



# PDF II

Policy Development Facility Phase II

STORIES OF CHANGE



## Reviving the mines and steel industry to diversify the Nigerian economy

Supported by an Embedded Adviser under Policy Development Facility Phase II (PDF II), the Nigerian Federal Ministry of Mines and Steel Development has revitalised the country's moribund sector of solid minerals mining. As a Champion of Change, the Minister of Mines and Steel Development was enabled to pursue vital pro-poor economic and social reforms, fostering partnerships with stakeholders to ensure successful implementation of a roadmap and the sustainability of reforms.

### Introduction

The Nigerian Extractive Industries Transparency Initiative (NEITI) reports that the country has more than 40 different kinds of latent solid minerals and precious metals. Of these, seven – coal, limestone, bitumen, iron ore, barites, lead-zinc and gold – have been identified by the government as a priority. Despite this potential, low prices, high overheads, an uncertain market and a complicated policy framework have thus far discouraged the sector's development, with Nigeria ranked among the 10 least attractive jurisdictions in the world for mining investment (Fraser Institute Annual Survey of Mining Companies, 2014). In 2015, the mines and steel industry contributed just 0.33% of Nigeria's GDP.

The Nigerian economy has long been overdependent on crude oil, the revenues from which are highly susceptible to the volatility of global markets. The Federal Ministry of Mines and Steel Development was tapped to champion Nigeria's drive to diversify its economy away from oil and gas, promote alternative sources of public revenue and lift millions out of poverty. In order to

reverse perceptions of the solid minerals sector as uncompetitive, the Ministry reached out to the UK Department for International Development (DFID) in January 2016. A PDF II-funded Embedded Adviser was then tasked with helping the Ministry revive the solid minerals sector.

### Road to change

The development and launch of a Roadmap for the Growth and Development of the Nigerian Mining Industry in the first year of PDF II support was among the initiative's early achievements. Implemented within the context of the Nigerian Government announcing an intervention fund of ₦ 30 billion (approximately US\$ 94.5 million) for the mining sector from the National Resource Fund in 2016, the Roadmap comprised an integrated strategic plan for an investor-friendly regulatory environment and a partnership approach involving stakeholders and communities. The small-scale artisanal miners that made up the huge and mostly informal mining sector were encouraged to formalise their operations in order to access support available to them. In August 2017, the Ministry of Mines and Steel Development launched a ₦ 5 billion fund for this purpose (see box). The Roadmap also sought to make geosciences data more broadly available, coordinate infrastructure investments and investment funding, carry out institutional reforms, and leverage mining growth to catalyse development.

### Diamonds in the rough

There are about 2 million Nigerians involved in the artisanal mining industry, yet most businesses struggle to find a market and do not have the capacity to add value to their products.

The African Gemstones and Jewellery Exhibition and Seminar (AGJES), which was first held in 2017 with the support of PDF II's Embedded Adviser, stands as a shining example of how small-scale artisanal businesses can be helped to reach their potential. The event was planned as an intervention on market access to such businesses. Thousands have attended the annual events. Attendees and persons who needed access to knowledge materials have been assisted by members of the project delivery unit (managed by the Embedded Adviser) to do so in different languages.

One AGJES 2017 participant, who had been struggling since 2005, reported in 2019 that he had been able to register his business and increase capacity through the purchase of machines while increasing staff strength from 6 to 21: he can now sell prepared tourmaline at ₦ 50,000/g when mounted on silver, compared to ₦ 3,000/g previously.

The Embedded Adviser, as Head of the Delivery Unit, was responsible for coordinating all staff in the office of the Minister, and worked with the core team to ensure milestones were achieved. He also played a key role in defining staff responsibilities and working relationships with internal and external stakeholders, and setting up mechanisms to monitor and report on the activities of the Ministry's agencies. The capacity building and improved knowledge management achieved through the efforts of the Embedded Adviser contributed significantly to increases in productivity within the Ministry and the sector as a whole.

The Ministry itself has undergone reorganisation, with the creation of four technical departments (specifically to address shortfalls in the availability of geosciences data) and a support department. These agencies are now orientated towards delivering results, with performance-based contracts, periodic reviews and a tracking mechanism for targets.

## Milestones

The Ministry of Mines and Steel Development's 2016 scorecard indicated a significant improvement in the productivity of the mining sector, with its contribution to the Nigerian federation rising from ₦ 700 million in 2015 to about ₦ 2 billion in the first quarter of 2016, thereby contributing 10.34% to real GDP, according to the National Bureau of Statistics. This can be attributed to the strengthened capacity of the Mining Cadastre Office and the Directorate of Mines Inspectorate, which contributed to:

- Managing and administering mineral titles.
- Establishing partnerships with state governments to improve governance of and access to mining land, and consent and receipt of applicable revenue.
- Rekindling donor investments, including contributions from the World Bank, the United Nations Development Programme, the Open Society Initiative for West Africa and the Ford Foundation, and technical partnerships with Australia, Canada and Germany.
- Establishing new revenue generation and capturing partnerships with relevant agencies, including the Nigerian Revenue Mobilisation, Allocation and Fiscal Commission, NEITI and the World Bank.
- Setting up and registering more than 30 mineral-processing and buying centres to improve the monitoring of mineral production volumes and collection of royalties.
- Blocking revenue leakages and tightening internal controls.

A stronger partnership with the Nigerian Customs Service has also been established, leading to improved monitoring of mineral exports and reporting of export volumes at ports.

Approval of Nigeria's Roadmap – and multi-year budget support from the World Bank – bodes well for the mining sector as a whole, and has opened up channels for high-level discussions with stakeholders. The signing of a modified concession agreement by Ajaokuta Steel Company Limited and the Nigeria Iron Ore Mining Company in 2017 is a significant achievement within the mandate of the Roadmap.

As a result of the support provided by PDF II through its Embedded Adviser, the Minister was able to drive methodical implementation of the Roadmap and the repositioning of the sector. The Ministry has achieved this through, among other things, improved media engagement as well as better transparency and accountability under a strategic communications plan. This engagement has boosted positive perceptions of the mining sector, contributing to a growth in local production and exports, with a corresponding decrease in imports. As a result, despite a national recession during the programme's implementation, the mining sector has grown by 87% quarter on quarter.<sup>1</sup>

<sup>1</sup> Nigerian Gross Domestic Product Report: <http://nigerianstat.gov.ng/download/678>



### Lighting the way

In order to sustain progress, PDF II has assisted the Ministry in tracking project implementation for donor-supported interventions in the sector. Coordinated stakeholder engagement has led to evidence-based solutions such as the National Gold Purchase Scheme and Mineral Export Guidelines. Ongoing legal reforms and policy initiatives championed by the Minister have aimed at ensuring better mining practices.

A focus on environmentally sustainable mining practices has been key to revitalising a sector that had often neglected the needs of communities living in mining areas. In addition, a 'gender desk' has been established within the Ministry to lead work on safer practices for women and children within the sector, and to achieve a higher representation of women and gender-inclusive strategies within the Ministry's departments. The Ministry has also strengthened the Women in Mining Association and is helping it to better coordinate its activities. There is now a special focus on artisanal and small-scale mining projects, where most women in mining work.

Ultimately, implementation of the Roadmap is a holistic endeavour involving key stakeholders. Challenges include existing patterns of investment and relationships in the oil and gas sector in particular, and the difficulty of enacting lasting change across the bureaucracy. For reforms to be sustainable beyond the political will demonstrated by individual Champions of Change, there has to be buy-in from core civil servants. PDF II and the Embedded Adviser have sought to achieve this by engaging stakeholders and focusing on capacity building within the Ministry.



### About us

Policy Development Facility Phase II (PDF II), funded with UK aid from the UK government, is a flexible, rapid-response facility set up to support Champions of Change in implementing economic and social policies that lead to poverty reduction in Nigeria. Its goal is to provide Champions of Change with improved capacity and evidence to enable them to pursue vital economic and social reforms.

