

## Aim of the DMR

“ The aim of the Department of Mineral Resources (DMR) is to “promote and regulate the minerals and mining sector for transformation, growth, development and ensure that all South Africans derive sustainable benefits from the country’s mineral wealth.”

3

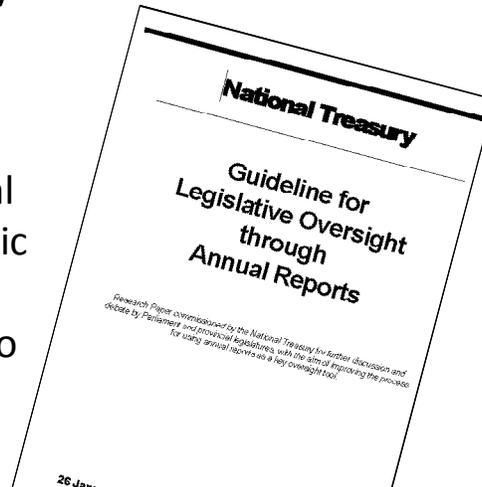
## Contents

- “ Introduction: DMR Strategic goals
- “ Overview of the 2013/14 Financial Year
- “ 2013 Budgetary Review & Recommendation Report
- “ Vote 32: Budget analysis
- “ Key issues for consideration by Parliament

4

## National Treasury sets the framework

- “ The main point of reference when evaluating an annual report is the Strategic Plan which Parliament agreed to fund through the *budget*.



In October 2015, the PC will be asked to evaluate whether the DMR succeeded in implementing the Strategic Plan tabled with the budget.

5

## DMR: Strategic Goals

- “ An **increase in mining activity and in value added** to SA mineral resources
- “ **Transformation** that redresses past imbalances through broader participation in the mineral sector
- “ Managing **health and safety** risks, enforce compliance and promote best practice in the mineral sector
- “ Sustainable resource management, **skills development** and the creation of sustainable **jobs** in the mining sector
- “ Reduction of the adverse impacts of mining on the **environment**
- “ Attract, develop and retain appropriate skills and ensure the optimal utilisation of resources
- “ Implement risk management strategies and promote corporate governance.

6

## Overview of the 2013/14 financial year

- “ The DMR had an appropriation of R1.394 billion available in 2013/14.
  - . 99.5 per cent of its available budget was spent.
- “ Transfers and Subsidies: available budget of R692.7 million
  - . R688.5million (99.4%) transferred, mainly to MINTEK and CGS.
- “ DMR Operations: available budget of R701.1 million
  - . R698.7 million (99.7%) spent, mainly compensation of employees and goods and services).”
- “ The DMR received a qualified audit opinion in 2012/13 (the most recent year audited) because it did not have an adequate system to manage and value receivables for departmental revenue.

7

## Mineral Resources: 2013 Budgetary Review and Recommendation Report (BRRR)

- “ No major financial problems with budget allocation
- “ Numerous performance weaknesses within the Department.
  - . 21% of the total planned performance targets that the DMR set for itself in the 2012/13 financial year were not achieved during the year.
  - . Auditor-General found DMR failed to enforce compliance with S28 of the Mineral and Petroleum Development Act (MPRDA)
- “ PC motivated for the DMR to secure assistance of the Department of Performance Monitoring and Evaluation (DPME) in the Presidency for the evaluation of the Mining Charter after it reaches its 2014 performance milestone.
- “ Aspects of performance welcomed:
  - . Partnerships within government to streamline mining licensing so that water and environmental issues are covered
  - . DMR compliance with the Promotion of Access to Information Act (PAIA), Act 2 of 2000.

8

## DMR Policy Priorities for 2014/15

- “ Will be outlined by the Department in its presentation of the 2014/19 Strategic Plan and Annual Performance Plan for 2014/15.
- “ This will be tabled in Parliament in early July 2014.

9

## Department of Mineral Resources: Budget analysis

- “ The significance of the DMR cannot be evaluated usefully by simply looking at its finances.
- “ The DMR has a small budget compared to other departments.

### **Operational expenditure 2013/14**

- . DMR spent R701.1-million (0.4 per cent of the national figure)
- . All departments R188 billion.

### **Transfers and subsidies 2013/14 :**

- . DMR distributes: R692.7-million
- . Other departments: R400 billion

- “ The DMR budget is also insignificant when measured against the sales of mined minerals
  - . Total mineral sales 2013 R384 billion
- “ But the performance of the DMR underpins the performance of the whole SA mining sector.
  - . The regulatory environment is set by the DMR, including mine health and safety, and the monitoring, granting and renewal of rights to minerals.

10

## Vote 32: Mineral Resources

Programme	Budget				Nominal Rand change 2013/14- 2014/15	Nominal % change	Real % change
	2013/14	2014/15	2015/16	2016/17			
R million						2013/14-2014/15	
Administration	282.3	284.2	296.8	314.5	1.9	0.67 per cent	-5.20 per cent
Promotion of Mine Safety and Health	163.7	168.0	177.7	188.9	4.3	2.63 per cent	-3.36 per cent
Mineral Regulation	211.9	231.4	245.2	260.0	19.5	9.20 per cent	2.83 per cent
Mineral Policy and Promotion	735.9	787.8	879.5	900.6	51.9	7.05 per cent	0.80 per cent
<b>TOTAL</b>	<b>1 393.8</b>	<b>1 471.4</b>	<b>1 599.2</b>	<b>1 664.0</b>	<b>77.6</b>	<b>5.57 per cent</b>	<b>-0.60 per cent</b>

Source: (National Treasury) Vote 32: Mineral Resources 2014<sup>11</sup>

An inflation rate based on the Consumer Price Index is used to calculate the 'real' change in the buying power of Budget allocations in 2014/15 compared with 2013/14. This is 6.2 %

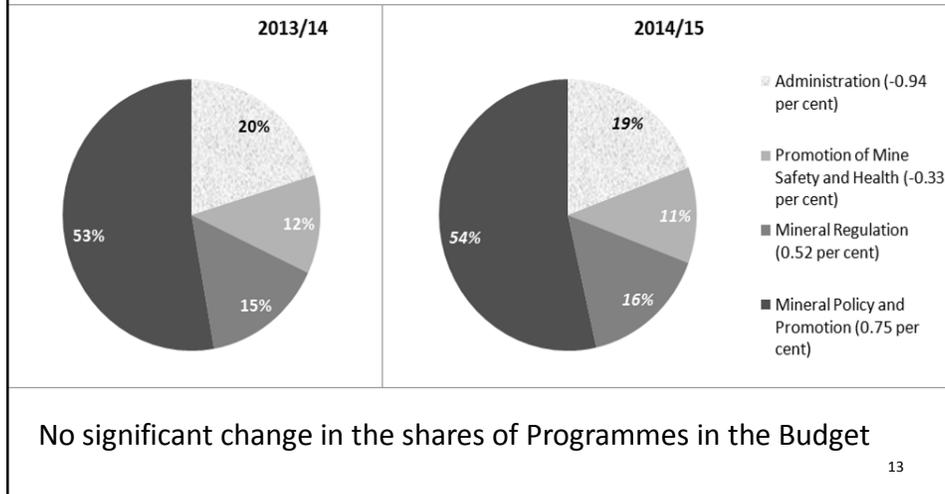
Vote 32 is one of seventeen votes (out of a total of 38) where the 2014/15 medium term expenditure estimate is not expected to keep pace with the 6.2 % forecast rate of inflation.

## Main funding items: Four DMR Programmes

2014 MTEF Baseline: R4.8 billion over the period 2014/15;  
2015/16 and 2016/17 (R1.5bn, R1.6bn, R1.7bn)

- ~ Mineral policy and promotion: R2.6 billion (R788m, R880m, R901m)
  - ~ Transfer to MINTEK R1 billion (R339m, R390m, R311m)
  - ~ Transfer to CGS R 933m (R288m, R309m, R336m)
  - ~ Assistance to mines R60m (R19m, R20m, R21m)
- ~ Administration: R896 million (R284m, R297m, R315m)
- ~ Mineral regulation: R738 million (R231m, R245m, R260m)
- ~ Promotion of mine safety and health: R535 million (R168m, R178m, R190m)
- ~ Half of the budget of DMR goes to transfers (mainly MINTEK and CGS)

## Vote 32: Comparison of the split of the Mineral Resources budget between Programmes



## Programme 1: Administration

“ The purpose of the Administration Programme is to “provide strategic support and management services to the Ministry and the Department”.

Sub-Programme	Budget		Nominal Increase / Decrease in 2014/15	Nominal Percent change in 2014/15	Real Percent change in 2014/15	
	R million	2013/14				2014/15
Ministry		22.8	24.2	1.4	6.14 per cent	-0.06 per cent
Corporate Services		120.1	106.5	- 13.6	-11.32 per cent	-16.50 per cent
Department Management		19.7	19.5	- 0.2	-1.02 per cent	-6.79 per cent
Financial Administration		79.3	92.3	13.0	16.39 per cent	9.60 per cent
Internal Audit		13.5	13.2	- 0.3	-2.22 per cent	-7.93 per cent
Office Accommodation		26.8	28.4	1.6	5.97 per cent	-0.22 per cent
<b>TOTAL</b>		<b>282.2</b>	<b>284.2</b>	<b>2.0</b>	<b>0.7 per cent</b>	<b>-5.17 per cent</b>

Source: (National Treasury) Vote 32: Mineral Resources 2014

## Programme 2: Promotion of Mine Safety and Health

“ The purpose of the Promotion of Mine Safety and Health programme is “to ensure the safe mining of minerals under healthy working conditions”.

Sub-programme	Budget		Nominal Increase / Decrease in 2014/15	Nominal Percent change in 2014/15	Real Percent change in 2014/15 2013/14
	R million	2013/14			
Governance Policy and Oversight	49.8	50.2	0.4	0.80 per cent	-5.08 per cent
Mine Health and Safety Regions	113.9	117.8	3.9	3.42 per cent	-2.61 per cent
<b>TOTAL</b>	<b>163.7</b>	<b>168.0</b>	<b>4.3</b>	<b>2.6 per cent</b>	<b>-3.36 per cent</b>

Source: (National Treasury) Vote 32: Mineral Resources 2013

15

## Programme 3: Mineral Regulation

“ The purpose of the Mineral Regulation Programme is to “regulate the minerals and mining sector to promote economic development, employment and ensure transformation and environmental compliance”.

Sub-programmes	Budget		Nominal Increase / Decrease in 2014/15	Nominal Percent change in 2014/15	Real Percent change in 2014/15
	R million	2013/14			
Mineral Regulation and Administration	144.5	154.5	10.0	6.92 per cent	0.68 per cent
Management Mineral Regulation	22.6	29.0	6.4	28.32 per cent	20.83 per cent
South African Diamond and Precious Metal Regulator	44.8	47.8	3.0	6.70 per cent	0.47 per cent
<b>TOTAL</b>	<b>211.9</b>	<b>231.3</b>	<b>19.4</b>	<b>9.2 per cent</b>	<b>2.78 per cent</b>

Source: (National Treasury) Vote 32: Mineral Resources 2014

16

## Programme 4: Mineral Policy and Promotion

“ The purpose of the Mineral Policy and Promotion programme is to “develop relevant mineral policies that promote South Africa’s mining and minerals industries to attract investment.”

Sub-programme	Budget		Nominal Increase / Decrease in 2014/15	Nominal Percent change in 2014/15	Real Percent change in 2014/15
	R million				
	2013/14	2014/15			
Management	13.9	14.3	0.4	2.88 per cent	-3.13 per cent
Mineral Policy	28.8	17.9	- 10.9	-37.85 per cent	-41.48 per cent
Mineral Promotion	44.3	59.7	15.4	34.76 per cent	26.90 per cent
Assistance to Mines	0.0	19.1	19.1		
Council for Geoscience	271.2	287.8	16.6	6.12 per cent	-0.07 per cent
Council for Mineral Technology	341.5	338.5	- 3.0	-0.88 per cent	-6.67 per cent
Economic Advisory Services	4.6	4.4	- 0.2	-4.35 per cent	-9.93 per cent
Mine Environmental Management	31.7	46.0	14.3	45.11 per cent	36.64 per cent
TOTAL	735.9	787.8	51.9	7.1 per cent	0.80 per cent

Source: (National Treasury) Vote 32: Mineral Resources 2014

## Key issues for consideration by Parliament

1. Testing the extent of transformation in the minerals sector
2. Oversight over the Department by the PC
3. Oil and gas implications of amendments to the MPRDA
4. Council for Geoscience is not funded sufficiently to implement the Geoscience Amendment Act

## Key issues: Testing the extent of transformation in the minerals sector

- “ December 2014 marks the end of the ten-year implementation period of the Mining Charter.
- “ The purpose of the Charter was to steer the mining sector towards transformation.
- “ Has the Charter has achieved both this overall goal and the specific targets that were agreed on relating to ownership, black advancement, housing and gender mainstreaming?
- “ Need for an evaluation effort that avoids the flaws identified by the Presidency in the previous report (2009).

19

## Key issues: Oversight over the Department

- “ In the 4<sup>th</sup> Parliament, oversight by the PC considered more whether *mines* were complying with the legislation – such as the Mining Charter and the Social and Labour Plans – rather than whether the *DMR* was adequately geared up to monitor compliance reliably and enforce adherence to the law when necessary.
- “ The findings of the Auditor General on the failure of the DMR to comply with Section 93 of the MPRDA suggest that oversight should, at least in the interim, prioritise concerns on the role of the DMR in ensuring that the intended monitoring and enforcement measures are in place.
- “ (This comment also applies to mine health and safety where capacity issues in the DMR and the Mine Health and Safety Inspectorate have been raised.)

20

## Key Issues: Oil and gas

- “ 2014 amendments to the MPRDA
- “ Chamber of Mines was satisfied: “While the bill is not perfect, it has resolved some of the industry’s key concerns”.
- “ Oil and gas association believes the amendments will have “a chilling effect on investment”.
- “ PC needs to monitor developments – both for offshore oil and gas and for onshore – where there is a potential for a major new industry from shale gas released by hydraulic fracturing (fracking).
- “ In September 2013, participants in public hearings said international best practice would be to separate the laws for the established and mature mining industry from the fledgling oil and gas sector.

21

## Key issues: CGS is not funded sufficiently to implement the Act

- “ The DMR has not convinced the National Treasury to make available the funds that the CGS needs to carry out the expanded role envisaged by Parliament in 2010 Geoscience Amendment Act.
- “ This would allow the CGS to grow its basic geological mapping programme, to delineate the nation’s mineral assets better, and to make this information available to inform potential investors.
- “ The budget write-up refers to an implementation plan which is not funded in the budget and to legislative provisions that have not been brought into effect because funding has not been available.

22

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23

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24