

Strengthening Mineral Sector Governance to Attract Investment



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Presentation Outline

1. Introduction: Extractive Industries in Ethiopia

2. World Bank engagement on Extractives in Ethiopia:

- Increasing Knowledge
- regulatory reform
- Transparency
- ASM

3. Questions



Extractives in Ethiopia

- Developing Sector
 - Mining is mainly artisanal - Gold; industrial minerals; gemstones
 - Significant exploration in Oil & Gas
 - Large scale mining on the horizon – Gold, and Potash
- Important to economy
 - Mining (gold) contributes majorly to exports
- Can fuel inclusive and sustained economic growth
 - large geological potential
 - Discoveries in neighboring countries in Oil and Gas
 - Large-scale mining can help introduce sustainable practices
 - Good practices in artisanal mining can increase household incomes of miners
 - Industrial minerals offer scope for vertical linkages

GTP 2 and Extractives

Goals:

- Expanding the production of minerals for foreign exchange generation
- Import substitution for local industries through Oil/Gas and Mining

Objectives:

- Improving policy, legal-frameworks, regulatory and working systems;
- Adding value to minerals, producing minerals inputs for the manufacturing sector development;
- Enabling the mining sector to meet national and international environmental standards and regulations; and
- Expanding the geo-sciences mapping coverage of the country both in quality and accessibility.

Good Investment Climate Requires

Pillar I: Good knowledge on the sector and geological potential

Pillar II: Strong Legal and Regulatory Framework, and Institutions

Pillar III: Transparency

Pillar IV: Supporting Inclusive Growth and Sustainable Development



World Bank Activities:

Pillar I: Increasing knowledge on the sector

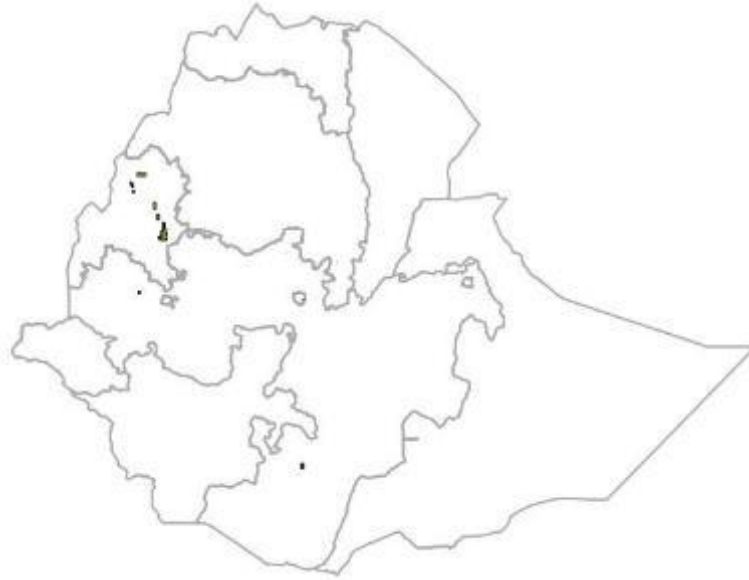
Strategic Sector Assessment Report on Mining in
Ethiopia

Strategic Sector Assessment Report: Themes

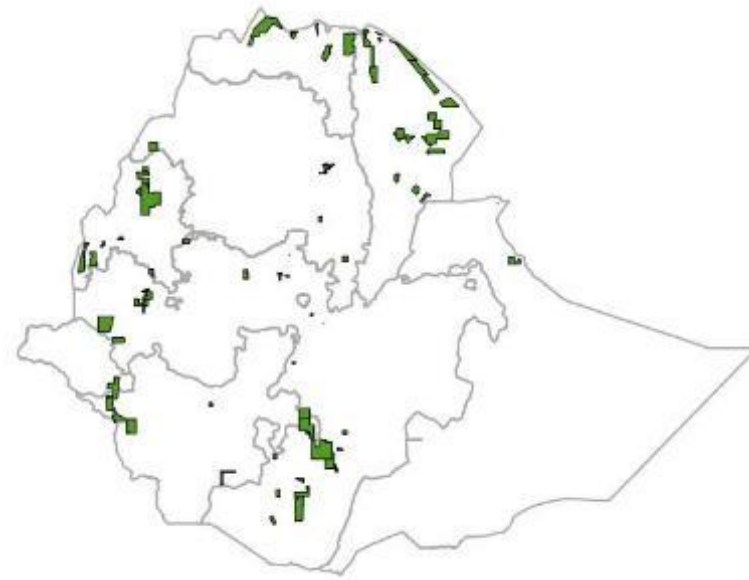
- Sector wide study
- The geological potential and its economic implications
- Review of current status of the mineral sector
- Initiatives and actions further required for the growth and development of a sustainable mining sector

Mineral Exploration development

2005

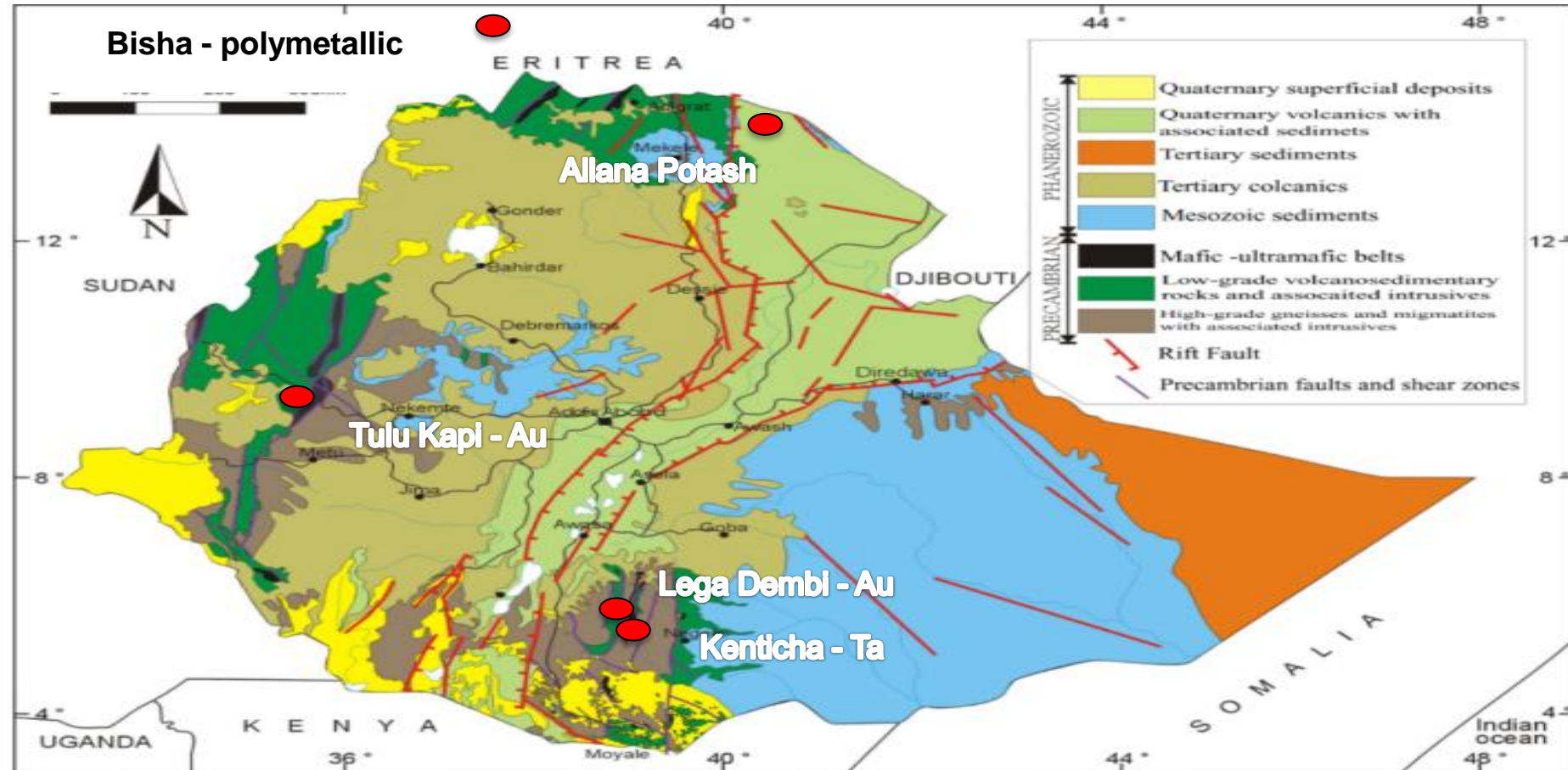


2011



Geology / Mines

Mining and prospects for mining



Source; MoM-STRATEGIC ASSESSMENT OF THE ETHIOPIAN MINERAL SECTOR

What is needed to attract Investment?

- Show Ethiopia as destination for mining investment
- Well functioning institutions which can operationalize strategy
- Clear & comprehensive legislation & regulation
- Human resource capacity enhancement:

Goal: Investments from responsible mining companies



***Pillar II: Regulatory Reform and
Institutional Capacity Building***



Objective

- Support a competitive, predictable, and responsible strategy, legislative and institutional framework
- Institutional capacity to benefit imminent Extractive Industry developments, and for improved sector governance in Ethiopia.
- Parameters :
 - Significance of extractives sector;
 - Capacity gap between industry and government

Analytical Reports



- Ethiopia Mining Sector Development: Policy and Legislative Options Report
- Ethiopia Oil and Gas Sector Development: Support for Review and Update of Policy and Regulatory Framework
- An analysis of the Commercial Potential of Ethiopia's coloured gemstone industry.

All studies are developed in close collaboration with the GoE

Key Recommendation: Oil & Gas

- Create a financial model to inform sector policy/strategy;
- Recommendation for policy;
- Advise on reform of:
 - Petroleum Operations Regulation Proclamation
 - Petroleum Operations Income Tax Proclamations
 - Production Sharing Agreements
- Advise on:
 - Development of new tax and royalties related legislations
 - Charter to define the roles, responsibilities, broad structure and scope of operations of Ethiopia's State Owned Oil Company.

Key Conclusion- Mining

- Recommendation for policy;
- Advise on reform of :
 - the Mining Proclamation (2010);
 - Mining Operations Regulations; and
 - licencing and regulation, sector-related social and environmental legislation, and grievance redresses mechanisms

Based on globally prevailing good-practices

Recommendation- Commercial Potential of Ethiopia's Coloured Gemstone Industry

- Support for miners
- Support for exporters and lapidaries
- Cutting and polishing training
- Supporting the jewellery industry
- Gemstone marketing
- Taxes and export prices
- Infrastructure
- Governance
- Policy



Pillar III: Facilitating Transparency through EITI

Our Support to EEITI: The Story Until Now

- **Support to EEITI through the National EEITI Secretariat**
 - EITI Candidacy Achieved on 19 March 2014; the National Steering Committee (NSC) is Collaborative
 - First official EEITI report published
 - Additional reports published on (i) ASM Sector; and (ii) an inventory of the Ethiopia's extractive industries
 - The development of a detailed EEITI communication strategy
 - Outreach Activities
 - A draft EEITI proclamation
 - The internal governance charter of EEITI NSC
 - The production of annual activity plan for the year 2016; and
 - Production of materials to promote EEITI.

- **Support to Civil Society Organizations (CSOs):**
 - Direct Support was offered to CSOs by the World Bank Group
 - The CSOs were organized into an informal CSO network on EEITI, now numbering 43

Our Support to EEITI: What Needs to be Done?

- **Examine if First EITI Report meets EITI Standard, 2016**
 - Suggest improvements
- **Examine if EEITI Process will meet the EITI Standard, 2016**
 - Gap Analysis
 - Identify areas for improvement
 - Suggest remedial measures and next steps
- **The following critical deliverables must be noted**
 - Has the NSC charter been adopted? Is it adhered to?
 - Has the implementation plan to implement the EEITI Communication Strategy been finalized?
 - Has the EEITI website been developed?
 - When will the draft EEITI Act be adopted?
 - How do we conduct the regional CSO Mapping?
 - What steps have been taken to reflect the recommendations of EEITI Secretariat on the first EEITI Report?



Pillar IV: Supporting inclusive growth and sustainable development in ASM



Artisanal & Small Scale Miners (ASM)

- Between 500,000 and 1,000,000 people are engaged directly in artisanal mining
- 30% of them are women
- The most important products mined through ASM in Ethiopia include gold, gems (sapphire, opal), tantalum and dimension stone.
- The production of these commodities through ASM is significant,
- It is reported to have grown rapidly in the last few years, especially gold, gems and opal.
- Women involved in extraction, washing and sorting, transporting raw and processed material and value adding in minerals mined by miners.
- Use outdated equipment and tools
- Rely on manual efforts to extract minerals

Support women artisanal and small-scale miners in ASM mining communities

The Project has four (4) components :

- Baseline Assessment of ASM Communities, Strategy Design and Environmental Social Management
- Capacity Building and Enhancement of the Sustainability of ASM Communities
- Improvement of basic services and access to health facilities
- Grant Supervision and Administration

Thank You

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