

SADPMR STRATEGIC PLAN FOR 2014 TO 2017

PPC – 02 July 2014



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

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PRESENTATION OUTLINE

- Background on SADPMR
- Relevant service delivery outcomes;
- Vision and Mission
- SADPMR Strategic objectives
- SADPMR Strategic objectives linked to DMR and national outcomes
- SADPMR MTEF Plan
- Budget allocation for SADPMR
- Remarks/Challenges
- Developments within the Regulator
- Conclusion



BACKGROUND ON SADPMR

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), by section 3 (1) of the Diamond Act, 2005 (Act No 29 of 2005), which will be accountable to the Public Finance Management Act, 1999 (Act No 1 of 1999) in terms of section 3 (2).
- 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.



BACKGROUND ON SADPMR

- 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

- 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

- 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.
- 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.



PROGRAMME: REGULATORY COMPLIANCE

- LICENSING

- Processing of license applications for both diamonds and precious metals;
- There are twelve (12) different types of licenses that can be applied for;
- Licensing is the anchor of implementing the requirements of the Mining Charter ;
- Regular audit/ compliance inspections are conducted on licensed clients to monitor progress on license conditions/ commitments

- DIAMOND INSPECTIONS

- Conduct inspections on new and existing businesses for licensed diamond clients;
- Collate diamond statistics on buying and selling activities

- PRECIOUS METALS AND BENEFICIATION

- Conduct inspections on shipments for import and export of precious metals
- Conduct inspections on new and existing businesses for precious metals
- Provide guidance and advice on beneficiation of precious metals



PROGRAMME: DIAMOND TRADE

DIAMOND EXCHANGE AND EXPORT CENTRE (DEEC)

- To facilitate the buying, selling, exporting and importing of diamonds in the Republic.
- The DEEC plays a very important role in the diamond industry, by ensuring that the entire process of tendering is handled with integrity and strictly in accordance with the legislation.
- To implement the requirements of the Kimberley Process Certification Scheme (KPCS) on behalf of the Republic of South Africa.
 - KPCS : Was initiated by Southern African diamond-producing states in Kimberley, South Africa, in May 2000, to discuss ways of stopping the flow of 'conflict diamonds' into legitimate markets.
 - Was 1st implemented in 2003 under the leadership of South Africa as its 1st chair.
 - Has membership of 54 countries, civil society and diamond industry.
 - Certifies more than 98% of global diamonds.
- The DEEC competes with other diamond centres for diamond trade such as Antwerp (Belgium); Dubai Diamond Exchange (Dubai); Shanghai (Hong Kong)



PROGRAMME: DIAMOND TRADE

GOVERNMENT DIAMOND VALUATION

- Rough Exports – Value all unpolished diamonds at the DEEC (Diamond Exchange and Export Centre) declared for export to ensure that they are at fair market value.
- Polished Exports – Examine and value all polished diamonds destined for Export.
- Polished imports – Examine and value all polished diamonds imports to ensure that they are at fair market value
- Rough Imports – Examine and value all unpolished diamonds that have been imported to ensure that they are at fair market value.
- State Diamond Trader (SDT) – Examine and value the 10% of diamond production presented to SDT by producers. Collate as much data of the 90% as possible to ensure representative sample is taken.
- South African Police Services (SAPS) – Provide diamond valuation services on all confiscated objects and bear testimony in Court as and when required.



STRATEGIC PLAN FOR SADPMR



SOUTH AFRICAN DIAMOND AND
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RELEVANT NATIONAL OUTCOMES TO THE SADPMR

- **Outcome 4: Decent employment through inclusive economic growth**
Output: To critically review our support for cooperatives & small businesses and to develop a clear plan to improve our performance in this regard
- **Outcome 7: Vibrant, equitable, sustainable rural communities with food security for all**
Output: Rural job creation, skills training and promoting economic livelihoods
- **Outcome 11: Create a better South Africa and contribute to a better and safer Africa**
 - Output: Enhanced trade and investment and regional integration
- **Outcome 12: An efficient, effective and development orientated Public Service and empowered, fair and inclusive citizenship**
 - Output: Human Resource management and development
 - Output: Business processes, systems and decision rights and accountability
 - Output: Tackling corruption



VISION & MISSION

- **VISION**

To be a leading Regulator for business excellence, transformation and economic empowerment in the diamond and precious metals sector

- **MISSION**

To render regulatory services by ensuring and promoting:

- compliance with legislation;
- skills development and knowledge sharing;
- business development support and growth;
- equitable access to resources for local beneficiation

- **VALUES**

- Integrity;
- Respect ;
- Time management;
- Accuracy; and
- Consistency.



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 DMR AND NATIONAL OUTCOMES

National Outcome	DMR Programme	SADPMR Strategic objective
Decent employment through inclusive economic growth	Programme 3: Mineral Regulation	<ul style="list-style-type: none"> • To improve competitiveness, sustainable growth and job creation in the diamond and precious metals industries
Create a better South Africa and contribute to a better and safer Africa	Programme 4: Mineral policy and promotion	<ul style="list-style-type: none"> • To promote equitable access to resources for local beneficiation
Effective, efficient and development orientated public service	Programme 1: Administration Programme 3: Mineral Regulation (implement transformation policies/ legislation) SADPMR Mandate	<ul style="list-style-type: none"> • To improve organizational capacity for maximum execution of excellence • To transform the diamond and precious metals sectors • To enforce compliance with the legislative requirements
Vibrant, equitable, sustainable rural communities with food security for all	Programme 3: Mineral Regulation	<hr/>

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	

MTEF PLAN OF THE SADPMR

2014/ 2017



SADPMR MTEF PLAN

STRATEGIC OBJECTIVE	MEASURES	2014/5	2015/6	2016/7	INITIATIVES	EXPECTED OUTCOME
To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries	Number of licenses issued to enable diamond and precious metals trade in accordance with the legislative timeframes	250	300	300	<ul style="list-style-type: none"> Implement Broad based socio- economic empowerment Charter and Beneficiation Strategy 	<ul style="list-style-type: none"> Job creation, skills development and value addition to precious metals and diamonds
	Number of new entrepreneurs assisted	5	8	10	<ul style="list-style-type: none"> Assist new entrepreneurs in line with new license issued 	<ul style="list-style-type: none"> Job creation, skills development and value addition to precious metals and diamonds Skills development
	Number of Skills initiatives facilitated and developed for the industries	4	4	4	<ul style="list-style-type: none"> Establish skills development initiatives for the industries 	<ul style="list-style-type: none"> Skills development
	Number of beneficiation licenses issued	50	50	50	<ul style="list-style-type: none"> Implementation of the Diamond and Precious Metals Acts 	<ul style="list-style-type: none"> Job creation
To transform the diamonds and precious metals sectors	Number of HDSAs issued with beneficiation licenses	50	55	60	Implement the transformation plan for the Diamonds and Precious Metals. Process license applications as per legislative requirements	<ul style="list-style-type: none"> Transformed diamond and precious metals industries



SADPMR MTEF PLAN

STRATEGIC OBJECTIVE	MEASURES	2014/5	2015/6	2016/7	INITIATIVES	EXPECTED OUTCOME
To transform the diamonds and precious metals sectors	Number of inactive businesses assisted	20	30	40	<ul style="list-style-type: none"> Implement measures to assist inactive licensees 	Transformed diamond and precious metals industries
To promote equitable access to resources for local beneficiation	Number of clients accessing the DEEC (visits)	1400	1500	1600	<ul style="list-style-type: none"> Marketing of DEEC services 	<ul style="list-style-type: none"> Enhanced local beneficiation and trade
	Number of polished diamond tenders facilitated	4	5	6	<ul style="list-style-type: none"> Marketing of DEEC services 	<ul style="list-style-type: none"> Enhanced local beneficiation and trade
	Number of beneficiators accessing the DEEC (visits)	130	140	150	<ul style="list-style-type: none"> Promote local beneficiation by allocating certain viewing rooms to beneficiators 	<ul style="list-style-type: none"> Diamond beneficiators having access to resources (diamonds)



SADPMR MTEF PLAN

STRATEGIC OBJECTIVE	MEASURES	2014/5	2015/6	2016/7	INITIATIVES	EXPECTED OUTCOME
To enforce compliance with legislative requirements	% of valuations conducted	100% of diamonds offered/ presented	100% of diamonds offered/ presented	100% of diamonds offered/ presented	Implement the Diamond Act and related legislation	Compliance to legislation
	% of disputes on valuations regarding fair market value lodged	2%	2%	2%	Implement the Diamond Act and related legislation	Compliance to legislation
	Number of BBSEEC compliance inspections / audits conducted	250	300	300	Implement the Diamond Act and Precious Metals Act to; <ul style="list-style-type: none"> Assess ownership of HDSAs Implementation of skills development 	Compliance to legislation
	Number of inspections conducted	1300	1300	1300	Enforce Diamonds and Precious Metals Act Improve collection of registers	Compliance to legislation
	% compliance to KPCS to minimum requirements checklist	100% compliance to KPCS to minimum requirements checklist	100% compliance to KPCS to minimum requirements checklist	100% compliance to KPCS to minimum requirements checklist	<ul style="list-style-type: none"> Implement KPCS statutes and related legislation Issuing of KPCS certificates Submission of quarterly reports (statistics to KPCS) 	Compliance to legislation and KPCS requirements

SADPMR MTEF PLAN

STRATEGIC OBJECTIVE	MEASURES	2014/5	2015/6	2016/7	INITIATIVES	EXPECTED OUTCOME
To enforce compliance with legislative requirements	Reduction in the number of repeat audit findings	5	5	5	Implementation of relevant laws throughout the Regulator	Compliance to legislation
To improve organizational capacity for maximum execution of excellence	Number of HR plan pillars implemented	5	5	5	Implement the Talent management strategy, OD practices, PMDS, HRD strategy, Employer/employee relations	An effective, efficient and development orientated Regulator
	Number of engagements with external and internal stakeholders	12	12	12	Implement communication strategy	
	Number of MISS programmes implemented	2	2	2	Conduct emergency evacuation drills and implementation of vetting procedures	
	Number of MSP components implemented	2	2	2	Implementation of Disaster Recovery plan and development and implementation of Web Admin system	

SADPMR MTEF PLAN

STRATEGIC OBJECTIVE	MEASURES	2014/5	2015/6	2016/7	INITIATIVES	EXPECTED OUTCOME
To improve organizational capacity for maximum execution of excellence	% of matters referred for legal advice and opinions addressed within 30 days	100% of requests received and addressed	100% of requests received and addressed	100% of requests received and addressed	Facilitate the review of the Codes of Good Practice applicable to diamonds	An effective, efficient and development orientated Regulator
	Number of proposed legislative amendments submitted to the DMR	2	2	2	Facilitate the review of the Codes of Good Practice applicable to diamonds	An effective, efficient and development orientated Regulator
	% of contracts and SLAs vetted within 30 days	100% of contracts and SLAs vetted	100% of contracts and SLAs vetted	100% of contracts and SLAs vetted	Review and advice on all contracts received	An effective, efficient and development orientated Regulator



BUDGET vs. ALLOCATION FOR SADPMR

STREAM	2014/15	2015/16	2016/17
Allocation (ENE)	R47,810	R50,527	R53,205
Projected Revenue	R80,318	R85,137	R90,245
Projected Expenditure	R79,687	R82,443	R87,390
Surplus/Deficit	R 631	R 2,694	R 2,855



REMARKS/ CHALLENGES

- Inadequate budget allocation;
- Declining/ shrinking diamond and precious metals industries;
- Complexities with regards to the beneficiation of precious metals; and
- Lack/inadequate access to rough diamonds by beneficiators;



REMARKS/ DEVELOPMENTS

- SADPMR implemented service charges in accordance with legislation to defray expenses and to cover for shortfall;
- Increased trade transactions (unpolished and polished diamonds) at the Diamond Export and Exchange Centre; and
- Strengthening good working relations between the SADPMR and the diamond and precious metals industries.



Conclusion

- It is important to report that the board is taking serious the transformation plan that is in place and has as such established a special transformation team through the Licensing Committee to develop special strategic mechanisms as an intervention to address those areas that there have been little or no achievements in terms of the Regulator's strategic objectives as informed by key national priorities.
- The following are some of the areas that the plan seek to address;
 - Job creation;
 - Increase access to rough diamonds by beneficiators; and
 - Skills development and access to markets.
- The SADPMR has commenced with the implementation of the plan by engaging diamond producers to avail rough diamonds for local beneficiators, and
- The Regulator has already facilitated four (4) tenders for polished diamonds at the DEEC.



THANK YOU DISCUSSION



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