

# STRATEGIC PLAN FY2020 – 2025



National Gambling Board  
South Africa

a member of **the dti** group





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## EXECUTIVE AUTHORITY STATEMENT

### Mr Ebrahim Patel

The Public Finance Management Act requires that every public entity prepares a Strategic Plan setting out the overall strategy for the 5 year period covering the state's Medium-term Strategic Framework (MTSF). Every year, an Annual Performance Plan (APP) is prepared, which converts the overall strategy to key annual targets. These documents are then provided for approval to the Executive Authority and budgets are aligned to these plans.

The **National Gambling Board of South Africa (NGB)** has prepared its **Strategic Plan 2020 – 2025**, which I now submit to Parliament, as required by the legislation.

This is the first **Strategic Plan** prepared in the 6<sup>th</sup> Administration by the NGB. I have requested that all entity Strategic Plans and Annual Performance Plans be aligned to the MTSF, which incorporates the work to develop and implement National Sector Masterplans, as well as the trade reforms, investment and transformation work of the Department.

Once the revised MTSF has been signed off, we will review the Strategic Plan and Annual Performance Plan of the entity and align it accordingly. The Strategic Plan and Annual Performance Plan may further need to be aligned to Government's response to the COVID-19 pandemic, both during the period of the national disaster declared by President Ramaphosa, and thereafter as we adapt to the new economic reality. Should adjustments be made, a revised Plan will be submitted to Parliament.

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**Mr Ebrahim Patel**

Minister responsible for Trade, Industry and Competition



## ACCOUNTING AUTHORITY STATEMENT

### Ms Caroline Kongwa

*NGB's strategy is also based on the provisions provided in the NGA, in order to control, regulate and monitor gambling whilst preventing and minimising its harm.*

The National Gambling Board (NGB) has a long-term commitment of protecting punters from over-stimulation of the latent need to gamble by promoting gambling activities in a legal, safe and crime-free environment. This document gives expression to the NGB's strategic priorities for the next five (5) years (2020 – 2025) as guided by Government's MTSF priorities 1 (Economic transformation and job creation) and 7 (A better Africa and world). These priorities form part of government overarching aim to boost economic growth and enable deeper levels of economic inclusion and transformation. NGB's strategy is also based on the provisions provided in the NGA, in order to control, regulate and monitor gambling whilst preventing and minimising its harm.

The oversight role of the NGB is becoming more complex as the industry grows over time. Through a scanning of the external environment from a political, economic, social, technological, environmental and legal perspective, the NGB has identified opportunities as well as threats to the execution of its mandate. These opportunities and threats to the regulation of gambling have been linked to the internal elements of the organisation to develop lasting solutions that impact the regulated gambling industry in such a way that balances economic gains and punter protection.

The NGB identified strategic outcomes as its focus areas for the next five (5) years (2020 – 2025) bearing in mind their contribution towards the achievement of the NDP Five-Year Implementation plan and monitoring framework. The outcomes are broad-based public education, effectively monitored socio-economic patterns of gambling activity in the Republic, uniformity of legislation in the gambling industry, account for and identification of all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons and economic transformation and increased participation of Historically Disadvantaged Individuals (HDIs) in the

## ACCOUNTING AUTHORITY STATEMENT CONTINUED

mainstream gambling industry. The contribution of such outcomes to the overall impact of the gambling industry is dependent on key enablers to achieve the desired impact.

Through broad-based public education, the NGB endeavours to create a responsible gambler who is aware and educated on the risks associated with gambling as well as the socio-economic impact thereof. To support improved industrial performance, dynamism and competitiveness of local companies, which is a priority of **the dtic** portfolio, the NGB aims to effectively monitor socio-economic patterns of gambling activity in the Republic by leveraging off of its access to national gambling information as well as authority to monitor gambling sector performance with respect to market share and market conduct. The organisation intends to work on competition and market structure issues that result in concentration and monopolies in order to report such practices to the relevant authorities for appropriate action to be taken as well as for consideration in the drafting of new legislation, policy and regulations.

Uniformity of legislation in the gambling industry is vital through the development of norms and standards to ensure that gambling laws and practices in South Africa are aligned and harmonized. This has a direct contribution towards creating an enabling environment in which investment in the industry can be accelerated and the ease of doing business enhanced, improving the levels of fixed investment in the economy. Accounting for and identifying all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons has a direct bearing on improving

the capability of the state. The NGBs capability to maintain National Registers allows for the promulgation of regulations for excluded persons. The NGB also has the ability to effectively monitor the LPM industry in real time and further has the opportunity of increasing monitoring capacity of all legal modes of gambling through extending the National Central Electronic Monitoring System (NCEMS) thereby improving competitiveness through the use of ICT. The ability to accurately capture gambling revenues through the NCEMS, allows for accurate determination of gambling taxes and levies used as government revenue for the provision of its fiscal mandate.

The governments growth reform of economic transformation and job creation will be addressed through NGB's outcome of economic transformation and increased participation of Historically Disadvantaged Individuals (HDIs) in the mainstream gambling industry. The organization commits to the development of an economic transformation agenda to increase HDI participation in the mainstream gambling industry. This can be facilitated through a review of the gambling licensing regime that addresses distorted patterns of ownership in the gambling industry through SMME development and growth. Furthermore, the economic inclusion imperative can be addressed through imposition of local content requirements on services that are core gambling activities, for example the supply of gambling related services such as gambling machines and devices, and other associated services sourced from local suppliers. The localization of goods and services procured by the state is critical. Encouraging and investing in the local manufacturing



of gambling machines and devices will help grow the local industry, and position it as a gateway to other African markets that will source their gambling machines and devices, and associated components from the South African market.

In this regard, commitment by all gambling industry role players, from national and provincial regulators to the gambling operators across all legal modes, is critical towards enabling the gambling industry to play a role in achieving government's agenda to boost economic growth and enable deeper levels of economic inclusion and transformation.

The NGB's five-year Strategic Plan (2020 – 2025) will ensure the strengthening and execution of its mandate and embracing the fourth industrial revolution in relation to the regulation of gambling in South Africa.

A handwritten signature in black ink, appearing to read 'Caroline Kongwa'.

**Ms Caroline Kongwa**  
Accounting Authority

## OFFICIAL SIGN-OFF

It is hereby certified that the revised Strategic Plan:

- Was developed by the management of the National Gambling Board under the guidance of Mr Ebrahim Patel.
- Takes into account all the relevant policies, legislation and other mandates for which the NGB is responsible.
- Accurately reflects the Impacts, Outcomes and Outputs, which the NGB will endeavour to achieve over the period 2020 – 2025.



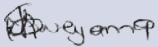
**Mr Bryan Arumugam**  
Acting Chief Compliance Officer



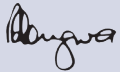
**Mr Shelton Pagiwa**  
Acting Chief Strategic Advisor



**Ms Kavesha Mackerduth**  
Chief Financial Officer



**Ms Poppy Kweyama**  
Chief Operations Officer



**Ms Caroline Kongwa**  
Accounting Authority

Approved by:



**Mr Ebrahim Patel**  
Minister of Trade, Industry and Competition

## ABBREVIATIONS AND ACRONYMS

<b>AFS</b>	Annual Financial Statements	<b>IT</b>	Information Technology
<b>AI</b>	Accountable Institutions	<b>LPMs</b>	Limited Payout Machines
<b>APP</b>	Annual Performance Plan	<b>MOU</b>	Memorandum of Understanding
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>MTEF</b>	Medium Term Expenditure Framework
<b>CCO</b>	Chief Compliance Officer	<b>MTSF</b>	Medium Term Strategic Framework
<b>CEO</b>	Chief Executive Officer	<b>NCEMS</b>	National Central Electronic Monitoring System
<b>CFO</b>	Chief Financial Officer	<b>NDP</b>	National Development Plan
<b>COO</b>	Chief Operations Officer	<b>NGA</b>	National Gambling Act
<b>CSA</b>	Chief Strategic Adviser	<b>NGB</b>	National Gambling Board
<b>dtic</b>	Department of Trade, Industry and Competition	<b>NGPC</b>	National Gambling Policy Council
<b>EA</b>	Executive Authority	<b>NGR</b>	National Gambling Regulator
<b>EBT</b>	Electronic Bingo Terminal	<b>NLA</b>	National Lotteries Act
<b>FIC</b>	Financial Intelligence Centre	<b>PFMA</b>	Public Finance Management Act
<b>FICA</b>	Financial Intelligence Centre Act	<b>PLAs</b>	Provincial Licensing Authorities
<b>FY</b>	Financial Year	<b>POCA</b>	Prevention of Organised Crime Act
<b>GDP</b>	Gross Domestic Product	<b>RSA</b>	Republic of South Africa
<b>GGR</b>	Gross Gambling Revenue	<b>SARGF</b>	South African Responsible Gambling Foundation
<b>GRC</b>	Gambling Review Commission	<b>SAPS</b>	South African Police Services
<b>HCO</b>	Human Capital Optimisation	<b>SCM</b>	Supply Chain Management
<b>HDI</b>	Historically Disadvantaged Individuals	<b>SMME</b>	Small medium and micro sized enterprises
<b>ICT</b>	Information Communications Technology		

# PART A: THE NATIONAL GAMBLING BOARD MANDATE



# THE NATIONAL GAMBLING BOARD MANDATE

## STRATEGIC OVERVIEW

The National Gambling Board (the NGB) is established in terms of the National Gambling Act, 2004 (Act 7 of 2004) (the NGA) under the Executive Authority (EA) of the Minister of Trade, Industry and Competition, in an effort to enable the Department of Trade, Industry and Competition (**the dtic**) to achieve its objectives and mandate. The NGB's mandate is to promote gambling activities in a legal, safe and crime-free environment and protect punters from the over-stimulation of the latent need to gamble.

### 1. CONSTITUTIONAL MANDATE

In the Republic of South Africa, government is constituted as quasi-federal comprising of national, provincial and local spheres of government. The Constitution of the Republic of South Africa, 1996, Schedule 4, Part A sets out gambling as a functional area of concurrent national and provincial legislative competence and lists casinos, racing, gambling and wagering (excluding lotteries and sports pools) as functional areas for both national and provincial government. Section 146 of the Constitution applies to a conflict between national legislation and provincial legislation falling within a functional area listed in Schedule 4.

All spheres of government must observe and adhere to the principles of co-operative government and intergovernmental relations and must conduct their activities within the said principles.

### 2. LEGISLATIVE AND POLICY MANDATES

#### Legislative mandate

The NGB is established as a Schedule 3A public entity in terms of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999). The mandate of the NGB is set out in sections 33 and 34, read with section 65 of the NGA, and these are:

- Oversight of gambling in the Republic of South Africa by:
  - Evaluating the issuing of national licences by the Provincial Licensing Authorities (PLAs)
  - Evaluating the compliance monitoring of licensees by PLAs
  - Conducting oversight evaluation of the performance of PLAs so as to ensure that the national norms and standards established by the NGA are applied uniformly and consistently throughout the Republic
  - Assisting PLAs to ensure that the unlicensed gambling activities are detected

- Monitoring of market conduct and market share
- Monitoring socio-economic patterns of gambling activity and research and identify patterns of the socio-economic impact of gambling and addictive or compulsive gambling
- Establishing and maintaining a national registry of every gambling machine or gambling device manufactured within or imported into the Republic, as well as maintaining all other legislative prescribed registers
- Investigating the circumstances of any gambling activity that relates to unlawful winnings that the NGB has held in trust, to either deliver the winnings to the person who won them if not found to be illegal winnings or apply to the High Court for an order to declare the winnings to be forfeited to the state if found to be illegal
- Advising and providing recommendations to the National Gambling Policy Council (NGPC) on, amongst others, matters of national policy and legislative changes relating to gambling

#### Other mandates

The work of the NGB is also enabled by other legislation, including but not limited to the following:

- Constitution of the Republic of South Africa, 1996
- Public Finance Management Act (PFMA), 1999 (Act 1 of 1999)
- The Prevention of Organised Crime Act (POCA), 1998 (Act 121 of 1998)
- The Financial Intelligence Centre Act (FICA), 2001 (Act 38 of 2001)
- Broad-Based Black Economic Empowerment Act (B-BBEE), 2003 (Act 53 of 2003)
- Consumer Protection Act (CPA), 2008 (Act 68 of 2008)
- Competition Act, 1998 (Act 89 of 1998) as amended
- Intergovernmental Relations Framework Act (IGRFA), 2005 (Act 13 of 2005)

#### Policy mandate

The NGB's key priorities are premised on the National Gambling Policy (2016), through which the outcomes of the NGB's performance manifests through the impact and quality of its advice and recommendations to the Minister, **the dtic** and the NGPC on, amongst others, matters of national policy and legislation relating to gambling.

# THE NATIONAL GAMBLING BOARD MANDATE CONTINUED

## 3. INSTITUTIONAL POLICIES AND STRATEGIES OVER THE FIVE YEAR PLANNING PERIOD

### National Development Plan, 2030

The National Development Plan (NDP), Vision 2030, adopted by Cabinet in 2012, is the visionary blueprint of government, with business and society as collaborative partners. Seeking to eliminate poverty and sharply reduce inequality by 2030, the five key elements of the NDP are:

- 1) Inclusive social and economic development;
- 2) Sustainable investment and growth;
- 3) Decent jobs and sustainable livelihoods;
- 4) A capable development state; and
- 5) Expanding opportunities.

This long-term plan for the country, which cuts across all sectors of society, identifies the critical trade-offs and challenges to be addressed by the country over the period to 2030. The NDP aims to integrate planning and ensure greater policy coherence in government, thus building a common vision of what South Africa could look like in 2030.

The NGB is a regulatory entity that does not directly create jobs but through its policies and legislative frameworks, needs to foster compliance that leads to job creation from the issuance of gambling licences by Provincial Gambling Boards to its licensees in the gambling regulated environment.

### Medium-Term Strategic Framework 2019 – 2024

Aligned to the NDP, the MTSF 2019 – 2024 seeks to ensure that the medium-term and short-term planning of government. The MTSF identifies the critical actions to be undertaken during 2019 – 2024 to put the country on a positive trajectory towards the achievement of the 2030 vision. It further identifies indicators and targets to be achieved in the period.

The MTSF 2019-2024 has identified Seven (7) Priorities. Of the Seven Priorities, two (2) relate to **the dtic** and the NGB. Priority Two (2) is “Economic Transformation and Job Creation” while Priority Seven (7) relates to “A Better Africa and World”.

### Reimagined Industrial Policy

The industrial policy sets out objectives for the economic growth strategy, and the NGB identifies with Pillars 3 and 5: namely Interventions to ease the cost of doing business and Macro economic reform and increased competition. To this end, successful industrial policy works with a combination of levers, one of which is to develop sector or value chain capabilities, and the NGB intends to follow this through for the gambling industry.

Within the NGB, there are adequate institutional policies, and this strategy will enable the NGB to support the implementation of the governmental priorities over the next five (5) years.

# THE NATIONAL GAMBLING BOARD MANDATE CONTINUED

NDP	Reimagined Industrial Policy	Government's MTSF Priorities	Government outcome	NGB Outcomes	Comment
Decent jobs and sustainable livelihoods.	Interventions to ease the cost of doing business	<b>Priority 2</b> Economic transformation and job creation	More decent jobs created and sustained with youth, women and persons with disabilities prioritised	Economic transformation and increased participation of HDIs in the mainstream gambling industry	Achieved by ensuring HDI participation in the gambling industry
Inclusive social and economic development.			Investing for accelerated inclusive growth	Uniformity of legislation in the gambling industry	This outcome will be achieved by creating an enabling environment in which investments can be accelerated and the ease of doing business is enhanced.
					Increased competition in the mainstream gambling industry
Expanding opportunities.			Industrialisation, localisation and exports	Economic transformation and increased participation of HDIs in the mainstream gambling industry	
Sustainable investment and growth.	Macro economic reform and increased competition	<b>Priority 7</b> A better Africa and world	Increased foreign direct investment and increased exports contributed in economic growth	Account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons	This outcome allows for the ability to accurately capture FDI flows as most of the manufacturing of gambling machines and devices is currently undertaken outside the domestic economy
A capable development state.				Effectively monitored socio economic patterns of gambling activity within the Republic	
				Increased and diversified exports resulted/ contributed to an export oriented economy	Economic transformation and increased participation of HDIs in the mainstream gambling industry
			Increased intra-Africa trade	Economic transformation and increased participation of HDIs in the mainstream gambling industry	The NGB will encourage investment in local manufacturing of gambling machines and devices which will help grow the local industry and position SA as a gateway to other African markets.

# THE NATIONAL GAMBLING BOARD MANDATE CONTINUED

## 4. RELEVANT COURT RULINGS

### **Casino Enterprises (Pty) Ltd Vs Gauteng Gambling Board and Others (SCA) [2011] ZASCA 155**

#### Cause of action

This was an appeal against a judgment of the North Gauteng High Court. The appellant was Casino Enterprises (Pty) Ltd, a company registered and incorporated in Swaziland. It owned and operated a land-based casino and an online casino in Swaziland, both of which were licensed under the name Piggs Peak. It held no licence in South Africa.

The cause of action was whether the activities of the online casino contravene the laws of South Africa, specifically the National Gambling Act, 2004 (Act 7 of 2004) (the NGA) and the Gauteng Gambling Act, 1995 (Act 4 of 1995) (the GGA) when gamblers in South Africa gamble online.

#### Court ruling

The Appeal Court upheld the decision of the North Gauteng High Court that persons in South Africa who gamble with the appellant as well as the appellant in its interactive participation contravene the provisions of sections 8 and 11 of the NGA and section 76(2) of the GGA.

This judgment reinforces the provisions of the NGA and informs the strategic direction that the NGB is taking with regard to illegal online gambling.

### **Akani Egoli (Pty) Ltd and Others Vs Chairperson of the Gauteng Gambling Board and Others [2008] ZAGPHC 262**

#### Cause of action

The applicants, who held casino licences in terms of the Gauteng Gambling Act, 1995 (Act 4 of 1995) (the GGA), sought to have the Gauteng Gambling Board's decisions to approve the Real Touch Bingo (RTB) devices for use in bingo premises reviewed and set aside on various grounds. In essence, they contended that the RTB was none other than an ordinary slot machine commonly found in casinos and that the game played on it was not bingo. In the alternative, if the game played on the device was bingo, then the applicants contended that the game was not played in accordance with the bingo rules promulgated by the Board. Finally, the applicants contended that the game failed to yield a minimum return to players that the Gauteng Act and its Regulations prescribed in respect of bingo. For any of these reasons, the applicants contended, the CEO in effect approved an unlawful activity.

#### Court ruling

The Court upheld the application that the decisions of the Gauteng Gambling Board to approve the RTB devices for use in bingo premises be reviewed and set aside, as approval purported to sanction unlawful conduct.

Whilst traditional Bingo is provided for in national and provincial legislation Electronic Bingo Terminals (EBTs) formerly known as Real Touch Bingo (RTB) were subsequently licensed by PLA's. The judgment informs the strategic direction of the NGB to develop policy, norms and standards and legislation in order to address the lacunae in the law pertaining to the regulation of Bingo and its electronic form.

### **Vukani Gaming Gauteng (Pty) Ltd and Others Vs KKK Properties CC and Others [2016] ZAGPPHC 482**

#### Cause of action

The applicants, representing licensed route and site operators for limited payout machines (LPMs), sought to interdict the first respondent, the owner of business premises in Northdale, from permitting the use of its premises by the second respondent, an internet café offering internet services, for the purpose of unlawful gambling activities. Similarly, an order was sought interdicting the second respondent from conducting, permitting or allowing the unlawful gambling activities on the premises. The basis of the application was that the gambling was offered at the said premises through the use of the internet, and no licence was issued for the offering of such gambling service.

#### Court ruling

The Court granted the application, interdicting and restraining the first respondent from permitting the use of its premises for the purpose of restricted gambling activities and unlawful gambling as prohibited by the National Gambling Act 7 of 2004 (NGA) and the Gauteng Gambling Act 4 of 1995 (GGA), and interdicting and restraining the second respondent from conducting any restricted gambling activity, unlawful gambling activity and engaging in any other conduct connected with unlawful gambling activity prohibited by the NGA and the GGA or permitting or allowing gambling as defined in section 1 of the NGA and the GGA on and from the premises.

The judgment has provided legal precedent recognising that the fact that it is not only regulators who bear locus standi to combat illegal gambling but licensed operators also have a recognised legal interest to challenge the conducting of illegal gambling activities.

# PART B: THE NGB STRATEGIC FOCUS



## 5. OUR VISION, MISSION AND VALUES

### VISION

To position South Africa as the pre-eminent jurisdiction with an exemplary and effectively regulated gambling industry.



### MISSION

Lead the regulation of the gambling industry in the fulfillment of the National Gambling Act, 2004 (Act 7 of 2004), through an effectively regulated and supervised gambling industry that upholds domestic, continental and internationally recognised standards of compliance.



### VALUES

Professionalism; moral integrity; transparency; commitment and consistency; effective implementation of resolutions; responsive communication; teamwork; respect and tolerance.



## 6. SITUATIONAL ANALYSIS

The gambling industry continues to grow with revenue reaching over R30 billion in the FY2018/19. Positive growth in gross gambling revenue (GGR) between FY2017/18 and FY2018/19 was witnessed in all modes of gambling with the highest growth being in the bingo sector (26.6%) followed by the betting sector (17.8%), Limited Payout Machines (LPMs) sector (13.2%) and Casino (1.2%) sector. The taxes or levies collected from the industry as source of revenue for the government amounted to R3.1 billion in FY2018/19, a 6.8% increase from the previous financial year. The casino sector continues to dominate the market space generating the greater proportion of gambling revenues. However, this share in the total market has been declining over the years as there was an upward surge in revenues generated in other modes of gambling i.e. betting on horse racing and sport, LPMs and bingo.

The gambling environment is continuously changing with new technology and a host of new products coming into the market. This presents a challenge for a gambling regulator, like the NGB, and requires the regulator to be innovative and agile in achieving its objectives. To support improved industrial performance, dynamism and competitiveness of local companies, the NGB currently monitors the LPM industry through a technologically driven National Central Electronic Monitoring System (NCEMS) ensuring that gambling revenues are accurately captured and allocated to the relevant stakeholders.

From a political perspective, the NGB has been involved in continuous deliberations on the National Gambling Amendment Bill, 2018. The purpose of the bill is to provide for the reconfiguration of the NGB to become the National Gambling Regulator (NGR) led by a Chief Executive Officer (CEO) without a board structure; the automatic forfeiture of unlawful winnings to the NGR; the extension of the NCEMS to other modes of gambling; and the enhancement of the powers of the national inspectorate to curb illegal gambling activities; amongst others. However, the change in administration in National Government, post election has influenced government's priority areas.

The economic imperative to promote economic inclusion by enhancing economic participation of historically disadvantaged individuals

continues to be an opportunity for the NGB to leverage its internal strategic factors. The NGB undertakes research on key gambling issues in order to inform the legislative and policy environment.

Economic and social challenges are key focus areas to be addressed by the NGB and the gambling industry. The current regulations attempt to address the economic challenges; however, work still needs to be done to ensure proper application of these regulations. The legal industry is affected by the mushrooming of illegal gambling which creates a direct unregulated competition and this scenario is of huge concern to regulators.

With regard to enforcement, enhanced regulation is required to enable mass monitoring of online traffic to identify gambling related activities and gambling by minors, as well as prohibiting illegal operators from offering online gambling services to the South African public. Improved provisions in legislation will enable enforcement officers to gather and consolidate intelligence with regard to illegal gambling and to eventually blacklist illegal operators.

As part of its efforts, NGB considers a need to strengthen relations with both the PLAs and all stakeholders including the law enforcement agencies. Through collaborative efforts, appropriate dispute resolution mechanisms and identification of illegal operators, an action plan to curb illegal gambling and focused awareness programmes can be designed to avoid inter-governmental disputes, overwhelming illegality in the gambling industry and promotion of responsible gambling respectively. The development of national enforcement strategies by multi-law enforcement agencies and continuous collaboration is key to ensuring that detected illegal gambling activities receives the necessary attention.

The NGB will increase its efforts to provide education in terms of the risks and the socio-economic impact of gambling, and to educate the public in reporting of illegal gambling activities. The NGB will also increase its efforts to ensure the prosecution of punters who are found guilty of illegal gambling actions and forfeiting unlawful winnings to the State. It is a priority that there is successful prosecution of illegal operators and the public is informed about the consequences of participation in illegal gambling activities.

## 6. SITUATIONAL ANALYSIS CONTINUED

### 6.1 External Environmental Analysis

The NGB regularly scans the gambling environment in order to identify opportunities to execute the NGB's mandate. The following key priorities have been identified which inform the implementation of the entity's strategy:

- a) To position the NGB strategically and advocate delivery in accordance with national gambling legislation
- b) Substantive review of the NGA
- c) Economic analysis of gambling in RSA
- d) Foster harmonisation and uniformity in the gambling industry
- e) Gaming control and regulation
- f) Position the NGB as a pre-eminent national regulator
- g) National repository for gambling related information
- h) Engaging in opportunities which create platforms for the benefit of the country with reference to gambling law enforcement
- i) Enhance national enforcement capabilities to lead banning and suppression of illegal gambling in the South Africa
- j) Lead foreign direct investment in this industry
- k) Determine the size and shape of the industry as reflected in the monitoring of market conduct and market share and reporting on gambling sector performance by the NGB
- l) Facilitate and monitor transformation of the industry in line with the B-BBEE Act and Codes of Good Practice
- m) Informing and educating the public and stakeholders about the socio-economic impact and risks of gambling
- n) Increased monitoring capacity of all legal modes of gambling through extending NCEMS
- o) Conceptualisation on the best approaches to regulation of betting
- p) Regulate technologically advanced forms of gambling
- q) Promulgation of regulations for excluded persons
- r) Provision of alternative dispute resolution mechanisms to punters
- s) Increase of revenue base towards becoming a self-sustaining entity
- t) Conduct research on the socio economic patterns and consequences of gambling
- u) Conceptualisation of cost effective resolution of unlawful winnings

- v) Legislative reforms in order to effectively regulate gambling

The NGB has developed a strategy that is performance focused, taking into account gambling regulation expertise, leadership and regulatory certainty. The NGB has created social dialogue with various stakeholders in the gambling industry locally, on the African continent and internationally. The rationale for the creation of such a broad forum is for conversations on gambling issues amongst all stakeholders and specifically regulators to enhance the NGB's capability to regulate the South African gambling industry.

### 6.2 Internal Environment Analysis

The NGB, as the implementing agent of **the dtic**, is dependent on a financial grant from **the dtic**, however, the NGB raises additional revenue so as to deliver on all key performance areas as per the NGB's mandate.

The NGB is mandated, amongst other functions in the NGA, to co-ordinate activities relating to the exercise of concurrent competence within the national and provincial spheres of government to establish certain uniform norms and standards. These provisions apply throughout the Republic with regard to casinos, bingo, LPM and betting, so that gambling activities are effectively regulated, licensed, and controlled.

The NGB is further required to ensure that members of the public who participate in any licensed gambling activity are protected; society are protected against over-stimulation of the latent need for gambling; and the licensing of gambling activities is transparent, fair and equitable. This will safeguard the public at large participating in gambling against the adverse effects of gambling.

The NGB strategy is premised on the institution continuing its active role in regulating the gambling industry. A multidimensional regulatory approach involving supervision, cooperation and enforcement is a consideration for successful execution of the NGB's mandate.

The key strategic issues are as follows:

- Ensure harmonisation with gambling and other legislation in order to better regulate gambling in RSA

## 6. SITUATIONAL ANALYSIS CONTINUED

- Economic analysis of gambling in RSA
- Gaming control and regulation
- Monitoring of new developments and modes offered by gambling operators and assess the impact thereof
- Monitoring the socio economic impact of gambling and problem gambling
- Extension of NCEMS to monitor all modes of gambling in RSA
- Continuously exercising oversight of PLAs to ensure compliance with the NGA and applicable laws and regulations
- Enhanced cooperation with law enforcement agencies and PLAs to combat illegal gambling in RSA
- Continue to provide an advisory role with regard to regulatory issues in the RSA gambling industry
- Improving awareness about the socio-economic impact of gambling, legal and illegal modes of gambling, and the promotion of responsible gambling amongst the public and stakeholders

The NGB has distinguished itself as an efficient and acknowledged gambling regulator that maximises benefit to stakeholders, staff and management based on effective systems, processes, resources and organisational culture. The following strategic human capital pillars have been identified for the next five (5) years in order to ensure that human capital issues are effectively addressed:

- a) Create a high performance organisational culture, recognising team work and spirit
- b) Create a learning and development organisational culture
- c) Strategic talent acquisition and retention for organisational effectiveness
- d) Overhaul the organisational reward strategy
- e) An integrated information management system
- f) Legislative, compliance and diversity

### Description of NGB strategic planning process

The NGB is committed to an ongoing, inclusive process of strategy crafting, planning, alignment and review. As an important part of this process, the NGB engages with its key stakeholders and obtains structured inputs into its planning and review process.

In developing the strategic plan, the NGB has taken into account the NDP as the overarching program that guides the government priorities of the current administration as well as the current MTSF. This is captured in the link between the NGB objectives, MTSF and the objectives and vision of the NDP.

Secondly, the priorities of **the dtic** were taken into account, to ensure that there is alignment between the NGB objectives and **the dtic** priority areas. In thus implementing its Strategic Plan, the NGB will work towards fulfilling the industry policy objectives as directed by the Minister of Trade, Industry and Competition, including the development and implementation of National Sector Masterplans and the African Continental Free Trade Area.

A situational analysis was conducted in order to identify and evaluate the existing internal and external elements or environment that may impact on the NGB's ability to achieve its strategic objectives. A SWOT analysis which is an assessment of the NGBs strengths, weaknesses, opportunities and threats as well as PESTEL which assesses the external elements or environment relating to political, economic, social, technology, environment, and legal were used in order to understand the NGB's capabilities, customers, and business environment. TOWS (threats, opportunities, weaknesses, strengths) analysis was also used as a guiding tool to identify the extent to which the NGB's strengths and weaknesses are relevant to or capable of dealing with the changes taking place in the gambling environment. The TOWS is the methodology used to derive the NGB's outcomes.

The overall risk appetite of the organisation has been revisited to take stock of the new challenges in the external environment, changes in the regulatory framework, the internal control environment and the degree of oversight exercised by the NGB as a whole.

An updated risk register has been developed as part of the risk assessment of the new corporate strategy. The different programs of the NGB are underpinned by a budget which is based on the ability of the NGB to receive grant funding from **the dtic**, as well as the entity being in a position to generate its own revenue over the outer lying years in the MTEF period. The overall financial plan takes into account the asset management plan to ensure the NGB has adequate levels of capital and liquidity to meet the regulatory and operational requirements on a sustainable basis.

## 6. SITUATIONAL ANALYSIS CONTINUED

### Political

The strategic plan for 2020-25 aligns with the vision of the new administration that came into effect in 2019. A logical consequence of this reality is that governmental priority areas could change, and there is uncertainty as to how that could affect the regulation of the gambling industry, such as with regard to possibly legalising online gambling, or a review of the concurrent legislation competency model.

The National Gambling Policy, 2016 necessitated the amendment of the NGA. The National Gambling Amendment Bill of 2018, if passed, will provide an opportunity to bring about necessary amendments to the NGA, in order to address existing challenges and to introduce new approaches to enforcement against illegal gambling and better regulation of legal gambling. However, delays in enacting the Bill impacts the NGB's vision to be re-positioned as the National Gambling Regulator.

Urgent attention should be given to the prescribing of certain dates in terms of transitional provisions contained in the Schedule to the National Gambling Act, 2004, matters pertaining to Excluded persons and National Registers, Re-certification of Gambling machines and devices, Unlawful winnings remitted to the NGB by persons other than licensees in terms of section 16 and Form NGB2.

Greater regularity and certainty is required to urgently and expeditiously deal with disputes between the NGB and PLAs regarding interpretation and implementation of the National Gambling Act; implementation of the B-BBEE Act; alignment of laws and the underlying spirit of co-operative governance. The existing challenges that hinder the effectiveness of the National Gambling Policy Council (NGPC) continue to impede the NGB achieving its mandate.

### Economic

The introduction and legalisation of gambling in terms of the NGA ensures that revenue is generated for the country in a manner that fulfils the objects of the NGA. The economic contribution that the industry makes to the economy creates an enabling environment that will further facilitate job creation. Indeed, one of the economic benefits derived from the gambling industry in South Africa is its ability to generate revenue for the government, which supports the administration of fiscal policy in the form of government expenditure

towards economic development, infrastructure improvement, building schools, enhanced service delivery amongst others. The gambling industry has enjoyed year-on-year growth in Gross Gambling Revenue (GGR), which is a positive contribution to GDP. Gambling revenues reached R30 billion in FY2018/19 and are forecast to increase to over R35 billion by 2021. Taxes and levies derived from the industry amounted to R3.1 billion growing from previous financial years, displaying the need for continued and effective regulation of the industry and dialogue between stakeholders to lead to an economically sustainable gambling industry.

Slow economic growth could see a reduction in gambling revenue and tax collection, which would in turn erode revenue generation for government, and could also result in retrenchments in the industry. This scenario can be further predicated upon international economies and trends, with the risk of recession of the global economy. This would no doubt reduce investment in the gambling industry.

Domestically, a high unemployment rate is a contributing factor to people choosing to gamble, especially through illegal gambling offerings. Such punters are driven by the desire to achieve economic freedom as a result of economic desperation. At the same time, there are other punters that may well be aware of the legislation governing legal modes, but continue to participate in illegal modes of gambling, commonly online gambling, regardless of possessing the knowledge that it is illegal. In most cases, such punters are found to be the more affluent group driven to participation in illegal gambling mainly for entertainment and leisure purposes. Generally, a steady increase in disposable household income could increase the propensity to gamble as discretionary income increases. This practice is usually high during the festive season.

From an industry perspective, the NGB has also been observing slow industry transformation regarding B-BBEE. While licensed operators may be B-BBEE compliant due to such compliance being part of licence application requirements, there is a distinction to be made between black empowerment through control, and black empowerment through equity. Transformation in the form of equity transfer remains a challenge. The gambling industry is also encouraged to provide opportunities to new entrants, particularly the historically disadvantaged individuals, women and youth.

## 6. SITUATIONAL ANALYSIS CONTINUED

The gambling industry has also been transforming through a growing trend of mergers between operators, and this space needs to be monitored. On the one hand, mergers may be positive to the industry as the combining of skills, resources and access can create new opportunities and provide longer term stability. On the other hand, mergers between large role players can create monopolies that would stifle existing smaller competitors and create barriers to entry for prospective entrants that may be the very target of the transformation efforts of the government. However, there is regulatory uncertainty whether such mergers are anti-competitive or not, as no determination regarding this issue has been made. The NGB is of the view that this should be explored and resolved.

### Social

The NGB is required to coordinate and ensure that society is protected against over-stimulation of the latent need for gambling. This implies that as part of its strategic plan, the NGB should monitor the likely impact and negative effects of gambling on the community to ensure that there is increased awareness and education.

Persistent poverty and inequality contribute to gambling being perceived as an income generating activity as opposed to a recreational activity, leading to more punters becoming involved in illegal gambling. Compulsive and addictive gambling is a huge social problem, as it affects not only the individual that is addicted, but also their families and society.

Another factor that can lead to over-stimulation is the accessibility of gambling through mobile devices, and in particular, to young people that favour the use of technology rather than traditional methods of gambling. As more young people gain access and are likely to use technology in various ways in their lives, it is important for the NGB to be vigilant of the growing population of a technologically literate generation and to identify strategies that will guide and assist this group with awareness of the dangers of gambling.

Research has identified that the profile of the punter is changing – younger people (18-35 years) are engaging in gambling due to the evolution of gambling offerings. The use of mobile devices may further allow players to bet on the outcome of various contingencies simultaneously from the convenience of their location, and may be encouraging new types of players and new styles of play. For example, the developers of games have identified that millennials find games of chance unappealing, and prefer games that incorporate

the element of skill, and have adapted their offerings to target this market segment.

Advertising of gambling is also a factor, as it is not illegal to advertise, and licensed operators also sponsor events and TV shows, which are aimed at having a wider reach into society to draw more punters to their offerings. This is also supported by the influence of social media platforms.

The NGB will continue to monitor the negative effects of gambling, and has planned to increase its efforts to raise public awareness and provide targeted education interventions. This will include the use of technology such as social media to counter the risks of ignorance and misinformation, and advocate responsible gambling.

### Technology

Technology has always played a role in the development of gambling practices and continues to provide new market opportunities and simultaneously challenges for regulators. Technological advancement also has a bearing on social interaction and communication (social networking) particularly where new technologies skirt the gambling regulatory aspects.

The fourth industrial revolution (known as 4IR) is already upon us, and the regulatory environment is impacted by rapidly changing technology. New products and offerings are continuously developed through technology. We are already in a world of artificial intelligence, virtual reality and “the Internet of Things” (IoT), and the rate of change is itself increasing. Faster Internet Connectivity (5G) is also anticipated to be rolled out in South Africa by 2020, and this will make NGB systems such as NCEMs and the national registers more easily accessible, accelerate collection of data and improve efficiency of business processes. The result will be that through technology, the NGB will be able to fulfil its mandate more efficiently. This also creates opportunities for new research to be conducted.

However, new ways of offering and accessing gambling as a result of technological advancement affects both regulation and enforcement. It opens the door to increased illegal gambling such as online gambling by minors due to access on mobile devices and gambification. The use of mobile devices to partake in gambling will be a growing challenge to gambling regulators. The ease of access to gambling products as a result of mobile devices can potentially lead to over-stimulation and problem gambling.

## 6. SITUATIONAL ANALYSIS CONTINUED

At the same time, the constant arrival of inventions and innovation, such as virtual sports and Electronic Bingo Terminals (EBTs) will place a strain on the effectiveness of existing regulations, which may be deficient as such technology did not exist at the time that such regulations were developed.

As gambling becomes diverse and embraces new technologies, it raises the question of whether the existing regulatory framework is agile and able to withstand the disruption that technology presents. The NGB has to consider whether it is necessary to develop a legal framework to regulate gambling products and services as opposed to the existing legal framework remaining technologically neutral.

The NGB will continue to monitor the impact of technology through conducting research in order to build a knowledge base for advice to its stakeholders.

### Environment

Although technological advancements enable more gambling services to be offered online, the South African regulatory model favours the destination approach, as this requires some effort to gain entry to licensed gambling premises. These brick-and-mortar establishments are now under threat as a result of the impact of technology, and this has had an impact on their profitability.

The imposition of smoking bans through the enactment of legislation is expected to further erode the profits of such operators, as they have to either invest in costly infrastructure development to be able to cater for both smoking and non-smoking areas, or accept the risk of patrons that want to smoke abandoning them and thus forfeiting revenue.

The NGB will monitor this risk through its oversight of compliance by operators, as well as through constant analysis of gambling sector performance reports.

### Legal

The law regarding the legalised modes of gambling is clear. However, the application of the NGA has identified various challenges. There is also a need to address misalignment between the application of national and provincial legislation. Currently, there is an expectation that all provincial legislation is drafted to ensure alignment with

the NGA. However, it is within the nature of legislation that while there may be agreement on what a law states, there can often be disagreement on how to interpret what the law says. As a result, this can lead to inconsistency in the application of gambling laws, in the absence of clear norms and standards to ensure uniformity in approach from province to province.

### 6.2.1 SWOT analysis

#### Strengths

The NGB is empowered by the NGA to carry out its mandate. The NGA is the national legislation governing the regulation of the gambling industry, and it dictates how licensing is to be conducted by provinces. Provincial legislation thus exists only to support the NGA, but cannot conflict with it. This authority to evaluate the issuance of national licences and compliance monitoring of licensees by PLAs by conducting oversight over PLAs with respect to compliance with the NGA and provincial legislation is a key strength of the NGB.

The NGB has the authority and ability to monitor Gambling Sector Performance and analyse trends in market share and market conduct and access international gambling information. This information is vital for government to be constantly aware of the status of the industry, and to be able to make informed projections for future planning of governmental priorities. It is also critical for the assessment of the state and progress of transformation in the industry.

Gambling is a legal activity in South Africa. To ensure that the public is made aware of the risks and socio-economic impact of gambling, as well as what is legal and what is not, the NGB is able to conduct broad-based public education and awareness campaigns, both on its own and in collaboration with external stakeholders.

The NGB is able to maximise its success through relationships with key stakeholders, and in various instances, the NGB has entered into Memoranda of Understanding, which enable the NGB to collaborate with other entities on matters of common interest.

The NGB is the only entity in the country that has a legal mandate to establish and maintain the NCEMS, which is a revenue generator and National Registers.

## 6. SITUATIONAL ANALYSIS CONTINUED

### Weaknesses

Despite the existence of empowering legislation, the NGA has limitations that hinder the conducting of enforcement activities.

The NGB has also identified that while it does provide broad-based public education and awareness campaigns, these do not reach a sufficient percentage of the intended target market, and the consequence of this is that the mandate of the NGB is not communicated effectively to the public.

### Opportunities

The NGB has also identified various opportunities. If the NGB is able to develop, implement and enforce national gambling industry norms and standards, this would bring about much needed uniformity in the application of applicable legislative prescripts, and would ensure the implementation of industry-related best practice.

Repositioning of the NGB and a substantive review of the NGA would enable the conceptualisation of better approaches to regulation of betting and more cost-effective resolution of unlawful winnings, which could also result in the establishment of ad-hoc National Gambling Tribunal.

The NGB is also able to leverage the legislative authority of other regulators and collaborate on matters of common interest in order to maximise achievement of the objectives of the NGB.

There is also the opportunity for the NGB to embrace rapid changes in technology to better regulate technologically advanced forms of gambling. Technology can also be used by the NGB through the extension of NCEMS to all legal modes of gambling, thereby increasing its monitoring capability, improved regulation and government accountability for taxes and levies collected.

### Threats

There is a lack of a uniformity in the implementation of the NGA by PLAs due to concurrent legislative competence, which brings about anomalies.

Due to delays in amending the national regulatory framework, lacunae in the law are being exploited due to regulatory uncertainty, i.e. betting on the outcomes of lotteries.

Combating illegal gambling is also a challenge for the NGB due to the mushrooming of illegal gambling activities across the country. A further challenge is the lack of prosecution of illegal gambling operators due to illegal gambling not having been viewed as a high priority crime by law enforcement agencies.

### 6.2.2 TOWS analysis

The NGB is able to combine its strengths with its opportunities in various ways. Through its relationships with PLAs, it seeks to implement compliance measures for PLAs in order to achieve effective regulation. In execution of its mandate, the NGB will leverage off the legislative authority of stakeholders through collaborative initiatives to embark on broad-based public education and awareness campaigns in provinces.

The NGB plans to improve its monitoring capability by extending NCEMS modes of gambling.

The NGB plans to advise the NGPC about developments in the gambling industry which may inform legislative and policy development. The NGB will monitor Gambling Sector Performance and undertake national and international benchmarks with other jurisdictions to inform the future landscape of the gambling industry in South Africa. The NGB will undertake broad-based education and awareness initiatives to ensure the dissemination of research information to the public on local and international platforms.

The NGB will commission research on key gambling issues and priorities to inform policy development as well as to assist the NGB with fulfilling its mandate.

The NGB has identified the improvement of data collection regarding the national registers, by including data import functionality on the registers.

Finally, the NGB will use its mandate to influence the reduction of barriers to transformation in the gambling industry by developing an industry transformation agenda.

# PART C: MEASURING THE NGB PERFORMANCE



## 7. INSTITUTIONAL PERFORMANCE INFORMATION

### Alignment to the dtic strategic plan

The Strategic Plan for the NGB covers the period 2020 – 2025, as well as the APP for 2020 – 2023. In order to implement these plans, the NGB developed an impact statement which is aligned to **the dtic** strategic plan for 2020 – 2025 and would be measured through various outcomes. These outcomes are aligned to the areas of institutional performance that are critical to the achievement of the mission of the NGB. These are intended to stretch and challenge the NGB, but simultaneously must be realistic and achievable over an MTSF cycle.

The Consumer and Corporate Regulation Division (CCRD) of **the dtic** is the division of **the dtic** that develops the policy and legislative direction for the NGB mandate.

CCRD has as its impact statement: *“improved regulatory environment that promotes competitive, fair and efficient markets as well as providing access to redress for economic citizens”*.

The NGB has aligned its strategy through the following impact statement for 2020 – 2025: *“A regulated gambling industry that balances economic gains and punter protection”*.

This impact will be made through functional programmes within the NGB.

The Gaming Control and Research Division’s strategic priority is gaming control, research and regulation, and it will have the impact of a compliant and transformed gambling industry where there is strengthened regulatory oversight over gambling activities and the gambling industry, functional national registers are maintained and research to inform gambling policy and legislative reform.

The Corporate and Stakeholder Engagement Division’s strategic priority is to enhance stakeholder engagement and corporate services, and it will have the impact of ensuring an educated, aware and responsible gambler on the risks associated with gambling as well as the socio-economic impact thereof as a result of effective broad-based education interventions and public awareness initiatives. The division also provides support services to the NGB, and will have the impact of enhanced operational efficiency and excellence through the infusion of technology and other means.

Lastly, the Finance and Procurement Division’s strategic priority is to optimise organisational excellence, and its impact will be efficient and effective financial systems and processes that enable the organisation to function optimally.

## 7. INSTITUTIONAL PERFORMANCE INFORMATION CONTINUED

### MEASURING THE IMPACT STATEMENT

#### Impact Statement

A regulated gambling industry that balances economic gains and punter protection

### MEASURING OUTCOMES

	Outcome	Outcome Indicator	Baseline	Five year target
1.	Broad-based public education	Percentage implementation of the broad-based public education programme	New outcome	100% implementation of the broad-based public education programme
2.	Effectively monitored socio economic patterns of gambling activity within the Republic	Publish and disseminate national integrated data and trend analysis to the gambling industry and regulators	New outcome	Five (5) annual publications
3.	Uniformity of legislation in the gambling industry	Authoritative advice on policy, statutory matters and legislation is provided to <b>the dtic</b>	New outcome	Five (5) Advisory reports presented to <b>the dtic</b>
4.	Account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons	Percentage variance of up-time on the systems	New outcome	Within 5% variance of uptime on the systems
5.	Economic transformation and increased participation of Historically Disadvantaged Individuals in the mainstream gambling industry	Development of an industry-wide transformation agenda	New outcome	Industry-wide transformation agenda
6.	Increased competition in the mainstream gambling industry	Development of a business case for a market inquiry	New outcome	Identification of possible features that stifle competition

### EXPLANATION OF PLANNED PERFORMANCE OVER THE FIVE (5) YEAR PLANNING PERIOD

**The contribution of outcomes towards the achievement of the NDP Five-Year Implementation Plan, the Monitoring Framework for the NDP Five Year Implementation Plan, the mandate of the institution and priorities of women, children and people with disabilities, provincial priorities (where applicable).**

The planned performance of the NGB over the five (5) year planning period intends to contribute towards the NDP Five-Year Implementation Plan, the Monitoring Framework for the NDP

Five Year Implementation Plan, the mandate of the institution and priorities of women, children and people with disabilities, provincial priorities by leveraging our strategic internal factors to address external strategic factors. Through access to national gambling information as well as authority to monitor gambling sector performance with respect to market share and market conduct, the NGB intends to contribute towards identifying competition and market structure issues for consideration in the drafting of new legislation, policies and regulations. Enhanced competition can be a catalyst for inclusive growth and economic transformation by encouraging participation and entry of SMMEs in the gambling industry. Research that is planned intends to address key gambling

## 7. INSTITUTIONAL PERFORMANCE INFORMATION CONTINUED

socio-economic issues with the aim of protecting punters against the overstimulation of the latent need to gamble and inform the gambling legislative and policy environment. Competition and market structure issues in the gambling industry are also important considerations in socio-economic assessments when reviewing existing or drafting new legislation and policy.

The NGBs capability to maintain National Registers allows for the promulgation of regulations for excluded persons. The NGB also has the ability to effectively monitor the LPM industry in real time and further has the opportunity of increasing monitoring capacity of all legal modes of gambling through extending the NCEMS thereby improving competitiveness through the use of ICT.

Through targeted public education and awareness interventions and programmes, the broader spectrum of society, which includes women, children and people with disabilities, would be reached. These interventions and programmes will contribute to the reduction of poverty through responsible gambling whereby punters will gamble for entertainment as opposed to seeing gambling as a form of income generation. Targeted interventions and programmes will empower punters to gamble responsibly and make informed financial decisions regarding gambling.

Uniformity of legislation in the gambling industry is channeled to harmonising norms and standards within the industry so as to create an enabling environment in which investment in the industry can be accelerated and the ease of business be improved.

The current structure of the gambling industry is not reflective of an industry that is representative of the governmental transformation agenda. Changing the structure of the industry would result in it being more inclusive, sustainable, achieving appropriate sectoral balance with opportunities for all, integrated value-chains and less barriers to entry. To promote the economic transformation and job creation as one of government's growth reforms, a fundamental building block for sustainable long run growth as outlined by the National Treasury in its Economic Transformation, Inclusive Growth and Competitiveness Paper is lowering barriers to entry and addressing distorted patterns of ownership through increased competition and SMME growth. The NGB intends to develop a transformation agenda as an intervention to lowering barriers to entry for HDIs in the mainstream gambling industry. This can be facilitated through a review of the gambling licensing regime in order to ensure that more HDIs can be granted licences to operate and the cost of compliance by smaller businesses

is reduced. The transformation imperatives are addressed through the economic benefit derived from the gambling industry such as employment, infrastructure development, enhancement of service delivery through government revenue collection.

Fair, equitable, transparent, cost-effective and competitive supply chain management processes create opportunities for previously disadvantaged people to participate in the economy of the country would be implemented. The NGB will continue to engage the services of B-BBEE compliant businesses in South Africa with the aim of advancing the development of black-owned small businesses.

To this end, the NGB will contract with small businesses to further enterprise and supplier development initiatives. The NGB strives to adhere to the letter and spirit of government's procurement policy with the ultimate goal of strengthened governance and compliance to address the imbalances of the past. Consequently, the NGB has set out to do business with companies that are at least 51% black-owned.

Efficient financial controls translate to savings within the organisation, enabling the NGB to contribute towards the national revenue fund.

Through the development of proposals towards conducting a market inquiry, the NGB intends to create an enabling environment that will increase competitiveness in the mainstream gambling industry.

### **The rationale for the choice of the outcome indicators relevant to the respective outcomes**

The rationale for the choice of the outcome indicators is in line with addressing ministerial priorities, to support improved industrial performance, dynamism and competitiveness of local companies and promote economic inclusion. The NGB seeks to achieve a functioning NCEMS that efficiently and effectively regulates the number of limited pay-out machines and devices registered; up to date knowledge on new and updated gaming technology as well as reporting on the number of compliant gambling machines and devices and excluded persons registered.

It will also be essential to ensure that national integrated data and information as well as thought leadership papers are developed, published and disseminated to the industry and regulators in order to effectively monitor socio-economic patterns of gambling activity within the republic so as to create a capable state that bases its policy decisions on evidence-based research.

## 7. INSTITUTIONAL PERFORMANCE INFORMATION CONTINUED

Through the harmonisation and uniformity of norms and standards and legislation in the gambling industry the NGB intends to improve the levels of fixed investment in the economy and this will be shown through authoritative advice on policy, statutory matters and legislation provided to the Minister.

Broad-based public education aims to have a responsible gambler who is aware and educated on the risks associated with gambling as well as the socio-economic impact thereof. The outcome indicator will be measured at the beginning of the period under review to set a scientific baseline through surveys/research to measure the level of punter understanding of the risks and socio-economic impact of gambling.

The rationale for the choice of the outcome indicators relevant to the respective outcomes are to ensure optimal utilisation of financial resources and assets, avoid deficits, signal compliance with relevant legislation, avoid irregular, fruitless and wasteful expenditure and to achieve unqualified audit opinions. This will place the entity in good stead to contribute towards the entity's desired impact.

The pursuit of a transformation agenda allows the NGB to shift focus from growth in and of itself but towards the form and nature of such growth insofar as creating an inclusive, fair, equitable and transparent gambling industry. Consideration of ownership by HDIs will be a priority.

### **Explanation of enablers to achieve the five-year targets**

The key enablers to achieve the five (5) year targets will be adequate financial resources, technology, and a skilled and capable workforce that has up-to-date capabilities aligned to the gambling industry.

A functional NCEMS will ensure the effective monitoring of gambling machines and devices, registered and excluded persons. Continued allocation of financial resources towards research will also enable the organisation to achieve five (5) year targets of publications on gambling.

Adequate financial resources will enable the wide reach of stakeholders across the country through various modes of communication tools and platforms.

The adoption of the NGB's proposals towards the institution of a market inquiry into the gambling industry by the Competition Commission will enable the NGB to achieve its five (5) year target of identification of possible features that stifle competition.

### **Explanation of the outcomes contribution to the achievement of the impact**

Through monitored socio-economic patterns of gambling activity within the republic and informed policy and legislative development the outcomes will establish trends regarding addictive and compulsive gambling behaviour with the aim of recommending appropriate mitigation strategies aimed at protecting punters from over-stimulation.

The gambling sector performance trend analysis enables the NGB to monitor the viability and economic value derived from the gambling industry, which translates into government revenue, job creation and investment in infrastructure. Strengthened regulatory oversight over technological advancements and maintaining the functional national registers will ensure that new complex gaming products and technologies do not serve as catalysts for overstimulation, compulsive and addictive gambling behaviour whilst ensuring that adequate economic value is derived from the gambling industry value chain.

The economic transformation agenda seeks to impact on the increased economic participation and ownership of HDIs in the gambling industry. The barriers to entry would have been minimised to enable ease of access.

In addition, the contribution of the outcomes will be measured through a research study to assess the effect of punter protection through the demonstration of an educated, aware and responsible gambler.

## 7. INSTITUTIONAL PERFORMANCE INFORMATION CONTINUED

Outcome	Key Risk	Risk Mitigation
Broad-based public education	<ul style="list-style-type: none"> <li>Ineffective punter protection that leads to problem gambling</li> <li>Emergence of problem gambling as a health issue</li> </ul>	<ul style="list-style-type: none"> <li>Provide continuous education and awareness interventions</li> </ul>
Effectively monitored Socio economic patterns of gambling activity within the Republic	<ul style="list-style-type: none"> <li>Incorrect and omitted gambling statistics presented to the NGB by PLAs</li> <li>Undetected unfair competition due to failure to monitor market share and market conduct</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing communication with PLAs</li> <li>Audit of gambling statistical information</li> <li>Trend analysis pertaining to growth in gambling sectors, licensing and ownership</li> </ul>
Uniformity of legislation in the gambling industry	<ul style="list-style-type: none"> <li>Failure to provide advice to the Minister.</li> <li>Lack of cooperation and compliance by the PLAs</li> <li>Gaps in compliance due to concurrent competencies</li> </ul>	<ul style="list-style-type: none"> <li>Continuous advice provided to <b>the dtic</b></li> </ul>
Account for and identify all legal gambling machines, devices and owners, licensed juristic and natural persons and excluded persons	<ul style="list-style-type: none"> <li>No centralised gambling related information accessible to stakeholders</li> <li>Inability to place reliance on third party related gambling information</li> <li>Integrity of compliance oversight compromised</li> <li>Vulnerability of national registers to cyber attacks</li> <li>Integrity of data to make informed decisions</li> <li>Inability to access credible gambling related data</li> </ul>	<ul style="list-style-type: none"> <li>Registers are hosted in high availability data centre</li> <li>Continuous back up of data on registers</li> <li>Approved disaster recovery plan</li> <li>Verification of captured data</li> </ul>
Economic transformation and increased participation of HDIs in the mainstream gambling industry	<ul style="list-style-type: none"> <li>Failure of HDIs participating in the mainstream gambling industry due to existing high barriers to entry</li> <li>Failure of the gambling industry to meet economic development imperatives</li> <li>Failure by the industry to embrace the transformation agenda</li> </ul>	<ul style="list-style-type: none"> <li>Incorporate transformation agenda in the regulatory framework</li> <li>Set norms and standards</li> <li>Expand economic opportunities for HDIs in the mainstream gambling industry</li> </ul>
Increased competition in the mainstream gambling industry	<ul style="list-style-type: none"> <li>Competition Commission not approving proposal to conduct market inquiry</li> </ul>	<ul style="list-style-type: none"> <li>Referral of the proposal to the Minister</li> </ul>

## 8. KEY RISKS

The NGB is required by the PFMA to, amongst others:

- Maintain an **effective, efficient and transparent systems of financial and risk management and internal control** [(section 38(1)(a)(i));
- Maintain a **system of internal audit** under the control and direction of an audit committee [(section 38(1)(a)(ii));
- Maintain an **appropriate procurement system** [(section 38(1)(a)(iii));
- **Keep full and proper records** of the financial affairs of the entity [section 40(1)(a)];
- **Prepare financial statements** for each financial year in accordance with generally recognised accounting practice (GRAP) [section 40(1)(b)];
- **Submit annual financial statements** within two months after the end of the financial year to the Auditor-General for auditing and to the National Treasury for enable them to prepare consolidated financial statements.

### 9.1 Expenditure Trends

The NGB derives its revenue from transfers from **the dtic**. Over and above the grant received, the NGB has received additional revenue from the NCEMs operator of R202 million during the 2018/2019 financial period, and anticipates to receive R210 million, R220.5 million, R229 million and R240.8 million during the 2019/20, 2020/21, 2021/22 and 2022/2023 financial periods respectively.

Revenue to be collected is based on an eight (8) year contract entered into with the NCEMs operator during the 2017/18 financial period, and is premised on 6% of monitoring fees collected from limited pay-out machines (LPMs) installed. There are currently approximately 13 000 LPMs installed in the country.

The revenue model is based on a sliding scale; i.e. the percentage of Gross Gambling Revenue decreases as the number of limited pay-out machines (LPMs) increases. The tariffs as per the sliding scale are legislated in terms of Schedule 2 of the National Gambling Regulations, 2004, and are as follows:

<b>NCEMS Monitoring Fees (based on Gross Gaming Revenue (GGR))</b>	
<b>Number of Machines</b>	<b>% GGR</b>
Up to 15000 Installed Limited Pay-Out Machines	6%
Up to 20000 Installed Limited Pay-Out Machines	5.61%
Up to 25000 Installed Limited Pay-Out Machines	5.21%
Up to 35000 Installed Limited Pay-Out Machines	4.42%
Up to 42000 Installed Limited Pay-Out Machines	3.87%
More than 42000 Installed Limited Pay-Out Machines	3.24%

Expenditure over the medium term is thus expected to increase from R223 million in 2018/19 to R249 million, R263 million, R273 million and R288 million in 2019/20, 2020/21, 2021/22 and 2022/23 respectively, driven by costs associated with the operations of the NCEMS.

The NGB's strategic focus over the next five-year period is mainly based on the provisions provided in the NGA, in order to control, regulate and monitor gambling whilst preventing and minimising its harm. NGB's strategic priorities for 2020 – 2025 include:

- Enforce Compliance;
- Gaming Control and Research;
- Enhance Stakeholder Engagement Services; and
- Optimise Organisational Excellence.

The NGB will continue to focus on its mandate to, inter alia, conduct continuous oversight over PLAs on their compliance with the NGA and provincial legislation and provide a broad-based public education programme about the risks and socio-economic impact of gambling. Specific emphasis will be placed on the combatting of illegal gambling by means of strengthening collaboration with PLAs and law enforcement agencies in combatting all forms of illegal gambling. The NGB will also strive to ensure that there is strengthened regulatory oversight over gambling activities and the gambling industry, functional national registers are maintained and research to inform gambling policy and legislative reform is conducted. In addition, the NGB will continue with the monitoring and reporting on gambling sector performance (national gambling statistics, market conduct and market share). From an industry perspective, the NGB has also been observing slow industry transformation regarding compliance with Broad-Based Black Economic Empowerment (B-BBEE). While licensed operators may be B-BBEE compliant due to such compliance being part of license application requirements, there is a distinction to be made between black empowerment through control, and black empowerment through equity. Transformation in the form of equity transfer remains a challenge, and this is an area of specific focus for the NGB over the next five-year period.

## 9. FINANCIAL PLAN

R Thousand	AUDITED OUTCOME			BUDGET ESTIMATE					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Revenue</b>									
<b>Entity revenue</b>	<b>19 156</b>	<b>70 915</b>	<b>209 475</b>	<b>217 811</b>	<b>229 005</b>	<b>239 448</b>	<b>251 370</b>	<b>258 594</b>	<b>268 991</b>
Entity revenue other than sales	19 156	70 915	209 475	217 811	229 005	239 448	251 370	258 594	268 991
Interest	2 473	2 884	3 018	3 150	3 465	5 088	5 342	5 342	5 609
Unclassified revenue	16 683	68 031	206 457	214 661	225 540	234 360	246 028	253 252	263 382
Realisation of deferred income (other than transfers)	–	–	–	–	–	–	–	–	–
National Central Electronic Monitoring System	10 000	63 694	202 034	210 000	220 500	229 320	240 786	248 010	257 930
Other income	6 683	4 337	4 423	4 661	5 040	5 040	5 242	5 242	5 452
<b>Transfers received</b>	<b>30 121</b>	<b>31 627</b>	<b>32 624</b>	<b>33 797</b>	<b>35 639</b>	<b>37 599</b>	<b>39 404</b>	<b>41 295</b>	<b>43 277</b>
National government	30 121	31 627	32 624	33 797	35 639	37 599	39 404	41 295	43 277
<b>Total revenue</b>	<b>49 277</b>	<b>102 542</b>	<b>242 099</b>	<b>251 608</b>	<b>264 644</b>	<b>277 047</b>	<b>290 774</b>	<b>299 889</b>	<b>312 268</b>
<b>Expenditure</b>									
<b>Current payments</b>	<b>36 683</b>	<b>86 524</b>	<b>220 629</b>	<b>246 579</b>	<b>260 638</b>	<b>271 140</b>	<b>285 728</b>	<b>295 337</b>	<b>308 798</b>
<b>Compensation of employees</b>	<b>15 799</b>	<b>16 190</b>	<b>25 390</b>	<b>41 468</b>	<b>44 883</b>	<b>48 448</b>	<b>52 105</b>	<b>56 055</b>	<b>60 319</b>
Salaries and wages	15 230	16 669	24 663	40 214	43 556	47 039	50 608	54 461	58 623
Social contributions	569	568	727	1 254	1 327	1 409	1 497	1 594	1 696
<b>Goods and services</b>	<b>20 884</b>	<b>70 334</b>	<b>195 239</b>	<b>205 111</b>	<b>215 755</b>	<b>222 692</b>	<b>233 623</b>	<b>239 282</b>	<b>248 479</b>
<b>Agency and support/outsourced services</b>									
Communication	1 279	751	3 739	3 844	3 762	3 762	3 762	3 762	3 762
Computer services	681	292	680	710	286	287	287	287	287
Consultants	5 724	53 432	172 650	180 813	187 677	195 134	204 689	210 709	218 976
Inventory	55	67	132	180	180	180	180	180	180
Lease payments	6 137	8 187	7 564	8 400	9 240	10 164	11 180	11 180	12 074
Repairs and maintenance	59	141	207	137	137	137	137	137	137
Research and development	1 789	1 698	74	1 492	4 000	3 000	3 000	3 000	3 000
Training and staff development	87	93	3 000	1 200	1 010	810	810	810	810
Travel and subsistence	907	1 239	6 151	4 421	5 668	5 410	5 410	5 410	5 410
Other	4 166	4 434	1 042	3 914	3 795	3 808	4 168	3 807	3 843
<b>Depreciation</b>	<b>2 183</b>	<b>2 336</b>	<b>2 587</b>	<b>2 672</b>	<b>2 672</b>	<b>2 671</b>	<b>2 672</b>	<b>2 672</b>	<b>2 672</b>
<b>Total Expenditure</b>	<b>38 866</b>	<b>88 860</b>	<b>223 216</b>	<b>249 251</b>	<b>263 310</b>	<b>273 811</b>	<b>288 400</b>	<b>298 009</b>	<b>311 470</b>
<b>Surplus/(Deficit)</b>	<b>10 411</b>	<b>13 682</b>	<b>18 883</b>	<b>2 357</b>	<b>1 334</b>	<b>3 236</b>	<b>2 374</b>	<b>1 880</b>	<b>798</b>

## 9. FINANCIAL PLAN CONTINUED

### 9.2 Asset and liability management

Assets are managed through internal policies, which are approved by the Accounting Authority and applied to protect the assets and ensure procedural processes are applied when assets are acquired, disposed of, or donated. Non-current assets have been insured with a reputable registered insurer.

### 9.3 Cash flow projections

The cash flow projections below reflect the projected income to be received over the MTEF period.

R Thousand	AUDITED OUTCOME			BUDGET ESTIMATE					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Cash Flow Description</b>									
<b>Cash receipts from stakeholders</b>	<b>49 080</b>	<b>82 417</b>	<b>241 644</b>	<b>251 608</b>	<b>264 644</b>	<b>277 046</b>	<b>290 774</b>	<b>299 889</b>	<b>312 268</b>
Tax receipts	–	–	–	–	–	–	–	–	–
Sales of goods and services other than capital assets	2 036	2 214	2 277	4 661	5 040	5 040	5 242	5 242	5 452
Transfers received	30 121	31 627	32 624	33 797	35 639	37 599	39 404	41 295	43 277
Fines, penalties and forfeits	–	–	–	–	–	–	–	–	–
Interest and rent on land	2 473	2 862	2 993	3 150	3 465	5 087	5 342	5 342	5 609
Rent on land	–	–	–	–	–	–	–	–	–
Unclassified revenue	14 450	45 714	203 750	210 000	220 500	229 320	240 786	248 010	257 930
<b>Cash paid to stakeholders</b>	<b>40 444</b>	<b>80 731</b>	<b>236 289</b>	<b>249 251</b>	<b>263 310</b>	<b>273 811</b>	<b>288 039</b>	<b>298 009</b>	<b>311 470</b>
Current payments	40 444	80 731	236 289	249 251	263 310	273 811	288 039	298 009	311 470
Compensation of employees	18 226	19 407	31 882	41 468	44 882	48 447	52 105	56 055	60 319
Goods and services	22 218	61 324	204 407	207 783	218 428	225 364	235 934	241 954	251 151
<b>Cash flow from operating activities</b>	<b>8 636</b>	<b>1 686</b>	<b>5 355</b>	<b>2 357</b>	<b>1 334</b>	<b>3 235</b>	<b>2 735</b>	<b>1 880</b>	<b>798</b>
<b>Cash flow from investing activities</b>	<b>(1 033)</b>	<b>(4 336)</b>	<b>(2 826)</b>	<b>(1 410)</b>	<b>(360)</b>	<b>(360)</b>	<b>(360)</b>	<b>(360)</b>	<b>(360)</b>
<b>Cash flow from financing activities</b>	<b>505</b>	<b>(893)</b>	<b>405</b>	<b>428</b>	<b>451</b>	<b>476</b>	<b>476</b>	<b>476</b>	<b>502</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8 108</b>	<b>(3 543)</b>	<b>2 934</b>	<b>1 375</b>	<b>1 425</b>	<b>3 351</b>	<b>2 851</b>	<b>1 996</b>	<b>940</b>

The NGB has made a conservative cash projection based on the budget allocation. These projections have factored in projected revenue that is anticipated to be realised from the NCEMS project. This has resulted in the NGB having sufficient cash resources to sustain itself over the MTEF period.

### 9.4 Capital expenditure programmes

Capital expenditure projects for the medium term will be limited to the replacement of computers as they reach the end of their useful lives.

### 9.5 Dividend policies

The NGB is a Schedule 3A public entity established in terms of the National Gambling Act. The organisation is funded from grant allocations from the dtic. The dividend policy does not apply to the NGB.

# PART D: TECHNICAL INDICATOR DESCRIPTION (TID)



## TECHNICAL INDICATOR DESCRIPTION (TID)

#	Indicator title	TID 1 Publish and disseminate national integrated data and trend analysis to the gambling industry and regulators
1.	Definition	Gambling sector performance reports about market share and market conduct in the gambling industry
2.	Source of data	Information submitted by PLAs as required quarterly and annually
3.	Method of calculation/assessment	One publication per year (five publications over the five year reporting period)
4.	Assumptions	PLAs submit valid, accurate and complete data timeously as and when required by the NGB for purposes of reporting
5.	Disaggregation of beneficiaries (where applicable)	N/A
6.	Spatial transformation (where applicable)	N/A
7.	Reporting cycle	Annually
8..	Desired performance	Fully compliant with targeted performance
9.	Indicator responsibility	Chief Strategic Adviser

#	Indicator title	TID 2 Authoritative advice on policy, statutory matters and legislation is provided to the Minister
1.	Definition	Authoritative advice on, inter alia, policy, statutory matters, legislation and reforms provided in terms of S65(2) of the NGA
2.	Source of data	Legislation in the Republic of South Africa, the Constitution, the NGA and Regulations, requests for advice, proactive advice, King IV on governance and provincial legislation
3.	Method of calculation/assessment	One advisory report per year (five reports over the five year reporting period)
4.	Assumptions	Advice provided will be implemented and legislation and policies will be reviewed
5.	Disaggregation of beneficiaries (where applicable)	N/A
6.	Spatial transformation (where applicable)	N/A
7.	Reporting cycle	Annually
8..	Desired performance	Advice to be fit for use and to add value
9.	Indicator responsibility	Chief Strategic Adviser

## TECHNICAL INDICATOR DESCRIPTION (TID) CONTINUED

#	Indicator title	<b>TID 3</b> Percentage variance of uptime on the systems
1.	Definition	Integrated information portal to access gambling related information
2.	Source of data	PLAs, manufacturers and licensees
3.	Method of calculation/assessment	Simple count Analysis of data in relation to gambling machines and devices, probity, and excluded persons. Percentage variance to remain within a 5% uptime on the systems. Cumulative
4.	Assumptions	Availability of valid, accurate and complete data uploaded for licenced gambling machines and devices or excluded persons as and when required by the NGB for purposes of monitoring, evaluation and reporting
5.	Disaggregation of beneficiaries (where applicable)	N/A
6.	Spatial transformation (where applicable)	N/A
7.	Reporting cycle	Annually
8..	Desired performance	Fully compliant with targeted performance
9.	Indicator responsibility	Chief Strategic Adviser

#	Indicator title	<b>TID 4</b> Percentage implementation of the broad-based public education programme
1.	Definition	Report on the number of broad-based public educational interventions about the risks and socio-economic impact of gambling conducted
2.	Source of data	Research, public awareness, education and responsible gambling campaigns, broad-based public education and targeted interventions
3.	Method of calculation/assessment	Percentage implementation of the broad-based public educational interventions about the risks and socio-economic impact of gambling conducted over the 5 years. (Year 1 – 20%; Year 2 – 20%; Year 3 – 20%; Year 4 – 20%; Year 5 – 20% which totals 100% over 5 years)
4.	Assumptions	All stakeholders will participate in the scheduled interventions
5.	Disaggregation of beneficiaries (where applicable)	N/A
6.	Spatial transformation (where applicable)	N/A
7.	Reporting cycle	Annually
8..	Desired performance	Stakeholders that are well informed and educated through targeted interventions
9.	Indicator responsibility	Chief Operations Officer

## TECHNICAL INDICATOR DESCRIPTION (TID)

#	Indicator title	TID 5 Development of an industry-wide transformation agenda
1.	Definition	Research reports on transformation
2.	Source of data	Government policy, legislation, research empirical evidence
3.	Method of calculation/assessment	One report per year (five reports over the five year reporting period) on industry-wide transformation agenda
4.	Assumptions	<ul style="list-style-type: none"> <li>Implementation of the transformation agenda will create an enabling environment for the gambling industry to grow</li> <li>Implementation of the transformation agenda will expand small business sector</li> <li>Equitable and inclusive gambling industry</li> </ul>
5.	Disaggregation of beneficiaries (where applicable)	N/A
6.	Spatial transformation (where applicable)	N/A
7.	Reporting cycle	Annually
8..	Desired performance	Fully compliant with targeted performance
9.	Indicator responsibility	Chief Strategic Adviser

#	Indicator title	TID 6 Development of a business case for a market inquiry
1.	Definition	Market inquiry business case developed
2.	Source of data	Government policy, legislation, research empirical evidence
3.	Method of calculation/assessment	One report per year (five reports over the five year reporting period) on identification of possible features that stifle competition
4.	Assumptions	<ul style="list-style-type: none"> <li>Implementation of the identification of possible features that stifle competition will create an enabling environment for the gambling industry to grow</li> <li>Approval by Competition Commission of the proposal to conduct a market inquiry</li> </ul>
5.	Disaggregation of beneficiaries (where applicable)	N/A
6.	Spatial transformation (where applicable)	N/A
7.	Reporting cycle	Annually
8..	Desired performance	Fully compliant with targeted performance
9.	Indicator responsibility	Chief Strategic Adviser