



BUSINESS TRUST
PROGRESS REPORT

YEAR 3
1st Quarter
1 July to 30 September 2001

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The start of the third year.

Key issues

As the Trust starts its third year of operation it moves toward the halfway mark of its intended five-year life span.

The key issues at this time are:

- The response to recent world events
- The approval of the third year strategy for the Trust
- A commitment to a mid term review

The Trust can report:

- Continued support of our funders
- Developing relationships with our partners in government and the agencies implementing the programmes approved by the Trust
- Improved performance of the programmes in difficult operating conditions

Recent world events

Key questions

The key areas of concern for the Business Trust, arising from recent world events are concerned with: the safety of our investments, the security of the funders' commitments to the Trust; and the impact on the Trusts programmes.

Investments

The Business Trust investments are structured so as not to expose the Trust to capital risk. The financial advisors were asked to report on the security of the investments and report as follows:

“The Business Trust is predominantly invested in cash with some short-term bond exposure. In hindsight, given the incident in the USA on the 11 September 2001, the asset structure was possibly the best position to be in.... The portfolio manager managed the portfolios around the incident bearing in mind their long-term views on the markets. The performances for September have been in line with the benchmarks, showing positive returns with no capital loss.”

Contributions The funding partners of the Business Trust have demonstrated serious commitment over the first two years. 100% of the companies electing to pay their contributions over a number of years honoured those undertakings for the second year.

While the JSE has shown a decline in value over the last year, the total market capitalization remains higher than it was on 30 November 1998, which was the original date for the calculation of contributions to the Business Trust. This is the case even after 11 September 01.

On balance, the September 11 events have not themselves had a direct impact on the confidence with which we are forecasting future contributions to the Trust. However these events together with continuing market volatility and especially corporate restructuring, indicate a need for careful monitoring.

Projects The tourism-marketing project is most directly affected by recent events. A reduction in tourist numbers, duration or spend could also have knock-on effects on the training and enterprise support programmes in the tourism sector.

SA Tourism moved quickly to respond to events in the USA. They have

- Assessed the global market
- Analysed the response of competitors
- Monitored the media (The TIMES reported " Travel to SA is expected to increase")
- Analysed airline capacity

The marketing strategy has been adjusted to:

- Reduce tactical advertising in The USA and Germany
- Increase the below the line focus with an emphasis on core messages about the safety and value of SA
- Optimize joint marketing arrangements with operators in the sector
- Encourage airlines to increase capacity to South Africa

Strategy for the third Year

Imperatives Job creation and capacity building remain central to the process of building a new society.

- South Africa cannot be globally competitive, consolidate democracy and reduce poverty and inequality with a large and growing portion of the population unemployed and therefore excluded from the material benefits of change.
- While the slowing of the world economy, regional instability and lower growth projections than hoped for, have made job creation and capacity building more difficult they remain imperatives for growth and development.

Primary conclusion

The main conclusion of the strategic review was that

- At the end of its second operating year, the Trust and Presidential big business working group have established an important platform for development that will bring about improvements in the lives of millions of South Africans.
 - In view of the fact that all but 5% of the over R850m committed to the trust has been allocated for the implementation of approved projects the priority of the Trust should be to remain focused on its current strategy and drive the projects to produce the targeted results. At the same time the Trust should be alert to opportunities that may arise and ensure the sustainability and effective communication of its work.
-

The strategic frame work

The strategic framework designed to produce tangible results while demonstrating the value of the business contribution and of the business / government partnership was confirmed.

It comprises:

- **Corporate funding** provided on a voluntary and equitable basis
- **Direction** provided by business and government trustees
- **A Focus** on Tourism, schooling and key impediments to job creation
 - In **tourism** supporting marketing, training and enterprise development;
 - In **Schooling** supporting improving efficiency at the primary level by reducing the repeater rate, improving quality at the secondary level by improving school performance, and effectiveness at the further education level by developing responsive technical colleges.
 - On **impediments** supporting interventions that address crime and malaria
- **Implementation** of a limited number of large scale programmes by strategic partners
- **Strategic and policy support** for the Presidents big business working group

Mid term review

Aim

The aim of the mid term review is to identify actions that can be taken now to enhance performance by the end of the Trust in June 2004

The questions

The key questions to be answered by a review are the following:

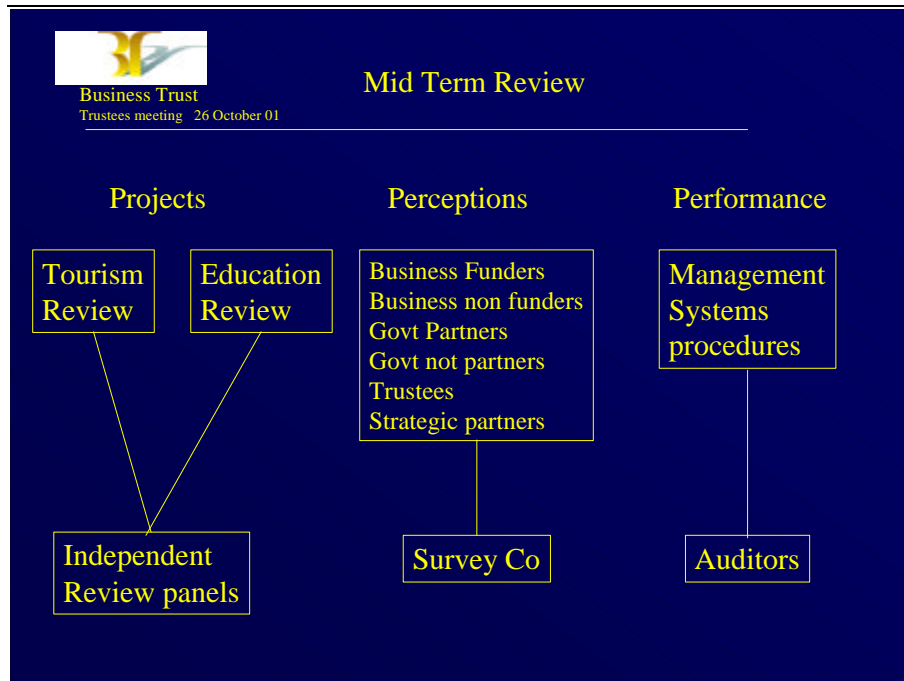
- How well are the projects performing?
- How important does government perceive this to be?
- Are the funders' expectations being met?
- Is the Trust being efficiently managed?

Project review panels Two **project review panels** will be established to review the performance of the education projects on the one hand and the tourism projects on the other. The panels will draw on government and business representatives as well as expert opinion.

Direct stakeholder interview An **independent agency** will be hired to interview Business Trust stake holders to determine the importance the government attaches to the initiative, whether funders expectations are being met and test perceptions on key components of the Trust.

Expanded management audit. An **expanded audit** will be conducted of the management and business processes.

The components of the review are shown below.



Expanding job opportunities: Tourism

The tourism programme

Strategy

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

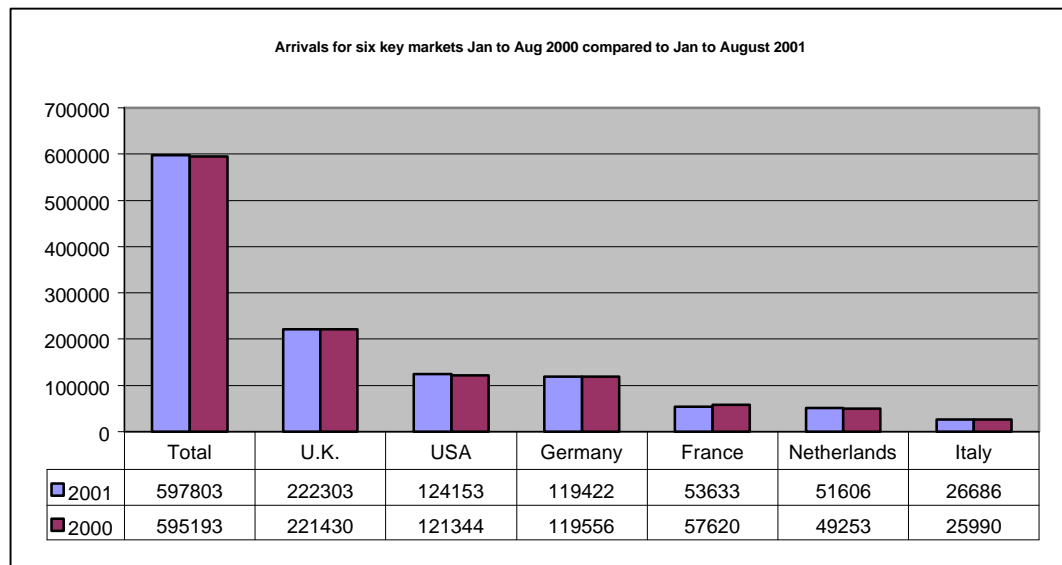
Tourism marketing holds its own under difficult conditions

Arrivals to the end of August 2001

South African Tourism has provided the trust with an analysis of total visitor arrivals for the period January to August 2001 and compared this with the same period for 2000. It shows an overall 4,3% growth for the eight month period after extracting the figures for Botswana, Lesotho and Swaziland. Travel from these countries has more to do with the economic integration of the region than with tourism.

Primary markets

The six key markets in which the joint international marketing campaign was conducted all showed some growth over the period, with the exception of France, as shown below.



Programme

Partner: SA Tourism
Launched: Jan 2000
Funding: R1bn over
5 years
Co Funders: DEAT
&TBCSA

The marketing campaign supported by the Trust is valued at R338m for the 2001 to 2002 year. It includes:

- An advertising campaign focusing on print, radio and TV. This was adjusted after September 11 as described earlier.
- Below the line support which during the last quarter included presentations at a major US conference for over 3000 journalists, meetings with German investors, a pan European workshop on SA tourism. In secondary markets this included promotional activity in major Indian cities
- A cooperative marketing campaign run with partners in the USA, UK and Europe.
- An intensive intelligence gathering exercise designed to give South Africa a competitive edge in an increasingly competitive market.

Companies pledge support for tourism training

Regulations

Following the publication of the regulations governing learnerships at the end of June, the way has been cleared for the full implementation of the learnership programme

Tourism companies

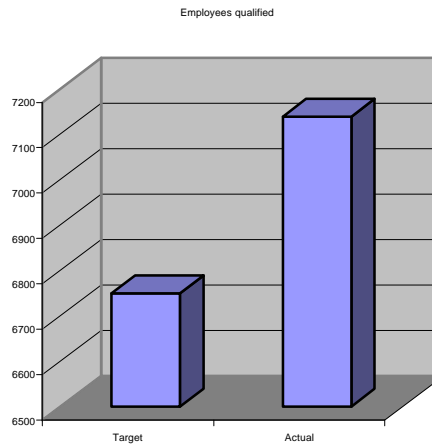
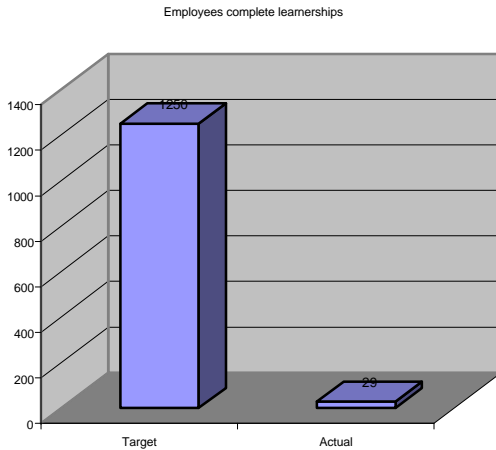
At an event at the historical Liliesleaf Farm the minister of environmental affairs and tourism exhorted companies to increase their commitment to training. At the same event co chairman of the Trust Dave Brink said that the funders of the Trust, most of whom are outside the tourism sector had gambled on the support of their colleagues in the tourism industry when they launched the Trust. He said that thorough commitment to training by tourism firm would be most encouraging.

To date tourism firms have pledged to train some 1000 people and thus help move the Trust to achieving its targets.

Programme

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

The programme is ahead of target on the number of employees who have been assessed to meet the requirements for registered qualifications. The number of those who require further training and register for learnerships is behind target. This is primarily a result of a delay in the finalisation of the regulations for the implementation of learnerships referred to above.



Enterprise programme forges Linkages

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

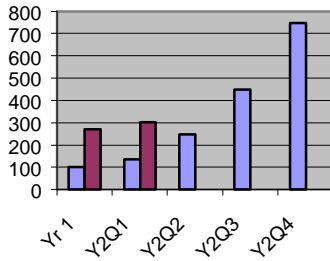
- identifying opportunities,
- raising capital,
- developing skills and
- providing technical assistance.

Linkages are forged between established and new; and large and small firms. Particular emphasis is placed on support for historically disadvantaged enterprises.

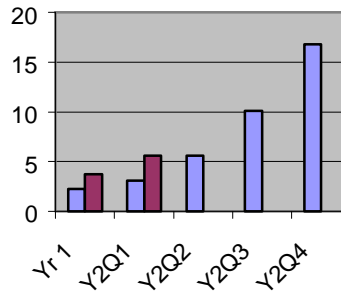
Key Indicators

The programme completed the first quarter of its second operating year on 30 September 2001. It remains ahead of target on the critical indicators of enterprises assisted, transactions facilitated and jobs supported.

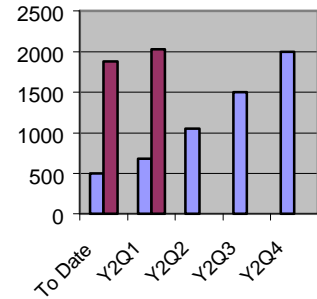
2000 Enterprises are to be assisted over 4 years



R450m transactions are targeted over 4 years



10000 Jobs to be supported over 4 years



Transactions

Over 300 firms have been assisted to date. Examples of transactions in progress include:

- The Modjadji development cultural village in the Northern province. The Tourism Enterprise Programme is providing training and marketing support to facilitate the effective management and marketing of the development which is being financed by DEAT and the IDC
- Bridging finance has been secured for Khumbula Zulu crafts
- Support has been provided to the department of environmental affairs and tourism to identify outsourcing opportunities

Building capacity through schooling

The schooling Programme

Strategy

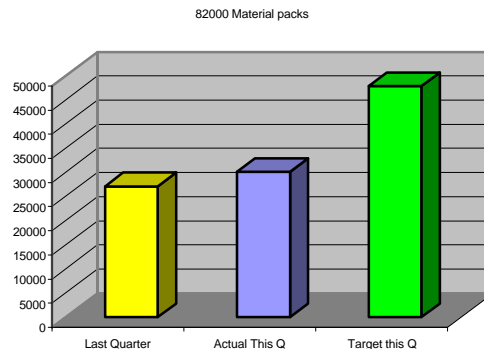
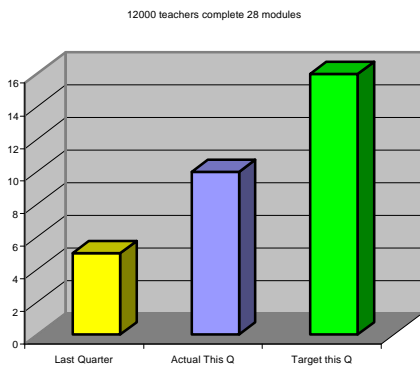
The Strategy is to

- Improve efficiency at the primary level by improving reading and writing and thereby reducing the repeater rate
- Improve quality at the secondary level by improving school performance through a system of programmes at district, school and classroom level
- And to improve effectiveness by improving the link between schooling and work through the development of world class technical colleges.

Primary school Learning for living contract renewed

Programme
Partner: READ
Launched: Aug
1999

The graphs below show that 12000 teachers had completed 10 (up from 5 last quarter) of the 16 training modules targeted for completion by September 2001 and that 30000 (up from 27000 last quarter) of the 48 000 reading packs targeted for distribution had been distributed. The programme remains on track to achieve the planned results.



Contract renewal

During the last quarter the READ contract for the third year of operation of the programme was renewed at R 40 944 693

The core elements of the plan for the third year are set out below

Project Management

- 55 trainers will be trained in 6 courses of 3 days each
 - 14 mentors trained in 5 courses of 3 days each and 4 planning meetings
- Regular meetings of the steering committee and with national, provincial and district departmental officials

<p>School and Teacher Development 946 principals will be trained in 6 courses</p> <ul style="list-style-type: none"> • 11 927 teachers in the foundation and intermediate phases will be trained in 5 courses of 3 days each and provided with related materials. • 957 leader teachers to be trained in 1 course of 4 days (residential) • 11 927 teachers will be supported through school visits following each of the five courses and assessed
<p>Resource Provision</p> <ul style="list-style-type: none"> • Various packages of class-room resources to 11 927 classes • Teachers handbooks for each collection of books supplied
<p>Evaluation</p> <ul style="list-style-type: none"> • First test results available • Continued development and refinement of assessment tools

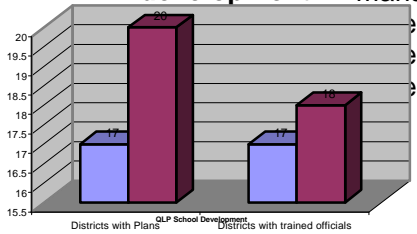
Secondary level Quality learning project achieves targeted results

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

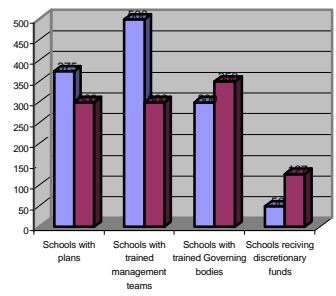
Partner: JET
Education services
Launched: Jan 2000

It completed its third quarter of the project second operating year during the quarter and began to show encouraging results against the targets set.

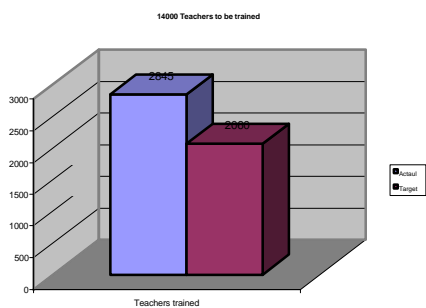
Districts development



The Quality learning project aims to improve district organization and management. The start of this process is the production of district development plans, which set the manner in which districts are to be developed to provide support to schools. 17 districts had produced development plans against the target of 20 by the end of the quarter.



At the school level, the targets were exceeded for the production of school plans and training of school management teams. The training of Governing bodies was slightly behind target at the end of the quarter. The first development grants were made to schools enabling them to implement the approved plans.



Teacher training

The training of teachers of maths and language moved ahead of target during the quarter. The importance of this programme was underscored by the HSRC evaluation. It found that the average score of over 3300 grade 9 learners assessed was 21,5%

Further education level service agreement signed

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

Service agreement

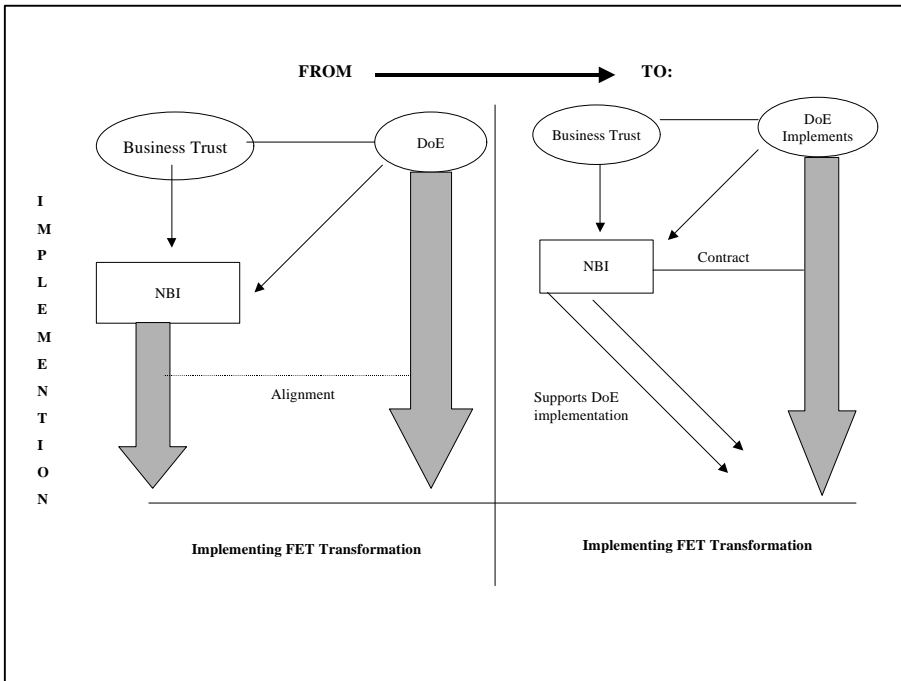
With the launch of the national plan for the establishment of a new institutional landscape for public further education and training colleges, the relationship of the Colleges Collaboration Fund to the department of education has been restructured on the basis of a service agreement. This includes

- Technical support to a mergers operations task team set up by the department of education
- The facilitation of the merger process for the colleges. 50 facilitators have been recruited for this purpose.
- The development of effective colleges through a process of organization, design, development and training

One of the primary objectives to establish 50 new colleges will be achieved in the first quarter of next year.

The task of helping them to become effective institutions will then begin in earnest.

The diagram below shows the development of the programme from one run in parallel with the departments programme to one integrated into and supporting that programme.



Addressing critical impediments to job creation

Integration of the justice system advanced

Programme

Partner: Business
Against Crime
Launched:
September 1999

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.

Progress

The project to integrate the justice system was advanced by the conclusion of a service agreement between Business Against Crime and the governments IJS user board:

- The establishment of the IT network that links the four departments was behind schedule during the quarter. This is receiving attention from the government cluster responsible for this work
- The criminal identification system has now converted some four million finger prints to electronic form
- The case flow management system continued to receive attention
- Three new court centers were opened taking the total of court centers to eight.

Malaria control programme cuts infections by 40%

Programme

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 programme reported a 40% reduction in malaria infections in this area where there is up to 90% infection in children under 15 years of age. The programme, which sprayed 45000 dwellings, was celebrated on roll back malaria day on 9 November at a meeting in Ingwavuma in northeast KwaZulu Natal. The meeting was attended by the ministers of health from South Africa, Swaziland and Mozambique. The work of the Business Trust to initiate this programme was acknowledged. A report on the programme can be found on the Business Trust web site.

The Presidents Big Business Working Group

Private sector investment on a rising trend

Briefing meetings At a November meeting of the Presidents big business working group a presentation was made indicating the extent of private and public sector investment

Private sector investment It was shown that private sector investment had been on a rising trend for almost ten years

- though interrupted by the emerging market crisis of 1997/98, private fixed investment has been on a rising trend since late 1993, and was more than 50% higher in real terms by mid-term 2001 than in the beginning of 1994
- private sector investment has never exceeded 12.4% of GDP - current levels of 11,5% are thus at the high end
- a higher investment rate will be supported by lower interest rates that will reduce the cost of capital. Government's decisive action on fiscal discipline and using privatisation proceeds to reduce government debt have contributed greatly to lower inflation and interest rates and must be commended

Public sector investment

Public sector investment has remained low by comparison

- Public sector investment is at the same level as in 1994 and at the lowest level in 21 years
- However, the President's policy statement in February 2001, this year's Budget and the recently announced medium-term Budget Policy Statement have all served to confirm Government's commitment to higher levels of public sector investment
- Urgent provision should be made for effective and innovative ways to improve Government's capacity to spend available funds for capital programmes

Increased investment

To lift investment to 25% of GDP from the current 15% it will be necessary to create an environment in which the perceived returns on investment compare more favourably with the perceived risks and where the constraints to investment can be overcome by liberalizing the economy to create new opportunities for private sector investment – both foreign and local.

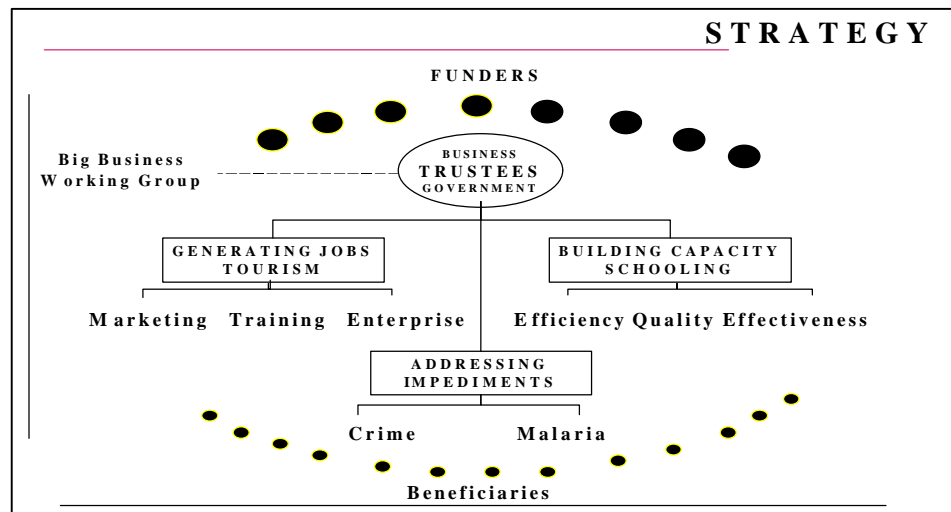
- In this regard support was expressed for the President's stated intentions to deregulate four critical sectors (telecommunications, electricity, ports and railways) to allow for bigger investment by the private sector
- To offset the decline in sunset industries and the overcapacity in many sectors of the economy, it was suggested that new areas should be opened up for private sector investment. This will entail persistence with the deregulation of sectors dominated by the public sector and the development of a more benign policy environment for public / private partnerships at local and provincial government levels.

Comments & Further Information

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 synchronized 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.



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
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