

# Financing Tourism Development

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**national treasury**

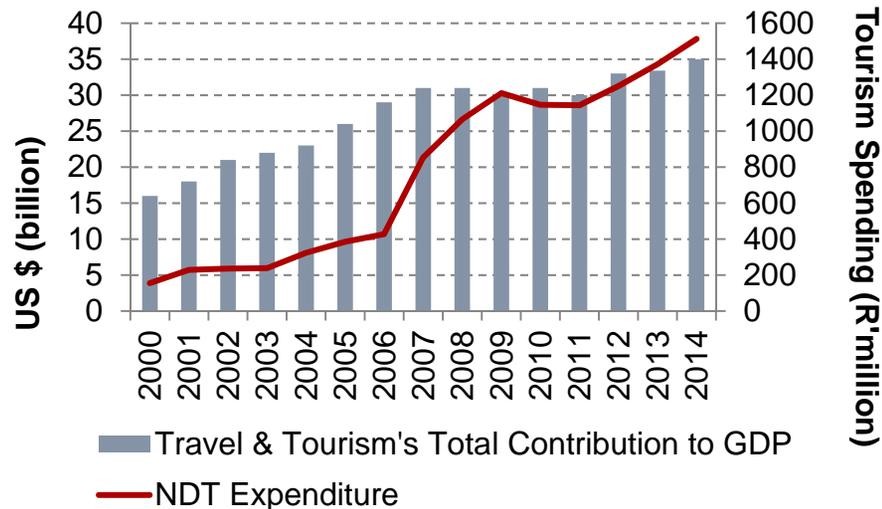
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Introduction

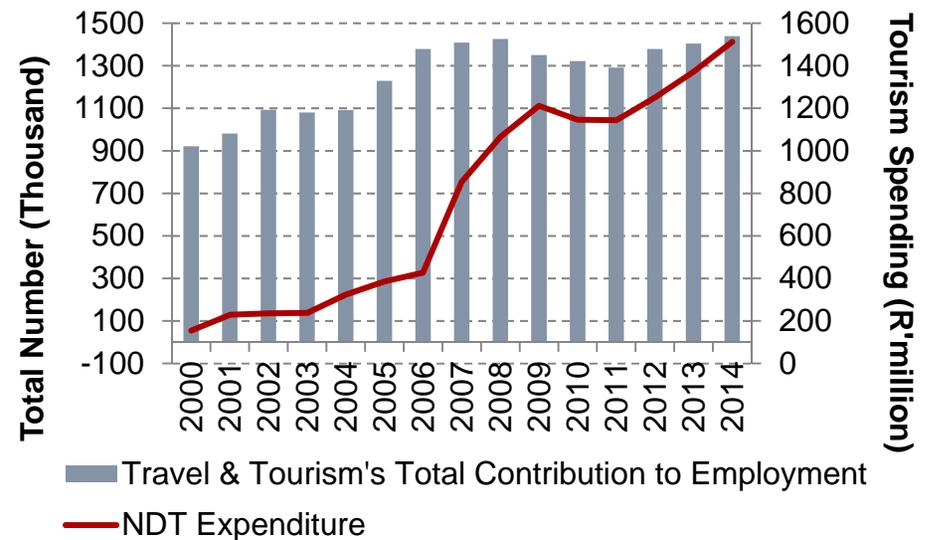
- NDP recognises tourism as one of the main drivers of South Africa's economy and of employment.
- Emphasised in MTSF - target of contributing R370 billion to GDP by 2017.
- The tourism sector contributes 3% of GDP and an estimated 655 609 jobs.
- Growing employment – from 623 299 jobs in 2011 to 655 609 direct jobs in 2013.
  - 32 310 jobs created over two years
- Globally, the industry created an estimated 1.2 million new jobs globally in 2011
  - More than in mining, communication services, automotive manufacturing and the chemical manufacturing sectors.

# World Travel & Tourism Stats for South Africa

## Travel and Tourism contribution to GDP



## Travel and Tourism contribution to Employment



- Travel and Tourism (T&T) total contribution to GDP in 2013 amounted to R323 billion; representing 9.5% of total GDP
- Investment in T&T was US\$5.9bn (8.6% total investment) and is expected to rise by 1.1% in 2014
- The T&T sector supported 1.4m jobs in 2013 (10.1% of total employment) but the Department of Tourism only receives 0.14% (2013/14) of the share of total Government funds to national departments.

# Budget Allocations

## National

- National Department: The total budget allocation to the Department of Tourism amounts to R1.6 billion in 2014/15 and R1.8 billion in 2015/16.
- National Spending on Travel and Subsistence: R5.4 billion in 2014/15 and R5.5 billion in 2015/16.

## Provincial (2014/15)

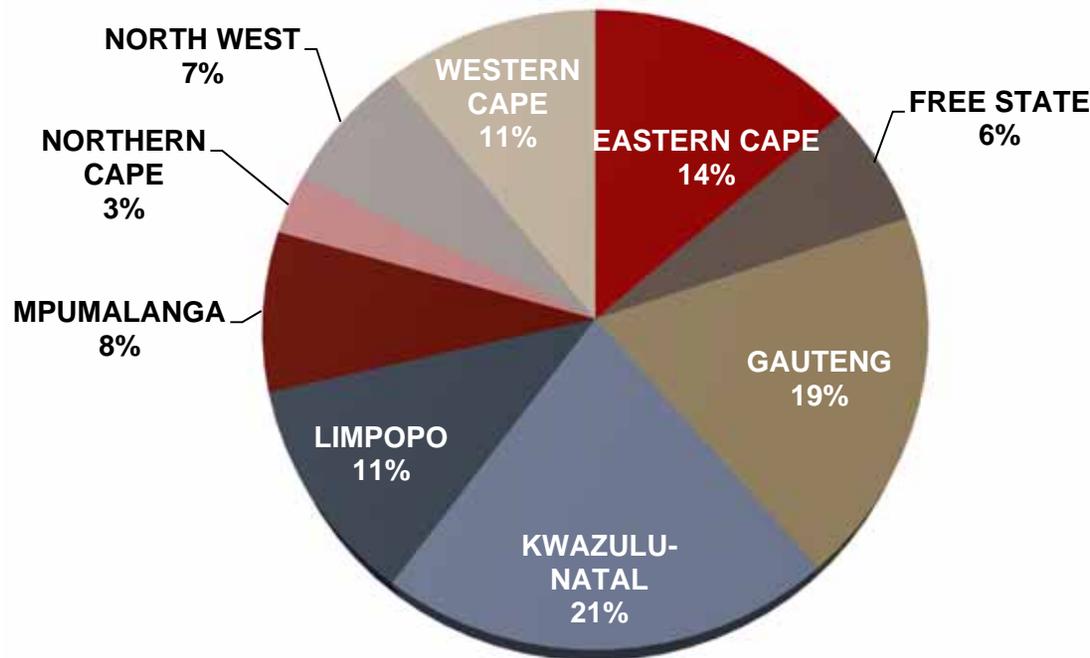
- Provincial Budget: The total amount allocated to provinces is R454 billion, of which R7.5 billion or 1.7% is allocated to the Vote in which Tourism falls under. Within this Vote, only R1.9 billion or 24.7% is allocated to Tourism programmes.

## Total government expenditure (2014/15)

- R3.5 billion or 0.34% of non-interest expenditure

# Share of total budget by Province

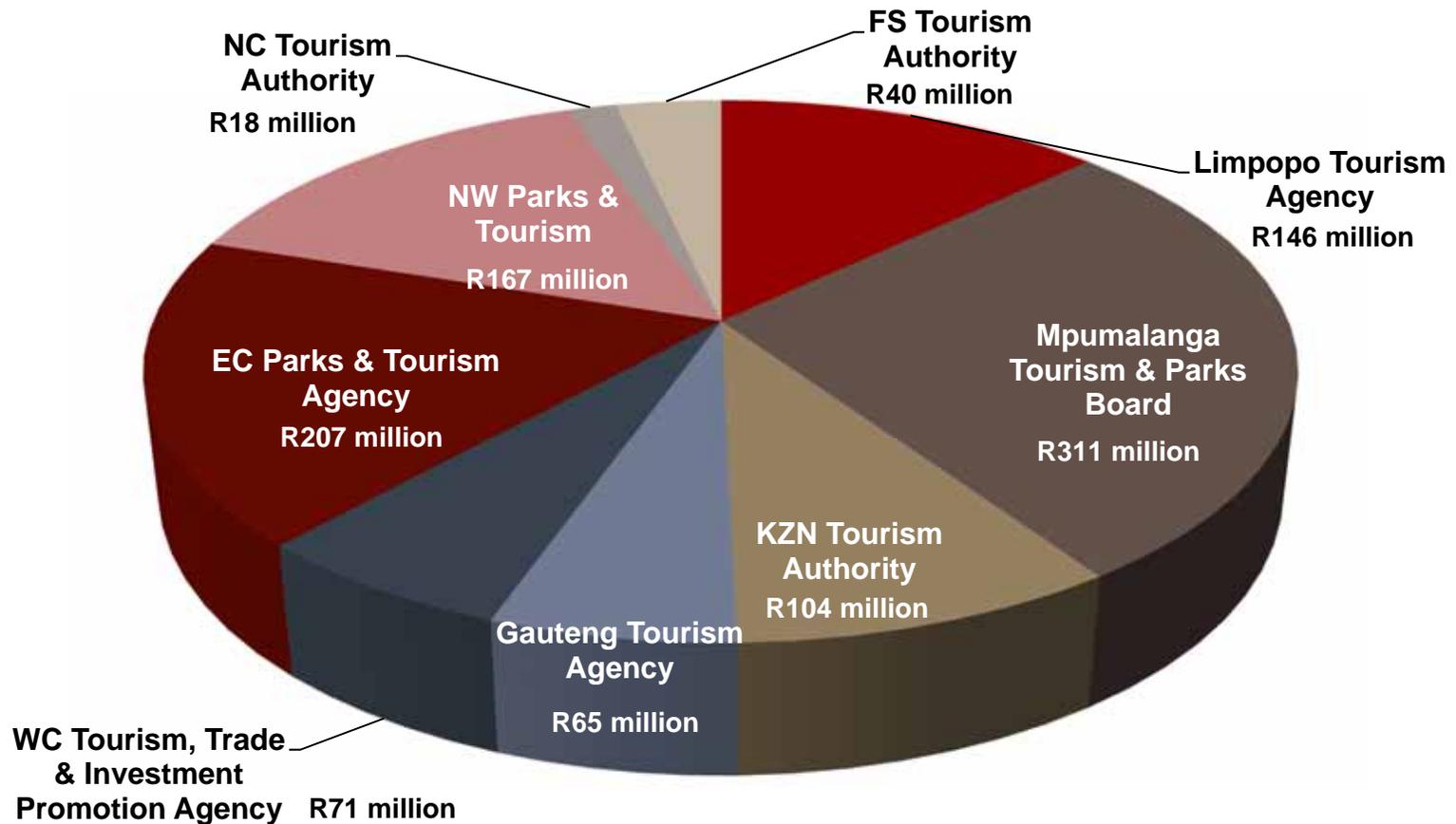
**Total Budget Allocation 2014/15**



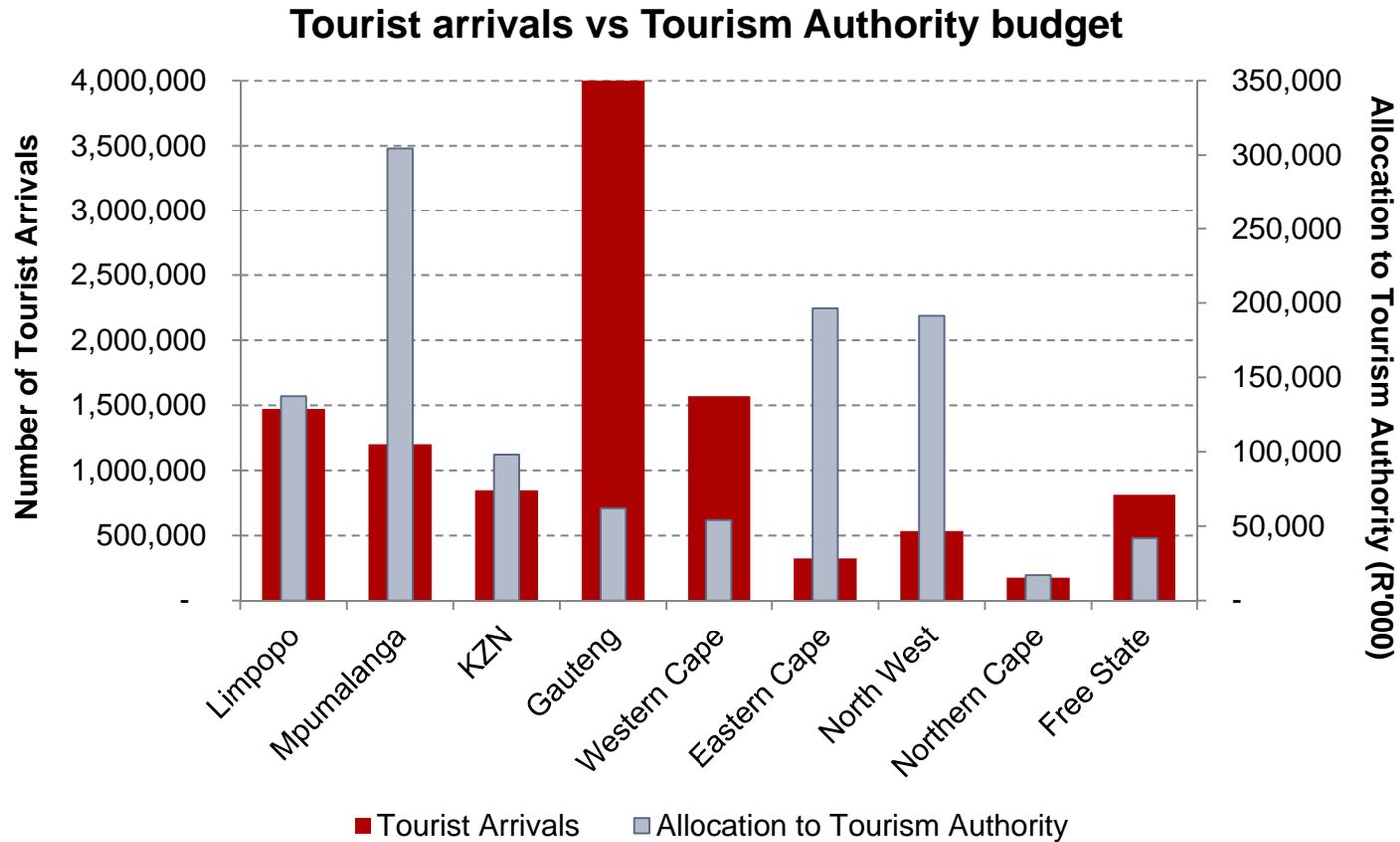
- KZN receives the largest share (R97 billion) of the total provincial budget of R454 billion.
- However, the allocation to Tourism is largest in Mpumalanga (R310 million).
- The Province that performs the best in terms of tourist arrivals is Gauteng (2013), followed by the Western Cape.

# Budget allocation by province to its Tourism authority

Allocation to Tourism Authority (2014/15), R'000



# Budget allocation to tourism authority vs tourist arrival numbers (2013)



# Eastern Cape

## Budget

- R1.4 billion was allocated to the Economic Development, Environment Affairs & Tourism Vote in 2014/15, estimated to grow by 6% in 2015/16 to R1.5 billion.
- The Tourism Programme was allocated R936 million in 2014/15, representing 65% of the total budget allocation to the Vote.
- R207 million transferred to the Eastern Cape Parks and Tourism Agency conservation and marketing

## Tourist Numbers (NDT figures)

- There were 323,429 tourist arrivals in 2013 (up from 295,709 in 2012)
- The number of domestic tourism trips by the province was 2.1 million in 2013

# Free State

## Budget

- R444 million allocated to the Economic Development, Environment Affairs & Tourism Vote in 2014/15, estimated to grow by 6% in 2015/16 to R463 million.
- The Tourism Programme was allocated R48 million in 2014/15, representing 11% of the Vote.
- R39 million was transferred to the Free State Tourism Authority to promote tourism in the Free State province through marketing tourism products such as facilities, events and all other related opportunities.

## Tourist Numbers (NDT figures)

- There were 812,456 tourist arrivals in 2013; representing a 14% increase from the previous year.
- The number of domestic tourism trips by the province was 1.1 million and 0.9 million in 2012 and in 2013 respectively.

# Gauteng

*Gauteng Tourism has created 30 youth work placements through an apprenticeship project in partnership with the National Department of Tourism.*

## **Budget**

- R1.073 billion was allocated to the Economic Development Vote in 2014/15, estimated to grow by 4% in 2015/16 to R1.136 billion.
- A proportion of this, R65 million was transferred to the Gauteng Tourism Authority in 2014/15

## **Gauteng Tourism Authority (GTA)**

- The GTA budget grows from R62 million in 2013/14 to R65.4 million in 2014/15
  - Allocated to the refurbishment of the Constitution Hill Precinct

## **Tourist Numbers (NDT figures)**

- There were 4 million tourist arrivals in 2013; representing the largest number by province. However, this was a 2.4% decline in growth when compared to 2012.
- The number of domestic tourism trips by the province was 4.2 million and 4.5 million in 2012 and in 2013 respectively.

# KwaZulu Natal

*KZN is the fastest growing destination for tourism in the country, although it is not as popular as the Western Cape.*

## **Budget**

- R1.9 billion was allocated to the Economic Development & Tourism Vote in 2014/15, estimated to grow by 4.6% in 2015/16 to R2 billion.
- The Tourism Programme was allocated R287 million in 2014/15, representing 14.7% of the total budget allocation to the Vote.
- R104 million was transferred to the KZN Tourism Authority.

## **Tourist Numbers (NDT figures):**

- There were 847,146 tourist arrivals in 2013; representing a contraction of 5%.
- The number of domestic tourism trips by the province was 6.2 million and 7.3 million in 2012 and in 2013 respectively.
- The annual target for 2014/15: Number of domestic tourist arrivals: 4.9 million and the number of international tourist arrivals: 882 504

# Limpopo

## Budget

- R1.1 billion was allocated to the Economic Development & Tourism Vote in 2014/15, estimated to grow by 5.3% in 2015/16 to R1.2 billion.
- The Tourism Programme was allocated R162 million in 2014/15, representing 15% of the Vote and expected to increase by 2% in 2015/16.
- R146 million was transferred to the Limpopo Tourism Agency.

## Tourist Numbers

- The province estimated a 3% increase in tourist arrivals and 4–5% contribution to the provincial GDP (based on historical figures).
- Limpopo showed steady growth in domestic tourist trips with the current market share from the National domestic arrivals of 8.2%.
- The annual target for 2014/15 – Number of domestic tourist arrivals: 4.9 million and the number of international tourist arrivals: 882 504

# Mpumalanga

*In 2012, total tourism expenditure in Mpumalanga amounted to approximately R11.3 billion, 6.6% of total tourism expenditure in South Africa. Total tourism expenditure in Mpumalanga during 2012, expressed as a share of economic activity in Mpumalanga was close to 5.3%.*

## **Budget**

- R861.8 million was allocated to the Economic Development, Environment & Tourism Vote in 2014/15, estimated to grow by 2.6% in 2015/16 to R884 million.
- The Tourism Programme was allocated R333 million in 2014/15, representing 38.6% of the total budget allocation to the Vote and is expected to grow by 3.5% in 2015/16.
- The Programme transferred R311 million (93.5% of budget) to the Mpumalanga Tourism and Parks Board.

## **Tourist Numbers**

- According to Tourism SA's Annual Report 2012, Mpumalanga was the 2<sup>nd</sup> most visited province by foreign visitors, with a share of 15.2% of total foreign arrivals (15.8% in 2011)
- Mpumalanga captured only 8.8% of the total bed-nights spent by all foreign tourists in SA. This was higher than the 6.7% in 2011. Mpumalanga attracted 11% of domestic tourists in 2012 and improved from 6<sup>th</sup> position in 2011 to 4<sup>th</sup> position in 2012.

# Northern Cape

## Budget

- The department's appropriation for 2013/14 was R267.1 million, and estimated R235.6 million (13% decline) in 2014/15.
- The Tourism Programme's allocation for 2014/15 amounted to R48.2 million, expected to grow by 5.3% in 2015/16.
- The Programme had the largest share of the total departmental budget (31%).
- The Programme transferred R18.3 million to the Northern Cape Tourism Authority (64% of total Transfers and Subsidies).

## Tourist Numbers

- There were 368 306 domestic tourists in 2012; representing 1.4% of total domestic travel.
- These tourists spent R298 million in the province during 2012, representing a R9.4 million decrease when compared to 2011.
- A total of 125 456 foreign tourists arrived in 2012, and spent R5.4 billion which was R37 million less than the previous year.

# North-West

*In July 2014, the Premier of North-West announced the establishment of the Tourism Department as a stand-alone department.*

## **Budget**

- The Tourism programme was allocated R174.5 million in 2014/15, expected to increase to R175.3 million (0.5%) in 2015/16.
- This includes funds for tourism product development in 19 townships & 56 villages, and to increase the economic profile of tourism in the province.
- R167.5 million was transferred to North West Parks and Tourism entity, which accounts for 96% of the Programme's budget.

## **Tourist Numbers (NDT figures):**

- There were 533,801 tourist arrivals in 2013; up from 498,600 in 2012.
- The number of domestic tourism trips by the province was 1.2 million and 1.0 million in 2012 and in 2013 respectively.

# Western Cape

## Budget

- The total appropriation to the Tourism programme amounted to R45 million in 2014/15 and is estimated to grow by 0.8% to R45.3 million in 2015/16, representing 8.9% of the total departmental budget.
- R70.8 million was allocated to the Western Cape Tourism, Trade and Investment Promotion Agency

## Tourist Numbers

- Between January and June 2013, the province had 691 862 tourist arrivals, which represented 7% increase when compared with the same period in 2012.
- Total foreign spending during that period was estimated at R8.5 billion.
- The largest share of arrivals into the province was from the European market (114 365).
- The Western Cape's tourism sector contributes 9.8% to the provincial GDP and an estimated 150 000 people are employed in the tourism sector.

# Tourism Development

- Alternate funding arrangements
  - ikwezi Tourism Facility – provides loans and expertise to tourism SMMEs – partnership with SEFA
  - R50m fund, with loans from R 10 000 to R 5 m.
- Questions to consider:
  - What should government be funding? What should the private sector fund?
  - Are the allocated funds being used for the right activities?
  - What non-financial actions need to be taken to develop tourism?
  - How does tourism feed into development? How do we link tourism into the areas where development is not happening?