



Presentation on issues for follow-up and future focus

Portfolio Committee on Mineral Resources (PCMR)

Martin Nicol - Parliamentary Research Unit

01 March 2017

Presentation based on 2 written reports

PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

RESEARCH UNIT
14 Ave. 11 East, Suite 4009, Republic of South Africa
Tel: (11) 400 4017 Fax: (11) 400 4116
www.parliament.gov.za

MINERAL RESOURCES

ANALYSIS OF THE CONTENT OF PORTFOLIO COMMITTEE MEETINGS IN THE 5TH PARLIAMENT (up to 2016)

06 February 2017

| Number | Percent | Content |
|--------|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 19 | 37% | Annual reports, budgets, annual and strategic performance plans for the Department of Mineral Resources (DMR) and its entities, DMR responses to the State of the Nation Address |
| 13 | 18% | Committee programming, Budgetary Review and Recommendation Reports (BRRR) and committee minutes |
| 6 | 9% | Legislation (Mineral & Petroleum Development Amendment Bill) |
| 3 | 4% | Oversight follow-up |
| 29 | 41% | Particular issues |
| 4 | 6% | Transfer pricing (Base erosion and profit shifting – BEPS), joint meetings with Finance and Trade & Industry committees |
| 2 | 4% | Chemicals and mineral mines / mining environmental issues |
| 2 | 3% | Mining Charter |
| 2 | 3% | Financials / debt liquidation |
| 3 | 4% | Chemicals and mineral mines / mining environmental issues |
| 2 | 3% | Mining Charter |
| 2 | 3% | Financials / debt liquidation |
| 2 | 3% | State gas |
| 2 | 3% | Stakeholder concerns – meetings with business and labour representatives |
| 2 | 3% | Job cuts and actions to deal with threats to employment |
| 2 | 3% | Research in mining |
| 2 | 3% | Skills / issues of ex-mineworkers |
| 1 | 1% | Illegal miners |
| 1 | 1% | SABPPAD – the performance of the DMR database on rights to minerals |
| 1 | 1% | Legal cases involving DMR |
| 1 | 1% | Control of information by the State Owned Trade (SOT) |
| 1 | 1% | Women in Mining |
| 1 | 1% | DMR actions on Beneficiation |
| 1 | 1% | DMR responses to Parliament Commission recommendations on Marketing |
| 1 | 1% | Social and Labour Plan research findings |
| 71 | 100% | Total meetings held by the PC on Mineral Resources in Parliament from June 2014 to December 2016 |

Research Unit/MinRes Unit Contact Details: (011) 400 4017

Analysis of the content of PC meetings in the 5th Parliament (2014 -2016).

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PC on MINERAL RESOURCES

OUTSTANDING PARLIAMENTARY ISSUES FOR THE DEPARTMENT OF MINERAL RESOURCES (DMR)

Survey of the information requests of the Portfolio Committee on Mineral Resources to the DMR since 08-Sep-15, as reflected in the Reports to the National Assembly and Committee Minutes

Second period: 09 September 2015 – 12 October 2016¹

23 January 2017

1. Background

It has been a matter of continuing concern that the Department of Mineral Resources (DMR) and its delays responding to information requests made by the Portfolio Committee on Mineral Resources (PCMR) during Committee meetings, which is part of the Committee's oversight function.

In 2015, the Research Unit provided two detailed research briefs that recorded, amongst others, the questions and information requests that the DMR had not responded to since 2014. The briefs in question are:

| | |
|----------------------------------------------------------------------------------------------------------------------------|-----|
| Effectiveness of the Portfolio Committee on Mineral Resources (PCMR) since 2014. Research Unit, Parliament, 13 August 2015 | 202 |
|----------------------------------------------------------------------------------------------------------------------------|-----|

and

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| Survey of the resolutions of the Portfolio Committee on Mineral Resources (PCMR) since 2014, as reflected in the Committee Minutes. First period: 02-Jul-14 to 02-Sep-15. Research Unit, Parliament, 21 January 2016 | 205 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|

The purpose of the present brief is to consolidate and update this list. It therefore includes items from 2014/15 that had not been responded to by 12 October 2016.

The DMR maintains a pool for a Parliamentary Liaison Officer (PLO), who attends all the meetings of the PCMR. It is suggested that the Committee request that the job description of the PLO should include the requirement that information requests/undertakings be recorded by the PLO and followed-up by him/her. Effective oversight is conditional upon access to relevant information. Adopted Committee minutes should be sent to the PLO, as a reminder.

¹ See Hoof (2015) for the requests made in the "first period", from July 2014

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Outstanding Parliamentary Issues for the DMR.

Overview

- What are the outstanding issues from previous meetings of the Committee?
 - Questions to the Department of Mineral Resources (DMR) still to be answered
 - Budgetary Review and Recommendation Reports (BRRRs) 2014 to 2016
- Research on PCMR activities 2014 to 2016
- Recommendation

3 year Operational Plan

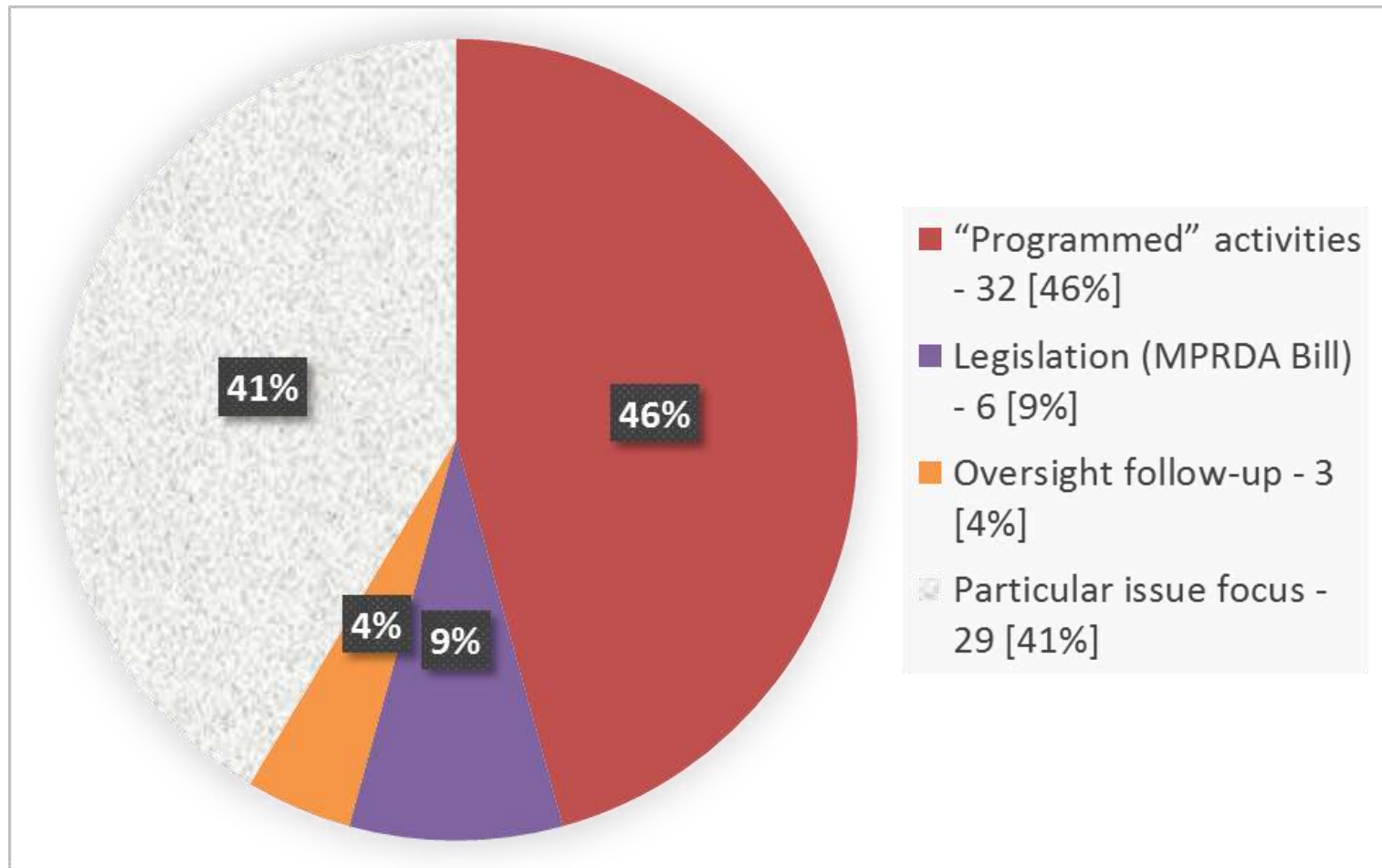


- Developed in 2014 at breakaway workshop in Somerset West
- Covered the period 2014/15 to 2016/17

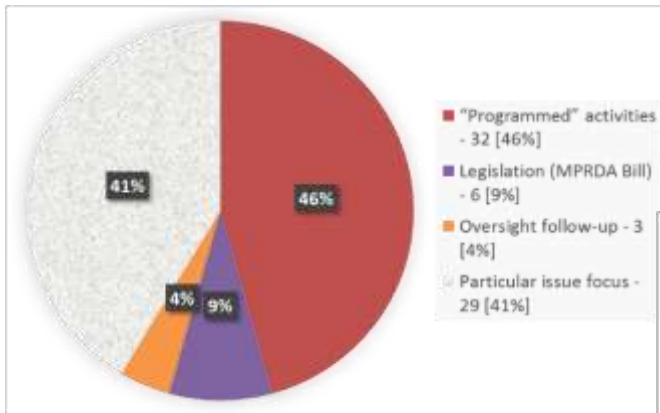
Committee Objectives 2014

- **1:** *To increase oversight over the Department of Mineral Resources to ensure **industry transformation** [this includes: beneficiation, HDSA ownership, advancement of women and people with disabilities, skills development, housing for mineworkers, stakeholder/civil society issues]*
- **2 :** *To increase oversight over the Department of Mineral Resources with relation to **illegal mining activities and mine liquidations***
- **3 :** *To increase oversight over the Department of Mineral Resources with relation to improved **health and safety in mines and improved labour relations** (including migrant labour, wages and productivity issues)*
- **4:** *To increase oversight over the Department of Mineral Resources with relation to its responsibilities to implement **Environmental legislation** for prospecting and mining and oil and gas exploration and production.*
- **5:** *To increase government support for **Research and Development** in the Mining and Petroleum sector, including support to the Department of Mineral Resources and its entities*
- **6:** *To ensure that the DMR accounts for progress made in meeting the challenges identified in its **administrative processes** [including Section 28: systems to manage and evaluate reports from mines; Licensing: SAMRAD, transparency of processes to grant rights to minerals and the integration between Management Information Systems]*

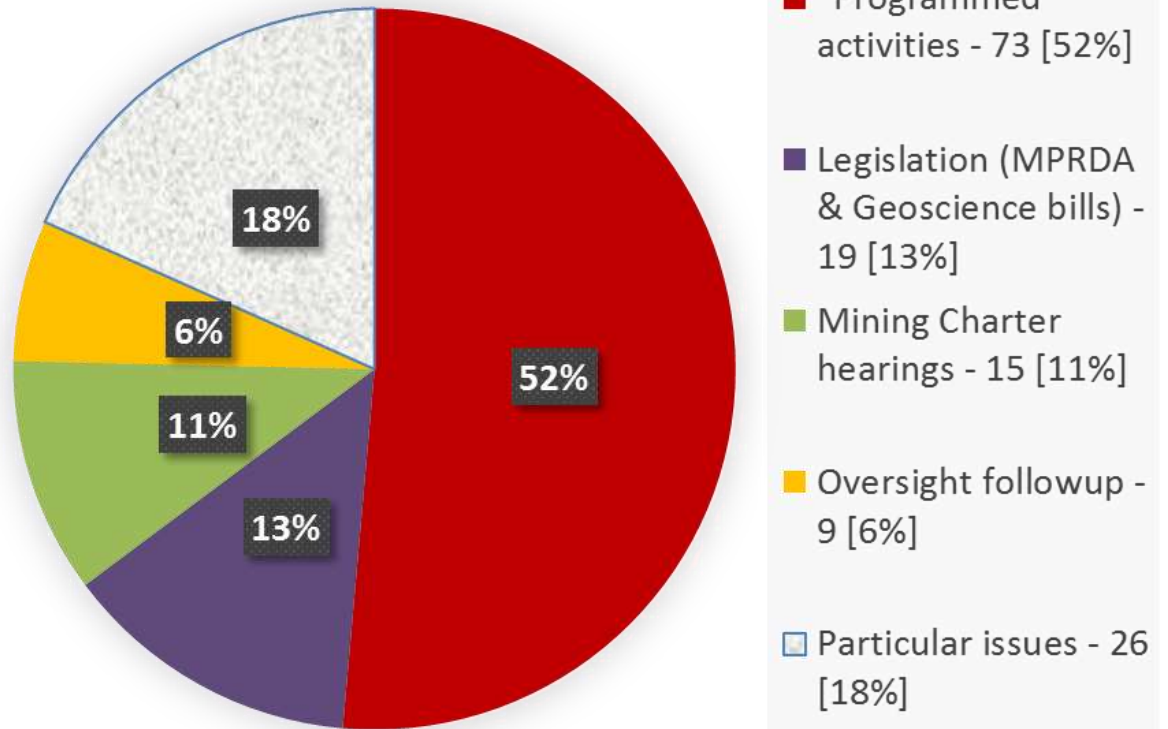
Content of PCMR Committee Meetings 2014 to Dec-2016 – 70 meetings



5th vs 4th Parliament



- Comparison
 - Less legislation
 - No public hearings
 - But more active oversight of provinces

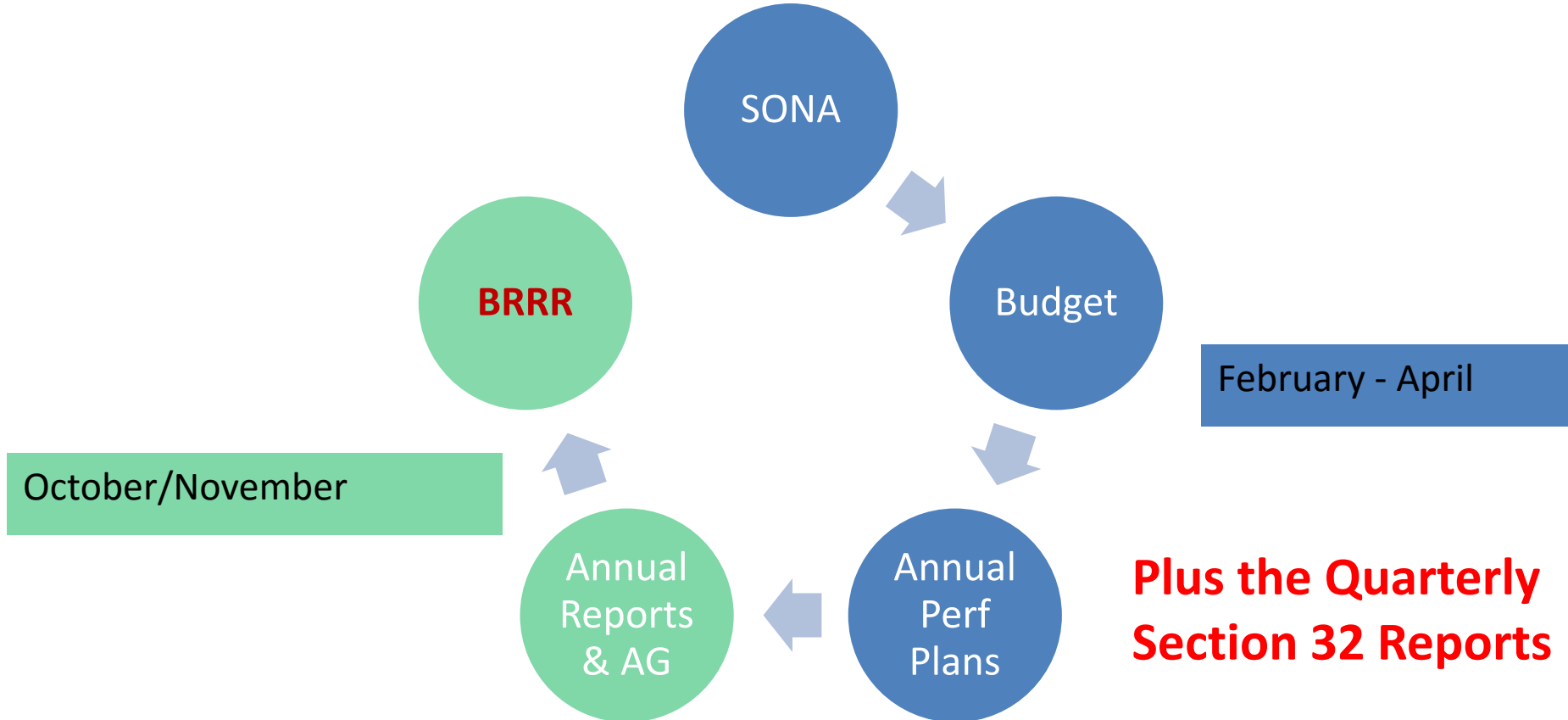


Content of PCMR Committee Meetings 2009 to 2014 (4th Parliament)
– 142 meetings

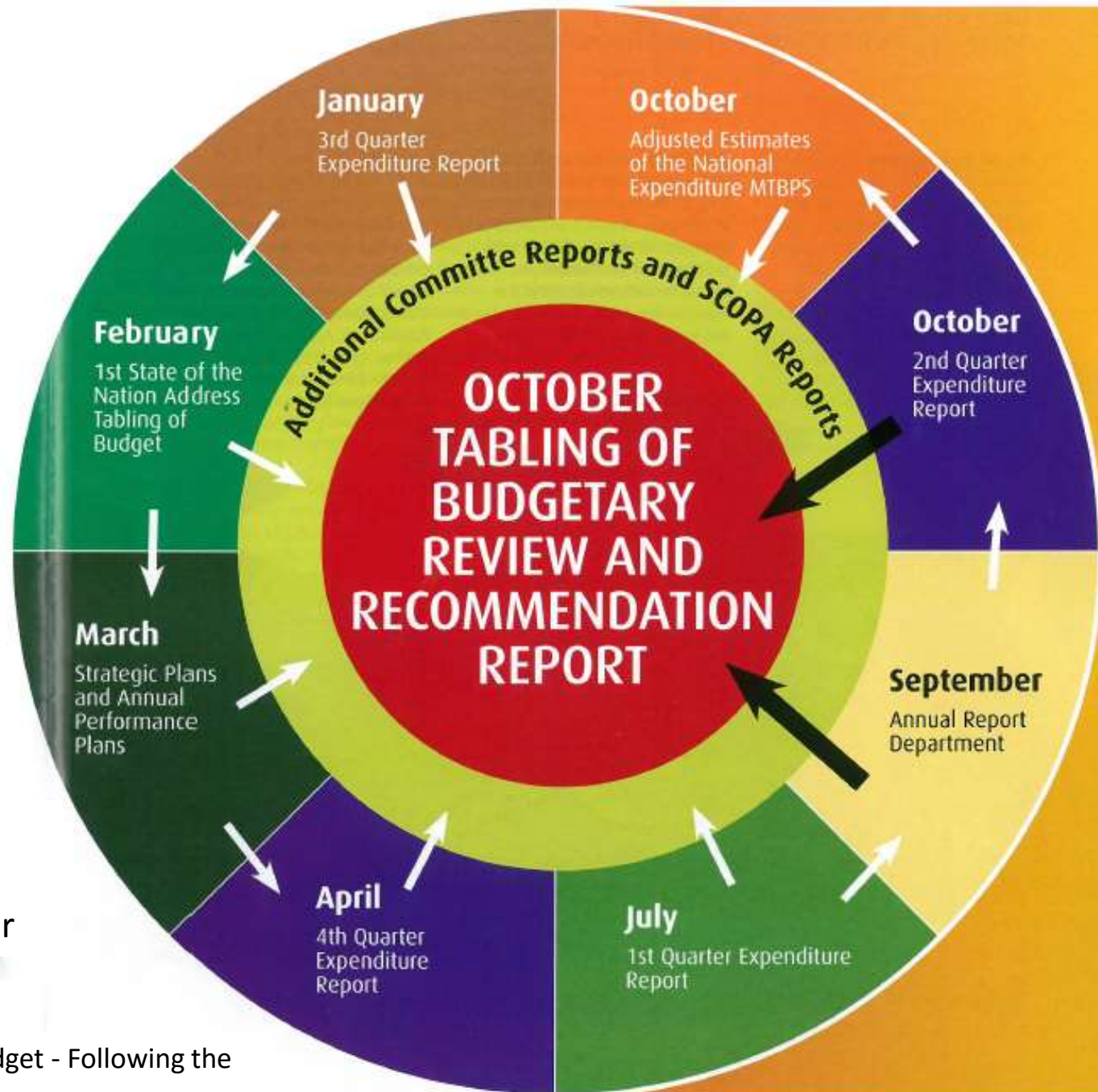
Research findings

46%

- Most Committee time is devoted to Budget Cycle activities
 - This is a crucial oversight role for Parliament under the Constitution, as required by the PFMA and the Money Bills Act



Budget cycle



12
meetings
(or more) per year

Parliament (n.d.) "Guide to the Budget - Following the route of the ongoing fiscal cycle"

Research Findings (2)

- PCMR oversees only 0.2% of the national budget, yet it devotes more of its time to oversight of the financial and performance legislation than any other issue (46%)
- This is at the expense of a focus on oversight over mining legislation
- Less time is available for issues critical for the mining sector (10 meetings per year)
- DMR performs exceptionally well on the financial and performance measures set in the budget, the PMFA and the Money Bills Act
- No way to measure if this excellent result is due to PCMR oversight. (It could be)

Research findings (3)

- While the DMR performs well on all budget indicators, the mining sector itself remain in a state of crisis
 - 65,000 fewer mining jobs since 2012
 - Problems with court cases
 - Double issue of licenses
 - Challenges to MHSA Section 54 notices
 - Implementation of One Environmental System
 - Mining Phakisa projects not reported on
 - Disagreements on the Mining Charter

Research Conclusion

- Committee has covered all areas in the 2014 Operational Plan, but there are problems with follow-up and hence with the effectiveness of the PCMR in holding the DMR to account.
- Operational Plan needs to be revised
 - Need to identify particular priority issues and follow through with each in a planned programme
 - Need to question the juggernaut of the budget cycle in the work of the Committee

Possible Framework for PCMR

1. Combatting the theft of our mineral resource wealth (illegal mining and transfer mispricing)
2. Dealing with the environmental impacts of mining
3. Dealing with the social impacts of mining
4. Moving towards zero harm – occupational health and safety in the mining sector
5. Securing the future for the mining and petroleum industries

Main area of oversight weakness

Life cycle of Mines

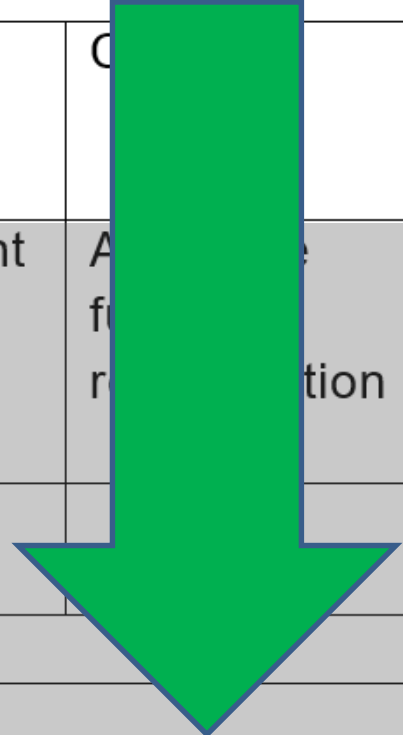
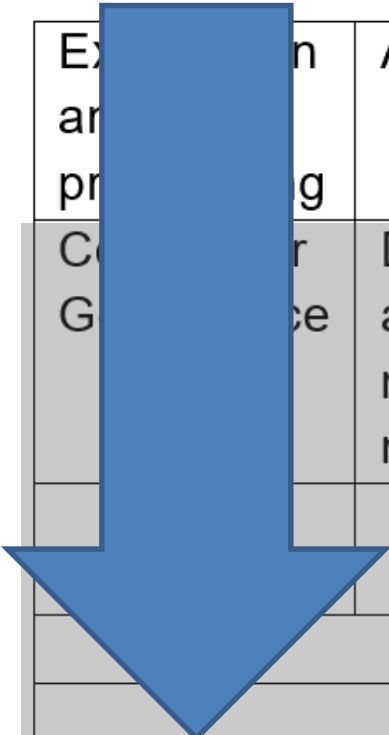
| Exploration and prospecting | Assessment | Development | Production and mining | Closure |
|-----------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-----------------------|-----------------------------------|
| Council for Geoscience | DMR – allocation of rights to minerals | Research and development for mining (CSIR) and processing (Mintek) | | Adequate funds for rehabilitation |
| | | Mining Phakisa (involving the private sector) | | |
| One environmental system | | | | |
| Role of state owned mining company | | | | |
| DMR: monitoring and enforcement | | | | |
| Mining taxation and royalty regime: sovereign wealth fund | | | | |

Junior
Miners

Life cycle of Mines

Closure,
liquidation, re-
habilitation

| | | | | |
|--------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------|-----------------------|-------------|
| Exploration | Assessment | Development | Production and mining | Closure |
| Geological prospecting | DMR – allocation of rights to minerals | Research and development for mining (CSIR) and processing (Mintek) | | Abandonment |
| | | Mining Phakisa (involving the private sector) | | |
| One environmental system | | | | |
| Role of state owned mining company | | | | |
| MR: monitoring and enforcement and royalty regime: sovereign | | | | |



SA has a growing mining industry in the future

Public Hearings?

It is sustainable, a positive legacy for people & planet

Recommendation

- The PCMR should develop an oversight model for the DMR in addition to the budget cycle oversight
- This can be based on the life cycle of a mine
- It can involve public participation from stakeholders
 - Hold public hearings and use these to develop indicators for DMR performance based on critical points in the life cycle of a mine.
 - Start with public hearings on:
 - Promoting Junior miners and exploration
 - Dealing with mine closure, liquidation and rehabilitation

Questions/discussion

Dr Martin Nicol

Researcher: Portfolio Committee on Mineral Resources

Research Unit, Parliament of South Africa

021 403 8331 (Tel)

082 554 9880 (Cell)

mnicol@parliament.gov.za

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