

HAND-OVER NOTES

INTRODUCTION:

1. The Ministry of Solid Minerals Development (MSMD) was established in 1995 with the objective to explore the solid mineral potential of the nation; to advise Government on the formulation and execution of laws and regulations guiding the various stages of prospecting, quarrying and mining; and to superintend over mining operations within the sector through the issuance of permits, license, leases and collection of rents, fees and royalties.

2. However, the solid minerals sector was not able to realize these objectives due to the following:
 - Significant discretion under the Minerals & Mining Act 1999;
 - Opaque licensing procedures leading to speculative holding of mineral titles;
 - Prevalence of illegal Miners;
 - Insignificant contribution to National treasury;
 - Conflict between Federal/State Government over ownership of Mineral rights;
 - A Ministry structure that didn't support efficient service delivery; and
 - Lack of reliable geological information and data
 - Poor capacity of technical and support staff

3. My assumption of office in July 2005 was with a clear mandate to bring into effect Ministry and sector-wide reforms that would “transform Nigeria into an irresistible mining destination for global capital”. This mandate translated into our vision that would drive its activities as “exploiting the minerals spread across the nation for the wealth and peace of all

Nigerians”. To this end a number of strategic initiatives were deployed in the almost eleven months of my administering the MSMD.

DEVELOPMENT OF POLICY ON SOLID MINERALS DEVELOPMENT

4. First, a national policy on solid minerals development that clearly defined the role of government as “administrator-regulator” as distinct from “owner-operator” was developed. Limitation of the role of government to that of “administrator-regulator” is a clear demonstrator of the frontal role that the private sector must play as drivers of growth in the sector.

5. The new National Policy redefines solid minerals as a strategic sector for national development with clear linkages to employment generation wealth creation, poverty reduction and further presenting the nation with the opportunity for correcting the mistakes of past mis-governance of mineral revenue. This policy document, a product of collaboration between the MSMD, the Bureau for Public Enterprises, private sector representatives and the civil society was approved by the National Council on Privatization in November, 2005 and adopted by the Federal Executives Council on March 15, 2006.

RESOLUTION OF CONFLICT OVER CONTROL OF MINERAL RIGHTS

6. A peaceable environment is central to the orderly development of any sector. Prior to my assumption of duty there were conflicts in the management of the sector. This overtly expressed as a tussle over the ownership of minerals resources between the Federal and State governments. This is demonstrated by the establishment of State Ministries of Solid Minerals in breach of the provisions of Section 44(3) of the Constitution and Section 1(1) of the Minerals & Mining Act 1999, which places Solid Minerals as well as oil & gas on the exclusive Legislative List was sending confusing signals to the investors community. The abolition

of the so-called “state ministries of solid minerals” was therefore critical toward achieving a peaceable development of the sector.

7. In November 2005, the MSMD made a presentation to the National Economic Council (NEC) highlighting the consequences of this state of affairs. Subsequently, the NEC directed that all State abolish their ministries of solid minerals. However, the relationship between the three tiers of government would be fostered through the State Mineral Resources and Environment Management Committee (SMREMC). Thus far a good number of State Governors have inaugurated this committee in their respective State Governors have inaugurated this committee in their respective States dates while a schedule inauguration dates have been fixed in the remaining States. The SMREMC of every State is supervised by the Mines Environmental Compliance Department of the MSMD.

RESTRUCTURING OF THE MINISTRY

8. To effectively perform its new role as “administrator-regulator”, the MSMD had to be restructured for better performance as a market facing entity and for value delivery. In pursuance of this, Mr. President approved the rationalization of the MSMD staff. This was jointly carried out with the Office of the Head of Service of the Federation. The exercise was completed in December, 2005. The staff strength of the parent Ministry was reduced to 614 from 974; while the Bitumen Project was wound down after the rationalization of 78 staff of which less than 5 are currently overseeing its closing activities. The Ministry now has four (4) Technical Departments and One (1) Service Department as highlighted in the figure below:
9. The new MSMD therefore is a leaner Ministry with staff who largely meet the brand personality traits of being knowledgeable, Angry (i.e. passionate for change), focused and driven; a team player with character; confidence

and commitment. Therefore the staff in the new MSMD are expected to be committed to the shared values of Integrity; a spirit of excellence, and competence. Currently, the Ministry is collaborating with the Office of the Head of Service on modalities for the recruitment of “successor” generation of staff. It is expected that this process would be guided by the brand values and personality traits.

THE REVIEW OF THE 1999 MINERALS AND MINING ACT

10. The Amendment of the Minerals & Mining Act of 1999 is consistent with the new policy direction and focuses on:
 - a) security of tenure;
 - b) easy access to mining titles;
 - c) competitive tax regime;
 - d) autonomous cadastre; and
 - e) environmental and community issues

11. The Bill is a hybrid of best practice provision from competing mining jurisdictions such as Tanzania and Chile amongst others. The Bill also went through rigorous reviews and endorsement both at for a in London, Washington DC, South Africa, Canada and also domestically. Thus far, significant cooperation has been received from the House of Representatives and Senate. Having reviewed the Bill as passed by the House, only provisions relating to the effective operation of the Mining Cadastre Office need to be brought to the attention of the Senate for amendment.

ESTABLISHMENT OF MINING CADASTRE OFFICE (MCO)

12. The Cadastre is a major vehicle for conveying mining sector reforms. All mining sector reforms are based on the provisions 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

13. The establishment of the Mining Cadastre Office was approved by Mr. President and subsequently approved by the Office of the Head of Service as one of the professional departments of MSMD. The Office was officially opened to the public on May 2, 2006 following the clean-up of mineral title registry conducted via a revalidation exercise in November, 2005. Since its opening, more than 350 applications for licenses have been received, an indication of the growing appetite for investment in the sector. Currently, the full operation of the Cadastre is awaiting final passage of the Mineral & Mining Bill by the Senate before issuing licenses. Furthermore and to accentuate its independence, an Act establishing the autonomy of the Mining Cadastre would be a critical element of the sector reform strategy.

STRENGTHENING GEOLOGICAL DATA GENERATION CAPABILITY

14. The Nigerian Geological Survey Agency (NGSA) is the primary agency responsible for the acquisition, documentation, storage and dissemination of all data on geology and mineral resources of the country. The data and information are of value for economic development and the public good.

15. Reliable geological data and information is critical to the development of the mining sector. Consequently, the ability of the NGSA to provide such data on mineral occurrences in formats that are easily accessible is a sine-qua-non for investment in the sector. Therefore, strengthening the capability of the NGSA to provide these data and information was identified as essential element of the sector reform strategy.

16. The independence of the NGSA is critical to the effective delivery of its mandate. It also provides a practical demonstration of Nigeria's commitment to match best practices. The passage of the NGSA Act after many years in the House of Representatives was a major milestone of my tenure at the MSMD. An independent and well funded NGSA is a major indicator of the commitment of mining jurisdiction to promote mining activities. The MSMD's 2006 capital budget as well as the 3-year Medium Term Sector Strategy document, provides the platform for significant investment in projects that will provide more reliable geological data and in acceptable formats. It is my hope that the MSMD capital expenditure in the years ahead will continue to reflect the importance of the continuous process of geological data generation in mining sector investment decisions.

PRIVATIZATION OF NIGERIA MINING CORPORATION AND THE NIGERIA COAL CORPORATION

17. As a demonstration of its commitment towards playing the role of "administer-regulator", the government decided to privatize the Nigerian Mining Corporation (NMC) and the Nigerian Coal Corporation (NCC). Aside from divesting government from mining operating interests, the privatization exercise also seeks to attract strong, credible players into the mining sector whilst delivering fair value for past government investments.

18. The exercise which is currently at bidding stage generated 105 Expressions Of Interest (EOI) for the more than 139 NMC mining titles; 10 coal properties and 2 bitumen blocs. Out of these 105 EOIs, 60 of the companies were pre-qualified for the bidding stage. It is important to point out here that the profile of the pre-qualified companies is not only an endorsement of our strategy to actively promote the investment potential of the country through one-one meetings at various investment forums, but also an indication of the level of exploration activity envisaged.
19. The coming weeks are however critical in the process. The submission of bids is expected to close on July 7, 2006 while the public bidding exercise would hold from July 24 – 26, 2006. It is important that the tenets of transparency which pervaded the pre-qualified stage be continued through the involvement of civil society and industry experts in the process.

DEVELOPMENT OF INDUSTRIAL MINERALS

20. Industrial Minerals not only represents the import-substituting stream of the sector, its development provides the vehicle through which the sector can contribute towards the attainment of the NEEDS. It is this understanding that has influenced the policy of government towards local development of industrial minerals and the creation of the Artisanal & Small-scale mining department in the MSMD.
21. To sustain this policy thrust, the MSMD in collaboration with some private sector financial institutions, have established a funding window aimed at providing support to local miners of these industrial minerals. As of date, N14 billion has been set aside for the local production of barites under this funding mechanism which is entirely private sector driven. As part of resolutions at the June Ministerial Breakfast with the President, innovative mechanisms that would involve the CBN under its micro-finance scheme

were identified. It is critical therefore that these mechanisms are developed and sustained to guarantee funding to local producers of industrial minerals.

INVESTMENT PROMOTION

22. Geological potential, security of personnel and secure land tenure have largely been identified as critical “GO – NO GO” factor in attracting investors into the mining sector. These criteria therefore represent the building blocks in any mining sector reform program. Since July 2005, the MSMD has made significant strides towards ensuring the existence of reliable geological data. The establishment of the Mining Cadastre Office provides a vehicle for transparency in the grant of mineral titles while the various provisions of the Mineral and Mining Act has given investors greater confidence in the sector.

23. With these building blocks in place, a major component of the next phase of the reform strategy is the aggressive promotion and marketing of the investment opportunities in the sector. The country’s showing at the 2006 Mining IDIABA and the PDAC was very well received and was largely the reason for the interest shown by foreign companies in the current privatization exercise. This has demonstrated the criticality of investment promotion in the realization of the mandate of transforming the mineral sector into an irresistible destination for global capital. It is advised that the MSMD participate in major mining events in the coming year to sustain the momentum that was created during my tenure at the MSMD.

BRANDING OF THE MINISTRY

24. For the period up July 2005, many Nigerians were oblivious of the activities of the Ministry. Upon my assumption of office, a branding

session was held that identified the various stakeholders of the sector and the nature of their relationship with MSMD. During that session, the traits that a typical MSMD staff must exhibit were also agreed. These together formed the basis for the Ministerial retreat organized from 13th – 15th January, 2006 and which brought together all staff of the Ministry.

25. Thus far, our MSMD brand had resonated well with Nigerians and currently a significant proportion understand the meaning of ‘34’ which forms part of the new MSMD brand, and aims at promoting the 34 mineral types occurring in more than 450 locations across the nation. Our brand slogan “Making the Earth Work for Us” highlights the MSMD’s social contract with the Nigerian people and is consistent with the vision of the Ministry.

26. Other components of the branding strategy is the commissioning of the MSMD web site that contains up-to-date information of activities in the sector and serves as the Ministry’s first point of contact with the outside world.

THE SUSTAINABLE MANAGEMENT OF MINERAL RESOURCES PROJECT (SMMRP)

27. The purpose of this project is to support the Ministry and its parastatals in areas of critical need through provision additional funds for projects for capacity building, equipment and infrastructure. The support of artisanal and small scale miners to have access to better mining facilities (financial, capacity building and equipment) is a major component of the project. The Project received a loan of \$120 million from the World Bank in 2003 to support the development of solid minerals. In 2005, it realigned its programmes to fit into the overall objectives of the Ministry of Solid Minerals Development.

THE COUNCIL OF NIGERIAN MINING ENGINEERS AND GEOSCIENTISTS (COMEG).

28. This is the competent body of Mining engineers and geoscientists responsible for the regulation and control of the practice of professionals in the fields of geology, geophysics, geochemistry, mining engineering, petroleum engineering, metallurgy, etc.

29. Even though its responsibility cuts across other Ministries, the MSMD took the decision to midwife it as a result of the strong role that professionals in the Ministry play in the institution. (All Mining Engineers and Geoscientists have to be a member before they can practice). It was established by Act No. 40 of 1990 and was inaugurated on 12th September, 2000.

CONCLUSION

30. The New Ministry has come a long way since July 2005. The building blocks for the reform and repositioning has been laid. The sector is now ready for wealth creation through private sector drives. It has been repositioned to fit into the new policy direction of the National Economic Empowerment and Development Strategy (NEEDS) initiative. What is now required is to take these initiatives to the next level. The details of which will be found in the attached background documents. These are:

- 1) Details of the Structure of the Ministry, stating the departmental objectives, their functions, projects and programmes so far executed and the on-going ones;
- 2) National policy on Solid Minerals;
- 3) Nigerian Geological Survey Agency (NGSA) Act, 2006; and
- 4) The Mining and Minerals Bill, 2006.

31. It is my sincere hope that you will continue with the reform programme, which we started as a team. My modest achievement was due to the fact that I had a team that relentlessly supported me. I am leaving the Ministry but my spirit is with you. May God grant you the spirit and energy to carry on.

Thank you,

OBIAGERI EZEKWEZILI
MINISTER OF EDUCATION

26/6/06.