



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

STATE OF THE SOLID MINERALS SECTOR AND WAY

FORWARD

Presented by

Dr. 'Kayode Fayemi, CON

Minister of Solid Minerals Development

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Protocols and Introduction

Good morning ladies and gentlemen. The core purpose of our gathering today is acquaint you with some of the emerging strategic priorities and plans of the Federal Ministry of Solid Minerals Development for accelerating and scaling up the role of solid minerals in Nigeria's economy. I speak today on behalf of the core leadership of this ministry and duly acknowledge the support and contributions of my brother and colleague Hon. Abubakar Bawa Bwari, Minister of State and the Permanent Secretary, Mr. Istifanus Fuktur.

We will also like to thank President Muhammadu Buhari for the opportunity to serve our republic and her citizens. In the short period that we have been here, we must acknowledge the enriching support of staff of the Ministry and its key departments and agencies for their warm welcome, insights, support and frankness.

Our Point of Departure: A Partially Leveraged Asset

Ladies and gentlemen, it is no news to anyone that Nigeria has tremendous mining endowments. Today, we have at least 44 known mineral assets that include 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.

We have reasons to believe that available data of our reserves understates what the almighty God has blessed our country with in many cases. We have barely updated some of the geosciences data collected 50 years ago or earlier; so we are cautiously optimistic that our mining endowments actually exceed what is currently stated.

That said, based on current data, Nigeria's solid minerals sector makes up about 0.34% of gross domestic product (GDP). That means that based on current official exchange rates, the mining sector contributes N400billion in value to the economy. While that is a significant role, it is smaller than its true potential as the vast majority of our mining assets have yet to be exploited. In fact, what has been happening is the the sector has more or less been operating sharply below capacity, with many mining operations manned by small scale artisanal miners, as opposed to the large scale players.

Mining 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 private sector led mining. And companies have started responding to all the efforts made by my predecessors. 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 not been easy. Many companies who have kept faith with Nigeria have struggled due to challenges in the solid minerals sector. Today, the Nigerian mining industry faces two (2) sets of challenges: external and internal.

External Challenges

The global mining market is in turmoil as key sources of demand that supported prices over the past two decades have declined. As you all may be aware, there is continuous global decline in prices of mining products which has put mines and mining houses under tremendous pressure. We see this reflected in the sharp declines in the share prices of Glencore, BHP-Billiton, Anglo American and Rio Tinto for example.

Naturally, as a result of falling metal and asset prices, many of the top mining houses are pulling back from investment planning, shutting down mines and optimizing current operations. All mining now has to be cost and process efficient.

For Nigeria, it creates a challenge to attract the large houses in the current time frame but therein also lies a great opportunity. We have therefore adjusted our go to market strategy to reflect a need to jump start market growth using a mix of domestic mining houses, junior mining companies and large global miners. The good news for Nigeria is that we have tremendous domestic demand for industrial minerals and metals – in the construction industry for example, so we will be focusing on working with other key MDAs to ensure that demand is met by Nigerian miners and processors.

Internal Challenges

Our internal challenges are of a different nature, and not a supply-demand balance issue. Internally, we need more of the support structure that will enable industry growth. At present, there are eight key internal challenges we face:

1. Limited Infrastructure: This is a key issue; the absence of appropriate infrastructure e.g. water, railroads and port handling facilities for base and bulk minerals makes it difficult for Nigeria to export iron ore for example. We need to improve energy, transport and market links to mines.
2. Insufficient Geological Data: While we have some geosciences data, we are still heavily reliant on work done 30 to 50 years ago to estimate our reserve potential. We need to provide more detailed, investment grade data to support investors. Mining licenses issued by the Cadastre Office should be

able to serve as collateral for loans, if supported by reliable information on the quality and grade of deposits.

3. Limited Cooperative Federalism: Absence of incentives for states to become involved in mining is a key constraint i.e. royalties and taxes not directly accessible to states; need to review this arrangement. States have also not taken full advantage by setting up mining joint ventures, limiting their capacity to generate IGR.
4. Low Productivity: Nigeria's mining techniques and processes need to be upgraded in order to reduce mine site waste, and boost productivity of output. Ditto some of our older steel plants. Even in a labour intensive mining sector, it is important that miners have access to the most efficient supporting technology.
5. Illegal Artisanal Mining and Community Challenges: Much of Nigeria's mining is conducted informally at levels as high as 80% of activity in some regions of the country, not necessarily of Naira earnings. We need to bring these miners into a legalized framework, making them real start-up miners and ensuring they pay government the right set of taxes and royalties. I want to be clear: there will no longer be a free lunch, as the Mining Act will be firmly enforced.
6. Weak Institutional Capacity: The Ministry has undergone significant changes since 2007 but still remains constrained with respect to enforcing existing laws and policies, supervising mines, and leading the provision of geo-sciences data. The Ministry will therefore need to add more technical staff and also upgrade the skill set of the Mining Inspectorate staff as well as other staff in the Ministry and its agencies.
7. Insufficient Funding: Funding has been a challenge partially because the sector had not been a focus area for both government and financial institutions. Thus, a number of projects have drawn funding from offshore sources, while others have sought capital from a few Nigerian banks. We have commenced constructive engagement with the Central Bank of Nigeria (CBN) and with commercial lenders to help them create the teams to sharpen commercial options for Nigerian miners.
8. Weak Ease of Doing Business and Perception Issues: Nigeria still remains a challenging place to do business based on data from the World Bank's survey over the past decade; while we have improved, that has had a negative impact on mining. Mining specific data such as the Fraser

Institute survey puts Nigeria near the bottom of investor friendly destinations, even if that is more perception than reality, it shapes investor decision making process.

For Nigeria, the continued presence of these issues will hold back market development. Therefore, we must resolve these set of issues as they impact how we choose to compete in the market. While external markets create opportunities we can exploit, improving ease of doing business or reducing transport costs will enable us to attack market opportunities as a lower cost competitor for example. Indeed, the global mining party is ours to attend, but we must dress appropriately and come with a competitive edge. My team and I will be spending more time on building collaborative links with other key ministries to enable us build a cost competitive industry.

The President's Agenda and Promise

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 oft repeated views that he wants the sector to be 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 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 in 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 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 philosophical beliefs that will guide our decisions are as follows:

1. Jobs Creation - We want to build a sector that is a jobs and growth machine, capable of working alongside other sectors to create a range of career options for our citizens.
2. Revenue Generation – We want to build a sector that blocks all forms of leakages in the revenue accruals with a view to ensuring prompt and comprehensive collection of revenues.
3. Industrialisation - We want to build an industry that will support Nigeria’s industrialization, expansion of low cost coal generated power, earn foreign exchange and generate tax revenues for government at all levels.
4. Sustainability - We want to build an industry that is sustainable, and will balance profit maximization with sustained economic options
5. Transparency - We want to build a transparent industry that broadcasts what it pays to government and other partners.
6. Environmental Justice - We want to build an industry that values environmental equity and fairness for any and all.
7. Cooperation - We also want to build an industry that integrates states, communities and existing artisanal miners where possible into the mining ecosystem.

If we deliver on this vision, then we can build a mining sector that Nigerians can be proud of 30 years or more from now. This sector should deliver double digit growth over the next decade, with important direct and indirect economic impacts on households. To improve our likelihood of building such an outcome, the Ministry also sought to extensively understand the entire operations in the sector. Therefore, we continue to review lessons from some of the best mining industries to see what lessons we can draw from their experiences, balancing some of the objectives outlined above.

Our Emerging Federal Mining Strategy

Given all the opportunities and challenges outlined, 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 the largest in the world, hence we will always make shrewd decisions with our partners, communities and other stakeholders. For example, we will rather be the most competitive gold producer in the world and serve only a fraction of supply, than be the biggest producer and have equity investors generating losses.

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. Most would be classified as work in progress, while a few such as using solid minerals to drive growth and wealth in communities can be considered very early stage or not started. Over the next 12 to 36 months, we will periodically report back on progress against these 8 categories.

Next Steps: Some Short Term Actions

Before wrapping up today's prepared remarks, I also want to talk about what my team and the entire Ministry will be doing in the next few months. Our immediate priority now is to accelerate investor confidence in the mining markets, and get the sector growing and jobs created. To do that within the context of the overall emerging strategy, we will be taking the following actions:

Finalize Market and Technical Diagnostic: We are working on creating one consistent view of Nigeria's mining industry, drawing on a range of internal and external data; this will help inform our strategy as well as investor decisions.

Revenue Generation: Upgrading of the Mining Cadastre Office and the Mines Inspectorate Directorate – automation, efficient review of overlapping and inactive titles, guaranteeing the integrity of mining licenses, external audit of revenue receipts in the past years would be undertaken and the establishment of Mines Police

Formalising Artisanal and Small Scale Miners: Strengthen the institutional support to artisanal and small-scale miners for integrating them into the formal economy.

Finalise Privatisation Exercise: Based on the recent update provided by the Bureau of Public Enterprises to the Ministry, an audit of privatised assets would be undertaken.

Geosciences: Review and conclude all open contracts for collecting geosciences data; for projects that have been contracted and the collection flights flown, finalize payments and make these and other data available to investors.

Capacity Building: We will invest in capacity building for the technical and operational staff in the Ministry and organise the Ministry for optimal delivery of the goals outlined.

Non-State Actor Engagement: We will encourage and work in partnership with non-state actors especially Community Development Associations and Civil Society Organisations to promote participation and inclusion and ensure community development and safer/environmentally sustainable mining practices.

Regulation: We will work with stakeholders to review existing licenses and bring them up to date where there are issues; our goal is to get licensees who are

sitting on the fence to have sufficient confidence to start investing real capital. **That said, starting March 1, 2016, we will start enforcing the “use it or lose it” doctrine enshrined in the Nigerian Minerals and Mining Act, 2007. The period from today to 1st March 2016 should be considered an amnesty period to allow regularization of papers.**

Formation of Investment and Business Support Team: There will be some low hanging fruits e.g. providing support to miners who are close to production but facing one or two administrative issues. We are setting up a new investment team that will help get such companies “over the line” and into production mode. We will also engage rapidly with key Nigerian companies that are today importing raw materials that can be supplied domestically e.g. coal for cement kilns. That import substitution push will be a quick to medium term win. The team will also start working closely with foreign investors who need guidance to launch operations in Nigeria.

Launch Stakeholder Communications: We will launch a series of targeted sessions with investors, communities and other parties in the next few weeks to continue the consultations we have begun since taking office. Our focus would be on ensuring that we are listening and acting as well in the best interests of committed partners. As much as possible, these sessions will be used to refine our thinking, as well as solve problems.

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 investor friends will be proud of.

We ask for your patience but we also recognize our responsibility to boost confidence. As Solid Mineral’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 make choices that will ensure that Nigeria and her partners, domestic and foreign, create a profitable, safe and sustainable solid minerals growth story. Hold us to account and challenge us.

Thank you for your kind attention.