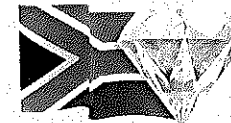


SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

ANNUAL PERFORMANCE PLAN AND BUDGET 2016/2017



PRESENTATION OUTLINE

- Background on SADPMR
- Mandate of the Regulator
- Organizational structure
- Strategic objectives and key activities
- Transformation agenda for diamonds and precious metals
- Progress report on the establishment of the Bourse
- Budget allocation
- Remarks/ challenges
- Conclusion



BACKGROUND ON SADPMR

The Diamonds Industry (pre 2007)

- The diamonds industry in South Africa was administered in terms of the Diamond Act, 1986 (Act No 56 of 1986), which established, South African Diamond Board (SADB) as the authority to regulate the diamond Industry
- Objectives:
 - Ensure diamonds in South Africa are exploited in the best interest of the country.
 - To promote sound development of diamond undertakings in the Republic.
 - To regulate the trade of diamonds in the country
- Unpolished diamonds attracted 15% export levy : the SADB was funded through the imposition of levies that members of the diamond industry paid for services rendered by the Board

July 2007:

- Establishment of the South African Diamond and Precious Metals Regulator (SADPMR), through section 3 (1) of the Diamond Act, 2005 (Act No 29 of 2005), which will be governed by the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended.
- Objectives:
 - Ensure the diamond resources are exploited in the best interest of people of South Africa
 - Promote equitable access to and local beneficiation of the Republics diamonds.
 - Must ensure compliance with the Kimberley Process Certification Scheme (KPCS)
 - Adhere to the objectives of the broad based socio-economic empowerment as prescribed.



SOUTH AFRICAN DIAMOND AND
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BACKGROUND (cont)

- Establishment of the Diamond Exchange and Export Centre (DEEC), a state-owned diamond exchange centre, that is accessible to all diamond licence holders to facilitate the trade of diamonds
- Establishment of the State Diamond Trader (SDT), to promote equitable access to and local beneficiation of the Republic's diamond.
- The coming into effect of the Diamond Export Levy Act, 2007 (Act No 14 of 2007), to provide for the imposition of an export levy on unpolished diamonds (but not including synthetic diamonds) and allow for offsets with respect to that levy, which is currently at 5% for the export of unpolished diamonds.
- Establishment of the Diamond Export Levy Administration Act, 2007 (Act No 15 of 2007), to provide for administrative matters in connection with the imposition of an export levy on unpolished diamonds (but not including synthetic diamonds).
- The SADPMR is funded by monies appropriated by Parliament.

Precious Metals pre 2007

- The precious metals industry, was administered in terms of the Mining Rights Act, 1967 (Act No 20 of 1967).
- The South African Police (SAPS) in conjunction with the South African Revenue Services (SARS) and the Reserve Bank, issued and processed all licences/ permits applications from the precious metals industry.



BACKGROUND ON SADPMR

Precious Metals industry Post 2007

- The Precious Metals Act, 2005 (Act No 37 of 2005), repealed the Mining Rights Act, 1967 (Act No 20 of 1967)
- The South African Diamond and Precious Metals Regulator was established as a “One-Stop Shop” for the issuing of precious metals licences/permits and certificates entitling holders to process, manufacture and export and import of precious metals
- Objectives;
 - Ensure that precious metal resources of the Republic are exploited and developed in the best interest of the people of South Africa.
 - Promote equitable access to, and local beneficiation of the Republic's precious metals
 - Promote the sound development of precious metals enterprises in the Republic, and
 - Advance the objectives of the broad-based socio-economic empowerment as prescribed.



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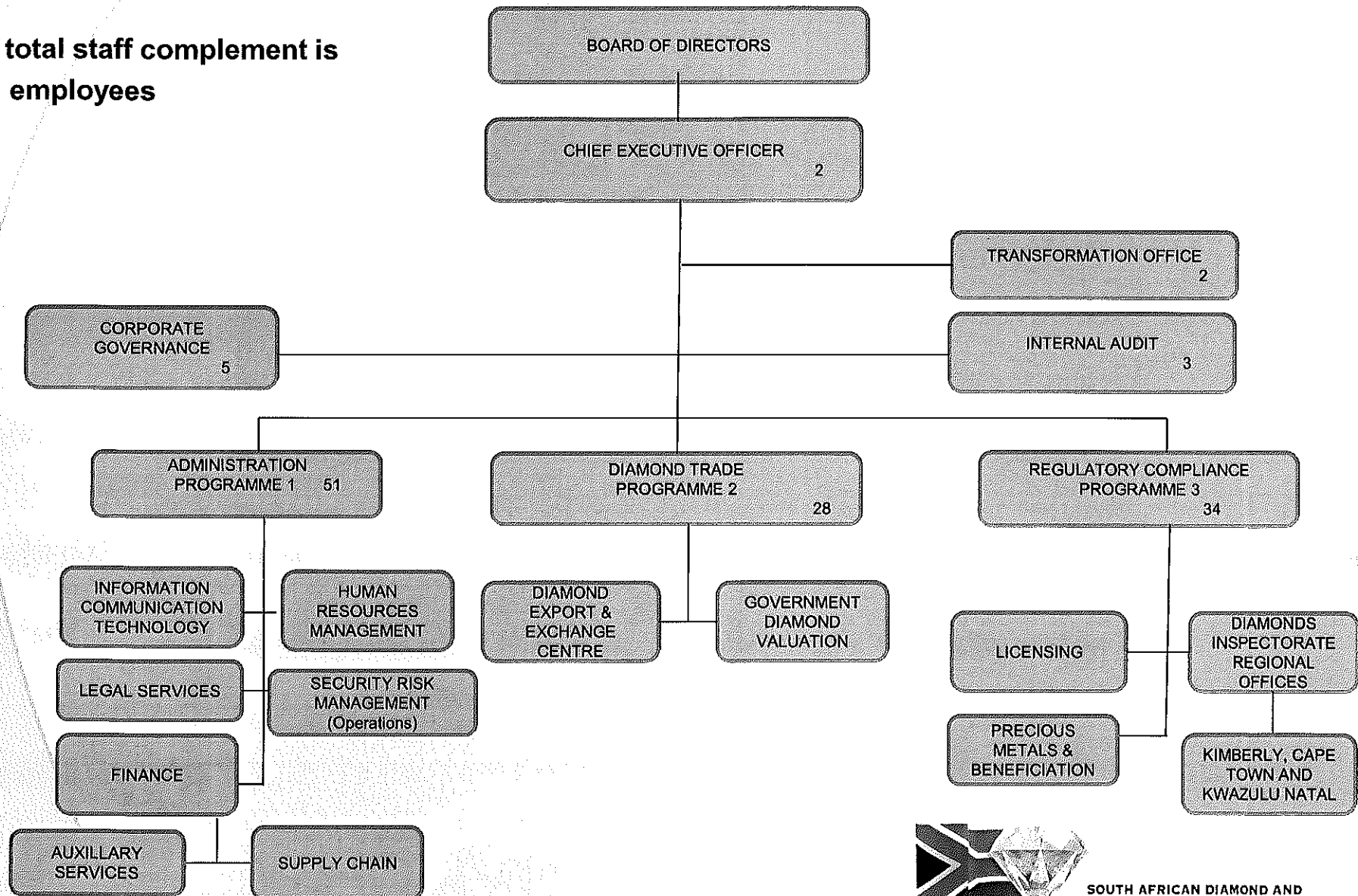
MANDATE OF THE SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

- SADPMR is a schedule 3A public entity in terms of Public Finance Management Act, 1999 (as amended)
- The mandate of the South African Diamond and Precious Metals Regulator is to implement and enforce the provisions of the following legislation:
 - (a) The Diamond Act, 1986 (Act No 56 of 1986)
 - (b) Diamond Export Levy (Administration) Act, 2007
 - (c) Diamond Export Levy Act, 2007
 - (d) Precious Metals Act, 2005 (Act No. 32 of 2005)
 - (e) Mining Charter in terms of section 100 of the Mineral Petroleum Resources Development Act, 2002 (Act no 28 of 2002).



ORGANIZATIONAL STRUCTURE AS AT THE 31ST OF MARCH 2016

The total staff complement is
125 employees



SOUTH AFRICAN DIAMOND AND
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HUMAN RESOURCES

Organogram as at the 31st of March 2016

- **Total:** The SADPMR has a total of **125** employees by the end of March 2016.

- **Gender:**

Male	:	52
Female:	:	73.

- **Race:**

African	:	115
Coloured	:	4
Indian	:	4
white	:	2



HUMAN RESOURCES

Employment Equity statistics

NUMBER OF MALES	NUMBER OF FEMALES	NUMBER OF PEOPLE WITH DISABILITIES
Senior Managers and Executive: 8	Senior Managers and Executive: 5	Senior Managers and Executive: 0
Professionals and skilled employees: 31	Professionals and skilled employees: 49	Professionals and skilled employees: 0
Semi-skilled employees: 11	Semi-skilled employees: 13	Semi-skilled employees: 1
Unskilled employees: 2	Unskilled employees: 6	Unskilled employees: 0
Total : 52 male employees	Total: 73 female employees	Total: 1



SOUTH AFRICAN DIAMOND AND
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ANNUAL PERFORMANCE PLAN FOR THE 2016/7 FINANCIAL YEAR



**SOUTH AFRICAN DIAMOND AND
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PREAMBLE TO THE ANNUAL PERFORMANCE PLAN

- The Annual Performance plan is informed and aligned to:
 - (a) National Development Plan
 - (b) Nine (9) Point Plan of Government
 - (c) All applicable legislations



SADPMR: Strategic Objectives

- To improve competitiveness, sustainable development and job creation in the diamond and precious metals industry;
- To transform the diamond and precious metals sectors;
- To promote equitable access to resources for local beneficiation;
- To enforce compliance with the legislative requirements; and
- To improve organizational capacity for maximum execution for excellence.



SADPMR STRATEGIC OBJECTIVES LINKED TO THE NATIONAL DEVELOPMENT PLAN

SADPMR Strategic objective	NDP priorities	NDP focus areas
To improve competitiveness, sustainable growth and job creation in the diamond and precious metals industries	Raising employment through faster economic growth	Support for small businesses through better coordination of relevant agencies, development finance institutions and private incubators
To promote equitable access to resources for local beneficiation	Raising employment through faster economic growth	Provide a more efficient and competitive infrastructure to facilitate economic activity that is conducive to growth and job creation
To transform the diamond and precious metals sectors	Improving the quality of education, skills development	Expand skills base through better education and vocation training
To enforce compliance with the legislative requirements	Building capacity of the State to play a development and transformation role	Reduce cost of regulatory compliance especially for small and medium sized firms
To improve organizational capacity for maximum execution of excellence	Building the capacity of the State to play a development and transformation role	

ALIGNMENT OF GOVERNMENT'S NINE (9) POINT PLAN TO THE SADPMR

Government 9 point plan	SADPMR Strategic objectives
Advancing beneficiation or adding value to our mineral wealth	To improve competitiveness, sustainable growth and job creation in the diamond and precious metals industries
Unlocking the potential of SMMEs, cooperatives, township and rural enterprises	To transform the diamond and precious metals sectors
Operation Phakisa aimed at growing the ocean economy and other	To transform the diamond and precious metals sectors;
	To promote equitable access to resources for local beneficiation;
	To enforce compliance with the legislative requirements; and

Activities of the SADPMR Strategic Objective

Strategic objective 1:

To improve competitiveness, sustainable development and job creation in the diamond and precious metals industry

Key activities

- (a) Issue licenses to enable diamond and precious metals trade
- (b) Assist new entrepreneurs in the diamond and precious metals industries;
- (c) Facilitate skills development initiatives for the industries
- (d) Oversee the provision for issuing of beneficiation licenses



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SADPMR: Strategic objective

Strategic objective 2:

To transform the diamond and precious metals sectors

Key activities

- (a) Promote participation of HDSAs in the diamond and precious metals industries
- (b) Decrease the number of inactive businesses

Strategic objective 3:

To improve equitable access to resources for local beneficiation;

Key activities

- (a) Increase access to diamonds for local beneficiators



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SADPMR: Strategic objective

Strategic objective 4:

To enforce compliance with the legislative requirements

Key activities

- (a) Conduct diamond valuation services
- (b) Improve diamond valuation services (disputes regarding fair market value)
- (c) Conduct inspection services within the diamond and precious metals sectors
- (d) Conduct compliance inspection audits on licensees
- (e) Oversee the administration of Kimberley Process Certification Scheme
- (f) Comply with legislation, policies and procedures (reduce audit findings)



SOUTH AFRICAN DIAMOND AND
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SADPMR: Strategic objective

Strategic objective 5:

To improve organizational capacity for maximum execution for excellence

Key activities

- (a) Implement the approved Human Resources plan (HRP)
- (b) Implement the approved SADPMR communication policy
- (c) Implement the minimum information security standards (MISS)
- (d) Implement the Master System Plan (MSP)
- (e) Provide legal support to the Regulator



Transformation Agenda

- Implementation of Mining Charter in terms of section 100 of the Mineral Petroleum Resources Development Act, 2002 (Act No 28 of 2002).
- The board approved the transformation plan which is implemented by Transformation team to monitor progress on the following:
 - (a) Ownership
 - (b) Human Resource Development
 - (c) Procurement
 - (d) Employment Equity

Current Status

- The Transformation Team is ensuring compliance to the commitments and undertakings companies made while applying for their respective licences/permits. A lot of companies have been forced to adhere to these undertakings and correct their infringements, as a result a lot of HDSA's are being included in the management, operations and decision making processes of the companies.



PROGRESS REPORT ON THE ESTABLISHMENT OF THE STATE BOURSE

Background

- The CEO of the SADPMR was mandated to formulate a Concept Document on the establishment of a State Bourse. The CEO conducted research on Bourses during 2014.
- The research and benchmark studies were done on the following countries, which host the established and successful Bourses.
 - Antwerp in Belgium
 - Shanghai in China
 - Dubai Diamond Exchange in Dubai
 - Russian Federation
- The concept document was produced and submitted to the Board of Directors for their consideration



PROGRESS REPORT ON THE ESTABLISHMENT OF THE BOURSE

Current position

- The Concept Document on the establishment of the Bourse was approved for submission to the Department of Mineral Resources (DMR), by the Board at its sitting of the 28th of July 2015.
- The Concept Document has been submitted to the DMR and the Department has since submitted its inputs to the document. The process is still at the consultation phase.
- The SADPMR is in the meantime, is engaging with the Gauteng Industrial Development Zone (GIDZ), which is currently in the roll-out phase of the approved Industrial Development Zone (IDZ) at the O R Tambo International airport, Johannesburg
- The IDZ will contain a Jewellery Manufacturing precinct, which will be an ideal environment for the location of the State Bourse once it is approved and established.



SADPMR: BUDGET ALLOCATION FOR 2016/17 TO 2017/18

SOURCE	2016/17 R'000	2017/18 R'000	2018/19 R'000
GRANT (ENE ALLOCATION)	53,205	55,865	59,216
PROJECTED IN-HOUSE GENERATED REVENUE	41,398	43,762	46,239
TOTAL BUDGET (PROJECTED)	94,603	99,627	105,455
PROJECTED EXPENDITURE	90,508	95,202	100,511
SURPLUS/DEFICIT	4,095	4,425	4,944



SADPMR: BUDGET ALLOCATION FOR 2016/17 TO 2017/18

- The main cost drivers of the R90,508 projected Expenditure are:

Expenditure Item	Projected Amount (R'000)
Staff Remuneration	70,536
Office Lease (Johannesburg and Kimberley offices)	3,973
Insurance (commodities and assets)	1,980
Audit Fees	3,017
Board Fees (remuneration and other related expenses)	1,362
Telecommunication (inclusive of SITA Hosting, Data, Internet, data storage and others)	1,537
Kimberley Process (Accommodation, Registration fees and related travelling expenses)	1,060
International Travel	793
Inventory (Inclusive of Tamper Proof materials)	954
Other Expenses	5,296
Total	90,508

Challenges and Remarks

Challenges

- The global economic downturn has up to now continued to have an adverse impact on the industry and it is yet to recover. It is however anticipated that the State Bourse once established, will address some of the challenges faced in the industry and stimulate the economic sector. The SADPMR is also engaging with certain international companies to invest in South Africa and settle in the country to impart their knowledge and skill, specifically in cutting and polishing melee diamonds.

Remarks

- The SADPMR continues to implement principles and provisions of the DMR's Women's in Mining and National Youth Strategies, both internally and externally within the industry.



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THANK YOU DISCUSSION



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