If you’re looking for a mining destination with the right mix of mineral potential, stability, infrastructure development and government support for investors – consider Ethiopia. This country case study outlines 5 reasons why you need to take another look at one of Africa’s best performing economies.

- Ethiopia’s High Economic Growth
- Extraordinary Mineral Potential
- Modern Geodata to Support Exploration
- A Stable Legal Framework
- Major Investments in Infrastructure and Accessibility
Ethiopia’s virtually untapped, diverse and vast mineral resources offer huge potential opportunities for exploration and development. These include - but are not limited to - tantalum, potash, gemstones, gold, iron ore and various industrial, energy and construction minerals. This extraordinary potential, coupled with improving government policies and regulations means Ethiopia is now very much on the radar screen of international mining investors.

WELCOME TO THE LAND OF OPPORTUNITY

Ethiopia has seen astonishing growth in the last ten years. Growing at an average rate of 10.2% between 2006 and 2016, the country is consistently one of Africa’s top performing economies. The country’s Growth and Transformation Plan II is targeting an annual average real GDP growth rate of 11%. Ethiopian industry is projected to grow at an annual average rate of 20%, with projected growth of 21.9% in the manufacturing sub-sector; 31.6% in electricity, gas and water; 15.4% in construction; and 32.8% in the mining sector.

Reason 1:

ETHIOPIA’S RECORD GROWTH

Ethiopia aims to achieve middle income status by 2025 by gradually transitioning from an agricultural to an industrial led economy. This will be achieved by the implementation of the Growth and Transformation Plan (GTP) II.

Currently, agriculture is the primary driver of economic growth, accounting for 46% of total Gross Domestic Product (GDP), 80% of employment and 85% of export revenues in Ethiopia. Transformation to an industrial economy requires strategic and systemic linkages with all sectors of the economy. The extractives sector is well positioned to be a driver of this transformation. Aided by the Ministry of Mines, Petroleum and Natural Gas’s 25-year Mineral Sector Development Plan, the mining sector aims to increase its contribution to GDP from 2% at present to 10% by 2025.

WHAT IS ETHIOPIA’S GROWTH AND TRANSFORMATION PLAN (GTP) II?

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GDP GROWTH RATE (%)

GDP growth rate comparison between Ethiopia, Sub-Saharan Africa, and the world from 2006 to 2016.

Source: World Bank
EXTRAORDINARY MINERAL POTENTIAL

Did you know that Ethiopia has a mining pedigree dating back more than a millennium? Despite this long history, today commercial mining is still in its early stages, providing ample opportunity for those wishing to invest in its mining sector – like you.

SPOTLIGHT 1: GOLD

Artisanal miners have mined gold in Ethiopia for thousands of years, and gold deposits are widespread across the country. Southern Ethiopia’s greenbelt already hosts two gold mines, with MIDROC Ethiopia mining at Lega Dembi, and production having started at Sakaro in the Oromia region. MIDROC has also been granted a large-scale gold mining licence and is under development at Metekel in the Benishangul Gumuz region.

Several local and international large-scale gold mining companies have been granted licences:
- Newmont is undertaking gold exploration in northern Ethiopia
- Ezana Mining is a local mining company which is operating in the northern part of the Tigray region;
- KEFI Minerals (Ethiopia) Ltd is a British owned company with operations under development in the western part of the Oromia region;
- Tigray Resources has applied for a large scale gold and silver mining licence in Tigray, in the north of Ethiopia;
- Ascom Mining Ethiopia has been prospecting for gold and base metals since 2014 and it has discovered a gold ore reserve in the Benishangul region. The company is currently undertaking feasibility studies of gold prospects in the western part of the country.

SPOTLIGHT 2: POTASH

Of all of Ethiopia’s mineral potential, potash has garnered some of the greatest interest. 95% of world’s potash is mined for use in fertilizer, while the rest is used for feed supplements and industrial production. The presence of evaporite minerals in the Danakil Depression, and particularly the Great Salt Plane of Dallol in northern Ethiopia has meant various exploration efforts have been undertaken in the past. These have confirmed the presence of two ore bodies at Dallol – the Crescent ore body and the Musley ore body, both of which represent excellent opportunities for investors.

SPOTLIGHT 3: TANTALUM

Ethiopia is already the sixth biggest producer of tantalum in the world. The Kenticha tantalite mine in the Oromia region, in the southern part of Ethiopia, is estimated to contain sufficient deposits to produce as much as 9,000 tons of processed tantalum products over the next 15 years, and beyond. The mine also contains quartz and feldspar.
Reason 2:

EXTRAORDINARY MINERAL POTENTIAL

SPOTLIGHT 4: INDUSTRIAL MINERALS

A wide array of industrial minerals are already being mined very successfully in Ethiopia. Here is a glance at a few of these:

- **Soda ash** is being mined at Lake Abiyata, in the rift valley about 200 kilometers south of the capital. The reserve at Lake Abiyata and the surrounding lakes exceeds 460 million tons of sodium carbonate at salt concentration ranging from 11% to 19%. The plant is producing about 5,000 tons of soda ash per year on a semi-industrial scale. The consumers of soda ash are local caustic soda factories and soap and detergent manufacturers.

- **Kaolin, quartz and feldspar** are being mined from the Adola belt in southern Ethiopia by a state-owned enterprise.

- **Silica sand** is also being produced and used by local industries. The cement factories of the country are using high quality limestone, clay, gypsum and pumice as raw materials for production.

- **Large quantities of locally mined construction minerals** such as sand, gravel, scoria, crushed stones, aggregates, scoria are used by the construction industry for buildings, roads, dams and bridges. Decorative and construction materials are also produced by foreign and local mining companies in the southern, western, central and northern parts of the Ethiopia.
Exploration is so much easier with solid geodata. Although regional maps at the scale of 1:250,000 have been produced in Ethiopia since the early-mid 1970s, in 2017 a major milestone was reached when 100% coverage of the country’s land-mass at a scale of 1:250,000 was achieved by the Geological Survey of Ethiopia (GSE).

As part of the government’s firm commitment to encourage exploration activity, and as part of the GTP II, further activity will be significantly ramped up in the coming years. The following targets have already been set:

- Airborne geophysics surveys will be increased from the current 30% to 100% by the end of the plan period
- Geo-hazard study coverage (at a scale of 1:250,000) will increase from the current 42% to 100% by the end of the plan period
- 1:100,000 geoscience mapping will also commence
- National Geochemical Mapping at 1:1,000,000 scale as well as a global geochemical baseline have been initiated recently to cover the entire landmass of the country within a five year period.

The Ethiopian Government understands that stability and predictability are key for your investment. The Government therefore aspires to deliver a regulatory regime that is both transparent and predictable.

Attracting mining investment is a priority. That’s why both foreign and local mining companies are encouraged to carry out exploration, development, and production according to their own plans and market conditions. It’s also why holders of exploration and mining licenses and their contractors are exempt from import duties for all equipment, machinery and vehicles that are used for the purpose of mining operations.

The holder of small or large-scale mining licenses may import – free of custom duties – the consumables they require during the development period in order to begin and sustain commercial production for the first three months.

The mining law also guarantees the opening and operation of a foreign currency account in Ethiopia, and retention of a portion of foreign currency earnings and remittance of profits, dividends and interest out of Ethiopia.

Modern geodata to support exploration

Larger maps are available on request.
**IN A NUTSHELL: WHAT YOU NEED TO KNOW ABOUT THE LEGAL FRAMEWORK**

- **ROYALTIES:** In order to attract more investment to the sector, the royalty payable by holders of large scale mining licenses for precious minerals has been reduced to 7%. Royalties in Ethiopia are calculated on an ad valorem basis, and are collected at two levels – for large scale mining licenses by the federal state and for small scale mining licenses by the regional mining bureaus where the mining operation is located.

- **OWNERSHIP:** In line with the Constitution and the country’s Mining Proclamation, mineral resources remain the property of the people of Ethiopia. The Government of Ethiopia is therefore the official custodian of the mineral resources, with a duty to make use of them for the benefit and development of all Ethiopians.

- **ENVIRONMENTAL IMPACT:** We care about our environment, which is why licence applicants are required to submit and obtain approval via an Environmental Impact Assessment (EIA) report from the respective Authority before applying for an exploration and mining license.

**TRANSPARENCY IN ETHIOPIA’S MINERAL SECTOR**

Ethiopia is fully committed to sector transparency. The Government applied for Extractive Industries Transparency Initiative (EITI) candidacy in October 2013, which was granted in March 2014. The EITI candidacy will be pursued rigorously to improve the foreign investment profile for the country as well as encourage domestic accountability. An Ethiopian Extractive Industries Transparency Initiative Proclamation has been drafted and is going through a consultation process with different stakeholders. Greater transparency in the extractive industry has gained political momentum in recent years, and efforts to showcase Ethiopia’s commitments to such an initiative will be welcomed by investors and civil society organizations. Full disclosure of resource revenues allows for the development of a transparent mining sector from the very start. Such information will also be of use to local communities who can determine the extent of the benefits they receive in relation to the mining operations in the regions where they live.

**MAJOR INVESTMENTS IN INFRASTRUCTURE AND ACCESSIBILITY**

Enabling infrastructure is critical for mining investment. It is also vital in driving Ethiopia’s transformation into an industrial economy in the coming years. The Government of Ethiopia is therefore investing extensively in infrastructure, including:

**ENERGY**

The GTP is aiming to increase generation capacity to 17,000MW by 2020 and then to 35,000MW by 2037. The country is already well on track to achieving this target. It is also a source of pride that Ethiopia’s new generation capacity will be predominantly from renewable energy sources such as hydro, solar and wind.

**ROADS**

Between 2010 and 2015, Ethiopia’s road network has more than doubled to reach 110,414km.

**RAILWAYS**

Ethiopia has been investing heavily in rail construction for both passenger and cargo transportation. In 2018, a 656 km long railway connecting Ethiopia to Djibouti’s port was commissioned and in 2015, the Addis Ababa Light Rail was opened.

**AIR**

Ethiopian Airways is now Africa’s largest carrier, making Addis Ababa a major hub for the transport of goods and people. The airline has excellent links all over the world, and especially in Africa.
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