

Ministry of Mines and Steel Development



**FINANCING OF MINERAL RESOURCES
PROJECT
(THE SMMRP EXPERIENCE)**

By

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Sustainable Management of Mineral Resources Project

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Background

- Mining and agriculture were primary economic activities in Nigeria up to late 1960s
- Discovery of crude oil in 1958 led to a shift in focus
- Oil boom of 1970s brought windfall in foreign earnings
- Decline of Tin price in the 1980s affected the industry
- Nigerian Enterprise Promotion Act 1970s led to mass exodus of foreign mining companies
- Neglect of the mining sector by successive regimes
- Steady decline of sector during the last 40 years
- Prior to SMMRP mining was reduced to ASM levels
- The ASM activities were largely on *informal* basis

Project Rationale

- Government's new commitment to economic diversification
- Huge potential in solid minerals for non-oil growth
- Prospects for sustainable pro-poor growth through solid minerals development
- Contribution to employment generation and poverty reduction via ASM activities
- Creation of enabling environment for rapid private sector led development of the mining sector
- Production of industrial minerals to meet local demand

Project Development Objectives

- I. Increase the Government's long-term institutional and technical capacity to manage Nigeria's mineral resources in a sustainable way; and
- II. Establish a basis for poverty reduction and rural economic renewal in selected areas of the country via the development of non-farm income generating opportunities through small-scale and artisanal mining and to diversify away from oil sources of income.

Project Components

- A. Economic Development and Livelihood Diversification in Artisanal and Small Scale Mining Areas
- B. Strengthening Governance and Transparency in Mining
- C. Private Sector Development
- D. Project Coordination and Management

Financing Structure

- IDA Credit = US\$120.00 MILLION
- FGN Counterpart Fund = US\$8.05 MILLION



MAJOR ACTIVITIES FUNDED

Regulatory Framework:

- Nigerian Minerals and Mining Law, 2007 enacted by the National Assembly
- Mining Fiscal Regime facilitated
- Minerals and Metal Policy concluded
- Mining Regulations launched

Institutional Framework:

- Established the Mining Cadastre Office
- Restructured the Ministry of Mines and Steel Development
 - Mines Inspectorate Dept
 - Mines Environmental Compliance Dept
 - Artisanal and Small Scale Mining Dept
- Established the Nigerian Institute of Mining and Geosciences (School of Excellence in Mining)
- Strengthening of the Nigerian Geological Survey Agency

Baseline Studies Concluded on:

- Livelihood studies of Mining areas in:
 - Birnin Gwari (Kaduna State)
 - Gabu & Osina (Cross River State)
 - Nafada (Gombe State)
- Gemstone production and marketing
- Baryte production
- Business Plan for the School of Excellence in Mining
- Assessment of Nigeria's Geodetic infrastructure
- ASM Nationwide Survey

Capacity Building:

- Provision of ICT infrastructure and knowledge base
- Provision of over 50 field vehicles for field work and mines supervision
- Establishment of geological laboratories for NGSA and NIMG
- Provision of field and office equipment to Headquarters, Zonal and State offices
- Training (MMSD/Agencies, MoE/NESREA)
- Alteration and Remodeling of MMSD HQ and Satellite Offices

Private Sector Development:

- Airborne geophysical Survey (56% of territory)
- Geo-chemical mapping (4 cells)
- Revision of Geodetic Network and cartographic coverage
- Aggressive promotion of Minerals investment potential
- Inventorization and action plan for the legacy of abandoned Mines

Micro Grant Subproject:

- US\$ 10 million Grant Fund available for ASMs and MCs
- A poverty reduction scheme
- Assist ASMs to acquire physical assets, training and services
- Social infrastructure for Mining Communities
- Outreach to over 130 beneficiaries
- Disbursed about 65% of funds
- Program has national spread

KEY OUTCOMES RECORDED

Increased investment:

- Investor confidence (by the new Law and regime)
- Better environment created for investors

Revenue to Government:

- Improved revenue collection as a result of better oversight
- Sector contributed N1.2billion to Federation Account in 2010 (N200 million in 2005)

Employment generation:

- Increased level of activities at the mine sites has led to more jobs

Increased solid minerals production:

- As evidenced by new mineral titles and royalties collected

Better Mines supervision and oversight:

- Field staff better equipped in terms of skills and logistics

Improved human capacity in MDAs:

- Staff are now more productive and skilled

Improved livelihood in ASM:

- Income of Grantees increased with higher production/sales

Environmental and Social Safeguards

Environmental Issues

- Exploitation of mineral deposits often presents a threat to the environment
 - Destruction of natural habitat
 - Effluents from mineral processing
 - Unsafe mining practices and working conditions
 - Use of hazardous substances (e.g. Use of Mercury for gold amalgamation)

Social Issues

Social issues also abound at the mine sites -

- Mining may affect alternative livelihood of locals (eg. Farming, fishing, etc.)
- Involuntary Resettlement
- “Rush” (Influx) of migrant miners may stretch infrastructure
- Gender Exclusion
- Child Labor
- Drug Abuse
- Sex Work, STDs and HIV/AIDS
- Unwanted (and teenage) pregnancies

Safeguard Compliance

- Assessment of Environmental and Social Liabilities of Public Coal Properties
- Sectoral Environmental and Social Assessment (SESA)
- Studies on:
 - (a) Child Labour, and
 - (b) Gender Mainstreaming
- Regular safeguards compliance monitoring

Challenges/Implementation Bottlenecks

- Frequent changes in top management of the Ministry
- Delays caused by complex procurement packages and procedures
- Slow rate of disbursement due to long-term nature of contracts and payment schedules
- Slow response of Implementing Departments/Agencies
- Slow response of investors to Nigeria's mining sector
- Previous interferences by Political Heads (eg. 6-month suspension of Project)
- Delay in the implementation of ASM
- Force Majeure

Sustainability and Consolidation

- There is need to sustain the gains of SMMR Project
- Long-term commitment is critical (Gestation Period)
- Investment of financial resources
- Failure to sustain the tempo may lead to somersaults
- Consolidation will facilitate diversification and give the economy great boost

Conclusion & Recommendations

- The SMMRP is the largest mining project of the WB
- A good experience in development finance
- Government should ensure continuity beyond SMMRP:
 - Continue to improve on the investment climate
 - Activate the Solid Minerals Development Fund
 - Admit solid minerals into the Natural Resources Fund
 - Ensure adequate recurrent budgetary allocation
- A good course toward the economic diversification policy of the Government

PHOTO SPEAK



Ministry of Mines and Steel Development

Nigerian Minerals and Mining Act, 2007





Federal Republic of Nigeria

MINISTRY OF MINES AND STEEL DEVELOPMENT

NATIONAL MINERALS

AND

METALS POLICY



Water Project, Azara, Nasarawa State



Quarry Project, Ido-Osi, Ekiti State



Gypsum Project, Wurno, Sokoto State



Quarry Project, Irrigwe, Plateau State



Quarry Project, Abaomege, Ebonyi State



NIMG dilapidated facility prior to intervention



NIMG dilapidated Facility prior to Intervention



NIMG, TUDUN WADA CAMPUS – Post intervention



NIMG Auditorium Tudun-wada Campus – Post intervention



66-bedroom Furnished Students' Hostel, Miango Campus – Post intervention



MCRC after renovation



Field Vehicles for MMSD, NGSA and NIMG





**Training on Governance, Accounting, Taxation,
Finance, Environment and Mining Held at the Chelsea Hotel Abuja
Thurs. Feb. 25,2010**

Participants at the specialised Course for Mines Inspectorate Staff in Ghana

