



United States Agency for International Development

Contract Information Management System (CIMS)

PD-ABI-624

DIRECT ACTION DATA FORM FOR GRANTS & COOPERATIVE AGREEMENTS

1. Basic Award Number 674-0303-G-SS-2048-00

2. Recipient Name Informal Business Training Trust

3. Award Description (This description will be seen by high level Agency officials, as well as members of Congress.) The purpose of this project is to provide a minimum of 14,400 informal sector entrepreneurs in the Witwatersrand and Cape Town regions with business training, follow-up counselling and access to mini-loan facilities.

4. Principal Place of Performance

South Africa

5. Benefiting Country

South Africa

6. Project Officer

Office Symbol

Private Sector

Name (Last, First)

Neifert, Paul

7. Grant Agreement Type

- A. Disaster Assistance
B. American Schools & Hospitals Abroad (ASHA)
[X] C. Other Than Those Listed Above
D. Title XII Authority

8. Basic Purpose

- A. Tech. Services to Host Country
B. Commodities
[*] C. Train. Services to Host Country
D. Research
E. Arch. & Engineering Services
F. Construction

7a. Extent Competed

- E. Competed by the Technical Office
F. Competed by the Contracting Office
[X] G. Not competed (unsolicited proposal)
H. Not competed (predominant capability, etc.)

9. Taxpayer Identification Number

10. Business Organization Type

- A. Corporation
B. Individual
C. University or College
D. Historically Black College or University
E. Educational Organization
F. International Center
G. Research Organization
H. Voluntary Organization
I. Foundation
J. Hospital
N. Hispanic American College or University
Z. Other

11. If U.S. University, Host Country Institution

12. If obligated amount is in local currency, provide U.S. Dollar amount

\$550,000

13.a. Negotiator (Last, First, MI)

Neifert, Paul

13.b. Signature

14.a. Contract Officer (Last, First, MI)

Dean, Leslie A.

14.b. Signature

COPY OF AWARD DOCUMENT MUST BE ATTACHED TO THIS FORM

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
USAID/South Africa

USAID/South Africa
P.O. Box 1882
Pretoria 0001

Tel: (012) 217-212
Fax: (012) 323-6443

Mr. Tony Davenport
Informal Business Training Trust
P.O. Box 405
Rondebosch
7700

JUL 12 1996

Subject: Informal Business Training Trust, Agreement No:
674-0303-G-SS-2048-00

Dear Mr. Davenport:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter "USAID") hereby enters into this Agreement with the Informal Business Training Trust (hereinafter the "Recipient") and obligates the sum of \$550,000 to provide support for the program described in Attachment No. 2, entitled "Program Description," of this Agreement.

This Agreement is effective and obligation is made as of the date this letter is signed by an authorized USAID representative. The Agreement and obligation shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning on the effective date of this letter and ending on September 30, 1996.

This Agreement is entered into with the Recipient on condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, "Schedule," Attachment 2, "Program Description," Attachment 3, "Mandatory and Required as Applicable Standard Provisions," Attachment 4, "Disbursement of and Accounting for Agreement Funds," Attachment 5, "Numerical List of Current A.I.D. Geographic Codes," and Attachment 6, "Guidelines for Financial Audits." This letter, and the six attachments just described, constitute this Agreement.

Please sign the original and one (1) copy of this letter and then return the original to USAID/South Africa.

Sincerely,

BEST AVAILABLE COPY


Leslie A. Dean
Director

ACKNOWLEDGED AND ACCEPTED

By: Cib Davenport
Mr. Tony Davenport

Title: EXECUTIVE DIRECTOR INFORMAL BUSINESS TRAINING
Managing Director TRUST

Date: 18 JUNE 1992

Attachments:

1. Schedule
2. Program Description
3. Mandatory and Required as Applicable Standard Provisions
4. Disbursement of and Accounting for Agreement Funds
5. Numerical List of Current A.I.D. Geographic Codes
6. Guidelines for Financial Audits

ATTACHMENT NO. 1

SCHEDULE

I. OVERVIEW OF AGREEMENT

The purpose of this Agreement is to enable the Informal Business Training Trust (IBTT) to provide a minimum of 14,400 informal sector entrepreneurs in the Witwatersrand and Cape Town regions with business training, follow-up counselling and access to mini-loan facilities. This project is more fully described in Agreement Attachment 2 entitled "Program Description."

II. PERIOD OF AGREEMENT

The effective date of this Agreement is the date the cover letter is signed by an authorized USAID representative. Unless otherwise agreed to by USAID in writing, the expiration date is September 30, 1996, meaning that no USAID funds under this Agreement shall be applicable to goods not furnished or services not performed for the program by this date.

III. AGREEMENT FUNDING AND PAYMENT

A. The total estimated amount of this Agreement for the period shown in Section II above is \$1,687,564.

B. A.I.D. hereby obligates the amount of \$550,000 for eligible program expenditures during the estimated period of June 15, 1992, to May 30, 1993.

C. Payment shall be made to the Recipient in accordance with procedures set forth in Attachment 3 - "Required as Applicable Standard Provisions," Number 1, entitled "Payment - Periodic Advance" and as provided for in Attachment 4, "Disbursement of and Accounting for Agreement Funds."

D. Additional funds up to the total amount of the Agreement as shown in Section III. A. above may be obligated by A.I.D. subject to the availability of funds, to the requirements of "Mandatory Standard Provisions," Number 4, entitled "Revision of Grant Budget," and to the satisfactory completion of an independent, mid-term evaluation. (See Section V. ~~of Attachment 1.~~)

IV. FINANCIAL PLAN

A. The Illustrative Financial Plan for this Agreement is set forth in Annex A which is attached to the Schedule. Revisions of this Plan shall be made in accordance with Mandatory Standard Provision Number 4 of this Agreement, located in Attachment 3 and entitled "Revision of Grant Budget." The Recipient is authorized a 15% deviation between line items, provided that USAID is notified in writing of such budget changes in the Recipient's following Disbursement Report. However, any deviation above this amount, or any increase in the total grant, must be approved in advance in writing by the Director, USAID/South Africa.

B. Level of Assistance

1. The total Rand amount in the Illustrative Financial Plan (Annex A, Table I) is the maximum Rand amount available under this Agreement. The conversion rate from U.S. dollars will be the prevailing rate at the time of conversion as determined by the Controller, USAID/South Africa. To determine the U.S. Dollar amount of the Agreement, an exchange rate of R 2.70 to one (1) U.S. Dollar was used. Notwithstanding the above, in no event will the total level exceed the obligated U.S. Dollar amount.

2. Due to exchange rate fluctuations, South African Rands available under any individual line item financed under this Agreement may exceed levels budgeted for by the Recipient.

3. If the Recipient desires to use such excess Rands to finance additional eligible program expenses, it may submit a proposal for such funds. If USAID is in agreement with the Recipient's proposal, the Agreement may be modified to provide for the authorized expenditures. USAID reserves the right to deobligate any dollars in excess of those needed to fund the Rand Budget. However, should changes in the exchange rate result in fewer South African Rands being available than budgeted for, the Recipient will be responsible for financing the shortfall since the U.S. dollar amount prevails.

V. REPORTING AND EVALUATION

A. The Recipient must submit six-month written progress reports on activities funded under the Agreement. Such reports should include a brief description of the program's general performance, the types of activities funded during the reporting period, including the issues involved, the status of the activity, plans for further action, and any potentially broader implications. The six-month reports must also include the financial and actuarial projections of trainee contributions towards the recovery of overall program costs. The report must also discuss the extent to which the Recipient has met the budget projections of "Outside Donor Support" contained in Annex A, Table 1 (the "Illustrative Financial Plan").

B. The Recipient will be required to submit a final report on all activities financed by the Agreement. The content and format of the final report will be agreed upon by USAID and the Recipient at a later date.

C. As described in Attachment 2, "Program Description," the Recipient shall carry out a continuous program of self-monitoring and evaluation. The evaluation program should focus on the achievements, problems and implementation concerns of the training program, and measure the job and income creation impacts of the Recipient's entrepreneurial training activities. Systematic tracking and monitoring of training graduates must be a central concern of the evaluation/monitoring activity in order to gauge the impacts of the Recipient's program. The findings, recommendations and program changes affected by the Recipient's evaluation program shall be included in the six-month progress reports.

D. USAID shall be responsible for separately funding, planning and implementing a mid-term evaluation, expected to take place between months 18 and 24 of the Agreement period. The scope of this mid-term, independent evaluation shall be mutually agreed upon by USAID and the Recipient. After month 24, continued funding of the Agreement shall be contingent upon satisfactory evaluation findings from the mid-term review. USAID shall also program and fund a final independent Agreement evaluation, in consultation with the Recipient, to take place within the last six months of the Agreement period.

VI. OVERHEAD RATE

Not Applicable.

VII. TITLE OF PROPERTY

Title to all property purchased under this Agreement shall vest in the Recipient in accordance with the terms of Attachment 3, "Required as Applicable Standard Provision" Number 18, entitled "Title to and Use of Property, (Grantee Title)."

VIII. AUTHORIZED GEOGRAPHIC CODE

The authorized geographic code for all procurement with A.I.D. funds under the Agreement is the United States, the Republic of South Africa and countries included in A.I.D. Geographic Code 935, meaning that all goods and services financed by this Agreement shall have, with respect to goods, their source and origin and, with respect to the suppliers of services, their nationality in the United States, the Republic of South Africa or in other countries included in A.I.D. Geographic Code 935. Please refer to Attachment 5 for a list of countries included in Code 935.

IX. LOCAL COST FINANCING

It is hereby specified that the amount of U.S. dollars authorized to be used for local cost financing is the entire amount obligated under this Agreement.

X. SPECIAL PROVISIONS

A. Procurement

1. 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 off-shore procurement could otherwise occur.

2. Policy: In the procurement of goods and services in South Africa, the Recipient shall, to the maximum extent practicable, award contracts to individuals or organizations which are disadvantaged by apartheid and which are responsive and appropriate providers of goods and services.
3. 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.

B. Competition: Except as otherwise provided in this Section XI., all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, free and open competition.

C. Staff Recruitment: The Recipient agrees that all staff recruitment for positions funded by USAID will be carried out through an appropriate competitive process and that salary levels will be in accordance with community and professional standards.

D. Travel and Per diem: The Recipient will provide for USAID approval a copy of its travel and per diem policy covering both domestic and international travel for its staff and for program participants not to exceed U.S. rates. In the event the Recipient does not establish a policy, U.S. Government regulations governing travel and per diem shall apply.

E. Political Affiliation: The Recipient agrees that programs funded under this agreement will be made available to individuals and groups regardless of their political beliefs or affiliations. ~~The Recipient shall not~~

discriminate in its hiring practices or in the provision of its services against individuals or organizations who associate themselves with any particular political philosophy. The Recipient shall periodically review the level of actual provision of its services to assure that persons or organizations sympathetic to certain political groupings or philosophies are not intentionally excluded from activities financed by USAID.

XII. STANDARD PROVISIONS

The Standard Provisions applicable to this Agreement are contained in Attachment 3 entitled "Mandatory and Required as Applicable Standard Provisions."

Table I

Illustrative Financial Plan
(U.S. Dollars)

	Year 1	Year 2	Year 3	Year 4	Total
Total Cost: Training 3600 Students Per Year (N.B. 1)	\$812,747	\$934,659	\$1,074,857	\$1,236,086	\$4,058,349
Student Contribution	<u>66,667</u>	<u>133,333</u>	<u>200,000</u>	<u>266,667</u>	<u>666,667</u>
<u>Net Training</u> Costs	746,080	801,325	874,857	969,419	3,391,682
Recipient Contribution	223,824	320,530	481,171	678,593	1,704,118
<u>Maximum</u> USAID Funding Support (N.B. 2)	<u>\$522,256</u>	<u>\$480,795</u>	<u>\$393,686</u>	<u>\$290,826</u>	<u>\$1,687,564</u>

Illustrative Financial Plan
(South African Rands)

	Year 1	Year 2	Year 3	Year 4	Total
Total Cost: Training 3600 Students Per Year (N.B. 1)	R2,194,416	R2,523,578	R2,902,115	R3,337,432	R10,957,541
Student Contribution	<u>180,000</u>	<u>360,000</u>	<u>540,000</u>	<u>720,000</u>	<u>1,800,000</u>
<u>Net Training</u> Costs	2,014,416	2,163,578	2,362,115	2,617,432	9,157,541
Recipient Contribution	604,925	877,531	1,299,163	1,722,204	4,503,823
<u>Maximum</u> USAID Funding Support (N.B. 2)	<u>R1,410,091</u>	<u>R1,298,147</u>	<u>R1,062,952</u>	<u>R785,230</u>	<u>R4,556,420</u>

N.B. 1: Per the Recipient's budget contained in Attachment 2, entitled "Program Description."

N.B. 2: A. The Agreement shall provide the "Maximum USAID Funding Support" by making payments on a "per student trained cost basis." This shall be calculated as follows: In year 1, USAID shall pay a maximum of \$145.07 (Rands 391.69) per student trained, not to exceed \$522,256 (Rands 1,410,091); In year 2, USAID shall pay a maximum of \$133.55 (R360.59) per student trained, not to exceed \$480,795 (R1,298,147); In year 3, USAID shall pay a maximum of \$109.36 (R295.27) per student trained, not to exceed \$393,686 (R1,062,952); In year 4, USAID shall pay a maximum of \$80.79 (R218.13) per student trained, not to exceed \$290,826 (R785,230).

B. "Maximum USAID Funding Support" and maximum cost per student trained is based on the Recipient's training projection of 3,600 students per year, for a total of 14,400 students during the life of the Agreement. Should the Recipient manage to reduce overall program expenditures during performance of the Agreement and decide to apply such savings to increase the numbers of students trained beyond the projected number of 14,400, Agreement funds can be utilized as long as neither the average cost per student nor the "Maximum USAID Funding Support" are exceeded.

C. A "trained student" is defined as one student who successfully completes the standard 40 hour IBTT training course, and who is offered appropriate follow-up counselling and support as described in the Recipient's proposal, found in Attachment 2 entitled, "Program Description."

PROGRAM DESCRIPTION

PROPOSAL FOR US AID FUNDING OF INFORMAL SECTOR BUSINESS TRAINING AND DEVELOPMENT CENTRES IN JOHANNESBURG AND CAPE TOWN1 SUMMARY

US AID funding is requested to assist in the financing of two Business Training and Development Centres for the benefit of existing and potential informal sector entrepreneurs, to be established in Johannesburg and Cape Town by the Informal Business Training Trust (IBTT).

Operating under supervision of the IBTT Trustees, these Training Centres will offer the One-Up Business Training programme (sometimes known as the "Township MBA") with follow-up counselling and mini-loan facilities to informal sector entrepreneurs in the Witwatersrand and Cape Town region.

The aim of this project is to provide training, follow-up counselling and mini-loan facilities for 3600 informal sector entrepreneurs per annum in terms of a 4-year plan.

The expected result is the creation of at least one new job (or equivalent thereof) per person trained in terms of this programme, either through the expansion of existing businesses or through the creation of new businesses in the informal sector of the South African economy - a total of 14 400 jobs to be created over the 4-year period.

The total cost of this project in the first four years is expected to be R9 157 541. US AID funding is requested for this project on a reducing percentage basis over a 4 year period. US AID funding is required to cover 70% of costs in the first year, 60% in the second year; and 45% in the third year and 30% in the fourth year (thereafter it is expected that this Centre will be able to function without further support from US AID).

In terms of this proposal, the total amount requested from US AID over this 4-year period amounts to R4 554 400.

2 BACKGROUND

2.1 GENERAL BACKGROUND

The South African economy is facing a huge unemployment problem. It is estimated that approximately 6 million people are presently unemployed. This number is escalating by an estimated 400 000 people annually.

Research and studies conducted show that the formal economy has been generating far less employment than the number of those entering the employment market. This means that most of those presently unemployed or entering the job market are unlikely to find any employment in the formal sector.

In order to survive, these people face a number of alternatives: crime, prostitution, or self-employment in the informal sector. Fortunately, many of them choose the self-employment route.

However, to be self-employed requires a modest amount of capital and basic business management and the skills which many of them do not have.

Until now, the informal sector of the SA economy has been terribly neglected. Various attempts have been made in the past several years to train unemployed people in the hope that they would be able to find jobs or to establish themselves in self-employment. A few of these attempts have enjoyed some success, while others have failed dismally.

In many cases, the unemployed people received training in hand-skills (such as garment-making, carpentry, leatherwork, etc) but they have never been given the business training that they need to become established in self-employment.

It is the main purpose of IBTT to meet the needs of these people in the informal sector, providing them with simple effective business training and follow-up counselling and helping them to obtain mini-loans to finance the working capital requirements of their small businesses.

IBTT is a legally constituted non-profit Trust established in March 1990 and registered with the Master of the Supreme Court. It is also an approved educational fund under Section 18A of the Income Tax Act.

The IBTT Trustees are:

Mr Sam Montsi (Chairman)
Mr Anthony Davenport (Executive Director)
Mr Mashudu Ramano
Mr Kenneth Mggamgo
Mr Robert Williams
Mr Peter Motale
Mr Colin Adcock

Until recently, the activities of IBTT have been confined almost exclusively to the Western Cape, drawing most of its trainees from Khayelitsha. In spite of trying economic and other circumstances, the programme has been highly successful and it is now proposed - in response to the enormous need and many requests - to expand and upgrade the programme in terms of the specific project proposals contained in this memorandum.

Thus far about 3 000 people have successfully completed the One-Up Business Training Programme.

The businesses of the trainees cover an enormous range of activities: dressmaking, spaza-shops, creches and pre-school centres, candle-makers, leather workers, carpenters, various repair shops, haircare salons, taverns, butcheries, chocolate-making, tailoring, taxi operators, take-away cafes, photographers, painters and decorators, as well as hawkers selling fruit and vegetables, shoes, clothing, bed linen, jewellery, tupperware, cigarettes, sweets, etc, etc.

A survey sponsored by the British Council, covering a representative group of people who completed the course, showed that 65% of them had significantly improved their economic situation as a result of the One-Up Business Training Programme, while 20% had been able to maintain their economic situation without deterioration (which is also a significant achievement in light of the overall economic recession and unrest in the townships), while 15% had suffered a deterioration due largely to non-business factors such as the taxi wars and associated violence.

This survey was conducted by Mr M Mggamgo (who has a University MBA) over an 8-month period, involving an average of three in-depth interviews with each trainee during this period.

2.2 OBJECTIVES OF IBTT

The overall objective of IBTT is to facilitate self-employment in the informal sector of the South African economy through:

- * The provision of a modular, competency based business management training course.
- * The provision of counselling and mentoring services.
- * Assistance with obtaining mini-loans to finance the working capital requirements of their small businesses.

IBTT's approach to informal sector development is a mass-based bottom-up approach as opposed to the elitist approach of pulling individuals out of the informal sector. IBTT seeks to see the informal sector develop as a whole.

IBTT is also working with formal sector institutions, such as banks, to develop strategies and effective approaches and procedures to deal with informal sector issues.

2.3 TRAINING PROGRAMME

2.3.1 Training content

The One-Up Business Training Programme (Township MBA) is a highly effective modular competency-based training course which consists of the following 8 modules:

- * Using a calculator
- * Investigating the market
- * Purchasing
- * Costing
- Marketing
- * Business plan and loan requirements
- * Managing weekly cash flow
- * Stock control

The programme covers all 3 main sectors of business activity: trading, production and services.

2.3.2 Training methodology

The IBTT training methodology probably makes this programme unique. The programme is essentially user-friendly, bearing in mind that most trainees come from a severely disadvantaged background.

A vitally important feature of the training is that it is learner-directed. Everything that the trainees need to know is contained in the workbooks provided, together with numerous exercises and self-checks.

Every trainee goes through the course at his or her own pace with the IBTT trainers acting as learning facilitators. This particular approach is necessary, because of the great variations of educational background and ability among the trainees.

Each trainee is thus enabled to acquire all the necessary knowledge and skills required to establish and operate a business within an individually suitable time frame.

2.3.3 Training period

The training period for the IBTT course is not fixed.

We have found that the average trainee completes the One-Up Business Training Programme in 40 hours (either full-time or part-time). Those with a strong educational background are usually able to complete the course in a shorter time, while those with a weak educational background usually take a longer time to complete the course. We have had some students who have taken as much as 100 hours.

Perhaps it should be noted that nobody has ever failed the IBTT training programme. Some have chosen of their own accord not to complete the course, while others have taken a long time over it.

2.3.4 Certification

It is important that people going through this programme are given some recognition for completing the course. Upon completion of all 8 modules comprising the programme, trainees are presented with diplomas. They are encouraged to keep all their workbooks for future reference and they are also supplied with a calculator, a year's supply of the simple bookkeeping system and a modest PVC briefcase in which to keep their books. They are thus equipped with what they need in order to put their newly acquired knowledge and skills into effect.

MINI-LOAN SCHEME

It is realised that, in addition to their need for business training and mentoring, the informal sector entrepreneurs have a pressing need for mini-loan facilities to augment their inadequate working capital.

At present it is almost impossible for those at the lower end of the informal sector, where the need is acute and enormous, to gain any access to the capital market even for very small loans.

In order to address this need, IBTT in conjunction with Standard Bank have established a pilot project known as the Entrepreneur Growth Trust (EGT), which has been highly successful. It is proposed to expand this scheme so as to make it available to all trainees of the proposed Centres.

The EGT Scheme operates on a series of 60-day cycles, as follows. Upon completion of the IBTT training, the trainee is offered a very small loan of R100 to be repaid with 5% interest 60 days later. The loan is then rolled over and up to R150 for the second 60-day cycle. It is then rolled over and up to R250 for the third cycle, R350 for the fourth cycle, R500 for the fifth cycle, and so on with succeeding cycles up to a level which is appropriate for each trainee - bearing in mind their differing needs and abilities.

After consultation with the present participants in the EGT Scheme, it is now planned that they will in future pay back their 60-day loans plus 12.5%, with the additional 7.5% being paid into a specially created Savings Fund, in their own names, so that they may learn not only to be responsible borrowers but they also may learn to save and to provide for their old age. Each individual's share in the Savings Fund will act as collateral security for their borrowings. This scheme will also provide modest group life cover for the participants (R3 000 per person).

This EGT Scheme strictly speaking falls outside the scope of this application, as it will be funded separately (namely through Standard Bank), but we have included brief details about it because of its enormous significance and relevance to this application.

4 SPECIFIC PROJECT

Support is requested for a Business Training and Development Centre to be established in the Johannesburg CBD, so as to be available to trainees from the whole Witwatersrand region, and a similar Centre in Claremont for trainees in the Cape Town metropolitan region.

These 2 Centres will offer the One-Up Business Training Programme (Township MBA) with appropriate support services to 3 600 participants annually: 2400 in Johannesburg and 1200 in Cape Town per annum.

In addition to the well proved training course, these Centres will provide a comprehensive support service to trainees after they have completed the course. The purpose of this support service is to help the trainees to put into effect the knowledge and skills acquired in their training so that they can strengthen and develop their businesses on a sound basis. The object is increase their production and/or sales, profitability and employment.

In addition to trainers at the Centres, there will be a number of full-time consultants to provide trainees with advice and assistance in relation to drawing up business plans, obtaining finance and premises, accessing supplies and markets, etc.

The whole purpose of the training and mentoring is to facilitate the further development of existing small businesses and the creation of new small businesses in the informal sector of the economy - the target being at least the equivalent of 1 new job created for every person trained.

Furthermore, in order to evaluate the effectiveness of the programme as a whole, it is proposed that independent researchers should be engaged for this purpose (probably from Witwatersrand and Cape Town universities).

It is planned to establish these Centres on 1 July 1992 or as soon as possible thereafter.

Based on the following budget, it is estimated that this comprehensive training and mentoring service will cost R610 per trainee at 1992 prices. In terms of our 4-year plan, it is proposed that the trainees in the first year should contribute R50 towards the cost of their training and mentoring, then in the second year R100, R150 in the third year and R200 in the fourth year. Having taken advice, it is felt that these contributions by trainees will be appropriate although we might need to be flexible in this regard.

5 EVALUATION

As previously stated, the tangible objective of this project is to stimulate self-employment in the informal sector so as to facilitate the creation of at least 1 new job (or the equivalent thereof) in relation to each person trained. This will be either through the establishment of new businesses in the informal sector or through the expansion of existing businesses in this sector.

In order to evaluate the success of this programme in relation to this objective, it is proposed to engage independent and appropriately qualified researchers in Johannesburg and Cape Town to conduct ongoing sample surveys during the whole 4-year period, reporting on a regular basis (probably quarterly) to the IBTT Trustees and sponsors of this project.

The main purpose will be to ensure that the IBTT programme is effectively meeting the needs of the trainees.

It is hoped to use the Centre for Developing Business at Witwatersrand University in relation to the Johannesburg operation and one of the local Universities in relation to the Cape Town operation, (UCT or UWC) with appropriate input from other research organisations if necessary.

The researchers will be requested to evaluate the progress of trainees in relation to job-creation, production, sales, assets and liabilities, gross and net profits, standard of living, and any other factors which they consider relevant - tracking the performance of the trainees, including their ups and downs, over the full period of the 4-year project.

In particular we would require the researchers to assess the performance of trainees in relation to each of the eight areas of business activity covered by the training programme, with a view to strengthening the programme wherever necessary.

This process will involve a detailed file of information on each of the selected trainees as well as an aggregated data base for all trainees in the sample. The IBTT consultants involved with the trainees will obviously work with the researchers.

This monitoring and evaluation is seen as a vitally important part of the whole project and, as such, it will be given appropriate priority.

6 CONCLUSION

It is expected that the proposed Training and Business Development Centres, will be role models for informal sector development - exemplifying a comprehensive and integrated approach towards the stimulation of grassroots self-employment in a practical and cost-effective way.

This is a project to open doors of opportunity in order to enable and empower people at the lower end of the informal sector to create their own employment.

Using a mass rather than an elitist approach, the overriding purpose of IBTT is to facilitate business development across the broad base of South Africa's demographic pyramid.

In this regard we have discovered that there is an enormous amount of latent entrepreneurial ability among the people of the informal sector, which has hitherto been severely crushed but not entirely destroyed, that is highly responsive to appropriate training and assistance.

This project is designed to show what can be done to release this entrepreneurial ability in such a way as to tackle the problem of mass unemployment through the stimulation of self-employment in the informal sector.

Now that the work of IBTT has been tried and tested in the field, it is felt that the time is ripe for this programme to move from the status of a successful pilot project towards a national project, the first major step in this regard being the establishment of the new Training and Development Centres in Johannesburg and Cape Town as proposed in this memorandum.

In addition to the specific plans in this memorandum concerning the first 4 years of these Centres, it is intended that in the long term the work of IBTT should become independent of all subsidisation. It is planned that this will be achieved in conjunction with the EGT Scheme, whereby each participant will pay 2.5% of every 60-day loan into a Training Fund to provide sponsorship for new trainees.

We are presently working on various financial models to test the viability of financing the IBTT training from contributions made by EGT participants to the proposed Training Fund.

Indications are that each participant should be able to fund the full cost of training another person after contributing 2.5% of his/her 60-day loans for 32 months.

The idea is that in the long term (say 5 - 7 years), this Training Fund should be strong enough to finance the training of all future IBTT trainees, so that IBTT will eventually become self-supporting.

7 **BUDGET**

Hereunder is the annual budget of the estimated costs for the proposed Centres in Johannesburg and Cape Town:

Rental of Premises	285 120
Salaries and Wages	1 078 896
Training Materials	568 800
Motor Vehicle Expenses	48 000
Depreciation/Rental of Car, Furniture and Equipment	39 600
Postage and Stationery	12 000
Telephone	12 000
Advertising	9 600
Accounting Fees	12 000
Monitoring & Evaluation Fees	45 000
Insurance	9 000
Repairs and Maintenance	7 200
Catering and Cleaning	7 200
Travel and Accommodation	48 000
Sundry Expenses	12 000
	<hr/>
TOTAL COSTS	R 2 194 416
	<hr/>

(For further details see Addendum A)

The above figures are for the first year of operation at 1992 prices.

The following 4-year budget is based on the preceding figures adjusted for 15% annual cost inflation in the second and third years.

	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>
	R	R	R	R
Total cost of training & mentoring 3 600 people	2 194 416	2 523 578	2 902 115	3 337 432
Less contribution of trainees				
	180 000	360 000	540 000	720 000
NET COSTS	R2 014 416	R2 163 578	R2 362 115	R2 617 432

Contribution from US AID

Year 1	R 1 410 091	(70%)
Year 2	R 1 298 147	(60%)
Year 3	R 1 062 952	(45%)
Year 4	R 785 230	(30%)

Contribution from other sources

Year 1	R 604 325	(30%)
Year 2	R 865 431	(40%)
Year 3	R 1 299 163	(55%)
Year 4	R 1 832 202	(70%)

From the above it will be seen that the contribution requested from US AID is R1 410 091 in the first year, representing 70% of the total net cost; R1 298 147 in the second year, representing 60% of the net cost; R1 062 952 in the third year, representing 45% of the net cost; and R785 230 in the fourth year, representing 30% of the net cost.

Conversely, it will be seen that contributions from other sources (private sector corporations, etc) are expected to cover the remaining 30% of costs in the first year, 40% in the second year, 55% in the third year and 70% in the fourth year.

In the fifth and subsequent years, it is anticipated that the total costs of the centre will be adequately covered by the contributions of the trainees and contributions from other sources apart from US AID.

ADDENDUM A

Hereunder are further details concerning the major items in the 1992 budget of the IBTT Centres to be established in Johannesburg and Cape Town for the training of 3600 people annually:

Rental of Premises in Johannesburg (for 2400 trainees per annum)

For training and group work

6 rooms x 60m ²	360m ²
Reception and Passages	80m ²
Manager's office	15m ²
Store room	30m ²
Refreshment room/s	60m ²
Staff room	20m ²
Consulting rooms	
6 rooms x 10m ²	60m ²
Spare office	25m ²
Allowance for common area and parking	70m ²
	<hr/>
TOTAL	720m ²
	<hr/>

Annual Rental

720m ² x R24 x 12	<hr/>
	R207 360
	<hr/>

Rental of Premises in Cape Town (for 1200 trainees per annum)

360m ² x R18 x 12	<hr/>
	R 77 760
	<hr/>

Salaries and Wages for Johannesburg and Cape Town Centres

1 x manager x R6 000 x 12	R 72 000
1 x manager x R4 000 x 12	R 48 000
9 x trainers x R2 600 x 12	R 280 800
9 consultants x R3 600 x 12	R 388 800
2 x receptionist/secretary x R2 200 x 12	R 52 800
2 x cleaners x R1 200 x 12	R 28 800
Provident Fund Contribution (8%)	R 69 696
Medical Aid (1/2 EST)	R 30 000
Car allowances 9 x R12 000	R 108 000
	<hr/>
TOTAL	R1 078 896
	<hr/>

Training materials for Johannesburg and Cape Town

Work books 3 600 x R109	R 392 400
Calculators 3 600 x R15	R 54 000
Cash flow pads 3 600 x R14	R 50 400
Stock control pads 3 600 x R8	R 28 800
Briefcases 3 600 x R12	R 43 200
	<hr/>
TOTAL	R 568 800
	<hr/>

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/SOUTH AFRICA

DATE: June 9, 1992

FROM: Paul Neifert, OPMD

THROUGH: Dan Rathbun, Chief OPMD

SUBJECT: Black Private Enterprise Development Project
(674-0303); Informal Business Training Trust
Agreement Number 674-0303-G-SS-2048-00

I. Problem: Your approval is required to obligate U.S. \$550,000 of FY1992 funds under the Black Private Enterprise Development (BPED) Project (674-0303) through a grant agreement with the Informal Business Training Trust (IBTT), as described herein.

II. Authority: Pursuant to Redlegation of Authority No. 452, the Director, USAID/SA has authority to authorize and execute grants with indigenous non-governmental organizations (NGOs) in an amount not to exceed \$5 million.

III. Discussion: In furtherance of the goal and purpose of the BPED project, USAID has received and reviewed numerous unsolicited proposals from organizations throughout the country for activities to be funded under the FY 1992 BPED budget. Based on the Mission's review of these proposals, an Agreement with the IBTT is recommended.

The overall objective of IBTT is to facilitate self-employment in the informal sector of the South African economy through:

the provision of a modular, competency-based business management training course;

the provision of counseling and mentoring services; and

the provision of assistance in obtaining mini-loans to finance the working capital requirements of small business.

IBTT's approach to informal sector development has a mass-based, bottom-up emphasis. This approach targets those sectors of the

informal economy which have traditionally been neglected and forgotten by government and development agencies. What makes IBTT's proposal particularly interesting is the extent to which the group has involved the participation of the formal banking establishment in South Africa. Through a pilot mini-loan scheme, IBTT and Standard Bank have devised a new lending package whereby graduates of the IBTT "Township MBA" program can gain access to a loan product targeted towards small scale entrepreneurs. IBTT is exploring similar partnerships with other South African financial institutions (e.g. Ned Bank).

The IBTT scheme also provides a methodology wherein trainees and loan participants will make contributions to sustain future training and lending activities. The plan also allows some initial financial cover for the participating bank's loan exposure. In this regard, Standard Bank also has made application to AID/W/PRE to participate in the latter's loan guarantee program. This partnership between A.I.D., IBTT and Standard Bank, if successful, could provide a positive example of delivering sustainable training and loan packages to a sector of the economy which has incredible needs but which has received almost no support.

The Grant Agreement with IBTT is part of a concerted and coordinated FY 1992 effort to expand sustainable training and micro-lending activities under the BPED portfolio.

IV. Issues - Through the development of this Agreement, the following issues have been identified and addressed as presented below:

A. Action Plan and Sectoral Strategy

A proposed entrepreneurial training project was discussed during the FY92 BPED Action Plan review and given an "A" approval status in the final Action Plan documentation. This activity is consistent with both the BPED Project Paper and the Private Sector Strategy emphasis on entrepreneurial training and micro-enterprise credit.

B. Total Obligations

This Agreement obligates U.S. \$550,000 to IBTT which brings total FY92 obligations under BPED to \$2,372,899 and total BPED obligations to date (FY87 to present) to \$13,439,340 out of a total authorized level of \$29.5 million. The Agreement ending date of September 30, 1996, is well within the BPED PACD of September 27, 1997.

C. Grantee's Illustrative Budget and Cost Negotiation

OPMD conducted verbal negotiations with the IBTT to establish its priorities for funding. Travel costs are controlled by the acknowledgment of the IBTT that its policy will not exceed official USG rates. Other costs, such as rental expenses, training materials, and monitoring and evaluation estimates were reviewed with IBTT and determined fair and reasonable. There are no indirect cost rates being proposed in this Agreement.

D. Noncompetitive Justification

Although competition is to be encouraged in the award of grants and cooperative agreements to NGOs (Handbook 13, Chapter 2B), Chapter 2B3a permits exceptions to competition where the proposal "is not solicited by A.I.D." and where the proposal is "unique, innovative, or proprietary and acceptance would be fair, reasonable, and would represent appropriate use of A.I.D. funds to support or stimulate a public purpose." The IBTT has submitted an unsolicited proposal, and it is the determination of OPMD that the activity is "unique" as it is one of the few programs providing this kind of micro-enterprise entrepreneurial training. Because this activity is consistent with USAID program objectives and is so unique, acceptance of the IBTT proposal would be fair and reasonable and would represent appropriate use of USAID funds.

E. Technical and Management Capability

It is OPMD's determination that the subject organization possesses suitable policies and practices to ensure adequate management of USAID funds supplied under this Agreement. This determination is based upon the Project Officer's visit to the IBTT offices, extensive discussions with the Managing Director, and various written and oral reports from sources familiar with IBTT, including Standard Bank.

F. Financial Management Capability

A Financial Review has certified that the Recipient possesses adequate accounting systems, books and records for the administration of this Agreement.

G. PVO Registration Determination

The Recipient does not qualify as a Private Voluntary Organization as defined in A.I.D. Handbook 3, Appendix 4C

and 88 State Cable Number 356010, because it does not solicit or receive funds from the general public and it is not a voluntary organization.

G. Sustainability and Other Sources of Funding

The Recipient has several other donors interested in its program, and, as mentioned above, has begun a meaningful dialogue with the formal banking establishment in South Africa. Through the pilot mini-loan scheme, the Recipient and Standard Bank have devised a new lending package whereby graduates of the Recipient's program can gain access to a loan product targeted towards small scale entrepreneurs. The methodology provides for trainees and loan participants to make contributions to sustain future training and lending activities and also allows some initial financial cover for the bank's loan exposure. In this regard, Standard Bank also has made application to AID/W/PRE to participate in the latter's loan guarantee program. As mentioned previously, this partnership between A.I.D., IBTT and Standard Bank, if successful, could provide a positive example of delivering sustainable training and loan packages to a sector of the economy which has incredible needs but which has received almost no support.

The Recipient is also required to contribute an increasing percentage of total program costs during each successive year of the Agreement. During the life of the Agreement, the Recipient's contribution ranges from 30% in year one, to 40% in year two, to 55% in year three and to 70% in year four.

V. Standard Issues

A. Section 611(a) requirements

Consistent with Section 611(a) of the FAA, adequate technical and financial planning underlie the proposed Agreement and reasonably firm cost estimates have been established. Such planning is evidenced by the Recipient's proposal, as contained in Attachment 2 of the proposed Agreement, which describes a detailed methodology for implementing Agreement activities and attaining specified Agreement outputs. The Illustrative Financial Plan is based on reasonably firm cost estimates for program activities.

B. Payment Verification Requirements

Payment verification requirements for the Recipient are satisfied by: (a) specification of financial management and reporting procedures in the attached Agreement; (b) certification by the USAID Controller of the recipient organization's ability to handle initial Agreement disbursements; and (c) provision in the proposed Agreement for audits of use of Agreement funds.

C. Recurrent Costs

Donor financing of recurrent costs, such as salaries, allows the Recipient to provide an essential service that is unmet by the public sector and, due to the limited income of the beneficiaries, cannot be met through normal market channels. Recurrent cost assistance in such cases is justified under category 2 of USAID's Recurrent Cost Policy. The "design considerations" outlined in this policy document have been taken into consideration in the design and negotiation of this Agreement.

D. Selection of Grant as Assistance Instrument

It is the determination of OPMD that, in accordance with Handbook 13, a grant is the appropriate assistance mode to be utilized, as A.I.D. is not procuring goods or services and does not require a substantial degree of operational control or involvement in project implementation. The attached document is, in form and substance, a grant as defined by A.I.D.

E. Travel Policies

The Recipient will provide for USAID approval its travel and per diem policy for travel not to exceed US Government rates. In the case that the Recipient does not establish a travel and per diem policy, the prevailing U.S. Government rates shall apply.

VI. Recommendation

It is recommended that, pursuant to your authority under Redlegation of Authority No. 452, you: (1) approve noncompetitive selection in accordance with the justification provided above; (2) authorize the proposed Agreement to the IBTT by signing below; and (3) execute said

Agreement, as attached, by signing on the appropriate page and line as indicated.

Approved Leslie A. Dean
Leslie A. Dean
Director
USAID/SA

Disapproved _____

Date June 12, 1992

Drafted: PNeifert, OPMD

[Handwritten signature]

Clearance:

JHensley: CONT *[Handwritten initials]*

FMangera: PROG (in subst) *[Handwritten initials]*

DKeene: RLA *[Handwritten initials]*

JWeber: AD *[Handwritten initials]*