

CHIEF EXECUTIVE OFFICER'S REPORT

During its second year of existence BUSA has continued to solidify its position as the principal representative of business in South Africa and internationally. Since the establishment of the organisation in January 2004 we have worked hard to set up, and subsequently improve, our infrastructure and resources so as to expand the services we provide to our members as we strive to:

- ❑ act as the principal representative of business in South Africa in its national, sub-continental, continental and international spheres of activity, so as to ensure a primary and consistent representation of the views of the South African business community;
- ❑ promote broad-based Black Economic Empowerment;
- ❑ advance and promote initiatives aimed at job creation and the alleviation of poverty; and
- ❑ enable business to play a meaningful strategic role in South Africa's overall development.

For the first time in its history, South African business has formed an organisation that truly allows it to speak with one united and representative voice. BUSA brings together South Africa's major employers' organisations, professional associations, national Chambers of Commerce and Industry and corporate organisations and is thus the most representative business body in the country at the national level. These organisations operate in every sector of the South African economy, cover the spectrum of businesses from large multi-nationals to small family-based operations and also represent South Africa's racial multiplicity.

In large measure, it is this broad-based and diverse membership that gives BUSA the credibility with government and its social partners to speak on behalf of South African business and to ensure that organised business plays a constructive role, within the context of the country's economic growth, development and transformation goals, in achieving an environment in which businesses of all sizes and in all sectors can thrive, expand and be competitive both nationally and internationally.

BUSA's overarching focus during 2005 has been to develop – and advocate - concrete proposals that can materially enhance investment, economic growth and employment creation in South Africa. These proposals were presented to President Mbeki, Deputy-President Mlambo-Ngcuka and members of the Cabinet during a Presidential Indaba with BUSA that took place in September. BUSA remains optimistic that a high-level process, designed to seek a common understanding between government, business and labour on a strategy for employment and accelerated growth, is possible and that the parties have the capacity to explore meaningful and pragmatic solutions in the context of a complex and dynamic internationally open economy. This optimism was reinforced during a meeting with the Deputy-President hosted by BUSA for the business community. About 500 business people attended this meeting and listened to the Deputy-President's speech on the subject of achieving 6% economic growth.

BUSA was also privileged to host a dinner in honour of the Deputy-President. Over a thousand business leaders attended this event. As the organised business constituency, we wanted to pay tribute to the Deputy-President for the role that she has already played in building our nation and also to congratulate her on her appointment to this high office – the first woman in South Africa's history ever to hold such a senior position in Government. In her role as Deputy-President, and also as the leader of President Mbeki's Growth Task Team, the Deputy-President will play an influential role in shaping our future policy environment.

BUSA understands that the biggest challenges facing South Africa are to alleviate poverty, address inequality and to create jobs. BUSA strives to meet these challenges by advocating policies that will build on the sound macroeconomic foundation already laid by government further to improve South Africa's investment climate, attract domestic and foreign investment and significantly raise the economic growth rate.

One of BUSA's key strategic objectives is to support the effective implementation of the objectives of Broad-Based Black Economic Empowerment (BBBEE) and to this end it has entered into vigorous debate with the Minister and Department of Trade and Industry on the BBBEE Codes of Good Practice. BUSA's emphasis is on the fact that empowerment, transformation and economic growth go hand in hand and, thus, South Africa must move away from the narrow-based measurement and definition of BEE, which focuses only on equity ownership and control. It is BUSA's considered view that economic transformation driven by BBBEE must culminate in the empowerment of a broad base of enterprises and individuals.

In its quest to gain a better understanding of the challenges posed by fronting in BEE transactions, BUSA commissioned research to investigate the nature and extent of fronting in the market place. In contrast to the popular view on fronting, which presumes that fronting occurs only at the level of equity ownership, the findings of the research indicate that fronting manifests itself at three distinct levels: direct ownership, human resources development and indirect ownership.

To assist its member organisations to combat fronting, BUSA has prepared a Guide on Reducing Fronting Incidents in BBBEE transactions. The Guide:

- defines the meaning of fronting within the context of BBBEE;
- illustrates how fronting manifests itself in the various elements of the BBBEE scorecard; and
- provides guidelines on how to detect incidents of fronting within the seven pillars of the BBBEE scorecard.

Further, to help its member organisations to play a meaningful role in the promotion of BEE, BUSA has also developed a generic guide that identifies and describes the fundamental principles that underpin any credible charter formulation and facilitation processes. The principal purpose of the guide is to provide a quick reference that can be consulted to inform and guide the development of a sector transformation charter, with a view to avoiding pitfalls that were committed in earlier charters. In particular, the guide identifies and describes the fundamental principles that underpin any credible charter formulation and facilitation processes and provides a step-by-step roadmap that explains how to formulate a transformation charter. It also suggests the key substantive transformation matters that must be addressed in any transformation charter and proposes a framework for monitoring the implementation of charters at the sectoral level.

These guides are presented as a service to the BUSA member organisations and other parties committed to the strategic transformation of the socio-economic landscape.

During 2005, BUSA provided comments on the draft Tourism BEE Transformation Charter and the Healthcare BEE Transformation Charter.

To ensure that BUSA continues to act as a catalyst for transformation within organised business, the Standing Committee on Transformation has adopted a Three-Point Plan of Action to guide its work over

the next two years. In particular, the Three-Point Plan of Action delineates three interrelated areas of strategic intervention necessary to underwrite the effective implementation of the objectives of BBBEE and related transformation policies. The three areas of strategic intervention that constitute the core of the Plan are BBBEE policy analyses and support, strategic transformation support and advisory services and BBBEE educational awareness and advocacy.

During the year under review we have also placed particular emphasis on small and medium business development strategies and were pleased to host a very successful conference on this subject during September 2005. Some 500 delegates attended this event and were addressed by world class experts on small business promotion.

The key theme of encouraging enterprise development especially at the small and medium business level is central to our proposals for improved economic growth. BUSA has proposed that business, together with its social partners, should embrace an “Enterprise Development Strategy” which can support existing SMEs and facilitate the creation of new SMEs. This will help to unleash new opportunities for millions of people in our country. It will also help meaningfully to empower a substantial portion of the population. The strategy proposed by organised business will require the social partners to champion enterprise development, and to encourage the evolution of successful role models in the small and medium business arena. An Enterprise Development Strategy would also help to create the right conditions for the development of SMEs in terms of lowering the compliance (red tape) costs, addressing the skills deficits related to small business management (by more effectively focusing subsidised learnerships in this area), continuing to lower the direct and indirect tax burden, providing the correct institutional support (cost effectively), linking research centres such as Universities to small business projects to help in knowledge creation and innovation, and so on.

During 2005, BUSA has engaged with government on corporate law reform and pension fund reform. It has also interacted with government and, in some instances, labour on the Superior Courts Bill, proposals relating to atypical employment and a range of environmental policies. On 17 October 2005, BUSA concluded an agreement with the Minister of Environmental Affairs and Tourism to collaborate on the establishment of a national greenhouse gas inventory. Once a set of national guidelines has been developed, all businesses operating in the sectors identified in the International Guidelines for Emissions will be encouraged to submit emission data. Addressing the gathering at the signing of the agreement, BUSA President, Patrice Motsepe, indicated that business welcomes the recognition in the National Climate Change Response Strategy that it has a role to play in addressing the challenges of climate change. He committed business to working with Government and other stakeholders in meeting these challenges.

In conjunction with two of its members, BUSA is conducting research into land reform as it is felt that increasing emphasis will be placed on this issue in the year ahead. BUSA representatives serve on a National Treasury Reference Group on regulatory impact analysis and have engaged extensively with the Departments of Education and Labour on a number of issues relating to skills development, particularly the new National Skills Development Strategy for 2005 - 2010. BUSA represents business on the National Skills Authority, the National Board for Further Education and Training and the Board of the South African Qualifications Authority. BUSA representatives are very active in these structures.

There has been an increased focus on trade policy during 2005 and BUSA has thus established a Committee on Trade under the auspices of the Standing Committee on Economic Policy. This Committee will focus on developing overarching business positions on trade policy, identifying research needs and pursuing different options to ensure that the research is undertaken. With the latter in mind, BUSA has started

formalising its ties with the SA Institute of International Affairs (SAIIA), being one of the foremost research institutions in the country in the international trade arena. The Committee will also develop guidelines for concluding Memorandums of Understanding / Agreement with a trade content between BUSA and foreign entities.

On a number of occasions, BUSA delegations have addressed some of the Parliamentary Portfolio Committees. Very successful interaction took place with the Portfolio Committee on Trade and Industry on the National Credit Bill and the BUSA Standing Committee on Social Policy has had a number of engagements with the Portfolio Committee on Labour. A good relationship has been built with the latter Committee and further interaction is being planned for 2006.

BUSA has continued to represent the business constituency in the National Economic Development and Labour Council (NEDLAC). While this institution currently is facing a number of challenges, BUSA remains committed to institutionalised social dialogue and is participating fully in the Task Team that is reviewing NEDLAC's focus and functionality. Our participation in NEDLAC represents business' clear expression of commitment to social partnership, and to a comprehensive and participatory democracy. BUSA recognises that measures to achieve economic growth and development, especially in a time of structural change, require the active participation of the social partners. This is particularly so if any meaningful degree of social cohesion is to be achieved as trade-offs central to economic policy formulation are identified and resolved.

While we place great emphasis on transformation of the broader economy, we are also mindful of the need for transformation within our own ranks and work towards promoting transformation within organised business, as well as at enterprise level. In essence, BUSA operates as an agent of transformation that can assist other organisations with their transformation processes, providing a platform where best practices in this regard can be shared and accessed.

As part of an on-going process further to rationalise the organised business environment, BUSA has established formal links with other business-funded institutions such as the South African Business Coalition on HIV/AIDS (SABCOHA) and Business Against Crime (BAC). Two memoranda of understanding have been concluded with the National Business Initiative (NBI), one dealing with sustainable development and the other with further education and training. Closer working links have also been established with the Centre for Development and Enterprise. These initiatives prevent duplication of effort and services and also allow for more effective and co-ordinated business interventions in the general business arena.

In the last two years we have broadened our membership and now represent the Casino Association of South Africa, in addition to our 36 founder members. We anticipate that a number of other business organisations will shortly affiliate to BUSA.

In these processes we have learnt much from other organisations internationally through our linkages with the International Labour Organisation and our membership of the International Organisation of Employers, the Pan-African Employers Confederation and the SADC Business Forum and Employers' Group. South Africa is an important nation in the African continent. We recognise that our future is inextricably linked to that of the African continent and thus BUSA wholeheartedly supports the African Union and the New Partnership for Africa's Development (NEPAD). In particular, the NEPAD initiative provides a new dimension to the country, both in increased opportunities as well as in making the region a more attractive

investment destination. We continue to play a role in NEPAD initiatives and have given our full support to South Africa's African Peer Review Mechanism processes. The BUSA CEO has been appointed to serve on the Governing Council of the African Peer Review Mechanism.

We count it a great honour that our Chief Operating Officer was this year appointed as one of the eight employer members from the entire African continent who serve on the Governing Body of the International Labour Organisation. He also represents BUSA on the Executive Committee of the Pan-African Employers Confederation. Our Chief Officer: Strategic Services has been re-elected as the Chairperson and Executive Secretary of the SADC Employers Group.

Also on the international front, BUSA in May concluded an Agreement to establish an India Brazil South Africa Business Council with the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry and the National Confederation of Industries on behalf of India and the Confederation of National Industries on behalf of Brazil. The India Brazil South Africa (IBSA) initiative has an important business leg and BUSA has been asked to act as the South African business representative. In October BUSA hosted a joint BUSA / SAIIA Workshop which considered the first phase of IBSA research undertaken by SAIIA and two other research bodies, one each from India and Brazil. The release of the second phase of the research will coincide with the World Trade Organisation's (WTO) meeting in Hong Kong. BUSA representatives will form part of the South African delegation that participates in this meeting.

With a new trend in international trade negotiations to include trade in services, BUSA has initiated an informal coalition of relevant business structures. BUSA has signed an Agreement with the International Trade Centre (ITC) which has very close ties with the WTO. In terms of this Agreement, joint workshops have been held with a view to providing guidance to business organisations, individual businesses and relevant government officials in preparing for the upcoming negotiations on trade in services.

BUSA participated in the preparations for, and the holding of, the first Asian-African Business Summit which was held in Jakarta, Indonesia in April 2005 in conjunction with the celebration of the 50th anniversary of the 1955 Asia-Africa Conference in Bandung. BUSA signed a Joint Declaration on enhancing co-operation between the Asian and African business communities. The provisions of this Declaration include a commitment to strengthening and promoting South-South co-operation, increasing direct trade, exchanging information and sharing experiences. It is intended that policies should be harmonised to support closer collaboration and to strengthen the commitment to multilateralism in co-operation in international institutions such as the WTO. An Asian-African Business Conference will be held every two years.

During the year, BUSA Vice-President, Mr Cas Coovadia, and the Chief Operations Officer visited Zimbabwe at the invitation of the Confederation of Zimbabwean Industry (CZI) and addressed the CZI's annual conference.

BUSA is also one of South Africa's representatives on an International Standards Organisation (ISO) Committee on Social Responsibility (SR) that will formulate a guidance standard on SR. The Committee held two meetings during 2005, one in Brazil and the other in Thailand. Two further meetings will be held in 2006 and it is expected that the Committee will conclude its work in 2007.

The BUSA President is the Co-Chair of the India South Africa CEOs Forum which held its second meeting in Mumbai, India, in May. BUSA delegations have also met with delegations from Pakistan and Algeria.

BUSA's efforts directed at raising its profile in the media by establishing relationships with key editors and journalists is beginning to bear fruit and BUSA's views are now being reported in the media more frequently. Journalists are now also contacting BUSA when they require a business viewpoint. This structured programme of relationship-building with key media figures will continue during 2006.

The BUSA newsletter has been re-designed to make it more interesting and accessible to members. The BUSA Website has been reconfigured so that the information on BUSA that it contains is more relevant, interesting and attractively displayed.

Focused attention is currently being given to formulating a programme of action to build relationships with key figures in government departments at both the policy and technical levels. The intention is that BUSA should be able to engage with government policy formulators and experts as early as possible in processes to draft new policies and legislation.

BUSA's plans, in conjunction with other business organisations, to create an effective Business Parliamentary Office in Cape Town are taking shape and it is hoped that an effectively functioning monitoring and advocacy body will be operational in the new year.

The BUSA staff has been increased to deal with the greater workload by the addition of a communications assistant and an economist. Both these employment equity appointments are young women who are being mentored by senior business people from the BUSA ranks.

2006 promises to be a busy year for BUSA. The organisation will continue to focus on advocating measures to enhance investment, economic growth and employment creation in South Africa. BBBEE and transformation of the economy will remain priority issues, with a particular emphasis on the effective implementation of the objectives of BBBEE and related transformation policies. BUSA will embark on a proactive membership drive in the new year in order to broaden its membership base and thus increase its representivity. Attention will also be given to driving forward the processes to achieve greater rationalisation in organised business. Other issues that will feature prominently on BUSA's agenda in 2006 will be land reform, strategies to improve the quality and quantity of South Africa's skills development efforts, trade policy, health insurance proposals emanating from the Department of Health, corporate law reform, the National Treasury's plans for retirement reform and small and medium enterprise development.

BUSA is an important voice for the business constituency and adds value to business' engagement with government and the other social partners. BUSA looks forward to continuing to serve the interests of its members, and the broader business community, in the year ahead.