**5. Report of the Portfolio Committee on International Relations and Cooperation on Budget Vote 6: International Relations and Cooperation, Dated 10 July 2019**

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 had a preparatory session on 2 July 2019, where the Committee Content Adviser and the Researcher highlighted salient sector issues and the budget allocations of the Department for 2019/20. The Committee met on 3 July 2019 to consider the Department’s Annual Performance Plan (APP) 2019/20. The Committee further discussed the African Renaissance and International Cooperation Fund’s (ARF) Annual Performance Plan 2019/20, together with the Department’s overall budget allocation for 2019/20.

1. **Briefing by the Department on Budget Vote 6: International Relations and Cooperation**
   1. **Presentation by the Department on its 2019/20 and Medium Term Expenditure Framework (MTEF) expenditure focus**

The Director-General Mr Kgabo Mahoai (the DG) gave a general overview of the mandate of the Department, being to work towards the realization of South Africa’s Foreign Policy objectives. This is done through:

* coordinating and aligning South Africa’s international relations,
* monitoring developments in the international environment,
* communicating government’s policy positions,
* developing and advising government on policy options, and creating mechanisms and avenues for achieving objectives,
* protecting South Africa’s sovereignty and territorial integrity,
* contributing to the creation of an enabling international environment for South African businesses,
* sourcing developmental assistance, and
* assisting South African citizens abroad[[1]](#footnote-1).

The Director-General further mentioned that the organizational structure of the Department was such that there are three political principals, namely, the Minister, Dr Naledi Pandor and two Deputy Ministers. Deputy Minister Candith Mashego-Dlamini would be responsible for issues relating to Africa, Continental Cooperation, Asia and the Middle East. Deputy Minister Alvin Botes, would be responsible for issues relating to the Americas, Europe and the Caribbean. He further highlighted that there the Department operated within the prescripts of the United Nations Convention on Diplomatic Relations 1961 and the United Nations Convention on Consular Relations 1963, both which guide the relations between states.

The Director-General pointed out that there were 125 Missions in 107 countries abroad, four of which are hybrid Missions, (multilateral missions) also accredited to international organisations. These multilateral missions are found at the African Union (AU)in Addis Ababa; the United Nations (UN) in New York; United Nations Offices in Geneva and in Vienna. The Department was reported to also have four strategic geographically designated branches and other services branches working in unison to advance South Africa’s Foreign Policy.

According to the Director-General, on the policy level, the Department will be dealing with the Fund for Development (PFD) Bill and the finalisation of the Foreign Service Bill which is before Parliament. The other policy matter relates to the coordination of international activities of a foreign policy nature. This is implemented through a Cabinet agreed Consultative Mechanism between the three spheres of government, which has been a challenge.

The global situation under which the Department had to operate was regarded as volatile, uncertain, complex and ambiguous (VUCA). The external factors and international developments remained influential to the execution of South African Foreign Policy. He further indicated that the substantial budget cuts announced by the government would have impact on the operations of the Department. However, the Department would still be able to navigate and achieve its set objectives.

The other concerning development was that the National Treasury has, since 2017/18, requested the African Renaissance and International Cooperation Fund (ARF) to hand-over its surplus funds. The Department has since submitted a request to National Treasury to retain the uncommitted funds of R 85 374 million in 2018/19, and is awaiting a response. According to the ARF Act[[2]](#footnote-2), accumulated surplus would be carried forward as a credit in the Fund to the next financial year. The concern was that if this practice continued, the ARF would be faced with a limited financial leverage to discharge its mandate as a ‘soft power’ tool of Foreign Policy.

The Department reported that the overall mandate of the Department is to work for the realisation of South Africa’s international relations policy objectives. The foundation of South Africa’s foreign policy was 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[[3]](#footnote-3).

It was highlighted that the Department derived its responsibility from the Constitution[[4]](#footnote-4) and the National Development Plan (NDP) 2030. Its mandate is further detailed in the 2014-2019 Government’s Medium Term Strategic Framework (MTSF).

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 was also on the Department. Under this, the Government sought to “Create a better South Africa and contribute to a better and safer Africa in a better world”, further articulating the vision of South Africa in the regional, continental and international arenas. It was further pointed out that some aspects of the White Paper may be due for a review.

1. **Overarching mandate**

**3.1 National Development Plan**

Chapter 7 of the 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 NDP has 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.

**3.2 State-of-the-Nation Address 2019**

In his State-of-the-Nation Address, President Cyril Ramaphosa designated foreign policy as one of the government’s priorities. Priority seven, relates to ‘a better Africa and world’. The President confirmed the impetus of South Africa’s Foreign Policy towards multilateralism and a rules-based international system; commitment to global peace and security including sustainable economic growth; and the integration of South Africa’s economy with those of the neighbours and the rest of the continent[[5]](#footnote-5). President Ramaphosa went further to say that the African Continental Free Trade Area would improve the movement of goods and services, capital and means of production across the continent[[6]](#footnote-6). The President further pointed out that within the Southern African Development Community (SADC), priority would be on development of cross-border value chains in key sectors such as energy, mining and mineral beneficiation, manufacturing, infrastructure and agro-processing[[7]](#footnote-7). President further elaborated that in order to gain economic development, the SADC region must be peaceful and stable and address conflicts within the region.

South Africa would use its membership of the UN Security Council to promote the peaceful resolution of disputes particularly on the African continent[[8]](#footnote-8).

1. **Situational analysis around the world**

Foreign policy is conducted in a very unpredictable performance environment[[9]](#footnote-9). It was reported that South Africa’s foreign policy is implemented within a highly dynamic and challenging global environment that is often volatile, unpredictable, complex and ambiguous. (VUCA).

It was indicated that globalisation continued to shape the world at an accelerating pace. The VUCA environment has brought about tendencies towards protectionism; increase in populism and extremism; rising populism, global economic imbalances, trade war between United States and China; increased societal impact of social networks and climate change, and the ideals of the Fourth Industrial Revolution. These global trends were increasingly influencing the way the countries of the world relate to one another. South Africa has had to develop a responsive foreign policy approach in order to navigate the turbulent often hostile international environment within which it operates[[10]](#footnote-10).

It was highlighted that South Africa’s diplomatic service is conducted within a dynamic environment with varying foreign legislative contexts and unstable monetary regimes, that impact on the resources of the Department. In view of the increasing demands being placed on the national fiscus and the drive to curtail the public sector wage bill, departments have to operate within a set ceiling of compensation of employees. The Department found itself affected by the ceiling which has been set below the existing wage bill, leaving the Department with very little room to maneuver[[11]](#footnote-11).

1. **Planned policy initiatives**

The Department conducted its affairs and operations in a global environment, with circumstances and conditions which were 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 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.

The Foreign Service Bill was adopted by the Portfolio Committee on 22 November 2018 and by the National Assembly on 4 December 2018. The Bill was also considered by the National Council of Provinces in March 2019. The Bill has since been referred back to the Portfolio Committee to consider an amendment to clause 2: Conflict of laws, and take the process further. Once all the processes have been completed, the Bill will then be referred to the President for accent.

South Africa’s outgoing cooperation funding is governed by the African Renaissance and International Cooperation Fund (ARF)[[12]](#footnote-12). 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). It was envisioned as the body to manage, coordinate and facilitate all South African official outgoing development cooperation programmes and projects. On 14 July 2013, the proclamation on the creation of the SADPA was gazetted. This process provided the legal framework for establishing the agency. The core mandate of the agency would be for managing all South Africa’s outgoing development cooperation, and creating the Partnership Fund for Development (PFD). The PFD is aimed to replace the African Renaissance and International Cooperation Fund Act, 2001 as the mechanism for funding development-cooperation initiatives.

The Department envisages that the new Partnership Fund for Development Bill will be tabled in 2019/20 reporting year[[13]](#footnote-13). It is aimed to enhance the utility of the fund and also improve substantially the governance of funding mechanisms. Furthermore, the Department has completed a draft strategic framework and policy guidelines for all outgoing development cooperation to be administered under the agency[[14]](#footnote-14).

1. **Policy mandates of the Department**

According to the Revised Strategic Plan 2015-2020, the Department is further responsible for regulation and implementation under the following Acts[[15]](#footnote-15):

* *The African Renaissance and International Cooperation Fund (ARF) Act, 2001 (Act 51 0f 2001)*: The Act establishes the Fund to enhance cooperation between the South Africa and other countries, in particular, African countries. This is achieved through the promotion of democracy, good governance, the prevention and resolution of conflict, socio-economic development and integration, humanitarian assistance and human resource development.
* *The Foreign States Immunities Act, 1981 (Act 87 of 1981)*: This Act regulates the extent of the immunity of foreign states from the jurisdiction of courts of the Republic and provides for matters connected therewith.
* *The Diplomatic Immunities and Privileges Act, 2001 (Act 37 of 2001)*: This Act provides for the immunities and privileges of diplomatic missions and consular posts and their members, heads of state, special envoys and certain representatives of the United Nations and its specialized agencies, and other international organizations and of certain other people. Provision is also made for immunities and privileges pertaining to international conferences and meetings held in South Africa.
* The *Measures and Guidelines for Enhanced Coordination of South Africa’s International Engagements* and its annexures, approved by Cabinet in 2009, establish more effective measures and mechanisms to coordinate the conduct of international relations and the implementation of South Africa’s foreign policy.
* *The White Paper on Foreign Policy*, approved by Cabinet in 2011, assesses South Africa’s foreign policy against the rising expectations of the critical role of foreign policy to meet domestic priorities.
* Foreign Service Dispensation (FSD) is implemented in terms of the provisions of Section 3(3) (c) of the Public Service Act, 1994 (Act 103 of 1994), as amended, and is applicable to designated employees who serve in a foreign country at a South African mission abroad and fall within the scope of the Public Service Coordinating Bargaining Council.

The Department is also a custodian of international agreements (bilateral and multilateral) concluded by the Republic in terms of relevant constitutional provisions (sections 231(2) and 231(3) of the Constitution.

1. **Overview of the Department’s strategic outlook and budget for 2019/20; and the MTEF expenditure focus**

**7.1 Strategic outlook for 2019/20: Annual Performance Plan 2019/20**

The Revised Strategic Plan 2015-2020 has been categorized into six key priority areas. This is in order for the Department to contribute to a better life for all South Africans as pronounced through the State of the Nation address 2019, with the aim of responding to the domestic priorities as announced by government for the 2019/20 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.

According to the Department’s Revised 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 2019, South Africa maintained diplomatic relations with countries and organisations through 125 missions in 107 countries abroad[[16]](#footnote-16), and through the accreditation of more than 160 countries and organisations resident in South Africa.

The spending focus over the MTEF would be on advancing national priorities through economic and political relations. The Department would work 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 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)[[17]](#footnote-17).

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.

In the light of the dynamic global environment, South Africa’s international relations is aligned to and support the southern African regional agenda. Consequently, the regional integration agenda remains key continental development. This is in line with the particular emphasis on improving the political and economic integration of the SADC.

There has been a clear and deliberate move to ensure there is a link between the activities of the Department and the implementation of Chapter 7 of the NDP Vision 2030. The NDP underscores the importance of building a nation that contributes to the prosperity of the southern Africa region, the African continent and the betterment of the lives of the marginalised throughout the world.

The NDP further requires that South Africa build a resilient economy which would contribute towards creating a working nation in order to narrow and eventually eliminate the gap between the rich and poor. The Department recognises that the national priorities as contained in the NDP are inextricably-linked to the aspirations of the African continent. Hence, Economic diplomacy would be used to promote the country as a trade and investment destination, thereby attracting foreign investment and also boosting its tourism sector[[18]](#footnote-18).

The aspirations of the NDP have also found expression inthe Southern Africa Development Community (SADC)’s development mechanism, the Revised Regional Indicative Strategic Development Plan (RISDP). These aspirations are also found in the continental programme as encapsulated in the African Union’s (AU) Agenda 2063 Vision. The economic development integration of SADC remains a key focus area[[19]](#footnote-19).

The Southern African Customs Union (SACU) and SADC are considered primary vehicles for regional economic integration. They are regarded important building blocs to achieve the Common Market for Eastern and Southern Africa (COMESA)-East African Community (EAC)-SADC Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (AfCFTA), which was launched in March 2018. Under the AfCFTA, the African nations commit to cut tariffs on 90% of goods with the aim of increasing intra-Africa trade. It was further indicated that the AfCFTA has created the largest free trade zone since the creation of the World Trade Organisation (WTO).

However, it was pointed out that for SACU to play its role in the economies of the member states, it would have to be transformed. This would assist to promote equitable development, sustainable infrastructure development and industrialisation. Peace, security and stability are considered prerequisites for sustainable economic development on the continent.

The cornerstone of South Africa’s Foreign Policy is its believe in multilateralism[[20]](#footnote-20). South Africa is in the UN Security Council as a non-permanent member for the 3rd term as from 2019- 2020. The unanimous vote from the UN General Assembly was testament to the level of trust and respect the international community has on South Africa[[21]](#footnote-21).

During the reporting year, South Africa will continue to promote a more effective multilateral approach to international peace and security to ensure sustainable peace. South Africa will continue to promote multilateralism to advance the priorities reflected in the NDP 2030. South Africa believes in being represented in these multilateral forums to influence, engage the outcomes of the decisions taken by these organisations. In his maiden speech at the UN General Assembly in September 2018[[22]](#footnote-22), President Ramaphosa challenged Member States resist efforts to undermine the multilateral approach to international relations.

South Africa will continue to promote the interests of Africa and the Global South to increase intra-Africa trade and industrial development[[23]](#footnote-23). South Africa ratified the agreement on the African Continental Free Trade Area (AfCFTA) in December 2018. When depositing the Instrument of Ratification at the Summit of the African Union in Addis Ababa, President Ramaphosa highlighted that South Africa showed its unwavering commitment to the implementation of the AfCFTA[[24]](#footnote-24). The AfCFTA is aimed to remove trading barriers, boost intra-Africa trade and build an integrated and diversified market, with a GDP of approximately 3.3 trillion US Dollars.

Africa remains central to South Africa’s Foreign Policy[[25]](#footnote-25). This is pursued through strengthening of bilateral relations for economic development and integration; and on promoting peace, security and stability in the continent. The Department has highlighted that South Africa will assume the chairship of the African Union in 2020. President Cyril Ramaphosa will lead the programmes of the Union.

It is believed that during this period, the Department would pursue the economic development trajectory for the continent[[26]](#footnote-26). The Department is of the view that, strengthening cooperation between the AU Peace and Security Council and the UN Security Council would assist in realising Agenda 2063 goal of creating a continent at peace with itself.

The Department recognised the collective efforts required by Agenda 2063 to strengthen the organs of the African Union (AU), particularly the Commission. It should be empowered to play a central role in the implementation of the continental development plan. South Africa believed that aspirations of Agenda 2063 could be realised not only in conditions of peace and security, but also within the environment entrenching good economic and political governance.

The Department recognised the efforts made by the continent in finding solutions to its own challenges. South Africa is committed to the AU’s resolve to silence the guns by 2020 through collective efforts. In this regard, South Africa welcomed the progress made by the AU since the adoption, in January 2017, of the AU Master Roadmap on Practical Steps on Silencing the Guns in Africa by the Year 2020.

Similarly, South Africa is pleased with the progress made in the implementation of the AU Agenda 2063 First 10-Year Implementation Plan. This included the launch of the Single African Air Transport Market in January 2018. Thus, commendable progress has already been made in realising Africa’s aspirations through flagship projects. There are 10 flagship projects being pursued under the auspices of the AU Agenda 2063. In his State-of-the-Nation address, President Cyril Ramaphosa confirmed impetus of South African solidarity with the people of Western Sahara towards a referendum which would enable them to decide their destiny.

With regard to bilateral relations with other countries, the Annual Plan provides that South Africa will pursue numerous critical international engagements in the form of structured bilateral mechanisms (bilateral commissions) with other countries[[27]](#footnote-27). The Department and its Missions abroad have committed[[28]](#footnote-28) to contribute towards improving the lives of South Africans as they tackle the triple challenges of poverty, unemployment and inequality. The Department would seek opportunities in skills and knowledge development; targeted investments; growing markets for South Africa’s products and services in an integrated and inclusive manner. the main focus of the Department would be to utilise South Africa’s bilateral engagements and Missions abroad to contribute to the government drive for investment and inclusive growth.

According to the APP, Asia and the Middle East region has become an integral part of South Africa’s global trade aimed at addressing the triple challenges. The Department intends to scale up high level visits to the region. During his February 2019 State of the Nation address, President Ramaphosa mentioned an investment summit, to which China already has pledged US$14 billion and the United Arab Emirates (UAE) and Saudi Arabia jointly pledged US$10 billion towards the President investment drive.

Brazil, Russia, India, China, South Africa (BRICS) formation is reported to have strong ties. It is argued that its strength is based on the common values of seeking redress for the domestic challenges faced by each country. The BRICS family also cooperate in calling the international community to restructure the global political, economic, financial architecture. The formation seeks a more balanced, representative, inclusive and rules based multilateralism. South Africa hosted the 10th BRICS Summit in July 2018. The next BRICS Summit will be held in Brazil at the end of 2019, and South Africa will participate.

The India, Brazil South Africa (IBSA) grouping is characterised by common domestic challenges and the aspirations to tackle them through South-South cooperation partnerships. IBSA has in the recent past been considered dormant[[29]](#footnote-29), however, the partners are scheduled to meet on the margins of the 74th UN General Assembly in New York in September 2019. The IBSA formation has a Development Fund and it is very active. It has funded a number of projects in the Global South, which are in support of the Sustainable Development Goals (SDGs) and Agenda 2063. IBSA is celebrating 15 years of existence this year.

The Indian Ocean Rim Association (IORA) is reported to be the brainchild of Former President Mandela[[30]](#footnote-30), who had a vision of a prosperous group of nations bordering the Indian Ocean. He envisaged the utilisation of the resources of the Blue Economy for the common good of the nations bordering the Indian Ocean. South Africa is currently chairing IORA until end of 2019. South Africa addresses the aspirations of Operation Phakisa through the Blue Economy programmes of IORA.

South Africa would remain committed to the strategic partnership relations with formations of the North. Western Europe remained a key strategic region for South Africa for continued engagements and the search for opportunities related to Operation Phakisa and unlocking the Ocean’s Economy. It will utilise co-chairship of G20 (Group of 19 countries plus the European Union) Development Working Group to support economic development and inclusive growth for South Africa, Africa and the Global South. The partnership would further assist in identifying vocational training and scholarship opportunities. This would be in order to provide the workforce with necessary skills required to fill the gaps in the country’s labour market and for attracting trade and investment from the region. The European Union (EU) thus remains South Africa’s largest trading partner and largest foreign investor.

South Africa’s diplomacy in Asia and the Middle East would focus on cooperation pursued with partners through high-level visits, structured bilateral mechanisms and economic diplomacy initiatives. Focus would also be on the promotion of South Africa as an investment destination for investors from the region. Focus would be on value-added sector and beneficiation in support of South Africa’s industrialisation and development.

The Indian Ocean region remained of vital importance and growing geostrategic significance. South Africa was reported as viewing the Indian Ocean Rim Association (IORA) as a pre-eminent regional organisation linking Africa, the Middle East and Asia via the Indian Ocean. The association is growing in stature and prominence, and South Africa is the Chair of IORA for the period from October 2017 to October 2019.

However, the Department has underscored that socio-economic development, regional or international, would be realised in a democratic environment which responds to the needs of the people. The conduct of bilateral political and economic relations would remain the center of the Department’s international work. This would be with a deliberate view to address domestic challenges and pursue continental aspirations.

As a result, this Annual plan commits South African missions abroad to work tirelessly and undertake practical steps to attract foreign direct investment and attract tourists from the South and the North alike. It further provided details of how the Department sought to project South Africa and improve comprehension of the country’s international engagements by both domestic and international audiences.

With regard to the relations with the anchor states and formations of the South, the Department recognises that South Africa shares a history of solidarity and current developmental challenges with most African countries and the global South. South-South cooperation remains critical in advancing common aspirations. The historic partnership has been entrenched with the establishment of the India, Brazil, and South Africa (IBSA) and the Brazil, Russia, India, China and South Africa (BRICS). South Africa’s membership in BRICS has yielded benefits for the country and is expected to do so for the rest of the continent.

The New Development Bank (NDB) was launched in 2015, while the African Regional Center (the ARC) of the NDB was launched in 2017 by former President Jacob Zuma. The ARC is intended to play a catalytic role in providing financial and project preparation support for infrastructure and sustainable development projects in South Africa and Africa. South Africa assumed the rotational

On the Global Agenda, the Department’s focus would continue to be on the reform of the United Nations (UN) system. The Department is conscious that the UN, in its current form, is not reflective of the current global political and economic configuration. Its current form, the UN system (especially the UN Security Council) is regarded as undemocratic and unrepresentative of the aspirations of its membership, particularly the poor and the marginalised.

The Department further urges that the 2015 Paris Agreement be implemented without delay to protect human life from the on-going erratic and persistent weather conditions. The Department would also continue to represent the national interest of South Africa and the aspirations of the African continent and the global South in its participation in the World Trade Organisation (WTO) and the Group of 20 (G20).

The Portfolio Committee had recommended, in its 2014/15, 2015/16 and 2016/17 Budget Review and Recommendation Reports, that the Department should ensure that crafting of foreign policy and its diplomatic projections are handled by cognisant, professional and technically proficient officials at home and in missions abroad.

In response, the Department revised its organisational structure in 2016, to realign it with the ever-changing mandate of international relations trends.

However, the new structure is not fully operational. In the light of the increasing demand being placed on the national fiscus and the drive to curtail the public sector wage bill, the Department has to operate within a set ceiling of compensation of employees. This has severely impacted on the filling of vacancies and the Department would accordingly continue to abolish/freeze non-critical posts, both at headquarters and abroad. The Department has reported a current vacancy rate at 9,09%, which is within the national minimum average rate of 10%.

**7.2 Overview of Departmental budget 2019/20 and MTEF expenditure focus**

The Department would be allocated a decreased budget amount of R6 508,5 million in 2019/20 compared to R6 552,8 million in 2018/19 financial year. The budget could still be 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. The impact on the overall budget could be further exacerbated since the Department would be hosting a number of high level events in the 2019/20 financial year. This was reported in line with South Africa having assumed strategic leadership positions in international forums and being: Chair of IORA: October 2017-October 2019; currently serving as a non-permanent member in the UN Security Council for 2019 and 2020, and to assume the chairship of the African Union in 2020. There would be summits and structured meetings which South Africa has to host, and National Treasury has asked the Department to find a budget for the events within the allocated budget.

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

Over the medium term, the Department would be involved in rationalising regional economic communities towards a continental free trade area. It would be revitalizing the New Partnership for Africa’s Development (NEPAD) 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 of the International Cooperation programme. Spending over the medium term is projected to be R3,7 billion, the bulk of which will be on compensation of employees, contractual obligations in Missions abroad and membership contributions to regional and continental bodies[[31]](#footnote-31).

As one of the largest contributors to the AU budget, South Africa’s membership contribution is expected to increase by R200 million in 2019/20 (from R237,9 million to R437,9 million) and by R213,3 million in 2020/21 (from R251 million to R464,3 million) to address a shortfall as a result of the current scale of assessment to determine countries’ membership fees to the AU. This contribution is expected to decrease to R265,1 million in 2021/22, when the current three-year cycle of the scale of assessment lapses[[32]](#footnote-32).

**7.4 Consolidating global economic, political and social relations**

To advance South Africa’s foreign policy objectives, the Department would continue to strengthen and consolidate South-South relations through its membership and engagements with organisations such as the Forum on China-Africa Cooperation, G77 and the Brazil-Russia-India-China-South Africa (BRICS) group of countries. The adoption of the strategy for the BRICS economic partnership is expected to facilitate trade and investment, enhance access to market opportunities, and facilitate trade between member countries. The BRICS New Development Bank (the NDB) was officially launched in February 2015. The bank is operational and it lends money to developing countries and emerging economies to help finance infrastructure and sustainable projects in BRICS member states and other developing countries and emerging economies. The bank’s ARC was launched in Johannesburg in 2017 by the former President Jacob Zuma and has begun operations. The ARC is intended to play a catalytic role in providing financial and project preparation support for infrastructure and sustainable development projects in South Africa and Africa.

The Department would continue to support, negotiate and influence reforms in systems and structures of global governance through its ongoing participation in United Nations (UN) structures, and multilateral organisations and forums. South Africa would continue its support to the India, Brazil, and South Africa (IBSA) forum. These activities are funded through the *Membership Contribution* subprogramme in the *International Transfers* programme.

**7.5 Recalibrating South Africa’s foreign policy and services**

South Africa’s foreign policy is formulated and executed in a global environment that is constantly evolving. It therefore requires frequent recalibration through comprehensive reviews of various foreign policy levers, tools and instruments to remain relevant and in line with the Department’s mandate. To this end, in 2018/19, Minister Sisulu established the foreign policy review panel and convened the inaugural foreign policy review workshop to begin the process of reassessing South Africa’s foreign policy.

The panel’s work over the MTEF period is expected to provide strategic guidance and recommendations on rationalising foreign missions. This will be done through critical appraisals of staffing levels within missions, and reviews of the policy frameworks governing the foreign services and those regulating benefits and allowances for foreign service dispensation. To support the panel’s activities, R8 million per year over the medium term is allocated in the *Administration* programme.

Over the medium term, the Department has planned to establish and manage bilateral structures and mechanisms. It would also coordinate high-level engagements on issues such as trade, investment, peace, security and cultural exchange.

This would strengthen South Africa’s political and economic partnerships. It could also increase exports of the country’s goods and services. It could attract greater foreign direct investment and technology transfers into value adding industries and mineral beneficiation, and grow inbound tourism and the skills base. The 125 foreign missions play a crucial role in these activities, as do bilateral meetings with targeted government ministries, meetings with potential investors, engagements with various chambers of commerce, and participation in events to promote tourism.

In 2019/20, the Department is expected to undertake 112 economic diplomacy initiatives on trade and investment, as well as 126 engagements with chambers of commerce. The Department has also planned to enhance. Spending on these activities is in the International Cooperation programme, and is expected to increase at an average annual rate of 7,8%, from R490,1 million in 2017/18 to R613,8 million in 2020/21.[[33]](#footnote-33)

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

The Department manages a portfolio of domestic and international properties. Expenditures incurred in the domestic portfolio include: unitary payments for the public-private partnership for the head office building; rental and maintenance costs for three state protocol lounges at the OR Tambo, Cape Town and King Shaka international airports; the costs of two diplomatic guesthouses; and the accommodation costs of United Nations agencies, the Pan African Parliament and the NEPAD secretariat. The geographically decentralised and complex nature of the Department places high demands on it for the provision of accommodation, facilities, goods and services that allow optimal efficiency and effectiveness in the execution of its mandate. The Department operates both in South Africa and in various countries abroad. Currently, South Africa is represented in 107 countries globally and conducts business from 125 diplomatic and consular missions.

In addition, the Department manages a portfolio of state-owned and rented properties abroad, and is responsible for leasing, purchasing, disposals, alterations, maintenance, refurbishment, furniture and facilities.

The Department’s new property management strategy was approved in August 2017 to provide for a mixture of rental and ownership. To reduce the cost of rental properties, the Department was in the process of drafting a plan to own properties in missions for office and residential accommodation. Accordingly, and for piloting purposes, the Department was in the process of purchasing a property in New York to house the country’s mission office and residence in the United States.

The Department’s international property portfolio consists of approximately 163 state-owned properties and in excess of 1000 rented properties. In support of cost-containment measures, and in order to reduce the operational cost associated with the rental of properties abroad as well as to provide in missions’ need for suitable and secure long-term accommodation, the Department is developing a property acquisition strategy for the accelerated acquisition of state-owned accommodation via alternative funding mechanisms such as finance lease arrangements.

During the medium term period, focus will be on the development of state-owned vacant land according to developmental standards and norms. There will also be a drive for the acquisition of properties in areas of strategic and economic importance, such as multilateral areas and in BRICS trading partners.

Property renovations, repair and maintenance activities have also been planned for the reporting year. This will be executed in accordance with the comprehensive property conditions assessment of all state-owned properties performed in 2016/17. Day-to-day property maintenance continues to be executed by Missions and is monitored by Head Office with specific key performance areas at both levels. All state owned properties are maintained annually from operational funds allocated to individual missions. At present, the Government owns 25 chanceries, one consulate, 35 official residences, 66 staff houses, 14 plots of vacant land and one parking bay[[34]](#footnote-34).

* 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 R249,9 million per annum for the head 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**  **(R million)** | **Adjusted appropriation** | **Medium term estimates** | | |
| **2018/19** | **2019/20** | **2020/21** | **2021/22** |
| 1: Administration | 1 566,9 | 1 447,8 | 1 716,2 | 1 927,1 |
| 2: International Relations | 3 375,6 | 3 018,0 | 3 246,4 | 3 443,9 |
| 3: International Cooperation | 527,5 | 564,2 | 613,8 | 651,6 |
| 4: Public Diplomacy & Protocol | 342,9 | 322,9 | 344,8 | 365,9 |
| 5: International Transfers | 739,9 | 1 155,6 | 1 005,0 | 729,7 |
| Total | **6 552,8** | **6 508 5** | **6 926,1** | **7 118,3** |

Source: 2019/20 Annual Performance Plan of the Department

Table 1 illustrates the medium term expenditure estimates for each programme for the years 2018/19 to 2021/22. From this the following can be concluded. For programme 1: Administration, the 2019/20 allocation is R1 447,8 million. Programme 2: International Relations allocation for 2019/20 is R3 018,0 million. Programme 3: International Cooperation, the 2019/20 allocation is R563,2 million. Programme 4: Public Diplomacy and Protocol Services, the allocation for 2019/20 is R322,9 million. Finally, Programme 5: International Transfers, allocation for 2019/20 is R1 155,6 million.

The Department stipulates that the spending focus over the Medium Term Expenditure Framework (MTEF) period will be on advancing national priorities through the following parameters: economic and political bilateral relations; participating in global governance fora; advancing an equitable, just and representative rules-based multilateral system; pursuing a sustainable, developed and economically integrated Africa; and the regional economic integration of the Southern African Development Community (SADC). There will be a concerted focus on Economic Diplomacy to contribute to South Africa achieving the vision and goals as espoused in the National Development Plan (NDP).

The Department has been allocated an overall decreased budget of R6 508,5 million in 2019/20 compared to R6 552,8 million in 2018/19.

* 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.

The programme has been allocated a decreased budget of R1 447,8 million in 2019/20 compared to R1 566,9 million in 2018/19. The programme caters for the overall day to day running of the Department. Over the past five years, the Department continued to portray a good image of the country to the outside world. In both the 4th and 5th Parliaments, the portfolio committees acknowledged the good political work that the Department has been doing. This assessment was informed by the fact that South Africa is now a respected global player. It has been invited to participate in many formerly exclusive global forums, like, the G20 (a Group of 19 states plus the European Union).

With the demand being placed on the national fiscus and the drive to curtail the public sector wage bill, this has severely impacted on the filling of vacancies. The Department would accordingly continue to abolish/freeze non-critical posts, both at headquarters and abroad. The Department has reported a current vacancy rate at 9,09%, which is within the national minimum average rate of 10%.

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

The purpose of this programme is to promote relations with foreign countries. The Department will continue to support efforts towards democracy and good governance in the region. South Africa will thus continue to participate in election observer missions in Malawi, Botswana and Namibia in 2019/20. Bilateral engagements are a basis for strengthening political and economic relations and provide a platform for advancing national priorities and to lobby support for multilateral engagements and common positions.

**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.

The programme has been allocated a decreased budget of R3 018,0 in 2019/20 compared to R3 375,6 million in 2018/19[[35]](#footnote-35).

* + 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.
* Improving 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.
* Contributing 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.
* Strengthening 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.
* Strengthening 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. The NDP advocates that the Department should retain an influential space for South Africa in key multilateral institutions. As a result, South Africa continues to regard the United Nations as a vehicle to advance the global development agenda, address underdevelopment and eradicate poverty. South Africa is currently serving its 3rd term as a non-permanent member of the United Nations Security Council UNSC (2019- 2020) and will again chair the UNSC during October 2019 having done so in January. Furthermore, South Africa has undertaken to present South Africa’s Voluntary National Report (VNR) on SDGs implementation to the High level Political Forum.
* **Continental Cooperation** provides for the enhancement of the African Agenda and sustainable development. Africa remains central to South Africa’s Foreign Policy, and as such has aligned its Foreign Policy engagements with Africa’s Agenda 2063. South Africa remains committed to the strengthening of the African Union and its political structures. In this regard, South Africa participates in the AU Peace and Security Council, and participates in peace missions such as the UN Multidimensional Integrated Stabilisation Mission in the Democratic Republic of Congo (MUNUSCO).

South Africa also contributes to the AU Peace and Security Peace Fund, aimed at self-sufficiency and finding African Solutions to African problems. South Africa participates in Post Conflict Reconstruction and Development initiatives, largely through committing funds from the ARF. South Africa will be chairing the AU in 2020. The promotion of Good Governance and protection of human rights feature prominently in the work of the Department within the AU. The ARF has funded elections processes in the region, and SADC remains a region with a high democracy barometer as a result.

* **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 Africa will continue to engage its partners from the Global South through forums such as the Non-Aligned Movement (NAM); the Brazil, Russia, India, China and South Africa (BRICS) forum; the India, Brazil and South Africa (IBSA) grouping; the Indian Ocean Rim Association (IORA); and the African Caribbean and Pacific (ACP) region.

South Africa is the current chair of IORA until the end of 2019. South Africa participates in these forums as it shares common values with the countries concerned. The common aspirations are with regard to eradicating poverty, addressing unemployment and inequality and aspiring for sustainable economic growth in their respective countries. The Department has to ensure that the outcomes of these engagements reflect South Africa’s national interest.

* **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. South Africa will continue to leverage relations with the strategic partners of the North in advancement of national and continental priorities, as well as the interest of the Global South. South Africa’s engagements with the North pursue national interest and are aimed to address the triple challenges facing the country. In particular, these engagements target the five priorities of Government, the nine-point plan and the objectives of Operation Phakisa.

The International Cooperation programme has been allocated an increased budget of R564,2 million in 2019/20, compared with R527,5 million in 2018/19[[36]](#footnote-36).

* + 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. The Department will deliver in this programme through 12 public participation programmes, 120 media statements, 12 opinion pieces and 4 stakeholder publications for the 2019/20 financial year.
* **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. through the accreditation of more than 160 countries and organisations resident in South Africa. South Africa has the second largest diplomatic community to Washington. The Department will also continue to provide protocol advice and support to the various spheres of government, facilitate holding of international conferences and manage State Protocol Lounges in Pretoria and in international airports at OR Tambo, King Shaka and Cape Town.

Programme 4 has been allocated R322,9 million in 2019/20, compared to R342,9 million in 2018/19[[37]](#footnote-37).

* + 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[[38]](#footnote-38), 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 programme has been allocated an increased budget of R1 155,6 million in 2019/20 compared to R739,9 million in 2018/19[[39]](#footnote-39). This allocation is also impacted upon by currency fluctuations.

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. The strategic function of the ARF is to leverage South Africa’s influence, as a ‘soft power’ tool, in pursuance of its Foreign Policy. This would include promotion of democracy and good governance, the prevention and resolution of conflicts, socioeconomic development and integration, humanitarian assistance and human resource development and consolidate peace and reconstruction in Africa. Countries in need of assistance apply for funding from the fund. 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 an advisory committee, which would comprise representatives from the Department and National Treasury. This advisory committee would make recommendations to the two ministers for concurrence to fund all its projects. Much as the ARF has been allocated personnel, 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. There were processes to table a Partnership Fund for Development Bill in Parliament in 2019/20 financial year. 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.

* 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.

In support of democracy, and good governance, the ARF supports the holding of democratic elections. This is achieved through South Africa’s participation in the Southern African Development Community elections observer missions and technical support for elections, hence the need for oversight by the Committee. The conduct of free and fair elections provides a yardstick for measuring the quality of democracy in a country[[40]](#footnote-40). The ARF would continue to support projects that would contribute toward improving food security and addressing poverty reduction on the continent. It will continue to contribute to peace and stability on the continent, and South Africa would support mediation processes in conflict hotspots.

Also as part of the decision to lower the national aggregate expenditure ceiling, the 2019/20 appropriated funds for the ARF is R46,3 million. As of 31 March 2019, the ARF had uncommitted funds to the amount of R85,4 million, which the Department has since submitted a request to National Treasury to retain the uncommitted funds, and it is awaiting a response. It is important to note that the ARF continues to be a significant instrument in the implementation of South Africa’s foreign policy imperatives, especially for development cooperation in Africa. However, The ARF was requested by National Treasury, to surrender to the national revenue fund, R1,6 billion in the 2017/18 financial year. This is likely to happen again, despite the provisions of section 7(2) of the ARF Act (Act No. 51 of 2000) providing that “any unexpended balance in the Fund at the close of any financial year must be carried forward as a credit in the Fund to the next succeeding financial year”.

One of the objectives of the ARF is to promote democracy and good governance. The ARF would continue to support the Southern Africa Development Community (SADC) election observer missions. The holding of democratic elections is considered critical to socio-economic development on the continent. There are ten countries due to go for elections in 2019/20, and of these, five would be from the SADC region, namely, Botswana, Malawi, Mozambique, Namibia and South Africa. The Department believes that building strong institutions would enable South Africa to entrench the culture of good governance as well as efficiency and responsiveness, which, is an integral part of Africa’s renewal programme.

The ARF would continue to pursue its strategic objectives as outlined in the ARF Act, with more emphasis on provision of loans and investment projects to fulfil these strategic objectives. Loans or other financial assistance are granted in accordance with an agreement entered into by the country in question and the Minister of International Relations and Cooperation (hereafter referred to as the Minister). The ARF has granted its first loan to the Government of Cuba, this was line with the ARF future strategy of focusing on loans and infrastructure investment, which would aid in recapitalising the ARF amid reduced allocations. Socio-economic development could be achieved by funding sustainable projects through the provision of loans. Cuba is reported to have already serviced and paid its loan in full.

The world continues to experience an increase in natural disasters. This fund enables South Africa to be counted among those who strive to restore human dignity and bring relief to people in distress as and when humanitarian situations arise.

Trilateral cooperation would be an area of focus in the medium term period. The ARF would work with other funding institutions to ensure greater impact of the projects that are funded.

1. **Observations and concerns raised by the Committee (Findings)**
   1. The Committee had wished that, since it was the first engagement, the Department would have made a detailed introduction on its work, its audit baseline; successes and challenges it could be facing, to give members a holistic perspective into the unique mandate of the Department.
   2. The Committee noted the undertaking by the Department that it would endeavour to achieve their set annual objectives within the allocated tight budget. However, more details were sought on how the Department planned to navigate without compromising on the deliverables of South Africa’s Foreign Policy. It was further asked whether the budget review takes into account the late assessments of membership fees by international organisations.
   3. There were challenges facing the Department which would impact on its overall budget. A detailed explanation was sought on how the Department would contain expenditure within the reduced compensation of employees as these were largely paid in foreign currency. It was noted that there would be a projected shortfall of R429 million on compensation of employees based on filled positions. The Department was asked what steps it would take to contain expenditure within the prescribed ceiling.
   4. The Committee further noted that the Department was also facing scenarios of unexpected though unavoidable expenditure due to its international obligations this financial year; such as the shortfall for 2019 on South Africa’s Annual SADC Member States’ contribution amounting to R43,5 million. Furthermore, South Africa would be assuming the chairship of the African Union in 2020. More details were sought on how the Department would implement its international obligations with no additional funds allocated from National Treasury for these events, and whether the National Treasury is being engaged on these matters.

10.5 Two cost-drivers impacting on the budget of the Department were identified. These were the budget ceiling on the compensation of employees and the operational leases for around 1000 rented premises abroad. Both these items are impacted upon by the fluctuation of major currencies affecting the Rand. Mitigating factors put in place with regard to employees included the deferment of filling some posts of transferred personnel. It was further noted that the Department had commissioned a Foreign Policy Review Panel which, among others, proposed that the rationalisation of South African missions abroad should be considered in the future to address this challenge. Nonetheless it was felt that rationalisation should not impact on Africa and the African Agenda.

10.6 A need was identified for future regular political engagements and discussions between the Minister and the Committee on various international affairs issues. This would enable the Committee, as the public’s representatives, to understand the politics behind certain positions that South Africa has to take in multilateral forums.

10.7 More information was sought on the kind of support that South Africa would be extending to four countries which would be holding elections in 2019. These are namely, Botswana, Malawi, Mozambique, and Namibia.

10.8 The Department has conducted 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. More detail was sought on the result of such a study and progress related to its initial application in the mission in New York.

10.9 It was noted that South Africa was serving a third term as a non-permanent member of the United Nations Security Council (UNSC) for 2019-2020. It was said there would be a need for a thorough briefing on how South Africa utilises its seat in the UNSC in pursuance of South Africa’s Foreign Policy.

10.10 More details were sought regarding how the existence of an African Continental Free Trade Area (AfCFTA) would address this challenge, and how South Africa would embrace the investment drive by President Ramaphosa using this continental tool.

10.11 The Cuban government has been diligently repaying the loan ahead of the stipulated time. Cuba was commended for having paid back, ahead of time, a large percentage of its current loan with the South African government. The gesture was seen as a true reflection of solidarity and cooperation under the auspices of the South-South relations. It was further noted that the ARF is now looking into issuing investment loans in the future, such as the one with Cuba.

10.12 More details were sought regarding the impact on the activities of the ARF, by the recalling of R85,374 million by National Treasury from its 2018/19 surplus funds. This was seen as threatening to limit the historical mandate of the ARF as a ‘soft power tool’ to leverage aspirations of South Africa’s Foreign Policy.

10.13 More information was sought on whether this financial year, SADPA would be operationalised and the ARF repealed to address all the challenges facing the ARF. It was further noted that the Department has been having the same indicator in previous years regarding the tabling of the Partnership Fund for Development Bill.

10.14 More information was needed on the political and rand value of South Africa’s membership to international organisations.

10.15 A detailed report was requested on the projects receiving funding from the African Renaissance Fund, their current status, project oversight reports for active projects and completion reports where projects are closed. This would assist the Committee to draw up its own oversight strategy on the entity.

10.16 More information was sought regarding finalised disciplinary cases, including the one concerning the Chief Financial Officer.

10.17 There was a need for more detail on the Department’s roadmap to use economic diplomacy to increase intra-Africa trade. This should extend to how it intended to respond to the need to attract FDI required for Operation Phakisa and the President’s drive to create job opportunities.

10.18 More information was needed on the circumstances rendering irregular and also fruitless expenditure in the operations of the Department, as stipulated in the Auditor General’s annual reports.

10.19 It was observed that the Department’s budget figures as they were not correlating, and the Department asked to give an explanation and review them.

10.20 Detailed information was requested on the progress relating to the 10 flagship projects being pursued under the auspices of the African Union Agenda 2063.

10.21 More information was requested on South Africa’s posture for keeping the reform of the United Nations Security Council alive on the agenda of the UN.

10.22 An update was sought regarding steps taken thus far to address the shortcomings identified in the Auditor General’s Report 2017. Special focus was on the matters relating to the upgrading and integration of the departmental ICT systems, completeness of the asset register and compliance with the prescripts of supply chain management.

10.23 It was noted that South Africa has a basket of allocated quotas in strategic international organisations that it is party to. It was asked how far the Department had gone in attracting South Africans to these positions.

10.24 The Committee requested the Department to submit a detailed report on the processes thus far, regarding the provision of a permanent headquarters for the Pan African Parliament.

10.25 An update was sought on the status of the Foreign Service Bill, 2015.

10.26 It was asked how far the Department was from the growth target predicted by the National Development Plan.

10.27 More clarity was sought on the relationship between the mandate of the Department and that of Brand SA, and how they synchronise efforts towards promoting the image of the country.

10.28 It was noted that some of the challenges facing the Department were that some service contracts had expired though still being utilised. It was questioned why such contracts were left to continue running while illegal.

10.29 It was observed that from the reports of the Auditor General and the presentation by the Department, there was a tendency to ignore the prescripts of the PFMA. The Department was urged to comply with requisite legislation while executing its mandate.

10.30 The Committee recalled that its mandate translates to overseeing and ensuring accountability in the formulation and implementation of South Africa’s Foreign Policy. It further noted that the mandates of the Department and it entity are largely executed abroad by the Department and its South African Diplomatic Missions abroad. The Committee concluded that in order for the Committee to assess service delivery on Foreign Policy, it must be able to oversee the work of the Department, its entity and South African Missions where they operate, being beyond the borders of South Africa.

The Committee noted with concern that the current inward-looking Parliamentary Oversight Model imposed challenges on the mandate of the Committee. It allows a limited space for oversight beyond the borders of South Africa, in that it largely allows oversight within the borders of South Africa. Otherwise, the Committee would conduct oversight abroad where South Africa’s Foreign Policy is implemented.

1. **Responses by the Department**

In its responses the Department noted the following.

11.1 The pressures imposed on the overall allocated budget would have an impact on the operations of the Department, however the Department would endeavour to achieve its objectives.

11.2 The Department has already put cost-containment measures in place in order to source funds for the extra-budgetary international obligations facing it this financial year. It would not fill positions which become vacant in order to try and stay within the prescribed ceiling on compensation of employees. The Department would also reduce both overtime payments and annual leave encashment, encourage early retirement and review the Cost of Living Allowances (COLA) for transferred staff in the Missions.

11.3 With regard to rationalisation of South African missions abroad, it was still open for discussion and the Committee was urged to also make recommendations on the matter. It was said further that the Department would remain conscious of the economic position of the country when engaging on the rationalisation of missions. However other factors are that with the advent of the AfCFTA, South Africa may actually think of strengthening its footprint in Africa. Furthermore, time and space should be given for the new Minister and the President to study the situation and take appropriate decisions on the matter.

11.4 The idea of regular political discourse between the Minister, her deputies and the Committee was welcomed. Such political discussions would help shape the next round of strategic planning content, hence allowing the Committee to influence the areas of work the Department would focus on.

11.5 Vacant state owned properties abroad would be under the responsibility of the Department once the Foreign Service Bill has been accented to by the President. The Department is eager to have the issue raised by the NCOP on the Bill addressed and the Bill finalised.

11.6 The new property management strategy was approved in August 2017 to provide for a mixture of rental and ownership. For piloting purposes, the Department embarked on a building project in New York to house the country’s mission office (Chancery) and residence in the United States, and other areas would follow. The project was halted, while National Treasury is assessing the processes around procurement of services.

11.7 The Department would take undertake to curb future fruitless and irregular expenditures. Irregular expenditure is often caused by disregarding of the prescripts of the supply chain management. The fruitless expenditure would arise if meetings are cancelled and flights too, with hefty penalties. The outdated ICT infrastructure is being looked into and there is an ICT Charter in place, aimed at regulating use and security associated with ICT. The asset register has been cleaned up and the Department is awaiting the Auditor General’s assessment through his annual report. The Department would ensure that in the future, the irregular service contracts do not remain in the system unchecked.

11.8 The African Continental Free Trade Area (AfCFTA) sought to address the low intra-Africa trade. South Africa has ratified the AfCFTA. The economic diplomacy drive for attracting investment into the country will thrive through the implementation of the AfCFTA. Missions abroad are geared to make in-roads and attract Foreign Direct Investment (FDI), while seeking opportunities for South Africa’s business and the continent and beyond.

11.9 Due to the unilateral US economic embargo on Cuba, the loan granted by the government to Cuba could not be transferred through normal bank transactions. The ARF had to step in and effect the transactions under the Economic Assistance Package agreement between South Africa and Cuba. The Cuban government has been diligently repaying the loan ahead of the stipulated time. A detailed report on the Economic Development Package to Cuba would be submitted to the Committee.

11.10 Section 7(2) of the ARF Act (Act No. 51 of 2000) provides that any unexpended balance in the Fund at the close of any financial year must be carried forward as a credit in the Fund for the next financial year. However, the National Treasury started in 2017/18 to request the ARF to surrender the surplus of R1.6 billion. The concern has been that if the accumulated revenue continues to be surrendered, the ARF would reach a point where it would have limited capacity to finance causes in pursuit of national interest. The detailed report on the activities of the ARF will be submitted.

11.11 The Department and Brand SA work together to promote the good image of the country internationally.

11.12 A detailed report on South Africa’s membership to different organisations and related information would be availed to the Committee.

11.13 A detailed report on the status regarding the provision of headquarters to the Pan African Parliament would also be availed.

11.14 A detailed report on the progress made with regard to the 10 flagship projects being pursued under the auspices of the African Union Agenda 2063 will be availed for consideration by the Committee.

11.15 A detailed report is being compiled on the achievements and processes on South Africa’s Chairship in different international organisations. It would be availed to the Committee for its consideration.

11.16 The allegations against the Chief Financial Officer have been investigated and he has been acquitted. and all other pending disciplinary matters were receiving attention. A full report would be availed to the Committee during the 1st quarter performance reporting process.

11.17 The budget of the Department is based on the Rand equivalent at the very beginning of the Budget circle. When payments have to be made in foreign currency, there is always a challenge because then such payments will be subject to the prevailing exchange rate, which may be two times over the set rate that National Treasury used.

11.18 The asset register is receiving attention, and the company Net Race is back providing electronic capturing of these assets, and coordinating operations with all Missions abroad. An updated asset register would be provided.

11.19 The processes for the upgrading of the outdated ICT infrastructure is underway and a progress report would be shared with the Committee.

11.20 The quota availed South Africa in international organisations are not fully utilized. It has been observed that South Africans are generally not keen to work in these institutions, either because the salaries are not competitive or some are simply not aware that these opportunities exist.

11.21 It was regarded absolutely important that since the mandate of the Department is unique and cross-cutting, there should be greater effort amongst departments to harmonise policies to facilitate international intercourse.

11.22 The Department has maintained focus on the issue of the reform of the United Nations systems, especially the structural reform of the UN Security Council. This agenda is being further pursued during South Africa’s 3rd term as a non-permanent member in the UN Security Council.

11.23 South Africa is among five countries expected to pay 15% of the African Union operational budget. There is also the Peace Fund to pay for annually. These obligations are in line with South Africa’s Foreign Policy principles of pursuing a continent that is self-sufficient and able to apply African solutions to African problems.

1. **Conclusions**

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

The Department has been operating on a very tight budget year after year. This year it has received a decreased budget which is already facing a number of hurdles to overcome. The budget would still further be affected by the imminent foreign exchange currency fluctuations and unavoidable mandates and responsibilities in its diplomatic intercourse and conduct of international relations. 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 tight budget. Graduation from the qualified audit opinion baseline to a clean audit should be the Department’s goal for the medium term; and it should adhere to and implement the cost containment measures it has agreed to with the 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 for the Department to have continued with clear and focus driven plans which remain aligned to the budget allocated, and the continued vigour to respond to the domestic challenges as per the aspirations of the NDP.

The Committee would draw inspiration from its predecessors and lead a robust oversight over the activities of the Department, South Africa’s Missions abroad and the entity, the African Renaissance Fund. The Committee would engage in various issues aimed at enhancing the conduct of South Africa’s foreign policy. It would engage in issues from human rights, engagement with civil society, para-diplomacy, assisting in shaping conduct of foreign policy in the region, Africa and the world, and in the conduct of economic diplomacy by Missions abroad, among other important issues.

The Committee would continue to make a number of recommendations to the Department, as part of its oversight, and in an effort to enhance the way South Africa relates and engages in international relations. The Department has, over the years, responded positively and walked this road benefitting from guidance from the Committee.

The Committee, therefore, is at the stage where it would monitor compliance with and implementation of the strategies and turnaround strategies put in place by the Department. It would look into emerging trends in the conduct of South Africa’s foreign policy for the Committee to make its political input. The Committee’s future areas of focus should be in regard to the issues raised as risks in the Revised Strategic Plan 2015-2020.

1. **The Committee’s recommendations**

Having considered the Revised Strategic Plan 2015-2020 and the Budget Vote 6 of the Department 2019/20 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:

* 1. Reporting on how the Department will reprioritise its work in order to find adequate resources for financing activities to be borne from South Africa’s international obligations as the chair of a number of multilateral organisations in 2019/20.
  2. Ensuring compliance with the prescripts of the PFMA and related regulations of supply chain management and consequence management.
  3. Having regular political engagements and discussions with the Committee on international issues that impact upon South Africa’s Foreign Policy.
  4. Finalising processes and inter-departmental negotiations towards the operationalisation of the South African Development and Partnership Agency (SADPA).
  5. Reporting on progress towards the upgrading and integration of the departmental ICT systems.
  6. Providing a complete asset register of the Department.

13.7 Developing a strategy to attract South Africans to fill quotas allocated in international organisations to which South Africa is a member, and focus on middle management levels.

13.8 Reporting on the processes regarding the provision of a permanent headquarters for the Pan African Parliament.

13.9 Concretising the implementation of the pilot project to acquire property abroad for the utilisation by missions abroad via alternative funding, in order to curb costs of leasing properties abroad.

13.10 Finalising pending disciplinary cases, especially the matter regarding the Chief Financial Officer.

13.11 Assessing and reporting on how the recall of the surplus monies by National Treasury from the African Renaissance Fund would impact on its mandate as a ‘soft power tool’ for South Africa’s Foreign Policy.

13.12 Considering the issue of rationalisation of Missions as recommended by the Review Panel to South Africa’s Foreign Policy.

13.13 Reporting on the state of preparedness and strategies by the Department for the assumption of the chairship of the African Union by South Africa, President Ramaphosa, in 2020.

13.14 Reporting on the Department’s work in the UN Security Council as a non-permanent member for a 3rd term. Focus should be on how South Africa utilises its seat in pursuance of South Africa’s Foreign Policy.

13.15 Developing a turnaround strategy to stay within the predetermined budget ceiling for the compensation of employees.

13.16 Reporting on the progress made with regard to the 10 flagship projects being pursued under the auspices of the African Union Agenda 2063.

13.17 Reporting on cost-containment measures that would be taken to address the shortfall of R429 million on compensation of employees; and the shortfall for 2019 on South Africa’s Annual SADC Member States’ contribution amounting to R43,5 million.

13.18 Implementing the Consultative Mechanism for coordinating international activities of a foreign policy nature by the three spheres of government.

13.19 Graduating from the qualified audit opinion with findings to a clean audit report in 2018/19 financial year.

**To the National Assembly**

13.20 The Parliamentary Oversight Model must be reviewed to allow the Portfolio Committee on International Relations and Cooperation to have more regular oversight visits to South African Missions abroad, in order to have a holistic approach on the performance abroad of the Department of International Relations and Cooperation.

13.21 The Parliamentary Oversight Model should allow the Portfolio Committee on International Relations and Cooperation to have more regular oversight visits to project areas of the African Renaissance and International Cooperation Fund (ARF), in order to have a holistic approach on the performance abroad of the entity of the Department of International Relations and Cooperation.

13.22 The Committee should be allowed to conduct oversight visits to international organisations that the Republic of South Africa is a state-party. This would enable the Committee to assess the impact of the Department’s participation on the overall outcomes at such forums.

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

Report to be considered.

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