

1. Introduction

This is a supplementary report to address specific requirements of the EITI standard. After the release of the 2015 solid minerals report, the Ministry of Mines and Steel Development (MMSD) launched their Integrated Automation & Interactive Solid Minerals Portal (IAISMP) on 9th November 2017

The IAISMP portal provides credible, timely information about the sector, responds to online enquiries, generates reports, and statistical data, performs business processes e.g. Mining Licenses and Mineral Titles Application, Online Payment of Royalties & Fees and Revenue Generation. It also has GIS mapping representation of mineral resources and their location within the country.

The web portal is a one-stop shop for mining and mineral related transactions that is geared towards advancing ease of doing business in Nigeria's mining sector. The portal also provides link¹ to other relevant government agencies.

2. Sub National Transfers

Section 162 of the 1999 Constitution of the Federal Republic of Nigeria established the Federation Account. The Federation Account is a distributable pool account from which allocations are made to the Federal, State and Local Governments. All revenue collected by the Government of the Federation, except the proceeds from the PAYE of the personnel of the Armed Forces of the Federation, the Nigerian Police Force, Foreign Service Officers and Residents of the Federal Capital Territory, Abuja (which are paid into the CRF) are paid into the Federation Account. The current revenue allocation formula for non-mineral revenue is as follows:

- Federal Government 52.68%
- State Government 26.72%
- Local Government 20.60%

Section 162 of the 1999 Constitution also provided that, as a first line charge, an amount of not less than 13% accruing to the Federation Account directly from any natural resources shall be distributed to beneficiaries on the principle of derivation.

Mineral Revenue Sharing Formula:

- Federal Government 45.8316%
- State Government 23.2464%
- Local Government 17.9220%
- 13% Derivation 13.0000%

3. Sub-National Payments

The table below provides the financial flows in respect of payments and receipts from the SBIR and Local Governments. These are unilaterally disclosed.

¹ <https://portal.minesandsteel.gov.ng>

S/N	Revenue Flows	Responsible Government Entity	Disclosure Responsibility	
			Extractive Companies	Government Entity
1	Annual surface rents (Grounds Rents)		17,897,060	N/A
2	National Inland Water Ways Authority (NIWA)		26,158,000	N/A
3	Pay As You Earn (PAYE)		4,249,764,595	N/A
4	Business Premises		505,000	N/A
5	Development Levy		100,000	N/A
6	Withholding Tax		253,235,212	N/A
7	Property Rates		92,537,198	N/A
	Total		4,640,197,065	

4. Licensing and Concessions process in the Solid Minerals sector

The mining cadastral office established in 2007 in accordance with section 5(1) of the Nigerian minerals and mining Act, 2007², is responsible for the administration of mining licenses in Nigeria. Its establishment was part of the World Bank assisted reforms in the solid minerals sector; objective of the reforms was to encourage transparency and efficiency in the administration of mining titles. Under the Act, the mining cadastral office has specific roles assigned to it in the overall administration of solid minerals titles within Nigeria, such as:

1. Management for mining titles/rights on a "first come, first served" basis
2. Protection of legal rights of domestic and international investors
3. Security of tenure of titles/rights
4. Application of the principle of "use it or lose it" to mining title/rights administration
5. Use of time limits for granting titles

The Nigeria mining cadastral office operates a functional data processing system, where application in the minerals register are processed on first come basis; the guidelines for obtaining the various title/licenses are clearly spelt out in their web site, while application forms can be downloaded from the web portal³ provided. The period it takes to receive an approval from search to submission and award of a license is between thirty to forty five days. The geometric shape used in granting titles/licence is the polygon that should have a minimum dimension referred to as a cadastral unit, also referred to as a square. A license polygon is always made up of a certain number of cadastral units or squares.

² Refer to the minerals & mining Act 2007.

³ <http://www.miningcadastre.gov.ng/additional-documents-and-forms/>

NEITI recommends that the details of the technical and financial parameters used for evaluating license be made public by MCO.

TABLE 1 BELOW SHOWS TYPES OF LICENCES, AND THEIR DURATION AND APPROXIMATE PROCESSING TIME

S/No	Type(s) of Licence	Max size	Max number of cadastral units	Duration	Appr processing time
1	Reconnaissance permit (RP)	Non-exclusive	Non exclusive	1 year (Renewable annually)	Not later than 30 days of filling application
2	Exploration Licence (EL)	200km ²	1000 (20,000 Ha)	3 years (Renewable twice for 2 years each)	Not later than 30 days of filling application
3	Small Scale Mining Lease (SSML)	3km ²	15 (300Ha)	5 years (Renewable for every 5 years)	Not later than 45 days of filling application
4	Mining Lease (ML)	50km ²	250 (5,000 Ha)	25 years (Renewable every 24 years)	Not later than 45 days of filling application
5	Quarry Lease (QL)	5km ²	25 (500 Ha)	5 years (Renewable every 5 years)	Not later than 45 days of filling application

The requirements for application for various mineral titles are as stated below:

Mining Lease

a.) Pre - grant conditions

- * Duly completed application forms
- * Feasibility Report (with COMEG seal and signature)
- * Prospecting plan/reserve estimation
- * Mine Plan/Design
- * Extant Exploration licence

- * Evidence of financial capability with sufficient working capital by

Way of:

1. Verifiable Bank Statement of account
2. Verifiable Bank reference letter
3. Evidence of technical competence/competent person(s) in its employment who possess adequate qualifications and experience in Exploration and Exploitation of minerals and registered with Council of Mining Engineers and Geoscientist (COMEG)
4. Irrevocable consent from land owner(s)/ land occupier(s) with sworn affidavit in support of the consent by the applicant from a competent Court, attesting that the consent was duly obtained from the land owner (s)/land occupiers(s) (Section 100 of NMMA⁴)
5. Attestation of non-conviction of criminal offences under the Act
6. Evidence of payment of processing fees of N50, 000:00, bank Draft in favor of Nigeria Mining Cadastre Office.
7. Certified true copy of Certificate of Incorporation including Forms CAC2 and CAC7, Articles and Memorandum of Association Mineral(s) to be exploited (section 64)
8. Area specified to be surveyed in accordance with provisions of
9. Survey Co-ordination Act (section 79)- (Survey plan to be submitted)
10. Notice to land owner(s) (private or state land) with a response on rate to be paid, (section 102).

Detailed information could be obtained in the web sites⁵

5. License transfers

The extant law makes it an offence to engage in the search for or exploit mineral resources without a valid title. There were seven (7) approved transfers in 2015, as shown in table: 2, also there was a consolidation by Dangote Industries Limited of seven (7) exploration licenses in the year. The guidelines for application and transfers for different mineral titles in Nigeria can be found on the MCO website⁶.

Mineral titles, with the exception of Reconnaissance Permits, are transferable under the Act⁷, subject to the approval of the Minister and registration of the transfer with MCO. Rights arising from a mineral title that are transferable under the Act can be wholly or partially assigned, sub-leased, pledged, mortgaged, charged, hypothecated or subject to any security interest.

The approval of MCO shall not be required for an assignment to an affiliate, where the obligations of the affiliate are guaranteed by the assignor or by a parent company.

⁴ Nigeria mineral and mining Act 2007.

⁵ www.neiti.gov.ng; <http://server.miningcadastre.gov.ng/>
<https://gisportal.minesandsteel.gov.ng/gisportal/home/webmap/viewer.html?useExisting=1>

⁶ <http://www.minesandsteel.gov.ng/wp-content/uploads/2016/10/Guidelines-for-Mineral-Title-Applications.pdf>

⁷ Section 147 of the Minerals and Mining Act, 2007

The MCO has a priority register that contains a record of the dates, time, coordinates and other details of application but the register is not in digital format.

There was no non-trivial deviation observed in both transfers and awards of licenses in 2015 in the solid minerals sector.

Table 2: Mineral Title Transfers In 2015

S/N	TYPE	CODE	TRANSFEROR	TRANSFEEEREE	STATE	LGA	CUS	EFFECTIVE DATE OF TRANSFER	EFFECTIVE DATE	EXPIRY DATE
1	EL	11741	First Premier Mining & Exploration Ltd	Taoshi&Exploration Ltd	Oyo	Sarki East	206	27/07/15	6/11/2011	6/10/2014
2	EL	15171	Microdal technologies ltd.	AAY International mining co ltd	Niger	Borgu	216	22/07/15	31/05/13	30/05/16
3	EL	17745	Jandutse Investment ltd.	AAY International mining co ltd	Taraba	Sardauna	20	2/06/15	22/04/14	21/04/17
4	EL	18531	Geophysical Mining services ltd.	Sino MinMetals Co ltd	Kebbi/Niger	Bagudu/Borgu	578	14/09/15	2/06/14	01/06/17
5	EL	19242	Adudu Farms Nig Ltd	Tawny JV ltd	Nassarawa	Obi	32	5/06/15	02/02/15	02/01/18
6	EL	19459	Kamdax Nig Ltd	Sahelix Undi Minerals ltd	Bauchi	Toro	49	26/11/15	31/08/15	30/08/18
7	SSML	16913	Dinawa Bussiness & mines	West African Polaries Investment ltd.	Zamfara	Gusau	15	18/02/15	23/06/14	22/06/19

Source: Information obtained from MCO

6. Contracts Disclosure

There is no laid down government policy on contract disclosure in the mining sector because Nigeria operates a mining cadaster system for solid mineral sector; it may be the reason why there are no laws covering mining contracts. However Section 116 of the minerals and mining acts 2007⁸ requires the

⁸ www.neiti.gov.ng

mining leaseholder to conclude a Community Development Agreement (CDA) with the host community prior to starting any activity. This Agreement must ensure the transfer of social and economic benefits to the community and must address all or some of the following issues: educational scholarships, training and employment opportunities; financial or other type of support for infrastructure development and maintenance including education, health, community services, roads, water, power; assistance in creating small scale and micro enterprises; agricultural product marketing; methods and procedures for environment and socio-economic management for governance enhancement.

The FOI Act⁹ enacted in 2011, aims to make public records and information more freely available, by providing the public access to public records and information. Also, as part of the governments fight against corruption, the Open Government Partnership, through the Bureau of Public Procurement began pilot implementation of the Nigeria Open Contracting Portal (NOCOPO)¹⁰. The implementation of these reforms in Nigeria will bring to an end the issues surrounding the availability of documents publicly.

7. State Participation

There is no state participation in the solid minerals sector in Nigeria. However, with the return to democratic governance in 1999, the Federal Government of Nigeria initiated comprehensive policies and programmes to ensure that the various natural resources of the country are harnessed for sustained growth and development. In particular, the development of solid minerals was identified as a major sector to aid the diversification of the economy away from oil. Government has set out to create an enabling environment for full involvement of the private sector in multi-sectoral economic development.

Subsequently, the Obasanjo administration (1999 – 2007) constituted a committee to produce a seven-year strategic plan for the development of solid minerals in Nigeria. The report of the committee provided a basic framework to grow the sector, build both infrastructural and human capacity and provide pro-poor strategies for ASM operators.

The government implemented the mining sector reforms from 2005 to 2006. The reforms marked the redefinition of the role of government to that of an administrator-regulator and the acceptance of the private sector as owner/operator.

Government privatized the assets of the Nigerian Mining Corporation and Nigerian Coal Corporation and has no operational stake in any company in the mining sector.

Based on this, the NSWG position is that there is no state participation in mining activities in Nigeria¹¹.

8. Materiality

The companies covered in 2015 audit were those that made Royalty payments, which is the only sector specific payment that is tied to production (in the absence of an updated fiscal regime). Consequently, companies that made royalty payment of three million naira (N3million) and above were covered¹². For reconciliation, the table 3 shows all revenue streams and their % contribution to the total revenue. These flows contributed 98% to the total revenue reported for the sector.

⁹ www.foia.justice.gov.ng

¹⁰ <http://nocopo.bpp.gov.ng>

¹¹ Reference NSWG minutes of meeting

¹² Reference NSWG approval of materiality

Table 3: Analysis of financial flows

FINANCIAL FLOW	CONTRIBUTION (N)	% CONTRIBUTION	RECONCILIATION YES/NO
Value Added Tax	32,846,897,603.60	51.67	YES
Corporate income tax	15,768,791,472.59	24.80	YES
Education Tax	4,465,818,573.21	7.02	YES
Withholding Tax	9,227,030,664.39	14.51	YES
Royalty	1,267,106,025.35	1.99	YES
TOTAL	63,575,644,339.14	100	

9. Data Quality and Assurance

To ensure that data quality from the covered entities were in conformity with the EITI standard, the Independent Auditor took the following steps:

- i. Obtained Audited Financial Statements (AFS) from both Government Agencies and Companies covered in the Audit.
- ii. Obtained a letter of attestation from Companies with AFS stating that, data provided on cash basis is in conformity with their AFS prepared on accrual basis.
- iii. Obtained a letter of attestation from Government Agencies stating that, data provided is in conformity with their AFS prepared on cash basis.
- iv. For government entities without AFS, a letter of attestation signed by senior officer of the organization was considered:

Consequently, for completeness of information, the following measures were adopted:

- During reconciliation, company payments are reconciled against government receipts.
- Representatives of government agencies to sign-off on reconciled positions with each paying entity affirming the correctness of data.
- The data from the companies that have confirmed their records, the AFS was reconciled to the receiving government agency.

This process was adopted to ensure quality assurance on government and company's data.

The government agencies were reconciled, but the FIRS data had an unreconciled difference of N2, 769,037,348.02, this represented 4.42% of the total flows from FIRS. MID unreconciled difference was N268, 139.15 representing 0.02% of the total flow from MID. The unreconciled difference from MCO was N130,000.00 representing 0.1% of the total flow from MCO. Company payments were fully reconciled.

Appendix 4 in the report shows the sign off between the companies, government agencies and IA agreeing with the reconciliation outcome.

10. The contribution of the Extractive sector to the Economy

The Solid minerals sector generated N69, 200,504,762.90 in 2015 out of which Cement manufacturing companies accounted for **60.20%** of the total accruable to the sector or N41, 657,334,683.86. Construction companies accounted for **31.44%** or N21, 756,367,260.85 of the total, while Mining and Quarry accounted for 8.36% or N5, 786,802,818.19. Table 7 highlights this position.

From the government revenue FIRS accounted for **90.45%** or N 62,593,745,344.23, MID accounted for **1.61%** representing N1,111,778,510.98 and MCO accounted for **0.18%** representing N125,647,500.00.

Unilateral disclosures by reporting companies accounted for **6.85%** representing N4, 736,884,784.32 and unilateral disclosures by government agencies accounted for **0.91%** representing N632, 448,623.37.

Table 4: Solid Minerals Contribution by Sector

Contribution by Mining & Quarrying Companies	5,786,802,818.19	8.36
Total from Solid Minerals by Sector	69,200,504,762.90	100.00
Details of sources	Amount (NGN)	%
FIRS	62,593,745,344.23	90.45
MID	1,111,778,510.98	1.61
MCO	125,647,500.00	0.18
Unilateral Disclosure by reporting Companies	4,736,884,784.32	6.85
Unilateral Disclosure by Government Agencies	632,448,623.37	0.91
Total from Solid Minerals	69,200,504,762.90	100.00

11. Contribution to Gross Domestic Product

Based on NBS data total GDP at Current Basic Price was N94, 144,960.45 Million in 2015 while the total contribution to GDP from Solid Minerals in the year was N109, 591.75 million giving a percentage contribution of **0.12%**.

12. Contribution to Employment

There is no record of official estimates of employment in the solid mineral sector in the country for the period¹³. The quarterly labor force population, unemployment rate and number of employed data in Nigeria for 2015 are presented in Table below¹⁴.

Table 5 showing data for Labor force (Q1, 2015 – Q4, 2015)

	Q1	Q2	Q3	Q4
Labor Force Population (Persons)	73,436,104.38	74,010,602.14	75,940,402.00	76,957,923.00
Unemployment Rate (%)	7.54	8.19	9.9	10.44
Employed (thousands)	67,902.55	67,947.12	68,422.30	68,921.82

13. Source: National Bureau for Statistics ¹⁵

Presently, the solid minerals sector is contributing less than the proportion it ought to because the sector is not been given the necessary attention. Specifically, unskilled artisanal small-scale miners presently dominate the sector. Organized mining activities are restricted to a few operators in the sector. However, the 2015 employment statistics for the 42 entities and the comparative figures for 2014 are presented Table 7.

TABLE 6: EMPLOYMENT STATISTICS FOR COMPANIES COVERED BY THE 2015 SOLID MINERALS AUDIT.

Employment Statistics Within Materiality Threshold				
Category of Employees	2015	2014	Absolute Change	% Change
Expatriate	1,842	1,328	514	39
National	4,445	5,047	(602)	(12)
Local	8,748	7,383	1,365	18
Total	15,035	13,758	1,277	9

13. Contribution to Export

Based on NBS data, Nigeria's total export at FOB in 2015 was USD672, 523,202.12 excluding oil and gas related exports while the solid minerals sector accounted for USD9, 732,963.59 (N1, 941,726,218.25) or **1.45%** of the total non-oil export¹⁶.

¹³ NBS was approached for data on employment in the oil and gas sector.

¹⁴ Labor force population covers all persons aged between 15 to 64 years who are willing and able to work regardless of whether they have a job or not. The unemployment rate is measured as a percentage of the total labor force.

¹⁵ <http://nigeria.opendataforafrica.org/NGLBFRSTAT2016/unemployment-underemployment-report-q4-2016?indicator=1000000-labour-force-population>

¹⁶ Appendix 4 of the 2015 solid minerals report.

14. Social expenditures by extractive companies

Social Expenditures as defined by the NSWG are payments/contributions by extractive companies; these contributions can be voluntary or mandatory and can be in cash or in kind depending on individual contracts. This category includes, inter alia: health infrastructure, school infrastructure, road infrastructure, market gardening infrastructure, projects related to the promotion of agriculture and the grants provided to the population and to third party.

The mandatory social expenditures are payments mandated by law, which do not accrue to the Federation but to respective agencies that receive the payments.

No government agencies in the solid minerals sector directly receive these payments because they operate under the cadastre system.

Based on the provision of section 116 of the mining Act, that provides for companies to enter into a community development (CDA) agreement prior to starting their operations, the NSWG considered this and agreed that this should be adjudged a mandatory social expenditure.

The Information regarding social and economic spending by companies as presented in 2015 solid minerals report¹⁷, are not based on mandatory social expenditure but on their voluntarily contribution.

The report could not provide information on in kind payments, which in many instances would be difficult to verify while most of the CDA are signed to cover the life span of the licence, which in most instances are for more than 10 years.

15. Production values

The inconsistency observed in the 2015 report in Table 13 accordingly corrected to reflect the correct figures for FCT and Plateau State values. Table 14 represents the actual production of Minerals and their respective values and Table 15 amended to take into account the other various Minerals not considered. The corrected tables are herewith attached.

Table 7: Solid Minerals Production (Quantity Used/Sold) by States

S/N	State	Total Production Used/Sold	Value of Production Used/Sold	Royalties on Qty Used/Sold	% of Royalty
1	Abia	433,583.49	311,723,380.54	15,500,914.00	1.22
2	Adamawa	21,193.00	18,645,348.48	927,168.00	0.07
3	Akwa-Ibom	409,447.00	158,744,519.10	7,893,810.00	0.62
4	Anambra	133,318.00	105,497,060.00	5,246,000.00	0.41
5	Bauchi	54,971.77	139,551,535.10	6,939,410.00	0.55
6	Bayelsa	75,000.00	30,165,000.00	1,500,000.00	0.12
7	Benue	379,533.16	212,577,983.60	10,570,760.00	0.83
8	Borno	-	-	-	-
9	Cross River	3,120,454.89	2,159,688,966.48	107,393,782.52	8.48

¹⁷ Table 23 in the 2015 solid Minerals report.

10	Delta	1,259,629.55	910,489,460.38	45,275,458.00	3.57
11	Ebonyi	1,381,315.95	968,161,441.24	48,143,284.00	3.80
12	Edo	882,769.22	846,736,482.98	42,105,245.30	3.32
13	Ekiti	130,269.88	144,824,578.20	7,201,620.00	0.57
14	Enugu	16,500.00	6,033,000.00	300,000.00	0.02
15	FCT	2,154,613.37	2,009,590,705.88	99,929,921.03	7.89
16	Gombe	1,190,447.33	1,049,074,849.14	52,166,824.92	4.12
17	Imo	82,084.00	62,542,100.00	3,110,000.00	0.25
18	Jigawa	152,825.30	84,398,995.37	4,196,867.00	0.33
19	Kaduna	265,114.19	143,370,122.45	7,129,295.00	0.56
20	Kano	173,790.56	99,896,344.56	4,967,496.00	0.39
21	Katsina	59,473.72	44,448,049.07	2,210,246.10	0.17
22	Kebbi	21,393.18	34,595,534.65	1,720,315.00	0.14
23	Kogi	8,577,863.36	4,130,208,513.02	205,380,831.08	16.21
24	Kwara	99,824.86	88,384,978.36	4,395,076.00	0.35
25	Lagos	863,298.96	512,041,402.18	25,462,028.95	2.01
26	Nasarawa	278,421.58	158,031,416.49	7,858,349.90	0.62
27	Niger	365,884.77	147,040,991.80	7,311,834.50	0.58
28	Ogun	13,754,245.59	8,359,493,931.33	415,688,410.31	32.81
29	Ondo	542,209.29	568,054,451.43	28,247,362.08	2.23
30	Osun	102,471.02	85,608,270.00	4,257,000.00	0.34
31	Oyo	1,064,531.51	1,127,643,335.52	56,073,761.09	4.43
32	Plateau	109,164.63	234,806,250.34	6,147,221.88	0.49
33	Rivers	197,225.00	92,596,495.00	4,604,500.00	0.36
34	Sokoto	607,043.00	347,444,089.80	17,277,180.00	1.36
35	Taraba	105,135.83	53,117,045.75	2,641,325.00	0.21
36	Yobe	2,666.67	4,022,000.00	200,000.00	0.02
37	Zamfara	146,813.06	143,439,153.85	7,132,727.69	0.56
Total		39,214,526.69	25,592,687,782.09	1,267,106,025.35	100.00

Table 8: Solid Minerals Actual Production for 2015 by Mineral Type

S/N	Mineral	Actual Production (Tons)	Value of Actual Production (NGN)
1	Limestone	21,752,374.53	9,244,759,175.25
2	Gypsum	24,856.15	124,280,750.00
3	Coal	148,027.12	370,067,800.00
4	Granite	9,778,419.79	11,733,659,898.63
5	Kaolin	44,952.40	112,381,000.00
6	Iron Ore	2,040.00	13,260,000.00
7	Lead/Zinc	10,277.13	462,470,850.00
8	Feldspar	26,381.33	79,143,990.00
9	Clay	1,305,324.53	522,129,812.00

10	Sand	2,723,748.93	1,048,643,336.90
11	Shale	1,011,613.12	505,806,560.00
12	Laterite	2,120,315.43	1,060,157,712.84
13	Red-Alluvium	3,273.50	2,618,800.00
14	Marble	25,065.34	75,196,009.80
15	Manganese	3,501.50	35,015,000.00
16	Gold (Ounce)	687.38	109,981,280.00
17	Tourmaline Gram	57,869.50	23,147,800.00
18	Others	175,799.01	69,968,006.67
		39,214,526.69	25,592,687,782.09

Table 9: Comparison of Solid Minerals Used in 2015 and 2014

S/N	Mineral	Total Quantity Used 2015 (Tons)	Total Quantity Used 2014 (Tons)	% Change
1	Clay	1,305,324.53	1,750,718.45	- 25.44
2	Coal	148,027.12	127,466.66	16.13
3	Granite	9,778,419.79	13,274,186.35	- 26.34
4	Laterite	2,120,315.43	3,802,120.27	- 44.23
5	Limestone	21,752,374.53	25,652,279.24	- 15.20
6	Red-Alluvium	3,273.50	80,550.00	- 95.94
7	Sand	2,723,748.93	767,900.05	254.70
8	Shale	1,011,613.12	812,509.59	24.50
18	Others	371,429.75	819,496.97	- 54.68
		39,214,526.69	47,087,227.58	- 16.72

Breakdown of Others	
Marble	25,065.34
Manganese	3,501.50
Kaoline	44,952.40
Iron ore	2,040.00