

# Solid Minerals: Ready for Take-Off with Launch of Roadmap

Last Thursday 31st March the Ministerial Committee on the Roadmap for the Development of the Solid Minerals Sector concluded its 4 week assignment in record time with the presentation of the Roadmap to the Minister of Solid Minerals Dr. Kayode Fayemi titled 'On the Road to Shared Mining Prosperity. Roadmap for the Growth and Development of the Nigerian Mining Industry.'

Dr. Fayemi in his thank you speech was impressed by the quick turn around by the committee in concluding its assignment. He noted that 'the roadmap will be subjected to review by other stakeholders so that we can ensure an airtight document that can withstand the test of time and at the end we want to ensure that this is a national document that is supported across board, and outlives any administration. The journey for sustainability for the sector has to be a continuous one.'

He further added that he had been mandated by the National Economic Council to circulate the Roadmap to all governors and the governors have also been mandated to respond to the Roadmap within a particular timeframe so that the finalised document can come back to the Committee for fine-tuning and cleaning up. As soon as the stakeholder review process is concluded he said 'we shall make this Roadmap available to the general public so that set directives are clear and everyone can track it as we proceed.'

Dr. Fayemi noted that the recommendations within the Roadmap will be considered to be in the best interest of the nation. He went further to highlight the need for strategic communication so that people are aware of what is being done within the sector. For example improvement of IT infrastructure in the Ministry is going to be one of the flagship projects in the 2016 budget. In conclusion he added 'What will grow this sector is not government finance. It is the enabling environment that government creates for private sector investment to thrive.'

The Road Map Committee under the Chairmanship of Professors Ibrahim Garba and Siyan Malomo, and fourteen other eminent Nigerians was inaugurated on March 1, 2016 to formulate a course that will stimulate the rapid growth of the sector. I must add here that it was great to work with a team of brilliant and selfless Nigerians giving their all for a common good.

The reform process in the mining sector started in 1999 that decade saw key changes including the passage of a new Nigerian Minerals and Mining Act, 2007, a Nigerian Mineral and Metals Policy (2008), creation of a modern Mining Cadastral Office, refinement of the tax code and expansion in airborne mapping of the country to sharpen knowledge of the mineral endowments.

Credit must be duly given to past initiatives in this sector which the Committee accordingly acknowledged and in turn also leveraged on these previous developmental initiatives instituted by the federal government aimed at improving deficiencies encumbering the growth of the sector.

The Roadmap is based on the identification of the current status and hindrances to the development of the mineral resources of Nigeria and proposed solutions to overcome such barriers. It also prioritised activities for implementation and provided the time frame for all activities, including creating scenarios and models for successful implementation and monitoring of activities, while also developing a consensus strategy for the buy-in of all stakeholders.

The sector faces several challenges with geosciences, industry participants, stakeholders, institutions, governance and other enablers of the sector. Geosciences: Nigeria, despite recent progress, has weak mechanisms for gathering, disseminating and archiving critical geological data required by investors and policy makers. Industry participants: operators across the mining value chain face a range of challenges from insufficient infrastructure to policy uncertainty

that together constrain investment confidence. Artisanal and Small Scale Mining (ASM) should be formally integrated into the sector by improving its productivity /social wellbeing through formalisation of associations into cooperatives, provision of extension services and training and addressing health and social concerns faced by the participants. This can be encouraged by wider participation in beneficiation (a cleansing process) and downstream refining and processing through incentivising forward integration by existing participants and by improving trading and the ease of transactions through the set-up and formalisation of metal exchanges and mineral certification authorities. Stakeholders: the decline in the mining industry reduced the focus and leverage of key stakeholders e.g. in resources, talent and partnerships. It will be necessary to improve the engagement of states within the minerals and mining sector, particularly around financial participation, revenue sharing, and the coordinating oversight by the federal ministry. Another area requiring improvement is the engagement of communities through coordination of corporate social responsibilities, incentivised participation and education. Institutions and Governance: the Ministry's own organisational design needs to be refined to ensure clear and strict enforcement of its own rules as well as separation of powers between States and Federal Government. The building of the organisational and functional capabilities of the Ministry of Solid Minerals Development and the improvement of enforcement of existing regulations is necessary. A stronger regulatory framework for the industry is required to resolve regulatory conflicts between the existing guiding regulations and industry participants. Policy consistency and direction is equally important in ensuring stronger economic and political coordination of minerals and mining policy in Nigeria. Key Enablers: ancillary requirements are needed for the proper functioning of the minerals and mining ecosystem such as talented labour, infrastructure such as railroads and rolling stock capacity, competitive financing systems, asset security, and mine and related support services. Nigeria should invest in these and a range of other enablers such as bulk handling terminals, technical and engineering capacity, regulatory reform and the expansion of access to financing to drive sector transformation. Ensuring of social equity in the labour force is important and this can be achieved through addressing issues of exploitation of women and children.

A set of 8 critical levers for success that the government can put in place to improve the ecosystem for the minerals and mining sector were recommended. These are: i) Integrated Strategy, Proactively Communicated ii) Investor Friendly Regulatory Environment iii) Coordinated Infrastructure Investments iv) Community Partnership v) Investment Funding vi) Institutional Reform: vii) Geoscientific Value Add viii) Mining as Development Catalyst

The Committee also reviewed how other countries such Guinea Democratic Republic of Congo (DRC) and Cameroon have used similar levers to improve the competitiveness of their mining sector.

On the issue of State Governments the Committee recommended that the Ministry needed to work with States using a variety of mechanisms to communicate that mining will remain the exclusive right and under the control of the federal government, yet this will not preclude the states from becoming legitimate equity investors in their own right by applying to the Mining Cadastre Office (MCO) for licenses alone, or in partnership with private companies. States do not have a right to block investor access to land or licenses, or interfere with the operations of legitimate miners. Stability of the law, its uniform applicability to all parties, the clarity of the fiscal regime as well as the regulatory managers is critical to attracting long-term investors into Nigeria.

The Committee noted that in order to avoid

the re-run of the difficulties seen in the oil industry, it is critical that a mechanism for more engagement with communities throughout the life cycle of mines be undertaken. In addition, investors should be actively encouraged to co-invest with communities if possible, or set-up transparent trusts to help communities manage any profit sharing or similar economic returns received. Federal mining inspectors should ensure operator compliance with key provisions of the Act especially with respect to pollution and remediation.

Donors and international agencies were noted as important sources for the development of financing for early stage activities in mining e.g. via grants, aid flows, low cost loans, advisory services, research, capacity building and human capital development.

The Ministry, it was also observed needed to work closely with the National Universities Commission to expand the capacity of the existing academic programmes to admit students as well as upgrade the capacity of other providers to offer professional and executive courses.

On the enforcement of existing laws, the Ministry's track record to date of enforcing minerals and mining laws and regulations has been haphazard. Two key institutions – the Mining Police and the Mines Inspectorate – have either not been active or have been under-utilised. As a result, there has been a proliferation of illegal miners, including Asian and African illegal immigrants at sites spanning from Osun to Zamfara State. The committee recommended the need to rebuild the Mining Police, which historically was an arm of the Nigeria Police Force (NPF) assigned to and trained by the Ministry. So also does the Mines Inspectorate need to develop a deeper and more forceful field presence to not only combat poor safety practices at mines but also to require that all operators hold the right license for the activities underway, as well as file regular data reports as required by the law. Interestingly enough Dr. Fayemi has already embarked upon collaborating with the Armed Forces as he was on television last Friday delivering a lecture at the National Defence College entitled 'Solid Minerals and National Development in Nigeria: Implications for National Security.'

With regards to financing and the business climate, Nigeria's banking and shadow finance system has some exposure to mining e.g. financing trading activities for lead-zinc and gold. Production financing continues to be limited due to the lack of bankable data for exploration. In addition, the sector does not have a systematic understanding of mining's potential. Thus, few banks have dedicated minerals and mining desks and teams and as a result access to credit either from banks or capital markets has been low, meaning key capital equipment (such as rigs and draglines) are not financed. It is possible that Nigerian banks are also reacting to the absence of international capital or their own concerns about the quality of geosciences data available to investors. Consequently, many mining investors push into the ASM sector to keep their capital costs low as well as their risks manageable, which in turn serves to impoverish growth potential. Thus much of the mining that takes place today is disconnected from the formal financing system. A systematic relationship and knowledge building effort among banks will be required to start transforming the financing environment for mining in Nigeria.

Alignment with the African Mining Vision (AMV) is very important, it was observed that Nigeria has operated independently of any clearly identified and formulated plan for the Mining Industry across Africa and this is in spite of the many benefits of markets and expert proficiencies that exist across the continent. However following the African Union Assembly's 2009 adoption of the Africa Mining Vision (AMV) as a key continental framework, the need to promote mineral resources-based



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development and structural transformation on the continent has become clearer. The AMV – if adopted and domesticated – can be the framework tool for Nigeria to harmonise its mining sector with developments, knowledge and capabilities present across Africa.

The committee further recommended that the name of the ministry revert to its former name of 'Ministry of Mines & Steel Development' which reflects the appropriate nomenclature of the sector.

Having had four weeks of widely reviewing the mining sector and charting the roadmap I had the privilege of visiting the MCO which is one of the Ministry of Solid Minerals agencies, an autonomous institution and the sole agency whose responsibility is the administration of mineral titles. This institution is the first port of call for any investor with respect to the granting and processing of mineral titles and is responsible for the maintenance of a cadastral atlas and title registers. Engr. Mohammed Amate, the Director –General /CEO of the Nigerian Mining Cadastre Office was a member of the Committee and he therefore gave me the opportunity of having a personal guided tour of the Cadastre office conducted by Engr. Obadiah Nkom Director Concession. One could not but notice right away the professional manner in which the Cadastre was run, incorporating international best practices. The principle of 'first-come-first-served' is observed to the last letter and the non-discretionary granting of mineral titles rule is equally observed from the Priority Register all the way to the Evaluation room where lawyers, geologists, mining engineers and surveyor check each application before it is sent to the Director General who grants the titles. Section 100 of the Nigerian Minerals and Mining Act 2007 is strictly observed on 'Notice to Owner Occupier' which states that 'when an application is made for a Mineral title in respect of an area which includes any private land or land occupied under a state lease or right of occupancy, the notice of the application shall be given in the prescribed manner to the owner or occupier of the land and consent obtained before the licence is granted, otherwise the licence may be granted with exclusion of the private land in question.' The village head I am told must go to court to swear an affidavit that consent has been given and it is irrevocable. The security checks cannot be tampered with as an orderly filing system exists depicting transparency all the way. The next stage I have been duly informed is the digitalisation of the application process.

Just as the Committee was presenting its Roadmap, so was the deadline expiring for defaulting companies to regularise their mining licenses or face revocation of same and it was no surprise that the MCO was a beehive of activity, raking in millions of Naira from license renewals.

With the concerted effort by government to take the reformation of the mining sector onto a higher plane it is hoped that this time around World Bank standards will be the norm right through the sector and that domestic usage of industrial minerals will increase, attracting the desired inflow of domestic and international investors and therefore kick-starting the diversified economic growth that the nation is so urgently in need of.