**3. Report of the Portfolio Committee on International Relations and Cooperation on Budget Vote 6: International Relations and Cooperation, dated 20 April 2016**

The Portfolio Committee on International Relations and Cooperation (the Committee), having considered Budget Vote 6: International Relations and Cooperation of the Department of International Relations and Cooperation (the Department), reports as follows:

1. **Introduction**

The Committee met on 13 April 2016, to consider the Department’s Annual Performance Plan (APP) 2016-2017. The Committee further discussed the African Renaissance and International Cooperation Fund’s (ARF) Annual Performance Plan 2016-2017, together with the overall budget allocation for 2016-2017.

1. **Briefing by the Department**
	1. **Presentation by the Department on its 2016/17 and MTEF expenditure focus**

Deputy Minister Luwellyn Landers gave a political overview of the global situation under which the Department had to operate. He indicated that the budget cuts would have impact on the operations of the Department, however, the Department would still be able to navigate and achieve its set objectives.

The Department reported that the overall mandate of the Department is to work for the realization of South Africa’s international relations policy objectives. The foundation of South Africa’s foreign policy is built on a desire to promote South Africa’s national interest and values, the African Renaissance and the creation of a better world for all[[1]](#footnote-1).

It was highlighted that the Department derived its responsibility from the Constitution of South Africa 1996 and the National Development Plan. Its mandate is further detailed in the 2014-2019 Government’s Medium Term Strategic Framework (MTSF). Chapter 7 of the National Development Plan (NDP) envisioned South Africa as a globally competitive economy and an influential, leading member of the international community. The plan saw South Africa as promoting and contributing globally to sustainable development, democracy, the rule of law, human rights, and peace and security.

The Department was also reported as guided by the White Paper on South Africa’s Foreign Policy, which directed the future focus of the Department. Outcome 11 of Government’s 2014-2019 medium term strategic framework, under which Government sought to “Create a better South Africa and contribute to a better and safer Africa in a better world”, was said to further articulate the vision of South Africa in the regional, continental and international arenas.

During the course of the medium term, the spending focus would be on sustaining economic and political relations; participating in the global governance forums; enhancing operational capacity by strengthening policy and coordination in relation to outgoing South African development cooperation through the operationalization of the South African Development and Partnership Agency (SADPA). Focus would also be on doing work in pursuit of the African Union Agenda 2063, to determine the Africa the people of South Africa want; including reviewing of the current legislative framework governing the Department’s operations abroad; thus the Foreign Service Bill has since been tabled in Parliament; undertaking of various infrastructure projects; and implementing the property management strategy.

The Department conducted its affairs and operations in a global environment. This would be with circumstances and conditions often vastly different and diverse from the policy context which governs the Public Service within South Africa. The Department has therefore tabled a Foreign Service Bill to cater for the unique work environment in which it operates. It was envisaged the Bill would allow the Department to fulfil its administrative and management responsibilities within the framework of the South African legislation. It would also create the necessary flexibility to address the challenges posed by it operating in a global level.

In its execution of South Africa’s foreign policy, the Department reported informed by South Africa’s current global stature where the country was a respected, active and responsible global player. South Africa hosted the second largest number of foreign representation in the world and has a global footprint of 125 missions[[2]](#footnote-2). South Africa was regarded as a champion for protection and promotion of human rights; and was an advocate for disarmament and the peaceful resolution of disputes. The country has placed Africa as central to its foreign policy, which forms the basis for cooperation with countries of the South and the North; and was known to champion cooperation and partnership over competition in the global arena.

South Africa was said to operate in a changing global environment which impact on the way the Department execute its mandate. The shift in political ideologies has brought about the emergence of nationalistic and conservative governments, which have been reducing development aid to developing countries. The new trends in trade and economic patterns have resulted in Asia and Middle East surpassing Europe as South Africa’s number one trading partner. In two decades, trade with Asia and Middle East was said to have increased significantly, and so was the case in trade with Africa. It was pointed out that however, Europe remained South Africa’s main strategic trading bloc, while the region continued to recover from the impact of the global financial crisis.

The changing global environment has brought about new formations and regional groupings which include: Brazil, Russia, India, China, South Africa (BRICS); the Group of 20 (G20); Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa (CIVETS) and the Indian Ocean Rim Association (IORA). These new formations have brought about a growing influence in the global economic sphere. It was noted that South Africa attached great importance to its membership of BRICS.

BRICS as a formation may not be geographically wholly south. However, the fundamental principle is that the BRICS countries share a common vision to be pursued through economic cooperation, sharing of technical expertise, knowledge and experience to address their own domestic and international challenges.

The mandate of the Department was said to be also responding to new global opportunities and frontiers which have introduced new economies such as; the Blue economy, the Green economy and the Knowledge economy, utilisation of outer space (such as the SKA project); and advances in technologies. These were seen as new economic frontiers for job creation and mobilisation of resources to address domestic challenges. Operation Phakisa sought to harness and leverage some of these sectors as part of implementing the aspirations of the National Development Plan.

Economic diplomacy would be prioritised given its importance in promoting South Africa’s value-added exports and attracting Foreign Direct Investment (FDI). Focus would be on skilling diplomats, including Heads of Mission, in the tools of economic diplomacy.

The National Development Plan recommended a thorough analysis of the political and economic costs and benefits of South Africa’s strategic representation and actions abroad.

South Africa participated in the drafting and adoption of Sustainable Development Goals (SDGs) in 2015. Through its participation, South Africa ensured that the 17 SDGs are not only linked to Agenda 2063, but are also mirrored in the NDP. However, the Department underscored that socio-economic development, regional or international, would be realised in a democratic environment which responds to the needs of the people[[3]](#footnote-3).

1. **Situational analysis around the world**

Foreign policy is conducted in a very unpredictable and insecure global environment which was caused in part by the severe global economic downturn. That also had a negative impact on the Department’s operational budget as the Government’s own budget came under pressure, albeit at a time of greater international demands and obligations.

The Department has executed its mandate against the background of an ever-changing political and economic environment. The international environment is characterized by major shifts in global political, economic, social and cultural dynamics that impacted on different parts of the world. The shifts include: the emergence of new economic powers; the new phenomenon of media and social networks which leave governments faced with the increased tension between upholding freedom of speech and expression, while seeking to manage the flow of information; environmental change; heightened demand for scarce resources and the changing nature of conflict and insecurity. In order to survive in this environment, South Africa had to shape its domestic and foreign policies to respond to global drivers and trends[[4]](#footnote-4).

Globalisation continues to accelerate the shift in the balance of political and economic power towards the emerging economies. The trading patterns continue to shift to new markets, with notable growth in South-South trade between the emerging economies. A lack of adequate infrastructure and industrial capacity remains a significant obstacle to stimulating intra-African regional trade. Intra-African trade is essential[[5]](#footnote-5) as an important driver of development and regional integration in Africa as is the case with other regions of the world like European Union and Asia.

The world population growth is skewed across the wealth lines with the developed world dealing with an aging population, and developing countries experiencing a youth bulge. This demographic pattern has huge social and political impact as well as serious economic consequences.

Countries that are dependent on oil and gas will remain vulnerable to energy shocks and instability in oil-producing regions. Increased energy demands carry the potential of inter and intra-state competition, resulting in heightened risk of tensions over access to the resources.

The impact of the recent global economic crisis has had impact on development assistance to developing countries. It gave rise to nationalistic and conservative governments resulting in a trend of falling share of aid going to sub-Saharan Africa.

South Africa is implementing its diplomacy of Ubuntu towards achieving its national interests within a very complex and dynamic environment. South Africa’s national interest is largely based on eradicating poverty, unemployment and inequality. The main element is that South Africa’s national interest is, however, not framed in narrow nationalistic terms, it recognises the importance of others in the region and on the continent.

The Department has since taken positive steps to, in close consultation with the Department of Public Service and Administration, review its organisational structure, and it’s reflected in the Strategic Plan 2015-2020. Each branch is now clearly aligned to a budget programme. This was embarked upon to ensure that there is a synergy between the essential human resource requirements which will enable the Department to achieve its legislative and political mandate.

1. **Planned policy initiatives**

The Department conducts its affairs and operations in a global environment, with circumstances and conditions which are often vastly different and diverse from the policy context within South Africa, which governs the Public Service. The Department has tabled a Foreign Service Bill in 2015, to cater for the unique work environment in which it operates. It is envisaged the Bill will allow the Department to fulfil its administrative and management responsibilities within the framework of the South African legislation. It would also create the necessary flexibility to address the challenges posed by it operating in a global level.

South Africa’s outgoing cooperation funding has been governed by the African Renaissance and International Cooperation Fund 2000 (ARF). This fund has catered for initiatives between South Africa and other countries that relate to the promotion of democracy and good governance among others. At the operational level, the Fund has been experiencing challenges due to strategic and operational inefficiencies within the fund.

As a consequence of these challenges over the past years, in 2009 Cabinet approved the proposal for the establishment of the South African Development Agency (SADPA), as the body to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects. There were processes to table a Partnership Fund for Development Bill in Parliament in 2017, aimed at an improved coordination of South Africa’s diverse development partnerships[[6]](#footnote-6). The Department has completed a draft strategic framework and policy guideline for all outgoing development cooperation administered under the agency.

1. **National Development Plan (NDP)**

With regard to international relations and cooperation chapter, the national development plan focused on the need to enhance South Africa’s position in the region and the world, and to increase trade and investment. The plan further states that the country’s foreign policy should be shaped by the interplay between diplomatic, political, security, environmental, economic and regional dynamics that define international relations. The plan envisions the country positioning itself as one of Africa’s powerhouses, leading development and growth on the continent; and deepening integration with the Brazil-Russia-India-China-South Africa (BRICS) group of countries.

The National Development Plan has also recommended a thorough analysis of the political and economic costs and benefits of South Africa’s strategic representation and actions abroad. Alongside this issue, the Committee identified a need for the alignment between the mandate of the Department and the organisational structure. The Committee recommended that training and policy analysis remain of strategic importance for the execution of the mandate of the Department.

The Committee had also recommended that there was a need for a dedicated unit in the office of the Director General (chief operating officer), to focus on operational issues (non-political matters) emerging on a daily basis around the work of the Department. These operational details had the ability to render the Department a qualified audit report in 2014/15 and 2015/16 financial years.

The Department has since taken positive steps to, in close consultation with the Department of Public Service and Administration, review its organisational structure, and it’s reflected in the Strategic Plan 2015-2020. This was embarked upon to ensure that there is a synergy between the essential human resource requirements which will enable the Department to achieve its legislative and political mandate.

1. **Measurable Objectives of the Department**

The Strategic Plan 2015-2020 has been categorized into six key priority areas in order for the Department to contribute to a better life for all South Africans as pronounced through the State of-the-nation-address 2016, with the aim of responding to the domestic priorities as announced by government for the 2016-17 financial year as follows:

* Enhancing the African Agenda and Sustainable Development;
* Strengthening political and economic integration of the Southern African Development Community (SADC);
* Strengthening of South-South Relations;
* Strengthening of Relations with the strategic formations of the North;
* Strengthening of Political and Economic Relations;
* Participation in the Global System of Governance.
1. **Overview of Departmental 2016/17 budget and Medium Term Expenditure Framework (MTEF) expenditure focus**

According to the Department’s Strategic Plan 2015-2020, the Department would continue to operate in a dynamic environment that combines varying legislative and monetary regimes that impact on its foreign policy operations. In 2016, South Africa maintained diplomatic relations with countries and organizations through 125 missions in 108 countries abroad, and through the accreditation of more than 160 countries and organizations resident in South Africa.

The spending focus over the MTEF would be on advancing national priorities through economic and political relations. In pursuit of the national imperatives outlined in Chapter 7 of the National Development Plan and Outcome 11 (Create a better South Africa, a better Africa and a better world) of the 2014-2019 medium term strategic framework, the Department would focus over the medium term on consolidating South Africa’s global economic, political and social relations, advancing an equitable, just and representative rules-based multilateral system; pursuing a sustainable developed and economically integrated Africa; and the regional integration of the Southern African Development Community (SADC). There would be a concerted focus on economic diplomacy to contribute to South Africa achieving the vision and goals as espoused in the NDP. The Department would also focus on enhancing its operational capacity. It would also continue with its ongoing development and management of its infrastructure projects and properties.

It was indicated that due to the economic situation and the directive of government, all departments have received a reduced budget for this financial year. The Department had an appropriated budget of R6 510. 854 billion in 2015/16, however in 2016/17 it is faced with a budget allocation of R5 888. 651 billion. The budget reduction could be further affected by foreign exchange fluctuations later in the year, or by unplanned activities that the Department could find itself faced with in the execution of its mandate.

In accordance with the 2016 Estimates of National Expenditure (ENE), an effort to rationalise and to ensure appropriate levels of staffing at foreign missions, the Department has identified savings in compensation of employees for the locally recruited personnel[[7]](#footnote-7) of R215 million over the medium term in the International Relations programme and R183 million in 2017/18 and 2018/19 in the *International Relations programme* and the *International Cooperation programme*. In addition, the Department’s compensation of employees’ budget has been reduced by R232.2 million for 2017/18 and R388.4 million for 2018/19 as part of Cabinet’s decision to lower the national aggregate expenditure ceiling. After consultation with the Department of Public Service and Administration and National Treasury, the Department would develop and implement a plan to manage its personnel expenditure within its reduced personnel budget.

The Department’s goods and services budget has been similarly reduced by R55.5 million for 2016/17, R54.6 million for 2017/18 and R71.4 million for 2018/19. These reductions would be effected mainly on consultants and outsourced services, operating leases, property payments and travel and subsistence.

Expenditure under the Administration programme has been increasing largely due to the challenge of managing a geographically decentralised Department that incurs expenditure in multiple currencies. Currency fluctuations affect budget totals as they are not predictable.

Also as part of the decision to lower the national aggregate expenditure ceiling, Cabinet has approved budget reductions of R88 million in 2016/17, R300 million in 2017/18 and R307.1 million in 2018/19 on transfers to the African Renaissance and International Cooperation Fund (ARF). The fund has sufficient cash reserves to absorb the impact of the reductions and its operations will not be affected. Since the ARF has accumulated funds of R1. 758 646 billion, its budget allocation for the 2016/17 financial year is only R31 thousand.

* 1. **Strengthening the African Agenda and regional integration**

Over the medium term, the Department would be involved in rationalizing regional economic communities towards a continental free trade area, revitalizing the New Partnership for Africa’s Development on infrastructure development, and promoting good governance systems through the African Peer Review Mechanism (APRM). These and other related activities are budgeted for in the Africa subprogramme of the International Relations programme and the Continental Cooperation subprogramme in the International Cooperation programme.

Spending over the medium term is projected to be R3.4 billion, the bulk of which would be on compensation of employees, travel and subsistence and other contractual obligations in missions abroad.

* 1. **Consolidating global economic, political and social relations**

**7.2.1 South-South relations**

The Department would strengthen and consolidate South-South relations, reflecting the shift in the balance of the global distribution of power and increasing influence of emerging economies in the multilateral trading system. Over the medium term, the Department would continue to utilise its membership and engagements with groupings of the South, such as the Forum on China-Africa Cooperation (FOCAC), G77, and the People’s Republic of China; the Brazil, Russia, India, China and South Africa (BRICS), to advance South Africa’s foreign policy objectives. The adoption of the strategy for BRICS economic partnership is expected to facilitate trade and investment, enhance market access opportunities and facilitate market inter-linkages between the countries. The BRICS’ New Development Bank, once operationalised, will serve as an instrument for financing infrastructure investment and sustainable development projects in the BRICS and other countries and emerging market economies.

These activities are budgeted for in the International Relations and International Cooperation programmes. Spending is set to decrease from R4 billion in 2015/16 to R3.6 billion in 2018/19[[8]](#footnote-8), the bulk of which will be on compensation of employees, travel and subsistence, and other contractual obligations in missions abroad.

**7.2.2 North-South relations**

South Africa continues to engage with strategic formations of the North, while advancing mutually beneficial South-South cooperation through structured bilateral mechanisms and multilateral agreements. Over the medium term, the Department has planned to use the United States’ African Growth and Opportunity Act (AGOA) as a platform for industrialisation and regional integration, and relations with the European Union (EU) on the establishment of joint infrastructure projects are at the advanced stages. These engagements were complementary with ongoing participation in United Nations (UN) structures and multilateral organisations and forums.

* 1. **Enhancing the Department’s operational capacity**

The Department operates in a global environment, under conditions that are often significantly different from those defined by the policy context for the public service in South Africa. To address these differences, the Department has reviewed the legislative framework governing its operations. The Foreign Service Bill is currently before Parliament and was expected to be finalised over the medium term.

In addition, the Department aimed to address disparities in its human resources, finance and administrative systems. To this end, it has embarked on a systems modernisation project to provide more secure information and communications technology infrastructure and integrated information system. Spending on these activities is expected to increase from R1.4 billion in 2015/16 to R1.6 billion in 2018/19[[9]](#footnote-9). The bulk of the spending would be on computer services, training and development, and professional advisory services in the Administration programme.

In an effort to rationalise and to ensure appropriate levels of staffing at foreign missions, the Department has identified savings in compensation of employees for the locally recruited personnel. Savings of R215 million over the medium term in the International Relations programme, and R183 million in 2017/18 and 2018/19 in the *International Relations programme and the International Cooperation* programme would be realised.

In addition, the Department’s compensation of employees’ budget has been reduced by R232.2 million for 2017/18 and R388.4 million for 2018/19 as part of Cabinet’s decision to lower the national aggregate expenditure ceiling. After consultation with the Department of Public Service and Administration and National Treasury, the Department would develop and implement a plan to manage its personnel expenditure within its reduced personnel budget.

The Department’s goods and services budget has been similarly reduced by R55.5 million for 2016/17, R54.6 million for 2017/18 and R71.4 million for 2018/19. These reductions are to be effected mainly on consultants and outsourced services, operating leases, property payments and travel and subsistence.

* 1. **Developing and managing infrastructure projects and properties**

The Department’s international property portfolio consists of 133 state owned properties and 800 rented properties. Presently, the Department spends about R575 million per year on leases in countries where it does not own properties. The Department would be to conducting a feasibility study on the viability of developing an acquisition and disposal strategy, including risk assessment and cost benefit analysis elements. The feasibility study would promote a shift towards property ownership over rental; would examine different funding models, including public private partnerships.

All state owned properties were maintained annually from operational funds allocated to individual missions. At present, the Government owns 25 chanceries, one consulate, 35 official residences, 66 staff houses, 16 plots of vacant land and one parking bay.

Over the medium term, the Department would complete the construction of chanceries and official residences in Tanzania, Malawi and the Netherlands. The Department would also enter into a public private partnerships for construction of chanceries in India, Saudi Arabia, Senegal, Mali, Botswana and Uruguay.

Spending on infrastructure has decreased from R247 million in 2012/13 to R209.3 million in 2015/16 due to the completion of chanceries and official residences. It was, however, expected to increase to R303.5 million in 2018/19. Allocations have been earmarked to fund new or existing infrastructure development, the acquisition of land and buildings, and the renovation and refurbishment of state owned chanceries, official residences and staff accommodation.

There were, at time of reporting, 57 such infrastructure projects at various stages of implementation. Over the medium term, the Department would complete chanceries and official residences in Dar es Salaam, Lilongwe and Luanda. Work on these projects was reflected in the projected increase in spending in the *Foreign Fixed Assets Management* subprogramme of the *Administration* programme[[10]](#footnote-10).

* 1. **Long-term infrastructure and other capital projects**

Due to the uniqueness of its mandate, the Department has to execute its mandate beyond the borders of South Africa. This phenomenon has placed high demand on the Department for the provision of accommodation, facilities, goods and services that allow optimal efficiency and effectiveness in the execution of its mandate. Apart from providing for its own needs, the Department was also responsible for facilitating the provision of accommodation and movable assets for partner departments which have representation abroad[[11]](#footnote-11). Currently South Africa was represented in 108 countries globally and conducted business from 125 diplomatic and consular missions.

The Department was thus responsible for two distinct property portfolios[[12]](#footnote-12). These comprised the local property portfolio comprising its Head Office building in Pretoria; state protocol lounges at three international airports in Cape Town, Durban and OR Tambo; two diplomatic guesthouses; as well as office accommodation for the United Nations, Pan African Parliament and the NEPAD Secretariat.

The international property portfolio comprise chanceries, official residences and staff houses. The majority of staff houses were leased while a small number were state-owned. The Department would continue to prioritise acquiring land and properties; and assess existing properties to determine which ones would require renovations or maintenance works.

* 1. **Public Private Partnerships (PPPs)**

The Headquarters of the Department and guesthouses were constructed under a PPPs arrangement. The same facilities management company maintained the properties on behalf of the Department. The Department has to pay a unitary fee for the services, amounting to R101 million per annum for the Office and guest houses. The PPPs agreement would continue until September 2034.

1. **Expenditure trends for Departmental programmes**

**Table 1 Budget Allocation - Vote 6: International Relations and Cooperation**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Rand change** | **Real Rand change** | **Nominal % change** | **Real % change** |
| R million | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2015/16-2016/17** | **2015/16-2016/17** |
| Programme 1:Administration |  1 381.6 |  1 458.7 |  1 520.7 |  1 634.1 |  77.1 | - 13.2 | 5.58  | -0.96  |
| Programme 2:International Relations |  3 506.2 |  3 083.1 |  2 939.7 |  3 019.0 | - 423.1 | - 614.0 | -12.07  | -17.51 |
| Programme 3:International Cooperation  |  525.2 |  579.3 |  565.4 |  574.0 |  54.1 |  18.2 | 10.30  | 3.47  |
| Programme 4:Public Diplomacy and State Protocol  |  363.6 |  252.1 |  266.1 |  288.1 | - 111.5 | - 127.1 | -30.67  | -34.96  |
| Programme 5: International Transfers |  734.3 |  515.5 |  621.1 |  667.4 | - 218.8 | - 250.7 | -29.80  | -34.14  |
|  |  |  |  |  |  |  |  |  |
| **TOTAL** |  **6 510.9** |  **5 888.7** |  5 913.0 |  6 182.6 | **- 622.2** | **- 986.8** | **-9.56**  | **-15.16**  |

Source: 2016 Estimates of National Expenditure

Table 1 illustrates the medium term expenditure estimates for each programme for the years 2015/16 and 2016/17. Table 2 describes the changes in allocations from the years 2015/16 and 2016/17. From this the following can be concluded. For programme 1: Administration, the nominal change was 5.58 per cent and the real change was -0.96 per cent. Programme 2: International Relations has a nominal change of -12.07 per cent and the real change of -17.51 per cent. Programme 3: International Cooperation, had a nominal change of 10.30 per cent, and a real change of 3.47 per cent. Programme 4: Public Diplomacy and Protocol Services experiences a nominal change of -30.67 per cent and a real change of -34.96 per cent. Finally, Programme 5: International Transfers experienced a nominal change of -29.80 per cent and a real change of -34.14 per cent.

Overall, the budget allocation for the Department has declined by R622.2 million in nominal terms and R986.8 million in real terms in 2016/17 from the previous financial year.

* 1. **Expenditure per programme**
		1. **Programme 1: Administration**

The purpose of this programme is to develop the overall policy of the Department and manage its operations. The Strategic Objective of this programme is to achieve an efficient, effective, economical and fully capacitated Department.

There has been an increase in expenditure in Programme 1 from R1 381.5 billion in 2015/16 to R1 458.7 billion in 2016/17.

* + 1. **Programme 2: International Relations**

Purpose - Promote relations with foreign countries.

**Subprogrammes**

* **Africa** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in Africa, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.
* **Asia and Middle East** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in Asia and the Middle East, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.
* **Americas and Caribbean** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in the Americas and the Caribbean, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.
* **Europe** embraces relevant national priorities by strengthening bilateral cooperation with individual countries in Europe, particularly through focusing on increasing exports of South African goods and services, foreign direct investment with technology transfers into value added industries and mineral beneficiation, and inbound tourism and skills enhancement.

There has been a reduction in Programme 2 from R3 506.1 billion in 2015/16 to R3 083.1 billion in 2016/17.

* + 1. **Programme 3: International Cooperation**

Purpose - Participate in international organisations and institutions in line with South Africa’s national values and foreign policy objectives.

**Objectives**

* Contribute towards a reformed, strengthened and, multilateral system that is based on equal rules and that will be responsive to the needs of developing countries and Africa, in particular, by participating in the global system of governance on an ongoing basis.

Strengthen the African Union (AU) by providing ongoing financial support for the operations of the Pan African Parliament in terms of the country host agreement.

* Improve governance and capacity in the SADC secretariat on an ongoing basis, by implementing the secretariat’s job evaluation plan and assisting with the recruitment process on an ongoing basis.
* Contribute towards the New Partnership for Africa’s Development process for socioeconomic development in Africa by participating in the African Peer Review Mechanism and submitting the African Peer Review Mechanism country report when required.
* Strengthen bilateral, trilateral and multilateral interest and relations within the Brazil-Russia-India-China South Africa group of countries dialogue forum through continuous active participation in forum structures.
* Strengthen political solidarity, economic cooperation and socio-cultural relations with Asian countries by participating in the New Asian-African Strategic Partnership structures over the medium term.

**Subprogrammes**

* **Global System of Governance** provides for multilateralism and a rules based international order. This entails participating and playing an active role in all forums of the UN system and its specialised agencies, and funding programmes that promote the principles of multilateral activity.
* **Continental Cooperation** provides for the enhancement of the African Agenda and sustainable development.
* **South-South Cooperation** provides for partnerships with countries of the South in advancing South Africa’s own development needs and the needs of the African Agenda; and creates political, economic and social convergence for the fight against poverty, underdevelopment and the marginalisation of the South.
* **South-North Dialogue** provides for South Africa’s bilateral and multilateral engagements to consolidate and strengthen relations with organisations of the North to advance and support national priorities, the African Agenda and the developmental agenda of the South.

There has been an increase in expenditure for Programme 3 from R525.2 million in 2015/16 to R579.3 million in 2016/17.

* + 1. **Programme 4: Public Diplomacy and Protocol Services**

Purpose - Communicate South Africa’s role and position in international relations in the domestic and international arenas, and provide protocol services.

Subprogrammes

* **Public Diplomacy** promotes a positive projection of South Africa’s image; communicates foreign policy positions to both domestic and foreign audiences; and markets and brands South Africa by using public diplomacy platforms, strategies, products and services.
* **Protocol Services** facilitates incoming and outgoing high level visits and ceremonial events, coordinates and regulates engagement with the local diplomatic community, provides protocol advice and support to the various spheres of government, facilitates the hosting of international conferences in South Africa, and manages state protocol lounges and guesthouses.

There has been a decrease in Programme 4 from R363.5 million in 2015/16 to R252.1 million in 2016/17.

* + 1. **Programme 5: International Transfers**

Purpose - Fund membership fees and transfers to international organisations such as the UN, AU, and SADC.

**Subprogrammes**

* **Departmental Agencies** facilitates the transfer to the African Renaissance and International Cooperation Fund, a public entity of the department.
* **Membership Contribution** facilitates transfers to international organisations.

According to the ENE the spending focus for Programme 5 over the medium term will be on making transfers to the public entity and timeous payment of South Africa’s membership fees to international organisations.

The Department would anticipate a decrease in expenditure in Programme 5 from R734.3 million in 2015/16 to R515.5 million in 2016/17.

1. **African Renaissance and International Cooperation Fund**

The Department has one entity, the African Renaissance and International Cooperation Fund (ARF). After 1994, the democratic government took a deliberate decision to establish a fund, to promote development assistance and consolidate peace and reconstruction in Africa and elsewhere in the world. The fund was thus established in 2000 pursuant to an Act of Parliament, the African Renaissance and International Cooperation Fund Act (Act no. 51 of 2000).

The fund was piloted to give practical effect to the vision of an African Renaissance, being the revival of economic and social development agenda for Africa. This would include promotion of democracy and good governance, the prevention and resolution of conflicts, socioeconomic development and integration, human resource development and infrastructure development. Thus, the strategic approach of the ARF was couched in pursuance of South Africa’s foreign policy objectives as well as Africa’s developmental agenda.

The ARF is located in the Department, under the supervision of the Director-General. The ARF’s activities were administered and managed by its advisory committee, which would comprise representatives from the Department and National Treasury. This committee would make recommendations to the two ministers for concurrence to fund all its projects. Until this financial year, the ARF did not have any personnel and allocations were earmarked for the funding of projects. It has been completely supported and administered by the Department. Transfers to the Fund were included in the monies appropriated to the Department. Countries in need of assistance apply for funding from the fund.

On 2 December 2009, Cabinet approved the proposal from the Department for the establishment of the South African Development Partnership Agency (SADPA). Its aim is to function as a body/agency to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects. The legislative process for establishing the agency was under way, with the Partnership Fund for Development Bill would be tabled before Parliament. Once enacted, the Bill would repeal the African Renaissance and International Cooperation Fund Act (2000), resulting in the integration of functions and the transfer of reserves and assets from the fund to the agency.

The Department was in the process of finalizing institutional arrangements with National Treasury. Once these were finalized, the draft bill would be re-submitted to Cabinet for approval to Gazette for public comment.

* 1. **African Renaissance Fund medium term targets**

There are new performance areas introduced under the ARF. These are important elements needed for ensuring that the entity performs as expected.

1. Approved projects would be monitored for compliance and to ensure that funds are utilised for purposes for which they were disbursed.
2. A project Oversight Committee would be in place to monitor active projects and produce quarterly reports on the findings on the active projects.
3. There would also be quarterly close out reports on completed or closed projects.

Also as part of the decision to lower the national aggregate expenditure ceiling, Cabinet has approved budget reductions of R88 million in 2016/17, R300 million in 2017/18 and R307.1 million in 2018/19 on transfers to the African Renaissance and International Cooperation Fund. The fund has sufficient cash reserves to absorb the impact of the reductions and its operations will not be affected.

1. **Observations and concerns raised by the Committee (Findings)**

10.1 More details were sought on the impact of the reduced budget on the mandate of the Department.

10.2 The budget for the administration has increased but the budget allocation for compensation of employees for 2016/17 has been reduced. This would impact on the operationalization of the new structure of the Department, as some positions would have to be frozen.

10.3 The Department is to conduct a feasibility study on the viability of developing an acquisition and disposal strategy. This is aimed to promote a shift towards property ownership over rental.

10.4 There was a need for a dedicated debate on the review and rationalisation of South Africa’s missions abroad, especially with the prevailing economic situation and the budget cuts.

10.5 The difference between National Interest and National Priorities should be discussed in the near future, as the two concepts inform the country’s foreign policy.

10.6 The Department’s service delivery is measured, among others, by the number and impact of high level visits to the country. An impact assessment of such visits needed to be reported on.

10.7 A progress report was requested on the processes around South Africa building the headquarters for the Pan African Parliament.

10.8 Clarity was sought on how the Department ensured that Locally Recruited Personnel (LRPs) in the missions did not compromise the security of those missions.

10.9 Further information was sought on whose judgement it was that South Africa is a respected, active and responsible global citizen. Furthermore, whether South Africa had adequate infrastructure to meet the increasing tourists’ visits.

10.10 The Department was requested to provide a list of South African embassies and missions abroad and the international organisations to which South Africa is a member. Accompanying the list of South Africa’s representation abroad, should be an annexure indicating the magnitude of South Africa’s investment in each region and each country.

10.11 More information was requested as to how South Africa was going to assist Europe on the migration crisis it was facing currently.

10.12 Clarity was sought, whether the Ubuntu Magazine is published in English only or it is published in other international languages in order to market South Africa.

10.13 The scale of the prevailing vacancy rate should be mentioned.

10.14 There was a need for more detail on the Department’s roadmap to increase intra-Africa trade. This should extend to how it intended to respond to the need to attract FDI required for Operation Phakisa.

10.15 The African Peer Review Mechanism (APRM) is a voluntary process by which the African Union (AU) members have agreed to assess one another on, mainly, compliance with dictates of good governance. More information was requested on whether this noble initiative by the AU was achieving the set mandate.

10.16 More information was needed regarding circumstances of the declared vacant properties belonging to the South African government in the SADC region. Furthermore information was sought on other vacant properties maintained by the Department elsewhere in the world.

10.17 Information was also required on the issue of insurance paid for employees’ cars.

10.18 An update was sought regarding steps taken thus far in response to the recommendations of the Auditor-General’s Report 2015.

10.19 It was encouraging that Home Affairs and the Department have reached some form of agreement, to the effect that Home Affairs has transferred a budget for the operational costs of its officials serving in the missions abroad. Other relevant departments should be encouraged to do the same.

10.20 A detailed explanation was sought on how the Department would handle a scenario where the Minister of International Relations and Cooperation is not agreement with the Minister of Finance in their consultation in funding certain African Renaissance Fund projects.

10.21 More information was sought on which countries were assisted with the African Renaissance Fund, and if there was collateral for loans given to a particular country.

10.22 Whether the African Renaissance Fund would be able to fulfil its objectives in view of the budget cuts. Furthermore, it be explained whether the dwindling budget under the ARF would have a bearing on the establishment of SADPA.

1. **Responses by the Department**

In its reposes the Department noted the following.

11.1 The budget cuts would have impact on the operations of the Department, however the Department would still be able to achieve its objectives.

11.2 The Department, National Treasury and the Reserve Bank were scheduled to meet to discuss the best method to assist the Department with its budget as it gets affected by unpredictable foreign exchange fluctuations.

11.3 A total of 287 vacant posts were reported in the Department, most of which were costed for before the reduction of the budget, hence the high vacancy rate. In accordance with discussions with National Treasury, some of them would be frozen.

11.4 Locally Recruited Personnel were vetted and security checks are done before they are employed by the missions, however in such situations, there was always a security risk.

11.5 The Department has since acquired a web-based system to enhance management and verification of all its assets both at headquarters and missions.

11.6 The Department is responsible for the payment of insurance for cars that are stored for safety by the Department on behalf of those employees.

11.7 Most of the mentioned vacant properties were given to the South African government in 1994 and prior. In some missions the staff compliment has reduced, resulting in some buildings being vacant.

11.8 South Africa is respected because of what it stands for and its independent foreign policy. South Africa is further respected for its commitment to promoting good governance and the protection of human rights.

11.9 Vacant land has been identified in Centurion by the Tshwane Metro Council to build a permanent headquarters for Pan African Parliament and the United Nations offices in South Africa.

11.10 The Department and Home Affairs have reached an understanding which it is believed would address the challenges experienced regarding operational costs for the running of Home Affairs services in the missions.

11.11 There was a need for debates to start on inclusive societies aiming to distribute wealth and resources. This would, to an extent, curb instances of many youth being easily attracted to options of terrorism.

11.12 The African Renaissance Fund did not take collateral to secure loans for any country requesting funding.

11.13 The African Renaissance Fund has been allocated an amount R31 thousand. However due to its surplus of R1.7 billion it would still be able to achieve its objectives.

11.14 There has been no provision for roll-over mandates under the ARF. If a project cannot proceed for the purpose it was intended for, then a new application and motivation should be submitted.

1. **Conclusions**

After discussions during the briefing, the Committee concluded as follows:

The Department has been operating on a shoe-string budget year after year. This year in particular, it has a reduced budget which would further be affected by the imminent foreign exchange currency fluctuations. Its main operations abroad have previously been affected by currency fluctuations.

However, the Committee was encouraged by the Department’s commitment and resolve to achieve its strategic objectives albeit with a reduced budget. Graduation from the qualified audit opinion baseline should be the Department’s goal for the medium term; and it should adhere to and implement the cost containment measures it has agreed upon with National Treasury.

The Department has to carry out its mandate within unpredictable, at times turbulent, external environment to advance South Africa’s national interest. The National Development Plan prescribed that the Department should position itself to assume greater leadership role in Africa, leading development and growth in the continent. The interplay between foreign policy and national interest continue to be the baseline for the Department’s success in the conduct South Africa’s foreign policy. Following from the above conclusions, it has, therefore, become important to have continued clear and focus driven plans which remain aligned to the budget allocated.

1. **The Committee’s recommendations**

Having considered the Strategic Plan and the Budget Vote of the Department and its entity, the Committee recommends that the Minister should consider the following and report on progress within three months of adoption by the National Assembly of this report:

13.1 The Committee has noted the reduced budget allocation for the Department for 2016/17. This is in line with the government’s decision that all departments would receive a reduced allocation due to economic factors in the country. All necessary measures should be taken to enable the Department to deliver on its mandate.

13.2 The Department should take necessary steps to speed up the meeting with National Treasury and the Reserve Bank, in order work out a mitigating model which will cushion the effect of foreign exchange fluctuations on its budget.

13.3 The feasibility study aimed to promote a shift towards property ownership over rental should be undertaken without delay. This would assist the Department to save on costs of renting for official use by missions abroad.

13.4 The newly established and aligned structure of the Department might not be fully implemented due to budget cuts. The Department should speed up consultations with the Department of Public Service and National Treasury, in order to develop and implement a plan to manage personnel expenditure within its reduced personnel budget.

13.5 The processes towards the establishment of the South African Development and Partnership Agency (SADPA) should be expedited.

13.6 Arrangements reached between the Department and the Department of Home Affairs, on the payment for running costs of Home Affairs officials in the missions, should also be negotiated with other affected departments having officials serving in the South African missions abroad.

13.7 All the officials of the Department both at headquarters and missions should be continuously trained in economic diplomacy.

13.8 Quarterly reports should be provided on the progress made with NEPAD projects both in Africa and South Africa the world should be submitted to the Committee.

13.9 A list should be provided of South African embassies and missions abroad and the international organisations to which South Africa is a member. Accompanying the list of South Africa’s representation abroad, should be an annexure indicating the magnitude of South Africa’s investment in each region and each country.

13.10 The recommendations of the Auditor-General’s Report 2015 should be Implemented without delay, and a progress report be provided to the Committee.

13.11 A report should be done and shared with the Committee on the impact assessment of high-level visits and South Africa hosting major international events.

13.12 A progress report should be submitted to the Committee on the processes around South Africa building the headquarters for the Pan African Parliament.

The Committee recommends that Budget Vote: 6 International Relations and Cooperation be passed.

Report to be considered.

**Sources and references**

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1. Department of International Relations and Cooperation, Strategic Plan 2015-2020 [↑](#footnote-ref-1)
2. Department’s Annual Performance Plan 2016-2017 [↑](#footnote-ref-2)
3. Department’s Revised Strategic Plan 2015-2020 [↑](#footnote-ref-3)
4. Department’s Annual Performance Plan 2016-2017 [↑](#footnote-ref-4)
5. Ibid [↑](#footnote-ref-5)
6. Department’s Annual Performance Plan 2016-2017 [↑](#footnote-ref-6)
7. 2016 Estimates of National Expenditure [↑](#footnote-ref-7)
8. 2016 Estimates of National Expenditure [↑](#footnote-ref-8)
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10. 2016 Estimates of National Expenditure [↑](#footnote-ref-10)
11. Department of International Relations and Cooperation Strategic Plan 2015-2020 [↑](#footnote-ref-11)
12. Department’s Annual Performance Plan 2016-2017 [↑](#footnote-ref-12)