mining Value Chain so that the level of corruption is minimized in the sector.

3.2. Description of the Study Areas and Justification

Five regions – Oromia, Amhara, Tigray, Benishangul Gumuz, and Afar were selected in this study including Addis Ababa City Administrations considering the time and resources available as well as diverse minerals mined in these regions. The choice of the regions is also informed after close consultations with the Ministry of Mining, Oil, and Gas; Geological Survey of Ethiopia and FEACC. In this regard, specific area/s that are endowed with diverse minerals are chosen for a detailed study namely in Oromia region, Shakisso area is chosen with the available mineral/s in the area such as (Gold, Tantalum, Chromite, Dolomite, Clay, Gravel, and Granite); in Amhara region, Warla area is chosen with available mineral - different kinds of Opal; in Tigray region Shire area is chosen including the available minerals (Sapphire, Gold, Copper, Coal, Iron Ore, Silver, and Zinc); in Benishangul Gumuz, Menge, Kurmuk, and Kamash areas are chosen including the available minerals (Marble, Coal, Base Metals such as Tin, Zinc, and Gold); and in Afar region, Afdera, Ertale, and Dankhile areas are chosen with available minerals like Potash and Salt). Addis Ababa Administration is also chosen as the federal regulatory body for the sector is based in the city.

3.3. Data Types and Sources

Thorough and detail research methods employed in this study. A combination of quantitative and qualitative research methods employed in this study. Data collected from both primary and secondary sources. In this regard, inter-method triangulation employed i.e., situations in which two or more methods of different methodological origin and nature are used, which do not share the same methodological weaknesses, that are errors and biases. Triangulation intends to offer a stereoscopic view of the issue in question and improve the quality of the findings. The triangulation methods employed in this study are surveys, including questionnaires and key informant in-depth interviews, direct personal observation, case studies, and a desk review.⁷¹

3.3.1. Data Collection Methods :

The methods of data collections include but not limited to:

⁷¹ See Sarantakos, Sotirios, 1998. *Social Research*. Second Edition. Australia: Charles Sturt University

- i) **Review of basic literature/ secondary data/ desk research**—includes a review of documents related to the study, including reports and similar research conducted within/outside the country as well as consulting other relevant national laws, proclamations, etc.⁷²
- ii) **Survey:** adaptive, computerized and structured questionnaires were administered for different stakeholders namely government officials; companies/individual minors; the community/civil societies; and small-scale miners. The questionnaire is mainly drawn from the mining value chain indicated above. Eighteen indicators along the value chain developed, which translated into a close-ended questionnaire for the four stakeholders to solicit their perception of access, quality, efficiency, and effectiveness of the sector (please see annexures 1 to 4, *on indicators and sample guiding questionnaire for more information*). Each question is also an open-ended to elicit more information for the interviewee.
- iii) **Key Informant Interview (KII)** – this was administered especially with mining experts and the relevant stakeholder or people that have ample information using purposive sampling techniques. In each region and federal government, 5 to 10 knowledgeable people in the mining area were interviewed.
- iv) **Focus Group Discussions (FGDs)** - Two FGDs were conducted in each region. Members of the focus group were mainly the community/civil society on the one hand and companies/small scale or individual minors on the other hand. The group had 6 to 12 members.
- v) **Direct Observation of Mining Sites:** The site visits were conducted to get the full picture of the socio-economic condition of the area, mining process, marketing, environmental and corruption risk aspects, challenges and opportunities.

3.4. Approaches Used in the Study

⁷² See Sarantakos, Sotirios, 1998. *Social Research*. Second Edition. Australia: Charles Sturt University

As diverse literature underlines, this study uses a **value chain approach**. This is also rightly reflected in the ToR for this studying indicating the study in the mining sector should take the value chain approach. This study, therefore, employed a mining value chain approach. A value chain “identifies the full range of activities that firms undertake to bring a product or a service from its conception to its end use by final consumers.”⁷³

Mining activities occur along different stages and value is created along the process known as the mineral value chain, which can be impacted by different or sometimes similar governance issues. The African Mining Vision (AMV) also suggests this approach. i.e., the governance of the extractive industry through value chain analysis. Mineral value chain, therefore, must be governed by principles of good governance if not the sector value chain can be impacted by different or sometimes similar governance challenges. In this regard, risks of corruption in the mining sector using the value chain approach analyzed in this study.

The following prominent value chain in the mining sector analyzed in detail in this study. The most common mineral value chain (*see figure 7 below*) includes *contract negotiation and exploration stage*: at this stage the government awards exploration license and production rights. The stage begins when a company/ small scale minors want to enter into a country to explore and later mine. The contract is negotiated during or after the exploration stage following cost-benefit analysis has been done by the mining company with each mine being treated as a separate project. The stage requires bidding procedures having a clear legal, regulatory framework and also institutions that award mining licenses. Unless the stage is disposed to grand corruption, illegal exploitation, and tax evasion.⁷⁴

Accordingly, good governance principles such as transparency, accountability, credibility, and freedom from manipulation are crucial throughout the process. Contracts are also expected to be disclosed to the public. Moreover, at this stage of the mineral value chain “full knowledge of geological assets” helps to make informed decisions both to the public and private sectors. In

⁷³ See AfDB, OECD and UNDP, 2014. *African Economic Outlook: Global Value Chains and Africa's Industrialization*. Available at www.africaneconomicoutlook.org/en. P.124

⁷⁴ See UNDP, 2014. “Governance of Natural Resources in Africa: Why Some Countries Fail to Negotiate Fair Contracts.” Working Paper No. 1, p. 1-2 available at <http://www.et.undp.org/content/dam/ethiopia/docs/UNDP%20Ethiopia%20Working%20Paper%20Series1.pdf>

particular, “a compressive geological and mineral information database will provide governments with better decision-making options and the capacity to negotiate sustainable mineral development contracts with foreign investors.”⁷⁵ (See figure 7 below) a complete set of Mineral Value Chain.

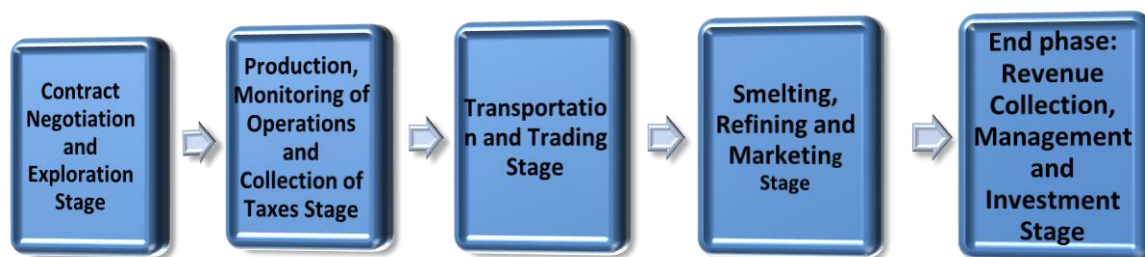


Figure 7: Institutional Framework, Duty and Responsibility of the Mining Sector of Ethiopia.

Source: *Designed by the consultant*

The second important stage in the mining process is the *construction and development of the mine*. This stage requires constructing roads, rails, and housing to support operations, which may require importing machinery and equipment. Indeed, the mining sector in Ethiopia must be anchored on the development of a competitive infrastructure base through local and regional economic linkages. The mining agreements in most instances waive corporation tax or lower it for a minimum of five to ten years due to initial heavy expenditure cost. The stage, however, is susceptible to corruption and Illicit Financial Flows (IFFs), as transfer mispricing may be involved, during transactions to buy equipment and services from different parties.⁷⁶

The third stage is *production, monitoring of operations and collection of taxes*: at this stage, the government regulates and monitors the operations to derive revenue and royalties from the operations. The investor usually, however, granted deductions for capital expenditure used to buy equipment and machinery or rented to carry out the operations. Revenue collection, however, can

⁷⁵ See ECA, AfDB and AUC, 2011. *Action Plan for Implementing the AMV: Building a sustainable future for Africa's extractive industry: From vision to action*. P. 154-155.

⁷⁶ AfDB, OECD, UNDP and UNECA, 2013. *African Economic Outlook: Structural Transformation and Natural Resources*. P. 150 Available at www.africaneconomicoutlook.org/en

be affected if there are full deductions of capital expenditures that go throughout the life of the mine.

Moreover, during this stage companies conduct various services such as management, technical, financial and insurance services. In this regard, transfer mispricing, which is one of the sources of corruption and Illicit Financial Flows (IFF) is a concern.⁷⁷ At this stage, optimal exploitation of mineral resources at all levels –large and small-scale and of all types of mineral resources including high and low value, including non-metallic minerals is crucial.

The fourth stage in the series of the mineral value chain is *transportation and trading*: transportation is involved at this stage in carrying the minerals from one stage of the value chain to another and sale of commodities with minimal or no beneficiation. In this regard, the tax has to be levied on the sale of commodities yet tracking the quantity and sale of commodities is often vulnerable to trade-mispricing. Many Multinational Companies also default on corporation taxes, which may result in very minimal or no corporation taxes from the mining companies. The stage demands integrating mining, industrial and trade policy. Malaysia is cited as the best example in this regard.⁷⁸

The fifth stage is *smelting, refining, and marketing*: Smelting and refining of the mineral ores to a more finished product such as beneficiation, which is the separation of mineral from waste materials as well as preparing the ores for further refinement, are important elements of the mineral value chain, which derive more revenue from mineral resources. At this stage mining companies may require services from other related companies or individuals in which transfer mispricing could happen. Indeed, the concern applies to the marketing of fully or partially processed mineral products.⁷⁹

And the last stage ends phase: *revenue management and investment*: at this stage of the mineral value chain resource rents are expected to be well managed, optimized and utilized to promote broad economic and social development. Countries that have successfully managed their mineral

⁷⁷Bokosi, F. Kenala, 2015. “Increasing Illicit Financial Flows in the Context of Declining Official Development Assistance”, *Issue Paper*, P.3

⁷⁸ See African Center for Economic Transformation. 2014. *African Transformation Report: Growth with Depth*. Ghana: African Center for Economic Transformation. P. 129-130

⁷⁹ See AU and ECA, 2015. *Illicit Financial Flows: Report of the High Level Panel on Illicit Financial Flows from Africa*. P. 27

resource revenues have taken efficient savings and investment decisions, to mitigate the impact of volatile revenue streams on their budgets.

To strengthen their public financial management and expand the horizon of domestic resource mobilization, mineral-rich African countries are increasingly establishing special development funds. For instance, Algeria in this regard, indicated the use of Sovereign Wealth Funds (SWFs) since 2000 as a best practice.⁸⁰ This promotes “enlarged fiscal space” and appropriate revenue management, and can serve as a “social contract that would invariably engage state and society in governing the mineral sector.”⁸¹ Measures to address these risks must be tailored to the relevant context – there are no one-size-fits-all solutions.

Furthermore, governance models/regimes/laws developed to address the challenges of corruption in mineral-rich regions of the country are analyzed in this study as reflected in chapter two of this study. The main argument is that the poor performance of the governance structures and non-performing regulatory regimes in the mining sector is behind the high level of risk for investors, small scale and individual minors and the low levels of foreign investment in many mineral-rich countries. Studies show that a well-performing regulatory regime⁸² is the main pillar of a favorable investment regime in the mining industry. Consequently, the characteristics of regulatory regimes governing the mining sector are of pivotal concern to companies investing in Ethiopia. Logically, regulatory environments exhibiting certain characteristics that reduce risks for foreign investors are more likely to attract foreign investment than those with characteristics that increase risks.

This study also benefited by using the risk assessment method developed for Transparency International – the Mining Awards Corruption Risk Assessment (MACRA) Tool⁸³. This tool

⁸⁰ See APRM Algeria Country Report.

⁸¹ See ECA, 2012. *Harnessing the African Peer Review Mechanism (APRM) Potential to Advance Mineral Resources Governance in Africa. Sixteenth Meeting of the Intergovernmental Committee of Experts (ICE)*. P. 48

⁸² *Regulation as a mode of governance is the ability of national governments to deliver goods and services, prevent market failure, and plan for the future.*

⁸³ M. Nest, (2017) *Mining Awards Corruption Risk Assessment Tool*.

provides a rigorous and consistent approach to identifying and assessing corruption risks in diverse contexts. (See figure 8 below).

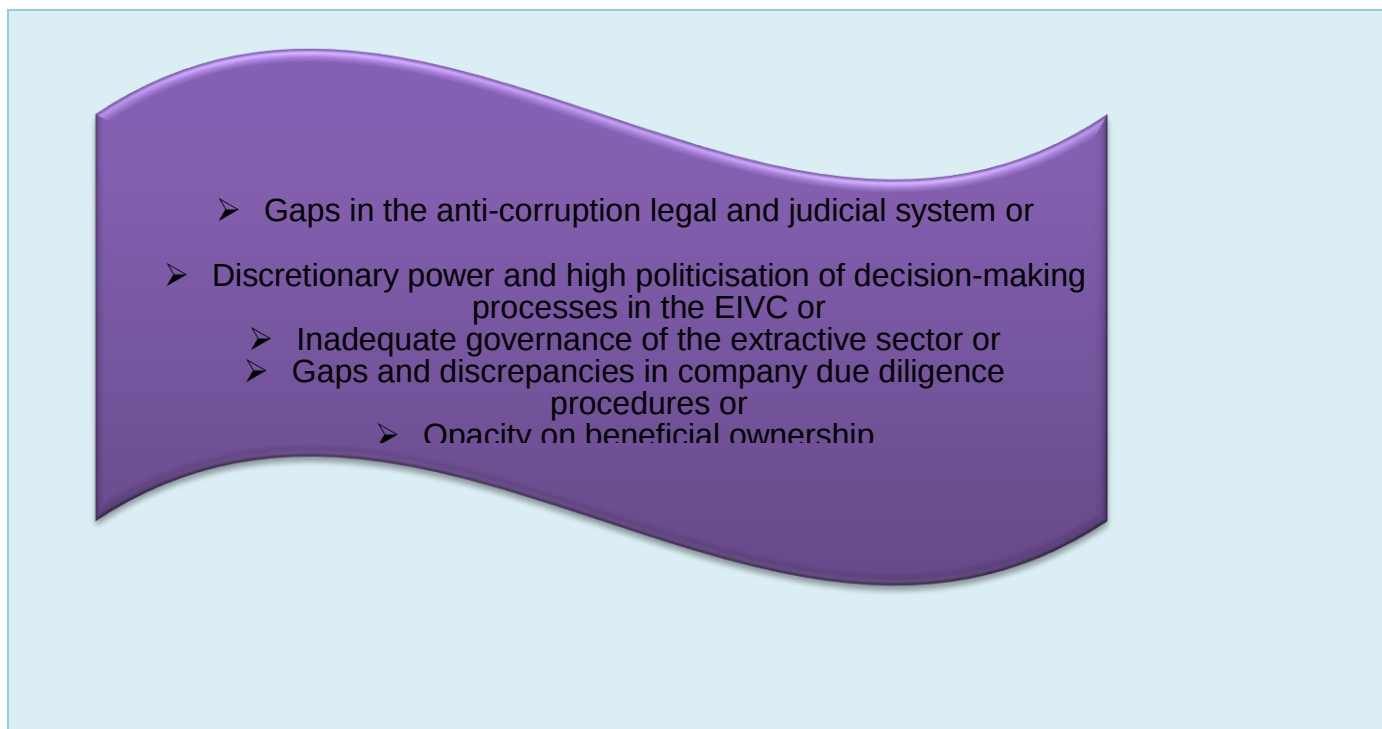


Figure 8: Sources of risk factors along the extractive value chain

Source: Adapted from OECD and World Bank

3.5. Target Population and Sample Selection

The target population for this study is a specialized population group that is familiar in the mining sector or exploitation in the area. In this regard, through the **cluster sampling technique**,⁸⁴ the following key actors in the mining sites are selected for the survey. Cluster sampling is engaged as the respondents must come from a specialized population group and cluster criterion is significant for the study. In this context, government officials, companies or individual

⁸⁴ See Cochran, W.G. (1977) *Sampling Techniques*. 3rd Edition. New York: John Wiley & Sons Page; Sarantakos, Sotirios, 1998. *Social Research*. 2nd Edition. London: MacMillan Press Ltd. Page 146

miners, small-scale mining associations, and the community or civil societies that reside in the mining sites are selected.

The study also conducted in five regional states, namely Oromia (in Shakisso- Gold, Tantalum, Chromite, Dolomite, Clay, Gravel, and Granite), Tigray (in Shire-Sapphire, Gold, Copper, Coal, Iron Ore, Silver, and Zink), Benishangul-Gumuz (in Menge, Kurmuk and Kamasha-Marble, Coal, Base Metals such as Tin, Zinc and Gold), Afar (in Afdera, Erta Ale and Dankhil-Potash and Salt), and Amhara (in Warla –Diverse kinds of Opal), for their higher relative importance in their contribution to the nation’s economy, the potential for mineral resources and geological history/terrenes.

Sample Size Determination

The sample size was determined using the statistical formula for population size (N) that is greater than or equal to 10,000 recommended by Kothari, C.R. (2004)⁸⁵.

Determination of the sample size was based on the formula given by Kothari A none (2004)

$$n = \frac{pqZ^2}{E^2} \dots\dots\dots \text{equation 1}$$

Where: **n** is the sample size, **Z** is confidence level 95% (Z=1.96), **p** is the proportion of the population of interest, **p**= 50%. Variable **q** is the weighting variable and this is computed as (1–**p**) and is an acceptable error (**e**=8%). **P** is set to 0.5 since statistically, a proportion of 0.5resul insufficient and reliable size particularly when the population proportion is not known with certainty. This led to **q** (1- 0.5) = 0.5. A none response rate of 10% the sample size is **n=150**

$$\begin{aligned} \text{I.e. } n &= z (1.96)^2) p (0.5) q (1-0.5) / e (0.08^2) \\ n &= (3.8416) * (0.5) * (0.5) / (0.0064) \\ &= 150 \end{aligned}$$

⁸⁵ See Kothari, C.R., 2004. Quantitative Techniques. New Delhi: Vikas Publishing House pvt. Ltd.,

$$n=150 *10\% = 15$$

$$n=150+15= \underline{165}$$

In this case, 150 people involved in the survey from the five regions Oromia, Amhara, Tigray, Benshangul Gumuz and Afar, and Addis Ababa city administration. From every region including Addis Ababa, 25 people surveyed. These people are familiar with the mining sector in their respective cases (region). Accordingly, six (6) people from government officials, (7) seven people from companies/individual miners, six (6) people from civil society organizations/the community and six (6) people from small-scale mining associations/ artisanal minors. Equal samples were taken from each region as well as Addis Ababa.

In this study, we also engaged a **purposive sampling technique**⁸⁶ for **Key Informant Interview (KII)** – this was administered especially with mining experts and the relevant stakeholder or people that have ample information. In each region and federal government, 5 to 10 knowledgeable people in the mining area were interviewed.

3.5. Methods of Data Analysis

About data analysis, both qualitative and quantitative method of data analysis has been applied. Exploratory, **descriptive**, analytical and critical methods of data analysis employed to analyze the data collected. The latest soft wares were used in analyzing the survey, that is, Census and Survey Processing System (CSPro) was used for data entry while the Statistical Package for Social Science (SPSS) was used for data analysis. Data have been analyzed quantitatively using descriptive statistics such as frequencies, percentages, and means applied to present, describe and analyze the data because descriptive statistics summarize the features of a distribution. It is a reflection of reality, and it shows the characteristics of the population.

Data collected from qualitative interviews analyzed through the following five steps. First, the data from the original form transcribed from tape recordings or notes onto paper. Second, comes the checking and editing of the transcripts for further analysis. Third, data interpretation and analysis followed. This involves coding, data reduction, identifying trends in data, and

⁸⁶ See Sarantakos, Sotirios, 1998. *Social Research*. 2nd Edition. London: MacMillan Press Ltd. Page 152

developing categories. The fourth step is when the findings of the individual interviews were generalized and differences and similarities identified, allowing the development of typologies. The final step was verification, which involves a process of checking the validity of interpretations.

Analysis of data in observational research in a qualitative context, for instance, in participant observation is based on an open and flexible approach, using an unstructured design and a close relationship between the observer and the observed, a perception of reality as constructed in interaction and interpreted by the participants. Still, analysis of data in an observational study of the qualitative model is engaged towards establishing, testing, modifying, classifying and comparing concepts - *in this specific case, a national study on the prevention of corrupt practices in the mining sector.*

The data collected from secondary sources were carefully analyzed, especially for the qualitative part of the report, and used to supplement the confidential survey from field trips and interviews (*senior representatives*). Lastly, data from the aforementioned research methods, namely surveys, observation, comparative risk analysis, and desk research were interpreted and summarized, taking the study objective into account, relevant findings, conclusions and policy recommendations are articulated accordingly.

3.6. Additional Methods

➤ Collaborative Approach

Right from the start, the consultant put every effort to consult the concerned management and key staff from the FEACC in the planning and execution of the study. In this manner, proper consultation on how to conduct the study and anticipated risks as well as how to best address the objectives were discussed in length along with the proposed methodology. This participatory research approach enabled FEACC to obtain the views of a range of key stakeholders about the causes, nature, and impact of corruption risks in mining value chains. This approach was fundamental to establishing dialogue and strengthening the partnerships required for effective mitigation of corruption risks in this area.

➤ **Quality Management**

The consultant engaged consistent, quality standards in carrying out the assignment by using quality control procedures. The consultant applied this process throughout its engagement to establish and maintain a high-quality study report. In this regard, the consultant in collaboration with the Anti-Corruption Commission team formally and from time to time reviewed and developed each deliverable identified to gauge its quality, soundness, compliance, and comprehensiveness.

➤ **Risk Management**

The consultant believes that managing risks at the outset openly and directly is crucial to the effective management of the assignment. Before the study commences, the consultant together with the Anti-Corruption Commission team and research assistance as well as the concerned body identified risk areas that have to be monitored and dealt with throughout the study and after the study.

➤ **Project Management**

The consultant put in place an effective project management system to effectively utilize resources (time, energy and manpower) and ensure timely and quality service delivery.

➤ **Validation Sessions**

Several validation sessions happened on the inception report, proposed methodology and research instruments as well as the draft report.

The reliability of the data emerged from the participation of data collectors both from the Center of Excellence International Consult (CEIC) and selected staff from FEACC.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION, AND FINDINGS

4.1.Introduction

This particular chapter mainly assesses the view of participants of the survey (government officials, companies/individual minors, the community/civil societies, and small scale minors) on the issue of corruption in the mining sector. The socio-demographic characteristics of the study participants are also briefly presented in this chapter. Furthermore, the overall trend of corrupt practice in the mining sector is carefully assessed to provide a clear picture of the current situation of corruption in the mining sector of Ethiopia.

Challenges faced by the nation due to corrupt practices in the mining sector are presented briefly. Corruption risk across the extractive value chain of Ethiopia is also explicated. Results obtained from the survey particularly the questionnaire, KIIs and FGDs are portrayed and analyzed in a simplified manner using graphs and tables. Lastly, a comparative risk analysis is undertaken on the issue of corruption in different regions of the country. The chapter elucidated that good governance not only in its holistic sense but also along the mining value chain can contribute to the sustainable development of both the mining sector and the country.

4.2 Analysis, Discussion, and Findings

4.2.1 Socio-Demographic Characteristics of Study Participants

The corruption risk assessment across the extractive value chain in Ethiopia was undertaken in five regional states of Ethiopia namely Oromia, Amhara, Tigray, B/Gumuz, and Afar, as well as Addis Ababa City Administration in the calendar year 2019 GC/2011 EC. The study considered 150 participants for self-administered – structured questionnaires from government officials; companies and individual minors; civil societies and communities residing in mining areas, and small scale minors. Out of the respondents, 17.8% are from

the Amhara region, 17.81% are from Oromiya, 17.81% are from Afar, 17.81 % are from Tigray, 17.81% are from B/Gumuz and 17.81 % are from Addis Ababa.

Out of all the participants, 74.7 % were males, while 37 % were females. Concerning the age groups, 48.63% are between the age group from 15 to 34; 47.26% are between the age group from 35 to 59 ages while 4 % are above 60 ages (**See table 2 below for further information**).

Table 2:Socio-Demographic Characteristics of Participants

Socio-Demographic Participant	Characteristics of Participant (n=150)	Number	Percent (%)
Region			
Amhara	25		17.81
Oromiya	25		17.81
Afar	25		17.81
Tigray	25		17.81
B/Gumuz	25		17.81
Addis Ababa	25		17.81
Sex			
Male	109		74.7
Female	37		24.6
NA	4		2.7
Age group			
15-34	71		48.63
35-59	69		47.26
>=60	4		2.6
No Answer (NA)	5		3.42
Educational Status			

No Education	11	8
Primary Education	29	20
Secondary Education	40	27
Tertiary Education	61	42
NA	8	5.3%

Source: Survey Result, 2019.

4.2.2. The Challenge of Corruption in the Mining Sector

In the questionnaire prepared for the survey, the first general question asked to the respondents was to list the available minerals in their locality and the second general question was whether the respondents believe that these minerals are properly used for the economic development of the country or not. The response from all participants of the survey from the five regions and Addis Ababa shows that 51 % of them responded positively while the remaining 49 % of the participants(see figure 9), responded negatively i.e., they did not believe these minerals are properly used for the economic development of the country, which means the government must work hard in making these minerals useful both for the local people and the country at large. **(See figure 9 below).**

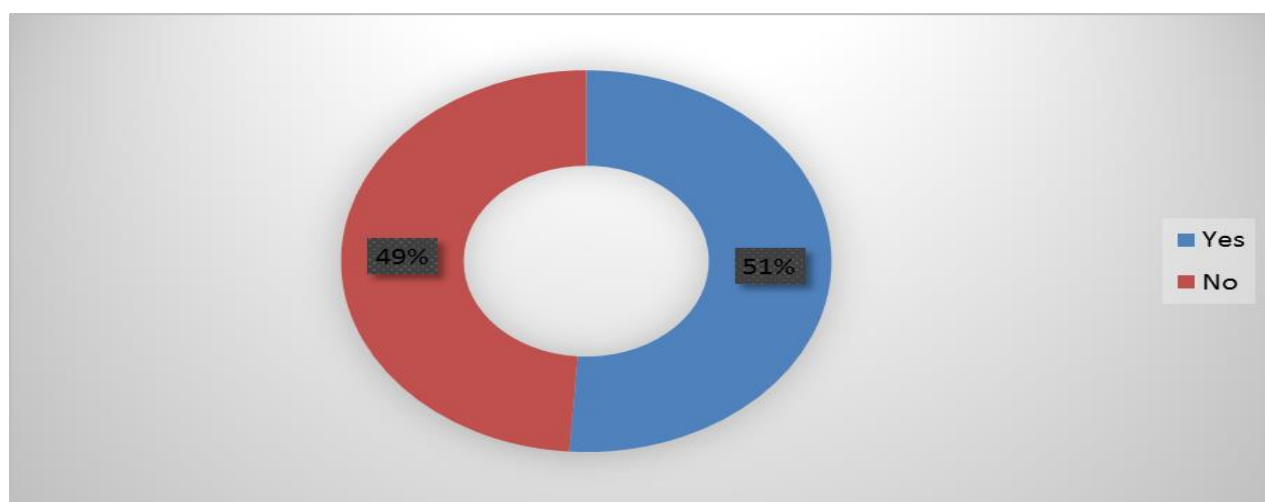


Figure 9: Minerals Used for Economic Development of the Country

Source: Survey Result, 2019.

However, there are variations within regions. For instance, 80% of the respondents in Afar; 70% of the respondents in Tigray; 55% of the respondents in Amhara and 45% of the respondents in B/Gumuz; 29 % in Addis Ababa and 4% in Oromia do believe that minerals are used for economic development. While 96 % of the respondents in Oromia; 71% in Addis Ababa; 55 % in B-Gumuz; 45% in Amhara; 30% in Tigray and 20% in Afar do believe that minerals are not used for economic development in their locality. (See figure 10 below for more information).

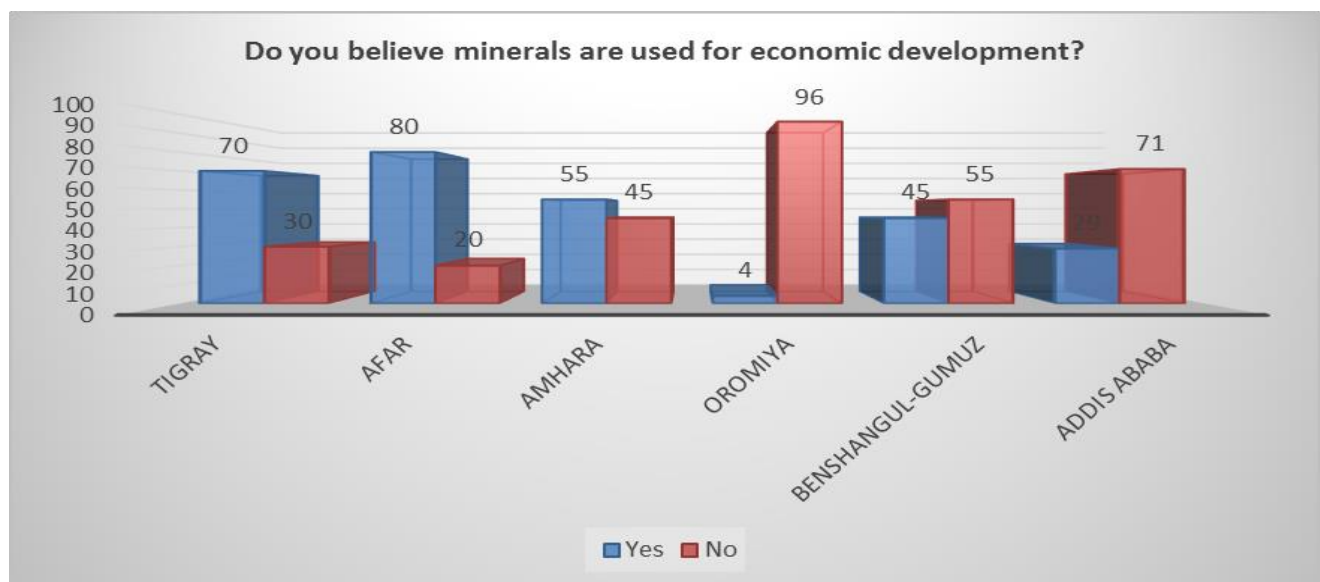


Figure 10: Minerals Used for Economic Development of the Country-Regional Dimensions

Source: Survey Result, 2019.

The qualitative study - Focus Group Discussions (FGD) & Key Informants Interview (KII) participants of artisanal/small scale/individual minors in Tigray, Oromiya, B/Gumuz, Amhara & Afar has reflected that minerals are useful for the economic development of the country. Nonetheless, respondents perceived that the minerals in Ethiopia (Gold, Copper, black color, sulfite, and in some cases precious minerals) are not properly managed for the economic development of the country.

The third background question asked was if ever corruption or corrupt practices observed in the mining sector in the respondent's locality area, approximately 61% of the respondents agree that corruption occurs in the mining sector in their locality while 29% disagrees. (See figure 11 below).

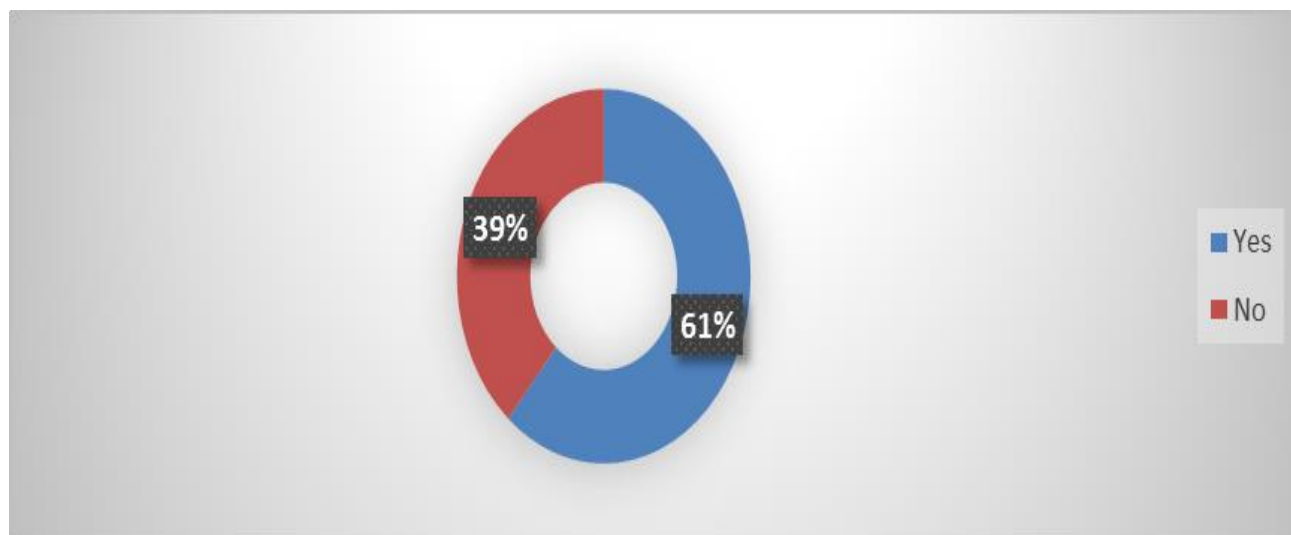


Figure 11: Overall Corrupt Practices in the Mining Sector

Source: Survey Result, 2019.

Nonetheless, again variations exist within regions. For instance, 77% of the respondents in Oromia; 69% of the respondents in Amhara; 59% of the respondents in B/Gumuz and 52% of the respondents in Afar; 48 % in Tigray and Addis Ababa do believe that corruption exists in the mining sector. While 52 % in Tigray and Addis Ababa; 48% in Afar; 41% in B/Gumuz; 31% in Amhara and 23% in Oromia do believe that there are no corrupt practices in the mining sector. (See figure 12 below for more information).

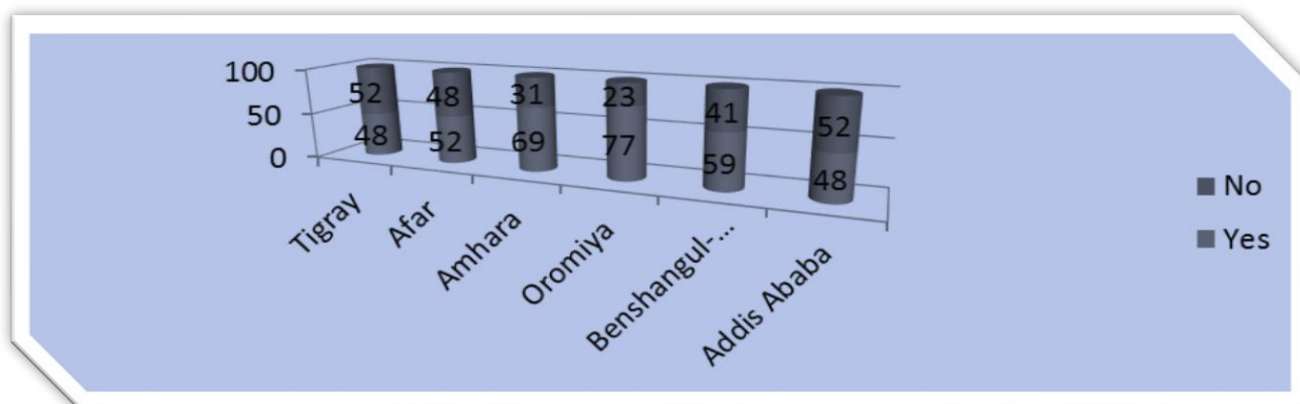


Figure 12: Corrupt Practices in the Mining Sector-Regional Dimensions

Source: Survey Result, 2019.

The qualitative study - Focus Group Discussions (FGD) & Key Informants Interview (KII) participants of artisanal/small scale/individual minors in Oromiya, B/Gumuz, Amhara, Afar, and Tigray reflected that corrupt practices are prevalent in the mining sector in the locality. For instance, companies/ small scale /individual minors bribe officials and government experts to help them to ease the procedures and licensing processes for them. There are also tendencies for corrupt practices related to importing machines, selling minerals (contrabands). As the findings from KII revealed that contraband plays a significant role in the mining sector not contributing to the national GDP mainly in the past three years. There has been a declining contribution of the mining sector in Ethiopia.

The next background question was, if you observe corruption in the mining sector in your locality, where did you observe most? The respondents (41%) reflected that they observe corruption along the value chain namely the licensing process (9%), actual operation/mining site (18%), and revenue collection/tax declaration (13%).⁸⁷ (See Figure 13 below).

⁸⁷ A very detailed analysis on the value chain is presented in the subsequent subsection of the study.

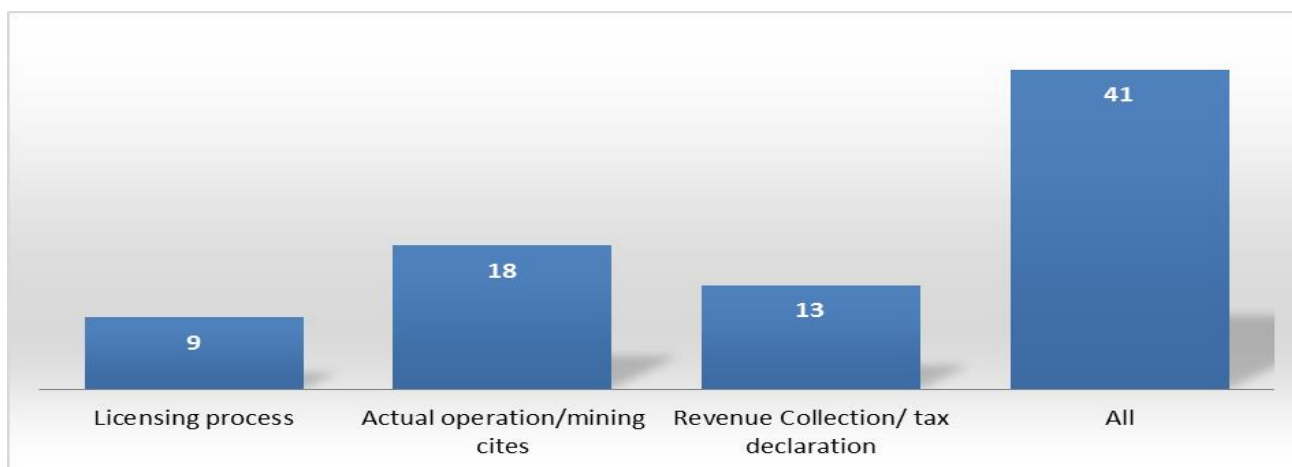


Figure 13: Corrupt Practice along the Value Chain

Source: Survey Result, 2019.

As evidence from FGDs and KII revealed that, different groups have the privilege to apply to get mineral licensing. These are companies/corporates, small scale, and individual minors. The government grants them license by assigning responsible professional experts, to identify the requested land areas to determine whether it is free or not with the help of GPS and requesting licensing payment.

There are various types of corrupt practices observed in this process. For instance, some government employers or officials ease procedures to get a license either if they get bribes- in some instances, they request money or demand some percentage of profit from the companies', small scale and individual minors. Especially such practice is rampant at the woreda level with small scale and individual minors.

The last background question for the respondents was whether the mineral policy/regime in Ethiopia is favorable to develop the sector or not. Approximately 42 % of the respondents disagree that the mineral policy/regime in the country is favorable to the sector while 40 % agree, and 17 % neither agree nor disagree **(See figure 14 below).**

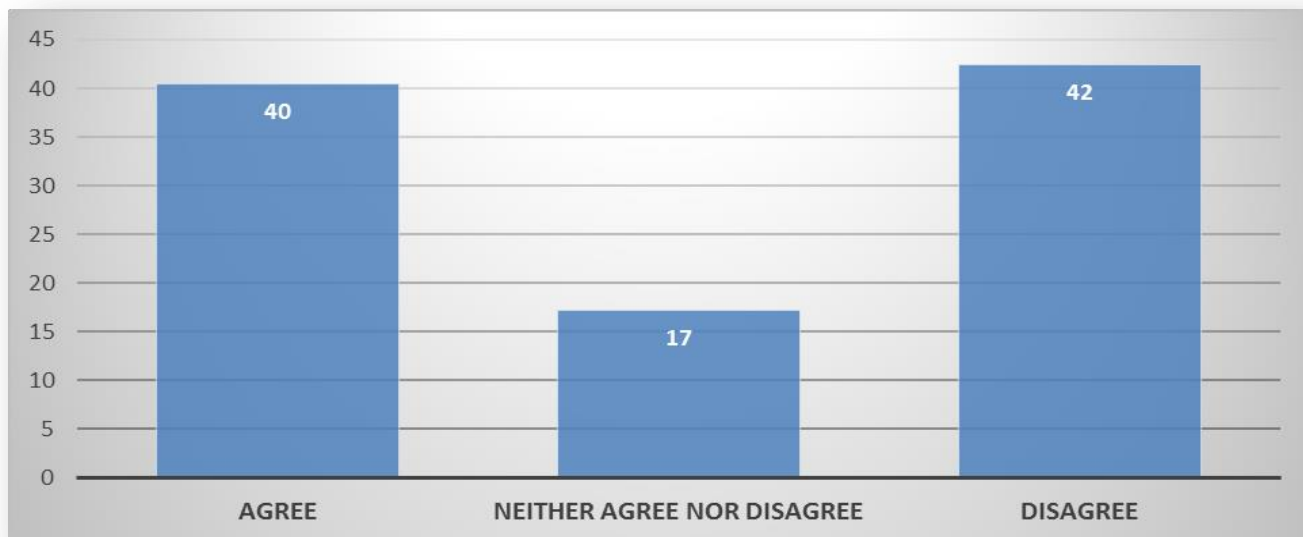


Figure 14: Mineral Policy in Ethiopia Favorable to Develop the Sector

Source: Survey Result, 2019.

The evidence from the qualitative data from the regions, on the other hand, revealed that the problem in the sector is not the issue of inappropriate policy but the big problem is associated with the failure by the concerned stakeholders to properly implement the policy. For instance,

- In the Oromia region- Shakisso, corruption in the mining sector could be seen widely in various ways both in the licensing and actual mining process. For instance, the normal assumption is that artisanal mining would be allowed for unemployed youths but in reality, however, either only those that have family in government offices or network get a license without fulfilling the criteria at the kebele level. Attempts to improve such wrongdoings were not witnessed both at Kebele and Woreda levels. Government officials also involved in artisanal mining using the name of the other individuals and share the profit from the association. They are accused of having the lion's share in the associations.

This has also implications on tax collection, employment generation and good governance in the mining sector. There are also other types of corruption in the mining sector in Shakisso. **(See figure 15 below).**



Figure 15: Pictures of Selected Minerals in Oromia region: Tantalum and Gold

Those who are at the woreda level delay the provision of service to seek bribe from the service provider. It is also difficult to get a license without providing ‘benefit’ or bribe to government officials. They would get the benefit from the sector by using the name of other individuals just to hide their names. One of the respondents of the FGD said, *“The government bodies at the woreda level are just like a thorn that is found in the mud/slime”*. Indeed, other unlawful activities were also observed in the area such as small scale miners also mine by getting beyond their license area, engage machines in the mining area, which are not allowed to use by the associations, etc.

- In the Amhara region- Warla, there is a wide range of illegal mining that there is no control over the farmers who mine opal from his/her farmland, even though currently better than the practice of the previous times. **(See figure 16 below).**



Figure16 : Picture of Opal in the Amhara region

- In the Afar region- in the selected areas chosen for this study, there is also a wide range of corruption in the sector, which the KII respondents raised as is very aggravated particularly in Afdera even requesting the need for urgent interference of the concerned body in the area. **(See figure 17 below).**



Figure 17: Pictures of Selected Minerals in Afar region: Potash and Salt

- In the Benishangul region- in the selected areas chosen for this study, associations that do not fulfill the criteria can get the mining license through the network with the government authorities. Moreover, sometimes the government authorities illegally

award license and later will become the shareholder of that company after resigning from the government position. **(See figure 18 below).**



Figure 18: Pictures of Selected Minerals in Benishangul-Gumuz region: Gold and Marble

On the other hand, there is high contraband of gold as the region is located at the nearby area to the border of Sudan; and also they think as if the government confiscates when a large amount of gold goes in legal ways to National Bank of Ethiopia, the miners prefer it to sell at the black market. Likewise, corruption would also be seen in various ways such as failure to pay royalty, failure to disclose/ report the real amount of the production to cheat tax.

- In the Tigray region- Shire, the local administrators at kebele and those administrative structures that exist below the kebele level can share 5 to 10 % of the mining products, which the miners (the license holders) do to get a conducive environment for their mining operations. Such government bodies will later even become the shareholder. **(See figure 19 below).**



Figure19::Picture of Sapphire in Tigrai region

On the other hand, the minerals would be sold at the black market particularly to the smugglers, which take it to either Eritrea or Sudan through the borders. Such type of mineral smuggling is encouraged because the price of minerals at the black market is by far greater than the price given by the National Bank of Ethiopia. Moreover, as there is no control over individual miners a farmer who gets mineral from his/her farmland can mine minerals by dealing with miners, which is a common practice in the region. License is not required for such farmers except for others.

4.2.3 The Challenge of Corruption along the Mining Value Chain

As rightly indicated in the introduction of this report, studying corruption in the mining sector must take the value chain approach. This study, therefore, employed a mining value chain approach. The most prominent value chain (see figure 14 above) embraced in this study include contract negotiation and exploration stage; construction and development of the mine; production, monitoring of operations and collection of taxes; transportation and trading; smelting, refining, and marketing; revenue management and investment⁸⁸.

The consultant then changed these features of the value chain into the following eighteen indicators namely Environmental Impact Assessment (EIA) Conducted; Environmental Impact Assessment (EIA) Verified; the government does conduct due diligence; genuine consultation and negotiations with communities; communities' interest not represented in negotiation; fair and transparent licensing process; small scale connected with government officials get a license; qualified companies/small scale minors get a license; government

⁸⁸ *The value chain approach promotes “enlarged fiscal space” and appropriate revenue management, and can serve as a “social contract that would invariably engage state and society in governing the mineral sector.” See ECA, 2012. Harnessing the African Peer Review Mechanism (APRM) Potential to Advance Mineral Resources Governance in Africa. Sixteenth Meeting of the Intergovernmental Committee of Experts (ICE). P. 48*

officials interfere in awarding of licenses; companies or minors collude with government officials; leaking confidential information about licenses and mining leases; ethical and fair process for opening mining site; small-scale minors involve in corruption in the mining sites; contraband activities exist; tax revenue utilized and investment by the government; smooth revenue collection- federal and local; Corporate Social Responsibilities (CSR) Implemented and community benefit.

These indicators were changed into questions clustered for government officials; for companies/individual minors; the community/civil societies and small-scale miners. The following findings are reflected from the survey along the value chain in the five regions and Addis Ababa City Administration.

As the findings of this study indicate, in the Oromia region-Shakisso area the following indicators rated higher corruption risks. These are Environmental Impact Assessment (EIA) (100%); Environment Impact Assessment not verified (92%); the government does not conduct due diligence (100%); there is no genuine consultation and negotiations with the community (83%); contraband activities exist (74%); community interest not represented in negotiation (67%); it is unfair and in the transparent licensing process (100%); Qualified companies/small scale miners do not get a license (81%); companies or minors collude with government officials (83%); there is an unethical and unfair process of mining sites (100%); tax revenue is not utilized and invested by the government (100%); there is no smooth revenue collection- federal and local (100%), and no community not benefited from the mining (100%) and Corporate Social responsibility (CSR) not implemented (93%) as such. While lower corruption risk areas were revealed on the following indicators namely small scale connected with government officials, get a license (41%); government officials interfere in awarding of licenses (25%); small-scale minors involve in corruption in the mining sites (34%). For more information. **(See figure 20 below).**

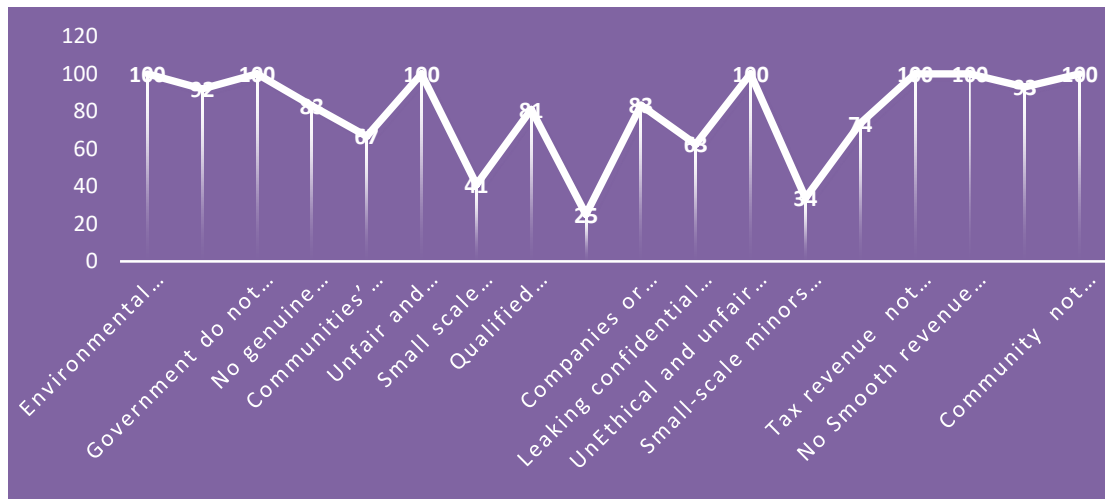


Figure20: Corrupt Practices along the Value Chain in Oromia Regional State

Source: Survey Result, 2019.

As the findings of this study indicate, higher corruption risk areas in the Amhara region have been observed along with the following indicators. These are there is no genuine consultation and negotiations with the community (82%); CSR is not implemented (83%); Environmental Impact Assessment (EIA) (75%); Environment Impact Assessment not verified (79%); companies or minors collude with government officials (64%); it is an unethical and unfair process of mining sites (67%); contraband activities exist (72%) and tax revenue are not utilized and invested by the government (52%); there is no smooth revenue collection- federal and local (67%); leaking confidential information about licenses and mining leases (63%); the community did not benefit from the mining (55%). While lower corruption risks revealed in the following indicators. These are community interest not represented in negotiation (36%); unfair and in the transparent licensing process (0%); Qualified companies/small scale miners do not get a license (17%); government officials interfere in awarding licenses (33%); small scale minors involve in corruption in the mining sites (22%). For more information on this, **(See figure 21 below)**.

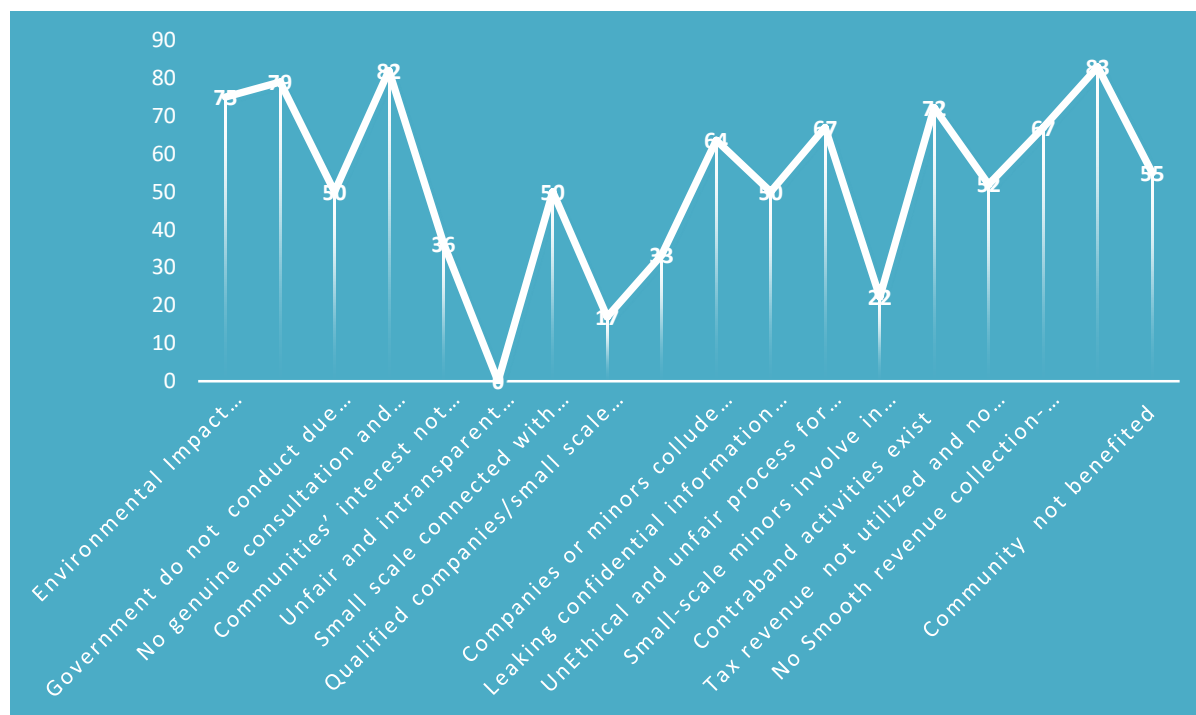


Figure 21: Corrupt Practices along the Value Chain in Amhara Regional State

Source: Survey Result, 2019.

In the Tigray region, the findings of the study indicate that higher corruption risk areas revealed along with the following indicators. These are companies or minors collude with government officials (100%); Environmental Impact Assessment (EIA) not conducted (58%); Environment Impact Assessment not verified (58%); Small scale connected with government officials get a license (63%); small scale minors involve in corruption in the mining sites (76%), and contraband activities exist (62%). Lower corruption risks revealed in the regions in eleven indicators. These are there is no genuine consultation and negotiations with a community (17%); community interest not represented in negotiation (17%); unfair and in the transparent licensing process (17%); Qualified companies/small scale miners do not get the license (18%); government officials interfere in awarding licenses (0%); leaking confidential information about licenses and mining leases (20%); the unethical and unfair process of mining sites (0%); tax revenue is not utilized and invested by the government (42%); there is no smooth revenue collection- federal and local (0%); and CSR (33%). For more information on this, (See figure 22 below).

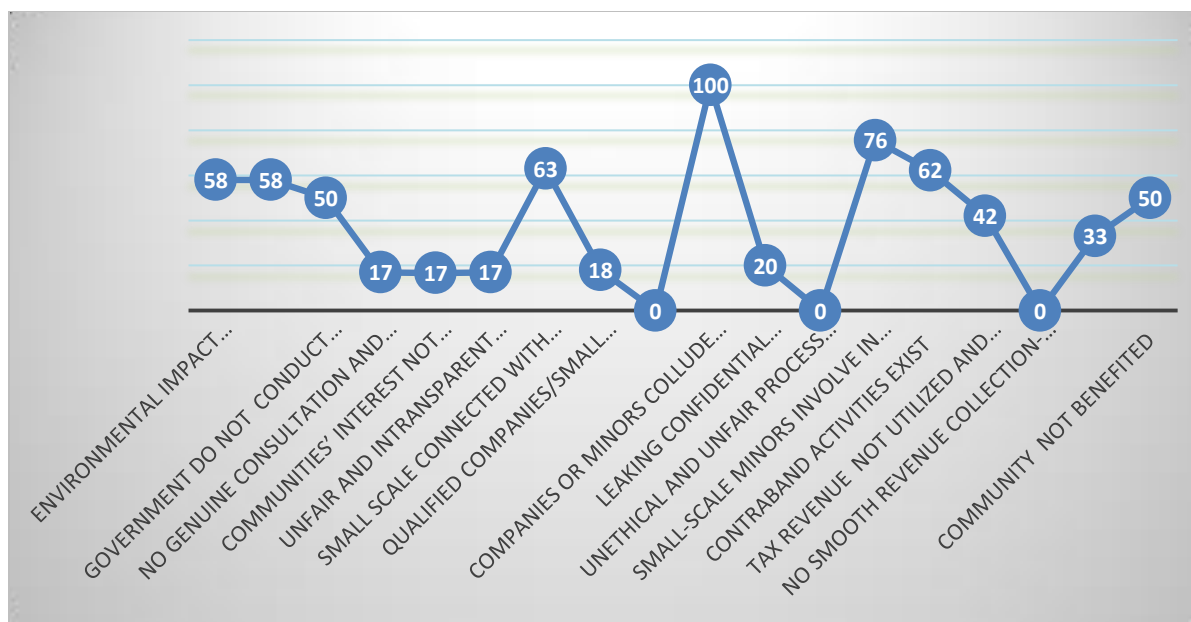


Figure 22: Corrupt Practices along the Value Chain in Tigray Regional State

Source: Survey Result, 2019.

In the B/Gumuz region, higher corruption risk areas have been observed along with the following indicators of the value chain. These are government does not conduct due diligence (100%); there is no genuine consultation and negotiations with the community (83%); it is unfair and in the transparent licensing process (80%); leaking confidential information about licenses and mining leases (83%); there is an unethical and unfair process of mining sites (80%); there is no smooth revenue collection- federal and local (100%); Corporate Social responsibility (CSR) not implemented (83%); Environmental Impact Assessment (EIA) not conducted (72%); Environment Impact Assessment not verified (62%); Companies or minors collude with government officials (67%); contraband activities exist (77%); tax revenue is not utilized and invested by the government (57%) and community not benefited from the mining (67%). Whereas lower corruption risk areas revealed in three indicators namely small scale connected with government officials get a license (38%); qualified companies/small scale minors did not get a license (10%); small-scale minors involve in corruption in the mining sites (39%). For more information, (See figure 23 below).

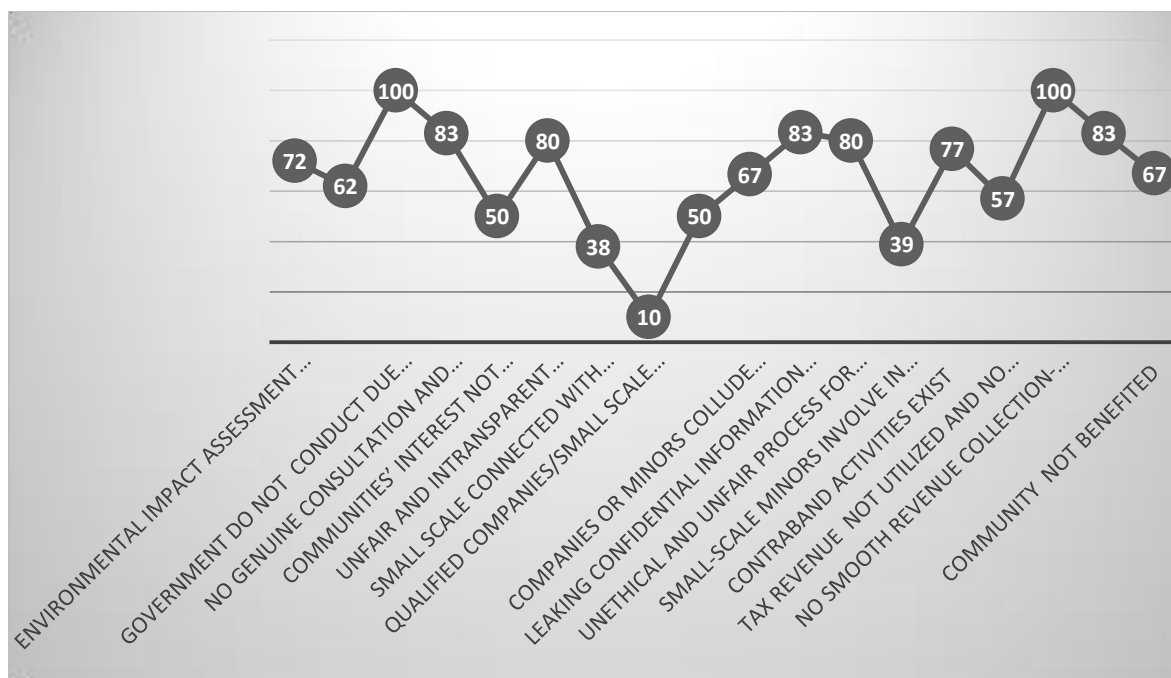


Figure 23: Corrupt Practices along the Value Chain in B/Gumuz Regional State

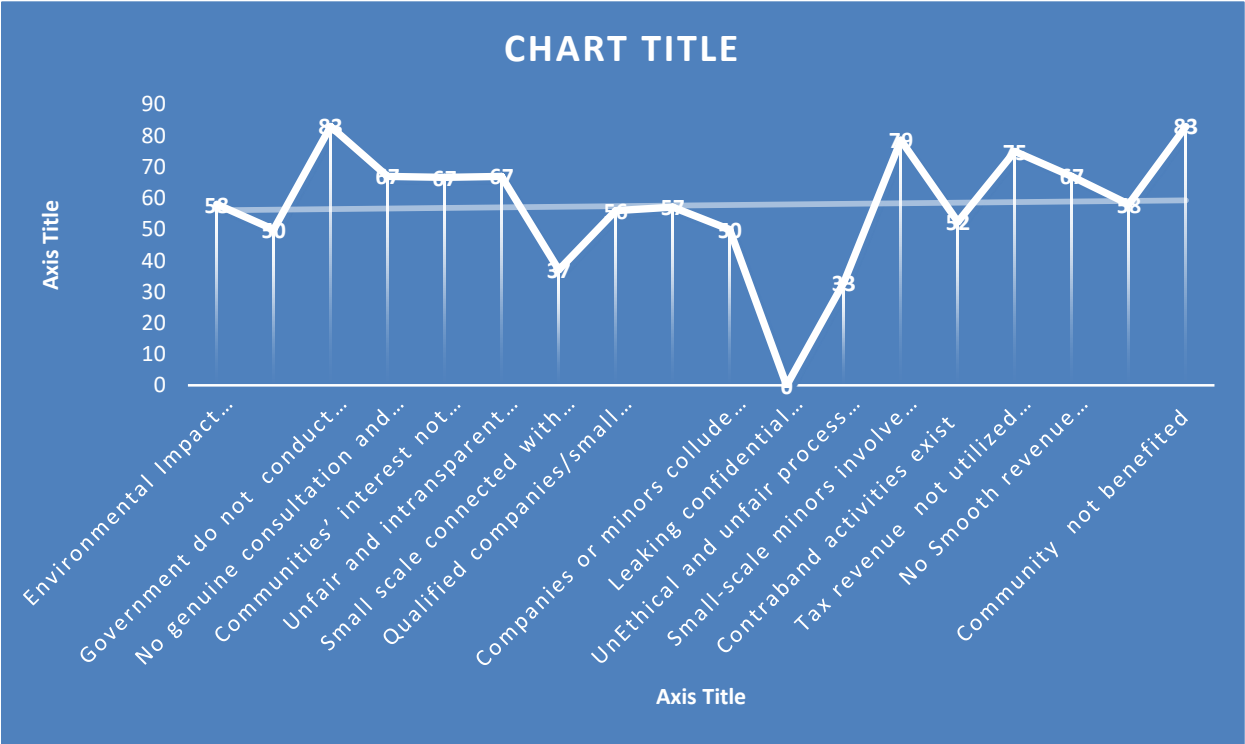
Source: Survey Result, 2019.

In Afar regional state, higher corruption risk areas have been observed along with the following indicators of the value chain. These are government does not conduct due diligence (83%); there is no community benefit (83%); Environmental Impact Assessment (EIA) not conducted (72%); no genuine consultation and negotiations with the community (67%); Communities' interest not represented in negotiation (67%); the unethical and unfair process of mining sites (67%); qualified companies/small scale minors did not get the license (56%); government officials interfere in awarding of licenses (57%); small-scale minors involve in corruption in the mining sites (79%); contraband activities exist (52%); tax revenue is not utilized and invested by the government (75%); there is no smooth revenue collection- federal and local (67%) and Corporate Social responsibility (CSR) not implemented (58%). Whereas lower corruption risk areas revealed in three indicators namely Environment Impact Assessment not verified (50%); small scale connected with government officials get a license (37%); leaking confidential information about licenses

and mining leases (0%), and Unethical and unfair process for opening mining site (33%). For more information, (See figure 24 below).

Figure 24:Corrupt Practices along the Value Chain in Afar Regional State

Source: Survey Result, 2019.



In Addis Ababa, higher corruption risks observed along with the following indicators there is unfair and in the transparent licensing process(86%); there is no smooth revenue collection (86%); contraband activities exist 75%; Unethical and unfair process for opening mining site (71%); tax revenue not utilized and no investment by the government (67%); Corporate Social Responsibilities (CSR) not Implemented (67%); No genuine consultation and negotiations with communities (67%). Lower corruption risks observed in the following indicators such as companies or minors collude with government officials (33%) and leaking confidential information about licenses and mining leases (20%).

In summary, higher corruption risk practices observed in the following indicators in the mining value chain Ethiopia. These are:

- ☞ Environmental Impact Assessment conducted (EIA) (73%);
- ☞ Environment Impact Assessment not verified (68%);
- ☞ The government does not conduct due diligence (77%);
- ☞ There is no genuine consultation and negotiations with the community (67%);
- ☞ Community interest not represented in negotiation (51%);
- ☞ Unfair and in the transparent licensing process (58%);
- ☞ Companies or minors collude with government officials (66%);
- ☞ Unethical and unfair process of mining sites (59%);
- ☞ Contraband activities exist (69%);
- ☞ Tax revenue is not utilized and invested by the government (66%);
- ☞ There is no smooth revenue collection- federal and local (70%);
- ☞ Corporate Social responsibility (CSR) not implemented (70%);
- ☞ Community did not benefit from the minerals in the locality (70%) , (See figure 25 below).

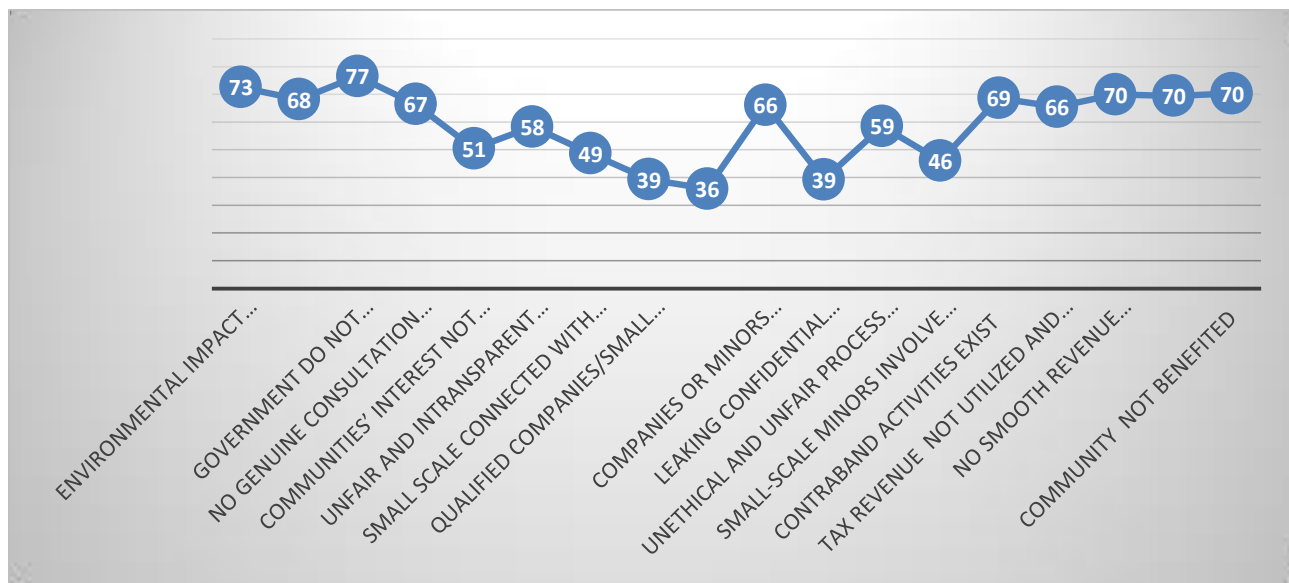


Figure 25: Corrupt Practices along the Value Chain in Ethiopia

Source: Survey Result, 2019.

Overall lower corruption risk areas revealed along with five indicators namely:

- ✓ Small scale connected with government officials get a license (49%);
- ✓ Qualified companies/small scale miners do not get the license(39%);
- ✓ Government officials interfere in awarding of licenses (36%);
- ✓ Leaking confidential information about licenses and mining leases (39%); and
- ✓ Small-scale minors involve in corruption in the mining sites (46%).

Qualitative data from KII and FGDs result indicates that almost in all study regions where the study conducted, confirmed the aforementioned survey findings. For instance, the fact that the local community is not benefiting from the sector forced the community not to support the government for the development of the sector. Furthermore, the existence of contraband activities and the lack of appropriate measures by the concerned body aggravated the mineral smuggling in the country. This also indicates the necessity to modify the mining proclamations or regulations to take punitive measures on those that breach the law.

4.2.4 Discussion of Results from the selected regions: Oromia, Tigray, Beneshangul Gumuz, Amhara and Afar.

This section presents responses from the four important actors in the mining sector namely government officials; Mining Companies' &/or Individual Minors'; Civil Society Organizations' and/ or the Communities' Response; and Small-Scale Mining Associations in the five regions the survey conducted – Oromia, Amhara, Tigray, B/Gumuz and Afar as well as Addis Ababa.

4.2.4.1 Government Officials' Response on Corrupt Practices by region

Overall 36 government officials and regulatory bodies participated in the study among all 146 participants of the five regions and Addis Ababa. The government officials', regulatory bodies' response to corrupt practices in each region is stated as follows.

Table 3: Government Officials' Response to Corruption Risk Indicators (%)

Government	Officials	Response	% of Corruption Risk Indicators by Region
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Indicators			Tigray	Afar	Amhara	Oromia	B/Gumuz
Government do conduct due diligence			50	16.67	50	0	0
Companies involved in corruption in the mining sites			66.67	66.67	33.33	28.57	40
Contraband activities exist			83.33	16.67	66.67	85.71	100
Environmental (EIA) Conducted	Impact Assessment		50	0	50	0	40
Environmental (EIA) Verified	Impact Assessment		50	83.33	33.33	0	60
Corporate Social Responsibilities (CSR) Implemented			66.67	83.33	33.33	14.29	0

Source: Survey Result, 2019.

Tigray National Regional State: According to the response of the government officials in the Tigray region, 50% reflected that regulatory bodies (government) did not conduct effective due diligence on compliance, financial resources, beneficial owners and technical capacity of license applicants (companies, small scale minors) and their principals. This means that only half of Tigray regional state government officials did conduct due diligence for license applicants & their principals. In this region, 66.67 % and 83.33 % of officials reflected the impression that companies are involved in corruption in the mining sites and that there is the existence of contraband activities to minerals in their localities respectively.

Only half of the government officials agreed that sound environmental impact assessment (EIA) is done usually before the conduct of mining operations in this locality. Similarly only half (50 %) of the officials who participated in the survey have observed that effective verification of environmental and social impact assessments (ESIAs) is provided by companies to government bodies or regulatory bodies in the region. Similarly, 66.67 % of them agree that mining companies are performing their Corporate Social Responsibilities (CSR) - the company's sense of responsibility towards the community and environment such as through building schools, health centers, etc. in the locality.

Afar National Regional State: In this region, according to its officials' response, only 16.67 % do believe that the government does conduct due diligence. In other words, 83.33% did not believe that the government conducts due diligence. While 66.67 % of officials in this region reflected in the prevalence of corrupt practices by companies while operating or working in the mining sites. i.e., about companies' operations, the transaction of goods, and services both within and outside the host country - for instance, under-invoicing or over-invoicing, etc. However, only 16.67 % of these regional officials believe that contraband activities exist with the mineral transaction process in their localities.

None of the regional state government officials agreed that they have observed sound environmental impact assessment (EIA) was undertaken before the conduct of mining in this locality while 83.33 % have observed that effective verification of environmental impact assessments (ESIAs) and the perception that mining companies were performing or implementing Corporate Social Responsibilities (CSR) in undertaking mining activities in their regional areas. (See Table 4).

Amhara National Regional State: in this region, 50 % of the government officials do believe that the government does conduct due diligence and Environmental Impact Assessments (EIA) conducted. Whereas approximately only 33 % believe that Environmental Impact Assessment (EIA) Verified; Corporate Social Responsibilities (CSR) Implemented and companies involved in corruption in the mining sites. However, 66. 67% do believe that contraband activities exist. (Table 4).

Oromia National Regional State: the region witnessed a high risk of corruption in the mining sector. For instance, none of the government officials do believe that the government does conduct due diligence; Environmental Impact Assessment (EIA) conducted, and Environmental Impact Assessment (EIA) verified. Furthermore, 85.7 % of the government officials believe that contraband activities exist while only 14.29 % believe that there is CSR.

However, only 28.57 % believe that companies involved in corruption in the mining sites (Table 4). This implies that government officials themselves are providing a witness for

rampant corruption in the region about the mining sector and strong measures and strategy must be developed in combating corruption in the mining sector in the region.

Benshangul-Gumuz National Regional State: Government officials in the region 100% believe that contraband activities exist; the government does not conduct due diligence, and Corporate Social Responsibilities were not implemented. While 40 % do believe that companies involved in corruption in the mining sites and EIA conducted yet 60% do believe that EIA verified (Table 5).

From these findings, it is possible to summarize that government officials do believe that due diligence conducted in Tigray (50%), Amhara (50%) and in Afar only 16.67% while they argue that due diligence not conducted in Oromia (100%), and B/Gumuz (100%). Approximately, 67% of the government officials in Tigray and Afar do believe that companies involved in corruption in the mining sites while only 33.33 % in Amhara, 28.57% in Oromia and 40 % in B/Gumuz regions do believe that companies involved in corruption in the mining sites.

This implies that though all the regions did not perform well, a few performed fairly on due diligence Tigray and Amhara while Afar, Oromia, and B/Gumuz did not perform well. On companies, small scale or individual minors involvement in the mining sites, Amhara and Tigray region rated the high risk of corruption while B/Gumuz, Amhara and Oromia rated the low risk of corruption respectively.

4.2.4.2 Mining Companies' &/or Individual Minors' Response on Corrupting Practices by regions

Table 4: Companies and/or Individual Minors Response to Corruption Risk Indicators (%)

Companies and/ or Individual Minor Response Indicators	% of Corruption Risk Indicators by Region					
	Tigray	Afar	Amhara	Oromia	B/Gumuz	A.A
Qualified companies/minors get a license	80	71.43	66.67	37.5	100	20
Companies/minors connected with government officials get license	40	42.86	100	37.5	83.33	60
Companies involve in corruption in the mining sites	60	85.71	16.67	12.5	16.67	40
Contraband activities exist	20	57.14	100	75	50	50
Government officials interfere in awarding of licenses	0	57.14	33.33	25	50	50
Leaking confidential information about licenses and mining leases	20	0	50	62.5	83.33	20

Source: Survey Result, 2019.

Tigray National Regional State: in the region, 80 % of mining companies' &/or individual minors' agreed that qualified companies/minors get a license while 40% do believe that companies/minors connected with government officials get a license. However, 60 % of the respondents believe that companies involve in corruption in the mining sites while only 20% believe that contraband activities exist and leaking confidential information about licenses and mining leases while none do believe that government officials interfere in awarding of licenses (Table 5).

Afar National Regional State: in the region, approximately 71 % of mining companies' &/or individual minors' agreed that qualified companies/minors get a license while 42% do believe that companies/minors connected with government officials get a license. However, 80 % of the respondents believe that companies involve in corruption in the mining sites while 57 % believe that contraband activities exist and leaking confidential information about licenses and mining leases while none do believe that government officials interfere in awarding of licenses (Table 5).

Amhara National Regional State: The proportion of mining companies' &/or individual minors' that believe qualified companies/minors get a license is approximately 67% while 100% do believe that companies/minors connected with government officials get licenses and contraband activities exist in the transaction of minerals. 33.33% of the respondents also believe that government officials interfere in awarding licenses and 50% of them agreed with the notion that there is a risk of leaking confidential information regarding applications for mining leases and exploration licenses in the region (Table 5).

Oromia National Regional State: in the region, 75 % of mining companies' &/or individual minors' contend that contraband activities exist while 62.5 % believe that there is leaking confidential information about licenses and mining leases. While only 37.5 % believe that qualified companies/minors get a license and companies/minors connected with government officials get a license.

Nonetheless, only 12.5 % of mining companies' &/or individual minors' argue that companies involve in corruption in the mining sites and only 25 % of the respondents believe that government officials interfere in awarding of licenses. For more information, see (Table 5).

B/Gumuz National Regional State: in the region, 100% of mining companies' &/or individual minors' agreed with the notion that qualified companies/minors get a license while approximately 83.33 % of the respondents believe that companies/minors connected with government officials get the license and leaking confidential information about licenses and mining leases. While 50 % of the respondents believe that contraband activities exist and government officials interfere in awarding licenses (Table 5).

Addis Ababa City Administration: in Addis Ababa, 60% of the mining companies' &/or individual minors' believe that companies/minors connected with government officials get a license; 50 % of the respondents believe that contraband activities exist and government officials interfere in awarding licenses. Whereas 40% of the respondents believe that companies involve in corruption in the mining sites; approximately only 20 % of the respondents believe qualified companies/minors get a license and leaking confidential information about licenses and mining leases.

From these findings, it is possible to summarize that companies and /or individual minors believe that companies and /or individual minors qualified to get a license in B/Gumuz 100%; in Tigray (80%), in Afar, 71 % and approximately 67% in Amhara will get a license whereas only 37.5% in Oromia and 20% in Addis Ababa respondents believe that qualified companies/minors get a license will get a license. Approximately, 100 % of the respondents in Amhara, 83 % in B/Gumuz and 60 % in Addis Ababa believe that companies and /or individual minors connected with government officials get a license whereas 42 % in Afar, 40% in Tigray, 37.5 % in Oromia do believe so.

On contraband activities, respondents 100% in the Amhara region, 75% in Oromia, approximately 57% in Afar, 50% in B/Gumuz and Addis Ababa, and 20% in Tigray believe that contraband exists in their locality. On government officials interfere in awarding of licenses only in Afar region high risk of corruption responded (57%) while the response in other regions and Addis Ababa is lower. On leaking confidential information about licenses and mining leases the highest score (corruption risk) is B/Gumuz (83.33%) followed by Oromia (62.5%), Amhara (50%), Tigray and Addis Ababa (20%) each and nil for Afar.

4.2.4.3 Civil Society Organizations' and/ or the Communities' Response on Corrupting Practices by region:

Table 5: Civil Society Organizations' and/ or the Communities' Response to Corruption Risk Indicators (%)

Civil Society Organizations &/or Community Response Indicators	% of Corruption Risk Indicators by Region					
	Tigray	Afar	Amhara	Oromia	B/Gumuz	Addis Ababa
Communities' interest not represented in negotiation	16.67	66.67	36.36	66.67	50	66.67
Genuine consultation and negotiations with communities	83.33	33.33	18.18	16.67	16.67	33.33
Community benefit	50	16.67	45.45	0	33.33	33.33
Environmental Impact Assessment (EIA) Conducted	33.33	83.33	0	0	16.67	0

Environmental Impact Assessment (EIA) Verified	33.33	16.67	9.09	16.67	16.67	0
Corporate Social Responsibilities (CSR) Implemented	66.67	0	0	0	33.33	33.33
Tax revenue utilized and proper government investment	83.33	0	45.45	0	66.67	66.67

Source: Survey Result, 2019

Tigray National Regional State: Among civil society organizations &/or communities that participated in the study in Tigray region, the percentage of civil society organizations' &/or communities' that have agreed with the notion that:

- Communities' interest not represented in negotiation was 16.67 %;
- There are genuine consultation and negotiations with communities in their locality, which is critical to securing the legitimacy of mining approvals were 83.33 %;
- The community benefits from the mineral resource in their locality were 50 %;
- The government manages and utilizes tax and royalties from mining companies and small scale minors to promote broad economic and social development (revenue management and proper investment or tax revenue utilized and proper government investment) was 83.33 %;
- Similarly, the proportion of the civil society organizations &/or communities that agreed with the notion that Environmental Impact Assessment (EIA) was undertaken usually before the conduct of mining in this locality was 33.33%;
- Environmental Impact Assessment (EIA) provided by companies to government bodies is verified was 33.33%; and
- Moreover, 66.67% of the civil society organizations &/or communities have reflected that Corporate Social Responsibilities (CSR) are implemented (Table 6).

Afar National Regional State: Among civil society organizations &/or communities that participated in the study in the Afar region, the percentage of mining companies' &/or individual minors' that have agreed with the notion that:

- Communities' interest not represented in negotiation was 66.67 %;

- There is genuine consultation and negotiations with communities in their locality, which is critical to securing the legitimacy of mining approvals were 33.33 %;
- The community benefits from the mineral resource in their locality were 16.67 %;
- The government manages and utilizes tax and royalties from mining companies and small scale minors to promote broad economic and social development (revenue management and proper investment or tax revenue utilized and proper government investment) was 0 %;
- Similarly, the proportion of the civil society organizations &/or communities that agreed with the notion that Environmental Impact Assessment (EIA) was undertaken usually before the conduct of mining in this locality was 83.33%;
- Environmental Impact Assessment (EIA) provided by companies to government bodies is verified was 16.7% and
- Moreover, none of the civil society organizations &/or communities have reflected that Corporate Social Responsibilities (CSR) are implemented (Table 6).

Amhara National Regional State: Among civil society organizations &/or communities that participated in the study in the Amhara region, the percentage of mining companies' &/or individual minors' that have agreed with the notion that:

- Communities' interest not represented in negotiation was 36.36 %;
- There is genuine consultation and negotiations with communities in their locality, which is critical to securing the legitimacy of mining approvals were 18.18 %;
- The community benefits from the mineral resource in their locality were 45.45 % ;
- The government manages and utilizes tax and royalties from mining companies and small scale minors to promote broad economic and social development (revenue management and proper investment or tax revenue utilized and proper government investment) was 45.45 %;
- Similarly, none of the civil society organizations &/or communities agreed with the notion that Environmental Impact Assessment (EIA) was undertaken usually before the conduct of mining in this locality;

- Approximately, 9.09% of the participants agreed with the suggestion that Environmental Impact Assessment (EIA) provided by companies to government bodies is verified;
- Moreover, none of the civil society organizations &/or communities have reflected that Corporate Social Responsibilities (CSR) are implemented. (Table 6).

Oromia National Regional State: Among civil society organizations &/or communities that participated in the study in the Oromia region, the percentage of mining companies' /or individual minors' that have agreed with the notion that:

- Communities' interest not represented in negotiation was 66.67 %;
- There are genuine consultation and negotiations with communities in their locality, which is critical to securing the legitimacy of mining approvals were 16.67 %;
- The community benefits from the mineral resource in their locality were 0 %;
- The government manages and utilizes tax and royalties from mining companies and small scale minors to promote broad economic and social development (revenue management and proper investment or tax revenue utilized and proper government investment) was 0 %;
- The proportion of the civil society organizations &/or communities that agreed with the notion that Environmental Impact Assessment (EIA) was undertaken usually before the conduct of mining in this locality was 16.67%;
- None of the participants agreed with the suggestions that the Environmental Impact Assessment (EIA) provided by companies to government bodies is verified and likewise to Corporate Social Responsibilities (CSR) implementation and tax revenue utilized and proper government investment (Table 6).

B/Gumuz National Regional State: Among civil society organizations &/or communities that participated in the study in B/Gumuz region, the percentage of mining companies' /or individual minors' that have agreed with the notion that:

- Communities' interest not represented in negotiation was 50 %;
- There are genuine consultation and negotiations with communities in their locality, which is critical to securing the legitimacy of mining approvals were 16.67 %;
- The community benefits from the mineral resource in their locality were 33.33 %;

- The government manages and utilizes tax and royalties from mining companies and small scale minors to promote broad economic and social development (revenue management and proper investment or tax revenue utilized and proper government investment) was 66.67 %;
- The proportion of the civil society organizations &/or communities that agreed with the notion that Environmental Impact Assessment (EIA) was undertaken usually before the conduct of mining in this locality was 16.67%;
- Environmental Impact Assessment (EIA) provided by companies to government bodies is verified was 16.67%; and
- Moreover, 33.33% of the civil society organizations &/or communities have reflected that Corporate Social Responsibilities (CSR) are implemented (Table 6).

Addis Ababa National City Administration: Among civil society organizations &/or communities participated in the study in A.A region, the percentage of mining companies' /or individual minors' that have agreed with the notion that:

- Communities' interest not represented in negotiation was 66.67 %;
- There are genuine consultation and negotiations with communities in their locality, which is critical to securing the legitimacy of mining approvals were 33.33 %;
- The community benefits from the mineral resource in their locality were 33.33 %;
- The government manages and utilizes tax and royalties from mining companies and small scale minors to promote broad economic and social development (revenue management and proper investment or tax revenue utilized and proper government investment) was 66.67 %;
- None of the civil society organizations &/or communities that agreed with the notions that Environmental Impact Assessment (EIA) was undertaken usually before the conduct of mining in this locality;
- Environmental Impact Assessment (EIA) provided by companies to government bodies is verified;
- Moreover, 33.33% of the civil society organizations &/or communities have reflected that Corporate Social Responsibilities (CSR) are implemented;

- While 66.6% of the respondents reflected that tax revenue utilized for proper government investment (Table 6).

In summary, most civil societies and/ or the community in Afar, Oromia and Addis Ababa (66.67%) do believe that communities' interest is not represented in the negotiation whereas 83.33% in Tigray, 63.64% in Amhara and 50% in B/Gumuz believe that communities interest is represented in negotiations. On genuine consultation and negotiations with communities, only in Tigray, 83.2% of the respondents do believe so and Afar 33.33%. Otherwise, in all other regions, the response is below 20%. On the community benefit, only in Tigray (50%) believe that it exists in all other regions the response is below 33% except the Amhara region that rated 45.45%. A positive response was provided only in the Tigray region about Environmental Impact Assessment (EIA) Conducted (83.33%) and Corporate Social Responsibilities (CSR) Implemented (66.67%) while the response on Environmental Impact Assessment (EIA) Verified is negative in all regions and Addis Ababa. Concerning tax revenue utilized and proper government investment respondents, 83.3% in Tigray; 66.67 % in B/Gumuz, Addis Ababa and 45.45 % in Amhara do respond positively. Whereas none of the respondents agree in Afar and Oromia regions.

4.2.4.4 Small-Scale Miners'/ Mining Associations' Response on Corrupting Practices by

region:

As the findings reveal, small-scale miners/miners association believe that qualified small scale minors get a license 100% in the Amhara region; 63.3% in Tigray region; 80% in B/Gumuz region; 71.43% in Addis Ababa and 16.67 % in Afar. However, none of the respondents believe in the Oromia region.

Approximately, 83.3 % of the respondents in Afar, 80 % in Oromia and 60 % in b/Gumuz believe that small-scale miners/miners association connected with government officials get a license whereas 33 % in Tigray, 14.29% in Addis Ababa, 0% in Amhara regions do believe so.

On small-scale minors involve in corruption in the mining sites, approximately 100% in the Tigray region; 83.33% in the Afar region; 60% in Oromia and B/Gumuz regions believe so. Whereas only 16.67% in Amhara and 14.29% in Addis Ababa do believe so. On contraband activities, respondents 100% in Addis Ababa, 80% in B/Gumuz, 83.33 % in Tigray and Afar regions, 60% in Oromia, approximately 50% in Amhara region believe that contraband exists in their locality. This indicator rated 50% and above in all regions, which shows that there is a high risk of contraband activities in all regions and Addis Ababa (Table 6).

Table 6: Small-Scale Miners’/ Mining Associations’ Response to Corruption Risk Indicators (%)

Small-scale Miners/ Miners Associations Response Indicators	Tigray	Afar	Amhara	Oromia	B/Gumuz	Addis Ababa
Qualified small scale minors get a license	83.33	16.67	100	0	80	71.43
Small scale connected with government officials get license	33.33	83.33	0	80	60	14.29
Fair and transparent licensing process	83.33	33.33	100	0	20	14.29
Ethical and fair process for opening mining site	100	66.67	33.33	0	20	28.57
Small-scale minors involve in corruption in the mining sites	100	83.33	16.67	60	60	14.29
Contraband activities exist	83.33	83.33	50	60	80	100
Smooth revenue collection- federal and local	100	33.33	33.33	0	0	14.29
Tax revenue utilized and investment by the government	33.33	50	50	0	20	0

Source: Survey Result, 2019.

According to small-scale miners’/ mining associations’ responses for the survey conducted for corrupt practices at the government level, the extent of the involvement in corruption among the different segments of the government is presented in figure18 below. High corruption to mining is reflected at the regional level followed by woreda/kebele administration followed by the federal level. This indicates that corruption at the local level is higher than the central/federal government.

4.3 A Comparative Risk Analysis

Comparatively high risk of corruption observed along the value chain about environmental impact Assessment (EIA) (73%); environmental impact assessment not verified (68%); the government does not conduct due diligence (77%); there is no genuine consultation and negotiations with the community (67%); community interest not represented in negotiation (51%); unfair and in the transparent licensing process (58%); companies or minors collude with government officials (66%); the unethical and unfair process of mining sites (59%); contraband activities exist (69%); tax revenue is not utilized and invested by the government (66%); there is no smooth revenue collection- federal and local (70%); Corporate Social responsibility (CSR) not implemented (70%), and community did not benefit from the minerals in the locality (70%).

While relatively low corruption is observed along small scale connected with government officials get a license (49%); qualified companies/small scale minors get do not license (39%); government officials interfere in awarding of licenses (36%); leaking confidential information about licenses and mining leases (39%), and small-scale minors involve in corruption in the mining sites (46%) **(see table 7 below for more information).**

Table 7: Summary of Corrupt Practices along the Value Chain

No.			Tigray	Afar	Amhara	Oromia	B/Gumuz	Addis Ababa
1	Environmental Assessment Conducted	Impact (EIA)	42	42	25	0	28	0
2	Environmental Assessment (EIA) Verified	Impact	42	50	21	8	38	0
3	Government do conduct due diligence		50	17	50	0	0	0
4	Genuine consultation and		83	33	18	17	17	33

	negotiations with communities							
5	Communities' interest not represented in negotiation	17	67	36	67	50	67	
6	Fair and transparent licensing process	83	33	100	0	20	14	
7	Small scale connected with government officials get a license	37	63	50	59	72	37	
8	Qualified companies/small scale minors get license	82	44	83	19	90	46	
9	Government officials interfere in awarding of licenses	0	57	33	25	50	50	
10	Companies or minors collude with government officials	100	50	64	83	67	33	
11	Leaking confidential information about licenses and mining leases	20	0	50	63	83	20	
12	Ethical and fair process for opening mining site	100	67	33	0	20	29	
13	Small-scale minors involve in corruption in the mining sites	76	79	22	34	39	27	
14	Contraband activities exist	62	52	72	74	77	75	
15	Tax revenue utilized and investment by the government	58	25	48	0	43	33	
16	Smooth revenue collection-federal and local	100	33	33	0	0	14	
17	Corporate Responsibilities Implemented	Social (CSR)	67	42	17	7	17	33
18	Community benefit		50	17	45	0	33	33

Source: Survey Result, 2019.

On the other hand, the proportion of **government officials'** that responded positively to the idea that the government does conduct due diligence was highest in Tigray & Amhara regional states (50%) and lowest in Oromia & B/Gumuz regional state (0%). Similarly, the proportion of the respondents that reflected the perception that companies involved in corruption in the mining sites were highest is in Tigray & Afar regional states (66.67%) & lowest in Oromia regional state (28.57%).

In the same manner, the percentage of the government officials that have observed the prevalence of contraband activities was highest in B/Gumuz regional states (100%) and lowest in Afar regional state (16.67%). The survey conducted was also able to infer that the respondents that reflected the confidence that Environmental Impact Assessment (EIA) is conducted were highest in Tigray & Amhara regional states (50%) and lowest in Afar & Oromia regional states (0%). Environmental Impact Assessment (EIA) verification was highest in Afar regional state (83.33%) and lowest in Oromia regional state (0%). Finally, corporate social responsibilities (CSR) implementation in the mining sites was highest in the Afar regional state (83.33%) and lowest in B/Gumuz regional state (0%).

Mining **companies' &/or individual minors' perception** that corrupt practices deprive the rights of qualified companies or individual minors that met the requirements to get a license to mining was highest in Oromia regional state (62.5%) than that of Amhara (33.33 %), Afar (28.57 %), Tigray (20 %) and B/Gumuz(0%) regional states. corruption practices leading companies or individual minors that are acquainted with government officials, which may not qualify to get license getting the right to operate in mining activities was lowest in Oromia regional state (37.5%) and highest in Amhara regional state (100%).

The percentage of companies involved in corruption in the mining sites was highest in Afar regional state (85.72%) and lowest in Oromia regional state (12.5%). Similarly, the prevalence of contraband activities was highest in Amhara regional state (100%) and lowest in Tigray regional state (20%). The highest and lowest percentage of risk of external interference (by the government) in awarding of licenses and leases was reported in Afar regional state (57.14%) and Tigray regional state (0%).

Similarly, the highest and lowest risk of leaking confidential information regarding applications for mining leases and exploration licenses was reported in B/Gumuz regional state (83.33%) & Afar regional state (0%) respectively.

Positive opinions from **civil society organizations' &/or communities'** on the issue of civil society organizations & communities negotiating with mining companies on behalf of the state when it fails to represent community members' interests was highest in Afar & Oromia regional state (66.67%) and lowest in Tigray regional state (16.67%). Moreover, the percentage of civil society organizations' &/or communities' with a positive response regarding genuine consultation and negotiations with communities was highest in Tigray regional state (83.33%) and lowest in B/Gumuz & Oromia regional states (16.67%). Similarly, the percentage of positive attitudes from the participants in response to the statement that the community benefits was highest in Amhara regional state (45.5%) and lowest in the regional state (0%) respectively.

Environmental Impact Assessment (EIA) conduct & verification was highest and lowest in Tigray regional state (33.33%) & in Amhara regional state (> 10%) respectively. Likewise, Corporate Social Responsibilities (CSR) implementation was highest in Tigray regional state (66.67%) and lowest in Afar, Amhara & Oromia regional states (0%). Finally, proper utilization and investment of tax revenue by the government were highest and lowest in Tigray regional state (83.33%) and Afar & Oromia regional states (0%) respectively.

The percentage of **small-scale miners'/mining associations'** with the positive response to the notion that qualified small scale minors obtain a license was highest and lowest in Amhara regional state (100%) and Oromia regional state (0%) respectively. Attainment of license by small scale mining companies due to acquaintance with government officials was highest in Afar regional state (83.33%) and lowest in Amhara regional state (0%).

The fair and transparent licensing process was highest & lowest in Amhara regional state (100%) & in Oromia regional state (0%) respectively. The ethical and fair process of opening the mining site was highest in Tigray regional state (100%) and lowest in Oromia regional state (0%). The involvement of small scale minors in corruption in mining sites was highest in Tigray regional state (100%) and lowest in Amhara regional state (16.67%).

The prevalence of contraband activities was highest in Tigray & Afar regional states (83.33%) and lowest in Amhara regional state (50%). Smooth revenue collection- federal and local was highest in Tigray regional states (100%) and lowest in Oromia & B/Gumuz regional states (0%). Finally, proper utilization and investment of tax revenue by the government was highest in Amhara and Afar regional states (50%) and lowest in Oromia regional state (0%).

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

Generally, corrupt practices were observed in the mining sector in the five regions and Addis Ababa city administration. The findings indicate that the process of mining practices in Ethiopia leaves much room for the occurrence of corruption. The conclusion is also organized based on the objectives that guided the study. These are identifying constraints, and gaps that lead to corrupt practices/risks; assessing the underlying causes of corrupt practices in the mining sector in the country; identifying the most vulnerable mining value chain area/s for a better understanding of corrupt practices in the mining sector and providing possible recommendations, solutions and actionable strategies for further activities to the eligible stakeholders including FEACC.

With regard to identifying constraints, and gaps that lead to corrupt practices/risks, the study identified that the challenge of achieving good governance in public offices mainly at local government, regional and federal public offices affected the sectors as government bodies are the main regulatory body of the mining sector yet involved in corrupt activities. This is evidenced as there is a high risk of corruption in the sector. Generally, the study revealed that there is a high risk of a perception of corruption in the mining sector. With regard to the legal framework - proclamations and regulations - on the mining sector it was admonished that the country has one of the best legal framework. However, gaps on punitive measures on those involved on corrupted activities was indicated in the study.

The study also indicated the underlying causes of corrupt practices in the mining sector in the country. These are: failure of regulatory bodies (government) to conduct effective due diligence such as negotiation and award of contracts and licenses; ineffective regulation and monitoring of operations; improper revenue distribution and management after the collection of taxes and royalties; inadequate governance of the extractive sector; unethical and unfair process for opening the site/land to mining; lack of environmental accountability and social impact assessments; Corporate Social Responsibilities (CSR) not implemented properly; lack of fairness, accountability, and transparency on beneficial ownership and beneficiary of mining approval decisions; the requirements set by the national bank of

Ethiopia concerning purchasing minerals from local sectors also have their contribution to the inconveniency of the transaction system; and lack of sense of ownership among the different stakeholders from government officials to the local communities is also a reason for the absence of responsibility to control and monitor the sector to contribute to the economic development of the country.

Furthermore, the study underlined that the mining sector's GDP contribution has been declining because of various reasons including the instability in the country, which enhanced informal transaction and contraband activities. It has been witnessed that there have been contraband activities in all regions where this study conducted. As the findings from KIIs and FGDs revealed contraband activity is widespread in the country mainly for the following reasons: The price of minerals given at the informal market (contraband) is higher than the National Bank though the National Bank always provide higher price than the international market. Some business people with the help of illegal mineral brokers buy the mineral products and sell it to neighboring countries to get hard currency such as USD, and Euro, etc. Some people have huge reserves of birr in the country, which is generated through money laundering and such individual chooses to buy precious minerals like gold, opal, and deposit in their house than having the money. Miners & small-scale mining associations are very close to the border of the country in these regions, which creates a conducive environment for contraband activities & trade. Legal mineral trade license holders themselves engage in contraband activities by colluding with illegal mineral brokers. Lack of proper controlling system by concerned government authorities on contraband activities. National bank directives i.e., the bank buy gold, which is 50 gram and above, under the previous directives only 250-gram gold and above, invites minors to resort to contraband market. In this case, those minors that have under 50 grams of gold opt for contraband to get the market.

The study also identified the most vulnerable mining value chain area/s for a better understanding of corrupt practices in the mining sector. In this regard as relatively higher corruption practices observed in the following value chain in the five regions were this study conducted. These are environmental impact assesement not conducted, environmental

impact assessment not proved; the government did not conduct due diligence; lack of genuine consultation and negotiations with the community; community interest not represented in negotiation; unfair and not transparent licensing process; companies or minors collude with government officials; unethical and unfair process of mining sites; contraband activities exist; tax revenue is not utilized and invested by the government; there is no smooth revenue collection- federal and local; Corporate Social Responsibility (CSR) not implemented, and the community did not benefit from the minerals in the locality. While relatively lower corruption risk areas revealed along with five indicators namely: small scale connected with government officials get a license; qualified companies/small scale miners do not get license; government officials interfere in awarding of licenses; leaking confidential information about licenses and mining leases and small-scale minors involve in corruption in the mining sites.

Findings from the overall value chain indicates that the government must focus on areas where higher corruption risks observed such as environmental impact assessment not conducted and verified, the government does not conduct due diligence, contraband activities exist in the sector, community did not benefit from the minerals in their locality, Corporate Social Responsibility (CSR) is not implemented well, companies or miners collude with government officials, still strengthening its operation in fewer corruption risks areas.

5.1.Recommendations

General Policy Recommendations to Stakeholders at Federal Levels:

Taking into account of the findings from the study, the following policy recommendations are forwarded to prevent corrupt practices in the mining sector and for transparency and accountability measures to be taken in Ethiopia, specifically in the regional states (Tigray, Afar, Amhara, and Oromia & B/Gumuz) and Addis Ababa City Administration or federal government/stakeholders:

- Due diligence, negotiation & award of contracts and licenses (by both Ministry of Mines and Regional Mines Bureaus i.e., all License awarding government institutions).
- Transparent and accountable tax collection, revenue distribution & management (Federal and Regional Revenue and Customs Authorities)
- Ethical and fair process for opening the site/land to mining, environmental accountability & social impacts as well as corporate social responsibilities (CSR) (by both Ministry of Mines and Regional Mines Bureaus).
- Fair accountability & transparency on beneficial ownership & beneficiary of mining approval decisions like genuine consultation & negotiations with communities to represent their interest & benefit (by both Ministry of Mines and Regional Mines Bureaus).
- Transparent & accountable regulation and monitoring of operations (by both Ministry of Mines and Regional Mines Bureaus).
- Prevention of corruption practices at companies', government officials' & small-scale miners' level (by both Ministry of Mines and Regional Mines Bureaus, as well Federal and Regional EACC).
- Policies to prevent & control illegal trading & contraband activities in the sector (by Ministry of Mines).
- There should be a disclosure of properties of those who hold government positions at all levels including the woreda level officials those who hold government positions before coming to the position (by both FEACC and REACC).
- **Contraband activities:** It is vividly indicated in this study that the mining sector's GDP contribution has been declining because of various reasons including the instability in the country, which enhanced informal transactions, illegal mining and contraband activities. It has been witnessed that there have been contraband activities in all regions most importantly on gold even though minerals such as emerald, opal, sapphire, salt and potash, and others minerals indicated in the preceeding chapter. To combat contraband and the informal sector:

- The federal government should engage in collaboration with regional governments to enhance the controlling system of contrabands at the boundaries as well as within the country's localities.
 - The National Bank of Ethiopia should be flexible enough to buy more minerals from the providers.
 - The legal mineral trade license giving process must be approved & controlled by government authorities at all levels to restrict & control brokers & illegal traders. These demands hand in hand collaboration between the federal, regional and local governments.
 - The government must encourage legal ASM by providing incentives such as loan facilities, machinery, and other benefits to discourage illegal minors and contrabandists (by both Ministry of Mines and Regional Mines Bureaus).
 - The needed infrastructure such as roads, railways, and other facilities must be built in and around mining sites as they are found around border areas. This will help to discourage contraband activities and informal trade (By Ministry of Mines).
 - Punitive measures must be taken by the government on illegal minors, illegal mineral brokers and public officials involved in corruption in the mining sector (By both FEACC and REACC).
 - **Encourage reporting of corruption:** there should be a mechanism for anonymous reporting system by providing an address to which people can write with their complaints and by informing people that they do not need to include their name and address on the letter either to the local government, regional and/ or to the federal government (By both FEACC and REACC).
- Concerning the legal framework, it seems very necessary to modify the mining proclamations and regulations because the legal framework on the measures to be taken on illegal activities related to the sector is not as such to the extent that discourages illegal activities in the sector (by Ministry of Mines in collaboration with courts- federal and regional levels).

- Disclosure of beneficial ownership information for extractive companies and public beneficial ownership registries of extractive companies, reflecting changes in ownership and corporate structures over time (by FEACC and REACC).
- Great attention needs to be given to creating awareness for the local communities, particularly those who are living in the mining areas, to create a zero-tolerance attitude towards corruption; and that encourages them for whistleblowing in case they see any corruption (by FEACC and REACC as well as Ministry of Mines).
- Lack of mining technical and vocational education centers, low productivity, lack of machinery and land-use conflicts are among the major factors artisanal and small-scale mining has been encountered. This results in the mining sector not contributing the expected result to both GDP and economic development in the country. Accordingly, the federal government should develop a vision for the sector informed by the African Mining Vision and address these challenges to make the most out of the sector (Ministry of Mines- Federal and Regional levels).
- There should be actively monitoring and follow up of particularly the mining areas by concerned government bodies on the activities related to mining (By both Ministry of Mines and Regional Mines Bureaus as well as FEACC and REACC).
- The active involvement of the communities and civil societies such as EEITI, and Transparency International (TI) and other interested CSOs in monitoring the sector are timely and pertinent. Therefore, Ministry of Mines and FEACC need to facilitate the active involvement of all partners in combating corruption in the sector and thereby enhance the development of the sector)
- Mining companies, small scale, and individual minors should work closely with the local communities to get the right to social license so that the local community would reach the level that they see the project as their property and work to create a conducive environment for them. To this end, Ministry of Mines and Regional Mines Bureaus need to encourage them to work towards achieving social license.

- Providing capacity development of federal and regional government offices such as the ministry of Mines and Natural Gas ; the Federal Ethics and Anti-Corruption Commission and Federal Revenue and Custom Authority. For instance, officers of custom authority are familiar in identifying golds but not other minerals, they consider them as mere stones. Such trend demands, frequent capacity development training. It is also timely and pertinent to build the inspection capacity of the ministry of mining, gas and oil staff both at federal and regional government levels. Such capacity building training also needs to be conducted by Ministry of Mines, Regional Mines Bureaus, FEACC and REACC as well by ERCA for their respective employees.

Recommendation for Regional/local Level Stakeholders

- Since regional stakeholders are near to the local community particularly for the extractive sector under their jurisdiction, they have to work on creating greater collaboration with the federal government, the mining companies, and the local communities for a purpose of providing better communication and problem-solving capacity among them. (by Local Mining Offices such as Woreda and the Zonal Mining Offices)
- Moreover, there must be a clear hierarchical connection between the level of authorities and organizations, which are necessarily important for the sector to the development and upgrading of its status. This is because the more multisectoral collaboration existed the greater the sector provides the proposed outcome. (by Local Mining Offices such as Woreda and the Zonal Mining Offices in collaboration with the concerned Development partners)
- Creating awareness and building capacity of the local communities to protect their legitimate benefit from the sector and ensuring that the companies comply and monitor the overall mining operation. (by Local Mining Offices such as Woreda and the Zonal Mining Offices in collaboration with the concerned Development partners)
- Above all, there must be a willingness, commitment, and determination to address corruption and other challenges in the mining sector in Ethiopia. This will help to change the sector from becoming a curse to a blessing in the country. The current

trend indicates that the sector has huge challenges and emerging as a curse for the country.

As future research agenda:

The study findings indicated that most African countries including Ethiopia are endowed with mineral resources. The minerals in these countries, however, failed to generate marked economic growth, improved quality of life and human development. The entire analysis and evidence from the findings show that there is still a wide range of social problems especially the overall impact on the community's livelihood and child labor abuse risks among others. Moreover, issues with tax formulation and distribution among regional and federal governments, the issue of company licensing framework by the federal government are issues that need further study from the responsible stakeholder. Further studies can also be done on each element of the value chain to get specific findings as time and space limits to do so in the report.

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Annexures

Annex I: Action Plan

No.	Gaps Identified	Action Required	Timeframe to implement the planned activity	Implementers	Success factors/ performance indicators/monitorable indicators	Budget	Remarks
1	Failure of regulatory bodies (government) to conduct effective due diligence including the issuance of licenses	Working to ensure due diligence, and issuance of licenses all layers of the government through the provision of capacity development (training) to the concerned government bodies;	Short-term	FEACC, Federal Government, and Regional Government, Ministry of Mining	✓ Existence of due diligence at all levels in the sector	300,000.00 ETB	
		Conduct continuous follow up on its implementation	Mid-term	FEACC, Federal Government, and Regional Government, Ministry of Mining	✓ Existence of due diligence at all levels in the sector	500,000.00 ETB	

2	Inadequate governance of the extractive sector;	✓ Strengthening Punitive measures by the government on those involved in corruption. ✓ Transparent and accountable tax collection, revenue distribution & management.	Short term up to long term on continual basis	Ministry of Mining, Police Commissions, FEACC, REAAC Ethiopian Revenue and Customs Authority, Civil Society Organizations (CSOs) Ethiopian RCA and Regional RCA	✓ Existence of good governance in the sector ✓ Existence of proper taxation and revenue management at all levels	555,000.00 ETB	
3	Unethical and unfair process for opening the site/land to mining;	Empowering whistleblowers in case of any corrupt practices Strengthening Punitive measures by the	Short, medium- and long-term basis continually	Federal Government including Ministry of Mines, FEACC, Regional Mines Bureaus, Regional EACC, CSOs, the Community FEACC and Regional EACC,	✓ Existence of fair allocation of site/ land; existence of empowered community to expose any corrupt practices in the sector ✓ Implementation	600,000.00 ETB	

		government on those involved in corruption.			of punitive measures on corrupt practices		
4	Lack of fairness, accountability, and transparency on beneficial ownership and beneficiary of mining approval decisions.	There should be a disclosure of properties of beneficial owners for all license owners.	Short, medium and long term continuously	Ministry of Mines, FEACC and REACC	✓ The existence of well registered beneficial owners for every license holder.	450,00 0.00 ETB	
5	Corporate Social Responsibilities (CSR) not implemented efficiently	Ensure the implementation of the Corporate Social Responsibilities (CSR) of the mining companies	Short, medium and long term continuously	Ministry of Mines, and Regional Mining Bureaus	✓ Ensured implementation of the Corporate Social Responsibilities (CSR) of the mining companies	500,00 0.00 ETB	
6	Lack of Environmental and Social Impact Assessment and Implementation	Working continuously to ensure that the mining companies are working in environmental and socially friendly manners	Short, medium and long term continuously	Ministry of Mines, and Regional Mining Bureaus as well as Ministry of Environment and Forestry and Regional Environment and Forestry Bureaus	✓ The development of mining sector enhanced through environmentally friendly manner.	600,00 0.00 ETB	
7	Improper revenue/royalties	Transparent and	Short,	Ministry of Mines,	✓ Ensured proper management of	600,00	

	Collection, Management, and Distribution	accountable tax collection, revenues distribution & management	medium and long term continuously	and Regional Mining Bureaus as well as Ethiopian Revenue and Customs Authority, and Regional Revenue and Customs Authority	revenue collection	0.00 ETB	
8	The legal framework and implementation of the measures to be taken on illegal activities related to the sector is not strong	Modify mining proclamations and regulations as well as introduce strong punitive measures	Short, medium and long term continuously	Ministry of Mines, and Regional Mining Bureaus	✓ Existence of strong legal framework and implementation of measures to prevent illegal mining	450,000.00 ETB	
9	The local community living around the mining sites have not been contributing their share on preventing and disclosing the corruption in the sector.	Creating awareness for the local communities, particularly those who are living in the mining areas to develop a zero-tolerance attitude towards corruption; and encourages them for	Short, medium and long term continuously	Ministry of Mines, Regional Mines Bureaus, FEACC, REACC, EEITI, CSOs, and other development partners	✓ Awareness created for the local communities to encourage them to actively engage on the walk towards combating corruption through disclosing any	800,000.00 ETB	

		whistleblowing in case they witness corrupt activities in the mining cites.			corrupt practices in the sector		
10	Lack of technical and vocational education centers focused on mining as well as lack of capacity from government offices	✓ The federal government should develop a vision for the sector informed by the African Mining Vision and address these challenges to make the most out of the sector. ✓ Providing frequent training and capacity development support to the ministry of mining, gas, and oil, custom authority and federal ethics and anti-corruption commission.	Short, medium and long term continuously	Ministry of mines and, Regional Mines Bureaus, Ministry of Education as well as other development partners	✓ The existence of Technical and Vocational Education centers which are focused on mining sector capacity building	900,000.00 ETB	
11	Low productivity, lack of machinery and land-use conflicts are among the major factors artisanal and small-scale mining has	✓ Working continuously to create a conducive environment for the actors in the sector particularly	Short, medium and long term	Ministry of Mines, Regional Mines Bureaus	✓ Created conducive environment for actors in the sector such as Artisanal miners, small-	600,000.00 ETB	

	been encountered. This results in the mining sector not contributing the expected result to both GDP and economic development in the country.	to individual, small and large scale miners.	continuously		and large-scale miners.		
12	Ineffective regulation and monitoring of operations	There should be active monitoring and follow up particularly by concerned government bodies ➤ Especially it is important to develop Monitoring, Evaluation, Accountability, and Learning (MEAL) tools.	Short, medium and long term continuously	MoM, Regional Mines Bureaus, Ministry of Environment and Forestry, ERCA and RRCA	✓ The existence of effective regulation and active monitoring of operations in the sector	600,000.00 ETB	
13	The contribution of the concerned stakeholders to prevent corruption in the sector is not well organized.	The active involvement of the communities and civil societies such as EEITI, and Transparency International (TI) and other interested CSOs in monitoring the sector are timely and pertinent.	Short, medium and long term continuously	MoM, Regional Mines Bureaus, and other Development partners	✓ The existence of well-organized participation of all stakeholders in the walk towards combating corruption in the sector	300,000.00 ETB	

		➤ Especially it is important to develop Monitoring, Evaluation, Accountability, and Learning (MEAL) tools.					
14	Lack of sense of ownership by the community and the benefits of the mining sector for the overall economic development of the country	Local community must be an important stakeholder and enforce their interest through their representatives Mining companies, small scale, and individual minors should work closely with the local communities to get the right to social license so that the local community would reach the level that they see the project as their property and work to create a conducive environment for them.	Short, medium and long term continuously	MoM, Regional Mining Bureaus, CSOs	✓ Existence the local communities who have well recognized the importance of the sector to its economy; and then reached to the extent that sees the mining projects as their own property	500,000.00 ETB	

15	Even though the regional stakeholders are near to the local community particularly for the extractive sector, they have not been working to their best to solve the problem created in the sector.	The regional government bodies have to work on creating a conducive environment for the sector and collaborate with the federal government, the mining companies, and the local communities to provide better communication and supporting the sector to harness the sector's potential	Short, medium and long term continuously	Regional Government bodies particularly the woreda and zonal level mining offices, CSOs,	✓ Active engagement of the local governments on the development of the sector	800,00 0.00 ETB	
16	The local communities are not aware of their rights and responsibilities pertinent to the development of the sector.	Creating awareness and building capacity of the local communities to protect their legitimate benefit from the sector and ensuring that the companies comply and monitor the overall mining operation.	Short, medium and long term continuously	Regional Government bodies particularly the woreda and zonal level mining offices, CSOs,	✓ The existence of the local communities who do have awareness on their rights and responsibilities pertinent to the sector	800,00 0.00 ETB	

17	There have been contraband activities in all regions where this study conducted.				✓ The existence of enhanced activities to combat corruption in the sector; the existence of the fair price of minerals which is set by the NBE which do have the power to discourage the miners selling to illegal market.	600,00 0.00 ETB	
	➤ The price of minerals given at the informal market (contraband) is higher than the National Bank though the National Bank always provide higher price than the international market;	➤ The federal government should engage in collaboration with regional governments to enhance the controlling system of contrabands at the boundaries as well as within the country's localities.	Short, medium and long term continuously	MoM, Regional Mines Bureaus, FEACC, REACC, NBE			
	➤ Some business people with the help of illegal mineral brokers buy the mineral products and sell it to neighboring countries to get hard currency such as USD, and Euro, etc;	➤ Policies to prevent & control illegal trading & contraband activities in the sector ➤ The legal mineral trade license giving process	Short, medium and long term continuously	MoM, Regional Mines Bureaus, , FEACC, REACC, Federal and regional Police Commissions, National Bank	✓ The existence of strong punitive measures on contraband activities, the strong collaboration/co ordination between all concerned stakeholders to prevent mineral	750,00 0 ETB 800,00 0.00	

		must be approved & controlled by government authorities at all levels to restrict & control brokers & illegal traders. These demands hand in hand collaboration between the federal, regional and local governments.	ously		smuggling	ETB	
	➤ Some people have huge reserves of birr in the country, which is generated through money laundering and such individual chooses to buy precious minerals like gold, opal, and deposit in their house than having the money;	➤ Policies to prevent & control money laundering , illegal trading & contraband activities in the sector	Medium term	MoM	✓ Existence of strong policy which can prevent & control money laundering , illegal trading & contraband activities in the sector	600,000.00 ETB	
	➤ Miners & small-scale mining associations are very close to the border of the country in these regions, which	➤ The government must encourage legal ASM by providing incentives such as loan facilities, machinery, and	Short, medium and long term continuous	MoM and regional Mines Bureaus	✓ The existence of conducive environment in all directions and incentives for the legal ASMs to discourage	500,000.00 ETB	

	creates a conducive environment for contraband activities & trade;	other benefits to discourage illegal minors and contrabandists. ➤ The needed infrastructure such as roads, railways, and other facilities must be built in and around mining sites as they are found around border areas. This will help to discourage contraband activities and informal trade.	ously		illegal minors and contrabandists.		
	➤ Legal mineral trade license holders themselves engage in contraband activities by colliding with	➤ Punitive measures must be taken by the government on illegal minors, illegal mineral brokers and public	Short, medium and long term	MoM and regional Mines Bureaus FEACC, REACC, Federal and	✓ The existence of punitive measures on illegal miners and illegal mineral brokers	800,00 0.00 ETB	

	illegal mineral brokers;	officials involved in corruption.	continuously	Regional Police Commissions,			
	➤ Lack of proper controlling system by concerned government authorities on contraband activities;	➤ Government at federal, regional and local levels must be willing, determined and committed	Short, medium and long term continuously	MoM and regional Mines Bureaus as well as local authorities,	✓ Existence of proper controlling system by concerned government authorities on contraband activities	800,000.00 ETB	
	➤ National bank directives i.e., the bank buy gold, which is 50 gram and above, under the previous directives only 250-gram gold and above, invites minors to resort to contraband market. In this case, those minors that have under 50 grams of gold opt for contraband to get the market.	➤ The National Bank of Ethiopia should be flexible enough to buy more minerals from the providers.	Short, medium and long term continuously	National Bank	✓ The existence of flexible National Bank to buy more minerals from the providers/miners		

Annex II: Questionnaire for Government Officials

Questionnaire Designed for National Prevention of Corrupt Practices in the Mining Sector in Ethiopia

Identification

Name of Region _____

Name of Town/Zone/Kebele _____

Date of Interview _____

Interviewer's Name _____

Supervisor Check _____

Part I: Introduction

This study on national prevention of corrupt practices in the mining sector in Ethiopia, which is conducted by the Federal Ethics and Anti-Corruption Commission (FEAC) with the help of consultants and data collectors to undertake this task. The objective of this questionnaire is to obtain honest information on the subject at hand. Accordingly, the information you give is highly valued for this research exercise. The information collected from you will not be shown to anyone outside of this project and the analysis of reporting will not disclose your identity. The results of this research will advance understanding of corrupt practices in the mining sector, draw appropriate lessons and develop a strategy on how best to combat corruption in the mining sector in the country. The completed questionnaire will be collected by the researchers.

Thank you for your cooperation in fighting corruption in the mining sector in Ethiopia.

SOCIO-DEMOGRAPHIC INFORMATION (Please circle appropriate options)

Gender of respondents

Male1

Female2

Age of respondents...(fill your age here)

15-34	35-59	> 60
1	2	3

The sector of Employment:

Public	Private	Self-employed	Currently not employed
1	2	3	4

Physical Condition:

With Limited Disability	Abled
1	2

Education Status:

Did not have Education	Primary Education	Secondary Education	Tertiary Education
1	2	3	4

Part II: Instruction on how to fill the questionnaire

This part gives adequate instructions on how to fill the questionnaire and details of how to state respondent answer and preference, as well as what to do with the completed questionnaire. The series of statements below is designed to obtain your opinion about corrupt practices in the mining sector in Ethiopia. For each question, you are requested to indicate your answer by ticking the appropriate option, except for the background question section. Here are five choices for your selection. The first two options are positive: Strongly Agree and Agree. The third option is neutral: Neither Agree nor Disagree, and the third option is negative: Disagree and strongly disagree.

Strongly Agree

Agree

Neither Agree nor Disagree

Disagree

Strongly Disagree

If your opinion does not match exactly with any one of the five options, please mark the option closest to your considered judgment, and which best fits or describes the actual situation that prevails in your area, rather than what you may feel or think based on personal relationships and /or other considerations.

Background Questions

1. Which minerals are available in your locality. Can you kindly list them?
2. Do you believe that these minerals are properly used for the economic development of the country?

Yes

B. No

3. Have you ever observed corruption or corrupt practices in the mining sector in your area, please?

Yes

B. No

4. If your answer to question number 1 above is “Yes”, where did you observe corruption most in the mining sector?

A. To get geological data

B. Licensing process

C. Actual operation/mining sites

D. Revenue Collection/ tax declaration

E. All

F. Other (specify) -----

5. Do you agree that the mineral policy/regime in Ethiopia is favorable to develop the sector, please?

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Specific Questions for Government Officials

1. The Right to Mine

Regulatory bodies (government) do conduct effective due diligence on the past conduct and compliance, financial resources, beneficial owners and technical capacity of license applicants (companies) and their principals, please?.

Indicator: Government do conduct due diligence

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

2. Ethical and Fair Process for Opening the site/land to Mining

Are there corrupt practices by companies while operating or working in the mining sites. i.e., to companies' operations, buying goods, and services both within and outside the host country. For instance, under-invoicing or over-invoicing.

Indicator: Companies involved in corruption in the mining cities

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

3. Are there contraband activities to the mineral in your area?

Indicator: Contraband activities exist

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why it existed? What recommendations do you provide to stop such activities?

4. Environmental Accountability and Social Impacts as well as Corporate Social Responsibilities (CSR)

How do you see that sound environmental impact assessment is done usually before the mining conducted in this locality, please?

Indicators: Environmental Impact Assessment (EIA) Conducted

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

5. Have you observed that effective verification of environmental and social impact assessments (ESIAs) provided by companies to government bodies or regulatory bodies, please?

Indicator: Environmental Impact Assessment (EIA) Verified/confirmed

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

6. Mining companies are performing their Corporate Social Responsibilities (CSR) in your locality? Corporate Social Responsibility meaning the company's sense of responsibility towards the community and environment such as through building schools, health centers, etc

Indicator: Corporate Social Responsibilities (CSR) Implemented

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Annex III: Questionnaire for Companies and/ or Individual Minors

Questionnaire Designed for National Prevention of Corrupt Practices in the Mining Sector in Ethiopia

Identification

Name of Region _____

Name of Town/Zone/Kebele _____

Date of Interview _____

Interviewer's Name _____

Supervisor Check _____

Part I: Introduction

This study on national prevention of corrupt practices in the mining sector in Ethiopia, which is conducted by the Federal Ethics and Anti-Corruption Commission (FEAC) with the help of consultants and data collectors to undertake this task. The objective of this questionnaire is to obtain honest information on the subject at hand. Accordingly, the information you give is highly valued for this research exercise. The information collected from you will not be shown to anyone outside of this project and the analysis of reporting will not disclose your identity. The results of this research will advance understanding of corrupt practices in the mining sector, draw appropriate lessons and develop a strategy on how best to combat corruption in the mining sector in the country. The completed questionnaire will be collected by the researchers.

Thank you for your cooperation in fighting corruption in the mining sector in Ethiopia.

SOCIO-DEMOGRAPHIC INFORMATION (Please circle appropriate options)

Gender of respondents

Male1

Female2

Age of respondents...(fill your age here)

15-34	35-59	> 60
1	2	3

The sector of Employment:

Public	Private	Self-employed	Currently not employed
1	2	3	4

Physical Condition:

With Limited Disability	Abled
1	2

Education Status:

Did not have Education	Primary Education	Secondary Education	Tertiary Education
1	2	3	4

Part II: Instruction on how to fill the questionnaire

This part gives adequate instructions on how to fill the questionnaire and details of how to state respondent answer and preference, as well as what to do with the completed questionnaire. The series of statements below is designed to obtain your opinion about corrupt practices in the mining sector in Ethiopia. For each question, you are requested to indicate your answer by ticking the appropriate option, except for the background question section. Here are five choices for your selection. The first two options are positive: Strongly Agree and Agree. The third option is neutral: Neither Agree nor Disagree, and the third option is negative: Disagree and strongly disagree.

Strongly Agree

Agree

Neither Agree nor Disagree

Disagree

Strongly Disagree

If your opinion does not match exactly with any one of the five options, please mark the option closest to your considered judgment, and which best fits or describes the actual situation that prevails in your area, rather than what you may feel or think based on personal relationships and /or other considerations.

Background Questions

1. Which minerals are available in your locality? Can you kindly list them?
2. Do you believe that these minerals are properly used for the economic development of the country?

Yes

B. No

3. Have you ever observed corruption or corrupt practices in the mining sector in your area, please?

Yes

B. No

4. If your answer to question number 1 above is “Yes”, where did you observe corruption most in the mining sector?
 - a. To get geological data
 - B. Licensing process

C. Actual operation/mining sites

D. Revenue collection/ tax declaration

E. All

F. Other (specify) -----

5. Do you agree that the mineral policy/regime in Ethiopia is favorable to develop the sector, please?

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Specific Questionnaire for Companies and/ or Individual Minor

1. The Right to Mine: Companies or individual minors that meet the requirements to get a license will get the right to mining.

Indicator: Qualified companies/minors get a license

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

2. Do companies or individual minors that have a network with government officials, which may not be qualified to get license get the right to mining?

Indicator: Companies/minors connected with government officials get a license

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

3. Ethical and Fair Process for Opening the site/land to Mining: Do you believe that the process for opening the site or land to mining fair and ethical?

Indicator: Companies involved in corruption in the mining sites

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

4. Are there contraband activities to the mineral in your area?

Indicator: Contraband activities exist

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why it existed? What recommendations did you provide to stop such activities?

5. The beneficiary of Mining Approval Decisions: Is there a risk of external interference (by the government) in awarding licenses and leases?

Indicator: Government officials interfere in awarding of licenses

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

6. Is there a risk of leaking confidential information regarding applications for mining leases and exploration licenses?

Indicator: Leaking confidential information about licenses and mining leases

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Annex IV: Questionnaire for Civil Societies and Communities Living in the Mining Area

Questionnaire Designed for National Prevention of Corrupt Practices in the Mining Sector in Ethiopia

Identification

Name of Region _____

Name of Town/Zone/Kebele _____

Date of Interview _____

Interviewer's Name _____

Supervisor Check _____

Part I: Introduction

This study on national prevention of corrupt practices in the mining sector in Ethiopia, which is conducted by the Federal Ethics and Anti-Corruption Commission (FEAC) with the help of consultants and data collectors to undertake this task. The objective of this questionnaire is to obtain honest information on the subject at hand. Accordingly, the information you give is highly valued for this research exercise. The information collected from you will not be shown to anyone outside of this project and the analysis of reporting will not disclose your identity. The results of this research will advance understanding of corrupt practices in the mining sector, draw appropriate lessons and develop a strategy on how best to combat corruption in the mining sector in the country. The completed questionnaire will be collected by the researchers.

Thank you for your cooperation in fighting corruption in the mining sector in Ethiopia.

SOCIO-DEMOGRAPHIC INFORMATION (Please circle appropriate options)

Gender of respondents

Male1

Female2

Age of respondents...(fill your age here)

15-34	35-59	> 60
1	2	3

The sector of Employment:

Public	Private	Self-employed	Currently not employed
1	2	3	4

Physical Condition:

With Limited Disability	Abled
1	2

Education Status:

Did not have Education	Primary Education	Secondary Education	Tertiary Education
1	2	3	4

Part II: Instruction on how to fill the questionnaire

This part gives adequate instructions on how to fill the questionnaire and details of how to state respondent answer and preference, as well as what to do with the completed questionnaire. The series of statements below is designed to obtain your opinion about corrupt practices in the mining sector in Ethiopia. For each question, you are requested to indicate your answer by ticking the appropriate option, except for the background question section. Here are five choices for your selection. The first two options are positive: Strongly Agree and Agree. The third option is neutral: Neither Agree nor Disagree, and the third option is negative: Disagree and strongly disagree.

Strongly Agree

Agree

Neither Agree nor Disagree

Disagree

Strongly Disagree

If your opinion does not match exactly with any one of the five options, please mark the option closest to your considered judgment, and which best fits or describes the actual situation that prevails in your area, rather than what you may feel or think based on personal relationships and /or other considerations.

Background Questions

1. Which minerals are available in your locality? Can you kindly list them?
2. Do you believe that these minerals are properly used for the economic development of the country?

Yes

B. No

3. Have you ever observed corruption or corrupt practices in the mining sector in your area, please?

Yes

B. No

4. If your answer to question number 1 above is “Yes”, where did you observe corruption most in the mining sector?

A. To get geological data

B. Licensing process

C. Actual operation/mining sites

D. Revenue collection/ tax declaration

E. All

F. Other (specify) -----

5. Do you agree that the mineral policy/regime in Ethiopia is favorable to develop the sector, please?

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Specific Questions

1. Meaningful Community Consultation: Those who negotiating with a mining company on behalf of the state will not represent community members' interests?

Indicator: Communities' interest not represented in the negotiation

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

2. Do you kindly believe that there are genuine consultation and negotiations with communities in your locality, which is critical to securing the legitimacy of mining approvals?

Indicator: Genuine consultation and negotiations with communities

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

3. Do you believe that the community benefits from the mineral resource in their locality, please?

Indicator: Community benefit

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

4. How do you see that sound environmental impact assessment is done usually before the mining conducted in this locality, please?

Indicator: Environmental Impact Assessment (EIA) Conducted

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

5. Have you observed that effective verification of environmental and social impact assessments (ESIAs) provided by companies to government bodies or regulatory bodies, please?

Indicator: Environmental Impact Assessment (EIA) Verified

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

6. Mining companies are performing their Corporate Social Responsibilities (CSR) in your locality? Corporate Social Responsibility meaning the company's sense of responsibility towards the community and environment such as through building schools, health centers, etc

Indicator: Corporate Social Responsibilities (CSR) Implemented

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

7. The beneficiary of Mining Approval Decisions: Are there a risk of policy capture, and regional state capture by mining companies? By policy, capture means the result or process by which public decisions over laws, regulations or policies are consistently or repeatedly directed away from the public interest and towards the interests of a narrow interest group or person?

Indicator: Companies or minors collude with government officials

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

8. Revenue Management and Investment by the Government

Do you believe that the government after collecting tax and royalties from mining companies and small scale minors, manages it well and utilize it to promote broad economic and social development?

Indicator: Revenue management and proper investment

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Thank participants for their valuable time and contribution to fighting corruption in the mining sector in Ethiopia.

Annex V: Questionnaire for Small Scale Minors

Questionnaire Designed for National Prevention of Corrupt Practices in the Mining Sector in Ethiopia

Identification

Name of Region _____

Name of Town/Zone/Kebele _____

Date of Interview _____

Interviewer's Name _____

Supervisor Check _____

Part I: Introduction

This study on national prevention of corrupt practices in the mining sector in Ethiopia, which is conducted by the Federal Ethics and Anti-Corruption Commission (FEAC) with the help of consultants and data collectors to undertake this task. The objective of this questionnaire is to obtain honest information on the subject at hand. Accordingly, the information you give is highly valued for this research exercise. The information collected from you will not be shown to anyone outside of this project and the analysis of reporting will not disclose your identity. The results of this research will advance understanding of corrupt practices in the mining sector, draw appropriate lessons and develop a strategy on how best to combat corruption in the mining sector in the country. The completed questionnaire will be collected by the researchers.

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SOCIO-DEMOGRAPHIC INFORMATION (Please circle appropriate options)

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Male1

Female2

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Physical Condition:

With Limited Disability	Abled
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Part II: Instruction on how to fill the questionnaire

This part gives adequate instructions on how to fill the questionnaire and details of how to state respondent answer and preference, as well as what to do with the completed questionnaire. The series of statements below is designed to obtain your opinion about corrupt practices in the mining sector in Ethiopia. For each question, you are requested to indicate your answer by ticking the appropriate option, except for the background question section. Here are five choices for your selection. The first two options are positive: Strongly Agree and Agree. The third option is neutral: Neither Agree nor Disagree, and the third option is negative: Disagree and strongly disagree.

Strongly Agree

Agree

Neither Agree nor Disagree

Disagree

Strongly Disagree

If your opinion does not match exactly with any one of the five options, please mark the option closest to your considered judgment, and which best fits or describes the actual situation that prevails in your area, rather than what you may feel or think based on personal relationships and /or other considerations.

Background Questions

1. Which minerals are available in your locality. Can you kindly list them?
2. Do you believe that these minerals are properly used for the economic development of the country?

Yes

B. No

3. Have you ever observed corruption or corrupt practices in the mining sector in your area, please?

Yes

B. No

4. If your answer to question number 1 above is “Yes”, where did you observe corruption most in the mining sector?

A. To get geological data

B. Licensing process

C. Actual operation/mining sites

D. Revenue collection/ tax declaration

E. All

F. Other (specify) -----

5. Do you agree that the mineral policy/regime in Ethiopia is favorable to develop the sector, please?

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Specific Questions

1. The Right to Mine: Small scale minors that meet the requirements to get a license will get the right to mining.

Indicator: Qualified small scale minors get a license

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

2. Small-scale minors that have a network with government officials, which may not be qualified to get license to get the right to mining.

Indicator: Small scale connected with government officials get a license

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

3. Fair and Transparent Licensing Process: Do you believe that the licensing process is fair and transparent with clear rules and effective licensing authority, with a complete & accurate register of licenses?

Indicator: fair and transparent licensing process

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

4. Ethical and Fair Process for Opening the site/land to Mining: Do you believe that the process for opening the site or land to mining fair and ethical?

Indicator: Ethical and fair process for opening mining site

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

5. Are there corrupt practices by small-scale minors while operating or working in the mining sites. i.e., to companies' operations, buying goods, and services both within and outside the host country. For instance, under-invoicing or over-invoicing.

Indicator: Small-scale minors involve in corruption in the mining sites

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

6. Are there contraband activities about the mineral in your area?

Indicator: Contraband activities exist

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why it existed? What recommendations do you provide to stop such activities?

7. Revenue Collection (Taxation): Do you believe that there is a smooth collaboration between the Federal, Regional and Woreda government bodies about tax and royalty collections and other matters?

Indicator: Smooth revenue collection- federal and local

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

8. Which Segment of the government is more involved in corruption or corrupt activities to mining in Ethiopia

Indicator: More corrupted government- federal, regional and local

Federal Government	Regional Government	Woreda/ Kebele/ Administration

Why you said so, please.....

9. Revenue Management and Investment by the Government: Do you believe that the government after collecting tax and royalties from mining companies and small scale minors, manages it well and utilize it to promote broad economic and social development?

Indicator: Revenue management and investment by the government

Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree

Why you agree or disagree, please.....

Thank participants for their valuable time and contribution to fighting corruption in the mining sector in Ethiopia.

Annex VI: Result of the Pilot Test

Pilot tests on the questionnaire items and the indicators of corruption in the mining sector were conducted using ten sample respondents from the area similar to the mining survey target population. Accordingly, the following results were obtained on the indicators of corrupt practices in the mining sector.

Table 1:Result of the Pilot Test

Indicators	Index (%)
The right to mine	10
Fair licensing process	10
Ethical and fair opening of mining sites	10
The beneficiary of Mining Approval Decisions	20
Meaningful Community Consultation	20

EIA and CSR	20
Revenue Collection	70
Revenue Management	10
Overall index	22

Source: Pilot Test Result on Shakisso Site, 2019

Annex VII: Reliability Test and Item Correlation

The first table we need to look at in our output is the Reliability Statistics table. This gives us the Cronbach's alpha coefficient. We are looking for a score of over 0.7 for high internal consistency

Table 2: Reliability Statistics

Item	item correlation	test average item correlation	inter-Cronbach alpha	Observation
q15	0.4189	0.1329	0.8306	38
q16	0.4726	0.1314	0.8288	38
q17	0.6196	0.1275	0.8238	38
q18	0.4144	0.1331	0.8309	38
q19	0.2493	0.1377	0.8363	38
q110	0.3943	0.1333	0.8311	38

q111	0.4037	0.1333	0.8311	38
q112	0.4478	0.1408	0.8399	38
q113	0.4962	0.1306	0.8278	38
q25	0.6071	0.128	0.8245	42
q26	0.3652	0.1354	0.8337	42
q27	0.3338	0.1359	0.8342	42
q28	0.3039	0.1352	0.8334	42
q29	0.3218	0.1359	0.8342	42
q210	0.4065	0.1338	0.8318	42
q211	0.379	0.1334	0.8312	42
q35	0.454	0.1318	0.8292	31
q36	0.3284	0.1348	0.833	31
q37	0.3115	0.1378	0.8364	31
q38	0.3332	0.1395	0.8384	31
q39	0.4012	0.1331	0.8308	31
q310	0.4658	0.1314	0.8288	31
q311	0.4927	0.1308	0.8281	31
q45	0.7597	0.1237	0.8188	35
q46	0.4804	0.1391	0.8379	35
q47	0.4004	0.1383	0.837	35

q48	0.6222	0.1274	0.8237	35
q49	0.7356	0.1243	0.8196	35
q410	0.4446	0.1372	0.8357	35
q411	0.4463	0.1372	0.8357	35
q412	0.6372	0.1269	0.823	35
q413	0.4656	0.1372	0.8358	35
q414	0.4948	0.1308	0.8281	35
Mean Test scale		0.1333	0.8354	

q1=stands for questionnaire for communities

q2= stands for questionnaire for communities

q3= stands for questionnaire for a government official

q4= stands for questionnaire for small scale miners

This table gives us our item correlation, average inter-item correlation, Cronbach alpha value for each of our question items. If all the items are tapping into the same concept, it is expected these Cronbach alpha values to be fairly similar. Any items that have scores that are quite a lot higher (or lower) than the others may need to be removed from the questionnaire to make it more reliable. But since the Cronbach alpha value for each of our question items is fairly similar, we are supposed to keep the questions as it is than deleting.

Finally, the overall Cronbach alpha is $\alpha=.8354$. This value is more than the 0.7 thresh-hold value we set for the reliability of our question items. Therefore, our question items are reliable and can measure the level of corruption in the mining sector

Annex VIII: Potential Reserves of Minerals in Ethiopia

Commodity	Reserves	Unit	Significance
Gold	>200	metric tons	Around Adola, Moyale, Metekel, Tulu kape, Dul, Odagodere, Benshangul, Akobo, Tigray
Coal	>360	million metric tons	Around Moye, Delbi, Yayu, Chilga, Gojeb, Mush, Sar wiha kunzila, Wuchale, Haik, Dese, Mersa, Arjo, Mendi, Kindo halal, Morka, Jeren, Lalosapo.
Tantalum	19435	metric tons	Around Adola/Keneticha
Platinum	12.5	metric tons	Around Yubdo, Oromia.
Iron	68.4	million metric tons	Around Bikilal, Melka Arba and others.
Nickel	17	million	Around Adola.

		metric tons	
Manganese	207563	metric tons	Around Afar/ Inkafala.
Limestone	>900	million metric tons	Around Mekele, Abay, Butajira, Ogaden, Denakil, Diredawa, Harar.
Gypsum	57.4	million metric tons	Around Tigray, Oromia, Amhara.
Clay	21.6	million metric tons	Around Mossobo, Diredawa, Melka Jebdu, Debrebirhan, Burayu.
Potash	1.3	billion metric tons	Around Afar.
Phosphate	181	million metric tons	Around Bikilal, Melka Arba.
Marble	100	million metric tons	Around Daletti, Mora, Baruda, Bullen, Hulakuni, Tigray.
Granite	70	million metric tons	
Silica sand	3.4	million metric tons	
Feldspar	500	thousand metric tons	
Quartz	400	thousand metric tons	
Dolomite	2	million metric tons	
Kaolin	>20	million	

		metric tons	
Diatomite	>120	million metric tons	
Bentonite	172	million metric tons	
Soda ash	460	million metric tons	
Salt	4.3	billion metric tons	
Sulfur	6	million metric tons	
Graphite	460	thousand metric tons	
Kyanite	>10	million metric tons	
Talc	118,175	metric tons	

Source: USGS Ethiopian Minerals Yearbook, 2013