

BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON TOURISM, DATED 22 OCTOBER 2019

The Portfolio Committee on Tourism, having considered the performance of the National Department of Tourism and South African Tourism for the 2018/19 financial year, reports as follows:

1. INTRODUCTION

It is generally acceptable worldwide that tourism is a growing and vast industry which has become a significant economic sector for many countries. This sector provides a number of ancillary services and helps to generate a substantial amount of revenue for countries. This is true for South Africa as well where the main benefits of tourism are revenue generation for the government and employment creation.

The sector is, however, not growing at its full potential as it faces a number of challenges that have stifled inclusive growth. These include, but are not limited to, a decrease in international arrivals; transformation; visa regime and visa processing issues; safety and security concerns; inappropriate wildlife interaction; and concerns about the country's policy of land expropriation without compensation. All these factors led to -0.6 percent decline in international tourist arrivals in the 2018/19 financial year compared to 2017. This decline, combined with the new focus areas will form the core of the Sixth Parliament oversight work. The new focus areas include rural tourism with an emphasis on villages, small towns and dorpies. The Committee will therefore conduct oversight to ensure that both international tourism to domestic tourism are marketed equitably. The intention is to expedite transformation without compromising the existing tourism infrastructure.

In ensuring inclusive tourism growth in South Africa, the Portfolio Committee on Tourism (hereafter referred to as the Committee) conducts oversight over the Department of Tourism (hereafter referred to as the Department) and South African Tourism

(hereafter referred to as SA Tourism). This report considers the internal and external factors that affected the financial and non-financial performance of both organisations in the 2018/19 financial year.

1.1 Mandate of the Committee

The Portfolio Committee on Tourism is established by Section 57 (2) (a) of the Constitution of the Republic of South Africa (Act 108 of 1996,) read with the Rule 225 of the National Assembly. The Committee is an extension of the National Assembly, and derives its functions from Rule 227 of the National Assembly.

1.2 Core functions of the Department

The Department and SA Tourism conduct their business through observing a number of legislative, policy, and strategic frameworks that comprise the core mandate of tourism in South Africa. The following exposition provides the synopsis of the core functions and mandate of the two organisations under the Portfolio Committee on Tourism:

1.2.1 Constitutional and Legislative Mandate

Part A of Schedule 4 of the Constitution of the Republic of South Africa (Act 108 of 1996), lists tourism as a functional area of concurrent national and provincial legislative competence. Part B of Schedule 4 lists local tourism as a local government competency. This classifies tourism as a concurrent function, and the Constitution enjoins the three spheres of government to perform specific functions to ensure tourism growth and development. Legislatively, the Tourism Act of 2014 (Act No. 3 of 2014) enjoins the Minister of Tourism to perform specific tasks to drive tourism policy and strategic direction. A number of gaps have been identified and the Act is due for amendment. The gaps are mainly within the technological developments, sharing economy, quality assurance, and tour guides.

1.2.2 Policy mandate

The Department derives its mandate from a number of policies. These are sector specific and government policies. Below is a list of some of the policies:

1.2.2.1 The National Development Plan

The National Development Plan (NDP) as the blueprint of government recognises tourism as one of the main drivers of employment and economic growth. The target of the NDP is to create an additional 11 million jobs by 2030, and tourism plays a huge role towards attaining that goal. The NDP envisions tourism as a major source of revenue and employment creation for the country through the investment in infrastructure, product and service development. It envisages rising employment, productivity and incomes as a way to ensure a long-term solution to achieve a reduction in inequality, an improvement in living standards, and ensuring a dignified existence for all South Africans.

1.2.2.2 The New Growth Path

Tourism is acknowledged in the New Growth Path (NGP) as one of the six economic pillars of South Africa. Tourism is recognised as a labour-intensive sector, with a wide value chain that cuts across various economic sectors. The NGP is intended to address unemployment, inequality and poverty in a strategy that is principally reliant on creating a significant increase in the number of new jobs in the economy. The NGP thus envisages tourism as a vehicle to expedite transformation and inclusive tourism growth that nurtures participation of all South Africans in the mainstream economy.

1.2.2.3 The White Paper on the Development and Promotion of Tourism in South Africa

The White Paper on the Development and Promotion of Tourism in South Africa (1996) recognises that tourism has been inadequately resourced and funded; a myopic private sector; limited integration of local communities and previously neglected groups into tourism; inadequate tourism education, training and awareness; inadequate protection of the environment; poor service; lack of infrastructure, particularly in rural areas; a ground transportation sector not geared to service tourists; lack of inclusive, effective national, provincial and local structures for the development, management and promotion of the tourism sector; and growing levels of crime and violence on visitors. Despite huge strides made by the Department in implementing the White Paper, the sector still faces a number of challenges

imposed by endogenic and exogenic factors in the operational environment that that should be immediately addressed.

1.2.2.4 The National Tourism Sector Strategy

The vision of the National Tourism Sector Strategy (NTSS) is for South Africa to be a top world responsible tourism destination, a safe, rapidly and inclusively growing tourism economy that leverages South Africa's competitive edge in nature, culture and heritage, underpinned by Ubuntu and supported by innovation and service excellence. However, some of the issues in the NTSS cannot be addressed at a strategy level and require a legislative review process to assist with strategy implementation.

1.2.2.5 The Medium Term Strategic Framework (2014 -2019)

The ending Medium Term Strategic Framework (MTSF), which is grounded on the National Development Plan, spans 2014 – 2019, and the 2018/19 financial year was wrapping up its implementation. There were fourteen core priorities of the MTSF, and the Department is pursuing four. The applicable government outcomes are:

- Outcome 4: Decent employment through inclusive economic growth;
- Outcome 7: Comprehensive rural development;
- Outcome 11: Creating a better South Africa, and contributing to a better and safer Africa in a better world; and

- Outcome 12: An efficient effective and development-oriented public service and an empowered, fair and inclusive citizenship.

The Department and SA Tourism are jointly contributing to these core government outcomes.

1.2.2.6 State of the Nation Address

The year 2019, being an election year, had two State of the Nation Addresses that are relevant to the Budget Review and Recommendations Report. The major oversight implications for the Committee is to conduct oversight over the Department and SA Tourism to drive inclusive

growth and the achievement of the bold and ambitious target of attracting 21 million arrivals by 2030 as pronounced by the President of the Republic of South Africa.

1.3 Strategic Outcome Oriented Goals of the Department and Delivery Agreement targets for 2018/19

In line with its vision of complementing the national priorities, the Department identified objectives that would accelerate the delivery of services in the tourism sector. Outlined in Table 1 are the strategic outcomes of the Department, as stated in the 2015/16 – 2019/20 Strategic Plan.

Table 1: Strategic outcome oriented goals which correlate with Government's Outcomes, namely:

Government Outcomes	Strategic Outcome-Oriented Goal	Organisational strategic objectives

<p>Outcome 12: An efficient and effective, and development orientated public service and an empowered fair and inclusive citizenship</p>	<ul style="list-style-type: none"> • Achieve corporate cooperative governance <p style="text-align: right;">good and</p>	<ul style="list-style-type: none"> • To ensure economic, efficient and effective use of departmental resources. • To enhance understanding and awareness of tourism and its opportunities. • To create an enabling legislative and regulatory environment for tourism development and growth. • To contribute to economic transformation in South Africa.
<p>Outcome 4: Decent employment through inclusive economic growth Outcome 7: Comprehensive rural</p>	<ul style="list-style-type: none"> • Increase the tourism sector's contribution to inclusive economic growth 	<ul style="list-style-type: none"> • To accelerate the transformation of the tourism sector. • To facilitate the development and growth of tourism enterprises, to contribute to inclusive economic growth and job creation.

<p>development and land reform</p> <p>Outcome 11: Create a better South Africa and a better world</p>		<ul style="list-style-type: none"> • To facilitate tourism capacity- building programmes. • To diversify and enhance tourism offerings. • To provide knowledge services to inform policy, planning and decision-making. • To reduce barriers to tourism growth to enhance tourism competitiveness. • To enhance regional tourism integration. • To create employment opportunities by implementing tourism projects.
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The Department is implementing a number of programmes that pursue the achievement of these outcomes such the Tourism Transformation Fund (TTF), Working for Tourism Programme, Tourism Incentive Programme (TIP), partnerships with rural municipalities and capacity building programmes.

1.4 Purpose of the Budgetary Review and Recommendation Report

The BRRR process is governed by the Money Bills Procedures and Related Matters Amendment Act (Act 9 of 2009) which

mandates Parliament to develop the Budgetary Review and Recommendation Report (BRRR). The Act sets out the process that allows Parliament to make recommendations to the Minister of Finance to amend the budget of a national department. In October of each year, the Committee must compile the BRRR that assesses service delivery performance given available resources; evaluate the effective and efficient use and forward allocation of resources; and may make recommendations on forward use of resources. The BRRR also acts as a source document for the Standing/Select Committees on Appropriations/Finance when they make recommendations to the Houses of Parliament on the

Medium-Term Budget Policy Statement (MTBPS). The comprehensive review and analysis of the previous financial year's performance, as well as performance to date, form part of this process.

1.5 Method

The Minister of Tourism tabled in Parliament the Annual Reports for the Department and SA Tourism on the 30th September 2019. The Committee then scheduled briefings with the Office of the Auditor-General and the Department on the 8th October 2019, and with SA Tourism on the 9th October 2019. The Committee adopted the report on the 15th October 2019.

1.6 Outline of the contents of the Report

The report is made up of five constituent parts as follows:

- (i) Constitutional, legislative and policy mandate of the Committee and the process that was followed in developing this Budgetary Review and Recommendation Report.
- (ii) Previous financial performance of the Department on both financial and non-financial aspects.
- (iii) Financial, non-financial and service delivery issues for the period under review.
- (iv) Key findings from the oversight work of the Committee, public hearings and research by external stakeholders that inform the recommendations.
- (v) Recommendations to the Ministers of Finance and Tourism in terms of the budgetary requirements, performance, and service delivery improvement of the Department.

2. OVERVIEW OF THE KEY RELEVANT POLICY FOCUS AREAS

The tourism sector is regulated by government legislative, policy and strategic frameworks that are aligned to the vision 2030 of the

National Development Plan.

2.1 Key Government policies

The Department reviewed the Tourism Act, 2014 (Act No.3 of 2014) during 2018/19 to improve the governance of tourism government institutions and performance of the sector; sharing economy; grading of tourism establishments; and professionalisation of tourist guiding. The Draft Tourism Amendment Bill was gazetted for public comments but has not been tabled to Parliament yet.

2.2 Overview of the revised Strategic Plan and Annual Performance Plans

The Department tabled its 2018/19 - 2020/21 Strategic Plan with the revised 2018/19 Annual Performance Plan. The 2018/19 financial year was thus the second year of Department delivering its mandate under the reconfigured and recalibrated branches and Programmes. The focus for the period under review was aligned to the national government priorities and the National Development Plan. However, the budget allocated to the Department did not reflect the economic development mandate given to the sector. With regard to the strategic plan, the vision of the Department is to be the leading sustainable tourism development department for inclusive economic growth in South Africa. The vision is to grow an inclusive and sustainable tourism economy through good corporate and cooperative governance, strategic partnerships and collaboration, innovation and knowledge management, and effective stakeholder communication. This vision succinctly captures the nature of the tourism sector and its related dynamics.

2.2.1 Strategic goals

The Department was pursuing the following twelve (12) organisational strategic objectives which are spread over its four Branches/ Programmes:

- To ensure economic, efficient and effective use of departmental resources,
- To enhance understanding and awareness of the value of tourism and its opportunities,
- To create an enabling legislative and regulatory environment for tourism development and growth,
- To contribute to economic transformation in South Africa,
- To accelerate the transformation of the tourism sector,

- To facilitate the development and growth of tourism enterprises and to contribute to inclusive economic growth and job creation,
- To facilitate tourism capacity-building programmes,
- To diversify and enhance tourism offerings,
- To provide knowledge services to inform policy, planning and decision-making.
- To reduce barriers to tourism growth and to enhance tourism competitiveness,
- To enhance regional tourism integration, and
- To create employment opportunities by implementing tourism projects.

2.2.2 Departmental programmes

The Department was pursuing the strategic objectives and the strategic outcome-oriented goals through four Programmes, namely:

- (i) Programme 1: Administration (Corporate Management) - The purpose of Programme 1 is to provide strategic leadership, management and support services to management. The sub-programmes for Programme 1 are Ministry; Management; Corporate Management; Financial Management; and Office Accommodation.
- (ii) Programme 2: Tourism Research, Policy and Internal Relations - The purpose for Programme 2 is to enhance strategic policy environment, monitor the tourism sector's performance and enable stakeholder relations. The related strategic outcome-oriented goal is to achieve good corporate and cooperative governance.
- (iii) Programme 3: Destination Development - The purpose of Programme 3 is to facilitate and co-ordinate destination development. The strategic outcome-oriented goal is to increase the tourism sector's contribution to inclusive economic growth.
- (iv) Programme 4: Tourism Sector Support Services - The purpose of Programme 4 is to enhance transformation of the sector, increase skills levels and support its development to ensure that South Africa is a competitive tourism destination. The strategic outcome-

oriented goal for the Programme is to increase the tourism sector's contribution to inclusive economic growth.

2.3 Overview of key developments in the organisational and service delivery environments of the Department for

2018/19 and 2019/20 MTEF cycle.

The sector experienced a number of developments impacting on the service delivery environment as follows:

2.3.1 Service delivery environment

The following issues may be highlighted in the period under review:

- Safety and security concerns on the back of reports of crime against tourists contributed to tourists reconsidering South Africa as a travel destination. In response to these incidents, some European governments have advised their citizens about the risks of travelling to the country.
- There was a decrease in international arrivals with an increase in tourist spend.
- The increase in the cost of living for South Africans negatively impacted domestic tourism, which is largely considered a luxury purchase for South Africans.

2.3.2 Organisational environment

The Department experienced a change in political leadership during the period under review. The then Minister of Tourism, Mr Derek Hanekom, was reappointed as Tourism Minister by President Cyril Ramaphosa following a Cabinet reshuffle in February 2018. Minister Hanekom had served as the Minister of Tourism for nearly three years before being replaced in March 2017 by the former President Jacob Zuma. Mr Hanekom, took over from former Minister Tokozile Xasa. This is important to understand the regression in both the Department and SA Tourism in their audit findings as there has been no stability at a political leadership level.

3. SUMMARY OF PREVIOUS YEAR KEY FINANCIAL AND PERFORMANCE RECOMMENDATIONS OF THE COMMITTEE

3.1 2017/18 BRRR recommendations

3.1.1 Summary of key financial and non-financial performance recommendations made by the Committee

Given the continued underfunding of the tourism sector, the Committee resolved to make financial proposals that were meant to increase the contribution of the tourism sector to the national fiscus, thus influencing the additional appropriation to the tourism

vote. However, all the proposals were rejected by the National Treasury. The major financial recommendation made to the Minister of Finance in the 2017/18 financial year were as follows:

Table 2: BRRR recommendations for 2017/18

Recommendation	Response by National Treasury
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<p>The Committee recommends that the Minister of Finance, through the National Treasury develops a tourism funding model for local government through determining a percentage of the budget that could be ring- fenced for tourism in the Division of Revenue allocations, in order to advance destination enhancement, market access, product development, and linkages to the Local Economic Development budget.</p>	<ul style="list-style-type: none">• Government recognises the importance of tourism and the role municipalities play in facilitating its growth. Within the local government fiscal framework, most economic functions are funded from local government's own revenues.• These revenues are raised primarily from the sale of services and property rates and account for 70 per cent of all municipal revenues.• These are an appropriate source of funding for economic functions, as increased economic activity – including increased tourism traffic – will result in higher property values and sales of services, thereby helping to fund the cost of these functions.• The opportunities for tourism promotion and the type of investment needed are likely to vary widely across South Africa's 257 municipalities, making it difficult to prescribe a one-size-fits-all approach to how much municipalities should spend in this area.• Many activities that are essential to enhancing tourism also overlap with other functions, such as improving public transport, upgrading parks and ensuring the reliability of basic services.• These are core municipal activities that can also improve the tourism potential of an area. Municipal councils are appropriately
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	placed to decide on suitable tourism promotion projects in their areas.
<p>The Minister of Finance through the National Treasury should capitalise the Tourism Transformation Fund with the budget commensurate to the transformation imperatives of the tourism sector which still resemble the apartheid patterns of ownership, management and control.</p>	<ul style="list-style-type: none"> • The National Treasury acknowledges the importance of tourism and the need for the development and transformation of the sector. • However, due to the constrained fiscal outlook, the scope to provide additional funding is limited. • Departments, public entities and constitutional institutions are required to reprioritise funds within their existing baselines to fund any emerging priorities. • Should the fiscal outlook improve, future recommendations for additional funding may be considered.
<p>The Minister of Finance should advise Parliament on the feasibility of introducing a Tourism Tax that could be introduced in South Africa, and whether such a tax would have a substantial impact on the increase of budget appropriated to the Tourism Vote.</p>	<ul style="list-style-type: none"> • The South African tourism levy charges the consumer a 1 per cent levy for the use of specific tourism services. • The funds collected are primarily used by South African Tourism to promote the country as a preferred travel and tourism destination. • Any consideration to introduce other taxes will need thorough evidence-based research.

3.1.2 Evaluation of responses by the Ministers of Finance and Tourism

The responses by the Minister of Finance did not assist the tourism sector in that the sector carries a huge economic growth and developmental mandate, but remains underfunded. Notwithstanding the constrained economic environment, the National Treasury does not recognise the potential of the tourism sector to make a contribution towards turning the economic woes of the country around. For the tourism sector to make the desired contribution to economic growth, a whole government approach is needed.

3.2 2018/19 Committee Budget Report

In the 2018/19 Budget Report the Committee had made recommendations that the Minister of Tourism:

- Continues to engage the National Treasury on increasing allocation of budget to the tourism vote and report back to the Committee on the progress before the Medium Term Budget Policy Statement (MTBPS) to be delivered in October 2018.
- Improves on and prioritise legislation, policy, and strategy formulation to keep up with the emerging trends in global tourism, including the regulation of the sharingeconomy in the sector.
- Engages the Department to improve on its communication strategy, especially on programmes offered, to ensure a wide reach and more uptake by the target market.
- Engages investors after the finalisation of the masterplans to ensure value for money on the budget spent and expedite transformation especially in neglected high potential community destinations.
- Ensures that the department improves on project planning and implements the improvement plans, including advanced planning for all the projects implemented with external stakeholders.
- Improves on the collection and collation of tourism statistics to ensure credible and useful measurement of the impact of tourism in the socio-economic landscape of South Africa.
- Continues to engage the Minister of Home Affairs to improve the ease of access through tourist friendly immigration regulations and visa regime, including expediting the eVisa facilitation and report to the Committee on progress within six months of receiving this report.
- Expedites transformation of the tourism sector by implementing pro poor programmes and capitalising on the Tourism Transformation Fund to enable participation of previously marginalised communities.
- Monitors the implementation of the 5-in-5 strategy to ensure increase in international arrivals and domestic trips.
- Minimises the usage of consultants and contribute to job creation through employing the skilled youth to conduct the work currently commissioned to the consultants.

2014/15	1 662 100,0		1 662 100,00		1 583 260,0	1 557 594,0	98,4%
2015/16	1 800 233,0	8,3%	1 711 248,10	3,0%	1 794 178,0	1 777 394,0	99,1%
2016/17	2 009 516,0	11,6%	1 796 976,77	5,0%	2 009 516,0	1 919 646,0	95,5%
2017/18	2 140 156,0	6,5%	1 824 403,68	1,5%	2 140 156,0	2 133 976,0	99,7%
2018/19	2 261 817,0	5,7%	1 827 597,32	0,2%	2 261 817,0	2 234 802,0	98,8%
2019/20	2 392 670,0	5,8%	1 837 765,58	0,6%			
* Real change in Rand value							
** Real change in percentage terms							

In the 2016/17 financial year the Department was allocated R2 009 516 000 and spent R1 919 790 000, representing 95.5 percent expenditure of the appropriated budget. In the 2017/18 financial year the Department was allocated R2 140 156 000 and spent R2 133 976 000, which was 99.7 percent of the appropriated budget. In the 2018/19 financial year the Department was appropriated R2 261 817 000 and spent R2 234 802 000 which was 98.8 percent of its appropriated budget. Evidently, the Department had good financial performance and management over the five-year period. This is confirmed by its four unqualified audits, two of which were clean audits, and the 98 percent average expenditure over the five financial years. However, the Department struggled to implement good financial management systems during the 2018/19 financial year which led to a qualified audit.

5. FINANCIAL PERFORMANCE FOR 2018/19

The Department's budget allocation amounted to R2 261 817 billion of which R310 353 million was allocated to fund Compensation of Employees, R245 560 million to Goods and Services, R1 481 808 billion to Transfers and Subsidies and R224 096 million to Capital Assets. Table 4 indicates the assessment of the departmental performance in the 2018/19 financial year.

Table 4: Financial Statement of 2018/19 per Programme

	Adjustment Appropriation	Virement	Final Appropriation	Expenditure	(Over)/Under Expenditure	Virement
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Programme	R'000	R'000	R'000	R'000	R'000	%
1. Administration	271 415	(4 957)	266 458	260 730	5 728	(1.83)
2. Tourism Research, Policy and International Relations	1 281 995	6 135	1 288 130	1 283 908	4 222	0.48
3. Destination Development	401 754	5 093	406 847	398 447	8 400	1.27

4. Tourism Sector Support Services	306 653	(6 271)	300 382	291 717	8 665	(2.04)
TOTAL	2 261 817	-	2 261 817	2 234 802	27 015	-

Source: National Department of Tourism Annual Report, 2018/19

The following expenditure patterns were incurred in the period under review:

- Expenditure – the Department spent R 2. 234 billion of the R 2.261 billion allocated in the 2018/19 financial year. This represents 98.8 expenditure at the end of the financial year.
- Under expenditure – the Department incurred under expenditure of R27 million in the period under review. This can be disaggregated as R5. 7 for Programme 1; R4.2 million for Programme 2; R8.4 million for Programme 3; and R8.7 million for Programme 4.

- Virements - The Department incurred virements between the main divisions for compensation of employees in order to stay within the earmarked amount allocated to it. National Treasury granted approval in terms of Section 43(1) of the Public Finance Management Act (Act No. 1 of 1999), read together with Treasury Regulation 6.3.1, to shift R10 million from Programme 4: Tourism Sector Support Services: Sub- programme: Tourism Incentive Programme: Goods and Services: Consultants: Business and Advisory Services to Compensation of Employees. The compensation of employees' budget ceiling increased by R10 million to R320.4 million for the 2018/19 financial year. By the end of the financial year the Department had spent R313.5 million (97.8%) on compensation of employees. The National Treasury also granted approval, in terms of section 5(1)(d) of the Adjustments Appropriation Act (17 of 2018), for shifting of R80 million from payments for capital assets to defray excess expenditure in goods and services under the Expanded Public Works programme (EPWP) grant programme within Programme 3 (Destination Development).
- Fruitless and wasteful expenditure – There was an increase in fruitless and wasteful expenditure from R1.065 million in 2017/18 to R120.5 million in 2018/19. The

Department was the biggest contributor to fruitless and wasteful expenditure amounting to R119.84 million identified in the current year related to infrastructure projects and fruitless and wasteful expenditure amounting to R723 000 related to interest and penalties and travel delays as a result of visa challenges. This led to the qualified audit as the Department did not fully quantify and disclose the extent of fruitless and wasteful expenditure.

- Irregular expenditure – the irregular expenditure increased with R117 million from the prior year. SA Tourism was the main contributor to irregular expenditure with the total of R94.4 million. This was caused by contract extension for a service provider beyond the 15 percent or modified without the approval of National Treasury as required by paragraph 9.1 and 9.2 of National Treasury Instruction note 3 of 2016/17(R94.4 million). The preference point system was not applied in some of the procurement of goods and services by the Department. This non-compliance was identified on the procurement process conducted by implementing agents on behalf of the Department in the value of R24.8 million.

5.1 Quarterly spending trends

The Department experienced underspending in all the four quarters of the 2018/19 financial year. This led to the under expenditure at the end of the financial year as reported in the Annual Report. The under expenditure was caused by recurring issues that have been reported on over the years. These include delays in the implementation of projects; delays in appointing service providers; and poor project management. These culminated in quarterly targets being shifted to the following quarters, and others ultimately not achieved at the end of the financial year.

5.2 Transfers and subsidies

The Department made transfers and subsidies to the value of R1.4 billion. This was R1.3 million for departmental agency (SA Tourism) and accounts; R75.9 million for public corporations and private enterprises; R2.4 million for foreign governments and international organisations; and R472 000.00 for non-profit institutions. These transfers mean that the Department has less than 50 percent of its appropriated budget to deliver on its mandate, with

53 percent transferred to SA Tourism. The concern is that SA Tourism only achieved 56 percent of its annual performance budgets. The funds for Vote 33 were therefore not economically and efficiently utilised in the period under review.

5.3 Gifts and donations received in kind from non-related parties

The Department received a donation of R120 million from the European Union via the National Treasury for the Golden Gate Highlands National Park Interpretation Centre. The project is being implemented.

5.4 Claims against the Department

The Department incurred R4.6 million in claims. These relate R175 000.00 for labour relations matter where an applicant was not shortlisted for the advertised [position as a Director; R4.1 million for a tender not awarded by an implementing agent; R188 000.00 for goods delivered but not paid for; R41 000.00 for breach of contract, and R50 000.00 for defamation of character by departmental official.

5.5 Auditor-General Report

The Auditor-General's findings with regard to the Department are as follows:

5.5.1 Audit Opinion

The Department received a qualified audit for the 2018/19 financial year.

5.5.2 Basis for Qualification

- Immovable tangible capital assets
 - The AG was unable to obtain sufficient appropriate audit evidence that immovable tangible capital assets were properly accounted for in accordance with the requirements of the MCS chapter 11, capital assets. This was due to inadequate status of the accounting records, including the lack of a credible asset register. Some capital assets recorded in the register as completed assets could not be fully verified, as some deliverables could not be physically verified.
 - The AG was unable to confirm the status of completed projects disclosed in the capital work in progress disclosed in sub-note 29.4 to the financial statements. Consequently, the AG was unable to determine whether any further adjustments were necessary to immovable tangible capital assets stated at R256 million (2018: R263 million) and capital work in progress stated at R236 million (2018: R295 million), as included in note 29 and sub-note 29.4 to the financial statements, respectively.

- Fruitless and wasteful expenditure
 - The Department did not include the full extent of fruitless and wasteful expenditure in the notes to the financial statements, as required by section 40(3)(l) of the PFMA. This was due to excessive payments made on immovable tangible assets.
 - As a result, the AG was unable to determine whether any further adjustments were necessary to the fruitless and wasteful expenditure stated at R120 million (2018: R 0) in the financial statements.

5.5.3 Pre-determined Objectives

- No material findings were made on the usefulness and reliability of the reported performance information for the selected Programmes: Programme 2 (Tourism Research, Policy and International Relations), Programme 3 (Destination Development) and Programme 4 (Tourism Sector Support Services).

5.5.4 Financial Statements

- Other than possible effects of matters described in the basis for a qualified opinion, the auditor's report states that the financial statements of the Department present fairly, in all material respects, its financial position as at 31 March 2019.
- The Department's financial performance and cash flows for the year ended in accordance with the Modified Cash Standard (MCS) as prescribed by the National Treasury as required by section 40(1)(b) of the Public Finance Management Act (PFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 14 of 2018) (Dora).

5.5.5 Compliance with Laws and Regulations

Material findings on compliance with specific matters in key applicable legislation identified:

Submission of Annual Financial Statements:

- Financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 40(1)(a) and (b) of the PFMA.
- Some material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected and/or the supporting records were provided subsequently. However, uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified opinion.

Procurement and Contract Management:

- The preference point system was not applied in some of the procurement of goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act (5/2000) and Treasury Regulation 16A6.3(b). This non-compliance was identified in the procurement processes by implementing agents on behalf of the Department.
- Some of the bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(2).

Expenditure Management:

- Effective and appropriate steps were not taken to prevent **irregular expenditure amounting to R26.5 million**, as disclosed in note 22, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. The majority of the irregular expenditure disclosed in the financial statements was caused by the preference point system not being applied by implementing agents on behalf of the Department.
- Effective steps were not taken to prevent fruitless and wasteful expenditure, as required by section 38(1)(c)(ii) of the PFMA and Treasury Regulation 9.1.1. As reported in the basis for qualified opinion, the full extent of the fruitless and wasteful expenditure could not be quantified. The bulk of the fruitless and wasteful expenditure disclosed in the financial statements was caused by expenditure incurred on infrastructure projects.

5.5.6 Internal Controls deficiencies

- Previously reported deficiencies relating to oversight regarding the financial reporting process, including detailed reviews of the financial reports by delegated officials, compliance and related internal controls, were not adequately addressed. Although corrective action plans to address the audit findings were implemented by management, the plans were ineffective in timeously addressing the reported control deficiencies, as an appropriate level of governance structures did not adequately monitor the status of addressing the findings to ensure that the lack of progress was escalated for further intervention.
- An evaluation was performed by both the Department and the auditors on some of the stalled projects on its Expanded Public Works Programme (EPWP). The evaluation revealed serious concerns regarding project management by the Department on these projects, which included:
 - the Department did not have adequate capacity and appropriate competencies to ensure that appropriate oversight is exercised;
 - the Department did not obtain certified engineer and quantity surveyor certificates for infrastructure projects;
 - there was inadequate project management to ensure that appropriate oversight is exercised over infrastructure projects and that adequate records are kept for immovable tangible capital assets;
 - there was a lack of detailed feasibility studies before approving projects;
 - there was a lack of regular site visits being conducted during the construction of projects as part of project management, and
 - implementing agents did not follow procurement prescripts when procuring goods and services on behalf of the Department.

5.5.7 Other reports

- During the financial year, criminal investigations into allegations relating to some of the EPWP projects were being undertaken by the law enforcement agencies.
- As previously reported, the Government Technical Advisory Centre (GTAC) has been requested to review the Social Responsibility Initiative projects, which include the EPWP projects to ensure finalisation of these projects in an effective and efficient manner. The review covered a sample of EPWP projects not yet finalised since inception of the Department until 31 March 2018.

The Auditor-General's findings with regard to SA Tourism are as follows

5.5.8 Audit opinion

SA Tourism received an unqualified audit opinion for the 2018/19 financial year.

5.5.9 Material findings

- Material findings were raised on the usefulness and reliability of information under programme 4 (Business Events). Whilst the Entity reports that it exceeded the targets for business events hosted in South Africa and number of international delegates hosted in the country, the AG was unable to obtain sufficient appropriate audit evidence to validate the existence of a system and processes that enable reliable reporting of actual achievement of these indicators.
- Adjustment of material misstatements: the AG identified material misstatements in the annual performance report. These misstatements were on the reported performance information of Programme 4 (Business Events). Management corrected only some of the misstatements, thus the AG raised material findings on the usefulness and reliability of the reported performance information.
- Material findings on compliance with specific matters in key legislations are as follows:
 - Expenditure management: effective and appropriate steps were not taken to prevent irregular expenditure amounting

to R94 396 066 (note 33 to the annual financial statements), as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was due to non-compliance with National Treasury instruction note 3 of 2016/17.

- Procurement and contract management:
 - Some of the quotations were accepted from prospective suppliers who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.
 - Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, which is prescribed in order to comply with treasury regulation 16A8.3.
 - Some contracts were extended or modified without the approval of National Treasury, as required by paragraph 9.1 and 9.2 of National Treasury instruction note 3 of 2016/17.

5.5.10 Internal control deficiencies

The Auditor-General reported a slow response by the Entity in addressing non-compliance findings. The Entity needs to focus more attention on ensuring that action plans are implemented to timeously address audit findings of prior years and that sustainable solutions are implemented to prevent a recurrence of findings in the area of compliance with key applicable legislation and reported performance information.

5.5.11 Other reports

The Board instituted an investigation into allegations against the Chief Executive Officer of the Entity. At the date of this report the investigation had been concluded and the Board was in the process of implementing the outcome of the investigation.

5.5.12 Recommendations by the Auditor-General

The OAGSA recommended the Department and SAT to:

- Ensure that the action plans are implemented timeously to address prior year's audit findings.
- Monitor action plans to address all the findings identified on Expanded Public Works Programme (EPWP), including evaluation and monitoring of deliverable on the agreements entered with third parties by the department, that is the implementing agents.

- Implementation of consequence management for poor performance (including EPWP implementing agents).
- A payment of R1.4 million was made to the National Heritage Council (NHC) by SA Tourism and there were allegations regarding a close relationship between the chairperson of the board for SAT and the CEO of NHC. It was further alleged that an Executive manager in the office of the CEO of NHC is related to the chairperson of the board for SAT, an investigation should be conducted by the Minister to determine whether SAT derived benefits for the money transferred to NHC.

5.6 Summary of key issues contained in reports of Finance/Appropriation Committees

In the period under review, the Department and SA Tourism had no issues raised by the finance or appropriation Committees.

5.7 Summary of key financial issues contained in any other relevant report(s)

The Standing Committee on Public Accounts (SCOPA) did not raise any issues with regard to spending by the Department. No financial issues were identified from other sources.

5.8 2018/19 MTEF financial allocations

5.8.1 Summary of funding submissions to the National Treasury for the 2018/19 MTEF.

The main budget recommendation in the 2018 Budget report was for the National Treasury to increase allocation of budget to the tourism vote. Further recommendations were made in the 2018 Budgetary Review and Recommendation Report to conduct a feasibility study on the introduction of a Tourism Tax and to have a special appropriation in the Division of Revenue whereby some budget was to be ring-fenced for tourism at a local municipality level. All the recommendations were not accepted by the National Treasury.

6. OVERVIEW AND ASSESSMENT OF SERVICE DELIVERY PERFORMANCE

The service delivery performance assessment is presented for both the Department and SA Tourism

6.1 The Department of Tourism

The Department executes its mandate through four programmes, that is, Administration; Tourism Research, Policy and International Relations; Destination Development; and Tourism Sector Support Services.

6.1.1 Service delivery performance for the 2018/19 financial year

The Department of Tourism had a fair performance against set objectives for the 2018/19 financial year. Of 80 annual targets, the Department achieved of 67 (83.75 percent) as indicated in Table 5.

Table 5: Achievement of Targets Per Programme

Programme	Planned Targets	Achievement		Non Achievement	
		Total Achieved	% achieved	Total not achieved	% not achieved
1. Administration	17	14	82.35	3	17.65
2. Tourism Research, Policy and International Relations	21	20	95.24	1	4.76
3. Destination Development	13	11	84.62	2	15.38
4. Tourism Sector Support Services	29	22	75.86	7	24.13
Total	80	67	83.75	13	16.25

Source: Adapted from NDT Annual Report 2018/19

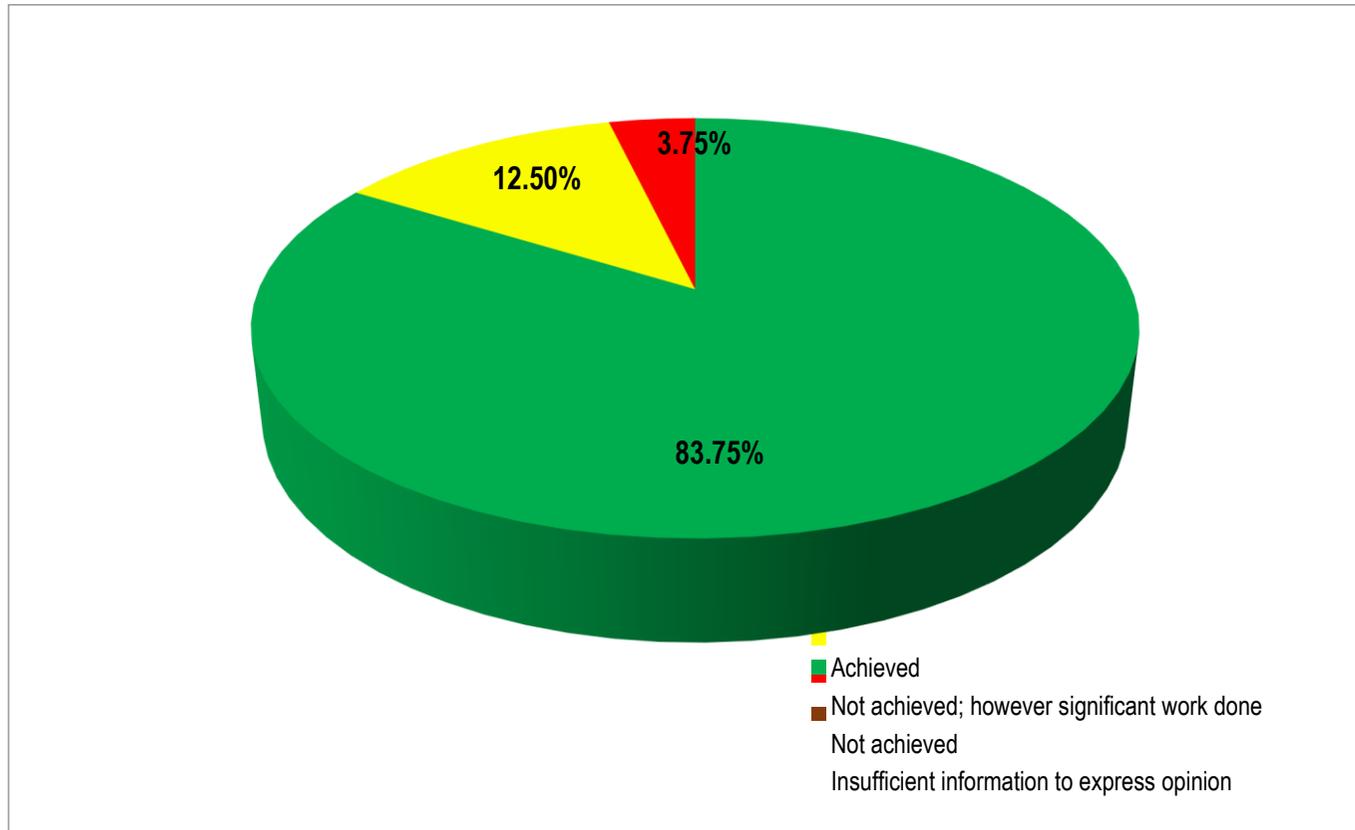
The Department reported three (3.75 percent) targets not achieved and 10 (12.50 percent) partially achieved. The Department spent 98.8 percent of its appropriated budget, R2 234 802 billion of the R2 261 817 billion allocated. The Department had a

variance between spending and performance as a result of cost containment measures implemented by the Department to reduce spending on consultants. The Department continued to be faced with non-achievement of pre-determined milestones by research consultants resulting in non-payments and delays in the finalisation of contracts with project implementers of the Tourism Incentive Programme (TIP). Figure 1 shows a graphic representation of departmental annual performance.

Most of the unmet targets relate to its infrastructure and capacity-building programmes. The unmet or partially met targets relate to delays in procurement processes, delays in the enrolment of programme participants, delays in project planning, learner drop-outs, funding challenges for workplace skills plan, and the rescheduling of an Imbizo due to public unrest in the identified area.

Figure 1: Departmental annual performance

Source: Adapted from the Department of Tourism 2018/19 Annual Report



6.1.1.1 Programme Performance

(i) Programme 1: Administration

The purpose of this programme is to provide strategic leadership, management and support services to the Department. The

overall Programme performance is illustrated in Table 6.

Table 6: Programme 1 – Administration

Total Targets set	17
Targets achieved	14 (82.35%)
Targets not fully achieved	3 (17.65%)
Budget allocated	R266 458 million

Budget spent	R260 730 million (97.9%)
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The Department performed relatively well under this programme in delivering on 14 of the 17 identified targets. Unmet targets relate to the Department's vacancy rate at 9.1 percent against a target of 8 percent. The Department reported that the non-achievement is as a result of the Department not being able to fill vacancies since April 2018 due to the ceiling on the compensation budget imposed by National Treasury. An amount of R10 million virement approved by Treasury was not sufficient for long-term commitments. The underspending on this programme was as a result of savings realised under compensation for employees. At the end of the financial year, the Department reported 467 filled positions against a target of 484.

The Department was also not able to meet its target on the Workplace Skills Programme. This was as a result of funding challenges for a new bursary intake. The Department reported that it will not be able to offer internships for the 2019/20 financial year due to funding constraints, but has allocated budget for the subsequent years. The third target not achieved was on the implementation of the Department's communication strategy, where an Imbizo meant to be held at Phuthaditjhaba in the Free State was postponed due to unrest and road barricades at Thaba Bosiu. The Imbizo has been postponed to the next financial year.

The Department was able to maintain its target on women representation at senior management level at 50.7 percent. The Department is to be commended for exceeding its target for employing people with disabilities, with representation currently at 4.5 percent against a minimum annual target of 3 percent. This trend is a continuation of the previous financial years' performance on this target. This speaks to the Department's attempts at creating an inclusive working environment for people with disabilities.

(ii) Programme 2: Tourism Research, Policy and International Relations

The purpose of this programme is to enhance the strategic policy environment, monitor the tourism sector's performance and enable stakeholder relations. The overall performance of Programme 2 is illustrated in Table 7. The Programme consumed the bulk of the total Vote allocation in the 2018/19 financial year, at R1. 288 billion. Of this amount, R1 208 billion was transferred to

South African Tourism. The Department's membership fee of R2 349 million to the United Nation World Tourism Organisation (UNWTO) is also paid from this programme.

Table 7: Programme 2 - Tourism Research, Policy and International Relations

Total Targets set	21
Targets achieved	20 (95.24%)
Targets not fully achieved	1 (4.76%)
Budget allocated	R1 288 140 billion
Budget spent	R1 283 908 billion (99.7%)

The Department performed very well under this programme, as it only has one unmet target out of the 21 identified. The Department has done extensive work in meeting its target on the development of reports, focusing on both topical issues in the industry and monitoring progress of capacity building programmes. The development of reports on airlift and visa requirements places the Department, as a policy maker and enabler, at an advantage in its engagements with stakeholders both in the public and private sector. The Department has also produced a report evaluating the impact of its capacity-building programmes. This report is critical in determining the return on investment of these programmes, especially with the number of challenges that have been encountered in their implementation over the previous years. The Department is commended on its ongoing efforts through the Tourism Research Seminar, which offers a platform for research graduates to present their findings. This speaks to the Department's endeavours to ensure that its policies and planning are knowledge-based.

The annual target not achieved under the programme is on the placement of youth as data collectors for the National Tourism Information System (NTIMS). The Tourism Act, No.3 of 2014, Chapter 2, Section 5(a) and (b), stipulates that the Minister must establish a National Tourism Information System for collecting, recording, managing, analysing and disseminating information and data on tourism; and monitoring developments and trends in tourism. The training of data capturers is a significant component of the establishment of this system. The Department was unable to train and place the planned 600 data capturers and was only able to place 549. The Department reported that this was as a result of a limited number of qualifying youth in the identified municipalities.

(iii) Programme 3: Destination Development

The purpose of the programme is to facilitate and coordinate tourism destination development. The Programme was allocated R406 847 million in the 2018/19 financial year, of which R339 007 million was allocated to the Working for Tourism sub-programme. Working for Tourism represents 83.33 percent of the budget of the total programme. Working for Tourism

consists of the Expanded Public Works Programme (EPWP) and Expanded Public Works Incentive Programme.

Table 8: Programme 3 - Destination Development

Total Targets set	13
Targets achieved	11 (84.62%)
Targets not fully achieved	2 (15.38%)
Budget allocated	R406 847 million
Budget spent	R398 447 million (97.9%)

The Department's performance under this programme was good, as it only has two unmet targets of the 13 identified. The destination development programme is important, especially in relation to enhancing both tourism products and destinations, increasing geographic spread and combating seasonality. Effective destination development provides visitors with options and provides opportunities for niche markets, which are important for destinations on the periphery of urban spaces. The Department reported that both precinct plans and stakeholder engagements for Khayelitsha and the Karoo region have been completed. The progress on these is critical for both township and rural tourism development. The Department also reported progress on some of the identified projects under Operation Phakisa, such as the completion of draft master plans for Sutherland to Carnavon, Hondeklip Baai to Port Nolloth and Port St Johns to Coffee Bay. The finalisation of the master plans means that the Department can engage with the relevant stakeholders, such as the local municipalities, tourism authorities, potential funders on the realisation of the identified projects in these plans. The Department reported that the final model for the ownership and operational model for budget resorts has been completed. This is an important initiative for the revival of underutilised budget and municipal resorts that can play a significant role in job creation, entrepreneurial growth and domestic tourism, and thus addressing transformation.

The Department reported that the appointment of contractors for both the Shangoni Gate and Phalaborwa Wild Activity Hub were delayed. Shangoni Gate entails the construction of a gate into Kruger National Park via Muyexe village near Giyani in Limpopo Province, making it the shortest route to the park via the R81. When complete, the project will comprise of the Shangoni visitors' entrance gate, reception facility, picnic site and camping sites. The Department reported that the environmental impact assessment has been completed for

Shangoni and a contractor will be appointed upon the finalisation of the land surveying. Reporting on these two projects is ongoing over the medium term and is included in the Department's annual performance plan till the 2021 financial year. The Committee will monitor the progress of their implementation.

The Department reported that interpretative signage in six national iconic sites, which are Hluhluwe Nature Reserve, Mkambati Nature Reserve, Dwesa Cwebe Nature Reserve, Tsitsikamma National Park, Blyde River Canyon and Square Kilometres Array (SKA) Karoo Node, has been developed. This initiative is welcomed and should be extended to other lesser known iconic and historical sites in the country.

The annual target for the creation of 6 355 full-time equivalent (FTE) jobs was not met, with only 3 199 FTE jobs created. The Department cited that during the year under review, there were delays in implementing certain EPWP funded projects. The reasons for this include delays in the procurement of implementers and delays with project planning. Delays in the implementation of EPWP projects continue to affect the Department's annual performance.

(iv) Programme 4: Tourism Sector Support Services

The purpose of this programme is to enhance transformation, increase skill levels and support the development of the sector to ensure that South Africa is a competitive tourism destination.

Table 9: Programme 4 - Tourism Sector Support Services

Total Targets set	29
Targets achieved	22 (75.86%)
Targets not fully achieved	4 (13.79%)
Targets requiring intervention	3 (10.34%)
Budget allocated	R300 382 million
Budget spent	R291 717 million (97.1%)

As indicated in Table 4, the Department only achieved 22 targets of the 29 identified. The Department reported that the framework for supporting tour operators to facilitate domestic tourism has been finalised. In addition, the domestic tourism scheme is also finalised. The Department is commended for its ongoing tours targeted at designated groups such as the youth, the elderly and people with disabilities; designed to encourage travel in these communities.

The Department reported that it was only able to support 169 enterprises, instead of the 400 planned, due to the Small Enterprise Development Agency (SEDA), its implementation partner, cutting its share of the funding for the programme. This is unfortunate, as a project of this nature is important in empowering small medium enterprises (SMEs) and assisting with their growth in the sector. However, the Department indicates that the outstanding SMEs will be assisted in the 2019/20 financial year.

The target on the Tourism Monitors Training programme was not achieved for all nine provinces as planned. Training only took place in three provinces, Gauteng, Mpumalanga and the Eastern Cape, and the numbers for each province were less than

planned. The Department indicated that the programme design and numbers per province have been reviewed. The Committee will continue to monitor the implementation of this programme, especially on the role that these monitors will be playing in ensuring tourist safety at their assigned attraction sites. In previous meetings, the Department indicated that some of the challenges with the programme include inadequate monitoring mechanisms of the performance of monitors and unclear reporting lines. It is essential that these challenges are addressed and catered for in this new programme design to ensure that monitors perform optimally at the various sites, and are visible to visitors.

The annual target on employing 1 500 youth in the Food Safety Programme was not met. The Department reported that it was unable to procure a suitable supplier to implement the programme. This is unfortunate when one considers the type of impact that a project of this nature can have. It is also concerning that this seems to be the default response of the Department on a number of its projects that are not implemented within the stipulated time frames. While challenges with supply chain processes are acknowledged, it is important that the Department improves on its project planning to avoid this becoming a norm.

The Department also did not meet the target on the skills development programme for training and placement of youth in restaurants for experiential training. Against the annual target of 2 375, the Department reported that only 1 780 were placed and 1 637 are currently active. Due to lower participant enrolments into the programme in provinces such as Gauteng, Mpumalanga and the Eastern Cape, the shortfall comes to 738 instead of 670. The Resource Efficiency programme also saw a significant drop out of learners, from 60 recruits to 47 graduates. The Department reported that the reasons for the drop-outs include personal reasons

or participants securing employment opportunities elsewhere. The challenge of participant drop-outs from skills development programmes continues to be an ongoing problem for the Department. The Committee expressed concern with this situation as it relates to fruitless and wasteful expenditure.

6.2 South African Tourism 2018/19 Service delivery performance

6.2.1 Financial performance

The Entity received approximately 83 percent of its annual budget from Government grants and subsidies, and 9 percent from the private sector through the Tourism Marketing South Africa (TOMSA) levy allocated through the Tourism Business Council of South Africa (TBCSA). The remaining 8 percent relates to income from exhibitions, such as Indaba and Meetings Africa (5 percent), grading fees (2 percent) and sundry income (1 percent). Table 10 shows budget and expenditure in the year under review.

Table 10: Budget and Expenditure Summary 2018/19

Programme	2017/18			2018/19		
	Budget (R'000)	Actual Expenditure	(Over) / Under Expenditure	Budget	Actual Expenditure	(Over) / Under Expenditure
1. Corporate Support	139 991	151 212	(11 221)	132 271	158 725	(26 454)
2. Business Enablement	81 295	60 926	20 369	85 929	85 929	
3. Leisure Tourism Marketing	959 217	955 996	3 221	1 026 270	1 049 171	(22 901)
4. Business Events	119 000	165 227	(46 227)	129 287	129 287	
5. Tourist Experience	64 106	49 596	14 510	65 807	65 807	
Total	1 363 609	1 382 958	(26 244)	1 439 564	1 488 919	(49 355)

Source: South African Tourism Annual Report, 2018/19

For the period under review, the Entity received R1.1 billion in government grants and subsidies. Voluntary TOMSA levies totalled R116.8 million, down from the R137.6 million received in the 2017/18 financial year. Grading revenue collected during the year under review marginally increased from R20.57 million in 2017/18 to R20.65 million in 2018/19. With the appropriate incentives to the private sector, both the revenue from grading and the TOMSA levy can be increased to further boost the Entity's budget.

The Entity had a budget allocation of R1 439 564 billion for the 2018/19 financial year, with expenditure amounting to R1 488 919 billion. The Entity overspent its 2018/19 budget allocation by R49 355 million, while underperforming by 44 percent in respect of set performance targets. The over-spending was in the Corporate Support and Leisure Tourism Marketing programmes. However, the Entity reported that expenditure amounts to R1 488 919 billion and is inclusive of both cash (R1 438 252 billion) and non-cash¹³ (R50 667 million) entries. The non-cash entries include depreciation (R8.1 million), unrealised foreign exchange losses¹⁴ (R42.5 million), and finance leases accounting (R21 000).

6.2.2 Performance against annual performance targets

The Entity executes its mandate through five programmes, that is, Corporate Support, Business Enablement, Leisure Tourism Marketing, Business Events and Tourist Experience. In the 2018/19 financial year, the Entity was able to achieve 15 of its 27 identified Key Performance Indicators (KPIs), spread across its five delivery Programmes. The Entity did not achieve 5 of its KPIs and indicated that with the remaining 7 KPIs were partially achieved, and significant work has been done towards their accomplishment. It is a cause for concern that with less targets, at 27, as opposed to 33 from the previous year, the Entity was only able to achieve 15 (56 percent) of these. Table 11 shows performance against the annual performance targets.

Table 11: SA Tourism annual performance per Programme 2018/19

Programme	No. of targets	Achieved	Partially Achieved	Not Achieved	% achieved / (not achieved)
Corporate Support	5	4	-	1	80%
Business Enablement	1	-	-	1	0%
Leisure Tourism Marketing	14	8	5	1	67%
Business Events	4	3	-	1	75%
Tourist Experience	3	-	2	1	0%
Total	27	15	7	5	56%

Source: Adapted from South African Tourism Annual Report (2018/19)

Table 11 provides an overview of the number of KPIs achieved and not completely achieved by the Entity. Overall, the Entity underperformed against its set objectives for the 2018/19 financial year. Targets not met include the Entity's failure to achieve international arrivals which is its core mandate, and failure to comply with its B-BBEE status. The Entity was also

unable to achieve the set score on its stakeholder satisfaction survey, including the target on the number of domestic trips taken. The performance on the target for the grading of accommodation establishments has not been achieved for the past three financial years.

6.2.3 Programme performance

(i) Programme 1: Corporate Support

The purpose of this programme is to provide support to the organisation and ensure compliance with statutory requirements.

Table 12: Programme 1 – Corporate Support

Total Targets set	5
Targets achieved	4 (80%)
Targets not achieved	1 (20%)
Budget allocated	R132 271 million
Budget spent	R158 725 million (119.9%)

Table 12 shows that the Entity achieved four of its five targets and overspent its allocated budget. The KPIs under this programme include the staff satisfaction score, vacancy rate, compliance on employment equity and audit requirements. The Entity submitted all the required documentation to both the Department of Labour and Auditor-General's office, as per compliance requirements. In the 2017/18 financial year, the Auditor-General raised a concern on the availability of supporting evidence on deliverables per agreement for marketing expenditure for Joint Marketing Agreements (JMAs) between SAT and international tourism operators. This resulted in the Entity imposing a moratorium on all JMAs. Feedback on this item is still outstanding from the Entity, and the Committee will follow-up with the Entity on the way forward on this issue.

The target not met under this programme relates to the Entity's B-BBEE level compliance. Instead of meeting the planned Level 4 target, which indicates full compliance, the Entity attained a Level 8 status, which is a downgrade. The Entity was not compliant as a result of

scoring poorly on the socio-economic development requirement, which was due to a change in the calculation for social responsibility initiatives.

The Entity recorded a staff turnover rate of 9.2 percent for 2018/19, which is up from 5.1 percent in the previous financial year. Employee resignations is the main reason for staff turnover – overall 17 employees left the Entity in the period under review.

(ii) Programme 2: Business Enablement

The purpose of this programme is to ensure strategy development and integration with business performance monitoring, governance and evaluation. It provides centralised research insights and analytics to support core business and provide an open source for information sharing.

Table 13: Programme 2 – Business Enablement

Total Targets set	1
Targets achieved	0
Targets not achieved	1 (0%)
Budget allocated	R85 929 million
Budget spent	R85 929 million (100%)

The KPI under this Programme relates to the stakeholder satisfaction score achieved by the Entity. The 100 percent budget spend is indicative that the stakeholder engagement survey, upon which the score is based, was conducted. However, the survey's baseline score of 4.1 was not met as planned. The Entity was only able to score 3.6, which is a variance of -12 percent. The survey is aimed at various stakeholders in the tourism value chain and assesses the effectiveness of the Entity's existing engagement initiatives. A baseline study of stakeholder satisfaction, against which the current score is measured, was first conducted in 2017. The study identified effective information dissemination mechanisms and platforms through which to enhance stakeholder engagements. The reasons for the variance result from stakeholders not being satisfied with the Entity's synergies to their business and marketing initiatives. In addition, consultation and collaboration between the Entity and trade needs to be improved. The Entity is tasked with improving its engagement with trade to ensure that tourism products are marketed extensively both locally and abroad.

The Entity reported that it conducted a study on the Visiting Friends and Relatives (VFR) market, which at 78 percent constitutes a significant segment of the domestic market. This study is welcomed by the Committee, with the view that it will result in the conversion of this market to leisure tourism. The VFR market has untapped potential that can increase the country's domestic tourism base. The Entity has indicated that the study's recommendations have been incorporated into the business plan of the Domestic business unit. The Entity also developed a performance indicator dashboard during the financial year. The dashboard is designed to provide data on performance against targets for some of the following key performance indicators: international tourist arrivals, tourist foreign spend, domestic tourism trips, domestic direct spend and brand performance. The dashboard will be published on the Entity's website to allow for wider access to the tourism intelligence that the organisation produces.

(iii) Programme 3: Leisure Tourism Marketing

The purpose of the programme is to provide destination tourism marketing for leisure tourists for both international and domestic markets.

Table 14: Programme 3 – Leisure Tourism Marketing

Total Targets set	14
Targets achieved	8 (57%)
Targets not fully achieved	5 (36%)
Targets not achieved	1 (7%)
Budget allocated	R1 026 270 billion
Budget spent	R1 049 171 billion (102.2%)

Table 14 shows that this programme achieved just more than half of its targets under this programme, yet it managed to overspend on its allocated budget. This programme forms the core of the Entity's mandate, as it focuses on attracting international tourists to the country and growing the domestic tourism base. The Committee will continue to monitor the Entity's performance on this programme.

International Arrivals and Spend: on the KPI for international tourist arrivals, the Entity underperformed on this target throughout the 2018/19 financial year, resulting in it not meeting its annual target. At a target of 11.2 million arrivals, only 10.4 million tourists arrived in South Africa. This was as a result of a decline in most major source markets. Safety concerns

negatively impacted international tourist arrivals. Arrivals from Europe, which is South Africa second biggest source region, declined by 5.7 percent. It is however encouraging to see that tourists are staying longer in the destination, meaning that they are spending more.

The Entity is commended in exceeding its target for the geographic spread of international tourists. This means that tourists are not clustering in only one destination, meaning that tourism benefits are being spread to other provinces in the country. Seasonality continues to be a challenge that requires improvement by the Entity. The Entity reported that it will be focusing on more familiarisation trips throughout the year to promote South Africa as a year-round destination. SA Tourism was also unable to meet the target on increasing the country's brand awareness. The implementation of the brand strategy was not fully achieved due to the vacant post of the Chief Marketing Officer. The Committee is pleased that this post has subsequently been filled.

Domestic Trips and Spend: The Entity underperformed throughout the 2018/19 financial year in meeting its target on domestic trips. Against a target of 25.5 million trips, only 18.7 million trips were taken. Tough economic conditions are cited as the main reason for this underperformance. In terms of domestic holiday trips, the Entity also did not meet its annual target of 3.2 million holiday trips with only 3.0 million holiday trips undertaken. Domestic holiday trips were negatively affected by an increase in the

cost of living. The Entity exceeded its targets in both domestic direct spend and holiday revenue as a result of tourists spending more during their travels. This was as a result of the increase in fuel prices and its impact on the cost of other goods and services. The Entity was unable to meet its target on the geographic spread of domestic tourists, due to VFR travellers who travel within their own provinces. The Entity is urged to intensify its marketing strategies on local packages to other provinces in the country. SA Tourism is commended for its support to Small Medium Enterprises (SMEs). The Entity exceeded its target of 182 SMEs attending tradeshow platforms by 12 percent. The Entity was also able to include 35, instead of 25, SMEs in its hosting activities. The Entity exceeded this target due to a compulsory inclusion of SMEs in all SA Tourism's itineraries. The Entity reports that the Sho't Left Campaign is ongoing and was marketed through various mediums such as television, radio, social media, billboards and strategic partnerships during the year. The Entity is commended on the receipt of two Loerie Awards for its Sho't Left radio advert. The Entity has also partnered with Flight Centre, to promote saving for holiday travel

through stokvels. This partnership has led to the registration of 400 stokvels on Flight Centre's holiday-saving platform and R1.2 million cash deposits – all aimed at booking travel in the near future. Sho't Left also exhibited at the Travel Expo and the Holiday Expo, where 34 Hidden Gems (SMEs) and SANParks were given an opportunity to promote and sell their products to 30 000 expo attendees and 2 million followers on the expos' social media platforms. The Entity continues to support travel suppliers, and reported that 1 200 tour operators and travel agents were trained and 71 hosted on an educational trip to the Free State, Eastern Cape, Kwazulu-Natal and the Northern Cape provinces. The trip was to showcase travel experiences which operators sold on the Sho't Left platform as well as their own platforms. The Entity reported positive feedback on the September Travel Week, where holiday travel experiences were on offer for up to 50 percent less. The campaign attracted 325 trade partners with 37 of these partners reporting that they had sold up to R1.4 million worth of travel deals. This is good for domestic tourism and is indicative of the potential of this market to becoming a cornerstone of South Africa's tourism economy.

(iv) Programme 4: Business Events

The purpose of this programme is to market South Africa as a business events destination.

Table 15: Programme 4 – Business Events

Total Targets set	4
Targets achieved	3 (75%)
Targets not achieved	1 (25%)
Budget allocated	R129 287 million

Budget spent	R129 287 million (100%)
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Table 15 shows that the Entity achieved three of the four KPIs but spent all of its budget. The target not met is the revenue generated through Indaba and Meetings Africa, which fell short by 16 percent. The Entity reported that it exceeded its target of hosting 153 business events in the country, by hosting 207. This was as a result of an increase in the number of bids supported by the South African National Conventions Bureau (SANCB), resulting in an increase in the number of business events held in the 2018/19 financial year.

The SANCB implemented delegate boosting activations and provided on-site event services to market secured conferences to potential delegates and provided on-site event services to

enhance delegates' experience. The Entity reported that it exceeded its target of 105, by 108, on the number of bids it supported for international and regional business events. This number is up from 94 bids in the 2017/18 financial year. This resulted from increasing the number of leads generated and more focused collaboration with provincial and local convention bureaus to support bids. The Entity reported that together the submitted bids are worth R2.5 billion with the potential to attract 80 429 delegates to the country between 2019 and 2024.

(v) Programme 5: Tourist Experience

The purpose of this programme is to deliver a quality experience expected by international and domestic tourists by grading establishments, developing product capacity and creating itineraries for tourists.

Table 16: Programme 5 – Tourist Experience

Total Targets set	3
Targets achieved	0
Targets not fully achieved	2 (67%)
Targets not achieved	1 (33%)
Budget allocated	R65 807 million
Budget spent	R65 807 million (100%)

Table 16 shows the performance in Programme 5. The Tourism Grading Council of South Africa (TGCSA) was unable to meet its targets under this programme throughout the year, but spent its full budget allocation. The annual target for 2018/19 at 6 229 establishments graded was unmet, with only 5 147 establishments graded. As a result, this affected the target for the number of rooms graded and the revenue collected through grading. In the 2017/18 financial year, only 5 058 accommodation

establishments were graded against the targeted 5 932, resulting in only 118 497 graded rooms instead of the targeted 128 821. The previous year's under-performance has affected the Council's performance in the 2018/19 financial year. The Entity has cited the following as some of the reasons for membership cancellations: affordability of grading fees, changing business models (from overnight rooms to long-term rentals) and perceived lack of value of grading. The recurring under-performance under this target continues to be an issue for concern.

6.3 Quarter expenditure 2019/20

The first quarter expenditure for both the Department and SA Tourism indicate that the financial and non-financial performance for both organisations still reflects the recurring issues that have led to poor performance in the 2018/19 financial year.

6.3.1 Department of Tourism

The financial and non-financial performance for the Department of Tourism is as follows:

6.3.1.1 Programme Performance

The Department executes its mandate through four programmes, i.e. Administration, Tourism Research, Policy and International Relations, Destination Development, and Tourism Sector Support Services. In Quarter 1 of the 2019/20 financial year, the Department was able to achieve 60 of its 79 identified targets, with 7 (8.86 percent) targets not achieved and 12 (15.19 percent) requiring intervention.

6.3.1.2 Financial Performance

In terms of financial performance, the Department has thus far spent R1 173 279 billion (49 percent) of the R2 392 670 billion budget allocated, mainly towards transfers and subsidies. The Department of Tourism has a main appropriation of R2 392 670 billion for the 2019/20 financial year. Table 17 depicts budget and expenditure.

Table 17: Budget and expenditure summary

Programme	Main Appropriation	Actual Expenditure	Expenditure as % of available budget	Projected Expenditure	Variance	% variance from projected expenditure
1. Administration	291 494	64 253	22.0%	72 243	7 990	11.1%
2. Tourism Research & Policy	1 331 053	1 013 574	76.1%	1 014 702	1 128	0.1%
3. Destination Development	463 297	71 454	15.4%	58 273	-13 181	-22.6%
4. Tourism Sector Support Services	306 826	23 998	7.8%	30 756	6 758	22.0%
TOTAL	2 392 670	1 173 279	49%	1 175 974	2 695	0.2%

Source: National Treasury Quarter 1 Expenditure report for 2019/20 Financial year

First quarter expenditure amounts to 99.8 percent of projected expenditure of R1175 974 billion for the period. The underspending is mainly attributable to the Tourism Incentive Programme (TIP) owing to considerable delays in the finalisation of contracts with beneficiaries and thus impacted the disbursement of funds. In addition, the underspending is also as a result of outstanding invoices from the Department of Public Works linked to office accommodation.

6.3.1.3 Programme Expenditure

The expenditure per programme was as follows:

(i) Programme 1: Administration

The actual expenditure for the first quarter of 2019/20 amounted to R64.3 million or 22 percent of the programme's total available budget of R291.5 million for the financial year. This sees a variance of R8 million or 11.1 percent from the projected expenditure of R72.2 million. The underspending is primarily driven by delays in the disbursement of funds designated for office accommodation as a result of outstanding invoices from the Department of Public Works.

(ii) Programme 2: Tourism Research, Policy and International Relations

The actual expenditure for the first quarter of 2019/20 amounted to R1.013 billion or 76.1 percent of the programme's total available budget of R1.3 billion for the financial year. This sees a variance of R1.1 million or 0.1 percent from projected expenditure of R1 billion. The

underspending is as a result of cost containment measures implemented by the Department to reduce spending on consultants: business and advisory services item of goods and services.

(iii) Programme 3: Destination Development

The actual expenditure for the first quarter of 2019/20 amounted to R71.5 million or 15.4% of the programme's total available budget of R463.3 million for the financial year. This sees an overspending of R13.2 million or 22.6 percent from projected expenditure of R58.3 million. The overspending is due to large payments linked to the Expanded Public Works Programme (EPWP) as contracts for skills development and training have been finalised, initiating the immediate disbursement of funds to the relevant EPWP projects.

(iv) Programme 4: Tourism Sector Support Services

The actual expenditure for the first quarter of 2019/20 amounted to R24 million or 7.8 percent of the programme's total available budget of R306.8 million for the financial year. This sees a variance of R6.8 million or 22 percent from projected expenditure or R30.8 million. The underspending is due to delays in the finalisation of contracts with beneficiaries of the Tourism Incentive Programme (TIP), thus resulting in delays in the disbursement of funds.

6.3.1.4 Virements

National Treasury, in terms of Treasury Regulations 6.3.1(a) approved the shifting of R480 000 (thousand) from goods and services: travel and subsistence to increase the transfer payment to the United Nations World Tourism Organisation (UNWTO) within Programme 2: Tourism Research, Policy and International Relations. Increases to transfers are to address a shortfall between the budget and expenditure for the UNWTO annual membership contribution.

6.3.1.5 Compensation of Employees

As at 30 June 2019, actual spending on compensation of employees was R78.2 million compared to the total available budget of R334.4 million for the financial year. This sees overspending of R1.3 million against the projected expenditure of R76.9 million. The variance between projected and actual expenditure is linked to changes in executive authority and

changes in composition of staff establishment attached to the Minister and Deputy Minister. The Department is likely to overspend on compensation of employees without an adjustment of the compensation ceiling as such, the department is currently engaging the National Treasury on a solution to the imminent overspending to compensation of employees.

6.3.2 South African Tourism

The financial and non-financial performance for SA Tourism in the first quarter of 2019/20 is as follows:

6.3.2.1 Programme Performance

The Entity executes its mandate through five programmes, i.e. Corporate Support, Business Enablement, Leisure Tourism Marketing, Business Events and Tourist Experience. In Quarter 1 of the 2019/20 financial year, the Entity was able to achieve 11 of the 37 identified key performance indicators (KPIs), with 10 of the KPIs not achieved. The remaining 16 KPIs are annual targets and are not due for reporting. The Entity has substantially increased the number of its KPIs, from 26 in 2018/19 to the 37 it will be reporting on in 2019/20. The Entity's performance at the end of the 2018/19 financial year was concerning as it achieved only 56 percent of its targets and spent 99.9 percent of its allocated budget. This concern was reiterated by the Portfolio Committee with concerns also raised about the Entity's formulation of SMART targets.

6.3.2.2 Financial Performance

Table 18 shows that the Entity has thus far spent R470 426 million of its allocated budget of R1 497 857 billion for the 2019/20 financial year. This amounts to 130 percent more than the forecasted expenditure of R362 438 million for Quarter 1. The overspending is for Programmes 1, 2 and 3 and the Entity cites upfront contracting as the main reason.

Table 18: Expenditure Review per Programme

Programme	Budget (R'000)	Expenditure Forecast by 30 June 2019	Actual Expenditure (R'000)	% of Expenditure on total budget	% of expenditure on forecasted expenditure to date	Reasons for Variances
Corporate Support	130 023	28 879	42 207	32%	146%	Upfront contracting (leases and service providers)
Business Enablement	80 730	23 581	27 231	34%	115%	Upfront contracting (research contracts)
Leisure Tourism Marketing	1 005 005	221 547	311 451	31%	141%	Upfront contracting (media buys and agency contracts)
Business Events	180 068	75 131	76 109	42%	101%	
Visitor Experience	102 031	13 301	13 427	13%	101%	
Total	1 497 857	362 438	470 426	31%	130%	

Source: South African Tourism Quarter 1, 2019/20

6.4 Key reported achievements

The Department reported a number of key achievements. These include, but are not limited to:

- Sustained 3199 Full-time Equivalent (FTEs) annual job through the Working for Tourism Programme,

- Supported 12 emerging enterprises through the Tourism Transformation Fund,
 - Trained 40 women in the Executive Development Programme implemented through the University of South Africa,
 - 577 learners graduated from the National Youth Chefs Training Programme,
 - A total of 298 learners are currently active in the Sommelier/ Wine Services programme,
 - All nine provinces completed the Hospitality Youth Training Programme in Food & Beverages, and 1637 learners graduated in the Accommodation Services,
 - 489 learners completed the Food Safety Assurers Programme,
 - 151 learners enrolled in the Blue Flag Tourism Training Programme across the coastal provinces,
 - 113 learners enrolled in the Tourism Green Coast Programme,
 - 47 learners graduated in the Tourism Resources Efficiency Programme,
-
- 1 005 SMMEs benefited from the Tourism Enterprise Development Programme,
 - 150 SMMEs were assisted through the Tourism Incubation Programme.

6.5 Non-financial Audit outcomes and steps taken to address adverse audit findings

The Department has instituted the following measures to address adverse audit outcomes:

- The Department made an undertaking to develop an Action Plan to deal with all the adverse findings from the Office of the Auditor-General,
- The Department made an undertaking to work closely with the Office of the Auditor- General through holding monthly meetings to detect risks early.
- The Department has initiated a process of investigations to determine the nature and extent of wrongdoing in the implementation of the Working for Tourism infrastructure projects. A Chief Director and two directors have been put on precautionary leave to facilitate investigations.
- The Department is in the process of appointing a panel of experts in the built environment to assist with conceptualisation, implementation, and monitoring of infrastructure projects.
- The Department will open criminal cases and civil claims to recoup money lost through fraudulent activities once the investigations are concluded.
- The Department made an undertaken to improve the project management capacity within the institution.
- Three employees, one chief director and two directors have been put on precautionary suspension to make way for free and fair investigations.

SA Tourism has also initiated some corrective measures and made undertakings to the Committee to deal with adverse audit findings. These include:

- In the case of the R 94 396 066, the board instituted an investigation into allegations against the Chief Executive Officer of South African Tourism. The investigation has been concluded and processes of the Disciplinary hearing against the CEO has ensued.
- An investigation and disciplinary action has been taken against the employees involved in the R2 429 550 irregular expenditure.
- An investigation and disciplinary action leading to the dismissal of two employees were initiated in regard to the R 1 751 609 irregular expenditure.

- With regard to its financial management system, SA Tourism made an undertaking to review the entire population to assess the impact on multiple financial years.

6.6 Other service delivery performance findings

The Committee made other service delivery findings for 2018/19 based on an oversight visit to Howick Falls in KwaZulu-Natal on the 26th September 2019. The Committee observed there has been a decline in tourist numbers in the area over the past few years. The decline was attributed to, amongst other things, crime and grime, muggings, drunk driving, drug dealings, general maintenance, car spinning, and many other public indecent behaviours at the Howick Falls. Consequently, there is general lawlessness, businesses reported declining turnovers and about 10 businesses have been closed or moved out of the area. This resulted in joblessness with an estimated 60 jobs lost. The Committee made recommendations that the Minister of Tourism should engage the MEC for Economic Development, Tourism and Environmental Affairs in KwaZulu-Natal to engage Umngeni Local Municipality, and provide feedback to the Committee on the recommendations made by no later than 31 March 2020.

6.7 Relevant external research assessing performance of the Department

The Minister of Finance published an economic reform policy paper for public comments on the 28th August 2019. The paper is entitled "Economic transformation, inclusive growth, and Competitiveness: Towards an Economic Strategy for South Africa". The policy paper mentions tourism as one of the key sectors that can create employment opportunities as tourism is labour- intensive. This is consistent with the National Development Plan, which recognises tourism as one of the main drivers of employment and

economic growth, which can contribute towards creating an additional 11 million jobs by 2030. The NDP envisions tourism to be a major source of revenue and employment for the country through the investment in infrastructure, product and service development. It envisions rising employment, productivity and incomes as a way to ensure a long-term solution to achieve a reduction in inequality, an improvement in living standards ensuring a dignified existence for all South Africans. In addition to the National Development Plan, the President of the Republic has announced bold and ambitious targets of achieving 21 million arrivals by 2030. It is thus important to scrutinise the extent to which the proposed economic reforms will assist the tourism sector to meet the 2030 targets.

The most critical aspect of this economic blueprint is that it estimates the economy-wide impact of the proposed interventions over time, based on when they can realistically be implemented, and find they can raise potential growth by 2-3 percentage points and create over one million jobs.

The document notes that an important aspect of tourism's contribution to inclusive growth and economic transformation is the fact that, unlike mining, manufacturing, and financial services, tourism is not clustered in specific development nodes. This makes it an important economic driver of rural economies and a mechanism to create sustainable employment opportunities outside urban and industrial areas. This is especially important given South Africa's historically uneven spatial development patterns. This assertion is consistent with the new oversight approach of the Committee which focusses on rural and township tourism.

The implications for this report to the Committee is the need to engage the Minister of Finance on the tourism issues highlighted in the new economic policy document. This is important to ensure that the plans made for tourism are in line with the oversight vision of the Committee. The Committee notes that the plans announced for tourism are not new. These have been made repeatedly over the years but never received proper and adequate attention. The direct interaction with the Minister of Finance on these proposed plans are crucial, given that there has been no positive response to similar recommendations made in the past.

The general conclusion on this proposed economic policy though is that the focus of the policy in relation to tourism is that it has a narrow view of the tourism sector. The Committee should engage the Minister of Finance to advocate for a broader view on tourism development and promotion in the country. A broader view encompassing the whole government approach should be advanced in Cabinet to facilitate intergovernmental collaboration and cooperation. All relevant departments should play their role in unlocking the tourism potential in the country.

7. FINANCE AND SERVICE DELIVERY PERFORMANCE ASSESSMENT

The Department reportedly spent 98.8 percent of its total budget in the 2018/19 financial year but only achieved 83.75 percent of its annual performance targets. On the other hand, SA Tourism achieved only 56 percent of its annual performance targets but spent 99.9 percent of

its allocated budget. This is a cause for concern given that both the Department and SA Tourism spent almost all their allocated annual budgets but did not achieve all the targets. The expenditure is therefore highly incommensurate with performance. This is a serious anomaly that imperils service delivery and should be avoided at all cost in future. It is inconceivable that the Department that has such a huge mandate and limited budget would not optimally utilise the appropriated budget through achieving its annual performance targets. The 56 percent achievement of targets by SA Tourism is a serious travesty given that the Entity consumes 53 percent of the departmental budget. This calls for serious consequence management to ensure that the Entity improves on achieving its Predetermined Objectives. The matter of expenditure versus performance will form the central role of the Committee oversight work on financial and non-financial performance of the two organisations in the next five years.

8. COMMITTEE OVERSIGHT APPROACH (2019 – 2024)

Having assessed the achievements and challenges of the Fifth Parliament and the 2018/19 financial year, the Committee on Tourism has determined its broad priorities and focus areas. The Minister of Tourism, the Director-General of the Department of Tourism, the Board of SA Tourism, and the Chief Executive Officer of SA Tourism are urged to incorporate these Committee priorities when finalising the Five-Year Strategic Plans for 2019 – 2024, and reflect these on subsequent Annual Performance Plans.

8.1 Oversight approach

Given that the tourism sector has a myriad of issues that need urgent attention, the Committee has adopted an Un-cooptable, None antagonistic, Co-operative and Reciprocal Oversight approach. The intended outcomes of this approach are “RRR”, namely, Rebranding Repositioning and Renewal of the tourism sector in the South African Economy. The strategic focus on tourism oversight is on South Africa in general and the Villages, Townships & Small Dorpies (VTSD) in particular. The reason for this approach is that poverty, unemployment and inequality are more expressed at the VTSDs.

8.1.1 Villages, Townships & Small Dorpies (VTSD)

According to the Poverty Trends Report for 2006 to 2015 released by Statistics South Africa in 2017, 30.4 million people (55.5 percent of the population) are living in poverty. This comprises mainly children, black Africans, females, and people from rural

areas. According to this report, poverty is highest in Limpopo and the Eastern Cape, comprising people with little or no education as the main victims in the ongoing struggle against poverty; and lowest in the Western Cape and Gauteng.

Statistics South Africa Community Survey conducted in 2016 revealed that today, geographical patterns of poverty on the map of South Africa still correspond to the apartheid “homelands”, barren rural regions far from cities, packed with people but with little infrastructure, no development and few jobs. Municipalities with high percentages of people living in poverty are today often found in regions that were once homelands. The report indicates that migration from the rural areas to the cities is an important feature of recent South African history. Apartheid laws confined the poor to the rural areas. Once those laws were lifted in the late 1980s, poor people began to move to the cities, where they often stayed poor. Townships therefore have a high concentration of poor Black people.

This empirical information on poverty in South Africa needs a direct response from the Department of Tourism. The Department, in its 2019 -2024 Strategic Plan should intensify programmes aimed at addressing poverty in the Villages, Townships & Small Dorpies (VTSD). The focus on VTSDs should be a deliberate approach, and the allocation of budget should be commensurate to the challenges experienced by the VTSDs.

8.1.2 Rebranding, Repositioning and Renewal

The tourism growth in South Africa has experienced a setback, due to a number of factors. The apartheid era excluded black South Africans from participating in recreation and tourism activities. The erstwhile government enacted by the apartheid system also excluded Black people from owning tourism businesses and participating in the tourism economic value chain. There were separate tourist facilities and amenities, ranging from beaches to hotels and restaurants, and this resulted in Black people becoming effectively excluded from the industry.

This did not only exclude the Blacks from participating in the tourism economy, but also entrenched the lack of culture of travel amongst Black South Africans.

The dawn of democracy in 1994 ushered in a new socio-political and socio-economic trajectory in South Africa. Tourism has since been entrenched in the constitution as a functional area of concurrent national, provincial, and local government competence. The government is now promoting inclusive tourism policies and strategies that encourage participation by all South Africans. Scholars agree that one of the main goals of tourism development is to formulate and implement tourism policies that provide high-quality tourist experiences that can maximise the benefits to destination stakeholders without compromising the short and long term environmental, social, and cultural integrity of destinations.

However, the post 1994 policies and strategies have not been able to transform the tourism sector.

8.1.2.1 Rebranding

In the recent past, the tourism industry in South Africa has been tarnished and stifled by a number of challenges. These include, but are not limited to a decrease in international arrivals; lack of transformation; restrictive visa regime and visa processing issues; safety and security concerns; inappropriate wildlife interaction; and concerns about the country's policy of land expropriation without compensation. Rebranding entails how these challenges can be used as opportunities to grow the tourism sector.

There is a need for interventions at a country, regional, and international levels to rebrand South Africa. These should include decisive actions on easing and modernising the visa regime, public relations activations to deal with negative perceptions of crime and safety, and generally enhancing destination competitiveness. This needs a whole government approach with all relevant government departments and the private sector playing their respective roles.

8.1.2.2 Repositioning

Rebranding opportunities become repositioning opportunities. This may be done through areas such as improving airlift, providing world-class visa regime, competitive tourist packages, and value for money and cost effective destination.

Tourism development and marketing in South Africa has always prioritised international tourism at the expense of domestic tourism. In recent years, the Department of Tourism has always transferred an average of 53 percent of its budget to South African Tourism for marketing. This 53 percent budget has increased a gap and made the sector more untransformed. This is due to the fact that the marketing function of South African Tourism brings tourists to the country who still engages in the traditional tourism activities similar to the apartheid era. The tourists use establishments that are owned and operated by the previously advantaged sectors of society.

In repositioning tourism, the Committee has adopted a philosophy that the budget of the Department of Tourism should strive to create and support new entrants in the tourism sector and reinvigorate the existing failing projects without compromising the potential of the existing tourism businesses. In this regard, the Department of Tourism and South African Tourism should use their allocated budget, and work with other stakeholders to categorise and provide appropriate support to the following categories of tourism enterprises:

- World class developed attractions
- Developing attractions
- Non-existing attractions

A focussed approach on repositioning tourism development should therefore facilitate strategies that deal with the gap between the developed, developing, and non-existent tourism enterprises in the country.

8.1.2.3 Renewal

Renewal will be a culmination of effective implementation of repositioning and rebranding strategies. Given the imbalances of the past and the perceptions around tourism, the sector needs an injection of rigorous strategies that will facilitate a new trajectory of a positive growth path. This rests on enhancing intergovernmental relations. The Committee will strengthen inter-governmental relations, cooperation and support by various government departments and relevant portfolio committees. The Committee has adopted what it calls the “Spokes of the Bicycle Approach” where it will advocate for every relevant department, which contributes to a tourism mandate, to have focused programmes to create a conducive

environment for tourism development and growth. Renewal also entails a pact with the private sector, working closely with the Tourism Business Council of South Africa to carve new partnerships between government and industry.

8.2 The Legislative Oversight Forum

The 5th Parliament Portfolio Committee on Tourism has realised that the modus operandi of tourism oversight, in the past, has limited the growth of the tourism sector in the country and compromised South Africa as a preferred tourism destination. It has therefore been identified as a critical success factor that the Legislative Sector at national and provincial level, and municipal councils, should collaborate and cooperate on some identified issues to strengthen oversight. Given that the tourism sector has a myriad of issues that need urgent attention, the Committee adopted a Legislative Tourism Oversight Forums (LETOFO) framework which intends to involve provincial legislatures and municipalities as an integral part of its oversight work. This is meant to harness the energies of all tourism stakeholders to ensure that South Africa takes its rightful place in the global community and that all barriers to tourism growth are eradicated. The LETOFO will include the Chairperson of the Portfolio Committee of Tourism in Parliament and all the Chairpersons of provincial portfolio committees and municipal council chairpersons responsible for tourism. This will mirror the MinMec arrangement of the executive arm of the state.

9. KEY FINDINGS - COMMITTEE OBSERVATIONS AND RESPONSES

The Committee made a number of observations that were used as basis for this Budgetary Review and Recommendation Report:

9.1 Technical issues

9.1.1 Irregular Expenditure

The Committee observed with concern the Auditor-General's material findings on compliance with specific matters in key legislations by South African Tourism in that effective and

appropriate steps were not taken to prevent irregular expenditure amounting to R98 577 225 as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure was due to non-compliance with National Treasury Supply Chain Management Instruction Note 3 of 2016/17.

9.1.2 Setting Key Performance Indicators target setting

The Committee identified that the Department and South African Tourism set targets that do not comply with the SMART Principles (specific, measurable, achievable, relevant, and time-based). Both the Department and SA Tourism have always struggled with achieving the targets contained in the Annual Performance Plans. The Entity was conscientiously engaged on this matter and an undertaking was made to correct this recurrent practice when tabling the 2019 – 2024 Strategic Plan and pertinent Annual Performance Plans.

9.1.3 Usefulness and reliability of Programme 4 - Business Events

The Committee has always raised issues with the manner in which the South African National Conventions Bureau (SANCB) sets its targets. The SANCB only sets annual targets which are not separated into quarterly targets. Over the years, the SANCB has recorded over achievement on their targets, which is also the case in the period under review. The Committee has always recommended that the SANCB disaggregate the annual targets for ease of oversight but this has always been ignored. This has led to a material finding by the Auditor-General in the year under review on the usefulness and reliability of Programme 4 - Business Events. The SANCB is urged to take heed of the Auditor-General's material findings and ensure they comply to achieve usefulness and reliability of Programme 4: Business Events implemented by SA Tourism.

9.1.4 Project Management

The Committee has identified project management as a serious inhibitor to service delivery by the Department. In most projects that are not implemented on schedule, the Committee has

identified poor forward planning, procurement of service providers, and implementation of projects with external stakeholders as major causes of poor performance by the Department.

9.2 Governance and operational issues

9.2.1 Ineffective Risk Management Committee

The Department has both a Risk Management Strategy and Risk Management Policy. These are meant to detect potential risks at financial, governance, and operational levels. The Committee had raised a number of issues which were potential risks, particularly on organisational performance and service delivery. However, the internal Risk Management Committee (RMC) was unable to detect and sensitise the Department about several risks that led to poor performance in the year under review. The mitigation strategies have not yielded substantial improvement as the Department continues to underperform based on recurrent matters raised by the Committee over a number of preceding years.

9.2.2 Effectiveness and Efficiency of the SA Tourism Board

The Committee observed that the Board of SA Tourism is struggling to perform its fiduciary duties in that in the period under review there were substantial material findings by the Auditor- General. In the previous years, including 2018 Budgetary Review and Recommendation Report, the Committee recommended to the Minister of Tourism that SA Tourism should develop and implement effective internal controls and policies to discourage and detect acts of corruption such as officials doing business with the Entity and flouting procurement procedures. The Committee also recommended that the Minister should engage the Board of SA Tourism to improve the performance against the targets of the 5-in-5 strategy and report to the Committee on the turnaround strategy to catch-up with the already missed targets. Despite these recommendations, corrupt activities are escalating within SA Tourism and the entity continuously performs dismally on its key performance indicators. The SA Tourism Board should be held accountable for the current governance situation.

The Committee also observed that the Chairperson of the Board does not prioritise the Committee. The Chairperson is urged to prioritise the oversight work of the Committee and cooperate in implementing the recommendations made to the Entity.

9.3 Service delivery performance

The Committee made a number of service delivery observations and other inherent issues that hampered the performance of both the Department and South African Tourism in the year under review. These include:

9.3.1 Project management

The Committee noted the concern raised by the Auditor-General with regard to the project management capacity of the Department. These include the lack of standardised infrastructure project management practices; standard construction industry contracts not used (service level agreements and memorandums of agreement); no standard project management documentation such as variation orders and extension of time requests; instructions from the department to stop projects are ad hoc and not formalised; and no payment certificates versus progress payment reports (% completion certification by professionals).

9.3.2 Need for Auditor-General to be supported by specialist engineers

The Committee noted that the Office of the Auditor-General needs to be supported by the specialist building environment engineers to assist with auditing the infrastructure projects. This should be a panel of experts that will provide transversal capital projects support to the whole government.

9.3.3 Performance audits

Both the Department and SA Tourism regressed substantially on their performance and attracted negative audit opinions from the Auditor-General. The Committee had recommended that the Auditor-General conduct performance audits on some of the departmental projects. Performance audit is an independent auditing process to evaluate the measures instituted by management to ensure that allocated resources are procured economically and utilised efficiently and effectively and, if necessary to report thereon. The performance audit has not happened and the regression in the performance can be partly attributed to this. The Committee views the performance audit as a necessity in the near future to fully understand the projects and assets of the

Department and SA Tourism.

9.3.4 Lack of consequence management

The Committee observed that there is lack of consequence management at both the Department and SA Tourism. There has been a slow pace in detecting wrong doing in the capital projects and prosecuting those with allegations of fraudulent activities. Some of the issues in the Department are apportioned to the erstwhile Department of Environmental Affairs and Tourism.

9.3.5 Recurring audit findings

The Committee realised that the Department and SA Tourism incurred recurring audit findings and the Committee observed similar challenges as those flagged in the previous years. The Department and SA Tourism have not been able to develop Action Plans to solve these recurring issues. There is also a need for the Office of the Auditor-General not only to point at wrong doing, but to also guide and assist the Department to avoid repeat findings and provide evidence of wrong doing to assist with the prosecution process.

9.3.6 Underspending and its effect on service delivery

The Department incurred underspending in all its four Programmes. This in turn had a negative impact on service delivery as annual performance targets were not met across the board. The underspending was as follows:

- In Programme 1, the Department incurred R5.7 million, accounting for 2.1percent underspending on Compensation of Employees due to strict policies adhered to by the Department to reduce expenditure on salaries and wages.
- In Programme 2, the Department incurred R4.2 million under expenditure, accounting for 0.3 percent due to cost containment measures implemented by the Department to reduce spending on Goods and Services during the financial year.
- In Programme 3, the Department incurred R8.4 million under expenditure, accounting for 2.1 percent related to projects payment to consultants for research and advisory services which could not be processed as milestones were not reached as per contractual agreements.
- In Programme 4, the Department incurred R8.6 million under expenditure, accounting for 2.9 percent due to the delays experienced in the finalisation of contracts with project implementers of the Tourism Incentive Programme.

The Committee attributes this underspending across the board to delays in appointing service providers; poor forward planning, poor project management; protracted consultation with external stakeholders; delays in implementing Working for Tourism projects; delays in procurement processes; and generally poor contract management. The Department is urged to improve on these recurrent operational deficiencies that have a negative impact on the departmental service delivery.

9.3.7 Vacancy rate

It was noted with concern that the Department struggled with managing the vacancy rate during the year under review. The Committee noted that the constraints to the fiscal framework will continue to impact on vacancy management. The concern is the effect of the high vacancy rate on the human resources of the Department to deliver on the tourism mandate in the country.

The Committee also observed with concern that SA Tourism was operating on skeleton staff at senior management echelon with the critical post of the Chief Executive Officer being in shambles. The Board did not prioritise the matter as it is reported that the Board instituted an investigation into allegations against the Chief Executive Officer of South African Tourism, but at the date of issuing the Annual Report the investigation had been concluded and the Board was in the process of implementing the outcome of the investigation. The Committee observed the pending disciplinary action against the Chief Executive Officer and the long time it took the SA Tourism Board to charge and commence disciplinary action against the incumbent. This has created a vacuum and instability at a management level and the SA Tourism Board should act with necessary speed when such matters arise.

9.3.8 Decline in international arrivals

It was noted with serious concern that the international tourist arrivals continue to decline in South Africa. In the period under review, international tourist arrivals to South Africa declined by -0.6 percent compared to the same period in 2017/18. Growth was recorded from Africa, Central & South America and North America. The rest of the regions recorded declines in tourist arrivals. The Entity reported that the target was not achieved because overseas markets underperformed. Safety and security concerns on the back of reports of crime against tourists contributed to tourists reconsidering South Africa as a travel destination. In response to these incidents, some European governments have advised their citizens about the risks of travelling to the country. The water crisis in Cape Town also contributed to the negative performance, with lower-than-expected travel bookings for the 2018 Easter period.

9.3.9 Domestic tourism

It was noted that domestic tourism performed well in the 2018/19 period with an increase of 12.7 percent recorded when compared to the same period of 2017/18. This performance was driven by a 14.8 percent increase in holiday travel, which accounted for 16 percent of total

domestic trips. The Visiting Friends and relatives (VFR) increased by 13.8 percent and accounted for 78 percent of travel, which includes travelling for weddings and funerals.

The 14.8 percent increase in holiday travel is appreciated. However, the Committee has observed that the 78 percent of domestic tourism is mainly VFR and not leisure tourism. It was recommended several times in the past by the Committee that SA Tourism should conceptualise interventions for conversion of VFR into leisure tourists. The Entity is urged to study and understand the VFR market to ensure conversion into leisure market.

9.3.10 Poor focus on Villages, Townships and Small Towns/ Dorpies

The Committee observed that over the years, the Department has implemented ad hoc programmes in the Villages, Townships and Small Towns. There has been no deliberate planning process to use tourism to address poverty and inequalities which are largely expressed in the areas where previously disadvantaged communities are located. The data produced by Statistics South Africa has not been fully utilised by the Department of Tourism as the premise to develop programmes and projects that address specific societal challenges. The information availed by Statistics South Africa has therefore not been used.

9.3.11 Village Tourism Forums

The Committee has realised that tourism is not prioritised in many local municipalities. This has excluded the rural communities in villages from participating in tourism. The exclusion of local communities is partly ascribed to formalised tourism coordination structures in villages, townships, and small towns. This lack of coordination is pervasive in spite of the assertion by the National Tourism Sector Strategy (NTSS) that the successful implementation of the NTSS to realise the inclusive and quality growth of the South African tourism economy is dependent on the commitment of all stakeholders to adopt an integrated approach in implementing the identified strategic priorities and actions. The NTSS reiterates that this requires sound and effective governance structures and processes that manage and support tourism. To this end, engagement of the private sector and other stakeholders, alongside government, at a national,

provincial and local level is crucial. By extension, the villages, townships and small towns should be at the centre of tourism development in their jurisdictions.

9.3.12 Poor strategic planning

The Committee observed that SA Tourism has over the year set Predetermined Objective that do not comply with the SMART principle of being specific, measurable, attainable, relevant and time-bound). This has led to the Entity failing to achieve some targets which are not within their control.

The Strategic Plans that have been tabled by the Department to Parliament over the years have also not responded to the needs of the citizens of South Africa. The Department has not optimally applied its mind to the mandate of tourism in creating jobs. The Department has not fully applied all the data available to it, and has not used insights and statistics to shape its business model. This is evident in the slow transformation of the sector and poor development of various niche tourism products to stimulate entrepreneurship and demand in rural areas and townships. The forms of ownership still resemble the apartheid era and there are no focussed programmes targeting removal of barriers and ease of entry by aspirant and emerging tourism entrepreneurs.

9.3.13 The misconception of tourism as an unfunded mandate

The Department has failed to ensure prioritisation of tourism at all spheres of government, especially the local government level. The initiatives such as the biannual tourism conference and the Local Government Planning Toolkit are acknowledged. However, these have not been able to alter the mindset of many municipalities in perceiving tourism as an unfunded mandate. The notion of tourism as an unfunded mandate is unconstitutional and this myth should be dispelled at all spheres of government.

9.3.14 Poor institutional arrangements

The Committee has noted that there are functional tourism coordinating structures at national level and some provinces and municipalities. However, some provinces and most municipalities do not have proper institutional arrangements. This has created a disjuncture in the implementation of government programmes across the three spheres of government, government and private sector, and government and communities.

9.3.15 Perceptions about South Africa as a tourist destination

Scholars agree that the perceived brand image of a tourism destination will have an impact on the destination selection process of tourists, the post-selection evaluation of the destination and the decision whether they will prefer the destination in the future. Scholars also argue that destination image is an important factor that motivates tourists to want to visit a particular destination. In other words, the way tourists perceive a destination can hinder their willingness to visit the destination or even recommend it to friends and relatives. It means therefore, that tourism destinations need to always be on their toes in providing excellent service to tourists, marketing their destination in a way that attracts tourists to the destination, and paying attention to those factors or tourists' experiences that end up making tourists loyal to the destination brand.

The above sentiments imply that South Africa is in dire straits with regard to negative perceptions created by crime against tourists, visa regime and processing capacity, improper animal interaction, and general neglect and maintenance of tourist attractions.

9.3.16 Maintenance of tourist attractions

The Committee has observed that municipalities are failing to maintain tourism attractions under their jurisdiction. Some of municipalities own tourism assets that have either been vandalised; dilapidated; or provide substandard experience. The Committee notes the work done by the Department in relation to government owned resorts and facilities. However, the

challenge is still pervasive in some municipalities and dilutes tourist experiences. For example, in the oversight visit conducted by the Committee to KwaZulu-Natal, it was observed that a once thriving tourist destination of Howick Falls under uMngeni Municipality is seriously dilapidated due to neglect by the municipality. This points to general dereliction of constitutional mandate by the municipalities. The provincial and national government are also complicit in the lack of maintenance of tourist attractions and general decline of tourist numbers in particular destinations.

9.3.17 Ineffective marketing

The Department transfers an average of 53 percent of its total allocated budget to SA Tourism for domestic and international marketing. These funds have been used by the Entity to drive the implementation of the 5-in-5 Strategy since 2017. The 5-in-5 aims to achieve the target of additional 4 million international arrivals and 1 million domestic trips by 2021. However, the Entity

has failed dismally to attain these targets since 2017. The Committee observed with concern that the performance of SA Tourism in the period under review is under 50 percent. Notwithstanding the global and national operating environment, this clearly indicates that SA Tourism has dismally failed to fulfil its mandate. This poor performance is persistent despite the Super Charge 5-in-5 turnaround strategy presented by the Entity to the Committee. The Committee will continue monitoring the progress in the implementation of the Super Charge 5-in-5 Strategy.

9.3.18 Quality assurance

The Committee has observed that the level of quality assurance in South Africa has been declining over the years. This is evident in the number of graded rooms and graded establishments that have been on a steady decline over the years. The Committee has also witnessed the illegal use of grading plaques by the private sector. For example, in the oversight to KwaZulu-Natal in September 2019, the Committee was accommodated in an establishment that displayed a grading plaque that expired in 2016. This establishment advertises itself as

Four Star Graded and was procured by Parliament on the basis of that grading. This points to poor monitoring of the grading scheme.

The nature of the grading scheme itself and the cost attached to it has been flagged by the Committee as problematic. The Committee continues to call for a paradigm shift in the grading system, from a voluntary paid scheme to a compulsory but free grading system.

9.3.19 Transformation

The Committee commends the Department for implementing the Enterprise Development and Transformation Programme that provides development support to emerging tourism enterprises. However, transformation remains a challenge as the tourism sector continues to reflect the structural economic imbalances of the past. The study commissioned by the Tourism B-BBEE Charter Council in 2017 revealed that the sector is not transformed across all the five elements of the Scorecard, namely, ownership control, management control, skills development, enterprise and supplier development, and socio-economic development. The amended tourism codes have entrenched the slow pace of transformation in the sector as the government and private sector are bogged down by compliance issues instead of developing innovative mechanisms to assist emerging tourism enterprises. The status quo cannot be allowed to continue as it undermines the National Development Plan priorities and keeps previously disadvantaged communities locked in poverty.

In addition, the Committee observed that the Tourism Transformation Fund is not adequately funded and therefore cannot fulfil the

transformation imperatives of the sector. The Committee also observed the stringent qualification criteria that deter start-ups and emerging tourism entrepreneurs. There is a dire need to tailor make the Tourism Transformation Fund to the needs and capabilities of the aspirant and emerging tourism entrepreneurs.

9.3.20 Increase in tourism spend despite a decrease in tourist arrivals - a missed opportunity

The Committee has observed a missed opportunity in that SA Tourism has not maximised windfall gains created by the weaker South African currency. The average amount spent by

tourists per trip in South Africa was R8 800, a 4.9 percent increase from the previous year. The increase in spend is due to the rand depreciating against the major currencies, including the euro, the pound and the US dollar, with international visitors getting more Rands for their respective home currencies.

A total of 2,7 million international tourists visited South Africa from January to March, a 3 percent decline when compared to the same period in 2018. The Tourism Performance Report, compiled by the Strategy, Insights and Analytics unit (SIA) at SA Tourism, which provides a review of the performance of the tourism sector in the first quarter of the year compared with the same quarter in 2018 has revealed that while international arrivals to South Africa declined 3 percent year on year for the first quarter of the year, foreign direct spend increased by 24.1 percent to R25.7 billion. The key drivers of spend was the 8.2 percent depreciation in the rand against the euro, 8.5 percent inflation (double from 4.3 percent in the previous year) and an increase in the length of stay. Against the USD, the rand depreciated by 16.7 percent while against the Pound, it depreciated by 7.1 percent.

The increase in tourist spend against a decline in tourist arrivals means that i the country lost serious revenue from potential tourist spend. This calls for focussed and targeted programmes to increase tourist arrivals to South Africa.

9.3.21 Sharing economy

The Committee noted that there is drastic change and market disruption in the tourism accommodation sector, especially the SMMEs. Some accommodation establishments are now moving to the Airbnb platform and are not following the traditional way of doing business. In the year under review, this trend also negatively affected the number of graded accommodation establishments, the number of graded rooms, and ultimately the grading revenue collected. The Grading Council of South Africa reported that these targets were not achieved due to market trading conditions in the SMME space. Given the market conditions, small businesses have changed their business models to operate as Airbnb affiliates. The Minister is urged to scrutinise the impact of the sharing economy on destination quality assurance and provide regulatory mechanisms in the Tourism amendment Bill.

9.3.22 Geographical spread

The Committee has observed that leisure tourism remains concentrated in cities and major towns at the expense of villages, townships and small towns. Similarly, business tourism follows the same trend as leisure tourism. In the period under review, the SANCB submitted 108 bids of which 42 were successful, 6 unsuccessful, and 60 were still pending an outcome. The observation is that the Western Cape area submitted a total of 54 bids, Gauteng 25 bids, KZN submitted 5 bids, and there were 11 collaborative multicity bids submitted. Of these 46 were from Cape Town, 13 by the City of Johannesburg, and 6 by Durban. Stellenbosch is emerging strongly with 5 bids submitted. It is a cause for concern that the big cities continue to dominate business tourism in a disproportionate way to the rest of the country.

9.3.23 Recruitment of the beneficiaries for Working for Tourism projects

It was observed that the Department did not achieve the target on training the youth for the National Tourism Information Management Systems (NTIMS). The reasons proffered for the non-achievement was that the limited number of qualifying youth in rural and remote municipalities affected the total numbers of youth recruited. The Department is urged to conceptualise innovative ways of recruiting the beneficiaries.

9.3.24 Working for Tourism Programme

The adverse Auditor-General's qualified opinion for the Department in the period under review was mainly due to the challenges in the Expanded Public Works Programme infrastructure projects implemented as the Working for Tourism Programme by the Department. These EPWP projects have a skills development component and are used mainly to create job opportunities and increase participation of previously disadvantaged communities in the tourism value chain. The Committee has identified a number of challenges in these projects, including but not limited to a lack of internal capacity to implement capital projects; poor project conceptualisation; poor project planning; poor project management; bad project site

selection; dysfunctional architectural designs; poor management; and poor operational models. The Committee acknowledges the

Government Technical Advisory Centre (GTAC) interventions and the list of projects to be continued and discontinued. The Department is urged to put more effort in getting the Working for Tourism infrastructure projects on course and provide constant feedback to the Committee. This is critical given that the Working for Tourism Programme is allocated R1.2 billion of the departmental budget in the MTEF accounting for 15.4 percent of the allocated budget.

9.3.25 Impact and value for money

The Auditor-General found material findings with quantification of the extent of fruitless and wasteful expenditure incurred on EPWP projects. The implementation methodology is such that these have capital and capacity-building/ training components. The challenge is mainly with the amount used for the capital projects component. On the other hand, the Committee has no idea of the value for money of the capacity building component as the Department has not been tracking the trained youth after graduating from various departmental capacity- building programmes. Most of the infrastructure projects are not operational, with a few pockets of excellence throughout the country. This makes it challenging for the Committee to evaluate the effectiveness of the projects and programmes implemented by the Department.

9.3.26 Introducing Tourism Conference alongside Africa's Travel Indaba

The Committee noted that the Africa's Travel Indaba owned by South African Tourism is one of the largest tourism marketing events on the African calendar and one of the top three 'must visit' events of its kind on the global calendar. The event showcases the widest variety of Africa's best tourism products and attracts international buyers and media from across the world. The Committee has observed that the structure of the Africa's Travel Indaba lacks a conference aspect which is a critical feature in many such international tourism trade fairs such as FITUR in Madrid, WTM in London and ITB in Berlin. The Minister of Tourism is urged to look at this missed opportunity with a view to grow Africa's Travel Indaba.

9.3.27 Public Private Partnerships

The Committee observed with concern that given the extent of opportunities for collaboration between the government and the private sector the department has no Public Private Partnerships (PPPs) registered with the National Treasury. The Committee was concerned that there are no registered PPPs given the Public Private Partnership Tourism Toolkit that was developed in 2004. The Committee notes that the intention behind the formulation of the Toolkit was to boost the tourism sector of the economy to make it easier for institutions and the private sector to enter into tourism related partnerships on state property managed by

national and provincial government institutions.

10 RECOMMENDATIONS

The Committee after carefully scrutinising the Annual Report of both the Department of Tourism and South African Tourism in the implementation of the budget appropriated for Vote 33: Tourism, makes recommendations to both the Minister of Finance and Minister of Tourism. Recommendations are thematic and grouped accordingly.

10.1 Recommendations to the Minister of Finance

It is recommended that the Minister of Finance:

- 10.1.1 Works with the Department of Tourism to reprioritise budget for the tourism vote in line with the Portfolio Committee on Tourism's new oversight approach with a focus on Villages, Townships, Small Towns.
- 10.1.2 Notwithstanding the constrained national fiscus, the National Treasury considers the contribution of the tourism sector to the Gross Domestic Product of the country and the labour intensive nature of the tourism sector and find innovative ways of increasing the budget appropriated for the Tourism Vote.

10.2 Recommendations to the Minister of Tourism

The recommendations to the Minister of Tourism are made in relation to the Department of Tourism and South African Tourism as follows:

Strategic planning

- 10.2.1 The Minister should ensure that the 2019 - 2024 Strategic Plans for the Department and SA Tourism are anchored on increasing participation of citizens in Villages, Townships, Small Towns, and have explicit programs and projects that prioritise these areas of society.

- 10.2.2 The Department and SA Tourism should drive inclusive growth through a sustainable and responsible tourism industry, bringing the previously disadvantaged communities into the mainstream tourism economy, and in so doing, address transformation and ensure benefits flow to local communities.
- 10.2.3 The SA Tourism Board should engage an independent and capable body to test the compliance of its five-year strategic plan and annual performance plans with the SMART principle of being specific, measurable, attainable, relevant and time-bound before finalising and tabling these strategic documents to Parliament.
- 10.2.4 The Department and SA Tourism reimagine, reconceptualise, and intensify the Social Tourism Programme to stimulate and sustain domestic tourism.
- 10.2.5 The Department should develop an improved communication strategy that will ensure that the Department is able to communicate its mandate and programmes to the communities and highlight the achievements in the implementation of those programmes.
- 10.2.6 The Department should relax the qualifying criteria to enable potential and emerging tourism entrepreneurs to access the Tourism Transformation Fund.
- 10.2.7 The Department of Tourism should reprioritise its budget to make the funds available to capitalise the Tourism Transformation Fund.
- 10.2.8 The Department should develop a comprehensive tourism transformation strategy with innovative implementation programmes, timelines, and budget, and present progress to the Committee on biannual basis for monitoring and oversight purposes.

Strengthening internal controls and financial management

- 10.2.9 The Minister should engage the Cabinet on developing a seamless Integrated Framework for Performance and Evaluation System that will track the implementation of projects and provide a government-wide early detection of

inherent risks.

- 10.2.10 The Department and SA and Tourism should strengthen their internal controls and risk management function, to improve governance financial management to mismanagement and avoid irregular expenditure.
- 10.2.11 The Internal Audit and Risk Management Committees of the Department and SA Tourism should provide quarterly briefings to the Committee on their work and how they are working with the Office of the Auditor-General to mitigate the inherent risks.
- 10.2.12 The Department should engage the offices of the Auditor-General and National Treasury to understand the guidelines on the interpretation of misstatements before finalising and submitting the Annual Financial Statements.
- 10.2.13 The Department should reduce the fruitless and wasteful expenditure to at least 2 percent of the appropriated budget.
- 10.2.14 The Department should clarify the advanced payment method used with EPWP implementing agents and how this is in compliance with the Public Finance Management Act (PFMA).

Governance

- 10.2.15 The Minister should ensure that there is stability in the Board of SA Tourism and there is no conflict of interest amongst the Board members and the Entity.
- 10.2.16 The Minister should ensure that the Board of SA Tourism reflects the demographics of South Africa and has all the requisite skills to perform its mandate.
- 10.2.17 The Department should ensure effective and efficient human resources that is capacitated to deliver on the country's tourism mandate inspite of the high vacancy rate created by the constrained fiscal framework in South Africa.
- 10.2.18 The Department should provide internal monthly reports to the Committee to assist with early detection of challenges in the governance and project management for the Committee to provide feedback on financial and non-financial risks.
- 10.2.19 The Department and SA Tourism should work with the Office of the Auditor-General to select a few projects to be

subjected to performance audit to fully verify deliverables and confirm the status of projects against the reported information.

- 10.2.20 The Minister should share the Management Letter from the Auditor-General with the Chairperson to assist in the better understanding of matters raised by the Auditor- General and the extent to which both the Department and SA Tourism respond to issues.

Investigations and consequence management

- 10.2.21 The Department and SA Tourism should apply consequence management and undertake investigations to apportion wasteful and fruitless expenditure to individual employees, and provide the Committee with the results of their Performance Management System, and analyse this for the Committee to show who did not do their

work that led to non-achievement of annual performance targets, with appropriate consequences for non-achievers.

- 10.2.22 The SA Tourism Board should expedite the disciplinary action against the Chief Executive Officer to create stability within the Entity and in order to ensure the implementation of the mandate to market South Africa domestically and internationally.
- 10.2.23 The Department and SA Tourism should share the outcomes of the investigations with the Committee once completed and outline the consequence management measures implemented.

Strengthening intergovernmental relations

- 10.2.24 The Department should work with provinces, municipalities and the House of Traditional Leaders to establish Village Tourism Forums that will work with organised institutional arrangements as proposed in the National Tourism Sector Strategy.
- 10.2.25 The Department should work closely with the Department of Cooperative Government and Traditional Affairs (COGTA) to develop a Municipal Tourism Framework which will be signed as a Service Level Agreement between the Department of Tourism and COGTA to prioritise tourism as a Local Economic Development (LED) economic activity with appropriate budget to deal with the misunderstanding of tourism as an unfunded mandate.
- 10.2.26 The Department and SA Tourism should work with the Department of Transport, Airports Company South Africa

(ACSA), provinces, cities, and airlines to develop a National Airlift Strategy with clear routes and incentives, to attract new airlines and expand current capacity and frequencies to cities and towns across the country for domestic flights and South Africa for international flights.

- 10.2.27 The Department and South African Tourism should engage the Airports Company South Africa (ACSA), the Board of Airlines Representatives of South Africa (BARSA), and other relevant stakeholders to provide incentives that will reduce the cost air travel in South Africa.
- 10.2.28 The Department should work closely with the Department of Transport to unblock tourism related transport issues including licencing and permits of new tour operator vehicles, identifying roads which are the major tourism routes and prioritising these for upgrade and maintenance to avoid certain places being taken out of itineraries due to bad roads.
- 10.2.29 The Department, working with the National Treasury, the private sector, and other government departments should identify projects that can be developed and operated through the Public Private Partnership Tourism Toolkit, present the PPP investment portfolio to the Committee and provide biannual progress reports to the Committee on implementation.
- 10.2.30 The Department should engage the Department of Environmental Affairs on providing regulatory environment on intimate interaction with wild animals, canned hunting, and captive breeding of animals to improve the deteriorating destination image for South Africa.
- 10.2.31 SA Tourism should work closely with the South African Local Government Association (SALGA) and the Department of Cooperative Government and Traditional Affairs (COGTA) to sensitize communities about the negative consequences of the violent service delivery protests in entrenching negative perceptions about South Africa as a safe tourism destination.
- 10.2.32 The Minister should engage the Office of the Auditor-General and Cabinet to consider commissioning a study on the impact of the reconfiguration of government departments after general elections to ascertain the inherent risks and liability incurred by the new departments.
- 10.2.33 The Department should work closely with the Department of International Relations and Cooperation (DIRCO) to intensify initiatives that support SA Missions abroad for tourism development and promotion.

- 10.2.34 The Department, in consultation with other national departments, provinces, and municipalities, should develop an asset register of all tourism attractions in a state of disrepair, and provide an Action Plan for purposes of restoration and monitoring.

Improving the implementation of the Working for Tourism Projects (EPWP Projects)

- 10.2.35 The Department should determine the financial losses of the Working for Tourism infrastructure projects that will be discontinued and the cost of resuscitating the projects that will be continued.
- 10.2.36 The Department should implement a policy of gradually insourcing the technical staff to create an internal capacity to implement capital projects.
- 10.2.37 The Department should develop a project evaluation matrix and a tracking mechanism for the youth training programmes and infrastructure projects implemented by the Department through various departmental programmes, to enhance monitoring and evaluation and determining value for money and impact of all projects.
- 10.2.38 The Department should improve on forward planning, project management and contract management, develop and present an improvement plan to the Committee to ensure that projects are implemented on schedule in order to enhance the achievement of annual performance targets.

Improving marketing

- 10.2.39 SA Tourism should track the impact of the Super Charge 5-in-5 Turnaround Strategy in bringing tourism into a growth trajectory that will achieve the 21 million arrivals by 2030, and present that analysis to the Committee.
- 10.2.40 SA Tourism in partnership with the Tourism Business Council of South Africa should intensify domestic marketing campaigns that introduce South Africans to South Africa in order to activate domestic tourism and increase the culture of travel amongst South Africans.
- 10.2.41 South African Tourism should include sporting events such as the Soweto Derby, religious activities such as annual

pilgrimages, and political activities such as the January 8 Statement in working with the private sector to create domestic tourism packages.

- 10.2.42 SA Tourism should develop a China Tourism Strategy tailor-made to the Chinese leisure and business tourism markets with associated requisite components such as signage, cuisine, language, accommodation, payment systems, WiFi, air connectivity, and tour operators.
- 10.2.43 SA Tourism should develop an India Tourism Strategy that takes into consideration all the peculiar requirements of this strong emerging market.
- 10.2.44 SA Tourism should intensify interventions that facilitate conversions of the Visiting Friends and Relatives (VFR) into a leisure market, and present the comprehensive plan to the Committee.
- 10.2.45 SA Tourism should continue to engage the private sector to be part of the Tourism Month activities in providing reduced domestic packages and transport services to facilitate travel amongst the citizens.
- 10.2.46 SA Tourism should conceptualise and implement strategies that will exploit the weakness of the South African currency in relation to international markets to entrench the position of the country as a value for money destination.
- 10.2.47 Given that Africa's Travel Indaba is the global meeting point for tourism professionals and the leading trade fair for inbound and outbound markets in Africa, it is recommended that the Minister of Tourism engages the Board of SA Tourism to introduce the *Annual Africa's Tourism Conference* and associated seminars alongside

Africa's Travel Indaba, in partnership with the country's universities; academic societies such as the Society of South African Geographers; research institutes such as the Human Sciences Research Council; various academic publications; the United Nations World Tourism Organisation (UNWTO); and the World Travel & Tourism Council (WTTC).

- 10.2.48 SA Tourism should engage influential sports personalities in developing golf tournaments in all small towns with golf facilities to grow domestic tourism.

Quality assurance

- 10.2.49 The Tourism Grading Council of South Africa should reimagine quality assurance in South Africa and convert the Tourism Grading Scheme from a voluntary to a compulsory but free quality assurance system.
- 10.2.50 The Tourism Grading Council should strengthen its monitoring capacity to eradicate illegal use of grading plaques and present a monitoring plan to the Committee.

Effectiveness of the South African Conventions Bureau (SANCB)

- 10.2.51 The South African National Conventions Bureau should engage the Office of the Auditor-General to find ways of dealing with the adverse audit findings to prevent recurrence.
- 10.2.52 The South African National Conventions Bureau should implement innovative bidding strategies that incentivises event owners in targeting smaller towns for small size business tourism events.

11. CONCLUSION

The Committee has compiled this comprehensive Budgetary Review and Recommendation Report, not only to assess the financial and non-financial performance under the Tourism Vote: Vote 33, but also to provide advise a way forward for the Department and SA Tourism on the future of the sector. The Committee is not satisfied with the financial and non-financial performance of the Department and SA Tourism for the 2018/19 financial year. The qualified audit opinion for the Department and the unqualified opinion with findings for SA Tourism have set the sector on a backward trajectory. The Committee has made substantive and qualitative recommendations to the Minister on both organisations. The Minister is urged to go over all the recommendations with a fine-tooth comb and work with the senior management of the Department and the Board of SA Tourism, with its executive management, to develop action plans for implementation.

Report to be considered.