

A Road Map for the Solid Minerals Sector

The discovery of crude oil in 1956 was indeed a blessing in so many ways but I can rightly say that it also came with its own baggage of problems - environmental degradation, the Niger Delta region being a boiling pot of unrest for decades, corruption on a massive scale, complacency and complete neglect of other sectors of the economy. This discovery of oil has in turn gradually led the Government of yesteryears to a solitary dependence on oil as the central source of revenue for all public works and government sponsored expenditure.

The private sector though has steadily grown to encompass new industries and increased its economic activity, as demonstrated by the diversity in the Nigerian economy in 2014 when it was recognised as the largest economy in Africa, Government revenue and expenditure however has remained inseparably joined to oil revenue. Of the \$568 billion GDP of the Nigerian economy crude oil contributes between 9% - 11% of the total. It is clear the Nigerian economy is built on great industry and therefore the Government needs to begin to match that industry by earning more than it currently does from its single-commodity based revenue generator.

In a bid to achieve this objective, the current administration identified as part of its responsibilities the diversification of Public Sector Revenue sources. By implementing a wider, more efficient taxation policy and the introduction of the Treasury Single Account (TSA), the Buhari Administration is attempting to increase accountability for all derived Public Revenue. However it has also identified key growth sectors for development and perhaps one of the most strategic of these is the Solid Minerals sector. All of a sudden the buzzword is 'solid minerals' and be that as it may a lot of activity is expected in this sector. The timing of South Africa's President Jacob Zuma who begins a two-day state visit to Nigeria on March 8 is ideal and the visit is welcomed wholeheartedly. During the state visit, President Zuma is expected to address the Joint Session of the National Assembly and will, together with President Buhari, address the South Africa-Nigeria Business Forum. South Africa and Nigeria have good bilateral political, economic and social relations, underpinned by strong historical ties dating back to the years of the liberation struggle. The two countries conduct their bilateral relations through a structured Bi-National Commission (BNC) established in 1999. Nigeria is ranked seventh in terms of South Africa's total trade in Africa, with there being more than 120 South African companies doing business in Nigeria in various sectors including telecommunications, aviation, tourism, banking, property, retail, entertainment and fast food. Hopefully, very soon mining will join the list of businesses as South Africa has a globally acclaimed mining sector and there are significant opportunities for investment in our mining sector. President Zuma will be accompanied on the visit by a host of Ministers, of International Relations and Cooperation, Defence, Military Veterans, Trade and Industry, Home Affairs, Energy and of course, Minister of Mineral Resources Mosebenzi Zwane, as well as a good number of delegates from major South African businesses.

In Nigeria we have already identified 44 solid mineral types available in commercial quantities. They include tin, iron ore, limestone, gold, gypsum, kaolin, lead/zinc, coal and bitumen. Remarkably, most of the states in the country have one type

of solid mineral or the other. Nasarawa State alone is reported to have over 20 solid mineral types including tantalite, barite, copper, iron ore, tin ore, coal, columbite and aquamarine. It has been reported that coal is present in about 13 states, with proven reserves of 639 million metric tons.

Various attempts have been made by past administrations to revamp the Solid Minerals sector. In 2007 a new Mines and Mining Act was introduced, in 2008 the Minister in charge of the Ministry of Solid Minerals Development (as it then was) Chief Tunji Ishola in a ministerial briefing, stated that the leadership of the ministry had prioritised the development of seven strategic minerals (7SM), namely coal, bitumen, limestone, iron Ore, barytes, gold and lead/zinc.

In 2012, a Road Map for the Development of Solid Minerals and Metals Section was designed. Due to one reason or the other including the lack of political will these attempts to restructure the solid minerals sector were largely unsuccessful.

The Buhari administration has however demonstrated the political will to develop the mining sector in line with its policy of diversifying the Government's revenue base by relying on the agriculture and solid minerals sectors. The Minister for Solid Minerals Development Dr. Kayode Fayemi has taken decisive steps in this regard.

In December 2015, Dr. Fayemi shared details of his ministry's strategic priorities and plans for developing the solid minerals sector in Nigeria. He asserted that 'based on that presidential promise, to build a more diversified economy, our task as a ministry is therefore to remove any and all obstacles to such growth. From working with the National Assembly to receive the right budgetary provisions to ensuring expansion of bulk handling terminals at multiple river and ocean ports, our role is to ensure that things work as intended. Our emerging vision a safe, sustainable and profitable sector.'

The Minister's policy direction is based on the 'core philosophical beliefs' of jobs creation, revenue generation, industrialisation, sustainability, transparency, environmental justice and cooperation. Part of the Ministry's short term actions is to launch stakeholders communications with investors, communities and other parties to 'refine thinking on the mining sector.' The crux of Dr. Fayemi's policy direction is to encourage state participation in the mining sector by incorporating investment companies or establishing partnerships that would seek licences from the Federal Government in spite of the restrictive provisions of the Constitution and other laws.

Following the Minister's policy direction and in light of the dwindling federal allocation, the Governor of Plateau State Simon Lalong has resolved to redirect his administration's focus to solid minerals development. In February, the Federal Government resolved to provide \$1 billion (about N200 billion) as solid minerals development fund for potential investors in the mining sector. The Government however, explained that only credible investors would be granted access to the funds. To initiate the process of restructuring the mining sector, it was announced that dormant licences would be revoked by March 1st 2016.

It is a well-known fact that most of the mining in Nigeria is conducted informally and this has had dire consequences. Recently the activities of small-scale gold miners attracted the attention of the media and the Senate President Bukola Saraki because of a serious lead poisoning incident in Niger State. This was very

similar to an incident that occurred in Zamfara State in 2010 where over 400 children died. In addressing small scale and illegal mining the Minister's approach is to establish cooperative societies for illegal miners to enable them be incorporated into a functioning structure, allow them be regulated as well as to enable them earn their livelihood in a safe environment and according to world standards.

The Honourable Minister in driving his resolve to accelerate and scale up the role of solid minerals in Nigeria's economy has felt it imperative to constitute and inaugurate a Committee to formulate a road map that identifies the goals, gaps, actions and timelines that will stimulate the growth of the mining sector. The 17-man Committee, inaugurated last Tuesday 1st March 2016 will have the responsibility of 1) Identifying hindrances to the development of the mining industry of Nigeria; 2) Developing case studies of similar developing mining countries in which scenarios such as Nigeria's exist and drawing lessons from other relevant mining jurisdictions; 3) Identifying strategies to overcoming existing hindrances, 4) Prioritising activities and providing a timeframe for all activities including Proposed Action Plans to actualize the strategies; 5) Defining mechanisms for implementation and performance monitoring with clear indicators; 6) Developing contingency scenarios & risks analyses; 7) Developing a communication strategy for consultation and engagement of all stakeholders in the industry, including states, communities and other ministries (e.g. environment and power).

The Committee members themselves are a group of specialists, experts and technocrats within the mining industry and the Ministry for Solid Minerals Development. They are professionals that have demonstrated particular expertise in the solid minerals sector. Among them are Prof. Ibrahim Garba the Chairman with his Co-Chairman Prof. Siyan Malomo. Prof. Garba, the Vice Chancellor of Ahmadu Bello University is a renowned geologist. Prof. Garba worked on secondment at the Federal Ministry of Mines and Steel Development, as Director-General, Nigeria Mining Cadastre Office. Where he spear headed the development and implementation of the current mining cadastral survey in Nigeria. Other members include Alhaji Sani Shehu, National President Miners Association Of Nigeria, Prof. Okey Onyejekwe, Prof. Ayo Teriba, Mr. Olawale Fapohunda former Attorney General of Ekiti State, Engr. Mohammed Amate Director General/CEO of Nigerian Mining Cadastre Office, Mrs. Amanda Lumun Feese Ideh Operating Officer Extractive Industries, Oil, Gas and Mining of the World Bank and my good self who will Chair the sub - Committee on Institutional / Governance / Regulation.

The Committee is to be assisted by specialist organisations such as Deloitte, who have a good understanding of what investors are looking for, understand the market terrain and are capable of providing technical information on the Nigerian market and other similar markets. The Africa Finance Corporation is to assist by providing financing models for all recommended strategies and assist with data gathering and case studies of mining projects currently being funded. The World Bank is to support the Ministry with ensuring competitive bidding on brown fields (where facilities already exists) and Bain & Company is to assist with a focus on strategy development for investors, country case studies for Zambia & Chile and financial models



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for strategic mining development.

Dr. Fayemi in his address to the Committee was clear about the strategic importance of developing a Road Map for the Solid Minerals Sector. He acknowledged that even though the political term of office was less than 4 years, what is necessary for the development of the sector and Nigeria as a nation is a clearly articulated plan of implementation for the short, medium and long-term goals for the Solid Minerals sector at 24 months, 10 years and 25 years respectively.

The Minister was quick to note that everyone in the Committee had been selected for their demonstrated knowledge and expertise in the sector; it being his belief that each member has expertise in the industry or has access to information that puts them in a position to contribute effectively to the development of the Road Map. He said members regularly employed this expertise or deliberated on issues in the Mining sector as part of their capability and so the Committee would be enabled to work quickly and effectively. With that in mind he directed the Committee to complete their task in 3 weeks having highlighted what he believes to be the current impediments to the development of the sector.

The Minister stated that insufficient geo-sciences data, limited infrastructure, our practised federalism, the current informal mining structure, weak institutional framework in the sector and weak value chain integration with other sectors all constitute the current hindrances to the development of the Solid Minerals sector as it exists today. It is his desire to see the Committee focus on practical and measurable means of generating geological information in the sector and backward and forward integration of solid minerals with other sectors as has been achieved in limestone quarrying and cement production. Other areas the Minister expressed a need to focus on were the regulation of informal mining, developing multiple models of access to finance, the specific development of the Solid Minerals Sector in the North-East for the revival and rehabilitation of the region and a general focus on how to implement and coordinate the short and long term development goals effectively.

With Dr. Fayemi's intention that the Committee present its strategic Road Map for the Development of the Solid Minerals Sector in 3 weeks, the Committee has hit the ground running, holding their first meeting immediately after inauguration to identify its operating parameters and split into subcommittees with specific responsibilities targeting segmented key areas.

On a positive note the foundation for the take off of the Solid Minerals sector is strategically being laid as the will to progress is evident and it is hoped that the National Assembly and other relevant MDAs will plug in and make this aspiration a reality.