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Vote 32: Department of Mineral Resources

Introduction

The aim of the Department of Mineral Resources is to promote and regulate the minerals and mining sector for transformation, growth, development and ensure that all South Africans derive sustainable benefits from the country's mineral wealth.[1] Subsequent to the State of the Nation Address (SONA) delivered by the President on the 10th February 2011, the Minister of Finance delivered his Budget Speech on the 23rd February. In his speech, the Minister allocated funds to the priorities identified in the SONA. In line with the afore-mentioned departmental mandate and the policy priorities identified in the SONA and Budget Speech, the Department has identified the policy priorities for the minerals and mining sector for the 2011/12 financial year.

Policy Priorities for 2011/12

In his State of the Nation Address, the President declared 2011 as a year of job creation through meaningful economic transformation and inclusive growth. Mining and beneficiation was highlighted as one of the six priority areas where jobs can be created.[2] The President gave a directive that all government departments should align their programmes with the job creation imperative.[3] The President further instructed Government to fill all funded vacant posts.[4] A significant announcement made by the President with respect to mineral resources was the endorsement of the African Exploration, Mining and Finance Corporation (AEMFC) as the State Owned Mining Company that will undertake the mining of minerals of strategic significance which include coal, uranium, and limestone.[5]

The President's emphasis on job creation is in line with the New Growth Path Framework, which aims at creating five million jobs by 2020. The framework identified mining value chain as one of the sectors to be prioritised for job creation. The framework projects that the sector mining can create 140 000 jobs by 2020 and 200 000 by 2030.[6] This means that the sector should create on average approximately 15 556 jobs per year beginning in the financial year 2011/12 in order to achieve its 2020 target. The growth prospects of the mining industry look good as it is expected to grow at an average of four to seven per cent in volume terms during 2011, recovering to the levels preceding the crisis. The Department, therefore, anticipates that the 40 000 jobs that were lost during the crisis will be created during the course of this year[7].

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[1] National Treasury (2010a)
[2] Zuma, JG (2011a).
[3] Ibid.
[4] Ibid.
[5] Zuma, JG (2011b)
[6] Department of Economic Development (2010.
[7] Shabangu, S. (2011)

The Department has captured these identified priorities in its strategic focus over the medium term, which is:

- *Transformation of the industry*: The Department aims to review mining policies and legislation to advance government's transformation objective and to improve regulatory certainty, which has a profound impact on investments in the industry. The increase in investments will in turn translate to more jobs in the mining industry and that contributes to the achievement of the government's major priority.
- *Policy and legislative developments*: The Department is planning to develop, amend and review the following legislation over the medium term:
  - The Mine Health and Safety Act (Act 29 of 1996), as amended in 2008;
  - The Mineral and Petroleum Resources Development Act (Act 28 of 2002);
  - The Diamond Second Amendment Act (Act 20 of 2005);
  - The Precious Metals Act (Act 37 of 2005);
  - Petroleum Resources Development Agency Bill; and
  - State Mining Company Bill.
- *The environment*: The Department aims to prioritise the rehabilitation of derelict and ownerless mines and the growing impact of acid mine drainage.
- *Mineral Beneficiation Strategy*: The strategy aims to increase growth in gross fixed capital investments in mining by 10 per cent annually. The strategy will contribute to transforming and diversifying South Africa's economy to increase exports as well as to create jobs, eradicate poverty and contribute to economic growth and development.
- *Mine health and safety*: The Mine Health and Safety Inspectorate aims to improve the safety of miners, reducing deaths, injuries and ill health, by providing advice and applying monitoring and enforcement systems.
- *Transparent administration of prospecting applications*: The Department introduced an online system for administering mining and prospecting applications to ensure transparency.
- *Skills development*: The Department aims to support initiatives in training and skills development for mine workers.[8]

Performance and Service Delivery Information

The mandate of the Department of Mineral Resources is to ensure transformation, economic growth, health, safety and sustainability of the Minerals and Mining sector. In line with this mandate, the Department set itself the following strategic objectives for the 2011/12 - 2013/14 period:

- Increased investment in the minerals and mining sector.
- Improve the health and safety conditions in the mining sector.

[8] National Treasury (2011).

- Achieve equitable and sustainable benefit from mineral resources.
- Transform the minerals sector.
- Create an efficient, effective and development-oriented Department.[9]

The Department was able to split from the erstwhile Department of Minerals and Energy (DME) to become a stand alone organisation on the 1st April 2010 as planned.

One of the focus areas of the Department in its three year strategic plan (2010/11-2012/13) was to finalise a Service Level Agreement (SLA) with the Mining Qualifications Authority (MQA) to support and improve the current initiatives to address the skills shortage in the Department. However, it is not clear whether such agreement has been concluded.

The implementation of the Mineral and Petroleum Resources Development Act (MPRDA) in 2004 made provision for continuation of old order rights (rights granted in terms of the now repealed Minerals Act) for a period of two years in case of prospecting rights and five years in case of mining rights. The holders of such rights were required to apply for conversions of such rights so as to comply with the MPRDA.[10] The conversion was successfully completed in the previous financial year.

The Department imposed a six month moratorium on all new applications for prospecting licences after media coverage of irregularities in the granting of licences. On announcing the moratorium, the Minister stated that:

- "All prospecting rights would be issued by the head office, as opposed to regional offices.
- Cases of double granting of licences would be resolved within three months.
- From September 1 2010, information on the status of exploration and mining applications would be available on the Department's website.
- Shortcomings had been identified in the MPRDA, and amendments on the piece of legislation would be submitted to Parliament.
- Turnaround time in the issuing of prospecting licences would be reduced from six to three months, while the issuing of mining licences would be reduced to six months."[11]

A database on the exploration and mining applications has since been established and is available on the Department's website. On 28 February 2011 the moratorium was extended until 31 March 2011 in all regions except Mpumalanga where it was extended until 30 September 2011.

[9] Department of Mineral Resources (2011).
[10] MPRDA, Schedule II.
[11] Masondo, S. (2010).

In its Strategic Plan for 2010/11 to 2012/13, the Department reported that a Mine Rehabilitation Strategy has been developed and adopted by the Minister of Mineral Resources and an associated implementation plan was being developed. The Department also announced the development of the beneficiation strategy implementation plan, as well as the development of a new small scale mining strategy.

Issues for consideration

Has the Service Level Agreement (SLA) been concluded between the Department and the Minerals Qualification Authority (MQA)?
Have the implementation plans for the Mine Rehabilitation Strategy and the Beneficiation Strategy been developed?
Is the online application system ready for implementation when the moratorium is lifted at the end of March?
What was the reason for extending the moratorium until September 2011 in the Mpumalanga region? The province should provide a detailed report on its challenges as well as the steps it will take to ensure that it meets its extended deadline.

Budget analysis

Programme	Budget				Nominal Rand change	Real Rand change	Nominal % change	Real % cha
R million	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2010/11-2011/12**		**2010/11-2011/12**	
Administration	223.7	247.9	0.0	274.6	24.2	12.8	10.82 per cent	5.74 per cei
Promotion of Mine Safety and Health	142.1	147.5	157.5	170.1	5.4	- 1.4	3.80 per cent	-0.95 per ce
Mineral Regulation	212.4	160.4	171.0	175.4	- 52.0	- 59.3	-24.48 per cent	-27.94 per c
Mineral Policy and Promotion	417.7	480.4	520.3	558.7	62.7	40.7	15.01 per cent	9.74 per cei
TOTAL	**995.9**	**1 036.2**	848.8	1 178.8	**40.3**	- 7.2	**4.05 per cent**	**-0.72 per c**

The Department received R1.0 billion, which is 0.21 per cent of the total appropriation by vote in the 2011/12 financial year, and a marginal decrease from last year's 0.22 per cent share of the total appropriation by vote. However, the total departmental budget has increased by 4.05 per cent in nominal terms but decreased by 0.72 per cent in real terms from the 2010/11 financial year.

The bulk of the budget, which is 56.7 per cent, has been allocated for current payments. Current payments constitute a total value of R587.6 million. A large portion of the current expenditure goes to the Compensation of Employees and this amount takes up 64.3 per cent of the total allocation to current payments. The total value of employee compensation is R377.6 million. The remainder of the current payments, at 35.7 per cent or R210 million, has been allocated to goods and services. Of this amount, the largest share of 28.3 per cent or R59.4 million will be spent on travel and subsistence. In terms of the overall departmental allocation, a total portion of R377.6 million or 36.4 per cent will be spent on employee compensation and R59.4 million or 5.7 per cent will be spent on travel and subsistence.

All capital payments will be allocated to Machinery and Equipment in the 2011/12 financial year.[12]

Transfers and subsidies have been allocated R438.4 million or 42.3 per cent of the total vote allocation. The largest share of the transfers and subsidies, at R238.3 million or 54.4 per cent has been allocated to public corporations and private enterprises. An amount of R199.1 million or 45.4 per cent will be transferred to departmental agencies and accounts.

Programme Analysis

Programme 1: Administration

The purpose of the Administration Programme is to provide strategic support and management services to the ministry and the Department.[13] The Programme budget has increased from R223 million in 2010/11 to R247.9 million in 2011/12, which is an increase of 10.8 per cent in nominal terms and 5.7 per cent in real terms. Although all subprogrammes within Administration increased in nominal terms, this increase is also due to the significant increase in the Ministry sub-programme budget. This sub-programme increased by 94.4 per cent in nominal and 82.2 per cent in real terms from R1.8 million in 2010/11 to R3.5 million in 2011/12. This increase can be attributed to the establishment of the Ministry after the split of the DME. The Corporate Services sub-programme receives a budget allocation of R191.8 million or 77.4 per cent of the programme budget.

In terms economic classification, 95.7 per cent of the budget has been allocated to current payments. Compensation of Employees received an allocation of R119.6 million or 50.4 per cent of the current payments budget and the rest has been allocated to Goods and Services. The largest expenditure items under Goods and Services are Lease Payments at R39.4 million followed by Travel and Subsistence at R22.3 million.

Programme 2: Promotion of Mine Safety and Health

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[12] National Treasury (2011)
[13] Ibid

The Promotion of Mine Safety and Health programme aims to ensure the safe mining of minerals under healthy working conditions. The programme is composed of two sub-programmes, which are Governance Policy and Oversight and Mine Health and Safety (Regions). The programme's budget increased from R142.1 million in 2010/11 to R147.5 million in 2011/12, this represents an increase of 3.8 per cent in nominal terms but a decrease of 0.95 per cent in real terms as a result of the decrease in real terms in both sub-programmes' allocation. The greater portion of this programme's budget has been allocated to Mine Health and Safety (Regions) sub-programme, which is responsible for inspections, audits, monitoring and enforcing compliance with the Mine Health and Safety Act (1996). This sub-programme received R100.9 million or 68.4 per cent of the programme budget, which is a 4.7 per cent increase in nominal terms and a 0.1 per cent decrease in real terms compared to the previous financial year.

In terms of economic classification, 96.1 per cent of the programme budget is allocated to current payments. Compensation of Employees receives 83.0 per cent of the current payments budget. Transfers and Subsidies receive 3.6 per cent of the programme budget, which is R5.3 million in monetary terms. This is a decrease in nominal terms from the R5.4 million allocated in the previous financial year. This amount is for transfer to the Mine Health and Safety Council whose roles are to:

- Advise the Minister on all occupational health and safety issues in the mining industry relating to legislation, research and promotion.
- Review and develop legislation for [illegible]
- Promote health and safety in the mining industry.
- Oversee research in relation to health and safety in the mining industry.
- Liaise with other bodies concerned with health and safety issues.[14]

The programme focus areas in the next three years are:

- Capacity development and process improvement.
- Monitoring and evaluation of occupational health programmes at mines.
- Monitoring and evaluation of mine safety programmes.
- Review health and safety legislation to incorporate best practice.[15]

[14] Department of Mineral Resources (2011).

Programme 3: Mineral Regulation

The aim of the Mineral Regulation Programme is to regulate the minerals and mining sector, to promote economic development, employment and ensure transformation and environmental compliance. This programme is comprised of three sub-programmes, which are Mineral Regulation and Administration, Management Mineral Regulation and the South African Diamond and Precious Metal Regulator (SADPMR).

This programme receives 15.5 percent of the total vote allocation, which is a decrease from the 21.3 percent allocated last year. The allocation to the Mineral Regulation and Administration sub-programme has decreased in both nominal and real terms by 31.83 and 34.95 per cent respectively. The sub-programme receives R113.3 million in 2011/12 compared to the R166.2 million received in 2010/11. However, this sub-programme has received 70.6 per cent of the programme budget. The SADPMR sub-programme is allocated the second highest budget at 24.56 per cent of the programme budget or R39.4 million in monetary terms.

In terms of economic classification, 75.4 per cent of the budget has been allocated to current payments. The larger percentage share of 81.7 per cent of the current payments budget goes to compensation of employees. Transfers and subsidies received 24.56 per cent of the programme budget, which is a transfer to the SADPMR. There is no budget allocated for the payment of capital assets.

Issues for consideration

In his State of the Nation Address, the President declared 2011 as the year of job creation.[16] The New Growth Path Framework projected that mining could create 140 000 jobs by 2020.[17]

- What is the target number of jobs to be created in the current financial year?
- The Department should present a detailed job creation strategy to the Committee, including the specific target areas within the sector for job creation, the kinds of jobs that will be created, and the sustainability of these jobs.

Programme 4: Mineral Policy and Promotion

The Mineral Policy and Promotion programme aims to develop relevant mineral policies that promote South Africa's mining and minerals industries so as to attract investments to the country. This programme comprises the following sub-programmes:

[16] Zuma. JG. (2011).
[17] The New Growth Path: The Framework (n.d.).

- Management.
- Mineral Policy.
- Mineral Promotion.
- Assistance to Mines.
- Council for Geoscience.
- Council for Mineral Technology and Research.
- Economic Advisory Services.
- Mine Environmental Management.

This programme receives the largest allocation at 46.4 per cent of the vote's budget. The budget allocation for the Mineral and Policy Programme increases by 9.74 per cent in real terms from the previous financial year.

The Council for Mineral Technology and Research sub-programme received the highest allocation at R197.0 million or 41 per cent of the programme budget to provide research, development and technology that fosters the development of business in the mineral and mineral products industries. This is a real increase of 13.4 per cent in real terms from the previous year's allocation. The Council for Geoscience sub-programme receives the second largest allocation at R154.4 million or 32.1 per cent of the programme's budget. This translates to a 7.9 real per cent real increase from the previous year's allocation. The sub-programme that receives the largest increase in this year's allocation is the Mine Environmental Management at 720 per cent in real terms. The sub-programme allocation increased from R3.7 million in 2010/11 to R31.8 million in 2011/12. This sub-programme aims to provide strategic guidance on mine environmental management and mine closure. The significant increase is a result of the shift of funds from the Mineral Regulation programme to this programme for the rehabilitation of derelict and ownerless mines.[18]

In terms of economic classification, the greater percentage of the programme budget is allocated for Transfers and Subsidies at 81.74 per cent. This is because of transfers to the Council for Mineral Technology and Research (MINTEK) and the Council for Geoscience (CGS). MINTEK was established in terms of the Mineral Technology Act (Act 30 of 1989) to fulfil the following main functions:

- Undertake research, development and technology transfer to promote mineral technology.
- Foster the establishment and expansion of industries in the field of minerals and related products.

[18] National Treasury (2011).

CGS was established in terms of the Geoscience Act (Act 100 of 1993) to develop and publish world-class Geoscience knowledge products and render related services to industry and the South African public.

Key issues for consideration by Parliament

The following key issues were identified:

When the Department presented its programmes which are supportive of the President's State of the Nation Address, it announced the establishment of the working group on jobs in the mining sector and informed the Portfolio Committee that the outcome of the job creation potential will be released in March 2011. Therefore, the department should provide the Committee with the report of the working group in order to use it to measure the performance of the sector with regard to job creation.

Regarding the establishment of AEMFC as a State Owned Mining Company, the Department should brief the Committee on progress regarding the hiving off of the company from the Central Energy Fund. The Committee should establish whether the company is going to reside under DMR or the Department of Public Enterprises. Other issues that the Committee must be briefed on include the manner in which the proceeds from the Company are going to be disbursed.

The Committee should monitor progress with regard to the development of the Beneficiation Strategy, which was due for tabling before Cabinet when the Department presented its programmes in support of the State of the Nation Address.

The Department set itself a target of filling all vacant posts by the end of June 2011 and therefore the Committee needs to monitor adherence to this time frame.

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