

SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR (SADPMR)

**Parliamentary Portfolio Committee Briefing
2020-2021 Annual Performance Plan**

20 May 2020



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

Presentation Outline

- ☐ Mandate of the SADPMR
- ☐ Governance & Structure
- ☐ Organisational Structure
- ☐ Strategic Overview (Vision & Mission)
- ☐ Strategic Outlook
- ☐ Regulatory Compliance & Diamond Trade APP's
- ☐ Finance, Cooperate, Security Management and Risk, Legal Services APP's
- ☐ MTEF Budget
- ☐ Challenges and Interventions



MANDATE OF THE SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

- ❑ SADPMR is a schedule 3A public entity in terms of Public Finance Management Act, 1999
- ❑ The mandate of the South African Diamond and Precious Metals Regulator is to regulate both diamonds and precious metals industries on beneficiation, buying, selling, importing and exporting of rough diamonds and manufacturing of precious metals.

Commodity	Production	Sales	Employment
Diamonds	7.2 million carats	R13.3 Billion	15 728
PGM's	4201 tonnes	R96 Billion	164 000
Gold	101.3 tonnes	R72.6 Billion	95 000

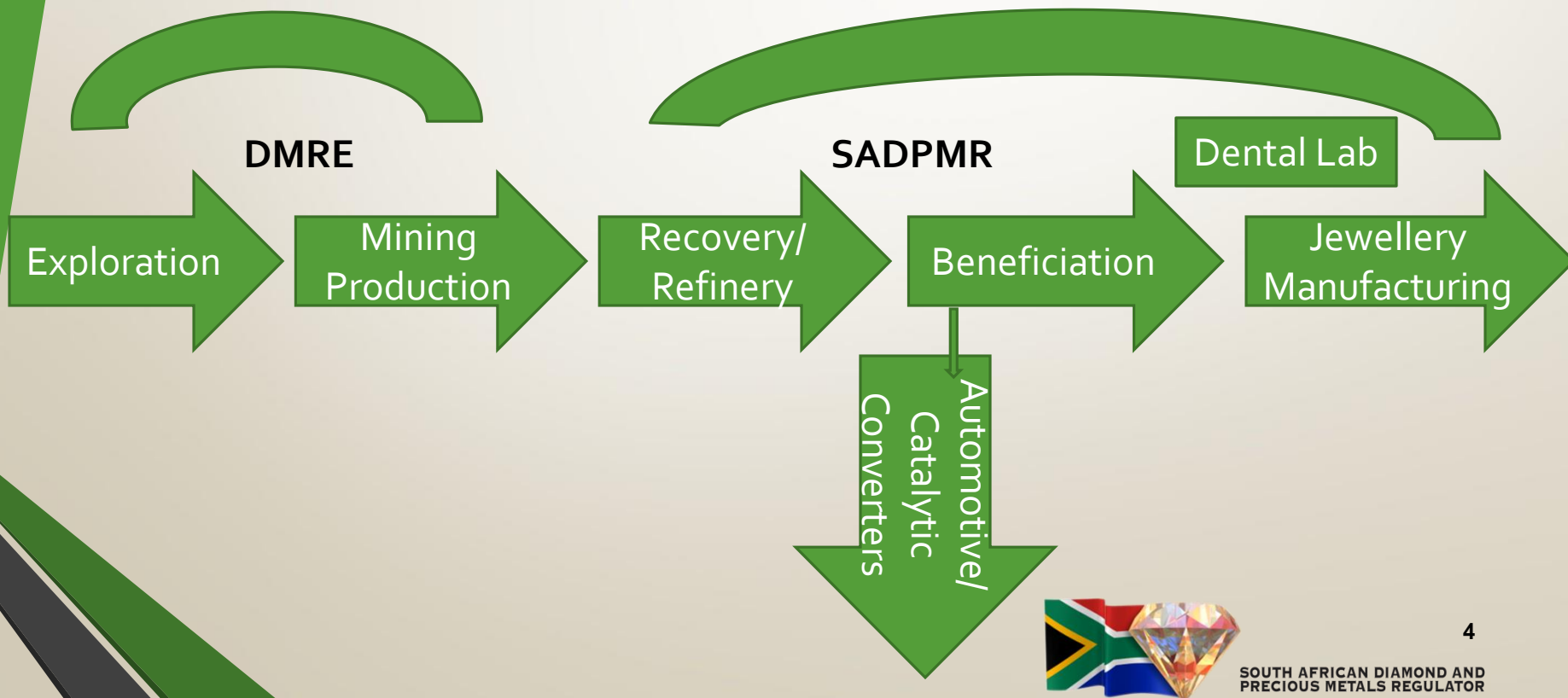


MANDATE OF THE SADPMR – Continues ..

- ❑ In implementing this mandate the Regulator operates within the ambits of the following pieces of legislation:

1. Precious Metals Act, No 37 of 2005

- ❑ The value chain of Precious Metals is refining, beneficiation and jewellery

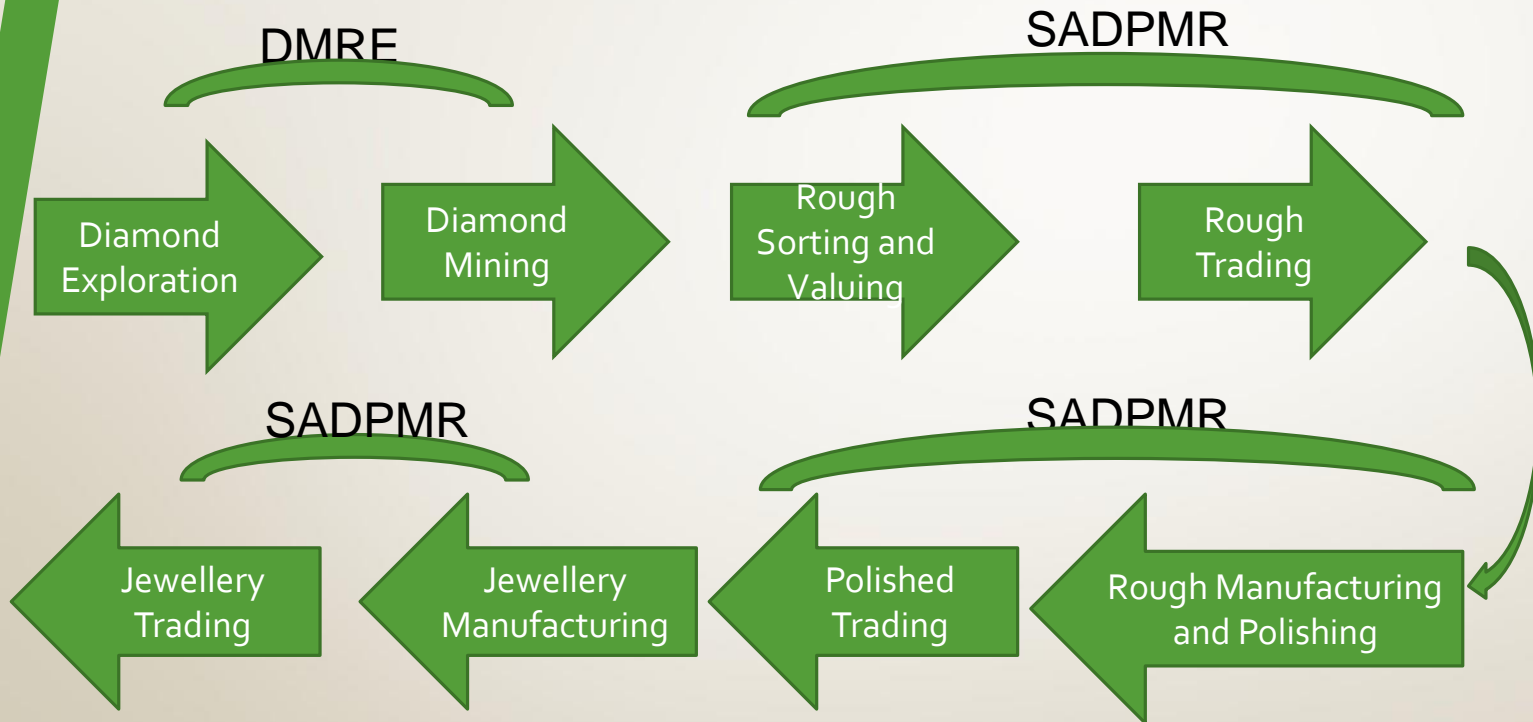


MANDATE OF THE SADPMR – Continues ..

- ❑ In implementing this mandate the Regulator operates within the ambits of the following pieces of legislation:
 1. The Diamonds Act, No 56 of 1986
 2. The Diamond Amendment Acts, No 29 & 30 of 2005
 2. Diamond Export Levy (Administration) Act, No 14 of 2007
 3. Diamond Export Levy Act, No 15 of 2007
- ❑ The value chain of diamonds is beneficiation, trading, imports and exports



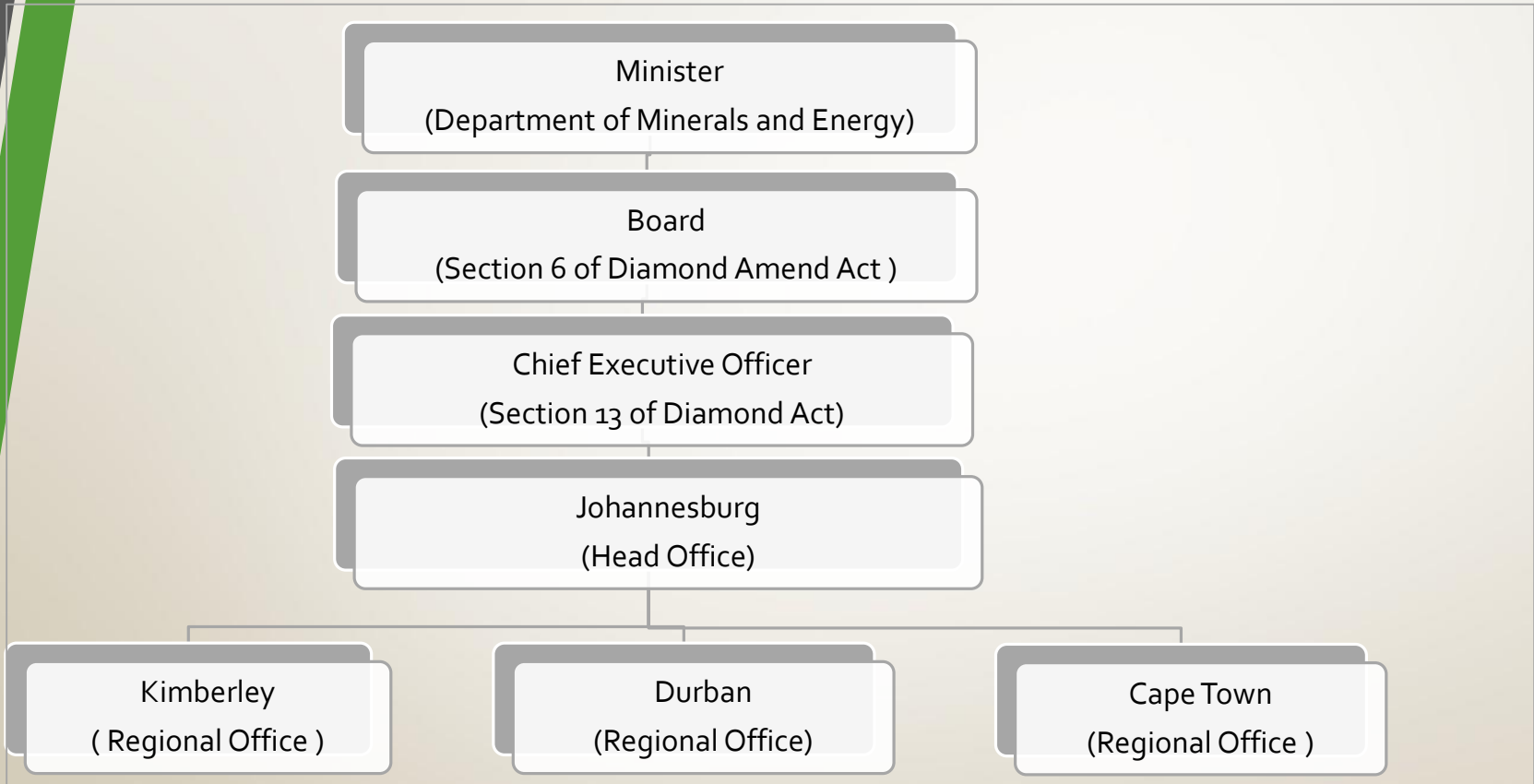
DIAMONDS VALUE CHAIN



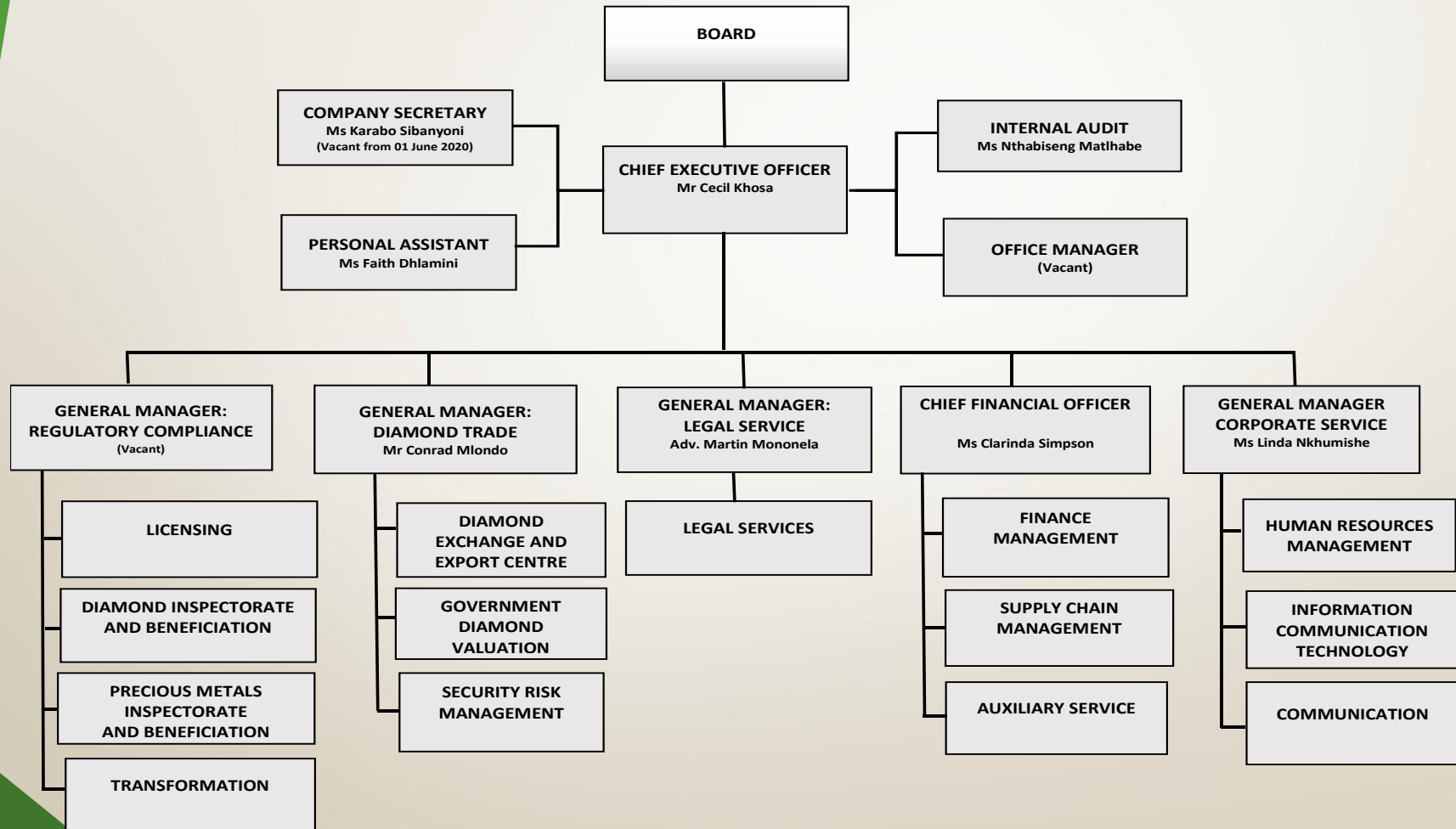
Core Business



Governance & Structure



ORGANISATIONAL STRUCTURE



Strategic Overview

VISION

- ❑ To be a socio-economic transformative regulator that is centred on local beneficiation of diamonds and precious metals and to strive for business excellence

MISSION

To render regulatory services by:

- ❑ Transforming, Equitable access, Local beneficiation, Collaboration, Support black industrialists, Enforcing compliance, Advancing intra-Africa diamond trade, Promoting business development, Skills development, Promotion and Marketing, Research and Development within the Diamond and Precious Metals Industries



STRATEGIC OUTLOOK OF THE SADPMR



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

SADPMR STRATEGIC OUTCOMES

- ☐ Job creation, skills development and value addition to the diamond and precious metals industries
- ☐ To transform the diamond and precious metals sector
- ☐ To enforce compliance with the legislative requirements; and
- ☐ An effective, efficient and development orientated regulator

The APP Strategic Outcomes informed by various directives such as:

President State of the Nation Address, NDP, Seven Priorities of Government, DMRE Minister's Budget Vote, DMRE Strategic Plan, National Beneficiation Strategy, Internal and External Audit Reports, other directives and legislations.



SEVEN PRIORITY AREAS OF GOVERNMENT

PRIORITY AREA OF GOVERNMENT	LINK TO THE SADPMR
A capable, ethical and developmental state	<input type="checkbox"/> An effective, efficient and development orientated regulator
Economic transformation and job creation	<input type="checkbox"/> To transform the diamond and precious metals sector <input type="checkbox"/> To enforce compliance with the legislative requirements



SEVEN PRIORITY AREAS OF GOVERNMENT

PRIORITY AREA OF GOVERNMENT	LINK TO THE SADPMR
Education, skills and health	<ul style="list-style-type: none"><input type="checkbox"/> Job creation, skills development and value addition to the diamond and precious metals industries;<input type="checkbox"/> To enforce compliance with the legislative requirements;<input type="checkbox"/> An effective, efficient and development orientated regulator
A better Africa and the World	<ul style="list-style-type: none"><input type="checkbox"/> Job creation, skills development and value addition to the diamond and precious metals industries;<input type="checkbox"/> To enforce compliance with the legislative requirements;<input type="checkbox"/> An effective, efficient and development orientated regulator



REGULATORY COMPLIANCE AND DIAMOND TRADE – APP's

CORE DIVISIONS



Core Business



Regulatory Compliance

Outcome	Outcome indicator	MTEF Period 2020/2021	Five-year target
Compliance with Precious Metals and Diamonds legislation	Number of compliance inspections conducted within the precious metals industries.	790	4050
	Number of compliance inspections conducted within the diamonds industries.	850	4350
	Number of precious metals joint inspections with law enforcement stakeholders	8	25
	Number of diamond joint inspections with law enforcement stakeholders	8	20
	Percentage of enforcement actions undertaken – Non compliance notices	100%	100%



Regulatory Compliance

Outcome	Outcome indicator	MTEF Period 2020/2021	Five-year target
Transformation in the diamond and precious metals industries	Number of licensees assessed against their commitments as per Mining Charter	200	1500
	Number of enterprise developments facilitated including women and youth	5	25



Regulatory Compliance

Outcome	Outcome Indicator	MTEF Period 2022/2023	Five Year Target
Job creation, skills development and value addition to diamond and precious metal industries	Percentage of licences issued within 60 working days based on completeness of the license application (precious metal)	90% (90%)	90%
	Percentage of licences issued within 60 working days based on completeness of the license application (diamonds)	90%	90%
	Number of Export Approval applicants catering for local demands of unwrought/semi-fabricated precious metals addressed	10	60
	Percentage of beneficiation licenses/permits issued from the applications received within the legislated timeframe (60 working days)	100%	100%
	Number of inactive diamond businesses engaged	10	25



Diamond Trade

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
Job creation, skills development and Value addition to precious metals and diamonds	Number of skills initiatives facilitated for the industries	5	30
Compliance to legislation	Percentage of valuations conducted	100%	100%
	Percentage of disputes resolved on valuations regarding fair market value	100%	100%
	100% polished undisclosed synthetic diamonds detected	100%	100%
	Number of new diamond beneficiaries that accessed and viewed at the DEEC.	3	21
	Percentage of compliance Kimberley Process Certification Scheme (KPCS)	100%	100%
	Number of HDP-owned companies accessing the DEEC	8	60



FINANCE, CORPORATE , SECURITY& RISK AND LEGAL SERVICES

ADMINISTRATION AND SUPPORT DIVISIONS



Finance

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated regulator	Number of contracts awarded to HDIs	5	45
	Percentage of rand value of procurement spent awarded to HDI (Level 1& 2)	45%	55%
	Instances of non-compliance to PFMA (Irregular, Fruitless and Wasteful expenditure)	Nil	Nil
	Develop strategy to maximize revenue collection	Develop strategy to maximise revenue	Implement and Review the revenue strategy
	Identified and implemented finance application modules to optimize utilization of enterprise resource planning (ERP)	Compile an application renewal plan with milestones	Compilation and implementation of the application renewal plan



Cooperate Services

Outcome	Outcome Indicator	MTEF Period	Five Year Target
An effective, efficient and development orientated Regulator	Recruitment and Selection: Percentage Reduction of vacancy rate	Less than 5% vacancy rate (7%)	Less than 5% vacancy rate
	Human Resources Development	100%	
	Percentage of compliance to the WSP requirements		100%
	Number of new bursaries awarded		25
	Number of young graduates recruited on the Internship Programme	8	35



Cooperate Services

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated Regulator	Performance Management and Development System:	100%	
	Percentage of signed performance agreements and work plans facilitated		100%
	Number of Bi-annual performance assessments facilitated	2	10
	Wellness Programme:	5 4	
	Number of Employee Wellness events coordinated		25
	Programme interventions implemented		20



Cooperate Services

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated Regulator	Organisational Development:		
	Number of employee recognition events coordinated	1	5
	Number of organisational culture interventions implemented	2	10
	Number of leadership development programmes implemented	2	10
	Number of women and youth empowerment skills development, facilitated for internal staff	2	17



Cooperate Services

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated Regulator	Information and Communication Technology:		
	Number of Disaster Recovery Tests implemented	2	10
	Phases of online application developed	Business impact assessment report – 3 online applications	Develop and Monitor Three Online Application Systems
	Number of ICT Security Measures implemented	2	10



Cooperate Services

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated Regulator	Marketing & Communication: Number of strategic stakeholder engagements within Diamond and Precious Metals sector conducted as per the plan	10	56
	Number of brand promotion activities implemented	12	80
	Number of Diamond and Precious Metal industry specific articles published about the services of the SADPMR	4	20
	Number of internal newsletter articles published	6	30
	Number of engagements uploads on digital media platforms	30	200



Security Risk Management

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated Regulator	Security Risk Management:		
	Number of fraud and corruption prevention plan activities implemented	4	20
	Number of vetting files submitted to State Security Agency (SSA)	5	45
	Percentage of pre-employment screening request for employees submitted to State Security Agency	100%	100%
	Number of Occupational Health and Safety initiatives implemented	6	30



Legal Services

Outcome	Outcome Indicator	MTEF Period 2020/2021	Five Year Target
An effective, efficient and development orientated Regulator	Percentage of matters referred for legal advice and addressed within 30 days.	100%	100%
	Percentage of legal opinions obtained on behalf of the Regulator.	100%	100%
	Percentage of contracts and SLAs vetted within 30 days.	100%	100%



MTEF BUDGET



BUDGET ASSUMPTIONS AS PER MTEF DIRECTIVES

- ☐ Employees earning over R1 million but less than R1.5 million are subjected to an annual salary increase of 2.8% over 2019 MTEF, the entity is currently handling a litigation against it in relation to this directive
- ☐ Employees earning over R1.5 million are subjected to zero increase over 2019 MTEF
- ☐ Further Baseline reductions of 2% on expenditure were effected over the Medium-term Period.
- ☐ Office relocation expenditures will be funded from accumulated surplus as per the approval of the National Treasury.
- ☐ Projected inflation as per MTEF guidelines applied to expenditure budget items.



MTEF BUDGET CYCLE ALLOCATIONS

Income	MTEF		
	2020/21	2021/22	2022/23
Grant allocation	63,630	67,131	69,626
Internally Generated Revenue	56,597	59,992	63,592
Total Income	120,227	127,123	133,218
Total expenditure	119,422	123,992	128,860
Surplus	805	3,131	4,358

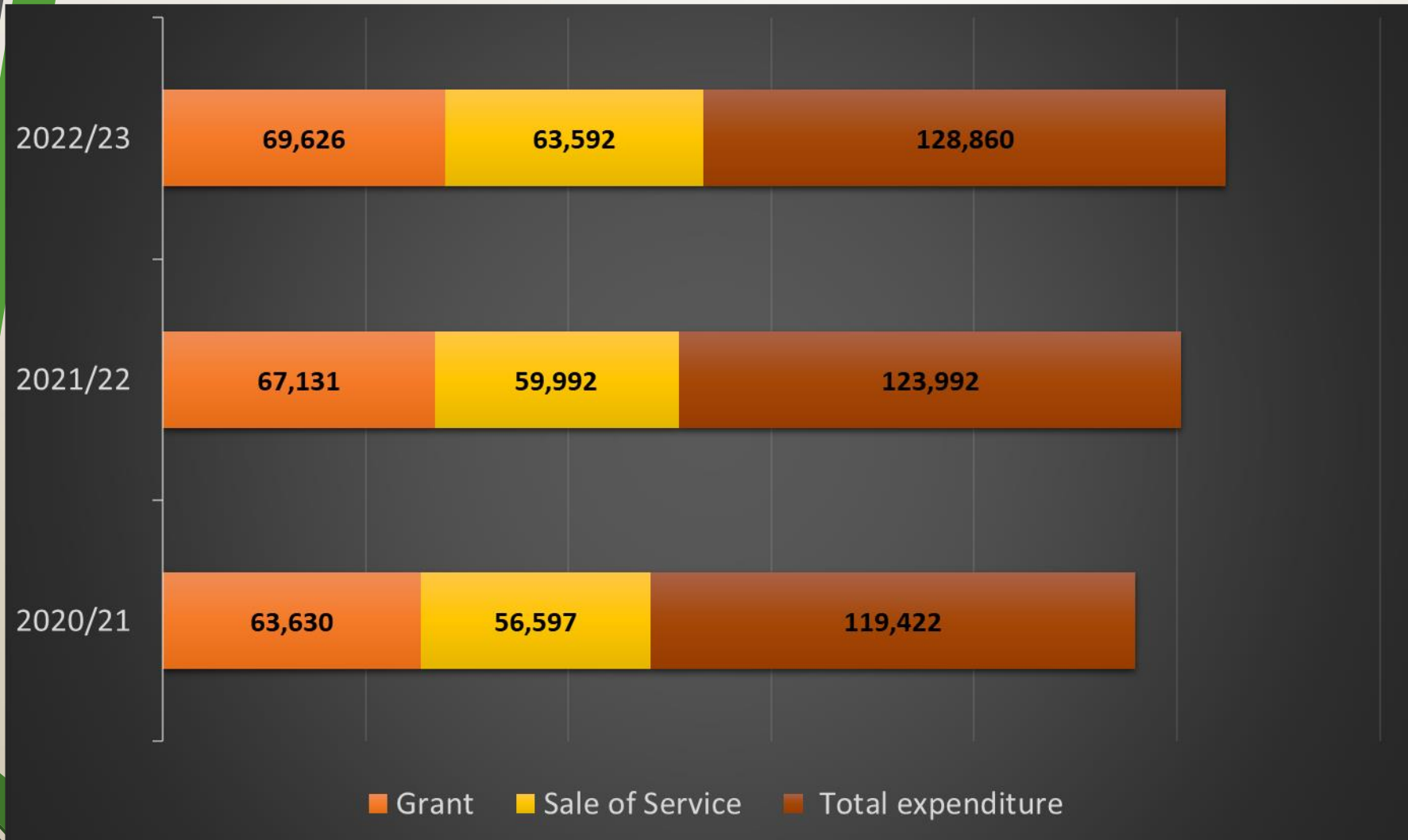


PRELIMINARY BUDGET

Budget allocation	MTEF		
	2020/21	2021/22	2022/23
Grant allocation	65,848	69,470	71,047
Less: Wage Freeze: Executive& SM	-919	-969	-
Revised allocation	64,929	68,501	71,047
Less: Baseline reduction	-1,299	-1,370	-1,421
Revised allocation	63,630	67,131	69,626
Internally Generated Revenue	56,597	59,992	63,592
Total revenue	120,227	127,123	133,218
Expenditure per Economic	119,422	123,992	128,860
Compensation of employees	91,418	97,818	104,665
Good and Services	26,465	24,727	22,849
Depreciation and amortisation	1,539	1,447	1,346
Surplus	805	3,131	4,358



REVENUE V/S EXPENDITURE



FINANCE COVID 19 INTERVENTIONS

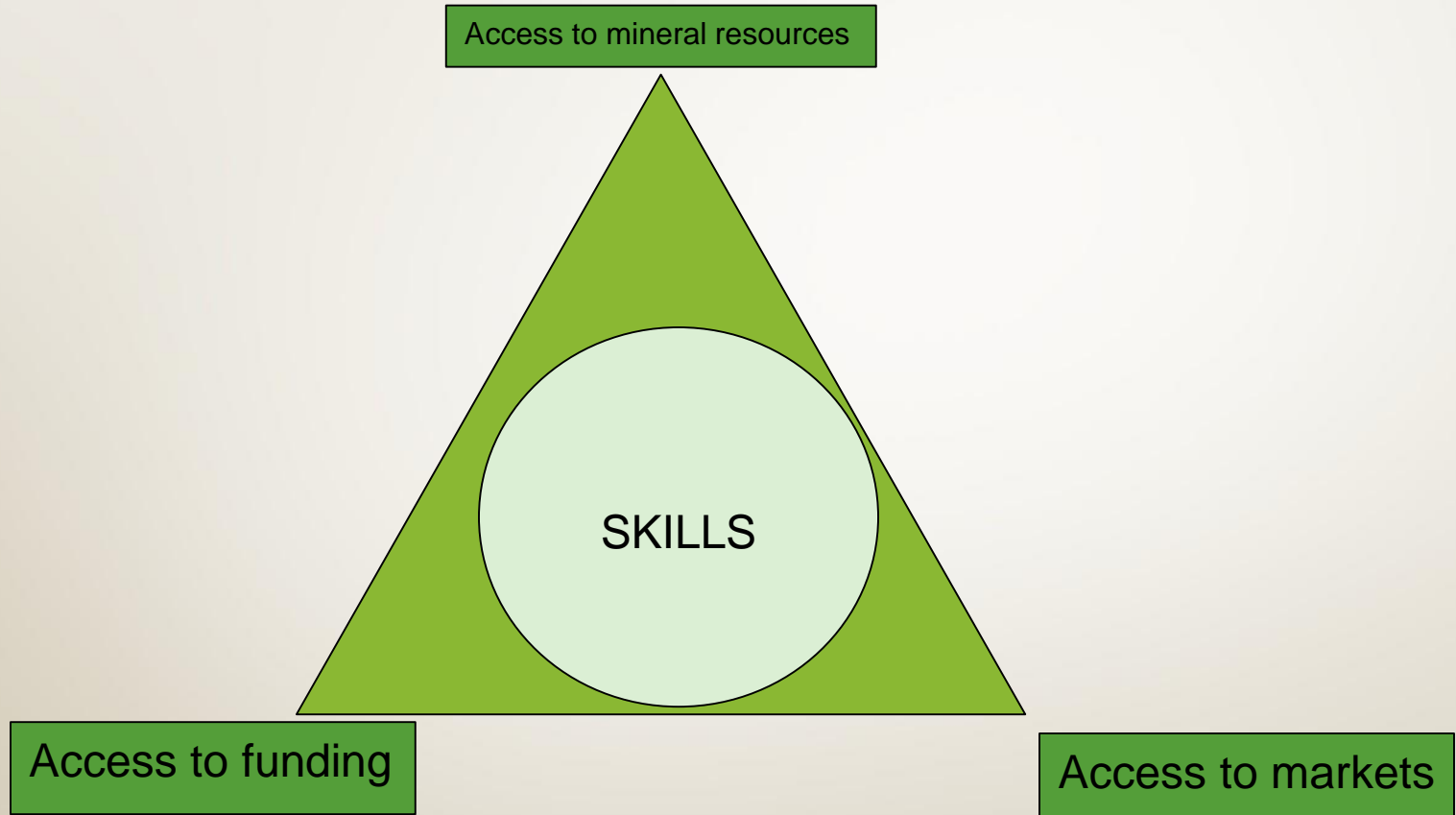
- ☐ Waive penalties during the COVID 19 period and reinstate after COVID 19 period considering our financial status.
- ☐ Debt arrangements on outstanding penalty debtors can be put on hold during COVID 19 period as collection very poor, almost zero.
- ☐ Postpone proposed amendments to regulations for fee adjustments.
- ☐ Apply for COVID 19 relief from Treasury via adjustment estimate process as we are losing revenue on service fees and taking the above into consideration.





CHALLENGES AND PROPOSED INTERVENTIONS

CHALLENGES: INDUSTRY



Challenges (External)

- ❑ Industry decline a threat to revenue generation, job creation, economic growth, etc.
- ❑ Small-scale licenses argue that high prices of metal and diamonds preclude many of them from participating meaningfully in the industries
- ❑ The low volumes of precious metals and rough diamonds sold locally relative to those exported
- ❑ Structural factors of the South African economy and its competitive dis/advantage (vs China, India, UAE, EU, Russia, Canada, West Africa, Botswana)
- ❑ The growth of low cost countries such as India renders South Africa uncompetitive in the manufacturing sector, and subsequently employment in the sector consequently dropped
- ❑ Lack of funding for prospective enterprises and industrialists
- ❑ Illegal mining and illicit trade in precious metals as well as diamonds, potentially infiltrating the licensed operations
- ❑ Current litigation – Mining Charter 2018



CHALLENGES : SADPMR (WITHIN CONTROL)

- ☐ Weaknesses in cooperative governance – coordinated inter-agency effort in addressing issues around law enforcement required
- ☐ Weaknesses in legislation – red tape (perceived or real) and poor enforcement
- ☐ Run of mine offered to SDT, hence local beneficiaries
- ☐ Powers of the GDV to verify fair market value
- ☐ Export and import levy regime - the reinforcement of export duties may be a disincentive against the export of rough diamonds and precious metals



THANK YOU AND DISCUSSIONS

