

Policy recommendations

To resolve the above issues, government should take steps and do the following;

- a) Streamline mining fees in the States to improve confidence in supervisory institutions. Returns from mining fees should be used to improve the operational environment to enable industry development.
- b) Establishment of a one-stop-shop: The government should establish a one-stop-shop in the different States with possible substations in the mining-intensive local governments. The one-stop-shop should be licensed buying centers and a meeting point for miners and mineral buyers.
- c) Amend the NMMA 2007 to define a clear approach for managing grievances that may arise from the implementation of the CDAs. The amendment should be expanded to include appropriate sanctions to be imposed on mining firms in the event that they fail to fulfil their obligations as contained in the CDA and should ensure inclusive and participatory process in the development of the agreement. The CDA should also provide appropriate protection for women and children, in sync with the Nigerian labour law.
- d) There is need for capacity building to strengthen the ability of mining communities to relate with investors and manage stakeholders and interest within the community in a manner that enables them to produce desired results or outcomes from the CDAs.
- e) Improve enforcement capacity of agencies at the State and federal levels.
- f) Tax more, provide more: The principle of fiscal exchange is that as the government takes, it also gives. Unequivocally, the inability of the government to give back to these artisanal miners and the local mining communities has led to tax evasion. The government should do more in terms of public good provisioning for the local mining communities.
- g) Government should provide extension services. Our survey reveals that government have done less for these artisanal miners in terms of technical assistance and support services. To increase value from the sector, there is an urgent need for the government to provide technical assistance to artisanal miners.
- h) Government should provide micro credit for artisanal miners. To increase the value each miner can make from each win and increase value to local economy, there is need for credit access to enable these miners' transition from simple tools to more technical and heavy machines.
- i) Formalize artisanal and small-scale miners through cooperative unions. This can be achieved by promoting simpler regulations free of unnecessary bureaucracy, to encourage the registration of operators and reduce illegal

mining. Such formalization would also empower the miners in the States and position them to take advantage of the fiscal incentives made available to solid mineral miners by the federal government.

- j) Improve documentation and data. Inadequate geoscience data makes it difficult for potential investors to reliably assess the quantity and quality of mineral deposits in the States. It makes it impossible for the State governments to ascertain the actual depth of the solid minerals industry in the States.
- k) Develop Public-Private Partnerships in Solid Mineral Mining. Mining finance is a huge constraint to solid mineral industry development in the States, which is not surprising because mining is a highly risky venture. However, partnerships between State-sponsored companies and the private sector in the form of joint venture arrangements can improve the risk perception of mining firms, making mining finance more accessible. The partnerships could take the form of equipment leases that reduce the technological constraints faced by miners in the States, particularly the small and medium-scale miners. While Ekiti and Taraba already have some of these arrangements in place, our survey reveals that the activities are not deep enough, as many industry practitioners are either unaware of them or are not able to benefit from them.

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Solid Mineral Development in Nigeria:

Evidence from Ebonyi, Ekiti and Taraba States



FACT SHEET



(Centre LSD)



Background

Nigeria is a resource endowed country. Official statistics suggests that the country has over 44 solid minerals distributed across the 36 States of the country. These natural resources had shaped the country's pre-independence industrialization trajectory as minerals were both a source of energy (in the case of coal) as well as tradable commodity (e.g., Columbite, Tin, Lead and Zinc). The discovery of and focus on crude oil production in the 1970s however, led to a significant decline in the development of the solid mineral mining industry. The nationalization policies of the 1970s and 1980s further worsened the state of solid minerals mining in Nigeria. Many foreign investors exited the industry due to poor operating conditions, which set the industry on a downward spiral evidenced by the massive drop in solid mineral's contribution to Nigeria's Gross Domestic Product (GDP) and export. The long neglect of the sector, despite solid mineral abundance, comes at a cost such as deprived alternative sources of energy sources, employment generation, investment opportunities, foreign exchange, and tax revenues.

The oil price crisis of 2014, which severely strained Nigeria's finances and foreign exchange earnings, inspired an urgency to diversify Nigeria's economy away from oil as the major source of government revenue and foreign exchange earnings. This, amongst other things, led to a renewed interest to develop Nigeria's solid mineral industry as a major employer of labor and a reliable source of tax and foreign exchange revenue. Whilst the Federal Government of Nigeria is continually improving the industry's regulatory framework to encourage private investment, the sector still contributes very little to Nigeria's GDP and gross exports. In the light of this, Centre LSD commissioned a study. The aim was; to better understand;

- the existing policy and institutional design and framework of Nigeria's solid mineral industry.
- the actors and their interactions, interests and the different activities undertaken in the sector in order to proffer evidence-based policy and regulatory regime that can help better the sector and some of the initiatives the government is already implementing.

The report is primarily based on information obtained during field visits to three States in Nigeria: Ebonyi, Ekiti, and Taraba. Three Local Government Areas (Gashaka, Ardo Kola, and Karim Lamido) were visited in Taraba State, seven in Ebonyi State (Abakaliki, Ebonyi, Ezza North, Ezza South, Ikwo, Izzi and Ivo) and four in Ekiti State (Ado-Ekiti, Ijero, Ikere and Oye). The States were chosen because of their respective high solid minerals' endowment, and current mining activities. Hence, they collectively represent solid minerals spread across the federation, and serve as yardsticks to determine (in-)actions of stakeholders in the sector and what might be responsible for the abysmal performance of the solid minerals sector in the country.

Key issues

The key findings of the study amongst others are;

- i) There are substantial gaps in implementation of policies related to mining activities in the three States, particularly in area of revenue collection. The industry is fraught with unclear as well as a multiplicity of fees on mining activities at different levels: statutory fees, discretionary fees from State and local governments, as well as local communities. This lack of clarity in the existing guidelines on fees has encouraged underreporting and smuggling in the States.
- ii) Regulations around mineral sales are largely unobserved as miners tend to sell minerals outside of the official minerals market's institutional framework.
- iii) On the effectiveness and quality of Community Development Agreements (CDAs), our survey shows that many mining communities are generally dissatisfied with the practice of community engagement by miners. For instance, mining communities in Taraba State do not have CDAs. And even in mining communities in States such as Ebonyi and Ekiti States, where CDAs exist, community leaders' express dissatisfaction with the extent of implementation of those CDAs. These communities feel largely powerless in confronting mining investors in cases where commitments to project implementation have been weak. This sense of powerlessness also affects other outcomes of mining activities in the respective communities including the condition of the environment.
- iv) There are also severe regulatory failures regarding adherence to environmental policies and regulations. While regulatory agencies across the three survey States accuse artisanal miners of being the most environmentally unfriendly mining operators, we find evidence of regulatory failures on the enforcement of environmental policies in many mining communities. Operators as well as regulators are aware of the myriad of environmental challenges in mining communities, but little has been done to redress those challenges. These regulatory failures are a symptom of the overall regulatory failure and discontent across the tiers of government.
- v) Our evaluation of fiscal regimes in the sector and across tiers of government show that both civil servants in government agencies and solid minerals industry operators in the States perceive the statutory fiscal regime to be adequate. The main concerns arise from non-statutory fees. Some community leaders have the impression that their communities ought to get more benefit from mining in terms of statutory revenue allocation. We observe reasonable correspondence between statutory allocation based on the 13% mineral derivation rule and the amount of mineral produced in the States. We note

however, that although Ekiti State is reported to have produced more solid minerals than Taraba in the NEITI 2016 report, it received lower 13% solid mineral derivation allocation. Revenue leakages have also been perverse.

- vi) Governments have remained largely unable to address the weakness with revenue collection which is increasingly hindering the realization of projections for national economy diversification. Some of the reasons for these challenges include: smuggling of minerals; inaccessibility to mining sites; informal organizations of artisanal miners, which makes it difficult for government to appropriately tax the sector; lack of solid mineral buying centers, which intensifies sales and distribution of minerals through unofficial channels and hence, a loss of revenue by the government, and lack of adequate exploration data, which makes it difficult for the government to track mining activities. These challenges do not only plague revenue collection but also the benefits derivable from the value chain for all players, including small artisanal miners.
- vii) Avoidable loses to the value chain due to the fragmented nature of mining operations characterized by the massive dominance of artisanal and small-scale miners in the different local communities in the three States. Challenges with tracking of revenue streams of the informal mining sector include government difficulties in accessing the mining sites, lack of solid mineral buying centers, and exploration data, informal organizations of artisanal miners and smuggling.
- viii) We found out that most of the artisanal miners in Taraba and Ebonyi States operate without a mining license while those in Ekiti State either have mining licenses or operating through a cooperative permit. Artisanal miners do not process the minerals before selling them, and they sell to anyone willing to buy.
- ix) Human rights violations have also persisted in several mining sites. Women and children are involved in mining activities across the three States, their roles and responsibilities within the mining communities vary greatly. In Taraba State, women and children are involved in every activity and stage of mining. In Ebonyi and Ekiti States, mining activities by underage children are limited, while the roles of women are limited to the processing stage, which includes crushing, grinding, sieving, washing, panning, among others.
- x) Artisanal miners do not obey the environmental regulations. This has led to environmental degradation, erosion, and excessive pollution, amongst other adverse effects.