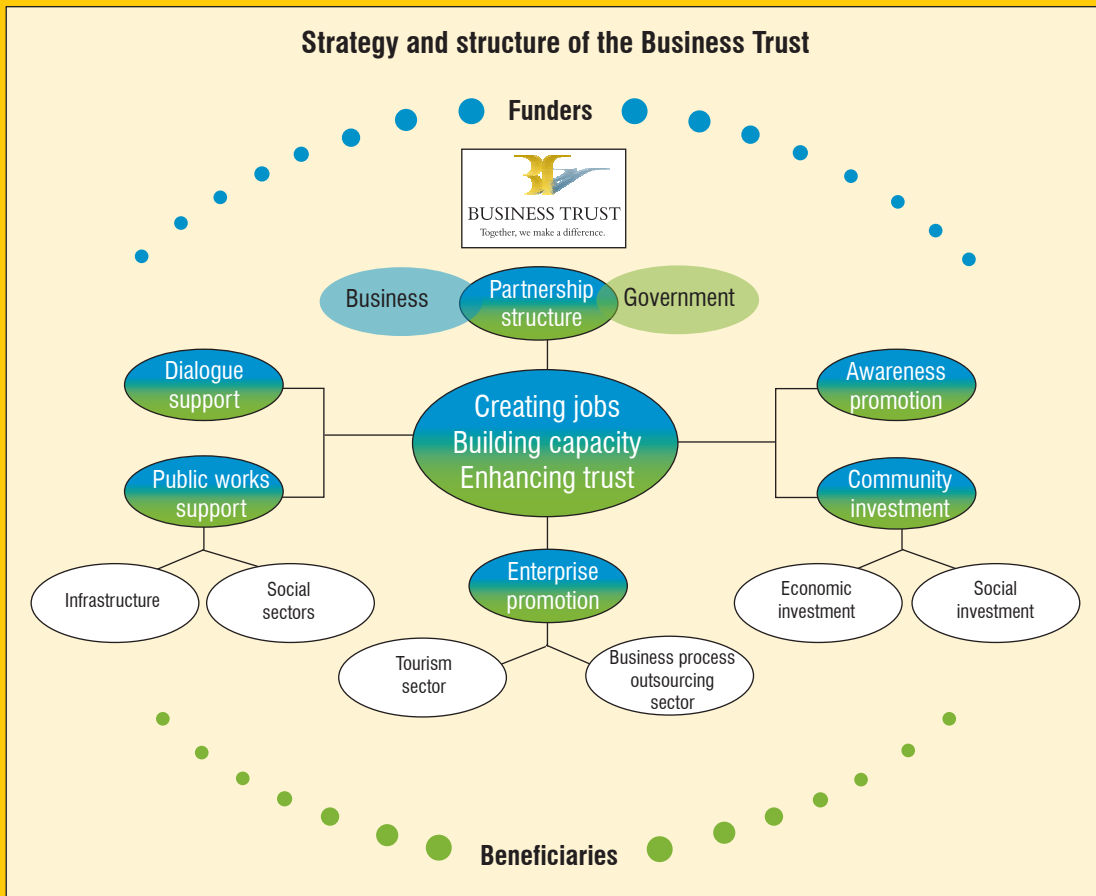






Mandisi Mpahlwa, Minister of Trade and Industry (right), and Eddie Funde, Chairperson of SACCCOM (left), in conversation with Derek Cooper, Chairperson of Standard Bank (middle), about the potential of business process outsourcing to create jobs. Read the full interview on page 9.



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## New programmes hold the promise of more jobs

**Two new programmes, the Business Process Outsourcing Programme and the Community Investment Programme, got the go-ahead in the third quarter of the Business Trust's activities for 2005/2006.**

The Business Process Outsourcing Programme kicked off in September 2005, following consultation with the Department of Trade and Industry and companies working in the sector. The aim of the programme is to establish South Africa as a preferred location for business process outsourcing and thereby create 100 000 new jobs by the end of 2009. It provides a framework through which the public and private sectors can work together to develop this internationally competitive and growing sector.

Implementation initially focuses on: marketing South Africa's value, deepening the talent pool, and creating an attractive enabling environment and effective institutional framework. The importance of this work was confirmed at a Cabinet meeting on 12 October 2005 where this sector was identified as an important factor in securing the objectives of accelerated and shared growth.

At the end of September 2005, the Business Trust Board also agreed to fund a new programme, the Community Investment Programme. The role of the Trust will be to facilitate improved private sector involvement in the development of designated poverty nodes. Economic growth and efficient service delivery are two fundamentals for improving the lives of communities in a region. The challenge for this project is to improve the conditions for private investment, so necessary for growth.

Working closely with the Department of Provincial and Local Government, the Trust has identified areas of need and explored potential opportunities for private sector involvement.

## Looking forward to the Long Run

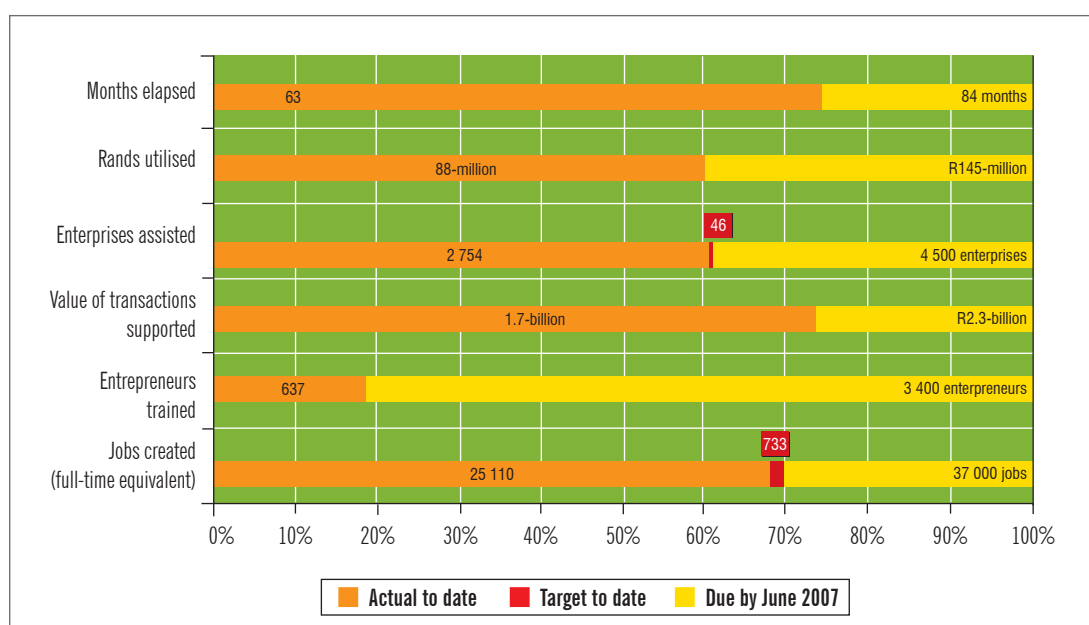
Members, partners and stakeholders are hard at work training for South Africa's biggest corporate relay, the Business Trust Long Run. The Long Run will take place from 17 to 28 February 2006 along a route that runs from the top of the Drakensburg in KwaZulu-Natal to the peak of Table Mountain in Cape Town.

The event will demonstrate once again that there are some things one just cannot do alone. It highlights the value of partnership and allows participants and the general public to see and experience the impact of the Business Trust's work.

# Tourism Enterprise Programme well on track

Partner	Launched July 2000	Approved funding R145-million
ECI Business Linkage Centre	Duration: 84 months Elapsed: 63 months	R42-million (Department of Environmental Affairs and Tourism) R103-million (Business Trust) Expenditure to 30 September 2005: R88-million

The Tourism Enterprise Programme (TEP) is on track to produce the targeted project results. By the end of the 84-month period, the number of person days of work created will be equivalent to the employment of 30 000 people for one year or over 4 000 people per year for the seven-year period.



By the end of September 2005, the Tourism Enterprise Programme had helped 2 754 enterprises undertake transactions to the value of R1.754-billion, measured by the increase in turnover supported by the project. The person days of work that flowed from this is cumulatively equivalent to the employment of 25 110 people for a year. While the number of enterprises assisted and jobs created are marginally behind target (1.5 per cent and 3 per cent respectively), the project is on track to exceed the target of supporting work equivalent to 37 000 jobs by 2007.

A further 637 people had participated in training by the end of September 2005 as part of a new component of the programme which was initiated in April 2005. The training programme included the following:

- 100 participants were trained in business skills;
- 163 participants in domestic and international exhibiting; and
- 374 participants in tourism awareness workshops.

Twenty-seven trainers are also being supported through a process of training the trainers.

## TEP-supported business wins award

A business supported by the Tourism Enterprise Programme won the prestigious Emerging Tourism Entrepreneur of the Year Award (ETEYA) at the World Travel Market in London in November.

Mr Karel Phentela, the owner of Ekhaya Guest House and Restaurant in the Northern Cape, was presented with the grand prize of R50 000 by Dr Danisa Baloyi, Deputy Chair of the South African Tourism Board.

The guesthouse is a three-star establishment, situated in Galeshewe, one of the oldest townships in South Africa. It offers visitors the experience of the township vibe, while providing the luxuries of a modern guesthouse.

Mr Phentela first made contact with the Tourism Enterprise Programme in 2003 while working for South African Breweries in Bloemfontein. His goal was to offer visitors a true township experience. The Tourism Enterprise Programme assisted Mr Phentela with the process of formulating the idea, planning the business, and supporting the opening of Ekhaya Guest House and Restaurant.

The establishment employs only previously disadvantaged individuals and has four full-time and four part-time staff members, most of them previously unemployed people from the area. The receptionist/supervisor, a young woman, is studying hospitality and attending the TEP Tourism SMME Training Programme. The local community is also benefiting from the work created by the building of the restaurant.

The establishment is developing into a real success story in a province where tourism products owned by previously disadvantaged people are rare.

Entries for 2005 featured a wide range of tourism products, including accommodation, tour operators, travel agents, restaurants and adventure establishments. The eight provincial finalists are all Tourism Enterprise Programme clients. The finalists were:

**Gauteng:** Josh Mdluli – Josh Explorer Tours & Transfers

**Limpopo:** Patricia Dlamini – Xisaka Guest House

**Mpumalanga:** Nomalanga Shongwe – Matsamo Cultural Park

**Eastern Cape:** Lindiwe Makhubalo – Mak & Mak Guest House

**Western Cape:** Lynn Maggott – Fantasia Tours

**KwaZulu-Natal:** Deon Mariller – African Dimension Shuttle & Tours Services

**Northern Cape:** Karel Phentela – Ekhaya Guest House

**North West:** Mmanong Ntoane – Boga Legaba Guest House

The Tourism Enterprise Programme will provide each provincial finalist with marketing support to highlight their business, including the opportunity to exhibit at the World Travel Market. This is a global event for the travel industry that promotes domestic, inter-regional and international travel throughout the world.



# Business process outsourcing kicks off

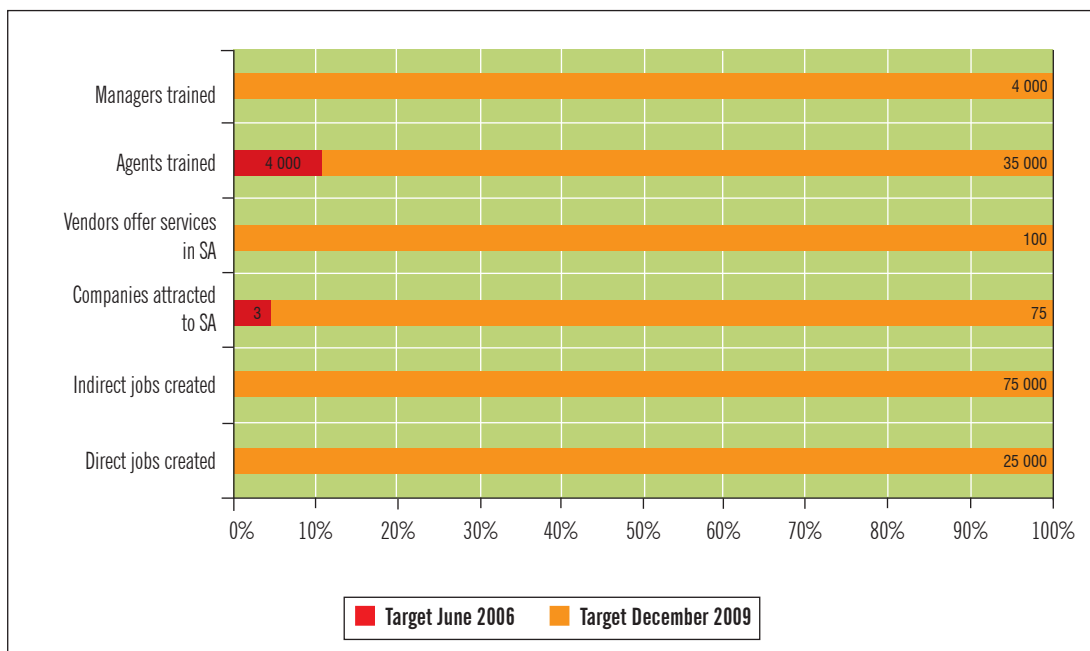
Partners	Launched September 2005	Approved funding R104-million
Phase I (9 months): Pricewaterhouse-Coopers, McKinsey and Co, Deloitte	Duration: 51 months Elapsed: 1 month	R104-million (Business Trust)

Following consultation with the Department of Trade and Industry and companies working in the business process outsourcing industry, the Business Trust approved a Business Process Outsourcing and Off-Shoring Sector Support Programme in September 2005. The programme provides an opportunity for public and private sector players to work together to establish South Africa as a preferred location for business process outsourcing and stands to create 100 000 new jobs by the end of 2009.

The programme will be implemented in stages. The first stage will take nine months (October 2005 to June 2006). During this phase the agreed five work streams will be initiated and arrangements made for the longer-term structure of the partnership to take this programme through to the end 2009.

To date, the following has been achieved:

- a co-operation agreement was signed with the Department of Trade and Industry;
- a partnership committee was established. It is chaired by the Minister of Trade and Industry Mandisi Mpahlwa and includes the Deputy Minister Elizabeth Thabethe, the Chairperson of Standard Bank Derek Cooper, and the Chairperson of SACCCOM Eddie Funde;
- a project office was established to integrate the work of the three appointed service providers – McKinsey Inc, Deloitte and PricewaterhouseCoopers – and to track progress towards reaching the targets shown in the diagram below.



## Cabinet identifies the sector as key to growth

A task team, headed by the Deputy President, presented a report on the “Accelerated and Shared Growth Initiative for South Africa” (ASGI-SA) to Cabinet at its meeting on 12 October 2005.

Cabinet responded as follows: “Proceeding from the premise that the current macroeconomic environment affords us the opportunity to pursue higher and shared growth, the main issues under consideration include: infrastructure development, sector investment strategies, education and skills development, Second Economy interventions, and improving the capacity of the state to provide economic services.”

The business process outsourcing and off-shoring sector was identified as one of the lead sectors for the achievement of accelerated and shared growth.

## Implementation strategy

The implementation of the Business Process Outsourcing Programme initially rests on three key activities: marketing South Africa’s value to potential investors (and developing the infrastructure and incentives that will enable South Africa to be competitive), developing a talent pool, and creating an effective institutional framework.

### 1 Marketing South Africa’s value

Marketing South Africa as an attractive destination for business process outsourcing and off-shoring involves three strategies: broad-based marketing, targeted marketing, and creating an enabling environment for investment.

- **Broad-based marketing**

This strategy is designed to develop a clear business case and the capacity to implement it. It involves:

- refreshing the strategic outlook and business case;
- developing a comprehensive landscape of current South African operators;
- developing a marketing and lead generation process;
- co-creating a consolidated industry approach;
- evaluating the enabling environment and identifying gaps to be closed in South Africa;
- developing a marketing strategy and plan; and
- designing a full-time marketing organisation.

- **Targeted marketing**

This strategy is designed to attract identified business process outsourcing operations to South Africa and involves:

- identifying and prioritising target companies with the potential to operate in South Africa;
- developing a tailored value proposition for the top nine to twelve targets; and
- engaging in brokered engagements with six to seven targets with a target of securing three or four signed letters of intent by June 2006.



- **Incentives and the enabling environment**

This strategy seeks to attract investment on the basis of the quality and price of skills and telecommunications infrastructure. The creation of incentives involves:

- analysing options for incentives (existing and potential);
- studying best practice in other countries;
- understanding trends with regard to incentives in South Africa;
- studying strategies for attracting 'mega-project' investors;
- identifying gaps between existing incentives and best practice; and
- developing tailored incentives for the top nine to twelve targets.

## **2 Developing the talent pool**

In the first phase of the programme, the approach to talent development will involve:

- **Training:** Fast-tracking the training of 4 000 to 6 000 initial (mainly call centre) agents.
- **Planning and strategy development:** Developing a business process outsourcing sector skills plan, sector learning strategy, talent development model and evaluation system.
- **Funding:** Mobilising funds for the training of 35 000 people by 2009.

The deliverables by June 2006 will include:

- a sector skills plan;
- a sector learning strategy;
- secured funding to implement a talent development strategy for the period July 2006 to June 2007 and funds ring-fenced for the period 2007 to 2009;
- the development of an evaluation system to monitor and measure the success and performance of the implementation of talent development initiatives; and
- the completion of skills programmes for 4 000 learners primarily aimed at call centres.

## **3 Creating an effective institutional framework**

Developing an effective institutional framework and quality assurance system will involve:

- assessing models for public and private sector collaboration to ensure competitiveness;
- supporting the development of an effective industry body;
- building an effective quality assurance mechanism; and
- creating an appropriate partnership support facility.

By June 2006 it is planned to have:

- a restructured industry body with a clear vision, mission, role, operating systems and business plan for post June 2006;
- an agreed partnership vehicle for the support of public and private actors in the sector; and
- a quality assurance system and agreed code of ethics with 25 per cent of South African operators signed up for the programme.

## SA delegation woes big business in London

The Department of Trade and Industry and the South African Contact Centre Community (SACCCOM) hosted a stand at the Birmingham Call Centre Expo and a business breakfast presentation at the South African High Commission in London. More than a hundred senior representatives of large organisations including IBM, British Airways, Marks & Spencer and Microsoft attended the event. The Business Trust's presentation, prepared as part of the work on this project, was well received and the delegation received excellent feedback after the presentation.

"A very encouraging sign is that UK investors are now much better briefed ... and we had to do very little selling of SA," said Mr Mfanu Mfayela, CEO of SACCCOM. "The questions we fielded were of an operational nature – 'how do you get it right?'"

SACCCOM is a non-profit professional body for the contact centre and business process outsourcing industry in South Africa. The vision of the organisation is to promote the growth and development of the industry in the country under one unified industry body that will ensure South Africa becomes a preferred offshore destination for international investment. At the same time, it actively promotes the delivery of best practice throughout the industry.

# Can SA compete in business process outsourcing?

Mandisi Mpahlwa, Minister of Trade and Industry, and Eddie Funde, Chairperson of SACCCOM, in conversation with Derek Cooper, Chairperson of Standard Bank

**Cooper:** We've recently heard a lot about the potential of business process outsourcing as a job creator. What is business process outsourcing?

**Funde:** Contracting out functions by businesses is not new. But collaboration between companies and external service providers who are off-site and increasingly off-shore has increased rapidly with the universal use of e-mail and the availability of high bandwidth and web-based connections.

This has given birth to a rapidly expanding business process outsourcing industry covering general back office work (data input, document management and processing); corporate services (finance, accounting, IT and other services); customer contact through call centres like billing and technical support; and specialised services in areas like banking, insurance and health care.

The value of this work, globally, is increasing rapidly. We believe that the global industry will increase from about \$10-billion to over \$50-billion per year by the end of the decade. Developing countries like India have benefited greatly from this work because it has helped create jobs for them and linked them to the global economy. Others like Thailand, Mauritius and Singapore are gearing themselves up to capture a share of this work.

**Cooper:** What Eddie Funde has described, implies a fiercely competitive global market. Can we compete?

**Minister Mpahlwa:** South Africa has a number of important competitive advantages

in this sector, including a strong capability in the high growth sectors like financial services and insurance. Our people also have a good grasp of the English language in which much of the interaction takes place. In addition, South Africa has an attractive business environment and we already have a growing business process outsourcing industry on which we can build. I think we are seen as a sophisticated and promising emerging market by many potential investors.

It is not just that South Africa is attractive for the location of business process outsourcing. The exploitation of this sector has many advantages for South Africa, not least the chance of creating jobs. We believe that 100 000 more people could be employed in this sector over the next four or five years with all the benefits this brings in terms of investment, jobs and global competitiveness for South Africa.

**Cooper:** The Minister says that 100 000 more people could be employed, but it means we will need to develop skills for those people who will have to provide the services required. Can we train our people at the pace needed to achieve the results the Minister wants to achieve in the next few years?

**Funde:** I think we can. But it's going to take an extraordinary effort which will require business, government and labour to co-operate. But we shouldn't be daunted by this. In the first place, we need to build the skills of about 25 000 people to work in those businesses that will locate in South Africa and

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"We believe that 100 000 more people could be employed in this sector over the next four or five years with all the benefits this brings in terms of investment, jobs and global competitiveness for South Africa." – Minister Mandisi Mpahlwa

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Derek Cooper, Chairperson  
of Standard Bank



Mandisi Mphahla, Minister  
of Trade and Industry



Eddie Funde, Chairperson  
of SACCCOM

those who will expand their operations here. To do that, we need to grow the pool of people with appropriate skills by about 5 000 per year over the next five years. There are challenges here for the government and for companies. Because of the alignment of this with South Africa's growth and development strategy, we believe that funding should be available through the national skills system and that companies will be willing to provide practical experience, because they will benefit by increasing the number of skilled people. But we have to move quickly. I am encouraged by the fact that over the last six months we have seen a great willingness of business and government to pull together, under the auspices of the Business Trust, to meet these challenges.

**Cooper: Do we need special incentives to attract companies to locate their businesses in South Africa?**

**Minister Mphahla:** We've shown that we can produce effective incentives where these will have an impact on national objectives like job creation. We have done this in other sectors and we are willing to do the same here. It is the fundamentals, though, that will sustain business interest: a high quality business environment, skilled people and efficient infrastructure.

We are committed to getting those fundamentals in place. I will be working with my colleagues in Cabinet to resolve the challenges we face. We know that rapid action will be needed in respect of telecommunication prices and skills development. I believe we can

meet these challenges. We can't substitute for inefficient infrastructure and inadequate skills with incentive programmes. We can, however, work together to get the fundamentals right and then add some attractive arrangements by, for example, speeding up the manner in which people wishing to locate in South Africa can do so and by providing targeted incentives, where needed, to attract the business we need.

**Cooper: We in business often turn our attention on government when challenges have to be met, but the business community will also have to do their part in the sectors that intersect with the business process outsourcing industry, won't they?**

**Funde:** Yes, that's right. Business will be required to demonstrate an ability to cooperate in order to compete. We will have to work together to attract business. The first challenge will be to attract new business to South Africa. This will require companies to work with one another and the government to present what South Africa has to offer. Companies are also going to have to accelerate training and give a clear commitment to building the skills base as only in this way can we avoid the increasingly costly scramble for a small number of relevant skills. We have to establish a reputation for good quality service; that means that companies will need to agree with one another on how to do that. One or two bad experiences could frighten off investors in the early stages. We must avoid that.

We are committed to organising the industry effectively to achieve this.

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"I am encouraged by the fact that over the last six months we have seen a great willingness of business and government to pull together ... to meet these challenges." – Eddie Funde

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The provincial industry bodies realised in 2004 that we needed a strong co-ordinated marketing effort to position South Africa as an attractive international outsourcing destination. The South African Call Centre Community (SACCCOM) was created to drive that marketing effort, working closely with the provincial bodies to ensure that South Africa is strongly positioned relating to its key outsourcing value proposition. We are committed to expanding the base of this industry organisation to draw in more people, and spread its influence beyond call centres to include the business process outsourcing sector as a whole. Throughout, we are committed to working effectively in partnership with our colleagues in government.

**Funde:** We have been very encouraged by the commitment of the Business Trust, of which you are a board member, to support the development of this industry. I think the arrangements in the Business Trust are seen overseas as being quite unusual – with a large number of companies pooling their resources and working with government to achieve targets and objectives. Can we rely on continued support?

**Cooper:** The Business Trust has agreed to support this process, and to work in co-operation with the Department of Trade and Industry and the range of government and other actors needed for success.

What the Business Trust is trying to do here fits in exactly with what was agreed with the President when it was decided to

extend the life of the Business Trust. We in the business community believe that the creation of jobs is one of the most important challenges this country faces. That was what motivated the establishment of the Business Trust in the first place. You are right to say that this is unusual, but this is an unusual country with extraordinary opportunities.

In many ways this project is a test of our ability as South Africans to do together more than we can on our own. Over the last ten years we've learnt a lot about ourselves, our country, our responsibilities and our opportunities. We've also learnt to work together. The challenge we face now is to put that experience to work in a way that achieves the results we're looking for.

The test we face here is not whether we can work together. We know we can do that. The challenge we face is whether we can do it quickly and efficiently enough to capture this new opportunity.

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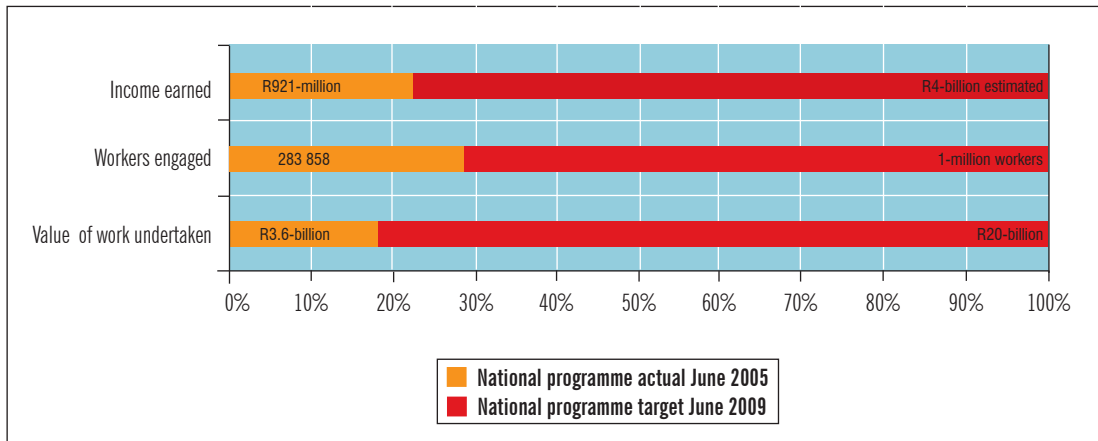
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## Public works generates income

Partner	Launched March 2005	Total Business Trust funding R100-million
Shisaka Development Management Services	Duration: 60 months Elapsed: 6 months	Expenditure: R4.7-million

By the end of the Expanded Public Works Programme's first year of operation, more than 283 000 people earned R921-million by being engaged in the programme.



### Business Trust support for Expanded Public Works Programme

The Business Trust Expanded Public Works Support Programme is designed to assist the implementation of the Expanded Public Works Programme by:

- providing technical assistance to the Department of Public Works;
- assisting provinces, municipalities and state-owned enterprises to launch and manage labour intensive programmes; and
- supporting established firms and small enterprises to participate in the programme.

In the first six months of this 60-month programme, all the set-up functions were completed:

- The Partnership Committee was established and it met once. A second meeting is scheduled for 1 December 2005. The Operations Committee was established and monthly meetings are held.
- The Expanded Public Works Support Programme office was established and equipped.
- All required management and staff were appointed: a team leader, programme manager, infrastructure sector field team co-ordinator, six infrastructure facilitation officers, three support staff, two political facilitators, and four technical experts.

- All policies and procedures, as well as a management and information system, are operational.
- A monitoring and evaluation specialist was appointed on a short-term basis. A programme model was developed and an independent evaluator is currently being procured to serve for the duration of the programme.
- The procedures and accounting arrangements for the Technical Assistance Fund were developed and approved.
- Four strategic and two technical assignments were commissioned.
- Engagement with Eskom, Transnet and the water boards regarding their participation in the Expanded Public Works Programme is underway.
- Discussions were initiated with large contracting firms to develop contracting procedures for large-scale labour intensive projects.

### Working with municipalities

Private sector support personnel were placed in six of the twelve municipalities that were prioritised for support in the delivery of infrastructure development projects. These municipalities are:

- Tshwane Metro, Gauteng
- Johannesburg Metro, Gauteng
- City of Cape Town, Western Cape
- Ethekewini Metro, KwaZulu-Natal
- OR Tambo Municipality, Eastern Cape
- Amathole District, Eastern Cape.

Two of the six municipalities have already signed memorandums of understanding with the Business Trust Expanded Public Works Support Programme. Of the 750 000 jobs that will be created nationally through government infrastructure development projects, 300 000 will be created in these municipalities.

### Working with provinces

Two provinces, KwaZulu-Natal and Gauteng, have been prioritised for support. The selection process ranked and then scored the nine provinces on financial criteria (based on allocation of budgets) and performance criteria (based on expenditure against budget). This analysis examined, *inter alia*, the national and provincial allocations in terms of number of projects; budget allocation and expenditure; contractor learnerships; and municipal infrastructure grant allocations. The selected provinces are those where the earliest impact can be achieved in respect of public works targets.

## Providing strategic support

A policy and procedures manual for the Business Trust Strategic Technical Assistance Fund was developed and agreed on by the partners. This arrangement ensures that only key assignments aimed at delivering swift, efficient, effective public works projects are supported through this fund. To date, six strategic initiatives have been supported. These are:

- the assessment of issues confronting delivery in the social sector;
- the alignment of the Expanded Public Works Programme with the National Skills Development Strategy;
- provision of technical and administrative capacity to the Department of Social Development for the finalisation of provincial business plans;
- a study of the procurement trends in governments to identify opportunities for the new venture learnership programme (in SMMEs);
- identification of large infrastructure projects to scale up the National Expanded Public Works Programme; and
- a review of conditional grants.

## Cabinet expands the Public Works Programme

During the last quarter, a decision was taken by Cabinet to further extend the Expanded Public Works Programme. The Business Trust support programme has helped the Department of Public Works in the preparation of its plans for expanding the programme. In particular, work was commissioned to identify large-scale infrastructure projects that could be undertaken as part of the programme in the short-term. This included deployment of project managers to all provinces to collect data on large-scale projects with job creation potential.



## Public works in action

Carol Paton

### Excerpt from the *Financial Mail*, 26 August 2005

A year ago Stoffel Mouries of Robertson in the Western Cape was a man with a prison record, struggling to find work. Now he is a businessman with a tidy sum in the bank, having won and completed a subcontract to lay storm water pipes for the town's public works project. He is hungry for more.

In the past seven months, three tarred roads, one in each of Robertson's black townships, have been constructed, complete with concrete kerbs, culverts and drains. Apart from two essential processes involving heavy machinery, the roads are hand-built by local labour.

Most impressive is that the Western Cape Department of Road Works issued several subcontracts for which unemployed local people tendered to build kerbs and culverts, lay pipes and transport materials. "I had never made a tender before, I had never laid a pipe before. But I took a chance and today nobody can tell me that I don't know how to lay pipes," says Mouries.

His success was due to both the extensive planning and administration that went into the project, as well as a contractor who "bent over backwards" to bring people like Mouries on board. Ismail Jackson of Tema Projects of Worcester spent hours helping the subcontractors with their tenders, explaining to them the factors that affect costs and profits.

He also helped the transport subcontractors get their old vehicles on the road and encouraged them to form partnerships with local farmers with bigger vehicles, besides helping them to finance purchases of materials. Had it not been for his willingness to coach (and bankroll) the subcontractors, the Robertson project would likely have gone the way many other public works projects have done already.

The resident engineer, Abram Louw, says an enormous amount of preplanning is required, during which lists of unemployed people are drawn up and community liaison officers recruited.

Louw estimates the final tender was 30 per cent higher than it would have been using conventional contract methods. But, though the province paid more for the roads, Jackson estimates he earned 20 per cent less because of the subcontracting processes and because normally he would have done two projects simultaneously.

The winner was the community. Aside from the temporary jobs, Robertson also gained a 100 per cent labour-intensive sidewalk paved with bricks made by a local man, a budding businessman or two, and new jerseys and socks for the local rugby team – a gift from Mouries out of his profits.

## Implementation challenges

During the first six months, a number of challenges have been identified which will receive attention as the programme develops. These are:

- **Effectiveness of the municipal programme management units:** There is considerable variation in the extent to which programme management units have been established successfully. District municipalities require more support from national and provincial government with respect to the Expanded Public Works Programme.
- **Lack of understanding of the Expanded Public Works Programme:** While there is high commitment to applying labour-intensive construction methods, there is confusion about the terms and conditions of the Programme and how it operates.
- **Limited training of contractors:** There has been some success with the training of the programme management unit staff members, but most of the contractors have not yet undergone training. It often happens that when projects are put out for tender, service providers don't comply with the training requirements. This is due to the fact that there are too few accredited training service providers.
- **Limited spending on roads and maintenance:** An analysis of municipal infrastructure grants (MIGs) spending shows that it is heavily biased towards water and sanitation and less focused on the maintenance of roads, which is an ideal labour-intensive activity. This has negative consequences for the Expanded Public Works Programme as the maintenance of low-volume rural roads has major employment benefits.

# Investing in the community

**In 2004, as part of the agreement on the future of the Business Trust, the Joint Oversight Committee appointed by the President agreed that support for the development of disadvantaged communities would be one of the Business Trust focus areas. This includes facilitating improved private sector involvement in the development of the country's designated poverty nodes.**

The approach of the Business Trust was to identify areas of need with the Department of Provincial and Local Government, explore potential opportunities for private sector involvement, and to identify one or two nodes in which increased private sector involvement could be piloted.

The focus of the Community Investment Programme is on providing support to the key economic actors:

- **Government** (particularly the Department of Provincial and Local Government) where there is a need for technical assistance to:
  - develop economic data;
  - create frameworks for funding, capacity building and stakeholder mobilisation; and
  - attract private investment to the nodes.
- **Corporates** who would invest in community projects if support is provided to:
  - remove impediments to project development;
  - facilitate government engagement; and
  - package projects.
- **Development agencies** where support is required in some cases to help community-based organisations access the private sector for the development of bankable projects.
- **Local communities**, because there is a crucial need for the development of local capacity in order to improve economic development. This is illustrated on page 18:

On 30 September 2005, the Business Trust Board meeting considered the results of a high-level socio-economic analysis of all 22 nodes. These were presented as a matrix



setting out the nodes in relation to social need and economic potential. Through this process one rural node, Bohlabela, an area with significant social need and some economic potential, had been identified for in-depth analysis. Agribusiness and tourism were identified as potential sectors for investment in Bohlabela and the analysis also identified possible institutions and individuals in that locality that could be supported. A range of challenges and impediments – the most significant being unresolved land claims – was also identified.

## Economic profiles and strategies

The Department of Provincial and Local Government expressed its interest in the nodal profiles and the assessment made of potential strategies for implementation. The Business Trust therefore presented the work it commissioned on the development of economic profiles and strategies to the Department which has requested the application of a similar approach to the nodal development programme in general.

The work undertaken by the Business Trust proceeds from the assumption that if things are to change for the better in particular localities, a systematic understanding is required of what exactly needs to change. In reality, sustainable economic growth is seldom based on piecemeal, project-based interventions. The foundations of economic growth and human development are often made up of a complex set of interconnected conditions ranging from national and international markets to the state of local infrastructure, skills, knowledge and institutions.

The following principles thus informed the assessment process:

- **Adopt a market-focused approach.** When assessing opportunities for economic growth, a data-driven indication of potential demand (local, national or international demand) yields more benefit than “gut-feel” supply-side interventions. The assessment of local capabilities and assets provides a sustainable basis for a future vision only if it can be clearly demonstrated that there is a market that can be served in the long run.
- **Work within the constraints of reality.** It is critical that local environmental conditions are taken into account prior to embarking on ambitious projects. A sober and dispassionate assessment of the potential of a region is critical prior to deciding on the high-level choices available to a particular region. Some areas may remain largely “welfare” zones or areas where financial flows will predominantly be generated from remittances earned outside of the immediate area identified. In these cases a range of strategic choices become available which may be more about creating greater access for residents to a broader economy, or perhaps about recognising the reality of long-term emigration from that area. Furthermore, the answers may be more about facilitating economic access to the “outside” and focusing investment on improved service delivery.
- **Fix the basics.** Within the context of most industries there are typically a number of basic factor conditions like the road infrastructure, electricity supply, institutional capacity etc. which need to be addressed as a matter of urgency prior to embarking on ambitious product development investments. The fact that investment has not been forthcoming is often due to the micro-economic environment of the area. Unless these issues are addressed, investment decisions made by firms are unlikely to change.
- **Recognise the importance of good process.** In order for sustained growth to be possible, it is absolutely necessary for the key players within the public and private sectors to work in unison. All too often insufficient time is spent getting the different players to agree on a common agenda for growth (in the race to get projects off the ground). This results in a lack of sustainability and failure further down the line.

## Proposals under consideration

At its meeting on 30 September 2005, the Business Trust Board agreed to fund the Community Investment Programme. The Trust called for proposals to run a national research and strategy development project to:

- develop detailed economic profiles of the 22 designated urban and rural development nodes that make up the Urban Renewal and Integrated Sustainable Rural Development programmes;
- review provincial growth and development strategies as well as integrated development plans, and make proposals to strengthen the impact of the economic development components of these plans on the designated nodes; and
- develop a proposal to take forward the Department of Provincial and Local Government's plan of action for the accelerated economic development of the nodes. A key factor here will be to relate the economic analysis to the National Spatial Development Perspective, and to align integrated development plans with the provincial growth and development strategies.

The request for proposals closed in December. Proposals will be considered in February and contracts will be issued in March 2006.

# Supporting strategic dialogue

## Business Trust supports accelerated and shared growth

The President's Big Business Working Group met on 1 November 2005 in Cape Town. The meeting was chaired by President Thabo Mbeki who was accompanied by the Deputy President, Phumzile Mlambo-Ngcuka, and other Cabinet ministers. At the meeting, business leaders endorsed the country's accelerated and shared growth initiative and urged the government to be bold in order to achieve the targets.

David Brink, Co-Chair of the Business Trust, said business was ready to partner with government in its "ground-breaking" economic plan. "The strategy is being received enthusiastically by the business world," he said. "We therefore encourage government to move forward and implement the plan."

Deputy President Phumzile Mlambo-Ngcuka, a former Trustee of the Business Trust, said that the objective of the meeting was for government to present its thinking and intentions on the new economic strategy to the business world. "Business and labour are significant partners in the strategy. It is therefore important for us as government to make them understand what we are thinking," she said.

The strategy outlines an increase in economic growth. The objectives of the strategy include the improvement of human resource development, infrastructure development, and increasing government's capacity to spend.

Following the discussion it was agreed that co-operation between the public and private sectors would be required in a number of areas to accelerate and share growth. In respect of infrastructure development it was proposed that a joint task team is established to identify creative ways in which the public and private sectors can work together to support the implementation of the ambitious infrastructure development targets.

A number of challenges were discussed:

- getting state-owned enterprise infrastructure budgets implemented and assets leveraged to trigger further economic activities;
- procuring the implementation of direct government capital expenditure commitments;
- capitalising on the opportunities presented by special provincial projects;
- securing positive responses from the private sector; and
- building capacity to implement infrastructure programmes.

It was also noted that this is an area where there will be an immediate need for increased project management expertise and project implementation skills. Effective co-ordination of public sector actors would be required to get substantial capital expenditure programmes rolling and avoid delays in getting approvals for private sector capital programmes.

The Business Trust was asked to facilitate an exploration of these issues and support the process of procuring accelerated infrastructure development

The press has responded positively to the strategy and the involvement of business, as is evident from the following extract:

“It’s clear from public statements that the task team’s growth strategy will be investment-led, with the emphasis on raising the rate of public sector investment as well as facilitating increased private sector investment, particularly in four or five priority sectors. We know that tourism and business-process outsourcing (including call centres) are among those sectors.

What’s striking is that practical partnerships between business and government feature in both cases. And the business-process outsourcing inclusion on the list is surely not unrelated to the extensive research and recommendations on it that the Big Business Working Group presented to President Thabo Mbeki and his economic ministers early this year.”

– Hilary Joffe, *Business Day*, 13 September 2005



# Building partnerships

## Business Trust partnership committees in place

Following the establishment of the Expanded Public Works Partnership Committee, a Partnership Committee for the Business Process Outsourcing and Off-shoring Sector Support Programme has also been established. The Partnership Committee which held its first meeting on 24 October, is chaired by Minister Mandisi Mpahlwa and includes: Minister of Agriculture and Land Affairs, Thoko Didiza; Deputy Minister of Trade and Industry, Elizabeth Thabethe; Chairperson of Standard Bank, Derek Cooper; Chairperson of SACCCOM, Eddie Funde; Acting Director-General of the Department of Trade and Industry, Tshediso Matona; and Chief Executive of the Business Trust, Brian Whittaker.

Minister Mpahlwa emphasised that the business process outsourcing and off-shoring sector project and partnership is very important to government as it provides a learning opportunity that impacts on the achievement of national goals. The meeting acknowledged that the success of the programme depends on a wide range of public and private actors and institutions, such as the Department of Communications and Telkom, the Department of Labour and the National Skills Fund, and industry players. The programme has developed consultative and participative mechanisms to build on and access expert knowledge, resources and networks that are available to the various players.

## Raising awareness

### Making a difference from mountain to mountain

The Business Trust Long Run, South Africa's biggest corporate relay, will be taking place from 17 to 28 February 2006. The route this year goes from mountain to mountain – from the top of the Drakensburg in KwaZulu-Natal to the top of Table Mountain in Cape Town, through Kestell, Ficksburg, Bethlehem, Hanover, Beaufort West, Oudtshoorn, Robertson and Wellington.

The Long Run is an event that demonstrates that there are some things one just cannot do alone. It highlights the value of partnership and gives the Business Trust's members, partners, stakeholders, and the wider public, a chance to see the impact of its work.

Each day participants visit Business Trust projects, talk with the affected people and run through towns and communities, sometimes off the map, all amidst much fanfare, pomp and ceremony. The famous Business Trust cycle, a three-wheel, four-seater affair called *Sizanani* (working together) will also be on the road.

If your organisation is a member of the Business Trust and has not yet signed up its team, or you require any further information, please contact Brenda Kennedy at 083-448-4772. We look forward to seeing you on the road!

For further information, please also visit the website at [www.btrust.org.za](http://www.btrust.org.za).

The Business Trust welcomes feedback on this report. Please contact Lorna Pisanti at +27 11 612 2000 or send a fax to +27 11 612 2004. The Business Trust's email address is [info@btrust.org.za](mailto:info@btrust.org.za).

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**BUSINESS TRUST**

Together, we make a difference.

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