**Report of the Standing Committee on Appropriations on Its Internatonal Study Tour to the Republic Of Korea, Dated 17 February 2023**

The Standing Committee on Appropriations, having undertaken an international study tour to the Republic of Korea from 5 to 9 December 2022, reports as follows:

1. **Introduction**

Effective budgetary oversight by the legislature is crucial for sound democracy and governance. It promotes and improves allocative and operational efficiency, as well as service delivery. Poor budgetary oversight results in misappropriation and mismanagement of public resources which often has deleterious effects on citizens’ lives, especially the vulnerable and less affluent.

One of the primary roles of legislatures is to scrutinise, approve and ensure effective implementation of government budgets. However, budgetary oversight is a complex and complicated exercise, hence, legislatures require a sophisticated set of tools and techniques. International visits/study tours offer an excellent opportunity to learn and acquire new tools and techniques. The aforementioned is more important for less experienced and under capacitated legislatures like the Parliament of the Republic of South Africa (RSA). The Republic of Korea’s economic success is attributable to its rapid economic growth and development of the 1960s. The republic transformed from being a developing country to become a newly industrialised economy. This was mainly due to strong development of export-oriented industries, abundance of highly skilled and educated labour, strong government support. This rapid change of economic fortunes came to be known as the ‘Asian Miracle’. In light of this, the Standing Committee on Appropriations, henceforth referred to as the Committee, undertook an international study tour to the Republic of Korea from 5 to 9 December 2022.

In the course of the study tour, the Committee had engagements with the following key identified stakeholders in the Republic of Korea:

* Strategy and Finance Committee;
* Special Committee on Budget and Accounts;
* National Assembly Budget Office;
* National Assembly Research Service; and
* Board on Audit and Inspection of Korea.

The Committee also met with the Ambassador of the Republic of South Africa in Seoul, Republic of Korea, her Excellency Ambassador Z Dlamini on 5 December 2022. Furthermore, the Committee had an opportunity to visit the Samsung Innovation Centre on 6 December 2022.

1. **Delegation**

The oversight delegation comprised of the following Members of Parliament, Mr NS Buthelezi (Chairperson)(ANC), Ms MC Dikgale (ANC), Mr XS Qayiso (ANC), Ms ED Peters (ANC), Mr OM Mathafa (ANC), Mr Z Mlenzana (ANC), Mr AN Sarupen, Mr EJ Marais (DA), Ms EN Ntlangwini (EFF), Mr AM Shaik Emam (NFP), and Mr NLS Kwankwa (UDM). The following support staff members accompanied the delegation on the study tour, Mr D Arends (Committee Secretary), Mr M Zamisa (Researcher), and Dr D Jantjies (PBO Director).

**Department of International Relations and Cooperation:** Ambassador Z Dlamini, Ms N Msibi (First Secretary: Seoul Mission Office), Ms S Sardha (Counsellor: Economic), Mr X Ngubani (Corporate Services Manager), and Mr Kwang-su Jin (Marketing Officer: Economic Section)

**Strategy and Finance Committee:** Mr Dae Chul Park (Chairperson), and Mr Kyoungho Kim (Committee Member)

**Special Committee on Budget and Accounts:** Mr Wonsik Woo (Chairperson), Mr Byoung Dug (Committee Member), and Gim Jun Hun (Legislative Research Officer)

**National Assembly Budget Office:** Mr Euysup Cho (Chairperson), Mr Sangjun Lee (Head of Planning and Budget Division), and Mr Myung Hyun Im (Assistant Chief of Planning and Management)

**National Assembly Research Service:** Mr Jong Ok Kim (Director: Economy and Industry Research Office), Mr Dae Hun Kang (Director: Society and Culture Research Office), Mr Won Koh (Counsel for Politics and Administrative Research Office), Ms Yoo Hyang Kim (Counsel for Society and Culture Research Office), and Mr Jung Chul Go (Deputy Director: Planning and Cooperation Division)

**Board of Audit and Inspection of Korea:** Mr Jaehae Choe (Chairperson), Mr Hee-Sang Yu (Commissioner), Ms Ji Hyeon Lee (International Affairs Coordinator), Ms Jinhwa Jung (Auditor), Mr Min Koo (Director), and Mr Sang Jun Lee (Auditor)

**Interpreter:** Hyo Jung, Kim –interpreter & Translator Korea/English (Graduate School of Interpretation and Translation, Soul University of Foreign Studies)

**Samsung Innovation Centre:** Mr Kwang-ju Sin (Marketing Officer)

1. **Objectives of the Study Tour**

The overall objective of the study tour was to gain an of the study tour an in depth knowledge and practical experience on how the Parliament of the Republic of Korea exercised its budget oversight function over the executive. In addition, the specific objectives included interaction with various stakeholder to ascertain;

* The main challenges experienced by Special Committee on Budget and Accounts and other Standing Committees involved in the budget process (in both approval and in-year monitoring stage);
* The frequency of budget amendments and related processes, procedures and challenges;
* The degree of cooperation between the National Assembly of the Republic of Korea (NA of ROK) and the Executive, especially in responding to committee recommendations and house resolutions;
* The practice and experience surrounding physical inspection of projects (i.e. oversight visits);
* The processes and procedures surrounding mid-year budget adjustments (i.e. virements, shifts, rollovers etc.);
* The regulation of public involvement and participation in the budget process;
* The relationship between the Strategy and Finance Committee; the Standing-Special Committee on Budget and Accounts; National Assembly Research Service; National Assembly Budget Office;
* To assess the capacity and to gain insights into best-practices of National Assembly Budget Office to support the Budget/Finance Committees in executing their mandates.
* To assess the capacity and to gain insights into best-practices of the Board of Audit and Inspection of Korea.
1. **Overview of the state of the economy in the Republic of Korea at the time of the Study Tour**

The Republic of Korea’s economy was among the most competitive in the world. Despite the global effects brought about by the Covid-19 pandemic, the country’s economy grew by 2.6 percent. It was also among the ten largest economies in the world, which was impressive given that, unlike South Africa and other countries, the Republic of Korea is not endowed with natural resources.

In 2020 the Republic of Korea’s unemployment rate was 4 per cent, which was significantly lower than the 7.3 per cent average employment rate among Asian countries during the same period. By December 2022, unemployment rate was 3 percent, down 0.5 percent from the previous year.

The country had thriving industrialization and impressive global trade competitiveness. It boasted a number of export oriented and highly renowned companies with impressive global competitiveness record. These included critical sectors such as automobile, electronics, telecommunications, shipbuilding, chemical and steel. The country was among the largest manufacturers of electronic goods as well as semi-conductors, with globally popular brands such as Samsung Electronics Co. Ltd. and Hynix Semiconductor (SK Hynix Inc.). Some of the well-known Korean brands include Hyundai, Samsung, Kia and LG, all of which are very prominent in South Africa. Large firms such as the aforementioned are essential to research and development, export orientation and fixed capital investment. Smaller firms are essential to employment and job creation.

With regard to fiscal sustainability, the debt-to-GDP ratio was estimated at approximately 50 percent in 2022, and was projected to be below 50 per cent in the following financial year. Despite the acceleration of debt-to-GDP ratio caused by effects of Covid-19, through the National Fiscal Management Plan (2002-2026), the Republic of Korea expected a stabilization of key fiscal balance indicators. For instance, the country projected an average revenue growth of 6.6 percent between 2022 and 2026. Over the same period, the country expected an average expenditure growth of 4.6 percent. By 2026 the debt-GDP ratio would be reduced by 2.2 percent.

1. **Parliament and the budget process of the Republic of Korea**

The Republic of Korea is part of the so-called ‘Asian Tigers’ and has achieved impressive economic and developmental successes and moved from underdevelopment to become part of the industrialised nations. The NA of ROK is a unicameral house located in the capital city of Seoul and has 300 members (253 electoral distinct, and 47 proportional representative) who serve a term of four years. The NA of ROK consists of 17 standing committees, which are equivalent to Portfolio and Select Committees in South Africa. These are as follows:

* House Steering Committee;
* Legislation and Judiciary Committee;
* National Policy Committee;
* Strategy and Finance Committee;
* Education Committee;
* Science, ICT, Broadcasting and Communications Committee;
* Foreign Affairs and Unification Committee;
* National Defence Committee;
* Public Administration and Security Committee;
* Agriculture, Food, Rural Affairs, Oceans and Fisheries Committee;
* Trade, Industry, Energy, SMEs, and Start-ups Committee;
* Health and Welfare Committee;
* Environment and Labour Committee;
* Land, Infrastructure and Transport Committee;
* Intelligence Committee; and
* Gender Equality and Family Committee.

The above committees examine bills and petitions falling under their respective jurisdictions, and perform other duties as prescribed by relevant laws. Additionally, the NA has the Standing -Special Committee on Budget and Accounts. The NA could, when required, form a non-standing special committee.

Non-standing special committees in the Republic of Korea are equivalent to *ad hoc* committees in the Parliament of RSA and are established to investigate special bills or matters that cut across multiple Standing Committees. These committees operate on a temporary basis with the only exception being the Standing-Special Committee on Budget and Accounts. Each Standing Committee (except the Intelligence Committee) may appoint three standing sub-committees to assume partial responsibility for examining specific matters under its jurisdiction.

The Standing-Special Committee on Budget and Accounts is responsible for budget approval and scrutiny and equivalent to the Standing and Select Committees on Appropriation in the context of the Parliament of RSA. The Standing-Special Committee on Budget and Accounts consists of 50 members and has 1 sub-committee.

* 1. **The budget system of Republic of Korea**

The Republic of Korea has a very interactive and well-coordinated budget system/process. The financial year is the same with the calendar year as it starts on 1 January and ends on 31 December. As it is the case in legislatures globally, the executive prepares the budget. The National Assembly approves the budget and oversee its implementation.

The Department of Economy and Finance (DoEF), in consultation with line departments, drafts the budget. The draft budget gets endorsement from Cabinet and the President before it is tabled in the NA on 2 October. The draft budget is based on a 5-year plan called the National Fiscal Management Plan (NFMP), a process which started in 2004. This NFMP is a multi-year system and seeks to promote transparency, predictability and long-term planning.

The NA of ROK approves the budget and oversee its implementation. The process starts on 2 October when the NA receives a draft budget from the President along with a draft National Fiscal Management Plan (NFMP). A draft of the National Fiscal Management Plan includes basic goals and directions of fiscal management, medium to long-term fiscal outlook, resource allocation plan by sectors and level of tax burden are all included. Initially the budget will be tabled 90 days before the start of the financial year. The government has amended its National Finance Act to increase the days the NA has with the budget. For instance, the number of days has increased as follows; 100 days in 2014; 110 days in 2015; and 120 in 2016. The budget process goes through the following 3-staged process:

* Preliminary review by the Standing Committees;
* Comprehensive review by the Special Committee on Budget and Accounts; and
* Plenary session vote.

The Speaker refers the budget to each of the 17 standing committees. The standing committees scrutinise the budget through their subcommittees. Once done with scrutiny, each standing committee compiles a report with recommendations and proposed changes, which it sends to the Standing-Special Committee on Budget and Accounts. This process is similar to the Budget Reviews and Recommendations Reports which are produced by all Portfolio Committees of Parliament of the Republic of South Africa with all the recommendations that must be taken into consideration when processing the budget bills. On receipt of recommendations from Standing Committees, the Standing-Special Committee on Budget and Accounts conducts a holistic and thorough scrutiny of the budget. This process is similar to what the Standing Committee on Appropriations for the Parliament of the Republic of South Africa is established to do in terms of the Money Bills Act. It also does this through sub-committees, especially the sub-committee on reconciliation. The Standing-Special Committee on Budget and Accounts then tabled a report on a Budget Bill to the plenary. In line with the requirements of the Constitution, the NA votes on the budget by December 2 of each financial year.

The NA of the Republic of Korea was in the process of considering the proposed budget for the 2023 financial year at the time of the study tour. The Standing Committee on Strategy and Finance, during its deliberations with the Committee, summarised the proposed budget for the 2023 financial year as follows:

* The budget bill under consideration amounted to 638.7 trillion won, which is approximately US$498.89 billion;
* The Health and Welfare Ministry receives approximately US$108 billion, which is the largest allocation;
* The Education Ministry receives the second largest allocation, which amounts to approximately US$101 billion;
* The Interior and Safety Ministry receives the third largest allocation approximately US$81 billion;
* The Transport and Land Ministry receives the fourth largest allocation amounting to approximately 56 billion US dollars;
* The National Defence Ministry receives the fifth largest allocation amounting to approximately 41 billion US dollars.
* Overall, the budget is set to cut the fiscal deficit to 0.6 per cent of gross domestic product (GDP) from 3.3 per cent in the 2022 financial year.

The table below provides an overview of the key legislative prescripts that underpin the budget process in the Republic of Korea.

|  |  |
| --- | --- |
| **Legislative framework** | **Description** |
| The Constitution | * Gives the government the power to draft the national budget.
* Gives the National Assembly the powers to deliberate and approve the national budget.
* Chapter 57 restricts the National Assembly from increasing the budget or from creating a new budget item without the agreement of the government.
 |
| National Finance Act | * Sets the guidelines for the budget, funds, closing accounts, performance management and government debt.
* Promotes efficient, performance-oriented and transparent management of the public finance.
 |
| Local Finance Act | * This is similar to the National Finance Act, except that it is focused on local finances.
* Promotes the autonomy, transparency and soundness in local finances
 |
| National Assembly Act | * Regulates the overall legislative stage of the budget process and powers of the NA, its committees and other role players (i.e. the National Assembly Budget Office).
 |

The mandate, roles and functions of the Standing Committee on Strategy and Finance can be summarised as follows:

* Legislates the Budget Bill;
* Legislates other budget laws as well as other fiscal and economic policy laws;
* Considers public petitions that are related to its jurisdiction;
* Conducts parliamentary audits into government performance including any necessary parliamentary investigations;
* Forms part of the consideration sessions for the nominations of each minister for each ministry, and also for the head of the Bank of Korea. Among other things, the Committee considers the qualifications of the nominees;
* It considers public petitions submitted by various functional groups in society; and
* Conducts policy research.
	1. **Institutions that Support the NA of ROK**

The section below provides an overview of the institutions within the NA of ROK that support the Parliamentary Committees in budget scrutiny.

* + 1. **The National Assembly Budget Office**

The National Assembly Budget Office (NABO) was established to offer research, analysis and evaluation of services related to the national budget, the settlement of accounts, funds and fiscal management and support legislative activities. Thus NABO plays a pivotal role in supporting budget scrutiny. It was formed in October 2003 through Article 22-2 of the National Assembly Act, and subsequently the National Assembly Budget Office Act (2003). The NABO supports the Standing-Special Committee on Budget Accounts and all the 17 Standing Committees, and it reports to the Speaker of the NA.

The Office currently has a total of 138 employees mainly with Masters or above degrees in economics, public policy, or a wide variety of other disciplines. NABO provides the following support to the NA of ROK:

* Research and analysis on budget bills, public fund management plans, and settlement of accounts;
* Cost estimates of bills that affect the budget or funds;
* Analysis and forecast reports on the operation of national finances and macroeconomic trends;
* Analysis and evaluations of major government programmes and analysis of medium to long-term fiscal demands; and
* Studies and analyses in response to requests by standing committees or members of the National Assembly.

NABO’s suggestions through its analytic reports were reflected in 169 budget bills and 480 settlement of accounts reports over the past four years. The number of cost estimates and tax revenue projections produced increased from 4 372 in the 19th Parliament to 12 428 in the 20th Parliament. Furthermore, it reported that its economic growth outlook projections were the most accurate from major economic forecasters in the Republic of Korea.

The Director of the PBO, Dr D Jantjies and the Chairperson of NABO, Mr Euysup Cho, held bilateral meetings. The below sections summarises the outcomes of the said bilateral meetings.

1. **Cooperation between PBO and NABO**

Both leaders agreed that there are currently various issues where their Offices could share experiences and expertise. These included amongst others, capacity building and training between the Offices staff and Members of Parliament. To this end it was proposed that both Offices should consider attachment of certain team members between the offices, for instance, PBO and NABO staff members spending a month in each other’s offices (Cape Town and Seoul).

1. **Costing and Economic Modelling Approaches**

It was agreed that in both countries, Members of Parliament are always keen to understand the impact assessment of the budget on the economy, society and the fiscus. The PBO Director noted that his Office is currently reviewing its costing and economic modelling approaches to ensure that its capability is able to provide analysis that shows or forecast the likely impact of budget proposals on the economy, society and fiscus.

It was agreed that at different scale, both South Africa and the Republic of Korea are facing many challenges, including unemployment, inequality and other socioeconomic matters. Therefore, the budget office’s analysis and research advise to Parliaments should continue to provide progress on how the budget has been able to improve or lack of improvement of the developmental and broadly economic indicators.

The NABO Chief noted that his Office conducts independent economic forecasts at the parliamentary level in order to effectively analyse budget plans and monitor fiscal soundness. Furthermore, each year, NABO releases the economic and fiscal statistics which contain key statistics helpful to the National Assembly’s legislation, examination of budgeting and settlement of accounts. Accurate statistics are essential to understanding the complex economic and social phenomenon and making rational policy decisions. The 2020 economic and fiscal statistics will provide reliable fiscal and economic statistics for the examination process of legislative bills, budgeting and settlement of accounts in a timely manner.

NABO further prepared the Korean Economy in Indicators report to provide data necessary for drafting policies in the economic, population, employment, and welfare sectors during the 21st National Assembly. This was done through summarizing and presenting changes in major economic and social indicators under the 20th National Assembly.

NABO provides an independently prepared cost estimates report according to requests made by members of the National Assembly and committees. Those who wish to request a cost estimate for the bills they have prepared may use the National Assembly Comprehensive Legislation Support System to request such analysis.

The PBO Director indicated that he shared a view by NABO that, government finance plays a strong role in underpinning the national economy. Therefore, the role of the National Assembly was also becoming increasingly important in ascertaining the effectiveness of individual programs, strategic allocation of financial resources, and fiscal sustainability. The PBO Director and the Chief of NABO agreed to establish space for both offices to grow each other capacity in areas of common interests.

1. **African Network - PBO and NABO**

The PBO Director noted that his office together with other African PBOs have established an African Network of Parliamentary Budget Offices (AN-PBO) in 2016. The South African PBO Director is currently the Chairman of the AN-PBO. The objectives of the AN-PBO are similar to those of the Organisation for Economic Co-operation and Development (OECD) Network of International Finance Institution (IFI) and PBOs and World Bank Networks. These are, amongst others, to bring together the offices to support and strengthen each other’s capacity in providing independent fiscal and economic advisers in support of legislative oversight. Every year since its establishment, the network hosted annual meetings and seminars to support each other and discuss fiscal and policy issues affecting the respective countries and what should be the respective offices consideration. There is also issue of capacity building for new and aspiring offices.

At the invitation of the Director, the NABO Chief has expressed interest for his Office to be part of the AN-PBO. In particular, in making contributions towards the AN-PBO annual meetings hosted by different countries. The leaders agreed that the AN-PBO Chairman will in 2023 extend formal invitation for the NABO Chief to attend and participate in the 2023 AN-PBO Annual Conferences expected to be held in East Africa in August 2023.

The NABO Chief noted that, like the PBO Director he has been appointed by the OECD Network of the PBOs and IFIs to establish the Asian Network of PBOs. The Chief has expressed wishes for the PBO Director use his experiences in establishing the AN-PBO to support the establishment of the Asian Network on PBOs. The leaders agreed to develop a strategy in supporting each other in their roles on leading their regional networks of PBOs.

* + 1. **National Assembly Research Service**

The National Assembly Research Service (NARS) is the oldest and very crucial institutional support in budget scrutiny. It was formed in 2007 as an independent research agency to strengthen the NA’s legislative capabilities and policy development capacities. It covers all subject areas of state affairs. The NARS has a total of 163 staff members with 58 PHDs and 13 lawyers and public administrators who support all parts of government administration. The mains tasks of the NARS can be divided as follows:

1. **Legislative Research Services**
* Provide legislative research at the request of Members or Committees of the NA;
* Conduct services in the form of reports through IT; and
* Compliance with the confidentiality principle (protection of Member/Committee ideas.
1. **Research Publications**
* Publication and distribution of reports on major issues and disclosure on the NARS website; and
* Various other reports such as four-page current issue reports and more than 50 page in-depth reports.
1. **Support Legislative Activities**
* Seminars, presentations, participation in discussions, and face-to-face reports.
	1. **Board of Audit and Inspection of Korea**

The Board of Audit and Inspection (BAI) of Korea is the equivalent to the Auditor-General South Africa (AGSA). BAI of Korea was established in 1963 through the merger of the Commission of Inspection and the Board of Audit. Its legal status is derived from Article 97 of the Constitution as well as the Board of Audit and Inspection Act. It is established under the jurisdiction of the President of the Republic of Korea and its responsibilities can be summarised as follows:

1. **Examination of the final accounts (Article 21 if the BAI Act)**

BAI of Korea examines the final account of revenues and expenditures of the state every year to verify whether national financial resources have been utilised in accordance with their intended purpose. The Minister of Economy and Finance submits a report of the final accounts of the state containing a record of annual budget usage to BAI who examines this to check whether the account total is equal to the actual amount spent. Thereafter, the Minister of Economy and Finance submits the final report to the NA of ROK.

1. **Audit of Accounts of the state, local government and public institutions (Articles 22 and 23 of the BAI Act)**

BAI audits the accounts of the state, local governments and public institutions to ensure that the national budget is used properly for the state and the people, and also to prevent wasteful government spending caused wilfully, by negligence of public officials or due to unnecessary government programmes. The matters subject to BAI’s audit can be classified into (a) matters subject to mandatory audit to enhance accountability and to eliminate audit blind spots, and (b) discretionary audits that are conducted when deemed necessary by BAI or at the request of the Prime Minister of the Republic of Korea.

1. **Inspection on operations of government agencies and duties of their employees (Article 24 of the BAI Act)**

BAI also inspects the work performed by government agencies and the duties of their employees to ensure quality government services are provided in accordance with the laws and principles. The aim of inspections is to insect whether public officials are doing their work properly. BAI issues disciplinary measures in instances where they find any wrongdoings.

According to Article 127-2 of the National Assembly Act, the NA of ROK may, by resolution, request the BAI of Korea to conduct and audit by specifying a case from among the matters belonging to its scope of duties. Over the last five years a total of 42 requests for audits have been received from the NA of ROK (26 from Standing Committee and 16 from Committee on Budget and Accounts). In addition to this, BAI of Korea also receives citizens’ requests for audit where 300 or more people aged 19 or older can request for audit of public institutions’ services in case the institutions are seen to be violating laws and/or committing corruption. Furthermore, requests for audits in public interest are accepted where eligible entities (300 or more citizens aged 19 or older, civic groups, heads of auditee institutions, and local councils) may apply in the following cases:

* where public institutions waste budgets in implementing major projects and policies;
* irrational public administration and national systems need to be corrected and improved; and
* where public institutions are deemed to be seriously harming public interest by violating the laws or partaking in unjust actions.
1. **Findings and Observations**

The Standing Committee on Appropriations, having undertaken an international study tour to the Republic of Korea, made the following observations and findings:

* 1. The Republic of Korea’s economy is among the ten largest in the world and this is notwithstanding the fact that it does not have a lot of natural resources, hence there is a strong emphasis on human capital in order to ensure economic prosperity. The country has a less than two per cent unemployment rate which is highly commendable.
	2. The Republic of Korea has an incredible education system in place, made possible by a high degree of investment by government in Research and Development. From a proposed total budget of KRW639 trillion, education was the second largest expenditure item behind Health and Welfare in the national budget of the Republic of Korea for the 2023 financial year. Two-thirds of the adult population have college degrees resulting in its government promulgating a law that allows an influx of low-level labour. The Committee asserts that South Africans can learn a lot from the experiences relating to education and Research and Development of the Republic of Korea, however, blockages to achieving this needs to be addressed by the Department of International Relations and Cooperation.
	3. The Republic of Korea subsidises the unemployed through grants-in-cash as well as training programmes that will assist them in seeking work opportunities.
	4. The Republic of Korea provides free education to elementary and middle school students while college students’ tuition is subsidised. Elementary and middle schools are governed by the local government authorities and colleges fall under the jurisdiction of the central government.
	5. The Committee notes that in the Korean economy, large firms are essential to Research and Development, export orientation and fixed capital investment. Smaller firms are essential for employment and job creation. Therefore, a two-tract approach is required in South Africa with different incentives for both the large and smaller businesses.
	6. The National Assembly and the government of ROK strongly focus on maintaining a low unemployment rate, and this is primarily achieved through budget policy and active job creation policies. For instance, in 2020 the ROK’s unemployment rate was 4 per cent, which was significantly lower than the 7.3 per cent average unemployment rate among Asian countries during the same period. By December 2022, unemployment rate was 3 percent, down 0.5 percent from the previous year.
	7. The budget process in the National Assembly of ROK is characterised by strong coordination between the two budgetary committees (i.e. the Special Committee on Budget and Accounts, and the Standing Committee on Strategy and Finance) and the sectoral committees that are formally referred to as standing committees. This level of coordination strengthens and deepens budget scrutiny and oversight.
	8. The Standing Committee on Strategy and Finance, conducts preliminary reviews of the proposed budget bills through sub-committees which are then voted on and referred to the Special Committee on Budget and Accounts. The Standing Committee on Strategy and Finance also, amongst others, conducts oversight over the Bank of Korea and considers the Settlement of Accounts as tabled by the Board of Audit and Inspection (BAI) of Korea.
	9. The Special Committee on Budget and Accounts plays a central role in the budget bill process as it coordinates all the reports on the budget by all standing committees. The Special Committee conducts a holistic and thorough scrutiny of the budget through sub-committees, especially the Sub-Committee on Reconciliation.
	10. The Committee notes that the public in the Republic of Korea is allowed to make proposals on the budget bills before the NA of ROK through the regional tax offices.
	11. As is the case in the Parliament of the Republic of South Africa, time constraints have been identified as one of the challenges faced by the National Assembly of ROK when processing the budget. Furthermore, there are differences among political parties which also result in delays. To this end the passing of the budget is often subject to extensive consensus building between the ruling party and opposition parties in the National Assembly. This process could result to an extension of the normal budget approval process schedule.
	12. The Committee notes the striking similarities between the NARS and the Research Unit of the Parliament of RSA. The two institutions are similar in size, research method, and support to committees of Parliament.
	13. The Committee notes that the BAI of Korea can receive requests for audits through three channels i.e. National Assembly of ROK, citizens’ requests for audits, and requests for audits in the public interest.
	14. The Special Committee on Budget and Accounts and the Standing Committee on Strategy and Finance regularly amends the budget proposed by the executive. This is primarily due to substantial institutional support from the well-resourced and experienced National Assembly Budget Office (NABO), National Assembly Research Service (NARS), the Board of Audit and Inspection (BAI) of Korea, well-coordinated committee system, and a sustained consensus building process among political parties.
	15. The important budgetary mandates and roles of the Special Committee on Budget and Accounts and the Standing Committee on Finance and Strategy are anchored on the support of a well-resourced NABO and the NARS, as well as the extensive number of public representatives (a total of 50) who serve in the Committee.
	16. The Committee notes that the submission by the Standing Committee on Strategy and Finance that it focuses more on previous performance when considering budget bills. The detailed spending analyses provided by NABO and the NARS are also used by the Committee when considering the budget proposals.
	17. In-year monitoring of budget expenditure by the executive and state-owned entities is conducted by the standing committees in close collaboration with NABO and NARS.
	18. The Committee notes that the NABO has been very successful in executing its duties. NABO’s suggestions through its analytic reports were reflected in 169 budget bills and 480 settlement of accounts reports over the past four years. The number of cost estimates and tax revenue projections produced increased from 4 372 in the 19th Parliament to 12 428 in the 20th Parliament. Furthermore, it reported that its economic growth outlook projections were the most accurate from major economic forecasters in the Republic of Korea.
	19. The reported successes of the NABO is made possible through sufficient resources being allocated to the institution, i.e. 138 employees mainly with Masters or above degrees in economics, public policy, or a wide variety of other disciplines
	20. The National Assembly and the government of ROK is putting in place budgetary measures to revitalise the nuclear power plant industry. Amongst the measures is the effort to increase the budget items that are essential to the functioning and growth of the power plant industry. Furthermore, the government of ROK is in the process of restructuring state owned enterprises with a view of improving operational and financial performance.
	21. In the Republic of Korea, meritocracy is the only basis on which they construct the state and relates state agencies in order to build a more prosperous society.
	22. South Africa is the Republic of Korea’s largest trading partner on the African continent. Notwithstanding this, the Committee notes the submission by the Embassy of the Republic of South Africa in Seoul, that there was no free trade agreement in place between the two countries. This inhibits the export of goods and products between South Africa and the Republic of Korea.
	23. The Committee notes with serious concern that the Embassy of RSA in Seoul pays a total of R546 951 per month for the lease of its administrative building. The Committee reiterates its previous assertions that government should consider buying its properties.
	24. The Committee notes that visa renewal delays experienced by Korean citizens in South Africa has been raised throughout the study tour by the NA of ROK. The Committee requests that the Department of International Relations and Cooperation and the Department of Home Affairs attend to this matter expeditiously and within the ambit of the agreement between the two countries. This should result in increased cooperation between the two countries.
	25. The Committee notes that the Republic of Korea has entered the race to host the 2030 World Expo which it would like to host in Busan and encourages the Republic of South Africa to consider supporting it in this endeavour.
1. **Recommendations**

The Standing Committee on Appropriations, having undertaken an international study tour to the Republic of Korea, recommends as follows:

* 1. That the Presiding Officers of the Parliament of the Republic of South Africa ensure the following:
		1. That mechanisms be introduced that would ensure sustained interactions and knowledge sharing between the legislatures including their committees, budget and research offices.
		2. That mechanisms be introduced to formalise and improve coordination between the four budgetary committees (i.e. the appropriations and finance committees in the National Assembly and National Council of Provinces) and the portfolio and select committees. This should include ensuring that all Budget Reviews and Recommendations Reports are formally submitted to the appropriations and finance committees for consideration once finalised by portfolio committees. Currently the processes are disjointed and uncoordinated.
		3. That Parliament of the Republic of South Africa should consider incrementally increasing the Parliamentary Budget Office’s (PBO) budget. This is to enable the PBO to invest in systems and personnel required to conduct independent and rigorous costing of government policy and programmes, as well as independent forecasting. This will improve the Parliament of RSA’s ability to conduct deeper and more pro-active budgetary oversight.
		4. That Parliament of the Republic of South Africa should observe the developments in respect of the on-going process of restructuring State-owned Entities in the Republic of Korea. This should be done to identify success strategies that could be replicated in the context, and these could be shared with the executive during oversight meetings.
		5. That Parliament of the Republic of South Africa should, through oversight processes, implore the government to closely monitor, study and adopt successful trade, economic growth and employments policies used by the Republic of Korea.
		6. That the Parliament of the Republic of South Africa should introduce legislative mechanisms that will allow the general public to also initiate Auditor-General South Africa (AGSA) audits in specific circumstances.
	2. That the Minister of Finance should consider reviewing AGSA’s current funding model to ensure that it receives all or most of it’s funding from the fiscus, rather than being wholly funded through audit fees. In this regard, the Minister could opt for one of the two options:
* AGSA is completely funded from the fiscus, or
* AGSA receives an allocation from the fiscus whilst collecting audit fees.
	1. When considering the AGSA’s funding from the fiscus as per recommendation 6.2 above, the Minister of Finance should ensure that the budget is adequate to enable AGSA to broaden and deepen its scope for performance audit across the public sector. Broader and deeper performance audits are essential for strengthened scrutiny of public spending and performance, however, it requires significant investment in personnel and systems.
1. **Conclusion**

The responses and by the Presiding Officers and Executive Authority to the recommendations, as set out in section 6 above, must be sent to Parliament within 60 days of the adoption of this report by the National Assembly.

The Committee will arrange meetings with the Department of International Relations and Co-operation and Department of Home Affairs, along with other key stakeholders to discuss the bottlenecks experienced by the Embassy of RSA in the Republic of Korea.

The Committee would like to thank the authorities in the Parliament of Republic of the Republic of South Africa for affording it an opportunity to undertake an international study tour to Republic of Korea. The Committee hereby also thanks Ambassador Zenani Dlamini and her staff Ms N Msibi, Mr X Ngubane, Ms S Shamra, and Mr K Jin and for facilitating the study tour and opening her office and residence to the Committee and for being graceful and diligent in fulfilling her duties.

The Committee also appreciates and is very grateful for the efforts made by the Deputy Minister of International Relations and Cooperation, Mr A Botes, his Excellency Mr Park, Ambassador to the Republic of Korea in South Africa, and First Secretary Mr Kim for ensuring the lines of communication are open with our counterparts in the Republic of Korea. Finally, but definitely not least, thank you to the NA of ROK, Samsung Innovation Centre, and the Board of Audit and Inspection of Korea for being most gracious in receiving our delegation. The Committee appreciates all you have done and hopes to one day also receive delegations from the Republic of Korea.

Report to be considered.