



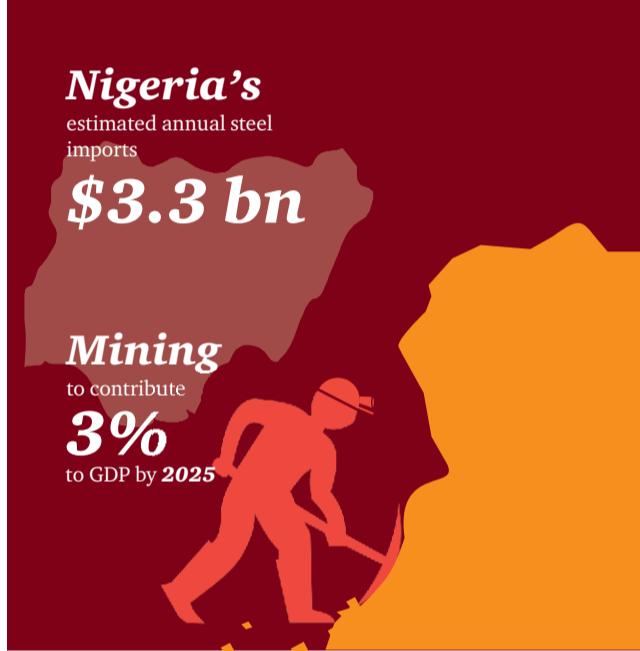
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Africa's next mining territory - Seizing the opportunity.

A review of key developments in the Nigeria's mining and minerals sector

Introduction

Nigeria may not readily be described as an important mining hub yet. In 2015, the contribution of the sector to Nigeria's GDP averaged only about 0.33%. But it has the potential to contribute much more. Historically, between 1960 and 1970s, the sector contributed about 4-5% to GDP. This is a reflection of the country's rich solid mineral endowments, including high-value metallic minerals, industrial minerals, and energy minerals. Most of these remain largely untapped. The sector is underdeveloped with a lot of the mining activity currently being done at a small scale level.



Furthermore, the Nigerian mining sector ecosystem needs to align itself with the recent world trend, especially around futuristic demand for various mineral resources. As west Africa and the entire African continent continues to push towards industrialization and urbanization, the demand for iron and steel, bitumen, lime stone and cement, just to mention a few will continue to be on the rise. Except for Limestone and cement, Nigeria is yet to position itself to take advantage of the available market in Africa and Globally despite impressive show of deposits of some selected minerals in their green state. This should be a key area for Government and private sector focus. The Nigerian mining eco system needs to switch from a reactive approach to a proactive and innovative approach in the development of the industry. The expected global boom in electric cars within the next decade, one belt one road driving the new silk road initiative from China with over \$900 billion plan, are just a few of global trends that will shape the future of our planet. These and many other events will require significant supply of mineral resources and materials like lithium, Graphite, Nickel, Iron and Steel and a host of others. Nigeria is yet to demonstrate her participatory interest in the global mining market.

Major challenges in the sector range from insufficient infrastructure to policy uncertainty and in some instances, regulatory conflicts. Others include, a weak mechanism for gathering, disseminating and archiving critical geological data required by investors and policy makers and the preponderance of informal or illegal mining activities with attendant environmental impacts. There is also the challenge around access to finance and the overall unfavorable business environment much of which had remained so because of the rather poor focus and policy inconsistency by successive governments.

Despite these challenges, the Nigerian Government is making giant strides towards diversifying the economy and

mining is critical to this ambition. There are clear efforts on the part of government to make the sector more attractive for investment by putting in place clear regulatory policies and operationalizing hitherto existing ones. The times are right too as there is a remarkable shift in thinking among policy makers towards other sources of revenue for government besides oil & gas, and the solid minerals sector is one such which has seen efforts made in the following critical areas.



Sourcing funds and attracting Investments to the sector

As part of efforts to establish a governance and financial structure and attract more investment for the sector, the Nigerian Presidency in May 2017 approved the reconstitution of the Board of the Solid Minerals Development Fund (SMDF).

The SMDF is in adherence with the Nigerian Minerals and Mining Act, 2007, and is mandated to intervene in the governance and availability of funds for the sector. Key to the responsibilities of the SMDF includes provision of funds for geo-scientific data gathering storage and retrieval, equipping the mining institutions to enable them perform their statutory functions, funding for the extension services of small scale and artisanal mining operators and provision of relevant infrastructure for the mining industry.

The success of the SMDF will depend on its ability to run as a strictly private sector driven fund not encumbered by government influences. It needs to be driven for value creation with experienced and well trained fund managers.

Furthermore, the Federal Government also approved a N30bn (approximately \$100 million) Mining Intervention Fund, a significant proportion of which is to be used in geo data gathering which has been identified as a major barrier to investments in the sector. The amount is really not sufficient for multiple data gathering projects, and might be required to be focused on one selected mineral.



A new roadmap

Given a series of pragmatic steps taken so far by the Ministry of Mines and Steel Development to redefine the policy and regulatory framework for the sector, the federal government has demonstrated its commitment to doing what is necessary to develop the sector. A significant first step was the launch in 2016 of a new roadmap for the sector which targets to actualize shared mining prosperity for all stakeholders. Within the roadmap, the government commits to grow the contribution of mining to the GDP to about 3% by 2025. The roadmap identified seven (7) strategic minerals of commercial quantity to be accorded priority including coal, limestone, lead/zinc, bitumen, barite, gold and iron ore. Following this, we have seen the constitution of the Mining Implementation and Strategy Team (MIST) whose duty is to co-ordinate the implementation of the roadmap and program manage its execution.



A Strategic focus on Bitumen and Steel

While Bitumen is mined as a petroleum product in other parts of the world, in Nigeria, its development is under the control of the ministry of mines and steel development. The Nigerian bitumen belt spans across Ogun, Ondo, Lagos and Edo States of Nigeria. Despite this endowment, about 80 per cent of asphaltic materials used for road construction in the country is still being imported. Critical to the development

of the resource is the need for the gathering of quality data to support the current efforts of the Federal Government in positioning Nigeria as a major player in the regional and global bitumen market especially for asphalt supply.

More so, there are ongoing efforts to revive iron and steel development in the country especially around untangling the massive Ajaokuta Steel Company built in 1979 from the various administrative and legal issues that has held it back over the years, and reposition it to meet the steel needs of this economy which is estimated at spends of about \$3.3 billion of steel imports every year.



Increased state government participation

We are also beginning to see better collaboration between the Federal Government and the States in the development of the sector. The payments of the 13% derivation from national solid minerals revenues to the states by the federal government has provided an opportunity and an incentive for states with various minerals deposits to increase their allocation from the federation. States are also increasingly participating in the actual mining activity by setting up special purpose vehicles, or entering into joint ventures with renowned operators to invest in the exploration of specific minerals. In addition to their equity investment in such projects, the state governments provide an enabling environment for such investors, providing infrastructure such as access road to the mining sites and also ensuring better security for the mining operations.



Curbing Illegal mining activities

There has also been some effort to tackle the issue of illegal mining through the establishment of the Mines Police Division as well as the emergence of the Joint Task Force on Mines surveillance including officers of the Police and the Nigeria Security and Civil Defence Corps (NSCDC) working closely with all the state mines offices to put an end to criminal activities in the mines and ensure safety of lives and investments including compliance with laid down procedures and environmental standard requirements. Unfortunately, solving the menace of illegal mining in Nigeria also requires efforts by the international community in stifling illegal sale cartels majorly driven by foreign interest.



Seizing the Opportunity

A comprehensive policy agenda for Nigeria's minerals and mining sector is planned to be unveiled soon and that will further set the tune for investments in the sector. Already, there are a number of incentives that have been put in place for players interested in investing in the sector. Incentives like three-year tax holiday for new mining companies which may be extended for one further period of two years. Mining operators are also granted exemption from payment of customs and import duties in respect of plant, machinery, equipment and accessories imported specifically and exclusively for mining operations. Other incentives include deferred royalty payments, possible capitalization of expenditure on exploration and surveys and extension of infrastructure such as roads and electricity to mining sites by government. There is also provision of 100% foreign ownership of mining concerns. Nigeria needs to do a lot more in promoting the mining industry to the global audience.

With high expectations and willingness among key stakeholders to collaborate in driving this growth, there is no better time to invest in unlocking the mining potential of Nigeria than now.