



South Africa Part I

The road to transformation

COUNTRY PROFILE

LOCATION:

Southern Africa, at the southern tip of the African continent

POPULATION:

44,187,637 (July 2006 est.)

CLIMATE:

Mostly semi-arid, subtropical along east coast, sunny days, cool nights

GDP (PURCHASING POWER PARITY):

\$533.2 billion (2005 est.)

CAPITAL:

Pretoria, with Cape Town as the legislative center and Bloemfontein the judicial center

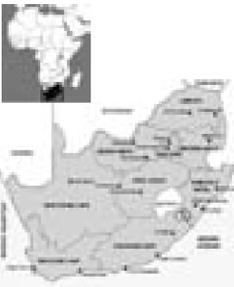
NATURAL RESOURCES:

Gold, chromium, antimony, coal, iron ore, manganese, nickel, phosphates, tin, uranium, gem diamonds, platinum, copper, vanadium, salt, natural gas

USEFUL WEBSITES:

www.gov.za
www.southafrica.com

Source: CIA World Factbook



▶▶▶ ONLY TWELVE YEARS SINCE THE END OF APARTHEID AND THE BIRTH OF DEMOCRACY IN SOUTH AFRICA, THE INDOMITABLE SPIRIT AND WILL TO SUCCEED OF ITS PEOPLE HAS REIGNITED WORLDWIDE INTEREST IN THE COUNTRY FOR ALL THE RIGHT REASONS.

Building a winning nation

South Africa today is one of the most sophisticated and promising emerging markets globally. The unique combination of a highly developed first-world economic infrastructure and a huge emergent market economy has given rise to a strong entrepreneurial and dynamic investment environment. In the twelve years since the historic elections that brought the African National Council (ANC) party led by Nelson Mandela to power, South Africa has experienced a social and economic renaissance. The government's drive for a more equitable distribution of wealth has resulted in several potent programs aimed at redressing the apartheid imbalance, such as broad-based Black Economic Empowerment (BEE), the Accelerated and Shared Growth Initiative for South Africa (ASGISA), and the Joint Initiative for Priority Skills Acquisition (JIPSA).

Deputy Minister of Foreign Affairs Aziz Pahad comments, "We inherited two basic things. One of them was the most sophisticated economy in Africa. The other was the underdevelopment of the vast

majority. In twelve years, we have achieved the best economic growth in our history, that is 4 to 5 percent average annual growth."

The nation's economic turnaround is seeing the growth and development of the second economy, while effecting change in terms of ownership and executive directorship in the first economy. These have been integral steps to the true liberation of the people of South Africa. BEE is driving the transformation of the country from within the South African economy itself. "Transformation is the very essence of South Africa's being," says Joel Netshitenzhe, CEO of the Government Communication and Information System (GCIS). "It's about ensuring equality of life amongst all South Africans irrespective of race, color, creed or religion. BEE is good for stability and for a sense of ownership, which has ripple effects on consumer demand and manufacturing opportunities."

Deputy Director General of the Department of Trade and Industry Lionel October says, "Priority number one was stability, and political stability is financial stability. Confidence has returned. Nobody believes the country is going to fall any more. Everybody knows it's going to be

'Our people are firmly convinced that our country has entered its Age of Hope'

a success story. Our aim is to be an industrialized country by 2020."

Pioneering retail chain Pick 'n Pay Chairman Raymond Ackerman attributes a great deal of the successful transformation to Nelson Mandela's desire "to work on reconciliation instead of retribution". Mr. Ackerman says, "Mr. Mandela, Mr. De Klerk, and a lot of wonderful people on both sides of the fence were prepared to build a country together. BEE should be embraced by all. It's an acceptable principle of remedying the past.

We now have a very free society and that's how the economy has risen."

The Universal Service Agency of South Africa is promoting wider access to ICT services through school cyberlabs and community telecenters. Advances have been made and further opportunities identified in the telecoms sector, which will be covered in more detail in the next of this series of four special reports on South Africa.

President Thabo Mbeki opened this year's State of the Nation address in parliament with the inspiring news that peo-

Continued on next page



THABO MBEKI
President of the Republic of South Africa



Public sector services such as schools and hospitals have benefited from the economic and social reforms that have been introduced since the country adopted a democratic governance system.



JOEL NETSHITENZHE
CEO of GCIS



AZIZ PAHAD
Deputy Minister of Foreign Affairs



ADAM SAMIE
CEO of Lion of Africa

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Bridging the digital divide in South Africa



USA strives to provide universal access to information and communications technology in underdeveloped areas of South Africa. Through the continued development of purpose-built community centers, e-school cyber-labs and community digital hubs, delivering technical support and training to communities and providing a reliable and affordable communications network. In partnership with local government, USA seeks to service and advance universal access projects that provide education and lead to ancillary benefits in key social and economic areas.

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South Africa

Continued from previous page

ple were highly optimistic about their future and the future of the country, ranking eighth in the world on the optimism index. Gallup International, which issued the report, said there are three times more optimists than pessimists, and that the optimism figure had doubled since 2002. These results have been confirmed by a recent domestic poll conducted by Markinor, which states that 65 percent of people believe that the country is going in the right direction, 84 percent see a positive future for all racial groups, and 71 percent believe that the government is performing well.

"What these figures signify is that our people are firmly convinced that our country has entered its Age of Hope. They are convinced that we have created the conditions to achieve more rapid progress towards the realization of their dreams. They are certain that we are indeed a winning nation," says President Mbeki. "In the period ahead of us, we have to sustain the multi-faceted national effort that enabled us to realize the advances that have inspired so much confidence among our people for a better tomorrow. The 2010 Soccer World Cup will make an important contribution to our efforts to accelerate our progress. Similarly, as an African Soccer World Cup, it will give additional impetus to our struggle to achieve Africa's renaissance."

SASOL

Commitment to social equality the driving force behind sector

In line with a nationwide desire for change, Sasol's board and workforce are a reflection of South African society as a whole and a key to the success of the company

TWELVE YEARS SINCE the advent of democracy, broad-based Black Economic Empowerment (BEE) and socio-economic transformation remain challenges for South Africa. Proactively embracing these challenges and accelerating its transformation initiatives is Sasol, South Africa's leading integrated petrochemical company and largest private industrial investor. In the past year, the company has appointed three black executive directors and made significant changes at non-executive level, with 54 percent of the board now comprising black directors and in total 62 percent from South Africa's "desig-

nated" groups (including white women). It also runs an in-house advanced leadership development program from an employment equity perspective.

The company views the transformation of the country as a strategic, business, and moral imperative. "In line with our commitment to transformation and creating a world-class economy, Sasol now has a diverse board and senior management structure," says Deputy Chief Executive Trevor Munday. "We have superb depth of leadership with extensive local and international experience, which bodes well for both Sasol and South Africa as we expand internationally." Sasol is the world leader in producing synthetic liquid fuels from coal and gas, and interest in its proprietary gas-to-liquid technology is worldwide. "Sasol has the leading edge in that it has the only global-scale commercial coals-to-liquid plant in the world," adds Mr. Munday. "We take gas and turn it into fuel, and we've been doing it for over 50 years."

Understanding that transformation means more than just changes in leadership, Sasol has also added impetus to other initiatives. Its Tshwarisano project, which means "pulling together" in Sesotho, aims to increase and create new business and employment opportunities for a wide range of black groups, individuals, rural communities, youth groups and the disabled. "We put together a R1.5 billion transaction that has 150,000 direct and 3 million indirect beneficiaries," says Mr. Munday. Sasol put their balance sheets behind the borrowings, and so were able to secure much lower-rate financing for the participants of the project – consequently

saving them hundreds of millions of rand compared with seeking finance individually. "This is the biggest empowerment transaction in our industry to date. It has created a new benchmark in terms of innovative financing and ensuring that people are not forever incumbent to banks. There is genuine participation and sharing of the benefits of those involved," explains Mr. Munday.

Other projects include Igoda Coal. Announced in March and worth almost R1.4 billion (\$200 million), Igoda Coal is one of the nation's largest empowered coal export companies. Eyesizwe Coal, a black-owned mining company, owns 35 percent, while Sasol Mining holds the remainder. Sasol has also

Sasol has been named one of the top performers on the JSE Socially Responsible Investment (SRI) index



TREVOR MUNDAY
Deputy Chief Executive of Sasol

recently sponsored a training program for emerging dairy farmers in Qwaqwa to help increase their competitive edge. A recent survey by Empowerdex ranked Sasol 45th out of 200 JSE-listed companies in terms of BEE. It has been named one of the six top performers on the JSE Socially Responsible Investment (SRI) index and was rated in the National Corporate Investment Survey as the petrochemical company doing most to develop South Africa and its people.

Sasol grows within changing business climate

Interim financial results for Sasol show for the first half of 2006: **ATTRIBUTABLE EARNINGS** increased by 86% to R7.3 bn (\$1.06 bn). **OPERATING PROFIT** increased by 71% to R11.1 bn (\$1.6 bn). **CASH FLOW** capital expenditure amounted to R6.1 bn (\$887 million). **GEARING** reduced from 42% at 31 December 2004 to 29%. **INTERIM DIVIDEND** of R2.80 per share represents a 22 percent increase.

Sasol is listed on the Johannesburg Stock Exchange (JSE) with the ticker symbol SOL, and on the New York Stock Exchange (NYSE) with the ticker symbol SSL. Contact Sasol investor relations at: investor.relations@sasol.com. Investor information is available in the 'investor centre' section of Sasol's website www.sasol.com, or go directly to: www.sasol.com/sasol_internet/frontend/navigation.jsp?rootid=3&navid=3



Social programs have flourished in the post-Apartheid era, breaking barriers and creating opportunity.

PICK 'N PAY

Corporate success story writes happy endings for community

Highly regarded retailer Pick 'n Pay has long been a champion of social development, as highlighted by the company's record of community reinvestment

ONE OF THE MOST highly rated retailers on the Johannesburg Stock Exchange, Pick 'n Pay also has the best performing share price of any blue-chip company on the exchange: an investment of R1,000 in the company in 1970 would be worth around R1 million today. The family controlled business is built on two fundamental principles: an unwavering belief in consumer sovereignty, and the application of the "four legs of the table" principle – a simple analogy whereby the business is a tabletop equally supported by strong administration, merchandise, promotion, social responsibility and people.

Concentrating on food, clothing and general merchandise, the group operates through three divisions: retail, group enterprises, and Franklins Australia, where its franchising strategy is flourishing. Underpinning its bluest of blue-chip performance are the cornerstone principles applied to company operations since its foundation by Chairman Raymond Ackerman. He attributes the company's growth to its philosophy: the more you give, the more you get back.

Pick 'n Pay was one of the first companies in South Africa to make a strong commitment to Corporate Social Responsibility (CSR) and has always given approximately 7 percent of post-tax profits back to South Africa in sponsorships and CSR initiatives. Mr. Ackerman affirms,



RAYMOND ACKERMAN
Chairman of Pick 'n Pay

"CSR is embedded in the DNA of the company." Much more than just public relations sound bites, the principle infuses everything the company does, along with the importance of "doing the right thing". Back in the apartheid era, Mr. Ackerman championed the right of black South Africans to own property in urban areas, defied the government by discounting petrol at Pick 'n Pay supermarkets, and voiced strong opposition to price regulation.

The maxim "doing good is good business" underscores Pick 'n Pay's social investment initiatives. The group has spearheaded employment equity and black economic empowerment programs, which have provided opportunities amongst young urban populations and aided economic prosperity.

In 2000, the Ackerman Pick 'n Pay Foundation was established and has to date committed more than R12 million (\$1.67 million)

to sustainable community development projects. The initiative focuses on making a measurable contribution to sustainable development by enhancing and developing skills, and supporting projects that encourage entrepreneurship, self-reliance and provide employment. Funds are not only distributed centrally from regional offices, but also from individual stores, which ensures they remain in touch with the communities that support them.

Many companies focus on a particular need or social concern, but Pick 'n Pay adopts a much wider approach. Hundreds of charities and development projects benefit every year in arts and culture, education and literacy, community development and job creation, as well as invaluable healthcare schemes. Broad-based economic empowerment initiatives supported by the foundation include the Fort Hare Agricultural Project and Masiphathisane Leather Works Manufacturing Youth Project in Eastern Cape, the Bethlehem Farmers Trust and Jala Peo Trust in Free State, KM Cosmetics and the Creative Inner City Initiative in Gauteng, and also the Ncemeane Sakhisizwe Construction rural housing project and the Coastal Cashews enterprise in KwaZulu-Natal.

Furthermore, the Raymond Ackerman Academy of Entrepreneurial Development was launched in February 2005 at the University of Cape Town's Graduate School of Business. This aims to develop entrepreneurship by offering people from disadvantaged communities that would not ordinarily gain access to an institution of such stature a chance to enter the university environment and gain the skills and motivation required to start their own business ventures. The 2006 program has found support from the City of Cape Town in the form of a student bursary fund, and there are plans to extend the program to the other eight provinces.

'Corporate Social Responsibility is embedded in the DNA of the company'



Our Chairman's words really are the heartbeat of Pick 'n Pay's social responsibility philosophy. For us, doing good means giving back to the communities that support us. So behind all that we do, there's a drive to develop, support, enhance...and to thank South African people.

The Ackerman Pick 'n Pay Foundation makes a measurable contribution by supporting projects within the arts and culture, community development and job creation sectors. The Foundation also works in partnership with Pick 'n Pay by managing the BEE fund which supports projects like the Bethlehem Farmer's Trust, an initiative that trains emerging local farmers in all aspects of apple growing.

At Pick 'n Pay, we try to reach all the communities we support. Our social responsibility programs are decentralized, enabling every store to make a meaningful contribution to the community it trades in. Among other things, we support HIV/AIDS homes, fund-raising initiatives, feeding projects, and we care for the needy.

We encourage self-reliance and entrepreneurship, not handouts. And it's the same at all levels of our business. All in all, we firmly believe in these words: "Give a man some food, he'll be fed for a day. Teach him to plant his own food, he'll be fed forever."

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South Africa



Infrastructure projects in Gauteng are vital to the burgeoning economy and its increasing tourism potential ahead of the 2010 FIFA World Cup.

GAUTENG PROVINCE

Sweeping reforms and a policy of inclusion point to a united future

Nowhere in South Africa is transformation, modernization and integration so apparent as in Gauteng Province. Cultural diversity and heritage are being promoted and embraced

SITUATED IN THE HEART of the Highveld, Gauteng is the smallest of the nine provinces in South Africa yet the "powerhouse of the economy" accounts for 40 percent of South Africa's gross domestic product (GDP) as well as 60 percent of its fiscal revenue. In fact, the province and its rapidly growing population of more than eight million contribute 9 percent to the GDP of the whole African continent.

Gauteng literally means "place of gold" in the Sesotho languages, and has its roots in the gold rush that was sparked by its discovery in Johannesburg in 1886. Fast becoming to sub-Saharan Africa what the Eastern Seaboard is to the U.S., modern Gauteng is now the economic hub of South Africa and the preferred home for local and international businesses looking for a sound commercial base and a foothold into developing African markets.

Along with the rest of the nation, the province has undergone a dramatic economic and social transformation in the twelve years since the end of apartheid. The Gauteng Provincial Government, through its various agencies, has created an enabling environment for businesses to thrive. Policies aimed at building up the economy, reducing unemployment and poverty, and increasing broad-based economic empowerment have been carefully mapped out by the 2014 Growth and Development Strategy. Bongwiwe Kunene, Deputy Director-General of the Gauteng Department of Finance and Economic Affairs, says, "A central component of the strategy is to develop the economy through key sectors, based on their potential to achieve high growth rates and create jobs through multiplier effects." Essentially the focus is on smart industries, manufacturing, tourism, agriculture, trade and services.

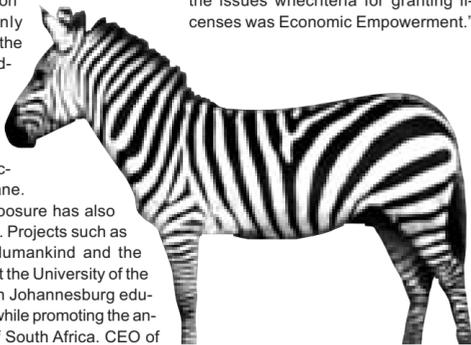
One of Gauteng's strengths lies in its ability to innovate, apply knowledge and create new products and services. Earlier this year it launched a business barometer – an innovative mechanism measuring economic progress and the business mood across the province on a monthly basis, which is highly rated by investors. The Gauteng Economic Development Authority (GEDA), a one-stop shop that assists investors in all areas of investment and trade, has so far facilitated \$400 million in inward investment. Blue IQ is a multi-billion rand initiative promoting business tourism, high value-added manufacturing, logistics and ICT. CEO Nomhle Canca comments, "It is true that the country's transformation has been quite intense and rapid. Blue IQ has stimulated the economy in areas where there had previously been market failure."

Playing a key role in demonstrating the transformation and capacity of South Africa is the Gauteng Film Offices (GFO), a non-profit company that streamlines new productions. Culturally, the province is as multifarious as the scenery. "In our films today, all cultures are being pulled together to create a South African identity. Transformation for us is not only about including the previously disadvantaged. It is about reflecting our diversity," comments GFO Chief Executive Terry Tselane.

Increased exposure has also boosted tourism. Projects such as the Cradle of Humankind and the Origins Centre at the University of the Witwatersrand in Johannesburg educate and inform while promoting the ancient heritage of South Africa. CEO of

the Gauteng Tourism Authority Cawe Mahlati says, "Tourism has allowed the previously marginalized sections of the population to participate economically. It can be accessed by virtually anyone and has thus become a beacon of hope."

The legalization of gaming reflects another facet of the changing nation. Until 1994, the only legal form of gaming was betting on horseracing. Now Gauteng has six fully operational casinos. CEO of the Gauteng Gambling Board Jacques Booysen says, "One of the issues which criteria for granting licenses was Economic Empowerment."



GAUTENG ENTERPRISE PROPELLER

Launching a thousand small businesses

Economic and political stability equal growth in the SMME sector. GEP facilitates Gauteng's entrepreneurial spirit

GAUTENG ENTERPRISE PROPELLER (GEP) is gearing up to deliver on its mandate of ensuring that the culture of enterprise and entrepreneurial spirit is cultivated and harnessed in the province. In launching GEP the Gauteng Provincial Government, through the Department of Finance and Economic Affairs, has embarked on a path of guaranteeing government support in the creation, growth and sustainability of small, medium and micro enterprises (SMMEs). By providing both financial and non-financial support, such as marketing, human resources optimization and productivity improvement, the one-stop service is en-

couraging entrepreneurship to flourish. GEP has so far helped the evolution of more than 400 SMMEs in various projects in the manufacturing, commercial and services sectors, and the flagship initiative has been identified as one of the strategic levers in the province's growth and development strategy.

"Gauteng has long been known as the economic hub of South Africa and the continent at large. The province has done well in terms of its economy, which has grown sharply during past years and continues to do so," says David Morobe, CEO of GEP. "The province has experienced a considerable change in its economic outlook, a dramatic stabilization of its socio-political conditions and a remarkable diversification of its people and opportunities, symbolizing many of South Africa's achievements during its first decade of democratic governance."

As part of the national drive for black economic empowerment and job creation, preference is given to black-owned and managed enterprises that are based in Gauteng. Businesses have access to skills, knowledge and expert assistance previously only afforded by larger companies, tailored to suit their needs and sector through either GEP's own full-time specialists or carefully selected and accredited service providers.

Looking ahead to the future, Mr. Morobe adds, "In terms of the 2010 Soccer World Cup, there will be a lot of direct foreign investment, which will be based on South Africa's success in hosting the event. I would like to see Gauteng's economy growing and reaching greater heights, with poverty and unemployment halved."



Transformation - strengthening the economic power of Gauteng

Gauteng, the economic powerhouse of South Africa and the African continent, is growing at almost 6% annually, bolstered by the performance of the Globally Competitive City Region of Johannesburg, Tshwane and Ekurhuleni. The Growth and Development Strategy of the province has been instrumental in ensuring that economic opportunity is available to all its citizens. The strategy is galvanising the economic strength of the province and is also unlocking the entrepreneurial potential of Small, Medium and Micro Enterprises. The Broad-Based Black Economic Empowerment strategy is also designed to reduce the historic inequalities in the economy, enfusing active participation and ownership for local entrepreneurs, with the aim of ensuring sustainable development and value creation. The business confidence index of the province is at its highest in 23 years. We believe investing money in a province that knows that it takes economically empowered people to make enterprise and the economy powerful, is a smart choice.

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Black Economic Empowerment is the fulcrum of South Africa's determination to atone for the past.