



COMMITTEE REPORTS

National Assembly

Report of the Portfolio Committee on Mineral Resources on the Annual Performance Plan and Budget Vote 29 of the Department of Mineral Resources for the 2017/2018 Financial Year, dated 10 May 2017

The Portfolio Committee on Mineral Resources, having considered the 2017/2018 Annual Performance Plan (APP) and Budget Vote 29: Mineral Resources (during the period 03-04 May 2017), reports as follows:

1. Introduction

The National Treasury has not acted on any of the recommendations of the Portfolio Committee on Mineral Resources (PCMR) that were made in the 2016 Budgetary Review and Recommendation Report (BRRR), related to Vote 29 of the budget of the Department of Mineral Resources (DMR).

These included a recommendation that:

“Treasury needs to attend to the adequate resourcing of the Council for Geoscience (CGS) to allow the DMR to acquire the appropriate geological knowledge to fulfil its function as the custodian of the mineral wealth of the nation.”

The Budget of 2017 proposes to reduce transfers to the institution by some 14 per cent, over the medium-term expenditure framework (MTEF) period. (Effectively freezing the staff levels at the Council)

“Treasury should come up with a **funding framework**, that encourages the Department and its entities to perform optimally, in their financial stewardship, continued trimming of the budget for a well-managed state organ **punishes** rather than **reward** prudent financial management” (in light of a sustained record of sound financial management of the DMR and its entities)

The Treasury has not yet responded on the recommendations of the Committee, submitted in October 2016. Despite its statement that “a separate document will be tabled in Parliament with detailed responses to the portfolio committee’s recommendations.”

The purpose of Vote 29: Mineral Resources is to:

- “Promote and regulate the minerals and mining sector for transformation, growth, and development”; and to
- “Ensure that all South Africans derive sustainable benefits from the country’s mineral wealth.”

The Budget was tabled on 22 February 2017 and the Annual Performance Plan (APP) of the DMR, which provides specific performance targets for 2017/18 was tabled on 10 March 2017, along with the APP’ of the entities that report to the DMR.

The mining industry, and the economy as a whole, is in a poor state. The Minister of Finance outlined some favorable trends that lead him to expect “somewhat higher growth in the coming year”. These include the recent rebound in commodity prices, fewer industrial disputes and an increase in the available supply of electricity. These are all useful for the mining sector, but they are countered by increasing costs of labour, capital and stores and by the levels of uncertainty that still surround the regulatory framework for mining.

The Minister noted that the projected rate of growth falls well short of the goals of the National Development Plan (NDP). Total employment in mining, for example, instead of increasing as anticipated, fell by more than 65,000 (5 per cent) between the adoption of the NDP in 2012 and 2016. The revival and promotion of the mining sector is crucial if South Africa is to reduce unemployment, poverty and inequality.

2. Overview of the 2016/17 financial year

The DMR had a budget of R1.7 billion in 2016/17. This represented a nominal increase of R30 million, or 2 per cent, compared with 2015/16.

The 2016/17 Annual Report of the Department, covering the full financial year ending 31 March 2017, will be available at the end of September 2017. The third quarter expenditure report shows that at the end of December 2016 the DMR had spent 76.3 per cent of its available budget. This compares with 79.5 per cent at the same point of the previous year. The DMR has a record of managing its budget very well and spending exactly 100 per cent, or very slightly less, by the end of each financial year.

Transfers and Subsidies accounted for R791.6 million of the available budget and, of this amount, the Department had transferred by December 2016, R640.8 million, or 81 per cent, mainly to public corporations and private enterprises and departmental agencies and accounts. By December 2016, the Department had spent R 633.2 million, or 72.2–per cent, of the remaining budget, the majority of which was used on compensation of employees and goods and services.

Spending from the Mineral Policy and Promotion Programme was lower than projected, by R44.5 million. This was due to a delay in transfers to Mintek for mine rehabilitation projects, which began in the fourth quarter.

The APP for 2016/17 identified four legislative policy objectives for the year:

- Completion of the Amendment Bill to the Mineral and Petroleum Resources Development Act (MPRDA).
- Amendment of the Mine Health and Safety Act (MHSA) (which was a subject of amendment in the 2015/16 financial year).
- Legislative establishment of the Petroleum Agency of South Africa.
- Legislative establishment of the African Exploration Mining and Finance Corporation.

None of these have yet been completed.

Two other urgent initiatives are still to be completed. These are the review of the Broad-based Socio-economic Empowerment Charter (Mining Charter) and the programme of implementation for the Mining Operation Phakisa Programme. Specific timelines were not given for either of these in the 2016/17 APP (and none are given in the 2017/18 APP).

Amendments to the Diamonds Act, No. 56 of 1986; the Mine Health and Safety Act, No. 29 of 1996 (MHSA) and the Precious Metals Act, No. 37 of 2005; were promised by the DMR as early as 2012/13, but none has yet been introduced in Parliament. It was expected that the bill to establish the State Owned Mining Company would be tabled in the 2015/16 financial year. This still has not occurred, although a *draft African Exploration Mining and Finance Corporation Bill, 2015* was published, inviting public comment by 22 March 2016.

The Mineral and Petroleum Development Amendment Bill [B15B-2013] was passed by Parliament in March 2014, but the President referred the Bill back to Parliament in January 2015 because of his concern that several aspects of the Bill would not pass constitutional muster. The President's concerns were referred to the PCMR which reported on the Bill during 2016. The adjusted Bill [B15D-2013] is presently with the National Council of Provinces and July 2017 has been mentioned by the Minister of Mineral Resources as the target date for the completion of the Parliamentary process. The National Treasury has commented that "delays in the finalization of the MPRDA has resulted in uncertainties in the mining sector. The finalization of this legislation will improve investment climate in the mining sector."

3. Policy Priorities for 2017/18 AND ALIGNMENT WITH NATIONAL, REGIONAL, CONTINENTAL AND GLOBAL DEVELOPMENT AGENDAS (NDP, NINE POINT PLAN, SADC-RIDMP, AGENDA 2063 & SDGS)

The key strategic priority of Vote 29, as emphasised in the 2017 State of the Nation Address, is to finalise changes to the legislation and regulations for minerals and petroleum that have been delayed since 2010. In

addition, the DMR has to implement the policy of transformation in the mining sector, which has been pending since 1994. Parliament has provided the instruments for transformation in the MHSA and the MPRDA, which are the main legislative measures supported by Vote 29.

The DMR's policies and strategies are aligned to the National Development Plan, but the implementation of critical aspects of the Plan – such as an improved regulatory environment have been long delayed, despite the financial support given under Vote 29 (Vote 32 in previous years).

The DMR's priorities for 2017/18 are directed by the 2014/19 Strategic Plan that was presented to Parliament in 2014 and, specifically, by the Annual Performance Plan 2017/18

In the Nine Point Plan, the DMR is listed as the lead department for Operation Phakisa in mining (including aspects of the Oceans Economy Phakisa).

The Southern African Development Community (SADC) Regional Infrastructure Development Master Plan (RIDMP) was adopted by SADC Heads of State and Government in August 2012. While improved infrastructure in the region will be positive for growth of the mining sector, the projects adopted cover six specific sectors: energy, tourism, transport, ICT, meteorology and water. The SADC-RIDMP is therefore not relevant for Vote 29.

Agenda 2063, is a fifty year strategy for the continent that was set in motion following the 50th anniversary of the African Union (AU) in 2013. South Africa contributed to the formulation of Agenda 2063, so the strategy is already aligned with South Africa's development goals. Aspirations expressed in the strategy are consistent with the mandate of the DMR and the purpose of Vote 29. These include inclusive growth and sustainable development, good governance, democracy, respect for human rights, justice and the rule of law.

In September 2015, the member states of the United Nations (UN) agreed on a set of 17 Sustainable Development Goals (SDGs), which represent the global agenda for equitable, socially inclusive, and environmentally sustainable economic development until 2030. Mining companies have the potential to become leading partners in achieving the SDGs. Vote 29 supports long-standing policies of the DMR, expressed in the MPRDA, the MHSA and the Mining Charter, to ensure that there is equitable access to the benefits of mining and that such benefits extend beyond the life of mine. This will ensure that the mining industry has a positive impact on the natural environment and social capital.

Under the new environmental laws for mining, directly implemented with funds from Vote 29, mining companies are required to improve environmental stewardship. Through the Social and Labour Plans approved and monitored by the DMR, mining companies are required to consult with communities on mine impacts and to boost the local economy through providing jobs and purchasing South African stores, capital goods and services. Mining companies that fail to follow the law in these respects may put their operations at

risk in the short and long term. It can be argued that Vote 29 is not merely consistent with the SDGs—it actively requires the mining, oil and gas sectors to contribute to the SDG goals.

4. Budget Analysis

Table 1: Vote 29: Mineral Resources

Programme	Budget				Nominal Rand change	Nominal % change	Real % change
	2016/17	2017/18	2018/1 9	2019/2 0	2016/17- 2017/18	2016/17-2017/18	
R million							
Administration	345.8	317.7	334.5	356.5	- 28.1	-8.12 per cent	-13.57 per cent
Promotion of Mine Safety and Health	189.9	189.4	196.5	210.6	- 0.5	-0.25 per cent	-6.16 per cent
Mineral Regulation	265.1	364.6	379.9	398.9	99.5	37.51 per cent	29.36 per cent
Mineral Policy and Promotion	868.3	907.7	995.8	884.0	39.5	4.55 per cent	-1.65 per cent
TOTAL	1 669.1	1 779.4	1 906.7	1 850.0	110.4	6.61 per cent	0.29 per cent

Source: National Treasury (2017a) Vote 29: Mineral Resources 2017

It is the task of the DMR to help South Africa to harness its mineral wealth for development. The budget of the Department is comparatively small, barely 0.2 per cent of the total appropriation by vote in 2017/18, but its role in wisely applying laws and fostering the contributions of several state agencies is critical for the growth of the minerals and petroleum sector, which is experiencing the most adverse economic climate since the 1990's.

The budget of the DMR for the 2017/18 financial year is R1.8-billion. This represents a nominal increase of R110.4-million over the previous year, but in real terms, when inflation is taken into account, the allocation represents a marginal 0.29 per cent increase in the value of the resources available to the Department, compared with the previous year. This is part of the implementation of the government plan, first announced by the Minister of Finance in the Budget Speech last year to moderate government expenditure to compensate for the weak performance of the SA economy.

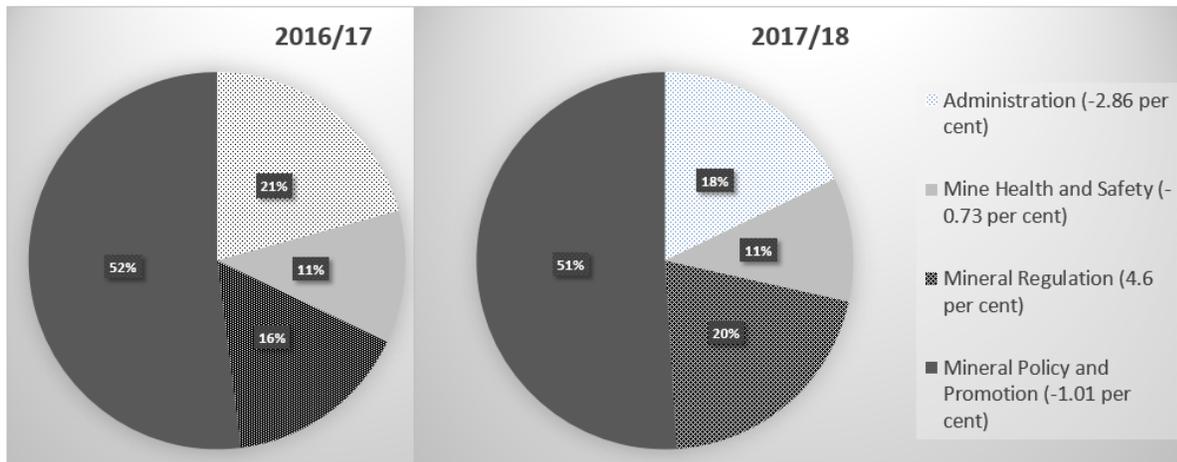
There has been no structural change from the pattern of past DMR budgets. Half (49.2 per cent) goes to current payments, half (50.1 per cent) to transfers (mainly to the Council for Geoscience and MINTEK), with a negligible proportion going to capital expenditure.

The compensation of employees makes up 33 per cent of the total budget and goods and services 16 per cent. These proportions are not significantly different from 2016/17.

The weighting of the programmes as a percentage of the total Vote allocation is indicated in Figure 1, below, for 2016/17 and 2017/18, with the percentage changes in the size of the ‘slices’ indicated next to each programme name:

Figure 1 reflects a marginal shift away from Administration towards Mineral Policy and Promotion on the share in which each of four programmes has in the total budget for the Department.

Figure 1: Vote 29: Comparison of the split of the Mineral Resources budget between Programmes



Source: calculated by the Research Unit from National Treasury (2017a).

4.1 Programme Analysis

4.1.1 Programme 1: Administration

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

Table 2: Programme 1 - Administration

Sub-Programme	Budget		Nominal Increase / Decrease in 2017/18	Nominal Percent change in 2017/18	Real Percent change in 2017/18
	2016/17	2017/18			
Ministry	23.4	27.5	4.1	17.54 per cent	10.58 per cent

Corporate Services	152.3	123.9	- 28.4	-18.65 per cent	-23.47 per cent
Department Management	18.7	20.3	1.6	8.40 per cent	1.98 per cent
Financial Administration	105.9	98.9	- 7.0	-6.62 per cent	-12.16 per cent
Internal Audit	14.1	14.2	0.1	0.55 per cent	-5.41 per cent
Office Accommodation	31.3	32.9	1.6	5.00 per cent	-1.22 per cent
TOTAL	345.8	317.7	- 28.1	-8.1 per cent	-13.57 per cent

Source: National Treasury Vote 29: Mineral Resources 2017

Overall, there is a 14 per cent real decrease in the budget allocation for Administration, with R28-million less being spent on this function compared with 2016/17. This is due to lower expenditure on computer services and operating leases.

Administration: Over the medium term, to 2019/20, compensation of employees will grow by 5.8 per cent on average each year. This needs to be compared against the lower, -4.6 per cent, cut in the value of goods and services. There were 399 funded posts in Administration in the 2016 budget, 351 of which were filled by the end of 2016/17. The number of employees is planned to fall further, to 334 by 2019/20, so the salary bill will fall by -1.6 per cent each year.

4.1.2 Programme 2: Mine Health and Safety

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

Table 3: Programme 2 - Mine Health and Safety

Sub-Programme	Budget		Nominal Increase / Decrease in 2017/18	Nominal Percent change in 2017/18	Real Percent change in 2017/18
	2016/17	2017/18			
R million					
Governance Policy and Oversight	51.2	46.1	- 5.1	-10.01 per cent	-15.34 per cent
Mine Health and Safety Regions	138.7	137.2	- 1.5	-1.09 per cent	-6.95 per cent
Mine Health and Safety Council	0.0	6.2	6.2	-	-

TOTAL	189.9	189.4	- 0.5	-0.2 per cent	-6.16 per cent
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Source: National Treasury Vote 29: Mineral Resources 2017

Overall, there is a 6 per cent real decrease in the budget allocation for Mine Health and Safety, the same real decline as in 2016/17.

Mine Health and Safety: Over the medium term, to 2018/19, compensation of employees will grow by 1.8 per cent on average each year. This needs to be compared against the 5.6 per cent provision for the growth in goods and services. This is due to an increased pace of expenditure on “Consultants: Business and advisory services” and on Venues and facilities for meetings. The absolute amounts, however, are small. The number of employees for mine health and safety is set to decrease. There were 308 posts filled in Programme 2 by the end of 2016/17. The number of employees is planned to fall to 267 by 2019/20, so the salary bill will fall by -4.7 per cent each year.

Eight thousand health and safety inspections and 396 audits are to be commissioned in 2017/18, the same number as in the previous year. The Mine Health and Safety Council (MHSC) will be supported by a transfer from the Department of R6.2-million in 2017/18, rising to R6.9-m in 2019/20.

4.1.3 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 sustainable development”.

This represents a change from 2016/17, when the stated purpose of the programme included “environmental compliance”. New environmental compliance responsibilities were transferred from the Department of Environmental Affairs to the DMR in December 2014, with the introduction of the One Environmental System for Mining. These responsibilities still remain in place.

Table 4: Programme 3 - Mineral Regulation

Sub-Programme R million	Budget		Nominal Increase / Decrease in 2017/18	Nominal Percent change in 2017/18	Real Percent change in 2017/18
	2016/17	2017/18			

Mineral Regulation and Administration	185.3	194.1	8.9	4.79 per cent	-1.42 per cent
Management Mineral Regulation	26.7	27.5	0.8	2.93 per cent	-3.17 per cent
SA Diamond & Precious Metals Regulator	53.2	55.9	2.7	5.00 per cent	-1.22 per cent
Petroleum Agency South Africa (PASA)	0.0	87.1	87.1	-	-
TOTAL	265.1	364.6	99.5	37.5 per cent	29.36 per cent

Source: National Treasury Vote 29: Mineral Resources 2017

Overall, there is a 1.5 per cent real decrease in the budget allocation for the first three sub-programmes in Mineral Regulation in 2017/18, compared with the previous year. Significant budget increases over the medium term, approaching R90-million a year are explained by the need for government to fund the operations of the Petroleum Agency of South Africa (PASA) the regulator of the oil and gas sector after its reserves of funding have been exhausted. Transfers to PASA from the budget of the DMR are R60-m less than the R150-m per year previously anticipated in the MTEF, following Cabinet-approved deductions.

Mineral Regulation: Over the medium term, to 2018/19, compensation of employees will grow by 5.8 per cent on average each year. This needs to be compared against the 5.4 per cent, provision for the growth in goods and services. The number of employees is set to increase from 409 to 415.

The number of employees for Mineral Regulation, which was planned to rise to 415 by 2018/19, is now set to decrease. There were 347 posts filled in Programme 2 by the end of 2016/17. The number of employees is planned to fall to 339 by 2019/20, so the salary bill will fall by 1.6 per cent each year.

Despite the declared intention of the DMR to “protect and enhance our environmental assets” and to ensure compliance with environmental legislation, the Department has reduced the number of environmental verification inspections in its performance targets. The annual number was reduced by a quarter, to 1 275 from 1 700 in 2015/16. This target was itself reduced from 1 856 in 2014/15. The reduction in the performance measure is said to be due to the “budgetary constraints”. The DMR became fully responsible to implement national environmental standards in the mining sector from December 2014.

4.1.4 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”.

Table 5: Programme 4 - Mineral Policy and Promotion

Sub-Programme R million	Budget		Nominal Increase / Decrease in 2017/18	Nominal Percent change in 2017/18	Real Percent change in 2017/18
	2016/17	2017/18			
Management	27.0	31.2	4.2	15.42 per cent	8.58 per cent
Mineral Policy	18.1	19.6	1.5	8.16 per cent	1.75 per cent
Mineral Promotion and International Coordination	47.9	75.6	27.7	57.97 per cent	48.61 per cent
Assistance to Mines	0.0	5.6	5.6	-	-
Council for Geoscience	378.6	367.0	- 11.6	-3.07 per cent	-8.81 per cent
Mintek	356.4	367.3	10.8	3.04 per cent	-3.07 per cent
Economic Advisory Services	4.9	4.4	- 0.5	-9.71 per cent	-15.06 per cent
Mine Environmental Management	35.4	37.2	1.8	5.04 per cent	-1.19 per cent
TOTAL	868.3	907.7	39.5	4.5 per cent	-1.65 per cent

Source: National Treasury Vote 29: Mineral Resources 2017

Overall, there is a 2 per cent real decrease in the budget allocation for Mineral Policy and Promotion in 2016/17, compared with the previous year.

Mineral Policy and Promotion: Over the medium term, to 2019/20, compensation of employees will grow by 3.8 per cent on average each year. This needs to be compared against the 6.9 per cent, provision for the growth in goods and services. The number of employees, which was previously planned to stay constant at 112 up to 2018/19, will now be reduced to 100, from the figure of 107 employees at the end of March 2017.

A R5 million cutback in advertising expenditure is balanced by increases in payments for "Consultants: business and advisory services" and contractors, and for printing and venues and facilities.

The largest operational budget changes for Mineral Policy and Promotion relate to the sub-programmes that deal with promotion and environmental management.

A 58 per cent (R28 million) annual increase is proposed in 2017/18 in the Mineral Promotion and International Coordination sub programme which “promotes mineral development and advises on trends in the mining industry to attract additional investment”. It produces “publications, participates in mining conferences, and supports the implementation of national mineral beneficiation initiatives.” Expenditure will rise from R50-m in 2016/17 to R84-m by 2019/20.

A major increase in budgeted expenditure on Mine Environmental Management came into effect in 2016/17. This includes rehabilitation for derelict and ownerless mines and providing advice on mine closure. The amounts increased from less than R10-m before 2015/16 to over R35-m up to 2019/20. It is noteworthy that this budgetary increase was accompanied by a reduction from 50 to 45 in the number of derelict and ownerless mines that will be rehabilitated every year. The reduced target came into effect in 2016/17, just as expenditure expanded, and continues at this lower level through the MTEF period.

Mineral Policy and Promotion is the largest programme of the DMR, absorbing 51 per cent of its budget. Over 80 per cent of the programme budget consists of transfers to Mintek and the CGS, two national science councils that are funded through Vote 29. The allocation to both entities will fall in absolute terms over the next three years. Mintek and the CGS will incur average transfer cuts of -0.9 per cent and -6.4 per cent per year, respectively on their operational budgets. Once off payments will be made to both entities in 2018/19 under the economic competitiveness and support package. Mintek will receive R70-m (for equipment and facilities; research and development; efficiency projects) and CGS will receive R90-m (for digital information system; buildings; equipment and facilities). This is in addition to standing annual contributions to capital spending of about R60-m a year for Mintek and R40-m a year for CGS.

5. Departmental Strategic and Annual Performance Plan 2017/18

5.1 Overview by the Minister

The Minister, Mr MJ Zwane acknowledged the opportunity given to him to present the Strategic Plan, Annual Performance Plan and Budget of the Department of Mineral Resources. He indicated that the entities of the Department were in attendance and would present their Annual Performance Plans to the Committee.

The DG, Adv. T Mokoena presented the strategic overview and gave opportunity to the Chief Financial Officer and (Deputy Director General) DDGs to present their budgets and programmes.

5.2 Financial Overview

The Chief Financial Officer, Ms I Singo presented the financial overview over the Medium Term Expenditure Framework (MTEF). She said the increase over the medium terms was due to additional funding allocated for

a digital information system, building, equipment and facilities in Council for Geoscience (CGS); Research and Development and efficiency projects in Mintek; funding for the expanded public work programme for derelict and ownerless mines and the first baseline allocation to the Petroleum Agency of South Africa (PASA). PASA will be funded through the DMR budget in the future, as it has now used up the reserves that previously funded its activities.

She reported that the budget allocation for the MTEF period amounted to R5.5 billion which represents 3.5% nominal growth, in real terms the MTEF budget growth is -2.2%. The net change to 2016/17 baseline relates to a reduction of R74.575 million over the MTEF, of which R20.300 million was effected on compensation of employees, and R7 074 million on goods and services.

She indicated that the original 2017/18 allocation for compensation of employees was R579.130 million but that in the Estimates of National Expenditure an amount of R6.370 million was cut by National Treasury. Compensation of employees (CoE) will therefore be R572.760 million, a figure which represents 31.1% of the total department's budget. The CoE baseline allocation is now capped at R572.7 million in 2017/18; R598.0 million in 2018/19 and R643.6 million in 2019/20.

The Goods and Services budget represented only 15.39 % (R273.901 million) of the 2017/2018 total budget of R1.779 billion and 15.65 % (R886.565 million) of the R5.536 billion over the MTEF. The budget was reduced by R7.074 million over the MTEF period to cater for compulsory efficiency savings.

The targets set by programmes are based on the funds available. More needs to be done to transform the industry. The Department has seen an improved performance on the audit outcome of 2015/16 financial year, the Department however remains inadequately funded. Funding gaps include in particular the lack of resources for integrated systems which could make access to information easier and improve operational performance. The funding of strategic priorities are sourced from the baseline allocation and given its inadequacy against the mandates of the legislation, the Department has to apply continuous trade-offs. This process is not sustainable, at some point permanent funding will have to be allocated to the baseline in order to improve efficiency and service delivery to the people of South Africa.

Ms P Gamede, DDG, (Corporate Services) presented the strategic objectives on programme 1: Administration, the Department intends to provide efficient services to internal and external customers by providing 95% achievement of Service level agreements, at least a level 3 customer satisfaction index (on a scale of 1 - 5), 100 % of financial reports delivered on schedule and 100% of suppliers paid within 30 days. In terms of implementing processes and systems, 100% implementation of the Master Systems Plan is targeted. Financial Resources will be managed by less than 2% variance on allocated budget, there will be no incidents of irregular expenditure and 100% implementation of the asset management plan. In terms of corporate governance promotion, the Department has set a standard of 100% implementation of the management action

plans for both External and Internal Audit, 100% adherence to the compliance framework, 100% implementation of risk management plan and 100% implementation of the ICT Governance initiatives.

In contributing to skills development, the Department has held mining career awareness initiatives and negotiated with the Mining Qualifications Authority (MQA) and mining companies to provide bursaries on mining related qualifications. In order to develop vulnerable groups sustainably, the Department will facilitate projects for women, people with disability and youth. DMR will communicate programmes with internal and external stakeholders by branding or re-branding of national and regional DMR offices; media and stakeholder engagements; public participation initiatives to raise awareness on DMR programmes and policies; and the publication or broadcast of items from DMR initiated activities. Electronic communications strategies include managing DMR online platforms (website, intranet and social media), a revamp of the DMR website and internal communication initiatives to raise awareness of DMR policies and programmes.

The Department's substantial efforts to safeguard the safety of mine workers and people affected by mining activities was outlined in detail many of the targets being part of the commitments made by the Mine Health and Safety Inspectorate during the summit with industry stakeholders, in the striving towards "Zero Harm".

Mineral regulation has been strengthened by setting 100% achievement targets for the adjudication of environmental authorisations, environmental management programmes, social and labour plans and work programmes (where right holders outline actions they will take to develop the mineral resources granted).

Progress on the Mineral Beneficiation strategy was presented. This encompasses amending the Mining Charter to strengthen the procurement element, collaboration with the Department of Trade and Industry (DTI) on the capital goods programme (to leverage off the amended Mining Charter) and working with the Industrial Development Corporation (IDC) on their strategic high impact projects with a focus on manufacturing fuel cells in the country.

With regards to progress on exploration of Shale Gas it was reported that a Hydraulic Fracturing Monitoring Committee (HFMC) has been constituted and is comprised of the Department of Science and Technology (DST), the Department of Energy (DoE), the Department of Environmental Affairs (DEA), the Department of Water and Sanitation (DWS) and the State Owned Entities (SOE), PASA and the CGS. The Regulations for Petroleum Exploration and Production have been finalized and were gazette in June 2015. The Regulations included provisions for the protection and coexistence of the Square Kilometer Array (SKA) radio telescope and shale gas development. The Department is engaged in public awareness sessions in line with the shale gas communication strategy.

With regards to implementation of Budget Review Recommendations. It was reported as follows:

- State Liability for environmental legacy of mining

- The national strategy for management and rehabilitation of Derelict and Ownerless mines is in place
- Costing of asbestos (provision) is approximately R2 billion
- Road map for the Parliamentary process for legislation
 - The MinCoSA (Mining Company of South Africa) Bill (to re-constitute the state mining company) is currently being processed through the government cluster system
- Compliance with Mining Charter
 - DMR has reviewed the Mining Charter with a view to strengthen elements on mine communities and labour sending areas to benefit from mining. This is to be gazetted soon.
- Procurement in Mining Charter.
 - The reviewed Mining Charter is being strengthened with focus on local content

In his concluding remarks, Adv. Mokoena said that transforming the mining sector meaningfully and sustainably continues to be the Department's focus area. The Department is confident that the plan has responded adequately to the National Development Plan, the recommendations from the Budget Review Processes, Nine Point Plan, and State of the Nation address and other plans of government. The Department has put in processes in place to ensure that APP is implemented effectively by holding weekly meetings with DDGs and quarterly meetings with Senior Managers and stakeholders.

6. Briefing by DPME

Mr R Dicks, DDG at the Department of Performance Monitoring and Evaluation in the Presidency presented the Performance Assessment for the DMR for 2016/17. He explained the context and indicated that the MTSF (Medium Term Strategic Framework) is government's five year implementation plan of the NDP. It reflects the commitments made in the election manifesto of the governing party including the commitment to implement the NDP through a program of radical economic transformation.

The introduction of a long-term plan brings greater coherence and continuity to the planning system and means that the MTSF becomes a five year building block towards the achievement of the vision and goal of the country's long term plan. The aim of the MTSF is to ensure policy coherence, alignment and coordination across government plan as well as alignment with budget processes. The contents of the MTSF have been incorporated in the performance agreements of Ministers and DGs.

Overall, the presentation did not reflect positively on the DMR. Mr Dirks explained, however, that many of the gaps and delays were a consequence of the delays in finalizing the projects on Mining Phakisa, which still had to be adopted by Cabinet. The DMR was certainly involved in implementing the required plans, but it had not been scrupulous in submitting all the reports required by the DPME. This was why the "report card" had many red-shaded items, indicating non-performance.

The action and the Progress for 3rd Quarter 2016/17 on the performance assessment of Outcome 4 was reported as follows: Review of the mining sector strategy with the objective to increase mining exploration,

investment, production and ensure sustainability and transformation of the industry: this target has been deferred to 2017/18 financial year although progress was made in the implementation of the Mining Phakisa outcomes: Determine viable shale gas by ensuring development of and implementation of exploratory drilling plan, appropriate legislation develop and ensuring implementation of shale exploration programmes. The MTSF 2016/17 target was the approval of shale gas licensing strategy issuing of shale gas license and commencement of exploration activities. Mr Dicks reported that no report has been received from the Department with regards to shale gas.

- It was unlikely for the department to meet the set targets for the financial year 2016/17. However DPME suggests that the Actions and targets are revised in line with a more realistic approach:
 - With regard to the Mineral Beneficiation Action Plan (MBAP), it is recommended that the outcomes of the Mining Phakisa, in the area on beneficiation be the basis for the MBAP. Improved coordination and cooperation is required between the DMR and the DTI to ensure delivery on a beneficiation strategy
 - Given the long lead time in determining whether there are economically viable shale gas resources in SA, quarterly reporting on the action may not be practical and reporting timeframes should be revised.
- The delay in the finalisation of the Mineral and Petroleum Resources Development Act (MPRDA) continues to impact on mining investment.
- Although there has been recovery in some mineral commodity prices in 2016, mining investment remains low.

The action and the Progress for 3rd Quarter on the performance Assessment Outcome 6 was reported as follows:

- Formal structure to foster collaboration between government, Eskom, Transnet, Sasol, IPP and the coal industry: to optimise domestic coal use while maximising coal exports; to address fragmentation in the coal industry, and to plan optimal utilisation for specific coal fields.
 - The December 2014 target was not met as committed; no report was submitted by the Department of Mineral Resources.
- Develop National Coal Policy with regulations that will include a strategy to secure coal supply:
 - The development of draft coal policy was still lagging behind and no report was submitted by Department of Mineral Resources.

Mr Dicks reported the performance assessment for outcome 6 as follows:

- The Department of Mineral Resources needs to improve with regard to the progress reporting in the outcome 6 sub outcome 2. The department is either supporting or expected to deliver as per MTSF requirement during the financial year 2016/17
- The Department has never reported progress since the beginning of the financial year 2016/17 on the following indicators:

- To establish formal structure to foster collaboration between government, Eskom, Transnet, Sasol, IPP and the coal industry by December 2014
- To have a Cabinet approval of National Coal Policy with regulations that will include a strategy to secure coal supply by July 2016

The action and the Progress for 3rd Quarter on the Performance Assessment Outcome 10

- Number of derelict and ownerless mine sites rehabilitated:
 - 89 mines rehabilitated and this is 35% of the planned MTSF target half-way through the delivery period.
- Number of mines monitored for non-compliance in accordance with water license conditions:
 - Project progressing well and 251 mines monitored and this makes 56% of planned MTSF target achieved thus far.
- Percentage of environmental impact assessment applications finalised within timeframes, reported quarterly from the National Environmental Assessment System
 - On Average 95% on Environmental Impact Assessment (EIA) applications were finalised within legislated timeframes according to reports from DWS and DEA (there were, however, no reports from DMR, which is the competent authority)

Mr Dicks reported the performance assessment for outcome 10 as follows:

- To date DMR has managed to rehabilitate 89 derelict and ownerless mine sites against the MTSF target of 250. With the 35% achievement to date, without any intervention, it is highly unlikely that DMR will achieve its target by 2019
- Significant progress has been made by Department of Water and Sanitation (DWS) in monitoring of mines for non-compliance with the water license conditions, 258 out of 450 (57%) mines have been monitored thus far, however, coordination and cooperation at operational level between DMR and DWS officials needs improvement;
- DMR as the Competent Authority has not commenced reporting the percentage of Environmental Impact Assessment Applications (EIAs) they are able to finalise within the legislated timeframes (107 days) against an efficiency target of 98%, in the National Environmental Assessment System (NEAS). As a result, the sector is unable to determine the efficiency of the Department in carrying out this legislated mandate and although progress reports are submitted on a quarterly basis, there is still poor attendance by DMR in the implementation forums.

Mr Dicks recommended the following:

Outcome 4:

- It is recommended that the Department produce a recovery plan for the indicators where target dates have passed

- South African remains an important producer of a number of key minerals. However, uncertainty regarding government policy relating to the mining sector and its supporting industries has discouraged fixed capital formation.
- Furthermore, the impacts of higher electricity prices on goods-producing industries, especially the mining and manufacturing sectors, are of particular concern
- Mining and mining related activities (upstream and downstream) will for a relatively long period, remain one of the main drivers in terms of contribution towards GDP.
- DPME will remain vigilant in ensuring that mining communities benefit from mining activities in their areas and the government need to ensure that all stakeholders engage on how to utilize beneficiation more effectively to ensure economic growth and job creation.

Outcome 6

- It is recommended that the Department produce a recovery plan for the indicators where targets have lapsed and have not been achieved.
- The DPME's MTSF refinement process should be utilised in instances where indicators and targets need to be tailored differently.
- Challenges hindering progress and achievement of targets, support required and intervention thereof from Cabinet should be clearly defined in the Programme of Action (PoA) report
- DMR should drive processes where collaborative intervention is required for the achievement of targets.
- An explanatory note is required from the DMR where a progress report is not submitted for the quarter under review.

Outcome 10

- DMR should develop and implement a recovery strategy for accelerating rehabilitation of the remaining 161 derelict and ownerless mine sites during in the remainder of the MTSF terms
- DMR should also present to the Portfolio Committee, the state of readiness of those 89 rehabilitated sites to be safely utilised for alternative land uses such as agriculture, residential conservation etc. Access to land is one of the burning issue in the country and this programme could be used to address the challenge of equal access to land.
- In light of the nature of environmental degradation related to mining activities, DMR as a Competent Authority, should provide reasons for the continuous delay in reporting progress on Environmental Impact Assessment Applications that are finalised within legislated timeframe and propose remedial actions.
- In the absence of a DMR report on NEAS, the sector is unable to determine the level of efficiency at the Department in processing EIAs and give an accurate sector wide performance status in an attempt to ensure sustainable economic growth in the country.
- Cooperation at operational level between DWS and DMR should continuously be improved to deal with

issue of mine water management and noncompliance by mines.

Mr Dicks reported that DPME had provided feedback on the DMR 2017/18 draft APP, however the Department did not incorporate the recommendations into its 2nd draft APP. The DPME conducted an assessment of the 2017/18 second draft APP of the DMR in conjunction with National Treasury. The assessment covered the following areas: alignment to the MTSF, alignment to the budget, technical compliance to planning principles, including measurability of plans and alignment to the core functions of the department.

It should be noted that DMR quality of plans require improvements in terms of the planning principles and measurability. The main areas to be considered were highlighted in the 1st draft APP feedback report, but the Department did not incorporate the recommendations into its revised APP. DPME held a bilateral session with the planning officials at DMR to establish the challenges the Department was experiencing. The issue of lack of business continuity due to staff turnover was raised as the main challenge.

The main areas highlighted were:

- **Strategic objectives crafted as lower level deliverable :**
 - Strategic objectives are high level output that the Department plans to achieve, which contribute to the achievement of the strategic goals and ideally should span over the medium term period.
 - Some of the examples of the department's strategic objectives pitched at a lower level in the APP are "Implement SLAs" and "Develop and review internal processes". These are activities/processes which contribute to a specific high level output and do not reflect the ultimate objective to be achieved.

- **Inclusion of operational indicators:**
 - The Department has included a number of operational indicators in the APP that are administrative focused, for example: "Percentage adherence to compliance framework" and "Implementation of management action plan (external audit)"
 - The APP is supposed to reflect high level outputs which focus on service delivery outputs or interventions that address blockages in the service delivery environment
 - Administrative/process driven indicators should be reflected in the department's operational plan

- **Performance indicators not well defined:**
 - In the view of DPME, some of the indicators in the DMR plan are not clearly crafted and are measuring too many variables, for example: "Percentages of identified internal processes developed, reviewed and implemented"
 - This makes it difficult to understand and monitor what is being measured and may result in a

disjuncture between the strategic intent reflected in the SP (strategic plan) and what is being measured in the APP

- Performance indicators should be well defined to reflect measurability of the intended outcomes and outputs to be achieved,
- **Updating of situational analysis**
 - DMR did not update its situational analysis for the 1st draft APP, but has updated it in the 2nd draft, however the updated situational analysis in the 2nd draft made reference to outdated data which may not necessarily reflect the current situation in its environment.
 - The situational analysis depicts the current changes in the external and internal environment of the Department and also outlines the challenges that may have a bearing on the achievement of the Department's goals.
 - It further outlines new opportunities and strategies the Department will embark on to address the identified challenges
 - Updating of the situation analysis is crucial as it reflects that the Department's planning is evidence based and reflects on current issues in the micro and macro environment at large.
 - The Department has achieved over 75% of its set targets for Q3 in the core programmes (Programme 2 – Programme 2)
 - It should however be noted that the department has also included operational/administrative indicators within each of the core function programmes, such as “percentage adherence to time frames”; ‘percentage implementation of management action plan (Internal Audit)’ which should only be reflected in the Administration programme.
 - This has also contributed to the high number of achieved targets reported by DMR.

6. Briefing by Mine Health and Safety Council (MHSC)

Mr T Dube , the CEO outlined the contents of the presentation, which were 20 Years MHSC Journey to Zero Harm, MHSC Mandate, Vision, Mission and Goals, MHSC Structure, MHSC Strategic Objective, 2016 Summit Milestone and Commitments, Operationalization of Centre of Excellence and Conclusion.

Mr Dube outlined the MHSC alignment with National Initiatives which are National Development Plan (Chapter 9, 10 and 13) and State of the Nation Address (SONA) for the Nine Point Plan to Ignite Economic Growth.

With regards to elimination of fatalities and Injuries, it was indicated that every mining company must have a target of Zero Fatalities. Up to December 2016, the target was for a 20% reduction in Serious Injuries per year. From January 2017, there is a target of 20% reduction in Lost Time Injuries (LTI) per year. With regards to elimination of noise induced hearing loss, it was indicated that by December

2024, the total operational or process noise emitted by any equipment must not exceed a sound pressure level of 107 dB (A). With regards to Standard Threshold Shift (STS) for individuals, it was indicated that by December 2016, no employee's (STS) will exceed 25dB from the baseline.

With regards to elimination of lung diseases, by 2024, 95% of Exposure Measurement Results will be below milestone levels of coal dust, crystalline silica and platinum respirable particulate dust. Using present diagnostic techniques, no new cases of occupational diseases: silicosis and pneumoconiosis will be reported. Mr Dube reported that MHSC is facilitating the integration and simplifying of the compensation system and rehabilitation of mine workers injured on duty. (This includes legislative amendments to remedy the inequitable compensation that is presently due to ex-mineworkers with occupational lung diseases).

With regards to reduction and prevention of TB, HIV and AIDS, it was reported that 2015 WHO End TB strategy targets would be achieved by 2035, SA is supporting the Global Initiative, through the reviewed National Strategic Plan for TB. It was indicated that a revised integrated policy on HIV/AIDS and TB management and related guidelines will be finalised during 2017/18 for implementation by mines. The MHSC is reviewing the adoption of the adoption of the Masoyise iTB, a government initiative to screen mineworkers for better management of TB and HIV in the mining industry. Other collaborations include: DoH (Department of Health), SABCOHA (South African Business Coalition on Health and Aids), FPD (Foundation for Professional Development) and Aurum. The aim of promotional campaign in 2016 was to encourage employees and communities to know their TB, HIV and other lifestyle diseases for better management and care. It was reported that 1500 people were tested on the TB day at Matlosana/Klerksdorp in August 2016 for different diseases. The 2017 World Aids Day to be held in Rustenburg.

With regards to the culture transformation framework (CTF) promoted by the Council, it was indicated that by December 2020 there will be 100% implementation of the six pillars. During the Summit held on the 17 - 18 November 2016, stakeholders recommitted themselves to the agreed 2014 milestones and further committed to the implementation of the following initiatives:

- Promotion of Tripartite Visible Felt Leadership
- Mining Principals Engagement/Meetings
- Improvements Communications
- Addressing Trust Deficit
- Supervisor and Employee Empowerment and
- Annual Mining Companies Health and Safety Days.

Mr Dube outlined the special MHSC projects as follows:

- Commemoration of Mine Disasters, focusing on the Coalbrook disaster (Sasol/ Metsimaholo) and erection of National Commemoration Site (Johannesburg).

- Development of an Integrated Comprehensive Compensation System for the Mining Industry Study commissioned by the MHSC completed with recommendations on legislative changes to COIDA (Compensation for Occupational Injuries and Disease Act) and ODMWA (Occupational Diseases in Mines and Works Act)
- Design of Shaft Plugs A study will be commissioned to develop a feasible methodologies of effectively sealing off abandoned shaft to avoid re-entry (minimum standards/guidelines).
- Women in Mining, pilot campaigns to create more awareness on PPE (Personal Protection Equipment) and measures for Prevention of Sexual Harassment issues was undertaken through Regional Tripartite Forums (RTF's), held in the Klerksdorp as part of awareness campaign.

Mr Dube reported that MHSC and MOSH Learning Hub (an initiative of the Chamber of Mines) has signed an MOU and an implementation plan that is aimed at promoting and strengthening collaboration in the identification, dissemination, adoption and promotion of leading or best practices following areas:

- Elimination of falls of ground accidents
- Elimination of transport and machinery accidents
- Elimination of occupation lung diseases
- Elimination of noise induced hearing loss
- Promote the implementation of the CTF focussing on human factors, organisational factors, leadership, communication etc.
- Eliminate other OHS (Occupational Health and Safety) risks in the SA mining industry.

The CFO presented the approved budget for 2018-2020. The income received amounted to R51 076 351 (mainly from levies from mines, the DMR contributes R6-million annually from its budget). The CFO indicated that the majority of Expenditure related to research. There was no surplus recorded for the next three years. The total net assets and liabilities amounted to R118 399 724. The CFO outlined the initiative to improve expenditure as follows:

- Critical monthly project milestones variances monitoring
- Centre of Excellence(CoE) Project Implementation
- Research Projects Budget including New Projects all contracted
- Tight monthly budgets vs. expenditure analysis and interventions.
- Surplus funds expected to be depleted by 2021

The Council concluded that it is important that all stakeholders continue to live the theme “every mine worker returns from work unharmed every day, striving for Zero Harm”. Increased participation of tripartite forums, professional mining associations, mining companies and other stakeholders is paramount. Commitment of all

stakeholders is critical to ensure that MHSC strategic objectives including 2014 milestones are achieved, including the 2016 Summit pledge.

7. Briefing by Mintek

Mr A. Mngomezulu, CEO and President of Mintek outlined the shareholder Performance Agreement for 2017/8. Mintek's core business is research and development of efficient mineral processing technologies and value added products and services, promotion of mineral based economies through upholding good governance practices, to build world class research and development excellence and enhance Mintek's visibility and credibility to all stakeholders. Mintek will continue to support national priorities.

The CEO indicated that Mintek's research and development strategy is aligned to the NDP with the following points identified: Improved extraction efficiency to extend ore resources, improved energy and water efficiency and beneficiation to downstream, value added products.

The CEO indicated that there are six specific Mining Phakisa interventions that are closely aligned with existing Mintek projects which are:

- Effective management of water resources
- Acid Mine Drainage (AMD) impact mitigation
- Fuel Cells as a PGM (Platinum Group Metal) beneficiation opportunity
- Local Battery manufacture
- Local silicon water manufacture
- Next generation Mining skill development

Ms G Nyanda, General Manager: Corporate Services presented the Human Capital section plan. With regards to human capital, Mintek has a staff complement of 642 employees who are permanent. The gender balance is 61% male and 39% female. In terms of Employment Equity (EE), the target for females for 2017/18 is 46%. The number of undergraduate bursars for 2017 is projected to be 20 bursars on full time and 60 on part time. For postgraduate bursars the projection is 10 on full time and 80 on part time.

Ms Nyanda outlined the priorities for the 2017/18 year for Mintek as follows:

- Increasing female representation by:
 - Enrolling a cohort of Artisan Learners that is 100% females
 - Increasing proportion of women to 39,4% since March 2016
 - Retention of female and SET (Society for Education and Training) professional continues to be a priority
- Employee cost management

- the strategy is to control base line increase
- Slightly higher once-off performance based emolument
- Offering a basket of meaningful benefits that are attractive to employees rather than just competing on a salary basis
- Training and Development
 - Continued investment in young SETs through Graduate Development Programme
 - Continued development of employees
 - Competent SET professionals at all level of employment.

Mr D Powell, General Manager for Business Development reported that the Global Mining Industry is still in a period of difficulty and uncertainty. There are some signs of improvement both in exploration and project development, the major mining companies are being selective about which projects are moving into the start-up phase. Junior mining companies continue to experience difficulties in raising money and may require government assistance to overcome many barriers to entry into the industry. This means that for Mintek, although there was less work from the mining companies for new capital projects, interest remained in operational efficiency projects.

Fortunately, increased state funding was available to use the available Mintek capacity to do valuable research and development. There is a significant increase in proposals being requested, which suggests that the industry is emerging from the slowdown, though the full effect of this will only be seen from mid-2017 once the mining companies have achieved financial stability. To respond to the commercial environment, Mintek continues to support the operational improvements and efficiency on existing mines rather than technologies aimed at new projects. It continues to develop capacity to handle an expected upturn in late 2017 and early 2018. It is developing technology for new strategic resource opportunities (Bushveld titaniferous magnetite and Springbok Flats coal/uranium) and will focus on strategic areas of energy and water efficiency, environmental impact and waste tailings retreatment.

Mr S Simelane, General Manager responsible for finance presented the 2018 financial outlook for Mintek. Mintek's asset base and liquidity ratio will remain at same level as previous years. Reduced commercial revenue is being experienced across most divisions, due to the continuing adverse economic conditions and downturn in the mining sector. However this is expected to pick up as the year progresses. Mintek expects the trend to continue on smaller projects and a few larger ones. The total capital expenditure investment is at R46 million. Mintek is stable and well resourced. It is not for profit but for development and a partner on innovation.

Dr M Makhafola, General Manager for Research and Development reported that Mintek has a programme of energy and water material for rural communities. This enables the Use of Waste Water as a Resource via a Nanotechnology Solution for Water Re-Use: household grey Water and Acid Mine Drainage (AMD): Treatment Piloting is taking place at Sibanye Gold.

With regards to mine water treatment, there is a collaborative project with European partners to develop passive systems for treatment of AMD from coal and gold mining industries. Pilot plants to be operated during 2017 at Anglo Coal's Landau Colliery.

For community development, Dr Makhafola outlined the plan for 2017/18 as follows

- Develop 2 Small Scale Mining Technologies
- Conduct 11 feasibility studies
- Create 4 new businesses with 40 new jobs
- Training 100 people
- Complete set-up of ABS plastic (type – 7) pelletizing facility at Mintek
- Improve product designs of rural group by using 3D software/printing.

With regards to technology, Mr A McKenzie reported that as an outcome of discussions around the Mining Phakisa, Mintek will manage a technical intervention looking at innovation and technical interventions aimed at improving the value chain and will involve the key industry player from ore to downstream fabrication. The Bushveld Titaniferous Magnetite programme commenced to select and develop technology for the recovery of Ti (Titanium), Fe(Iron) and V(Vanadium) from the Bushveld Complex. Currently, this is the world's biggest known repository of Ti but there is no competitive process to recover the Ti, Fe and V. The programme will run for 3 to 4 years supported by MTEF funding.

With regards to Sensor sorting it was reported that following the completion of the sensor sorting demonstration plant at the state-owned Vlakfontien mine, the sorter plant will be moved to another mine-site where it will be operated on a commercial basis. There is a significant interest in the technology.

The Savmin is a Mintek technology to treat Acid Mine Drainage (AMD). The technology has been shown to produce water up to potable standards. Focus has been to reduce both operating and capital costs. Success in optimising the equipment and recycling the chemical used. Focus going forward is for commercial implementation of the technology.

The environment and water treatment is a continuation programme aimed at technology development to clean-up environmental legacy issues and recover residual value i.e. Gold dump treatment and Robinson Lake clean-up.

The underground processing programme will continue to reduce the amount of material taken to surface, to leave waste underground and reduce energy and water costs.

With regards to commercialisation technologies, he reported that the SACREF (South African Centralized Refinery) rare earth refinery concept continues to be on hold due to poor market conditions. He said Mintek's partner Jubilee Platinum is struggling to raise capital for Conroast PGM

for new furnace. For Low Grade ferrochrome process, Mintek's partner, Siyanda Resources has raised a bulk of the capital required and the project is on track. The sensor sorting plant and Anglo American Platinum and Pilanesburg Platinum is operational

Mr McKenzie reported that on the Non Aligned Movement (NAM) training programme. He said South African currently hold the Presidency of the NAM Science and Technology Centre. DST has asked Mintek to host training course as part of the programme. The international students will undertake the 2nd and final NAM Minerals Processing and Beneficial training programme from 15 May to 2 August 2017. Mintek is conducting continuing training on behalf of the IAEA (International Atomic Energy Agency), mainly for African countries. There is a direct assistance for a number of African countries.

8. Briefing by Council for Geoscience (CGS)

Dr Mathe, the new Chairperson of the Board led the delegation and gave the following highlights: CGS has maintained an unqualified audit track record for the past 15 years and is now working towards a clean audit. They are encouraged by the signals of recovery in the mineral prices. Consequently, every effort must be made to ensure that the Council does not miss the next phase of the commodity boom. He emphasized the importance of geology to human development broadly, spanning not only minerals development, but contribution towards, inter alia, infrastructure development, agriculture and food security, medical geology, ground water, engineering geology and geo-hazards identification. The CGS mandate is well inscribed in its founding legislation, as amended.

Key amongst the aspects of the CGS mandate is the critical aspect of mapping. He said the Minister has supported a value proposition to implement a higher resolution, multi-disciplinary, integrated 10-year mapping programme, which has a number of derivative deliverables that can optimize the contribution of geo-sciences to human development. This programme will require an additional substantial budget of R 20 billion over a 10-year period (*roughly R2 Billion per annum*). Given that this is a programme that seeks to secure, protect and nurture National Economic Sovereignty, amongst others, he was hopeful that the Committee will support the Minister and the CGS in securing this critical requisite funding from the fiscus.

The Budget Review Recommendation Report (BRRR) of the PCMR confirms the longstanding position and support on the financial requirements of the CGS. Earlier this year, the nation witnessed a huge sinkhole development near Danielskuil in the Northern Cape Province as well as the effects of the consecutive tremors experienced in the country, both of which illuminated the importance of the work of the CGS to society. Indeed, the CGS team is ready to execute with precision and distinction these challenges. The CGS is also involved in a number of projects that are deemed to be of strategic significance to the society, some of which were emphasized in the presentation. These include: geo-environmental studies for the development of shale gas in the Karoo basin, Rehabilitation of Derelict and Ownerless Mines, Assessment of Uranium and Thorium

Resources, strategic mine water management, high resolution mapping exercises, an off-shore mapping stream that is supportive of the Ocean's Phakisa and the Blue Economy Development programme.

He indicated that CGS' well-established laboratory facilities have begun a critical journey of ISO (International Standard Organization) accreditation, with the coal laboratory set to attain its accreditation during this financial year. This is a significant development that seeks to ensure that the integrity of data being analysed for the CGS programmes or its external client base meets and exceeds the established global standards. He said the CGS' Annual Performance Plan (APP) coincides with highly positive signals of recovery of mineral prices and other attributes of human development that are aligned to National Developmental priorities.

Responding to the issue raised by the Committee in the previous year, Dr Mathe reported that the PCMR brought to the CGS board's attention that a board member who had disclosed in the annual report that her employment had changed from a University to the CSIR continued to receive remuneration. The Board has investigated the matter and uncovered internal lack of systems to detect and manage the situation. The Board was satisfied with the resolution of the matter and has accordingly appointed the Company Secretary as well and briefed new board members who belong to State institutions. The CGS has approved a policy pertaining to this issue and the board has instituted mandatory declaration of interest forms to be completed in every meeting. Dr Mathe further gave a report of the disciplinary enquiry of the previous COO and the matter is with the Public Protector. He handed over the Acting CEO to lead the presentation.

Acting CEO, Mr M Mabuza gave a presentation which covered the Council for Geoscience Organogram, the mandate of the CGS, Operations, Balanced Score Card, Finances, Human Resources, Corporate Social Investment and CGS Conference 2017. He said GCS has a total staff compliment of 349 with 42 Interns and 43 short term temporary workers. The old structure and the new structure was presented, where in the new structure the COO responsibility is divided into two parts: Applied Geoscience and Geological Resources.

Mr Mabuza indicated that the 10 year mapping programme has been realigned with the CGS mandate. Anchored on the National Development Plan Vision 2030 (National Imperatives) the programme covers Infrastructure, Food Security, Mining and Minerals, Energy Security, Environmental Health, Hydro-Geology, Geo-Hazards, Carbon Capture and Sequestration, etc. and 1:50 000-scale multi-disciplinary mapping which started in April 2017.

Mr Mabuza indicated that the entire South Africa has been mapped at 1:1 000 000 and 1:250 000 scales. The 10 year programme focuses on 1:50 000 scale. He said less than 5% of South Africa has published 1:50 000 scale maps (poor coverage) and the 10 year programme seeks to increase this coverage thematically and systematically. The Geohazards mapping coverage needs to be improved to inform infrastructure development. Studies from Canada proved that every R1 invested in geological mapping produces R5 in new mining investment within 5 years and R125 within 20 years.

With regards to near shore mapping programme, it was reported that is used for mineral resource characterisation (e.g. marine gravels, phosphate, possibly diamondiferous gravels). It is important for food security, renewable energy resources, desalination plants, petroleum production platforms, submarine telecommunication cables, port and harbour infrastructure etc, archaeological and historical heritage management. There are 6 strategic focus areas for near and off-shore mapping which are technology, innovation in mapping, capacity building and training, data management, knowledge and understanding.

The acting COO, Mr F Ramagwede gave an overview on the shale gas and Karoo deep drilling and Geo-Environmental baseline programme. He said there is a shale gas potential studies in the Karoo Basin. Impact assessment on deep and shallow water resources. Geo-environmental impact investigations on natural gas emission and induced seismicity monitoring.

With regards to Mine Water Management Project, the Acting COO indicated that CGS staff is monitoring water level in the Blesbokspruit, East Rand.

The management of Derelict and Ownerless mines is a task the CGS performs for the DMR. The CGS will continue to close unsafe Derelict and Ownerless mine openings and maintain the database of Derelict and Ownerless mine sites.

Mr Mabuza presented the budget for 2016/17- 2019/20. He indicated that CGS received total income of R557 175 for 2016/17 and projected to receive 346 806 for 2019/20. The income was as a result of Government grants, deferred income, sale and contracts and sundry income. With regards to expenditure, CGS has a total expenditure of R457 334 for 2016/17 and projected to have R331 306 for 2019/20. Surplus before Capital Expenditure of R99 841 has been recorded. It was reported that the baseline allocation for 2016/17 for mine rehabilitation programme, mine water ingress project, shale gas, Expanded Public Works Programme: Derelict and Ownerless Mines, Economic competitiveness support package (ECSP), stimulation of Investment in the mineral section and Laboratory and infrastructure (AC) amounted to R184.6 million. The total government grant is R378.6 million.

Mr Mabuza indicated that the Liquidity Ratio of the entity is 1,9:1 This means that the CGS is able to meet its financial obligations. A steady balance sheet position is maintained with total assets of R572M. Income generation is expected to be R425M. This include baseline allocation, ring-fenced MTEF projects and revenue from collaborations. The CGS aims to continue obtaining unqualified audit opinion from the AG, consistent with its well established track record over the past 15 years. The CGS is in good financial standing in the short term. Ring-fenced funding is short term and does not allow for permanent appointment of personnel particularly for the 2018/19 financial year. Some of the MTEF project funding would be coming to an end in the 2017/18 financial year. The shortfall in the baseline allocation for the 2017/18 financial year amounted to R49.6 million. An increase in the baseline allocation is required in order to plan the for the long term

With regards to key human capital programmes, CGS continues to develop young and early-career scientists through its bursary programme. A total of 45 full time students are currently registered in the programme. CGS collaborates with the MQA and NRF (National Research Foundation) for experiential learning opportunities for young and early-career scientist, including its own internship programme. A total of 42 interns are currently exposed to experiential learning opportunities at the CGS. CGS is committed to growing its own scientific expertise and support skills by offering bursaries to employees to further their studies. Currently a total of 42 employees are registered for PhD and MSc degrees in various fields of studies. CGS is planning to expand the field mapping school in Limpopo in the medium to long term to equip young and early career mapping geologist with mapping skills.

With regards to Corporate Social Responsibility, CGS reported that it held education outreach or career expo for high school and tertiary students in August 2016. Advanced the development of the African mining agenda through the donation of geophysical equipment to Central Africa Republic in March 2017. Currently drilling for borehole water in Kimberley at the Elizabeth Conradie School for learners with special needs. Currently providing experiential training for UFS students in the Karoo Deep Drilling Project in Beaufort West.

Mr Mabuza concluded that the CGS had a second consecutive conference where 188 local and international delegates were attracted. He said 54 abstracts were presented with 6 keynote speakers where four thematic areas were covered which are Geoscience Mapping, Mineral and Energy Resources, Engineering and Geohazards and Environmental and Water.

9. South African Diamond and Precious Metals Regulator (SADPMR)

The CEO, Mr X Mbonambi tendered an apology for the Chairperson of the board gave the presentation outline. He indicated that SADPMR has a total staff complement of 121 employees as at the 31 March 2017. In terms of gender and race, the regulator has 50 males and 71 females. In terms of race there are 111 Africans, 4 Coloured 4 Indians and 2 whites.

The CEO indicated that the Annual Performance plan was informed by and aligned to the National Development Plan, Nine (9) Point Plan of Government, State of the Nation Address and Minister of Mineral Resources Budget Vote Speech. He reported that the basis for the transformation agenda was set in the Mining Charter. The board approved the transformation plan which was implemented by transformation team to monitor progress on ownership, human resources development, procurement and employment equity.

The Transformation Team is ensuring compliance to the commitments and undertakings companies made when applying for their respective licences/permits. Licence/Permit holders commitments are monitored to ensure adherence to their undertakings, (correct any infringements in the process).

HDSA's (Historically Disadvantaged South Africans) are now being included in the management, operations and decision making processes of the diamond and precious metals companies.

The CFO, presented the budget allocation. He indicated that the grant allocation for 2017/2018 is R55 865 million. The projected revenue generated in-house is R46 068 million and the total revenue budget is R101 933.million. The projected expenditure is R98.768 million with a surplus of R3 165 million. The regulator will focus on improving regulation and transformation in the diamond and precious metals industry.

The CEO concluded by saying that the global economic downturn continue to have an adverse impact on the industry. Collaboration with the DMR and other entities on the implementation of beneficiation programmes to address the declining manufacturing of diamond and precious metals is paramount. The SADPMR Annual Performance plan coupled with the government transformation imperatives as well as the allocated budget will contribute to the agenda on radical economic transformation.

10. Briefing by State Diamond Trader (SDT)

The CEO, Ms F Zikalala Mvelase tendered an apology for the Chairperson of the State Diamond Trader Board who could not attend the session and introduced a board member who gave opening remarks. She presented the Annual Performance Plan 2017/18. The CEO presented the strategic objective as follows:

- To contribute to the growth of the local diamond beneficiation industry
- To increase sale of rough diamonds to HDSA beneficiators
- To contribute towards youth skills development.

She said the strategic objective are aimed at the following outcomes:

- A sustainable growing and transformed diamond beneficiation industry
- Diamond industry enterprise development
- Be an efficient, innovative and development orientated organising (continuous learning environment).

The CEO outlined the key activities for 2017/18. She reported that the SDT commenced with its three year Enterprise Development Programme for the youth in 2015. This is set to continue in the current financial year with the first group expected to finish a three year period. She said plans are in place to assess the first group's readiness to start their own businesses which is scheduled for 2018. The SDT has planned to increase its supply of rough diamonds to HDSA beneficiators by 25% over the next five year period. The increase for 2017/18 is pegged at 5%. The SDT has agreed to pilot one Industry growth project in collaboration with the Young Diamond Beneficiators Guild ("the Guild"). An MOU with the Guild is expected to be finalised by 30 June 2017.

Ms Zikalala Mvelase reported that plans are in place to support new entrants into the industry through a hub that will ensure their access to relevant equipment. During the current financial year, the SDT plans to finalise the business plan for the hub and to secure funding.

The CEO indicated that the SDT intends to continue engaging with the industry through the SADI (South African Diamond Industry) series launch in 2015. In the current financial year, 2 seminars are planned as a follow up to the SADI of 2016. The main event will be held in October 2017 where the Diamond Industry Vision 2026 is expected to be concretized.

The CEO reported that SDT has a compliment of 19 members of staff. At Senior Management there are 3 females and one coloured male. At junior Management level there are 3 males and three females. Currently, there are 3 diamond valuers (which includes a sorter, trainee and a youth with disability).

The CEO presented the budget of the SDT for 2017/18. The projected sales for the year are recorded at R650 742 664 000. The Cost of Goods sold were recorded at R625 714 100. The Gross Profit was recorded at R25 028 564. The Earnings before Interest and Tax (EBIT) are projected at R1 327 240 this is after covering the overheads of approximately R23 701 324.

In her concluding remarks, the CEO said the State Diamond Trader plans to continue partnering with the public and private sector stakeholders for the benefit of youth and growth of the local diamond beneficiation industry. It also plans to continue to develop further its own human capacity for future benefit.

11. Observations

The Committee following its deliberations noted the following concerns:

- The DPME was unable to report to the Committee on the outcomes of the Mining Phakisa, because the proposed projects have not been approved by the Presidency. Work is reported to be underway on Mining Phakisa projects by the DMR, Mintek and the CGS but the Committee has not been afforded a report on the outcomes and intentions of Mining Phakisa.
- The DMR needs to provide reports to DPME on the status of all the aspects of the MTSF and the Programme of Action, even when targets have not been met. This will allow for the re-calibration of commitments so that planned outcomes can be realised and service delivery improved.
- The delays in the processing of the MPRDA and the finalisation of the review of the Mining Charter continue to have a negative impact on the investment climate for mining in South Africa.
- The budget allocation for the DMR and state support for the mineral and petroleum sector at 0.2 per cent of the total budget is considerably below the revenue contributed to state revenues by mining royalties and company tax. As mineral reserves are depleted, mining can only continue

sustainably if new resources are identified. This requires state investment in exploration and in research and development to make the mining of new deposits economical. The Committee questions whether the budget allocation for mining issues is sufficient to honour the duty of the state to act as a custodian of the mineral resources of the nation.

- The Committee is concerned that, despite many applications by the DMR, the National Treasury has not provided the funds needed for the Council for Geoscience to fulfil its mandate to assist junior miners as well as established companies to identify new mineral prospects. This applies particularly to the need for the full implementation of the amendments to the Geoscience Act, now delayed for over six years, and for dedicated funding to allow the multi-purpose geological mapping of South Africa to be completed within the next 10 years. Geological mapping is needed to improve the safety of infrastructure and housing, and to ensure food security as well as promoting mineral and petroleum development.
- The business model of the SDT, by the admission of its CEO, remains flawed and in need of urgent review. The State Diamond Trader has the highest budget of all the entities managed by the Department. It has, however, failed to make full use its legal entitlement to sell up to 10 per cent of South Africa's diamonds, to the targeted group (HDIs). It buys less than 3 per cent of its 10% quota of diamond production and under its watch diamond beneficiation in the country has decreased, resulting in the loss of hundreds of jobs.
- The organograms of many of the entities reflect a lack of demographic representation in senior management. The Committee appreciates the conscious and planned efforts of entities like Mintek and CGS to train new technically-skilled executives from within and to develop previously disadvantaged groups across the employment spectrum.
- Despite its concerns, the Committee notes that the DMR performs a great deal better than many other government departments and that its entities are responsible and well-managed.

12. Recommendations

Having considered the Strategic Plan, Annual Performance Plans and budget for the Department of Mineral Resources and its entities, the Committee recommends as follows:

- The Presidency through DMR is requested to fast-track the finalisation of the agreements and projects that have emerged out of Mining Phakisa and present such to the Committee.
- As soon as this has been completed, DPME should brief the Committee on the steps to be taken to ensure that the state's commitments will be resourced.
- The National Treasury should report to the Committee on the insufficient allocation of funding to the CGS in accordance with the mandate as approved by Parliament.
- The National Treasury should review the extent of government expenditure to support the mining sector given its growth and transformation objective. The above should take into account the considerable tax and non-tax revenue contributed to the fiscus by the mining industry.
- MHSC to produce an expenditure plan detailing how it is going to utilize the surplus.
- DMR to present to the Committee the strategies which are outstanding from the previous financial year's commitments, namely the Woman in Mining and Coal Strategy etc.
- The DMR should present a plan to the Committee clearly demonstrating how it is going to address the backlog on the MTSF goal for rehabilitation of ownerless and derelict mines.
- The DMR should report to the Committee on their mineral beneficiation strategy and coordination with other relevant departments and entities or agencies.
- The DMR and DPME to present to the Committee an overarching strategy to improve the sector's role on economic growth and job creation.
- To request the DMR to brief the Committee on legislative challenges and regulatory framework in order to ensure certainty and address issues of investment growth and job creation.

13. Conclusion

The Committee thanks the Department and the entities for the in-depth discussions on their Annual Performance Plans and Budget for 2017/18 financial year.

Report to be considered.

