

Diversifying the Nigerian Economy REVIVING THE MINES AND STEEL INDUSTRY

The Nigerian economy has remained susceptible to the volatility of oil prices with crude oil accounting for approximately 70% of government revenue and 83% of export earnings, Nigeria is forced to make difficult adjustments almost every time there is a depression in oil prices. Yet, Nigeria is richly endowed with mineral resources that are yet to be explored. In 2015, solid minerals accounted for about 0.3% of the GDP, significantly lower than the 19.17% and 4.11% contributed by the agricultural and oil and gas sectors respectively, according to Nigerian Bureau of Statistics (NBS). Investments in the mining industry would not only diversify the economy away from oil and gas but will preserve the much needed forex as an estimated \$3.3bn is spent on steel imports alone annually. The Nigerian Extractive Industries Transparency Initiative (NEITI) carried out an audit in 2012, which revealed that Nigeria has over 40 different kinds of latent solid minerals and precious metals. According to the report, 70% of the mineral endowments are located in the northern part of the country, which is significantly poorer than other regions in Nigeria. Development of the mining industry would diversify the economy away from oil and gas and also create wealth, provide jobs, promote alternative sources of public revenue and lift millions out of poverty.

ABOUT US

Policy Development Facility Phase II (PDF II) is a flexible, rapid-response programme funded by the UK Aid Department for International Development (DFID). The primary objective of PDF II is to provide targeted assistance to support Nigeria's 'champions of change' across the Federal Government to implement economic and social reforms that lead to poverty reduction. This is done through the provision of high quality organisational support and high quality policy research to build the evidence base for this support.

Mining in Nigeria historically contributed significantly to the economy of the nation and provided jobs. In fact, the key cities of Enugu and Jos were built mainly as a result of solid minerals exploitation and processing. Nigeria was a primary producer of tin, columbite, coal etc. Coal was a major source of power generation but with the discovery of oil, everything plummeted and the focus shifted to oil. Nigeria can be said to have suffered from Dutch disease, as the revenue earned during the oil boom was not re-invested into other sectors. Sadly, minerals are vulnerable to price volatility and are non-renewable resources meaning that it can get depleted. In 2005, the World Bank team intervened to revive the mining sector, the programme laid a foundation for the sector by drafting the mining law, determined the criteria for granting awards and titles on a first-come-first-serve basis in line with international best practices. The programme ended in 2012 and the situation in the sector remained relatively unchanged.



ROAD TO CHANGE

The Ministry of Mines and Steel Development reached out to UK Aid in January 2016 to provide support to the Honourable Minister to coordinate the development of a policy for reviving the solid mineral sector and drive sector reforms. Responding positively, an Embedded Adviser was engaged to provide the needed support. The support yielded very positive results in the first year with the development and launch of the 'Road Map for the Growth and Development of Nigerian Mining Industry.' The support is on-going to ensure the conscientious and consistent implementation of the road map in line with the vision of the Buhari administration and the Minister's mandate. For efficient and effective delivery of the road map for reviving the sector, the Minister needed to prioritise the limited resources. This was done by ensuring the execution of performance contracts to drive accountability with immediate consequences for failure. There was also the need to engage the appropriate human resources and enhance the capacity of the available ones; this is largely the mandate of the Embedded Adviser. Historically, there have been recorded experiences of unrealistic planning, with weak records of result delivery. While the Minister is well able to drive the necessary reforms to reach expected outcomes, he required technical assistance to help him manage his responsibilities, while focusing squarely on his core mandate.



KEY CHANGES

Increased Revenue Generation



The minister during the presentation of the 2016 scorecard of the Ministry reported an improvement in the productivity of the sector by tripling the ministry's contribution to the federation account to about N2 billion in 2016 up from N700 million in 2015. 2017 recorded a further increase to about N3.5 billion. The achievement of this milestone is related to the Embedded Adviser provided to the Ministry in strengthening the capacity of the Mining Cadastre Office and Directorate of Mines Inspectorate to implement licence revalidation and regulations, this contributed to the following :

- Management and administration of mineral titles
- Fostering partnerships with State Governments to improve governance and access to mining land, consent and receipt of applicable revenue
- Rekindling mining donor investments which has seen contributions from the World Bank, UNDP, OSIWA, Ford Foundation and promoted technical partnerships with Australia, Canada and Germany
- Establishing new revenue generation and capturing partnerships with relevant agencies including RMFAC, NEITI and World Bank
- Set up and registration of over 30 mineral processing and buying centres nationwide. This will further allow the capturing of mineral production volumes and collection of appropriate royalties

Cementing partnership with the Nigerian Customs Service (NCS) has improved port monitoring of mineral exports and ensured increased reporting of export volumes among others



Strong Financial Backing from the Government



N30 Billion

Diversification of the economy is one of the commitments of the present administration, which is well articulated in the Economic Recovery and Growth Plan. The presidency restated its commitment to diversify and grow the economy through the mining sector during an inaugural National Mining Summit held in Abuja in June 2017. The Vice President as the Chair of the Economic Management Team, further stated that creating an enabling environment remained the central element of the government's economic goal. He added that government would strive to sustain the current growth in the mining sector and other sectors of the economy by creating enabling environment. He also spoke about the need for the Nigerian government to work with other African countries to achieve its target economic growth. He reiterated government's commitment to ensuring that the sector is properly funded to attain its goals. In line with this commitment, an intervention fund of N30 billion was approved for the sector from the National Resource Fund to assist the mining operators access grants as government envisaged that investment in the sector would have reached \$27 billion by 2025 to enable it contribute more significantly to GDP.



The Nigeria Bureau of Statistics report has shown that constantly since Q1 of 2016, only the mineral and agriculture sectors recorded increases despite the recession in 2016. According to Q1 2018 released by NBS, the mining sector recorded a 12.9% Quarter on Quarter and 58.5% Year on Year growth with corresponding decrease in imports of 17.27% Quarter on Quarter albeit there was a slight 3.67% import growth Year on Year. Blocking revenue leakages and tightening internal controls have helped achieve this. Investors are now more interested in the mining sector than previously considering the mining sector road map, improved geo-science equipment etc. The Adviser also played a pivotal role in driving the maiden Gemstones and Jewellery industry. The plan of the ministry is to add value to the Gemstones before exporting them.

Funding the roadmap and other programs of the ministry solely through the treasury could slow things down therefore, the external funding (from development support and private capitals) is very crucial.