



Cyril Azobu



Habeeb Jaiyeola

Unlocking the Potentials of the Mining and Steel Sector in Nigeria

The journey so far...

In 2015, the Federal Government identified the solid mineral sector as one of the key sectors to drive the desired diversification of the Nigerian economy. PwC Nigeria authored a piece titled **“Developing the Solid minerals sector: Quick wins for the new government”** which provided a summarized analysis of the sector at the time. We observed then that to achieve an accelerated development of the sector and position it to contribute to the economic diversification agenda of the government, several steps needed to be taken. Among these were the need for geo-science data gathering to further support the airborne geophysical survey already carried out, addressing the security challenges, establishment of Mineral Buying Centers and lapidaries, and the need to address the challenge around access to funding. We also advocated for the establishment of a policy on artisanal mining, a solid mineral development bank, and re-establishing the milestones of the roadmap for the development of the solid minerals and metals sector among others.

The new roadmap

These thoughts resonated with the Federal Government leading to the launch of a new Mining roadmap in 2016 which aspired to “build a world class minerals and mining ecosystem designed to serve a targeted domestic and export market...” Ultimately, the endgame was to position the sector to contribute 3% to GDP by 2025.



The Journey so far

Four years on, the sector has recorded some achievements. Notably, the Board of the Solid Minerals Development Fund (SMDF), tasked with funding key sector initiatives was reconstituted in 2017. The SMDF and the Bank of Industry (BoI) have since launched a N5Billion fund to provide single digit interest loans for mining projects.

There have been efforts to improve the sector's regulatory framework with enactment of new laws and establishment of the national council of mining and mineral resources development. Notably, The Nigerian Institute of Mining and Geo-sciences, Jos (Establishment) Act was assented to by the president in Nov 2018 for training of manpower for the sector and research. In addition, the Federal Government in 2018 presented a Roadmap for the “Development of Nigeria's Industrial Minerals”, developed by the World Bank assisted Mineral Sector Support for Economic Diversification (MinDiver) Project.

The National Gold development efforts saw to the issuance of the first gold refining license in 2018. There was also a strategic focus in Bitumen and Steel to harness the full potential of these resource for economic development.

Efforts to curb Illegal Mining have been ramped up by the provision of surveillance vehicles for the Mines Inspectors across the Country and increased inter-agency co-operation. This has led to some arrests of local and foreign illegal miners. There has also been support for revamping the operations of Mineral Buying Centers across the country.

We have also seen increased State Governments participation in the sector following better collaboration between the Federal Government and the States in the development of the sector. The States have also increasingly received the 13% derivation for national solid minerals, providing incentive for developing the sector and monitoring revenue collection.

The Ministry has also transformed its processes by digitizing some of its key activities. Efforts are ongoing to automate the ministry's activities with the provision of an eGIS web portal and electronic submission of licenses, permits and certificates to improve efficiency and speed-up the processing of transactions.

Critical issues and challenges

Several issues however continue to constitute a challenge to the sector. For example, Despite the reconstitution of the SMDF, the impact is yet to be felt in the industry. Though a N5 billion single digit interest funding between the SMDF and BoI was launched by the Federal Government since 2018, not many miners have been able to access it. On the other hand, commercial banks remain skeptical and continue to assess the industry as high risk.

Many states with high solid mineral potentials are yet to fully harness opportunities for Internally Generated Revenues (IGR) from mining.

Existence of multiple regulations is reducing investor confidence as the cost and requirements to adhere to these have contributed to seeming lack of interest in the industry. An instance will be the land use act and the mining act 2007, which requires that the title to the land resides with the State Governments, and the mineral resources on the land or underneath it resides with the Federal Government.

The Ajaokuta Steel Company Limited and Delta Steel Company remain under legal lock jams, despite Government's attempt to resolve these, preventing the utilisation of these national assets for the benefit of Nigerians.

Data which is at the heart of the industry is still not readily available and accessible. In addition, safety of mine sites and relative access remains a great concern for operators and investors. There is also the concern about illicit activities such as banditry, drug abuse, prostitution, forced labor and child labour on mining sites.

Key infrastructure such as access roads, dedicated rail lines, power, etc remain a challenge. More so, not much emphasis is placed on safety and sustainable practices. Hence, cases of lead poisoning, for example, and environmental degradation has been rife.

The fixation on extraction and exporting of raw minerals and ores at the expense of value addition is a big disservice especially as we continue to depend on importation of finished products. This is further exacerbated by other African countries potentially taking advantage of the African Continental Free Trade Area Agreement (AfCFTA) to invade our economy. We must assess how competitive Nigeria will be against other more developed mining territories on the continent.



The way forward

We share here a few recommendations and highlight critical next steps for the next four years in achieving mining shared prosperity for Nigerians.

- The Solid Minerals Development Fund (SMDF) needs to be adequately supported and strengthened to enable it to perform its role.
- Included in the SMDF/Bank of Industry (BoI) fund should be an element that supports data gathering and a structure that assists the miners achieve bankable status. The criteria to become eligible for this needs to be clear, unambiguous, and achievable, considering the real status of miners in Nigeria.

- A private sector funding policy initiative needs to be worked on immediately. This should be targeted at encouraging commercial banks and other private sector fund providers invest in the mining sector while being deliberate in managing their risks especially from exploration. Necessary incentives should be made available for commercial banks to embed this within their corporate strategy and achieve set levels of implementation.
- Efforts to resolve the Country's security challenges need to include initiatives specific to mining and within zones with high mining activities.
- More transparency in the utilisation of the funds allocated for data gathering and publicizing of achievements so investors can begin to explore how best to key in.
- The FGN needs to expedite the bitumen resource development process as a matter of urgency. Matters related to license acquisition, regulation updates and strategy towards harnessing this resource for shared prosperity needs to be an immediate focus area for the Government
- Resolution of matters stalling the recommencement of operations of Ajaokuta Steel Company Limited and Delta Steel Company Limited needs to be resolved as a matter of urgency. Otherwise, Government should consider alternative approaches to stimulate the development of the Steel industry.
- State Governments should consider (or continue to consider) mining as a business and focus on returns to the state while acting as investors. Assets already in possession by the states in form of land can be used as equity, while also ensuring security and ease of mining operations for the investors.
- Efforts to align relevant regulations need to be fast tracked to crystalize value within the shortest time possible. Draft of these should be open to reviews by industry stakeholders to ensure quality and acceptance before being passed into law.
- Focus on practical implementation of the mining roadmap needs to be emphasized. The functions and powers of the Mining Impementation and Strategy Team (MIST) need to be properly articulated and the MIST should be supported in carrying out its functions.
- The same attention should be giving to the implementation of the new roadmap for industrial minerals recently released in 2018 by the Federal Government with the assistance of the World Bank.
- The strategic nature of the seven minerals identified in the 2016 Mining roadmap needs to be continuously reassessed. This will prevent the country from investing so much in a resource, and at the point of harnessing the investment, the value of the resource becomes low due to diminished global relevance.
- Promotion and enforcement of sustainable safety, social and environmental standards or best practices
- A study on the impact of the AfCFTA on Nigeria mining industry needs to be conducted. Projections on expected developments and execution timelines of ongoing Government initiatives need to be considered within the purview of the AfCFTA. This should be an immediate activity and should be considered in the subsequent updates to the mining roadmap.

PwC is the leading advisor to the mining industry globally and in Nigeria. We are happy to support you on this journey.

Cyril Azobu is Head Advisory & Consulting and Mining Sector Leader, PwC Nigeria.

Habeeb Jaiyeola is an Associate Director and Head Mining Sector Business Development, PwC Nigeria.

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