



BUSINESS TRUST

PROGRESS REPORT

YEAR 2
4th Quarter
1 Apr to 30 June 2001

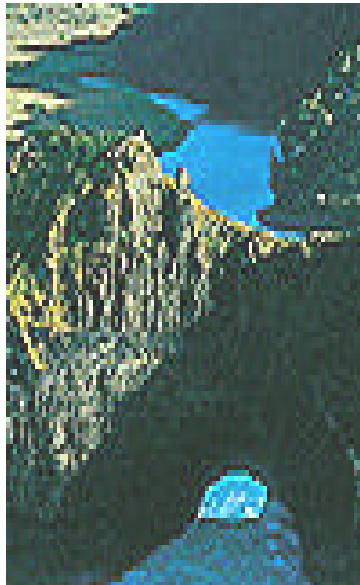


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The Business Trust

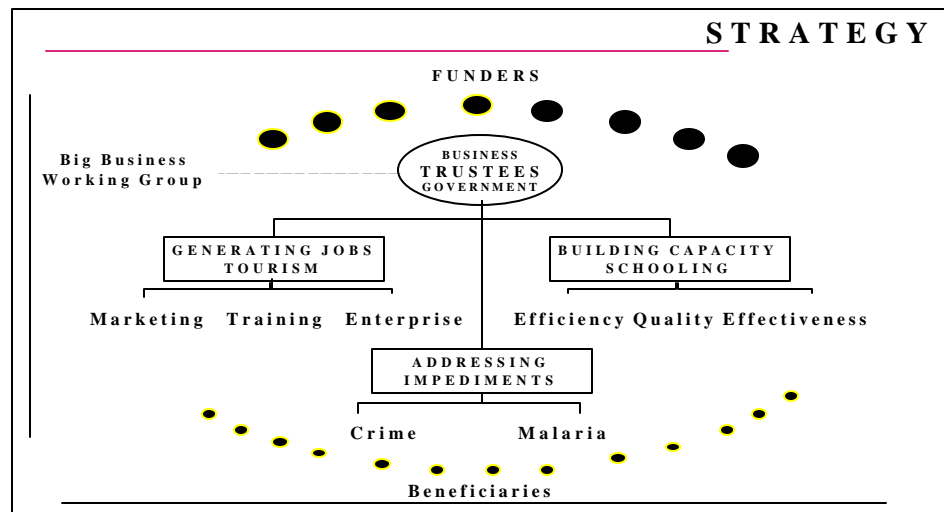
Key features

The Trust

The Business Trust is an initiative of companies in South Africa working in partnership with government. It undertakes targeted job creation and capacity building programmes, while the economy is put on a growth path that will provide sustained improvements in the lives of the majority of South Africans.

Strategy

The strategy is to focus on tourism for job creation and schooling for capacity building. It is underpinned by support for programmes that address critical impediments to job creation in the tourism sector: crime and malaria. A parallel consultative body has been established to assist business Government interaction on national issues.



An equitable contribution

Companies committed to South Africa become funding partners by contributing 0.15% of the company's total market capitalisation or 2% of after-tax earnings in the case of companies not listed on the JSE.

An extra ordinary effort

The contribution to the Business Trust is intended to be over and above the normal social responsibility funding of private companies.

In a letter to funders President Mbeki put it like this:

"I would personally appreciate it deeply if you were able to lend the support of your company to this initiative. The times demand extra ordinary initiatives and actions from us all. If what I have proposed is unusual, please consider it precisely because it is unusual" Thabo Mbeki

Doing together what we cant do on our own

The Business Trust is structured to enable companies to do together what they can't do on their own.

1. To **demonstrate corporate commitment** to the development of South Africa. A targeted communications campaign is designed to demonstrate the business contribution and the value of the business / government partnership.
2. To forge a **strategic alliance** with the government in order to achieve agreed national objectives. To achieve this the President's Big Business Working Group has been established which is chaired by President Mbeki. It includes the key finance and economic ministries and the heads of South Africa's major corporations. Structured relationships have also been struck with the Departments of Environmental Affairs and Tourism, Education and the Safety and Security.
3. To achieve **identifiable impact** by undertaking programmes synchronised with national priorities at a scale that will have a noticeable impact. The Trust has limited itself to three major programmes in tourism, three in the schooling area and three on the key impediments of crime and malaria.
4. To provide **integrated management** organized to produce targeted results within a defined time frame at a cost of less than 5% of the value of contracted funds
5. To benefit from **Joint business / government oversight** by a high level board of directors which includes heads of major corporations and five cabinet ministers.

The Second Year

Results

The results achieved in the first twenty four months include the following:

- R888 million of the targeted R1bn has been secured
- 100% of the funds pledged for payment in the second year had been received by the end of the year.
- Business plans worth R1.6 billion have been approved for implementation with co-funding mainly from government
- A set of schooling programmes incorporating over a million pupils, 15000 teachers and 1500 schools in all nine provinces has been launched. These will improve reading ability by 2 years and writing ability by 4 years for a million primary school pupils and produce a 10% improvement in Mathematics and Science results for 400 000 high school pupils.
- A tourism marketing campaign has been launched in the USA and Europe, which in its first year was seen by 60 million people. This is backed by a training programme that will improve the skills of 15000 people in the tourism sector and an enterprise support programme which in its first year assisted 100 small firms and supported 1877 jobs. Over 1000 firms will benefit by the end of the programme.
- A programme to support the integration of the justice system has been supported which has demonstrated, among other things, a 40% reduction in waiting trial time for prisoners.
- The President's Big Business Working Group has met on a number of occasions and agreed on a framework for the encouragement of fixed investment and held high-level discussions on issues such as Zimbabwe and Land Reform.

Audit report

A copy of the audited financial statements is available on the Business Trust web site www.btrust.org.za

This report

The aim of this report is to provide concise information to funders and other stakeholders. It describes the results of the Business Trust at the end of the second operating year (30 June 2001). The results now being shown will ultimately improve the lives of two million beneficiaries.

Resources

Funds Mobilised

-
- Funds raised**
- 137 companies have committed R 824m to the business Trust over the five-year period to 30 June 2004.
 - Of that sum R478m had been received by the end of the second year.
 - 100% of funding pledged for year two had been received by the end of the year.
- R888m**
- R42m has been earned on funds invested, taking the total value of funds to R888m
 - Since the last report, Andersen (formerly Arthur Andersen) Bidvest, Grant Thornton Kessel Feinstein, and Metropolitan Life, agreed to become funding partners.
-

Total project funding

The projects approved by the trust have attracted additional funding, mainly from government sources to a value of R800m over the five-year period. Added to the R830m approved by the Trust this takes the total value of projects supported to R1,6bn

R1,6bn

Programme portfolio

Business plans approved

Funds reserved for business plans approved to date amount to R832,8m.. A further R 70m is under consideration for approval depending on the availability of funds.

R829,3m

The table below shows the five year programme portfolio.

Business plans approved	Year 1		Year 2	
Education	388,440,000	49%	401,295,903	45%
Tourism	291,330,000	36%	341,753,753	38%
Crime & other	37,350,000	5%	64,570,780	7%
Management	29,880,000	4%	25,233,545	3%
Total	747,000,000		832,853,981	
Reserve	53,000,000	7%	55,161,004	6%
Forecast funds available	800,000,000	100%	888,014,985	100%

Contracts signed
R351m

The value of contracts signed increased from R351m to R 372m during the last quarter. Second year contracts were signed for The Tourism Enterprise Project and the School District Quality Improvement Programme. A short-term agreement to fund an investigation into land reform was also concluded.

Expanding job opportunities: Tourism

The tourism Programme

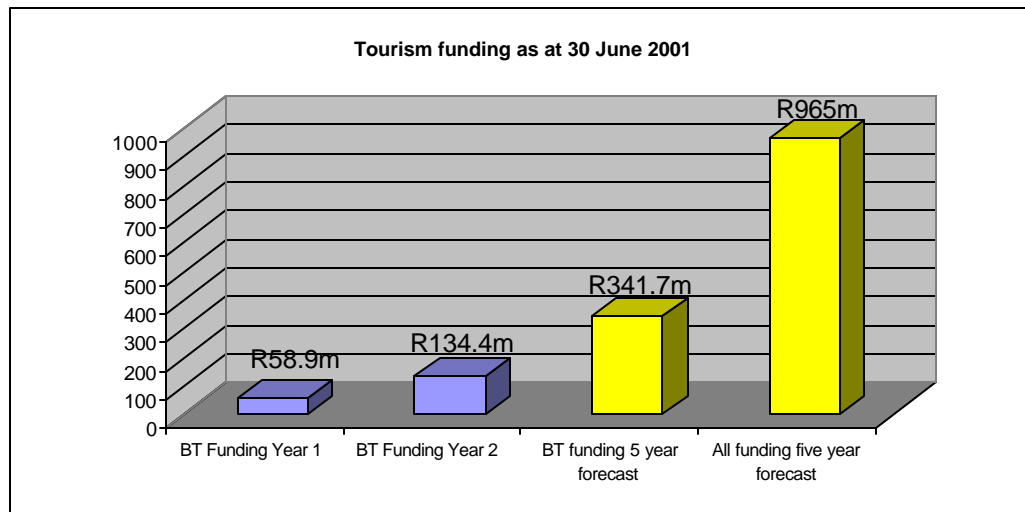
The tourism sector remains South Africa's best chance for immediate job creation. Despite difficult operating conditions, this sector is projected to sustain a million jobs by 2004. The Business Trust programme undertaken in partnership with the Government, aims to attract increasing numbers of tourists to South Africa (and encourage them to stay longer and spend more) It does that by supporting

- The international marketing programme
- The provision of training; and
- Development tourism related enterprises

Funding

Partnership funding trebled to R965m

The level of investment in tourism promotion by the business / government partnership has trebled since the start of the Trust. This is largely a result of substantially increased support for the international marketing of South Africa by the Department of Environmental Affairs and Tourism



Tourism Marketing

Programme

Partner: SA Tourism
Launched: Jan 2000
Co Funders DEAT
& TBCSA

The implementation of the marketing programme has required:

- The restructuring of SATourism
- The development of a marketing strategy
- The development of high quality marketing intelligence
- The creation of an marketing campaign
- The establishment of a means of measuring the impact of tourism on the economy
- The identification of a sustainable source of funding for tourism marketing

Results

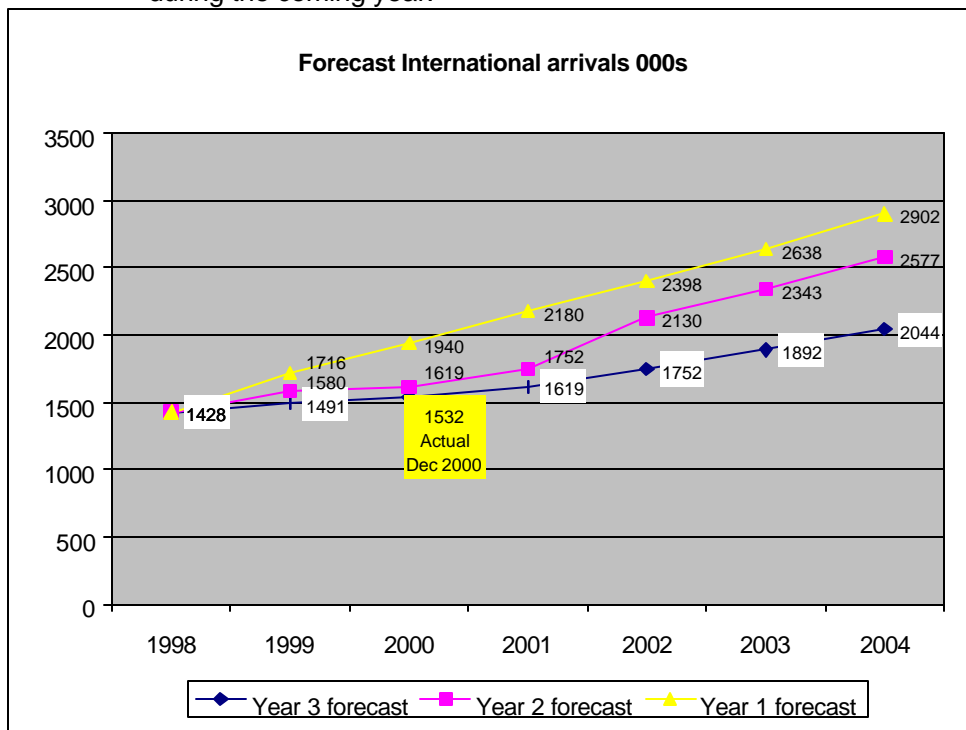
A start has been made to secure those requirements. In the process the following has been achieved:

- Tourism has been raised to the top of the SA agenda
- A marketing campaign was launched in the 6 key markets and seen by 60m people
- A segmentation study to secure market intelligence has been launched.
- A number of changes have been made to the structure of SA Tourism
- A departure tax has been implemented which, although not a dedicated tax, will facilitate sustained funding.
- The level of government investment has been increased from R150m over three years to R650m over five.

Forecast

A number of important challenges have been identified:

- The quality of information to guide decision making is generally poor
- Operating conditions remain difficult
- The target of attracting 800,000 additional international visitors, will take longer to achieve than originally estimated. The downward revision of forecasts by SA Tourism, as shown below. The impact of the substantially increased investment has, however still to be factored into the forecasts. This, together with the latest arrival figures and improved market intelligence will result in an updated forecast during the coming year.



Tourism Training

Programme

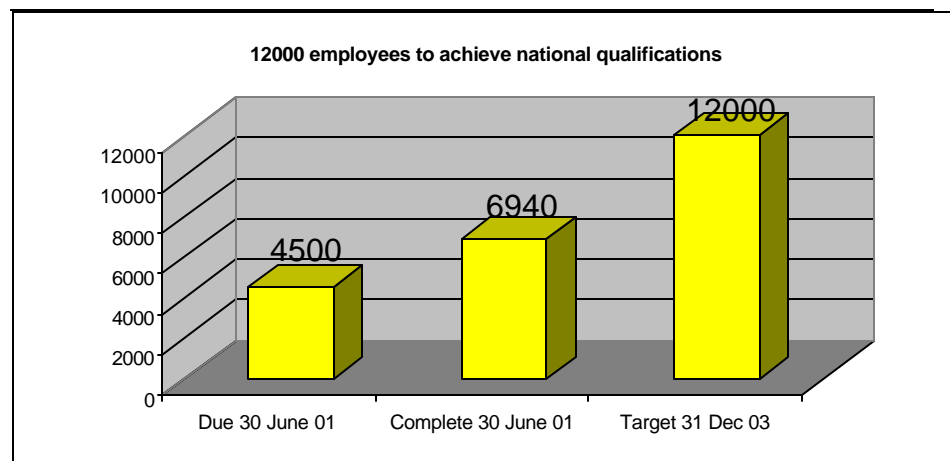
Partner: Tourism hospitality and sport education and training authority
Launched: Jan 2000
Co Funder: Dept Labour

The training programme is structured within the requirements of the skills development act. It is based on:

- **The development of accredited qualifications** (by establishing standard generating bodies (SGBs), the development of unit standards, the assembly of unit standards into qualifications and the registration of qualifications by the South African Qualifications authority)
- **The certification of the competence of skilled workers and the provision of training for the unemployed** (by assessing the competence of trainees against unit standards, the training of training providers, the provision of training where needed, the provision of relevant work place experience, the certification of the competence of those trained)

Results

- 25 National qualifications have now been registered with the SA Qualifications authority (In areas such as: Hospitality reception, cookery, gaming, conservation, retail travel and event management)
- 79 Training providers have been trained. This is behind the targeted 180 but THETA is confident that the target will be met by the end of the year.
- The regulations governing learnerships were gazetted on 26 June 2001 and the first 6 learnerships have been registered
- 6940 employees have achieved national qualifications, ahead of the targeted 4500 to date.



Challenges

The challenges that have emerged include:

- Ensuring that there are sufficient training providers of good quality to provide the required training
- Getting the qualifications registered by SAQA
- Securing learnership places in tourism firms. (500 pledges have been received in which companies undertake to provide learnership places.)
- Accelerating the training programme for the unemployed. This was delayed pending the gazetting of the regulations referred to above.

Enterprise support

Programme

Partner: Ebony consulting International
Launched: Jun 2000

The Tourism enterprise programmes supports firms in the tourism sector to conclude commercially viable transactions that will help create and maintain jobs. It helps firms to conclude transactions by

- identifying opportunities,
- raising capital,
- developing skills and
- providing technical assistance.

Linkages are forged between established and new; and large and small firms.

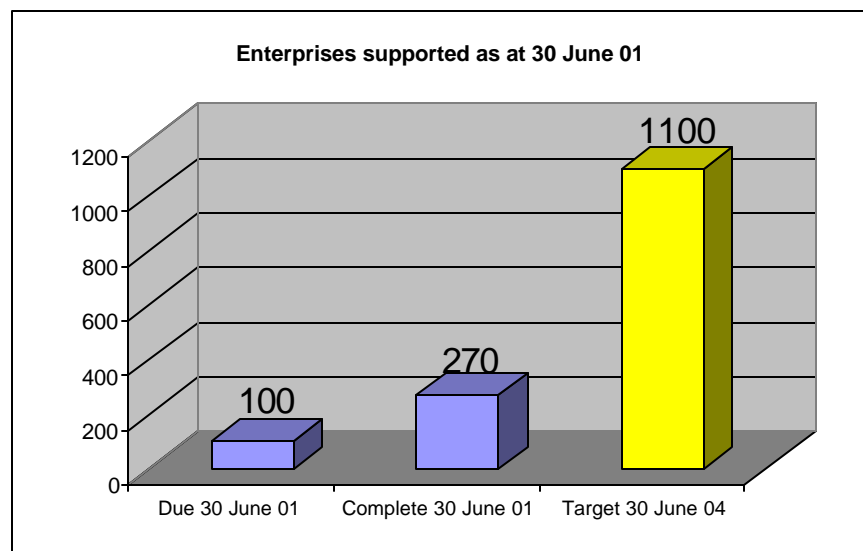
- Particular emphasis is placed on support for historically disadvantaged enterprises.

Results

In its first year the ECI project surpassed the set targets:

- 270 firms were assisted of which 99 were helped to conclude 190 transactions worth R36,7m.
- 80 of the firms assisted were historically disadvantaged and 37 of those were direct tourism operators.
- The transactions concluded provided 375000 person days of work. At 250 person days per year that equates to 1500 jobs.

The number of firms supported is set to grow 1100 by 2004 and the number of jobs supported to 5000.



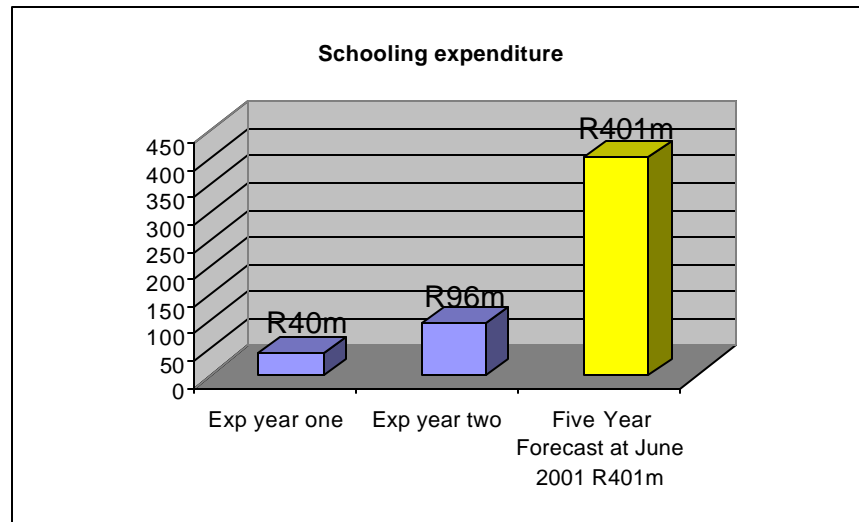
Building capacity through schooling

Contribution The Trust education projects have taken the business contribution from sporadic, pilot projects on the periphery of the system to large scale programmes integral to the process of system development.

- The primary school reading programme takes the business contribution to anew **scale** working with education departments in nine provinces and benefiting a million pupils
- The secondary school programme has developed a set of **system-wide** interventions at district, school and class-room level
- The further education programme focusing on technical colleges is directed at the reconstruction of an **entire education sub-system**

Funding

Expenditure doubled Expenditure on the Trusts schooling programmes more than doubled during the second year from R40m to R96m.



Improving efficiency at the primary level

Programme

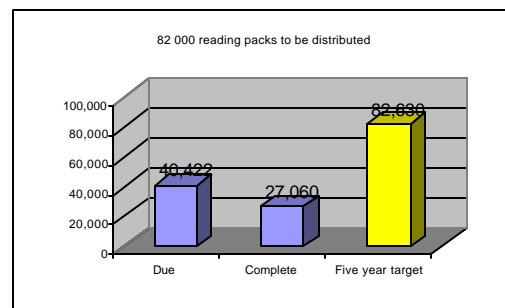
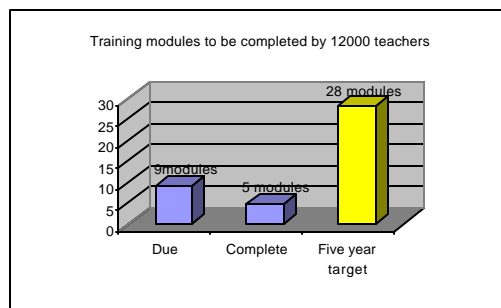
The attempt to improve the efficiency of the schooling system by reducing the repeater rate requires:

Partner: READ
Launched: Aug
1999

- Agreements with the education authorities on the manner in which the programme will be undertaken
- Agreement by the schools to participate in the programme.
- Ensuring that the minimum management and organisational capacity exists in schools to accept the programme.
- The training of trainers and mentors to implement the programme.
- The provision of improved reading materials to schools.
- Upgrading the skills of principals, leader teachers and teachers in the process of reading and writing improvement.
- The assessment of pupil learning gains.
- Measurement of the reductions in the repeater rate.

Progress

The graphs below show that 12000 teachers had completed 5 of the 9 training modules targeted for completion by June 2001 and that 27000 of the 40 000 reading packs targeted for distribution had been distributed. These timing differences will be made up during the next phase of implementation. The programme remains on track to achieve the planned results.



Challenges

Since the start of the programme the attempt to improve the efficiency of the schooling system has been supported by the introduction of government policy to reduce the number of times that pupils will be allowed to repeat in any three-year cycle.

This has required the READ programme to focus its attention on ensuring that the number of “natural” progressions is maximized, that is that once children progress from standard to standard they do so on the basis of their ability to handle the work and not because they are moved up according to the policy.

An important challenge for the programme remains that of ensuring that the improvements in reading and writing ability of the pupils translates into better pupil performance and realises the efficiency gains targeted for the project.

Improving quality at the secondary level

Programme

The secondary school programme is aimed at demonstrating system wide improvements in the performance of schools as organizations. This requires:

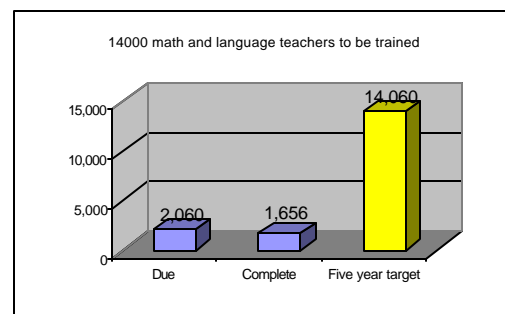
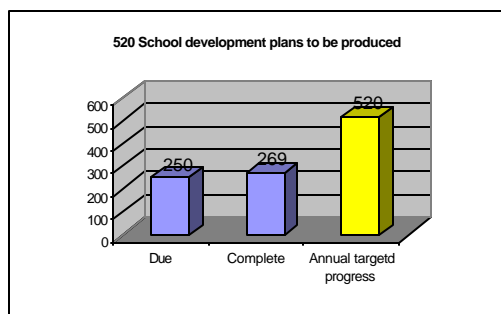
Partner: JET
Education services
Launched: Jan 2000

- Improved organisation and management at the district level.
- Improved organisation and management of schools.
- Improved teacher competence especially in maths and language.
- Improved measures for assessing pupil performance.
- Improvements in the performance of pupils in maths, language and in the final year exam.

Progress

To date:

- The programme has been launched in almost 500 schools in 18 districts in all nine provinces.
- Development plans have been produced for 269 schools
- Governing bodies and school management teams as well as maths and language teachers have been trained.
- The associated district level programme undertaken by Promat has had a successful first year in the attempt to demonstrate that intensive interaction at the district level can produce spontaneous improvements at other levels in the system.
- The training of math and language teachers has started



Baseline study

As part of the HSRC evaluation of the secondary school programme, a baseline study has been completed. It included 8453 learners, 445 teachers, 102 principals, 70 circuit managers and 18 district managers: It found:

- Very poor understanding of mathematics (mean score 20%)
- Overall pupil performance was below 35%
- 25 days are lost per year to teacher absenteeism

Improving effectiveness at the further education level.

Programme

The implementation of the programme to reform the technical college sector in South Africa so as to develop world-class technical colleges requires:

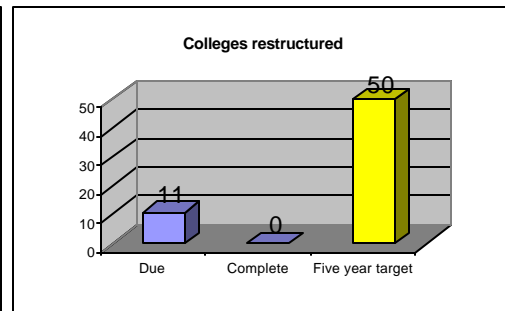
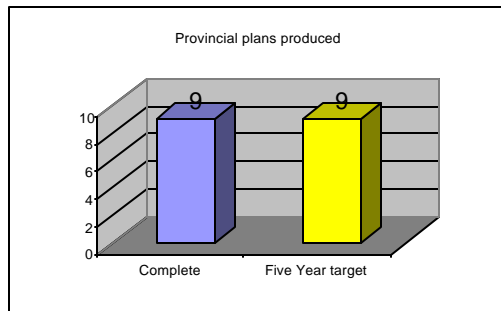
Partner: NBI
Colleges
collaboration fund
Launched: Jul 1999

- An analysis of the current situation in provinces and at the existing 152 technical colleges throughout the country.
- The development of a national plan for the reform of the technical college sector.
- The development of strategic plans for each province.
- The declaration of 50 new integrated colleges (down from the existing 152).
- The provision of support to those colleges to develop viable plans and structures.
- The training of councilors, managers and staff to operate the colleges as responsive organisations that are able to meet the needs of their students and industry.
- The improvement in the profile of technical colleges

Progress

To date

- the main achievement of the programme has been to undertake the first ever situational analysis of colleges in all nine provinces of South Africa and to secure agreement on an approach to the restructuring of the college sector.
- The Business Trust programme has helped to raise the profile of this sector and underscore its importance both within the education ministry and more broadly
- The merger process is behind schedule. The relationship between the project and the department of education is being restructured to improve performance.



Challenge

The central challenge for the project is to manage the process of providing technical assistance for the restructuring of an entire education sub system in a rapidly changing and complex context.

Addressing critical impediments to job creation

Reducing crime by integrating the justice system

Programme

The integration of the justice system is the cornerstone of the national crime prevention strategy. The South African Government has committed R1,2bn to integrate the functions of the police, courts, prisons and welfare. The Business Trust has agreed to fund the project office charged with managing the integration process, which is managed by Business Against Crime.

Partner: Business Against Crime

Launched: September 1999

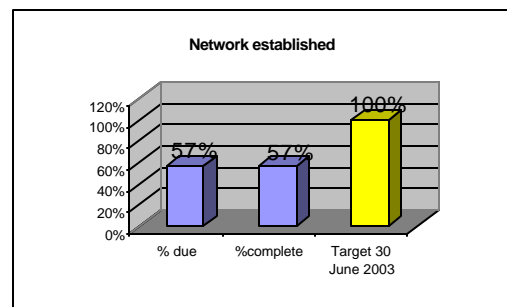
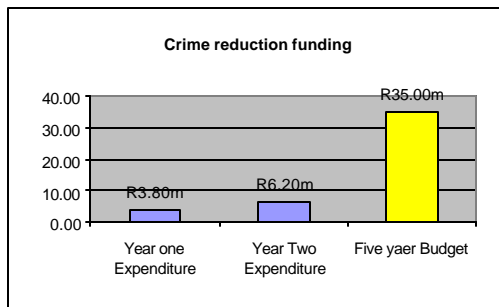
The key requirements for the implementation of the project are to:

- Establish an IT network that links the four departments
- Install a criminal identification system
- Develop a case flow management system
- Improve the operations of the courts

Progress

The graphs below show an increase in funding for the five year period from R29m to R35m as a result of the agreement to fund the CCTV surveillance system to control crime in inner city and highly trafficked tourist areas.

The structure of the programme was adjusted during the quarter. More realistic comparisons of actual and targeted progress will be available at the end of the current year.



Reducing tourism related crime

Programme

Partner: BAC
Surveillance
Launched:

At its meeting in March 2001, the Trust approved a plan to make the successfully piloted CCTV system available to businesses, local authorities and communities, especially in high profile tourist areas. The pilot project in Cape Town showed an 80% reduction in crime in the areas where the system is used.

During the last quarter the installation of 56 new cameras was completed in the Johannesburg city center, taking the number of cameras to 70'

The system was awarded an ISO 9001 certificate at the end of July 2001

Controlling malaria

Programme

Partner: Medical
research council

Partner Medical Research Council

Malaria is the primary impediment to the effective tourism development of the high potential Lubombo tourism area. It discourages investors and tourists and undermines the health and welfare of the local population. The Business Trust agreed to initiate a malaria control programme in Northern KwaZulu Natal, Swaziland and Mozambique with a concentrated programme in southern Mozambique. The work funded by the Trust in an amount of R5m has been successfully completed. The results are shown below.

Key results

The key result of this project has been to initiate a malaria control programme in the Lubombo tourism area.

- It found up to 90% infection in children under 15 in Southern Mozambique and that 45% of tourist cancellations are due to malaria
- It established the infrastructure to control malaria in Southern Mozambique
- Trained 55 spray personnel from the local community
- Sprayed 45000 dwellings (100% of the dwellings in the area contiguous to Northern Kwa Zulu Natal.
- The results of the initial spray programme were released during the last quarter. They showed a 20% reduction in the incidence of malaria in the area in which the programme operated.

Following the initiation of the programme by the Trust the Department of health has agreed to continue the programme at the level of R5m pa for three years. A further R20m will be required to achieve the objective of reducing infections to less than 40/1000 which will substantially improve the attractiveness of this area.

The Presidents Big Business Working Group

Briefing meetings

- The Business caucus of the Big business working group met during the quarter to discuss Business unity, Black economic empowerment, land reform and investment
- A joint meeting was held with the Black Business Caucus for a briefing by members of the Black Economic Empowerment Commission on the BEE report.

Comments & Further Information

Comments

If you would like to comment on the report or know of someone who should receive the report or if you would like a presentation of the results to company boards, management or staff, please contact: Brian Whittaker or Mdu Ndlovu at the numbers shown below.

Further information

Further information can be found on the web site www.btrust.org.za
Or by contacting
Brian Whittaker: Chief Operating officer: Brian@btrust.org.za
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 SUN INTERNATIONAL
 TENTE CASTORS SA (PTY) LTD
 THE FEDICS GROUP LIMITED
 THE HOLLARD INSURANCE COMPANY LIMITED
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