

Still more work needs to be done on the Mining Charter

Although there have been some welcome changes to the Mining Charter, there's still uncertainty on several issues and further dialogue is needed if the charter is to deliver on its socio-economic impact promises, while attracting much needed investment to the beleaguered sector.



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That's according to Deloitte, which has released a comprehensive [report](#) of the amended Charter that unpacks key strategic implications of the changes and suggests concrete steps the industry can take in response to them.

Uncertainty and vagueness

"While the revised charter attempts to bring about the regulatory certainty requested by various stakeholders, regrettably areas of uncertainty and vagueness persist," says Andrew Lane, Deloitte Africa energy and resources leader, adding that questions remain over whether it aligns with and integrates government policies.

The report also flags the high level of mistrust stemming from all stakeholders in the mining ecosystem, cautioning that this remains an unfortunate barrier to true and meaningful transformation, a reference to the Chamber of Mines' urgent application to interdict the minister, the department of mineral resources (DMR) and its officials from implementing the changes. This has led to a temporary suspension of the amended charter.

“Amid this uncertainty, it is critical that the dialogue continues. The Deloitte report aims to contribute to the much-needed dialogue,” says Lane.

“While South Africa may technically be out of recession, it remains crucial that we align regulatory certainty with transformation to deliver shared value to the sector. Creating a regulatory and policy environment that enhances competitiveness, while simultaneously delivering socio-economic impact, is necessary in attracting much needed investment to revive the sector and importantly, return it to a growth path,” Stelio Zakkas, manager at Monitor Deloitte says.

Shared value

The report identifies the principle of shared value as core to the charter. Shared value refers to attempts to improve markets driven primarily by beneficiation, redefining productivity in the value chain, transformation in ownership, employment equity, preferential procurement, supplier enterprise development and human resource development, enabling local cluster development, improving housing and living conditions, and mine and community development. “The charter essentially aims to drive shared value throughout a mine’s ecosystem. But to share value effectively requires more than mere compliance driven socio-economic investment and action,” says Zakkas.

During the first two variations of the charter, significant money had been spent by rights holders, as well as government and other stakeholders. “Regrettably, the socio-economic impact of this spending has not always been apparent. The burning issues that requires addressing is whether the changes will, in their current form, result in the requisite level of shared value impact required, and whether the costs associated with each element are justifiable in cognisance of the impact they make.”

The report suggests that mining industry stakeholders adopt a cost-to-shared value impact approach, which has not, to date, been successfully measured. Each element in the charter, has a cost associated with it – primarily for the rights holders – and an associated shared value impact, explains Zakkas.

Holistic outlook

Thus, the changes to these elements in the amended charter have associated cost-to-shared value impact effects. The report argues that adopting such an approach may enable productive dialogues between stakeholders in mining ecosystems to ensure the greatest possible shared value impact is achieved through the moneys spent in what is at present a compliance driven, and insufficiently impactful approach.

“Rights holders operate as part of a broader mining ecosystem influenced by, among other things, the needs of its employees, communities, environment, and industry,” says Lane.

“As the drive for continued transformation escalates, a more holistic and innovative outlook is needed which embraces shared value underpinned by inclusive growth. Unlike a compliance driven approach, shared value thinking drives innovation, productivity and both social and economic growth. It is necessary in closing the trust divide in South Africa’s mining sector, as government, labour and industry work in unison to deliver value to all stakeholders.”