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## ANALYSIS: DEPARTMENT OF TOURISM 1<sup>ST</sup> QUARTER EXPENDITURE REPORT (2020/21)

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## 1. INTRODUCTION

The purpose of this brief is to provide Members of the Portfolio Committee on Tourism with an analysis of the Department of Tourism's 1<sup>st</sup> Quarter Performance Report for the 2020/21 financial year. The emphasis of the analysis will be on programme performance, as presented in the Annual Performance Plan (APP), in line with the 2020/21 budget.

The Department of Tourism (hereafter referred to as "the Department") achieved **48** (76.19%) of the **63** targets identified for the first quarter of the 2020/21 financial year. Of the 63 targets identified, the Department did not achieve **seven** (11.11%) where significant work has been done and **eight** (12.70%) require intervention. In terms of financial performance, the Department has thus far spent R329 653 million (13%) of the R2 480 984 billion budget allocated.

**Note:** The Department's financial performance for Q1 is reported against its February budget allocation, as the budget was only reduced after the end of the first quarter. Expenditure patterns against the revised allocations, aligned to the 2020 Supplementary Adjustment Budget, will only be reflected in the reporting for Q2.

## 2. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

### 2.1 Summary of Performance

The Department executes its mandate through four programmes, i.e. Administration; Tourism Research; Policy and International Relations; Destination Development; and Tourism Sector Support Services. In Quarter 1 of the 2020/21 financial year, the Department was able to achieve 48 of its 63 identified targets, with seven (11.11%) targets not achieved and eight (12.70%) requiring intervention.



## 2.2 Programme Performance

### Programme 1: Corporate Management

Total Targets set	17
Targets achieved	14 (82.35%)
Targets not fully achieved	3 (17.65%)
Budget allocated	R308 593 million
Budget spent	R67 081 million (21.73%)

As can be seen from the table above, the Department achieved 14 of its 17 targets set in the first quarter. The Department maintained its representation of employees with disabilities at 4.5%. The Department continued with its support of small micro medium enterprises.

The Department reports that the following targets were not achieved:

- 50% women representation at SMS level, as a result of not filling in vacant posts with female staff.
- 100% implementation of quarter one deliverables of the Department's Communication Strategy. This is as a result of the Strategic Framework for Events, which was not circulated for inputs as planned as a result of Covid-19.
- Reporting of applications for other remunerative work to the Risk Management Committee (RMC).

As at 30 June 2020, the Department reported that it had 470 employees. However, National Treasury<sup>1</sup> reports that at the end of Quarter 1 of the 2020/21 financial year, the Department had a staff complement of 508 employees against a headcount target of 475. The resultant variance from the target is 33. The **Committee** is advised to follow-up with the Department on this discrepancy.

### Programme 2: Tourism Research, Policy and International Relations

Total Targets set	17
Targets achieved	16 (94.12%)
Targets not achieved	1 (5.88%)
Budget allocated	R1 391 382 billion
Budget spent	R158 327 million (11.37%)

As can be seen from the table above, the Department achieved 16 of its 17 targets set in the first quarter. The target on *developing a monitoring report on the implementation of the Tourism Relief Fund* was not achieved. The Department reports that this resulted from delays in the processing of applications and payments to tourism enterprises. The Department indicates that the report was developed in the second quarter.

### Programme 3: Destination Development

Total Targets set	9
Targets achieved	9 (100%)
Budget allocated	R485 897 million

<sup>1</sup> SCOA Report Quarter 1 (2020).



Budget spent	R51 386 million (10.57%)
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As can be seen from the table above, the Department achieved all of its targets set in the first quarter of the 2020/21 financial year for this programme.

The Department reports that the review of institutional arrangements for the budget resort network and brand has taken place, as planned. This is encouraging news, especially in view of what this will mean for product development, transformation and employment opportunities in the sector.

The Department indicates that it has finalised the research around the five community-based tourism projects of the following sites: Numbi Gate; Nandoni Dam; Tshathogwe Game Farm; Mtititi Game Farm; and Mapate Recreational Social Tourism Facility. The **Committee** is advised to follow-up with the Department about the vision around these projects. What is the final product outcome for each; ownership dynamics (community/private sector/public sector); and envisioned economic linkages with surrounding communities?

The Department reports that the quarterly progress report has been developed for the enhancement of five local community museums. The purpose of the report is to provide an update on progress made on needs assessment recommendations for product enhancement at these museums. Can the Department share these recommendations with the **Committee**?

#### Programme 4: Tourism Sector Support Services

Total Targets set	20
Targets achieved	9 (45%)
Targets not fully achieved	4 (20%)
Targets not achieved	7 (35%)
Budget allocated	R295 112 million
Budget spent	R52 859 million (18%)

As can be seen from the table above, the Department achieved nine of its 20 targets set in the first quarter under this programme.

The Department reported that the target on the finalisation of the service level agreement and project plan for the **three incubators** was not finalised and will only be achieved in the second quarter. Delays were also experienced with the recruitment process for both the Technology Innovation and Tour Operator Incubators.

The WiT Enterprise Development Programme was not launched as a result of delays in planning, resulting in beneficiaries also not identified. Performance on this target has been moved to the third quarter. The Department indicates that the implementation of the programme will take place with or without a partnership. The **Committee** is advised to follow-up with the Department on this statement and its implications for the programme's success and impact on identified beneficiaries.

Six district profiles for the District Development Model (DDM) have been finalised for the quarter as planned and include the following municipalities: Sedibeng District Municipality (Gauteng), Dr Kenneth Kaunda District Municipality (North West), Joe Gqabi District Municipality (Eastern Cape), Waterberg District Municipality (Limpopo), OR Tambo District Municipality (Eastern Cape) and



Ehlanzeni District Municipality (Mpumalanga). The **Committee** is advised to seek access to these documents from the Department. The implementation of the DDM is a central focus of government during this medium-term and it is important to establish how it will be implemented in tourism, especially the integration, institutionalisation and economic linkages for villages, townships, small towns and dorpiés (VTSDs).

Delays with the **Food Safety Quality Assurers Programme** continue.

The **Committee** is advised to follow-up with the Department on how it will avoid a recurrence of the previous years' challenge around the implementation of this programme.

### 3. FINANCIAL PERFORMANCE

The Department of Tourism's main appropriation for 2020/21 amounts to R2 480.98 billion.<sup>2</sup> At the end of the first quarter, the Department had spent R329.7 million or 13.3 per cent of the available budget, mainly towards transfers and subsidies.

The underspending is mainly as a result of a reduction in the transfer payment and allocation to South African Tourism. This is due to the suspension of international and domestic tourism activities due to the impact of the Covid-19 pandemic, and the subsequent adjustment to allocations in the Special Adjusted Estimates Appropriation tabled in June 2020. In addition, underspending is secondarily attributable to slow spending within the Expanded Public Works Programme (EPWP), which has not reached its planned spending and programme performance milestones due to the Covid-19 pandemic.<sup>3</sup>

**Table 1:** Budget and expenditure summary

Programme R million	Main Appropriation	Actual Expenditure	Expenditure as % of main appropriation	Q1 Projected Expenditure	Variance	% variance from projected expenditure
1. Administration	308.6	67.1	21.7%	75.7	8.6	11.4%
2. Tourism Research & Policy	1 391.4	158.3	11.4%	1 002.9	844.6	84.2%
3. Destination Development	485.9	51.4	10.6%	135.0	83.6	61.9%
4. Tourism Sector Support Services	295.1	52.9	17.9%	103.0	50.2	48.7%
<b>TOTAL</b>	<b>2 481.0</b>	<b>329.7</b>	<b>13.3%</b>	<b>1 316.6</b>	<b>987.0</b>	<b>75.0%</b>

**Source:** National Treasury: SCOA Report Quarter 1 (2020/21)<sup>4</sup>

<sup>2</sup> SCOA Report Quarter 1 (2020).

<sup>3</sup> Ibid

<sup>4</sup> Ibid



The expenditure per programme was as follows:<sup>5</sup>

**Programme 1: Administration:** Actual expenditure for the first quarter amounted to R67.1 million or 21.7 per cent of the programme's budget of R308.6 million for the financial year. This results in a variance of R8.6 million or 11.4 per cent underspending of the projected spending for the first quarter. The underspending is primarily due to slow spending by the Department as an implication of national lockdown due to the Covid-19 pandemic.

**Programme 2: Tourism Research, Policy and International Relations:** Actual expenditure for the first quarter amounted to R158.3 million or 11.4 per cent of the programme's budget of R1.4 billion for the financial year. This results in a variance of R844.6 million or 84.2 per cent underspending of the projected spending for the first quarter. The underspending is due to a reduction in the transfer payment and allocation to SA Tourism (SAT). The main focus of SAT is to market South Africa as a tourism destination to both local and international tourists. Much of these marketing activities have been suspended owing to many countries implementing travel restrictions and lockdowns to curtail the spread of the corona virus. In light of the allocations to SAT, these have been adjusted downward from R1.3 billion to R438.3 million for 2020/21.

**Programme 3: Destination Development:** Actual expenditure for the first quarter amounted to R51.4 million or 10.6 per cent of the programme's budget of R485.9 million for the financial year. This results in a variance of R83.6 million or 61.9 per cent of the projected spending for the first quarter. The underspending is primarily due to slow spending within the Expanded Public Works Programme (EPWP) as impacted by the national lockdown.

**Programme 4: Tourism Sector Support Services:** Actual expenditure for the first quarter amounted to R52.9 million or 17.9 per cent of the programme's total available budget of R295.1 million for the financial year. This results in a variance of R50.2 million or 48.7 per cent underspending of the projected spending for the first quarter. The underspending is mainly due to slow spending within the Tourism Incentive Programme (TIP) due to delays in the rollout of infrastructure projects and planned skills development initiatives as impacted by the Covid-19 pandemic.

#### **Virements<sup>6</sup>**

Request for approval to increase transfer payment to the United Nations World Tourism Organisation with an amount of R700 000 from goods and services: travel and subsistence within Programme 2: Tourism Research, Policy and International Relations.

#### **COVID-19 Spending<sup>7</sup>**

During the first quarter, the Department has spent R450 000 on Personal Protective Equipment (PPE) and periodic disinfection of the head office building.

The **Committee** is advised to find out from the Department from which Programme the payment for PPEs was made.

<sup>5</sup> SCOA Report Quarter 1 (2020).

<sup>6</sup> Ibid

<sup>7</sup> Ibid



### Compensation of Employees<sup>8</sup>

Compensation of employees' budget for 2020/21 amounts to R358.1 million. As at the end of the first quarter, cumulative spending on compensation of employees amounted to R81.8 million, against projected spending of R84.1 million. This translates to a variance of R2.3 million or 2.8 per cent. Can the Department advise the **Committee** as to the cause for this variance?

## 4. ISSUES FOR PORTFOLIO COMMITTEE'S CONSIDERATION

-	<b>Tourism Guide Relief Fund</b> – the Department indicates that only 4415 of 9453 applicants have been processed for payment. The Committee is advised to follow-up with the Department on the reasons for the delays in the processing of these payments?
-	<b>Tourism Relief Fund</b> - the Auditor-General's First Special Report on Covid-19 Initiatives, indicates that by 31 July 2020 an amount of R199.7 million had been paid to 3 994 recipients. <sup>9</sup> According to the report, the remaining six outstanding payments to approved applicants was as a result of wrong banking details or inactive bank accounts, and that the Department was in the process of investigating these at the time of reporting. The Department reports that at the end of July 2020, a total of 4000 approved applicants were paid.  The Committee is advised to follow-up with the Department to establish progress with its investigation and whether these remaining payments were indeed made.
-	<b>Budget reprioritisation</b> – the country's borders have been reopened and marketing activities need to pick-up. The Committee should follow-up with the Department on its engagements and resolutions with National Treasury about SAT's marketing budget – towards reigniting demand as stipulated in the Recovery Plan?
-	The Committee is advised to follow-up with the Department on the timelines for the <b>Tourism Recovery Plan</b> ? In addition to the Plan will an Action Strategy be developed?
-	The Department reports continued procurement delays with the implementation of the <b>Food Safety Quality Assurer Programme</b> . The programme was a target in the 2018/19 financial year and was not implemented as a result of the Department not being able to procure a suitable service provider. Similar delays were experienced in the 2019/20 financial year, with the year ending without the Programme being implemented. Reporting on this programme in the first quarter of 2020/21 is starting out on a similar note.

## REFERENCES

Department of Tourism (2020). Annual Performance Plan 2020/21. Available from: <[www.tourism.gov.za](http://www.tourism.gov.za)>

Department of Tourism (2020). Quarterly Performance Report 2020/21 (Q1). Available from: <[www.tourism.gov.za](http://www.tourism.gov.za)>

<sup>8</sup> SCOA Report Quarter 1 (2020).

<sup>9</sup> Auditor-General (2020).



National Treasury (2020). SCOA Report Q1 2020/21. Available from: <[www.treasury.gov.za](http://www.treasury.gov.za)>

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