South African Tourism
Annual Performance Plan

2019/20

SOUTH AFRICAN TOURISM

Foreword by the Executive Authority

The tourism sector remains the bedrock of maintaining a labour intensive growth path. We are therefore, encouraged by the President's target from the State of the Nation Address to more than double international tourist arrivals to 21 million by 2030. The achievement of this target presents a good demand driven approach to grow the tourism sector. Conversely, to meet this target, we need to intensify our efforts by continuing to address supply side factors that are critical to improving the productive capacity of the sector.

Growth in the tourism sector relies, amongst other things, on the country's brand. Thus, in announcing our country's ambitious target, the president alluded to the fact that the target can only be achieved through a number of things one of which is the renewal of the country's brand.

A strengthened collaborative approach that will bring together all the stakeholders will also need to be adopted to consolidate all the country's brand marketing and tourism initiatives. The Efforts to grow the tourism sector, South African Tourism (SAT) plans to undertake, will only come to fruition by working closely with other government departments and by forging a strong relationship with the tourism industry. It is through working together that we will be able to successfully communicate a message that will position South Africa as an exceptional tourist and business tourism destination that offers value-for-money, quality of visitor experience that is diverse and unique.

Plans are afoot to introduce a world-class visa regime that will make it easier for international travelers to access our country. Not only will this have a significant positive impact on the efforts to grow are current markets, it will also give great impetus on our plans to focus on Chinese and Indian markets and air arrivals from the rest of our continent.

We are also pleased that SAT plans to increase both the number and the size of South Africa's international business events in order to grow this industry. In addition, tourism centred around sports events will also be an important area of focus that has a potential for growing the sector. The increasing geographic spread of events evidenced by several cities, towns and locales outside the major centres of Johannesburg, Durban and Cape Town, hosting international association meetings is a positive development which should be welcomed.

In 2018, there was an estimated 17.6 million domestic trips, and visiting friends and relatives was the biggest reason for domestic trips accounting for 65% of total domestic trips. Domestic holiday trips decreased by 15% from 2.9 million in 2017 to 2.5 million in 2018 accounting for only 14% of total domestic tourism in 2018. We strongly believe that any further decline can be arrested. Going forward, our increased efforts to increase domestic tourism will be aimed at increasing the number of domestic travelers and increasing the proportion of domestic holiday trips in the total number of domestic trips. Domestic tourism provides enormous opportunity to grow the tourism sector thereby increasing the sector's contribution to national priorities such as economic growth, job creation and poverty alleviation.

As we commence with the sixth administration, it is important to bear in mind that the people of South Africa are yearning for fulfillment of the democratic promise of 1994. Amongst other things, they yearn for social justice, shared prosperity and inclusive growth. The tourism sector has a very important role to play in your ensuring that the aspirations of the people of South Africa are realized. In the words of our president, "Working together there is nothing we cannot be, nothing we cannot do, and nothing we cannot achieve."

Minister of Tourism
Ms MT Kubayi-Ngubane

It is hereby certified that this Annual Performance Plan:

- Was developed by the management of South African Tourism under the guidance of the Department of Tourism, and approved by the South African Tourism Board in line with the basic minimum requirements for the development of Strategic Plans and Annual Performance Plans issued by the National Treasury;
- Was prepared in line with the current Strategic Plan of South African Tourism;
- Considers all the relevant policies, legislation and other mandates applicable to operations of South African Tourism; and
- Accurately reflects the performance targets which South African Tourism will endeavour to achieve given the resources made available in the budget for 2019/20.

Nombulelo Guliwe   Signature: _____
Acting Chief Financial Officer

Bashni Muthaya   Signature: _____
Chief Strategy
Officer

Sthembiso Dlamini   Signature: _____
Acting Chief Executive Officer

Pam Yako   Signature: _____

Chairperson of the Board

Mmamoloko Kubayi-Ngubani, MP   Signature: _____
Minister of Tourism

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Part A: Strategic Overview

South African Tourism, the destination marketing organisation of the country, is established in terms of the Tourism Act of South Africa to market the country as a domestic and international tourist destination. It executes this goal by marketing the country's tourism products and facilities to achieve the government's primary purpose of improving its citizen's lives through inclusive growth of the South African tourism economy.

To ensure a unified direction and synergised efforts towards achieving this envisaged growth, South African Tourism developed its five-year Enhanced Strategy for Growth (known as the 5-in-5 strategy) in 2017. The strategy set a goal of increasing the base of tourism by five million arrivals during the period 2017 to 2021 translating into four million additional international tourist arrivals, and one million more domestic holiday trips.

In addition to its leisure tourism marketing mandate, South African Tourism is also the custodian of the business events portfolio, driving growth in the meetings, incentive, conference and exhibition (MICE) industry. This it spearheads through its business unit, the South African National Conventions Bureau (SANCB). The MICE arrivals also form part of the 5-in-5 strategy, and marketing in this regard is also prioritised. South African Tourism, through the Tourism Grading Council of South Africa (TGCSA) business unit, also ensures that the brand promise of the destination is always upheld. The quality assurance of both visitors' experiences and tourism products is key to all initiatives and marketing efforts by the organisation.

With this end in mind, the following objectives that give expression to the 5-in-5 strategy were identified and will continue to be executed in 2019/20:

- 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.

For the purpose of this Annual Performance Plan, an endeavour has been made to outline the programmes of South African Tourism moving into 2019/20.

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1. Situational analysis
1.1 Performance delivery environment
1.1.1 Global economy and the geopolitical landscape

According to the International Monetary Fund's (IMF) World Economic Outlook[1], the global economic outlook remains consistent with the growth recorded in 2017. It projects global growth of 3.9% for 2018 and 2019.

The report states:

- In advanced economies, growth in 2018 is expected at a rate similar to that of 2017 (2.4%) and it is expected to slow down to 2.2% in 2019.
- In emerging economies, growth has been impacted by a number of factors such as rising oil prices, higher yields in the United States, dollar appreciation, trade tensions, as well as geopolitical conflicts. Therefore, the projected growth from emerging economies is likely to vary based on how global elements interact with the respective domestic economies.

According to the World Economic Forum[2] (WEF), the positive economic headline indicators are masking continuing underlying concerns such as potentially unsustainable asset prices, elevated indebtedness and continued strains in the global financial system. The WEF cites new challenges to stimulating global growth such as limited policy options in the event of a new financial crisis, disruptions caused by increasing digitalization and a build-up of protectionist pressures within a changing geopolitical landscape.

The volatile geopolitical landscape adds to the global economic and political insecurities. According to the International Consultants for Education and Fairs (ICEF) Monitor[3], these insecurities also impact growth in the tourism sector negatively as countries implement barriers such as visa regulations and increased security at airports as protective measures. These phenomena that include terrorism and xenophobia, have also heightened the inherent need for personal safety when travelling thus restricting the freedom that travel aims to fulfil.

1.1.2 Global Tourism Landscape

According to the United Nations World Tourism Organization (UNWTO) Barometer[4], tourism performance in 2018 showed a 6% growth in international tourist arrivals, compared to the same period in 2017. This rate is a continuation of the strong growth recorded in the 12-months period ending 31 December 2017. This growth rate exceeds the UNWTO forecasted growth of 4-5% for 2018.

The report further states that in 2018, regions showed growth in international tourist arrivals as follows:

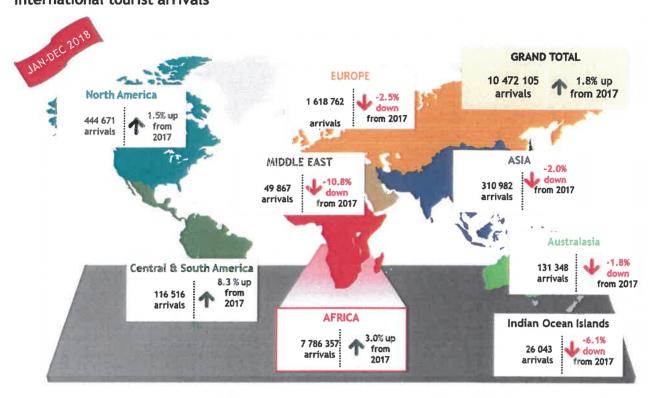[1] IMF's World Economic Outlook Update, 16 July 2018
[2] WEF's Global Risks Report 2018, 13th Edition
[3] ICEF Monitor, 1 August 2018 http://monitor.icef.com/2018/08/global-tourism-report-highlights-key-travel-trends
[4] UNWTO Barometer Volume 17, January 2019

- The Middle East led the growth with an increase of 10.3%;
- Africa performed well and was the second fastest growing region at 7.3%;
- Asia grew by 6.1% and Europe by 5.7%; and
- The Americas recorded the smallest growth rate of 3% in this period.

1.1.3 South Africa's International Tourism Performance

International tourist arrivals[5]

South Africa is had a 1.8% increase in international tourist arrivals, from 10.3 million in 2017 to 10.5 million in 2018.

The growth is accounted for as follows:

-   **International-air markets** (where more than 60% of arrivals into South Africa are by air) accounted for plus/minus 29% of total international tourist arrivals into South Africa. Arrivals from these markets increased by 1.5%. In 2018, growth was as follows:
    - North America (+1.5%);
    - Central and South America (+8.3%);
    - Africa-air markets (+7.4%);
    - Australasia (-1.8%);

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[5] Source: Statistics SA Tourism and Migration Report.

- Europe (-2.5%);
- Asia (-2.0%) and
- Middle East (-10.8%)

- Africa-land markets (where more than 60% of arrivals into South Africa are by road), make up about 71% of international arrivals and have grown by an 2.8% in 2018 compared to 2017. All markets in this region recorded growth, except for Lesotho (-0.5%), Namibia (-4.0%) and Zambia (-4.1%).

International tourism receipts[6]

International tourism receipts increased by approximately 2.5% to reach an estimated R82 billion in 2018 compared to R80 billion in the same period in 2017. This growth was driven by the increase in tourist arrivals as there were decreases in average spend (from R8 480 per tourist in 2017 to an estimated R8 300 per tourist in 2018). Africa is the largest contributor to tourism receipts accounting for an estimated 42% of total international tourism receipts. The Africa-land markets make up 84% of this value.

Purpose of visit[6]

Visiting Friends and Relatives (VFR) is the largest driver for travel to South Africa by international tourists accounting for an estimated 38.7% of total international tourism in 2018. These trips are characterized by activities such as visiting friends or relatives (not necessarily staying with them), attending weddings, funerals or any other family events. These trips are mostly taken by tourists from Africa and make up about 45% of total VFR trips.

About 20% of international tourists visited South Africa on holiday in 2018 compared to 19% in the same period in 2017.

MICE travel declined in the first nine months of 2018, from 5.7% of international tourist arrivals in 2017 to 4.5% in 2018. This decline was seen across all regions.

Length of stay[6]

The average length of stay by international tourists in 2018 declined by an estimated 3.8%, moving from an average of 12.2 nights per trip in 2017 to an average of 11.7 nights in 2018. The decline in length of stay was driven by a decline in the average length of stay by tourists from Africa. Tourists from Africa stayed on average 9.8 nights in 2018 compared to 10.8 nights in 2017. Tourists from other regions stayed on average longer in 2018 compared to 2017. In 2018, tourists from the Middle East stayed the longest at an estimated 21 nights, while tourists from Africa stayed the shortest time at an estimated 9.8 nights.

Provincial distribution[6]

International tourists visited on average an estimated 1.21 provinces in 2018, the same as recorded in 2017. Tourists from Africa visited on average 1.06 provinces while tourists from the rest of the world visited on average about 1.66 provinces. There was an increase in the number of provinces

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[6] At the time of reporting, only estimates were available for this indicator.
Source: South African Tourism Departure Survey

visited by tourists from the rest of the world while tourists from Africa visited fewer provinces in 2018 compared to 2017.

The largest beneficiary of international tourism in 2018 was Gauteng receiving an estimated 3.8 million international tourist arrivals. The top three source markets for Gauteng were Mozambique, Lesotho and Zimbabwe.

The second largest beneficiary was Limpopo receiving approximately 2.2 million international tourist arrivals. The top three source markets were Zimbabwe, Botswana and USA. Tourists from the USA engage primarily in leisure activities with wildlife being prominent.

Western Cape was the province with the third largest number of international tourist arrivals at 1.8 million. The top three source markets for the Western Cape were UK, USA and Germany.

Key issues that impact South Africa's international tourism performance

Negative perceptions

a) **Safety and security concerns**

Safety and security concerns contributed to declining scores on brand awareness and brand positivity. This was on the back of numerous incidents and reports of crime against tourists as well as the perception that South Africa is not a welcoming destination. These reports have led to some European governments advising their citizens about the risks of travelling to the country.

b) **Water crisis**

The water crisis in Cape Town also added to the negative perception of South Africa as a tourism destination held by international travellers. In most markets, the travel bookings that were expected for the 2018 Easter period, did not materialize. This gave advantage to the destination's competitors such as the USA, Turkey and Kenya who gained from the forward bookings of 2018 as most consumers either changed destinations or postponed their trips to 2019 and/or 2020.

c) **Inappropriate wildlife interaction**

The related phenomena of wildlife interactions and canned hunting have negatively impacted the country's brand as a champion of wildlife conservation. Activists and wild life enthusiasts are often expressing their views on traditional and social media platforms and most times displaying graphic imagery of animals such as elephants, lions and other big 5 animals resulting in public outcry. A proactive campaign to address these issues is being planned.

d) **Land expropriation without compensation**

The land expropriation debate in the country was wrongly portrayed on several social media platforms in the USA and Australia. This created negative publicity for the destination globally. In Australia, from mid-February 2018 (post the State of the Nation Address (SONA) of 16 February 2018), there was negative coverage of South Africa on this issue.

Visa challenges

The regulatory barrier of visas in key source markets of China, India, Nigeria, Ghana, Ethiopia and New Zealand has negatively impacted tourist arrivals from these countries. To support this, South African Tourism has noted an increase in tourist arrivals from Angola and Russia following the visa waivers applied to these markets providing sufficient evidence of the impact of visas on the growth in tourist arrivals.

In India, visa processing delays continue to be a hindrance in the minds of the Indian trade who are very cautious in taking bookings.

For outbound Chinese tourists, delays in issuing visas for South Africa are the main deterrent to growth from this market. South Africa as result faces intense competition from destinations that offer easier visa processes or visa waivers.

Tourist arrivals from New Zealand continued to decline due to worsening visa processing challenges. These include the waiting time increasing to 30 days with no option or fee payable to expedite the processing. Furthermore, the inconsistent requirements and submission of visa documents are also a deterrent for travel to South Africa.

In Nigeria, a manual appointment system has been implemented in the city of Lagos to deal with the volume of applicants. However, the potential traveller is required to visit the VFS centre twice; firstly, to book an appointment for visa application, and secondly to return to apply for the visa. The burdensome process is a barrier for travel to South Africa.

Ethiopian Airlines offers a visa application service to passengers booking with them. However, due to the high visa rejection rate for predominantly African passengers, the airline is discouraged from selling South Africa despite the high volume of enquiries they receive, especially for Cape Town.

International tourism outlook 2019/20

According to Oxford Economics, global tourism arrivals are expected to grow by 4% in 2019. Arrivals from Asia-Pacific are expected to grow by 5.5%, the highest growth rate amongst all regions, while arrivals from Africa are forecast to grow by 4.5% in 2019.

Tourist arrivals to South Africa are forecasted to grow by 7% in 2019, above the global average. The growth is expected to be driven by growth from all regions with stronger performance forecasted for the Americas (+14.3%). Africa's forecasted growth of 5.8% and Asia-Pacific's 9.9% growth is also forecasted to contribute positively South Africa's overall performance in 2019.

The positive global economic outlook for 2019 is the underlying factor driving global tourism performance. Stronger economic growth leads to increased consumption on travel resulting in more outbound tourism. Asia-Pacific and Africa are expected to benefit more from this increased demand.

The implementation of the strategy will also be bolstered by paying attention to global trends. In the World Economic Forum's 2017 edition of the Travel & Tourism Competitiveness report, factors which improve international tourism performance as well as mitigate barriers include:

- Sustainable development

Despite growing global awareness of climate change and its impact on the environment, there has been little impact in actions to stem the degradation of the natural environment or adequately

reduce emissions. It states that deforestation, overfishing and air and water pollution continue to reduce the global natural capital. Therefore, destinations that are seen to make efforts of improvement in this regard are favoured over others.

- Ease of entry

Notwithstanding increased global border security, there are a number of countries which have embarked on adopting less restrictive visa policies and procedures in a bid to increase tourism to their respective countries.

- Digitalisation

The report states that as experienced in all industries, digital infrastructure is a basic requirement for travel and tourism competitiveness as well. Countries which are not integrating technology in their destination profiling as well as enhancing their connectivity will be left behind. Technology is seen as integral to tourists' decision making across the entire value chain where consumers use mobile devices to search and book travel, including sharing experiences, and enhancing their experience with a destination.

1.1.4 South Africa's Domestic Tourism Performance[7]

Domestic tourism trips
In 2018, there was an estimated 17.6 million domestic trips taken, an increase of 2.8% compared to 2017. An estimated 13.9 million South African adults took a domestic trip in 2018, a 40% increase compared to the 9.9 million in 2017. The average number of trips taken per traveller dropped from 1.5 in 2017 to 1.3 in 2018.

Visiting friends and relatives (VFR) is the biggest reason for domestic trips and accounted for 11.5 million (65%) of total domestic trips. VFR travel includes travelling for weddings and funerals. VFR travel increased by 10% in 2018 and this was the biggest driver of the increase in total domestic trips in the period.

Domestic holiday trips are estimated to have decreased by 15% from 2.9 million in 2017 to 2.5 million in 2018. Holiday trips accounted for about 14% of total domestic tourism in 2018.

Domestic tourism receipts
The tourism receipts generated from domestic tourism is estimated at R26 billion in 2018, an increase of 19% compared to 2017. VFR trips were the largest contributor to total domestic tourism receipts. This is as a result of the large number of VFR trips taken. However, despite accounting for 64% of trips, VFR contributed an estimated 33% to total revenue. Holiday and business trips have a

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[7] Source: South African Tourism Domestic Survey

greater contribution to total revenue despite their smaller share of total trips. Holiday trips contributed 28% to total domestic revenue in the period, while business trips contributed 10%.

On average, a domestic tourist spent an estimated R1 490 per trip in 2018, which represents a 16.4% increase on the R1 280 spent, on average, per trip in 2017.

Length of stay

The average length of domestic trips decreased slightly from 4.1 nights in 2017 to an estimated 3.9 nights in 2018. Domestic trips for holiday and MICE were shorter by approximately 1 night in 2018 compared to 2017, while VFR trips increased from an average of 4.1 nights per trip in 2017 to 4.7 nights in 2018.

Provincial distribution

In 2018, Limpopo was still the largest beneficiary of domestic tourism, followed by Gauteng and then KwaZulu-Natal. Limpopo received an estimated 3.3 million domestic trips, while Gauteng received 2.9 million and KwaZulu-Natal 2.7 million. Despite receiving the largest number of domestic trips in this period, Limpopo is estimated to have declined by about 36% in the total domestic trips in 2018 compared to 2017. Gauteng, KwaZulu-Natal and Western Cape are also estimated to have declined by 13.9%, 2.2% and 31.3% respectively. Gauteng remains a major source market of domestic tourists with 41% of all domestic trips originating from Gauteng.

Key issues that impact domestic tourism performance

Affordability remains the biggest barrier to travel. According to surveys conducted by South African Tourism, this factor has remained the main reason cited for South Africans not taking a trip. Respondents also mentioned additional factors such as having no reason to travel (23%) and being unemployed (19%).

Generally, the travel trade focusses on international tourists. This market is perceived to be the more commercially attractive segment as there are opportunities for higher pricing (resulting in higher profit margins). Previous attempts at incentivising these players to focus on the domestic market has not yielded desired results. They still tend to package existing itineraries as they do for international tourists at similar pricing (profit maximising).

Domestic tourism outlook 2019/20

Oxford Economics forecasts domestic tourism to grow by between 3% and 4% in 2019. This is based on positive economic growth predicted for South Africa in 2019.

As affordability remains a key barrier to domestic travel, the strength of the economy plays a significant role in the growth of domestic tourism. The South African Reserve Bank expects the economy to grow by 1.9% and 2.0% in 2019 and 2020 respectively. Goldman Sachs shares the same sentiment of an economic rebound in 2019. This expected growth will be boosted by the President's economic reforms as well as strong global economic growth.

According to Bloomberg's Global Gasoline Index data, South Africa's fuel prices are among the highest in the world, resulting in travelling costs remaining a wild card depending on which direction oil prices move. The unemployment rate is also likely to rise to 28.0% by the 3rd quarter of 2019,

according to Trading Economics. The level of debt, fluctuating inflation and rising interest rates, which result in less disposable income, may certainly lead to less discretionary spend on travel and tourism as it competes with the consumption of other essential products and services.

1.1.5. South Africa's Business Events Performance

Unlike in leisure tourism, the number of business events held in South Africa as well the related number of delegates that attended these events are only measured annually and not quarterly. Therefore, the data represented herein are from the previous financial year.

International Performance
According to the International Congress and Convention Association (ICCA), the global Meetings, Incentives, Conferences and Exhibitions (MICE) industry recorded a positive year in 2017 with a total of 12 558 meetings held around the world. This represents an increase of approximately 3% in the number of meetings held worldwide compared to 2016.

In the MICE sector, South Africa mainly attracts meetings and conventions with incentives and exhibitions accounting for a smaller share of the country's business events. Meetings and conventions accounted for more than 90% of business events hosted in 2017.

In 2017, South Africa hosted 122 ICCA-registered international and regional meetings and conferences, which attracted 73 884 association professionals to the country. This performance led to South Africa being ranked 34th worldwide by ICCA, maintaining the same ranking as 2016.

When factoring in conferences not accredited by ICCA, the number of international events held rose to 206 during 2017, attracting 91 740 delegates. This far exceeded the SANCB's target of 145 for the year.

Regional standing
South Africa is ranked in the world's top 15 long-haul business events destinations, above countries such as Chile, Malaysia and Russia. On the continent, it is the number one-ranked market in terms of the number of meetings held, hosting more than four times as many meetings in 2017 than the second-placed African country, Morocco.

National geographical spread
Positive news is that the regional spread of the ICCA qualifying conferences that took place in South Africa improved during 2017, with several cities, towns and locales outside the major centres of Johannesburg, Durban and Cape Town, hosting international association meetings. These included Stellenbosch, the Kruger National Park, Port Elizabeth, Bloemfontein, George, Nelspruit, Skukuza and Vanderbijlpark.

The outlook for business events 2019/20
The global business events' industry generally works on lead times of two years and longer. With the assistance of the Bid Support Fund allocated by the National Treasury to help South Africa bid more aggressively to host international and regional business events, the SANCB supported 65 bids as at 31 December 2018 exceeding the year to date target of 50.

The outlook for business events is positive given the significant number of bids supported by South African Tourism through the SANCB. The organisation will continue to apply greater focus on converting these bids into events through enhanced profiling of South Africa's business events capabilities. Another area that will receive focus is that of delegate boosting.

1.1.6. Quality assurance and the visitor experience

The TGCSA, responsible for brand and visitor experience, is a key part of South African Tourism achieving its 5-in-5 strategy. Partnerships with the tourism trade and stakeholders in the tourism value chain to position South Africa as a quality assured, service-orientated and tourist-centred destination is at the centre of delivering on the destination brand promise for both the leisure and business events tourism.

Enabling the hospitality industry

With the quality of accommodation playing an integral part in the decision making of tourists, the TGCSA remains committed to ensuring that the hospitality sector provides tourists with internationally competitive standards of accommodation across the country. As at 31 December 2018, there were 5 174 graded establishments, an increase of 4% compared to the same period in 2017. Standing by their commitment to assist new entrants into the tourism sector, TGCSA remains an enabler for emerging and small hospitality providers. On 31 December 2018, 4 299 (83%) of all graded members were small enterprises.

Quality assurance of establishments

- 17% of graded establishments or 875 properties, are listed in the Hotel and Meeting, Exhibitions and Special event (MESE) venue categories.
- Guest houses are the largest proportion of graded establishment types accounting for 33% of the graded establishments.
- Self-catering establishments account for the second highest proportion of graded establishments at 20%.
- Nationally, 30% of all graded establishments, which is the largest number, are located in the Western Cape. However, they saw a 3% decrease in the number of graded properties at the end of December 2018. Gauteng comes second in the country, accounting for 18% of the total graded establishments. It grew by 17% from the same period in 2017.

Quality assurance of rooms

There were a total of 124 677 graded rooms in South Africa as at 31 December 2018, an increase of 6% compared to December 2017.

- The majority (50%) of the graded rooms are from hotels, despite hotels accounting only for 14% of the graded properties.
- Guest houses account for the second largest number of graded rooms (15%) and self-catering establishments account for 10%.

- Out of the total 124 677 graded rooms in South Africa, 34 425 (28%) of the rooms are hotel rooms in Gauteng.

Quality assurance outlook 2019/20

Moving into the 2019/20 financial year, efforts will continue to focus on increasing the number of graded establishments and rooms by driving value-driven marketing initiatives and partnerships that support enterprise development, market access as well as prime our partners to deliver exceptional visitor and brand experience.

The uptake of the Tourism Incentive Programme (TIP) funding in 2018 had a positive effect on the growth of graded establishments. At the end of August 2018, over 2 276 establishments had been assisted with funding to the value of approximately R7.84 million. This funding mechanism, together with other funding support programmes, will also be pursued in the next financial year due to the positive results yielded. The implementation of an amended Memorandum of Understanding (MOU) with the Department of Tourism which allows for discounts to SANParks, also resulted in a growing number of new applicants and re-joins. Given the positive results of this initiative, it will be continued in 2019/20.

Capacity building and market access initiatives are also made available through the TGCSA to assist graded establishments provide quality guest service as well as sustainable business marketing platforms.

Visitor Experience

The Visitor Experience team, comprising members from the Tourism Grading Council of South Africa (TGCSA), the 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.

In 2018/19, Visitor Experience focussed on the "Welcome" project - a project focussed on building capacity of officials at prioritised tourist touchpoints to deliver service excellence, as well as a welcoming experience that exceed tourists' expectations. The team partnered with the Department of Home Affairs, other departments involved in land border operations and Airports Company South Africa, with the primary aim of enhancing visitors' experience at the various ports of entry into South Africa. This project started with training provided to officials at three land border posts, the three major airports as well as Park Station in Johannesburg.

The project followed a three-pronged approach:
- Branding and visitor welcome activations of the six ports of entry, as well Park Station from a domestic perspective, with a consistent welcome look and feel to ensure that an ambience is created for visitors upon arrival, thus giving a warm authentic friendly South African Welcome;

- The enhancement of a positive visitor experience at the ports of entry by rolling out relevant welcome training programs to Immigration and Custom officials, South African Police Services, South African National Defence Force, visitor information centres' staff and other frontline officials; and

- Rolling out Welcome activations to create excitement at all identified spots.

Visitor experience outlook 2019/20

A key project that will be led by this team in 2019/20 is the "WeDoTourism" campaign. Launched in 2016/17, the campaign aimed to clearly and simply articulate the economic benefit of the tourism value chain to ensure that ALL South Africans understand the positive role tourism plays within the South African economy. It promotes the message that tourism is everyone's business, and that all South Africans, in all the nine provinces, have a role to play in building a knowledgeable and welcoming local environment for tourists. This will assist in making South Africa a preferred tourism destination globally.

Moving into the 2019/20 financial year, the "WeDoTourism" campaign will be refreshed, in conjunction with partners in the government and private sector, to intensify the promotion of service excellence and quality assurance across the tourism value chain in South Africa. The outcome of the campaign will be to ensure that the organisation delivers on the brand promise that surpass tourists' expectations.

1.2 Organisational environment

The organisational environment is as important to consider when planning as paying attention to trends and the socio-politico and economic environment an industry operates in.

Human Capital

In the 2017/18 financial year, South African Tourism concluded Project iGnite. This was an organisational review that resulted in the reconfiguration of the entity's operating model, as well as the development and introduction of a robust human capital strategy to enhance South African Tourism's competitiveness.

The review resulted in the reconfiguration of the organisation and the placement of employees in the right roles to deliver optimally on the tourism growth strategy. Change management principles used to facilitate the review have been implemented across the organisation and will continue to form part of the organisational development going forward.

The new human capital strategy further serves to attract, engage, nurture and retain talent while building leadership capability that will inspire and steer the organisation towards achieving its goals. As the organisation is focused on achieving the 5-in-5 strategy, the human capital element speaks firmly to the strategic pillar of "building an inspired and energised organisation", as contained in the strategy.

Finance

A significant part (84%) of South African Tourism's budget is funded through the government grant. Over and above the grant allocation from the government, South African Tourism receives funding from the Tourism Marketing South Africa (TOMSA) levy (accounting for 9% of total funding) allocated through the Tourism Business Council of South Africa (TBCSA). The remaining 7% relates to income from exhibitions such as INDABA and Meetings Africa (4%), grading fees (2%) and sundry income (1%).

Due to pressure on the national budget, earmarked funding from the government to South African Tourism has been reduced by a total of R54.8 million over the MTEF period. The impact of this on the budget for 2019/20 is a 1.15% reduction across all programmes.

South African Tourism markets to 44 countries globally operating in ten countries. As a result, a significant portion of the budget is exposed to currency fluctuation. National Treasury have advised that any losses incurred through exchange rate movements in 2019/20 will have to be absorbed by South African Tourism.

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 was ring-fenced for marketing projects that are a collaboration between South African Tourism and the industry. This collaborative fund was transferred to South African Tourism to administer. In 2019-20, it was agreed that the TBCSA will retain the funds and be responsible for the administration thereof.

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

While the reduced budget creates pressure on activities and operations to meet the desired growth targets, South African Tourism is focussing on rigorous efficiencies in operations through digitisation and smart procurement to absorb the impact and deliver on targets.

2. Key Policy Developments and Legislative Changes

2.1 Changes to South Africa's visa and minor travelling requirements

- Revised regulations, including changes to travel documentation requirements for minor travelers, were gazetted on 1 December 2018.
- These regulations, which have less onerous requirements, bring us into line with best practice in many countries with respect to foreign minors travelling into and out of South Africa. However, their implementation has faced challenges related to poor communication, and seemingly inadequate training, resulting in IATA and most airlines not yet changing their boarding procedures. The ongoing issues are being addressed.
- In September 2018, after President Cyril Ramaphosa announced a stimulus package, the then Minister of Home Affairs, Minister Gigaba, announced that negotiations are being finalised to conclude Visa Waiver Agreements for 19 listed countries. These countries are largely non-priority for tourism and the waivers have not yet been implemented.
- At the same time Minister Gigaba announced the piloting of an eVisa system in New Zealand in April 2019.

2.2 Revisions to Legislative and Other Mandates

The TGCSA Grading Criteria

- In a bid to advance and maintain a recognisable, credible and globally benchmarked system of quality assurance for accommodation and venues in South Africa, the TGCSA has introduced new and revised grading standards approved by the Minister of Tourism, Honourable Derek Hanekom. The grading criteria now gazetted, will be implemented from 01 April 2019.
- The new grading criteria include the introduction of two new categories in the form of "apartment hotels" and "small hotels", in which the luxury form (boutique hotels) will be encompassed.
- In addition to this, the grading levels have been enhanced. They will now include a new 5-Star Premium grading level which is a recognition reserved for the pinnacle of luxury products in South Africa, far exceeding premium expectations with respect to quality standards and service excellence.
- The TGCSA has also introduced a new dimension to grading which allows for properties to capitalize on niche market differentiation. This new addition termed "accolades", includes insignia and criteria for niche markets such as those that are child-friendly, pet-friendly, wedding venues, spa and wellness facilities, as well as those that cater for 4x4s.

3. Strategic focus for the financial year

While South African Tourism will continue to implement its 5-in-5 strategy through optimizing its marketing investments and driving operational efficiencies, there will be a focus on unblocking obstacles to tourism growth and unlocking the nation's focus on tourism.

Specific areas of focus will include:

- *Collaboration with government departments*
  The success of delivering the mandate of tourism is dependent on co-ordination among different stakeholders. Collaboration with government departments and partnerships with the tourism industry are therefore imperative.

  South African Tourism, working closely with the Department of Tourism, will continue to better utilize existing platforms to address issues that impact tourism growth. Strengthening the relationship with Brand SA will also be a focus of South African Tourism in this financial year.

  Collaboration with provincial tourism authorities is already underway and this will be enhanced through the implementation and monitoring of the MOUs that have already been signed by provinces.

- *Strengthen partnerships with the tourism industry*
  South African Tourism markets the destination, however, fulfilment of that marketing promise happens in the travel trade. Therefore, synergistic partnerships are key to the implementation of South African Tourism's mandate.

  South African Tourism will continue to strengthen partnerships with the trade to ensure that the destination is effectively promoted both locally and internationally.

- *"We Do Tourism"*

  We know that the economic case for tourism has not always been clear to all South Africans, let alone all core industry stakeholders. The "WeDoTourism" campaign was conceptualised as a clear and simple articulation of the economic benefit of the tourism value chain. The aim and purpose was to ensure that ALL South Africans understand the positive role tourism plays within the South African economy.

  In this financial year, South African Tourism will refresh and execute the campaign with the aim of ultimately getting all South Africans to rally behind tourism. The goal is to illustrate to South Africans, in the industry, in business or even in the neighbourhoods, the value that tourism has for all South Africans. The campaign will also encourage citizens to get involved through actions as basic as a warm South African welcome to collective efforts to ensure the safety and security of all tourists in all nine provinces of the country.

- *Positioning South African Tourism as a tourism and business events industry leader in market intelligence, insights and analytics*

  South African Tourism is committed to being a data and insights-led marketing organisation and is developing a business tool that delivers market intelligence and insights to relevant

stakeholders. The first phase will deliver a business information tool (dashboard) that makes intelligence available in a clear, complete and easy to use manner to all stakeholders.

Subsequently, the tool will be enhanced to include additional data and improved functionality that provides more insights to stakeholders to drive better marketing outcomes and growth in tourism.

- *Implementing the Events Strategy*

    South African Tourism has developed an Events Strategy to assist in growing tourism and improving geographical spread and achieving reduced seasonality. Events can also be used as a catalyst to profile the South African destination brand, increase tourism numbers to all provinces and assist developing tourism products. This will further aid in job creation and economic development across all provinces.

    This strategy will focus on key events countrywide that will be implemented through partnerships with established event partners such as Cricket South Africa, Standard Bank Joy of Jazz, Soweto Marathon, Cape Town International Jazz Festival, National Arts Festival.

- *Drive transformation within the tourism industry through enterprise and supplier development*

    South African Tourism recognises the role it plays in the tourism industry and through its mandate, is committed to meaningfully contribute to increased GDP growth, sustainable job creation, and redistribution and transformation. In line with the Tourism Broad-Based Black Economic Empowerment (B-BBEE), South African Tourism will ensure that benefits of tourism are equitably shared amongst the people of South Africa, with emphasis on empowerment of youth, women and people with disabilities.

    South African Tourism has developed an Enterprise and Supplier Development Framework. The framework guides South African Tourism's efforts in providing support for the advancement of tourism enterprises, especially emerging and black owned enterprises. It also assists in further enhancement of tourism enterprises and suppliers' capability to enhance destination offerings. This framework will be implemented in this financial year.

4. Overview of the 2019/20 Budget and Medium-Term Expenditure Framework (MTEF) Estimates

This section outlines South African Tourism's Annual Performance Plan and budget over the 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 2019/20; and
- Budget breakdown per programme.

South African Tourism Annual Performance Plan - 2019/20

4.1. Revenue Estimates

Revenue	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
(R'000)	Audited	Audited	Audited	Approved	Estimates	Estimates	Estimates
Government grant	977 712	1 024 847	1 129 288	1 208 048	1 254 161	1 323 456	1 392 808
TOMSA levies*	123 203	137 578	116 841	130 815	137 356	144 224	152 156
Indaba, Meetings Africa & Other Exhibitions	81 547	55 431	74 659	57 000	60 192	63 503	66 996
Grading fees	18 394	20 569	20 646	22 561	23 824	25 134	26 516
Sundry revenue	12 452	56 123	28 642	21 140	22 324	23 552	24 847
TOTAL	1 213 308	1 294 548	1 370 076	1 439 564	1 497 857	1 579 869	1 663 323

Notes:

- Government grant figures are based on the allocation letter received from the Department of Tourism.
- TOMSA levies amounts are as confirmed by the 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 National Treasury guidelines.
- Sundry revenue mainly consists of interest income.
*The collaborative fund over MTEF period: R 20.6 million; R 21.6 million and R 22.8 million.

4.2 Relating Expenditure Trends to Strategic Outcome Oriented Goals

The revised budget and MTEF allocations - pending Ministerial approval. Once finalised, it 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	80% of the total budget will be expended on the following: • Brand building in order to improve South Africa's brand awareness and positivity. This will be done through building brand appeal among first-time and repeat tourists;
	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	• Implementation of a Global Trade Strategy through 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 by highlighting the country's 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; • Partner with relevant stakeholders to convince key decision-makers that South Africa can be trusted to

Strategic Outcome Oriented Goals	Strategic Objectives	Programme	Budget Link to Strategic Outcome-Oriented Goals
			deliver memorable experiences and successful business events; and • Continue to position South Africa as a leisure and business events destination by consolidating and exposing South African tourism products/experiences to buyers.
	SO3: To enhance stakeholder and partnership collaboration, both local and international, to improve delivery on South African Tourism's mandate	Programme 2	6% of the total budget will be expended on this programme. To deliver on an additional five million tourists in five years is a collaborative effort amongst all stakeholders and partners in the tourism value chain. South African Tourism developed a Stakeholder Engagement Framework to establish, build, and maintain mutually beneficial relations with key stakeholders and partners in growing the tourism contribution into the economy, including removing barriers to tourism growth.
	SO4: To contribute to an improved tourist experience in line with the brand promise	Programme 5	5% of the total budget will be expended on the following: • 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.

Strategic Outcome Oriented Goals	Strategic Objectives	Programme	Budget Link to Strategic Outcome-Oriented Goals
Achieve operational efficiency and good governance	**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 analytics	Programme 2	9% of the total budget will be expended on the following: • To bolster strategic research capability to add value to the organisation through "analytics, insights and market intelligence"; • 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 (on an annual basis).
	SO6: To achieve operational efficiencies in all activities, including human capital, marketing, and other resources available to South African Tourism	Programme 1	

Full absorptive cost which includes overheads and marketing expenditure

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Part B: Programmes, plans and targets
5. Programme and Sub-Programme Plans

5.1 Medium-Term Targets

Programme 1: Corporate Support

Key Performance Indicator[8]		Audited Outcome/Actual Performance			Estimated Performance	Targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Staff satisfaction score achieved	Financial year			3.1	3.4	3.57	3.65	3.65
Labour turnover rate	Financial year					8%	8%	8%
Percentage vacancy rate maintained	Financial year			13%	7%	7%	7%	7%
Compliance with Employment Equity Act[9] 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 audit 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				Level 4	Level 4	Level 4	Level 4

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[8] Refer to Annexure A: Technical Indicator Descriptions for details (including definitions) of Key Performance Indicators
[9] South 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

Key Performance Indicator[10]	Audited Outcome/Actual Performance				Estimated Performance	Targets		
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Quarterly stakeholder meetings[11]	Financial year				4	4	4
Annual national stakeholder meeting[12]	Financial year				1	1	1
Quarterly market insight reports	Financial year				4	4	4
Tourism performance dashboard	Financial year				Develop and launch performance dashboard	Enhancement to performance dashboard	Enhancement to performance dashboard

[10] Refer to Annexure A: Technical Indicator Descriptions for details (including definitions) of Key Performance Indicators
[11] New indicator for 2019/20

Programme 3: Leisure Tourism Marketing

Key Performance Indicator[12]	Performance	Audited Outcome/Actual Performance			Estimated Performance	Targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Number of international tourist arrivals (millions)	Financial year		9.9	10.4	10.7	11.4	11.9	12.3
	Calendar year	8.9	10.0	10.3	10.5	11.3	11.7	12.2
Total tourist foreign direct spend (TTFDS) (billion rand)	Financial year			R82	R84.5	R90.7	R98.6	R108.3
	Calendar year	R68.1	R 75.5	R80.7	R82	R88.4	R95.6	R104.7
Number of global impressions from digital channels (millions)[13]	Financial year					9.0	10.0	11.0
Number of SA Specialist graduates [14]	Financial year					750	1 000	1 250
Percentage geographic spread of international tourist arrivals achieved	Financial year			Baseline developed and set at 19%	23%	24%	24%	24%
Seasonality index of international tourist arrivals	Financial year			Baseline developed and set at 1.35%	1.53%	1.50%	1.47%	1.44%
Percentage brand positivity achieved (average of Feb and Nov wave)	Financial year		38%	38%	39%	40%	41%	42%
Percentage brand awareness achieved (average of Feb and Nov wave)	Financial year	78%		77%	77%	78%	79%	80%

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[12] Refer to Annexure A: Technical Indicator Descriptions for details (including definitions) of Key Performance Indicators
[13] New indicator for 2019/20

Programme 3: Leisure Tourism Marketing

Key Performance Indicator[14]	Performance		Audited Outcome/Actual Performance			Estimated Performance	Targets		
			2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Number of domestic holiday trips (millions) achieved	Financial year			2.95	2.6	2.8	2.7	2.8	2.9
	Calendar year		2.7	2.6	2.9	2.5	2.6	2.7	2.8
Domestic holiday revenue (billion rand)	Financial year				R6.2	R7.8	R8.1	R8.4	R9.0
	Calendar year				R6.8	R7.4	R7.9	R8.5	R9.2
Reach of domestic campaign (millions)[15]	Financial year						37.1	40.8	44.9
Click-through to domestic tourism packages[16]	Financial year						150 000	157 000	165 000
Geographic spread of domestic tourists	Financial year				Baseline developed and set at 11%	12%	13%	15%	17%
Seasonality index of domestic tourists	Financial year				Baseline developed and set at 22%	28.5%	28.5%	28.0%	28.0%
Number of SME participating at South African Tourism Tradeshow Platforms	Financial year					182	182	182	182
Number of SME included in all South African Tourism hosting activities	Financial year					25	37	55	81

[14] Refer to Annexure A: Technical Indicator Descriptions for details (including definitions) of Key Performance Indicators
[15] New indicator for 2019/20

Programme 4: Business Events

Key Performance Indicator[16]		Audited Outcome/Actual Performance			Estimated Performance	Targets		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Number of business events hosted in South Africa[17]	Financial year	108	125	206	153	168	185	204
Number of international delegates hosted in South Africa[18]	Financial year		73 866	91 740	86 006	90 300	94 800	99 500
Number of bids supported for international and regional business events	Financial year			94	105	115	126	138
Number of qualified leads generated[18]	Financial year					345	378	414
Number of meetings held at Meetings Africa	Financial year					13 700	14 300	15 000
Number of meetings held at Indaba	Financial year					20 000	21 000	22 000
Number of international tourism market access platforms where SA Tourism participates				8		6	6	6

[16] Refer to Annexure A: Technical Indicator Descriptions for details (including definitions) of Key Performance Indicators

[17] 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.

[18] New indicator for 2019/20

Programme 5: Tourist Experience

Key Performance Indicator[19]	Audited Outcome/Actual Performance				Estimated Performance	Forecasts		
		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Number of graded accommodation establishments achieved	Financial year	5 230	5 354	5 058	5 175	5 500	5 800	6 100
Number of graded rooms achieved	Financial year	114 281	118 869	118 497	125 000	133 140	139 767	146 786
Number of officials / frontline staff that attended the Welcome training[20]	Financial year					800	840	880
Number of Speed Marketing sessions to promote tourism products and services[21]	Financial year					7	7	7

[19] Refer to Annexure A: Technical Indicator Descriptions for details (including definitions) of Key Performance Indicators
[20] New indicator for 2019/20
[21] New indicator for 2019/20. This is made up of 4 national events/sessions and 3 sessions at Indaba

5.2 Annual and Quarterly Targets

Programme	Key Performance Indicator	Reporting Period	Annual Target 2019/20	Quarterly Target 2019/20			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 1: Corporate Support	Staff satisfaction score achieved	Annual	3.57				3.57
	Labour turnover rate	Annual	8%				8%
	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 report achieved	Annual	Unqualified Audit				Unqualified Audit
	B-BBEE-level achieved	Annual	Level 4				Level 4
Programme 2: Business Enablement	Quarterly stakeholder meetings	Quarterly	4	1	1	1	1
	Annual national stakeholder meeting	Annual	1				1
	Quarterly market insight reports	Quarterly	4	1	1	1	1
	Tourism performance dashboard	Quarterly	Develop and launch performance dashboard	Launch performance dashboard	1 Enhancement implemented	1 Enhancement implemented	1 Enhancement implemented

Programme	Key Performance Indicator	Reporting Period	Annual Target 2019/20	Quarterly Target 2019/20			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 3: Leisure Tourism Marketing	Number of international tourist arrivals	Quarterly - financial year	11.4	2.6	2.8	3.0	3.0
	(millions)	Quarterly - calendar year	11.3	2.9	2.6	2.8	3.0
	TTFDS (billions)	Quarterly - financial year	R90.7	R20.3	R21.8	R23.7	R24.9
		Quarterly - calendar year	R88.4	R22.6	R20.3	R21.8	R23.7
	Number of global impressions from digital channels	Quarterly	8.9	2.2	2.4	2.9	1.4
	Number of SA Specialist graduates	Quarterly	750	262	112	264	112
	Percentage Geographic spread of international tourist arrivals achieved	Annual	24%				24%
	Seasonality index of international tourist arrivals	Annual	1.50%				1.50%
	Percentage brand positivity achieved	Annual	40%				40%
	Percentage brand awareness achieved	Annual	78%				78%

South African Tourism Annual Performance Plan – 2019/20

Programme	Key Performance Indicator	Reporting Period	Annual Target 2019/20	Quarterly Target 2019/20			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 3: Leisure Tourism Marketing	Number of domestic holiday trips (millions) achieved	Quarterly - financial year	2.7	0.6	0.3	1.0	0.8
		Quarterly - calendar year	2.6	0.7	0.6	0.3	1.0
	Domestic holiday revenue (billions)	Quarterly - financial year	R8.1	R1.8	R1.1	R2.9	R2.3
		Quarterly - calendar year	R7.9	R2.2	R1.8	R1.1	R2.9
	Reach of domestic campaign (millions)	Quarterly	37.1	9.1	10.0	12.1	5.9
	Click-through to domestic tourism packages	Quarterly	150 000	28 500	63 700	34 600	23 200
	Geographic spread of domestic tourists	Annual	13%				13%
	Seasonality index of domestic tourists	Annual	28.5%				28.5%
	Number of SME participating at South African Tourism Tradeshow Platforms	Quarterly	182	130	-	26	26
	Number of SME included in all South African Tourism hosting activities	Quarterly	37	9	9	10	9

South African Tourism Annual Performance Plan - 2019/20

Programme	Key Performance Indicator	Reporting Period	Annual Target 2019/20	Quarterly Target 2019/20			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 4: Business Events	Number of business events hosted in South Africa	Annual	168				168
	Number of international delegates hosted in South Africa	Annual	90 300				90 300
	Number of bids supported for international and regional business events	Quarterly	115	28	28	28	31
	Number of qualified leads generated	Quarterly	345	84	84	84	93
	Number of meetings held at Meetings Africa	Annual	13 700				13 700
	Number of meetings held at Indaba	Annual	20 000	20 000			
	Number of international tourism market access platforms where SA Tourism participates	Quarterly	6	1	1	2	2

Programme	Key Performance Indicator	Reporting Period	Annual Target 2019/20	Quarterly Target 2019/20			
				Quarter 1	Quarter 2	Quarter 3	Quarter 4
Programme 5: Tourist Experience	Number of graded accommodation establishments achieved	Quarterly	5 500	1 254	1 351	1 399	1 496
	Number of graded rooms achieved	Quarterly	133 140	30 841	32 360	34 068	35 871
	Number of officials / frontline staff that attended the Welcome training	Quarterly	800	200	200	200	200
	Number of Speed Marketing sessions to promote tourism products and services	Quarterly	7	4	1	1	1

5.3 Breakdown of Budget per Programme

Name of the Programme		2016/17 Audited (R'000)	2017/18 Audited (R'000)	2018/19 ENE Estimate Budget (R'000)	2018/19 Adjustment Budget (R'000)	2018/19 Approved Budget (R'000)	2019/20 Budget (R'000)	2020/21 Budget (R'000)	2021/22 Budget (R'000)
1	Corporate Support	102 127	151 212	134 970	-2 699	132 271	135 171	140 936	148 381
2	Business Enablement	99 907	60 926	85 929		85 929	89 700	94 710	99 714
3	Leisure Tourism Marketing	846 955	955 996	1 035 315	-9 045	1 026 270	1 066 602	1 130 759	1 190 488
4	Business Events	154 552	172 123	129 287		129 287	137 689	140 932	148 377
5	Visitor Experience	54 035	49 596	65 807		65 807	68 695	72 532	76 363
Total		1 257 576	1 389 853	1 451 308	-11 744	1 439 564	1 497 857	1 579 869	1 663 323

Notes:

- The budget structure for 2017 /18 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.
- Expenditure includes:
  - a) baseline reductions totaling R54.8 million over the MTEF period, R17.4M (2019/20), R17.2M(2020/21) and R20.2M (2021/22)
  - b) R126M earmarked additional funding granted to National Conventions Bureau for subvention funding R40M (2019/20), R42.2M (2020/20) and R44,5M (2021/22)

6. Exchange Rates

The following exchange rates have been provided by National Treasury for departments and entities who budget for expenditure on foreign services and goods.

	2019/20	2020/21	2021/22
US$	13.7	14.0	14.4
Euro	17.0	17.7	18.2
Pound	19.0	19.7	20.3
Yen	0.13	0.14	0.15
Sfr	13.4	13.9	14.6

7. South African Tourism Materiality and Significance Framework for the 2019/20 Financial Year

7.1 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).

International Standard on Auditing (ISA) 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."

7.2 Factors Considered in Developing the Materiality Framework

7.2.1 Nature of the Business

The objective of South African Tourism is to ensure that South Africa becomes the preferred tourism destination in the world – thus maximising the economic potential of tourism for the benefit of South Africans. In order to perform this task optimally, the organisation has offices in 10 countries across the world.

In terms of funding, South African Tourism has concluded an MOU with TBCSA. Its objective is to provide funding solely for destination marketing initiatives in markets South African Tourism has identified through research.

7.2.2 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)	South African Tourism's % Utilised	Calculated Materiality (R)
Total Assets	1% - 2%	698 179 638	2%	13 783 592.76
Total Revenue	0.5% - 1%	1 246 128 783	0.75%	9 345 965.87
Surplus	2% - 5%	19 789 459	5%	989 472.95

7.2.3 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 South African Tourism; and
- South African Tourism's external audits performed by the Auditor-General.

South Africa Tourism is a government parastatal accountable to numerous stakeholders. Given the fact that for the past 16 financial years the organisation has received unqualified, no-emphasis-of-matter audit reports, a higher level of materiality is apt. Approximately 89% of total revenue generated stems from government grants, and therefore, South African Tourism has an obligation to tax payers to provide information on how funding is spent. In this regard, the organisation has selected to use total revenue as the most appropriate indicator for calculating materiality.

7.3 Quantitative factors considered

The level of a material deviation is assessed at 0.75% of total revenue, amounting to R 9 345 965,87 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 South African 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.

7.4 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 South African Tourism;
- Any transaction entered into that could result in reputational risk to South African Tourism;
- Changes in key personnel and departure of key executives; and
- Application of new, or changes in, accounting policy.

7.5 PFMA and Treasury Regulation 28.3.1

Treasury Regulation 28.3.1	
"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."	
Sections 50(1) and 66(1)(c) of the Act are also considered to be applicable, and have been taken into consideration:	
Link to PFMA	**Materiality**
Section 50(1)	1. The accounting authority for a public entity must – (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.	Both the qualitative and quantitative considerations.
Section 55(2)	The annual report and financial statements referred to by PFMA Sub-section 55(1)(d) must include particulars of –	

	(i) any material losses through criminal conduct and any irregular expenditure, and fruitless and wasteful expenditure, that occurred during the financial year; and	9.2.4 & 9.2.5 defines the quantitative and qualitative aspects that are considered for the purposes of this section.
	(ii) any criminal or disciplinary steps taken as a consequence of such losses, or irregular expenditure or fruitless and wasteful expenditure.	Losses incurred due to criminal conduct by employees at a senior management level.
Section 54(2)	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 –	
	(a) establishment or participation in the establishment of a company;	All transactions to be approved by the Executive Authority, and Treasury to be informed.
	(b) participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;	All transactions to be approved by the Executive Authority, and Treasury to be informed.
	(c) acquisition or disposal of a significant shareholding in a company;	All transactions to be approved by the Executive Authority, and Treasury to be informed.
	(d) acquisition or disposal of a significant asset;	Acquisitions or disposals that are greater than the materiality outlined above, or of smaller value considering all the qualitative factors above.
	(e) commencement or cessation of a significant business activity; and	All transactions to be approved by the Executive Authority, and Treasury to be informed.
	(f) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	All transactions to be approved by the Executive Authority, and Treasury to be informed.
Section 61(1)(c)	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	The level of a material deviation is assessed at 0.75% of total revenue, amounting to R8 256 865 unless otherwise indicated.

	matters whether in the auditor's opinion – (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 entity, determined by law or otherwise.	
Section 66(1)	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 – a) is authorised by this Act; and b) in the case of public entities, is also authorised by other legislation not in conflict with this Act; and 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).	100% compliance with the Act within the ambit as set by this clause. Full disclosure will be required for all transactions.

8. Definitions, Abbreviations and Acronyms

8.1 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 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.

8.2 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 Department of Tourism
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
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