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Opportunities and Challenges of Large Scale Private Gold Mine Investments in Ethiopia: Tri-partite Interest and Contest

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Table of Contents

Acknowledgements.....	v
List of Tables.....	iv
List of Diagrams.....	iv
List of Acronyms.....	v
Abstract.....	vi
1. INTRODUCTION.....	1
1.1. Background of the Study.....	1
1.2. Statement of the Problem.....	3
1.3. Research Questions.....	5
1.3.1. General Research Questions.....	5
1.3.2. Specific Research Questions.....	5
1.4. Objectives of the Research.....	6
1.4.1. General Objective.....	6
1.4.2. Specific Objectives.....	6
1.5. Significance of the Study.....	6
1.6. Scope of the study.....	7
1.7. Theoretical Underpinnings.....	7
1.8. Limitations of the study.....	9
1.9. Organization of the study.....	10
2. LITERATURE REVIEW.....	11
2.1. The Tri-partite Network Theory in the Gold Mining Industry.....	11
2.2. Tripartite Network Practices of Gold Mining in Ethiopia: Trend Analysis.....	12
2.2.1. The Monarchy Era.....	12
2.2.1.1. Gold Mining & Utilization during Ancient Ethiopia (Approximately 100 to 1270 AD).....	12
2.2.1.2. Gold Mining & Utilization in Ethiopian Medieval History (Approximately 1270 - 1855).....	15
2.2.1.3. Gold Mining and Utilization in the Ethiopian Modern History.....	20
2.2.1.3.1. Power Consolidation and its effect on the gold mining and utilization (1955 - 1889).....	20
2.2.1.3.2. The reign of Emperor Menelik – The era of Concession.....	21
2.2.1.3.3. The reign of Emperor Hileselassie – The era of Legislation.....	26
2.2.2. The Derg Regime – The era of Nationalization.....	30
2.2.3. The FDRE Regime – The era of Privatization.....	33
2.3. Tripartite Network Practices of Gold Mining in the World: Trend Evaluation.....	34
2.3.1. Gold Mining Framework in the Ancient and Medieval World History.....	34
2.3.2. Tripartite Network of Gold Mining in the World’s Pre-modern and Modern History.....	36

2.4. Chapter Summary.....	40
3. RESEARCH METHODOLOGY AND PROCEDURE OF THE STUDY.....	41
3.1. Research Design.....	41
3.2. Data source.....	42
3.2.1. Primary Data.....	42
3.2.2. Secondary Data Sources.....	44
3.3. Data analysis.....	45
3.4. Key informant coding.....	46
3.5. The study area.....	49
3.6. Analytical Framework.....	51
3.7. Chapter Summary.....	54
4. DATA PRESENTATION AND ANALYSIS.....	55
4.1. Interview Data Presentation and Analysis.....	55
4.1.1. The Perception.....	55
4.1.2. Main opportunities in relation with the large-scale private gold mine investments.....	57
4.1.3. Main challenges in connection with the large scale private gold mine investments in the country.....	64
4.1.4. The existence of private sector, government and community partnership in relation with the large scale private gold mine investments.....	72
4.1.5. Potential policy implementation gaps and possible remedy options in relation with large-scale private gold mine investments.....	74
4.2. Document/Policy Review and analysis.....	75
4.2.1. Constitutional Principles Regarding the Mining Sector.....	75
4.2.2. Recognized Fundamental Mining Principles of the Current Policy Regime.....	76
4.2.3. Recognized Mining Licenses and Certificates in Ethiopia.....	76
4.2.4. Large Scale Gold Mining Policy in Ethiopia.....	77
4.2.5. Boundary and Demarcation Issues in the Mining Area.....	77
4.2.6. Environment and Community Related Issues.....	78
4.2.7. Financial Matters in the Ethiopian Mining Policy.....	78
4.2.8. Dispute Settlement Mechanism.....	80
4.2.9. The Growth and Transformation Plan.....	81
4.3. Summary of the Analysis.....	82
4.4. Chapter Summary.....	83
5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	84
5.1. Summary.....	84
5.2. Conclusions.....	84
5.3. Recommendations.....	86
References.....	89
Annexes.....	96

LIST OF TABLES AND LIST OF DIAGRAMS

1. LIST OF TABLES

Table Number	Description	Page
Table 1	Estimated gold exports through Massawa in the 19 th century	18
Table 2	Major specialized local Gold Market areas in Ethiopia in medieval period	19
Table 3	FGD participants coding	47
Table 4	Community's interview participants coding	47
Table 5	Private sector's participant coding	48
Table 6	Government interview participants coding	48
Table 7	Combined pattern of the three determinants	54
Table 8	Perception data presentation	55
Table 9	Opportunity data presentation table	58
Table 10	Challenge data presentation table	64
Table 11	Tripartite network data presentation table	72
Table 12	Royalty	79
Table 13	Customs Duties	80

2. LIST OF DIAGRAMS

Diagram Number	Description	Page
Diagram One	A diagram designed by the researcher in an effort to describe the gold supply chain in the medieval history	17
Diagram Two	A diagram designed by the researcher in an effort to describe the tripartite relation of the three stakeholders in the study area	52

List of Acronym

Acronym	Description
a.k.a.	also known as
AU	African Union
CSR	Corporate Social Responsibility
EMRDC	Ethiopian Mineral Resource Development Corporation
EIGS	Ethiopian Institute of Geological Surveys
EPDR	Ethiopian People Democratic Republic
FDRE	Federal Democratic Republic of Ethiopia
GDP	Gross Domestic Product
GSE	Geological Survey of Ethiopia
MIDROC	Mohammed International Development and Research Organization and Company
NGO	Non Governmental Organizations
UNCSD	United Nation Commission on Sustainable Development
US	United Nations
UNDP	United Nations Development Organization
UNECA	United Nations Economic Commission for Africa

Abstract

In spite of long history in the mining operations, Ethiopia's economy has never enjoyed from the sector in a satisfactory way. Till now, the economy is highly dependable on agriculture even though the mining sector has got policy attention. Although the government's vision concerning its contribution is to escalate up to one-tenth of the Gross Domestic Product (GDP), the industry's position in the economy is still low and remains close to 1% of the GDP. Generally speaking, only three companies witnessed in large scale gold mining production investment for the last two and half decades under the free market economic policy. It is with these backgrounds, that the mining policy framework of the country must be examined and the challenges and opportunities of large scale private gold mine investments must be identified. The research mainly deals with challenges and prospects of large-scale private gold mine investments in Ethiopia. The study focuses mainly on large scale mining investment engagements and their challenges as well as opportunities. It does not include artisanal mining and state-owned operations since the focus of the research is large-scale gold mining investments. It is private investment that is the center of the discussion in the thesis. Accordingly, the paper attempts to identify the opportunities and challenges of large-scale private gold mine investments in Ethiopia by discovering the existence of the tripartite arrangement between the private sector, the government and the community. Finally, it identifies potential policy implementation gaps and possible remedy options in relation with large-scale private gold mine investments in Ethiopia. Research interview, focus group discussion (FGD) and observation were applied as primary data collection techniques. Document review was also used as a secondary data collection mechanism. Finally, the paper comes to conclusion that there is no institutional tripartite policy framework of stakeholders that addresses the problem of the large scale gold mining. All stakeholders need permanent forum of the tripartite relation that has to be mandated with addressing the challenges and expanding the opportunities obtained so far. A need for permanent forum (institution based) which can bring concerns of stakeholders on a discussion table is important in an effort to address comprehensive interests of all stakeholders.

Key terms – private sector, community, government, large scale gold mining

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Ethiopian geology varies from oldest (Precambrian) to recent volcanic and sedimentary formation. Especially, the oldest (Precambrian) rocks host most of the economic metallic mineral deposits that comprise primary and secondary enriched (placer) gold and other minerals (Ministry of Mines and Energy of FDRE, 2009, p. 2). According to the data disclosed by the Geological Survey of Ethiopia, the country has rich resource of Gold that worth for private investment. *“Ethiopia is blessed with an abundance of natural minerals and resources. Gold is considered to possess the most potential for mining investment, and the Government estimates that production could rise to 30 tons per year given sufficient income”* (Geological Survey of Ethiopia, 2016).

However, hitherto developed large scale gold mine in Ethiopia is the Lega Dembi gold mine. It is situated in the southern greenstone belt area, with an estimated reserve of 82 tons of gold and is being run by a private owned investment with an average production of 3.6 tons of gold per year (Ministry of Mines and Energy of FDRE, 2009, p. 2).

In spite of long history in the mining operations, Ethiopia’s economy has never enjoyed from the sector in a satisfactory way. Till now, the economy is highly dependable on agriculture even though the mining sector has got policy attention (through legislation in its modern sense) since the second quarter of the 20th century. Starting from 1928, Ethiopia witnesses more than 23 versions of legal documents and legislations including the four constitutions that the country enacted for the last 85 years (Gebresellase, 2008, p. 115).

This is a clear indication that the Ethiopian governments were and still is trying to make a policy framework to integrate mining sector with the economy. As per the National Report on Mining that was submitted to The United Nation Commission on Sustainable Development (UNCSD), by the Ministry of Mines and Energy of Ethiopia, it’s stated that the main vision of the mining sector of the country is,

To establish a diverse, world-class, competitive and environmentally sound private sector led mining industry based on transparent free market principles, contributing not less

than 10% of the GDP thereby enhancing the socioeconomic development and eradication of poverty in Ethiopia (Ministry of Mines and Energy of FDRE, 2009, p. 4).

Although the Ministry's vision concerning its contribution is to escalate up to one-tenth of the Gross Domestic Product (GDP), the industry's position in the economy is still low and remains close to 1% of the GDP (Melka, 2010, p. 6). Despite this flaw, the background history of gold mining in the country goes thousand years back (Hinde, 2011, p. 2). A considerable amount of placer gold deposits were revealed through an artisanal and semi-mechanized ways in the Adola, southern greenstone belt. A placer gold deposits that could be extracted through mechanized system was marked out in southern, western, and northern greenstone belts (Hinde, 2011, p. 2).

Of course, gold mine policy related decisions by the country's political leadership on gold mining operations are not a new phenomenon in Ethiopian history. Interestingly, some policy resolutions on mining was concluded during the reign of Atse Sertse Dingel (1563 - 1597) in which he ordered the closure of the *Timben* gold mine field in order not to attract foreign aggression specially from Turkish (Gebresellase, 2008, p. 120). Obviously, similar government interventions have been entertained in previous times in order to manage their thrones. However, studies show that mining concession agreements¹ with foreign corporations was concluded during the time in power of Emperor Menelik the second in 1900 even though it is not that much clear regarding its organized plan and the regulatory framework (Melka, 2010, p. 7).

The structured regulatory framework was enacted in 1971 through the Emperor of Ethiopia Mining Proclamation No. 282/1971. Accordingly, eligibility criterion was also situated and as a result *"Any person, registered as a trader in accordance with the 1960 Commercial Code of Ethiopia was eligible to be granted exclusive exploration and mining licenses"*(Ibid, .8).

The coming in to power of the socialist oriented Derg regime also enacted different legislations with regard to mining. Accordingly, four legislations have been promulgated in different occasions that established the Ethiopian Mineral Resource Development Corporation (EMRDC) and Ethiopian Institute of Geological Surveys (EIGS) along with two other legislations concerning the sector (Gebresellase, 2008, p. 124). After the fall of Derg regime in 1991 up to now subsequent legislations and policy frameworks has been implemented. Despite the efforts in

¹ Agreement (Concession Agreement) – means a contract between the Government and a licensee in order to prospect, explore and mine for minerals (Transitional Government of Ethiopia, 1993, p. 369). (Please refer annex 10 in page 103)

all preceding regimes as well as a clear-cut intention of the current regime to develop the sector, the large scale gold mining investment in the country is still not satisfactorily developed. Accordingly, this research is attempting to address the issue through its research questions.

1.2 Statement of the Problem

Since early 1980s, the World Bank and other similar organizations systematize reforms in the mining sector as part and parcel of the wide-ranging macroeconomic structural adjustment program in Africa. The main inspiration for restructuring the mining sector in Africa was to overturn its depressed performance as evident in the Africa's insignificant share of exploration capital in relation to its mineral wealth (Gojigo, Mutambatsere, & Nidaye, 2012, p. 16). In this regard, successive sectoral reforms introduced in order to ensure better way of resource management.

The main arrangements endorsed by the World Bank involves privatization of government owned mining institutions, reforms of applicable policy frameworks & laws, and restructuring related agencies of the government. The main rationale for this act was that large scale mining resources in Africa had been managed by state-owned mining institutions. These subsequent restructurings in the mining sector attributed with motivating and inspiring the industry in many African states. Nevertheless, the restructuring processes have got some tribulations and problems during implementation. Accordingly, the World Bank recognizes that “...*there was initially less emphasis on the fair distribution of economic rents...*” (Gojigo, Mutambatsere, & Nidaye, 2012, p. 16)

This African and global situations also has got an attention from the then Ethiopian government and acted to reform the mining sector though the amendment of some legislations albeit the main economic reason is not documented². During this time, Ethiopia was also in process of promulgating new mining proclamation. The research and drafting process started in late 1980s and finally adopted and promulgated in 1993 (Gebresellase, 2008, p. 125). In this regard, some Ethiopian scholars argue that “*The mining legislative reform exercise in Ethiopia during this period may thus be viewed as an internally driven expression of the worldwide trend...It*

² During that time the country was running a socialist economic system, which is characterized by social ownership and control of the means of production, which strive direct public ownership. The same was true for the mining sector.

addresses almost all the basic issues that modern mining legislation was expected to address” (Gebresellase, 2008, p. 128).

From 1974 up to 1991, the private investment was not allowed to participate in the economy in general and in the mineral sector in particular. Rather, the government owned organizations were given the right to explore and develop the gold mine reserve of the land. However, due to the change of the political situation in 1991, a new market oriented economic policy was launched. For instance, the mining sector witnessed new mining production and tax proclamations as well as regulations to pave a way for the private capital investment in the mining sector (Ministry of Mines and Energy of FDRE, 2009, p. 4).

In June 1997, the Ethiopian Privatization Agency privatizes the Legadambi Gold Mine with an agreement made with National Mining Corporation for a benefit of a company to be formed with the participation of the buyer and Government designated body to fulfill the requirements of Article 44 of the Mining Proclamation No. 52/1993. The mine is located in Odo Shakiso Woreda, Borena Zone, Oromia Regional State (Ethiopia Privatization Agency and National Mining Corporation, 1997, p. 1).

Later on, after operating as a company “under formation” since 1998, MIDROC Gold Mine PLC is legally established in July 2003 with a capital of U.S. Dollars 51,600,000 (fifty one million six hundred thousand dollars). Hence, the Ethiopian government, represented by the Ministry of Finance and Economic Development, owns 2% shares (Ethiopia Press Agency, 2003, p. 8) (የኢትዮጵያ ፕረስ ኢንፎርሜሽን ማዕከል, 1995, p. 8)³ without contribution as per the then mining legislation and a mining and exploration agreement as well (Ethiopia Privatization Agency and National Mining Corporation, 1997, p. 19).

The company is now in operation and manage to exist for the last 20 years despite the ups and down of gold prices that is determined by the global market and other constraints. Until recently, the country witnesses no other large scale private gold mine company in the land that could operate a gold mine production. In very recent times, only two other mining companies joined the production license of the large scale gold mine investment in the country and the existing

³ Throughout this document, all Amharic sources are translated into English by the researcher in an effort to create convenience to the reader and the real Amharic source is also cited alongside for the sake of further reading and references purpose.

company also is intending to expand its investment (Media and Communication Center, 2016, p. 6) (ሚዲያና ኮሙኒኬሽን ሴንተር, 2008, p. 6).

Generally speaking, only three companies witnessed in large scale gold mining production investment (two of them are not yet start production even though they attain the license. They are in pre-production or development phase) for the last two and half decades under the free market economic policy. In this connection, the mining policy framework of the country must be examined and the challenges and opportunities of private gold mine investments must be identified by analyzing the tripartite network of stakeholders in the investment. This unsatisfactory sectoral performance in the production of gold mining, which is only one company for the last twenty years, is getting to pose a question in an effort to challenge the sectoral policy. So, where are existing problems despite the government's intention to develop the sector? In this regard, the thesis attempts to come back with relevant answers to the below-mentioned general and specific research questions.

1.3. Research Questions

1.3.1. General Research Question

What are the opportunities and challenges of large-scale private gold mine investments in Ethiopia?

1.3.2. Specific Research Questions

- a) What is the general perception of stakeholders concerning the role of large scale gold mine investments in the country?
- b) What are main opportunities (if any) in relation with the large-scale private gold mine investments?
- c) What are main challenges (if any) in connection with the large scale private gold mine investments in the country?
- d) How is the tripartite arrangement among the private sector, the government and the community in terms of large scale private gold mine investments?
- e) What are potential policy implementation gaps and possible remedy options in relation with the tripartite arrangement in terms of large-scale private gold mine investments in Ethiopia?

1.4.Objectives of the Research

1.4.1. General Objective

To identify the opportunities and challenges of large-scale private gold mine investments in Ethiopia

1.4.2. Specific Objectives

- a) To identify the general perception of stakeholders concerning the role of large scale gold mine investments in the country
- b) To find out main opportunities (if any) in relation with the large-scale private gold mine investments
- c) To find out main challenges (if any) in connection with the large scale private gold mine investments in the country
- d) To discover the existence of the tripartite arrangement among the private sector, the government and the community in terms of large scale private gold mine investments.
- e) To identify potential policy implementation gaps and possible remedy options in relation with large-scale private gold mine investments in Ethiopia.

1.5. Significance of the Study

Since this study examines the mining investments in Ethiopia in general and the large-scale private gold mines in particular in light of the challenges and prospects, it attempts to make a contribution to the understanding of the root causes of the problems that are affecting the investment. It would be important for concerned state agencies working on mining sectors to do their best for the better benefit from the sector. It also attempts to contribute input for decision makers or politicians who work on the subject matter. Moreover, its finding thus has still a role of helping the national government either to strengthen or make some more correction measures of its policy framework and management regulation systems.

There are so many studies that deal with the geological aspects of mining in the country. There are also some articles that deal with mining laws and extractive industries management. However, no typical research was found concerning the challenges and prospects of large scale private gold mine investments in Ethiopia that considers the tri-partite arrangement of the sector. Even though lots of previous studies were not enough in an effort to adequately and intensively

address this agenda, thus the study attempts to develop significant document or profile in this respect. Furthermore, this research would serve as a spring board or base for those people who conduct related researches in the area.

1.6.Scope of the study

The research mainly deals with challenges and prospects of large-scale private gold mine investments in Ethiopia. So, the main important thing here is that its focuses mainly on large scale mining investment engagements and their challenges as well as opportunities. It does not take in to consideration artisanal mining as a center of discussion since the focus of the research is large-scale gold mining investments. In addition, private investments are also a center of the discussion in the thesis. Accordingly, state-owned operations are not considered as an issue to this thesis. In line with this, the challenges and prospects will be analyzed from the private sector perspective.

Gold is a precious mineral. However, precious mineral does not mean that it is solely gold since precious mineral includes other metallic minerals such as platinum and silver as well as precious stones such as diamond and emerald. (15, article 2 (24)) (Federal Negart Gazeta of FDRE, 2010, p. 5389)⁴. Subsequently, the thesis deals with mainly on large scale gold mine investments but not include the others.

1.7.Theoretical Underpinnings

In olden times, the main commitment modality in the mining industry was the concession contract. A concession contract fundamentally concedes a private corporation the exclusive entitlement to explore, produce and market the mining resources. This contractual modality has stayed alive to this day, although in a very diverse manner. Our perceptive of the contemporary concession contract and other agreement modalities for exploiting mineral resources may be comprehended as a consequence against some of the extremes of the traditional concession contract.

⁴ Please refer Article 2 (24) of the proclamation in particular

The span of the traditional concession contracts was wide-ranging, predominantly with respect to period and the mining territory. Significantly, the contractual bargain struck among the private sector and the host government was highly imbalanced. In this respect “*Companies paid small sums to the host government for the rights over its natural resources. Typically, the compensation was not tied to the value of the resource itself. It was, however, tied to volume produced*” (Likosky, 2009, p. 2). Even though, this generalization seems a pessimistic conclusion, it does not mean that this same situation is not happening now.

Michael Likosky (2009, p.7), in his article “Contracting and regulatory issues in the oil and gas and metallic minerals industries” further stress that there is a difference between the traditional and the contemporary concession contracts since the transition witnesses a shift from unbalanced bargain-based model to a partnership-based one. He elaborates as follows “*The new generation of concession contracts aims to fulfill national development and welfare goals as well as purely financial ones*” (p.8)

Other writers like J Lungu and C Mulenga (2006, p.4) emphasized that in addition to the relation between the private sector and the government, the other affiliation pattern between the private sector and the community has to be well managed. They claimed that the private sector is in one way or the other integrated with the community.

The society at large in which the firm is located, that constitutes the immediate environs is involved in the operations of the firm. In this relationship, conflicts between society and the business enterprise can arise. They may take the form of infringement in land rights of either the firm or individuals or they may also take the form of pollution which may destroy the values of other people’s properties (Lungu & Mulenga, 2006, p. 4)

However, this does not mean that the relationship is not important to each other. Instead, the private sector has a very important role to the country in general and to the community in particular by accelerating the national economy. However, it is clear that the relationship has to be well managed by an appropriate policy framework in order to benefit all stakeholders from the development. Of course, the term “resource curse” was and still is the center of debates regarding extractive industry vs. development discussions. Its merit and demerit are challenged by the academia circle and by practitioners and of course is part of the negotiation during the extractive industry bargaining sessions.

It is not merely a topic of intellectual or macroeconomic debate. Indeed, the very idea of the curse is likely one cause of those conflicts around mining that occur during the phase of exploration, even before actual extraction has begun. As exploration begins, local

populations experience a new range of uncertainties and both real and potential future costs and disturbances related to changes in local land markets, reduced control over territorial dynamics, threats to their access to water, land and other natural resources, threats to their livelihood and productive strategies, among others. (Bebbington, 2009, p. 102)

Accordingly, the issue of development and the issue of extracting mining resources must be compatible in order to convince the community. *“The less convincing the evidence that extraction fosters development, the more likely that resistance and conflict will ensue”* (Bebbington, 2009, p. 102). It is for this purpose that direct development linkages between the private sector and the community like that of Corporate Social Responsibility (CSR) is suggested. Therefore, CSR remains as a development tool that glues the private sector and the community in the extractive industry investments.

In this regard, the FDRE Constitution reflects significant policy directions and positions with reference to political, social, and economic segments. One of these segments is the ownership title of a natural resource in the country. As usually happens, in the Ethiopian policy structure too, the ownership of mineral resources is legitimized by a constitution. According to article 40 (3) of the FDRE Constitution:

The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange. [Emphasis added] (Federal Negart Gazeta of FDRE, 1995, p. 14)

It is clear that the government and any community in Ethiopia are legitimate owners of a natural resource while the private sector comes to the picture of ownership entitlement through the mining concession agreements. In the words of the constitution, there are two significant parties that the private sector faces when investing in natural resources including but not limited to an investment on large scale gold mine. These parties are State and the peoples of Ethiopia. The peoples of Ethiopia can be objectively represented by a community who hosts the natural resource.

1.8.Limitations of the study

The thesis will attempt to see proper dimensions in order to address all aspects of issues. However, some limitations are expected to be a hindrance for not fully entertain the issue. The first point is visiting the sites of gold mining fields in the country, which is important to the

thesis. The challenges are expected since the major mining operations are more than 600 kms far from Addis Ababa.

Most of the data so far obtained from the private sector are consolidated but it was challenging to get gold related data that are produced & exported by the large scale gold mine investments from national reports. This situation somehow limits the capacity of the analysis. In this regard, it is managed to collect data from international reports as well as private companies' data and evaluated together in an effort to refine the picture.

1.9. Organization of the study

The research report is organized in to five chapters. Chapter one deals with the problem and its approach. In chapter two the review of related literature dealt with. Then, research design and methodology comes in chapter three followed by presentation and analysis of data in chapter four. Summary, conclusion and recommendation of the study are presented in chapter five. Finally, lists of reference materials for conducting the study, sample interview guide lines and pictures of some development areas are annexed at the end.

CHAPTER TWO

LITERATURE REVIEW

The literature review of this thesis attempts to review the credible sources that directly or indirectly connote the topic of the research. In line with this, effort was exerted in order to put the Ethiopian and global historical scenarios of the tripartite network by using “Path Dependency Theory” since it’s efficient to explain the continued use of a practice through historical preference and previous commitment made. Finally, the analytical framework of the research is introduced as a roadmap of the study.

2.1 The Tri-partite Network Theory in the Gold Mining Industry

The concept of “Tri-partite” networking has been expressed in one way or the other in different study papers. Of course, the word “Tri-partite” can be differently termed. However, it is believed that the network of the community, the government and the private sector is vital and indispensable. Africa’s Mining Regimes Framework Report of 2009 called this kind of networking as “Tri-Sector Partnerships” and enumerates who the partners should be.

- *The company engaged in developing or planning to develop a resource;*
- *Civil society organizations such as community groups, NGOs, churches, etc; and*
- *Local and central government institutions. (AU and UNECA , 2009, p. 127)*

Another study on Mining and Development conducted by the World Bank and the International Finance Corporation mentioned the network as a “three-way process” that should include the same stakeholders that we have mentioned above in an effort to secure a win-win solution. It claims that

As a result of the contextual shifts that the mining industry has undergone during the last quarter century, mining policy is increasingly becoming a three-way process involving the companies, the national authorities, and the local (and regional) community. Getting these three-way dialogues started requires careful preparatory work to ensure that the three parties are prepared to contribute and extract full benefits from the process that they are about to initiate. Such dialogues can be a win-win proposition for the three primary stakeholders - the government, the community, and the company - all of whom stand to gain significantly from the sustainable development of the mining regions (International Finance Corporation, 2003, p. 20).

Despite this fact, some developing countries do not have this type of three-way foundation in order to secure a predictable investment environment to the private sector plus a tangible benefit

that should ascertain the community as well (International Finance Corporation, 2003, p. 20). In whatever way, the role of the three sectors are believed to be important in this days even though the name of the term is differently stated in different studies.

2.2 Tripartite Network Practices of Gold Mining in Ethiopia: Trend Analysis

2.2.1 The Monarchy Era

2.2.1.1 Gold Mining & Utilization During Ancient Ethiopia (Approximately 100 to 1270 AD)⁵

The Axumite kingdom ruled out Ethiopia approximately from 100–940 AD. Its strategic location, mainly the Red Sea and its port of Adulis were the earliest world's great course of trade and commerce. Accordingly, Munro-Hay (1991), reason out that,

Its links with other countries, whether through military campaigns, trading enterprise, or cultural and ideological exchange, made Aksum part and parcel of the international community of the time...Aksum's position in the international trade and diplomatic activity which connected the Roman provinces around the Mediterranean via the Red Sea with South Arabia, Persia, India, Sri Lanka, and even China, tied it too firmly into the network of commerce . . . (Munro-Hay, 1991, p. 8).

The wide and expanded territory of the kingdom comes as a result of the consolidation of the surrounding tribal chiefdoms. Consequently, different gold mining fields of the interior and surrounding areas were able to be under the management and control of the Axumite kingdom's territory (Trimingham, 1952, p. 49). This and other trading activities makes the Axumite Kingdom as a leading world economy of its time and able to mine and export gold to Egypt, Greece, Rome, India and China. It's also reported that in the first centuries of the millennium, the Pharaohs of Egypt import gold from the then punt⁶ region (Hableselassi, 1967, p. 1).

The public ownership status of the gold mine fields makes available the maximum gold utilization option by the state. There is no community and private sector stake on the resources. As a result, the Axumite kingdoms were not only exporting but also using the gold in its very maximum way by operating as a currency transaction mode. During this time, Ethiopia was one of the main leading empires of the then world-order that had gold coins as a transaction mechanism. These coins were minted mainly from gold and other precious metals and the size of the gold coins were different from period to period in the kingdom (Hableselassi, 1967, p. 5).

⁵ The period classification is based on a chronology in the Ethiopian conventional history

⁶ The precise location of the area of Punt is still debatable by historians. Most historians (including the late Professor Sergew Hableselasse of Ethiopia) believe that Punt was situated to the southeast of the current Egypt, most likely it includes what is today the Sudan, Ethiopia, Eritrea and in some extent Somalia.

The utilization mechanisms were through crafting coins by using the gold itself as its main coin production input. *Endubis* (c. 270–c. 300), one of the Axumite Kings, was among the earliest rulers to issue gold coins with different denominations. *Aphilas* (early 4th century) was also another king of the Axumite kingdom who is known by the gold coins he produced, which are distinguished by a number of tests in imagery on the frontage, and being released in different weight that no one of his successors did (Gidey, 1991, pp. 19-20) (ግደደ, 1983, pp. 19-20).

Ezana (320s – c. 360AD), the other famous ruler of the Axumite Kingdom, continued the same gold utilization tradition of his predecessors. He further expresses some policy implications of the government by putting mottos in Greek language on the gold coins. He shifted the gold coin design from disc and crescent pattern to a design with a cross since he was the first monarch of Axum to accept Orthodox Christianity. As per the observation of Sergew Hablesellase (1967), his gold coins hold different symbols on them and some of the coins stated the brief public policy of the king on it. The introduction of Christianity into the political leadership as a state religion was also a clear indication of the change of the policy on the leadership circle of the kingdom and this public policy adjustment was implicated on the gold coins. (Hableselassi, 1967, p. 6).

Excess gold production under the public ownership allows the Axumite government to manipulate the structure, weight and quantity of the gold coins in its own way. Of course, the weight of the gold coins was different from time to time. For instance, the gold coins of *Endubis and Aphilas* have a gram of 2.40 up to 2.75 while Ezana's gold coins vary from 1.70 up to 2.90 gram. All the gold coins were mined, manufactured and crafted in the territories of the Axumite Kingdom. This situation continues until the 8th century (Gidey, 1991, p. 26) (ግደደ, 1983, p. 26).

Some Ethiopian writers on diplomatic issues, like that of Ambassador Mengiste Detsa, argue that the Axumite kingdom's diplomatic communication with other legitimate kingdoms was basically based on religious and trade co-operations. As a result, gold was one of the major export items of the Axumite kingdom along with other commodities. As a result, the kingdom was able to import other commodity items as an exchange (Desta, 2013, p. 25) (ደስታ, 2005, p. 25).

As per the words of Sergew Hablesellase (1967), the gold coins of the Axumite Kingdom blended the Sabaeen religion, Ethiopian art and Greek culture in Harmony. It is also evidenced by archeological findings that some gold coins were found in north part of Ethiopia, which are

believed to be Roman's empire coins (Gidey, 1991, pp. 14,18 and 23) (ግጲጸ, 1983, pp. 14,18 and 23). This is also a clear scientific indication to justify the level of the export trade and transaction during the first centuries with then powerful equivalent empires. Close to 7000 Axumite gold coins with 100 varieties now exist in different museums in the world including but not limited to Addis Ababa, Vienna, Paris, London, Berlin, Bombay, Leningrad, New York, Frankfurt, and Aden (Ibid, p.22).

The supremacy of Axum continued without interruption by ruling up to the southern Arabia. The challenge emanates from control of Yemen by Persians in 578 AD (Melaku, 2010, p. 2). This loss of previously controlled areas, which were the main economic path of the Axumite Kingdom were aggravating from time to time and came up to a series condition. According to Christian Chaillot (2002), “. . . *from the 8th and the beginning of the 9th century the kingdom of Axum was commercially isolated as its access to the sea and overseas was cut off, and it lost its economical and political prestige*” (chaillot, 2002, p. 30).

As a result, the main trade connection of the kingdom was downsized as a result of the took-over of the red sea by the Arabs, who are emerging from the middle-east. This economic weakness of the kingdom at international level significantly minimizes the political and military influence of the government and causes for the eradication of the supremacy of the Axumite kingdom.

This political weakness also had an implication on the state-ownership status of the gold mine fields locally. Surrounding potential powers and organized community structures started to check-out the military balance and finally able to take over some economically important locations. The main gold mine fields of the Axumite Kingdom, which are the most important sources of gold wealth as well as the backbone of the export trade of the government, were taken over by the *Beja*, *the falashas*, and other surrounding communities from the southern interior parts of the kingdom (Gidey, 1991, pp. 30-31) (ግጲጸ, 1983, pp. 30-31). Especially, various *Beja* communities were able to manage the gold mine fields after overrunning parts of the Axumite kingdom (Trimingham, 1952, p. 49).

The Axumite kingdom gets its high pick not only in gold mining and utilization but also in developing goldsmith crafting and related gold mining technology skills at that time (Ibid, p. 32). A good example was that Ethiopians used to erect statues from gold for different purposes. Sergew Hablesellase (1967) states that “*from the inscription of Ezana we learn that on one*

occasion the monarch erected three statues one in bronze, one in silver, and one in gold” (Hableselassi, 1967, p. 9). These gold related crafting skills were known in other parts of the country in later days. According to Pankhurst, Goldsmiths, Blacksmiths and silversmiths were much known in the commercial centers of Harar after the Egyptian occupation of the town (Pankhurst R. , 1964, p. 51).

The declining of the Axumite kingdom was also the decline of the gold production and utilization in the Ethiopian history. The good indication is that after the decline of the Axumite kingdom, use of gold for coins and statues has never been tested so far. Even non-gold coins were re-exercised very lately during the reign of Emperor Menelik II. The age following the Axumite Empire, mainly the Zagwe dynasty, was marked by the building and construction of several orthodox Christian churches and monasteries as this religion disseminated rapidly throughout the country (Trimingham, 1952, pp. 55-58). The huge gold mine and utilization tradition was discontinued as a result of territory shrinking and government policy diversion of the successor dynasty.

2.2.1.2 Gold Mining & Utilization in Ethiopian Medieval History (Approximately 1270 - 1855)

The medieval history of Ethiopia observed several internal metamorphoses in the political leadership. The government leadership entertains different kinds of challenges from local and international powers. According to Professor Lapiso G. Delebo (1985, p.71), the 16th century witness two main factors that disturb the central government’s role on the local and international commerce of the country. The first factor is the migration of people mainly around the southern trade routes and the second one is the Turkish presence on the red sea coastal areas, which deliberately closes the international trade route of the country via the Red Sea.

The second situation highly threatened the then rulers of Ethiopia and made some adjustment to protect possible aggression. One of these protection mechanisms was to keep away some resources in order to avoid temptation by foreign aggressors. In line with this, Emperor Sertse Dingel (1563 - 1597), commanded the closure of one of the gold mine fields (notably the Tembien gold mine field) in order to avoid the temptation of Turkish aggression (Gebresellase, 2008, p. 120). However, the Turkish aggressors were already in decision to invade Ethiopia.

Subsequently, they attempt to utterly own all the Ethiopian natural wealth from its source and started the war; though, there were some negotiations between Emperor Sertse Dingel and the

Turkish war lords. Lapiso G. Delebo (1985, p.77 and 81) mentioned that gold was demanded by the Turkish war lords as one of the main dispute settlement instrument in an effort to reverse the war. However, Sertse Dingel declined the negotiation and resolved the case once and for all through war victory upon Turkish aggressors.

The *Zemene Mesafint* (1769-1855 AD) introduced different government structures in Ethiopia. During this time, Ethiopia came crossways an occasion where there was no central government in the country. The regional feudal lords were quite influential and armed as well. The era was noticeable by internal conflict among feudal lords who turn out to be war lords until the decentralization structure was destructed and consolidated by Kasa Hailu, who is later on called Tewodros II (Zewdie, 2010, pp. 27-29). The decentralized government created a chaotic policy framework in the country.

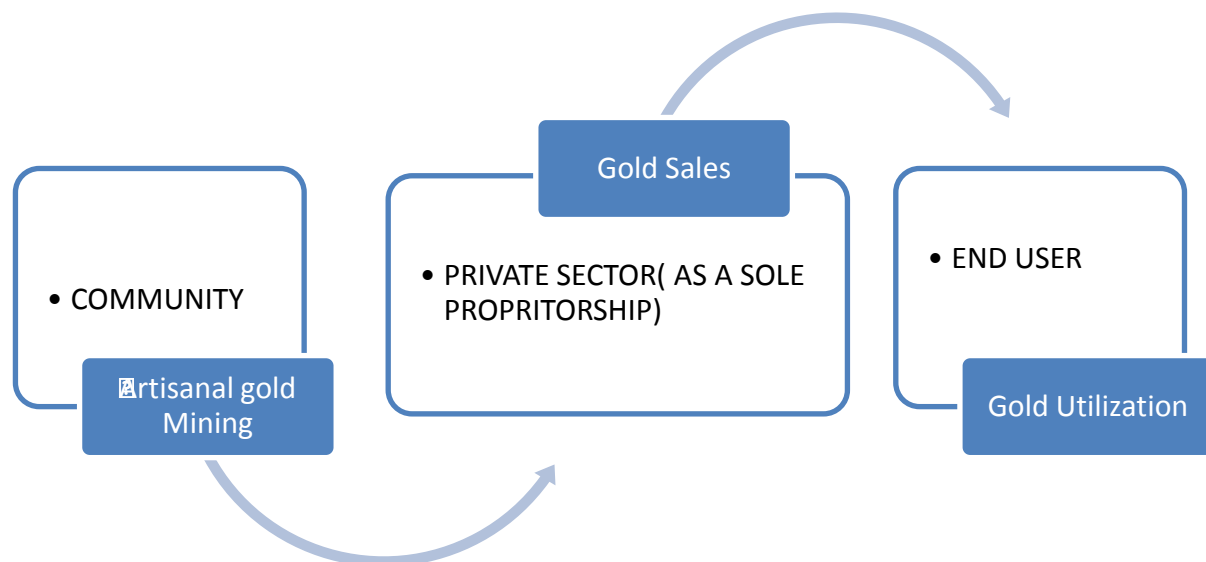
Actually, during the *Zemene Mesafint*, the main focus of the regional rulers was weapon transaction with foreign governments in spite of the presence of bilateral trade negotiations and agreements (ደሰታ, 2005, p. 54). This seems that regional power assumption was a prior agenda than the economic transaction that includes gold production and trade. But this does not mean that gold departed from the socio-economic activities of the people in the country. In this aspect, we can refer the study of Negasso Gidada (2001), who studied the history of south-western part of *Wallaga* in Ethiopia in which gold and other precious minerals had a great effect on the economy and the socio-political development of the region from about 1730 up to 1886 (Gidada, 2001, p. 10).

However, in the late medieval history of Ethiopia, the utilization of gold revived with having the private sector in to the picture. On the other hand, the role of government in the medieval history Ethiopia was different from the Axumite kingdom with regard to gold mining ownership. In Axumite kingdom, the government had a role of sole ownership from production to sales process. The government enjoyed the utilization of gold itself rather than benefiting from taxation. However, the medieval history introduced a new role to the government by bringing tax mechanisms on gold sales transaction and by decreasing government owned gold mine fields.

The role of the community was highly restricted in producing gold as an artisanal miners and the private sector involved in the gold supply chain as the main actor. Therefore, the private sector was a key player as sales performer who collects the gold from the artisanal miners' community and presents to the end user both at local and international markets. The private sectors business

structure was a sole-proprietorship. In this business pattern, some gold sellers were very famous and dominated the transaction. Ato Hagos Daras, the then richest gold trader of Adwa can be mentioned in this regard. He melts down up to 5 kilos of gold at a time for sales purpose and this shows that the trade was conducted in a clandestine manner. Throughout Ethiopia, there were at least more than hundred much known private merchants engaged mainly in gold sales business (Pankhurst R. , 1964, p. 105).

Diagram One – A diagram designed by the researcher in an effort to describe the gold supply chain in the medieval history in Ethiopia.



The above stated gold sales chain gets its climax in the final quarter of the 19th century. The role of the private sector stretches by exporting to a foreign land. After the collapse of the Axumite kingdom, Ethiopia started to shine in the gold export business. However, the main beneficiaries were the private sector followed by the government, who enjoys the tax. Gold was the second most valuable export item of the country. Estimates of gold exports are conducted extensively through smuggling as a result of the high rate of customs duty and the danger of robbery. As per the collection works of Richard Pankhurst (1964), the estimated gold exports of the country through Massawa from 1838 – 1861 is summarized as follows,

Table 1 – Estimated gold exports through Massawa in the 19th century

Year	Name of observer (who estimates)	Value in (Maria Theresa Dollars)	Quantity (in Ounces)
1838	Ruppell	40,000	2,000
1840	Blondeel	20,000	1,250
1842	French Scientific Mission	298,000	17,600
1842	Christopher	29,900	-
1847	Ferret and Galinier	13,900	1,056
1852	Plowden	38,125	2,500
1861	Heuglin	38,125	2,500

Source: Pankhurst, R. (1964). The Trade of Northern Ethiopia in the Nineteenth and Early Twentieth Centuries. *Journal of Ethiopian Studies - Vol. II, No. 1* , p.105

As per the above data, an average of 4,484 ounces of gold which values 68,293 Maria Theresa Dollars was exported only through the Masawa port between 1838 up to 1861. One of the main countries who were attracted by Ethiopian gold was the Sudan. In 1850s and 1860s, the market of Metama dealt with in a variety of Ethiopian gold exports to the Sudan. “. . . trade was carried out there on Mondays and Tuesdays between November and May i.e. throughout the dry season” (Blanc, 1868, pp. 112-113).

In 1862, the quantity of gold exported via Galabat was close to 1,000 ounces (*waqets*), each for 1.3 Maria Theresa Dollars. Gold used as a commercial transaction exchange device in the early 1880s especially in the then important market centers like Gondar and Adwa. The Sudan, was not only the final destination but sometimes used as a transition to another countries. Especially in the Galabat market Gold was also exported to the Sudan, with the participation of Greeks and Armenian merchants in the transaction. “*Most of the gold brought to Gondar was in fact exported to India and Egypt*” (Pankhurst R. , 1964, p. 107).

In Ethiopia, certain market places were especially dedicated for certain kinds of items. At the end of the medieval period, especially in late 19th C, the following market places were specializing in gold sales transactions. The major gold market areas are enumerated in the following table,

Table 2 – Major specialized local Gold Market areas in Ethiopia in medieval period

Gold Market Name	Location Area
Gondar	Gondar
Sabtia	Walkayit
Basso	Damot
Mota	Gojam
Tzeldo	Sagade
Adermat	Sagade
Ermaco	Ermaco
Kiratza	Korata
Bure	Damot
Matsciakal	Damot
Jaux	Gojam
Aliu Amba	Shoa
Absaba	Gurage
Saka	Enarya
Kalo	Kaffa

Source: Pankhurst, R. (1964). The Trade of Northern Ethiopia in the Nineteenth and Early Twentieth Centuries. *Journal of Ethiopian Studies - Vol. II, No. 1*, p. 54

In 1903, the value of gold was moderately cheap in the Gondar market. Pankhurst (1964), by referring to an Italian observer, D. Oderizzi further states that the value of gold, whose weight is equivalent to the weight of one Maria Theresa Dollars, amounts to 32 Maria Theresa Dollars. The medieval history gold was sourced from North-west and south-west Ethiopia gold mine fields mainly from the alluvial soils of Wahni, Metemma and Tehurire, while ingots were principally brought from the Shoa province. The community provide for the private merchants was not processed gold but in the form of both powder and ingots. The size of gold exported by Ethiopian merchants in the late medieval era had the composition of gold 77.604%, silver 20.833%, and bronze 1.562%.

Leave alone the community but the miners were not beneficiary from the gold production and sales. The superior portion of Ethiopia's gold production was almost entirely exported to a

foreign market. The nobilities were the one who enjoys the wearing of gold jewelry but not the community (Ibid, p. 107).

2.2.1.3 Gold Mining and Utilization in the Ethiopian Modern History

2.2.1.3.1 Power Consolidation and its effect on the gold mining and utilization (1955 - 1889)

After the end of the *Zemene Mefasint* with the effort of Kassa Hailu (later on called Emperor Tewodros II), there were repeated civil wars as part and parcel of power consolidation process in the aim of uniting the country's distributed powers among the war lords. Accordingly, three consecutive leaders namely Tewodros II, Tekle Giorgis and Yohannis IV, were very busy with having a successive battles both with local and international opponents. Some of the wars were taken over among themselves with having different dimensions (Zewdie, 2010, pp. 27-46) (ዘውዱ, 2003, pp. 27-46).

The trade in northern part of Ethiopia was mainly based on the market of Adwa up to the fight against the Egyptians in the 1870s in Tigray. Especially in reign of Emperor Theodros II, gold was one of the export items in this market outlet. During this time, the gold producing area of south-west Ethiopia was already commercially linked with different important markets in the horn of Africa despite the difficulties of communications. These interlinked markets in the horn of Africa includes but not limited to Gondar, Adwa, Ankobar, Harar, Masawa, Tajura, Zeila, Berbera, Magadishu and the Sudan. These market linkages are *“the most significant, and those for which the best documentation is available, were directly based on the import-export trade”* (Pankhurst R. , 1964, p. 61) in the horn of Africa.

However, the gold trade was highly affected by subsequent civil wars in the country in this period. The interior wars as well as the foreign wars with Britain, Mahdists and Italy significantly affects the gold mine trade. It also reduces the importance of gold mining since the trading was very difficult as a result of the war. One of the main reasons for the decline was that all capable citizens participate in wars as a soldier since the majority of the soldiers participating in the wars are part-timers.

In line with the civil war, trade activities in general were minimized significantly. However, *Gojam* happened to be a focal gold sales market during this time, which is collected mainly from South-west Ethiopia gold mine fields. Accordingly, gold was a significant export item of that time. For instance, Pankhurst (1964), by referring a British report for 1906, stated that the export

of gold from Gojam via Metemma and Massawa during 1899 and 1900 was 10,000 ounce that amounts to 325,000 Maria Theresa dollars (Pankhurst R. , 1964, pp. 65-66).

Even though the gold mining has very long history in Ethiopia, the geological study regarding mining started in 1831 by a contractor known as *Rupel*, who is a French citizen (Ministry of Mines, 2016) (ማዕድን ማኒክቴር, 2008). However, there is no enough data about the work done by the said contractor.

2.2.1.3.2 The reign of Emperor Menelik – The era of Concession

The failed power consolidation process of the above mentioned emperors were effectively managed by Emperor Menelik II. Even though the challenges were multi-faceted than his predecessors, Emperor Menelik II was able to successfully lead the country and able to be the first African king to be recognized by the then world order as a legitimate state with territorial integrity (Hailesellase, 2007, p. 129) (ጌይሊሥላሴ, 1999, p. 129).

In 1890s, the market of Keren, Barentu and Kassala increase their importance than other market outlets in the region. The gold transaction was also in the list of market transactions of Guma, Enarya, Kaffa and Janjero. However, Masawa was the principal port of Ethiopia for long time by handling import-export business. Different private foreign firms also showed interest to the Ethiopian trade exchange. However, out of the major 36 firms settled in Massawa, it was an Indian firm known as “Damchi”, who participates in the gold export business of Ethiopia at that period. “*gold export from Ethiopia via Massawa worth 15,900 and from the Sudan 14,000 dollars*”. (Pankhurst R. , 1964, pp. 75, 90,98, and 106). The Ethiopian export pattern of pre-Italian times generally shows that exports exceed imports. Nevertheless, after the introduction of Italian colony of Eritrea, the export-import balance was significantly reversed.

Practically speaking, the last quarter of the 19th century was a period in which Ethiopia restored its greatness and territorial integrity through Emperor Menelik II and gained diplomatic recognition by European powers. “*Failing health and the increase complexity of government caused Menelik to decide in 1907 on establishing the first cabinet in the Ethiopian modern history*” (Pankhurst, Economic History of Ethiopia 1800 - 1935, 1968, pp. 24 - 25)

Goldsmiths were traditionally not allowed to own land and were excluded from social activities. In most provinces, smiths held in low repute and believed to have supernatural powers and nick-

named as “*Buda*”. However, this situation seems significantly minimized in the early 20th century after they complained to Emperor Menelik. “*Menelik, after listening to appeals from members of the craft, ordered that they should be simply called workers of the palace, or more briefly workers*” (Pankhurst, Economic History of Ethiopia 1800 - 1935, 1968, pp. 38-41) Menelik had exploited the then foreign advisors and already aware of modes of working required to utilize the mining sector. Accordingly, he arranged a six years (1896-1902) prospecting and exploration agreement with a French mining engineer, Mr. Camboul, and able to gain deposits of both alluvial reef gold (Ibid, 232)

The findings of Engineer Camboul inspired Menelik and gave instructions to his provincial chiefs to send to the capital any section of black stone that they might discover. Menelik then noticed that instead of applying government structure to mine the gold fields, he rather prefers to use concession agreements and invite the private sector through this modality for the first time in the Ethiopian history. This was a very modern approach and a clear policy shift in the Ethiopian investment record. In line with this, different foreign entities and individuals showed interest and applied for gold mine investment in Ethiopia. Menelik introduced modern concession agreements not only in the mining sector but also in other sectors like that of Banking and railways. In line with this, Menelik’s government signed different gold mine investment concession contracts with foreign companies, governments and individuals as sole proprietorship investors. Pankhurst, R. (1968), using sources accounted by foreigners (such as accounts of Zervos, Prasso, Bartlet, Z.P. Akisheva and others) stated different concessions that are geographically and thematically summarized in this paper as follows.

1. Nejo Concession contract with Mr. Alfred Ilg (Swiss national) in 1998

In December 25, 1898, Menelik concluded a gold mine concession agreement with Mr. Alfred Ilg⁷. The concession agreement allowed the investor to run for 50 years by establishing a gold mine company. It further grants the investor to mine within a radius of 30 kilometers of Nejo town. The artisanal minors were protected by the agreement since Emperor Menelik forbade the investors from preventing the local inhabitants from collecting gold according to the custom.

This concession agreement holds important contractual provisions that the contemporary mining concession contracts hold. Accordingly, the peaceful enjoyment of possession, employment,

⁷ Alfred Ilg is a Swiss engineer graduated from Zurich Polytechnic college and arrived in Ethiopia in 1978 as a consultant to Menelik

development rights, tax and duties privileges, security, government equity and royalty were part and parcel of the agreement. The private investor had a chance to enjoy the following rights as the result of the agreement. These are,

- The right to establish infrastructures including any road, railway, telegraph or canal that might be necessary for the mine;
- Import equipment and explosives free of charge;
- Except criminal matters, to settle dispute among themselves;
- Protection of company's personnel;
- Encourages national employment;
- Pay 8% of the mineral produced as a royalty; and
- Give to the government 5% of the subscribed capital

As per the agreement, Mr. Ilg established a gold mine company called *Mines d'or du Wallega* in Europe in the Antwerp town (Belgium) on April 30, 1901, with a capital of 1,000,000 (one million) francs divided in to 40,000 (forty thousand) shares with a par value of 25 (twenty five) francs each. The other shareholders were Italians (with major shareholding status), Belgians and French citizens. Nejo was the third gold contributor to the Ethiopian gold export market following the Dabus and the Benishagul river basins. However, in later days, the company went in to liquidation in 1910 as a result of dispute among the shareholders. Consequently, the concession contract was terminated in the same year.

2. Beni Shangul Concession Contract with George W. Lane (English National) in 1898

Mr. George W. Lane signed the concession agreement with Emperor Menelik on the 25th day of December 1898. Emperor Menelik signed this contract on the same day that he granted the concession contract to Mr. Ilg. The agreement of George W. Lane was almost similar with the terms and conditions of Mr. Ilg except some minor amendments on conditional basis regarding royalty payment of the 8% of the mineral.

3. Prospecting Concession Agreement of Tigre, Begemder and Semen with *Sindicato Italiano d'oltre Mareb* (Italian Company) in 1903

On March 27, 1903 Emperor Menelik and the Italian gold mine company, the *Sindicato Italiano d'oltre Mareb*, signed a two and half year concession contract to prospect gold and other related minerals. The main areas include the north western part of Ethiopia mainly the Tigre, Begemder

and Semen. After six months of mobilization process, the company settled in Asmara town on September 27, 1903 and start expedition by the leadership of an Italian mining Engineer known as Mr. Moretti. After months of expedition, they found rich gold reserve in a place called *Abdi Heza* and request for further 3 years extension of the prospecting agreement that was finally secured in 1905 by the emperor's permission. The end result of the concession, after securing the extension, is not known and recorded.

4. The Wallaga Prospecting Concession Agreement with the Russian Government in 1903

In 1903, Emperor Menelik requested the Russian government in order to have the professional support of Russian mining engineers to check out the potential gold deposit of Wallaga region. A team of Russian expedition was sent to Menelik by the Russian government with a leadership task of *Kurmakov* and done the prospecting from January to December 1904 and recommended Emperor Menelik the building of gold mine plant and a concentrated mill since the reserve has commercial importance.

5. Wallaga Prospecting Concession Agreement with Zappa (Italian Citizen) in 1904

The other prospector, *Zappa*, was also capable to sign a prospecting agreement with Emperor Menelik concerning the gold mine reserve in *Wallaga*. He conducted the expedition in the province and learnt that there is a gold presence in the area; however was not capable to make use of his finding, being in one way or another prevented by the Russians.

6. Baro and Gambella Concession Agreement with Alberto Praso (Italian Citizen) in 1905

In March 1905, Alberto Praso signed a concession agreement with Emperor Menelik. Praso's formed work experiences in South African gold mines were credited by the Emperor and granted to prospect the Baro and South Gambella regions for three years. He also learnt that there is a significant gold deposit in the region and requests for the extension of the concession. In line with, both parties amended the prior agreement on May 06, 1909, whereby the investor granted concession for gold and related minerals. This contract also subsequently renewed on July 23, 1913 in a document signed by Alberto Praso and Menelik's Ministry of Agriculture Kantiba Walda Tsadiq. Furthermore, on November 29, 1922 and July 4, 1924 Mr. Praso again secured provisional permissions from the then Ras Tafari Mekonnen.

7. Other Concession Contracts

Menelik was able sign different mining concession contracts with different other mining companies. The main prospect agreements include but not limited to with Sennaar Syndicate

(Sudanese Company) to prospect in Gojam and the Abessinische Montan-Syndicate (Germany Company) to prospect around Baro can be mentioned as an example.

The private sector vs. the Government concessions also had international political dimensions. For instance, Gold resource was implicated in the Ethio-Sudan boundary negotiations of 1898-1902 between the British colonial administration of the Sudan and Emperor Menelik of Ethiopia, in which the latter was negotiating by standing Ethiopian flag inside the Sudan at the junction of Bahr el-Arab and Sobat Rivers. The gold-rich areas of Beni Shangul were the most controversial territories in the negotiation since commercial importance of the frontier zones were one of the British official's main considerations in the delimitation negotiation of the Ethio-Sudan boundary in 1902 (Bayissa, 2010, pp. 71-72).

This delimitation negotiation between the British colonial administration of the Sudan and Emperor Menelik was very rigorous and challenging and the main focus was gold resource.

Amharic

የሱዳንና የኢትዮጵያ ወሰን በተከለለበት ጊዜ እንግሊዝ የቤኒሻንጉል ግዛት የወርቅ ክምችት እንዳለው አምና ወደ ሱዳን እንዲከለልላት ብዙ ብትጥርም፤ ምኒልክ በበኩላቸው ከጥንት ጀምሮ የኢትዮጵያ ግዛት የነበረውን አገር የማይለቁ መሆናቸውን በማያወላውል መልክ ገለጹ። ይህንን የተረዳው ቆንሲል ሐሪንግተን፤ ቤኒሻንጉልና መተማ ወደ ኢትዮጵያ እንዲከለሉ የእንግሊዝ መንግስት ቢሰማማ የምኒልክን ወዳጅነት ከማትረፉም በላይ፤ የኢትዮጵያና የእንግሊዝ የምስራቅ አፍሪካ ወሰን በሚከለልበት ጊዜ፤ ምኒልክ በተራቸው እንግሊዝ የምትፈልገውን ግዛት እንዲለቁላት ማግባቢያ ይሆናል በማለት ሐሳብ አቀረበ

Gloss

During the delimitation of Sudan and Ethiopian border, British exerted effort to incorporate Beni Shangul region in to Sudan by calculating the gold resource of the area. However, Menelik expressed his position firmly by claiming that the region was an Ethiopian territory ever since. By understanding the firm position of Menelik, Counsel Harington advised his government that Menelik will be a good friend and strong ally in Britain's effort of delimiting British's East-African boundaries as well facilitate a tit for tat adjustment for their further negotiations if they now submit Metema and Beni Shangul (Hailesellase, 2007, p. 155) (ኃይለሥላሴ, 1999, p. 155).

In line with the recommendation, the British colonial administration in the Sudan agreed with the position of Menelik. Hence, Beni Shangul and Metema were incorporated with Ethiopia. The interesting diplomatic decision of Menelik was followed this border delimitation. After winning the border dispute negotiation, he invited the British government's conglomerates to explore the same region with a gold and silver concession agreement. This was a clear diplomatic

normalization facilitated by Menelik to neutralize any possible conflict with British and to plant a win-win feeling in their minds.

The British, by accepting Menelik's offer, delegate two of their multinational corporations called "*The British Syndicate*" and "*The Sennar Syndicate*" to explore gold and silver in the Beni Shangul and North Gondar regions respectively. The Ethiopian government further promised not to allow other governments to come and operate in the Ethio-Sudan border area. However, the gold mining was not materialized since the real reason of the agreement was not to mine the area but to confirm the non-existence of other colonial powers in the region (Hailesellase, 2007, p. 155) (ኃይለሥላሴ, 1999, p. 155).

The western Ethiopian part is rich in gold production but as a result of the unfriendly relation of the merchants with the host community the western market ". . . *seems to have been less substantial than that with the south*" (Pankhurst R. , 1964, p. 80). Gold was an important transaction item across the Ethio-Sudan order among the Sudanese and the Berta people of Ethiopia (Bayissa, 2010, p. 80).

2.2.1.3.3 The reign of Emperor Hileselassie – The era of Legislation

During the reign of Emperor Haile Sellase, the mining industry expanded in a considerable manner. Further to the mining concession agreements of Emperor Menelik, the Ethiopian government was capable to introduce mining legislations. The Imperial Decree of the 18th April, 1928, was one of the early main policy documents that react about mining activities. It asserts that

All wealth of the sub-soil of Ethiopia is state property and in consequence beyond the power of disposal of the land-owner and that there are assimilated to mines, from the point of view of the decree, the beds of mineral or fossil substances susceptible of special use, with the exception of building materials which may be freely disposed of by the land owner and that the exploration for all minerals in their natural beds is permitted only to those persons or companies provided with a 'permit of exploration' granted by the Ethiopian government (Haile Sellassie I University, 1972, p. 894) [emphasis added]

Hence, the policy framework mainly acknowledges private ownership by making the sub-soil property as an exception. It is emphasized as a state property. The other important policy decision of the government was focused on mineral wealth control of the land, which is witnessed through a legislation promulgated by Ministry of Interior and Commerce on

November 29, 1929. It claims that, “*All prospecting or exploitation of gold, platinum or other valuable metals or minerals on the ground or under the surface, as well as their export, was forbidden except by authorization from the Department of Mines*” (Pankhurst, 1964).

This policy position of the government was further reinforced by subsequent decrees and legislations. For instance, the Imperial decree of the 5th December, 1929 put some procedural issue for authorization by referring institutional mandate. Accordingly,

The prospecting for, the search, excavation, extraction and collection of plantiniferous or auriferous substances in the sub-soil as well as on the surface, in the form of metals, or of minerals, or gems, or precious stones, are prohibited through the territory of the Empire to every person not supplied with regular authorization granted by the Department of Mines of the Imperial Government and that without a certificate of authorization from the Department of Mines. (Haile Sellassie I University, 1972, p. 894)

In the same manner, subsequent laws were issued on May 19, 1931, on May 21, 1931 and November 26, 1931 those claim the ownership of all alluvial minerals as a “state property” and put other controlling factors.

In mid 1930s, the mining sector starts to witness Ethiopian nationals as a concession holder. Pankhurst, R. (1968), by referring to the accounts of Prasso, Bartlet and Zervos mentioned that these Ethiopian nationals include Fitawrari Darasa and Hakim Wokneh Eshete Woldemariam (a.k.a. Dr Charles Martin), who were involved in Yubdo and Nejjo areas. They jointly had 300 employees in 1929 with a total production of 875 ounces of gold annually. In 1924, the country’s gold production was totally around 17,650 ounces. According to these sources, the other locally registered company was the *Socie’te Minee’re Ethiopie’nne* founded in 1933 to exploit and produce gold in the country. The company was established with a share capital of 300,000 dollars divided into 15,000 shares with a par value of 20 dollars each. Blattengetta Wolde Maryam Ayalew and Blattengetta Heruy Woldesellase were leading the operation as a President and vice president of the company respectively.

During the fight against the invasion of Italy, the country’s socio-economic activity was highly affected as a result of the patriotic resistance movement of the people against the fascist invader. The local community structure was highly affected since the people were busy in fighting the invader in one way or the other. However, there were Italian corporate entities during this time

who were engaged in exploration activities mainly in Akobo river basin though the local community had know-how about the existence of the resource in the region.

Occurrences of pacer gold in Akobo river basin have known for a long time by the local inhabitants. Exploration work was started in 1939 by Italian company called 'Campagnia Mineralia Ethiopia (Comina)' . . . This company reported the occurrence of gold in the lower Akobo river, its old terraces and various tributaries (Hailu, 1995, p. 4).

There is no clear documentation regarding the connection of *Campagnia Mineralia Ethiopia* (a.k.a. *Comina*) with the then Italian government. However, its presence was recognized by its exploration activities that were documented as a report. After victory of Ethiopian patriots over the Italian fascist regime, the policy and law enactment process of the Ethiopian government was revived.

Even though some mining activities were recognized by the government, the private sector was not allowed to export the gold that it produces. The government was the only buyer locally. In line with this, as per the Proclamation on the Prohibition of export (Gold, Silver and Platinum), which was promulgated in 1943, it was stated that it is not allowed to export unless exceptionally has the permission of the Empire.

No person shall export, send or take out of Our Empire gold, silver or platinum in any form except in accordance with the terms and conditions of a licence issued by Our Minister of Finance or a person authorized by him; provided, however, that the provisions of this Article shall not be deemed to apply to watches, rings and other similar articles of utility or personal adornment made wholly or partially of gold or platinum and which are worn by any person leaving our Empire (Haile Sellassie I University, 1972, p. 893) [emphasis added]

Similar policy platform comes after a year in 28th day of July, 1944 through a proclamation for the Control of Transactions in and concerning Gold and Platinum. This proclamation puts some policy pillars regarding how gold is transacted, what procedure should be followed and what the penalty is going to be applied for the alleged offence. The law applies the concept of *de jure* seizure and confiscation for the first time in the mining history of the country. It also limits the possession of custody allowed i.e. ten ounces.

As per the observation of Harrison C. Dunning (1968), constitutional backup for natural resources stressed out in Ethiopia during the 1955 revised constitution than the 1931 constitution. According to him,

When Ethiopia revised its constitution in 1955, one of the important innovations was an article on ‘natural resources’. Nothing on this subject had been included in the Constitution of 1931, legislation on various natural resources was fragmentary at best, and the way was open to chart a new course. What emerged, Article 130 of the Revised Constitution, is hardly a model of precision, but it does set forth important principles regarding state ownership and control of various categories of property. [emphasis added] (Dunning, 1968, p. 449)

Therefore, article 130 (a) of the Revised Constitution (1955) asserts that State is a legitimate owner of the natural resources of the country. The provision of the law claim that, “*the natural resources of, and in the sub-soil of the Empire, including those beneath its waters, are State domain*” (Empire, 1955, p. 29). Of course, the position of the people is not recognized in expressed manner like that of the FDRE Constitution article 40.

During the Emperor Haile Sellase regime, the other important milestone is the introduction of institutional framework with regard to mining. Immediately after the victory of Ethiopian patriots on the fascist Italian forces in 1941, Emperor Haile Sellase reinstates different institutions in order to manage the then post war economy. Accordingly, in early 1940s the mandate to grant concession licenses was organized under the umbrella of Interior ministry. Mainly, it was a section in the name of “Mining and Concession Section” under the department of Title Deeds in the Ministry (Ministry of Mines, 2016, p. 1) (ማዕድን ሚኒስቴር, 2008, p. 1).

In early 1953, the main duties of mining including but not limited to supervision, exploration and development issues transferred directly to the then Ministry of Finance. Of course, all gold export activities must get license from Ministry of Finance starting from 1943. That might be a rational to consolidate the whole activities under this ministry (Ibid). The institutional arrangement had conducted some activities in this time. For instance, “*during the 1950s the department of mines commenced different exploration and examination works on the Akobo River and tributaries*” (Hailu, 1995, p. 4)

In spite of the effort to clarify the institutional framework in previous days, the mining sector officially structured as an independent ministry with having appropriate functional departments in 1965. Then after, the Ministry’s first planned exploration activities started immediately with the help the UNDP in 1968 (Ministry of Mines, 2016, p. 1) (ማዕድን ሚኒስቴር, 2008, p. 1). Starting from then to date, the Ministry passes through different structural adjustments either by merging with or splitting from different similar sectors.

The promulgation of Mining Proclamation No. 282 of 1971 and Mining Regulation No. 396 of 1971 were also significant milestones in the Emperor Haile Sellase regime even though the government did not stay so long after the enactment of the law. The successive mining decrees and legislations during this regime were milestones for the subsequent mining policies of the country.

Of course, during the final years of the Emperor Haile Sellase's regime, different base-line studies were conducted, which later on pave a way to the gold mine activities of the country. Some of them were successful and the rest were not. Most of the projects were implemented with a joint effort of Ethiopian and foreign professionals. For instance,

A more systematic reconnaissance survey was carried out from 1973 to 1974 by Canadian and Ethiopian geologists under a joint Ethio-Canada Project (Omo River Project). The 80,000 km² geological mapping at scale of 1:500:000 and geochemical stream sediment sampling covers this project area. But the reconnaissance stream sediment geochemical samples reveal no anomalous metal content in the area of interest, and no new areas of mineralization were discovered (Hailu, 1995).

On the other hand, the position of the mineral host community is not clear in the above mentioned policy documents and mining activities as well. The state assumed ownership of natural resources by respecting land ownership status of the society. The mineral ownership of the state was an exception. However, the society in general and the host community in particular did not have provided mandate through the policy reactions. To the contrary, the regime introduced legislation based back-up to the private sector by introducing clear procedures and institutional foundations in the country.

2.2.2. The Derg regime – The era of Nationalization

The Derg regime comes to power in 1974 and ended up in 1991 when it was overthrown by a revolutionary military power. The notable reaction of the regime on the mineral sector was the promulgation of the Proclamation No. 39 of 1975. This proclamation was a clear policy shift by nationalizing the prospecting, exploration and development of minerals.

Furthermore, the mining sector was reorganized after two years of the proclamation by amalgamating with the energy and water sectors. The other institutional development in the mining sector in this regime was the establishment of the Ethiopian Institute of Geological Surveys (EIGS) as an autonomous entity under the ministry, which was tasked in generating,

collecting & managing geo-information of the country stayed for almost the last four decades. Of course, the Geological operation was set up in 1968 in the status of a Department under the Ministry. However, its institutional strength was gained during the Derg regime when it became the Ethiopian Institute of Geological Surveys (EIGS) in 1984. It was recently renamed as The Geological Survey of Ethiopia (GSE) in 2000 (Geological Survey of Ethiopia, 2016). During the party meeting of Ethiopian People Democratic Republic (EPDR) in 1987, the then president of Ethiopia, Colonel Mengistu Haile Mariam, further promised to strengthen the institutional framework of the mining sector with manpower and organizational setup (Hailemariam, 1987, p. 58) (ኃይለማሪያም, 1979, p. 58).

However, the Derg regime was highly pessimistic towards the private sector as a result of its socialist ideology. It believes that the private sector is source of misappropriation and embezzlement and shall be disregarded. The ideological voice of the Derg, “meskerem” (መስከረም in Amharic language) magazine, announced the ruling party’s unenthusiastic position towards the private sector as follows,

. . . የግል የኢኮኖሚ ይዞታ ለብዙ ጊዜ ሲወርድ ሲዋረድ ከመጣው የግለሻነት የአስተሳሰብ ቅሬት ጋር ተዳብሎ ለምዝቦራና ብኩንነት መስፋፋት አመች ሀኔታ ይፈጥራል። በመሆኑም የግል የኢኮኖሚ ይዞታውን ለማዳከምና የሶሻሊስት ይዞታውን ለማጠናከር የሶሻሊስት ይዞታውን በሶሻሊስት የቁጥጥር ስርዓት መደገፍ ያስፈልጋል።

Gloss

. . . *the private sector’s economic participation creates misappropriation and embezzlement in collaboration with the private ownership sentiment of the previous regimes’ legacy. Hence, it is import to create a socialist control system in order to weaken the private sector’s economic participation and to strength the socialist economy* (ELPOC, 1982) (የኢሠፓኦስ ማዕከላዊ ኮሚቴ ርዕዮተዓለም መምሪያ, 1974).

Despite the previously mentioned progressive efforts of the preceding regimes in Ethiopia regarding gold mining, the Derg regime raises a very contentious issue by claiming that the mining sector started to get attention after the 1974 revolution. Even though this claim has no supportive evidence, the high level officials repeatedly claims so. For instance, in the foundation meeting of the Ethiopian People Democratic Republic (EPDR) in 1987, the then president of Ethiopia, Colonel Mengistu Haile Mariam said that,

Amharic

“እንደአውነቱ ከሆነ የማዕድን ሥራ የተጀመረው በአብዮቱ ሂደት ውስጥ ነው ለማለት ይቻላል። ማዕድናትን ማልማት የሚቻለው ከሁሉ በፊት ስለከምችታቸው አስተማማኝ መረጃ ሲኖር መሆኑን በመገንዘብ ለጂኦሎጂ ጥናቶች ልዩ ትኩረት ተሰጥተዐል። . . . የወርቅ ማዕድንንም በሚመለከት የፍለጋው ጥናት አስተማማኝ መረጃዎችን በመጠቀሙ ወደ ልማቱ ለመሸጋገር ዝግጅት እየተደረገ ነው።” [emphasis added]

Gloss

Honestly speaking, mining started as part of the process of the revolution. Special attention is given to geological studies by taking into consideration that mining development is mainly based on a reliable data....Concerning gold mining, we are in a process to develop the mine resource since the exploration result so far indicates a reliable data” (Hailemariam, 1987, pp. 57-58) (*ኃይለማሪያም*, 1979, pp. 57-58)[*emphasis added*]

The Derg regime also had some kind of strategic alliance with the then Socialist bloc countries mainly with the Cuba and Russia. This relationship also had positive role in the sector since the relation applied manpower and information support. Cuba provided mining engineering training to selected Ethiopian students and Russia directly engaged in surveying activities. For instance, Derg allowed Russians to survey the *Baro-Akobo* basins in *Gambella* region in 1987. (Bayissa, 2010, p. 215)

Resource disclosure also happened strongly during the Derg regime. This was not without problem that was implicated as a domino effect. Since resources are cause of conflicts in one way or the other (Tadesse, 2004, p. 5), resource disclosures by the Derg backfired in some regions notably in Gambela. This resource disclosure brought a strong ownership feeling to the local community.

As result, this temptation brings disagreement between the social setup of that given community. Practically speaking, this situation was implicated in the *Anuak* vs. Highlanders conflict in the *Gambela* region of Ethiopia. According to Regassa Bayissa (2010), the official disclosure of the existence of gold and other precious metals in 1987 by the Derg regime was one of the factors that put foundation for the conflict between the *Anuak* people and the highlanders living in the region mainly through the settlement program of the Derg regime. He claimed that, “*Since then the Anuak began to feel confident and to talk much about their resources and their fertile lands. But at the same time they showed their discontent about the highlanders’ encroachment on these resources*” (Bayissa, 2010, p. 215).

The institutional framework and manpower training at local and international level in the mining and geology area can be mentioned as a strong position and contribution of the Derg regime. Further, the regime keep continuing the legislation trained in the sector. This is a clear succession from its predecessor. However, the concession agreement, which is a mechanism of

entertaining the private sector to the mining investment, was discontinued as a result of the socialist oriented policy of the government. Albeit the mining legislative reform exercise in the country during this regime was progressing as a result of an internally driven turn of phrase (Gebresellase, 2008, p. 128), the age of the regime got its end in 1991.

2.2.3. The FDRE regime – The era of Privatization

As we have discussed before, the extractive industry sector has passed through multi-faceted organizational arrangements. Merging and splitting the sector happened considerably in the last 50 years. During the Federal Democratic Republic of Ethiopia (FDRE) regime in 2002, the mining sector was structured alone as a “Ministry of Mines”. Further arrangement was made in 2005 and the mining and energy sectors were restructured as the “Ministry of Mines and Energy. In the year 2010, the mining sector has established once more as a “Ministry of Mines” tasked with duties and responsibility.” (Mines, 2011).

Recently, the ministry further reorganized with a different name called “The Ministry of Mines, Petroleum and Natural Gas” as per Proclamation No. 916./2015 concerning Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia. According to this proclamation, the main powers and duties of the “Ministry of Mines, Petroleum and Natural Gas” regarding the mining sector is extracted and summarized as follows:

- *promote the development of mining,*
- *ensure the proper collection, maintenance and accessibility to users of data on minerals;*
- *encourage investment through creating conducive conditions for exploration and mining operations;*
- *regulate, in cooperation with the concerned organs, the market for precious and ornamental minerals;*
- *organize research and training centers that may assist the enhancement of the development of mining;*
- *issue licenses to private investors engaged in exploration and mining operations, and ensure that they conduct mining and exploration operations and meet financial obligations in accordance with their concession agreements; and*
- *In cooperation with the concerned organs organize and build the capacity of individuals engaged in traditional mining operation (FDRE, 2015, p. 8626).*

The Ministry is further mandated to oversee the environmental and social impact assessment with having a dedicated department for this purpose with having a delegation mandate from the Environmental Protection Authority. This is also a good milestone in the current institutional framework that serves in a dedicated manner.

The Ministry is the one who grants license and manage activities of the large scale gold mine investments. However the point here is that the country is following a federal system comprises states and these states have also their own mandates to administer their people and region. The question is, therefore, that how the “Ministry of Mines, Petroleum and Natural Gas” is operating with these regional states while implementing policies in relation with the host community.

After the collapse of the Derg regime, the introduction of mining income tax laws were significant points that provides policy attention with regard to rent collection. This is a good milestone and a significant step forward in order to strengthen the sector. Basically, two income tax laws were introduced in Ethiopia in the mining sector i.e. Petroleum Operations Income tax proclamation (promulgated in 1986) and Mining Income Tax proclamation (promulgated in 1993) even though some scholars criticized the existence of two tax regimes in a similar sector. According to a study on the Ethiopian tax legislations, “*The two tax regimes reveal substantial similarities, and if anyone is paying attention, it may be appropriate to merge the two tax regimes and issue a new tax law for mining sector, including petroleum extractions*” (Lencho, 2012, p. 126). The main point is; therefore, to have a modern and globally fit tax provision at country level that can compete with the current international standard. Because,

The current international tax regime is based on a complex, well established, widespread and fairly coherent network of more than 2,300 bilateral and multilateral tax treaties – the former representing the immense majority of them – covering more than 180 countries and territories (Vieira, 2004, p. 63)

Mining tax is part and parcel of the national mining policy of any country. Accordingly, the main pillars of the existing mining policy documents, including mining tax, will be scrutinized in the following section by providing close attention to the provisions of the mining policy instruments.

2.3. Tripartite network Practices of Gold Mining in the World: Trend Evaluation

2.3.1. Gold Mining Framework in the Ancient and Medieval World History

It is impossible to know the exact date that humans first began to mine gold, but some of the oldest known gold artifacts were found in the Varna Necropolis in Bulgaria (Zanotti, VARNA: The Necropolis and the gold finds, 1984-1985). The graves of the necropolis were built

in the middle of the fifth millennium BC, indicating that gold mining could be at least 7000 years old (Zanotti, VARNA: The Interpretation of the Evidence from Necropolis, 1884).

Mining was under the control of the state but the mines may have been leased to civilian contractors some time later. The gold served as the primary medium of exchange within the empire, and was a prime motivation for the campaign in the Roman army for invasion in the first century AD (Erdkamp, 2007, p. 84). Of course, Dolaucothi, in west Wales, was the known Roman gold mine fields of that time,

Between 70 AD and 80 AD, the Romans began the first extensive mining of Dolaucothi, creating large open-cast workings and digging several tunnels (adits) to exploit the gold veins. Most of this was achieved using nothing more than picks and hammers in what must have been very hard labour. Some of the original pick-marks, which are almost 2,000 years old, can still be seen in the adits (National Trust, 2016).

In the district of the Kolar Gold Fields in India, gold was initially mined before the 2nd and 3rd century AD by hollow out small pits. The depth of the reefs goes up to 50 meters. *“Tools were very simple - an iron hammers on a crude anvil stone to crush quartz, riddling to separate waste or sediment in to different fractions, and use of a circular steel pan”* (Willies, 1991). Furthermore, the gold mine fields of the surrounding regions in India in those days attracted some kind of disputes around the region just because of the gold itself. In this regard,

It has been stated that the Indian conquest of South Asian regions in the distant past was driven by the desire for gold. The tradition of mining gold started at least as early as the first millennium B C. The Champion reef at the Kolar gold fields was mined to a depth of 50 m during the Gupta period in the fifth century A.D. The metal was continued to be mined by the eleventh century kings of South India, the Vijayanagar empire from 1336 to 1560 and later by Tipu Sultan. It is estimated that the total gold production in Karnataka to date is 1000 tons (Ranganathan, 2000, pp. 1-2).

The Indian gold mine fields were highly exploited by different reigns of the state in an effort to benefit from the income that the mine generates. These situations continue even in later days. S. Bagchi and A.K. Ghose (1980), on their work entitled “History of Mining in India – CIRCA 1400 – 1800 and Technology Status”, they claim that, *“There is ample evidence that active mining for reef gold was going in many of the gold fields of southern India, such as Bellara, Kabligatti, Wynad, and elsewhere, during the reign of Vijayanagar Kings (1336-1560) and later during the regime of Tipu Sultan”* (Bagchi & Ghose, 1980).

In the gold mining history of the middle ages, the name called “*Kremnica*” worthy to mention from Eastern Europe. *Kremnica* remained among the main mining towns in the world throughout the Middle Ages and as a result of the rich gold ore deposits in the Mountains of *Kremnica*. Nevertheless, the primary proof of sub-surface mining started in the 9th century. Later on, the Mongols invasion in the 13thC affected the inhabitants of this area. Following this event, Hungarian kings invited settlers from other European inhabitants (mainly Germans) to set up in the region in order to assist stock up the decreased number of population and restore the mining activities in the town. Starting in 1335, the golden mint produced in “*Kremnica*” (notably known as “*Kremnica ducats*”), were used as an international instrument of payment because of their purity of gold (HVIŽDÁK, MOLOKÁČ, DREVKO, & HVIŽDÁKOVÁ, 2014, p. 42).

The state ownership of the gold mine fields helps the macro economy of the regime in different ways. The “*Kremnica*” meant was the main vital mint, and later on able to be the only one, in the Kingdom of Hungary, and today’s Czech and Slovak. The richness of the “*Kremnica*” town causes for being given the nickname "Golden Kremnica" and the town became the headquarters of the Chamber Count (or *Kammergraf*) in 1331, which was the leadership organ of all mining and minting chambers of the Kingdom of Hungary. This Count managed all the mines and mints in twelve counties of the kingdom in the middle Ages. Afterwards, it became the capital of the mining towns in central Upper Hungary in 14th C and was the second most important city in the Kingdom of Hungary in the 15th C. (HVIŽDÁK, MOLOKÁČ, DREVKO, & HVIŽDÁKOVÁ, 2014, pp. 42-43).

2.3.2. Tripartite Network of Gold Mining in World’s Pre-modern and Modern History

In the 19 century, numerous gold rushes in different areas throughout the world happened. The California Gold Rush, the Victoria Gold Rush and the Klondike Gold Rush were the famous gold rushes ever happened. As per a recent study conducted by Karen Clay & Randall Jones (2008), the entire American nation as well as many foreign states knew regarding the California gold rush by the end of 1848 and many traveled to California in the spring of 1849 either by ship or overland. The gold miners were nick-named as "forty-niners" as a reference to the year 1849. After a year, the number of gold miners had significantly increased to 40,000 in December 1849 and to 100,000 miners in 1852. Gold production rose rapidly, peaking around 1853 (page 5).

After the miners arrived in California, most of them tried to operate the mining manually. In 1849 and 1850, all that was vital to mine was a tool or shovel and a handy pan to shake-up and refine the gold from the sand, rock, and other debris collected from the area. *“The main requirement for being a miner during this early period was the ability to endure long hours of physical labor. Those who found the physical labor too difficult and those with skills – often acquired from their previous occupation – moved on to other jobs”* (Clay & Jones, 2008, p. 6).

The Current scholarship endorses that gold merchants earn far more wealth than the miners during the California Gold Rush. Furthermore, the role of the government during the gold rush was stated ambiguously by different writers. However, the private sector had a significant role during this time. There is a consensus concerning its role in putting as one of the foundations for property right policy framework in the American history. In this regard, a recent study on California Gold Rush vis-à-vis Property right nexus claims that,

The California gold rush is among the most famous chapters of American history, but its character as an economic phenomenon remains ambiguous, implicitly contested by two ostensibly conflicting views. In the popular perception, a “gold rush” refers to a chaotic scramble for high-profit opportunities in an open-access setting, where the premium is on speed. The academic literature, however, says something quite different. Among law-and-economics specialists, the mining districts of the California gold rush are often cited as canonical examples of spontaneous establishment of secure property rights in the absence of legal authority (Wright & Clay, 2003, p. 3).

The Victorian gold rush, another prominent event in the gold mining history, was a period roughly from 1851 to the late 1860s that happened in the history of Victoria, Australia. At this time the social and economic situation of Australia was awakening. According to Fei Sheng (2011), the main stimulus was the gold discovered in 1851. During this ten years period, the population of the country tripled over and specifically Victoria’s inhabitants, which had the largest goldfields in the country, holds 573,000 new arrivals, which is almost eight times more than its population prior to the gold rushes (Sheng, 2011, p. 99).

The gold exported in this period highly supports the government in an effort to settle foreign debts of and facilitated commercial expansion in the latter half of the 19th century. However, the local community was outsmarted by new settlers came from abroad mainly from China by crossing the sea. During this period, the Chinese migrated to Victoria were almost 10% of Victoria’s inhabitants (Reeves, 2005 , p. 53).

The Klondike Gold Rush was also an exodus of people which is estimated to 100,000 prospectors to the Klondike region of the Yukon in north-western Canada approximately between 1896 and 1899. Comparatively speaking, Klondike Gold Rush was circled by some regulatory frameworks since it is relatively recent when compared with other gold rushes. The *“property rights over gold in the ground were very secure, and that this security along with a small payment, created the incentive to share information and provide a large social good to the community”* (Allen, 2007, pp. 6-7).

The demand of gold in the world arena was high after the World War II than its pre date. State reconstruction in the world political order was the main reason for this.

The period between the Second World War and the mid 1970s was one of unprecedented growth in metal production and metal prices. The rebuilding of Europe and Japan after World War II and the industrialization of the Soviet Union created a huge metal demand. For 30 years thereafter, the mining industry was in nearly continuous decline both in terms of demand and prices (AU and UNECA , 2009, p. 21).

A need for gold utilization dramatically improved starting from the turn of the 20 century. Despite the fact that utilization of most minerals increased annually up to 2% in the 1980s as well as 1990s, the escalation rates after the millennium were much higher. At the beginning of the year 2000, a number of huge mining projects were ongoing, which were approximately one-third of all projects globally at the time. *“Metal prices experienced another boom beginning in 2003/2004 until the current global economic crisis”* (AU and UNECA , 2009, pp. 10, 17 & 21).

The economic reform and liberalization course of 1980s in the global level, especially in the mining sector, activated considerable transformation of the geographical makeup of mining investment. As per the study by African Union and United Nations Economic Commission for Africa (2009), the main State owned enterprises in the mining sector were restructured. This structure basically happened on developing countries through privatization or semi-privatization arrangement by a state (page 30).

State-owned mining enterprises were established in many developing countries in the 1960s, based on the double premise that private investors (especially foreign investors) did not act in the best interests of the, nation, and that government -controlled -mining development could be managed efficiently. Over the past three decades, private enterprises have proven to be far more efficient and competitive than SOEs, as well as more effective at raising capital (International Finance Corporation, 2003).

Of course, it is hardly possible that state owned enterprises are avoided from the sector. There is still significant state control in the sector in some countries. China is one of the leading state mining countries in the world. Furthermore, state-owned entities in Sweden, Chile, India and Indonesia together hold the second group of state mining enterprises next to China. All states' share of national production from the investment reaches 25 % throughout the world (AU and UNECA , 2009, p. 20).

The main point while discussing the responsibility of mining companies, their corporate structure must get in to attention. Most of mining companies are junior companies that are not engaged in extraction but only in exploration activities. They mainly concentrate on exploration and put their findings on the market for development to the larger and well resourced entities even though the reward depends on the mood of the market (pwc, 2013, p. 3).

Many of those operating in Africa are based in Australia and Canada and listed on stock exchanges in those countries, 19 which have well developed sources of funds for juniors. Junior exploration companies are risk takers compared with the larger operators and therefore they are usually the precursors to the activities of their larger counterparts (AU and UNECA , 2009, pp. 18-19).

The junior and major level of the mining company has nothing to do with community benefit as far as they are extracting the resource. Despite the progressive effort made till the 20 century, the role of the host community usually ignored in many cases. Unfortunately, communities, who are well-off in extractive industries, are normally those that experience from severe poverty situation. In effect, *“Over 60 % of the world's poorest people live in countries with valuable and abundant natural resources. . . But most citizens rarely share in the wealth. In fact, their lives often worsen, because their countries fall victim to what is known as the "resource curse.”* (OXFAM America, 2016)

However, as per World Bank Group's multi-stakeholder review in relation with the role of extractive industries to combat economic poverty, it asserts that extractive industries can value add to the reduction of poverty if made correctly (International Finance Corporation, 2016). It has to be recognized that the World Bank was a pioneer multilateral institution to set up an Indigenous Peoples Policy. This was first adopted as Operational Manual in 1982 and the main focus areas were,

- a. the recognition and protection of Indigenous Peoples' land rights;
- b. the provision of health, education, and other services to Indigenous Peoples;
- c. the strengthening of government agencies responsible for protecting indigenous lands and providing services to Indigenous Peoples; and
- d. the preparation of special components within World Bank-financed projects to address the needs of Indigenous Peoples (Navin Rai et al, 2011, p. 1).

Of course, the World Bank started connecting the Indigenous Peoples and resettlement policies to environmental policies in 1987 (Navin Rai et al, 2011, p. 1). In whichever case, the indigenous people need to have specific attention from all sectors. The main reason for having benefit is not because of that the host community is the sole owner of the property. But it is because that it directly suffers the environmental and other benefits that the community loses as a result of the investment. As a result, the host community must enjoy some portion of the rent collected directly in one way or the other. Countries have different kinds of extractive industries revenue distribution mechanisms. A renowned continental study in this regard summarizes the mechanisms in to three ways; these are

1. *the components of government revenues from which allocation is to be made – whether from royalties, corporate taxes, dividends, or a combination of any of these;*
2. *the proportion to allocate; and*
3. *the groups or institutions within the community to benefit, and their respective shares. Payments to the groups may be made directly by the central government revenue collectors, or through another government agency or institution, either existing or created for the purpose (AU and UNECA , 2009, p. 111).*

2.4. Chapter Summary

The chapter evaluated the international gold mining history by discussing major pillars and incidents of the sector. In this connection, the ancient gold mine fields, in which legitimate archeological evidence is obtained, are discussed. The popular gold rushes in the world history were also discussed vis-à-vis their policy and social implications in the chapter. To conclude, it is asserted that the legacy of the gold mining trained put a shade in one way or the other on the current gold mining practices.

CHAPTER THREE

RESEARCH METHODOLOGY AND PROCEDURE OF THE STUDY

Chapter three deal with research design, source of data, tools and procedures of data collection, data analysis techniques as well as the key informant coding system. This part also indicates how the researcher chooses the appropriate research tools in an effort to collect, manage, and analyze data that is a vital part of this work. Accordingly, the profile of key informants as well the characteristics of the research area is also explained in an appropriate manner that the research protocol requires.

3.1 Research Design

The research design refers to the complete strategy that the researcher opt for integrate the diverse components of the research in a logical and coherent means thus, ensuring the researcher effectively addresses the research problem; it constitutes the strategy for the data collection, measurement, and analysis.

The main objective of this research was; therefore, to study and reveal actual knowledge about challenges and opportunities in relation with large-scale private gold mine investments in Ethiopia by examining the tripartite network of the private sector, the government and the community.

The research design suit to this study is qualitative design. The qualitative research design was employed since it is imperative to demonstrate the rich descriptions of multifaceted phenomena, interpretation of scenarios by actors with usually differing roles, and the trends of the tripartite network. The qualitative research design is applied systematically and rigorously, in an effort to reduce bias and error and in order to address initial questions raised in the research.

More specifically, case study research is applied in order to undertake precise data on the matter since it is a pragmatic examination that looks into an existing trend contained by its actual situation. Accordingly, multiple case studies research of the tripartite network is examined by being relied on multiple sources of evidences and benefits from the preceding theoretical propositions.

3.2 Data source

The research uses both primary and secondary data gathering techniques. It should be noted that even though in this research there is usage of primary data sources, the study also rely on secondary sources as well.

3.2.1 Primary Data

With regard to primary data source, the researcher employs three different data collecting mechanism on a single research area. It is believed that applying all these primary data techniques at a time can maximize the quality and reliability of data gathered. These data gathering techniques are Focus Group Discussions (FGD), interview with key informants and Researcher's observation.

a. Focus Group Discussion (FGD) – FGD's are utilized for producing information regarding communal opinions, and the connotations that lie behind those opinions. They were also useful in generating a well-off understanding of participants' knowledge and beliefs. Participants in the FGD were selected on purpose. The composition of the FGD needs maximum care in order to get the best quality of dialogue. Accordingly, purposive sampling technique is applied by selecting appropriate and relevant participants to the research. In this regard, seven participants attended the FGD at a time. The FGD mainly represents the community at *Shakiso* town.

The main selection criterion in order to participate in the FGD was based on three main requirements. These are to grown up in *Shakiso* town, educated elementary and/or high school education in *Shakiso* town and at least possesses a minimum of Bachelor Degree in an effort to clearly understand the subject matter of the research. All of them fulfilled these criterions by being born, grown up, educated both the elementary and high school education in *Shakiso*. Besides, out of the seven participants of the FGD, six of them have Bachelor Degrees (BA, BSC and LLB) and the remaining one participant has a post-graduate qualification. Their academic qualification varies and includes but not limited to accounting, engineering, literature and law. The interview session took place in a convenient place and tape-recording was applied. The total time session of the interview was three (3) hours starting at 11:00 AM and ends at 2:00 PM through lunch period. (Please see annex 1 for the detail).

b. Interview with key informants – The purpose of the research interview with key informants is to explore the experiences, opinions, idea or interests of the informants on specific issues. In qualitative research, interviews, are supposed to provide a profound understanding of the phenomena. In line with this, key informants in the interview are selected on purpose. The position, experience, and direct exposure to the subject matter were key factors to select Interviewees. Since the main aim of the interview in this research is to explore the opinion of the private sector, the government apparatus and community on the study site, the researcher identified the key informants accordingly.

The private sector – seven key informants identified from the private sector. Since the researcher utilizes a case study in the *Shakiso* area, the single mine operating private company in the area i.e. MIDROC GOLD MINE PLC, is a focal point. Because the two goldmine fields, namely *Legadembi* and *Sakaro*, that exists in the *Shakiso* area, are operated by MIDROC GOLD MINE PLC. Hence, seven key informants at the top management level were selected on purpose. The main selection criterion was their direct relevance to the topic and their employment existence in the company at least for five years.

The government apparatus – There are three government apparatuses consulted in this research work. Two of them have a direct relation with the community and are managing the community itself on the spot. These two government authorities are the *Shakiso* town municipality and the *Odo Shakiso* Woreda administration. These two government apparatuses are selected since they directly manage the people who are a neighborhood of the mining fields.

The *Shakiso* town municipality governs the *Shakiso* town by directly being responsible to the Zonal administration. Similarly, the *Odo Shakiso* Woreda administration governs different kebeles out of the town area surrounding the *Shakiso* town. Some kebeles under the *Odo Shakiso* Woreda have direct neighborhood and some others have no boundary. The main concentration of this research is on four kebeles under the *Odo Shakiso* Woreda and the *Shakiso* town itself since the community living in these areas has a direct exposure and access with the mining fields. The headquarters of both local administrations are situated in the *Shakiso* town. Three and two top leadership authorities were consulted from the *Shakiso* town municipality and the *Odo Shakiso* Woreda administration respectively.

The other government apparatus is the FDRE Ministry of Mines, who is responsible to the mining sector development of the country. One senior staff was interviewed in an effort to have the federal government's voice in the research. The interview facilitation was conducted through its Public Relation Department of the ministry.

All government apparatus informants were expected to forward the government's position in their respective area of administration. In addition, they will be coded in different names only for the sake of a qualitative research protocol but not to keep them anonymous.

The Community – Even though, FGD was conducted in order to obtain the position of the community on the questions raised, it was also found necessary to involve a one-to-one interview with some community member of the above mentioned Kebeles. Accordingly, the researcher interviews seven key informants. Five of them were selected through purposeful sampling while the remaining two of them were identified by applying snow-ball sampling technique to find out information from extended links through preceding acquaintances.

c. Researcher's observation - The researcher's observation were also employed in an effort to witness the mining sites physically in order to maximize the validity of the research sampling inputs concerning environmental, production and corporate vs. social interactions. Hence, the *Shakiso* town itself and five kebeles of the *Odo Shakiso* woreda were visited. Names of these kebeles are *Diba bête*, *Didola*, *Reji*, *Sewana* and *Qorba*. However, since *Qorba* has no boundary with the gold mine fields, special attention was given to the remaining four kebeles.

In addition, the main developmental areas of the private sector (either in collaboration pattern or not) were observed by the researcher during its field visits. In this regard, field notes of the researcher are analyzed thematically whenever needed. In all three ways of the data collection techniques, the reliability and validity issues shall be taken into account.

3.2.2 Secondary Data Sources

While using secondary sources, current and previous literatures, such as books, journals, newspapers, laws, policies dealing with large-scale private gold mine investments and other documents such as Agreements, Treaties, conventions, Committee deliberations, conferences' proceedings, enactments, published or unpublished materials or reports, websites of international and national organizations are utilized as sources of information for the research.

As far as possible, the reliability and validity of secondary sources are considered in detailed manner.

3.3 Data analysis

This study is purely qualitative research thus; the data collected from different sources will be analyzed qualitatively. Interviewing was semi-structured, with questions prepared and offered to each interviewee in a similar way using a strict predetermined manner. As a qualitative research, it intends to employ “semi-structured” interviews which involve five open ended questions based on the topic areas that the research covers especially designed to answer the research questions. As a result, data collected by interview are carefully transcribed and translated. Then detailed analysis and interpretation were made. Eventually, the reports of the research findings are written by following logical order and flow of ideas and arguments.

The research organized one FGD with having 7 (Seven) group members as participants. The FGD were conducted with questions prepared and offered to each focus group member in a similar way using a strict predetermined manner. All were asked similar questions with a mandate to discuss as widely as they could. They even had a chance to add some points when they remember. They also had a chance to forward a concluding remark at the end of the discussion. The FGD were tape-recorded supported by notes taken by the researcher and a note taker colleague. Then it was transcribed and recorded in as per the qualitative research procedure. Then the FDG transcripts were analyzed so as to discover the ways in which the participants interrelate with each other and influence each other’s articulated ideas, which obviously cannot happen with one-to-one interview session.

Observation of the environment and sites were conducted in *Shakiso* town and the five kebeles of the *Odo Shakiso Woreda* (even though four of them were included in the research). Each sites mentioned by key informants are observed physically by the researcher. It is believed that this can provide valuable background information about the environment (such as environmental, development, production and corporate vs. social interactions) that the research wants to trace out. In line with this, the field note of the research is used as an input wherever it is relevant to further witness the points in the research. It is believed that the observation highly increases the validity of the research output.

3.4 Key informant coding

This research, apart from the document review, heavily utilizes key informants since it is purely a qualitative research. In this regard, 27 relevant individuals strategically selected and participated in the research as key informants. Out of them, 14 key informants are selected from the research area community. Seven of them provided the information through FGD whereas the rest of them (seven in number) were accessed through a one-to-one interview procedure of qualitative methods.

Three different government apparatuses were accessed in an effort to have an opinion from the government side with having a representation of seven authorities in total. Different opinions were procured from the *Odo Shakiso* Woreda, from the *Shakiso* town municipality, and from the FDRE Ministry of Mines with having two (2), three (3) and One (1) key informants respectively. The interview procedure was official at their respective premises.

The private sector's opinion was also acquired by having the opinion of the representative company, which is the central theme of this thesis. The company, MIDROC GOLD MINE PLC, voiced through seven different relevant authorities selected by the researcher through purposeful sampling by considering their significance to the study. These interviews were also conducted as a result of the permission of the company and it is officially declared in the different sites of the company's premises. For the sake of respecting the qualitative research protocol, it is found necessary to code all participants in an effort to have a uniform presentation style. However, the researcher wants to disclose that the data and opinion presented by the government and the private sector are declared openly to the researcher and the coding has nothing to do with secrecy.

The table that comprises key informants of the community, private sector, and the government is separately stated as following in the subsequent tables. The table further includes the time spent with each key informant and the mode of interview conducted. The table that comprises all the key informants is stated in consolidated manner in attachment.

a. The Community

The community has 14 key informants that are accessed through a FGD and an interview protocol as well. The FGD mainly assumed to represent the *Shakiso* town while key informants

accessed through an interview are mainly supposed to represent the surrounding woredas. Since FGD is a proper way gathering of people at the same time from comparable experiences to discuss a specific topic of interest. As a result, the FGD discussion in our case started after having all the key informants together and everyone listens what the other colleague expresses. In addition, the knowledge shared among them helped the researcher to pick up the right point required for the research. In order to identify the key informants' discussion who participated in the FGD from the other key informants who participated in the one-to-one interview procedure, it is found important to code the FGD participant as "FGD" followed by a number. This coding was even applied even during the discussion session.

Table 3 – FGD participants coding

s/n	Code given	Mode of communication	Time spent
1	FGD 1	Focus Group Discussion	3 Hours
2	FGD 2	Focus Group Discussion	
3	FGD 3	Focus Group Discussion	
4	FGD 4	Focus Group Discussion	
5	FGD 5	Focus Group Discussion	
6	FGD 6	Focus Group Discussion	
7	FGD 7	Focus Group Discussion	

The under-mentioned of key informants from the community were accessed through a one-to-one interview procedure through an open ended interview question technique. The interview was conducted in different times by using a qualitative research protocol by interviewing seven different participants who were chosen purposefully. They are coded as follows,

Table 4 – Community's interview participants coding

s/n	Code given	Mode of communication	Time spent
1	Bizuneh Keren	Interview	32 minutes
2	Bizuneh Pissa	Interview	40 minutes
3	Bizuneh Asi	Interview	41 minutes
4	Bizuneh Bimbo	Interview	53 minutes
5	Bizuneh Ati	Interview	33 minutes
6	Bizuneh Emu	Interview	42 minutes
7	Bizuneh Maki	Interview	38 minutes

b. The Private Sector

The private sector has seven key informants, which are coded as follows,

Table 5 – Private sector’s participant coding

s/n	Code given	Mode of communication	Time spent
1	Habte Yani	Interview	45 minutes
2	Habte Bibish	Interview	35 minutes
3	Habte Jabi	Interview	47 minutes
4	Habte Nina	Interview	55 minutes
5	Habte Edu	Interview	39 minutes
6	Habte Ruth	Interview	53 minutes
7	Habte Yegeta	Interview	32 minutes

c. The Government

Three government entities were consulted in this category with having six participants in total. They are codified as follows,

Table 6 – Government interview participants coding

s/n	Code given	Mode of communication	Time spent
1	Mengesha Abi	Interview	49 minutes
2	Mengesha Wossi	Interview	
3	Mengesha Mili	Interview	
4	Mengesha Hevu	Interview	57 minutes
5	Mengesha Aksi	Interview	45 minutes
6	Mengesha Sem	Interview	

d. The Researcher’s Observation

The researcher’s observation is coded as “Observation” followed by mentioning the last day that the researcher observed the incident, object or entity. The researcher’s observation will be heavily applied while analyzing the raw data in order to cross check the data gathered with the real picture that the researcher observes.

e. Document Review

In the same analogy with the researcher’s observation, laws, reports, and other relevant figures will be referred by stating the appropriate document on the spot of the analysis. This definitely

provides the total picture of the analysis. No different coding system is applied while mentioning them except referencing them as per the applied referencing system.

3.5 The study area

a. The *Shakiso* town municipality and the *Odo Shakiso* woreda administration

The *Shakiso* town is situated geographically in southern part Ethiopia specifically placed in the *Guji* Zone of the Oromia Region in the current political setup. The town is a home base of different major mines of Ethiopia namely *the Lega Dembi*, *Sakaro* and other small gold mines run by artisanal miners. The town of *Shakiso* further served by an old-fashioned “air-port” even though internationally coded by the International Air Transport Association (IATA) as “SKR” and by the International Civil Aviation Organization (ICAO) as HASK (FlightStats, 2016), which is supposed to serve the gold export process of the country.

The *Shakiso* town municipality has got its autonomous administration recently by being independent from the *Odo Shakiso* Woreda administration. Previously, it was one administration by incorporating the *Shakiso* town itself under the Woreda’s supervision. However, as per the current structural format the *Odo Shakiso* Woreda administration is empowered to look after the surrounding different kebeles with the exception of the *Shakiso* town. Of course, the headquarters of both administrations situate in the *Shakiso* town.

b. Inhabitants of the study area

There is no documented study that indicates the exact formation time of the *Shakiso* town. However, as per a preliminary survey interview by this researcher, it is identified that the formation of the *Shakiso* town is entirely based on the gold mining industry, which is believed to be started some 70 years back in late 1930s and early 1940s. The *Shakiso* vicinity is like a melting pot of different ethnic groups. However, the *Guji* people account the majority in the area.

Other ethnic groups were started to come in the area in late 1930s forced by the then government to participate in the gold mining activity. The main purpose was to produce semi-mechanized gold production in the area. Accordingly, skilled and semi-skilled manpower were brought to Shakiso area. They came from different places of the country and settled near the Awate River during this time. Most of them were youngsters. The current generation is the third or the fourth generation of these settlers. These forced settlers, except working in the gold mine fields, were not allowed to cross the river or the surrounding forest. Government soldiers were keeping settlers at the verge of the Awate River on the way to Adola (a.k.a Kibre Mengist) town. When the settlers want to cross the bottle-neck bridge on the river for “acceptable” reasons like health issues, deep scrutiny

was applied in an effort to protect possible gold smuggling by the settlers. This situation extended almost up to 1960s (FGD7, 2016).

Later on during the Derg regime, the area witnessed institutional arrangement through the state owned mining enterprise in the *Lega Dembi* gold mine field area, which is later on privatized in the FDRE government in late 1998.

c. The Private sector under study

The private sector under study is called MIDROC GOLD MINE PLC. It is one of the group members of the MIDROC Ethiopia Technology Group Companies, which are 24 in number. It is a huge corporate entity as well as the only gold producing and exporting company in Ethiopia so far. It came to the Ethiopian investment picture through privatization process in 1998 and it further expands the exploration activities in places known as *Sakaro* (in *Shakiso* area) and *Metkel* (in *Beni Shangul Gumuz* region) that are later on progressed to production and development phases respectively.

d. Justification for selecting the area

It is import to locate a right place in an effort to study the tripartite network of the private sector, the government and the community in relation with large scale private gold mine investments in Ethiopia. In line with this, the researcher chooses the study area in the following reasons,

Reason for choosing the community - There is no community in Ethiopia like that of *Shakiso*'s community, which witnesses advantage and disadvantage of the large scale gold mine investment in the country. The *Shakiso* community is also the only community that witnesses two large scale gold mine fields in Ethiopia, which are already in production and export phases. Other companies, who recently took license to operate for large scale gold mine in other areas, are not in production phase; therefore, it is very difficult to establish and study any network that is not yet formed. Known studies conducted in the area suggested that immediate communities are core elements while studying stakeholders' relation in the sector. One of the notable works is "Mining and community development: problems and possibilities of local-level practice", written by Deanna Kemp, which suggests that "*Mining industry definitions of 'community' usually encompass people in the immediate impact zone*" (Kemp, 2009). In line with this, *Shakiso* town municipality and surrounding kebeles of the gold mine fields namely *Diba bête*,

Didola, Reji, Sewana and *Qorba* kebeles under the *Odo Shakiso* woreda are directly visited and consulted in the study.

Reason for choosing the private sector – Once we choose *Shakiso* as the right place to study, there is almost no option to choose other private entity than MIDROC GOLD MINE PLC since it is the only large scale private gold mine company, who is operating two gold mine fields in the area. Except artisanal miners, there is no other operating large scale gold mine investment in the area. There is also another reason to choose. It is the only company in the country (leave alone in the *Shakiso* area) that existed for the last eighteen years in the large scale gold mine investment.

Reason for choosing the government administration – The researcher chooses two different government apparatuses strategically. These are the local administrations (for local affairs) and the Ministry of Mines, Petroleum and Natural Gas (for operational affairs). The local administration is also further divided in to two. These are the *Shakiso* municipality and the *Odo Shakiso Woreda* Administration. Both are consulted in the research. The main purpose for choosing both apparatuses is that the gold mine fields lay through both administrative jurisdictions. The Ministry of Mines, Petroleum and Natural Gas is also consulted in an effort to find policy positions of the government since it is an institution mandated to lead the mining sector of the country.

3.6 Analytical Framework

The analytical framework of this thesis is formed by identifying three significant determinant factors. These are stakeholder determinants, network determinants and perspective determinants. By considering the above three determinants, the following map of the analytical framework of the research is designed. It integrates all perspectives mentioned above in an effort to analyze the topic in a clear, systematic and structured manner.

(Please find the map of the theoretical framework in the next page)

Diagram Two - A diagram designed by the researcher in an effort to describe the tripartite relation of the three stakeholders in the study area.

The Tripartite Network Structure in *Shakiso*

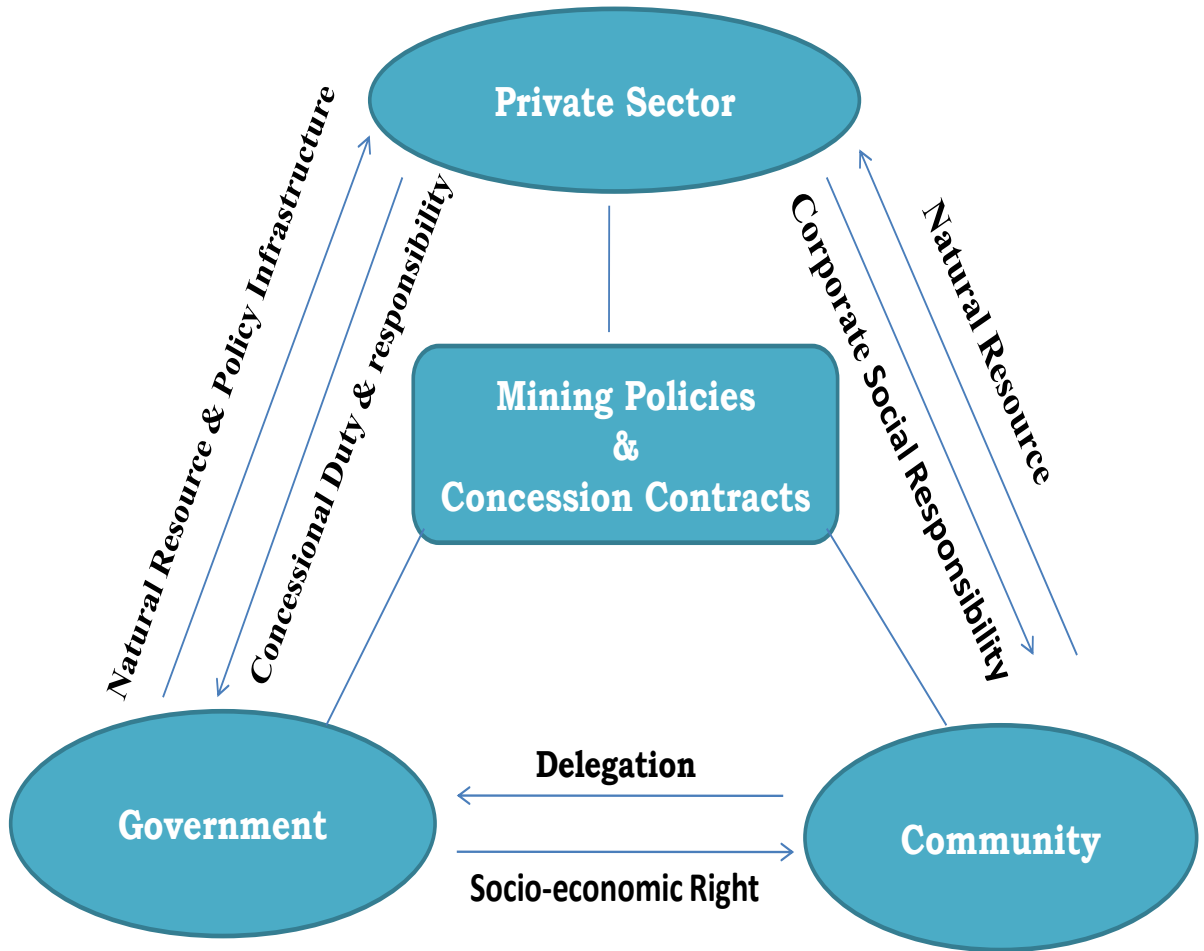


Diagram Two - A diagram designed by the researcher in an effort to describe the tripartite relation of the three stakeholders in the study area.

a. Stakeholder determinants

The private sector is the core point of the discussion. However, the private sector is not the only actor in the mining policy structure. There are other significant stakeholders that cannot be disregarded. These are the Government and the community.

If we intend to examine the challenges and opportunities of the mining policy structure, the role of all stakeholders must be examined in detailed manner by focusing on the relationship among the parties as well as by giving appropriate emphasis on how the relationship impacts the policy structure either positively or negatively. As a result, the research focuses by analyzing only these three stakeholders as a center of discussion. These are the private sector, the government and the community.

b. Network determinants

Now, we have three parties as a stakeholder i.e. the private sector, the government and the community. The network of the above-mentioned stakeholders has to be examined. Unless we altogether examine the relationship of the stakeholders with each other through triangulation method, it is hardly possible to analyze the challenges and opportunities in relation with the large scale gold mine investments in the country. The main reason is that all are legitimate stakeholders to the sector in general and to the mineral property in particular. In line with this, the research identifies the network determinants that should be considered while conducting the study and each relationship has its own feature.

c. Perspective determinants

At this moment, we already identifies two determinants i.e. the stakeholders determinant and the network determinant. Now, we need to narrow the scope of the viewpoint in order to evaluate these scenarios in an objective manner. Therefore, the research utilizes only two perspectives in order to evaluate those determinants. These are

- Policy framework, and
- Institutional framework

Through the policy framework, the thesis attempts to evaluate policy documents in relation with the large scale gold mine investment while in institutional framework it is attempted to see the organizational arrangement in the network. Accordingly, each network pattern will be evaluated from the policy and institutional framework perspective.

Table 7 - combined pattern of the three determinants

	Stakeholders' Relationship	Transaction		Perspective
1	The Network Pattern: The Private Sector vs. the Government	Private sector: Execute concessional duty and responsibility	Government: Provides the natural resources and establish policy infrastructure	Policy & Institutional
2	The Network Pattern: The Private Sector vs. Community	Private Sector: Perform its corporate social responsibility	Community: concede the enjoyment of the natural resource utilization	
3	The Network Pattern: The Community vs. Government	Community: Provide delegation to the government	Government: Enhance socio-economic development	

3.7 Chapter Summary

Chapter three dealt with research design, source of data, tools and procedures of data collection, data analysis techniques as well as the key informant coding system. This chapter indicated how the researcher chooses the appropriate research tools in an effort to collect, manage, and analyze data that is a fundamental part of this work. Hence, interview, FGD and observation were applied as a primary data collection technique. Document review is also used as a secondary data collection mechanism. Furthermore, this chapter provided sufficient information concerning how and why data are collected and analyzed. Key informant coding was also done and communicated in order to keep the confidentiality protocol required in the research. The next chapter will present us the data following by the analysis of the same data.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

In this chapter, the data, which is collected based on the broad and open-ended question forwarded to key informants as well as document/policy review results are presented and analyzed. The presentation is acquainted with presenting the data along with identifying issues; support the issue with available suitable data; evaluating, summarizing and communicating the result in precise and clear manner by using a qualitative analysis method.

The research questions are strictly observed while presenting the analysis of the data. Furthermore, the data is either quoted directly or referred indirectly by following a logical sequence and the interview data is organized in a way to address the research questions by classifying into five parts as follows. Finally, the analysis is summarized.

4.1 Interview Data Presentation and Analysis

4.1.1 The Perception

The first point to address is regarding the general evaluation of the key participants in order to know their position about the role of large scale gold mine investments in Ethiopia. The question was raised just to evaluate their perception towards it. Accordingly, the triangulated response summary is indicated in the table herein under followed by descriptive analysis about each perception.

Table 8 – Perception data presentation

	Type of perception	Private sector	Government	Community	Remark
1	Positive	7	6	12	
2	Negative	-	-	2	

a) The Positive Perception

Of course, every single key informant from the private sector and the government unanimously display their positive perception to the existence of the large scale gold mine investment in the country. However, their reason and justification is different. Concerning the community, out of fourteen key informants, twelve of them have a positive perception towards mining activity in general.

Some of the key informants from the private sector stress that mining; especially gold mining is an imperative economic activity in a resourceful nation. Especially the large scale gold mining is highly regulated both at national and international level since the investment system is highly integrated with the international standards. They also stress that it is hardly possible to survive in the business if the investment deviates from it. (Jabbi, 2016).

Some others mention this standard as a prerequisite in order to claim that mining has positive perspective. Another participant claims that “. . . *There is no doubt that mining, as far as it is managed by the internationally acceptable standards and working practices, it is useful*” (Bibish, 2016). We also find similar remarks from all the stakeholders. Their points are almost comparable with the above stated comment. Most of the three stakeholders, who have the positive perception, put a conditional statement in their opinions. They believe that their positive perception remains as far as internationally acceptable mining practices exist. The following comments from all sides indicate this stand.

“I think it is given. There is no doubt that mining, as far as it is managed by the internationally acceptable standards and working practices, it is useful” (Bibish, 2016).

“It is important to the economy of the country as far as there is proper regulatory framework” (Abi, 2016); (Wossi, 2016); (Mili, 2016);

“Yes it is important. As far as there is proper handling, it is a very reliable wealth of a country” (FGD4, 2016), (FGD5, 2016), (FGD6, 2016) and (FGD7, 2016).

Key informants, while pledging their positive complements, put some benefits in order to backup their position. Most of them claim that mining has a number of benefits to the country’s economy. According to Nina (2016), “. . . *it provides capital injection to the country’s economy like that of any investment. In addition, technology transfer and job opportunities are some of its benefits that worth to mention.*” Another participant explained it by further emphasize that *“Large scale mining contributes significantly to the country’s economic growth, job opportunity, community development and poverty alleviation”* (Yegeta, 2016).

While explaining how the job opportunity issue applied in the sector, Nina (2016) further mentioned that the case of job opportunity shall be classified in to two i.e. local employment and professional employment. Since the mining technology is capital intensive, it needs technology know-how that might not be available in the country leave alone in a specific community.

According to the key informant, “. . . you may import professional skill even from abroad leave alone from other parts of the country. . . .” (Nina, 2016).

b) Negative Perception

The negative perception exists in the key informants of the community. Out of fourteen key informants from the community, two of them completely disagree about the existence of mining activity in the country in general and in their specific area in particular. Their reason is almost similar. They believe that it attracts conflict and better to engage in other potential economic activities like that of agriculture. Their opinions are stated below.

“No, I do not think that mining is important to the country. Because, when you have a natural resource, there is always conflict. I, therefore, prefer to keep on the resource to the next generation” (Keren, 2016).

“No. I believe that we have more economic resources than the extractive industry that includes gold mining. Now, we are not in a position to extract our resources. Because, it attracts conflict among us . . .” (Ati, 2016).

These negative perception holders also further recommend other economic sectors in order to substitute the gold mining activity of the country. According to Ati (2016), agriculture is a better economic option than mining since the land of the country is more suitable to it.

4.1.2 Main opportunities in relation with the large-scale private gold mine investments

While indentifying opportunities, key informants of the three stakeholders mentioned different issues as an opportunity. Even, key informants from same group might not mentioned similar factors as an opportunity due to their personal view. That means an item mentioned as an opportunity by one informant may not be included in the other.

All in all, eight items mentioned as an opportunity are in one way or the other. There is also one raw at last (No. 9), in which no opportunity voices are recorded. Hence, they are categorized and summarized in a triangulated way of presentation based on how much they repetitively mentioned. The triangulated response summary is stated in the table herein below followed by descriptive analysis.

Table 9 – Opportunity data presentation table

	Type of opportunity mentioned	Private sector	Government	Community	Total	Remark
1	Education Related Support	5	6	11	22	
2	Infrastructure construction	2	5	6	13	
3	Employment	3	1	5	9	
4	Foreign currency	3	1	1	5	
5	Technology Transfer	3	-	-	3	
6	Peace stability and legal framework	2	1	-	3	
7	Relationship and communication	2	-	2	4	
8	Tax	2	1	2	5	
9	No opportunity	-	-	3	3	

a) Education Related support - Education related support is the most repetitively mentioned item as an opportunity. It is highly mentioned by all stakeholders. This kind of support incorporated different aids provided by the private sector which include but not limited to the construction of technical college & schools as well as Books & IT laboratory support aids and so on. As per the observation of the researcher, almost 75% of the private sector’s expenditure on its CSR activities dedicated to education related support. Out of the 27 key informants, 22 of them recognized this support as a result of the existence of the large scaled Gold Mine investment in area.

As we have discussed before, MIDROC Gold Mine PLC is the only large scale gold miner in the area. When talking about large scale gold mine investment, we are referring it. According to one of the key informants from the local administration confirms that

Generally speaking the government believes that the private sector has a significant role the development of the economy. The private sector, in this context, is providing different development activities in the Shakiso area. Drinkable water facility in the Shakiso town, Book and IT laboratory equipments facility aids to the secondary school of the town are very significant to mention. Moreover, they funded in millions to the construction of a Technical & Vocational College to the Shakiso area by their own. These are some of the main opportunities (Wossi, 2016).

According to Mili (2016), another key informant from the local administration asserts that the private sector partake in different development activities in *Shakiso* area. The construction of the

Technical & Vocational College to the *Shakiso* town is one of them. In addition, the material support provided for different school can be mentioned as an opportunity.

Most of the participants in the interview remember that the private sector owners, coordinated by the government, came to the *Shakiso* area some years back and gave One Million birr for each 13 Woredas in the Zone. Furthermore, the company solely finances the construction of the Technical & Vocational School in the *Shakiso* town. Pissa (2016), member of the community around *Shakiso* claims that *“I also heard that there are some aids by the private sector to the Shakiso town including construction of technical school in the town. This can be considered as an opportunity that happen as a result of the existence of the private sector in the area”* (Pissa, 2016).

The private sector’s development activities in the surrounding of *Shakiso*, as per the words of the participants, include the G+1 school construction in Reji kebele and the construction of a water tanker in Dodola area that provides drinkable water. The Didola kebele had some problems in relation with dry seasons and the company was with the community in supporting the affected areas by providing grass and water to the cattle of the farmers (Hevu, 2016) (Aksi, 2016).

According to Asi (2016), the recently built up school in Reji kebele is one of the opportunities gained as a result of the existence of large scale gold mining investment in the area. Previously, the school was very old building and the community elders directly requests the company executives and they reacted quickly and positively in most of the cases. The informant said that there is good relation between the company and the surrounding community in Reji kebele. The informant asserts that *“I also witness that there are different developmental works constructed by the private sector which were officially launched by the local administration officials and the representative of the community members. I think it is difficult to deny the opportunity provided by the private sector”* (Asi, 2016).

Another key informant from the community expresses the private sector’s contribution and assistance regarding education and school construction as *“very interesting”*. According to this informant, *“. . . education is the main problem in the area. I know that the company is providing support in education sector. This is a very good idea since it enhances the level of education in the Shakiso area* (Bimbo, 2016).

b) Infrastructure Construction - This is basically the construction of water facility within and outside the *Shakiso* town. The other one is a rural road construction outside of *Shakiso*. Especially the drinkable water facilities got the second highest recognition by the key informants. Out of the key informants, 13 of them mentioned it as opportunity in different ways.

According to Abi (2016), the private sector provides different development activities in the *Shakiso* area in relation with drinkable water facility in the *Shakiso* town. These can be traced as an opportunity gained as a result of the existence of the investment specifically from the *Shakiso* town perspective. As per the words of another key informant, same kind of support is extended to the *Didola* kebele, which is one of the surrounding kebele in the *Odo Shakiso Woreda*. He witnesses by claiming that “*I know different developmental works done by the private sector. We can mention the water reservoir provided to the Didola kebele and other surrounding kebeles. In addition, the residents of the Didola kebele are provided with pure drinkable water two and three times a week*” (Pissa, 2016).

Water and grass supply to the livestock of the community during the dry seasons in the surrounding kebeles was also raised as an opportunity. Even there were times when the company provides water facility on regular and ad-hoc basis to the surrounding kebeles. It is taken as a good alliance of the private sector which is very well known by the community and the local administration as well (Maki, 2016).

c) Employment - Employment is mentioned as an opportunity by some key informants (totally nine) from all stakeholders. From government’s perspective, it’s the key informant from the federal government who raises employment as an opportunity but not the local administration.

In this regard, one of the key informants of the private sector announces that industrialization and job opportunity are the main opportunities. Furthermore, it creates urbanization as a result of the mine operation. Because the huge investment in the area, the informant believes it creates economic transactions and this also creates other opportunities through a domino effect (Nina, 2016).

However, some informants from the community accept employment as an opportunity but they believe that it is not enough. One of the remarks mentioned that, “*yes, there are some activities*

that can be considered as an opportunity. In my opinion, job opportunity and water facility constructed by the private sector to the municipality can be traced as an opportunity. However, I believe that these are not enough for the Shakiso community” (FGD1, 2016). Another key informant further qualifies the issue by saying that *“We have small scale and large scale mining fields in our surroundings. I think the large scale mining deploys more skilled and unskilled labor . . .”* (Bimbo, 2016).

d) Foreign Currency - Foreign currency is the third repetitively mentioned item. Almost all stakeholders mentioned this at least once. However, a key informant from the community side forwards a reservation by claiming that *“. . . Even though the private sector provided foreign currency to the country, the community earns nothing in proportion. A town who is generating the wealth is not benefiting”* (FGD7, 2016)

Another informant from the community said that he personally evaluates the opportunity at country level and local level. He argued that if we see at the country level contribution, it was declared in 2015 that remittance and gold export, solely by MIDROC GOLD MINE PLC, earned the largest portion of foreign currency earnings of the country. He admits that this is, of course, a clear contribution of the company at country level. However, locally speaking, according to him, the role of the private sector is dwarfed as a result of weak partnership among the private sector, the government and the community (FGD4, 2016).

e) Technology Transfer - This is mentioned by 3 key informants of the private sector only. The Government and community do not mention it as an opportunity. However, the private sector claims that they went through rigorous process to “Ethiopianize” the top management of the company, which was initially crowded by foreign managers and employees. Now, all senior management and operational positions are almost are substituted by local staffs.

f) Relationship and communication - Relationship and communication is mentioned by four key informants of the private sector and the community. It is not mentioned as an opportunity by the government. Surprisingly, key informants from the private sector and the community, mentioned their bilateral relation as an opportunity but not the tripartite one.

One of the informants from the private sector announces that the relationship between the community and the company is very strong. Yani (2016) said that they respect the community's culture and social values and most of a time they participate in community programs and events. He further discloses that they invite community elders in their corporate events in an effort to create a strong relation among them.

Jabbi (2016) also shares this idea and believes that the bilateral relation of the company and the community is a good opportunity. He believes that there is a strong bilateral relation between the private sector and the community by mentioning that the private sector is even a strong partner to the traditional Gada system in which the community chose their tribal leaders. (Jabbi, 2016).

g) Peace, Stability and Legal Framework – Peace, stability as well as legal framework specially the one that governs the environmental protection was mentioned as a strong opportunity in relation with the investment. The following excerpts show this position of the private sector.

Peace and stability are also the main opportunities. The availability of the different resource (including potential water deposit), the government's investment oriented policies and availability of labor market are opportunities that cannot be ignore (Ruth, 2016).

4

There is a serious legal and institutional framework in the country in relation with environmental protection. I think this a good opportunity for all stakeholders since it avoids possible rumors regarding environment. In addition, the commitment of the company to environmental protection is also another opportunity that can be counted as a positive remark. Because the company's environment department in Shakiso holds high quality manpower and laboratory equipments vis-à-vis corporate policy & procedures, whose expertise can be shared by other mining companies at national level (Bibish, 2016).

h) Tax - Out of 27 key informants 5 of them from the all stakeholders mentioned tax as an opportunity. The following key informant attempts to figure out the contribution of the private sector's contribution to the country. The following statement shows the approximate data of the company under study from 1998 up to 2015.

According to Edu (2016), the company pays personnel income tax, land tax, and license fees to the local Woreda. These are also opportunities as a result of the presence of the large scale mining activities. As per his analysis and to put it in financial terms, the company paid close to 3.5 billion birr as a profit tax starting from 1998 to 2015. Within this time span, it is said that the

company paid 1.04 billion birr as a royalty tax to the federal government. Furthermore, the government earned close to 156.6 million birr as a dividend tax by its share in the company that it gained without capital contribution.

Not only this, it is further disclosed that the company contributes 1.5 million birr as a mining and exploration land tax which is different from the urban house & land tax amounting to 13 million that the company paid to the Woreda administration. Furthermore, it is revealed that the Odo Shakiso Woreda earned close to 177 million birr as a personnel income tax so far. These payments are required payments by the law. The company further spends close to 50 million birr as a corporate social responsibility program to different developmental and social activities in the community. All these payments are generated as a result of large scale gold mine investment in the area. (Edu, 2016).

Actually, some informants challenge that this payment should be converted in to development by the government. The following excerpts clearly represent this thought

In order to evaluate the opportunities of the mining sector in the area, it is important to see and witness the transaction. Of course, the private sector may have data for tax and other fees. However, we need the payment converted in to development. For, instance, we heard that the town administration earns up to three million birr per month. We cannot consider the earning by itself as an opportunity to the community unless changed into development (FGD3, 2016).

i) No Opportunity - Three key informants mentioned that there is no opportunity at all. For instance, Keren (2016), argues that when considering opportunity, it has to be compared with the challenges. If the challenge is more than the opportunity, it would rather consider that there is no opportunity. My Therefore, the evaluation is based on the total package but not in a separate manner. Another informant from the surrounding area of Shakiso is pessimistic about mining in general and said that

I do not believe that there is opportunity as a result of the gold mine industry. I have a gloomy picture concerning the role of the either the large scale or the artisanal mining for the development of the area. I want to see the area without a gold mining activity. The area is very fertile for agriculture than mining. I believe that both the large scale and artisanal mining are totally irrelevant. We better live peacefully without mining (Ati, 2016).

Another key informant similarly argues that even though the private sector provides foreign currency to the country, the community earns nothing in proportion. As per this informant, a town that is generating the wealth is not benefiting. There is no different plan for the *Shakiso* town, which is different from other towns. So, if we see the opportunity from *Shakiso* perspective, it is difficult to boldly claim that there is opportunity (FGD7, 2016).

4.1.3 Main challenges in connection with the large scale private gold mine investments in the country

Open ended question was raised to the key informants in order to pick-up the main challenges in connection with the large scale private gold mine investments in Ethiopia. The question raised was an open-ended in an effort to provide an option and freedom to the key informant to mention what he/she believes is important.

Accordingly, numerous points mentioned as a challenge by the stakeholders. In line with this, eight major factors identified as a challenge by the key informants. No one said there is no challenge as indicated in the last row of the above displayed list. The triangulated response summary is stated in the table herein below followed by descriptive analysis.

Table 10 – Challenge data presentation table

Item	Type of challenges	Private Sector	Government	Community	Totally Mentioned	Remark
1	Luck of Information and Communication	6	6	6	18	
2	Demarcation	4	-	4	8	
3	Infrastructure	-	3	4	7	
4	Misperception	6	-	-	6	
5	Luck of Good Governance	2	-	3	5	
6	Employment	-	2	2	4	
7	Corruption	-	-	2	2	
8	Education	-	1	1	2	
9	No Challenge	-	-	-	-	

a) **Luck of Information and Communication** – Out of the 27 key informants 18 of them mentioned that there is deep problem with regard to information and communication. It's also equally cited by key informants consulted from all stakeholders. Mili (2016) asserts that communication problem is the major challenge. *Shakiso* town has close to 70 years of history.

However, according to him, the town is not developed yet. Another key informant shares this idea by claiming that “. . . Now, the problem is luck communication. There is no team work” (Hevu, 2016).

Abi (2016), a key informant from the government side also said that the main challenge is the lack of communication. Even though there is a communication among the private sector and the local administration, it is not enough to address the problem of the area. The second problem mentioned by this informant is lack of organized development with the private sector. This position also shared by another interview participant and he said that “*I think communication problem is the major challenge. Shakiso town has close to 70 years of history. However, the town is not developed. The main problem is communication. If there is a strong relation among the stakeholders, we could make it* (Mili, 2016).

Information is another problem which is mentioned significantly. It was stated that there is no formal information channel among the private sector, the government and the community. The community shall be provided with sufficient information both by the government and the private sector. Otherwise, people will be forced to guess about everything based on its negative or positive bias. In line with this, it is advised to have a permanent establishment in an effort to communicate information and secure common understanding (Bimbo, 2016). This is also further shared by another informant as follows,

Development is the key problem in the region. We know that the area is capable enough to entertain developments. The private sector’s role is also important. However, due to lack of proper networking, we could not have joint hand on it. We are executing our own development projects in a separate way. It would be better if we work together on development and other helpful agendas. (Aksi, 2016).

It is explained repetitively that there is no formal information channel among the private sector, the government and the community. The community shall be provided with sufficient information both by the government and the private sector. Otherwise, people will be forced to guess about everything based on its negative or positive bias. In line with this, some participants suggest that permanent establishment must be organized to communicate information in order to secure common understanding (Bimbo, 2016).

b) Demarcation - The second most repetitively mentioned item, which is considered as a challenge is demarcation. This problem is equally mentioned by the private sector and the

community. Despite efforts made so far, still not solved yet. One of the key informants said that *“There is a serious problem concerning demarcation. Our investment’s territory is limited by the concession contract. However, it is not demarcated and respected by concerned bodies. For instance, member of the neighboring community repeatedly crosses the delimited border since there is no clear and demarcated border line”* (Yani, 2016).

Similar complaint also raised by some members of the community. Keren (2016) proclaimed that *“The main challenge is border dispute. The territory given to the investment is not demarcated in a clear manner. We, as member of the community do not know where the real boundary lies. So, there is a problem between the company and the community since there is no clear demarcated boundary. This problem cannot be solved by the local administration so far. . . . I believe that boundary demarcation is an important issue”* (Keren, 2016).

The issue of demarcation is very challenging since there are some experiences of crossing the security fences of the production area by some members of the community. This is a very serious problem. The production area is a place where operations of the mining activity are performed and serious protection and safety rules must be observed. It may cause a problem to the unauthorized personnel (Bibish, 2016).

Security as a result of the absence of demarcation is the other challenge the opinion of some key informants. This situation may causes conflict between the company and the community. However, since the company executives and the community elders are operating closely, they are able to mitigate the problem. However, the challenge is still pending and not demarcated yet. On the other side, the villages are occurring and flourishing close to the mine fields as a result of weak local administration. The private sector has complained so many times but is not assisted yet (Edu, 2016).

Theft of ore, plantation like coffee and cattle grazing in the licensed areas, and insufficient support by the local administrative agencies to facilitate favorable mining environment and good relation with the community are some of the challenges that the large scale gold mine investment is facing in addition to other operational challenges (Yegeta, 2016).

Keren (2016), who is member of the community, said that the main challenge is border demarcation. The territory given to the investment is not demarcated in a clear manner. We, as member of the community do not know where the real boundary lies. So, sometimes there is a problem between the company and the community since there is no clear boundary. This problem cannot be solved by the local administration so far.

The non-demarcated license area, which that the private sector holds, also rose as a challenge by other key informant from the private sector. The following remark expresses this position in a clear manner,

We have the large scale gold mining license from the Federal government but we are working on ground with the local administration. We cannot frame out our concession area since no one is assisting us in demarcation the border. Even, new villages are occurring closely to our mining fields in the last 15 years, which is not advisable since there are mining explosion activities on the mine fields. It is against the international standard. We are not assisted in this regard as well (Nina, 2016).

c) Infrastructure - The term infrastructure incorporates all opinions of key informants mentioned in relation with Road, water facility and electric facility etc. It's mentioned by the government and the community with having attention by six out of the Twenty Seven key informants as a main challenge that is not yet been solved in connection with the existence of the investment.

Previously, there was no mandatory fund contributed by the private mining company. However, the current mining law requires the fund contribution on yearly basis in order to participate in mining activities in the country. According to Sem (2016), the federal ministry has the fund for the Shakiso area contributed by MIDROC Gold Mine PLC, which is the sole gold mine operating company in the area.. The Ministry already communicated the Woreda and expecting them to develop a project plan and take the fund. The problem is the development need of the Woreda is more than the fund contributed. The other problem is communication gap between the Ministry, who governs the mining sector in the country and the Woreda who hosts the mine field. There is no formal network but they have a good informal relation so far.

According to the words of a key informant from the local administration, it is claimed that,

. . . We identified 20 items as development need of the community and we further prioritize 3 items out of the 20. These are 12km internal asphalt road project, stadium development project and referral hospital development project. We highly expect the major involvement of the private sector in these agendas (Wossi, 2016)

Of course, the issue of development is very critical. Specially, rural roads in the Odo Shakiso Woreda must be developed. Water and electricity are very serious problems in the area (Keren, 2016). But the problem is further extends to the management of some of the joint development activities as well. The following excerpt shows this situation

I believe that there is a problem in managing available resources. For instance, the private sector provides some funds for development but the management process is not clear for the community. If we take the water facility that was provided by the private sector, the community pays for the water to the municipality. However, it is captioned on the water facility as a gift from the private sector. So, why the community pays to the municipality? Similarly, the private sector provides some funds to the town but the planning and execution of the development is not clear (FGD2, 2016).

It is clear that the private sector provides tax and other required payments by law to the respective government organs. However, there must be a clear plan from the government side concerning joint development plans. Furthermore, the poor infrastructure, health, and education are very critical that can be considered as challenge to the community. These problems must be undertaken by the government (FGD3, 2016).

The challenge of the community is wide spread. Previously, the town had a hospital in which doctors from Cuba were hired. Some of key informants got birth in this hospital. Now, this hospital is converted in to other purpose through a rent. There is no hospital in the town now. The road facility is very humiliating to say that the area is serving one of the huge investments of the country. From Adola to Shakiso, which is about 19kms, was planned to asphalt the road. This road is still now pending at least for the last five years (FGD4, 2016).

Furthermore, water, education, health and road are mentioned by key informants as a very serious problem of the community. There is no organized and systematic plan for development issues in the area. Even though, there are some efforts from the private sector, much is expected from the local administration side in organizing and mobilizing the development actors including the private sector (FGD5, 2016).

Accordingly, attention is considered as the problem of the region by some key informants. This attention is expected from all stages of the government. The town deserves more than this. In this regard, corruption, bad governance, education, health issues, road facility and water are very critical problems to the community. Since there is no proper attention to the area, there is still no organized development is conducted in the area. (FGD6, 2016).

There is no organized action in planning the communal projects. Most of the problems are concerning infrastructure like road, water and electricity. The local administration usually raises a budget problem to serve this kind of projects. So, the community is forced to request the private sector to fulfill the gap. On the other hand, the private sector also will be burdened by the direct request of the community from different directions. However, the problem is that the private sector is also operating by budget since it is for profit. The only chance is to get together, prioritize problems and work jointly to solve the problem. However, since there is no coordinated effort in the area, the problem is exacerbated (Asi, 2016).

d) Misperception - misperception is a mistaken interpretation, idea or belief about something. The misperception issue is majorly mentioned by the private sector along with the key informant of the government from the federal structure. It is claimed that the legal duty and responsibility of the private sector is not fully understood by other stakeholders. It is stated by the key informants of the private sector that there is a high misperception regarding the role of the private sector and the role of the local administration with regard to regional development issues. The following excerpt forwarded by the private sector can serve as a good example.

Misperception is another challenge. The role of the private sector and the local administration is not sufficiently addressed to the local community. Sometimes, we are requested to develop some projects that should be handled by the local administration. Of course, we have to take part and contribute based on our budget but cannot handle exclusively. This is one of the problems (Edu, 2016).

High expectation of the community from the investment is mentioned as a problem by the representative of the government from the federal structure. In the same analysis with the private sector, the issue of high expectation from the investment is believed as one of the issues that need mainstreaming. Everyone expects more than what the private sector can provide. These can be

handled by having continuous and consistent consultation programs with stakeholder (Sem, 2016).

The main problem is that the role of the local government and the private sector with regard to development is not addressed in a combined manner. What are the roles of the local administration? And what are the roles of the private sector in the community? Sometimes there is confusion in the community and requests come from the community to the private sector which is supposed to be executed by the local administrations. This position is expressed in the following comment made by the key informant,

Of course, there is no doubt that we are always responsible as a corporate citizen. We participate and contribute in local development activities. However, in no way we can take over the overall development activities of the locality. Remember, our company has its own CSR program in which we spend close 50 million birr to the local development alone (Jabbi, 2016).

Gold is an element that has international significance throughout the world. Particularly, since there is a transaction system for the unprocessed gold holding ores⁸ in the area, sometimes serious problems of burglary through illegal activities may happen as a result of the misperception to the private sector. However, according to Nina (2016), the local community is now assisting the private sector in order to avoid this misperception and now the surrounding community is in confronting this kind of situations.

The misperception issue, albeit indirectly, addressed by the key informant from the Woreda administration. According to this key informant,

There are two kinds of opinions. The first one is unhealthy and totally against any kind of investment in the area. The second one is a healthy one and focuses on development agendas. What we are supporting is later since it is a win-win approach to all the stakeholders and it is also the policy of the government to encourage both development and investment. Now, the problem is luck communication. There is no team work (Hevu, 2016).

e) Other challenges - Luck of good governance, employment, corruption and education are mentioned as a challenge with having comparatively less voices from the key informants.

⁸ An ore is a sort of rock that encloses minerals with significant elements comprising metals that can be economically extorted from the rock. The ores are take out from the earth through mining process; they are subsequently refined often by smelting in an effort to extract the valuable elements.

However, the private sector shares only “luck of good governance” a challenge while the government only shares “employment” as a challenge. However, the community endorses all with different number of representation.

In this regard, weak law enforcement at lower level of government structure, lack of capacity to handle complex investment issues, absence of commitment and dedication to support investors at Woreda and kebele levels of government offices were mentioned as a challenge by key informants. Furthermore, over ambitious expectation by local community and even local officials regarding large scale companies’ job creation capacity is also considered as a real problem by the private sector.

In addition, according to Ruth (2016), failure or not trying to use large scale companies as potential market to their product as well as the negative attitude of artisanal gold mine operators, who consider the large scale mining companies as their rivalry that gradually swallow them, are traced here as a challenge as well.

During the FGD, it observed that the community is the one who highly attached lack of good governance and corruption with development deficits almost in a similar way. They emphasize that the existence of the private sector by itself cannot be a factor to avoid these problems. Therefore, it is emphasized that unless there is joint and coordinated effort, it is hardly possible to gain the expected outcome as a result of separate efforts. The following opinion obtained through the FGD indicates the seriousness of the issue.

Nevertheless the private sector generates high foreign currency than other investments in the country. The host community is suffering from bad governance, corruption, and other development problems. These developmental problems include education, health road and water. (FGD7, 2016)

Employment is mentioned as a challenge by some key informants from the community. It is believed that the company employs the local community members on less paid jobs. Highly paid jobs are fulfilled from other areas. Of course, there is a consensus that there is a problem to find highly educated professionals in the country leave alone in that specific area. But it is advised that the vacancy must be floated first to the local community openly (Maki, 2016).

4.1.4 The existence of private sector, government and community partnership in relation with the large scale private gold mine investments

An open ended question was raised in order to identify the existence of private sector, government and community partnership in relation with the large scale private gold mine investments in the area. The question raised was an open-ended question in an effort to provide an option and freedom to the key informant to mention they believe. Accordingly, the existence of the tripartite network was investigated through the research process. Surprisingly, all the stakeholders provide very similar response by putting their own different reasons. The triangulated response summary is stated in the table herein under followed by a descriptive analysis.

Table 11 – Tripartite network data presentation table

Permanent Tripartite Network	Private Sector	Government	Community	Remark
Exists	-	-	-	
Does not Exist	7	6	14	

As it's shown in the above-displayed result, all parties unanimously agree that there is no permanent tripartite network in the area, which serves to plan, execute, and evaluate communal issues that brings a team work dynamics. Of course, it's learnt that there is a bilateral relation among the stakeholders. Previously, it was also attempted to meet on ad-hoc basis in relation with security matters. Some of the excerpts mentioned below from the words of key informants of the private sector, the government and the community respectively stress the issue in a clear manner.

I think it is good to distinguish the existence of the tripartite forum framework in to two. We had stakeholder meeting in different times concerning security issues. However, it is hardly possible to mention that there is a tripartite network among the private sector, the government and the community in the Shakiso area. We always handle our issues in a bilateral arrangement either with the government or the community. We wish to have this kind of forum (Yani, 2016).

There is no strong and permanent tripartite network in the Shakiso area concerning large scale gold mine investment. This is a real gap. We must focus to create the relationship in order to achieve the intended development plan from mining sector (Abi, 2016).

There is no tripartite relation in the area. What we have is a bilateral relation on ad-hoc basis. There is no standby committee which serves our common goal and concerns. I think this is the mother of all the problems (Asi, 2016).

Therefore, it is difficult to say that there is a tripartite network in the Shakiso area. Everyone wishes to have this forum in order to expose what they are doing in environment and other issues to all concerned stakeholders. There was an attempt to organize some meetings but with no consistent effort and success (Bibish, 2016).

There was a tripartite committee in relation with security issues. However, this does not work properly leave alone the tripartite forum on development issues. As a result, every stakeholder intends to form bilateral relations with others. It works so far. For instance, the private sector expressed its experience by claiming that *“this structure enables the company and the neighboring community to jointly plan and implement development projects through the company’s CSR program. However, we highly expect the local administration to join this forum and work with us”* (Jabbi, 2016).

There is no tripartite relation even though each stakeholder claims that it believes in coordination and team work. The tripartite networking is very serious problem and not yet developed in the *Shakiso* area. It is at its infant stage. In this connection, Edu (2016) emphasizes that *“What I can say is that we must have the network in order to plan, execute and manage development projects in a joint effort. This also avoids conflict and misunderstanding”*.

There are different kinds of attitude concerning who shall be responsible to coordinate the network. According to Ruth (2016), misunderstanding of the local administration officials at the lower level causes the problem of formulating the partnership forum. Another key informant Yegeta (2016) said that Ministry of Mines should exert more effort to facilitate smooth relationship between stakeholders especially through creation of awareness.

On the other hand Wossi (2016) from the local administration blames the private sector for not being initiated to formulate the network. According to him,

There is a communication problem mainly with the private mining sector. The local government has no gap with the community. I think if we strongly tie our relation with the private sector, the tripartite network can serve its role. But now, we cannot say that we have this kind of network in the area (Wossi, 2016).

No one denies that having a permanent platform among the local administration, the community and the private sector enhances development in the region. The absence of this kind of development pattern is something that cannot be deprived of (Mili, 2016). The nonexistence of the tripartite network is a gap (Hevu, 2016).

To summarize, Aksi (2016) argue that all stakeholders shall execute their own role. The private sector, the community and the local administration have their own role. However, if they come up and join their hands, stakeholders can find the maximum benefit to the area and themselves. On the other hand, its absence can retire development

4.1.5 Potential policy implementation gaps and possible remedy options in relation with large-scale private gold mine investments

Key informant's suggestion basically lies on fixing two kinds problems. The first one is they need permanent forum (institutional based) in which they can bring their concerns to the table and discuss. The second one is information flow. The proper and permanent channel for information and communication among stakeholders is needed. The following excerpts taken from all stakeholders clearly show the above mentioned attitude.

There must be a private sector, government and community partnership and meeting on a permanent basis. This forum may resolve some basic challenges that all of us have (Yani, 2016).

All stakeholders should be aware what is going on. Government and private sector should maximize transparency to local community and should engage with same. The contribution of private sector to in the country's development should be explained to the community. As a result, facts about the private sector's legal obligation should be disclosed i.e. status of tax, employment opportunity and the like. Because, the benefit of the existence of the private sector must be known by the community. Community's participation shall be maximized in development projects sponsored by the private sector. Discussion need to be made among the three stakeholders so to create trust and consider each other as complement to achieve the desired goal. (Ruth, 2016).

Having a good network is very important in an effort to achieve the development need of the area. Some loopholes must be addressed in a serious way by all concerned stakeholders (Wossi, 2016).

There is a gap. This is, I think, unquestionable. Teamwork is important to the country's development at large not only to the Shakiso area. So, teamwork must be created (Mili, 2016).

I think that the relevant authority must address the problem of the community. For instance, we deserve to know the tax fee that the government receives as well as to know how the company is protecting the environment. Reports must be disclosed either by the government or the private sector. I think this eradicate the hesitation of the community concerning the investment. In addition, either the local administration or the private sector must take responsibility to organize a permanent forum that includes elites of the community (FGD3, 2016).

Solely, it is the responsibility of the local administration to arrange joint partnership meetings that incorporates the private sector, the government and the community (Keren, 2016).

Even though the major suggestions are enumerated above, there was also a unique demand from the key informants. One of the 27 key informants from the community is very pessimistic about Gold Mining in general (Weather large scale or artisanal) and demands that “*The government must stop licensing mining activities around the Shakiso area. I am not happy by both artisanal and large scale mining. We must concentrate on agriculture*” (Ati, 2016).

4.2 Document/Policy Review and analysis

Ethiopia has not yet develop comprehensive mining policy document that can serve as a road map to the sector. However, there are documents and enactments which can serve as a policy implication of the regime. Accordingly, the following ten issues are extracted and relevant policy provisions are selected in an effort to manage the issue. The Mining Operation Proclamation and its regulation are heavily consulted vis-à-vis other relevant policy instruments that can indicate the policy position of the current government.

4.2.1 Constitutional Principles Regarding the Mining Sector

Almost three years after the fall of the Derg regime in May 1991, the FDRE Constitution was ratified in 21st August 1995 through proclamation No. 1 of 1995. In this supreme law of the country, natural resources remain public property and have become, once again, the most vital economic, social and political agenda to this date. In line with this, article 40 (3) of this constitution claims that,

The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange [emphasis added] (Federal Negart Gazeta of FDRE, 1995).

The constitution has not only put a provision regarding property right of natural resources but also proclaims about the right of the host community. In this connection, article 41 (4) of the

constitution proclaims that *“The State has the obligation to allocate ever increasing resources to provide to the public health, education and other social services”*[emphasis added] (Federal Negart Gazeta of FDRE, 1995) since these activities are considered as economic, social and cultural rights that has to be provided and protected.

The other important issue in this regard is the right to development. Internationally speaking, the right to development is an inalienable human right by virtue of which every human person in a given community is entitled to participate in, contribute to, and enjoys social and economic development. Similarly, in the words article 43(4) of the FDRE constitution, *“the basic aim of development activities shall be to enhance the capacity of citizens for development and to meet their basic needs”*. In the same analysis, a given community has a constitutional right to be consulted while project is implemented in their surroundings. This is clearly implied in article 40 (4) of the constitution which asserts that *“Nationals have the right to participate in national development and, in particular, to be consulted with respect to policies and projects affecting their community”* (Federal Negart Gazeta of FDRE, 1995).

4.2.2 Recognized Fundamental Mining Principles of the Current Policy Regime

The Ethiopian mining policy holds five main objectives that can serve as recognized fundamental mining principles. These main pillars of the mining sector are mainly stated in article 4 of the mining operation proclamation 678/2010. These objectives of the mining policy of the country are,

1. *Give effect to the principle of the custodianship of the country’s mineral resources by the government;*
2. *Promote socio-economic growth of the country;*
3. *Promote employment and advance the social and economic welfare of all Ethiopians;*
4. *Provide for security of tenure for all investors in respect of exploration and mining operation; and*
5. *Ensure that the country’s mineral resources are developed in an orderly and sustainable manner* (Federal Negart Gazeta of FDRE, 2010, p. 5392).

4.2.3 Recognized Mining Licenses and Certificates in Ethiopia

Different countries can have different types of licenses in their mining policy. The Ethiopian mining sector provides seven basic types of mining licenses that can serve the private sector in different modalities. These are enumerated in article 9 of the proclamation No 678/2010 and mining operation (amendment) proclamation No 816/2013, which adds one more type of license to the existing six types. Totally they are seven and they are called

- a. A reconnaissance license;
- b. An exploration license;
- c. A retention license;
- d. Artisanal mining license;
- e. Special small scale mining license;
- f. Small scale mining license; and
- g. Large scale mining license (Federal Negart Gazeta of FDRE, 2010, p. 5395) and (FDRE, 2013) .

4.2.4 Large Scale Gold Mining Policy in Ethiopia

Large scale gold mining license shall be granted when the requirements are fulfilled. These are enumerated in the mining enactment of the country. Firstly, the work program of the investor must be acceptable and approved by the appropriate ministry. In addition, the environment impact assessment of the program also shall be evaluated and accepted by the governing institution of the country. Furthermore, the financial and technical capability of the investor will be evaluated if the investor has a capability to operate the mine optimally and safely. Of course, all these requirements will be processed only when the investor did not contravene any rule during his exploration activity before applying to the mine (Federal Negart Gazeta of FDRE, 2010, pp. 5402-5403).

The maximum period granted for large scale mining license is 20 years. The licensing authority has a mandate to provide even less period than this. However, it does not mean that there is no renewal after 20 years. The large scale gold mining license may be renewed for additional period of 10 years at its maximum. Hence as per article 27 (3) of the law *“the licensee shall have the right to renew the license provided that he can demonstrate the continued economic validity of mining the deposit, has fulfilled the obligations specified in the license, and is not in breach of any provision . . . which constitute grounds for suspension or revocation the license”* (Federal Negart Gazeta of FDRE, 2010, p. 5403)

4.2.5 Boundary and Demarcation Issues in the Mining Area

Boundary issue is of the most controversial issues in the mining investment. Of course, the Ethiopian mining law provides sufficient mandate to the government in order to allocate proper mining area from throughout the country with the exception of religious, archeological, national parks and within 500 meters from the boundary of villages. Otherwise, the large scale gold mine

licensee shall enjoy “*the land within the boundaries and all sub-soil there under to an indefinite depth within the vertical planes passing through each boundary where the mining the mining involves a primary or placer mining operations*” (Federal Negart Gazeta of FDRE, 2010, p. 5409)

4.2.6 Environment and Community Related Issues

The issue of environment got proper attention in recent mining law of the country. Accordingly, environmental impact assessment is now a mandatory requirement to be submitted and reported in a regular basis. It further allocates a fund to cover the possible cost for rehabilitating the cost. The environmental rehabilitation obligation of the licensee further extends up to a safe closure of the mine area (Federal Negart Gazeta of FDRE, 2010, p. 5422).

The community who hosts mining is considered as a stakeholder by the citizens’ charter of the ministry (ማዕድን ሚኒስቴር, 2005). However, proper provision is not dedicated in the mining proclamation like that of environment and similar matters. This can be considered as a loophole of in the mining proclamation. The only provision that has direct relation with the community is article 62 (3) of the mining proclamation (as amended) which claims that the licensee “*shall participate in community development plan of the peoples within the license area, and shall allocate money for such expense*” (Federal Negart Gazeta of FDRE, 2010, p. 5421).

4.2.7 Financial Matters in the Ethiopian Mining Policy

a. Royalty

The amount of royalty payable by holders of large scale mining licenses is at following rate⁹. The data is presented in a consolidated and combined manner in the below presented table. (Please refer the table in the next page for the detail)

⁹ The amount of royalty payable by the holders of artisanal miners and small scale mining licenses shall be at the rate fixed by the laws of the regional state (Please refer annex 10 for the definition of artisanal mining)

Table 12 – Royalty

	Type of Mining	Royalty rate	Payment base	The mandate of the authority
1	Precious minerals	8%		
2	Semi-precious minerals	6%	The royalty shall be paid based on the sales price of the commercial transaction of the minerals produced	The licensing authority may reduce, suspend, or waive the payment of royalty in circumstances it deems appropriate
3	Metallic minerals	5%		
4	Industrial minerals	4%		
5	Construction minerals	3%		
6	Salt	4%		
7	Geothermal	2%		

b. Equity participation of the government

As per article 8 of the mining proclamation, the government is entitled to undertake mining operations that are vital for the overall economic growth either by itself or in partnership with the private sector. However, the kind of participation is not stated either by paying contribution or not. (Federal Negart Gazeta of FDRE, 2010, p. 5394). Despite the presence of this provision, the government is further entitled to own equity participation without contribution within the large scale gold mine investments. In this regard, the law proclaims that

. . . the government shall acquire without cost a participation interest of five percent of any large scale mining investment. An additional equity participation of the government may also be provided by agreement with the licensee, which shall specify the percentage, timing, financing, resulting rights and obligations and other details of such participation (FDRE, 2013, p. 7307)

Accordingly, the share of the government shall increase without cost whenever the capital is raised and enjoy dividend every year when the investment matures and returns back the surplus.

c. Customs Duties

The Ethiopian mining policy provided duty exemption for mining operation in different platform. The previous mining law (proclamation no. 52/1993) had a very generous incentive mechanism to the sector starting from 1993. However, the current proclamation provided the incentive scheme in a classified manner by taking the stage of the mining operation in to consideration.

Table 13 – Customs Duties

Type of License	Duty exempted items during import	Requirement	Remark
1 During exploration (or his contractor)	consumables, equipment, machinery and vehicles required for operation	For operation	As per the approved work program
2 Large scale mining license (or his contractor)	Any equipment, machinery and vehicles	To start the mining operation	As per the approved work program
3 Large scale mining license	Consumables	To start and sustain commercial production for the first three months	
4 Expansion of Large scale mining license	Equipment and machinery	Needed for expansion	As per the approved expansion program
5 Large scale mining license	Mineral export duty	During export	

4.2.8 Dispute Settlement Mechanisms

The other important part in relation with large scale gold mining investment is its dispute resolution mechanisms. The dispute resolution clause was amended lastly in 2013. The clause (as amended) has important provisions under article 78 of the mining proclamation (as amended).

These are,

1. *Any dispute, controversy or claim between the Licensing Authority and the licensee arising out of, or relating to an agreement for reconnaissance, exploration, retention or mining, or the interpretation, breach or termination thereof shall, to the extent possible, be resolved through negotiation.* [emphasis added] (Federal Negart Gazeta of FDRE, 2010, p. 5428).
2. *In the event that agreement cannot be reached through negotiations, the case shall be settled by arbitration in accordance with the procedures specified in the agreement. An arbitral award shall be binding up on the parties* [emphasis added] (FDRE, 2013, p. 7308).
3. *Any party aggrieved by the decision of the arbitration may lodge an appeal to the concerned court* [emphasis added]_(Federal Negart Gazeta of FDRE, 2010, p. 5428).

The above provisions have two significant factors for discussion. These are the parties issue and the arbitration issue.

- a. **The parties' issue** – the law provides a dispute resolution mechanism only between “between the Licensing Authority and the licensee”. The dispute between the licensee and the community is not dealt with this dispute resolution mechanism provided by the law.
- b. **The arbitration issue** – arbitration by its nature is not subject for appeal. However, the Ethiopian mining law provides a controversial provision by putting an appeal clause after claiming that the arbitral award is binding.

4.2.9 The Growth and Transformation Plan

Under the above-mentioned main pillars of the mining policy frameworks, the current regime devices a strategy called The Growth and Transformation Plan (GTP). This plan is now in its second phase (or known as GTP II). GTP I stretched from 2010 up to 2015. The GTP II starts in the year 2015/2016 and stays up to 2019/2020. Of course, attaining “accelerated”, “sustainable” and “broad-based” economic development is a major aim of the current Government of Ethiopia in an effort to eradicate poverty. Accordingly, the government drafted and implementing various policies and strategies to manage this development objectives including the Plan for Accelerated and Sustained Development to End Poverty (PASDEP). The mining sector, in consolidated sense, appreciated some achievements during the PASDEP period (FDRE Ministry of Finance and Economic Development , 2010, p. 13). However, the number of large scale private gold mine investment that starts production is not changed significantly.

The main purpose of the GTP is to take ahead the significant strategic guidelines followed during the PASDEP plan period. The GTP visualize that enhanced outcomes will be accomplished in all sectors, including mining, besides upholding a rising economy (FDRE Ministry of Finance and Economic Development , 2010, p. 1).

According to the GTP, the government has strategic directions in which main focuses are situated in the mining sector. In this regard, the five main broad strategic directions can be summarized as:

1. To create a favorable environment for private investors for exploration and development of mineral resources;
2. To collect, analyze and interpret basic geo-science information for potential investors;

3. To put in place policies, laws and new regulations that create an institutional framework conducive for the development of the sector's contribution to the economy;
4. To provide paramount importance to ensuring the institutional framework is enabling, encourages competition and takes account of the international situation and national interest; and
5. Increase private investment in exploration and exploitation of high value minerals for finding additional deposits and the foreign currency earned by the country. (FDRE Ministry of Finance and Economic Development , 2010, p. 64)

In this consideration and as the main objectives, the government considers that mineral development has various significance for other sectors as well including but not limited to agriculture, industrial & urban development, energy and construction. In particular for industrial and construction sector inputs, gold exploration and exploitation are supposed to be initiated along with other valuable minerals like platinum, tantalum and high value gemstones in order to help increase foreign currency earnings of the country (FDRE Ministry of Finance and Economic Development , 2010, p. 65).

However, the mineral sector in particular had inconsistent performance even in the GTP I period despite the attention given in the plan. In the year 2012/13 performance period, it was targeted to earn US\$ 164.9 million from the export of gold and other minerals but the performance was US\$ 148.85 million, which is 90.2% of the target. The broad-spectrum foreign currency earnings through the export of gold and other minerals declined by US\$ 50.2 million even from the previous performance year of 2011/12 balance. (FDRE Ministry of Finance and Economic Development , 2014, p. 43). This is a clear sign to consider the sector again in an effort to benefit the national economy from the mineral wealth.

4.3 Summary of the Analysis

- Generally speaking, three stakeholders (namely the private sector, the government and the community) have positive perception to the large scale gold mining investment in the country as far as it is conducted in a regulated manner through internationally accepted practices.
- Education related support of the private sector to the community is highly recognized as an opportunity that consumes almost 75% of the private sector's CSR expenditure

followed by infrastructure construction mainly drinkable water facility constructions. However, no tripartite network was witnessed in this activities either institutional or on paper as a policy framework.

- Luck of information & communication is the main challenge of the stakeholders, which is almost equally acceptable as a serious problem by all stakeholders. In addition, luck of demarcation is a real threat that exists between the private sector and the community. Poor infrastructure facility & misperception are also serious challenges along with others. Again, no tripartite network was observed in order to encounter those challenges. There is no institutional or policy framework that address the problem tripartite network.
- There is almost no permanent tripartite network or relation among the stakeholders i.e. namely the private sector, the government, and the community. Even, there is no consensus with regard to who shall coordinate.
- All stakeholders need the form of the tripartite relation that has to be mandated with addressing the challenges and expanding the opportunities obtained so far. No one has reservation about the role of the tripartite network in order to address concerned issue.

4.4 Chapter Summary

This chapter discussed about data presentation and data analysis by taking five main issues in to consideration. Firstly, the raw data was presented based on the broad and open-ended question forwarded to key informants. The raw data gathered were presented, summarized and analyzed systematically by following a logical and qualitative research procedure. The words of interviewee are referenced as it is during data presentation and during data analysis; they were either quoted directly or referred indirectly by following a logical sequence. The summary of the findings as well as the conclusion and recommendation of the researcher will be presented in the next chapter.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

This research paper started by putting one general and five specific research questions that are expected to be addressed. In this regard, retrospective and prospective policy evaluation and analysis are conducted in different chapters of the research.

In order to address the retrospect policy evaluation and analysis, the researcher went through presenting a literature review that attempts to review the credible sources that directly or indirectly connote the research topics. In line with this, effort was exerted in order to put the Ethiopian and global historical scenarios through stakeholders, network, and perspective determinants by using “Path Dependency Theory” since it’s efficient to explain the continued use of a practice through historical preference and previous commitment made.

Then after, the analytical framework of the research is introduced as a roadmap of the study and the data presentation and analysis is conducted through a qualitative protocol in order to evaluate the contemporary situation.

In line with this, the following conclusion is made based on specific research questions that was raised at the initial stage of this research.

5.2 CONCLUSIONS

What are the opportunities and challenges of large-scale private gold mine investments in Ethiopia?

- a) **What is the general perception of stakeholders concerning the role of large scale gold mine investments in the country?**

Initially, the research starts by primary examining what the general perception of stakeholders is concerning the role of large scale gold mine investments in the country. The result shows that the three stakeholders, namely the private sector, the government and the community, have positive perception to the large scale gold mining investment in the country. However, most of them

agree that it is useful as far as the mining operation is conducted in a strictly regulated manner through internationally accepted practices.

b) What are main opportunities in relation with the large-scale private gold mine investments?

The opportunity remarks were displayed by different opinions. The majority of the key informants said that there is clear opportunity created as a result of the large scale gold mining investment accompanied by minority who said that there is no opportunity. However, comparatively speaking, the minorities are insignificant. The minorities, almost in a similar manner, argue that mining has to be discouraged since it attracts conflict. They also believe that other economic sectors, like agriculture, may substitute it.

Education related support of the private sector to the community is highly recognized as an opportunity that consumes almost 75% of the private sector's CSR expenditure followed by infrastructure construction mainly drinkable water facility constructions. However, no tripartite network was witnessed in this activities either institutional or on paper as a policy framework.

c) What are main challenges (if any) in connection with the large scale private gold mine investments in the country?

No one said that there is no challenge. All agree that there is challenge in relation with the large scale gold mine investment even though the reasons mentioned by stakeholders are different. However, lack of information & communication is the main challenge of the stakeholders, which is almost equally acceptable as a serious problem by all stakeholders.

Into the bargain, lack of demarcation is a real threat that exists between the private sector and the community. Poor infrastructure facility & misperception are also serious challenges along with others. Again, no tripartite network was observed in order to encounter those challenges. There is no institutional or policy framework that address the problem of tripartite network.

d) How is the tripartite arrangement between the private sector, government and community in terms of large scale private gold mine investments?

All stakeholders claim that there is almost no permanent tripartite network or relation among the stakeholders i.e. namely the private sector, the government, and the community. Bilateral

relations observed among the stakeholders in different terms. The bilateral relation itself is not institutionalized but support supported by policy framework.

Concerning the tripartite network, there is no consensus even with regard to who shall coordinate or initiate the network. All stakeholders need permanent forum of the tripartite relation that has to be mandated with addressing the challenges and expanding the opportunities obtained so far. No one has reservation about the role of the tripartite network in order to address concerned issue.

e) **What are the potential policy implementation gaps and possible remedy options in relation with large-scale private gold mine investments in Ethiopia?**

Different policy gaps were suggested in different ways. However, most of the key informant's suggestion basically lies on fixing two kinds problems. The first one is they need permanent forum (institution based) in which they can bring their concerns to the table and discuss. The second one is information flow. The stakeholders believe that proper and permanent network channel for information and communication purpose among the stakeholders is needed.

5.3 RECOMMENDATIONS

Since the research identifies and evaluates three stakeholders of the large scale gold mine investments, the recommendation is also goes to the respective stakeholders.

Recommendation one – to the private sector

- a) The private sector shall advocate the creation of a tripartite network while signing a concession contract. It shall be sufficiently and properly addressed in this governing document as one of key and permanent institutional setups in the sector.
- b) The private sector shall work in public relation activities in its extra-ordinary sense. This activity of the private sector shall be wide-ranged, in-depth and current. The classical way of public relation activity existing in other business sectors does not serve in the extractive industries since the stakeholders in the latter demands more and need to know the detail of the work process.

- c) The private sector shall pressure the government to demarcate the concession area while signing the concession contract since delimitation is not enough and it remains problematic unless demarcated in a clear manner.
- d) The demand of the CSR activities of the private sector shall come through the institutional framework of tripartite network forum (as per the budget of the private sector) in an effort to avoid any doubt and encourage transparency through which all shall be benefitted.
- e) Permanent and periodical visiting programs shall be introduced to all concerned members of the community, the local administration and others in order to clear suspicious opinions and deductions. These permanent visiting sessions are common in the contemporary international mining practices.
- f) A yearly based information booklet shall be published by the private and this regular booklet must contain information about tax paid, summary of environmental protection activities and reports, CSR and community interaction activities, employment activities under the local content rule. This information booklet shall be distributed to the government, community, civil societies and the like.

Recommendation two – to the government

- a) There is functional relation between the Ministry (who governs the sector at federal level) and the Woreda (who hosts the mine fields). This loose connection among the two government operatives shall be revisited. There must be legal frameworks which provide a formal relation among the two distant but important apparatuses.
- b) In general, the government is primarily responsible to create the permanent tripartite network in the large scale gold mine investment areas. This shall be legalized, institutionalized and materialized in order to establish favorable working environment and win-win situations to the stakeholders.
- c) The government is also responsible to regularly publish what it earns from each private sector in the gold mine industry through income tax, royalty and other forms of earnings. In the contemporary mining investment practice, this is almost a mandatory exercise to practice transparency.

- d) Regular environmental supervision in the sector is a well-taken good practice. However, it is not enough. It has to be officially disclosed. Environmental audit reports of the government authority shall be disclosed. To the public.
- e) Host community of a gold mine field suffers more than any other community in relation with environmental deficit. In gold mining activity, environmental deficit is something that cannot be avoided but mitigated. As a result of this, the host community shall benefit through a “Special Treatment Mechanism” from the government. The ordinary budget system of the government to the hosting Woreda is insufficient at least to address basic infrastructural need of the community.
- f) Basically, government is one of the actors who create awareness in the community. Of course, it is an authoritative party to do it in determined manner. Hence, it is highly expected from the government to mainstream the real picture of all stakeholders.

Recommendation three – to the community

- a) The gold mining hosting community must organize itself. The discussion in the tripartite network needs serious institutional framework representation in an effort to forward the real voice of the community. For instance, the representation process can utilize existing social structures like that of *Aba Gadas* in the *Guji* community around *Shakiso*.
- b) Priority agendas or demands of the stakeholders are different. Similarly, the community must prioritize its development demands through a tripartite network that should be institutionally materialized as per the recommendation of this thesis.

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ANNEX 1

THE TABLE THAT DESCRIBES KEY INFORMANTS CODING AND TIME SPENT FOR INTERVIEW IN THE MONTH OF JULY 2016

s/n	Code given	Mode of communication	Time spent
From the Private Sector			
1	Yani Habte	Interview	45 minutes
2	Bibish Habte	Interview	35 minutes
3	Jabi Habte	Interview	47 minutes
4	Nina Habte	Interview	55 minutes
5	Edu Habte	Interview	39 minutes
6	Aksan Habte	Interview	53 minutes
7	Yeget Habte	Interview	32 minutes
From the Community			
1	FGD 1	FGD	3 Hours
2	FGD 2	FGD	
3	FGD 3	FGD	
4	FGD 4	FGD	
5	FGD 5	FGD	
6	FGD 6	FGD	
7	FGD 7	FGD	
8	Keren Bizuneh	Interview	32 minutes
9	Pissa Bizuneh	Interview	40 minutes
10	Asi Bizuneh	Interview	41 minutes
11	Bimbo Bizuneh	Interview	53 minutes
12	Ati Bizuneh	Interview	33 minutes
13	Emu Bizuneh	Interview	42 minutes
14	Maki Bizuneh	Interview	38 minutes
From the Government			
1	Abi Mengiste	Interview	49 minutes
2	Wossi Mengiste	Interview	
3	Mili Mengiste	Interview	57 minutes
4	Hevu Mengiste	Interview	
5	Aksi Mengiste	Interview	45 minutes
6	Sem Mengiste	Interview	

Note - The researcher's observation is coded as "Observation" followed by the last day that the researcher observed the incident, object or entity.

ANNEX 2

ARTISANAL GOLD MINERS ON DUTY IN THE MONTH OF JULY 2016 AROUND THE SUBURB OF *ODO SHAKISO* WOREDA



Photograph by – Metassebia Hailu Zeleke (July, 2016)

Description – This is one of the Artisanal gold mine fields outside of the *Shakiso* town. There are number of digs here and there with having from twenty to fifty meters space clearance between them in this specific operation area.

ANNEX 3

GOLD TRADERS WHILE TRAVELING TO SELL THEIR INGOTS TO A STATE OWNED BANK IN THE *ODO SHAKISO* TOWN BY COLLECTING FROM ARTISANAL MINERS



Photograph by – Metassebia Hailu Zeleke (July, 2016)

Description – One of the famous gold traders in the area¹⁰, who collects the gold ingots, is traveling to sell this bunch of gold to the government owned bank in the Shakiso town. He does not know the exact weight of the gold. However, he told to the researcher that he expects at least fourteen thousand birr.

¹⁰ He prefers to be considered as an anonymous

ANNEX 4

THE UNFINISHED ROAD CONSTRUCTION



Photograph by – Metassebia Hailu Zeleke (July, 2016)

Description – This is an asphalt road construction on the way that connects Shakiso with Adola (a.k.a. Kibremengist). Even though the road is an important corridor, which is vital for the Shakiso town, the construction remains unfinished for the last five years without any significant progress.

ANNEX 5

ONE OF THE WATER FACILITIES IN THE *SHAKISO* TOWN



Photograph by – Metassebia Hailu Zeleke (July, 2016)

Description – This is a drinkable water facility donated by MIDROC GOLD Mine PLC to the *Shakiso* town municipality. There are some kinds of various facilities in the *Shakiso* town donated by the same company.

ANNEX 6

THE LEGA DEMBI SHAKISO TVET INSTITUTE



Photograph by – Metassebia Hailu Zeleke (July, 2016)

Description – This is the Lega Dembi Shakiso TVET Institute constructed with a full fund of MIDROC GOLD MINE PLC as its Corporate Social Responsibility (CSR) activity.

ANNEX 7

GROWING VILLAGES NEAR THE LEGA DEMBI GOLD MINE FIELD



Photograph by – Metassebia Hailu Zeleke (July, 2016)

Description – This is a growing village near the Lega Dembi Gold Mine field. It is alleged by the private sector as a destination of illegally acquired ores from the Lega Dembi gold mine field.

ANNEX 9

THE OPEN-ENDED QUESTIONNAIRE FOR THE STAKEHOLDERS

Informant		Questions
The Community	1	What are the basic general policy opportunities that do you see in the mining investment
	2	What are the basic specific policy opportunities in relation with the private sector?
	3	What are the basic specific policy opportunities in relation with the government?
	4	What are the basic general policy challenges of the community in connection with the mining investment?
	5	What are the basic specific policy challenges in relation with the private sector?
	6	What are the basic specific policy challenges in relation with the government?
	7	What do you generally suggest to be done in the future?
	8	What do you specifically suggest to be done in the future in connection with the private sector?
	9	What do you specifically suggest to be done in the future in connection with the government?
The Private Sector	1	What are the basic general policy opportunities that do you see in the mining investment
	2	What are the basic specific policy opportunities in relation with the community?
	3	What are the basic specific policy opportunities in relation with the government?
	4	What are the basic general policy challenges of the private sector in connection with the mining investment?
	5	What are the basic specific policy challenges in relation with the community?
	6	What are the basic specific policy challenges in relation with the government?
	7	What do you generally suggest to be done in the future?
	8	What do you specifically suggest to be done in the future in connection with the community?
	9	What do you specifically suggest to be done in the future in connection with the government?
The Government	1	What are the basic general policy opportunities that do you see in the mining investment
	2	What are the basic specific policy opportunities in relation with the community?
	3	What are the basic specific policy opportunities in relation with the private sector?
	4	What are the basic general policy challenges of the private sector in connection with the mining investment?
	5	What are the basic specific policy challenges in relation with the community?
	6	What are the basic specific policy challenges in relation with the private sector?
	7	What do you generally suggest to be done in the future?
	8	What do you specifically suggest to be done in the future in connection with the community?
	9	What do you specifically suggest to be done in the future in connection with the private sector?

ANNEX 10

MEANINGS OF KEY TERMS (WORKING DEFINITIONS)

Description – The under mentioned key terms are collected from different sources and believed that they will assist the addressees to fully comprehend all the ideas in this work.

Agreement (Concession Agreement) – means a contract between the Government and a licensee in order to prospect, explore and mine for minerals (Transitional Government of Ethiopia, 1993, p. 369).

Artisanal Mining – means a mining operation carried out by individuals or a cooperative which is mostly of manual nature and that does not involve the engagement of employed workers (Federal Negart Gazeta of FDRE, 2010, p. 5386).

Domestic Investor – means an Ethiopian or a foreign national permanently residing in Ethiopia having made an investment, and includes the government, public enterprises as well as a foreign national of Ethiopia origin and desiring to be considered as a domestic investor (Federal Negart Gazeta of FDRE, 2010, p. 5386).

Exploration – means searching for any mineral by means of photographs, images, geological, geochemical, geophysical, and drilling methods which disturbs the surface or subsurface of the earth, including any portion of the earth that is under water, or in or on any residue stockpile or residue deposit, in order to establish the existence of any mineral and to determine the extent and economic value (Federal Negart Gazeta of FDRE, 2010, p. 5387).

Foreign investor – means a foreign national or an enterprise owned by foreign nationals, having invested foreign capital in Ethiopia, and includes an Ethiopian permanently residing abroad preferring treatment as a foreign investor (Federal Negart Gazeta of FDRE, 2010, p. 5387).

Government – means the Government of the Federal Democratic Republic of Ethiopia and includes regional states as appropriate.

Large Scale Gold Mining – means any mining operation of which the annual run-of-mine ore exceeds the limit of 100,000m³ placer operation and 75,000 tons for primary deposit mining (Federal Negart Gazeta of FDRE, 2010, pp. 5387, 5390 and 5391)

Mining – means any operation or activity directed at extracting minerals from a mineral deposit on or in the earth and water, any residue deposit or residue stockpile by any method, and any operation incidental thereto, such as storage, treatment, processing (excluding smelting and refining), transportation and disposal (Federal Negart Gazeta of FDRE, 2010, p. 5388).

Mineral – means any mineral substance of economic value, whether in solid, liquid or gaseous form, occurring naturally or on within the earth or in or under water and which was formed by or subjected to a geological process, and includes any mineral occurring in residue stockpiles or in residue deposits (Federal Negart Gazeta of FDRE, 2010, p. 5388).

Mining operation – means any activity associated with or connected to reconnaissance, exploration, and retention or mining (Federal Negart Gazeta of FDRE, 2010, p. 5389).

Processing – means winning, extracting, concentrating, calcining, classifying, crushing, screening, washing, reduction, or gasification of a mineral (Federal Negart Gazeta of FDRE, 2010, p. 5389).

Prospect – means to undertake on or above the surface of the earth all acts to search for mineral occurrences in order to ascertain the possible presence of minerals including the geological and structural characteristics of the land (Transitional Government of Ethiopia, 1993, p. 370).

Reconnaissance – means any operations carried on in a general search for any mineral (Federal Negart Gazeta of FDRE, 2010, p. 5389)

Residue Deposit – means any residue stockpile remaining at the termination, revocation or expiry of any mining license (Federal Negart Gazeta of FDRE, 2010, p. 5390).

Residue Stockpile – means any debris, discard, tailings, slimes, screening, slurry, waste rock, foundry stand, beneficiation plant waste, ash or any other product derived from or incidental to a mining operation and which is stockpiled, stored or accumulated for potential re-use, or which is disposed of by the holder of a mining license (Federal Negart Gazeta of FDRE, 2010, p. 5390).

Royalty – means the payment to the government and peoples’ who are the sole owners of the mineral resources to be made by the licensee for producing minerals from the production site of minerals and the percentage rate of such payment is to be assessed from time to time excluding the price of production and risk expenditure (Federal Negart Gazeta of FDRE, 2010, p. 5390).

Sales Price –means the commercial price of minerals at the point of export from Ethiopia (FOB) or, in the case of consumption within Ethiopia, at the point of delivery with in Ethiopia, less the cost of transportation, including insurance and handling charges, from the mining area to the point of export or delivery; and the cost of smelting and refining or other processing costs unless such other processing costs relate to processing normally carried out in Ethiopia in the mining area (Federal Negart Gazeta of FDRE, 2010, p. 5390).

Work program – means the program of work for exploration or mining, as the case may be, that shows details of the work, the time schedule, the required budget, the organizational structure and its manning (Federal Negart Gazeta of FDRE, 2010, p. 5392).