There is no doubt that the new administration is confronted with a huge financial burden partly caused by the reduced federation revenues which have been largely sourced from proceeds of crude oil sales.

The reduction in global crude oil prices is not expected to reverse at least in the short run, thus the need to diversify the economy towards improving other sources of revenue. One key sector which offers great potential in achieving this is the solid minerals sector.

The solid minerals sector had been targeted by the previous administration to contribute 5% to GDP by 2015 and 10% to GDP by 2020. Current contribution of the solid minerals sector to GDP averages about 0.46%.

To reverse this trend and initiate appreciable growth in the sector, the following are the quick wins the new administration should explore.

Urgent geo-science data gathering to further support the airborne geophysical survey already carried out

One of the major challenges experienced by miners in raising funds is the ability to establish a worthy collateral for the intending financiers. The previous government had achieved 100% aerial geo-physical survey of the country, with data existing at the ministry of mines and steel development for would be miners. However, this does not provide reliable details of the estimated quantity of the nation’s solid minerals which can only be achieved by more detailed geo-science data gathering.

Funding challenges have been identified as the reason for the inability to embark on detailed geo-science data gathering. Existing licenses are worth just the mineral titles without any reliable information on estimated quantity. Mining licenses in Nigeria cannot be used as collateral for loans, as done in other global mining hubs.

There is an urgent requirement for detailed geo-science data gathering to be done, so as to assign value to these licenses. The government can achieve this by employing either or all of the following:

1. Government investment in geo-science data gathering, recouping invested costs and margins from sale of licenses. In this case, the government can fund data gathering by employing professionals, and pricing the mining licenses according to the estimated quantity delineated, and mineral type involved. Intending miners will be willing to purchase an expensive license if it can be used as collateral for loans.

2. Private companies specializing in data gathering can be licensed to perform the geo-science data gathering, and be given exclusive right over data gathered. Access to data gathered can then be for a fee, through which the company generates revenue.
Intending miners can get access to data for a fee, and be more informed about the license being acquired.

The strategy outlined above will spur cash injection into the sector, as financiers will be willing to inject funds with comfort of licenses being valid collateral.

**Mining and power development**

Another quick win for the new administration is to urgently establish a platform for collaboration on initiatives whereby the development of one sector acts as catalyst for the development of another.

The current Power development drive and resultant privatization embarked upon by the government cannot be done without considering other sectors that the power industry would rely on for the expected growth.

According to the roadmap for the power sector reform, the federal government intends to develop commercial power generation through focus on hydro, coal and natural gas.

The roadmap for the development of the solid minerals sector further projects a 30% contribution by coal to the nation’s power generating capacity.

The support for coal mining has so far been to the extent of coal required as feed stock for the proposed coal fired power plants. However there is need to take a holistic view towards commercial exploitation of coal for varied purposes including export.

Furthermore, we see this initiative being entirely championed by the Power Sector, without adequate involvement of the Ministry of Mines and Steel Development.

This is currently contributing to the slow pace experienced in coal mining, as the required plants to generate power through coal are yet to be constructed.

Coal mining should be developed for commercial export and foreign exchange. Supply of coal for the power sector should be a part purpose for the coal mining industry, and not the sole purpose.

**Security**

The very recent achievements by the previous administration in terms of security, especially efforts against terrorism, should be sustained.

The north central, north-east and north west regions are known to have some of the country’s major mineral deposits. Due to the persistent plague of terrorism and tribal conflicts, mining activity in these areas has slackened.

Furthermore, foreign entrants into the mining sector have been discouraged due to lack of security in these areas.

A final end to terrorism in these regions, and other major areas in the country will encourage an increase in mining activities.

**Policy on artisanal mining**

Nigeria is recorded to have less than 0.5% of GDP from mining of solid minerals. However, this figure is solely from the formal mining sector. The artisanal mining sector is largely...
informal and is fraught with the use of crude equipment and extremely dangerous working practices. It is estimated that about 80% to 85% of current mining activities in Nigeria is via artisanal and small scale mining. Furthermore, the sales channel is largely unofficial, and embedded with smuggling and distribution cartels leading to:

- Loss of revenue from taxes
- Loss of revenue from royalties
- Exposure of miners to uncontrolled risks
- Uncontrolled and non-systematic evacuation, resulting in environmental degradation, erosion and excessive pollution, amongst other negative effects

There is an urgent need to formalize the artisanal and small scale mining by formulating policies aimed at achieving the following:

- Integration of informal artisanal miners into the formal mining sector
- Training and equipment supply
- Funding
- Possible absorption by bigger companies
- Enlightenment on safe mining practices
- Provision of equipment

**Facilitate the establishment of Mineral Buying Centers and lapidaries**

The absence of solid mineral buying centers and lapidaries has enabled the flourishing of illegal sale cartels out of the country, with resultant loss of solid minerals revenue from taxes and royalties.

As a matter of urgency, the government should establish various mineral buying centers and lapidaries across the relevant zones in the country. This will encourage the artisanal miners to sell minerals in-country, and production can be monitored for taxes and royalty collection.

**Encourage the “one local government, one mineral prospect” of the past administration**

The government can achieve this by:

- Encouraging each state to invest in domiciled solid mineral(s) either as sole investor or in collaboration with private investors, with revenues accruing entirely to the state, and taxes and royalties accruing to the FG
- Applying the derivation formula used in the oil and gas industry in sharing the tax and royalty revenues accruing from the development of the solid minerals sector.

**Establishment of a solid mineral development bank**

The development of the solid minerals sector is hampered by the lack of adequate funding to cater for the different stages of the life cycle of a typical mining operation. Before returns can be generated from a mining operation, the activities need to go through the 5 stages of exploration – development – mining – processing – marketing, a cycle which takes between 2 to 10 years or more. Most mines in Nigeria are typically green fields (in the exploratory phase), thus not necessarily attractive for funding by the traditional commercial banks.

Establishment of a solid mineral development bank will provide investor friendly loans, specifically designed to cater for the various stages of the mining life cycle. These will have interest rates and repayment terms specifically designed around the mining life cycle, making funding more accessible to miners, and repayment terms more reflective of the realities in the mining industry.

Furthermore, the government can provide special incentives for solid mineral development banks, or commercial banks having special packages for the solid mineral sector.

**Consolidation of gains achieved by previous governments, including continuation and completion of projects already embarked upon**

The previous administrations made lots of strides in the development of the solid minerals sector. Some of the major achievements include:

- Establishment of the Nigerian Mining Cadastre office,
- Road map for the development of the sector,
- Airborne geophysical survey of the entire country,
- Waiver of customs and import duties for plant, machinery and equipment imported for mining operations,
- Three to five year tax holiday as applicable,
- Free transferability of funds and permission to retain and use earned foreign exchange,
- Competitive tax rate,
- 100% foreign ownership

One major hindrance to development is the total neglect by a new government of the achievements and ongoing projects already initiated by the outgoing government.
Development in the solid mineral sector needs to be seamless and continuous. All projects embarked upon by the previous administration need to be evaluated and concluded, while planning for the commencement of others.

The current administration needs to:

- Further strengthen the Mining Cadastre office through funding and training;
- Complete the planned privatization of the Ajaokuta steel rolling plant;
- Conduct the bitumen licensing round;
- Complete the rehabilitation of National Iron Ore Mining Company;
- Complete the structuring of a legal and regulatory framework for the steel sector; amongst other current projects being run by the previous administration.

Re-establishing the milestones of the roadmap for the development of the solid minerals and metals sector

The new administration needs to re-establish the milestones for the roadmap and take necessary action to ensure achievement of the set goals. The current roadmap appears to have been treated as a theoretical exercise by either not setting realistic targets or not working to achieve them. The following are some of the major milestones set by the road map:

- Increasing the sector’s contribution to the nation’s GDP from the current 0.4% to at least 5% by the year 2015, and 10% by 2020.
- Creating about 3 million direct and indirect jobs by 2015.
- Facilitating the production of coal needed to fire coal-fired power plants that would contribute 30% of the nation’s power generation by 2020. (Expected collaboration between the Ministries of Power, and mines and steel, to facilitate the achievement of this milestone, does not currently exist)
- Revitalise the entire steel sector for the operation and production of 3 million tonnes of liquid steel per annum by 2015 and 12.2 million tonnes of liquid steel per annum by 2020
- Becoming a major regional and global producer of aluminium and steel products with target of 100,000 tonnes per year of primary aluminium and 3 million tonnes per year of steel products by the year 2015.
- Achieving enhanced capacity to supply 50% of the skilled manpower required for all segments of the mineral and metals sector
- Producing geological maps on a scale of 1:100,000 covering the entire nation by 2020. ( Needs to be strictly monitored)

There is an urgent need to diversify the Nigerian economy. A developed solid minerals sector can generate as much revenues as currently being generated from crude oil if adequate attention is paid to its development. These quick wins are a good way to continue the drive.

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