

PD-ABI-2,0  
87437

**TRANSITION SUPPORT FUND (TSF)**

**Project Number 674-0318**

**Project Paper (PP)**

**USAID/South Africa**

**July 1993**

|

PROJECT DATA SHEET

1. TRANSACTION CODE

A A = Add  
C = Change  
D = Delete

Amendment Number

DOCUMENT CODE

3

COUNTRY/ENTITY

South Africa

3. PROJECT NUMBER

674-0318

4. BUREAU/OFFICE

Africa

06

5. PROJECT TITLE (maximum 40 characters)

Transition Support Fund (TSF)

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
019 | 310 | 917

7. ESTIMATED DATE OF OBLIGATION

(Under "B." below, enter 1, 2, 3, or 4)

A. Initial FY 913

B. Quarter 3

C. Final FY 917

8. COSTS (\$000 OR EQUIVALENT \$1 = )

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	800			10,000		10,000
(Grant)	(800)			(10,000)		(10,000)
(Loan)						
Other						
U.S.						
Host Country						
Other Donor(s)						
<b>TOTALS</b>	<b>800</b>			<b>10,000</b>		<b>10,000</b>

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) DEA						10,000		10,000	
(2)									
(3)									
(4)									
<b>TOTALS</b>						<b>10,000</b>		<b>10,000</b>	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of TSF is to expand the knowledge base and strengthen representative institutions in order to effectively address South African policy concerns and USAID program issues in the transition to a post-apartheid South Africa.

14. SCHEDULED EVALUATIONS

Interim MM YY Final MM YY  
015 | 915 | | | 019 | 917

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify) 935

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 1 page PP Amendment)

I concur in the proposed methods of implementation and financing as described in the Project Paper.

*William Livengood*  
William Livengood, Acting Controller

17. APPROVED BY

Signature

William R. Ford

Title

Acting Director  
USAID/South Africa

Date Signed

MM DD YY  
017 | 217 | 913

18. DATE DOCUMENT RECEIVED IN AID/M, OR FOR AID/M DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

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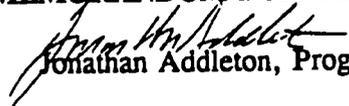
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## LIST OF ACRONYMS

ANC	African National Congress
BPED	Black Private Enterprise Development Project
COLD	Community Outreach and Leadership Development Project
CAAA	Comprehensive Anti-Apartheid Act of 1986
COSATU	Congress of South African Trade Unions
ECPR	Executive Committee Project Review
MERG	Macro Economic Research Group
NFA	Non-Federal Audit
NGO	Nongovernmental Organization
PACD	Project Assistance Completion Date
PD&S	Program Development and Support
PIR	Project Implementation Review
R&D	Research and Development
SAG	South African Government
TEC	Transitional Executive Council
TSF	Transition Support Fund

**ACTION MEMORANDUM FOR THE ACTING DIRECTOR, USAID/SOUTH AFRICA**

**From:**   
Jonathan Addleton, Program Officer

**Date:** July 12, 1993

**Subject:** Transition Support Fund (TSF) Project (674-0318)

**I. Problem**

Your approval is required to authorize the subject project at a level of \$10,000,000, to be funded under the Foreign Assistance Act (FAA) of 1961, as amended, from the Development Fund for Africa (DFA) account. Up to \$2,000,000 will be programmed to PD&S-type activities; the balance of the funds will be targeted toward initiatives directly supporting the transition process in South Africa. The planned Project Assistance Completion Date (PACD) is September 30, 1997.

**II. Authority**

Pursuant to 93 STATE 169938 and to Section 4.A of the Africa Bureau Redlegation of Authority No. 551, as amended, the Mission Director, USAID/South Africa, has authority to approve the Project at a level not to exceed \$10,000,000 (see Annex A).

**III. Discussion**

**A. Background**

The USAID program in South Africa has its origin in the Comprehensive Anti-Apartheid Act (CAAA) of 1986. Although some minor activities, mainly in human rights and long-term training, pre-date the CAAA, it was this legislation which set in motion an expanded USAID presence in the country. Seven years later, USAID/South Africa now has the Agency's largest DFA program.

As stated in the CAAA, the program works entirely outside South African Government (SAG) channels. Funds are instead provided directly to South African nongovernmental organizations (NGOs) engaged in the struggle against apartheid. Approximately 400 separate obligation actions are executed each year, most with South African groups. In keeping with the legislative language provided in the CAAA, the program has two main objectives. The first is to hasten the demise of apartheid. The second is to prepare black South Africans for a leadership role in a democratic, post-apartheid South Africa.

Although uncertainty continues to surround the transition process, there is widespread consensus that the next 12 to 24 months will be absolutely crucial to South Africa. As currently envisaged, a Transitional Executive Council (TEC) will be formed shortly to prepare the country for its first democratic elections. The TEC would be an adjunct to the existing government, but not replace it. Areas of likely special interest include budget, security, broadcasting, local government and, most importantly, elections. An Independent Election Commission is also likely to be formed.

Several months after the formation of a TEC, South Africa's first elections for a Constituent Assembly involving a universal franchise would be held, probably in April 1994. This would lead to an Interim Government of National Unity responsible for drafting the country's new constitution and governing the country during an interim period. The duration of the Interim Government is still being negotiated. Right now, the likely scenario seems to be that it will take approximately a year for the new Constituent Assembly to draft and approve a new Constitution. Once the Constitution is approved, the Interim Government of National Unity, involving all major political actors, would remain in power for a period not to exceed five years.

The Mission does not have a direct relationship with the South African Government now, and the future development directions and strategies that will be pursued by a new government are still open to debate. To the extent possible, the Mission as well as the Embassy is seeking to support that debate through dialogue with a variety of groups within the anti-apartheid movement. This dialogue is essential in shaping a program that is responsive to the needs and requirements of the majority community. At the same time, new ideas and analytical studies presented and discussed now can have an especially significant impact on the negotiations process.

Throughout the TEC and Interim Government stages, the policy environment is likely to continue to be marked by an extreme state of flux. Real policy dialogue is already taking place--not, as traditionally conceived, in terms of outside donors talking to an existing government, but rather in the extent to which various forces in South Africa are finally talking to each other. A flexible TSF-type mechanism is needed throughout the transition period to ensure that USAID contributes to and helps promote this dialogue process. Experiences and "lessons learned" from other countries confronting similar problems will be vital, especially given the extent to which South Africa has in the past been isolated from the rest of the world.

The need for a TSF-type project has been discussed within the Mission for nearly a year. In late FY1992, the Mission approached AID/W with the idea of combining traditional PD&S activities under a broad authorization mandate which would also allow the Mission to finance broader restructuring initiatives linked to economic, political and social restructuring in South Africa. A PID presenting the broad outlines for such a project was subsequently presented to AID/W and reviewed there in April 1993. As a result of that meeting, authority for authorizing the project was delegated to the field.

The design for TSF is based in part on the management of the existing PD&S activity. In addition, it incorporates ideas, initiatives and "lessons learned" related to policy, research, analytical and other activities funded under other projects. Once authorized, the TSF activity will serve as a powerful tool for allowing the Mission to interact with major individuals and institutions actively engaged in the transition process in South Africa, thereby ensuring that the program remains relevant during a period of rapid and historic change.

### ***B. Project Description***

The Transition Support Fund is a four-year, \$10 million project with a completion date of September 30, 1997. The goal is to support the transition to a democratic, non-racial, post-apartheid South Africa, especially with respect to economic and governance policy concerns. The purpose is to expand the knowledge base and strengthen representative institutions in order to effectively address South African policy concerns and USAID program issues in the transition to a post-apartheid South Africa.

At the broadest level, TSF will fund studies, pilot programs and other initiatives which contribute to the ongoing policy debate and help define and shape the policy parameters of a post-apartheid South Africa. At a more program-specific level, TSF provides support for the kind of analytical work and related special purpose activities needed to ensure that USAID remains relevant and responsive during a period of rapid and often unpredictable change.

The TSF will consist of two main elements:

***Program Development and Support (PD&S):*** Program development and support refers to the broad range of activities which are typically funded under PD&S and relate more directly to the Mission program than to broader, South Africa-specific objectives. Examples include project design and development, feasibility studies, financial reviews, evaluations, audits, and related activities. Given the nature of the USAID program in South Africa, "project development" includes development of individual grants, cooperative agreements and related activities.

***Analysis, Policy Dialogue and Other Transitional Concerns:*** This broad area encompasses all the remaining activities funded under TSF, the unifying theme being the fact that in every case they will be focused around issues and activities that directly relate to fostering a successful transition process to a democratic, non-racial, non-sexist post-apartheid South Africa based on a free market economy. Specific activities will likely fall into one of three main areas:

— ***Analytical Studies and Sector Assessments:*** Analytical studies and sector assessments are defined as research, survey and other research activities designed to either help refine the Mission's program strategy or contribute to policy dialogue within South Africa in areas relevant to the Mission's strategic objective. Under this category, the Mission will also provide limited institutional support to South African organizations engaged in policy-related research which will likely contribute to the policy debate in a post-apartheid

South Africa. Short-term technical assistance designed to contribute to such studies or for institutional strengthening will also be funded.

– *Observational Travel, Study Tours and Related Activities:* Observational travel, study tours and related activities refers to initiatives, involving either individuals or groups, designed to expose selected South Africans to the experiences and "lessons learned" in other countries with similar problems, especially in the areas of economic policy dialogue and governance. Study tours will not be limited to the United States but will also include other countries in Africa and elsewhere. An important underlying concern to be addressed here is helping South Africans overcome the legacy of decades of isolation which effectively sealed the country from the experiences of other countries, especially developing countries.

– *Special Purpose Activities:* Special purpose activities include seminars, conferences, workshops, and other programs designed to promote policy dialogue in areas relevant to the Mission's strategic objectives. On occasion, pilot activities which are small, innovative, replicable and support overall program objectives but fall outside that which can be funded under regular, sector-specific projects will also be considered, with a view toward helping to better understand possible new areas of interest or alternative programming approaches.

### C. *Summary of USAID Financing*

Estimated project costs for TSF total \$10 million of DFA grant funding over the five-year life of project. Depending on the pace and direction of change during the South Africa transition, the authorization level may be increased at a later date. The \$10 million provided under this authorization document is planned to be divided as follows:

PD&S-type Activities:	\$2 million
Other Activities:	\$8 million*
Total:	\$10 million

\*"Other activities" category includes the balance of items not covered under the PD&S line item category.

### D. *Findings of Project Analyses*

More detailed analyses are found in the main body of the Project Paper. The major findings of specific sections are as follows:

*Economic and Financial Analyses:* To a large extent, resources devoted to TSF represent the "research and development" (R&D) portion of the Mission's overall programming budget. Although not amenable to traditional financial or economic analyses on rates of return, the investment can be justified on these R&D grounds. Particular studies which suggest alternative policy routes can potentially have benefits that go far beyond that implied by the initial costs of the particular study concerned.

*Technical Analysis:* South Africa is in an enormous state of flux. In effect, the entire political, economic and social terrain of post-apartheid South Africa is open to debate. Discussions will become even more sharply focused as elections approach and as a new constitution is debated. In the meantime, a variety of institutions and individuals are attempting to influence and shape the debate. Although USAID cannot and should not be prescriptive on the transition process, it can work with existing institutions to offer new perspectives and enhance the quality of the ongoing discussions. Given the historic isolation faced by South Africa as a result of apartheid, special opportunities exist to bring the experience and "lessons learned" from other countries to bear on South Africa-specific situations.

*Social Analysis:* There are no outstanding social issues which would "make or break" the project. Much depends on the outcome of the political discussions underway. If consensus can be found, there is a good chance that TSF can play a useful role in enhancing the discussions and policy analysis on the political, economic and social transformation of a democratic, post-apartheid South Africa.

*Political Analysis:* Despite continuing violence and uncertainty, there is widespread consensus among most major political groupings on the steps likely to take place on the way to a new constitutional order. A Transitional Executive Council (TEC) is likely to be announced soon, followed by elections, the formation of a government of national unity and the drafting of a new constitution. TSF is designed specifically to be supportive of this transition process which is now underway.

*Administrative Analysis:* TSF builds on past experience in managing the ongoing Program Development and Support (PD&S) activity. In addition, it utilizes "lesson learned" from projects similar to TSF which have been developed and implemented entirely outside South African Government channels, introduces different ways of doing business, and enhances reliance on the local NGO community. Past experience suggests that appropriate administrative structures are in place to ensure that TSF can be implemented successfully.

### *E. Project Issues*

A number of issues were raised during the review of the Project Identification Document (PID) in April 1993 (a copy of the PID approval and PP guidance cable is attached in Annex A). These are dealt with directly in the Project Paper and were also discussed during the internal Project Review Committee, chaired by the Project Development Division. Particular issues raised and the Mission's resolution of them are noted below.

*Separate Authorization for PD&S Activities:* The ECPR review recommended that a PD&S component should be authorized within the project at a specific dollar level. Funds attributed to this component would be justified in accordance with the Bureau's PD&S guidelines. The remainder of the authorized funds would be used for activities related to the transition and justified using goals, objectives and funding criteria emphasized in both the DFA and CAAA (in areas where the legislation might come into conflict, the CAAA would prevail). In keeping with this guidance, the Project Paper structured the project into these

two areas, with the PD&S element authorized at a level not to exceed \$2 million and the transition support element accounting for the balance of project funds.

***Support for Democracy and Governance Activities:*** The ECPR review noted that certain types of transitional activities, such as assistance to political parties or assistance to an election entity or electoral officials, might be proposed for TSF funding. Given the flexibility inherent in the TSF design and the fact that many of the details of the transition process remain as yet undetermined, it is not possible to provide in concrete, specific detail the extent to which such activities might be funded under TSF. Direct support for political parties is not envisaged, but the TSF could be used to fund initiatives related to the electoral process, including training, observational tours or other support for electoral officials. In the judgement of the Regional Legal Advisor, which has been concurred in by GC/AFR, such support is authorized under and in keeping with the scope of the CAAA (see attached memorandum in Annex H). Other activities with possible legislative and/or policy implications will be discussed internally and, where appropriate, discussed with AID/W during the course of project implementation.

***Procedures for Consultation:*** The ECPR review emphasized the importance of involving South African constituencies in funding decisions related to the transition component of TSF. It also noted the importance of documenting this in general ways. In keeping with this guidance, the illustrative Action Memorandum for such activities, included as Annex I, reflects the need for such information. Such factors are also included in the criteria used to assess possible initiatives and will figure into Action Plans which determine TSF allocation and funding levels.

***Criteria for Approval of Activities:*** The ECPR review emphasized the importance of developing clear, unambiguous criteria by which to assess proposals presented for possible TSF funding. It provided several such illustrative criteria and noted that efforts should be made to ensure that TSF-funded activities should not overlap with those funded under regional program managed out of Harare. It also emphasized once again the importance of consultations with South African constituencies, and the demonstration of "people-level" impact. In keeping with this guidance, the Project Management section of the Project Paper provides details on funding criteria and consultation. With regard to consultation and grassroots impact, it needs to be emphasized that these will not always be able to take place along the same lines as, for example, in a health or education project; a policy dialogue activity of this type necessarily engages individuals likely to be elevated to a policy formulation role in a post-apartheid South Africa. Nonetheless, within the parameters suggested by a policy dialogue activity of this kind, consultation and people-level impact concerns will certainly be addressed. Indeed, an important element in the project will be the extent to which it seeks to ensure that discussions related to policy formulation include a broad range of participants, not just academics and bureaucrats.

***Dissemination of Results:*** The ECPR review emphasized the importance of disseminating results of studies, analytical work and other research undertaken using TSF funds. In keeping with this recommendation, the Project Management section of the Project

Paper includes a discussion of how such reports will be distributed among a wide South African (and American) audience.

**IV. Technical and Financial Planning**

Each grant or other mechanism for obligation of funds under TSF will fully take into account FAA Section 611(a) concerns regarding adequate technical and financial planning.

**V. Gray Amendment**

Gray Amendment concerns have been fully addressed through the Gray Amendment Certification (see Annex E), to be signed by the Mission Director, USAID/South Africa. The certification includes the statement that contracts involving U.S. entities with a value of over \$500,000 will have at least 10 percent of their dollar value subcontracted with Gray Amendment entities.

**VI. Waivers**

No waivers are required under the TSF Project at this time.

**VII. Congressional Notification**

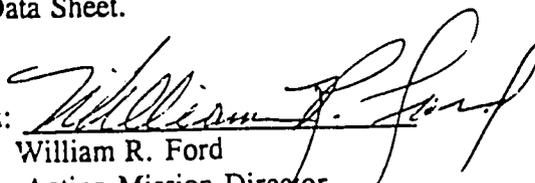
A draft TSF Congressional Notification (CN) was sent to AID/W in early May 1993 and was recently submitted to Congress (see Annex K). No obligations will be made until the Mission is notified that the CN has expired without objection.

**VIII. Environmental Review**

The Bureau Environmental Officer has approved and GC/AFR has cleared a categorical exclusion for environmental matters (see Annex D).

**IX. Recommendation**

That you approve the Transition Support Fund (TSF) Project (674-0318) at a four year life-of-project funding level of \$10,000,000 by signing below, on the attached Project Authorization document, and on the Project Data Sheet.

Approved:   
William R. Ford  
Acting Mission Director

Disapproved: \_\_\_\_\_

Date: 7/27/93

Draft: JAddleton, PRM JA  
Cleared: DRathbun, A/DD DR  
DKeene, RLA DK  
WDuncan, PHRD WGD  
WElliott, PHRD WE 7/24/93  
WLivengood, CONT WL

## PROJECT AUTHORIZATION

**Name of Country:** South Africa

**Name of Project:** Transition Support Fund (TSF)

**Project Number:** 674-0318

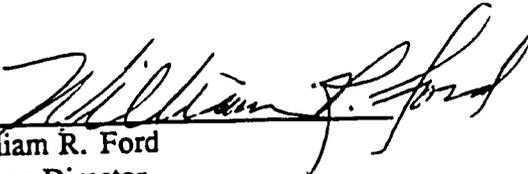
1. Pursuant to the Foreign Assistance Act of 1961, as amended, and the Comprehensive Anti-Apartheid Act of 1986, as amended, I hereby authorize the South Africa Transition Support Fund (TSF) Project involving planned obligations of not to exceed ten million dollars (\$10,000,000) in grant funds over a period of four years from the date of authorization, subject to the availability of funds and in accordance with the A.I.D. OYB/allotment process, to finance the foreign exchange and local currency costs for the project. The planned Project Assistance Completion Date (PACD) of the project is September 30, 1997.

2. The project consists of two parts. The first part, authorized at a level not to exceed two million dollars (\$2,000,000), consists of traditional Program Design and Support (PD&S) type initiatives, including project designs, evaluations, financial reviews, audits and other activities designed to maintain accountability and to help ensure that the A.I.D. program in South Africa is shaped to be responsive to the needs of a changing South Africa. The second part, representing the balance of funds authorized herein, consists of a broad range of initiatives, typically of short duration, which are designed to contribute directly to the process of restructuring now taking place in South Africa, particularly as it pertains to support for economic policy, analytical research, democratic political processes and governance.

3. The contracts, grants or cooperative agreements, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

a. The source and origin of commodities and nationality of services (except ocean shipping) financed by A.I.D. under the Project with DFA funds shall be the United States, South Africa or other countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. All reasonable efforts will be made to maximize procurement from the United States, whenever practicable.

b. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States or countries included in A.I.D. Geographic Code 935.

  
\_\_\_\_\_  
William R. Ford  
Acting Director  
USAID/South Africa

Date: 7/27/93

Draft : JAddleton, PRM JA  
Cleared: DRathbun, A/DD DR  
DKeene, RLA DK  
WDuncan, PHRD WGD  
WElliott, PHRD WE 7/29/93  
WLivengood, CONT WL

## I. PROJECT RATIONALE

### A. *Introduction and Overview*

This Project Paper describes a four-year, \$10 million "Transition Support Fund" (TSF) activity. The project has two main elements. First, it finances activities traditionally funded under Program Development and Support (PD&S), including project design, financial reviews, and evaluations. In addition, it offers USAID/South Africa a powerful vehicle for addressing some of the key policy issues likely to emerge during South Africa's transition process through a Transitional Executive Council, elections, Interim Government, negotiation of a new constitution, and the early months of the first government which rules under that constitution.

Of special interest under TSF is dialogue on economic and governance issues involving individuals and institutions likely to play a significant role in a democratic, post-apartheid South Africa. Already, major political groupings are forming policy positions designed to influence the transition process. Once the first democratic elections take place, a new government will undoubtedly want to move quickly to implement its programs. Unless the Mission engages directly in the policy formation process now, it will miss an important opportunity to assist in the debate on how the country should embark on its long-term course of political, economic and social restructuring.

The project will be managed out of the Program Office. As with PD&S, other Offices and Divisions will access TSF funds for analytical and other work relevant to their portfolios. Activities will typically be small and of short duration; in many cases, sub-projects funded under TSF will be completed within twelve months after a particular activity is initiated. Although the emphasis will be on policy-oriented research and special studies, observational travel, pilot institution-strengthening and related activities which support the transition process in South Africa will also be considered.

The types of activities will vary, though the most important selection criteria in most cases will be the extent to which the proposal contributes to the historic transition process now underway. At one level, this means support for activities which help reshape and better focus the USAID program so that it remains both accountable and responsive in the context of a rapidly changing South Africa. These will typically be funded out of the PD&S element of the project. At another level, it means support for initiatives undertaken directly by South African organizations to enable them to play a more constructive and positive role during a critical time of rapid change. These will typically be unique to South Africa and will be funded out of the more innovative transition support element of the project.

## **B. Country Context**

The USAID program in South Africa has its origin in the Comprehensive Anti-Apartheid Act (CAAA) of 1986. Although some minor activities, mainly in human rights and long-term training, pre-date the CAAA, it was this legislation which set in motion an expanded USAID presence in the country. Seven years later, USAID/South Africa now has the Agency's largest DFA program.

As stated in the CAAA, the program works entirely outside South African Government (SAG) channels. Funds are instead provided directly to South African nongovernmental organizations (NGOs) engaged in the struggle against apartheid. More than 400 separate obligation actions are executed each year, most with South African groups. In keeping with the legislative language provided in the CAAA, the program has two main objectives. The first is to hasten the demise of apartheid. The second is to prepare black South Africans for a leadership role in a democratic, post-apartheid South Africa.

Although uncertainty continues to surround the transition process, there is widespread consensus that the next 12 to 24 months will be absolutely crucial to South Africa. As currently envisaged, a Transitional Executive Council (TEC) will be formed shortly to prepare the country for its first democratic elections. The TEC would be an adjunct to the existing government, but not replace it. Areas of likely special interest include budget, security, broadcasting, local government and, most importantly, elections. An Independent Election Commission is also likely to be formed.

Several months after the formation of a TEC, South Africa's first elections for a Constituent Assembly involving a universal franchise would be held, probably in April 1994. This would lead to an Interim Government of National Unity responsible for drafting the country's new constitution and governing the country during an interim period. The duration of the Interim Government is still being negotiated. Right now, the likely scenario seems to be that it will take approximately a year for the new Constituent Assembly to draft and approve a new constitution. Once the constitution is approved, the Interim Government of National Unity, involving all major political actors, would remain in power for a period not to exceed five years.

The Mission does not have a direct relationship with the South African Government now, and the future development directions and strategies that will be pursued by a new government are still open to debate. To the extent possible, the Mission as well as the Embassy is seeking to support that debate through dialogue with a variety of groups within the anti-apartheid movement. This dialogue is essential in shaping a program that is responsive to the needs and requirements of the majority community. At the same time, new ideas and analytical studies presented

and discussed now can have an especially significant impact on the negotiations process.

Throughout the TEC and Interim Government stages, the policy environment is likely to continue to be marked by an extreme state of flux. Real policy dialogue is already taking place--not, as traditionally conceived, in terms of outside donors talking to an existing government, but rather in the extent to which various forces in South Africa are finally talking to each other. A flexible TSF-type mechanism is needed throughout the transition period to ensure that USAID contributes to and helps promote this dialogue process. Experiences and "lessons learned" from other countries confronting similar problems will be vital, especially given the extent to which South Africa has in the past been isolated from the rest of the world.

### *C. Relationship to USAID Strategy*

USAID/South Africa's Strategy Concept Paper, covering the period from now through such major milestones as the establishment of a TEC, elections, formation of an Interim Government and drafting of a new constitution, was reviewed and approved in AID/W in May 1993. USAID's goal, as stated in that document and as indicated in the CAAA, is to work to help hasten the demise of apartheid and prepare the majority population for a leadership role in a democratic, post-apartheid South Africa.

The strategy also presents three major strategic objectives:

-- First, to ensure that "the majority population participates more fully in the political development and governance of a democratic, human rights-based South Africa."

-- Second, to "increase broad-based black ownership, employment and participation in all levels of the economy."

-- Third, to "help establish an equitable and effective education system."

In general, the objectives coincide with the Mission's interest in increasing black political, economic and social empowerment in South Africa.

Specific projects support each of the Mission's three main strategic objectives. In addition, PD&S has in the past been available to fund sector-specific analytical work. In particular, it has focused on:

-- Design of new projects and activities to respond to a changing political situation in South Africa;

Support for non-project activities such as policy and sector analysis, especially in areas vital to the political transition; and

Evaluations, audits, financial reviews, monitoring and other assessments aimed at maintaining effective program accountability in areas that cut across the portfolio.

On a number of occasions, activities that couldn't quite "fit" elsewhere in the portfolio but were nonetheless considered critical to advancing the Mission's broader strategic objectives have also been funded out of PD&S. For the most part, these relate to broader governance and economic policy concerns that address the kinds of issues that a new government, once it is elected, is almost certain to face. Indirectly, they also reflect some of the kinds of issues that the USAID program will undoubtedly have to address in the future.

As the Strategy Concept Paper makes clear, a "transition process" involving anti-apartheid groups in government is no longer something in the distant future; it is about to happen. USAID support for these developments needs to be innovative and creative; it will also demand a rapid response, sometimes in ways that cannot be fully foreseen at this time. The TSF is designed to respond to this concern by allowing the Mission to directly engage, on a pilot, policy-oriented basis, in discussing and resolving the types of issues which transition arrangements will raise, even in cases where those issues fall outside areas normally covered by PD&S and even when they do not fit neatly into one of the Mission's other ongoing projects. The overarching theme, taken directly from the CAAA language, is to help prepare black South Africans for leadership roles in a post-apartheid South Africa.

#### *D. Perceived Problem and Rationale*

South Africa is on the threshold of an event that few would have thought possible even five years ago--the installation of a Transitional Executive Council government involving key elements of the anti-apartheid struggle, followed shortly thereafter by the election of an Interim Government under a universal franchise to draft a new constitution. The transition process will be vital in determining the nature of the policy debate on a range of other issues and in setting the development directions that a new post-apartheid government, elected under a new constitution, is likely to take. USAID needs to position itself now to directly support this change with funding mechanisms that are flexible, timely and enable adequate resources to be directed toward key problems and issues that are likely to emerge.

The changes unleashed by the transition process will be enormous. Besides the far-reaching redistribution of political power, there are likely to be fundamental changes in economic policy (trade policy, industrial strategy, agricultural policy, social expenditures, etc.), education policy (serious discussion on a single, unified

education system has already begun), housing and urban services (likely to be substantially expanded), and governmental structures (integration of the civil service, increased power to local government, official funding of what are presently non-governmental organizations, etc.).

Indeed, the present transition amounts to a slow but very intense negotiation and evolution of new patterns of social and economic development which, in another political context, would be called revolutionary. The difference is that, rather than change occurring as a result of a violent revolutionary transfer of power and the immediate imposition of new social and economic priorities, the new patterns are being developed here by a process of negotiation and compromise and the changes in thinking and policy are occurring in increments. Over time, of course, these increments add up to significant change, as suggested, for example, by the substantial recent shift in ANC economic policy positions on issues such as nationalization. This process of change has been going on intensively for at least the past two years and is expected to continue for some time, certainly well into the interim government period.

Because of the special nature of the change process in South Africa, the "process" by which policy ideas evolve is very different than in other countries in which A.I.D. does business. Offering technical assistance to the government is not an effective way to support policy development. First, it is illegal under the CAAA and contrary to A.I.D. policy for A.I.D. to give such assistance to the present government. Second, even if it were not, the present government is not likely to be very interested in receiving such advice. Third, the present government is no longer the sole formulator of policy; it is only one party among many in a fluid political process in which many groups are presenting policy positions and new ideas are constantly being discussed and worked out.

Dialogue with traditional research institutions or policy bodies also is not possible. The various groups engaged in the political process are not governing organizations with established policymakers or bureaucratic structures. Policy debate is instead an integral part of the complex bargaining process now going on. As such, policy thinking does not evolve as part of an orderly arrangement in which relevant specialists consider analytical or technical arguments. Rather, it emerges from a complicated political process in which key individuals suggest new policy directions, new coalitions within various political groupings form to support new positions, and new principles are endorsed, not only because they may serve a particular political interest but also because they have some chance of advancing the negotiations process with other groups. There will be obvious tensions between those pursuing market-based solutions to South Africa's economic problems and those advocating more centralized approaches. At the same time, events in Eastern Europe and the former Soviet Union suggest that the various anti-apartheid groupings will be increasingly pragmatic as they turn from the politics of opposition to the politics of reconstruction and development.

The USAID program, in order to remain relevant, will have to be responsive to the demands and opportunities presented by the transition process. Projects now in place, while flexible, do have certain limitations. The Community Outreach and Leadership Development (COLD) project, for example, while having perhaps the most flexible single Project Authorization in the Mission's inventory, cannot be used to pursue economic dialogue. Similarly, the Black Private Enterprise Development (BPED) project, while working to some extent to improve the overall policy environment for black businesses, cannot address many of the broader issues and concerns now being debated. Similar projects in education, housing and human rights are limited to particular sectors and cannot be used to respond immediately to other concerns once the transition process is underway.

PD&S has thus far served as the Mission's major vehicle for addressing broad, policy-related concerns. Obligation levels expanded rapidly from \$720,000 in 1988 to nearly \$2 million in FY1992. While funding comes out of the Mission's regular OYB, the project is still authorized out of Washington. Over time, activities funded under PD&S have tended more and more to reflect policy dialogue rather than purely program development concerns, narrowly defined. More traditional PD&S activities such as evaluations, financial reviews, and project development studies do, of course, remain important. However, we expect a significant increase in policy dialogue-related activities, reenforcing some of those which have been funded during the last year under PD&S. Examples of such recent activity include:

– *Macroeconomic Research Group (MERG)*: Funds are now being used to help MERG carry out an ambitious research agenda established by several groupings, including the ANC, COSATU and the civics and involving highly qualified South African and international academics. The results of this research are likely to figure prominently in policy positions adopted by these groups in future election campaigns. Under TSF, this activity can be expanded and similar policy-making institutions supported to ensure a broad spectrum of participation in ongoing policy debates.

– *Eastern Cape Local Government Study Tour*: A pilot observational tour, developed in conjunction with German and Swiss donors, was used to send 30 key Eastern Cape leaders to study local government issues in the United States, Germany, Switzerland and Russia. Many of the participants had never been outside South Africa before. One important result of the study tour was a much more realistic appreciation for the varieties of ways in which local government issues can be addressed. It also strengthened the movement toward "one city" approaches to local government in Port Elizabeth, South Africa's fourth largest metropolitan area. Under TSF, similar high impact initiatives can be funded in other regions of South Africa.

– *Aspen Institute/IDASA Conference*: This high-level conference, held in South Africa during April 1993, allowed representatives from major anti-apartheid groups to discuss international economic issues related to South Africa with experts

from the U.S., Asia, Latin America and elsewhere in Africa. The resulting dialogue promoted a more pragmatic understanding of the opportunities and difficulties presented by the international marketplace, especially as regards issues such as trade policy and international competitiveness. Under TSF, follow-on economic initiatives of this kind can be funded.

Throughout the transition process, we would like to pursue even more aggressively these kinds of activities in an effort to broaden and enrich the debate about governance, the future shape of the civil service, what business can do to meet black aspirations, the role of local government, the role of NGOs, and various other topics. Efforts such as these lie at the core of the Transition Support Fund, as described in this Project Paper.

## II. PROJECT DESCRIPTION

### A. *Project Goal and Purpose*

The goal of TSF is to support the transition to a democratic, non-racial, post-apartheid South Africa, especially with respect to economic and governance policy concerns.

The purpose of TSF is to expand the knowledge base and strengthen representative institutions in order to effectively address South African policy concerns and USAID program issues in the transition to a post-apartheid South Africa.

At the broadest level, TSF will fund studies, pilot programs and other initiatives which contribute to the ongoing policy debate and help define and shape the policy parameters of a post-apartheid South Africa. At a more program-specific level, TSF will provide support for the kind of analytical work and related special purpose activities needed to ensure that USAID remains relevant and responsive during a period of rapid and often unpredictable change.

### B. *TSF Outline*

The TSF consists of two main elements:

*Program Development and Support (PD&S):* Program development and support refers to the broad range of activities which are typically funded under PD&S and relate more directly to the Mission program than to broader, South Africa-specific objectives. Examples include project design and development, feasibility studies, financial reviews, evaluations, audits, and related activities. Given the nature of the USAID program in South Africa, "project development" includes development of individual grants, cooperative agreements and related activities.

*Analysis, Policy Dialogue and other Transitional Concerns:* This broad area encompasses all the remaining activities funded under TSF, the unifying theme being the fact that in every case they will be focused around issues and activities that directly relate to fostering a successful transition process to a democratic, non-racial, non-sexist post-apartheid South Africa. Specific activities will likely fall into one of three main areas:

-- *Analytical Studies and Sector Assessments:* Analytical studies and sector assessments are defined as research, survey and other research activities designed to either help refine the Mission's program strategy or contribute to policy dialogue within South Africa in areas relevant to the Mission's strategic objectives. Under this category, the Mission will also provide limited institutional support to South African

organizations engaged in policy-related research which will likely contribute to the policy debate in a post-apartheid South Africa. Short-term technical assistance designed to contribute to such studies or for institutional strengthening will also be funded.

-- *Observational Travel, Study Tours and Related Activities:* Observational travel, study tours and related activities refers to initiatives, involving either individuals or groups, designed to expose selected South Africans to the experiences and "lessons learned" in other countries with similar problems, especially in the areas of economic policy dialogue and governance. Study tours will not be limited to the United States but will also include other countries in Africa and elsewhere. An important underlying concern to be addressed here is helping South Africans overcome the legacy of decades of isolation which effectively sealed the country from the experiences of other countries, especially developing countries.

-- *Special Purpose Activities:* Special purpose activities include seminars, conferences, workshops, and other programs designed to promote policy dialogue in areas relevant to the Mission's strategic objectives. On occasion, pilot activities which are small, innovative, replicable and support overall program objectives but fall outside that which can be funded under regular, sector-specific projects will also be considered, with a view toward helping to better understand possible new areas of interest or alternative programming approaches.

### *C. Expected Achievements and Accomplishments*

The project purpose will be achieved through project activities which contribute substantively to producing the following:

-- *An improved policy debate during the transition process.* The policy debate would be improved through using analytical and policy based studies, conferences, seminars and workshops to enrich the policy debate and offer alternative options and approaches at key points in the transition process.

-- *A group of key South African decision-makers from the majority community who are better informed in analytical elements of market-based policy making and policy options.* Decision-makers, who are likely to be closely involved in policy formulation in a post-apartheid South Africa, would benefit from various project activities including the broad exposure provided by tailor-made study tours and observational travel to view how similar development problems and issues have been addressed in a different context.

-- *A policy information network supported and information broadly disseminated.* A number of key South African research or training institutions would

be strengthened through "seed funding" and "institutional support" grants to enable them to contribute more effectively to the process of political and economic transition in South Africa.

-- *Improved program impact and accountability and better designed projects.*  
A series of project designs, financial reviews, evaluations and other PD&S-related activities will help ensure that the USAID program remains relevant and accountable throughout the transition period.

### III. COST ESTIMATES AND FINANCIAL PLAN

TSF is conceived as a four-year project with an authorized funding level of \$10 million. Depending on the course of events in South Africa, the Project Assistance Completion Date (PACD) and, possibly, the total authorized funding level may be amended at a later date using existing field-delegated authorities.

In keeping with guidance provided in the ECPR meeting held in Washington in April 1993 and described in State 169938 (Annex B), the project is divided into two main elements. First, up to \$2 million will be directed toward PD&S-type activities, primarily project designs, evaluations, audits, financial reviews and other Mission-specific funding requirements. Second, the balance of the funds will be directed toward initiatives related directly to the transition process in South Africa, especially as it supports the economic and political restructuring that is bound to take place. It should be recognized at the outset that there will be instances when it will be difficult to determine whether or not a particular activity belongs solely in the "PD&S" category or solely in the "transition support" category. Nonetheless, every effort will be made to ensure that this dichotomy, as requested in the ECPR meeting and guidance cable, is maintained throughout the life of the project.

Financing mechanisms will be based on a combination of those which have historically dominated Mission programming, primarily unsolicited Handbook 13 grants to NGOs; IQCs; buy-ins to centrally-funded projects; purchase orders; and

**Table 1:  
Illustrative Methods of Implementation and Financing**

Type of Assistance	Method of Implementation	Method of Financing	Amount
Grants	Indigenous NGO, new democratic government	Direct Payment	\$2.5 million
Technical Assistance	Contracts/PSCs/ Purchase Orders/ IQCs/Buy-ins	Direct Payment or Letter of Credit	\$4.0 million
Observational Travel and Training	Contracts/PSCs/ Purchase Orders IQCs/Buy-ins	Direct Payment or Letter of Credit	\$2.5 million
Evaluation/Audit	Direct Contract/ IQCs	Direct Payment	\$1.0 million

other competitively selected contractors (see Table 1). Prior to obligation of funds to NGOs, each proposed grantee's grantworthiness will be assessed and financial management practices will be reviewed by the Mission, normally utilizing one of the Mission's IQC contracts with a local certified public accounting firm. Additionally, financial reviews will be conducted during the implementation of grants to monitor the allowability of costs and to review supporting documentation. Finally, those grantees falling under the Recipient Audit program will be audited as required by A.I.D. policy in this regard. Included in the project budget are funds to cover Non-Federal Audit (NFA) requirements, as may be necessary.

Other, less traditional forms of contracting or service procurement may be contemplated from time to time, including a possible interagency transfer (involving USG entities such as the United States Information Service) or, if warranted, a transfer of funds to international organizations (such as the United Nations or its affiliated agencies). As per ECPR guidance, such actions, if they materialize at all, will only be undertaken following consultations with AID/W.

**Table 2:**  
**Illustrative A.I.D. Obligations by Fiscal Year (\$ million)**

<b>Project Component</b>	<b>FY93</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>Total</b>
<i>PD&amp;S-Type Activities</i>	--	0.7	0.7	0.6	2.0
-- <i>Audits, Financial Reviews</i>	--	0.2	0.2	0.2	0.6
-- <i>Project Design, Evaluation</i>	--	0.4	0.4	0.4	1.2
-- <i>Other PD&amp;S Activity</i>	--	0.1	0.1	--	0.2
<i>Other Activities</i>	0.8	2.1	2.5	2.6	8.0
-- <i>Analytical, Policy Studies</i>	--	0.6	0.6	0.6	1.8
-- <i>Study, Observational Tours</i>	0.3	0.5	0.6	0.6	2.0
-- <i>Institutional Strengthening</i>	0.2	0.5	0.7	0.7	2.1
-- <i>Other Special Purpose Transition Activities</i>	0.3	0.5	0.6	0.7	2.1
<b>Total</b>	<b>0.8</b>	<b>2.8</b>	<b>3.2</b>	<b>3.2</b>	<b>10.0</b>

Obligation rates will vary, depending on demand. Considerable uncertainty surrounds both the transition process in South Africa and the types of requests that will likely be made on the Mission to support this process. However, the Mission does envisage annual obligations in the \$2-\$3 million range, roughly similar to what has been done in recent years under PD&S. Specific year-by-year obligation plans are shown in the Table 2. All costs except those associated with expatriate technical assistance and possibly some international travel will represent local currency costs.

#### IV. IMPLEMENTATION PLAN

##### A. *Roles and Responsibilities:*

**USAID/South Africa:** USAID/South Africa, through the Program Office, will have overall responsibility for TSF. As with PD&S, other Offices and Divisions can also access TSF funds for initiatives which support the transition process. Those activities which are initiated by the Program Office will be managed and implemented directly by the Program Office; those activities which are initiated by other Offices and Divisions will be managed directly by the Offices and Divisions concerned. The Program Office will, however, be responsible for overall project monitoring, for evaluation, and for preparing documentation needed for semiannual Project Implementation Reviews (PIRs) and other reviews. A Mission Order will be developed, superceding the existing Mission Order on PD&S (see Annex J), and describing in detail how TSF will be managed within the Mission.

**NGOs:** TSF will on occasion fund direct grant agreements with local NGOs. As with so much of the current program, these grant agreements will be negotiated, executed and managed using standard Handbook 13 procedures. Particular grant agreements will identify contact people within the NGOs who will be responsible for managing a particular activity. Prior to executing a grant agreement, the Controller's Office will coordinate financial reviews of the NGOs concerned to ensure that they have adequate financial, operational and accounting procedures in place to account for USAID funds. In addition, the Controller's Office will monitor the recipient audit program as it pertains to USAID-funded NGOs.

**Commercial Contractors:** From time to time, TSF will use purchase orders, PSCs, contracts, IQC buy-ins and other means to fund services provided by commercial firms for various initiatives related to the transition process. In these instances, USAID Mission personnel will provide monitoring and oversight to ensure that the products and activities contracted for are effectively carried out. Such contracts will in most instances be carried out for the benefit of selected South African NGOs, making close coordination between USAID/South Africa staff and the relevant counterpart organization essential. Finally, special efforts will be made at all times to ensure that research, special studies and other analytical work funded under TSF are disseminated to a broad audience of South Africans. For example, a grant agreement involving a South African NGO will include special details on how any research undertaken will be made available to a wider audience. Similarly, where appropriate, special studies undertaken by the Mission will be distributed widely by the Mission, within South Africa, to other donors, and in AID/W.

**South African Government (SAG):** Under existing CAAA legislation and A.I.D. policy, USAID/South Africa does not engage with the SAG nor, as a general

matter, support institutions or organizations which are "financed or controlled" by the SAG. As the transition continues, this legislation and the policy guidance stemming from it will change, certainly following free and fair elections under a universal franchise and the establishment of an interim democratic post-apartheid government charged with drafting a new constitution. When the legislative and/or policy terrain shifts enough to warrant consideration of proposals emanating from the SAG, SAG entities, or organizations significantly financed or controlled by the SAG in a post-apartheid South Africa, the Mission will discuss extensively with AID/W the appropriateness of using TSF to fund such initiatives before taking any decisions which might affect the project in this area.

### ***B. Project Management and Implementation***

As noted earlier, TSF implementation will be undertaken in conjunction with a variety of South African individuals and organizations. Existing grant agreements with various South African groups under PD&S and under the various sector-specific projects already give the Mission a broad sense for the type of policy dialogue and program support requirements likely to be needed for the duration of the transition period. The Mission will increasingly seek to be proactive in areas it deems especially important, particularly as it relates to promoting effective, market-based approaches to economic growth in a post-apartheid South Africa. At the same time, the traditional consultation process under which Mission staff meet regularly with a broad and representative spectrum of the various anti-apartheid groupings will be vital in order to ensure effective programming of TSF funds.

Management of TSF will be modelled in part after the current management of PD&S (see Annex J). Efforts will be made to establish a planned TSF budget early in the fiscal year. Actual proposals will be entertained throughout the fiscal year to respond to windows of opportunity as and when they occur. The project itself will be managed out of the Program Office, but can be accessed by other Offices and Divisions, as long as the funding requested is for activities which directly support the transition process.

Minor, routine and small-value proposals, especially those falling within the PD&S element of the project (e.g., financial reviews, audits, routine evaluations, etc.) will not require a wide Mission review. Larger, more complex or more politically sensitive or visible initiatives will be presented and discussed as part of the regular Action Plan process involving the Mission Director, Deputy Director and others. PD&S-related activities will have to meet the criteria already established in the existing Mission Order on PD&S. (This is somewhat at variance with the ECPR guidance on this issue, which suggested that *everything* funded under TSF should be reviewed by a project committee; Mission experience under PD&S would indicate that such an approach is unnecessary and unworkable. For example, it does not make sense to convene a review meeting to discuss financial reviews for individual grant

proposals; several dozen such reviews are conducted each year, at a cost of around \$1,000-\$3,000 each. Similarly, small purchase orders or other procurements related to evaluation and monitoring are usually also very routine and need not be subjected to the regular review process. Most Mission offices as well as the Mission Director and Deputy Director are in any case included on the clearance for such documents and are in a position to raise broader concerns, should they arise.)

Funding for TSF activities outside the PD&S element of the project will be assessed against the following types of criteria:

- relevancy to transition process in South Africa, especially as it pertains to economic and political restructuring;
- extent to which activity promotes policy dialogue on key issues facing a democratic, post-apartheid South Africa;
- extent to which disadvantaged population benefits from the activity (e.g., people-level impact);
- institutional capacity to deliver proposed outcomes;
- extent to which substantial black leadership and empowerment concerns are already addressed within the existing organizational structure;
- cost effectiveness of proposal;
- innovativeness of proposal;
- reasonableness of proposal time frame and budget;
- degree of non-partisanship and extent to which it encourages dialogue across dividing lines; and
- degree to which activity supports the objectives and targets set forth in the current Mission strategy.

An ad hoc Project Committee chaired by the Project Manager will also be established, meeting as and when required. The Committee will consist of one representative from each of the operational offices (e.g., GDO and PHRD under the current Mission organizational configuration), plus one representative from the Controller's Office and one representative designated by the Mission Director. In most instances, ad hoc Project Committee members would be identical to those meeting to discuss specific proposals as part of the regular Action Plan process. To avoid duplication, in such cases the Project Committee would not meet prior to an Action Plan review; the Action Plan meeting itself would provide the necessary oversight and ensure that major elements of the Mission are involved in decision-making related to TSF.

More broadly, the ad hoc Project Committee will provide strategic direction to the project as necessary. In particular, it will review the annual TSF Project report, prepared by the Project Manager, which analyzes and categorizes activities over the previous fiscal year. It will also clear the Scope of Work for any external evaluations conducted during the life of the project, whether related to sub-activities

or to the project as a whole. Where appropriate, it will recommend mid-course changes and adjustments.

USAID Officers from various offices who make proposals which are approved will be responsible for all actions leading to obligation of TSF funds. Where appropriate, he or she will need to liaise with the Project Manager in regards to implementation. As with PD&S now, all approved A.I.D. obligation mechanisms may be used to obligate TSF funds. This includes contracts, cooperative agreements, grants, work orders under IQCs, buy-ins to AID/W contracts, invitational travel, purchase orders, PIO/Ts effecting interagency transfers of funds, etc. Given Mission workload requirements, consideration will at all times be given to utilizing the simplest appropriate procedure possible.

As with other Mission obligation documents, all major documentation will be accompanied by an Action Memorandum to the Mission Director which includes essential background information, details the decision-making process, outlines the consultative process and impact on disadvantaged South Africans, addresses any significant issues, and summarizes the activity which will be funded. A suggested format for this approval memo is provided in Annex I. The Project Officer concerned is also responsible for initiating appropriate follow-up activity, including distribution of analytical studies or other research to a broader interested audience, both South African and American.

Consultation with other donors will at all times be an important part of project management and implementation. A range of donors, including Canada and the United Kingdom, share an interest in exposing previously isolated South Africans to a wide range of policy options and alternatives. TSF will ensure that the United States also plays an important role in these policy discussions with leading non-governmental interlocuters. This interest is bound to increase when multilateral donors initiate activity in South Africa. Already, the World Bank is trying to put together its own equivalent of a "transition support fund" which concentrates on preparing the policy and project development groundwork for its own eventual support to a post-apartheid South Africa. TSF will complement and possibly even directly contribute to this effort.

Coordination with other donors also implies a wide circulation of research, special studies and other work funded out of TSF, thus ensuring that there is no duplication and that research funded reaches a wider audience. This aspect of project management is important, given the extent to which USAID funds should be directed toward areas where USAID may have a comparative advantage or be able to make a special contribution to the quality of the policy dialogue process in South Africa. The universe of potential policy-related research in South Africa is enormous. In order to help establish its own particular niche within that universe, it will be vital to consult

regularly, with other donors as well as with the wider South African community at large.

For obvious reasons, flexibility will be vital at all stages of TSF implementation. Nonetheless, the following illustrative implementation schedule highlights a number of key events in the implementation of the project:

<i>Event</i>	<i>Date</i>
Project Authorized	July 1993
Initial TSF Obligations Made	August 1993
Mission Order on TSF Issued to all Mission staff	September 1993
First Annual Report on TSF Implementation Drafted	October 1993
First Action Plan Review for FY1994 TSF Activities	January 1994
Second Annual Report on TSF Implementation Drafted	October 1994
First Action Plan Review for FY1995 TSF Activities	January 1995
Mid-Term Evaluation	May 1995
Third Annual Report on TSF Implementation Drafted	October 1995
First Action Plan Review for FY1995 TSF Activities	January 1996
Fourth Annual Report on TSF Implementation Drafted	October 1996
First Action Plan Review for FY1996 TSF Activities	January 1997
Fifth Annual Report on TSF Implementation Drafted	September 1997
Final Evaluation	September 1997
Project Assistance Completion Date	September 1997

If appropriate, a decision may be made in conjunction with either evaluations or the annual TSF report to extend and/or add additional funds to the project. Depending on demand, a change in the breakdown between PD&S-type activities and other transitional support may also be required. Decisions on these and other matters relating to TSF will be discussed with AID/W prior to implementation.

### C. Dissemination of Results

At both the ECPR meeting in Washington and in the internal USAID/South Africa project review, special emphasis was placed on ensuring that research activity funded under TSF is properly disseminated to a wider audience. Although it is not possible to be completely prescriptive on this point in the Project Paper, "lessons learned" during the implementation of PD&S offer some important direction. In at least some instances, studies undertaken have in the past have not been adequately distributed. In other cases, when special steps were taken, the studies had much greater impact. For example, both the Tertiary Education Sector Assessment (TESA) and the Primary Education Sector Assessment (PESA) have had wide distribution and gone through three printings. Similarly, with respect to the Aspen Institute Conference, proceedings are being published by David Philip in Cape Town and possibly by the Brookings Institution in Washington, D.C., thus helping to ensure a wider audience.

Given this history, care will be taken to ensure that dissemination of results is specified in grant agreements and contracts funded under TSF at the outset. Depending on the circumstances, the following types of mechanisms to enhance dissemination of results will be considered and, where appropriate, acted upon throughout the life of the project:

-- Scopes of Work under commercial contracts, IQCs and buy-ins will mandate printing and distribution of multiple copies of particular studies, not the half dozen or so which typically characterizes such procurements;

-- Grant Agreements funding conferences, workshops or research studies will need to include a discussion on dissemination strategies, outlining how the results of particular activities will be distributed to a wider audience;

-- As a matter of course, special efforts will be made to ensure that individuals and institutions that participate in or contribute to a special research study also receive copies of the final reports produced as a result of this input;

-- As a matter of course, the Program Office will ensure that copies of major studies are forwarded to CDIE in AID/W, ensuring that a permanent copy is on file in Washington and that other Missions and U.S.-based researchers have access to the results of such studies through CDIE's own information dissemination system;

-- Where appropriate, TSF funds will be used to fund publication costs or more innovative approaches to dissemination, such as videos, as part of a broader effort to ensure wide impact;

The Mission will consider developing mailing lists which include key South African research and policy institutions, to ensure that particular studies become available for ongoing research conducted by others working on similar problems; and

The Mission will consider using TSF to fund special readable and jargon-free summary reports and "issues papers" as part of a broader attempt to ensure that policy-related work is available to a wider audience.

For obvious reasons, particular approaches to information dissemination will vary, depending on the nature of the activity and the type of funding mechanism used. However, efforts to broaden the impact and enhance the audience for particular studies, workshops and conferences funded under TSF will be an important aspect of the project implementation process.

#### **D. Procurement Plan**

In accordance with DFA guidance, U.S. procurement will be utilized to the maximum extent practicable in achieving project objectives. DFA latitude for procuring goods and services from code 935 countries, as required for compatibility or other compelling reasons, will be utilized as necessary or appropriate. Most procurements will be limited to technical services, with U.S. technical assistance in particular recruited to assist in major activities related to the political and economic transition now underway in South Africa. Commodity and equipment procurements will be kept to a minimum.

It is envisaged that A.I.D. Direct Contracting, IQCs, buy-ins to AID/W centrally-funded technical services projects and Handbook 13 grants will all be utilized under the project. IQCs and buy-ins to AID/W-managed projects will be handled by the AID/W contracting office concerned. Examples of the types of buy-ins already under consideration include the Implementing Policy Change Project and the Institute for Policy Reform activity, both managed out of the Research and Development Bureau in AID/W. All Handbook 13 grants will be issued by USAID/South Africa directly and will largely involve South African organizations. These procurements and assistance mechanisms will provide A.I.D. with sufficient control over the integrity of procurements under TSF, guarantee financial accountability, and provide a proactive position to ensure that project interventions are implemented in a timely manner and in accordance with project design.

In keeping with standard Mission procedure, particular approaches to procurement will be discussed as part of the regular Action Plan review. In a few instances, innovative and less common procurement approaches may be contemplated. For example, discussions are already underway on the possibility of developing a Mission IQC which would allow the Mission to access on short notice high quality technical talent in the United States to bring to bear on problems that emerge during

the transition process. Similarly, it might at some point make sense to contemplate an interagency funds transfer to the United States Information Service (USIS) for certain kinds of observational travel and other transition-related activity. In addition, it might at some point make sense to transfer a very limited amount of funds to international organizations such as the World Bank or one of the United Nations agencies for research or other work related to the economic and political transition. In all such cases, prior discussions would first be held with Washington to ensure that policy or other concerns are adequately addressed.

Since a significant portion of funds may be provided through Handbook 13 grants, a series of substantive conditions relating to affirmative action and the empowerment of South Africa's disadvantaged majority will be included in individual grant agreements. Some of these conditions are mandated by the CAAA. Based on the CAAA language, such concerns are also prominently reflected in the Mission's own strategy document for the transition period. Specific language related to this aspect of individual grant agreements is described in detail in Annex F. Similarly, a discussion of Gray Amendment considerations and the required Certification by the Director, USAID/South Africa, is included as Annex E. Prior to finalizing the Project Paper, the procurement plan section of the Project Paper was reviewed and approved by the Acting Regional Contracting Officer in Swaziland.

#### *E. Monitoring and Evaluation*

As noted earlier, the Project Manager will provide general oversight and management of the project. In particular, he or she will be responsible for producing two key planning and monitoring documents on an annual basis:

-- First, a proposed budget, prepared during the first quarter of each fiscal year, will serve as a major planning document. In keeping with the need for flexibility which lies at the heart of TSF, additional proposals for TSF funding can also be entertained at any time during the fiscal year as part of the regular Action Plan process.

-- Second, at the end of the each fiscal year, the Project Manager will prepare for Mission circulation and comment an annotated TSF "project report" which lists each TSF-funded initiative by size and implementing institution and comments briefly on the nature of the activity.

Documentation for TSF will also need to be prepared in connection with semiannual Project Implementation Reviews (PIRs) and for other Mission review meetings, providing another oversight checkpoint and ensuring that pipeline, mortgage and other concerns are properly dealt with in a timely fashion.

Significant NGO grant agreements and contracts funded out of TSF will include a grant-specific evaluation line item, ensuring that the activity itself is evaluated. In addition, the Project Manager and ad hoc Project Committee may from time to time conduct an internal evaluation or recommend an external Project Evaluation. At a minimum, one such evaluation will be commissioned halfway through the project (e.g., in late FY1995 or early FY1996) and a second will be commissioned at the conclusion of the project.

The evaluations will focus on two sets of issues:

-- First, to what extent has the project enabled the Mission to effectively promote and support engagement in the transition process?

-- Second, to what extent have the particular activities supported by the Mission had impact in South Africa?

The first set of issues relates mainly to internal, process concerns pertaining to the successful management of the project. The extent to which management follows procedures and guidelines laid down in the Project Paper and the Mission Order on TSF is one obvious and important area for future evaluation. Somewhat related, the evaluation also needs to assess the extent to which TSF was implemented with flexibility and allowed the Mission to be relevant and responsive during the transition period.

The second set of issues relates mainly to the failure or success of particular initiatives funded under TSF. The project is specifically designed to fund a series of activities and "targets of opportunity," sometimes disparate, which promote transition concerns. Not all activities will be amenable to usual A.I.D. evaluation concerns, especially those within the PD&S element of the project which relate to audits, financial reviews, etc. However, larger activities funded out of the transition element of the project will need to be evaluated, especially as they relate to the people-level impact emphasized in the ECPR cable. Evaluations will be built into larger grant agreements as part of a budget line item, with special efforts made to ensure that evaluation criteria are included as part of the negotiations surrounding a particular grant agreement. In addition, the overall project evaluation will assess the extent to which the set of activities funded by the Mission under TSF have had impact on the transition process in South Africa. Other concerns listed in the selection criteria for individual activities, including people-level impact, will also be addressed.

More generally, TSF will itself become a major evaluative tool for assessing the impact of USAID on a changing South Africa. Sector-specific projects typically include a line-item for evaluation; similarly, specific grant agreements funded under these projects increasingly ensure that grantees also have funds available to ensure effective evaluation and monitoring. Where appropriate, TSF funds will be made

available to supplement these efforts by providing a broader and more comprehensive assessment of the impact of the USAID program on developments in South Africa. For example, in some instances, it may make sense to examine in greater detail the impact of a number of grantees or contractors working in a particular sector. Similarly, funds might be made available to fund a series of readable, jargon-free assessments or "issues papers" which attempt to describe for a wider audience activities and "lessons learned" as a result of USAID-funded activity in South Africa.

## V. PROJECT ANALYSES

### A. *Economic and Financial Analyses*

The TSF PID approved by AID/W stated that the "Mission does not anticipate conducting a formal financial or economic analysis on rates of return." There are several reasons why a project of this type is not amenable to such approaches:

The PD&S element of the project, funding as it does an array of pre-project analyses, financial reviews, audits, evaluations, and other activities, is primarily intended to prepare new project designs and to ensure continued program oversight and accountability; it will also fund project design work and possibly various pilot activities, which will also help to ensure that the aid program remains responsive during a period of rapid change. In the context of overall Mission funding, this element of the project represents a minor but essential portion of total programming.

-- The transition support element of the project, while holding out the prospect for clear economic return, is also not amenable to rigid economic analysis, in large part because considerable uncertainty continues to surround the specifics of actual activities which TSF will fund. The project is designed to be flexible, responding to the specific but as yet unforeseen demands which a transition process is likely to make. Many of these demands will almost certainly focus on economic and political restructuring issues. In the Mission's view, focused technical assistance in support of a particular policy concern could save a future post-apartheid SAG considerable resources. However, at this stage in the process it is impossible to determine the economic parameters or benefits of such activity that may be funded.

To a large extent, resources devoted to TSF represent the "research and development (R&D)" portion of Mission programming over the transition period. Total TSF funding accounts for somewhat more than 3 percent of overall Mission funding over the next four years, a modest total which follows a pattern similar to that maintained by other USAID Missions elsewhere. Although difficult to measure in financial terms, the contribution to the ongoing policy debate in South Africa is likely to be significant, especially if "lessons learned" from elsewhere can be appropriately applied and help spare a future post-apartheid government from making ineffective policy decisions.

### B. *Technical Analysis*

As noted in the background section, South Africa is entering a period of enormous flux. In effect, the entire political, economic and social terrain of a post-apartheid South Africa is open to debate. Discussions will become more sharply focused when some of the positions now being proposed are tested at the ballot box. In the meantime, individuals, institutions, and political groupings are actively trying

to influence the terms and parameters of the debate. From a Mission perspective, the fluidity of the transition process offers important opportunities for low-cost, high-impact activities which bring additional information and experiences to the ongoing discussions and to key national decision-makers involved in the debate. It will be much more difficult to have such impact at a later stage, when a new government is installed and the terms of debate have become much more solidified.

The current social and political environment in South Africa further underscores the need for the approach envisaged under TSF. Most of the USAID program is channeled through indigenous NGOs. Some of these NGOs are already looking ahead to the type of policy considerations which may influence their programming in a post-apartheid South Africa; others are developing models and pilot activities which they believe might be replicable under a post-apartheid government which is more supportive of the kinds of social goals which they promote. Certain key members in the NGO community now will play important roles in the post-apartheid government.

As an outside donor, USAID's main task is to support a process, not necessarily to anticipate a conclusion. South Africans will themselves negotiate the shape of post-apartheid South Africa. However, USAID can help enrich and encourage the debate by providing examples of how similar problems were dealt with by other societies and in other contexts. "Lessons learned" from successes and failures elsewhere are particularly important in South Africa, given the country's historic isolation from the rest of the world.

Technically, there is little doubt that resources exist both within and outside South Africa to significantly assist in the transition process. The "institutional depth" in some areas--in terms of human resources and management capacity--is impressive and, in some instances, world class. The struggle against apartheid has resulted in the emergence of a large number of NGOs and extra-parliamentary groups which are certain to influence the transition. The resulting network of individuals and institutions, interested in policy issues and preparing for leadership roles in a new South Africa, presents USAID with important opportunities that may well disappear in the coming years. USAID/South Africa's ability to support and enter into a dialogue with this network will hinge in large part on the extent to which it is able to maintain credibility within the majority community. Once a new democratic government is established, continued access and impact will also largely be determined by the extent to which USAID is able to maintain its position as an open, transparent partner in the transition process.

As observers both inside and outside South Africa have noted, there are enormous gaps in knowledge in certain key areas. Many of these relate to the isolation resulting from apartheid, preventing South Africans from benefitting from the experiences of other societies; some observers go so far as to suggest that there is

a "hunger" for learning from and then applying some of this international experience in the context of South Africa. In addition, the nature of the political struggle has also led to certain gaps in knowledge and expertise, especially as it pertains to the shift from opposition (aimed at bringing down an existing political order) to governance (aimed at establishing and sustaining a democratic post-apartheid South Africa). Available evidence suggests that, with the right degree of flexibility and responsiveness, the Mission can establish an important niche in the policy area, adding to the quality of the debate and providing alternative viewpoints that might otherwise not be considered.

Moving to a more pre-emptive approach in these and other areas will not always be easy. For example, one legacy of apartheid is that many in the disadvantaged population associate apartheid with "capitalism". Enormous inequalities in income and wealth is one reason for this view, the fact that the formal business sector is largely controlled by whites another. In many respects, apartheid in fact became a form of socialism for whites. It also imposed enormous regulation and a series of legal barriers which inhibited efficiency and prevented blacks from competing in the private sector. This view of apartheid as a form of socialism for whites rather than a truly competitive free market system, while held by some South Africans, is not generally understood in the wider South African population.

To a large extent, the struggle against apartheid was led by groups and individuals who historically have looked to Eastern Europe and the Soviet Union as an economic model. The collapse of Eastern Europe and the Soviet Union in the late 1980s and early 1990s has obviously led to a considerable rethink. Indeed, the rhetoric of the ANC and other movements involved in the struggle against apartheid has changed markedly as a result of these failures. Nonetheless, there is still a feeling among many that a strong central government, charged with orchestrating and directly funding all aspects of development, offers the best approach for addressing the inequalities of the past and ensuring growth in the future.

One important role of TSF will be to ensure that policy debates are rooted in the economic realities which a post-apartheid South Africa is certain to face. Difficult choices will have to be made among many competing demands. Lessons learned elsewhere suggest that economic decisions based on short-term political expediency are almost certain to have adverse medium and long-term results. Concerns over efficiency and sustainability are bound to increase. Given this difficult economic environment, it will not be enough to simply repeat political slogans from the past; economic approaches that address growth as well as equity concerns will also be vital. Among other things, TSF can be used to help demonstrate and promote market-based approaches to economic development that work. Actively seeking groups that can contribute to a pragmatic and less ideologically driven debate on possible approaches to private sector promotion are another important part of this process.

### C. *Social Analysis*

There are no central social issues that would "make or break" the project. On the contrary, success hinges on other factors. First, the extent to which major South African political groupings are able to achieve success and work toward a new, non-racially based constitutional order will be vital in determining success. Second, similar consensus needs to be achieved on new economic approaches which address both efficiency and equity concerns. TSF is designed to be relevant to and contribute toward this long-term process of transformation.

**Beneficiaries:** As with every project in the Mission portfolio, TSF is directed toward South Africa's majority community. Its impact will ultimately be assessed according to the extent to which it shapes a USAID program that is relevant and responsive to the realities and requirements of a new, post-apartheid South Africa. Major direct beneficiaries of the project include those South Africans, mostly at the middle to upper levels of the policy debate, who are either presently involved in positions in key institutions or will likely assume such positions following elections. Indirectly, enhanced policy dialogue and a more supportive policy environment that leads to a more successful transition will clearly benefit South Africa's disadvantaged majority. Gender considerations will also be important in project implementation, including in observational trips where efforts will be made to enhance female participation. As the Eastern Cape local government tour demonstrated, the participation of women--and exposure to South Africans of situations elsewhere in which women play key management roles--can have positive benefits and expose South Africans to new ways of thinking.

**Participation:** As noted earlier, project success rests in large part on the extent to which the Mission can be helpful in supporting, encouraging and enriching a policy debate that is already underway. Efforts will be made to ensure that key South Africans, many now represented in the NGO community and destined to play important roles in a post-apartheid political dispensation, participate, both in terms of helping to identify areas of special interest and in implementing or reviewing specific studies, analytical work, and other activities carried out under TSF. In this respect, management and implementation of TSF will be similar to the management and implementation of the USAID/South Africa project portfolio as a whole, which emphasizes consultation and impact with organizations that represent grassroots concerns.

Overall effectiveness is determined in large part by the degree to which USAID is responsive to community concerns. Given the impending prospects that majority government will come sooner rather than later, no major constraints stand in the way of either generating appropriate proposals or ensuring broad South African participation in TSF-funded activities. Indeed, there is great and increasing interest in discussing issues now, that a future post-apartheid government will necessarily have to

deal with. Funding demands already exceed the \$1.8 million currently set aside for PD&S/TSF in FY1993 (\$0.8 million of which is for TSF); the Mission anticipates no difficulty in effectively programming the allocated funds.

*Impact:* TSF will have impact in two main areas. First, the transition support portion of the project positions USAID to play a more positive and productive role in supporting the policy debate surrounding South Africa's political transition and the restructuring of an existing economic and social order. The quality of analysis and debate and the extent to which pilot activities conducted now demonstrate a possible way to move forward will undoubtedly have an impact on the effectiveness of South Africa's first post-apartheid government. Second, the PD&S-type element of the project ensures that the USAID program remains relevant during the transition process, is attuned to the most vital issues, is accountable in terms of its Washington constituencies and, if necessary, can be reshaped to respond to new priorities. There is an obvious synergy between contributing to a process of long-term change in South Africa and, simultaneously, structuring an aid program that is effective in supporting that process.

The impact of TSF will be most strongly felt in the areas of economic policy and governance. In many instances, the distinction between "economic" and "governance" will be arbitrary. As outside analysts have noted, South Africa is in the midst of an economic recession that goes back to at least the early 1980s. Unemployment is estimated at 40 percent. Growth in GNP has for years lagged behind growth in population. The total numbers of jobs in the formal sector have not increased for at least a decade. Less than one out of ten new entrants into the job market are able to find regular salaried employment. Similarly, changes in apartheid structures in a broad range of areas--local government, housing patterns, business policies and so forth--have clear implications for both "economic development" and "governance."

There are many indications that fear over a declining economy is one of the critical factors now driving the negotiations process. Recent statements from the ANC and other organizations echo this concern. If implemented effectively, TSF will help ensure that the analytical parameters of some of the major issues--including those related to governance and economic management--facing the first post-apartheid government, are better understood and more effectively addressed.

#### *D. Political Analysis*

In South Africa, where the social, political and economic are all so closely intertwined, any relevant "social analysis" necessarily also covers considerable political ground. Nonetheless, there are certain other broad political parameters which will undoubtedly help shape TSF implementation during the forthcoming transition period. In particular, there is broad consensus that at least two major steps

are likely to take place on the way to a new constitutional order. The first is the establishment of a Transitional Executive Council (TEC) to prepare for elections. The second is the installation of an Interim Government of National Unity, based in large part on the results of South Africa's first one-person, one-vote election. Both events have important implications for the USAID program in South Africa, and both events will directly influence the operation of TSF.

*Transitional Executive Council Stage:* Before the Convention for a Democratic South Africa (CODESA), formed to negotiate a new political dispensation, floundered in June 1992, there was agreement that the establishment of a TEC would mark an important step on the way to a new constitutional dispensation. Every indication points to the fact that the TEC is about to be established. The purpose of the TEC is to "level the playing field" in the run-up to the election. While not a true "Interim Government," most parties foresee that the Executive Council will involve a degree of power-sharing and should represent a major step forward in the South African political process. The ANC has itself suggested that the installation of the TEC is the "tripwire" leading to a formal call to end sanctions.

Representation on the Executive Council will not be tested through popular vote. Rather, it will be formulated in much the same manner as CODESA and the current ongoing Multi-Party Negotiating Process--political groupings which claim to have a following and agree to participate would be included. In effect, any group that has participated in CODESA or the current Multi-Party Negotiating Process may claim a place on either the Executive Council and/or its related sub-committees. As a key element in the TEC process, the sub-committees will likely be most active in matters relating especially to the transition, including peace, security, violence mitigation and budgetary matters. Separate, independent committees on media and elections may also be formed. The state of considerable flux and uncertainty surrounding the TEC should also lead to opportunities. In some cases, TSF will likely be called upon to assist NGOs involved or contributing to the TEC and its various sub-committees. Depending on the legislative and policy environment in Washington, the Mission may also be called upon to use the TSF to provide technical support and other assistance directly to the TEC process.

*Interim Government of National Unity:* More significant still will be, of course, the installation of an Interim Government following South Africa's first democratic elections under a universal franchise. Discussions are still going on regarding the shape and duration of this government. What has more or less been agreed to is that South Africa will have an Interim Government, that it will be a government of "national unity" involving at least the key political players, and that the level of involvement will be tested through an electoral process open to all adult South Africans. Right now, April 27, 1994 appears is the target date for these elections.

Representatives elected into this Interim Government would serve in an Interim Cabinet and Parliament, replacing the ones that currently exist. Based upon ground rules agreed to prior to the elections, their main task would be to finalize a new constitution and govern the country during an interim period which could last up to five years. The Constitutional Matters Technical Committee of the Multi-Party Negotiating Process is busy right now drafting a transitional constitution, based on constitutional principles largely agreed upon by the negotiators. Indications are that it will be a fairly "complete" constitution, and look quite different from the current one. Its constitutional principles will be binding on the constituent assembly, making it likely that the "final" constitution will resemble in some respects the interim constitution.

*Implications for TSF Programming:* Questions continue to surround much of the transition process. Most forecasts have been wrong, especially on the more specific details about what will take place and when. Nonetheless, the scenarios now being projected point to the need for USAID/South Africa to be flexible and responsive to a variety of changing circumstances. During a period of considerable uncertainty--in terms of events in South Africa as well as in terms of possible legislative or policy directives from Washington--TSF is designed specifically to offer the Mission the kind of flexible and responsive programming mechanism to ensure that we can offer relevant, timely assistance during a period of rapid change.

#### *E. Administrative Analysis*

Unlike traditional USAID projects in which funds are provided to one or a small number of counterpart institutions, TSF envisages funding a variety of entities, the common feature being the extent to which they advance the transition process in South Africa. Direct grants to NGOs will be used frequently under TSF; in other instances, contracts, IQCs, or buy-ins to centrally funded projects will be utilized.

With respect to local NGOs, Mission assessments of individual NGO administrative capability will be based primarily on seven years of experience implementing a program mainly through NGOs. During these seven years, the Mission has built up a wealth of experience in assessing NGOs. In some instances, TSF will likely be used to support specific research or analytical projects undertaken by NGOs which have in the past benefitted from USAID programming. In other instances, new organizations, founded in response to particular needs that emerge during the transition process will likely be supported. A financial review which examines administrative structures as well as capacity to handle funds will also be undertaken when appropriate.

More broadly, there is little doubt that institutions exist in South Africa which can effectly use the envisaged funds in ways that directly support the transition process. The struggle against apartheid, by its very nature, relied to a large extent on

local NGO initiatives. The end result is one of the most vibrant NGO communities in Africa, with as many as 15,000 NGOs established to pursue a broad range of community concerns.

The universe of policy-related NGOs directly related to the transition process is more limited. Nonetheless, there are a number of institutions with a proven track record in this area and there are others that are being created in response to specific needs emerging out of the transition process. In some instances, TSF will be used to provide seed funding to new institutions, to allow them to begin operations and contribute toward transition. In other instances, funds will be used to provide targeted support to currently viable institutions, making them more effective participants in the process of change now underway. Given the existing NGO community, the institutional depth of South Africa, and the management and technical skills available in South Africa, the Mission is confident that TSF funds can be effectively programmed either through or in support of the existing network of South African NGOs.

Sufficient administrative capacity also exists within the Mission to provide for an effective programming of TSF funds. Already, project design has been substantially aided by Mission familiarity with two other types of related activity:

-- First, the TSF is built on "lessons learned" from the operation of PD&S in South Africa. Management will parallel to a large extent that of PD&S, with the added benefit of a strengthened Project Committee including other offices. In addition, certain activities (e.g., MERG, Aspen Institute, Eastern Cape local government pilot activity, etc. described earlier), funded out of PD&S but lying at the fringes of the PD&S mandate as normally understood, form the core of the TSF initiative. These provide an important experience base for the design and implementation of this project.

-- Second, TSF is built on the experiences of PD&S-type follow-on projects managed or accessed by Mission staff in prior assignments. These have gone under various names such as "Program Design and Implementation Fund" (PDIF) in Pakistan, "Emerging Problems of Development" in Thailand, "Technical Cooperation and Feasibility Studies Project" in Egypt and comparable activities in Tunisia, Jordan and elsewhere. Many of these activities were authorized at relatively high levels of \$30 million, \$40 million and more. Typically, they emerged as important, policy-oriented funding vehicles in larger Missions. All share several common features, including the fact that they are authorized and managed in the field, were designed to incorporate traditional PD&S goals and then go beyond them, and are used to support Mission objectives related to both portfolio development and policy dialogue, broadly defined. Several officers now in USAID/South Africa have considerable experience in designing and implementing these types of projects in other Missions, a definite asset as we move forward with TSF. In fact, several USAID staff specifically

involved in either the design, implementation or evaluation of Pakistan's PDIF are now working in South Africa, lending an important comparative perspective on how to design the activity, how to avoid certain pitfalls, how to implement effectively, and what to look for in terms of evaluation.

In sum, ample evidence suggests that there is appropriate administrative capacity both within the Mission and in the NGO community at large to effectively manage and implement the TSF project.

AK

**ANNEX A:  
ECPR PID REVIEW & PP GUIDANCE CABLE**

AIDAC  
E.O. 12356: N/A

TAGS:  
SUBJECT: ECPR GUIDANCE ON SOUTH AFRICA TRANSITION SUPPORT  
FUND PROJECT (TSF - 674-0318)

P/S  
HUD  
H.R.  
PHRDO  
HRDD  
PDD  
CHRON.  
RF


1. THE ECPR MET ON APRIL 20, 1993 AND APPROVED THE PID FOR SUBJECT PROJECT AT A LEVEL OF U.S. DOLS 10.0 MILLION. OFFICES REPRESENTED AT THE ECPR INCLUDED AFR/SA, AFR/DP, GC/AFR, LEG/CL AND USAID/SOUTH AFRICA (CAP DEAN). THE REVIEW WAS CHAIRED BY AFR/SA KEITH BROWN. TSF WAS APPROVED FOR DESIGN AND OBLIGATION IN THE FIELD CONSISTENT WITH THE GUIDANCE PROVIDED HEREIN.

2. THE ECPR OPENED WITH A STATEMENT BY THE MISSION DIRECTOR, CAP DEAN, WHO EMPHASIZED THAT THE PROJECT IS BEING DESIGNED TO RESPOND DIRECTLY TO THE ONGOING POLITICAL TRANSITION IN SOUTH AFRICA. IT WILL OPERATE IN ACCORDANCE WITH THE COMPREHENSIVE ANTI-APARTHEID ACT OF 1986 (CAAA) AND WILL FURTHER USAID'S ROLE AS THE LARGEST BILATERAL DONOR SUPPORTING THE TRANSITION PROCESS IN SOUTH AFRICA. IN HIS REMARKS, MR. DEAN POINTED OUT THAT PROJECT RESOURCES WOULD BE USED FOR ANALYTICAL STUDIES, SECTOR ASSESSMENTS, OBSERVATIONAL TRAVEL/STUDY TOURS, SPECIAL PURPOSE ACTIVITIES SUCH AS WORKSHOPS AND SEMINARS, AND TRADITIONAL PD AND S CONCERNS (E.G., PROJECT DESIGN, AUDITS AND EVALUATIONS). MR. DEAN ALSO BRIEFLY REVIEWED THE USES WHICH THE MISSION HAS MADE OF PROGRAM DEVELOPMENT AND SUPPORT (PD AND S) FUNDS IN THE PAST.

REPLY DUE: 6/19/93  
ACTION TAKEN:  
INITIAL/DATE:  
FILE LOCATION:

2. FOLLOWING MR. DEAN'S REMARKS, THE ECPR DISCUSSED THE FOLLOWING ISSUES AND GENERATED THE FOLLOWING GUIDANCE THE MISSION TO USE IN PP DESIGN:

A. DELEGATION OF AUTHORITY TO THE FIELD

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THE ECPR APPROVED THE MISSION'S REQUEST THAT AUTHORITY BE DELEGATED TO THE FIELD TO APPROVE THE PROJECT PAPER (PP) AND TO AUTHORIZE THE PROJECT. WHILE THERE WAS SOME DISCUSSION OF THE POSSIBLE NEED TO REFER POLITICALLY SENSITIVE STUDIES TO WASHINGTON, THE ECPR AGREED THAT THE MISSION WILL CONTINUE TO EXERCISE ITS OWN JUDGEMENT ON THE NEED AND TIMING OF CONSULTATION WITH AID/W ON POLITICALLY SENSITIVE ISSUES. THE ECPR ALSO NOTED CONGRESSIONAL CONCERN ON THE TRANSFER OF FUNDS TO OTHER U.S. GOVERNMENT AGENCIES AS WELL AS THE USE OF PASAIS AND RSSAIS FOR POLITICALLY SENSITIVE ACTIVITIES. THE MISSION DIRECTOR EXPLAINED THAT NO PROJECT FUNDS WOULD BE SUBJECT TO INTERAGENCY TRANSFER WITHOUT PRIOR CONSULTATION WITH AID/W AND THAT PASA'S AND RSSA'S WOULD BE USED ONLY IN ACCORDANCE WITH EXISTING AUTHORITIES AND GUIDELINES. THE ECPR NOTED THAT IT WAS INCUMBENT UPON AID/W TO PROCESS ANY MISSION REQUESTS FOR INTERAGENCY FUND TRANSFERS AS SPEEDILY AS POSSIBLE.

#### B. CONSISTENCY WITH SOURCE OF FUNDING

THE PROJECT PROPOSES TO USE A PORTION OF THE FUNDS (U.S. DOLS 1.9 MILLION, AS AN ILLUSTRATIVE FIGURE) FOR STRATEGY DEVELOPMENT, DESIGN, EVALUATIONS, ANALYSES AND OTHER ACTIVITIES WHICH SHARPEN THE FOCUS OF THE MISSION PROGRAM. THE ECPR NOTED THAT ONLY FUNDS AUTHORIZED FOR USE IN PROGRAM DEVELOPMENT AND SUPPORT (PD AND S) CAN BE USED FOR SUCH ACTIVITIES. OTHER DFA FUNDS ARE TO BE USED TO DISTINCTLY BENEFIT THE BLACK MAJORITY IN SOUTH AFRICA. A RELATED CONCERN INVOLVED CONSISTENCY WITH THE DEVELOPMENT FUND FOR AFRICA (DFA) WHICH REQUIRES PEOPLE-LEVEL IMPACT AND INDICATORS WHICH MEASURE IMPROVEMENT IN THE LIVES OF THE BENEFICIARY POPULATION.

GC/AFR EXPLAINED THE UNIQUE STATUS OF PD AND S FUNDS, WHICH ARE KEPT SEPARATE FROM OTHER SOURCES OF FUNDING BECAUSE OF AN AGREEMENT WITH CONGRESS THAT THE AGENCY CAN USE PD AND S FUNDS FOR AGENCY ASSISTANCE PLANNING AND SIMILAR NEEDS RATHER THAN FOR THE PRIMARY BENEFIT OF THE PEOPLE OF THE HOST COUNTRY. SINCE CONGRESS HAS ALLOWED US

TO USE PD AND S FUNDS FOR SUCH A PURPOSE, IT IS IMPORTANT TO LIMIT ACTIVITIES WHICH ARE FOR THE PRIMARY BENEFIT OF AID'S PROGRAM TO PD AND S, SO THAT AID DOES NOT LOSE THE FLEXIBILITY PROVIDED BY CONGRESSIONAL AGREEMENT. THE ECPR THEREFORE RECOMMENDED, AND THE MISSION AGREED, THAT A PD AND S COMPONENT WITHIN THE PROJECT SHOULD BE AUTHORIZED, USING JUSTIFICATIONS APPROPRIATE FOR A PD AND S PROJECT IN THE PROJECT PAPER. THE PD AND S PORTION OF THE TSF PROJECT WILL BE AUTHORIZED AT A SPECIFIC DOLLAR LEVEL, TO BE DETERMINED DURING PROJECT DESIGN BY USAID/SOUTH AFRICA, AND WILL BE USED ONLY FOR PD AND S - TYPE ACTIVITIES, IN ACCORDANCE WITH THE BUREAU'S PD AND S GUIDELINES

(GUIDELINES FOR FY 93 ARE CONTAINED IN 92 STATE 392190).

AS FOR THE CONFORMITY OF THE PROJECT TO THE DFA, GC/AFR  
UNCLAS SECTION 02 OF 02 STATE 169938

#### AIDAC

POINTED OUT THAT THE CAAA CURRENTLY SETS THE FOUNDATION FOR AIDIS PROGRAM IN SOUTH AFRICA, AND IN CASES OF CONFLICT BETWEEN DFA AND CAAA OBJECTIVES, THE CAAA MUST TAKE PRECEDENCE. THIS BEING THE CASE, THE PP NEEDS TO CLEARLY LINK PROJECT OBJECTIVES TO CAAA OBJECTIVES.

THE ECPR THEREFORE RECOMMENDED THAT THE PROJECT BE

DESIGNED WITH TWO COMPONENTS: COMPONENT ONE WOULD CONSIST OF ANALYTICAL STUDIES, OBSERVATIONAL TRAVEL AND SPECIAL PURPOSE ACTIVITIES RELATED TO THE CAAA AND WOULD INCLUDE INDICATORS/CRITERIA WHICH FOCUS ON CAAA OBJECTIVES. PEOPLE-LEVEL IMPACT AS IT RELATES TO ASSISTING APARTHEID-DISADVANTAGED SOUTH AFRICANS, A CAAA OBJECTIVE, WOULD BE ONE CRITERION FOR APPROVAL OF ACTIVITIES UNDER COMPONENT ONE. COMPONENT TWO WOULD CONSIST OF PD AND S - TYPE ACTIVITIES AND INCLUDE A SEPARATE RATIONALE, INDICATORS AND CRITERIA. THE MISSION WAS AGREEABLE TO THIS APPROACH AS WELL AS TO THE INCLUSION OF FUNDS FOR PROJECT EVALUATION, WHICH WOULD MEASURE, INTER ALIA, PEOPLE-LEVEL IMPACT IN TERMS OF CAAA OBJECTIVES.

#### C. SUPPORT OF DEMOCRACY AND GOVERNANCE ACTIVITIES

THE ECPR NOTED THAT CERTAIN TYPES OF ACTIVITIES, SUCH AS ASSISTANCE TO POLITICAL PARTIES OR ASSISTANCE TO AN ELECTION ENTITY OR ELECTORAL OFFICIALS, MIGHT BE PROPOSED FOR PROJECT FUNDING. THE MISSION SHOULD DETERMINE IN CONSULTATION WITH RLA, THE EXTENT TO WHICH SUCH ACTIVITIES ARE WITH THE SCOPE OF THE CAAA, BEFORE INCLUDING THEM IN THE PP.

#### D. PROCEDURES FOR CONSULTATION

THE PID STATES THAT EFFORTS WILL BE MADE TO ENSURE THAT KEY SOUTH AFRICANS ARE CONSULTED ON AREAS OF SPECIAL INTEREST AND INVOLVED IN IMPLEMENTING/REVIEWING STUDIES. THE ECPR RECOMMENDED THAT THE MISSION SHOULD DOCUMENT, IN A GENERAL AS OPPOSED TO DETAILED MANNER, EITHER IN THE FORMAL DOCUMENTATION FOR APPROVAL OF ACTIVITIES (ANNEX C), OR DURING ACTION PLAN REVIEWS, ANY CONSULTATIONS HELD WITH SOUTH AFRICAN ORGANIZATIONS, TO DOCUMENT THE BREADTH OF CONSULTATIONS UNDERTAKEN. CONSULTATION WOULD NOT BE NEEDED FOR THE PD AND S COMPONENT OF THE PROJECT. THE

MISSION DIRECTOR CONCURRED IN THIS RECOMMENDATION.

#### E. CRITERIA FOR APPROVAL OF ACTIVITIES

THE PID APPEARS TO ADOPT PD AND S CRITERIA FOR APPROVAL OF ALL ACTIVITIES, BOTH THOSE UNDERTAKEN UNDER THE PD AND S COMPONENT OF THE PROJECT AND UNDER THE MORE FLEXIBLE COMPONENT OF THE PROJECT. AS NOTED IN PARAGRAPH B ABOVE, THE ECPR RECOMMENDED THAT PD AND S CRITERIA BE USED FOR ACTIVITIES UNDERTAKEN UNDER COMPONENT TWO OF TSF. AS FOR ACTIVITIES UNDERTAKEN UNDER COMPONENT ONE OF THE PROJECT, THE ECPR RECOMMENDED THAT THE PP ESTABLISH CLEAR, UNAMBIGUOUS CRITERIA TO JUSTIFY SELECTION OF ACTIVITIES, INCLUDING THE REASONABLENESS OF ACTIVITY BUDGETS AND TIME-FRAMES, PEOPLE-LEVEL IMPACT, AND IMPORTANCE OF THE ACTIVITY TO POLICY DIALOGUE IN SOUTH AFRICA. THE MISSION WAS URGED TO FOCUS FUNDING TO THE EXTENT POSSIBLE RATHER THAN RESPONDING ONLY TO TARGETS OF OPPORTUNITY, IN ORDER TO INCREASE OVERALL PROJECT IMPACT. THE MISSION WAS ALSO CAUTIONED TO AVOID THE USE OF PROJECT FUNDS FOR REGIONAL STUDIES OR ACTIVITIES IN ORDER TO AVOID OVERLAP WITH SARP-FUNDED ACTIVITIES. LASTLY, THE ECPR RECOMMENDED THAT A PROJECT COMMITTEE CONSIDER ALL PROPOSALS FOR FUNDING UNDER EITHER COMPONENT OF THE PROJECT, AND THAT THE PROJECT COMMITTEE IDENTIFY THE NEED FOR ADDITIONAL CONSULTATIONS WITH AFR/W OR ANTI-APARTHEID GROUPS IN SOUTH AFRICA.

#### F. DISSEMINATION OF RESULTS

THE PID DOES NOT ADDRESS THE ISSUE OF HOW THE RESULTS OF THE STUDIES PROPOSED IN COMPONENT ONE OF THE PROPOSED PROJECT WILL BE DISSEMINATED TO THE VARIOUS GROUPS ENGAGED IN POLICY DIALOGUE IN SOUTH AFRICA, TO ENSURE WIDEST POSSIBLE IMPACT. THE ECPR RECOMMENDED AND THE MISSION AGREED THAT THIS ISSUE SHOULD BE ADDRESSED IN PP DESIGN.

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## ANNEX B: PROJECT LOGICAL FRAMEWORK

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Assumptions
<p><b>Goal:</b> Support transition to a democratic, non-racial post-apartheid South Africa, especially with respect to economic and governance policy concerns.</p>	<p><b>Measures of Goal Achievement:</b></p> <ul style="list-style-type: none"> <li>- Effectiveness of new government in implementing economically viable, market-based policies to address the legacies of apartheid</li> <li>- Effectiveness of the USAID program in assisting South Africa and maintaining credibility and accountability during a period of rapid political transition</li> </ul>	<ul style="list-style-type: none"> <li>- Statistics on economic performance; independent economic analysis and assessments performed by IMF, World Bank, USAID and other donors</li> <li>- External program review and progress reports addressing USAID performance during transition period</li> </ul>	<p>The political transition process proceeds smoothly through an Executive Council, Interim Government, new constitution, and elections as currently planned, with the emergence of a new government sympathetic to growth-oriented, market-based development</p>
<p><b>Purpose:</b> Expand the knowledge base and strengthen representative institutions in order to effectively address South African policy concerns and USAID program issues in the transition to a post-apartheid South Africa.</p>	<p><b>Conditions that will indicate purpose has been achieved/end of project status:</b></p> <ul style="list-style-type: none"> <li>- Improved policy debate using analytical and policy based studies supported under the project</li> <li>- Key South African decision makers from the majority community better informed in analytical elements of market-based policy making and policy options</li> <li>- Policy information network supported and information broadly disseminated</li> <li>- Improved program impact and accountability and better designed projects</li> </ul>	<p>Annual project activity summary report plus project evaluation</p>	<p>USAID staffing numbers are sufficient to support and sustain policy dialogue effort; South African counterparts continue interest in learning from the experiences of others prior to embarking on new policy and programming directions</p>

<p><b>Outputs:</b></p> <ul style="list-style-type: none"> <li>- Analytical studies and sector assessments</li> <li>- Observational travel and study tours</li> <li>- Special purpose activities, including seminars, workshops and conferences</li> <li>- Institutional support to innovative organizations likely to be involved in policy development in a post-apartheid South Africa</li> <li>- Program development support, including audits, project designs, feasibility studies and financial reviews</li> </ul>	<p><b>Magnitude of Outputs:</b></p> <ul style="list-style-type: none"> <li>- At least six major analytical studies and sector assessments</li> <li>- At least six major observational travel/study tour efforts</li> <li>- At least ten major special purposes activities such as seminars, workshops and conferences</li> <li>- At least four small institutional strengthening grants to innovative organizations likely to play important policy development roles in a post-apartheid South Africa</li> <li>- At least 25 program support documents, including audits, project designs, feasibility studies and financial reviews</li> </ul>	<p>Annual project activity summary report plus project evaluation</p>	<p>Working environment in South Africa continues to support policy dialogue efforts; legislative and policy environment in US is conducive to reshaping aid program in ways which support the transition process</p>
<p><b>Inputs:</b></p> <ul style="list-style-type: none"> <li>- Program Development and Support funds</li> <li>- Transition Support funds</li> </ul>	<p><b>Implementation Target (Type and Quality):</b></p> <ul style="list-style-type: none"> <li>- \$2 million for PD&amp;S-type activities</li> <li>- \$8 million for transition support activities (includes analytical studies, sector assessments, observational travel, pilot study tours, special purpose activities and "seed" funding for key institutions)</li> </ul>	<ul style="list-style-type: none"> <li>- Disbursement records</li> <li>- Project files</li> <li>- Annual TSF Report</li> <li>- Evaluations</li> <li>- Other A.I.D. documents and reports</li> </ul>	<ul style="list-style-type: none"> <li>- Approval of TSF in field</li> <li>- Availability of funding over LOP</li> <li>- Working environment, NGO network in South Africa continues to be conducive to policy work</li> </ul>

# ANNEX C: STATUTORY CHECKLISTS

## A.I.D. PROJECT STATUTORY CHECKLIST

### Introduction

The statutory checklist is divided into two parts:  
5C(1) - Country Checklist; and 5C(2) - Assistance Checklist.

The Country Checklist, composed of items affecting the eligibility for foreign assistance of a country as a whole, is to be reviewed and completed by AID/W at the beginning of each fiscal year. In most cases responsibility for preparation of responses to the Country Checklist is assigned to the desk officers, who would work with the Assistant General Counsel for their region. The responsible officer should ensure that this part of the Checklist is updated periodically. The Checklist should be attached to the first PP of the fiscal year and then referenced in subsequent PPs.

The Assistance Checklist focuses on statutory items that directly concern assistance resources. The Assistance Checklist for FY 1993 includes items previously included under separate "project assistance," "nonproject assistance," and "standard item" checklists. The Assistance Checklist should be reviewed and completed in the field, but information should be requested from Washington whenever necessary. A completed Assistance Checklist should be included with each PP; however, the list should also be reviewed at the time a PID is prepared so that legal issues that bear on project design are identified early.

The Country and Assistance Checklists are organized according to categories of items relating to Development Assistance, the Economic Support Fund, or both.

These Checklists include the applicable statutory criteria from the Foreign Assistance Act of 1961 ("FAA"); various foreign assistance, foreign relations, anti-narcotics and international trade authorization enactments; and the FY 1993 Foreign Assistance Appropriations Act ("FY 1993 Appropriations Act").

These Checklists do not list every statutory provision that might be relevant. For example, they do not include country-specific limitations enacted, usually for a single year, in a foreign assistance appropriations act. Instead, the Checklists are intended to provide a convenient reference for provisions of relatively great importance and general applicability.

Prior to an actual obligation of funds, Missions are encouraged to review any Checklist completed at an earlier phase in a project or program cycle to determine whether more recently enacted provisions of law included on the most recent Checklist may now apply. Because of the reorganization and consolidation of checklists reflected here, such review may be particularly important this year. Space has been provided at the right of the

Checklist questions for responses and notes.

### 5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

#### A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

##### 1. Narcotics Certification

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 542 of the FY 1993 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct

source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) has the President in the April 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance?

N/A

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change in the conditions that were the reason why the President had not made a "fully cooperating" certification.

N/A

**2. Indebtedness to U.S. citizens**  
(FAA Sec. 620(c): If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity?

N/A

**3. Seizure of U.S. Property** (FAA Sec. 620(e)(1)): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?

N/A

**4. Communist countries** (FAA Secs. 620(a), 620(f), 620D; FY 1993 Appropriations Act Secs. 512, 543): Is recipient country a Communist country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by

NO

the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?

N/A

5. **Mob Action (FAA Sec. 620(j)):** Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?

No

6. **OPIC Investment Guaranty (FAA Sec. 620(l)):** Has the country failed to enter into an investment guaranty agreement with OPIC?

N/A (Assistance is not to South African Government)

7. **Seizure of U.S. Fishing Vessels (FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5):** (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

No

8. **Loan Default (FAA Sec. 620(q); FY 1993 Appropriations Act Sec. 518 (Brooke Amendment)):** (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

a) No; b)No

9. **Military Equipment (FAA Sec. 620(s)):** If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

N/A

10. **Diplomatic Relations with U.S. (FAA Sec. 620(t)):** Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No

11. **U.N. Obligations (FAA Sec. 620(u)):** What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

While South Africa has been deprived of its UN vote because of arrearages, this has been taken into consideration by the Administrator in approving the Agency OYB.

12. **International Terrorism**

a. **Sanctuary and support (FY 1993 Appropriations Act Sec. 554; FAA Sec. 620A):** Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons?

a) No; b) No

b. Airport Security (ISDCA of 1985 Sec. 552(b)). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

No

13. Discrimination (FAA Sec. 666(b)): Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

No

14. Nuclear Technology (FAA Secs. 669, 670): Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

The situation remains the same as last year; the Department of State has not determined that any of the events under sec. 669 or 67 of the FAA that would trigger the imposition of sanctions have occurred.

15. Algiers Meeting (ISDCA of 1981, Sec. 720): Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.)

No

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16. **Military Coup (FY 1993 Appropriations Act Sec. 513):** Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance?

N/A

17. **Refugee Cooperation (FY 1993 Appropriations Act Sec. 538):** Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin?

Discussions are in process with the South African Government to allow the UNHCR to broaden its mandate to include Mozambique refugees.

18. **Exploitation of Children (FAA Sec. 116(b)):** Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forced conscription into military or paramilitary services?

Yes

B. **COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")**

1. **Human Rights Violations (FAA Sec. 116):** Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

No

2. **Abortions (FY 1993 Appropriations Act Sec. 534):** Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary

sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

No

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

No; N/A

## 5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE?

### A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to:  
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

Yes, TSF is designed specifically to encourage policy discussions in these and other areas.

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

U.S. firms will participate in many of the studies funded under TSF.

**BEST AVAILABLE DOCUMENT**

### 3. Congressional Notification

a. **General requirement (FY 1993 Appropriations Act Sec. 522; FAA Sec. 634A):** If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

Yes, CN has been submitted to Congress and is included as an annex to this PP.

b. **Notice of new account obligation (FY 1993 Appropriations Act Sec. 514):** If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance (FY 1993 Appropriations Act Sec. 571(b)(3)):** If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted?

N/A

4. **Engineering and Financial Plans (FAA Sec. 611(a)):** Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

N/A

5. **Legislative Action (FAA Sec. 611(a)(2)):** If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action

N/A

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1993 Appropriations Act Sec. 571(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

N/A

BEST AVAILABLE DOCUMENT

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10. **U.S. Private Trade** (FAA Sec. 601(b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

U.S. firms will participate in many of the studies funded under TSF.

11. **Local Currencies**

a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

N/A

b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No

Separate Account (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

N/A

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?

N/A

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(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? N/A

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? N/A

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? N/A

## 12. Trade Restrictions

a. **Surplus Commodities (FY 1993 Appropriations-Act-Sec. 520(a))**:---If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A

b. **Textiles (Lautenberg Amendment) (FY 1993 Appropriations Act Sec. 520(c))**: Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of N/A

textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. Tropical Forests (FY 1991 Appropriations Act Sec. 533(c)(3) (as referenced in section 532(d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

N/A

14. PVO Assistance

a. Auditing and registration (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

Such registration will be undertaken, as and when appropriate, during the course of implementation

b. Funding sources (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

If such grants are made during the course of implementation, such a stipulation would apply

15. Project Agreement Documentation (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Yes

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

N/A

17. **Women in Development** (FY 1993-Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes, as part of a broader effort to enhance WID impact in South Africa

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

N/A

19. **Abortions** (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? No

b. Will any funds be used to lobby for abortion? No

20. **Cooperatives (FAA Sec. 111):** Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? N/A

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies (FAA Secs. 612(b), 636(h); FY 1993 Appropriations Act Secs. 507, 509):** Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services. N/A

b. **Release of currencies (FAA Sec. 612(d)):** Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A

22. **Procurement**

a. **Small business (FAA Sec. 602(a)):** Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes, procurements will on occasion include set-aside for Gray Amendment and/or 8(A) firms.

b. **U.S. procurement (FAA Sec. 604(a) as amended by section 597 of the FY 1993 Appropriations Act):** Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? Yes

c. **Marine insurance (FAA Sec. 604(d)):** If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A

d. **Non-U.S. agricultural procurement (FAA Sec. 604(e)):** If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. **Construction or engineering services (FAA Sec. 604(g)):** Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception ~~for those countries which receive direct~~ economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A

f. **Cargo preference shipping (FAA Sec. 603):** Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A

g. **Technical assistance (FAA Sec. 621(a)):** If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the Yes

facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes

**h. U.S. air carriers**  
(International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes

**i. Termination for convenience of U.S. Government** (FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes

**j. Consulting services**  
(FY 1993 Appropriations Act Sec. 523): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? N/A

**k. Metric conversion**  
(Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest N/A

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

1. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes, competitive contract selection procedures will be used.

23. **Construction**

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used?

N/A

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?

N/A

**Large projects,**  
Congressional approval (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress?

N/A

24. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?

N/A

25. **Communist Assistance** (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?

Yes

26. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? YES

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? YES

27. Expropriation and Land Reform (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? YES

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? YES

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? YES

30. Motor Vehicles (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? YES

31. **Military Personnel** (FY 1993 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? **Yes**

32. **Payment of U.N. Assessments** (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? **Yes**

33. **Multilateral Organization Lending** (FY 1993 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? **N/A**

34. **Export of Nuclear Resources** (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? **Yes**

35. **Repression of Population** (FY 1993 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? **Yes**

36. **Publicity or Propaganda** (FY 1993 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? **No**

37. **Marine Insurance** (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? Yes

38. **Exchange for Prohibited Act** (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? No

39. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? No

40. **Impact on U.S. Jobs** (FY 1993 Appropriations Act, Sec. 599): No

(a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business?

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? No

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(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY N/A

1. Agricultural Exports (Bumpers Amendment) (FY 1993 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

2. Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"): Will DA funds be used for tied aid credits? No

3. Appropriate Technology (FAA Sec. 107): Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A

4. **Indigenous Needs and Resources** (FAA Sec. 281(b)): Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

TSF will directly support most if not all of these objectives, based as it is on community consultation and the use of local institutions.

5. **Economic Development** (FAA Sec. 101(a)): Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes, TSF is designed to promote policy dialogue on these issues.

6. **Special Development Emphases** (FAA Secs. 102(b), 113, 281(a)): Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

Yes, support for these types of initiatives are amply described in the PP

7. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

N/A in the absence of a bilateral agreement. However, in many if not all cases, local NGOs will meet 25% of program costs in cash or in kind.

8. **Benefit to Poor Majority (FAA Sec. 128(b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

To the extent possible, this concern will be dealt with on a grant-by-grant basis.

9. **Abortions (FAA Sec. 104(f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):**

No

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

No

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services?

No

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning?

No

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to

No

methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization?

No

10. Contract Awards (FAA Sec. 601(e)): Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

Yes, contractors will be selected competitively

11. Disadvantaged Enterprises (FY 1993 Appropriations Act Sec. 563): What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic-Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?

Given the large number of potential contracting actions involved, it is not possible to specify a percentage now. However, Gray Amendment concerns will be addressed, in part through set-asides.

12. Biological Diversity (FAA Sec. 119(g)): Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

N/A

13. Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): N/A

a. A.I.D. Regulation 16: Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? YES

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, N/A

and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity?

c. **Forest degradation:** Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? N/A

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117(c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? N/A

14. **Energy** (FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act): If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? N/A

15. **Debt-for-Nature Exchange** (FAA Sec. 463): If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing, and watershed management. N/A

16. **Deobligation/Reobligation** (FY 1993 Appropriations Act Sec. 515): If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as N/A

originally obligated, and have the House  
and Senate Appropriations Committees been  
properly notified?

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# ANNEX D

## INITIAL ENVIRONMENTAL EXAMINATION

OR

### CATEGORICAL EXCLUSION

PROJECT COUNTRY: South Africa  
PROJECT TITLE: Transition Support Fund, Project No. 674-031  
FUNDING: FY(s) 93-96 US\$ 10.0 Million  
IEE PREPARED BY: William S. Elliott,  
USAID/South Africa  
Project Development Officer

#### ENVIRONMENTAL ACTION RECOMMENDED:

Positive Determination	_____
Negative Determination	_____
Categorical Exclusion	_____ <u>XXX</u> _____
Deferral	_____

**SUMMARY OF FINDINGS:** The TSP Project is a \$10 million project, the purpose of which is to support analytical activities, which will offer USAID/South Africa a vehicle for addressing some of the key policy issues likely to emerge during South Africa's transition process through a Transition Executive Council, elections, Interim Government, negotiation of a new constitution, and the early months of the first government which rules under that constitution. Of special interest under TSP is dialogue on economic and governance issues involving individuals and institutions likely to play a role in a democratic, post-apartheid South Africa. The increased understanding of these broad questions is intended to have application on mission programming and national policy discussions, but it is not possible at this time to predict how the findings or studies financed by the project will be applied.

The activities to be funded fall into four categories:

1. Analytical studies and sector assessments;
2. Observational travel, study tours and related activities;

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3. Special purpose activities along the lines of seminars, conferences, workshops and small and innovative pilot activities; and

4. Project development and support activities along the lines of project design and development, feasibility studies, financial reviews, evaluations, audits, and related activities.

USAID Environmental Procedures in Regulation 16 authorize a categorical exclusion for the following classes of activities [the relevant paragraphs are cited by number, as found in 22 CFR 216.2(c)(2)]:

(i) Education, technical assistance or training programs except to the extent such programs include activities directly affecting the environment (such as construction of facilities);

(iii) Analyses, studies, academic or research workshops and meetings;

(v) Document and information transfers; and

(xiv) Studies, projects or programs intended to develop the capability of recipient countries to engage in development planning, except to the extent designed to result in activities directly affecting the environment (such as construction of facilities).

The sub-activities contemplated for this project fall within one or more of these categories authorizing a categorical exclusion from an environmental examination. In the unlikely event that a proposed sub-activity does involve actions that could affect the environment, such as construction of facilities or implementation of a pilot activity such as in agricultural policy reform, further environmental review will be conducted then.

CONCURRENCE: Bureau Environmental Officer:  
*WJK* John J. Gaudet, AID/AFR/ARTS/FARA

APPROVED: *[Signature]* For

DISAPPROVED: \_\_\_\_\_

DATE: 7/23/93

CLEARANCE: GC/Africa: MA Klewman

DATE: 7/23/93

## ANNEX E: Gray Amendment Certification

### *Legislative Requirement*

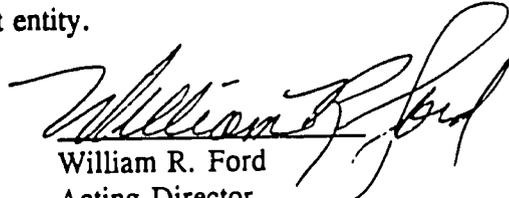
The Gray Amendment (Section 579 of P.L. 101-167, the Foreign Operations, Export Financing and Related Programs Appropriations Act, 1990) requires AID to ensure participation in AID projects by business concerns which are owned and controlled by socially and economically disadvantaged individuals, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic American and private voluntary organizations which are controlled by individuals who are socially and economically disadvantaged, including women (referred to herein as Gray Amendment entities).

AIDAR Notice 90-2, implementing Section 579 of the Foreign Assistance Appropriations Act, requires that for any contract in excess of \$500,000 (except for a contract with a disadvantaged enterprise) not less than 10 percent of the dollar value of the contract must be subcontracted to Gray Amendment entities, unless the contracting officer certifies that there are no contracting opportunities or unless the Administrator approves an exception.

### *Certification*

Elements of this project may be appropriate for minority or Gray Amendment organization contracting. The procurement plan of this project has been developed with full consideration of maximally involving Gray Amendment organizations in the provision of required goods and services. The Mission will make every effort to identify disadvantaged enterprises, particularly women and minority-owned firms, which can manage technical assistance and evaluation services planned in the project. Where possible, qualified Gray Amendment firms will be given consideration under buy-in options for services required.

Furthermore, the Mission will, in the case of any contract in excess of \$500,000 to which the Gray Amendment is applicable, include a provision requiring that no less than 10 percent of the value of the contract be subcontracted to Gray Amendment entities unless the contracting officer certifies that there is no realistic expectation of U.S. subcontracting opportunities, or unless the prime contractor is a Gray Amendment entity.

  
William R. Ford  
Acting Director

Date: 7/27/93

Clearance: RLA: DKeene *OK*

**ANNEX F:  
PROCUREMENT NOTE ON SPECIAL CONDITIONS  
RELATING TO HANDBOOK 13 GRANTS**

A significant portion of TSF funds may be provided through Handbook 13 grants. In such cases, the following conditions (the first of which is required under the CAAA) related to procuring goods and services will be included in all grants:

**1. Procurement**

*a. Scope:* This provision is applicable to the extent that local cost financing is otherwise authorized by the Agreement. It does not require procurement in South Africa where offshore procurement would otherwise occur.

*b. Policy:* In the procurement of goods and services in South Africa, the Recipient shall, to the maximum extent practicable, award contracts to individuals who or organizations which are disadvantaged by apartheid and are responsive and appropriate providers of goods and services.

*c. Definitions:* Individuals and organizations disadvantaged by apartheid shall mean: (1) South African individuals of black, "colored," or Asian descent whose principal place of business is in the Republic of South Africa; and (2) private partnerships or commercial firms which are incorporated in or organized under the laws of the Republic of South Africa, whose principal place of business is in the Republic of South Africa, and which are more than 50 percent beneficially owned by South African persons of black, "colored" or Asian descent. The Republic of South Africa includes the so-called "independent" and "self-governing" homelands.

**2. Competition**

Except as otherwise provided in Sub-Section 1.b above, all procurement transactions shall be conducted in a manner to provide, to the maximum extent possible, free and open competition.

The procurement plan of this project has been developed with full consideration for maximally involving Gray Amendment organizations in the provision of goods and services. Should there be any direct contracts or grants to U.S. NGOs or commercial firms, A.I.D. will give every consideration to contracting or subcontracting with Gray Amendment organizations. A further discussion of Gray Amendment considerations and the required Certification by the Director, USAID/South Africa, is included as Annex E to this Project Paper.

**ANNEX G:  
ILLUSTRATIVE LIST OF TYPES OF  
ACTIVITIES TO BE FUNDED**

Priority Area	Types of Activities
<p><b>Area One: Program Development and Support</b></p>	<ul style="list-style-type: none"> <li>- Project or grant-specific feasibility studies</li> <li>- Project or grant-specific design</li> <li>- Program, project or sector evaluations</li> <li>- Development of internal management, monitoring and tracking systems</li> <li>- Financial reviews and audits</li> </ul>
<p><b>Area Two: Transition Support Activities</b></p>	<ul style="list-style-type: none"> <li>- Macroeconomic modelling and policy frameworks</li> <li>- Sector studies</li> <li>- Fiscal and monetary policy</li> <li>- Role of financial institutions</li> <li>- Southern African regional cooperation</li> <li>- Trade policy</li> <li>- Employment and labor market policy</li> <li>- Approaches to governance, public administration and civil society</li> <li>- Civil service reform</li> <li>- Affirmative action, "dealing with diversity" studies</li> <li>- Parallel financing, in conjunction with other donors, to local initiatives in which these and related issues are analyzed and assessed</li> <li>- Enhanced high level economic policy and governance dialogue through technical assistance, study tours, and invitational travel linking leading South Africans with counterparts facing similar problems (in many instances, this support will enhance the illustrative areas of special studies outlined above)</li> <li>- Support for major international conferences and workshops involving key South African and international figures</li> <li>- Targeted "seed" support for key emerging South African policy institutions and organizations, in part through buy-ins or IQCs</li> </ul>

**ANNEX H:  
KEENE-SPRIGGS MEMO ON  
DEMOCRACY AND GOVERNANCE**

**DATE:** May 12, 1993

**TO:** Ed Spriggs, GC/AFR

**FROM:** Donald Keene, RLA

**SUBJECT:** CAAA Authority for Political Party Training/Election Preparation Activities in South Africa

As you are aware, USAID/South Africa proposes to fund, through grants to U.S. and/or South African NGOs, selected political party training and other related electoral preparation activities in South Africa targeted to benefit the historically disadvantaged communities and political parties and other organizations who represent such communities. These activities include limited training of and technical assistance to political parties, "open" forums and roundtables to discuss issues relevant to elections and voter education efforts. The question has been raised as to whether these activities can be funded, using DFA resources, under the exclusive authority of the Comprehensive Anti-Apartheid Act of 1986, as amended, (hereafter "CAAA" or "Act") or must be authorized under other legal authority ( e.g., joint DFA and FAA Section 116 (e) (1) authority ). It is my opinion that the CAAA is sufficient authority for and enfolds such activities.

The purpose of the CAAA, as it's title suggests, and as stated in Section 4 of the Act, is to provide a comprehensive framework to direct U.S. efforts in assisting " to bring an end to apartheid in South Africa and lead to the establishment of a non-racial democratic form of government." The CAAA mandate towards the victims of apartheid, as set forth in Title 1 of the Act, includes assisting them "... to overcome the handicaps imposed on them by the system of apartheid and to help prepare them for their rightful roles as full participants in the political, social, economic and intellectual life of their country in a post-apartheid South Africa." Although the major pillars of apartheid legislation have fallen, the full mandate of the CAAA will not be met until the establishment of a democratic non-racial form of government. To reach this objective would require that a new government is installed after free and fair elections have been held and a constitution based on democratic principles is enacted into law. These continuing goals are consistent with U.S. foreign policy objectives and supported by a bipartisan consensus in Congress.

Unlike the Foreign Assistance Act of 1961, (FAA), as amended, and most other legislation governing or applicable to AID funded programs and activities, the CAAA objectives are more political in nature than developmental.<sup>1</sup> Establishment of a government based on democratic and non-racial principles requires change in political structures and processes. Assisting the disenfranchised population to participate fully in the political life of South Africa calls for political empowerment. Thus, for example, Section 101 (a) of the Act states that U.S. policy toward the Government of South Africa shall be designed to bring about reforms in that system of government that will lead to the establishment of a non-racial democracy. The clear implication of this wording is that apartheid and its legacy cannot be eradicated without changing the form of government in South Africa through some form of political process. Moreover, Section 106 (b) of the Act provides that the " U.S. will encourage the Government of South Africa and all participants to the negotiations to respect the right of all South Africans to form political parties, express political opinions and otherwise participate in the political process without fear of retribution."

Given the political nature of the CAAA and the context of a South Africa in turbulent transition, it is appropriate that a significant degree of flexibility be exercised in determining whether the Act authorizes the subject specific activities in South Africa. Although little legislative history is available, it is reasonable to conclude that Congress intended that the CAAA, as a comprehensive framework for policy and assistance, would provide ample authority and scope for the funding of assistance activities in South Africa essential to achieving the purpose and policy objectives of the Act. In drafting the assistance provisions of the Act, however, Congress could not possibly have foreseen or accurately predicted in 1986 all the contingencies or timing of events in the movement towards a "New" South Africa. In 1986, the focus was primarily on the elimination of apartheid.

Since the repeal of the major apartheid legislation, attention has shifted more towards the CAAA purpose of supporting efforts leading to the establishment of a non-racial, democratic form of government and helping victims of apartheid to prepare for their rightful roles in a post-apartheid society. The entire AID program in South Africa is dedicated to achieving these objectives. The political party training and related electoral preparation activities proposed for USAID funding in South Africa are aimed at better preparing the historically disadvantaged communities and political organizations representing such communities to participate and/or compete fully, responsibly and on as level a playing field as possible in future elections. These activities will significantly increase political tolerance and the likelihood of free and fair elections. Such free and fair elections are a "milestone" in the movement toward a non-racial democratic

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<sup>1</sup> Assistance provided under the Economic Support Fund also may have more political, than developmental, objectives.

form of government. Furthermore, given the legacy of apartheid, institutional strengthening of political organizations that represent the majority population will be essential to developing a sustainable political process and system of government based on democratic and non-racial principles. Thus, these activities clearly are intended to meet, and are within the scope of and are fully consistent with, the CAAA and U.S. foreign policy objectives of supporting the establishment of a non-racial, democratic government and helping victims of apartheid to prepare for their rightful roles as full participants in the political life of their country.

As the above discussion demonstrates that political party training and other electoral preparation activities are critical to meeting the stated CAAA purpose and political objectives, it is logical to conclude that such "political" oriented activities are authorized under the Act. To subject these activities to DFA funding criteria ( i.e., demonstration of long-term development impact<sup>2</sup> ) would distort and be inconsistent with their political basis and purpose in fulfilling the policy goals of the CAAA. Accordingly, it is not likely that Congress intended for economic development criteria to be applied to activities targeted to meeting CAAA political objectives.

In addition to it's general policy provisions, Title 2 of the CAAA, entitled " Measures To Assist Victims Of Apartheid ", sets forth specific earmarks and criteria for providing assistance to victims of apartheid. Although there are no specific legislative earmarks which specifically refer to political party training or other election preparation activities, these assistance provisions should be interpreted and implemented in the context of the general CAAA political mandate and Congressional policy statements discussed above. The very purpose of the assistance provisions is to achieve the objectives of the CAAA.

The proposed political party training and other election preparation activities also are within the scope of the COLD project, as amended. Although the original COLD authorization and project paper did include a prohibition on support to political parties, that prohibition was removed when the authorization was amended and a PP Supplement signed on June 30, 1988.

In conclusion, it is my opinion that the stated purpose and general policy provisions of the CAAA, when construed and applied in the context of their political nature, authorize the proposed political party training and other election preparation activities which are aimed at supporting the achievement of the very same CAAA purpose and policy objectives.

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<sup>2</sup> However, successful free and fair elections and the establishment of a non-racial democratic form of government are virtually prerequisites to achieving sustainable long-term development impact in South Africa.

**ANNEX I:  
DRAFT FORMAT FOR TSF REQUEST MEMORANDUM**

**ACTION MEMORANDUM TO THE DIRECTOR, USAID/SOUTH AFRICA**

**DATE:** (Relevant Date)  
**FROM:** (Relevant Project Officer)  
**THROUGH:** Program Office  
**SUBJECT:** Request for TSF Project Funding

**PART I: Introduction and Summary**

The purpose of this memorandum is to request funding of \_\_\_\_\_ for the proposed \_\_\_\_\_ activity. The activity supports strategic objective \_\_\_\_\_ and strategic targets \_\_\_\_\_ and \_\_\_\_\_ of the Mission's Strategic Plan. By doing \_\_\_\_\_, it also directly supports the transition process in South Africa.

**PART II: Background and Discussion**

(Briefly describe the proposed activity, any consultations which have taken place, the way in which it supports the Mission's strategic objectives and targets, the likely impact it will have, the extent to which it meets the criteria set for use of TSF funds, a dissemination of results plan, and the proposed contracting mechanism.)

**PART III: Recommendation**

That you approve the proposed TSF-funded activity indicated above and authorize the relevant Project Office to initiate implementation.

Approved \_\_\_\_\_

Disapproved \_\_\_\_\_

Date \_\_\_\_\_

# ANNEX J: PD&S MISSION ORDER

SUBJECT: PDS MISSION ORDER

ORDER NO.0300  
DATE SEPTEMBER 16, 1988  
PAGE 1 OF 7

## Purpose

This Mission Order sets forth USAID/South Africa's comprehensive policy for the budgetting, administration and priority use of Program Development and Support (PDS) funds. The Mission policy builds upon the Africa Bureau's policy statement delineated in 88 State 16959 dated January 21, 1988 (Annex A), and adapts this Bureau-wide policy to the specific requirements of the South Africa program.

## II. Definition

PDS funds are intended to finance the development and support (as opposed to the implementation) of the full range of programs for which USAID/South Africa is responsible. This range of activities includes the Mission's five substantive sectors: human rights/legal assistance, community outreach and leadership development, private enterprise, labor and education. It also includes program related issues and topics that relate directly to defining and reassessing program priorities, assessing the impact of program activities, and obtaining general information on demographic, socioeconomic and other issues in South Africa that may affect the functioning of the program and inform the Mission of its relevance to the quickly changing situation in South Africa. PDS is not intended to substitute for or supplement normal project accounts, but to facilitate activities consistent with the priorities defined in section III below.

## III. Priority Uses

The following priority categories are established in 88 State 16959. The definitions are adapted to specific requirements in South Africa.

Priority 1 -- Strategy-Related Studies and Sector Assessments.  
Strategy-related studies are defined as any studies intended to refine the Mission's Program Strategy (approved in June 1988), update this strategy, assess its relevance, adapt the strategy to specific regional requirements, or undertake a comprehensive design of a new strategy. Sector assessments are defined as studies intended to refine the Mission's existing sectoral strategy papers, assess sectoral priorities as defined in these papers, obtain

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general information on the restructuring of the Mission's sectoral priorities.

Priority 2 -- Project Development, Feasibility Studies, Operational Research and Pilot Testing of Hypotheses Leading to the Final Design of Programs and Projects, Assessments of Program Impact and AID Program Priorities, and Data-Gathering on Program Impact. Such activities include normal project design documentation in the AID context such as development of PIDs, PPs, PP amendments or background documents and studies leading to the drafting of official project documentation. As most USAID projects are umbrella programs, project development necessarily includes studies related to the design of individual grants, cooperative agreements and contracts under umbrella project authorizations. Feasibility studies, pilot activities and operations research will generally relate to such sub-project obligations.

Priority 3 -- Project-Level Evaluations and Financial Management/Audit Activities not Otherwise Budgetted for Within Projects. This includes the development of project monitoring and accounting systems, data collection and evaluation systems, and audit work, financial reviews and financial analyses covered by IG and Mission IQCs. This should not substitute for the requirement under PPs and PP amendments to budget for evaluations and audits. But it recognizes that, in the South Africa context, there are widely changing circumstances and events that affect the program and cannot be foreseen. It also recognizes the value of audits and evaluations for individual activities under umbrella programs that cannot be anticipated at the time of project authorization.

Priority 4 -- Special Purpose Activities. This includes seminars, workshops, special socioeconomic or statistical surveys, and invitational travel to attend such seminars and workshops or to collect data and information relevant to the program. Termination costs or residual support for terminated projects and subproject activities (e.g. contracts, grants and cooperative agreements) not specifically covered in priorities 1-3 may also be financed.

#### IV. Scope of Activities

A. Financial Limit. The financial limit on single PDS activities is \$500,000. Any activity requiring more than \$500,000 is normally considered outside of PDS and should be financed under a project. Requests for waiver of this level will be considered under exceptional circumstances and should be addressed to the DAA/AFR.

B. Timeframe. PDS activities should be completed (fully expended) no later than the end of next fiscal year after funding is made available, but in no case beyond 18 months without consulting AID/W.

C. Statutory Restrictions. Any statutory restrictions which apply to the rest of the program apply to PDS funds. This includes the prohibition on financing any organizations financed or controlled by the South African Government.

D. Ineligible Uses. The following are not appropriate uses of PDS: (1) funding of long-term (over 12 months) PSCs; (2) operating expenses including travel expenses or other expenses of AID Direct-Hire personnel; (3) augmenting the budgets of active on-going projects; and (4) the exclusive funding of commodities such as vehicles, computers, office furniture, etc. Such commodities or their depreciation may be financed, however, if they are critical and instrumental to completing activities which are consistent with priorities 1-4 as defined in section III above.

V. Budgetting

A. PDS Account. The PDS account is presently 674-0510. This number may change depending on how AFR/DP allocates funds to the Mission. Prior to FY1988, PDS funds were financed by ESF and were called Program Management and Research funds. The account number at that time was 674-0206. Different account numbers may exist from previous years.

B. Budgetting Responsibilities. The PDS budget is developed annually and focussed on the project development and support requirements of a given fiscal year. The Mission Program Officer coordinates the development of and monitors the PDS budget. He/she develops this budget through consultation with all Mission officers and by requesting specific suggestions for assistance options. As with all Mission funds, the Controller is responsible for ensuring that proper procedures are employed, records are maintained and funds are accounted for

C. Budget Documents and Approvals. PDS requirements for a given fiscal year are first specified in the ABS developed in the preceding fiscal year (e.g. PDS funds for FY89 are requested in the FY90 ABS which is prepared in FY88). The requisite format for requesting PDS funds is specified in 88 State 16959 (Annex A), and a sample from the FY 1990 ABS is provided in Annex B.

The Africa Bureau considers each Mission's request during the ABS review (usually in June), and establishes a preliminary Bureau-wide PDS budget. After the Bureau completes all of its ABS reviews and considers its central programmatic requirements, it advises each Mission of a revised budget to be used in completing the Congressional Presentation (usually in late September).

AFR attempts to finalize the PDS budget early in the fiscal year of its intended use, but this could be delayed, at times to January or February, if there are delays in receiving a Congressional appropriation. However, AFR/DP usually attempts to obtain an interim allocation of PDS funds that can be made available to Missions early in the fiscal year before final approval of the budget. Requests for early PDS allocations should be made by cable to AFR/DP/PAB in late September of the preceding fiscal year.

D. PDS Budget in Relation to OYB. For most Missions, PDS is deducted from the total OYB and most PDS requests are automatically approved if they comply with Bureau guidelines. Due to special

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programmatic requirements, however, PDS has been supplemental to the OYB in South Africa. As a result, requests for PDS are closely scrutinized and may not be automatically approved. The handling of the PDS account can also cause confusion in developing the Congressional Presentation and submitting Congressional Notifications. Presently, the Mission does not include PDS in the CP and does not submit a CN for PDS. This should, however, be confirmed annually, to ensure that the Mission receives its PDS allocation on a timely basis. The Mission should also confirm whether PDS funds are provided from the Regional PDS account as reporting requirements and AID/W approval for such funds differ from bilateral allocations (see Section IX-B).

E. Internal Mission Refinement of PDS Budget. While AID/W establishes its Bureau-wide budgets, the Mission continuously refines its PDS requirements. After submission of the ABS, this is first formally done upon completion of the Mission annual work plan. Each sectoral work plan specifies anticipated PDS requirements, using the ABS budget and any AID/W updates as a guideline. The Program Officer assimilates these requirements and adds any others in completing the overall budget tables accompanying the work plan. If these requirements exceed the planning level approved by AID/W, the Program Officer coordinates an internal Mission review to determine whether to request additional funds or to revise the Mission's estimated requirements.

Any changes in requirements during the course of the fiscal year must be similarly specified to the Program Officer, who coordinates internal approvals or changes. The Mission Director is responsible for approving the final PDS budget, requests to AID/W for additional funds, and notices advising AID/W that any allocated funds will be returned to the Bureau.

F. Budget Monitoring. The Program Officer is responsible for developing adequate systems for monitoring the allocation of the PDS budget throughout the fiscal year. The budget monitoring mechanism should specify the amount intended for individual activities, indicate any surpluses or shortfalls due to changes in the course of the fiscal year, and provide an estimated timeframe for the obligation of funds. A sample of the current LOTUS 1-2-3 monitoring system employed by the Mission is attached as Annex C.

G. AID/W Responsibilities. AFR/DP is the office responsible for coordinating the PDS account within AID/W. It administers this account in close collaboration with AFR/PD and AFR/SA. To ensure that the desk is aware of all PDS budget requirements, requests should be routed through AFR/SA, or they should be provided information copies of PDS budget documents.

## VI. Design of PDS Activities

A. Definition of Design. The design of PDS activities refers to the completion of all studies, discussions, background work and documentation related to taking an approved concept for the use of PDS and obligating the funds for this activity.

B. Sectoral Responsibilities. Unless otherwise agreed upon within the Mission, the Project Officer with responsibility for a given sector in the Mission portfolio is responsible for all actions leading to the obligation of PDS funds for an activity in that sector. The Program Officer must be consulted and kept aware of any developments in the course of designing such activities.

C. Program Responsibilities. Unless otherwise agreed upon within the Mission, the Program Officer is responsible for all actions leading to the obligation of PDS funds for general program activities. The Program Officer must keep all individuals within the Mission who might be affected by such activities apprised of their development.

D. Design Prerequisites. The design of a PDS activity should only be taken when the Mission Director has given express verbal or written approval for such activity and the Program Officer has incorporated the proposed activity and estimated budget requirement into the Mission PDS monitoring system.

#### VII. Obligation of PDS Funds

A. Mechanisms. All approved AID obligation mechanisms may be used to obligate PDS funds. This includes contracts, cooperative agreements, grants, work orders under IQCs, invitational travel, purchase orders, PIO/Ts effectuating interagency transfers, etc. Given Mission workload requirements, consideration should be given when selecting an obligation mechanism to utilizing the simplest possible procedure. When the Mission cannot establish a substantive priority between alternative PDS uses competing for the same funds, the simplicity of obligation mechanism should be taken into consideration in making an allocation.

B. Action Memoranda. The same requirements for action memoranda which apply to project funds apply to PDS, i.e. memoranda are required only for those obligating documents normally accompanied by an action memorandum and not for others. If an activity's relevance to the priority areas defined in Section III is not immediately apparent, it should be explained in an action memorandum. All PDS action memoranda should be addressed to the Mission director from the Program Officer.

C. Clearances. Clearances for PDS activities are dictated by the obligating document and must be consistent with Mission Order 0200. The Program Officer must clear all documents related to the obligation of PDS funds.

D. Authorized Individuals. Individuals authorized to obligate PDS funds are determined by the type of obligating document as specified in Mission Order 0200.

#### VIII. Management and Implementation Responsibilities

A. Project Manager. The Program Officer is the Project Manager for PDS funds.

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B. Implementation. The officer with the sectoral or programmatic responsibility for designing a PDS activity is generally responsible for ensuring that the activity is implemented in accordance with all AID regulations. The only exception is for the completion of PDS accruals, as noted in item C below. In selected circumstances implementation responsibility may be shifted to a different officer after obligation. While this need not be documented in writing, this shift in responsibility should be clearly understood by the relevant officers and their supervisors and, if necessary, adjustments to work requirements should be made.

C. Project Accruals. As there will generally be several officers responsible for the implementation of PDS activities, the Program Officers will take the lead role in completing PDS accruals. The Program Officer will be listed on MACS as the Project Officer and will receive the accrual sheets from the Controller's office. The Program Officer will then coordinate with the individual implementing officers to specify accruals.

D. Filing. The Program Office secretary is responsible for maintaining the PDS files. Upon execution of a PDS obligating document, the relevant documents should be forwarded to him/her with guidance on which files should be opened. For each PDS activity, files are generally kept for agreements, correspondence and financial documents; implementing officers should specify any other requirements. The Program Office secretary keeps a master list of PDS files with basic information on activity status.

E. Annual Status Review and Deobligation of Funds. Annually, the Program Officer will arrange for a Mission review of the PDS portfolio. The review will be held in conjunction with the March Project Implementation Report review and will focus on the status of uncompleted activities. During this review the Mission will consider deobligating any prior year funds that will not be utilized to preclude a pipeline build up. The Program Officer will advise the Controller of any funds that should be de-obligated based upon this review and agreement with the implementing Project Officer.

#### IX. Reporting

A. Status Reports. Obligation status reports on PDS must be submitted to AFR/DP on April 15 and June 30. These reports should indicate planned uses of PDS, obligations to date and a schedule for the completion of all pending obligations.

B. Changes in Use of Regional Funds. If the annual PDS allocation includes regional funds, it must be used solely for activities approved by AFR/DP. Requests for adjustments to approved regional PDS activities should be submitted by cable to AFR/DP/PAB. The cable should identify the functional account, title and dollar amount, and provide a one sentence description of the new activity.

C. End of Fiscal Year Report. The Mission must submit to AFR/DP/PAB a brief end of year summary report on the uses of PDS funds. The report should provide a one sentence description of the use of the funds (e.g. examining the financial feasibility of launching a black-owned insurance company) and indicate the amount used.

D. Reporting Responsibility. The Program Officer is responsible for completing all PDS reports.

Approved: Dennis P. Barrett

Disapproved: \_\_\_\_\_

Date: Sept. 27, 1988

Dennis P. Barrett  
Mission Director

Drafted: CP actual, PROG

Clearance  
WStickel  
AMarshall  
CMerkling  
DKeene

MJohnson  
DRobertson  
POlson  
MVanDoren

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ANNEX B.  
CONGRESSIONAL NOTIFICATION

THE AGENCY FOR INTERNATIONAL DEVELOPMENT  
ADVICE OF PROGRAM CHANGE

Country:	South Africa
Project Title:	Transition Support Fund (TSF)
Project Number:	674-0318
FY 1993 CP Reference:	None
Appropriation:	Development Fund for Africa (DFA)
Life-of-Project Funding:	\$10 million (DFA)
Intended FY 1993 Obligation:	\$1 million (DFA)

This is to advise that A.I.D. intends to authorize a new, \$10 million Transition Support Fund (TSF) project in FY 1993. Obligation this fiscal year is estimated at \$1 million.

The purpose of this project is to expand the knowledge base and strengthen representative institutions in order to effectively address South African Policy concerns and USAID program issues in the transition to a post-apartheid South Africa.

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AGENCY FOR INTERNATIONAL DEVELOPMENT  
ACTIVITY DATA SHEET

PROGRAM: SOUTH AFRICA

CP 81-01 (4-85)

TITLE Transition Support Fund (TSF)		FUNDING SOURCE DFA	PROPOSED OBLIGATION (In thousands of dollars) 1,000		
			FY 1993	LIFE OF PROJECT (Auth.) 10,000	
NUMBER 674-0318 GRANT <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>	NEW <input checked="" type="checkbox"/> CONTINUING <input type="checkbox"/>	PRIOR REFERENCE None	INITIAL OBLIGATION FY 1993	ESTIMATED FINAL OBLIGATION FY 1996	ESTIMATED COMPLETION DATE OF PROJECT FY 1997

**Purpose:** To expand the knowledge base and strengthen representative institutions in order to effectively address South African policy concerns and USAID program issues in the transition to a post-apartheid South Africa.

**Background:** South Africa is on the threshold of the installation of a Transitional Executive Council (TEC) which will be followed shortly thereafter by elections under a universal franchise and the drafting of a new constitution. The transition process will be vital in determining the nature of the policy debate on a new post-apartheid government, elected under a new constitution. USAID needs funding mechanisms that are flexible, timely and enable adequate resources to be directed toward key problems and issues that are likely to emerge during the transition period.

**Project Description:** TSI is designed to respond to a range of concerns related to program planning and design, economic policy and governance in South Africa. The project consists of two parts. The first, authorized at a level of \$2 million, consists of traditional Program Design and Support (PD&S)-type initiatives, including project design, evaluations, financial reviews, audits and other activities designed to maintain accountability. The second part, authorized at a level of \$8 million, consists of a broad range of initiatives, typically of short duration, which are designed to contribute directly to the process of restructuring now taking place in South Africa, particularly support for economic policy, analytical research, democratic political process and governance. As with the rest of the USAID program in South Africa, specific activities will be developed and supported in consultation with local non-governmental organizations (NGOs) to ensure relevance and impact. Grants and contracts executed will typically be fairly small and of limited duration. Technical assistance involving U.S. firms and individuals will also be funded under TSI.

**Relationship of the Project to A.I.D. Strategy:** USAID objectives in South Africa are to hasten the demise of apartheid and prepare the country's disadvantaged majority for leadership roles in a post-apartheid South Africa. These twin objectives are supportive of three main goals. The first is to help ensure that the majority population participates more fully in the political development and governance of a democratic, human rights-based South Africa. The second is to

increase broad-based black ownership, employment and participation at all levels of the economy. The third is to help establish an effective and equitable education system. TSI is designed to address all three goals, by funding short-term studies and other work designed to ensure that the program responds to a changing situation in South Africa.

**Beneficiaries:** As with every project in the Mission portfolio, TSI is directed toward South Africa's majority community. Major direct beneficiaries include those South Africans, mostly at the middle to upper level of the policy debate, who are involved with the organizations support by individual grants and contracts awarded under TSI.

**Host Country and Other Donors:** There is no direct South African Government participation in this project, although the election and installation of a representative, non-racially based government could allow the project to be more responsive to the needs and concerns of the new, democratic and non-racial South Africa. Several donors, including the British and the Canadians, fund similar activities aimed at supporting the transition process. The World Bank is also providing limited support for policy analyses in anticipation of its own formal return to South Africa.

**Major Outputs**

**All Years**

- Analytical studies/sector assessments	8-12
- Observational travel and study tours	6-8
- Special purpose activities	20
- Program development support activities, including audits, project design, feasibility studies and financial review	40

**A.I.D.-Financed Inputs**

PD&S type activities	\$2 million
Transition support activities	\$8 million
TOTAL:	\$10 million

U.S. FINANCING (In thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Unliquidated	
Through September 30, 1991	0	0	0	
Estimated Fiscal Year 1992	0	0		
Estimated Through September 30, 1992	0	0	0	
		Future Year Obligations	Estimated Total Cost	
Proposed Fiscal Year 1993	1,000	9,000	10,000	

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