POLICY BRIEF

TRANSFORMING NIGERIA'S MINING INDUSTRY

ALIGNING POLICIES WITH THE AFRICAN UNION'S AFRICA MINING VISION (AMV) FOR ENHANCED GOVERNANCE AND INVESTMENTS

BY THE MANUFACTURING AND MINING POLICY COMMISSION

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1. Introduction

Given Nigeria's mineral wealth, its mining sector can be a crucial driver of inclusive economic growth, industrialisation, and diversification. However, despite efforts by the federal government to revive the sector since 2002, the sector is far from meeting its potential due to multidimensional challenges. The government can address these challenges by developing and implementing an inclusive, transparent, competitive mining policy and innovative strategies aligning with the Africa Mining Vision (AMV).

This policy brief identifies the challenges behind the mining sector's underperformance. It proposes reforms and strategies that the Federal Government may consider to position the sector as an essential driver of economic growth.

A Little History

Nigeria has a rich mining history, with the mining sector contributing around 4 per cent to Nigeria's GDP from the 1950s to the late 1970s (PwC, 2022). However, the industry has declined since the 1970s due mainly to two factors. The first factor was the rise of crude oil, which diverted the government’s attention almost entirely towards oil and away from mining. The second factor was the implementation of the government’s indigenisation decree, which prompted foreign mining companies to divest from Nigeria. In line with the decree, the government established the Nigerian Mining Corporation (NMC), the Nigerian Coal Commission (NCC), and the Nigerian Iron Ore Mining Company (NIOMCO) to replace the foreign mining companies.

Summary of Key Points

The Federal Government should consider taking the following proactive steps to attract private sector investment in mining exploration and production and boost mining’s role in catalysing inclusive economic growth, industrialisation, and diversification. Tackling existing challenges will increase mining investments and productivity, tax revenues, export earnings, and job opportunities in the next two to five years. The steps include:

- Developing a new mining policy aligned with the Africa Union’s African Mining Vision (AMV), led by the Bureau of Public Enterprises (BPE) in collaboration with the Ministry of Solid Minerals Development (MSMD), to guide legal, regulatory, and institutional reforms. BPE should lead the reforms due to its proven success in reforming critical sectors like communications. Partnering with the AU’s African Minerals Development Centre, which is supporting member countries to domesticate the AMV, is crucial.

- Optimizing Nigeria's brownfield and greenfield mineral assets through generating geodata, conducting competitive tenders, and promoting target investment areas using inter-ministerial and agency collaboration with the Ministry of Finance Incorporation (MoFI) playing a strategic catalytic role. The focus should be on iron, gold, tin, green energy minerals, and development minerals.

- Using the AMV framework to develop an indigenous mining finance ecosystem centred around the capital market.

- Activating a government-owned investment holding company partially owned by MoFI to boost mining projects, with a 10-15% retained "golden share" in optimised brownfield and greenfield mineral assets.

Between 1976 and 2003, these companies initiated several mineral exploration projects. However, these projects eventually declined due to poor management and operational inefficiencies.

To revitalise the mining sector, the Federal Government, supported by the World Bank, has implemented two projects since 2002. The first-generation reforms (2003-2012) funded by the Sustainable Mineral Resource Management Project (SMMRP) established the Nigerian Minerals and Mining Act (2007) and regulations (2011), liberalising the sector and privatising some NMC, NCC, and NIOMCO brownfield mines. The second-generation reforms (2016-2024) funded by the Mineral Secor Support for Economic Diversification Project (MinDiver) to implement the Ministry's mining industry roadmap focused on developing geoscience infrastructure and identifying mineral areas for investor targeting. The government also funded the roadmap with a N30 billion intervention fund from the Natural Resource Development Fund managed by the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC).

2. Factors Hindering the Mining Sector's Performance

Despite reforms and privatisation efforts, Nigeria's mining sector needs to be developed due to a suboptimal reform design and ineffective privatisation strategies. Furthermore, the lack of exploration investment due to Nigeria lacking a mining finance ecosystem with diverse fiscal and financial instruments for junior mining companies has been a key barrier to greenfield exploration activities in Nigeria. A 2023 NESG report highlights the factors affecting the sector's performance, summarised in Table 1 below.

Table 1. Factors hindering the Mining Sector's Performance

Key Issues	Details
Absence of a regulatory commission for mining	Unlike other liberalised sectors such as communications, electricity, and petroleum, Nigeria's mining sector reforms did not establish an independent regulatory commission. The reforms limited effective sector management, regulatory enforcement, and growth prospects by keeping regulatory functions within the Ministry of Solid Minerals Development, thereby exposing regulatory decisions to undue political interference.
Resource Federalism Effects	Nigeria's Constitution grants ownership and control of minerals to the federal government without clearly establishing roles for subnational governments in the management of the resources. Given that the negative impacts of mining are highly localised, burdening subnational governments, the exclusion of subnational governments has elicited a not-so-business-friendly regulatory interference from them, creating a challenging investment climate in the sector.

Misaligned Exploration Strategies	Nigeria missed out on global mining investments by focusing on discovering new mineral areas rather than revitalising its brownfield mines owned by the NMC, NCC, NIOMCO, and private companies. A strategy like those used by countries that successfully revitalised their mining sectors (e.g., Argentina, Mauritania, Mozambique, and Tanzania) could have boosted mining investment and production more quickly. According to the World Bank, these countries experienced significant growth within 5 to 13 years of completing the reforms from the 1990s to the 2000s. See Table 2 for the impact of reform in some of these countries. Further investments by the government to generate geoscience data from the National Mineral Exploration Project (NIMEP) and World Bank-funded airborne geophysical, geochemical, and topographical surveys have also followed this greenfield approach.
Insufficient linkages	Inadequate linkages between the mining sector and the manufacturing, construction, steel, power, agricultural, and technology industries have limited opportunities for industrialisation, economic diversification, and job creation. The potential catalytic role of the mining sector in these aspects remains unrealised.

These factors arose partly because the reforms did not benefit from the expertise and experience of the National Council on Privatization/Bureau of Public Enterprises (NCP/BPE), normally charged with shepherding such sector reforms. Instead, the Federal Government placed the responsibility of the reforms squarely on the Ministry of Solid Minerals Development (MSMD), which had limited experience in sectoral liberalisation and privatisation reforms, as seen below:

1. **Policy Timing:** The MSMD enacted the Mining Act in 2007 and introduced the corresponding mining policy in 2008. This approach contrasts with the NCP/BPE's approach of convening stakeholders to develop sector policies before pursuing legislative, regulatory, and institutional reforms to implement the policies.
2. **Regulatory Gaps:** The Mining Act failed to establish a regulatory commission, unlike other sectors where the NCP/BPE led the reforms and established sector regulatory commissions.[1]
3. **Missed Opportunities:** BPE and MSMD's lack of coordination affected privatisation outcomes. Best mining industry practices involve enhancing geological knowledge of mineral assets before conducting bids or tenders (Stanley & Mikhaylova, 2011). However, Nigeria missed the chance to revive the sector and attract investments because BPE privatized the assets as they were while the MSMD generated country-wide geoscience data from an airborne geological survey.

[1] BPE established independent regulatory commissions for the communications and electricity sectors, namely the Nigeria Communications Commission (NCC) and the Nigeria Electricity Regulatory Commission (NERC). Furthermore, BPE also established these regulatory commissions: the Debt Management Office (DMO), the National Pension Commission (PENCOM), and the Federal Competition and Consumer Protection Commission (FCCPC). While the NCP/BPE managed policy development in the petroleum sector, the Nigerian National Petroleum Corporation (NNPC) led legislative reforms. NNPC established the Nigeria Upstream Petroleum Regulatory Commission (NUPRC) and the Nigeria Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), with some consequences.

See Table 2 for the enormous impacts of mining reforms on investment, production, employment, and exports in some countries that reformed their mining industries and privatized their assets using industry best practices.

Table 2. Mining Sector Reform and Investment

Country	Year Reform Completed	Annual Mining Investment	Comments	Recent Status
Argentina	1995	2008: $2.4 billion; cumulative investment from 2003-2008 was 10%-14%		Argentina's 2022 mining exports hit $3.8 billion, with lithium accounting for 18% of them. Its $30 billion projects include 113 projects.
Mauritania	2003 (approx.)	2003-2008: $500 million in total (mining output was $1.1 billion in 2008)	Mining investment was $4.5 million in 2001 and $11 million in 2002	Mauritania's mining sector rose to 24% of GDP in 2022, led by gold and iron, with iron ore production reaching 13 million tons.
Tanzania	2000	2001-2008: Averaged over $250 million per year	From 1990-1999 investment was less than $10 million per year	Tanzania's 2019 mineral exports hit $2.3 billion, gold leading. It is Africa's only Tanzanite producer.

Source: World Bank

Due to these factors, Nigeria's mining sector is far from meeting its potential. The sector's contributions to GDP remain marginal, accounting for just 0.77% of GDP in 2023, while sector contributions to revenues and employment also remain marginal.

Nigeria has only attracted 0.12% of global exploration investments, far below West Africa's average of 5% (World Bank, 2016). While exploration is critical for unlocking Nigeria's mineral potential, this lack of investment has hindered exploration success. Challenges with detailed geoscience data and the absence of an indigenous mining finance ecosystem have affected exploration success. Consequently, Nigeria has only one large-scale gold mine, the Segilola gold mine, and no significant mineral discoveries. Nigeria has also experienced adverse economic, environmental, social, and national security impacts due to the absence of a mining regulatory commission to enforce the Mining Act and regulations and weak federal-state coordination, among other factors.

3. Policy Recommendations

Nigeria's mining sector can significantly transform the Nigerian economy if the government addresses legacy issues through inter-ministerial coordination and through alignment with the AMV.

1.Implement Policy and Governance Reforms

The NESG recommends a comprehensive overhaul of Nigeria's mining policy to align it with the AMV. The new policy should highlight the legal, regulatory, and institutional reforms required for effective implementation.

Aligning with the AMV is vital for enhancing governance and stimulating economic growth and industrialisation. It would also position Nigeria as a global green energy economy leader, attracting responsible investors and fostering long-term development. Box 1 outlines the AMV and its focal areas, which the new mining policy should incorporate.

The NESG recommends that the BPE lead these efforts to develop the policy and embark on legal, regulatory, and institutional reforms in collaboration with the MSMD because of BPE's successful track record in sector reforms. They should partner with the African Minerals Development Centre (AMDC), the AU's key continental mining policy framework for member countries, to design and implement the reforms using designated AMV frameworks.

The initial step would be for BPE and the MSMD to assemble a high-level, multi-sectoral, and multi-stakeholder steering committee to develop the new mining policy in line with the AMV.

Box 1: AMV Details and Focal Areas

The AMV is the critical continental policy framework for mining endorsed by the African Union heads of state and government in 2009. It is the key continental framework to promote mineral resource-based development and structural transformation on the continent. The Vision calls for a "transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development. It comprises these focal areas:

- Fiscal Regime & Revenue Management: Optimizing the share of mineral revenue accruing to resource-rich economies & improving management and use of mineral revenue
- Geoscience Data Systems: Improving geological and mining information systems to underpin investment in exploration and mine development.
- Capacity Building: Strengthening human and institutional capacities in the mining sector.
- Artisanal Mining: Establishing a viable and sustainable ASM sector, contributing to growth and development.
- Governance: Creating a sustainable, inclusive, & well-governed mining sector.
- Environmental and Social Sustainability: Addressing environmental and social challenges.
- Linkages and Diversification: Creating a mining sector that catalyses and contributes to broad-based growth, industrialisation, & and diversification through upstream, downstream, sidestream and infrastructure linkages
- Investment: Mobilizing investments in mining and infrastructure projects to support broad socio-economic development.
- Strategic minerals: Develop a system for designating critical mineral feedstocks into the domestic economy as strategic minerals for domestic value-addition and industrial purposes. These include iron/steel, green energy metals such as as lithium, tin gold, and development minerals comprising barite, kaolin, cement, granite, and gemstones).

2. Optimise Nigeria's Mineral Assets

While undertaking policy and governance reforms, the Federal Government can derive maximum benefits by optimising Nigeria's brownfield and greenfield mineral assets.[2] This approach can boost private sector investments in mineral exploration and mining within the next two to five years and create long-term mining sector sustainability, profitability, and social development. For both classes of minerals, the Federal Government should prioritise minerals that are strategic to Nigeria's industrial development and national security. They include iron and steel, tin, gold, green energy transition minerals (such as lithium and rare earth minerals), and development minerals (such as barite, kaolin, mica, cement, granite, and gemstones).

Specifically, the government should:

1. **Revive brownfield (previously operated legacy mines) mineral assets: The government should prioritise reviving brownfield assets owned by NMC, NCC, NIOMCO and private companies to boost exploration and mining, which can restart or expand production faster than greenfield assets.** The goal is to bring these assets online within the next two to five years, as the countries mentioned in Table 2 did.
2. **Generate discoveries and targets in greenfield (new, unexplored, or undeveloped mineral deposits) exploration areas: Nigeria should continuously develop greenfield assets to attract credible investors and sustain exploration and growth.**

Recent geodata studies by the MSMD's World Bank-financed Minerals Sector Support for Economic Development Project (MinDiver) and the Natural Resource Development Fund-financed National Integrated Mineral Exploration Project (NIMEP) are said to have identified promising areas for tin, gold, lithium, pegmatites, tantalum, and more. These should allow the government to attract investors through mineral resource tenders or targeted investment promotion because of enhanced available resource information.

To optimise both asset classes, with priority given to brownfield assets, the MSMD, the Nigerian Geological Survey Agency (NGSA), the Mining Cadastre Office (MCO), BPE, and the Ministry of Finance Incorporated (MoFI) should establish a collaborative framework to make the strategy effective. Under this framework, key steps and collaborations to attract credible investors to brownfield and greenfield assets include:

- BPE and MCO collaborate to conduct legal, financial, environmental, social, and governance due diligence to evaluate asset suitability.
- BPE and MCO collaborate to secure titleholder consent or revoke inactive licenses through regulatory action to have access to the assets for tenders or promotion.
- NGSA and the Solid Minerals Development Fund (SMDF)[3] collaborate regularly to conduct studies to generate pre-competitive data on these assets and package them for competitive tenders. Before generating more data, they will assess whether the available geodata on the assets are suitable for tenders. NGSA and SMDF will build on the different funds that the SMDF has established to stimulate early-late-stage exploration and commercial mining activities in Nigeria.
- BPE and MCO collaborate to divest government interests in brownfield assets through competitive tenders.

[2] Brownfield assets are existing or previously operated mines, while greenfield assets are new, unexplored, or undeveloped mineral deposits.
[3] The Solid Minerals Development Fund (the "SMDF" or "Fund") is a sovereign Fund established by the Government of Nigeria to drive and catalyse private sector-led investments in Nigeria's mining sector.

- BPE and MCO collaborate to conduct competitive tenders in suitable greenfield areas where MCO has the right to do so, learning from BPE's competitive bidding process management experience.
- BPE, MSMD, and NGSA collaborate with mineral rights owners of brownfield assets to promote the assets and attract investors where a competitive tender process is impossible.
- MoFi and other institutional and public investors to manage and hold stakes in brownfield and greenfield mineral assets, promote Nigerian ownership of mineral assets, and stimulate local participation in the mining sector.

3. Foster a Mining Finance Ecosystem

The Federal Government needs to foster an indigenous mining finance ecosystem centred on the Nigerian capital market to accelerate the exploration and development of its brownfield and greenfield assets. Without a vibrant exploration sector, the life of Nigeria's mining industry will be finite. A mining finance ecosystem will ensure efficient funding, foster local ownership, reduce dependence on volatile foreign capital, and enhance global competitiveness.

Building the ecosystem is crucial, utilising the AMV's African Minerals and Energy Resource Classification Management System and the Pan African Reporting Code (AMREC-PARC) systems. The Securities and Exchange Commission (SEC), the Nigerian Stock Exchange (NGX), the MSMD and its agencies, and the MoFI are critical stakeholders in fostering this ecosystem. Enhancing regulations, improving geoscience data, and strengthening corporate governance are essential to fostering the ecosystem, attracting investment, and encouraging exploration. The government should incorporate lessons from Canada's mining finance model to promote the ecosystem.

Canada's junior mining exploration sector is the backbone of its global mining success. It consistently drives the discovery of new mineral deposits and attracts investment. Its success is anchored on Canada's mining finance system driven by its capital markets, where junior mining companies (JMCs- small, exploration-focused companies) raise funds through the Toronto Stock Exchange (TSX) and its Venture Exchange (TSXV). Tax incentives, like flow-through shares (FTS), attract and channel venture capital into high-risk, early-stage JMC exploration projects. The FTS mechanism, along with low listing requirements, encourages JMCs to enter the capital market, driving the growth of the junior mining sector, which in turn fuels Canada's broader mining success.

4. Maximise Economic Benefits

To maximise economic benefits from the mineral assets, the government should activate and operationalise the investment holding company (IHC) owned by the Ministry of Finance Incorporated (MoFI). The Bureau of Public Enterprises established it to take control of the Nigerian Mining Corporation's (NMC) equity interests in various joint venture companies. The IHC should:

1. Include all feasible brownfield mineral assets from NMC, NCC, NIOMCO and private companies, as well as future greenfield assets, in the company's mining portfolio.
2. Retain a 10-15% government *"golden share"* in all feasible brownfield and greenfield assets after the government optimises them through tenders and investment promotions.
3. Consistently collaborate with MSMD, NGSA, SMDF, and MCO to develop a pipeline of investment-ready mineral assets for the company to attract private investors through mineral tenders or investment promotion activities.
4. Attract institutional investors to invest in the company.
5. List the IHC on the Nigerian Stock Exchange (NGX) and foreign stock exchanges in future, paving the way for Nigerian emerging and junior mining companies to list their projects on the capital market.
6. Diversify the company into upstream and downstream mining investment activities as opportunities arise in future.

The government should apply lessons from Zambia to operationalise the IHC
Zambia's government created ZCCM Investments Holdings PLC as a successor to Zambia Consolidated Copper Mines Ltd (ZCCM Ltd), which is similar to the NMC and NCC. ZCCM-IH manages government shares in privatised mines and has expanded into energy and real estate, attracting global investors with listings on the Lusaka, London, and Euronext Paris stock exchanges. Compared to Saudi Arabia's capital-intensive Maaden, a state-owned, fully integrated mining company, ZCCM-IH's model is more cost-efficient for resource-limited African countries like Nigeria.

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ABOUT THE NESG

The NESG is an independent, non-partisan, non-sectarian organisation committed to fostering open and continuous dialogue on Nigeria's economic development. The NESG strives to forge a mutual understanding between leaders of thought so as to explore, discover and support initiatives directed at improving Nigeria's economic policies, institutions, and management.

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