

# Nigerian Mining Sector Watch

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The Nigerian economy, like that of many other countries, continue to face headwinds - from low revenue generating capacity, high inflation, currency depreciation, high interest rates, food crisis to insecurity. These negative imprints are the aftermath of the COVID-19 pandemic (and its sudden resurgence in some parts of the world), climate change and the Russia-Ukraine War.

Amidst the above, the Federal Government of Nigeria (FG or “the Government”) has remained committed to the agenda of stimulating the economy and growing the country’s Gross Domestic Product (GDP) through diversification from crude oil, with a major focus on taxation and mining. For example, the 2023 revenue projection from the mineral and mining sector (based on the 2023 budget proposal presented by President to the legislature) is expected to increase from ₦2.92Billion in 2022 to ₦3.64Billion, representing a 25% increment over 2022. The FG’s agenda has led to improved collaboration amongst various stakeholders in the mining and or solid mineral sector (“the Sector”), in a bid to optimize the Sector’s potentials for the benefit of the country.

**This newsletter highlights some of the recent developments in the Sector and their overall impact on the economy.**

## Introduction of the Electronic Mining Cadastre System (eMC+)

The Nigerian Mining Cadastre Office (NMCO) is set to launch its Electronic Mining Cadastre System (eMC+ or “the System”) to facilitate end-to-end real time, online mineral titles administration, from application to submission, to fees payment and issuance of certificates. The NMCO has since its inception, undergone several institutional changes beginning from the use of irregular polygons to the use of AutoCAD, and more recently, computerization via the introduction of “the Computerized Mineral Cadastre System” - Systeme Informatise de Gestion des Titres Miniers” - (SIGTIM) which was in use until December 2021.

The System, which is the latest mining management automation technology, has the potential of creating a more robust, modern and flexible high-tech Cadastre system. The System is also said to have the advantage of being linked to the Ministry’s portal to further aid the management of the mining sector as well as enhance coordination between other agencies of the FG and cadastral activity.

In preparation for the official launch of the eMC+, scheduled for 1 November 2022, the NMCO has since the 5th of October 2022, been convening stakeholders’ sensitisation workshops across the six geo-political zones of the country to demonstrate the functionalities of the System and to ensure full understanding and ownership by various stakeholders.

The eMC+ is expected to strengthen the transparency around property rights and security of tenure within the mining sector; enhance the transparency of the mineral licensing process and government’s regulatory capacity through improved efficiency, and information availability and management. If widely adopted, the System is capable of putting the Nigeria mining sector on the digitization journey, make it more prominent on the global mining map, boost investors’ confidence in the nation’s mining sector, attract Foreign Direct Investment (FDI) and ultimately lead to an increase in the revenue accruing to the FG.

In recognition of NMCO’s strides on digitization via the eMC+, the NMCO was awarded the best digital innovation agency of the FG in 2022. The award was presented by the Nigerian Internet Registration Association (NIRA), a non-governmental body established by Order of the President of the Federal Republic of Nigeria to manage Nigeria’s country code.

## Status of the Proposed Ban on Mining Activities in Nigeria

The Attorney General of the Federation and Minister of Justice had in July 2022, given a report on the intended ban of mining activities in order to curb the activities of terrorists and / or bandits, and discontinue their sources of funding.

Expectedly, several key stakeholder groups and organizations (including the Lagos Chamber of Commerce and Industry (LCCI), the Mining Association of Nigeria and the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA) reacted to the announcement, urging the Government to reconsider its plan before wielding the big stick. However, as at the time of publication of this newsletter, the FG was yet to take the final decision on the proposal.

The FG's basis for the intended ban of mining activities though quite understandable, should be limited to "illegal" mining operations only. The inherent challenge, however, would be tracking those involved in the illegality and prosecuting them accordingly. In this regard, it would be helpful for the FG to strengthen the framework and operation of Mines Policing, together with other security architecture to be able to nip this ugly scenario in the bud.

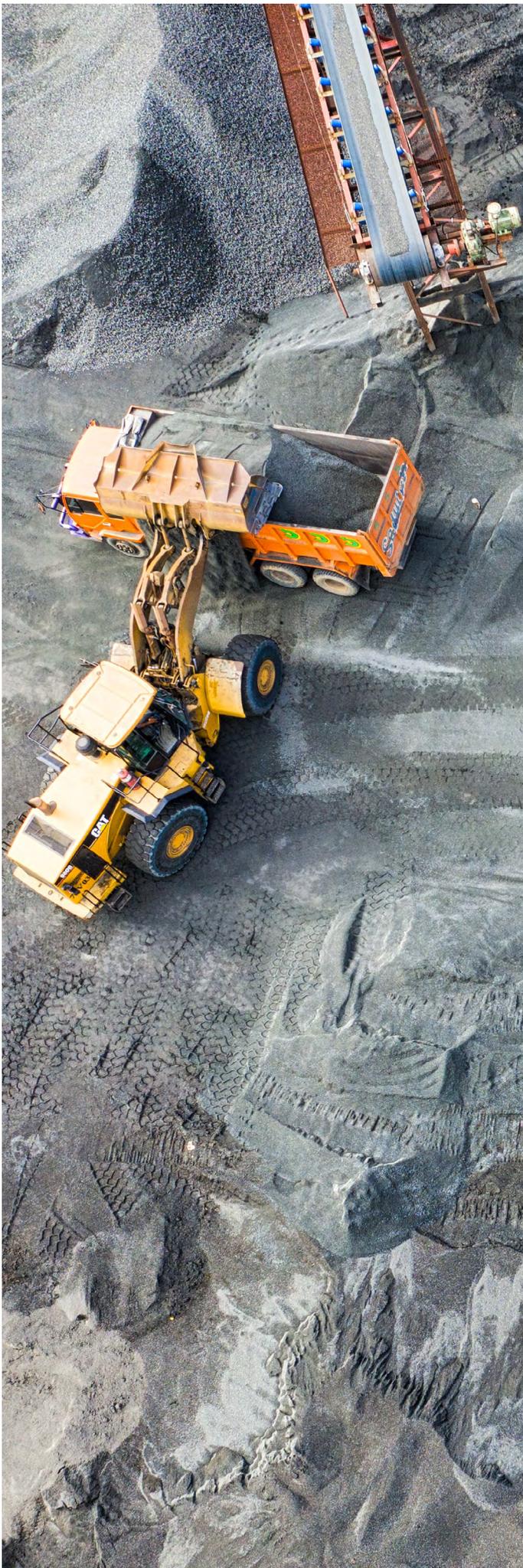
## EFCC, NSCDC Collaborate with the Mining Sector to Combat Illegal Mining & Underpayment of Royalties

Recent efforts by the Economic and Financial Crimes Commission (EFCC) and the Nigeria Security and Civil Defence Corps (NSCDC) have resulted in significant arrest of illegal miners and royalty evaders among the licensed miners.

The involvement of the above-named agencies is a welcome development, given the upsurge in illegal mining activities in the country. It is also a signal to other relevant agencies of the FG including the Nigerian Police Force and the Nigerian Customs Service (NCS), amongst others, to support the mining sector and to expose all forms of illegality ravaging the Sector. Stiffer penalties should be meted out to criminals apprehended in any form of illegal mining activity.

## FG Revokes Some Mining Licenses

The FG in a bid to ensure operationalization of mining licenses issued to date has revoked 3,400 mining licenses within the last two years, in line with the "use it or lose it" agenda.



Mining business is capital intensive and requires investors with high risk appetite. With this action, the FG has spoken in clear terms that only serious investors who desire to make a difference in the mining space are welcome. Therefore, the revocation of licenses held by erstwhile dormant operators is thought to be in order and should propel those in their final investment decision (FID) mode to act swiftly towards exploration and active exploitation / production of their minerals.

## Conclusion

The Nigerian mining sector has recently seen some pertinent developments, especially in the areas of technology and compliance. The Sector has continued to prove itself a viable revenue generator for the country. As of August 2022, FGN's actual revenue from mineral and mining was ₦2.74Billion, representing over 40.7% of the prorata target of ₦1.94Billion<sup>1</sup>. This stellar performance was achieved despite some unplugged revenue leakages in the Sector and the inherent security challenges.

There is therefore the need for increased cooperation among the industry players and stakeholders in areas of policy development, capacity development, security, funding and reform initiatives, all directed towards the maximization of the Sector's benefits.

The above suggestions should be considered for implementation as they are pivotal to restoring investor confidence in the Sector and stirring it to greater heights.

<sup>1</sup><https://www.budgetoffice.gov.ng/index.php/hmfbnp-public-presentation-of-2023-fgn-budget-proposal-breakdown-highlights/hmfbnp-public-presentation-of-2023-fgn-budget-proposal-breakdown-highlights/download>

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