



FEDERAL REPUBLIC OF NIGERIA
MINISTRY OF SOLID MINERALS DEVELOPMENT
OFFICE OF THE MINISTER

**Federal / State Governments Partnership for
Shared Prosperity in the Mining Sector**

Presented by
Hon. Abubakar Bawa Bwari
Minister of State

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Protocols

Your Excellency, the chairman of the Nigerian Governors Forum, Governor Abdul'aziz Abubakar Yari;

Your Excellencies, governors of the states of the Federal Republic of Nigeria;

Distinguished Ladies and Gentlemen.

I thank you for the opportunity to make this presentation, which for us at the Ministry of Solid Minerals Development, is in continuation of a series of consultations we are having with various stakeholders, towards securing critical insights and inputs, as we concretise our roadmap for the sector.

I am pleased to convey the greetings of the Minister, Dr. Kayode Fayemi, who today is unavoidably absent on official duties. As a product of this distinguished constituency, my senior colleague is well abreast of most of your priority issues and concerns, and therefore keenly anticipates feedback from this engagement, which he hopes will serve the deepening of our partnership towards the achievement of our shared vision of repositioning the Solid Minerals sector, to contribute more meaningfully to the inclusive growth and stability of our economy.

Your Excellencies, as you well know, His Excellency, President Muhammadu Buhari is the chief driver of this vision and he has said at different fora, that the Solid Minerals sector is central to one of this administration's cardinal objectives of diversifying our country's revenue base and creating jobs. We can however not achieve these objectives without the robust cooperation of the state governments, which is why we are engaging the Nigerian Governors Forum today

A Country So Blessed

Your Excellencies, it is no news that Nigeria has tremendous mining endowments. Every single one of your states is blessed with huge, largely untapped deposits of one mineral or the other. Collectively, Nigeria has at least 44 known mineral assets including precious minerals, base metals, bulk minerals and what are known as rare earth minerals. More specifically, our most promising mineral assets include gold, iron ore, baryte, bitumen, lead, zinc, tin and coal.

Nigeria's solid minerals sector makes up about 0.34% of gross domestic product (GDP). That means, based on current official exchange rates, the mining sector contributes about N400 billion in value to the economy. While that might appear impressive, it is much smaller than its true potential as the vast majority of our mining assets are yet to be fully exploited, with the sector operating sharply below capacity, and most of the mining activities carried out by small scale artisanal miners, as opposed to large scale players.

The point must however be made that this has not always been the case - a virile mining industry is not new to Nigeria. As a nation, mining of our resources began in 1902 in key mining towns such as Jos and Enugu. From these early operations led by the then British Colonial government, we went on to a more private sector focused model, and then moved to companies controlled by government such as the National Steel Company and the National Coal Corporation. The policy shift created too much uncertainty which occasioned many private investors leaving Nigeria and the sector suffering sharply as a result. The government at the time unfortunately did not do a good job of running mining companies and as a result, the sector's progress grounded to a halt. Needless to say, little attention paid to the sector over the years compounded by, in some cases, poor policy judgements of previous administrations are some of the factors that have stunted the sector's growth.

Today, following extensive reforms started in 1999, which essentially crystallized around the Nigerian Minerals and Mining Act of 2007, Nigeria is once again on the path to providing a transparent and workable regulatory and policy environment for more robust private sector led mining. It is gratifying to note that companies have started responding to all the efforts made over the past years. Today we have companies such as Tongyi Allied Mining, Dangote Group, Segilola Gold, Kogi Iron Mines, Multiverse Resources, and Australian Mines Ltd etc, blazing the trail in the mining sector. We also look forward to welcoming more companies into the sector.

Challenges and Constraints

That said, even for our pioneer miners, the road to mining prosperity has never been easy. Many companies who have kept faith with Nigeria have nonetheless struggled due to challenges in the solid minerals sector. Today, the Nigerian mining industry faces two (2) sets of challenges: external and internal.

activities goes on unabated. Sadly, much of Nigeria's mining is conducted informally at levels as high as 80% of activity in some regions of the country. This however does not translate to income generated or improvement of the conditions of the community - this is simply illegal activities that undermine our economy and put our communities at great risks of environmental hazards.

I must at this juncture reiterate the position that has been made clear by the Minister, Dr. Kayode Fayemi - government shall no longer tolerate illegal mining activities which we consider as acts of sabotage against our economy. We therefore look forward to working with state governments in addressing this issue. More importantly, we will like to work with state governments to give these artisanal miners the opportunity to become formalised and to come under appropriate regulatory oversight in a legalized framework – reforming those that are willing from being economic saboteurs to real start-up miners and ensuring they pay government the right set of taxes and royalties. We will also encourage them to form cooperatives in order to stand greater chances of accessing much needed capital to leverage their businesses.

Second, the issue of Limited Cooperative Federalism. We are well aware of the challenges that have militated against robust cooperative federalism in growing our mining sector. The 1999 Constitution (as amended) confers significant economic authority on the federal government. As regards mining, the constitution prescribes that licensing fees, taxes generated, and royalties earned are wholly transferred to the Federal Government. States in principle can generate some income from land fees and a narrow set of limited taxes, but bear the greater burden of immediate environmental and community risk challenges. This situation is a considerable disincentive for states to champion the fixing of the mining sector. We are therefore of the opinion that for mining to grow, economics of mining need to become more equitable between Federal and State governments.

While we work on addressing this issue over the long term, the minister has recently clarified that nothing stops the states from taking full advantage of the opportunities in the sector by setting up mining special purpose ventures or joint ventures with public sector corporations, thereby increasing their capacity to generate IGR and become more involved in the industry. We are particularly excited at the prospects of state governments seizing this opportunity, and this ministry will be only too happy to support endeavours in this regards.

Your Excellencies, there are a number of other issues which we are addressing already, and will continue engaging state governments on. For example, under the issue of Weak Institutional Capacity, we are working towards automating the systems and processes of the Mining Cadastre office, to ensure greater efficiency and effectiveness in informing state governments when licenses have been issued to operators in Abuja. We are also working on creating a central database system that can be easily accessed by state authorities, for easy verification of licences allocated by the MCO. We hope our efforts will help address the complaints we have had from state governments, of

'indiscriminate invasions' in the jurisdictions of states by mining operators without carrying state governors along as the Chief Security Officers of the their states. This is particularly imperative in view of the current security challenges in some parts of the country.

Speaking about security, the ministry is working on activating relevant aspects of the Nigerian Minerals and Mining Act of 2007, which provides for the establishment of mining surveillance officers that will work with the security agencies and state governments, towards ensuring the menace of illegal mining is addressed. We particularly count on state governments to support us strongly when this comes on board.

The President's Agenda and Promise

Your Excellencies, beyond the challenges, the key question is if all goes well, what do we want to achieve in the Solid Minerals sector? You must have heard Mr. President express this administration's objective of positioning the mining sector as a key source of economic growth and diversified revenue base for Nigeria. In fact, Mr. President has stated clearly that our goal is to build a more diversified economy in which oil remains important, but its share of the overall portfolio of revenue sources declines as the whole pie grows bigger. The recently approved Medium Term Expenditure Framework (MTEF) and the Fiscal Strategy Paper (FSP) emphasizes the place of solid minerals in the economic growth strategy of the country.

Based on that presidential promise, to build a more diversified economy, our task as a Ministry therefore, is to work with all stakeholders, such as the state governments, to remove any and all obstacles to such growth.

Our Emerging Vision – A Safe, Sustainable and Profitable Sector

The trajectory of Nigeria's extractive industry has not been without controversy. We are all witnesses to the challenges in the oil industry over the past few decades. More recently, we have seen significant challenges in the gold, lead and zinc mines of Zamfara where illegal mining without a clear understanding of how to handle poisonous material such as lead has had incredibly devastating consequences. We will continue to work with all stakeholders on the remediation of the health challenges arising from poor mining activities.

Given where we are and the early stages of the industry in Nigeria, we believe it is important that we set the right tone and create a structure for long term success. Therefore our core objectives and philosophies that will guide our decisions are as follows: Jobs Creation; Revenue Generation; Industrialisation; Sustainability; Transparency; Environmental Justice; and Stakeholders Inclusion.

If we deliver on this vision, then we can build a mining sector that Nigerians can be proud of in the years to come. With your support, this sector should deliver double digit growth over the next decade, with important direct and indirect economic impacts on households and communities.

Our Emerging Federal Mining Strategy

Given all the opportunities and challenges outlined above, as well as the global market outlook for mining, the Ministry has developed a framework strategy to drive growth. Let me outline the key elements of the strategy along 3 dimensions: what our aspirations are; where Nigeria should focus on; and how we intend to win.

Aspiration: First, our strategic aspiration is to build a sustainable, globally competitive mining sector, and related supporting sectors that will prudently use the finite resources available to improve the quality of life for Nigerians

Where to Focus: We will focus on supporting and growing Nigeria's position in mineral assets with commercially proven reserves. Our assets will then be used to serve 2 key markets: a domestic industrialization market that is more beneficiation focused; and an export market that is more focused initially on the export of ores and raw materials. The mix of investors that will target Nigeria will reflect that preference of serving both the domestic and export markets. We anticipate that as we expand our geosciences databases and insights, we will also expand what minerals we compete in.

How to Win: Nigeria will focus on going to market as a quality and cost leader, rather than a scale based operation, pending further understanding of our reserves position. Be that as it may, we are interested in building a profitable solid minerals industry, not necessarily the largest in the world, hence we will always make shrewd decisions with our partners, communities and other stakeholders.

Given the aspiration, the where to play and how to win choices, the role of government would be to invest in activities and levers that reduce the cost of doing business, and improve Nigeria's perception as a high quality mining destination. Over the next few months, we will conduct additional analysis to refine our strategies and the policy regimes that will emerge to support and accelerate the execution of the strategy.

Ensuring Successful Execution of Emerging Strategy

To ensure a successful implementation of our strategy, we have also invested significant time in brainstorming key drivers of success. We have identified 8 key drivers of success which we will now review briefly.

- *First*, we will always work off an integrated plan that emerges from a broad consultation process; once the plan is finalized, we will actively communicate it to key stakeholders. Based on what we have shared today, much of it will not be a surprise.

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- *Second*, we will build an investor friendly regulatory environment; today we have a very strong system but it can always be further improved; for now, our focus will be on enforcing its key elements including its “use it or lose it” license provisions and automating its operations.
 - *Third*, we will champion and only use a partnership model with investors, communities, artisanal miners and states to create the right incentives for all parties. A good example is the Northern Numero Resources Ltd which is a partnership of an Australian group, the Federal Government and Kebbi State Government and the Community.
 - *Fourth*, we will build a more widely available geosciences database; as we create more accurate geological maps, investors can become more confident and precise in their decision making
 - *Fifth*, we will work closely with our colleagues in the Federal Executive Council particularly Environment, Finance, Industries, Trade and Investment, Interior, Transportation, Power, Works and Housing, Defence/ONSA, Customs and the BPE with a view to strengthening inter-agency collaboration and coordination.
 - *Sixth*, we will work closely with banks, and other financial institutions, public and private to improve access to capital for solid minerals sector operators, large and small; we want Nigerian financiers to understand this industry again, and build teams to help drive its growth.
 - *Seventh*, we will also look inward and rebuild the Ministry’s personnel, offices and teams to ensure we are streamlined, and investing appropriately to support growth; for example, we will add more technical and commercial persons, even as we consolidate certain functions to create efficiencies.
 - *Eight and finally*, we intend to use solid minerals as a growth catalyst for communities. We will engage closely with multiple MDAs to ensure that communities we work in are treated with respect and professionalism to ensure that they can build a diversified economy over the years.

We have made varying levels of progress across each of these elements. Over the next 12 to 36 months, we will periodically report back on progress against these 8 categories.

Conclusion

It is fair to say that we have a great deal of work ahead of us. That said, we are building on a hard fought legacy and it is important that we continue to refine that structure

until it gives us the type of industry all Nigerians and our international investors will be proud of.

We ask for your patience as a critical stakeholder group and your support in helping to boost confidence in the industry. As the Solid Mineral Sector's share of GDP grows over the coming years, we will continually review what we have done well and what can be improved. One thing we can guarantee is that this Administration will always carry state governments along.

Thank you for your kind attention.

Hon. Abubakar Bawa Bwari

Minister of State

Wednesday, January 27, 2016