Federal Republic of Nigeria
Nigeria Extractive Industries Transparency Initiative (NEITI)
NEITI Secretariat

Scoping Study on the Nigerian Mining Sector
Trust Fund No. 95381; Project No P114267

Final Report

October 2011

Prepared by

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in association with
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List of Acronyms

ASM: Artisanal and Small-scale Mining
ASMD: Artisanal and Small-scale Mining Department
CBN: Central Bank of Nigeria
EIA: Environmental Impact Assessment
EITI: Extractive Industries Transparency Initiative
EL: Exploration Licence
FCT: Federal Capital Territory
FGN: Federal Government of Nigeria
FIRS: Federal Inland Revenue Service
FMoE: Federal Ministry of Environment
GEUS: Geological Survey of Denmark and Greenland
LSM: Large Scale Mining
MMSD: Ministry of Mines and Steel Development
MAN: Miners Association of Nigeria
MCO: Mining Cadastre Office
MDTF: Multi-Donor Trust fund
MECD: Mines Environmental Compliance Department
MID: Mines Inspectorate Department
NCS: Nigerian Customs Service
NEITI: Nigerian Extractive Industries Transparency Initiative
NIMG: Nigerian Institute of Mining and Geoscience
NGRL: National Geoscience Research laboratories
NGSA: Nigerian Geological Survey Agency
NMC: Nigerian Mining Corporation
OAGF: Office of Accountant-General of the Federation
QL (QLS): Quarry Lease
RP: Reconnaissance Lease
RMAFC: Revenue Mobilization Allocation and Fiscal Commission
SMMRP: Sustainable Management of Mineral Resources Project
SSML: Small-scale Mining Lease
WB: World Bank
WUP: Water Permit

Executive Summary

During the 5th EITI Global Conference in Paris in March 2011 the EITI Board designated Nigeria as EITI Compliant as of 1 March 2011. The Board congratulated Nigeria for its commitment to the EITI process. The Board also congratulated the NEITI multi-stakeholder working group (NSWG) and the NEITI Secretariat for its strong collaboration and effective oversight of EITI implementation. The Board also welcomed Nigeria's commitment to further strengthen implementation by incorporating the revenues from the solid mineral sector to the EITI reporting.

Therefore, The Board of NEITI – the NSWG – decided on the meeting on 20 May 2011 to carry out "The comprehensive audit of oil, gas and solid minerals sector is to cover the period 2009-2010." The present Scoping Study will provide guidance on the "materiality points/levels" and through this the companies to be involved in this audit.

The methodology adopted includes both desk study of the various literature obtained from various government offices in Nigeria and some web-based information/site visit undertaken to some selected mining operations cut across minerals types and their location in Nigeria. Further experience from other EITI countries has been collected as well as discussions with the International EITI secretariat in Oslo in Norway.

Further a number of meetings and interviews with key stakeholders were carried out. The objective of these interviews and meetings was partly to inform the stakeholders about NEITI and partly to discuss a number of issues relating to including the solid mineral sector in the EITI programme in Nigeria.

Finally, a number of key government entities were requested to provide data on the flow of revenue from the solid mineral sector and the companies were requested to provide information on the fees and duties involved in present activities.

It is important to understand that the solid mineral sector in Nigeria is dominated by Artisanal and Small-scale Mining (ASM) and that no Large-Scale Mining (LSD) is operating at the moment. Large-scale operators, such as cement manufacturers and construction companies, whose primary activity is not mining, are observed to be operating quarries for the production of mainly limestone, stone aggregates mostly for their own production.

In terms of volume of royalties, VAT and CIT paid, the large-scale construction companies operating quarries (granite and sand) and cement companies having mining operations for limestone, laterite and clay were observed to be paying the most.

Only a few mining operators in metalliferous minerals (gold, lead, zinc and tantalite), industrial minerals (gypsum, barite, diatomite and bentonite) and gemstones were observed to be of a size comparable to the two sectors above.

Based on interviews with stakeholders, it is clear that there is a broad consensus among stakeholders about the inclusion of the solid mineral sector in the NEITI work. Many stakeholders observed that the success of NEITI in the petroleum sector is a clear indication as to why the solid mineral sector should now be included in the EITI process in Nigeria.

That said, there is a lack of knowledge as to what an EITI programme would specifically entail among the mining operators as well as the “new” government entities and CSOs. If the NEITI wishes to commit to implementing an EITI programme, one of the most immediate tasks would be to bring a broad group of stakeholders together in order to sensitize them to what EITI implementation requires.

Based on the outcome of this study the Consultant would like to make the following recommendations:

- That NEITI considers the expansion of the NSWG and the three Committees based on the findings in this report and the recommendations from the Stakeholder Workshop.

- Based on the findings in this scoping study it is suggested also to use the amount of royalty paid as materiality point and it is recommended that NEITI use 5,000,000.00 Naira paid in 2010 as a threshold (materiality level) for companies to be included in the audit of the solid mineral sector. The lessons learnt from the first audit of the solid mineral sector will provide NEITI with a good background to consider a possible expansion of the number of companies involved.

  The materiality level suggested will be 19 companies in the construction sector and the cement industry. It will not include any companies extracting metalliferous minerals (gold, lead, zinc and tantalite). It is important to emphasise that “solid mineral sector” covers all minerals and rocks extracted and not only “traditional mining” of metalliferous minerals.

- That NEITI finalises the selection process for the announced “Financial audit of the solid mineral sector” and prepares the necessary review of the ToR based on the findings in this report.

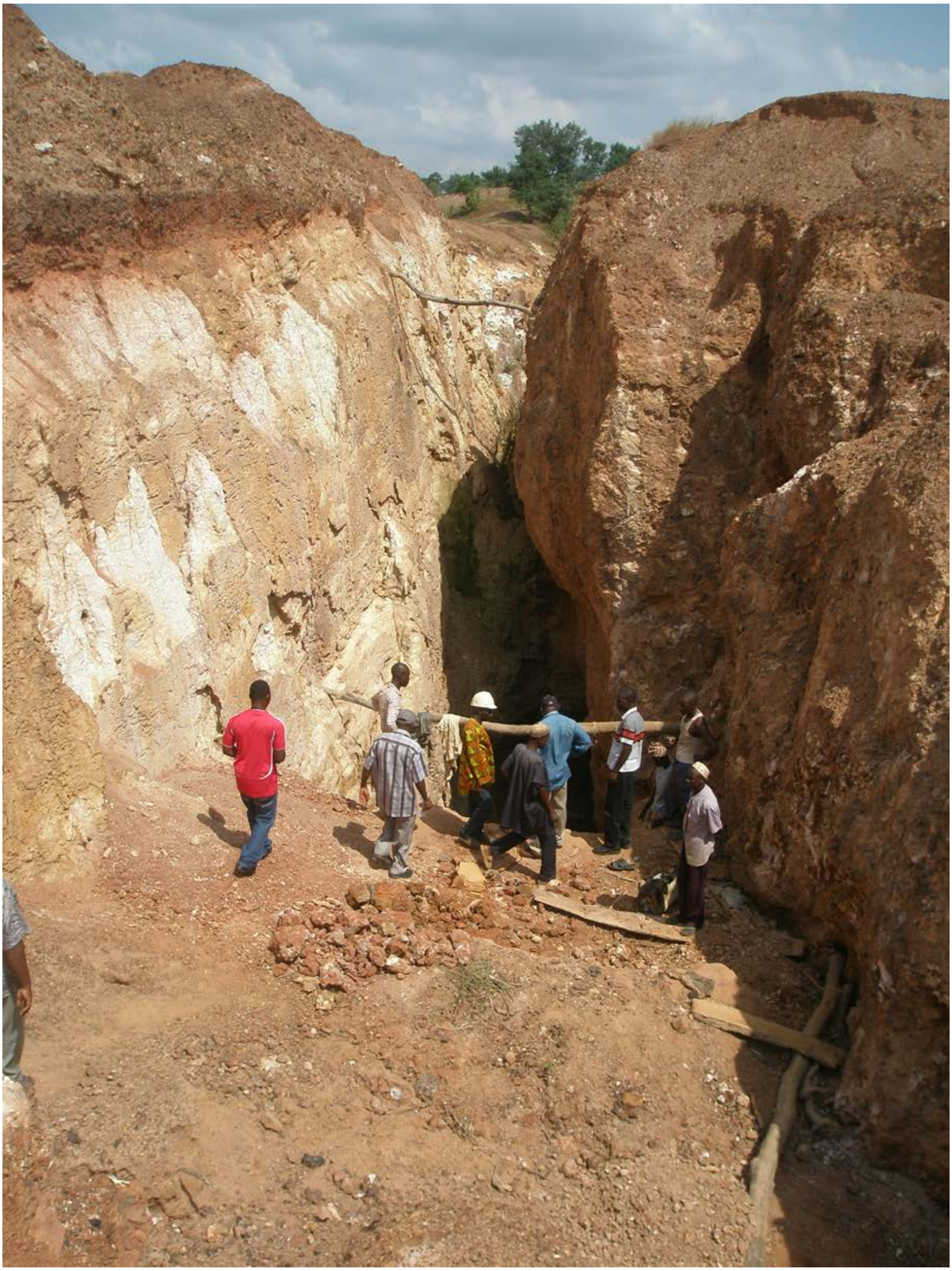
- That NEITI should consider establishing a dialog with the MMSD to discuss modalities of ensuring that the number of collectable fees and duties from the solid mineral sector do not stifle operations in general.

A final draft of this report was presented at a Stakeholder Workshop in Kaduna on 22nd of September arranged by NEITI. The consultant and NEITI had prepared a program, which intended to provide an introduction to the work of NEITI as well as the preliminary conclusions and recommendations of this project. The agenda for the workshop is shown in Appendix H.

A large number of the key stakeholders in the solid mineral sector in Nigeria participated in the workshop and the presentations were followed by a very lively and constructive discussion among the participants.

The conclusions and recommendations in the draft report were supported by the participants. In general the participants observed that the success of NEITI in the petroleum sector is a clear indication as to why the solid mineral sector should now be included in the EITI process in Nigeria.

Barite mining site in Azara in Nasarawa State, Nigeria.



Barite mining site in Azara in Nasarawa State, Nigeria.

1. Introduction

Origin of this scoping study

The Federal Government of Nigeria (FGN) embraced the Extractive Industries Transparency Initiative (EITI) in 2004 as a major component of the on-going, anti-corruption reform in Nigeria while ensuring that revenues from the extractive sector contribute towards sustainable development.

During the 5th EITI Global Conference in Paris in March 2011 the EITI Board designated Nigeria as EITI Compliant as of 1 March 2011. The Board congratulated Nigeria for its commitment to the EITI process. The Board also congratulates the NEITI multi-stakeholder working group (NSWG) and the Secretariat NEITI for its strong collaboration and effective oversight of EITI implementation. The Board also welcomed Nigeria's commitment to further strengthen implementation by incorporating the revenues from the solid mineral sector to the EITI reporting.

Therefore, The Board of NEITI – the NSWG – decided at the meeting on 20 May 2011 to carry out "The comprehensive audit of oil, gas and solid minerals sector to cover the period 2009–2010." The NSWG had earlier written to the World Bank requesting support to carry out a "Scoping study on the Nigerian Mineral Sector". The objective of the study is to identify options and develop a roadmap of how to extend NEITI to cover the Nigerian solid mineral sector as well as provide guidance on the "materiality levels" and the companies to be involved in this audit.

The contract was awarded to the Geological Survey of Denmark and Greenland in association with the Bureau of Minerals and Petroleum (Greenland), Minre Associates (NG) and Meyetty Nigeria Limited (NG), which commenced the work in June 2011.

Methodology

The methodology adopted includes both desk top study and various literature obtained from various government offices in Nigeria and some web-based information/site visit undertaken to some selected mining operations cut across minerals types and their location in Nigeria. Further experience from other EITI countries has been collected as well as discussions with the International EITI secretariat in Oslo.

This report is based on the outcome of:

A mission by Mr. John Tychsen (GEUS), Engr. Umar A. Hassan (Minre Associates) and Mr. Bashir Wazir in Nigeria from 7 June to 11 June together with key staff from NEITI, who met with a number of government stakeholders. Based on this mission the final timeline for the scoping study was developed.

A mission from 20 June to 24 June by Mr. John Tychsen (GEUS), Engr. Umar A. Hassan (Minre Associates) and Mr. Bashir Wazir in Nigeria. The GEUS team together with key staff from NEITI met with a number of government stakeholders.

A field mission from 5 July to 14 July by Engr. Umar A. Hassan (Minre Associates), Mr. Dieter Bassi (NEITI) and Mr. Ibrahim Shittu (NEITI), who met with a number of selected mining companies around Nigeria.

A mission by Mr. John Tychsen (GEUS) and Mr. Bashir Wazir in Nigeria from 4 July to 14 July together with key staff from NEITI, who met with a number of government stakeholders and mining companies in the FCT.

During August 2011, Mr. John Tychsen (GEUS), Engr. Umar A. Hassan (Minre Associates) and Mr. Bashir Wasir developed the very first draft of this report, which was commented by NEITI. The Final Draft report was developed during last week of August and presented to a Stakeholder Workshop in September/October 2011.

During September 2011, Mr. John Tychsen (GEUS), Engr. Umar A. Hassan (Minre Associates) and Mr. Bashir Wasir developed the final report on the basis of comments and recommendations received at the stakeholder workshop and further comments from NEITI. The final report was submitted to NEITI for approval in September 2011.

Stakeholders consulted

During the course of the study a wide variety of stakeholders were interviewed in order to have a broader and objective overview of the general nature of the industry with specific focus on revenue flows of the solid minerals sector. These include:

- Government ministries and agencies
- Mining companies and
- Civil society groups

A full list of people interviewed during the course of this study is attached as Appendix F and G.

Funding of the study

This study was funded by the multi-donor EITI trust fund (MDTF) administered by the World Bank. At the time of writing, donors to this trust fund included Australia, Belgium, Canada, France, Germany, Netherlands, Norway, Denmark and the United Kingdom.

The MDTF provides technical assistance to countries that are implementing EITI. Through the MDTF, the World Bank Group supports the EITI by administering the funds to provide technical and financial assistance to countries implementing or considering implementing the EITI.

Gold mining site in Russo in Kaduna State, Nigeria.

2. Background of Solid Mineral sector in Nigeria

This chapter provides a short history of the solid mineral sector in Nigeria and a description of the government entities involved in the flow of revenue from the mining operators to the government accounts.

Recent history of the solid mineral sector in Nigeria

Mining in Nigeria is over 2,400 years old with initial mining taking place in the form of artisanal mining as practiced by communities while searching for natural resources within their environment for their social and economic benefits. This was the case with the ancient civilizations as seen in the Nok Culture (340 BC), the Igbo Ukwu bronze civilization (705 AD) Ife and Benin Bronze works flourished between 1163–1200 AD and 1630–1648 AD, respectively, using basic clays, base metals and gold amongst others.

Organized mining started in Nigeria around 1903 following the commissioning of the minerals surveys of the Southern and Northern protectorates in that year. Organized mining of cassiterite and its associated minerals like tantalite and columbite started in 1905 by the Royal Niger Company in Jos, Plateau State while Coal exploration and mining commenced in 1906.

The Geological Survey of Nigeria was established as a department of the government in 1919 to take over the work of the survey teams started in 1903.

Government established the Nigerian Coal Corporation in 1950, the Nigerian Mining Corporation (NMC) in 1972 with activities starting in 1973 and the National Iron Ore Mining Company (NIOMCO), Itakpe in 1979.

The NMC was mandated by decree 25 of 1972 establishing it to acquire, prospect, procure and dispose minerals found in Nigeria excluding coal, petroleum, and iron ore. Nigerian Coal Corporation was responsible for coal exploration and exploitation, and NIOMCO was given the responsibility to produce iron ore for the country's steel plants in Ajaokuta and Aladja.

While the first two have been scrapped by Government with most of its subsidiary companies privatized, the third organization is yet to be privatized but is currently not producing due to government indecision as to what should be its fate.

Solid minerals mining in Nigeria before the establishment of the Nigerian Mining Corporation in 1972 was dominated by the private sector, especially in tin production, with Government only facilitating mining activities through the provision of infrastructure in mine fields as well as collecting royalties, rents and other related rates from mining operators.

Nigeria was at one time the largest exporter of columbite and number eight in tin production in the world.

The nationalization policy of the early 70s, which resulted in foreign company owners leaving the Nigerian mining sector, lead to a sharp drop in mineral production, but with the discovery of petroleum (1958) and the global energy crisis in the seventies, the attention of the Government finally shifted from solid mineral sector to the petroleum sector resulting in very poor activities in the sector.

The nationalization policy coupled with the drop in tin prices of 1985, which caused so many jobs to be lost in the mine fields as well as the introduction of the Structural Adjustment Programme (SAP) in Nigeria in the 1980s, resulted in the re-emergence of artisanal and small-scale mining (ASM) in the area of metal and gemstone production. Other reasons for the increase in metal and gemstone ASM were the civil war (1967–70), a massive Naira devaluation, which resulted in retrenchments and labour movement coupled with an increasing crave for foreign exchange, which created a ready market for the export of ASM-mined products led by intermediate traders and mineral smugglers.

The mineral ordinance of 1946, the coal ordinance of 1950 as well as the Explosives Act of 1964 and the Explosives Regulations of 1967 provided the legal framework for the development of solid minerals in Nigeria before the enactment of the Minerals and Mining Act, No. 34 of 1999. This act was later replaced by the Nigerian Minerals and Mining Act 2007 for the purpose of regulating all aspects of exploration and exploitation of solid minerals in Nigeria. The Nigerian Minerals and Mining Regulations were produced in 2011 to guide the implementation of the 2007 Act.

The mineral sector in Nigeria is currently dominated by artisanal and small-scale mining operations, mainly informal, working with rudimentary methods and limited technical training, social provision or environmental consideration. It is only in quarrying that large-scale operations exist with the construction companies (stone aggregates and laterite) and cement manufacturers (limestone, coal, etc) dominating.

The desire by Government to diversify the national economy through solid mineral exploitation amongst others, led to the creation of the ministry of Solid Minerals Development in 1995, now Ministry of Mines and Steel Development (MMSD) with the mandate of ensuring full exploration and exploitation of the abundant solid mineral potentials of the country.

The Government's wish to attract foreign investors to the Nigerian solid mineral sector has resulted in

- Increased mineral exploration activities arising from the creation of the Nigerian Geological Survey Agency which successfully carried out a geophysical survey of the country;
- The creation of the Mining Cadastre Office charged with transparent administration of mineral titles on a first-come-first-serve and use-or-lose-it basis resulting in an increase in mineral title acquisition by both local and international mining operators;
- Increasing the capacity of ministry staff to carry out designated functions as well as increasing the capacity of the ASM to carry out mining in a sustainable manner through the activities of the Sustainable Management of Mineral Resources Project (SMMRP);
- Enactment of relevant laws and regulations

  The Nigerian Minerals and Mining Act of 2007
  National Minerals and Metals Policy 2008

needed to regulate mineral exploration and exploitation activities in a transparent manner;
- The important decision to extend the EITI principles to the solid minerals sector.

The MMSD had identified thirty-four minerals of economic importance in Nigeria across the six regional mining zones. Every state, apart from Bayelsa is said to contain areas of mineral wealth. Within the minerals, Government has highlighted a number of strategic minerals that have the potential to contribute significantly to Nigeria's economic development. These include barite, gold, bitumen, iron ore, lead/zinc, coal and limestone.

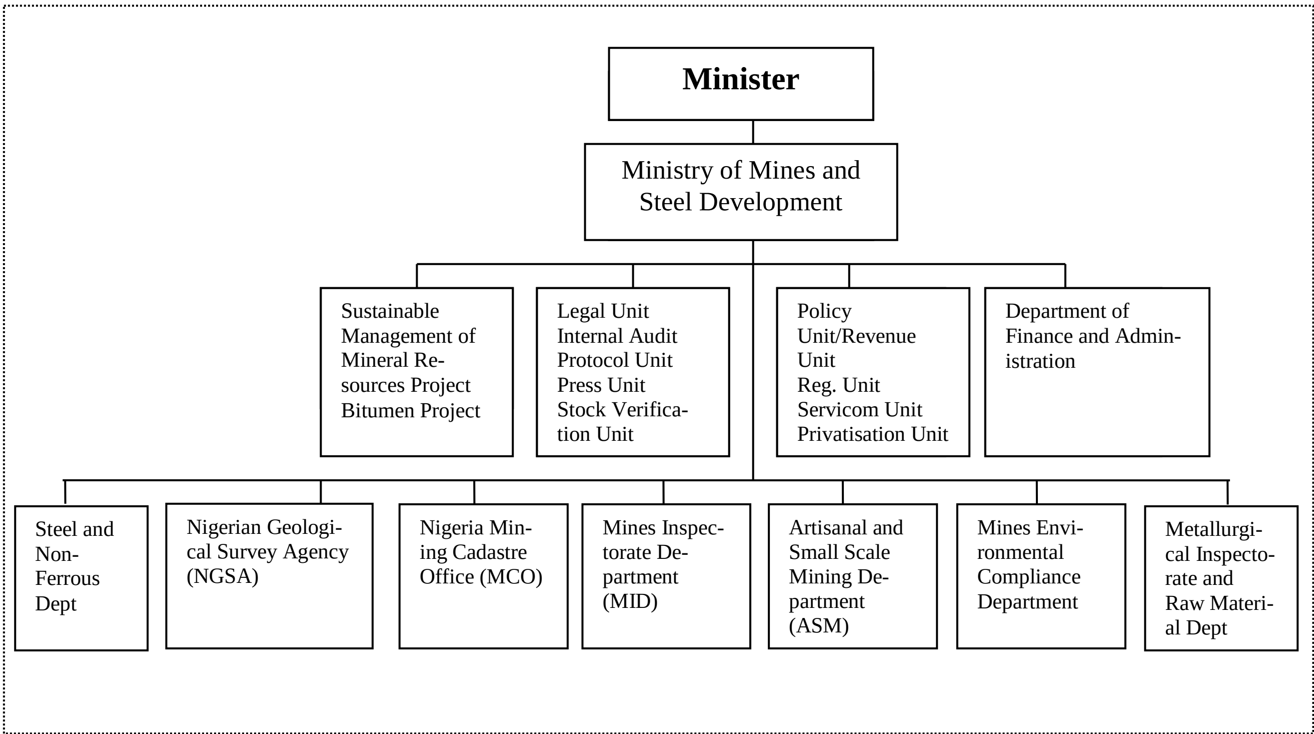
Revenue streams in the solid mineral sector

This chapter provides an overview of the government entities involved in the flow of revenue from the mining operators to the government accounts (Federation, Federal and Local Government).

Ministry of Mines and Steel Development (MMSD)

The Ministry of Mines and Steel Development (MMSD) was established in 1985 as an attempt by the Nigerian Government to spur the rapid and beneficial development of the country's solid mineral resources. The Ministry has been set up to unlock the economic potentials of the solid minerals sub-sector. The Ministry is the principal organ for information, policy and regulatory oversight in the solid mineral sector in Nigeria.

Figure 1: Structure of Ministry of Mines and Steel Development



MMSD is currently structured in a manner that mirrors its desire to be a more market-oriented department of Government. As a knowledge-based Ministry, MMSD realizes the importance of its role to provide reliable baseline geosciences data as well as its role as administrator and regulator of the sector. To effectively discharge its mandate, MMSD has been restructured with greater emphasis on strengthening its information and enforcement responsibilities.

Box 1: The mandate of the MMSD:

1. Exploring the solid mineral resource of the nation
2. Advising government on the formulation and execution of laws and regulations guiding the various stages of prospecting, quarrying and mining
3. Providing information and knowledge for enhancing investment in the solid mineral sector
4. Regulating the solid minerals sector
5. Handling sale and consumption of solid minerals in the country, through the issuance of permits, licences, leases and collection of rents, fees and royalties
6. Generating appropriate revenue for the Government

As regards collecting revenue from mining companies and individuals, three entities of the ministry are involved.

The Nigerian Mining Cadastre Office (MCO) has exclusive responsibility for administering mineral titles in accordance with the following statutory guidelines:

- Consider applications for mineral titles and permits, issue, suspend and upon written approval of the Minister, revoke any mineral title;

- Receive and dispose of applications for the transfer, renewal, modification, relinquishment of mineral titles or extension of areas;

- Maintain a chronological record of all applications for mineral titles in a Priority Register which is to be specifically used to ascertain the priority and registration of applications for exclusive rights or vacant area;

- Maintain a general register which is to be used for all other types of applications where registration of the priority is not required.

A more detailed description of MCO and its revenue collected is provided in Appendix C.

In line with section 46 of the Nigerian Minerals and Mining Act, 2007, the right to search for, or exploit minerals in Nigeria, is governed by one of the following mineral titles:

- Reconnaissance Permit
- Exploration Licence
- Small Scale Mining Lease
- Mining Lease
- Quarry Lease
- Water Use Permit.

The relevant mining titles and their requirements are as in appendix A and B.

The relevant fees collected by the MCO on behalf of Government, which are non-refundable, are found in appendix B.

Table 1: Revenue collected by MCO for 2010.

Fees	Rate
Registration fee	14,722,300 Naira
Annual service fee	322,879,200 Naira
Information and map printing	204,700 Naira
Transfers/assignment	3.580,000 Naira
Total revenue collected by MCO for 2010	**341,386,200**

The Mines Inspectorate Department (MID) is responsible for, amongst others, the supervision of overall exploration and exploitation activities as well as collecting royalties and other operational fees on behalf of Government. The department especially oversees the safe use of explosives in the mineral sector.

Table 2. The types of fees as empowered by the *Minerals and Mining Act of 2007* and the *Minerals and Mining Regulations 2011* collected by the MID.

S/No	Fees	Rate
1	Royalty	Various as attached in Appendix D
2	Permit to deposit tailings	
3	Permit to export minerals for commercial purposes	
4	Permit to export mineral samples for analysis	
5	Permit to possess and purchase minerals	
6	Registration of accredited agents for movement of minerals	
7	Permit to import explosives	
8	Blasting certificate	
9	Licence to manufacture explosives	
10	Permit to erect a magazine	
11	Licence to buy explosives	
12	Licence to sell explosives	
13	Explosives Magazine Licence	
14	Licence for storage of explosives	
15	Blasting certificates	
16	Penalties for contravening the provisions of the Explosives Act of 1964 and Explosives Regulations of 1967	

The list of royalties and fees for explosives for 2010 collected by MID contains 515 companies. The total amount collected in 2010 for Royalties and explosives is shown in table 3.

Table 3: Royalties and Explosive fee collected by MID in 2010

2010	TOTAL
ROYALTY	837.580.298 Naira
EXPLOSIVES FEE	15.668.000 Naira

The Consultant has analysed the list of royalties and prepared a table of companies paying more than 5,000.000 Naira in royalty as well as companies paying more than 2.000.000 Naira in royalty.

Table 4: Analysis of royalties for 2010.

	No. of companies	% of total 2010 royalty
2.000.000+	35	88%
5.000.000+	19	83 %

This provides an indication of a possible threshold to be used as "materiality level". The analysis show that 88% of the total royalty are from companies paying more than 2.000.000 naira per year and 83% of the total royalty are from companies paying more than 5.000.000 Naira per year, see Appendix G and H.

The Artisanal and Small-Scale Mining Department (ASMD) is given the responsibility of organizing, supporting and assisting small-scale mining operations as well as registering and administering ASM operators and mineral buying centres.

Fees collected by the ASM Department on behalf of Government include the registration fee for ASM association and fees related to buying centres, see table 5.

Table 5: Revenue collected by ASM Department for 2010.

Fees	Rate
Application for ASM registration	5,000.00 Naira
Application for registration of mineral buying centre per mineral	50,000.00 Naira
Application for annual renewal of buying centre licence	50,000.00 Naira
Total revenue collected 2010	**3,600,000.00 Naira**

*The Nigerian Geological Survey Agency (NGSA).*NGSA was established by the Federal Government of Nigeria as a parastatal of former Ministry of Solid Minerals Development (MSMD) now Ministry of Mine and Steel Development (MMSD) in July 2000. It started operation in May 2003. The Agency is backed by an *Act of Parliament on 22nd May 2006.*

NGSA has offices in several places in Nigeria. One of these is the National Geoscience Research laboratory (NGRS) in Kaduna.

NGSA provides national geo-science information service available to the nation's public and private sectors, to governmental and non-governmental organizations and to individuals within the population at large. Such information is fundamental to the sustainable development of the nation's earth resources and the protection of its people from a wide variety of natural hazards.

NGSA collects revenue from sales of maps, analysis and other services:

Table 6: Revenue collected by NGSA for 2010.

Year	Total
2010	8,442,435 Naira

The Nigerian Institute of Mining and Geoscience (NIMG). NIMG was established by the Federal Government of Nigeria and funded by SMMRP to become an international centre of excellence and a unique postgraduate institute for training and research in mining and geosciences:

- NIMG is set up to provide manpower training and institutional capacity building for the mining sector.
- NIMG provides a new class of highly trained and professional mining engineers and geoscientists with practical exposure and technical skills required to prepare them adequately for the new developments in the Nigerian mining industry.
- NIMG conducts focused, need-driven research in mining and geosciences and provides practical laboratory and field exposures to university professors and postgraduate students.

The Nigerian Minerals and Mining Act of 2007. Nigerian Minerals and Mining Act: The Minerals and Mining Decree is the only legislation related to the management of the solid mineral resources in Nigeria. It replaced the 1999 Minerals and Mining Act, which again replaced the Mineral Act of 1946.

National Minerals and Metals Policy 2008. The National Minerals and Metals Policy prepared in 2008 by the Ministry of Mines and Steel Development provides strategic guidance on the management of mineral resources and metals. It can be considered the strategic basis for the Nigerian Minerals and Mining Act from 2007 and an update of the Seven Year Strategic plan for Solid Minerals Development in Nigeria (2002 – 2009) and the National Policy on Solid Minerals Development from 1988. As is apparent from the name, it contains two separate policies, one for minerals and one for metals.

Nigerian Minerals and Mining Regulations 2011. This document provides a good interpretation of the Mining Act of 2007 and guidelines for operations in the solid mineral sector.

Federal Ministry of Environment (FMoE)

The activities and functions of the FMoE incorporates both environmental oversight (for instance through activities such as EIA review, monitoring of soil and water quality) and resource management functions (for instance forestry, rangeland management, drought and desertification control, erosion and flood control and coastal zone management).

Another important function of FMoE is monitoring the environment and using this to adjust their policy. Even though data collection and management is the responsibility of all technical departments, there is no central data collation/management and the data are segregated, limiting the meaningful usage in environmental planning, which is probably the reason for the lack of report on a state of the environment for Nigeria.

The EIA system in Nigeria is the single most important tool for environmental management in Nigeria. The law provides FMoE with the implementation mandate and requires that the process of EIA be mandatorily applied to all major development projects. This means right from the planning stage to ensure that likely environmental problems are anticipated prior to project implementation and addressed throughout the project cycle, including appropriate mitigation measures to address the inevitable consequences of development.

Table 7: Revenue collected by FMoE as registration fee for EIAs for 2010.

Year	Total
2010	450,000 Naira

Central Bank of Nigeria (CBN)

Central Bank of Nigeria collects revenue for Nigerian Exports Supervision Scheme (NEES), which is 0.5% of the value of the exported goods. The total amount collected for export of goods related to solid mineral is shown in table 9.

Table 8: Revenue collected by CBN as NEES fee for 2010.

Year	Total
2010	74,977,034.18 Naira

Office of the Accountant-General of the Federation (OAGF)

The Office of the Accountant-General of the Federation is a functional agency within the total administration/organizational arrangements for the management and control of the finances of the Federation. The broad objective of the Office is to maintain a pragmatic and modern financial management in the public sector of the economy and this is achieved through the following goals:

- To ensure the general supervision, management and control of the public finances of the Federation,
- To ensure proper management of the Consolidated Revenue Fund (CRF),
- To ensure adequate management and control of the Government’s investments,
- To ensure proper management and control of the Development Fund,

- To ensure proper monitoring and accounting for the Federation Account and the Independent Revenue of the Federal Government,
- To give premium to accountability and to prudent management of resources through a proper public accounting system which records monetary transactions and financial events, classifies, summarizes and interprets all Government operations and activities involving the disbursement of Government funds; and provide useful information to assess Government performance and stewardship.

Federal Inland Revenue Service (FIRS)

The role of Federal Inland Revenue Service (FIRS) is to operate an efficient and transparent tax system that optimizes tax revenue collection and voluntary compliance.

The Federal Inland Revenue Service collects a number of different taxes from companies in the solid mineral sector. For this study the focus is on Company Income Tax (C.I.T), Value Added Tax (V.A.T), Education Tax and Withholding Tax.

NB: It is important to notice that especially for the construction companies and the companies in the cement industry it will not be possible to separate "tax" for activities related to solid mineral activities. The numbers provided by FIRS are from all activities in the relevant companies. On the other hand, the numbers from FIRS will give an idea of the size of the industry needing the solid mineral-related activities to carry out their core business.

Nigerian Customs Service (NCS)

The Nigerian Customs Service collects duties for imported goods based on the Tariff which contain nearly 6.000 categories of goods. NCS has told the Consultant that no raw materials are imported o Nigeria. The imported goods all have some level of value adding.

Revenue Mobilization Allocation and Fiscal Commission (RMAFC)

RMAFC (the Commission) is an autonomous and permanent institution created by Section 153-subsection (1) of the 1999 Constitution of the Federal Republic of Nigeria (the 1999 Constitution). It derives its powers and constitutional functions from paragraph 32 of Part I of the Third Schedule to the 1999 Constitution. The Commission accordingly has been vested, constitutionally, with powers and responsibilities to:

- Monitor the accruals into and disbursement of revenue from the Federation Account;
- Review from time to time the revenue allocation formulae and principles in operation to ensure conformity with changing realities, provided that any revenue formula which has been accepted by an Act of the National Assembly shall remain in force for a period of not less than five years from the date of commencement of the Act;

- Advise the Federal, State and Local Governments on fiscal efficiency and methods by which their revenue is to be increased;
- Determine the remuneration appropriate to political office holders, including the President, Vice-President, Governors, Deputy Governors, Ministers, Commissioners, Special Advisers, Legislators and the holders of the offices mention in Sections 84 and 124 of the Constitution; and
- Discharge such other functions as are conferred on the Commission by the constitution or any Act of the National Assembly.

It is important to emphasise that the Commission does not collect any revenue for Government accounts.

State Governments

The mining operators pay to State Governments the following fees:

- Surface Rent
- Pay as You Earn (P.A.Y.E)

The Consultant has not had the resources to contact all states and collect information about the amount collected as Surface Rent and P.A.Y.E. from the solid mineral sector.

Local Government Councils

The mining operators pay to the Local Government Council the following fee:

- Property Rates

The Consultant has not had the resources to contact all local government councils and collect information about the amount collected as Property Rent from the solid mineral sector.

Below is a table of the major fees and duties collected in the solid mineral sector. A comprehensive list of fees collected by Government and its agencies from mining companies and operators as obtained during meetings / interviews with government agencies and operators is outlined in appendix E.

Table 9: Overview of major fees collected in solid mineral sector

Revenue	Paid to/collected by
Mineral Royalties	Ministry of Mines and Steel Development (MMSD/MID)
Fees for Explosives	Ministry of Mines and Steel Development (MMSD/MID)
Registration Fee for Mining Association	Ministry of Mines and Steel Development (MMSD/ASM)

Registration Fee for Buying Centre	Ministry of Mines and Steel Development (MMSD/ASM)
Registration fee for Reconnaissance Permit	Nigerian Mining Cadastre Office (MMSD/MCO)
Registration fee for Exploration License	Nigerian Mining Cadastre Office (MMSD/MCO)
Registration fee for Small-Scale Mining Lease	Nigerian Mining Cadastre Office (MMSD/MCO)
Registration fee for Mining Lease	Nigerian Mining Cadastre Office (MMSD/MCO)
Registration fee for Mining Lease	Nigerian Mining Cadastre Office (MMSD/MCO)
Registration fee for Water Use Permit	Nigerian Mining Cadastre Office (MMSD/MCO)
Annual Service Fees	Nigerian Mining Cadastre Office (MMSD/MCO)
Registration Fee for EIA	Federal Ministry of Environment (FMoE)
Value Added Tax (V.A.T.)	Federal Inland Revenue Service (FIRS)
Corporate Income Tax (C.I.T.)	Federal Inland Revenue Service (FIRS)
Withholding Tax	Federal Inland Revenue Service (FIRS)
Education Tax	Federal Inland Revenue Service (FIRS)
NEES	Central Bank of Nigeria (CBN)
Import Duties	Nigerian Customs Service (NCS)
Surface Rent	State Governments
Pay as You Earn (PAYE)	State Governments
Property Rates	Local Government Councils

Lead-Zinc mining site in Nahuta in Gombe State, Nigeria.

3. The Extractive Industries Transparency Initiative (EITI)

Background

The Extractive Industries Transparency Initiative (EITI) was established in 2002. Since then the EITI has become a well-established and well-recognized broad-based global coalition of resource-rich developing countries, donors, major companies, civil society groups, and investors. Countries implementing EITI commit to publishing all payments made by petroleum and mining companies to governments, and all revenues received by governments from those companies. EITI implementing countries also commit to involving civil society closely in the design and monitoring of the EITI process.

Box 2: What is the EITI?

The EITI sets a global standard for transparency in oil, gas and mining. It is...

An effort to make natural resources benefit all

3.5 billion people live in countries rich in oil, gas and minerals. With good governance the exploitation of these resources can generate large revenues to foster growth and reduce poverty. However, when governance is weak, it may result in poverty, corruption, and conflict. The Extractive Industries Transparency Initiative (EITI) aims to strengthen governance by improving transparency and accountability in the extractives sector.

The EITI supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

A coalition of governments, companies and civil society

The EITI is a coalition of governments, companies, civil society groups, investors and international organizations. This is reflected not only in the EITI processes in the countries implementing the EITI, but also on international level.

A standard for companies to publish what they pay and for governments to disclose what they receive

The EITI has a robust yet flexible methodology that ensures a global standard is maintained throughout the different implementing countries. The EITI Board and the international Secretariat are the guardians of that methodology. Implementation itself, however, is the responsibility of the individual countries. The EITI, in a nutshell, is a globally developed standard that promotes revenue transparency at the local level.

Source: EITI Secretariat (2011)

Core standards

International EITI policy and standards are based on the EITI Principles which establish the basic tenets of the Initiative and the EITI Criteria, which outline the minimum outcome of an EITI programme.

Box3: The EITI Criteria

Implementation of EITI must be consistent with the criteria below:

1. Regular publication of all material oil, gas and mining payments by companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner.

2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.

3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.

4. This approach is extended to all companies including state-owned enterprises.

5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.

6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a time table for implementation, and an assessment of potential capacity constraints.

Source: EITI Secretariat (2011)

Benefits of implementing the EITI

In general, the EITI programme can help governments and other stakeholders – companies, civil society groups, investors, media, etc.– to systematically report on, review and assess what is being paid by companies to (and received by) government agencies. By developing such a programme with the involvement of all stakeholders, accountability of the government and companies is increased. Some of the key benefits of being an EITI-implementing country are mentioned below:

Demonstrating a national commitment to transparency: A decision to implement EITI will send a clear signal to all stakeholders that a government is serious about the transparent and accountable payment and receipt of revenue from the extractive industry. Because EITI is an international standard, a country like Nigeria, which is listed as being “EITI compliant” is meeting a series of internationally agreed criteria on improving transparency (with performance independently monitored via validation).

More efficient revenue collection: By increasing scrutiny of payments and revenues, EITI programmes sometimes lead to more efficient tax collection from extractive industry companies. By making payments and revenues public, it can also make it easier to detect corruption.

A systematic framework for collaboration: Greater accountability of governments, companies, and civil society via EITI can improve trust between these groups. By providing a platform for communication between all stakeholders, EITI can help develop consensual solutions to problems. Doing this can reduce the risk of conflict and promote stability – essential to promoting a favourable investment climate and ultimately sustainable economic development.

Improving sovereign and corporate ratings: By producing regular EITI reports on payments and revenues, a country may be able to improve the credit worthiness of the government and of companies. Sovereign credit ratings are based on a country’s medium-term ability to meet its financial obligations, so the more information about revenues in the public domain, the greater the ability of financial institutions and rating agencies to assess a country’s credit-worthiness.

Providing a basis for follow-up on public engagement: By clearly stating what has been paid to different government agencies (and in some cases to sub-national levels of government), citizens can then organize themselves to hold those agencies accountable for how these revenues are used in public expenditure programmes. Government budget monitoring is an important activity which can complement an EITI programme, but it is difficult to carry out in a meaningful way in the absence of reliable information on revenue.

Corporate risk management: Benefits to companies and investors centre on mitigating political and reputational risks. Political instability caused by opaque governance is a clear threat to investments. In extractive industries, where investments are capital intensive and dependent on long-term stability to generate returns, reducing such instability is beneficial to business. Transparency of payments made to a government can also help to demonstrate the contribution that their investment makes to a country.

EITI implementing countries

At the time of writing, some 28 countries from Latin America, Africa, Europe and Asia had committed to implementing the EITI. A list of these countries can be found in Box 4 below.

Box 4: EITI Countries as of August 2011

Compliant Countries

Azerbaijan	Niger
Central African Republic	Nigeria
Ghana	Norway
Kyrgyz Republic	Timor-Leste
Liberia	Yemen (suspended)
Mongolia	

Candidate Countries

Afghanistan	Kazakhstan
Albania	Madagascar
Burkina Faso	Mali
Cameroon	Mauritania
Chad	Mozambique
Côte d´Ivoire	Peru
Democratic Republic of Congo	Republic of the Congo
Gabon	Sierra Leone
Guatemala	Tanzania
Guinea	Togo
Indonesia	Trinidad and Tobago
Iraq	Zambia

Other Countries

Equatorial Guinea	São Tomé and Príncipe
Ethiopia	Ukraine

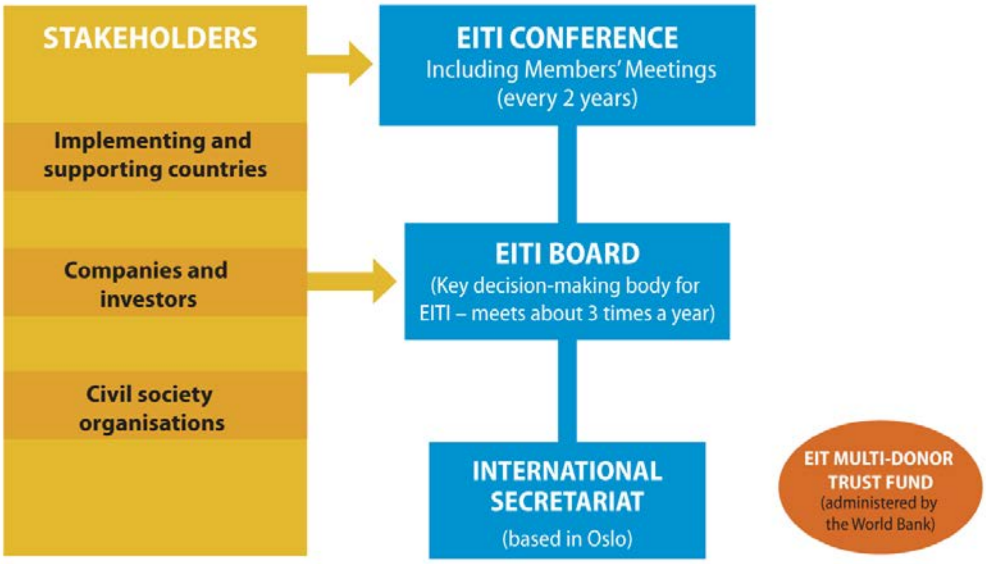
Source: EITI Secretariat (2011)

A country that has fully and to the satisfaction of the EITI Board met the five sign-up requirements becomes a Candidate Country. These requirements are explained in the EITI Rules. Once a country has obtained the candidate status it has two and a half years to be validated as a Compliant Country.

International governance structure

The EITI is an international initiative with its own independent board and secretariat. EITI implementation is supported by a number of countries, international financial institutions, civil society organisation, extractive companies as well as some international organisations, see below.

Figure 2: The governance structure of EITI.



The EITI Board: The EITI Board is the key decision-making body for the Initiative, and is headed by an elected chair. The current Chairman of the Board is the Rt. Hon. Clare Short. The membership of the EITI Board is determined at the EITI Conference. The board also works with various smaller sub-committees covering specific issues.

The International EITI Secretariat: The Secretariat is the first point of contact for all organizations involved and interested in the EITI. It is an independent Secretariat staffed by internationally recruited staff and is based in Oslo, Norway. It is funded by supporting countries and certain members of the EITI Board.

The EITI Conference: The Conference is held every two years and is the major international gathering of all stakeholders involved in the Initiative globally. It meets to agree major EITI policy issues; to share experience on EITI implementation; and to elect new members of the EITI Board.

International supporters of the EITI principles

International Financial Institutions: A growing number of international financial institutions, insurers and credit agencies recognize that they have an important role to play in contributing towards transparency and accountability in the extractives sector. These include: World Bank Group, AFDB, ADB, EBRD and IMF attending meetings of the EITI Board as observers and participating in the EITI Conferences.

Supporting Countries: A number of governments, including those of Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Qatar, Spain, Sweden, the United Kingdom and the United States support the EITI. These governments provide political, technical and financial support to the initiative. These countries attend meetings of the EITI Board as observers and participate in the EITI Conferences.

Civil Society Organisation: A large number of civil society organisations are involved in the EITI processes in each of the EITI implementing countries. Some of these are also involved in the EITI at international level. These include: Publish What You Pay Coalition, Catholic Agency for Overseas Development (CAFOD), Georgia Revenue Watch and NGO Coalition “For Transparency of Public Finance”, Global Witness, Oxfam, Open Society Institute, Revenue Watch Institute, Secours Catholique (Caritas) and Transparency International.

The multi-donor trust fund (MDTF): The MDTF provides technical assistance to countries that are implementing EITI. Through the MDTF, the World Bank Group supports the EITI by administering the funds to provide technical and financial assistance to countries implementing or considering implementing the EITI. The support includes: making EITI advisers and consultants available to governments to assist them in implementation; sharing international best practices; and providing grants to governments to help support EITI implementation. The MDTF receives financial support from the supporting countries, financial institutions and a number of other sources.

Supporting Companies: Over 50 of the world’s largest petroleum and mining companies support and actively participate in the EITI process – through their country operations in implementing countries, through international commitments, and through industry associations.

Supporting International Organisations: A number of international organisations have endorsed and provide support to the EITI: United Nations (UN), European Union (EU), African Union (AU) and OECD.

Semi-mechanic mining of barite in Azara in Nasarawa State, Nigeria.

4. The Nigerian EITI (NEITI)

NEITI is the Nigerian part of the global EITI established primarily to enthrone transparency and accountability in the management of payments made by extractive industries to governments and revenues received by governments and other statutory recipients. The NEITI Act of 2007 provides legal backing to NEITI empowerment to implement EITI principles and objectives in the Nigeria Extractive sector.

Box 5: The primary objectives of the NEITI:

1. To ensure due process and transparency in the payments made by all Extractive Industry Companies to the Federal Government and statutory recipients.
2. To monitor and ensure accountability in the revenue receipts of the Federal Government from Extractive Industry Companies.
3. To eliminate all forms of corrupt practices in the determination, payment, receipts and posting of revenue accruing to the Federal Government from Extractive Industry Companies.
4. To ensure transparency and accountability by government in the application of resources from payments received from Extractive Industry Companies.
5. To ensure conformity with the principles of Extractive Industries Transparency Initiative.

Structure of NEITI

Administratively, NEITI is made up of the National Stakeholders Working Group (NSWG) and the NEITI Secretariat.

The National Stakeholders Working Group (NSWG)

The governing body of the NEITI is the National Stakeholders Working Group. This is a multi-sectoral group made up of representatives from civil society, media, Nigeria's geopolitical zones, oil companies and government entities.

The NSWG Functions are as follows:

- Formulate policies, programmes and strategies for effective implementation of the objectives and functions of NEITI.
- Approve annual budgets and work-plans of the NEITI Secretariat.
- Provide policy direction, guidance and ensures periodic review of programme performance of the secretariat.
- Constitute such Special Committees as it considers fit to deal with different aspects of its responsibilities.

- Create departments and engages services of such staff and consultants, as it may consider necessary for effective administration of NEITI.
- Ensure engagement of reputable audit firms for the purpose of annual NEITI audits.
- Regulates the functions and responsibilities of NEITI.

The NSWG is constituted by the President of Nigeria and members serve on part-time basis. The Executive Secretary of NEITI also serves as Secretary to the NSWG. The Executive Secretary is on full-time appointment. The NSWG is made up of 15 members drawn from the extractive industry, civil society, labour unions in the extractive sector, and representatives of the six geo-political zones of Nigeria.

Box 6: The current members of the NSWG:

- Professor Assisi Asobie – Chairman
- Mr. Andrew Fawthrop – Oil Producing Trade Section (OPTS) of the Lagos Chamber of Commerce and Representative of the Extractive Industries.
- Comrade ShehuSani –Human Rights Activist and Representative of Civil Society.
- Mr Peter Esele – President of Trade Union Congress (TUC) and Representative of Labour Unions in the Extractive Sector.
- Mr. Austin OlusegunOniwon – Group Managing Director, NNPC.
- AlhajiJafaruAliyu Paki – Former Adviser to the President on Petroleum Matters and Representative of North-West Zone.
- Dr M.I. Yahaya – Representative of North-Central Zone.
- AlhajiAliko Mohammed – Representative of North-East Zone.
- Mr Leke Alder – Lawyer/Brand Strategist and Representative of South-West Zone.
- Mr T.K. Ogoriba – Representative of South-South Zone.
- Mazi Sam Ohuabunwa – Representative of South-East Zone.
- Accountant-General of the Federation.
- Mrs IfuekoOmoiguiOkauru – Chairperson, Federal Inland Revenue Service (FIRS).
- Mallam Mahmud Jega – Editor, Daily Trust Newspapers, representing the Media.
- Mrs Zainab Shamsuna Ahmed – Secretary to NSWG and Executive Secretary of NEITI.

Source: NEITI Handbook (2011)

A person appointed as member of the NSWG shall hold office for a single term of four years. The Executive Secretary is appointed for a single term of five years, See NEITI Act 2007 for details.

The NEITI Secretariat

The Executive Secretary, Mrs Zainab S. Ahmed is the Chief Executive Officer of NEITI and Head of the NEITI Secretariat.

The Secretariat under the Executive Secretary is responsible for the day-to-day administration of NEITI through the following key departments:

- Executive Secretary's Department;
- Technical Department
- Communication Department; and
- Finance and Admin Department.

Major Stakeholders

The present major stakeholders in the purview of NEITI are the Government and its agencies in the petroleum sector, the petroleum companies that exploit these energy resources on behalf of the Government, and the coalition of civil society organisations that put pressure on both Government and the oil companies to give account of their transactions to the people of Nigeria.

Government

The following government agencies in the oil and gas industry are involved in the NEITI process:

- Department of Petroleum Resources (DPR)
- Nigeria National Petroleum Corporation (NNPC)
- Federal Inland Revenue Service (FIRS)
- Central Bank of Nigeria (CBN)
- Crude Oil Reconciliation Committee
- Petroleum Products Sales Reconciliation Committee
- Office of the Accountant-General of the Federation (OAGF)

Companies

The oil companies covered by the NEITI process fall in two categories. The first category is companies in joint ventures with the Federal Government. The second category comprises those simply involved in exploration and production.

<u>Joint Venture Partners</u>

- Chevron Nigeria Limited
- Elf Petroleum Nigeria Limited
- Mobil Producing Nigeria Unlimited
- Nigerian Agip Oil Company (NAOC)
- Panocean Oil Corporation 60%
- Shell Petroleum Development Company (SPDC)
- Texaco Overseas (Nigeria) Petroleum Company

<u>Others</u>

- Addax Petroleum
- AMNI International Petroleum Development Company
- Atlas Petroleum International
- Cavendish Petroleum Nigeria

- Chevron Oil Company Nigeria
- Chevron Texaco
- Conoil Producing
- Continental Oil and Gas
- Dubri Oil Company
- Elf Petroleum
- Express Petroleum
- Moni Pulo Petroleum Development Company
- Nigerian Agip Energy & Natural Resources
- Nigerian Agip Exploration
- Nigeria LNG
- Ocean Energy
- Panocean
- Petrobras
- Phillips Oil Company (Nigeria)
- Shell Nigeria Exploration and Production Company
- Statoil Nigeria

(This list of companies is not exhaustive).

Civil Society

Civil Society represents the conscience of any society. CSOs are non-governmental organisations primarily involved in advocacy for a free, equitable and better society. These include organised labour, professional associations, student unions and others working in specific thematic areas of interest. In the EITI/NEITI process, the role of civil society is key and unique at all stages.

Apart from having members of civil society on its governing board, NEITI also has a Civil Society Steering Committee, which partners with NEITI on outreach activities. NEITI also has a full time Civil Society Liaison Officer. Civil Society plays a critical role in the campaign for revenue transparency by deepening citizens' awareness and holding companies and governments accountable.

The following are members of NEITI - CSO Steering Committee:

1. Comrade Shehu Sani	NEITI NSWG – Chairman
2. Comrade Peter Esele	NEITI NSWG – Member
3. Comrade T.K.W. Ogoriba	NEITI NSWG – Member
4. Barrister Chima Williams	Environmental Rights Action
5. Yakubu Joshua	National Youth Council Youths
6. George-Hill Anthony	Niger Delta Budget Monitoring Group
7. Mimido Achakpa	Women's Right to Education
8. Mohammed Jimoh Yahaya	Nigeria Union of Journalists
9. Comrade Igwe Achese	National Union of Petroleum and Natural Gas Workers (NUPENG)
10. Doyin Odebowale	Nigerian Bar Association (NBA)
11. Engr. Adenike I. Amao	Nigeria Society of Engineers
12. Sani Shehu	Miners Association of Nigeria
13. Faith Nwadishi	Publish What You Pay (PWYP)
14. To be represented	Institute of Chartered Accountants of Nigeria (ICAN) or

	Association of National Accountants of Nigeria (ANAN)
15. To be represented	National Association of Persons with Disability
16. Muhammed Mustapha	Coalition for Accountability and Transparency in Extractive Industries, Forestry and Fisheries

All three stakeholder groups and possibly the NSWG will have to be enlarged to include representatives from the solid mineral sector.

NEITI Audits

One of the key statutory functions of NEITI is the conduct of regular audits of the extractive industry sector. The audit is necessary because information about revenue flows in the extractive sector was not made public in Nigeria. This created mistrust, mutual suspicion, hostility and conflict. The majority of Nigerians do not know how much money companies pay to the Government in the form of royalty, profit tax, bonuses etc. Nigerians also do not know how much the Government receives and how the revenue has supported provision of social amenities, to make their lives better. The NEITI audit is therefore a thorough examination process or assessment of audited accounts and activities of all stakeholders in the extractive industry meant to enhance sector efficient/effective revenue flow management in the industry. The NEITI audit is not an exercise to witch-hunt any person or organization but is designed to maximize the benefits accruing to the people of Nigeria from the natural resources in their land.

The process focuses on generating vital data on revenue flows between Government and the companies and placing the information in the public domain. The goal is to promote dialogue, debate and informed discussions of the issues thrown up by the audit.

NEITI conducts the audit through independent consultants selected through an open, transparent and competitive process. The first audit conducted by NEITI in the oil/gas industry covered the period of 1999–2004. This was followed by a 2005 audit.

Scope of the NEITI Audit: NEITI carries out three main categories of audit as follows:

Financial Audit. This type of audit reconciles financial flows following the chain of custody for finances derived from the sector over a period of time with a view to establishing what was paid and what was received and to identify specific agencies that can be held accountable for any discrepancies. For instance, financial audit reconciles company payments with receipts of the Government's banker, the Central Bank of Nigeria, and with the records of the Federal Inland Revenue Service (FIRS), the department responsible for petroleum profit tax (PPT) assessments, and the Department of Petroleum Resources (DPR) which is responsible for the monitoring, collection of royalties and for the production data used in the calculation of petroleum profit tax (PPT).

Then it samples a number of companies' tax returns and royalty statements to verify the calculations, and the assessments of FIRS and DPR.

Physical Audit: The physical audit tracks the sector's oil and gas and refined product flows. It checks if the extracted volumes are accurately reported and if each company's reported production tallies with the numbers the Government uses for tax and royalty calculations. This takes the audit into some highly technical areas featuring metering, temperature and pressure measurements, as well as the more controversial area of oil theft.

Process Audit: Process audit examines how key agencies run the business. It explores how the regulator auctions and sells oil blocks. For instance how does DPR conduct upstream licensing rounds? It assesses whether NNPC's Crude Oil Marketing Department (COMD) prices the Government's share of equity crude accurately, and how and why other companies are contracted to export this crude oil. The audit also examines NNPC's upstream division, the National Petroleum Investment Management.

Structure of the NEITI Audit Report: The Structure of the NEITI Audit Report depends largely on the decisions of the NSWG, the NEITI Work Plan for the Audit and the Terms of Reference given to the Auditors specifically appointed to conduct the exercise.

However, a typical NEITI Audit Report seeks to provide the following basic information:

- Material Revenues and Payments – The report makes disclosures on material revenues, lists all government entities and companies covered and the basis of definition of materiality for revenue streams for covered entities and government agencies.
- Discrepancies - The Audit must reveal the discrepancies between what companies reported they paid and what government entities reported they received. It should also identify and publish list of companies that failed to comply.
- Recommendations - The Report must contain recommendations on ways to improve on the NEITI Audit, integrity of financial systems, record keeping, accounting practice and other legal issues that can enhance the process.

The audit is usually presented in *aggregated* and *disaggregated* formats for easy understanding and analysis.

Disaggregated format shows what each of the companies paid to government; this means separately identifying payments made by individual companies and the types of payments made by them. NEITI requires companies to provide disaggregated statements for its audits to enable the report to explain clearly and accurately, and reflect a thorough reconciliation of individual company payments with government receipts.

Aggregated format on the other hand collates the same information but without delineating or separating them on the basis of individual receipts or payments. It presents an overall picture of total payments and receipts.

Gold digger's pan used for concentrating heavy metals, here used for concentrating gold.

Gold diggers panning for gold.

5. Stakeholders Feedback

Methodology

For this section of the scoping study a number of meetings and interviews with key stakeholders were carried out. The objective of these interviews and meetings was partly to inform the stakeholders about NEITI and partly to discuss a number of issues relating to the solid mineral sector in the EITI programme in Nigeria.

In addition a number of government entities were requested to provide data on the flow of revenue from the solid mineral sector and the companies were requested to provide information on the fees and duties paid to Government and its agencies for solid mineral extraction and marketing activities.

The discussions with the stakeholders contained among others the following:

- Their perceptions of the level of transparency which presently exists between Government and extractive industry companies in Nigeria;
- What disclosure – if any – of extractive industry revenues and payments already exist;
- What barriers there might be to the expansion of the EITI programme in Nigeria to include the solid mineral sector;
- What actions and resources would be required to overcome these barriers and to expand the NEITI programme in Nigeria;
- Which stakeholders would need to be involved in the successful implementation of such an expansion of the programme; and
- Their perceptions of what the benefits (and costs) of adopting the expanded NEITI.

NEITI has been active in the petroleum sector for some years and the majority of the government entities already work with NEITI and provide valuable data to NEITI.

It is important to understand that the solid mineral sector in Nigeria is dominated by Artisanal and Small-scale Mining (ASM) and that no Large-Scale Mining (LSD) is operating at the moment. Large-scale operators, such as cement manufacturers and construction companies, whose primary activity is not mining, are observed to be operating quarries for the production of mainly limestone, stone aggregates mostly for their own production.

In terms of volume of royalties, VAT and CIT paid, the large-scale construction companies operating quarries (granite and sand) and cement companies having mining operations for limestone, laterite and clay were observed to be paying the most.

Only a few mining operators in metalliferous minerals (gold, lead, zinc and tantalite), industrial minerals (gypsum, barite, diatomite and bentonite) and gemstones were observed to be of a size comparable to the two sectors above.

Perception of transparency in the solid mineral industries in Nigeria

Government views

The Government stakeholders already involved in the NEITI work in the petroleum sector were very supportive for the new development of including the solid mineral sector. The NEITI work in the petroleum sector has been very successful and they all expressed willingness to participate and provide the necessary data.

The Government stakeholders not involved in the NEITI work in the petroleum sector were briefed on the concept of EITI and the work carried out by NEITI. They were given a clear understanding that NEITI has the full support of the President and that this was a national priority. They all expressed willingness to support NEITI and provide the requested data. Especially the meetings with the departments in MMSD were very encouraging and they have provided good input to this study.

Company views

In general, the mining companies welcomed the idea of implementing the EITI principles to the solid mineral sector and pledged their support towards its successful implementation.

In African countries having LSM operations, "secret or confidential" development agreements are often used, which create an impression of lack of transparency and accountability. Further this often raises the question whether an EITI programme would require the disclosure of confidential commercial agreements between the governments and companies, as well as other proprietary information. The Consultant has not met this kind of concerns from the mining operators in Nigeria.

Some companies complained about the number of fees and duties to be paid to the Government, see appendix E, and requested that the Government should try to simplify the system to reduce the administrative load on the companies.

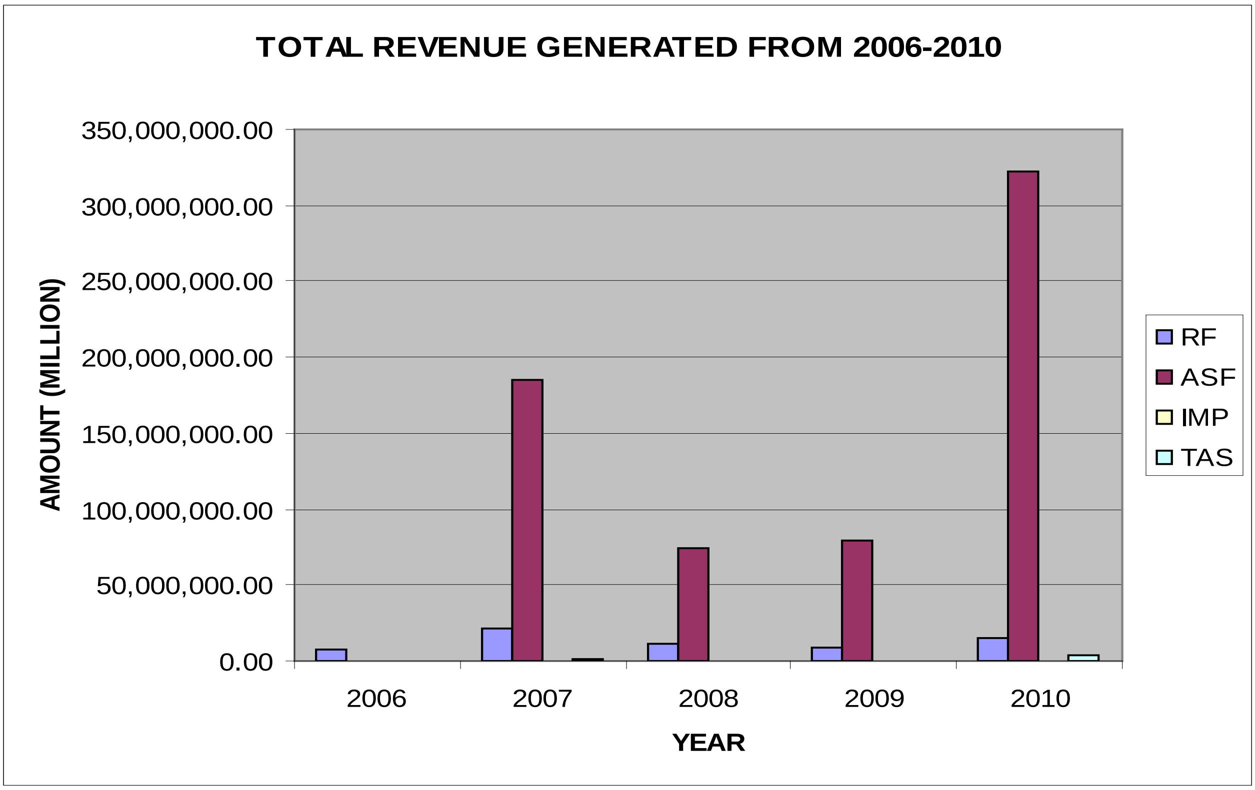
The problem is not transparency but simplification!

Some companies felt that the fees demanded by "local groups" were a burden to their operations, as they were not listed in the minerals and mining regulations as part of the fees to be collected for mining operations.

Additional issues

The Nigerian Mining Cadastre Office (MCO) reported that a large number of titles have been given out with only a few hundred paying the yearly fee and other fees as stated in the Mining Act of 2007. It is impressive how the MCO is handling the non-payment through announcements in the papers and direct communication with the title holders. The amount of revenue collected by MCO has been increasing during the last couple of years and definitely will increase further in the coming years.

Figure 3: Revenue generated from 2006 – 2010, see further explanation in Appendix C, fig. C5.



The Mines Inspectorate Department (MID) collects royalties through the State officers in the 36 states of the federation and a regular audit is carried out by MMSD.

Disclosure of payments and revenue data by mining companies to government agencies

Company interviewees were asked whether they disclosed or were prepared to disclose the levels of payment which they were making to the Government. A large number of the companies interviewed had prepared copies of payments for the interview and expressed a willingness to provide detailed figures of their payments, and payments of their associated mining companies if requested.

The Consultant team did not observe any problems with confidentiality clauses in their payments to the Government. No companies were of the view that their "contracts" were with the Government, and thus they would only disclose information to the Government and not to the general public.

Possible barriers/impediments to the adoption and implementation of EITI

During the course of interviews with the stakeholders, the EITI process was explained to them and they were invited to identify any possible barriers for NEITI to include the solid mineral sector.

Political barriers

There was a mix of opinion amongst stakeholders as to how committed the Government was in its good governance/anti-corruption campaign. On balance the opinion seemed to be that whilst there was genuine senior-level political commitment to anti-corruption efforts, there might still be a number of politicians and officials who would feel threatened by EITI including the solid mineral sector.

On the other hand, NEITI's success in creating the necessary transparency in the flow of revenue and the resultant improvement of the book keeping in the petroleum companies attest to the commitment of the Government to implement EITI principles. In addition, the amount of money involved in the solid mineral sector is considerable smaller than that in the petroleum sector.

Economic barriers

No economic barriers were observed.

Regulatory barriers

A majority of stakeholders noted, that the current regulatory instruments (Nigerian Minerals and Mining Regulations 2011, the Nigerian Minerals Act of 2007 and the Explosives Act, 1964 and the Explosives Regulation, 1967) provide adequate public disclosure requirement on mining operators.

Some stakeholders noted that some of the construction companies and companies in the cement industry are subsidiaries of larger multinational holding companies and that this ownership structure might limit how much they disclose.

Institutional capacity barriers

Some stakeholders noted that there were severe capacity constraints in a number of the relevant government entities. These capacity constraints, they say, might affect the government's ability to properly gather and process information; adequately audit mining companies and disclose that information to the public.

Several stakeholders noted that the main effect of this lack of capacity is the inability of government agencies to advance from merely gathering information on what is paid to carrying out the greater scrutiny that would be required to properly determine what should be paid. In short, there is a perception that there is an over-dependence on company self-assessment of taxation and costs, not to mention how to address more technical issues such as foreign exchange gains and losses; timing differences and transfer.

Actions and resources required to address identified barriers

Interviewed stakeholders recommended a wide variety of solutions to remove or mitigate the barriers identified above, including:

- Enhancing the institutional capacity of the Ministry of Mines and Steel Development in the area of staffing and training;

- A number of Government entities mentioned the need for capacity building programmes to better understand the solid mineral sector. The focus had been on the petroleum sector for the last 2-3 decades and

- Several stakeholders mentioned the need for capacity building programmes for civil society to help them better to understand how the solid mineral sector works.

The role of stakeholders in the expansion of the NEITI activities

Presently, the major stakeholders in NEITI are the Government and its agencies in the petroleum sector, the oil companies that exploit these energy resources on behalf of the Government, and the coalition of civil society organisations that put pressure on both government, the oil companies and the mining companies to give an account of their transactions to the people of Nigeria.

The major stakeholders in the expanded NEITI should be the Government and its agencies in the extractive sector, the oil companies and mining operators that exploit these extractive resources on behalf of the Government, and the coalition of civil society organisations that put pressure on both government, the oil companies and the mining companies to give an account of their transactions to the people of Nigeria.

Government
The present group of government agencies in the oil and gas industry involved in the NEITI process comprises:

- Department of Petroleum Resources (DPR)
- Nigeria National Petroleum Corporation (NNPC)
- Federal Inland Revenue Service (FIRS)
- Central Bank of Nigeria (CBN)
- Crude Oil Reconciliation Committee
- Petroleum Products Sales Reconciliation Committee
- Office of the Accountant-General of the Federation (OAGF)

This group should be expanded to include the Permanent Secretary in the Ministry of Mines and Steel Development (MMSD), the Mining Cadastre office (MCO) in MMSD, the Nigerian Geological Survey Agency (NGSA) in MMSD as well as Nigerian Shippers Council (NSC).

Companies

Presently, the oil companies covered by NEITI process fall in two categories. The first category is companies in joint ventures with the Federal Government. The second category comprises those simply involved in exploration and production. This combined group are quiet large, see chapter 4.

The number of companies involved in the solid mineral sector is very large and it is recommended not to include all companies but to include associations of some of the larger operators, such as associations of construction companies, association of cement industry etc.

Civil Society

Civil Society represents the conscience of any society. CSOs are non-governmental organisations primarily involved in advocacy for free, equitable and better society. These include organised labour, professional associations, student unions and others working in specific areas of interest. In the EITI/NEITI process, the role of civil society is key and unique at all stages.

Apart from having members of civil society on its governing board, NEITI also has a Civil Society Steering Committee, which partners with NEITI on outreach activities.

The present Civil Society Steering Committee already contains some members operating in the solid mineral sector:

1. Comrade Shehu Sani	NEITI NSWG- Chairman
2. Comrade Peter Esele	NEITI NSWG-Member
3. Comrade T.K.W. Ogoriba	NEITI NSWG-Member
4. Barrister Chima Williams	Environmental Rights Action
5. Yakubu Joshua	National Youth Council Youths
6. George-Hill Anthony	Niger Delta Budget Monitoring Group
7. Mimido Achakpa	Women's Right to Education
8. Mohammed Jimoh Yahaya	Nigeria Union of Journalists
9. Comrade Igwe Achese	National Union of Petroleum and Natural Gas Workers (NUPENG)
10. Doyin Odebowale	Nigerian Bar Association (NBA)
11. Engr. Adenike I. Amao	Nigeria Society of Engineers
12. Sani Shehu	Miners Association of Nigeria
13. Faith Nwadishi	Publish What You Pay (PWYP)
14. To be Represented	Institute of Chartered Accountants of Nigeria (ICAN) or Association of National Accountants of Nigeria (ANAN)
15. To be represented	National Association of Persons with Disability
16. Muhammed Mustapha	Coalition for Accountability and Transparency in Extractive Industries, Forestry and Fisheries

It is recommended that it should be expanded with representatives from the following:

- Nigerian Chamber of Commerce, Industry, Mines and Agriculture (NACCIMA)
- Nigerian Mining and Geoscience Society (NMGS)
- Council of Nigerian Mining Engineers and geoscientists (COMEG)

to be a new Civil Society Steering Committee covering the whole of the extractive industry sector involved in the NEITI process:

Stakeholders perceived benefits of adopting the EITI

Despite the barriers to implementation identified by stakeholders, nearly all were able to clearly identify why the inclusion of the solid mineral sector in NEITI activities would help to instil transparency and accountability in the solid mineral sector.

Many stakeholders felt that, there is genuine commitment in government to increasing transparency and accountability in the management of public resources. Moreover, there is considerable public interest in ensuring that either revenues from mining are used to help develop mining communities and/or to ensure that mining companies pay what they are expected to pay.

Finally, many stakeholders observed that the success of NEITI in the petroleum sector is a clear indication as to why NEITI would be able to successfully include the solid mineral sector in Nigeria.

Quarry operation near Abuja (Julius Berger), Nigeria.

Quarry operation near Abuja (Julius Berger), Nigeria.

6. Extension of the EITI into the solid mineral sector

At the outset of this study the NEITI requested that the scoping study should provide a road map for the inclusion of the solid mineral sector in the NEITI work.

Box 7: Requirements for EITI Implementing Countries:

SIGN-UP REQUIREMENTS

The government is required to issue an unequivocal public statement of its intention to implement the EITI.

The government is required to commit to work with civil society and companies on the implementation of the EITI.

The government is required to appoint a senior individual to lead on the implementation of the EITI.

The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI.

The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets and a timetable for implementation and incorporating an assessment of capacity constraints.

PREPARATION REQUIREMENTS

The government is required to ensure that civil society is fully, independently, actively and effectively engaged in the process.

The government is required to engage companies in the implementation of the EITI.

The government is required to remove any obstacles to the implementation of the EITI.

The multi-stakeholder group is required to agree to a definition of materiality and the reporting templates

The organisation appointed to produce the EITI reconciliation report must be perceived by the multi-stakeholder group as credible, trustworthy and technically competent.

The government is required to ensure that all relevant companies and government entities report.

The government is required to ensure that company reports are based on accounts audited to international standards.

The government is required to ensure that government reports are based on accounts audited to international standards.

DISCLOSURE REQUIREMENTS

Companies comprehensively disclose all material payments in accordance with the agreed reporting templates.

Government agencies comprehensively disclose all material revenues in accordance with the agreed reporting templates.

The multi-stakeholder group must be content that the organization contracted to reconcile the company and government figures did so satisfactorily.

The reconciler must ensure that the EITI Report is comprehensive, identifies all discrepancies, where possible, explains those discrepancies, and ,where necessary, makes recommendations for remedial actions to be taken.

DISSEMINATION REQUIREMENTS

The government and multi-stakeholder group must ensure that the EITI Report is comprehensible and publicly accessible in such a way as to encourage that its findings contribute to public debate.

REVIEW AND VALIDATION REQUIREMENTS

Oil, gas and mining companies must support EITI implementation.

The government and multi-stakeholder group must take steps to act on lessons learnt, address discrepancies and ensure that EITI implementation is sustainable. Implementing countries are required to submit Validation reports in accordance with the deadlines established.

Source: EITI Secretariat (2011)

The box above describes in detail the steps needed for a new Implementing country to achieve Compliance**.** NEITI has already achieved Compliance for the petroleum sector at the EITI Board meeting in Paris in March 2011. Consequently, the process to include solid mineral sector will be less demanding and faster.

Committing to the EITI

In deciding on whether to sign up to EITI, governments always consult closely with at least those groups which would be affected by or interested in EITI implementation. Such groups include major international and national extractive industry companies and business associations, local civil society groups and other government agencies.

NEITI has through this Scoping Study had meetings with the key government entities and the Civil Society Group. Further a number of private mining companies in Nigeria have been visited and briefed about the EITI concept. Finally a Stakeholder Workshop was arranged in September 2011 to discuss the draft report from Scoping Study.

The practice is that once a government has decided to commit itself to EITI, it typically undertakes the following initial steps in line with EITI Criteria and Validation Guide:

Issue an unequivocal public statement of its intention to implement EITI
The Board of NEITI – the NSWG – decided at the meeting on 20 May to carry out "The comprehensive audit of oil, gas and solid minerals sector is to cover the period 2009–2010.” The present Scoping Study will provide guidance on the “materiality levels/points” and the companies to be involved in this audit.

Commit to work with civil society and companies on EITI implementation
Apart from having members of civil society on its governing board, NEITI also has a Civil Society Steering Committee, which partners with NEITI on outreach activities. This committee will be expanded with civil society groups related to the solid mineral sector.

Appoint a senior individual to lead EITI implementation
This has already been done by appointing Mrs Zainab Ahmed as Executive Secretary of the NEITI.

The government is required to establish a multi-stakeholder group to oversee the implementation of the EITI
The governing body of the NEITI is the National Stakeholders Working Group. This is a multi-sectoral group made up of representatives from the civil society, media, Nigeria’s geopolitical zones, oil companies and government entities. This might have to be expanded with a few members related to the solid mineral sector.

The multi-stakeholder group, in consultation with key EITI stakeholders, should agree and publish a fully costed work plan, containing measurable targets and a timetable for implementation and incorporating an assessment of capacity constraints
The National Stakeholders Working Group has published a Work plan for 2011.

Involving Stakeholders

A key underpinning principle of EITI is that it is implemented using a participative, multi-stakeholder approach. This means that stakeholders outside of Government – such as extractive industry companies and civil society organizations – are not just consulted as the Initiative progresses, but are actively involved in designing, steering, and governing it.

> *Who should be represented on the multi-stakeholder steering group?*
> There is a natural clash of interest in having a steering group which is large enough to be broadly representative of the stakeholders involved and a small group that easily can meet, and take decisions quickly.
>
> *How should they be selected?* Since it is very difficult to include everyone who wants to be involved in an EITI programme, governments need to be very careful about ensuring that the nomination process for the steering group is open and transparent.

NEITI already has a Steering Committee for "Government", "Companies" and "Civil Society".

The Government stakeholders are more or less the same for the petroleum sector and the solid mineral sector. The present Government Committee will have to be expanded with very few new members.

The number of petroleum companies operating in Nigeria is limited and can all be members of the Company Committee. The number of companies involved in the solid mineral sector is very large and as such not all companies can be members of the Company Committee. It is therefore recommended that only associations of some of the larger operators, such as associations of construction companies, associations of the cement industry etc., are included as members of the Company Committee.

The present Civil Society Steering Committee already contains some members operating in the solid mineral sector but will need to be expanded with a very few other organisations.

Deciding the scope of the EITI programme

Different countries have implemented a wide variety of EITI programmes. Very early on in the process all stakeholders will need to decide on how broad or how narrow the EITI programme should be.

The four areas in which EITI programmes tend to vary are:

A reconciliation processor or an audit process?
A fundamental scoping decision in EITI countries is whether the EITI report will be a reconciliation of payments and revenues (carried out by a firm acting as a reconciler or administrator), or whether it will go further and allow for payments and revenues data to be audited under accepted international auditing standards (i.e. carried out by an appropriately qualified audit company).

NEITI has already at the Board meeting on 20 May 2011 decided on an audit of international standards.

What will the materiality level be for payments or company participation?
Individual countries have set their own materiality limits for payments (i.e. the size of payment below which it is excluded for efficiency reasons from the EITI process) or company participation materiality (i.e. threshold size of company operations below which it is excluded from EITI reporting process). For the petroleum sector NEITI has decided to include all petroleum companies in the EITI process.

As for the solid mineral sector, all other EITI countries except Central African Republic has decided to include only Large-Scale Mining (LSM) operations, which often provide more than 90–95% of the royalties. Nigeria does not have LSM operations and will have to use a comparable indicator for defining the materiality level. Based on the findings in this scoping study it is suggested also to use the amount of royalty paid as a materiality point. It is suggested to use 500,000.00 Naira paid in 2010 as a threshold for companies to be included in the audit of the solid mineral sector, see list of companies in appendix H.

It is worth noting that many EITI countries have evolved the scope of their EITI programme over time – i.e. that they have begun with limited EITI programmes but have broadened them as the Initiative develops.

Degree of aggregation or disaggregation of data disclosure in EITI Reports: In addition to materiality, a key element of the scope of EITI is the degree of aggregation or disaggregation that an EITI Report contains, with respect to separately identifying – or not identifying – total payments by reporting companies and the types of payments.

The NEITI audit for the petroleum sector is usually presented in *aggregated* and *disaggregated* formats for easy understanding and analysis, see chapter 4, and it is suggested to use the same format for the solid mineral sector.

Including sub-national or social/community payments: Some EITI countries chose to only report on what companies pay to the national or federal government. Other programmes, however, also cover and require reporting of payments made to sub-national levels of government (e.g. state, district) or to social/community groups.

Developing a work plan

At national level, countries have found that developing a comprehensive work plan for approaching EITI (and its requirements for political commitment and funding) is an important pre-requisite for EITI implementation. It is recommended that the EITI work plan contains the following elements:

- *Bringing together stakeholders;*
- *Removing barriers to implementation;*
- *Building capacity in Government;*
- *Building capacity in companies and civil society;*

- *Producing an EITI report;*
- *Communicating the EITI programme;*
- *Monitoring and evaluating the EITI programme;*
- *Developing and funding the work plan;*

NEITI has already shown that they in a professional way can handle the above subjects needed to develop regular yearly work plans.

Diatomite mining Site in Alangafe in Yobe State, Nigeria.

7. Stakeholder Workshop

A final draft of this report was presented at a Stakeholder Workshop in Kaduna on 22nd of September arranged by NEITI. The consultant and NEITI had prepared a program, which intended to provide an introduction to the work of NEITI as well as the preliminary conclusions and recommendations of this project. The agenda for the workshop is shown in Appendix H.
A large number of the key stakeholders in the solid mineral sector in Nigeria participated in the workshop and the presentations were followed by a very lively and constructive discussion among the participants.

The conclusions and recommendations in the draft report were supported by the participants. In general the participants observed that the success of NEITI in the petroleum sector is a clear indication as to why the solid mineral sector should now be included in the EITI process in Nigeria.
The participants raise a number of issues in the solid mineral sector related to training, technical facilities available to assist the sector and production facilities available. These are not specifically related to the Scoping Study, but the consultant recommended that these should be discussed between NEITI and the Ministry of Mines and Steel Development. The full report from the stakeholder workshop is attached as Appendix J.

Participants in the NEITI Stakeholder Workshop in Kaduna 22nd of September 2011

The Technical Director of NEITI, Engr. Tariye O. George delivers the opening welcome address on behalf of Chairman of the National Stakeholder Working Group (NSWG) Professor Assisi Asobie.

Particpants at the Stakeholder Workshop in Kaduna

Faith Nwadishi from PWYP and the two consultants Engr. Umar A. Hassan and Mr. John Tychsen.

Participants at the Stakeholder Workshop in Kaduna

Participants at the Stakeholder Workshop in Kaduna

The NEITI team at the Stakeholder Workshop

8. Conclusions and Recommended next step

Conclusions

Based on the interviews with stakeholders, it is clear that there is a broad consensus among the stakeholders that the inclusion of the solid mineral sector in the NEITI work would be both possible and beneficial.

When that is said, there is a lack of knowledge as to what an EITI programme would specifically entail among the mining operators as well as the “new” government entities and CSOs. If NEITI wishes to commit to implementing an EITI programme, one of the most immediate tasks would be to bring a broad group of stakeholders together in order to sensitize them to what EITI implementation requires.

One of the challenges of an EITI programme is to establish a multi-stakeholder steering group which is broad enough to be representative, whilst at the same time small enough to be able to meet regularly and make decisions quickly. This has successful been carried out by NEITI for the petroleum sector and it is not seen to be a problem to expand this group to cover the solid mineral sector.

Many stakeholders felt that there is genuine commitment in Government to increase transparency and accountability in the management of public resources. Moreover, there is considerable public interest in ensuring that revenue from mining are used either to help develop mining communities and/or to ensure that mining companies pay what is expected of them, based on their operational outputs.

Finally, many stakeholders observed that the success of NEITI in the petroleum sector is a clear indication as to why the solid mineral sector should now be included in the EITI process in Nigeria.

Recommendations

Based on the outcome of this study the Consultant would like to make the following recommendations:

That NEITI consider the expansion of the NSWG and the three Committees based on the findings in this report and the recommendations from the Stakeholder Workshop.

Based on the findings in this scoping study it is suggested to use the amount of royalty paid as a materiality point/level. Further, it is recommended that companies who paid more than 5,000,000 Naira in 2010 should be included in the audit of the solid mineral sector, see list of companies in appendix H.

Nigeria does not have LSM Operations and will have to use a comparable indicator for defining the materiality level.

The lessons learnt from the first audit of the solid mineral sector will provide NEITI with a good background to consider a possible expansion of the number of companies involved.

The materiality level suggested will result in the inclusion of 19 companies in construction sector and the cement industry. It will not include any companies extracting metalliferous minerals (gold, lead, zinc and tantalite). It is important to emphasise that “solid mineral sector” covers all the elements extracted and not only “traditional mining” of metalliferous minerals.

That NEITI finalises the selection process for the announced “Financial audit of the solid mineral sector” and prepares the necessary review of the ToR based on the findings in this report.

NEITI should consider establishing a dialog with the MMSD to discuss a simplification of the number of fees and duties in the solid mineral sector.

Appendix A

The breakdown of the relevant titles and their requirements are outlined below:

Reconnaissance Permit (RP)
Conditions / Requirements

- The permit is non-exclusive
- The permit has a duration of one (1) year and is renewable annually
- Duly completed RP application forms (in triplicates)
- Description of work area and the activities to be carried out
- Attestation of non-conviction of criminal offences under the Nigerian Minerals and Mining Act of 2007
- Receipt of payment of N10.000 application processing fee
- Evidence of technical competence
- Certified true copy of certificate of registration or incorporation
- Evidence of financial capability
- A valid RP application shall be granted and issued within 30 days of filing application.

Exploration Licence (EL)
Conditions / Requirements

- The licence is exclusive and has a maximum area of 200 km^2
- The licence has duration of three (3) years and is renewable twice for two (2) years each.
- Duly completed EL application forms (in triplicates)
- Detailed minimum work programme
- Evidence of financial capability
- Evidence of technical competence
- Consent from land owners/land occupiers
- Attestation of non-conviction of criminal offences under the Nigerian Minerals and Mining Act of 2007.

Small Scale Mining Lease (SSML), Mining Lease (ML) OR Quarry Lease (QL)
Conditions / Requirements

- The three leases are exclusive.
- The SSML and ML, respectively, have maximum areas of 3 km^2 and 50 km^2, while the QL has a maximum area of and 5 km^2
- The SSML has a duration of five (5) years for alluvial deposit and ten (10) years for lode formation and is renewable for further periods of five (5) years for alluvial formation and ten (10) years for lode formation provided that the holder has complied with the minimum work commitments and that all other legal and regulatory requirements have been met;
- The ML has a duration of twenty five (25) years and is renewable for further periods of twenty (20) years provided that the holder has complied with the minimum work commitments and that all other legal and regulatory requirements have been met
- The QL has a duration of ten (10) years and is renewable as often as required provided the minimum work obligation is met and renewal application is made three (3) times before the lease expires
- Duly completed SSML, ML or QL application forms (in triplicates)
- Pre-feasibility study report
- Evidence of financial capability
- Evidence of technical competence
- Consent from land owners/land occupiers
- Attestation of non-conviction of criminal offences under the Nigerian Minerals and Mining Act of 2007
- Certified true copy of certificate of registration or incorporation
- Evidence of payment of N10,000 SSML application processing fee, N50,000 ML application processing fee or N20,000 QL application processing fee
- Area specified to be surveyed in accordance with provisions of survey Coordination Act
- A valid SSML, ML or QL application shall be granted and issued within 45 days of filing application.

Water Use Permit (WUP)
Conditions / Requirements

- Duly completed WUP form (in triplicates)
- A copy of the mining title granted
- Description of area and water use plan
- Agreement with all persons likely to be adversely affected by the grant
- of the permit
- Evidence of payment of N10,000 application processing fee
- It has the same duration with the mining title granted
- A valid Water Use permit application shall be granted and issued within 7 days from grant of lease approval.

Appendix B

Duration of licences and fees collected by MCO

SUMMARY OF INFORMATION ON TITLES

S/NO	TYPES OF LICENCE	MAXI-MUM SIZE	MAX. No OF CADASTRE UNITS (CUs)	DURATION	PRO-CESSING TIME
1	Reconnaissance Permit(RP)	Non-Exclusive	Non-Exclusive	1 YEAR (renew-able annually)	Not later than 30 DAYS of filing application
2	Exploration Licence	200 km^2	930 (20 Ha)	3 YEARS (re-newable twice for 2 years each)	Not later than 30 DAYS of filing application
3	Small Scale Min-ing Lease (SSML)	3 km^2	25 (500 Ha)	5 YEARS (allu-vial) renewable for a further pe-riod of 5 years	Not later than 45 DAYS of filing ap-plication
4	Mining Lease (ML)	50 km^2	250 (5,000 Ha)	25 YEARS (re-newable every 20 years)	Not later than 45 DAYS of filling application
5	Quarry Lease (QLS)	5 km^2	25 (500 Ha)	5 YEARS (renew-able as often as required)	Not later than 45 DAYS of filling application
6	Water Use Per-mit (WUP)			Same with the direction of Lease	Not later than 7 days from grant of lease approval

1. APPLICATION PROCESSING FEE

a) Reconnaissance Permit	N10,000
b) Exploration Licence	N20,000
c) Small Scale Mining Lease	N10,000
d) Mining Lease	N50,000
e) Quarry Lease	N20,000
f) Water Use Permit	N10,000

2. ANNUAL SERVICE FEE (PER CADASTRE UNIT)

a) Reconnaissance Permit	FREE
b) Exploration Licence	N2,000
c) Small Scale Mining Lease	N10,000
d) Mining Lease	N25,000
e) Quarry Lease	N20,000
f) Water Use Permit	N10,000

3. PROCESSING OF RENEWAL APPLICATION

a) Reconnaissance Permit	N10,000
b) Exploration Licence	N30,000
c) Small Scale Mining Lease	N30,000
d) Mining Lease	N250,000
e) Quarry Lease	N50,000
f) Water Use Permit	N20,000

4. PENALTY FOR LATE RENEWAL APPLICATION

a) Reconnaissance Permit	N10,000
b) Exploration Licence	N100,000
c) Small Scale Mining Lease	N100,000
d) Mining Lease	N100,000
e) Quarry Lease	N100,000

5. APPLICATION FOR ENLARGEMENT (PROCESSING)

a) Exploration Licence	N40,000
b) Small Scale Mining Lease	N40,000
c) Mining Lease	N40,000
d) Quarry Lease	N40,000

6. APPLICATION FOR RELINQUISHMENT

a) Small Scale Mining Lease	N10,000
b) Mining Lease	N10,000
c) Quarry Lease	N10,000
d) Exploration Licence	N10,000

7. APPLICATION FOR TRANSFER

a) Exploration Licence	N100,000
b) Small Scale Mining Lease	N50,000
c) Mining Lease	N250,000
d) Quarry Lease	N100,000

8. APPLICATION FOR SURRENDER

a) Exploration Licence	N10,000
b) Small Scale Mining Lease	N10,000
c) Mining Lease	N10,000
d) Quarry Lease	N10,000

9. APPLICATION FOR CONSOLIDATION

a) Exploration Licence	N20,000
b) Small Scale Mining Lease	N20,000
b) Mining Lease	N50,000
c) Quarry Lease	N50,000

10. APPLICATION TO ENDORSE ADDITIONAL MINERAL

a) Exploration Licence	N20,000
b) Small Scale Mining Lease	N10,000
b) Mining Lease	N50,000
c) Quarry Lease	N10,000

11. APPLICATION FOR CERTIFIED TRUE COPY OF LOST CERTIFICATE	**N10,000**
12. APPLICATION FOR AMENDMENT OF DOCUMENTS	**N5,000**
13. SEARCH FEE/DUE DILIGENCE	**N50,000**
14. CADASTRE MAP INFORMATION APPLICATION FOR CERTIFIED TRUE COPY OF DOCUMENTS OTHER THAN TITLE DOCUMENTS	**N2,000**

Appendix C

REPORT ON ACTIVITIES AND REVENUE GENERATION IN MINING CADASTRE OFFICE (MCO)

This report received from MCO has slightly been revised by* the Consultant *with the aim of focus on 2010.

1.0 INTRODUCTION:

Following the Federal Government's Mining Sector reform, the new Ministry of Solid Minerals Development (later re-named Ministry of Mines and Steel Development) was restructured to consist of six technical departments and one service (administrative) department. One of the new technical departments was the Mining Cadastre Office (MCO), now being transformed into an autonomous Agency of the Ministry, as provided by section 5(1) of the Minerals and Mining Act of 2007 (NMMA 2007).

The Agency is responsible for the management and administration of mineral titles, considered to be the cornerstone of a secure mineral rights system. Therefore the modernization of the Mining Cadastre system is seen as a key priority, being a pre-requisite for a private-driven mining sector.

1.1 MINING CADASTRE SYSTEM:

The Mining Cadastre system in Nigeria is a computer-based system that maintains a database of mining licences with their ownership status, time validity, geographic location of their mineral concession areas, fees and dues paid, and other relevant information. This system covers all the transactions that occur during the entire life cycle of a mining title from the initial application, through the granting of the licence, payment of annual fees, tracking of the necessary annual reports, re-assignment or lapsing, and final relinquishment of the title. In line with the NMMA 2007, MCO is governed by the following basic principles:

- Priority (first come ,first served);
- Objectivity (based on legally defined sets of regulations and procedures);
- Non-discretionary (same rules for all);
- Transparency (open to consultation of the maps and registers).

MCO was created in October 2005 as one of the 3 new departments from the Reform exercise and officially opened to the public on 2 April, 2006. The Nigerian Minerals and Mining Act, 2007 was signed into law on 29 March, 2007 and processing of mineral title applications commenced in May, 2007. It became fully autonomous in 2011.

1.2 FUNCTIONS OF MINING CADASTRE OFFICE (MCO)

As an Agency responsible for the administration of mineral titles in Nigeria, the Mining Cadastre Office is charged with the following responsibilities:

- Act as a liaison between the MMSD and the holders or applicants of any question related to mineral rights;
- Receive, consider and dispose applications for mineral titles and permits and applications for the transfer, renewal, modification and relinquishment of mineral titles or extension of areas;
- Grant, issue, suspend and (with the approval of the Minister) revoke mineral titles;
- Maintain a chronological record of all applications for mineral titles in a Priority Register and General Register and maintain the cadastral registers;
- Create and maintain a database of all mineral titles and applications;

- Create and maintain a cartographic database of all mineral titles and applications on paper as well as electronically (the cadastral maps).
- Generate statistical reports and manage user roles, privileges and rights. The goals of this system are to strengthen investors' property rights and security of tenure within the mining sector, enhance the transparency of the mineral licensing process and support government's regulatory capacity through improved efficiency, information availability and management.

1.3 THE COMPUTERISED MINING CADASTRE SYSTEM:

In 2007, the setting up of a new computerized cadastre system took off within the framework of an on-going World Bank-funded project named "Sustainable Management of Mineral Resources Project (SMMRP)" coordinated by the Project Management Unit (PMU) under the Ministry of Mines and Steel Development (MMSD) of the Federal Republic of Nigeria. The new Computerized Mining Cadastre (CMC) was developed by GAF AG, a German-based company. CMC helps the MCO to manage mining titles, guaranteeing their transparency and performance, as well as securing the mining tenure in an economically and environmentally sustainable manner. The new MCO organization consists of a central office in the capital city of Abuja and six decentralized regional cadastre offices of which only two have been established in the North Central and South Western Nigeria.

1.4 PROCEDURE:

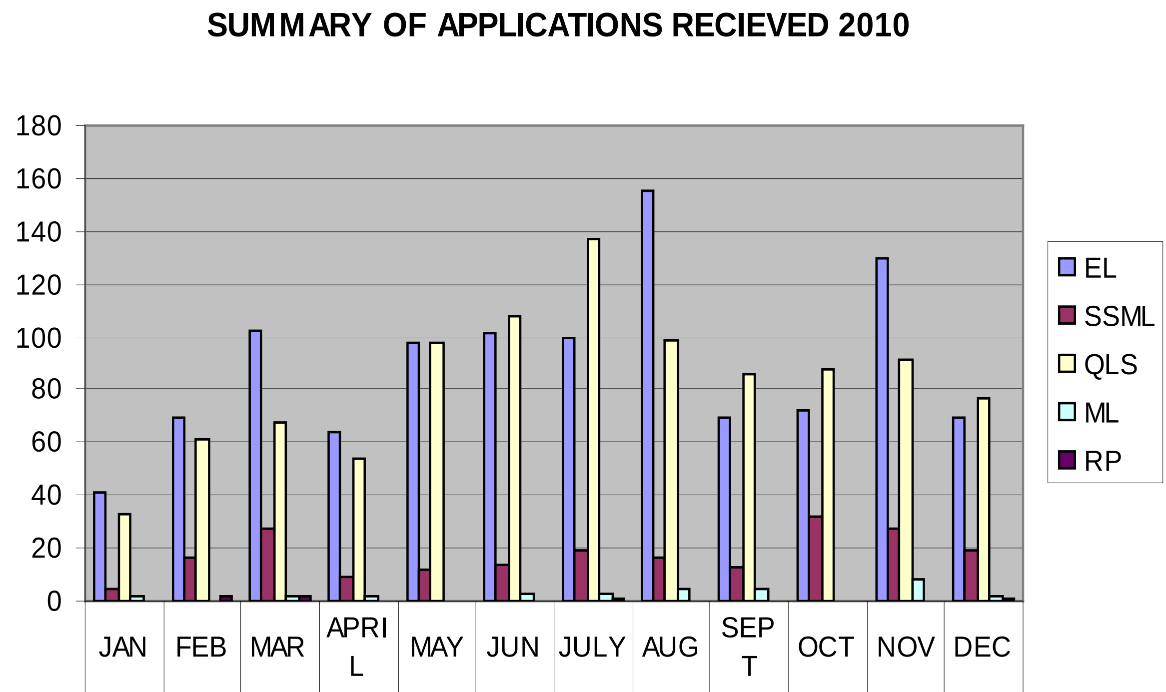
Procedure for Mineral Title Licences/Leases and Permits:

- Duly completed application form
- Coordinates of the area of application
- Certificate of incorporation
- Attestation
- Letter of consent from landowner(s)/occupier(s)
- Types of minerals
- Work programme/pre-feasibility report
- Evidence of payment
- Technical capability
- Financial capability
- Survey plan for leases
- Applications with inadequate information and contravening the NMMA 2007 will be rejected

2.0 INVENTORY OF MINING TITLES:

The inventory of mining titles from pre-cadastral through to inception of the Mining Cadastre system till date is 10412 comprising the six different types of mineral titles.

2.1 SUMMARY OF APPLICATIONS/TITLES RECEIVED 2010



	JAN	FEB	MAR	APRIL	MAY	JUN	JULY	AUG	SEPT	OCT	NOV	DEC
EL	41	69	102	64	98	101	100	155	69	72	130	69
SSML	5	16	27	9	12	14	19	16	13	32	27	19
QLS	33	61	68	54	98	108	137	99	86	88	91	77
ML	2		2	2	0	3	3	5	5	0	8	2
RP		2	2	0	0	0	1	0	0	0	0	1

Figure C1 . Summary of Applications/Titles received in 2010

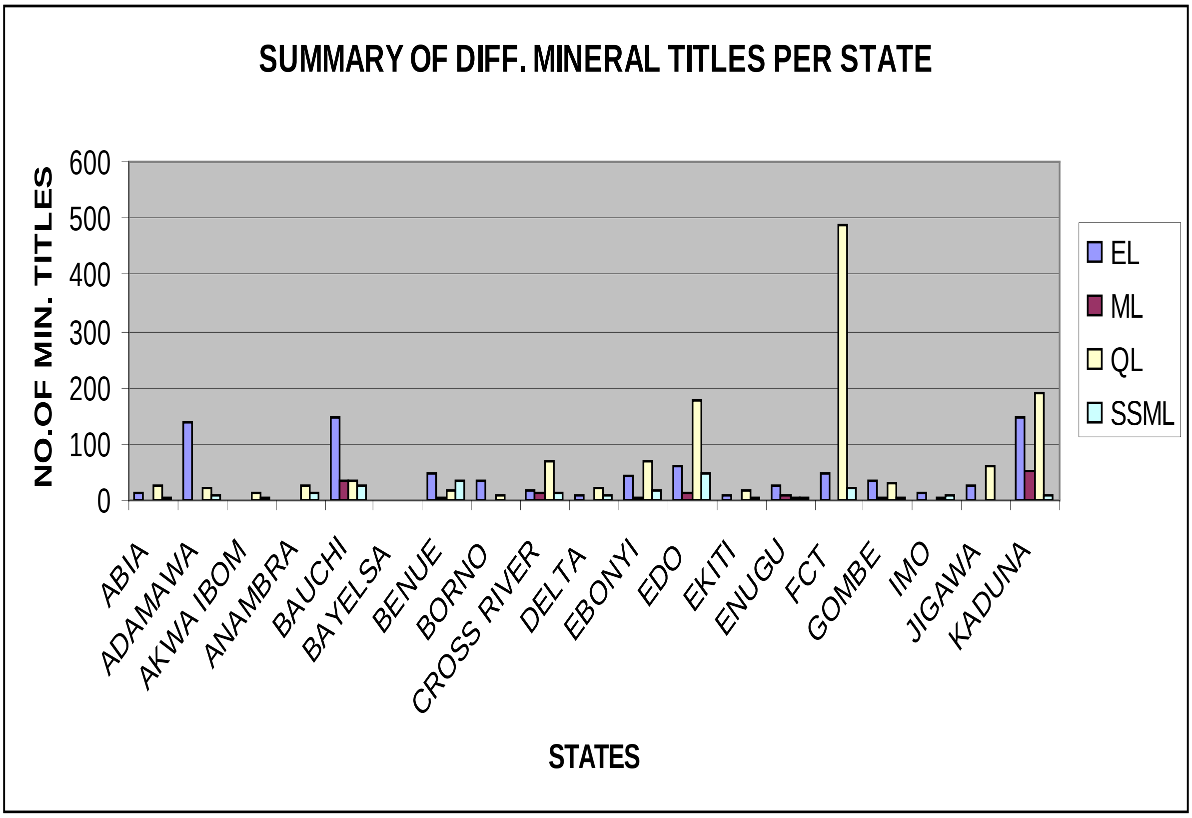


Figure C2A. Summary of different mineral titles in 2010 per state.

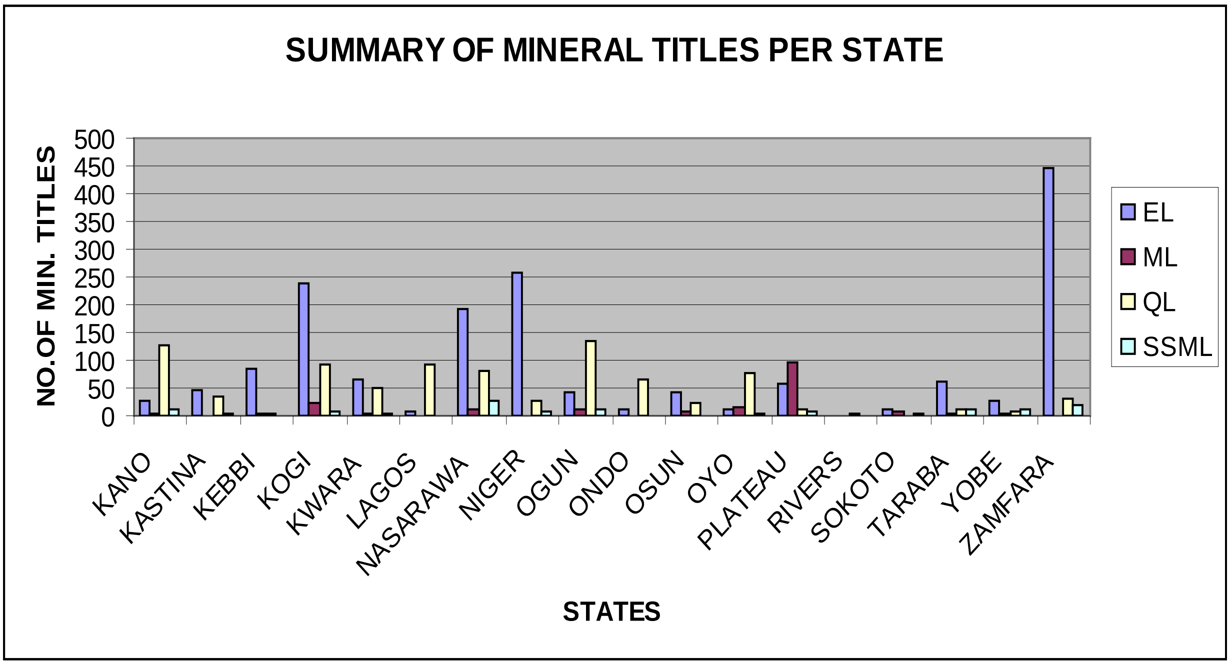


Figure C2B. Summary of different mineral titles in 2010 per state.

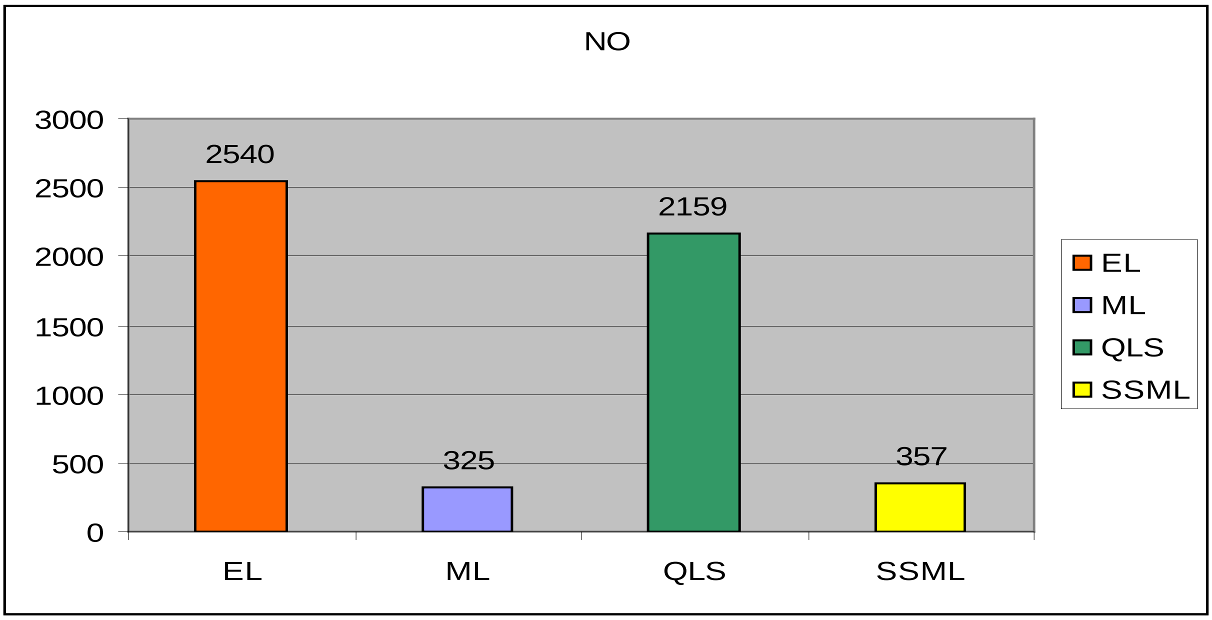


Figure. C4. Number of valid titles in MCO according to type

3.0 *REVENUE GENERATION:*

The MCO has four major sources of revenue generation. These sources are from:

- Application processing fees
- Annual service fees
- Assignments/transfers
- Public information charges

Since the opening of MCO to the public in April, 2006 and the first grants of Minerals Titles in May, 2007 the following amounts of revenue have been generated and paid into the federation account through the Ministry of Mines and Steel Development's Account. The mode of payment is in form of bank drafts by the operators. The summary of revenue collected is tabulated and presented below:

Year	Registration fee	Annual service charge	Information and map printing	Transfers/ assignment	Total
2006	7,902,500	-	33,300	-	7,935,800
2007	20,973,500	185,331,100	56,200	1,720,000	208,080,800
2008	10,840,000	74,262,000	373,400	160,000	85,635,400
2009	8,516,000	79,393,500	71,200	130,000	88,110,700
2010	14,722,300	322,879,200	204,700	3,580,000	344,386,200
Total	**62,954,300**	**661,865,800**	**738,800**	**5,590,000**	**731,148,900**

Table C1: Summary of revenue collected by the Mining Cadastre Office from 2006 to 2010.

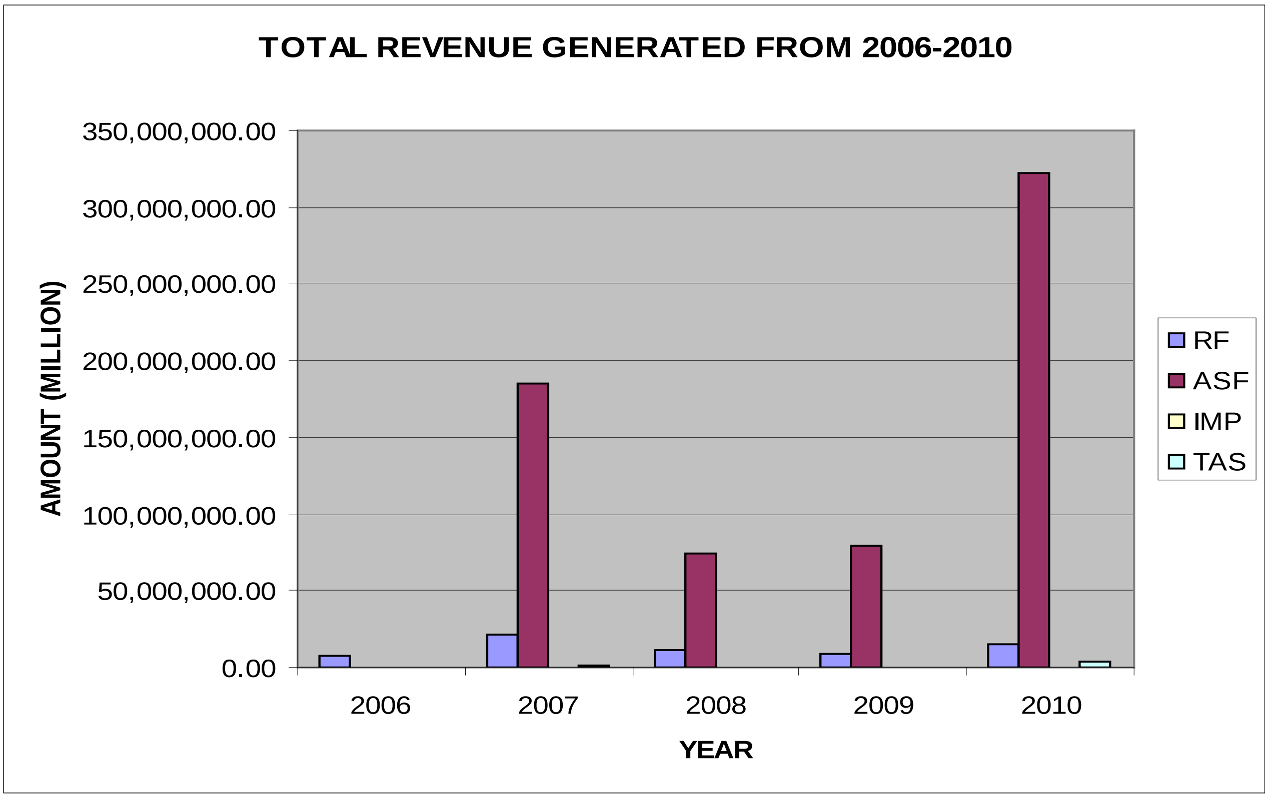


Figure. C4. Revenue generated from 2006–2010.

2010	Registration fee	Annual service charge	Information and map printing	Transfers/ assignment	Total
January	3,552,000	3,170,5000	1,500	NIL	6,724,000
February	880,000	6,655,000	12,800	NIL	7,547,800
March	880,000	8,066,000	4,900	310,000	9,260,900
April	670,000	38,847,000	11,900	Nil	39,528,900
May	1,060,000	69,539,000	39,800	990,000	71,628,800
June	1,230,300	48,074,300	29,600	910,000	50,244,200
July	1,165,000	21,775,000	36,100	230,000	23,206,100
August	1,250,000	37,785,500	13,800	470,000	39,619,300
September	845,000	29,097,500	9,800	30,000	29,982,300
October	995,000	45,601,200	13,900	150,000	46,760,100
November	1,285,000	8,379,200	12,400	70,000	9,746,600
December	810,000	5,889,000	18,200	420,000	7,137,200
Total	**14,722,300**	**322,879,200**	**204,700**	**3,580,000**	**341,386,200**

Table C2. Revenue generated from January to December 2010.

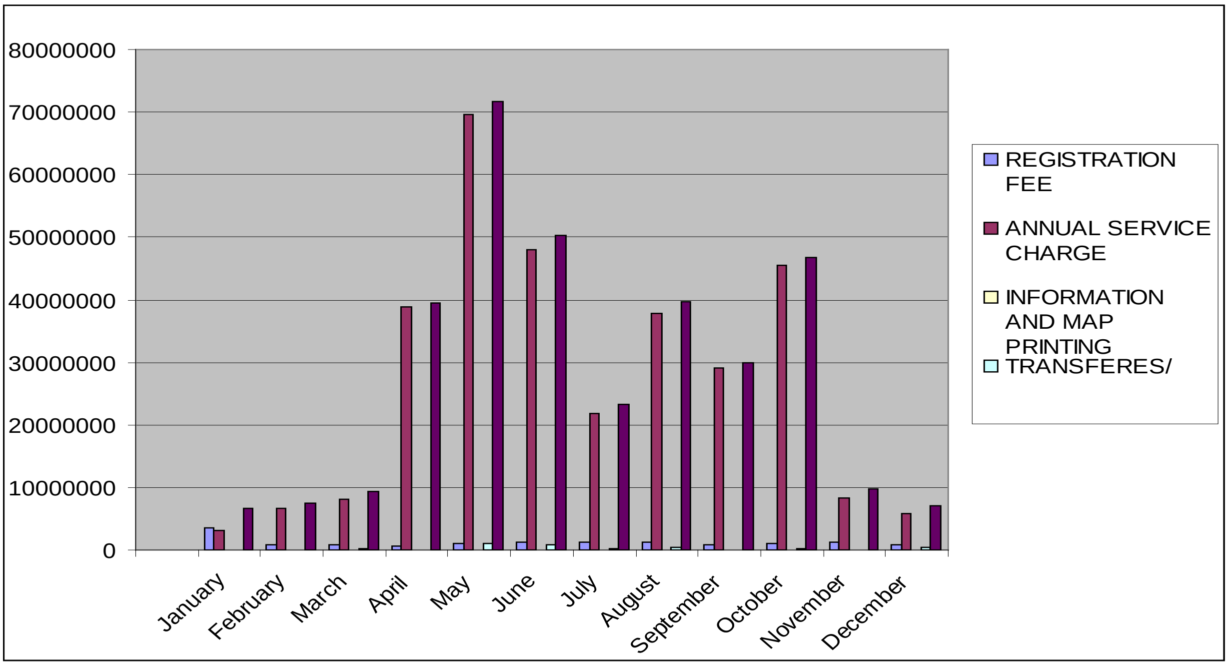


Figure C5. Revenue generated from January to December 2010.

APPENDIX D

FEDERAL REPUBLIC OF NIGERIA
MINISTRY OF MINES AND STEEL DEVELOPMENT

ROYALTY RATES FOR SELECTED MINERALS

A more detailed table of royalty rates in numbers has been requested from MID

S/No	MINERALS	Royalty in % of value
1	Baryte	5
2	Columbite	3
3	Feldspar	5
4	Gold	3
5	Gypsum	5
6	Iron Ore	3
7	Laterite	5
8	Lead/Zinc	3
9	Limestone	5
10	Marble Aggregates	5
11	Sand	5
12	Stone Aggregates	5
13	Tantalite	3
14	Tourmaline (Red)	5
15	Tourmaline (Green)	5
16	Tourmaline (blue)	5
17	Tourmaline (others)	5
18	Aquarmarine	5
19	Wolframite	3
20	Kaoline	5
21	Ilmenite	3
22	Topaz	3
23	Zircon Sand	5
24	Sapphire	5
25	Phosphate	5
26	Amthysl	5
27	Clay	5
28	Cassiterite	3
29	Shale	5
30	Bauxite	3
31	Bentonite	5
32	Bitumen/Tar sand	3
33	Coal	3
34	Corrundum	5
35	Crystal Quartz	5
36	Diatomite	5
37	Dolomite	5
38	Emerald	5
39	Garnet	5
40	Granite Blocks	5
41	Industrial Quartz	5
42	Magnesite	3
43	Marble blocks	5
44	Mica	5
45	Pyrite	3
46	Ruby	5
47	Rutile	3
48	Salt	5
49	Silica Sand	5
50	Soda Ash/Trona	5
51	Talc	5
52	Tin Ore	3

Appendix E

Table of fees and duties in the solid mineral sector

S/No	Particulars	MMSD						FMoE	States (SBIR)	Local Govt	Land owners	FIRS
		MCO	MID	ASMD	MECD	NGSA	NIMG					
1	Mining title(s) application fees	X										
2	Mining title(s) annual service fees	X										
3	Fees for processing of renewal of mining titles (application)	X										
4	Penalty fee for late renewal of mining titles (application)	X										
5	Fees for application for enlargement (processing) of mining titles	X										
6	Application for relinquishment of mining title fees	X										
7	Application for transfer Mining Title fees	X										
8	Application for surrender mining title fees	X										
9	Application for consolidation mining title fees	X										
10	Fees for application to endorse additional mineral	X										

S/ No	Particulars	MMSD						FMoE	States (SBIR)	LGA	Community/ Landowners	FIRS
		MCO	MID	ASMD	MECD	NGSA	NIMG					
11	Fees for application for certified true copy of lost certificate of mining title	X										
12	Fees for application for amendment of documents	X										
13	Search fee / due diligence	X										
14	Fees for cadastre map information, application for certified true copy of other documents other than title documents	X										
15	Royalty		X									
16	Permit to deposit tailings		X									
17	Permit to export minerals for commercial purposes		X									
18	Permit to export mineral samples for analysis		X									
19	Permit to possess and purchase minerals		X									
20	Registration of accredited agents for movement of minerals		X									
21	Permit to import explosives		X									
22	Blasting certificate		X									
23	Licence to manufacture explosives		X									
24	Permit to erect a magazine		X									
25	Licence to buy explosives		X									
26	Licence to sell explosives		X									
27	Explosives magazine licence		X									

S/ No	Particulars	MMSD					FMoE	States (SBIR)	LGA	Community landowners	FIRS
		MCO	MID	ASMD	MECD	NGSA					
28	Licence for storage of explosives		X								
29	Blasting certificates		X								
30	Penalties for contravening the provisions of the Explosives Act of 1964 and Explosives Regulations of 1967		X								
31	Contribution to the Environmental Protection Fund		X								
32	Application for ASM registration			X							
33	Application for registration of mineral buying centre			X							
34	Application for renewal of buying centre licence			X							
35	Annual surface rents							X			
36	Property rates									X	
37	Compensation									X	
38	Community Development Agreement										
39	Registration for EIA/EPRP processing/approval						X				
40	Value Added Tax (Vat)										X
41	Corporate income tax										X
42	Withholding tax										X
43	Education tax										X
44	Pay as you earn (PAYE)							X			
45	Mineral separation services					X					
46	Mineral analysis					X					
47	Consultancy fees					X					

LEGEND

MCO	Mining Cadastre Office
FMoE	Federal Ministry of Environment
MID	Mines Inspectorate Department
SBIR	State Boards of Internal Revenue
MECD	Mines Environmental Compliance Department
FIRS	Federal Inland Revenue Service
ASMD	Artisanal and Small Scale Department
NGSA	Nigeria Geological Survey Agency

Appendix F

List of companies paying more than 2.000.000 Naira in Royalties

Information provided by Mines Inspectorate Department

This 740.918.252 Naira is 88% of total payment of Royalty paid in 2010

S/N	Name of company/operator	Operation	Operation	Royalty (N:K)
1	Julius Berger	Granite & Laterite quarrying	Active	296,139,759
2	Salini Nig.Ltd	Laterite quarrying	Active	2,587,579
3	Dantata and Sawoe Co. Ltd	Granite quarrying	Active	5,220,731
4	Kopek Construction Nig Ltd	Granite quarrying	Active	5,122,770
5	S.C.C Nig. Ltd	Granite quarrying	Active	6,359,168
6	Hongyun Nig Ltd	Granite quarrying	Active	3,104,440
7	P.W.Nig Ltd	Granite quarrying	Active	9,181,737
8	Arab Const. Nig.Ltd##	Granite quarrying	Active	21,426,820
9	Ratcon Construction###	Granite quarrying	Active	20,365,725
10	Ahmu International Mining Co. Ltd	Tourmaline	Active	3,000,000
11	Black Stone Crushing Co. Ltd	Granite quarrying	Active	4,820,080
12	CCC Const Nig Ltd###	Granite quarrying	Active	3,588,260
13	Dantata land & Sea Co Ltd	Granite quarrying	Active	2,638,960

14	Triacta Nigerian Ltd	Granite& Laterite quarrying	Active	2,878,910
15	C.C.N.N.	Limestone quarrying	Active	26,104,905
16	Borini Prono & Company	Granite quarrying	Active	2.200.000
17	Setraco Nigerian Ltd	Granite quarrying	Active	8,580,000
18	West African Portland	Limestone, Shale & Red Alluv. quarrying	Active	35,509,125
19	Porcelain Ware Industry Ltd	Kaolin Mining, Clay, Laterite,	Active	2,330,473
		Limestone &Feldspar quarrying	Active	
20	Multiverse Resources Ltd	Granite quarrying	Active	2,395,245
21	CNC Eng'g Nigerian Ltd	Granite quarrying	Active	5,328,000
22	China Civil Nigerian Ltd	Granite quarrying	Active	2,787,000
23	Paras Crushing Co. Ltd	Granite quarrying	Active	2,854,080
24	RCC Nig Ltd	Granite & Sand quarrying	Active	12,382,218
25	Construction Support	Sand quarrying	Active	2,811,777
26	Macdaniels	Limestone quarrying	Active	5,278,000
27	Setraco Nig. Ltd#	Basalt quarrying	Active	2,000,000
28	CCC Nig Ltd	Dolorite quarrying	Active	4,788,260
29	Benue Cement Co. Plc.	Limestone, Laterite & Clay quarrying	Active	30,838,920
30	Obajana Cement Co.	Limestone,Clay& Laterite quar-rying	Active	129,533,337
31	Ashaka Cement Plc	Limestone quarrying & Coal mining	Active	13,435803
32	Hitech Const. Co. Ltd	Granite quarrying	Active	2,275,280
33	Unicem Ltd	Limestone quarrying	Active	26,578,107
34	AKC Engineering	Granite quarrying	Active	34,071,783
35	Zenith Const Co. Ltd	Granite quarrying	Active	2,401,000

	GRAND TOTAL			740,918,252
	JT/ 07.07.2011			

Setraco is a sum of 8 different payments
Arab is a sum of 3 payments
Ratcon and R.C.C are both a sum of 2 payments

Appendix G

List of companies paying more than 5.000.000 Naira in Royalties

Information provided by Mines Inspectorate Department

This 693,654,908 Naira is 83% of total payment of royalty paid in 2010

S/N	Name of company / operator	Nature of operation	Status of operation	Royalty (Naira)
1	Julius Berger	Granite & Laterite quarrying	Active	296,139,759
2	Dantata and Sawoe Co. Ltd	Granite quarrying	Active	5,220,731
3	Kopek Construction Nig. Ltd	Granite quarrying	Active	5,122,770
4	Arab Contractors##	Granite quarrying	Active	21,426,819
5	S.C.C Nig. Ltd	Granite quarrying	Active	6,359,168
6	P.W. Nig. Ltd	Granite quarrying	Active	9,181,737
7	Ratcon Construction###	Granite quarrying	Active	20,365,725
8	C.C.N.N	Limestone quarrying	Active	26,104,905
9	Borini Prono & Company	Granite quarrying	Active	2,200,000
10	Setraco Nigerian Ltd#	Granite Quarrying	Active	8,580,000
11	West African Portland	Limestone ,Shale &Red Alluvial quarrying	Active	35.509.125
12	CNC Eng'g Nigerian Ltd	Granite quarrying	Active	5.328.000
13	MacDaniels	Limestone & Dolerite	Active	5.276.000
14	Benue Cement Co. Plc.	Limestone, Laterite & Clay quarrying	Active	30.838.920

15	Obajana Cement Co	Limestone,Clay & Laterite quarrying	Active	129,533,337
16	Ashaka Cement Plc	Limestone quarrying & Coal mining	Active	13,435,803
17	R.C.C. Nig Ltd###	Granite quarrying	Active	12,382,218
18	Unicem Ltd	Limestone quarrying	Active	26,578,107
19	AKC Engineering	Granite quarrying	Active	34,071,783
	GRAND TOTAL			693,654,908

JT/07.07.2011

Setraco is a sum of 8 different payments
Arab is a sum of 3 payments
Ratcon and R.C.C are both a sum of 2 payments

Appendix H

Workshop Name	**Scoping Study of Nigerian Mining Sector.** **NEITI extension to Solid Mineral Sector.** **Stakeholder Workshop 22nd of September 2011** **VENUE NUT- ENDWELL CONFERENCE HOTEL, KADU-NA**
Approach and objective of the workshop	The workshop will present the concept behind EITI and the role of NEITI The workshop will present the findings from the project “Scoping Study of Nigerian Mining Sector” carried out by GEUS and Associates. The workshop will discuss and recommend ways forward for the inclusion of the solid mineral sector in the work of NEITI
Workshop content	*08.30 – 09.00*: Registration *09.00 – 09.15*: Welcome by Professor Assisi Asobie. Chairman of the National Stakeholder Working Group (NSWG). *09.15–10.00*:Introduction to the EITI concept by Mrs Zainab S. Ahmed. Executive Secretary of NEITI. 10.00 – 10.45: Presentation of NEITI and the work carried out in the petroleum sector by Eng. Tariye O. George. Technical Director of NEITI. 10.45 – 11.15: Coffee Break *11.15 – 11.45: Presentation from MMSD (Title to be discussed)* *11.45 – 12.15: presentation from Miners Association of Nigeria (Title to be discussed)* *12.30 – 13.30*: Lunch break *13.30 – 14.15: Presentation of the Solid Mineral Sector in Nigeria by Eng. Umar A. Hassan* *14.15 – 15.00: Presentation of the findings and recommendations for the project “Scoping Study of Nigerian Mining Sector” by Mr. John*

	Tychsen 15.00 – 15.30: Coffee break 15.30 – 16.30: Discussion of the findings of the project and recommendations to NEITI for the extension to include Solid Mineral Sector. Chaired by Mr John Tychsen 16.30: Closing remarks by Professor Assisi Asobie. Chairman of the National Stakeholder Working Group (NSWG).
Facilitators	The Consultant Team: Mr. John Tychsen Eng. Umar Albarka Hassan Mr. Bashir Wasir
Approach	Presentations Plenum discussions
Literature	Report for Stakeholder Workshop

Appendix J

NEITI STAKEHOLDER WORKSHOP ON SCOPING STUDY OF NIGERIAN MINING SECTOR HELD ON 22ND OF SEPTEMBER 2011 AT NUT- ENDWELL CONFERENCE HOTEL, KADUNA

CONTENTS

1.0 WORKSHOP PROCEEDINGS

Objectives of Workshop

The workshop is to:

- present the concept behind EITI and the role of NEITI;
- present the findings from the project "Scoping Study of Nigerian Mining Sector" carried out by GEUS and Associates; and
- discuss and recommend the way forward for including the solid mineral sector in the work of NEITI

Proceedings

The workshop started at 10.40 a.m. with the opening welcome address delivered by Technical Director of NEITI, Engr. Tariye O. George on behalf of Chairman of the National Stakeholder Working Group (NSWG) Professor Assisi Asobie. This was followed by the speech of the Executive Secretary on NEITI, Mrs. Zainab S. Ahmed on 'Introduction of the EITI Concept' read by her representative.

The two speeches dwelt on the EITI concept and the role of NEITI in Nigeria. Established by the NEITI Act of 2007, the initiative has so far focused on the oil and gas sector of the extractive industries in Nigeria.
NEITI has pursued vigorously the tracking of revenue from the oil and gas sector accruing to the Federal Government of Nigeria and made it public under its transparency mandate.

The two executives then expressed the need for similar effort by NEITI in the solid minerals sector of the extractive industries. On this background the Stakeholders' Workshop which is to receive and discuss the findings and recommendations of the consultants, GEUS and Associates mandated to carry out the project “Scoping Study of Nigerian Mining Sector”.

Presentations

Three presentations were made before the GEUS consultants chief, Mr. John Tychsen presented the project report.

Engr. Tariye George made a presentation of the work NEITI has been doing on the petroleum sector. How the organization has been matching what the operators in the sector claim to have paid with what government claimed to have received and so on.

The presenter then gave the differences and similarities between the oil and gas sector and the solid minerals sector as a foretaste of what is to be expect from NEITI as it approaches the solid minerals sector task.

Alhaji Sani Shehu, the President of Miners Association of Nigeria, in the second presentation titled **“Relevan(t)ce of NEITI in the Solid Minerals Sector”** reinforced the need for the organization to quicken its steps to track revenue from the sector, he highlighted the ‘swing’ nature of government attention to the solid mineral sector (high before oil became the mainstay, low when oil dominated and high again as alternative revenue sources to oil is now the concern) since 1902 to 1903 when mining of any significance started in Nigeria.

Tracing the major stages of solid minerals mining in Nigeria, Alhaji Sani Shehu wants the challenges of NEITI especially its scanty presence nationwide tackled for it to function efficiently.

Engr. Umar A. Hassan’s presentation on the **Solid Minerals Sector in Nigeria** was an expose of the extent and potential of solid minerals presence in the Nigerian soil.

The presentation surveyed and suggested ways of tracking revenue in the sector offering NEITI an insight into vital areas that need intricate monitoring.

The main presentation of the workshop was by the chief consultant of GEUS and Associates, Mr. John Tychsen. Hard copies of the report were made available to registered participants and key stakeholders in attendance at the workshop.

In a power point presentation, Mr. Tychsen stated that Geological Survey of Denmark and Greenland (GEUS) has come a long way with its wide experience in the project area having been around since the year 1888.He highlighted the terms of reference for the project which he explained was necessary to streamline the work into a manageable scope.

After acknowledging the cooperation the project effort received from a range of stakeholders which he classified into government agencies, civil society groups and private sector operators in the solid minerals sector, Mr. Tychsen listed the envisaged constraints to NEITI’s solid mineral revenue monitoring task. The constraints are classified into political, economic barriers, regulatory problems and institutional problems.

The consultant also reiterated the justification for inclusion of solid minerals in EITI program with the sector's stakeholders' interest as primary. Mr. Tychsen highlighted the stakeholders' (government, civil society and private sector operators) crave for accountability, increased revenue generation, infrastructural development, mining activity impact assessment, etc as the stakes. NEITI, according to him, offers hope for attainment of the goals of the stakeholders as it is performing similar feat in the oil and gas sector.

One of the key outcome of the project was a decision for materiality level to be used in the planned audit of the solid mineral sector. The consultant discussed the possibility of using CIT, VAT, Royalties, license fees etc. The consultants recommendation was to use the amount of Royalty paid. In 2010 Royalty was paid by 515 companies, which is too many to include in the audit. The consultant suggested to use the payment of more than N 5.000.000 as a materiality level for companies to be included.

These recommendations among others ended Mr. Tychsen's presentation.

The workshop presentation session ended to resume after Lunch Break for the discussion of the project report in an interactive session at 2.15p.m.

SESSION 2: The Interactive Session

DISCUSSION ON WAY FORWARD FOR INCLUSION OF SOLID MINERALS IN NEITI MANDATE

The discussion session on the presentation of findings of the project and recommendations to NEITI for the extension to include solid mineral sector was chaired by Mr. John Tychsen while Dr. Felix Gbenoba was rapporteur.

The session proceeded by taking a batch of five questions, comments or suggestions from participants which the chairman and other presenters responded to at a time.

In all, four batches of five contributions were taken and responses given by Mr. John Tychsen (session chairman), Engineers Umaru Hassan, Tariye George and other workshop participants.

The robust discussions in summation examined the project report critically and came up with issues on the following:

On scope covered and the project terms of reference
Discussants commended the consultants for a good work in areas covered by the report. While some see the scope as not wide enough for such a vital sector especially with its myriad of chal-

lenges, others like Mr Obiefuna of Ajaokuta Steel Company believes what should be of concern is how to use solid minerals entirely for local consumption. The differences in standpoints set the tone for the discussions which followed and are classified broadly under the following issues.

On Organization of Artisanal Miners into Groups for Monitoring

The participants cum discussants agreed with the report that majority of private operators in the solid mineral sector were medium and small scale artisanal miners. They also agreed with the report on the need to support the efforts at organizing the miners into cooperative groups. Enumerating the advantages of the pooling for all stakeholders in the sector, discussants suggested ways to help the course and raise the benefits that will accrue to all.

For effective pooling the participants stressed the need for NEITI to cover the entire local government areas of the country as there is hardly any without one solid mineral or the other. They advocated the setting up of more buying centers for various products of miners noting that activities in existing ones should be given lifelines through special funds and interventions.

On Value Added

The need to discourage exportation of solid minerals without any processing was another contentious issue which participants felt the project report did not give enough attention to. Engineers U.S. Bamali, Olatunji and Alison Musa stressed the need to add more value to solid minerals in Nigeria by doing some processing before selling for local consumption or for export. The value added will enable operators to earn higher revenue for themselves and country, they reasoned. So they suggested the establishment of more processing centers for various solid minerals in the country.

On Training for Increased Revenue and Production Output

Participants x-rayed the project report and suggested some ways of increasing the output of the sector. These include improving the operators' tools and skills which the report did not dwell on. They advocated the establishment of institutes to train miners in the use of modern equipment. Dr. Odigi from the Ahmadu Bello University, A. I. Abass and M. Balali of the Kaduna Polytechnic, Engr. Abdullahi Aregbe of P. A. ISS HASS Limited expressed this concern. Engr. Yakubu of National Metallurgical Centre, Mr. Ibrahim and Mr. Obiefuna of Ajaokuta Steel also suggested that improved capacity will enable the artisanal and medium scale miners partner with government in solid mineral exploration for increased revenue generation. They all want development of capacity through training as they observed that the solid minerals sector would record increased revenue by so doing.

Mr. Tychsen, noting that the area does not strictly fall within the terms of reference of the project consultants, acknowledged the need for training. He suggested that the private operators could establish training institutions and seek assistance from government and foreign agencies to run such institutions either by providing counterpart funds or expertise and personnel.

On Intercompany Synergy Building

Some discussants also noted the project report's neglect of the benefits that could accrue to the sector through cooperation between companies in the mining sector and suggested the way forward in that regard. Dr. Odigi for example suggested that the NNPC and Ajaokuta Steel could work together in the area of oil pipeline procurement; with the latter meeting the former's pipe needs.

On Effective Revenue Monitoring

The project report classification of Nigeria's solid minerals mining activities as largely in the medium and small scale category was acknowledged by participants as very right. Discussants noted that the situation is advantageous as the country will be able to plan to have mining conglomerates built on the coming together of the small and medium scale operators. That will mean that the ownership structure, whenever the large scale operators come up, would be widespread and be depraved of the monstrosity associated with such large scale operators in such other African countries as Ghana, Tanzania and South Africa.

Some participants therefore suggested that efforts at grouping artisanal miners into larger entities be intensified by stakeholders so that revenue collection could be more effectively monitored.

Mr. John Tychsen supported this view. This has been initiated by MMSD, but need to be further developed partly to have a more operational number of contacts and partly to be able to provide technical assistance to the mining operators.

On Transparency/Accountability

Participants noted the lack of clarity in the project report on which agency actually collects the revenue and what modalities should guide the custody of such revenue from the solid minerals sector. Mr. Susarumso from the Accountant General (AG's) Office, Abuja wants the matter especially that the account into which to pay the revenue to be well defined. He suggested a special account in the AG's office host the revenue from where it should be disbursed by relevant authorities. He also wants the auditing function of NEITI in the solid minerals sector to be made more effective by equipping it and expanding its network.

Justice Abgbeze of the Central Bank of Nigeria advocates the putting in place of special rules to guide the disbursement of loans to miners especially the ubiquitous artisanal operators.

On Capacity Building, Standardization of Production Quality, Use of Modern Technology for Enhanced Output

Participants noted an inadequate attention given to capacity building in the project report. They suggested a conscious building of the capacity of the miners so that they can use modern mining equipment among other benefits. This will increase output as well as revenue.

Meeting best global practices

The pooling of efforts would address standardization of laboratory testing and certification of solid minerals type and quality to stem loss of revenue both in local and export market.

Engr. Abdullahi Aregbe of P. A. ISS HASS Limited, Mr. Olusegun Oladipo of Mines and Steel Company stressed the need for the sector to adopt operational techniques that will meet up with global best practices. In this way the products from the sector will meet world standards and sales to any part of the globe will be guaranteed.

Ethical Concerns

Participants, especially members of civil society groups also took a swipe at the project report for notgiving adequate vent to some ethical issues. Apart from the Environmental Impact Assessment (EIA) considered in the report, Alutoho Benjamin of WREP, a civil society group, noted that the report did not mention the prevalent child labor practice in mining activities in the country. He argued that this negative aspect in the sector should be done away with by making rules on minimum age in any effort to organize the artisanal miners. Faith Nwandishi of PWYP stated that even for the EIAs advocated, the report did not enunciate enough measures to ensure that they are actually carried out by firms in the sector and they are not reduced to mere form-filling exercises.

On Details and Technicalities of the Project Report

Observations by Engineers Tariye George (NEITI technical Director), Akin George of Geosciences Association and Faith Nwadishi of Publish What You Pay (PWYP) at the end of the first session set the tone in this regard.

Engr. Tariye George noted the non-inclusion of the Ministry of Trade and Commerce in the project which Akin George reiterated. The latter also took exception to some of the figures highlighted in the presentation.

Faith Nwadishi of PWYP a civil society group noted that extractive resources are non-renewable resources hence the need to vigorously monitor revenue from them and the use to which such revenues are put. She therefore objected to the project consultants' failure to highlight this economic concern in the report findings. Nwasidhi observed that the report by Mr. John Tychsen did not feature a summary of the findings before going on to make recommendations. She noted that the charts on pages 63-66 are not well explained especially the key and acronyms.

She also questioned the report's focus on cement and construction companies while leaving out the metal mining such as gold, in the recommendations to NEITI for inclusion in its auditing. Participants wanted NEITI to monitor revenue of metal mining operators scattered all over the country as they will aggregate to huge amounts which can be significant to any country.

Mr. Tychsen observed that the project report's focus on cement and construction companies was informed by the visibility of such organization in the country. According to him, the level of materiality which shows this visibility supports the need for NEITI to go for these big companies first while the other operators are being organized into manageable groups that the agency (NEITI) could subsequently monitor. The GEUS chief consultant (Mr. Tychsen) took note of the technical observation of Faith Nwadishi on the charts on pages 63 to 66 of the project report.

Concluding Remarks

On the whole Mr Tychsen noted the contributions of various participants for their immense usefulness to the project. With the aim of keeping the Scoping Study focusedon the original ToR he encouraged NEITI to work with MMSD in implementing some of the presented ideas.

He was convinced that the report would be a valuable tool for the planned audit of the solid mineral sector as well as a starting point for development of the ideas presented at the workshop

The vote of thanks by NEITI staff brought the workshop to a close.

Signed: Felix Gbenoba.