

South Africa



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

South Africa is the continent's largest gold producer and ranks fifth in the world in diamond production. Along with a wide range of industrial minerals, it produced 200 tons of gold and 2.4 million carats of diamonds in 2009. The extractive sector accounted for 46 percent of exports in 2011, but its contribution to

South Africa	2000	2005	2011
Population (million)	44.00	47.20	50.59
GDP (constant 2011 international \$ billion)	169.6	279.8	408.2
GDP per capita, PPP (constant 2005 international \$)	7,641	8,597	9,678
Extractive exports (% total exports)	21%	33%	46%

SOURCES: World Bank.

GDP has decreased steadily since the 1970s. The nationalization of mines in South Africa, seen by some activists as a way to distribute the country's wealth more fairly, has been controversial. The first state-owned company, the African Exploration Mining and Finance Corporation, was established in 2011.

South Africa's Performance on the RGI

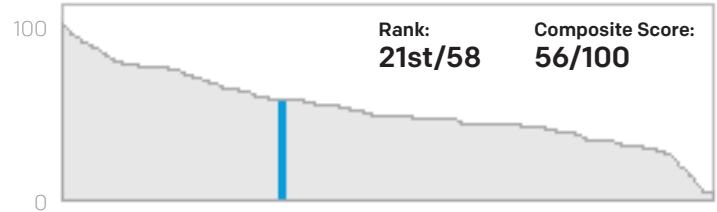
South Africa received a "partial" score of 56, ranking 21st out of 58 countries. A "failing" score on the Reporting Practices component contrasted with "satisfactory" performance on the Safeguards and Quality Controls and Enabling Environment components.

Institutional and Legal Setting

(Rank: 20th/58 Score: 69/100)

South Africa's "partial" score of 69 reflects the lack of a fully open and competitive licensing process despite a comprehensive legal framework.

The minister of minerals and energy grants mining rights on a first-come, first-served basis. Legislation details how to apply



for mineral rights and requires environmental and social impact assessments. The law also sets the royalty rates companies must pay. South Africa adopted a Promotion of Access to Information Act in 2000.

The Finance Ministry's South Africa Revenue Service collects all tax revenues and royalties from mining companies and deposits them in the national treasury.

Reporting Practices

(Rank: 47th/58 Score: 31/100)

Poor contract transparency and incomplete government data led to a "failing" score of 31.

The government does not publish mining contracts or environmental impact assessments, and the Mineral Resources Department regularly ignores requests for information, violating the provisions of the Promotion of Access to Information Act.

The Finance Ministry publishes audited annual reports on production volumes, royalties, special taxes, and license fees. The Mineral Resources Department regulates the sector and publishes production volumes, the values of resource exports, dividends, and the names of some companies operating in the country. The South African Reserve Bank publishes quarterly reports on production volumes, gold prices, and exports.

Safeguards and Quality Controls

(Rank: 10th/58 Score: 75/100)

South Africa received a "satisfactory" score of 75, the product of relatively robust anti-corruption policies and significant audit requirements.

Mining legislation includes specific provisions that severely curtail ministerial discretion in granting licenses and allow licensing decisions to be appealed. Parliament does not have an oversight role regarding mining contracts or licenses. However, government officials with regulatory responsibilities must

disclose their financial interests in any extractive project. A national audit office reviews state accounts and reports regularly to parliament. A committee of legislators reviews audit reports, but resource revenues are not specifically addressed.

Enabling Environment

(Rank: 7th/58 Score: 72/100)

South Africa performed extremely well on global rankings of budget transparency, but scored lower on measurements of the rule of law, resulting in a “satisfactory” score of 72.

South Africa’s Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
21	COMPOSITE SCORE	56
20	Institutional and Legal Setting	69
	Freedom of information law	100
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	83
	Environmental and social impact assessments required	100
	Clarity in revenue collection	100
	Comprehensive public sector balance	0
	SOC financial reports required	..
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
47	Reporting Practices	31
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	0
	Exploration data	0
	Production volumes	50
	Production value	67
	Primary sources of revenue	67
	Secondary sources of revenue	25
	Subsidies	0
	Operating company names	33
	Comprehensive SOC reports	..
	SOC production data	..
	SOC revenue data	..
	SOC quasi fiscal activities	..
	SOC board of directors	..
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
10	Safeguards and Quality Controls	75
	Checks on licensing process	67
	Checks on budgetary process	67
	Quality of government reports	67
	Government disclosure of conflicts of interest	100
	Quality of SOC reports	..
	SOC reports audited	..
	SOC use of international accounting standards	..
	SOC disclosure of conflicts of interest	..
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
7	Enabling Environment	72
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	63
	Open Budget (IBP Index)	100
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	74
	Government effectiveness (WGI)	65
	Rule of law (WGI)	58

■ Satisfactory	■ Weak
■ Partial	■ Failing