

FEDERAL REPUBLIC OF NIGERIA

MINISTRY OF MINES AND STEEL DEVELOPMENT MINERAL SECTOR SUPPORT FOR ECONOMIC DIVERSIFICATION PROJECT TERMS OF REFERENCE

Terms of Reference for the engagement of a consultant to assist with identification of revenue leakages, strengthen revenue assessment & collection and develop action plan to combat smuggling.

1.0 INTRODUCTION

The Federal Government of Nigeria has obtained a credit from the International Development Association (IDA) to fund the Mineral Sector Support for Economic Diversification (MinDiver) Project. The project has the following development objectives:

- a. To improve the attractiveness of the Nigerian Mining sector, as a driver for economic diversification, for long-term private sector investment in the exploration and production of minerals.
- b. To create a globally competitive sector capable of contributing to wealth creation, providing jobs and advancing our social and human security.

2.0 BACKGROUND

The Federal Government of Nigeria has embarked on an economic diversification campaign with the aim of leveraging on the Nation's vast natural resources to diversify the economy from the oil and gas sector to achieve economic emancipation.

The sector's growth and contributions to GDP have remained less than ideal, accounting for only about 0.33% in 2015. To address this, the Ministry of Mines and Steel Development (MMSD) recently developed a roadmap for mining growth and development with objectives to deepen sector reforms, attract new investors and collaborate with a wide network of partners and stakeholders to rejuvenate the sector and build a prosperous economy propelled by inflows from the solid minerals sector. The overall objective of the MinDiver Project is to link with the Roadmap and enhance the mining sector's contribution to the economy by strengthening key government institutions, improving information infrastructure and knowledge, and fostering domestic investment in the sector. The Project consists of the following parts:

Part A. Establishing a Strong Foundation for Mining Sector Development

1. Carrying out of a program of activities designed to strengthen the MMSD's capacity for governance and administration of the mining sector;
2. Carrying out of a program of activities designed to strengthen the Nigerian Geological Survey Agency as well as geological knowledge and information infrastructure for the mining sector,
3. Implementing a program of activities designed to strengthen the Recipient's capacity for management of environmental, health and social impacts in the sector

Part B. Facilitating Downstream Sector Development and Enhancing Competitiveness

1. Strengthening administration of the artisanal and small scale mining sub-sector,
2. Implementing a program of activities designed to leverage the mineral sector for regional development
3. Implementing a program of activities designed to enhance value addition to mineral products (including upstream development of industrial minerals and dimension stones domain) in the mining sector,
4. Implementing a program of activities designed to advance proof-of-concept investments and to attract private sector investments

Part C. Project Management and Coordination

1. Strengthening the capacity of the MMSD for implementation, supervision and management of the Project through the provision of goods, consulting services, non-consulting services, operating costs and training for the purpose.
2. Supporting quality control of Project activities and outputs as well as monitoring and evaluation of Project outputs and results.

The key results of the project will include:

- i. Increased availability of precompetitive geo-science data enhancing mineral transactions;
- ii. Institutional information systems integrated with multi-sector planning tools;
- iii. Incentives created for Artisanal and Small-Scale Mining (ASM) formalization;
- iv. Improved environmental and social compliance by mining industry operators

2.0. OBJECTIVE

Revenue from the extractive industries are an essential source of income for developing nations like Nigeria without which they cannot fund their most critical needs. If government lose their potential revenue from the exploration and exploitation of natural resources they lose the capacity to sustainably develop and improve their economy.

In Nigeria currently, ASM operations account for about 90% of the mining activities. However, much of the potential economic benefits of the ASM sector are considered to be lost through inadequate information on production and selling price, smuggling, poor mining practices especially in processing and marketing for the minerals.

These noted challenges, coupled with the absence of the government's monitoring and regulation of the sector, has led to increased loss of revenues, which mostly remain un-quantified.

The activity will help the Federal Government strengthen its processes for revenue assessment and collection in a transparent and accountable manner and help manage public expectations about the sector revenues, whilst supporting the government in addressing mineral smuggling and illegal trading of minerals

The main objective of this consultancy is therefore to;

- (i). Carry out an assessment of the mining sector revenues administration and collection in Nigeria and to review the current interplay between the government agencies with responsibilities in this arena, and related departments charged with administering various forms of mining taxation and regulatory enforcement.
- (ii). Assess the effectiveness and efficiency of current systems to ensure that the mineral revenues currently being collected are in line with legislative requirements and mining contractual agreements.
- (iii). Build and develop a robust and sustainable system that blocks all forms of leakages in the revenue accruals, with a view to prompt, accurate, comprehensive and efficient collection of revenue in order to strengthen the administrative system and transparency of revenue assessment.

The scope of the review will include determining the adequacy of: current administrative procedures; financial and physical controls and related documentation; supporting information systems; skills inventories; and the general level of resourcing of revenue collection functions. Appropriate and practical strategies to address administrative gaps and ineffective/inefficient practices identified during the review will be recommended for future implementation, through an action plan of short, medium and long-term measures included in the final report.

3.0 SCOPE OF SERVICE

To achieve the core objectives of this assignment, the consultant will develop a work plan to ensure the completion of the tasks listed below in a manner consistent with the international best practice and in collaboration with the World Bank Governance & Macroeconomics & Fiscal Management teams, as well as the International Monetary Fund-Fiscal Affairs Department. In addition, it will involve enhancing collaborations between the MSMD, and other relevant Ministries, Departments and Agencies

- i.** Carry out a comprehensive study on royalties and fees derivable from exploration and extraction of mineral resources in the country, then build and develop a robust and sustainable system to checkmate general under-assessment. This will involve identifying revenue leakages, (i.e. under-declaration of mineral production and mineral content, poor collection infrastructure, weak enforcement, smuggling, transfer mis-pricing of imported inputs and mineral exports which encourages illicit financial outflows, mis-statement due to inter-company sales between the parent company and its local subsidiary or due to incorrect price of the commodity, unethical activities of ASM) leading to under-payment of mining taxes and revenues and support the government in strengthening the administrative system and oversight revenue assessment and collection.
- ii.** Formulate a comprehensive/integrated plan to increased revenue generation from mining and related activities in the Sector by analyzing the gaps in the current mining value chain information disclosure to improve mining revenue transparency and accountability,
- iii.** Establish the levels of revenue disclosure in the mining sector and assess the accessibility of mineral revenue data.
- iv.** Evaluate the NEITI (2011-2015) report to access gaps in revenue accruable to Government and develop a sustainable and workable process that will strengthen the administrative and oversight of the whole system of revenue generation, assessment and collection.
- v.** Review the current interplay between government MDA's with responsibilities for administering existing forms of mining taxation.
- vi.** Review and provide commentary on the recent MMSD initiative "Revenue Optimization and Verification Project", in order to integrate findings and devise a mechanism for a sustainable and transparent revenue collection system.
- vii.** Assess the competitiveness of the Nigerian fiscal regime with emphasis on royalties and fees payable in the Nigeria Mining sector and the sub region.
- viii.** Develop a sustainable Treasury Single Account (TSA) compliant framework for the effective and efficient collection of revenue from the mining activities, develop systems and layers of internal control from assessment of royalties payable, collection, and overall blocking of revenue leakages accruable to the Federation Account.

- ix.** Develop a data bank for the purpose of facilitating the realistic and transparent and comprehensive valuation of royalties and fees payable by Mining Companies, small-scale enterprises and artisans engaged in mining.
- x.** Develop a system to improve revenue collection in a transparent and accountable manner through recording, remittances of receipt, reconciliation and accounting for revenue collection from the fields in line with standard practice and International Public Sector Accounting Standards (IPSAS) on accounting for Royalties and fees from mining activities.
- xi.** Design and implement a system for revenue modelling, forecasting and planning
- xii.** Provide Capacity building for the implementing MDAs (e.g. Mines Inspectorate and Federal Inland Revenue Services (FIRS) of the proposed process that will ensure effectiveness in the whole system of management of revenue collection.
- xiii.** Review of the recommended process to ensure strict compliance and in conformity with the roadmap on the strategy and guidelines to be adopted for the attainment of the overall objective of the Sector as a huge contributor to the Federation Account, testing the workability and efficiency of the system adopted.

4.0 REQUIRED QUALIFICATIONS AND EXPERIENCE

The consultancy firm's team shall have all the necessary expertise required to complete the assignment as specified within the terms of reference

The Lead Consultant in the team should possess a degree in Finance or Accounting with at least 15 years of cognate experience in mineral resource revenue administration and collection. The possession of a Chartered Professional Qualification is an added advantage.

Senior people under the Lead Consultant should have a minimum of 10 years of relevant experience in the areas where they will have the lead.

The consultancy firm must have worked for World Bank assisted projects or similar Multilateral Institution environment such as ADB or similar organizations in the last 8-10 years. Interpersonal skills will be essential, including the ability to engage with policy and senior level representatives of Government.

5.0 REMUNERATION AND PAYMENT TERMS

Remuneration of the Consultant is attractive and commensurate with those offered by International bodies for similar assignments. The assignment will be based in Abuja. However, the Consultant will also be reimbursed for operational expenses such as travel, accommodation, and telephone incurred while carrying out this assignment and in line with World Bank guidelines and procedures. Before reimbursement can be made, the Advisor will need to submit a statement of expenses supported by valid documentation. The successful Consultant would be paid a lump sum amount, on monthly basis, in

accordance with an agreed schedule of deliverables, on the agreed rate of professional fee and reimbursable expenses, subject to satisfactory performance, timely receipt and approval of deliverables.

6.0 DURATION OF SERVICE

It is expected that service of the Consultant is required for a period of nine (9) months and could be extended subject to requirement and satisfactory performance of the firm and based on necessity

7.0 OUTPUT

The Consultant will produce the following reports

- i. **An Inception report** - The inception report is to outline the work plan of the consultant, define its tasks and the planned implementation periods and schedules, identify target submission dates of reports, on each task. Particular attention will be given towards the planned coordination within other teams and preparation of a detailed schedule of tasks in chart form. The inception report once approved and issued in its final form, will serve as the consultancy's baseline for the management and monitoring of the tasks.
- ii. **A monthly progress report** - The Consultant shall prepare consolidated Monthly Progress Reports covering progress towards achieving the objectives in this ToR as well as identified areas of weaknesses and strategies for improvement. The reports shall provide a brief but comprehensive end-of-month progress assessment. These reports shall be submitted within the first week of the succeeding month. The report will be assessed and appraised by the implementing Ministry.
- iii. **Specific Reports**, to meet the reporting requirements for tasks set out in the numbered subject areas of all the phases of the scope of work. Such advisory reports to be prepared following duly considered review and assessment and in line with schedule set out in the Inception Report. These reports will be assessed and appraised by the BPE/MMSD.
- iv. **A Draft Final Report** within the first week of the last month of the assignment
- v. **A Final Report** within the last week of the assignment

All Reports Shall Be in English and Presented in Hard and Soft Copies for review and approval by the Project Co-coordinator.

THE ADVISOR WILL SIGN A CONFIDENTIALITY and NON-DISCLOSURE AGREEMENT WITH THE PIU (Project Coordinator overseen by the World Bank). Noncompliance will subject to legal penalties not inferior to the Full Cost of the Contract.

NO FINAL PAYMENT WILL BE MADE UNTIL QA/QC HAS BEEN PASSED.

8.0 SELECTION METHOD.

The consultant will be selected through Quality and Cost Based selection method.