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ANALYSIS: DEPARTMENT OF TOURISM 2ND AND 3RD QUARTER EXPENDITURE REPORT (2020/21)

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1. INTRODUCTION

The purpose of this brief is to provide Members of the Portfolio Committee on Tourism with an analysis of the Department of Tourism's 2nd and 3rd Quarter Performance Report for the 2020/21 financial year. The emphasis of the analysis will be on programme performance, as presented in the Annual Performance Plan (APP), in line with the 2020/21 budget.

In the 2nd quarter, the Department of Tourism (hereafter referred to as "the Department") achieved **55** (82.09%) of the **67** targets identified for the quarter. Of the 12 targets not achieved, the Department has completed significant work towards **four** (5.97%), whilst the remaining **eight** (11.94%) require intervention.¹ In terms of financial performance, the Department spent R550 million (37.1%) of the R1 481.0 billion adjusted budget.²

In the 3rd quarter, the Department achieved **52** (77.61%) of the **67** targets identified for the quarter. Of the 15 targets not achieved, the Department completed significant work towards **six** (8.96%), whilst the remaining **nine** (13.43%) require intervention.³ In terms of financial performance, the Department has spent R800.5 million (56.1%) of the R1 426.8 billion adjusted budget by the end of the third quarter.⁴

2. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

2.1 Summary of Performance

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

¹ NDT (2021).

² SCOA Q2 Report (2020).

³ NDT (2021).

⁴ SCOA Q3 Report (2020).



Services. In the 2nd quarter of the 2020/21 financial year, the Department was able to achieve 55 of its 67 identified targets, with four (5.97%) targets partially achieved and eight (11.94%) requiring intervention. In the 3rd quarter, the Department achieved 52 of its 67 identified targets, with six (8.96%) targets partially achieved and nine (13.43%) requiring intervention.

For ease of reference, the tabulated programme performance will only include target quantities of the 3rd quarter.

2.2 Programme Performance

Programme 1: Corporate Management

Total Targets set	23
Targets achieved	18 (78.26%)
Targets not achieved	5 (21.74%)
Budget allocated	R308 593 million
Special Adjusted Budget (Q2)	R307.1 million
Adjusted budget (Q3)	R299.6 million
Projected Expenditure	R206.7 million
Budget spent	R205.7 million (99%)

As can be seen from the table above, the Department achieved 18 of its 23 targets set in the third quarter. The Department spent 99% of its budget while achieving only 78% of its targets. Does this mean that the Department would have overspent if it had met all its targets?

The Department reports an increase in its vacancy rate, from a staff complement of 470 employees in June 2020 to 464 by December 2020. The Department maintained its minimum representation of employees with disabilities at 4.3%. The Department continued with its support of small micro medium enterprises.

The Department reports that the following targets were not achieved:

- 50% women representation at Senior Management Service (SMS) level, as a result of vacancies that occurred during the period under review.
- 100% implementation of deliverables for quarter one, two and three of the Department's Communication Strategy. The Department reports that this is as a result of the Strategic Framework for Events, which was not circulated for inputs as planned, as a result of Covid-19. The Department also reports that the Communications Strategy will be re-written.
- The Gender Equality Dialogue was not conducted and has been moved to the fourth quarter. The Department reports that the facilitator on gender issues was unavailable.

Programme 2: Tourism Research, Policy and International Relations

Total Targets set	13
Targets achieved	12 (92.31%)
Targets not achieved	1 (7.69%)
Budget allocated	R1 391 382 billion
Special Adjusted Budget (Q2)	R520.6 million
Adjusted budget (Q3)	R499.1 million



Projected Expenditure	R386.5 million
Budget spent	R383.1 million (99%)

As can be seen from the table above, the Department achieved 12 of its 13 targets set in the third quarter. The Department spent 99% of its funding and achieved 92% of its targets under this programme.

Various reports have been developed by the Department between the two quarters, which provide both an analysis of the sector's performance and monitoring of implemented initiatives. One of the reports evaluated the impact of the Tourism Relief Fund on enterprises. This report should be read in conjunction with the Auditor-General's second Covid-19 audit report⁵.

The target on *developing a concept document for the development of the National Tourism Analytics System Framework* was not achieved. The Department reports that this resulted from challenges in timeously appointing a service provider. In the 2nd quarter, a service provider was not appointed for the development of the Tourism White Paper. Can the Department advise the **Committee** on the implications of this delay and the current progress on the appointment?

Programme 3: Destination Development

Total Targets set	11
Targets achieved	10 (90.91%)
Targets not achieved	1 (9.09%)
Budget allocated	R485 897 million
Special Adjusted Budget (Q2)	R469.4 million
Adjusted budget (Q3)	R465.9 million
Projected Expenditure	R130.3 million
Budget spent	R112.0 million (85%)

As can be seen from the table above, the Department achieved 10 of its 11 targets set in the third quarter of the 2020/21 financial year for this programme. The Department spent 85% of its budget and achieved 90% of its targets under this programme.

The Department reports that the target on the Rail Tourism survey report was not completed. The report seeks to establish the viability of developing a new rail tourism model in the country. The Department experienced delays with procurement due to the amendment of the 2020/21 procurement plan. However, a service provider for the viability study has been appointed.

The Department exceeded its target on the number of work opportunities created in the third quarter. Instead of 875 work opportunities, 1 469 were created resulting from more Expanded Public Works Programme (EPWP) participants placed at various sites than originally planned.

Programme 4: Tourism Sector Support Services

Total Targets set	20
Targets achieved	12 (60%)
Targets not achieved	8 (40%)
Budget allocated	R295 112 million

⁵ <https://www.agsa.co.za/Reporting/SpecialAuditReports/COVID-19AuditReport2.aspx>



Special Adjusted Budget (Q2)	R183.9 million
Adjusted budget (Q3)	R162.2 million
Projected Expenditure	R103.7 million
Budget spent	R99.7 million (96%)

As can be seen from the table above, the Department achieved 12 of its 20 targets set in the third quarter under this programme. The Department spent 96% of its budget, while only achieving 60% of its targets under this programme. The **Committee** is advised to query this mismatch between spending and performance.

In the second quarter, the Department reports that no excursion took place under the *Domestic Tourism Scheme*⁶. The **Committee** is advised to follow-up with the Department on this and confirm the reasons therefore. The Department reports that the targets for both the second and third quarter on the *Technology Innovation Incubator* were not met. In the second quarter, the enterprise diagnostic needs assessment was not developed; resulting in the Department's inability to monitor anything in the third quarter. A delay in negotiations with the Technology Innovation Agency (TIA) was cited as the primary reason for the unmet targets. The joint initiative between the Department and TIA is aimed at supporting tourism-tech entrepreneurs who can develop progressive technologies for the industry.⁷

The targets for both the second and third quarter on the *Tour Operator Incubator* were also not met. In the second quarter, the enterprise diagnostic needs assessment was not developed; resulting in the Department's inability to monitor anything in the third quarter. The Department cites delays in the finalisation of its procurement processes.

The Department reports that the targets for both the second and third quarter on the *New Venture Creation Programme for Youth* were not met. The venture is aimed at empowering youth trained in food services to become owners and operators in the food services business. A service provider was not appointed in the second quarter as planned and the programme was not implemented in the third quarter. The **Committee** is advised to seek clarity from the Department on the roles to be played by the service provider and the Small Enterprise Development Agency (SEDA) in this programme. The inclusion of SEDA and its role were not specified in the Annual Performance Plan.

The target on the *WiT Enterprise Development Programme* has not been achieved in any of the three quarters. In the first quarter the programme was not launched due to delays in planning and the fact that beneficiaries were not identified, resulting in these outcomes being moved to the third quarter. Performance on the targets for both quarter two and three has not been achieved, resulting from delays in finalising partnership agreements. In the first quarter, the Department reported to the **Committee** that this programme would take place with or without a partnership. What has changed from this stance and what are the implications of these delays? Going forward, how can planning around such initiatives be improved to ensure more realistic timeframes and budget planning?

⁶ **Domestic or Social Tourism Scheme** – aimed at encouraging domestic tourism travel among people with modest incomes.

⁷ <https://www.tia.org.za/blog/2020/11/17/9109/>



The Department reports that Service Excellence⁸ (SE) ambassadors were identified and awareness sessions held with them in the Northern Cape, Kwazulu-Natal and Limpopo provinces. The **Committee** is advised to follow-up with the Department and establish which businesses qualified to be SE ambassadors and whether the programme will be extended to other provinces.

Targets on the following capacity building programmes were not met:

- *Tourist Guides* – training was delayed due to lockdown restrictions.
- *Food Safety Quality Assurers* – the service provider has not been appointed and the induction of learners was not undertaken. Delays with this programme date back to before COVID-19.
- *Wine Service Training* – the finalisation of the close-up report planned for the third quarter did not occur. The Department reports that there were amendments to the skills programme, which resulted in additional costs. The **Committee** is advised to follow-up with the Department on these amendments that are introduced in the middle of training; why this was allowed and whether the supplier's expired contract means additional costs for the compilation of the close-up report or whether this is covered in the initial terms of reference?

The Department reports that the targets on the *Tourism Environmental Implementation Plan*⁹ for both the second and third quarter were not met. The previous plan was for the period 2015-2020 and the new plan is for 2020-2025. The Department, as a result of the sector's impacts on the environment, is required by law, in terms of Section 11(1) of the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998), to develop the plan. The unmet target resulted from delays in procuring a service provider. The **Committee** is advised to engage the Department on the implications of this delay for the achievement of this target within the current financial year.

3. FINANCIAL PERFORMANCE

The Department of Tourism's adjusted appropriation for 2020/21 amounted to R1 481.0 billion.¹⁰ This was a decrease from the initial appropriation of R2 481.0 billion, which was adjusted in response to the outbreak of the COVID-19 pandemic. Adjustment to allocations in the Special Adjusted Estimates Appropriation were tabled in June 2020, resulting in R1 billion being suspended from the Department's initial budget. At the end of the second quarter, the Department had spent R550.0 million or 37.1 per cent of the available budget.

A second¹¹ adjustment was made to the budget, resulting in a final allocation of R1 426.9 billion. At the end of the third quarter, the Department had spent R800.5 million or 56% of the available budget, R26.5 million (3.2%) less than projected for the period. The underspending is mainly attributable to slow spending of goods and services as a result of delays in the rollout of the EPWP under

⁸ **Service Excellence Strategy** is aimed at building a service excellence culture in the sector and its value chain. Identified businesses are equipped to develop a service excellence-orientated culture in terms of their operations and processes through the application of the Service Excellence Strategy and Standards.

⁹ <https://cer.org.za/wp-content/uploads/1999/01/Department-of-Tourism.pdf>

¹⁰ SCOA Report Quarter 2 (2020).

¹¹ Second Adjustments Appropriation Bill [B 25-2020]



Programme 3: Destination Development. The implementation of the programme has been impacted by the COVID-19 lockdown restrictions.¹²

Table 1: Budget and expenditure summary

Programme R million	Main Appropriation	Special Adjusted Budget	Adjusted Budget	Actual Expenditure	Expenditure as % of available budget	Q3 Projected Expenditure	Variance from projected expenditure	% variance from projected expenditure
1. Administration	308.6	307.1	299.6	205.7	68.7%	206.7	0.9	0.4%
2.Tourism Research & Policy	1 391.4	520.6	499.1	383.1	76.8%	386.5	3.4	0.9%
3.Destination Development	485.9	469.4	465.9	112.0	24.0%	130.3	18.2	14.0%
4.Tourism Sector Support Services	295.1	183.9	162.2	99.7	61.4%	103.7	4.0	3.9%
TOTAL	2 481.0	1 481.0	1 426.9	800.5	56.1%	827.1	26.5	3.2%

Source: National Treasury: SCOA Report Quarter 3 (2020/21)¹³

The expenditure per programme was as follows:¹⁴

Programme 1: Administration: Actual expenditure for the third quarter amounted to R205.7 million or 68.7% of the programme's available budget of R299.6 million for the financial year. This represented a variance of R900 000 or 0.4% underspending of the projected spending of R206.7 million for the third quarter.

Programme 2: Tourism Research, Policy and International Relations: Actual expenditure for the third quarter amounted to R383.1 million or 76.8% of the programme's available budget of R499.1 million for the financial year. This represented a variance of R3.4 million or 0.9% underspending of the projected spending of R386.5 million for the third quarter. The underspending is attributable to slow spending due to the COVID-19 lockdown.

Programme 3: Destination Development: Actual expenditure for the third quarter amounted to R112 million or 24% of the programme's total available budget of R465.9 million for the financial year. This represented a variance of R18 million or 14% of the projected spending of R130.3 million for the third quarter. The underspending is attributable to slow spending within the EPWP and other programme projects due to the COVID-19 lockdown restrictions that have limited physical interaction on projects.

Programme 4: Tourism Sector Support Services: Actual expenditure for the third quarter amounted to R99.7 million or 61.4% of the programme's total available budget of R162.2 million for

¹² SCOA Report Quarter 3 (2020).

¹³ SCOA Report Quarter 3 (2020).

¹⁴ Ibid.



the financial year. This represented a variance of R4 million or 3.9% underspending of the projected spending of R103.7 for the third quarter. The underspending is attributable to slow spending within Tourism Incentive Programme due to the COVID-19 lockdown restrictions that are affecting the tourism industry.

Virements¹⁵

An amount of R3 million was shifted from goods and services towards the Tourism Technology and Innovation Incubation Programme under Programme 4: Tourism Sector Support Services.¹⁶

The **Committee** is advised to follow-up with the Department on whether the virement is in line with National Treasury's threshold for virements? Also, money was vired but targets were still not met?

Covid-19 spending¹⁷

During the third quarter, the Department has spent R534 thousand on personal protective equipment and periodic disinfection of the head office building.

Compensation of Employees¹⁸

Compensation of employees' budget amounts to R358.1 million for the 2020/21 financial year. Actual expenditure for the third quarter amounted to R248 million or 73.7% of the available budget. The Department's headcount at the end of the third quarter was 504 against a targeted 475 headcount.

There is a glaring discrepancy in the Department's employee headcount as per National Treasury and the presentation, which indicates 464 employees, submitted by the Department. Given that this is a recurring issue; the **Committee** is advised to follow up with the Department in this regard with a view to gaining clarity on its employee headcount.

4. ISSUES FOR PORTFOLIO COMMITTEE'S CONSIDERATION

-	The Department reports delays in the appointment of a service provider for the development of the Tourism White Paper. The Committee is advised to establish from the Department what the implications of this delay for the project are and whether a service provider has been appointed.
-	The Committee is advised to follow-up with the Department and establish which businesses qualified to be Service Excellence ambassadors and whether the programme will be extended to other provinces.
-	The Department reports that the targets on the Tourism Environmental Implementation Plan for both the second and third quarters were not met. This resulted from delays in procuring a

¹⁵ **Virement** - in accordance with Section 43 of the Public Finance Management Act (PFMA), Act No. 1 of 1999, the Accounting Officer of the Department may utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division on condition that it does not exceed 8% of the amount appropriated under that main division.

¹⁶ SCOA Report Quarter 3 (2020).

¹⁷ Ibid.

¹⁸ Ibid.



	service provider. The Committee is advised to engage the Department on the implications of this delay for the achievement of this target within the current financial year.
-	In January 2021 the Department published a gazette titled ' <i>Draft National Norms and Standards for the Safe Operations of Tourism Sector in the Context of the Coronavirus COVID-19 and Beyond</i> ' ¹⁹ . This initiative is one of the strategic recommendations of the Tourism Recovery Plan. The Committee is advised to establish from the Department how these norms will be synchronised with the current safety protocols adopted in the sector and monitored to ensure compliance.
-	The Department reports continued procurement delays with the implementation of the <i>Food Safety Quality Assurer Programme</i> . The programme was a target in the 2018/19 financial year and was not implemented as a result of the Department not being able to procure a suitable service provider. Similar delays were experienced in the 2019/20 financial year, with the year ending without the Programme being implemented. Reporting on this programme in the current financial year follows the same trend. The Committee is advised to establish from the Department the reasons for the ongoing delays and its plans to improve performance on this programme.

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¹⁹ https://www.gov.za/sites/default/files/gcis_document/202101/44088gen12.pdf