



Ministry of Solid Mineral Development

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Minerals

# **Solid Minerals: A Strategic Sector For National Development**

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Minister of Solid Minerals Development**





# The State of Affairs Contribution of Mining to GDP

YEAR	CONTRIBUTION	TOTAL GDP	% SHARE OF TOTAL GDP
1988	0.24	77.76	0.31
1989	0.25	83.46	0.30
1990	0.27	90.36	0.30
1991	0.27	94.36	0.29
1992	0.28	97.42	0.29
1993	0.30	100.03	0.30
1994	0.31	101.04	0.31
1995	0.31	103.30	0.30
1997	0.32	107.02	0.30
1998	0.33	111.05	0.30
<b>Cumulative Annual Growth Rate</b>	<b>3.6%</b>	<b>4.0%</b>	<b>-0.4%</b>

## The State of Affairs Contribution of Mining to GDP

- Total revenues of 80.9 million (1999); 309.2 million (2002); and 298.5 million (2004)
- Contribution to GDP largely driven by about 1102 Quarrying licenses/leases

## Reasons for State of Affairs

- Opaque licensing procedures leading to speculative holding of mineral titles
- Prevalence of illegal Miners
- Conflict between Federal/State governments over ownership rights
- Lack of geological information & data

# Reasons for State of Affairs

- Too much discretion per 1999 Mineral & Mining Act
- Lack of internal capacity to support service delivery
- Direct involvement of Government in mining operations

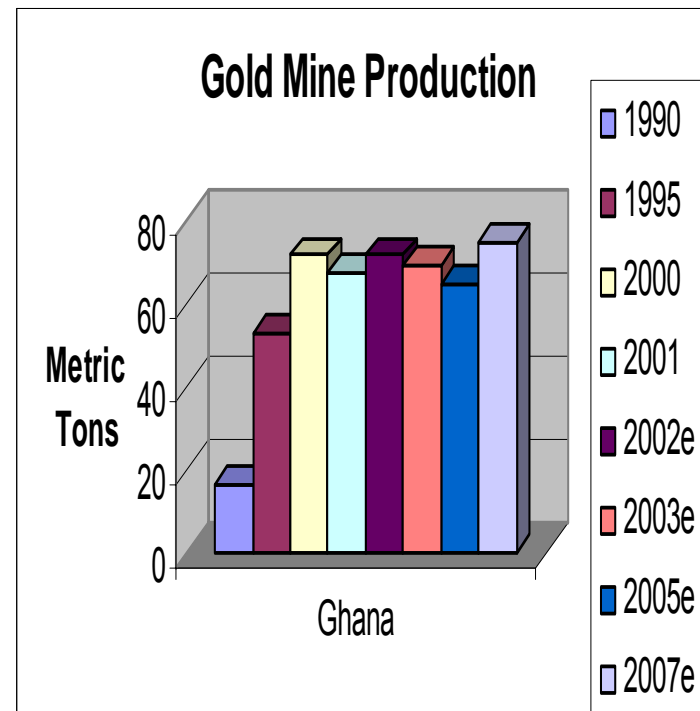
# The Consequences

- Lack of transparency in procedure for granting access to mining title
- Non security of mining rights with adverse on investment decisions
- Confusing signals as to ownership of mineral rights
- Lost opportunities in decade of mining boom

# Decade of boom in African Mineral Exploration- Ghana

## GHANA

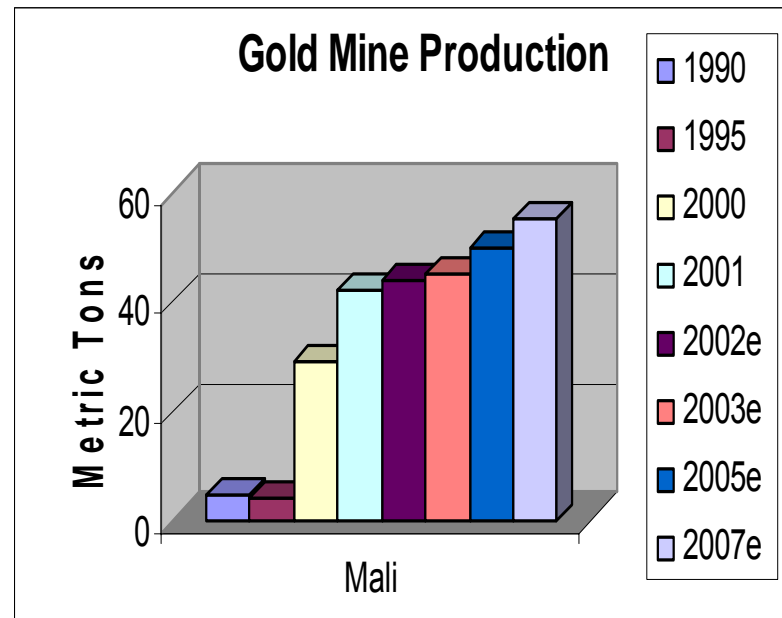
- 300% increase in gold production 1990-2001



# Decade of boom in African Mineral Exploration - Mali

## MALI

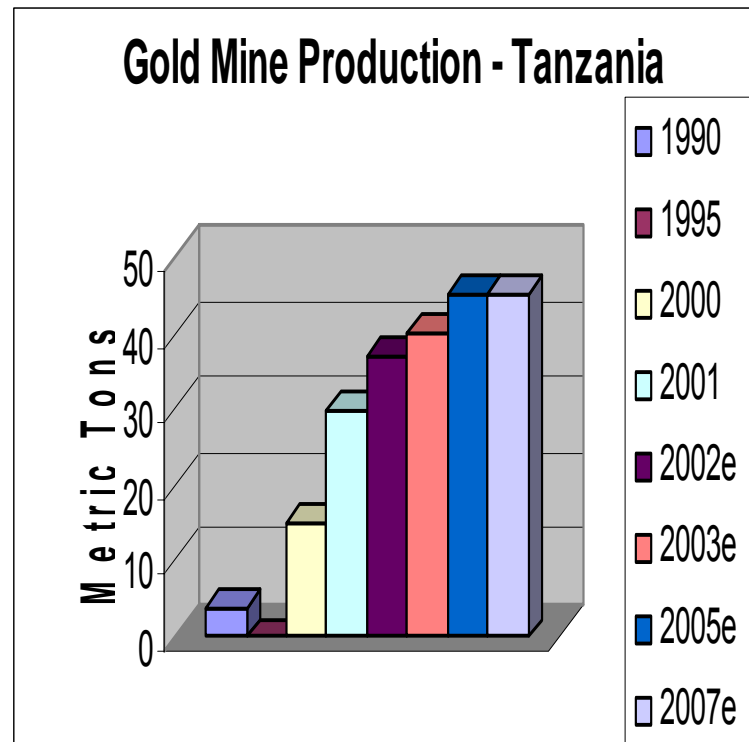
- 720% increase in gold production 1990-2001



# Decade of boom in African Mineral Exploration - Tanzania

## TANZANIA

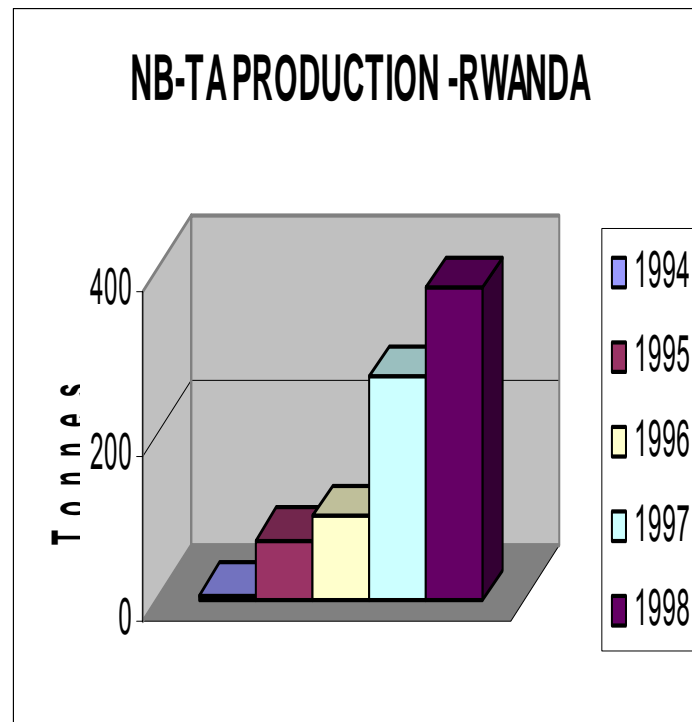
- 650% increase in gold production 1990-2001



# Decade of boom in African Mineral Exploration -Rwanda

## RWANDA

- 6200% increase in Nb-Ta prod. 1994-1998



# Global Prices of Tantalite (1996-2000)

- 1996 -\$14 per kg
- 2000 – \$70 per kg
- 2001 – \$165 per kg





## **Our Mandate:**

**To Transform Nigeria into An Irresistible Mining Destination For Global Capital**

## **Our Vision:**

**To exploit the mineral endowments spread across the nation for the Wealth and Peace of all Nigerians**



## The Broad Strategy:

- Development of a National Policy with clear direction for future activity in the sector
- Resolution of conflict over ownership of mineral rights
- Restructuring of the Ministry for effective performance as “Administrator-Regulator” of the Sector
- Review of the Minerals & Mining Act of 1999 to becoming more attractive to mining investment capital

# The Broad Strategy:

- Establishment of transparent mechanism for granting access to mineral titles
- Strengthening geological data generation capability
- Privatization of Mineral Assets of Moribund parastatals
- Promotion / Marketing of Investment Opportunities

## **Development of a National Solid Minerals Policy:**

- **Central theme is the clear definition of role of government as “administrator-regulator”**
- **Redefinition of Solid Minerals as a Strategic Sector for National Development**
  - **Employment Generation**
  - **Wealth Creation**
  - **Poverty Alleviation**
  - **Another opportunity for correcting the mistakes of past mis-governance of mineral revenue**
  - **A tool for better socio-political co-existence**

## **Development of a National Solid Minerals Policy (contd):**

- **The frontal role of the private sector as drivers of growth in the sector**
- **Approved by the National Council on Privatization in November, 2005**
- **Adoption by the Federal Executive Council on March 15, 2006**

## **Resolution of “Conflicts” over ownership of Mineral Resources**

- **A peaceable sector is key to the orderly development of the Sector**
- **Section 44(3) of the Constitution and Section 1(1) of the Minerals & Mining Act 1999**
  - **Places Solid Minerals as well as oil & gas on the exclusive Legislative List**
- **Establishment of State Ministries of Solid Minerals considered illegal**

## **Resolution of Conflicts (contd.)**

- Confusing signals to investor community with adverse effect on orderly development of sector
- **Need for States to strictly comply with NEC directive abolition State Ministries of Solid Minerals**
  - Mechanism for collaboration with States and Local Government established under the State Mineral Resources & Environmental Management Committee
  - State Governors already informed on need to inaugurate these committees
- **Cooperation between all tiers of Government essential for effective governance of the Sector**



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# THE NEW MSMD

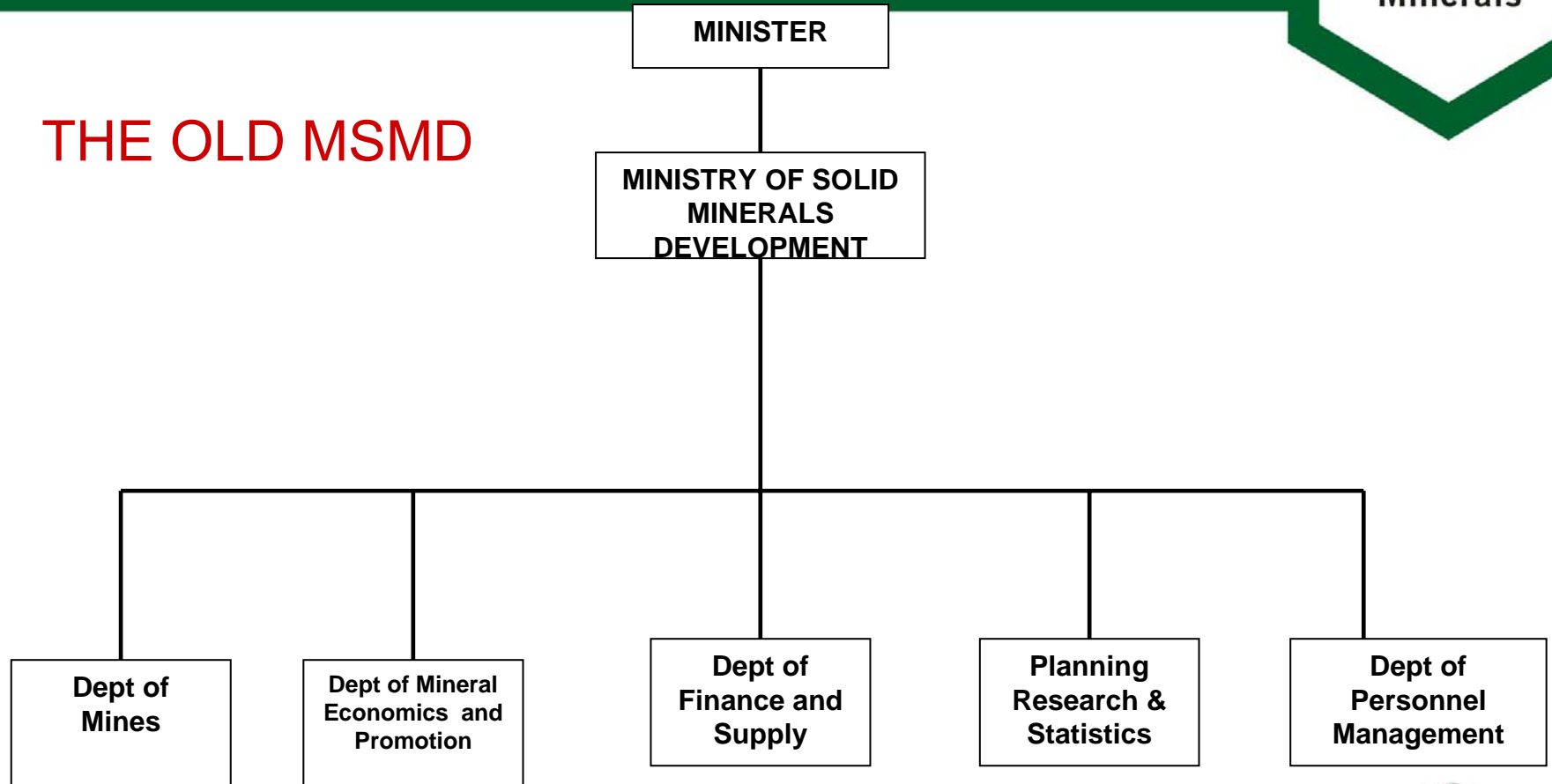


## **Objectives of the New MSMD:**

- **Effectiveness & Enhancing performance as “Administration – Regulators” of the sector**
- **Defining the vision and raison d’etre**
- **Value Delivery**
- **Defining core & auxiliary functions**
- **Investor Friendliness**

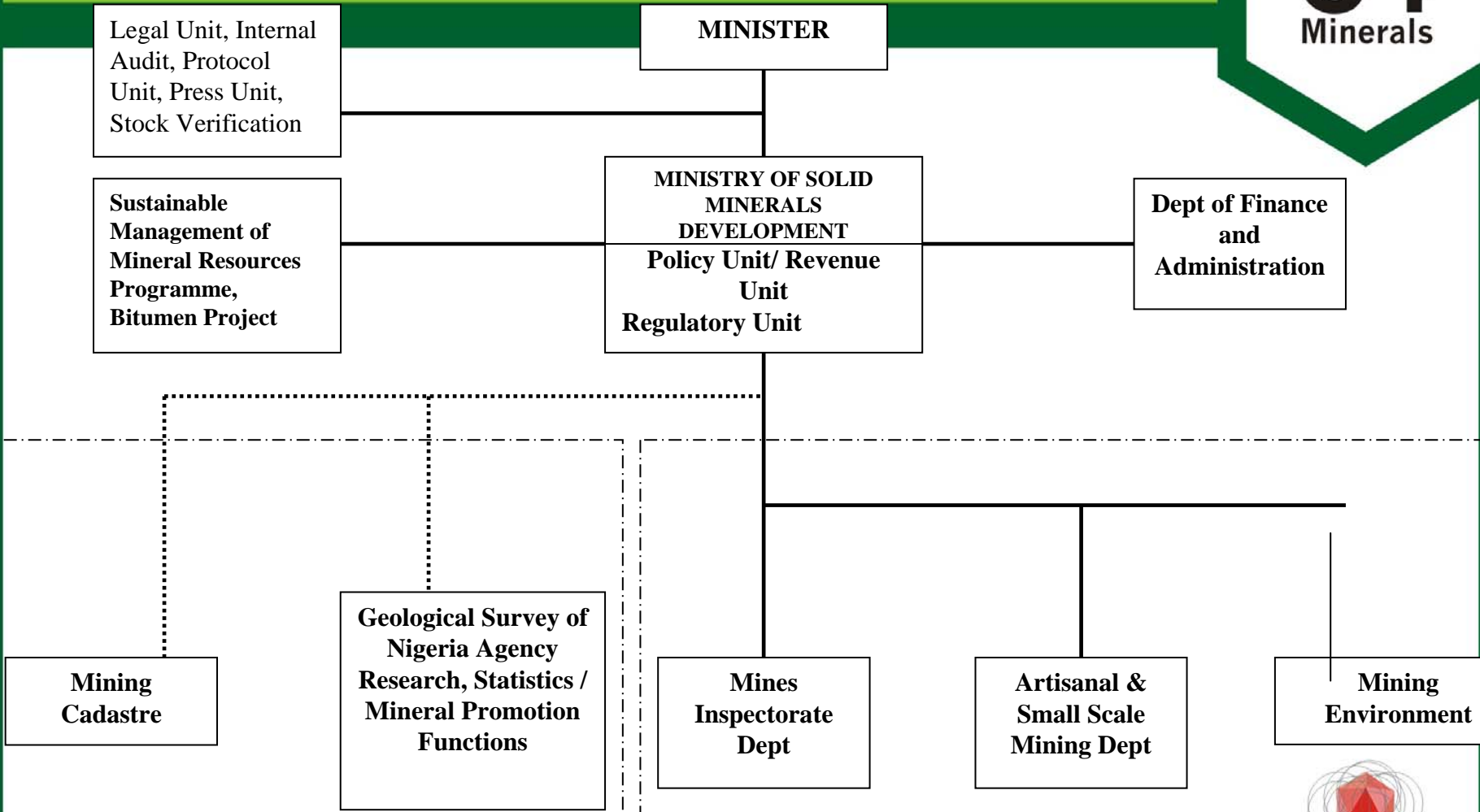


# THE OLD MSMD





# Ministry of Solid Mineral Development





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# The Minerals & Mining Bill

**Objective:** To provide a legislation that meets global best practice and attractive to investment capital

**Strategy:**

■ **Repeal & re-enactment of the Minerals & Mining Act, 1999**

- Removal of discretionary powers of officials
- Ensuring of security of tenure
- Easy access to mining titles
- Competitive fiscal regime
- Autonomous Cadastre
- Recognizing Artisanal & Small scale miners

## **Strategy (contd.):**

### **■ Creation of State Minerals & Environmental Mgt. Committee:**

- Central to resolution of conflicts between host communities and mining companies

### **■ Composition includes:**

- Representative of the MSMD
- Representatives of both the Federal & State Environmental Ministry
- The State Surveyor-General
- Representative of the State Ministry of Agriculture
- Representative of State agency overseeing land matters
- Representative of applicable Local Government Council
- Representative of the Host Community, on a need basis

## Strategy:

- Main functions of the Committee include:
  - Provision of advise with regards to supervision of mineral exploitation and implementation of social protection measures
  - Advise of Local Governments/communities on implementation of programs for environmental protection
  - Advise the Minister on strategies for resolving conflicts amongst stakeholders

## Strategy (contd.):

- **Establishing of a Community Development Agreement Provision**
  - **Best Practice provision for addressing social issues in host communities. E.g. Rio Tinto & Madagascar**
- **Bill is a Hybrid of best practice provisions from competitive mining jurisdictions. E.g. Chile, Tanzania amongst others**

## **Strategy:**

- **Endorsement at both national and international fora**
  - **Lagos, New York, London, Washington DC, Cape Town**
- **Public Hearing held in December, 2005**
- **Final passage of Act expected by early May, 2006**
  - **Significant support of the Senate & House Committees on Solid Minerals**



# THE MINING CADASTRE OFFICE

## An Answer to Opacity in Granting Access to Mineral Titles



## The Mining Cadastre

- The Cadastre is a major vehicle for conveying mining sector reforms
- All Mining sector reforms are based on the provision of a modern and transparent mining title registry with the responsibility for:
  - Granting licenses on objective criteria
  - Applying “first-come, first-served” rule
  - Granting exclusivity of rights
  - Ensuring security of tenure & transferability of mining titles

## **Objectives of the Cadastre:**

- **Ensuring Transparency in Granting Access to Mineral Titles**
- **Curbing Illegal Mining**

## **Strategy:**

- **Clean-up of mineral title registry via the Revalidation exercise**
  - **Essential to eliminate incidence of overlapping titles**
  - **Determining the validity of licenses**
- **Completed November, 2005**

## **Findings from Revalidation Exercise:**

- Only 10% of mineral title holders turned up for revalidation
- Valid submissions equal to 30% of total submissions
- 80% of mineral titles (1102) essentially for quarrying purposes
- Establishment of single database of all mining permits and licenses
- New licensing system to roll-out April, 2006
- Creation of Mining Desks at EFCC State Offices

## Ongoing Programs:

- Creation of mining desks at EFCC State Offices
- Creation of Mining Desks at EFCC State Offices
- Establishment of single database of all valid mining permits and licenses
- New (modern) licensing system to roll-out April, 2006
- Drafting of Cadastre Regulations



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# Privatization & Deregulation

## **Privatization of Mining Assets of NCC and NMC:**

- **Process on-going with Calls for Expressions of Interest**
- **Very encouraging responses with more than 50 expressions of interest**
  - **Coal Properties (15) including BHP Billiton**
  - **Bitumen Blocks (10) including CNPC of China**
  - **NMC Leases (25) including Dome Ventures of Canada**

**List of some companies expressing interests**

<b>Name of Company</b>	<b>Country</b>
<b>BHP Billiton</b>	<b>Australia</b>
<b>Zinjing</b>	<b>China</b>
<b>Masefield</b>	<b>Canada</b>
<b>SINOPEC</b>	<b>China</b>
<b>TEAL</b>	<b>South Africa</b>
<b>Energem</b>	<b>South Africa</b>
<b>Enel</b>	<b>Italy</b>
<b>Western Oilfields</b>	<b>Canada</b>
<b>Tonogold</b>	<b>USA</b>
<b>Dome Ventures</b>	<b>Canada</b>
<b>Eyesizwe</b>	<b>South Africa</b>
<b>Lake Asphalt</b>	<b>Trinidad &amp; Tobago</b>
<b>Newmont</b>	<b>USA</b>

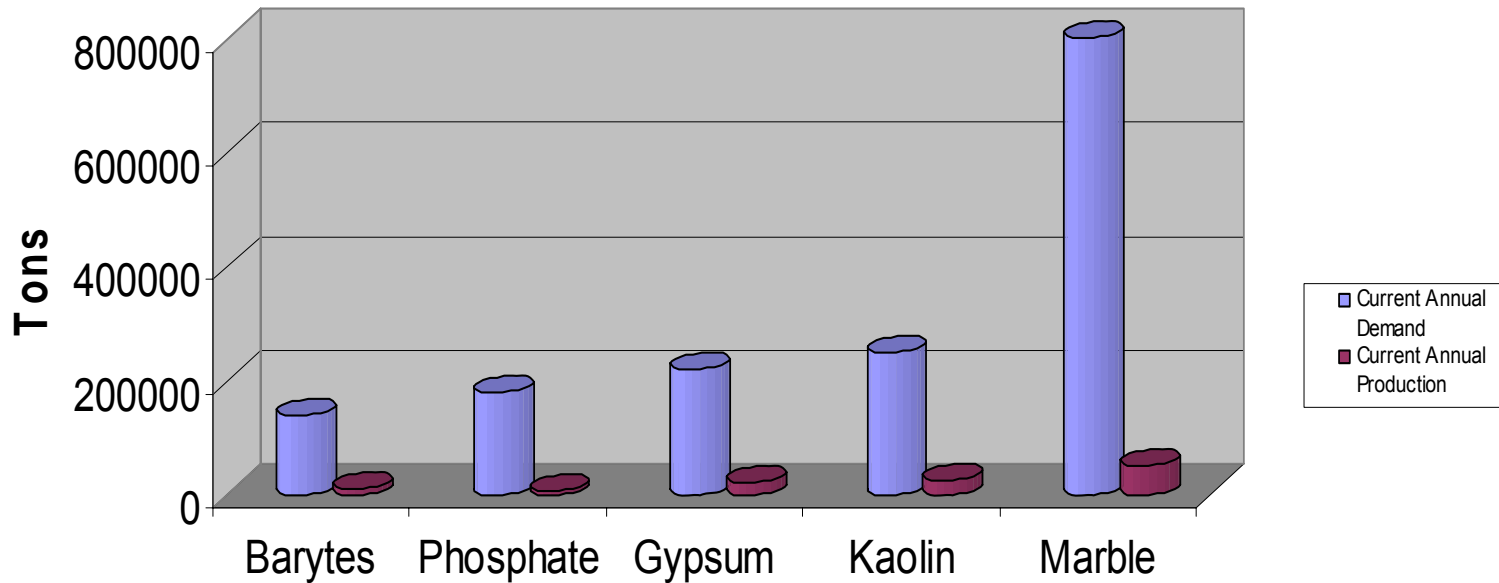


# Development of Green Fields

## **Development of Green Fields:**

- **With major emphasis on exploitation of import substituting mineral commodities:**
  - **Barytes & Bentonite**
  - **Gypsum, Feldspar, Limestone**
  - **Kaolin, Phosphate etc**
- **Huge disparities in Supply & Demand presents significant opportunities for sector growth**

Annual demand and production for selected minerals





# The Importance of Geological Data Generation



# Cost-Benefit Ratio of Geological Surveys

Country	Input		(Output) Consequential Growth in GNP	Impact	(Output) Indirect GNP Gain Via Related Industries	Total Cost To Benefit Ratio Over 20 Years
	Description	Cost				
Bolivia	Mineral exploratio n	\$6 m	\$130 m	Private sector investment in country		1:130
				Gold production	\$19 m /year	
				gem stones	\$3.2 m /year	
Sumatra	Geology & geochemi stry Mapping	\$8 m	\$67 m	Private sector investment in country		1:8
Peru	Geochemi stry surveys	\$12.5 m	\$48 m /year	Private sector investment in country		1:2600
				Copper production	\$100 m /year	
				Gold production (\$9 bn reserves)	\$1030 /year	
Zimbabwe	Structural mapping	\$1.5 m	\$5 m	Private sector investment in country		1:1140
				Discovered gold reserves	\$1155 m	



# Implementation Challenges

## Implementation Challenges

- Long-term nature of Investment in Mining
- Collaboration between Federal, State and Local Governments for peaceable development of sector
- Intergovernmental and Infrastructure constraints
  - Power, Access Roads, Transportation linkages
  - Environmental issues – Mine closure + Geo-hazards

## Implementation Challenges (contd.)

- **Development of a guaranteed funding window for Nigerian Junior Mining Companies**
  - **Mechanism within the Micro-credit framework of the CBN**
- **Development of regulatory capacity**
  - **Strengthening the Mines Inspectorate**
  - **Creation of revenue, royalty assessment mechanism with significant inputs from the N-EITI template**

## THE NEW MSMD:

### It is all about:

- Globally comparable legal and fiscal framework
- Strong regulatory and enforcement capacity
- Reliable geological and geophysical data
- Strong institutional capacity
- Robust private sector leadership



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**THANK YOU**

**MINISTRY OF SOLID MINERALS  
DEVELOPMENT**

**Making The Earth Work For Us**

