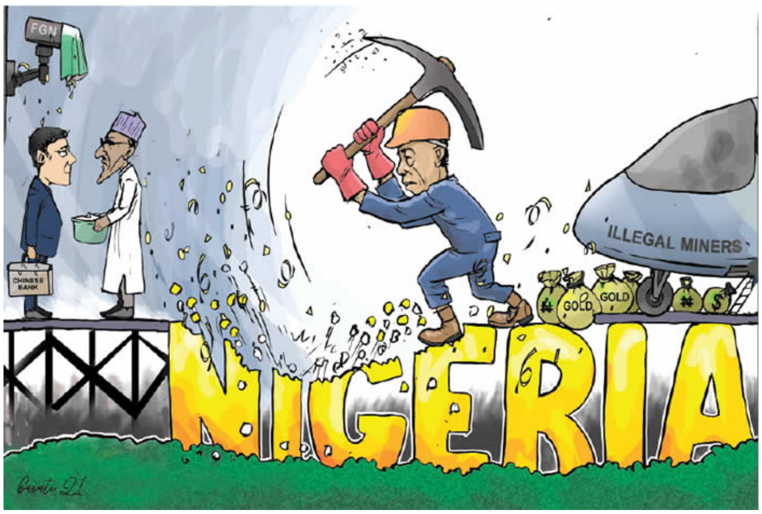
Illegal gold mining: Foreigners steal Nigeria's wealth amid dwindling revenue, mounting debts



Illegal gold mining has become routine in Nigeria and both compatriots and foreigners are neck-deep in stealing the country's highly valued mineral, yet Nigeria wallows in foreign debts, TUNDE AJAJA writes

The dark of the night was gradually yielding dominance to the first light of dawn when 75-year-old Yemi Oluwole, a pensioner, took a spot on his veranda.

He sat quietly on a sofa, watching forlornly as the youthful strangers, armed with hand diggers, shovels and buckets hung on their shoulders, stumped along the dusty road that snaked through his frontage to the sites they have forcefully taken and converted to gold mining fields in his Itagunmodi village in Osun State.

Oluwole's expansive farm is one of the hijacked sites, and according to him, the once quiet community has since lost its tranquility to the invasion by the armed artisanal miners, comprising persons from different parts of the country and foreigners alike, including Chinese, Malians and Nigerien nationals.

"Those boys have violated our land and it's so bad that our traditional ruler was kidnapped and beaten by the criminals before he could escape, yet the government folds its hands and watches them steal our assets," said Oluwole, who retired into farming about 15 years ago.

"When I retired as a civil servant in a ministry in Osogbo, I went into farming to feed my family because my meagre monthly pension is irregular, yet I have a family to feed. But everything has gone now; the miners have turned our farms to mining fields," the distressed septuagenarian added in an interview with our correspondent.

Oluwole is not the only person affected by the illegal mining, many others in the community and similar ones have lost their land and livelihoods to the miners.

Meanwhile, the inability to pay pensioners promptly is one of the state's economic challenges, despite its enviable gold deposit. The state, like many others endowed with solid minerals, has been enmeshed in huge debts.

As of June 30, 2021, records from the Debt Management Office showed that the Osun State owed N133.36bn in domestic debt while in external debt, it owed $90.38m as of June 30, 2020.

About two months ago, the state governor, Adegboyega Oyetola, disclosed that the state had no money to finance infrastructure and his administration had to prioritise payment of salaries and pensions. Sadly, the latter has not even been paid up to date. Yet, migrants are stealing the state's treasure that, ordinarily, should potentially turn its fortune around.

Globally, gold is a treasured, high-priced mineral. In the international market, an ounce of gold, as of Thursday, was about $1,806. According to the 2016 Mining Growth Roadmap by the Ministry of Mines and Steel Development, Nigeria has an untapped 200 million ounces of gold, scattered across about 13 states, Osun inclusive. The Vice-President, Prof Yemi Osinbajo, affirmed this figure at a forum in June 2020.

Thus, gold alone could fetch Nigeria trillions in dollars, even when the cost of production is deducted.

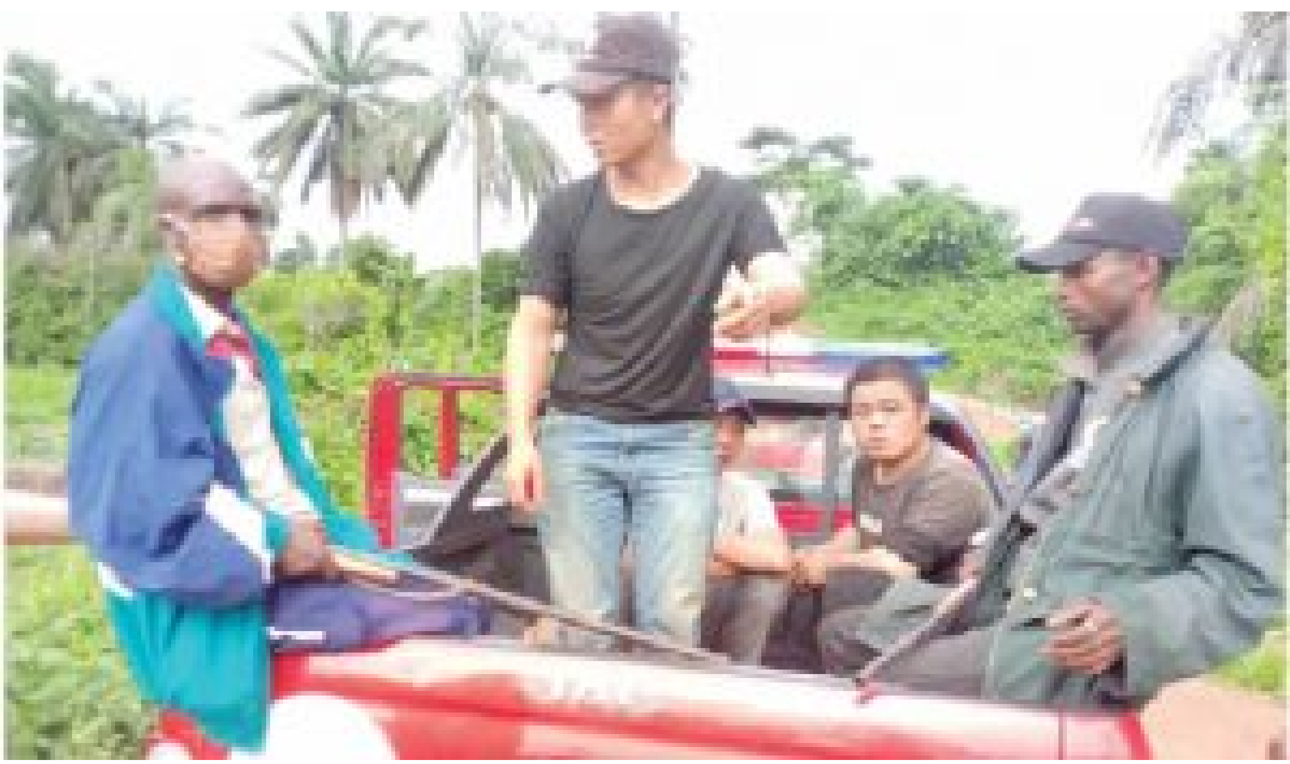
But for years, government abandoned it and other solid minerals, making it an all-comers affair for illegal and artisanal miners who remit almost nothing to it, while the country battles incredibly low revenue, compelling it to unashamedly borrow nonstop, to the tune of N35tn at the moment with plans to borrow even more –about N6.2tn in 2o22 to finance the budget.

The International Monetary Fund, the Minister of Finance, Zainab Ahmed and the Chairman of Economic Advisory Council, Dr Doyin Salami, stressed at various times that Nigeria was facing revenue problems. Beyond the revenue loss, illegal mining has caused severe environmental degradation; farmers have been abruptly sent packing from their farms; their water, like the Osun River, polluted, and life made difficult for the dwellers.

Illegal mining, a national embarrassment

From Itagunmodi to Igun, Iyere, Igila and other poor, gold-bearing communities in Osun State and Kwali, Daki Takwas, Zugu, Wawan Icce, Yan Kaura and other gold-bearing communities in Zamfara State, and some other states, illegal mining is rife and appears to have come to stay.

The President, Major General Muhammadu Buhari (retd.), the Minister of Mines and Steel Development, Olamilekan Adegbite, Governors Oyetola of Osun State and Bello Matawalle of Zamfara State and others have condemned the prevalence it and the involvement of foreigners but nothing changed.



Illegal miners arrested by Amoteun operatives in Osun State

In addition to those who do it for survival and other economic considerations, some of the miners were believed to be working for top monarchs and government officials, while some security agents protect them on the mining fields. The Oluwo of Iwo in Osun State, Oba Abdulrosheed Akanbi, blamed politicians and traditional rulers as the sponsors of the miners.

To solve the problem, the President in October 2020 set up a mining police, comprising the Inspector-General of Police, Chief of Army Staff, National Security Adviser and others, but one year after, the illicit act continued unabated.

Even when the President banned mining activities in Zamfara State and declared the state as “no fly zone” due to worsening insecurity, the illegal miners simply relocated to Osun State to continue their illegal activity.

Instructively, after the ban, two Chinese were arrested for illegal mining. Adegbite later revealed that the miners were working for “Nigerians in high positions of authority” who were mounting pressure on the government to release them.

So far, hundreds of illegal gold miners have been arrested, including some Chinese nationals, but the activity festers like a bad sore.

On May 4, 2020 alone, 17 Chinese, 10 locals and one community leader were arrested in Ilesa and Ife areas by the Amotekun corps.

“The Chinese are the main culprits. Taking gold out of Nigeria illegally is economic sabotage because if you look at the quantum, the value is huge,” he added.

With the huge revenue the country was losing, Minister of State in the Ministry of Mines and Steel Development, Uche Ogah, advocated capital punishment for the culprits. He lamented that private jet owners were aiding gold smuggling.

Sadly, despite the volume of activities on the mining fields and the increasing number of miners, the revenue from the sector has remained a paltry sum. Between January and August 2021, the finance minister revealed that Nigeria earned only N2.44bn as minerals and mining revenue, which is less than one per cent of the N754.16bn received as oil revenue within the same period.

Similarly, in 2019, the Nigeria Extractive Industries Transparency Initiative said in its report that royalties received from 39 minerals was N2.50bn, with limestone contributing 37.68 per cent, granite 31.31 per cent and gold 0.26 per cent, despite the volume of mining activities by illegal miners.

The Federal Government revealed that the country loses $9bn to illegal mining annually, with the little revenue in the sector coming from the three per cent royalty paid by the few licensed miners.

Why artisanal miners and not big investors dominate

Findings by our correspondent revealed that the dearth of licensed investors in the sector is largely due to the absence of a gold policy and lack of detailed geoscience data that could promote the country's resource potential, drive investment and help investors make informed decisions.

While many countries, including Ghana, South Africa, Botswana, Democratic Republic of Congo, Guinea Bissau and Asian countries like China and European countries like Russia, have attracted big investors to mine their gold and generating sizeable revenue from the value chain, Nigeria only begun the process of coming up with the all-important geoscience data few years ago.

The Director-General of the Nigerian Geological Survey Agency, the agency saddled with the responsibility of generating the geoscience data, Dr Abdulrazaq Garba, affirmed that the absence of the data had made the sector unattractive to big investors. He however pointed out that the National Integrated Mineral Exploration Project, anchored by the ministry and the agency, was among other things focusing on generating the data.

He told our correspondent in an interview, "You asked why investors are not coming? It is because we didn't generate our geoscience data in the acceptable format, which is why there is a proliferation of artisanal mining and not the big mining companies. If you don't have the data, you won't attract attention. That is essentially what NIMEP is working on providing and our people are on the field already.

"It is an expensive venture but President Buhari is committed to it. If we had started this 10 to 15 years ago, we would have passed this stage and in this time of scarce resources, revenue from that sector would have complemented our revenue, but we depended so much on oil. However, it's good we are doing it now.

"Saudi Arabia mines lead, gold and others today because they invested so much of their oil revenue in developing other mineral types. So, if other countries can do it, why can't Nigeria?"

Garba noted that the ongoing process had also helped to discover new minerals. "For example, somewhere close to the FCT, we were working on gold when we discovered that we have high concentration of wolframite which is used in toughening steel," he added.

He said if the mineral was found in economic quantity, it would be helpful when Ajaokuta Steel Company starts operations and it could be exported.

In addition to the geoscience data, NEITI urged the government to expedite action on the proposed national gold policy to arrest further revenue loss and return sanity to the gold mining environment to make it attractive to world class investors.

Also, The Vice Chairman, Kian Smith Trade & Co., Ms Nere Teriba, stated that with its huge potential, Nigeria needed a gold policy, adding, “The policy for mining is there and it’s fine. If there is any issue with it, maybe it’s enforcement. The biggest focus for the government should first be the policy for gold.”

Nigeria’s enviable mineral occurrences

Nigeria is blessed with many minerals, in addition to limestone, crude and a few others that are already being exploited. Garba revealed that there are about 44 mineral types in 450 locations across the 774 local governments, adding that until their economic quantity was ascertained, they should be regarded as occurrences rather than deposits, even though they have potential for development.

Garba said Nigeria has “very vast” gold with occurrences in Niger, Osun, Kebbi, Kaduna, Kogi, Kwara, Zamfara, Katsina, Kano, Nasarawa and Bauchi states and the Federal Capital Territory, while Wolframite has occurrences in Kaduna, Kano, Bauchi, Niger, Kwara, Zamfara and Nasarawa states same way Lithium has “vast” occurrences and could be found in Nasarawa, Kwara, Kaduna, Niger and Zamfara states.

In Ebonyi, Zamfara, Plateau states, some parts of Benue State and the FCT, there is silver, while Copper associated with minerals like lead could be found in Bauchi, Zamfara, FCT and parts of Nasarawa State.

He added, “We also have platinum group elements, cobalt and graphite and from our geophysical investigation, the quality of the graphite we have is good.”

NEITI also added that minerals occurrences in Nigeria include granite aggregate, Laterite, Coal, Shale, Columbite, Tin Ore, Gypsum, Feldspar, Marble, Dolomite, Tantalite, Kaoline, Fluorite, QUARTZ, Basalt, Talc, Manganese, Barites, Zircon, and precious stones like Tourmaline, Topaz, Sapphire, Amethyst and Garnet.

Suffering amidst plenty

Meanwhile, despite being rich in these high-valued minerals, Nigeria has not only left them in the hands of illegal miners, it also spends its limited forex to import some of the minerals.

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"That is the irony of Nigeria; it imports what it has in abundance and leaves its own resources untapped," said Dr Akinwumi Adesina, the President of the African Development Bank in his virtual address at the inauguration of Rotimi Akeredolu as governor of Ondo State in February 2021.

For example, Nigeria has huge bitumen deposit – the largest in Africa and one of the largest in the world, but the Minister of Works and Housing, Babatunde Fashola, revealed that government spends millions of dollars to import 500,000 metric tonnes of bitumen for road construction annually.

Adesina noted in the address, "The total value of bitumen reserves in Nigeria could be worth up to $1.5tn, with an estimated 16 billion barrels in Ondo State. The potential state wealth from bitumen alone could be worth $657bn. The paradox however is that Nigeria spends over N300bn importing bitumen."

PricewaterhouseCooper's Fiscal Policy Partner and Africa Tax Leader, Mr Taiwo Oyedele, also wondered why the country's fortunes dwindled despite being blessed with abundance of natural resources, including various solid minerals which remain largely untapped.

A professor of Applied Geology, Idowu Odeyemi, told our correspondent that Nigeria would only derive benefits from its solid minerals through regulation, honest leadership and proper handling of things.

Garba however told our correspondent that the current administration was working to develop the mineral "so we don't have to keep importing."

But for the neglect of the sector, the exploration of these minerals over the years would have helped the economy; increase government's revenue, save scarce forex, meet local demands for the minerals, generate employment for geologists, geophysicists and mining engineers the country produce en masse yearly, in addition to how the multiplier effect of the sector being active could have reduced the total dependency ratio and poverty levels.

NEITI admitted in its latest report that increased activities in gold mining in recent years did not reflect in production volumes or royalty payments, adding, "Gold has potential to attract foreign exchange for Nigeria. Unfortunately, the mineral has not received the attention it deserves in the form of investments. This has been left at artisanal operation and mostly smuggled out of the country."

While the Federal Government's debt stood at N35tn, the 36 states and the Federal Capital Territory that bear the 44 minerals are also enmeshed in debts. Their domestic debts alone was about N4tn as of March 2021, with a state like Zamfara – despite its gold reserve – having N101bn domestic debt as of June 30, 2021 and external debt of $29.64m as of June 30, 2020.

In spite of these, governments at all levels are on a borrowing spree to meet their obligations.

Adesina, at the Mid-Term Ministerial Performance Review Retreat organised by the President in October, stressed that the debt issue should be addressed, as he noted that Nigeria's debt service to revenue ratio was high at 73 per cent.

Nigerians paying for the cost of neglect

The country's forex earnings have largely been limited to oil revenue accounting for 75.4 per cent of export revenue and 50 per cent of government revenues, which could have been complemented by revenue from the solid minerals sector.

Consequently, the dollar scarcity has made naira volatile, pushing the exchange rate to N580 in September. This has however led to high cost of goods, and the impact is much for many given the unemployment rate at 27.1 per cent and minimum wage at N30,000 (about $72.9).

The Director-General, Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture, Ambassador Ayo Olukanni, said the shortage of forex, depreciation in exchange rate and huge import bill combined to produce the upward inflationary trend, which increased prices of goods and made life difficult for the people.

Also, a former deputy governor of the Central Bank of Nigeria, Kingsley Moghalu, noted that poor revenues, low forex supply and high demand contributed to the high exchange rate, with Nigerians having to bear the impact.

Meanwhile, Oyedele noted that the solid minerals sector, if developed, "would provide a source of revenue diversification for the country, including foreign exchange earnings to strengthen the naira in addition to economic development and massive job creation all of which would lead to more revenue for the government at all levels."

Illegal mining, a global challenge

Interestingly, illegal mining is not limited to Nigeria. From Ghana to South Africa, India and several other countries, it is a challenge, but due to regulation and the ability to attract major players to the sector, the other countries make substantial revenue from mining and it contributes significantly to their GDP.

In 2019, for example, the National Bureau of Statistics report showed that mining and quarrying contributed a meagre 0.26 per cent to Nigeria's GDP. In the same year, mining and quarrying contributed 12.6 per cent to Ghana's GDP; it contributed 8.2 per cent to South Africa's GDP and 15.1 per cent to Botswana's GDP.

The Global Mining Industry Development 2019 Report released by the China Geology Survey under the country's Ministry of Natural Resources showed that mining contributed over 20 per cent of GDP in over 20 countries, including African countries such as Angola, the Democratic Republic of Congo and Equatorial Guinea.

On how Nigeria's wealth is being siphoned through smuggling, Teriba, who spoke in an interview with CNBC, said government could discourage smuggling by making the royalty payable on gold to be commensurate with neighbouring countries, adding that this should be complemented by value addition to gold given the huge demand for products like jewellery by Nigerians.

She added, "If you have Benin Republic and Togo charging zero per cent royalty, Niger Republic one per cent and Nigeria three per cent, coupled with open border as a result of ECOWAS treaty, it is regular economics; the gold will go to where it is zero per cent."

Nigeria, a giant missing in action

Despite having a huge reserve, Nigeria, the giant of Africa, is missing among the big players. Only Ghana, having been able to develop its solid minerals sector, was the only African country among the top 10 gold producers in the world.

The World Gold Council in its 2020 ranking released in June 2021 ranked China as the first, followed by Russia, Australia, United States, Canada, Ghana, Brazil, Uzbekistan, Mexico and Indonesia.

Interestingly, Nigeria had a remarkable history in mining, starting with ore mining in 1902, gold in 1914 and coal in 1916, all of which contributed greatly to its development and industrialisation. Specifically, it contributed to the construction of its first power plant, rail infrastructure as well as industrial complexes, until things slipped into inertia when the government took over mining from foreign companies.

At the moment, only about four refineries have been licensed in Nigeria, including Kian Smith Trade and Co., Segilola Gold Mining Company, which is listed on the stock exchange for gold mineralisation in Nigeria, and Dukia Gold.

In search of urgent, effective solutions

Economists and other stakeholders told our correspondent that the government needed to do more, including formulating the right policies and creating an investor-friendly environment if it hoped to generate revenue from the sector.

"Nobody eats potential," the AfDB president said, pointing out that the insecurity shrinking the

the revenue earning potential of the huge non-oil sector removed. "Nigeria should significantly boost productivity and revenues from its non-oil sector," he added.

But according to a former Minister of Education, Prof. Tunde Adeniran, states should be allowed to tap their resources and pay taxes to the Federal Government. "The constitution that gives the federating units the right to tap their resources and pay taxes to the Federal Government is what we need. These minerals will be properly harnessed for development by the states," he added.

Speaking on this suggestion as previously canvassed by many other persons, Oyedele said this would help to address the neglect of the sector but that more should be done for a definitive impact. He added, "The biggest issue is with respect to ensuring that we have investors-friendly policies and legal framework as well as a safe and secured environment for private sector investors, both domestic and international, to come into the sector."

Also, an economist and former two-time Minister of Finance, Dr Kalu Idika Kalu, said the government should develop the right policies to curb the leakages, encourage people to develop the minerals and maximise the value chain.

He added, "We can't be so poor and people are coming to steal our gold while the government gets nothing. These minerals can be converted into secondary and tertiary products. I was surprised when I heard that some crucial parts of an aircraft are produced from minerals being exploited from all over the place. These are minerals many Nigerians don't even know about."

Similarly, Teriba stressed the need for Nigeria to work on adding value to its gold to maximise revenue. "In Kano market, they have about 20,000 visitors from across West Africa, so the potential is huge," she said. "From our research, if you go to Italy, Dubai, India, they know Nigerians when talking about Africans who come to buy gold, so the demand is there."

A political economist, Prof Pat Utomi, shared a similar view. He said Nigeria should be talking about how to add value to its gold as it would generate more revenue and create jobs.

He explained a model he believed could work, "We can have an integrated produce and mining city, about 500-hectare estate, which would be focused on mineral beneficiation – value addition.

He stated, "Artisanal miners from several states would go there with their gold. We can locate one or two central processing beneficiation units and add value to them there. Those who want to use the products locally or export would buy from there.

"You tax the people working in this vast industry and you would generate revenue. That is what we have failed to do. We will make a lot of forex if we adopt this approach because we are adding value to our mineral."

He stressed that gold was more profitable when value had been added to it, noting that raw gold sold for N100,000 by a miner could be worth $20,000 once value had been added to it.

He added, "Chinese and others are taking away these minerals and making huge money from them outside the country, whereas we could have created hundreds of thousands of jobs from that value chain. Government would generate revenue from taxes on the products and on those jobs. That is a lot more than whatever you would get from the raw gold or the stones."

Meanwhile, the United States Agency for International Development warned that illegal and unregulated mining generate billions of dollars in illicit funds for crime, contribute to armed conflict, fund criminal networks, damage the environment and deprive the populace of the widespread prosperity they are entitled to. These might continue to be Nigeria's lot if it fails to quickly sanitise the sector.

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