

#### **Ministry of Mines and Steel Development**

### FINANCING OF MINERAL RESOURCES PROJECT (THE SMMRP EXPERIENCE) By Utsu L. Adie Coordinator 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



#### 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

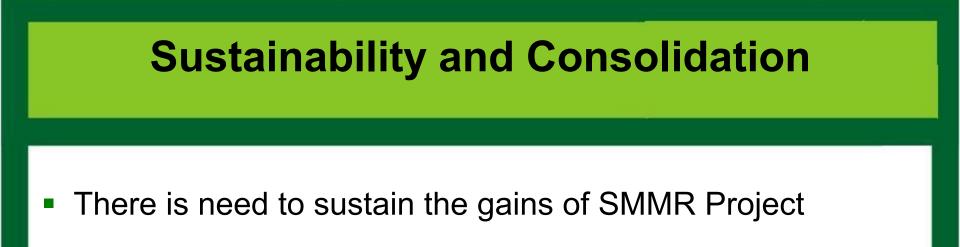


## Challenges/Implementation Bottlenecks

- 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



- 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**

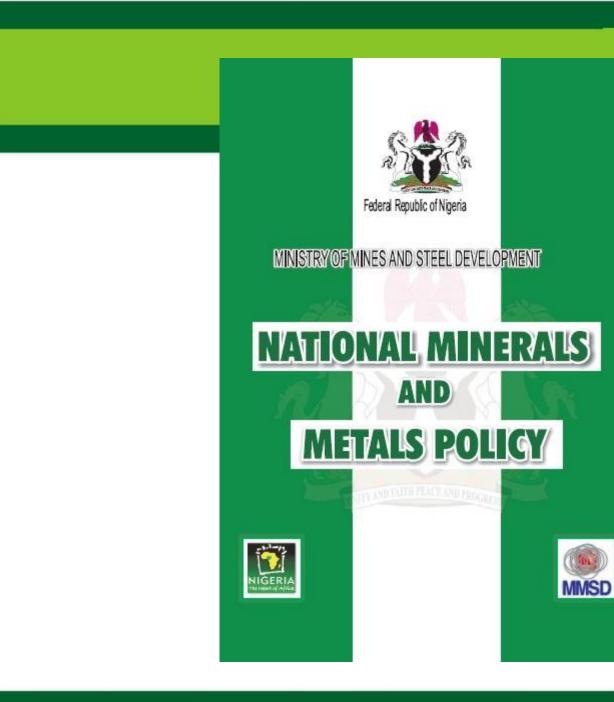


#### **Ministry of Mines and Steel Development**

## Nigerian Minerals and Mining Act, 2007







## 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

All a state

## NIMG Auditorium Tudun-wada Campus – Post intervention

大きい

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

1000

## **MCRC** after renovation

MINING COMMUNITY RESOURCE CENTRE





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