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## **SUMMARY OF THE 2021/22 FIRST QUARTER EXPENDITURE REPORT - VOTE 6: INTERNATIONAL RELATIONS AND COOPERATION**

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### **1. INTRODUCTION**

The following brief will provide the Members of the Portfolio Committee on International Relations and Cooperation (the Committee) with a summary of the 2021/22 First Quarter Expenditure Report of the Department of International Relations and Cooperation (hereafter referred to as “the Department”).

### **2. OVERVIEW OF THE 2021/22 FINANCIAL YEAR**

According to the 2021 Estimates of National Expenditure, over the medium term, the Department will focus on<sup>1</sup>:

- Strengthening the African Agenda;
- Active participation in the United Nations (UN);
- Developing and managing state-owned properties in foreign missions.

According to the 2021 Estimates of National Expenditure, expenditure is expected to increase at an average annual rate of 1.5 per cent, from R6.3 billion in 2020/21 to R6.6 billion in 2023/24. The Department’s work is mainly realised through the 125 diplomatic missions in 108 countries in which South Africa has representation. As the Department largely relies on its personnel to perform its functions, compensation of employees is its main cost driver, accounting for an estimated 43.8 per cent (R8.5 billion) of expenditure over the period ahead. However, spending on compensation of

<sup>1</sup> Estimates of National Expenditure 2021.



employees is set to decrease at an average annual rate of 0.5 per cent, from R2.9 billion in 2020/21 to R2.8 billion in 2023/24, to remain within government's expenditure ceiling for this item.<sup>2</sup>

### ***Strengthening the African Agenda***

Africa remains the focal point of South Africa's foreign policy. Accordingly, the Department will continue to play an active role in the structures and processes of the African Union (AU) to advance peace, security and conflict prevention in Africa. In 2020, South Africa assumed the chair of the AU with the clear purpose of making a difference on the continent by ensuring that linkages exist between development, good governance, peace and stability. The COVID-19 pandemic has forced South Africa, in its capacity as chair, to take a different approach in ensuring that the threats and challenges posed by the disease are dealt with in a multifaceted way. This includes: establishing the COVID-19 Response Fund, which is aimed at raising additional funds for the African Centres for Disease Control and Prevention; and lobbying for a comprehensive and robust economic stimulus package for Africa to alleviate the economic impact of the pandemic. Related activities are carried out in the Africa subprogramme in the International Relations programme, in which spending is expected to increase at an average annual rate of 4.6 per cent, from R952.3 million in 2020/21 to R1.1 billion in 2023/24.<sup>3</sup>

South Africa continues to be one of the largest contributors to the AU's budget through its membership fees. To this end, over the medium term, the Department intends to spend R779.7 million in the Membership Contribution subprogramme in the International Transfers programme towards AU membership fees.<sup>4</sup>

### ***Active participation in the United Nations***

The 2021 Estimates of National Expenditure notes that with its near-universal membership and vast agenda, the UN remains the most important multilateral institution and global governance centre. As such, engagements with the UN, and active participation in its processes, are of vital importance to South Africa and the advancement of the country's foreign policy priorities. Over the period ahead, South Africa will continue to honour its membership fee obligation to the United Nations, which is expected to increase at an average annual rate of 1.4 per cent, from R190.7 million in 2020/21 to R199.1 million in 2023/24.<sup>5</sup>

### ***Developing and managing infrastructure projects and properties***

Over the period ahead, the Department will continue to manage its international property portfolio, which comprises 127 state-owned properties and more than 1 000 rented properties. To reduce its rental portfolio and the associated operational costs, the Department will focus on developing state-

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<sup>2</sup> Estimates of National Expenditure 2021.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Estimates of National Expenditure 2021.



owned vacant land and the renovation and maintenance of the portfolio to extend its lifespan. Property renovations, repairs and maintenance will continue to be informed by annual property condition assessments. Over the medium term, the Department plans to commence with building 4 properties on state-owned land (2 in Luanda, Angola; 1 in New Delhi, India; and 1 in Gaborone, Botswana).<sup>6</sup>

The Department also plans to conduct condition assessments of all state-owned properties over the medium term, beginning with those in Europe, followed by those in Africa, then those in the Americas and Asia. The outcome of these assessments will inform the need for accelerated maintenance and repairs to each property. State-owned properties in Mbabane (Eswatini), the Hague (Netherlands), Windhoek and Walvis Bay (Namibia), and Brasilia (Brazil) will be renovated for state use. Professional condition assessments of properties in London (United Kingdom), Paris (France), Vienna (Austria), Rome (Italy), Brussels (Belgium), Madrid (Spain) and Copenhagen (Denmark) will be undertaken to inform decisions on future holding and use. The Administration programme is allocated R892 million over the medium term to carry out these activities.<sup>7</sup>

### 3. SUMMARY OF THE FIRST QUARTER EXPENDITURE REPORT

#### 3.1 Overview of Expenditure

According to the 2021/22 First Quarter Expenditure Report, the Department of International Relations and Cooperation spent R1.682 billion or 26.1 per cent of its 2021/22 budget allocation of R6.452 billion as at the end of June 2021. The R1.682 billion in actual spending is R309.5 million lower than the projected expenditure of R1.992 billion for this period.<sup>8</sup>

The lower than projected expenditure is mainly attributed to<sup>9</sup>:

- (a) low spending on goods and services due to the failure of the Information and Communication Technology systems (in programmes 2 and 3) to timeously interface with the Basic Accounting System and report on spending by 15 missions, and cancellation of official trips (due to the COVID-19 pandemic),
- (b) low expenditure on the transfers and subsidies' budget (departmental agencies and accounts) in Programme 5 due to the non-operationalisation of the South African Development Partnership Agency, and
- (c) underspending on the budget for payments for capital assets in programme 1 owing to delays in the delivery of laptops and desktops for head office staff and implementation of maintenance projects due to the unavailability of bid committees to identify the relevant service providers.

<sup>6</sup> Estimates of National Expenditure 2021.

<sup>7</sup> Ibid.

<sup>8</sup> 2021/22 First Quarter Expenditure Report of the Department of International Relations and Cooperation.

<sup>9</sup> Ibid.



According to the 2020/21 First Quarter Expenditure Report, the Department reported the following<sup>10</sup>:

- **Programme 1: Administration** spent R268.3 million or 34.2 per cent lower than the projected spending of R407.7 million. The lower than projected spending is mainly on the budgets for goods and services and payments for capital assets. Lower than projected spending on the budget for goods and services is attributed to the bandwidth (computer services) ICT invoices that could not be processed for payment as a result of the department's challenges in creating an order number using the central supplier database. The low spending on the budget for payments for capital assets is due to delays in the delivery of laptops and desktops for Head Office staff and implementation of infrastructure maintenance projects (due to the unavailability of bid committees to identify the relevant service providers).
- **Programme 2: International Relations** spent R806.5 million or 9.1 per cent lower than the projected spending of R887.1million. The R806.5 million in actual expenditure is R80.6 million lower than the projected expenditure, mainly as a result of low spending on the budget for goods and services (mainly on computer services, property payments, operating payments and travel and subsistence), due to expenditure for fourteen missions, which was not timeously entered into the department's Basic Accounting System.
- **Programme 3: International Cooperation** spent R108.9 million or 19.7 per cent lower than the projected spending of R135.6 million. The R108.9 million in actual expenditure is R26.7 million lower than the projected expenditure, mainly on operating leases and travel and subsistence budgets. The low spending on operating leases is attributed to the failure of the Information and Communication Technology system to timeously interface with the Basic Accounting System and report on spending by one mission. The low spending on travel and subsistence is due to the cancellation of official trips by missions in keeping with the requirements of the COVID-19 pandemic management regulations.
- **Programme 4: Public Diplomacy and Protocol Services** spent R54.1 million or 26.1 per cent lower than the projected spending of R73.2 million. The R54.1 million in actual expenditure is R19.1 million lower than the projected spending, mainly on the budget for goods and services, specifically on travel and subsistence, due to reduced travel in line with the requirements of the COVID-19 pandemic management regulations. There is also lower than projected spending on property payments due to delays in the receipt of invoices for municipal taxes for foreign missions in South Africa.
- **Programme 5: International Transfers** spent R444.2 million or 9 per cent lower than the projected spending of R488 million. The R444.2 million is R43.7 million lower than projected spending mainly due to the lower than planned expenditure on transfers and subsidies (departmental agencies and account). Lower than projected spending on the South African Development Partnership Agency (SADPA) is due to the non-operationalisation of the SADPA as the South African Partnership Fund for

<sup>10</sup> 2021/22 First Quarter Expenditure Report of the Department of International Relations and Cooperation



Development Bill has not yet repealed the African Renaissance and International Cooperation Fund Act.

#### 4. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT

- **Covid-19 spending:** According to the First Quarter Expenditure Report, the Department spent R100 000 on personal protective equipment for the head office.<sup>11</sup>
- **Personnel:** According to the First Quarter Expenditure Report, the Department spent R707.9 million or 4.5 per cent lower than the projected spending of R741.2 million at the end of June 2021 on compensation of employees. The R707.9 million in actual spending is R33.4 million lower than the projected expenditure of R741.2 million as at the end of June 2021. The underspending is attributed to the expenditure on compensation of employees for 15 missions which was not timeously entered into the department's Basic Accounting System.<sup>12</sup>

#### 5. REFERENCES

Estimates of National Expenditure 2021, (2021). Vote 6: International Relations and Cooperation. Available from: <http://www.treasury.gov.za/documents/National%20Budget/2021/Estimates.aspx> (Accessed 24 February 2021)

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<sup>11</sup> 2021/22 First Quarter Expenditure Report of the Department of International Relations and Cooperation

<sup>12</sup> Ibid