

South African Tourism Annual Performance Plan

2018/19



SOUTH AFRICAN TOURISM

Foreword by the Executive Authority

We enter this new year with great confidence that we have put in place solid plans to grow our tourism sector even further. The sector contributes more than R400 billion to the economy in total and supports about 1.5 million jobs in total (including indirect and induced jobs) along the entire value chain. This confirms the importance of tourism as an economic driver and reinforces the rationale for continued focus and investment.

The growth we have planned for will be inclusive and ensure that many more of our people benefit. Our goal is to drive this growth by attracting an additional five million travellers - four million more international tourists and one million extra local holiday trips - by 2021, as part of our “5 in 5” vision. This means that we want to grow international tourism from 10 million in 2016 to 14 million by 2021, while we grow domestic holiday trips from 2,6 million to 3,6 million.

Our strategic goal hinges on our refreshed portfolio of core markets, including domestic travel, to invest our marketing budget efficiently in order to achieve maximum results. This operational plan ensures that we give domestic tourism as much attention as we do international travel. It also ensures that there is a balanced investment and focus on both leisure travel and business events. We cannot have one without the other and in this year we will see how the entity will be increasing its efforts in bolstering business events. Our priority is to attract more business meetings, incentives, conventions and exhibitions, which bring with them high-value delegates. The sharing of international professional and academic expertise also immensely benefits our knowledge economy. Our global competitiveness in this regard has been significantly bolstered with the establishment of a bidding fund to enable South Africa to bid more aggressively for major international business events.

In the coming year, South African Tourism will intensify its brand-building efforts. Furthermore, it will implement strategies targeting the global trade, international consumers and domestic tourists, and will continue to forge key collaborations and partnerships across the sector.

Other focus areas in the coming year include continuing to deliver quality visitor experiences for tourists through the grading of establishments, further bolstering South African Tourism's research capability to deliver smart market intelligence that informs investment decisions, and completing the redesign of the organisational structure to support the five-year strategy.

Igniting domestic travel will be a major focus area in the year ahead. We have launched the “*We Do Tourism*”, campaign to encourage all South Africans to become tourism ambassadors for their country. This movement reinforces the idea that all our people have a role to play in creating an environment in which tourism can thrive, and that they are our greatest asset. All our people stand to reap the significant economic and social benefits of increased tourism.

Supporting small and emerging tourism businesses is a vital component of reinvigorating the local tourism economy. The National Department of Tourism is deepening efforts to mentor, incubate and enable these tourism entrepreneurs - particularly in townships, in less-frequented provinces and in rural areas - to transform and bring about inclusive participation in the sector. South African Tourism provides market access opportunities within our own supply chain and trade platforms.

Government is working in close partnership with the tourism industry to achieve the vision of a flourishing tourism industry whose contribution to our GDP increases to double digits. We have an unparalleled product to take to market: our beautiful, diverse, friendly country with welcoming people.

We remain acutely mindful of the fact that tourism supports about 1.5 million jobs along the entire value chain, including in sectors like transport, creative industries and financial services. The

continued health and growth of the tourism sector is key to fulfilling our aspirations for a poverty-free, equal and just society envisioned in the National Development Plan.

Tourism allows us to mine new treasures for our country. The collaborative relationships that have been secured between partners in the sector will be immensely valuable as we seek innovative ways of ensuring that tourism remains a key driver of economic prosperity in the year ahead.

A handwritten signature in black ink, appearing to read 'D Hanekom', written over a horizontal line.

Minister of Tourism

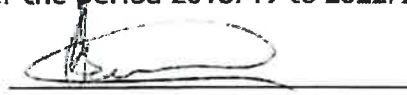
Derek Hanekom, MP
Official Sign-off

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of South African Tourism under the guidance of the National Department of Tourism and approved by the South African Tourism Board, in line with the basic minimum requirements issued by the National Treasury as the Framework for Strategic Plans and Annual Performance Plans;
- Was prepared in line with the current Strategic Plan of South African Tourism;
- Takes into account all the relevant policies, legislation and other mandates applicable to operations of South African Tourism; and
- Accurately reflects the strategic outcome-oriented goals and objectives that South African Tourism will endeavour to achieve over the period 2018/19 to 2022/23.

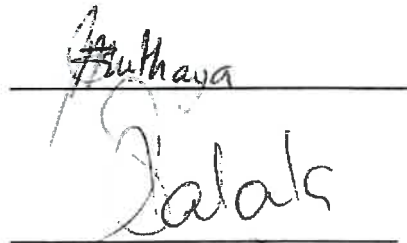
Tom Bouwer
Chief Financial Officer

Signature:



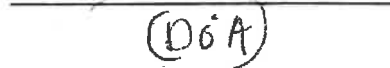
Bashni Muthaya
Chief Strategy
Officer

Signature:



Sisa Ntshona
Chief Executive Officer

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Dr Tanya Abrahamse
Chairperson of the Board

Signature:



Derek Hanekom, MP
Minister of Tourism

Signature:

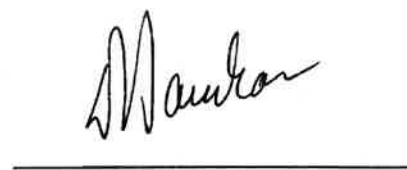


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Part A: Strategic Overview

1. Organisational Environment

1.1 Enhanced Tourism Growth Strategy

South African Tourism, the destination marketing organisation of the country, has been established in terms of the Tourism Act of South Africa to market South Africa as a domestic and international tourist destination by marketing the country's tourism products and facilities. As a government entity, the purpose of South African Tourism is to ultimately improve the lives of South Africans through contributing to inclusive growth of the South African tourism economy.

To ensure a unified direction and synergised efforts towards contributing to inclusive economic growth, South African Tourism has set a strategic goal of increasing the base of tourism by five million arrivals / trips during 2017-2021 - four million international tourist arrivals and one million domestic holiday trips.

With this end in mind, the following strategic objectives were identified and will continue to be executed in 2018/19:

- Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists
- Strategic Objective 2: To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments
- Strategic Objective 3: To enhance stakeholder and partnership collaboration, both local and international, to improve delivery on South African Tourism's mandate
- Strategic Objective 4: To contribute to an improved tourist experience in line with the brand promise
- Strategic Objective 5: To position South African Tourism's corporate brand to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics
- Strategic Objective 6: To achieve operational efficiencies in all activities, including human, marketing and other resources available to South African Tourism

1.1.1 Marketing Investment

The responsibilities of destination marketing organisations (DMOs) span from ensuring effective marketing of the country as a tourism brand to contributing towards a sustainable tourism economy. In most situations, the resources available to the DMOs are limited, forcing the organisation to adopt targeted strategies that maximise the return on investment.

In South Africa, the volatility of the exchange rate has been a major factor in influencing the marketing investment framework of South African Tourism. A depreciating Rand has made the operating environment for South Africa increasingly challenging. This is especially important as South African Tourism operates in foreign markets, where it has to spend in foreign currency. Although the government funding for South African Tourism has been increasing consistently up to

2018, the effective funds available are significantly impacted by the Rand's continued depreciation against major global currencies.

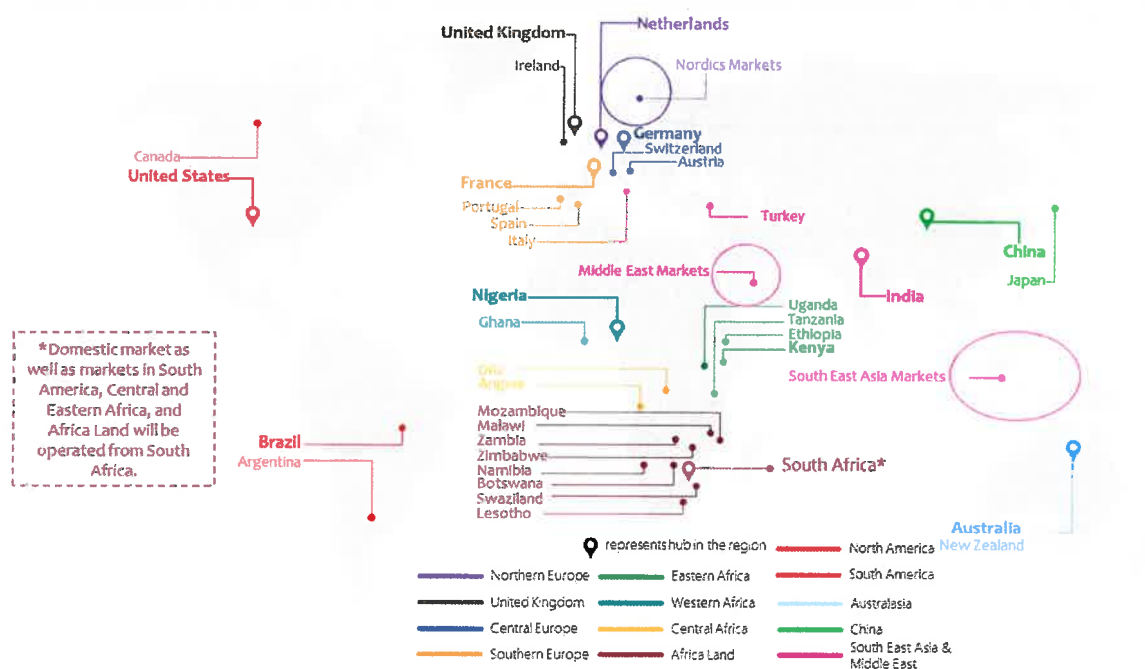
The Marketing Investment Framework brings together the elements of the target (i.e., the what?), markets (i.e., the where?) and investment (i.e., the how?), and has prioritised 35 markets (44 countries) where South African Tourism should invest to achieve the goal of 5 million more arrivals/trips in 5 years.

South African Tourism will execute its efforts across the identified markets through an efficient operating model. The organisation will configure itself in a 'Hub-and-Spoke' manner to ensure effective marketing initiatives, quick and seamless support to the trade and other value chain partners, and effective dissemination of authority and responsibility.

For respective regions, specific markets have been identified that will serve as the hub and cater to the needs of the remaining markets in the region.

However, there will be some markets such as those in South America that will be managed virtually via third-party marketing agencies, ensuring prudence at the same time from Head Office.

Figure 1: Market investment and operational model



Following the identification of the priority focus areas, an all-encompassing strategy to meet the desired goal was developed. The source markets were segregated by assessing the primary purposes of travel to South Africa to accordingly inform the investment choices considering SA Tourism's varied role across the different tiers of markets. Targeted marketing efforts are used to tap into the holiday and MICE potential of the markets including VFR markets.

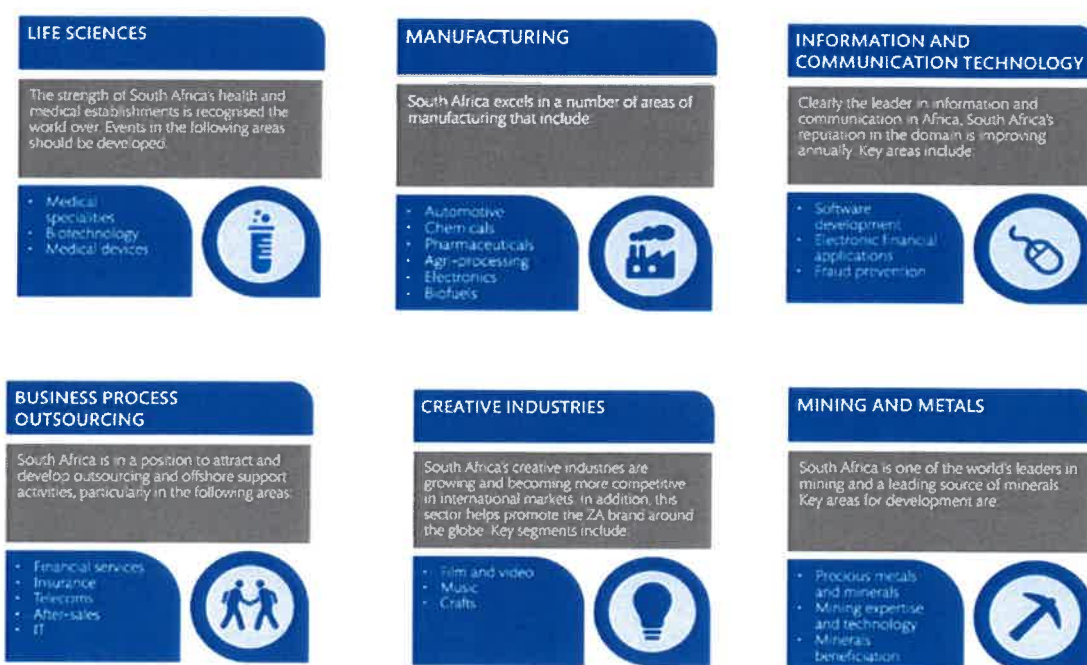
The roadmap to meet the goals was set as follows:

- **International Tourism: Leisure:** Leisure tourism makes up the largest share of total global tourism accounting for 77% of all tourism spending in 2016. For all priority markets, South African Tourism will market and position South Africa as a preferred destination in the holiday and MICE markets. The in-market activities will include up-selling of holiday/MICE among existing travellers and cross-selling to synergistic ‘strategic’ markets. Furthermore, South African Tourism will conduct active training of stakeholders (through targeted programmes) across the Department of International Relations and Cooperation (DIRCO) network (embassies and consulates) to enable them to actively promote tourism to South Africa; and provide targeted insights and analytics to grow and sustain tourism performance.

Across different priority markets, the focus will be on cross-selling efficiencies from stronger markets, travel trade value chain, and other sources, to create potential for the future. Similar marketing efforts of targeted in-market campaigns will be synergised. To reach the rest of the world, South African Tourism will collaborate with the relevant stakeholders, including DIRCO and the travel trade value chain, to work in a synergistic manner and maximise the available resources.

- **International Tourism: Business Events:** In 2018/19 the South African National Convention Bureau (SANCB), a unit of South African Tourism, will focus on forming appropriate alliances and partnerships in the tourism value chain and conduct the required business development activities to engineer the growth of business events in South Africa.

SANCB focusses its efforts on attracting events in economic sectors that have been identified by the government as priorities for future development. Hosting major events in these sectors can contribute significantly in accelerating macro-economic benefits for the country.



Source: Activation Strategy and Business Plan SANCB, May 2012

SANCB will collaborate with various entities in the value chain for the purpose of business development across the following target segments of MICE:

- For Conventions, the focus is on South African contacts to provide growth. Additionally, association management companies and core professional conference organisers can be leveraged as potential intermediaries for growing convention business in South Africa;
- For Incentives, incentive houses and corporate travel agencies are to be leveraged, as they provide the most efficient path to growth;
- For Meetings, corporate travel agencies, which are the most proficient channels to tap the potential, will be targeted; and
- For Exhibitions, SANCB will connect directly with the organisers to gain business in South Africa.

South African Tourism will be working with the National Department of Tourism in this year to develop an events strategy which will cover the country's approach to using sports and cultural events as a lever for tourism growth.

- **Domestic Tourism: Holiday:** South African Tourism will continue to intensify its marketing efforts to change the culture of travel in the country; as a strong domestic travel culture will result in a strong tourism economy. To enhance the holiday culture, South African Tourism will also focus on converting the non-leisure travellers into income-generating ones by making holidays accessible and easy. In pursuit of achieving this goal, South African Tourism will forge partnerships with South African companies in the tourism value chain and ensure tourism is accessible, easy, affordable, and part of everyday life for all South Africans.
- **Visitor Experience:** The Visitor Experience team, comprising of members from the Tourism Grading Council of South Africa (TGCSA), Brand Experience and Visitor Experience teams are committed to positioning South Africa as a quality assured, service orientated destination that offers experiences to match and exceed tourist expectations. The goal is to partner with trade providers and participants in the entire tourism value chain to enable and deliver safe and memorable experiences for both international and domestic tourists that foster positive perceptions of travel to and within South Africa and inspire return trips.

The TGCSA remains committed to providing tourists with internationally competitive standards of accommodation across the country in a variety of forms.

The Brand Experience team will continue to build innovative itineraries, for the purposes of hosting international media and trade delegations, that showcase the authenticity, culture and diversity of destination South Africa through an unwavering commitment to ensuring geographic spread, seasonality and transformation priorities.

The Visitor Experience team, through carefully crafted training, interventions and networks across the tourism value chain, strives to ensure that tourists receive a service orientated, pleasant and memorable experiences when encountering representatives from all partners and participants in the tourism sector.

- Overall, the strategy across all the **target** markets and segments focuses on the following two pillars: **Unified Brand and Communication** and **Synergistic Partnerships**:
 - Unified Brand and Communication**: Building brand awareness is essential to shape the brand equity and help consumers become more familiar and knowledgeable about South African experiences. Increased brand awareness and improved positivity are prerequisites to enhancing consideration and closure ratios. South African Tourism has created the brand proposition that emphasises the abundant experiences and offerings—safari, city lifestyle, adventure activities, coastal beaches, scenic beauty, and cultural roots—to position South Africa as a pinnacle of all tourist destinations.

Figure: 2 Brand Proposition



The South African brand will motivate the different stakeholders including the travel trade partners, the SANCB, the Welcome Team, the Tourism Grading Council of South Africa and other inter-governmental relationships, across multiple platforms and multiple territories (including overseas, Africa and domestic markets) to sell the destination.

- Synergistic Partnerships**: South African Tourism will partner with the travel trade and other strategic partners to sell South Africa as a tourist destination.

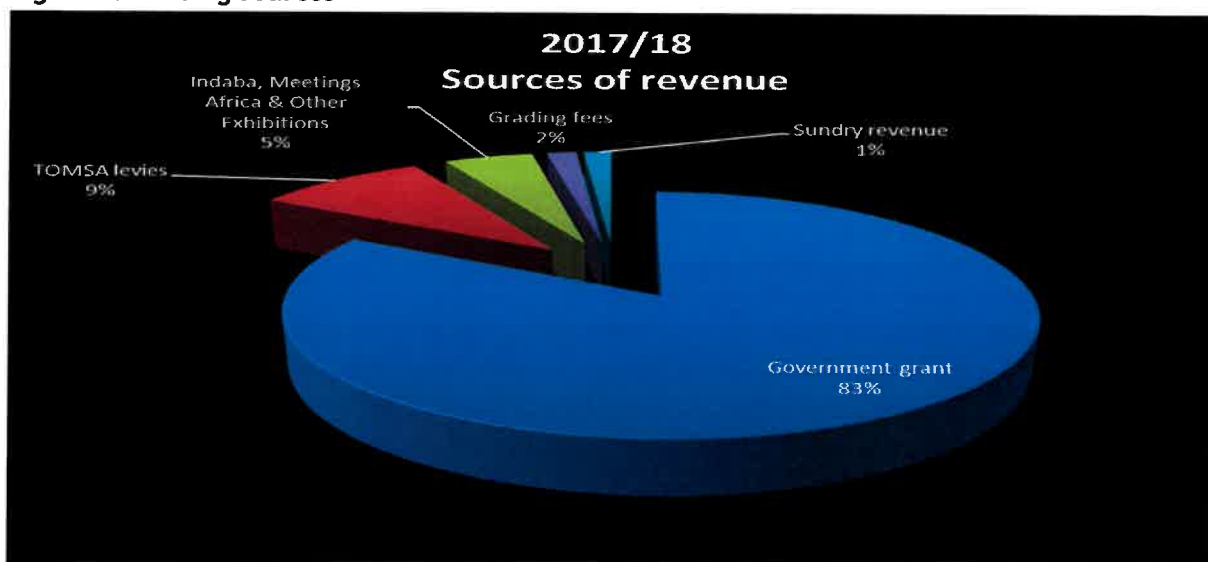
1.2 Funding

South African Tourism continues to strive for a marketing and overheads budget ratio of 70:30, particularly in light of escalating operating costs abroad. Over and above the grant allocation from the government (which comprises 83% of total funding), South African Tourism continues to receive additional funding (accounting for 9% of total funding) from the Tourism Marketing South Africa (TOMSA) levy allocated through the Tourism Business Council of South Africa (TBCSA). The remaining 8% relates to income from exhibitions such as INDABA and Meetings Africa (5%), grading fees (2%) and sundry income (1%).

Historically, the TOMSA funds that were transferred to South African Tourism were used for South African Tourism marketing projects exclusively. As of 2016/17, a part of this funding has been ring-fenced for marketing projects that are a collaboration between South African Tourism and the industry.

South African Tourism and the TBCSA are continuously working to increase the TOMSA levy collection base.

Figure 3: Funding Sources



1.3 Operating Configuration

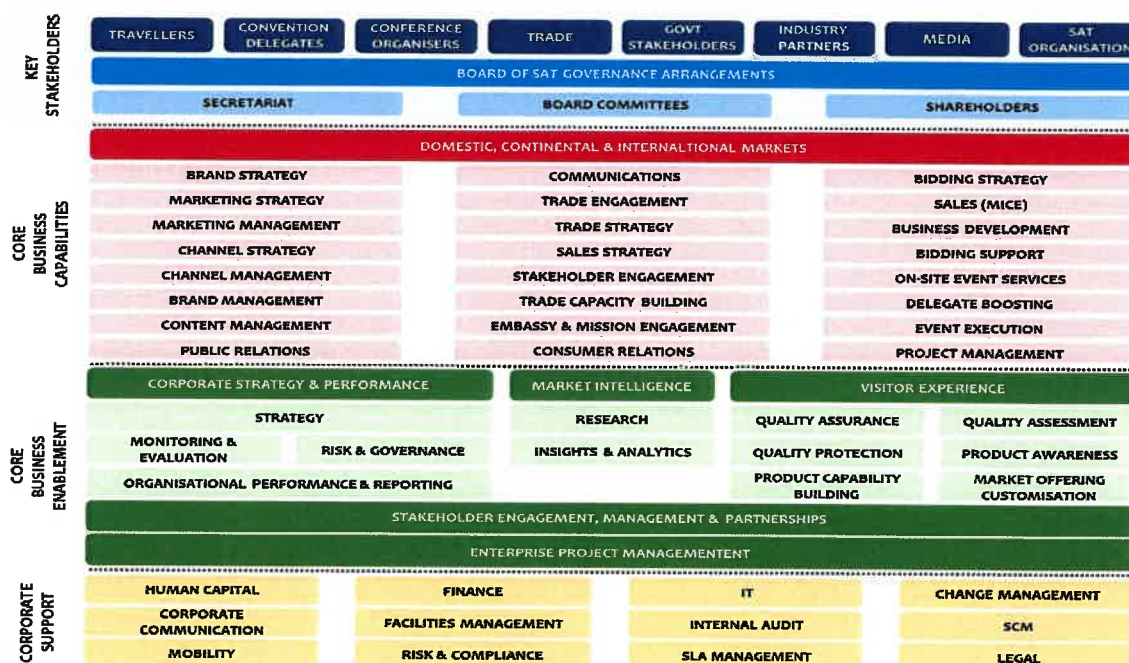
Following the approved Five Year Strategic Plan, South African Tourism undertook an organisational review. The project was aimed at reviewing the organisational structure in order to improve operational efficiencies by introducing business partnering and synergies within the organisation. South African Tourism formulated a detailed view of the resource requirements for each focus area, based on the set targets, the targeting strategies, capability requirements and the span of control.

In the implementation of the operational configuration, the two pillars of Unified Brand and Communication as well as Synergistic Partnerships will still be followed in the below manner:

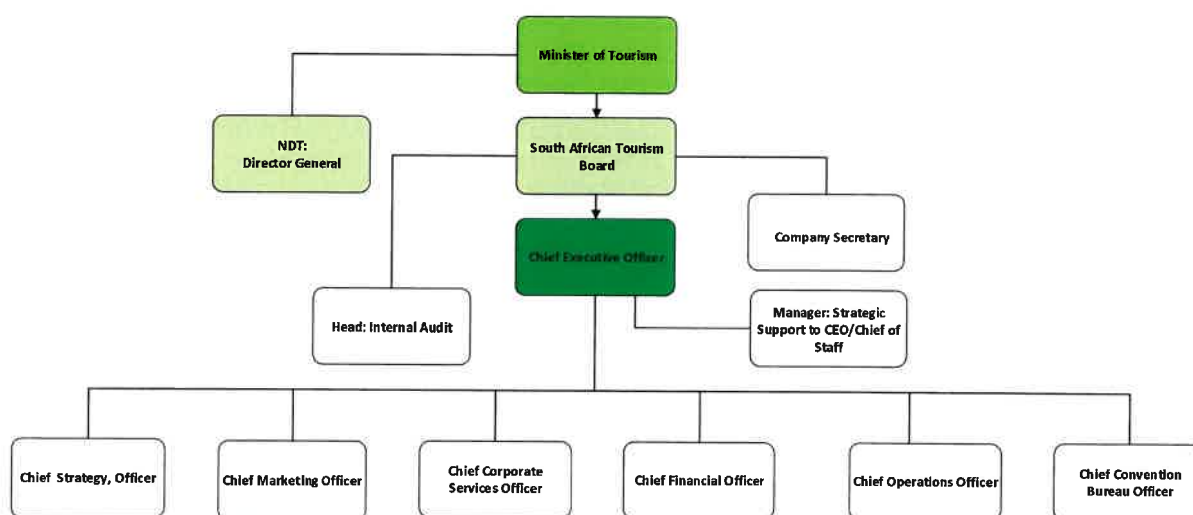
- **Unified Brand and Communication:** The Unified Brand and Communication Strategy will be leveraged to market South Africa uniformly across all focus areas. It will be imperative to implement the strategy considering the nuances of the markets. The nuances will help to ensure effective and targeted communication in each region/market; and
- **Synergistic Partnerships:** To implement this strategy, each region/market will identify the appropriate partnership tools to use based on the partnership toolkit, as well as identify and develop a list of target partners in the respective focus areas.

The operating model is built with the consideration of key stakeholders that bring together the required set of business capabilities to each focus area. This is meant to achieve a seamless vertical and lateral flow of knowledge and experience. The operating model will be continually supported through access to core business enablement as well as other support functions.

Figure 4: Operating Model



To ensure seamless and efficient execution of the concerted marketing efforts, differentiated operating strategies are put in place. The translation of the operating model into the mentioned organisational structure is depicted below.



Organogram as approved in May 2017

1.4 International Tourism: Business Events

The goals set out by the SANCB stakeholders are ambitious, and meeting them require a collaborative effort from the SANCB, the government, and the industry. Hence, in moving steadfastly towards achieving the set goals, Team South Africa (TSA) has been formed, with the government and industry as partners, and the SANCB playing a key organisational role. Other

participants include Convention Bureaus (CBs), provincial tourism authorities, and meetings industry suppliers.

TSA is tasked with positioning South Africa as a world leading business events destination, and will focus on the following to meet the objectives:

- Coordinating industry support for business events development activities;
- Providing industry input into the organisation/operation of Meetings Africa; and
- Advising SANCB on brand development, collaterals and website.

Additionally, TSA will work collaboratively with industry participants (such as venues, Professional Conference Organisers, destination management companies, and hotels) for the country's business events industry to reach its full potential.

To integrate the sales effort vertically, leads developed by SANCB will be distributed to CBs, and if appropriate can be shared with the partners of TSA by CBs. The lead distribution will be governed by a clearly defined account management protocol so that any given bureau's proprietary information is not compromised.

A detailed bidding policy will be agreed upon by the members of the TSA to enhance efficiency, and ensure better success rate. TSA will create alliances with government ministries to attract international conventions and exhibitions. The team will also work with various national government departments on multiple issues such as improving air access for South Africa.

Additionally, to invite international associations, the team can host conventions in partnership with various government departments on various issues, such as raising awareness of HIV or gender parity.

2. Situational Analysis

Traditionally performance as it pertains to tourist arrivals, revenue, domestic holiday trips and business events was reported on a calendar year basis i.e. from January to December, in line with United Nations World Tourism Organisation (UNWTO) and Statistics South Africa (StatsSA) reporting period, while the performance of graded establishments and rooms was reported on a financial year basis i.e. April to March. In response to stakeholders' reporting requirements, target-setting and reporting has been aligned to the financial year and will be fully implemented in the 2018/19 Annual Performance Plan. In 2017/18, South African Tourism only tracked financial year performance as such targets were not approved by Parliament.

2.1. Performance Delivery Environment

2.1.1. Geopolitical Landscape

According to the World Bank Group's Flagship Report, *"Global Economic Prospects - Broad-based upturn, but for how long?"* of January 2018, global economic growth is demonstrating a cyclical recovery which is reflective of rebounds in investment, manufacturing activity and trade. The World Bank is expecting global growth to increase to 3.1% in 2018 with Emerging Markets and Developing Economies forecast to increase to 4.5% (from the estimated 4.3% in 2017) while Advanced Economies' growth is forecast to moderate to 2.2% (from the estimated 2.3% in 2017). Despite the

upturn expected, there are a few downside risks that will impact the global growth outlook which include possible financial stress, increased protectionism and increasing geopolitical tensions.

Geopolitical tensions continue to dominate the global landscape and have increased in 2017 as reflected by the Korean peninsula tensions, border and territory disputes in Asia and continued strain in the Middle East, reports the World Bank Group. Geopolitical tensions adversely impact confidence, increase financial market volatility and lead to loss of lives and production capacity.

Changes in the political landscape have also had significant impact on established destinations and source markets. For instance, since Brexit there has been a boost in the UK's inbound tourism as tourists seek to take advantage of the weakened Pound. On the other end of the spectrum, US inbound tourism reduced by 4% in 2017. Market experts cite that President Trump's policies on immigration and travel has negatively impacted the country's reputation and perceptions as a tourist destination. It was observed by the UNWTO that, because of changes in geopolitical situations, established destinations such as Belgium, France and Turkey have experienced contractions in inbound tourism. At the same time, tourist arrivals in emerging tourist destinations which are perceived as "safe havens" (for instance, Bulgaria, Cyprus and Malta) have increased.

But tourism has demonstrated its resilience as a sector and recorded a strong 7% increase in 2017 according to the advance release of UNWTO's Barometer of January 2018. UNWTO predicts continued momentum in 2018 and is forecasting growth of between 4 and 5%.

Destinations such as Turkey, Egypt and Tunisia, which were previously perceived as too risky, are expected to make a recovery in 2018. This will be driven by their affordable flight and accommodation offerings, as well as government incentives aimed at growing inbound tourism. Once their security and geopolitical issues have been alleviated, these destinations are expected to provide competition to previously perceived safe-haven destinations such as Spain, whose geopolitical situations have changed in recent times.

Against this backdrop, it is encouraging to report that the perception of South Africa as a safe and secure destination has been improving since 2014, as results from the South African Tourism Brand Tracker survey shows. In addition, South Africa is also increasingly seen as a value for money destination. However, the exchange rate fluctuations remain uncertain in South Africa and this could impact pricing of tourism products and services.

Overall, the sector is forecasted to maintain a growth trajectory in upcoming years as more destinations are expected to open globally to support socio-economic growth in their respective markets.

2.1.2. Operational Opportunities and Trends

There is intense competition between low-cost carriers and international airlines. This, together with low fuel prices, is expected to reduce flight costs in 2018. The low flight prices are expected to be leveraged by other players along the Tourism value chain to attract travellers. Airlines are responding by leveraging various initiatives aimed at improving their brand image and regaining lost business by boosting direct interactions with customers.

Tourism service providers (including online travel agencies, accommodation providers and airlines) are expanding their offerings along the value chain to become a 'one-stop shop' for their customers. This has led to players increasingly developing internal operations aimed at identifying and acquiring start-ups to help them stay ahead of the market and latest technologies.

Hotels and accommodation providers are increasingly focusing on offering more holistic experiences to their guests. As such, they have invested towards improving their guests' experiences by providing a sense of community and differentiated experience, without losing the retail feel.

Technology has also increased in importance in the industry as the use of mobile phones and gadgets is influencing how travellers, particularly millennials, interact with the tourism ecosystem - from bookings to using social media to review and analyse other tourists' experiences. In addition, to boost tourism and make travelling as seamless as possible for potential tourists, more countries are now providing inbound travellers with visas on arrival.

There is also a growing consciousness of climate change and the impact of travel on destinations and the environment at large. According to the IMF's October 2017 report, global temperatures have increased at an unprecedented rate in the past 40 years and this could continue if we do not act to significantly reduce carbon emissions. While countries with warmer climates are impacted more severely, all countries are adversely affected by rising temperatures which impact agriculture, more frequent natural disaster, rising sea levels and the loss of biodiversity. The macroeconomic impacts are lower per capita output which impacts productivity and leads to slower investment and detrimental health impacts. The adoption of sustainable business practices and the demand of responsible tourism is increasing.

2.1.3. Global Tourism Performance

International tourism arrivals hit a record high of 7% growth over 2016, to reach 1,322 million international tourist arrivals, as reported by the UNWTO in its January 2018 advance release Barometer. According to the UNWTO, this growth represents the highest growth achieved since 2010 and the momentum is predicted to continue into 2018 with a 4 to 5% growth forecasted.

The strong results reflect sustained growth across all regions supported by the global economic upswing and strong outbound travel from major source markets. According to the UNWTO Barometer advance release, Europe led the growth with an 8% growth, driven by 13% growth in arrivals to the Southern and Mediterranean European destinations. Asia & the Pacific grew by 6%, the Middle East by 5% and the Americas by 3%.

During 2017, Africa consolidated its growth and also recorded an 8% growth driven by the recovery of the North African market (13% growth in 2017). As a result, Sub-Saharan Africa's share of the region's tourist arrivals reduced to 65.5% from 67.2% in 2016. According to the UNWTO, Africa's growth is forecasted to continue in 2018 at 5-7% - the highest regional growth forecast.

2.1.4. Tourist Arrivals in South Africa

South Africa witnessed a 2.1% increase in international tourist arrivals - from 8.3 million in the first ten months of 2016 to 8.4 million in same period in 2017.

International-air markets (where more than 60% of arrivals to SA are by air) account for +/- 29% of total international tourist arrivals to South Africa and is growing strongly at 6.9%. Growth was recorded from Europe (+8.9%), the Americas (+17%), Australia (+8.2%) and the Middle East (+4.8%) in the first ten months of 2017, however, declines were recorded from Asia (-3.0%) and Africa-air markets (-4.6%). The visa processes are negatively impacting tourism performance in China, India and Nigeria - some of the world's largest outbound travel markets.

Africa land markets (where more than 60% of arrivals to SA are by road) make up 71% of international arrivals and have grown by 0.3% in the first ten months of 2017 compared to the same period in 2016. The only markets in this region that recorded increases in this period were Malawi (+14.9%) and Mozambique (+4.1%). According to the World Bank Group, economic growth in Sub-saharan Africa is expected to have grown to 2.4% in 2017 following the slow growth of 1.3% in 2016. This growth is supported by increasing commodity prices, favourable global financing conditions and falling inflation which improved household expenditure. The World Bank Group's assessment indicates that the growth is weaker than expected due to negative per capita income growth, low investment and a decline in productivity growth. The forecast for the region is positive with growth expected to reach 3.2% in 2018. This could bode well for travel from the region.

2.1.5. Domestic Tourism

The total number of domestic trips declined by 30.8% to 13.1 million trips in the first ten months of 2017 compared to the 18.9 million recorded in the same period in 2016. While average spend per trip has increased in nominal terms in 2017, there has been a decrease in the length of stay on domestic trips. VFR travel accounts for the largest share of all domestic trips and declines in VFR travel has negatively impacted the performance of the total domestic market.

Conversely, there has been an increase in the number of domestic holiday trips (+29.6%) but a decrease in average spend and length of stay on these trips. This points to a change in travel patterns where South Africans are now taking frequent, but shorter, domestic holidays.

Affordability remains the biggest barrier to travel. Consumer confidence in South Africa declined in the second half of 2017 on the back of South Africans concerns of the future outlook of the economy. Food prices remain high, especially for low-income households, which is where a fair share of the VFR market sits. The negative impact of personal disposable income, high rate of unemployment and poor economic growth has forced consumers to re-evaluate their household expenditure. According to Nielsen's Consumer Confidence Index for Q2 2017, uncertainty on the economic outlook is adversely affecting South African households expenditure with 76% of South Africans saying it is not a good buy.. According to the Nielsen study, 83% of South Africans have changed their household spending by reducing spend on takeaway meals by 65%, spending on new clothes by 63% and 59% choosing cheaper groceries off the retail shelves. Spending on holidays and out of home entertainment have also been affected with spending on these categories cut by 42% and 55% respectively.

Domestic tourism is the bedrock of successful tourism destinations and South African Tourism is investigating innovative data collection methods to improve insights into the domestic tourism market.

2.1.6. Global Meetings and Events Trends

Spend on business meetings, incentives, conferences and exhibitions (MICE) is rising globally and the international meetings market is expanding exponentially. According to the International Congress and Convention Association's (ICCA) rankings, the United States hosted the most meetings in 2016, trailed by Germany, the United Kingdom, France, and then Spain. The South African business events industry has been growing steadily over the last 10 years, contributing towards the country's overall tourist arrivals. This growth comes from sectors in which South Africa has developed cutting-edge technology and/or shows potential for growth. This includes opportunities emanating from the burgeoning African association industry and government events.

In 2016 South Africa was ranked 34th globally as a meetings destination, four places higher than the previous year, cementing the country's status as the number one ranked business events destination in the Africa and Middle East region. In 2016 South Africa hosted 125 ICCA-registered international and regional meetings and conferences, which attracted just under 74 000 delegates. These events represented 538 combined conference days and generated approximately R1.1 billion directly to the economy. Out of 12 293 conferences held globally that met the ICCA ranking criteria, South Africa accounted for 1% of the total market. Conferences that are ICCA-accredited need to meet the following criteria:

- Only association conferences and meetings are counted;
- The meetings and conferences need to rotate to at least three countries; and
- The meetings and conferences need to be attended by at least 50 international delegates.

In order for South Africa to take advantage of the business events opportunities, South African Tourism, in collaboration with the Provincial Tourism Agencies, will build capacity to enable local teams. This will also improve geographic spread of MICE by improving participation of smaller cities. From 2017/18 South African Tourism has integrated non-ICCA events in its metrics to improve reporting. The strategic focus on Africa will also leverage off the continental MICE opportunities.

2.1.7. Quality Assurance

The Tourism Grading Council of South Africa (TGCSA), a business unit of South African Tourism, is a mandated enabler and accreditor of tourism quality assurance. It provides customers with the sought-after and predictable service levels across the same category and class of accommodation facilities as well as spaces for meetings, events and exhibitions.

According to Statistics South Africa (StatsSA), South Africa's accommodation industry has more than 10 000 accommodation establishments. Approximately 50% of these facilities are graded. This can be further broken down into about 85% being non-hotel establishments and 15% being large hotel chains, and facilities for meetings, exhibitions and special events. The large hotel groups and conference facilities account for 50% of graded rooms. The remaining 50% of rooms are in small to medium-sized establishments.

The Tourism Act (Act No. 3 of 2014) allows for an expanded quality assurance mandate that goes beyond accommodation. This expanded mandate ensures that the entire value chain of tourism is aligned with internationally recognised quality standards.

South African Tourism, in collaboration with the National Department of Tourism (NDT), has provided inputs into an ongoing policy review of the legislation that governs the TGCSA. During the year under review, the administration of the NDT's Tourism Incentive Programme (TIP) for grading support was transferred to the TGCSA and automated. This transfer and automation has allowed for a greater accessibility and uptake in funding support for new grading applications and annual membership renewals. The NDT offers the Service Excellence Programme, aimed at improving service levels in the entire tourism value chain. This programme, which targets frontline staff, is independent of the grading system. Its integration into the quality assurance system will improve the impetus for grading.

A number of surveys and studies conducted during the year have indicated a continued improvement in the perception of the value of grading. While the cost of grading is becoming less of a barrier due to improved access to subsidies under the NDT's TIP grading support programme, the value gained, as perceived by establishments, will need to become even more compelling, particularly since grading remains voluntary.

Similar to other tourism destinations, South Africa has established a quality assurance recognition and reward programme (the annual Lilizela Tourism Awards) to encourage industry players across the value chain to improve the tourist experience through service excellence, thus growing South Africa's global destination competitiveness.

3. Key Policy Developments and Legislative Changes

South African Tourism has undertaken a compliance review of applicable South African and international laws that led to a complete policy review in the organisation. This included crafting employee handbooks for international offices to have ease of reference to all policies to mitigate any risk of non-compliance.

4. Revisions to Legislative and Other Mandates

No changes in legislation are expected in 2018/19.

5. Overview of the 2018/19 Budget and MTEF Estimates

This section outlines South African Tourism's Annual Performance Plan and budget over the Medium-Term Expenditure Framework (MTEF) period. This section includes the following:

- Overview of the revenue and expenditure estimates;
- Expenditure as it relates to the strategic outcome-oriented goals;
- Annual performance indicators and quarterly targets for 2018/19; and
- Budget breakdown per programme.

5.1 Revenue Estimates

Revenue (R'000)	2014/15	2015/16	2016/17	2017/18		2018/19	2019/20	2020/21
	Audited	Audited	Audited	Estimate	Adjustment	Approved	Estimates	Estimates
Government grant	880 009	977 712	1 024 847	1 134 288		1 134 288	1 271 539	1 340 491
TOMSA levies*	111 638	123 203	137 578	124 586		124 586	137 356	144 224
Indaba, Meetings Africa & Other Exhibitions	65 134	81 547	55 431	63 391		63 391	60 192	63 503
Grading fees	17 843	18 394	20 569	21 344		21 344	23 824	25 134
Sundry revenue	28 191	12 452	56 123	20 000	99 000	119 000	22 324	23 552
TOTAL	1 102 815	1 213 308	1 294 548	1 363 609	99 000	1 462 609	1 515 235	1 596 903

Notes:

- Government grant figures are based on allocation letter received from National Department of Tourism.
- TOMSA levies amounts are as confirmed by Tourism Business Council of South Africa.
- Exhibition income budgeted amount is based on latest audited exhibition income report.
- Grading fees projection is based on prior year revenue increased in line with NT guidelines.
- Sundry revenue mainly consists of interest income.

*The collaborative fund over MTEF: R 21.99 million; R 24.2 million and R 25.5 million.

5.2 Relating Expenditure Trends to Strategic Outcome Oriented Goals

The revised budget and MTEF allocations - pending Ministerial approval, once finalised - will contribute to the realisation of South African Tourism's programmes.

Strategic Outcome Oriented Goals	Strategic Objectives	Programme	Budget Link to Strategic Outcome-Oriented Goals
Increase the tourism sector's contribution to inclusive economic growth	SO1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists	Programme 3 & 4	<p>80.7%* of the total budget will be expended on the following:</p> <ul style="list-style-type: none"> • Brand building in order to improve South Africa's brand awareness and positivity through building brand appeal among first-time and repeat tourists; • Implementation of a Global Trade Strategy by partnering and exploring synergies with tour operators, media, airlines and influencers, both in South Africa and in source markets - to ensure South Africa is marketed in a manner that enhances the brand and the traveller experience; • Implementation of a Consumer Strategy to position South Africa as the ultimate year-round sought after destination, highlighting the country's points of difference and unique selling points; • Implementation of a Domestic Strategy to build the culture of travel, convert the travelling population (especially those who travel mainly to visit friends and relatives) to start taking holidays, and encourage existing holiday-makers to take more holidays; • Collaboratively convince key decision-makers that South Africa can be trusted to deliver memorable
	SO2: To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments	Programme 3 & 4	

Strategic Outcome Oriented Goals	Strategic Objectives	Programme	Budget Link to Strategic Outcome-Oriented Goals
			<p>experiences and successful business events; and</p> <ul style="list-style-type: none"> Continuing to position South Africa as a leisure and business events destination by consolidating and exposing South African tourism products/experiences to buyers.
	<p>SO3: To enhance stakeholder and partnership collaboration, both local and international, to improve delivery on South African Tourism's mandate</p>	<p>Programme 2</p>	<p>Delivering on an additional five million tourists in five years is a collaborative effort amongst all stakeholders and partners in the tourism value chain. This is the reason South African Tourism developed a Stakeholder Engagement Framework. This framework seeks to establish, build and maintain mutually beneficial relations with key stakeholders and partners to grow tourism contribution to the economy and remove barriers to tourism growth.</p>
	<p>SO4: To contribute to an improved tourist experience in line with the brand promise</p>	<p>Programme 5</p>	<p>4.8% of the total budget will be expended on the following:</p> <ul style="list-style-type: none"> Continue to drive and deliver quality experiences for international and domestic tourists by constantly increasing the number of graded establishments; and Explore expansion of quality accreditation for other products and services in the tourism value chain.
<p>Achieve operational efficiency and good governance</p>	<p>SO5: To position South African Tourism's corporate brand to be recognised as a tourism and business events industry leader in market intelligence, insights and</p>	<p>Programme 2</p>	<p>14.5% of the total budget will be expended on the following:</p> <ul style="list-style-type: none"> To bolster strategic research capability to add value to the organisation through "analytics, insights and

Strategic Outcome Oriented Goals	Strategic Objectives	Programme	Budget Link to Strategic Outcome-Oriented Goals
	analytics		market intelligence”;
	SO6: To achieve operational efficiencies in all activities, including human, marketing and other resources available to South African Tourism	Programme 1	<ul style="list-style-type: none"> • Project Ignite will continue to be implemented to drive efficiency by removing silo operations, creating a performance-based culture; and strengthening the South Africa brand through partnerships; • Mapping and streamlining of business processes and relevant systems; and • Reviewing policies and designing a new organisational structure to support the five-year strategy.

*Full absorptive cost which includes overheads and marketing expenditure

Part B: Programme and Sub-Programme Plans
6. Medium-Term Targets
Programme 1: Corporate Support

Strategic Objective 6: To achieve operational efficiencies in all activities, including human, marketing and other resources available to South African Tourism									
Key Performance Indicator	Audited Outcome/Actual Performance				Estimated Performance	Forecasts			
		2014/15	2015/16	2016/17		2017/18	2018/19	2019/20	2020/21
Staff satisfaction score achieved	Financial year	-	-	2.9	3.8	3.8	3.4	3.5	3.6
Percentage vacancy rate maintained	Financial year	-	-	-	7%	7%	7%	7%	7%
Compliance with Employment Equity Act ¹ achieved	Financial year	-	-	-	Compliance with Employment Equity Act	Compliance with Employment Equity Act	Compliance with Employment Equity Act	Compliance with Employment Equity Act	Compliance with Employment Equity Act
Unqualified report achieved	Financial year	-	-	Unqualified audit report	Unqualified audit report	Unqualified audit report	Unqualified audit report	Unqualified audit report	Unqualified audit report
B-BBEE level achieved	Financial year	-	-	Non-compliant	Level 4	Level 4	Level 4	Level 3	Level 2

Notes:

¹South African Tourism's Employment Equity targets have been benchmarked against the National Economically Active Population. The Employment Equity targets are calculated on the approved staff complement of 202

Programme 2: Business Enablement

Strategic Objective 3: To enhance stakeholder and partnership collaboration, both local and international, to improve delivery on South African Tourism's mandate Strategic Objective 5: To position South African Tourism's corporate brand to be recognised as a tourism and business events industry leader in market intelligence, insights and analytics							
Key Performance Indicator	Audited Outcome/Actual Performance				Estimated Performance	Forecasts	
	2014/15	2015/16	2016/17	2017/18		2018/19	2019/20
Stakeholder satisfaction score achieved	-	-	-	3.9		4.1	4.3
Financial year							4.5

Programme 3: Leisure Tourism Marketing

Key Performance Indicator		Audited Outcome/Actual Performance				Performance (unaudited)		Forecasts		
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21		
Number of international tourist arrivals (millions) ¹	Financial year			9.9	10.4	11.2	12.2	13.2		
	Calendar year	9.5 (unaudited) ²	8.9	10.0	10.2	10.9	11.9	12.9		
Total tourist foreign direct spend (TTFDS) (billion rand) ²	Financial year				R75.7	R81.3	R88.6	R97.9		
	Calendar year	R64.2 (unaudited) ⁷	R68.1	R 75.5	R74.3	R79.6	R86.3	R95.4		
Percentage geographic spread of international tourist arrivals achieved	Financial year	-	-	15% (unaudited) ³	17%	19%	20%	20%		
Seasonality index of international tourist arrivals	Financial year	-	-	1.35% (unaudited) ⁴	1.35%	1.35%	1.35%	1.35%		
Percentage brand positivity achieved (average of Feb and Nov wave)	Financial year	-	38%	38%	38%	39%	40%	41%		
Percentage brand awareness achieved (average of Feb and Nov wave)	Financial year	80%	78%	77% (unaudited) ⁴	77%	78%	79%	80%		

¹ Projected targets for future years are based on the Marketing Investment Framework. Performance as it pertains to tourist arrivals, revenue, domestic holiday trips and business events has been reported on a calendar year basis i.e. from January to December, in line with United Nations World Tourism Organisation (UNWTO) and Statistics South Africa (StatsSA) reporting period. The calendar year performance will continue to be tracked in 2018/19.

² The KPI for 2014/15 was "Number of foreign visitor arrivals" and not "Number of international tourist arrivals", hence this was not audited.

³ This is a new KPI established in 2017/18 and therefore was not audited in 2016/17.

⁴ This was not a KPI in the 2016/17 period. Brand positivity was the only KPI in 2016/17.

Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists Strategic Objective 2: To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments									
Key Performance Indicator	Audited Outcome/Actual Performance				Performance (unaudited)	Forecasts			
		2014/15	2015/16	2016/17		2017/18	2018/19	2019/20	2020/21
Number of total domestic trips (millions) achieved	Financial year				25.0	25.5	26.1		26.7
	Calendar year	28.0	24.5	24.3 (unaudited) ⁵	24.9	25.4	26.0		26.6
Number of domestic holiday trips (millions) achieved	Financial year				3.0	3.2	3.4		3.5
	Calendar year	2 800 000	2 700 000	2 600 000	2.9	3.1	3.3		3.5
Total domestic direct spend (TDDs) (billion rand)	Financial year				R25.3	R27.1	R29.0		R30.7
	Calendar year	R26.8 (unaudited) ⁶	R23.6	R26.5	R24.8	R26.7	R28.5		R30.3
Domestic holiday revenue (billion rand)	Financial year				R7.8	R8.3	R8.8		R9.3
	Calendar year			R7.1 (unaudited) ⁷	R7.6	R8.2	R8.7		R9.2
Geographic spread of domestic tourists	Financial year			10% (unaudited) ⁸	11%	12%	13%		15%
Seasonality index of domestic tourists	Financial year			24% (unaudited) ⁹	22%	20%	19%		18%

⁵ This was not a KPI in the 2016/17 period. Number of domestic holiday trips was the only KPI in 2016/17.

⁶ The KPI for 2014/15 was "Amount of revenue (foreign and domestic)" and was not reported individually.

⁷ This is a new KPI established in 2017/18 and therefore was not audited in 2016/17.

⁸ This was not a KPI in the 2016/17 period. This is a new indicator as of 2018/19.

Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists									
Strategic Objective 2: To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments									
Key Performance Indicator	Audited Outcome/Actual Performance					Performance (unaudited)	Forecasts		
	2014/15	2015/16	2016/17	2017/18	2018/19		2019/20	2020/21	
SME attendance at SA Tourism Tradeshow Platforms ⁹	-	-	-	140	182		236	308	
SME participation for all SA Tourism hosting activities ¹⁰				17	25		37	55	

⁹ This is a new KPI established in 2017/18 and therefore was not audited in previous years.

¹⁰ This is a new KPI established in 2017/18 and therefore was not audited in previous years.

Programme 4: Business Events

Strategic Objective 1: To contribute to inclusive economic growth by increasing the number of international and domestic tourists									
Strategic Objective 2: To contribute to an enhanced, recognised, appealing, resilient and competitive tourism and business events brand for South Africa across the target markets and segments									
Key Performance Indicator	Audited Outcome/Actual Performance					Performance (unaudited)	Forecasts		
		2014/15	2015/16	2016/17	2017/18		2018/19	2019/20	2020/21
Number of business events hosted in South Africa ¹¹	Financial year	124	108	138	145		153	161	171
Number of international delegates hosted in South Africa	Financial year	69 955	62 176 (unaudited) ¹²	73 866	81 678		86 006	90 564	96 305
Number of bids supported for international and regional business events ¹³	Financial year	52	53	78 (unaudited)	58		105	110	115
Indaba and Meetings Africa revenue (million rand) ¹⁴	Financial year	-	-	R55.4	R63.4		R67.0	R70.8	R74.6

¹¹ The number of Business Events and number of delegates hosted include both ICCA and non-ICCA events. The target and the forecasts are based on a linear regression model.

¹² This was not a KPI in this fiscal.

¹³ South African Tourism will leverage off Provincial signature events through media hosting, activations, etc.

¹⁴ Revenue generated from Indaba and Meetings Africa is offset against the costs of these events, i.e. it is a cost-recovery model.

Programme 5: Tourist Experience

Strategic Objective 4: To contribute to an improved tourist experience in line with the brand promise									
Key Performance Indicator	Audited Outcome/Actual Performance					Estimated Performance	Forecasts		
		2014/15	2015/16	2016/17	2017/18		2018/19	2019/20	2020/21
Number of graded accommodation establishments achieved	Financial year	5 369	5 230	5 354	5 932		6 229	6 540	6 867
Number of graded rooms achieved	Financial year	114 429	114 281	118 869	128 821		135 262	142 025	149 126
Grading revenue collected (million rand)	Financial year	-	-	R20.6	R21.3		R22.6	R23.8	R25.1

7. Annual and Quarterly Targets

Programme	Key Performance Indicator	Reporting Period	Annual Target 2018/19	Quarterly Target 2018/19			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 1: Corporate Support	Staff satisfaction score achieved	Annual	3.4	-	-	-	3.4
	Percentage Vacancy rate maintained	Annual	7%	-	-	-	7%
	Compliance with Employment Equity Act achieved	Annual	Compliance with Employment Equity Act	-	-	-	Compliance with Employment Equity Act
	Unqualified audit achieved	Annual	Unqualified Audit	Submission of AFS, Performance Information Report and Corporate Governance Report for 2015/16 to AGSA, National Treasury and NDT	Unqualified Audit Monitoring compliance with PFMA	Monitoring compliance with PFMA	Monitoring compliance with PFMA
Programme 2: Business Enablement	B- BBEE-level achieved	Annual	Level 4	-	-	-	Level 4
	Stakeholder satisfaction score achieved	Annual	4.1	-	-	-	4.1

Programme	Key Performance Indicator	Reporting Period	Annual Target 2018/19	Quarterly Target 2018/19			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 3: Leisure Tourism Marketing	Number of international tourist arrivals (in millions)	Quarterly - financial year	11.2	2.5	2.7	2.9	3.1
		Quarterly - calendar year	10.9	2.8	2.5	2.7	2.9
	TTFDS (in billions)	Quarterly - financial year	R81.3	R18.1	R19.4	R21.3	R22.5
		Quarterly - calendar year	R79.6	R20.8	R18.1	R19.4	R21.3
	Percentage Geographic spread of international tourist arrivals achieved	Annual	19%	-	-	-	19%
	Seasonality index of international tourist arrivals	Annual	1.35%	-	-	-	1.35%
	Percentage brand positivity achieved	Annual	39%	-	-	-	39%
	Percentage brand awareness achieved	Annual	78%	-	-	-	78%

Programme	Key Performance Indicator	Reporting Period	Annual Target 2018/19	Quarterly Target 2018/19			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 3: Leisure Tourism Marketing	Number of total domestic trips (millions)	Quarterly - financial year	25.4	5.3	8.5	5.2	6.4
		Quarterly - calendar year	25.5	6.5	5.3	8.5	5.2
	Number of domestic holiday trips (millions) achieved	Quarterly - financial year	3.1	0.4	1.0	1.1	0.6
		Quarterly - calendar year	3.2	0.7	0.4	1.0	1.1
	TDDS (in billions)	Quarterly - financial year	R26.7	R5.7	R9.0	R5.6	R6.4
		Quarterly - calendar year	R27.1	R6.8	R5.7	R9.0	R5.6
	Domestic holiday revenue (in billions)	Quarterly - financial year	R8.2	R0.9	R3.0	R2.6	R1.7
		Quarterly - calendar year	R8.3	R1.8	R0.9	R3.0	R2.6
	Geographic spread of domestic tourists	Annual	12%	-	-	-	12%
		Annual	20%	-	-	-	20%
	Seasonality index of domestic tourists	Annual	182	127	-	26	29
	SME attendance at SA Tourism Tradeshow Platforms	Quarterly	25	8	4	7	6
	SME participation for all SA Tourism hosting activities	Quarterly					

Programme	Key Performance Indicator	Reporting Period	Annual Target 2018/19	Quarterly Target 2018/19			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 4: Business Events	Number of business events hosted in South Africa	Annual	153	-	-	-	153
	Number of international delegates hosted in South Africa	Annual	86 006	-	-	-	86 006
	Number of bids supported for international and regional business events	Quarterly	105	26	24	28	27
Programme 5: Tourist Experience	Indaba and Meetings Africa revenue (million rand)	Annual	R67.0	-	-	-	R67.0
	Number of graded accommodation establishments achieved	Quarterly	6 229	1 445	1 517	1 593	1 674
	Number of graded rooms achieved	Quarterly	135 262	31 383	32 952	34 600	36 327
	Grading revenue collected (million rand)	Annual	R22.6	-	-	-	R22.6

8. Breakdown of Budget per Programme

Name of the Programme	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
				ENE Estimate	Adjustment	Approved	
	Audited (R'000)	Audited (R'000)	Audited (R'000)	Budget (R'000)	Budget (R'000)	Budget (R'000)	Budget (R'000)
1. Corporate Support	98 695	93 078	102 127	139 991		139 991	142 456
2. Business Enablement	48 038	63 138	99 907	81 295		81 295	95 731
3. Leisure Tourism Marketing	837 787	1 001 038	846 955	959 217	86 485	1 045 702	1 142 951
4. Business Events	66 967	57 713	154 552	119 000		119 000	142 452
5. Visitor Experience	56 529	45 186	54 035	64 106	12 515	76 621	73 314
Total	1 108 016	1 260 153	1 257 576	1 363 609	99 000	1 462 609	1 596 904

Notes:

- The budget structure is in line with the requirements of the National Treasury and the Department of Performance Monitoring and Evaluation for planning by programme structure instead of by objective.
- Capital expenditure is included in the Corporate Support programme.

9. Exchange Rates

Financial year	USD	EUR	GBP	JPY	AUD
2018/19	12.2590	15.0709	17.1008	9.0069	9.8269
2019/20	12.8220	16.1317	18.1191	8.4273	10.2883
2020/21	12.8220	16.1317	18.1191	8.4273	10.2883

10. South African Tourism Materiality and Significance Framework for the 2018/19 Financial Year

9.1 Introduction

The Treasury Regulations Section 28.3.1, issued in terms of the Public Finance Management Act (PFMA), states that the accounting authority of South African Tourism must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority.

According to the Treasury Regulations (Section 28.2.1), any material losses through criminal conduct and any irregular, and fruitless and wasteful expenditure must be disclosed as a note in the annual financial statements of the public entity.

Furthermore, the Treasury Regulations (Section 30.1.3(e)) states that the Strategic Plan must include the materiality/significance framework, which is referred to in Treasury Regulations 28.3.1.

The specific sections of the PFMA that are relevant for the purposes of materiality are Section 50(1), Section 55(2), Section 61(1) (c) and Section 66(1), and, with reference to significance, Section 54(2).

ISA (International Standard on Auditing) 320 (paragraph 3) and the Framework for the Preparation and Presentation of Financial Statements, as per the International Financial Reporting Standards (IFRS) (paragraph 30), define “material” as follows:

“Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. This materiality provides a threshold or cut-off point, rather than being a primary qualitative characteristic which information must have, if it is to be useful.”

9.2 Factors Considered in Developing the Materiality Framework

9.2.1 Nature of the Business

The objective of SA Tourism is to ensure that South Africa becomes the preferred tourism destination in the world - thus maximising the economic potential of tourism in the country for the benefit of its people. SA Tourism has offices in countries across the world.

In terms of funding, SA Tourism has concluded a memorandum of understanding (MOU) with the Tourism Business Council of South Africa (TBCSA). The objective of the MOU is to provide funding for the marketing of South Africa in certain markets identified by SA Tourism through research. Funds contributed to this operation are used solely for that purpose.

9.2.2 Materiality Level 2018/19

The basis for calculating materiality by public entities, as per the Practice Note on Applications under Section 54 of the PFMA (Act No. 1 of 1999) (as amended), issued on 13 July 2006, is as follows:

Element	% Range to be Applied Against Rand Values	Latest audited Annual Financial Statements (R)	SA Tourism's % Utilised	Calculated Materiality (R)
<i>Total Assets</i>	1% – 2%	673 317 343	2%	13 466 347
<i>Total Revenue</i>	0.5% – 1%	1 162 424 643	0.75%	8 718 185
<i>Surplus</i>	2% – 5%	37 706 778	5%	1 885 338.9

9.2.3. Control and inherent risks

The following factors were examined in determining the materiality percentage:

- Technical competence (qualifications), skills and experience of staff engaged in the decision-making process, including the governance structure;
- Structure of the Audit Committee with reference to the King Code on Corporate Governance;
- Appointment of internal auditors to ensure independent reports on areas of non-conformance;
- Annual risk assessment;
- Three-year internal audit plan;
- Appropriate approvals framework (delegation of authority);
- A well-structured procurement policy incorporating the relevant legislation;
- The implementation of a Performance Management System at SA Tourism; and
- SA Tourism's external audits performed by the Auditor-General.

SA Tourism is a government parastatal and is accountable to many stakeholders. Given the fact that SA Tourism has for the past 15 financial years received an unqualified, no-emphasis-of-matter audit report, a higher level of materiality is apt in light of SA Tourism's record. Approximately 89% of total revenue generated stems from government grants. As SA Tourism is not only accountable to government but must also ensure that information is provided on what taxpayers are receiving for their taxes, total revenue has been selected as the most appropriate indicator for calculating materiality.

9.2.4. Quantitative factors considered

The level of a material deviation is assessed at 0.75% of total revenue, amounting to R 8 718 185 unless otherwise indicated. Different levels of materiality can be used and the decision to use 0.75% is based on the fact that the total asset base of SA Tourism is not considered to be an indicator of performance, as the organisation's largest source of income is grants received from government, and the revenue component is selected as a basis for the materiality calculation as the level of activity.

9.2.5. Qualitative factors considered

Materiality does not only relate to the size of the elements in the financial statements. Misstatements that are large - individually or in aggregate - may affect a reasonable user's judgment. Misstatements may also be material on qualitative grounds. The following qualitative factors have been considered:

- Material infringement of legislation that governs SA Tourism;
- Any transaction entered into that could result in reputational risk to SA Tourism;
- Changes in key personnel and departure of key executives; and
- Application of new, or changes in, accounting policy.

9.3 PFMA and Treasury Regulation 28.3.1

Treasury Regulation 28.3.1		
<p>"For purposes of 'material' [Section 55(2) of the Act] and 'significant' [Section 54(2) of the Act], the accounting authority must develop and agree on a framework of acceptable levels of materiality and significance with the relevant executive authority."</p> <p>Sections 50(1) and 66(1)(c) of the Act are also considered to be applicable, and have been taken into consideration:</p>		
Link to PFMA		Materiality
Section 50(1)	<p>1. The accounting authority for a public entity must -</p> <p>(c) On request, disclose to the executive authority responsible for that public entity, or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way influence the decisions or actions of the executive authority or that legislature.</p>	Both the qualitative and quantitative considerations.
Section 55(2)	<p>The annual report and financial statements referred to by PFMA Sub-section 55(1)(d) must include particulars of -</p> <p>(i) any material losses through criminal conduct and any irregular expenditure, and fruitless and wasteful expenditure, that occurred during the financial year; and</p> <p>(ii) any criminal or disciplinary steps taken as a consequence of such losses, or</p>	<p>9.2.4 & 9.2.5 defines the quantitative and qualitative aspects that are considered for the purposes of this section.</p> <p>Losses incurred due to criminal</p>

	irregular expenditure or fruitless and wasteful expenditure.	conduct by employees at a senior management level.
Section 54(2)	<p>1. Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction -</p> <p>(a) establishment or participation in the establishment of a company;</p> <p>(b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;</p> <p>(c) acquisition or disposal of a significant shareholding in a company;</p> <p>(d) acquisition or disposal of a significant asset;</p> <p>(e) commencement or cessation of a significant business activity; and</p> <p>(f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.</p>	<p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>Acquisitions or disposals that are greater than the materiality outlined above, or of smaller value considering all the qualitative factors above.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p> <p>All transactions to be approved by the Executive Authority, and Treasury to be informed.</p>
Section 61(1)(c)	<p>1. The report of an auditor appointed in terms of Section 58(1)(b) must be addressed to the executive authority responsible for the public entity concerned and must state separately in respect of each of the following matters whether in the auditor's opinion -</p> <p>(c) the transactions that had come to the auditor's attention during auditing were in all material respects in accordance with the mandatory functions of the public</p>	The level of a material deviation is assessed at 0.75% of total revenue, amounting to R8 256 865 unless otherwise indicated.

	entity, determined by law or otherwise.	
Section 66(1)	<p>1. An institution to which this Act applies may not borrow money or issue a guarantee, indemnity or security, or enter into any other transaction that binds or may bind that institution or the Revenue Fund to any future financial commitment, unless such borrowing, guarantee, indemnity, security or other transaction -</p> <p>a) is authorised by this Act; and</p> <p>b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and</p> <p>c) in the case of loans by a province or a provincial government business enterprise under the ownership control of a provincial executive, is within the limits as set in terms of the Borrowing Powers of Provincial Governments Act, 1996 (Act No. 48 of 1996).</p>	100% compliance with the Act within the ambit as set by this clause. Full disclosure will be required for all transactions.

11. Definitions, Abbreviations and Acronyms

10.1 Definitions

Activities are the processes or actions that use a range of inputs to produce the desired outputs and, ultimately, outcomes. In essence, activities describe “what we do”.

Annual Performance Plan is a plan that sets out what South African Tourism intends doing in the forthcoming financial year and during the MTEF to implement its Strategic Plan.

Annual Report is a report that provides information on the performance of South African Tourism in the preceding financial year for the purposes of oversight.

Audit is an examination of records or financial accounts to check their accuracy and conformity with norms and criteria set out in advance. An internal audit is an assessment of internal controls undertaken by a unit reporting to management, while an external audit is conducted by an independent organisation.

Baseline is the current level of performance that the institution aims to improve on. The initial step in setting performance targets is to identify the baseline, which, in most instances, is the level of performance recorded in the year prior to the planning period.

Brand Equity is the value premium derived from perceptions of South Africa’s tourism brand.

Conversion Curve reflects the brand journey of a tourist from brand awareness, positivity and long-term consideration to planning to gather information and planning to visit.

Deputy Minister refers to the Deputy Minister of Tourism.

Evaluation is the systematic and objective assessment of an ongoing or completed programme, project or policy, and its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, and the development of efficiency, effectiveness, impact and sustainability. Evaluation provides information that is credible and useful - enabling the incorporation of lessons learnt into decision-making processes.

Impact is the positive and negative, primary and secondary, long-term and short-term effects produced by a development intervention, or the results of achieving specific outcomes such as reducing poverty and creating jobs.

Indicator is a quantitative or qualitative tool that provides a reliable means to measure the programme performance achieved against the stated output, and helps to assess the performance of South African Tourism.

Input is all the resources that contribute to the production and delivery of outputs. Inputs are “what we use to do the work”, and include finances, personnel, equipment and buildings.

Long-Haul refers to any travel by air of more than five-and-a-half hours.

Minister refers to the Minister of Tourism.

Monitoring is to a continuous process of collecting and analysing data to compare how well a plan, programme, project or policy is being implemented against the expected results. It is a function that uses systematic collection of data on specified indicators to provide management and stakeholders with information on progress and the achievement of objectives.

Outcome refers to the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives that are set out in its plans. Outcomes are “what we wish to achieve”.

Output means the final products or goods and services produced for delivery by South African Tourism. Outputs may be defined as “what we produce or deliver”.

Performance is the degree to which a development intervention operates according to specified criteria, standards or guidelines, or achieves results in accordance with stated goals or plans.

Performance Indicator is a variable that allows the verification of changes or shows results relative to what was planned.

Performance Information in the public sector is used as a generic term for non-financial information about government services and activities. In addition, “performance indicator” and “performance measure” are sometimes used interchangeably. The Strategic Plan and Annual Performance Plan use the term “performance indicators”.

Performance Standards express the minimum acceptable level of performance that is generally expected.

Quarterly Report is a report that provides progress updates on the implementation of South African Tourism's Annual Performance Plan in the previous quarter - with particular reference to monitoring delivery against performance targets.

South African Tourism is the South African Tourism Board as defined in the Tourism Act, 2014 (Act No. 3 of 2014) (as amended), and the destination marketing organisation of the South African Tourism Board.

Strategic Objective states clearly what South African Tourism intends to do (or produce) in order to achieve its strategic goals.

Strategic Outcome-Oriented Goals identify areas of organisational performance that are critical to the achievement of South African Tourism's strategic objectives.

Strategic Plan is a plan that sets out South African Tourism's priorities, programmes and project plans for a five-year period, as approved by the Board and the Minister of Tourism, within the scope of available resources.

Target is an expected level of performance or improvement required in the future.

Tourism Act means the Tourism Act, 2014 (Act No. 3 of 2014).

Validity means the extent to which the data-collection strategies and instruments measure what they purport to measure.

10.2 Abbreviations and Acronyms

AGSA	- Auditor-General of South Africa
APP	- Annual Performance Plan
CPI	- Consumer Price Index
CPIX	- Consumer Price Index (excluding mortgage costs)
DG	- Director-General of the NDT
DTGS	- Domestic Tourism Growth Strategy
ENE	- Estimates of National Expenditure
GDP	- Gross Domestic Product
ICCA	- International Congress and Convention Association
IFRS	- International Financial Reporting Standards
ISA	- International Standard on Auditing
KPI	- Key Performance Indicator
MICE	- Meetings, Incentives, Conferences & Exhibitions
MTEF	- Medium-Term Expenditure Framework
NDP	- National Development Plan
NDT	- National Department of Tourism
NT	- National Treasury
NTSS	- National Tourism Sector Strategy
PFMA	- Public Finance Management Act, 1999 (Act No. 1 of 1999)
SAT	- South African Tourism
SANCB	- South African National Convention Bureau
TDDS	- Total Domestic Direct Spend
TGCSA	- Tourism Grading Council of South Africa
TOMSA	- Tourism Marketing South Africa
TTFDS	- Total Tourist Foreign Direct Spend
UNWTO	-United Nations World Travel Organisation
VFR	- Visiting Friends and Relatives

