

USAID/SOUTH AFRICA
PROJECT IMPLEMENTATION REPORT OVERVIEW

I. Summary

This Project Implementation Report (PIR) covers the period October 1, 1988 to March 31, 1989. During the reporting period, major actions included: (a) planning, design and initial obligations for the \$34.9m FY89 OYB; (b) review and resolution of problems affecting a number of individual grants; (c) evaluation of the internal and external scholarship programs, which constitute over 50% of past and planned obligations; and (d) initial steps toward the establishment of a formal system to evaluate the impact of AID funding at the program and project levels. No significant program or project problems occurred, although a series of individual grants progressed less than satisfactorily.

II. Program Objectives and Benchmarks

We are undertaking a major effort to develop and carry out a more rigorous approach toward assessing the progress of our overall program, individual projects and their relationships. This is not to say, however, that we will never rely in the short term on "somewhat impressionistic" assessments, and grant level quantitative and qualitative analyses.

As noted in the individual PIRs, particularly COLD, ESAT and BPED, the project officers and grantees have begun to develop some preliminary benchmarks and gather baseline data. We will also be reinforcing this effort by expanding our upcoming evaluation program: in addition to the recently completed Bursaries evaluation, we plan to carry out in the next several months evaluations of (a) the ESAT project, (b) the Labor project, and (c) the Human Rights project.

In short, we are making every effort to get a more accurate appraisal of our program effectiveness and overall progress in reaching our objectives. We are also finding that many of the grantees are increasing their institutional capacity -- both programmatically and administratively -- by better utilizing available training and technical assistance resources. The Mission is actively working with grantees to facilitate this process.

III. Pipeline

The portfolio of active projects in South Africa consists of the following:

A. USAID Managed:

1. Black Private Enterprise Development (674-0303)
2. Building Democratic Institutions in South Africa (674-0306) (NOTE: from 4/1/89 combined with COLD)

3. Community Outreach and Leadership Development (674-0301)
4. Educational Support and Training (674-0302)
5. Entrepreneurial Training For Disadvantaged South Africans (690-0220)
6. Human Rights/Legal Assistance (674-0305)
7. South African Bursaries (674-0230)

B. AID/W Managed:

1. International Committee of the Red Cross (674-0307)
2. Labor Union Training (674-0223)
3. Training For Disadvantaged South Africans (690/674-0213)
(NOTE: from 4/1/89 USAID will take over direct management and reporting of the ICRC and External Scholarship projects)

At the end of the reporting period, AID/W managed obligations (\$000) were \$13,136; estimated expenditures were \$3,762; and the estimated pipeline was \$9,374.

Total obligations for the USAID managed portion of the South African program were \$45,669; cumulative expenditures were \$17,409; the pipeline was \$28,260 or 61.8% of obligations. Obligations for PD&S, Self-Help and other small activities not included in this review were \$4,078 with cumulative expenditures of \$2,935 and a pipeline of \$1,143.

USAID-managed obligations and expenditures (\$000) by sector as of March 31, 1989 were:

<u>Sector/Project(s)</u>	<u>Pipeline Analyses</u>			
	<u>Obliga- tions</u>	<u>Expen- diture</u>	<u>Pipe- line</u>	<u>Pipeline as % of Obligation</u>
A. <u>Education</u>	<u>21,476</u>	<u>5,119</u>	<u>16,357</u>	<u>76.2</u>
1. SA Bursaries	16,422	3,671	12,751	77.6
2. ESAT	5,054	1,448	3,606	71.3
B. <u>Community Development/ Democratic Institutions</u>	<u>9,731</u>	<u>4,286</u>	<u>5,445</u>	<u>55.9</u>
1. COLD	8,414	3,544	4,874	57.9
2. Democratic Institutions	1,317	742	575	43.7
C. <u>Private Enterprise</u>	<u>8,219</u>	<u>3,872</u>	<u>4,347</u>	<u>52.8</u>
1. BPED	5,316	1,163	4,153	78.1
2. Entrepreneurial Training	2,903	2,709	194	6.6
D. <u>Human Rights/ Legal Assistance</u>	<u>6,243</u>	<u>4,132</u>	<u>2,111</u>	<u>33.8</u>
<u>TOTAL</u>	<u>45,669</u>	<u>17,409</u>	<u>28,260</u>	<u>61.8</u>

PORTFOLIO GROWTH
3/31/88 - 3/31/89

<u>Sector/Projects</u>	<u>Obligations 3/31/88 (000's)</u>	<u>Obligations 3/31/89 (000's)</u>	<u>Increase in Obligations (000's)</u>	<u>Increase as a % of Obligations</u>
A. Education	<u>14,810</u>	<u>21,476</u>	<u>6,666</u>	<u>45.0</u>
1. SA Bursaries	12,360	16,422	4,062	32.9
2. ESAT	2,450	5,054	2,604	106.3
B. Commun. Devt./ Dec. Inst.	<u>6,327</u>	<u>9,731</u>	<u>3,404</u>	<u>53.8</u>
1. COLD	5,510	8,414	2,904	52.7
2. NED	817	1,317	500	61.2
C. Private Ent.	<u>4,860</u>	<u>5,794</u>	<u>934</u>	<u>19.2</u>
1. BPED	1,900	5,316	3,416	179.8
2. Entrep. Trng.	2,960	478	(2,482)	(83.9)
D. Human Rights	<u>4,661</u>	<u>6,243</u>	<u>1,582</u>	<u>33.9</u>
 TOTAL	 <u>30,658</u> =====	 <u>43,244</u> =====	 <u>12,586</u> =====	 <u>41.1</u> =====

USAID's pipeline remains acceptable (61.8% of total obligations), but is increasingly the focus of more Mission Management attention. As explained in our previous PIRs, USAID forward funds many individual grants and scholarships, which make up the majority of our obligations.

Many NGOs are weak administratively and, the Rand continues to deteriorate against the Dollar. All these factors contribute to a high pipeline level. It must also be realized that in every FY to date the OYB has increased markedly in response to U.S. political concerns. Over the past year, as presented in the Schedule of Portfolio Growth, obligations increased by 41%. This OYB growth offsets planned and even increases in expenditure rates to enlarge annually our pipeline. This is to be expected for a program with an OYB growing yearly and in a portfolio with a high number of NGOs.

Notwithstanding the above, USAID recognizes its responsibility to increase expenditures on the existing portfolio and to obligate, where possible, new monies for faster disbursing activities. We will place additional emphasis over the upcoming period on assisting grantees to improve their performance, on estimating accruals and assuring that expenditures are properly recorded. Finally, as described in Section VI, Planned Actions, the constant design/implementation demands placed on the Mission will be a key topic for our planned Mission retreat. (NOTE:

Financial data contained in this Overview, in individual project and in grant summaries has been provided and approved by the USAID/SA controller)

IV. Overall Status and Health of Portfolio

Given the large number of discrete activities managed by USAID (approximately 277), we believe we have a generally healthy portfolio which responds to very difficult program objectives. We also face a variety of constraints, which in combination, are probably not encountered by USAIDs elsewhere. These include government crackdowns on grantees, a portfolio implemented almost entirely by indigenous NGOs which often lack technical and financial management expertise, a highly volatile political environment, inflexible Congressional earmarks and a somewhat saturated NGO network. As we work totally outside SAG structures and influence, our ability to project needed resources to long-term targets of opportunity is severely constrained. We also lack the support structures normally found in bilateral programs (i.e., counterpart ministries of planning, finance, etc.) We are quite clearly in a responsive mode, which serves our political objectives with the black community well, but makes the normal multi-year planning of an AID bilateral program impossible. At this point, only our scholarship programs can be approached with any degree of the necessary financial and technical precision needed to make accurate outyear budget estimates.

FY89, through mid-year, is a year of consolidation and refinement. We have been relatively better staffed, but many officers have little AID or South African experience and this is not helped by the fact that our Project officers must simultaneously be project managers, financial managers and PDOs -- a large and mixed bag indeed. The political situation in South Africa remains tense but not unstable, which has allowed the black community to present some activities which have multi-year funding implications for USAID. We have been able to more closely examine problem grants and set firm dates by which actions must occur or reprogramming or deobligation will result.

Similarly we have pursued the various management options presented in the Administrative Section of the Program Strategy with little success in effectively using Embassy staff or in finding or forming trusts or major funding intermediaries. We will more seriously consider the possibility of US PVO relationships in the future; however, this remains a sensitive political issue.

Our operations for FY89 continue to expand more quickly than does our staff. OPMD now has 6 PDOs; two new FSN PDOs are expected to be in place by the end of FY89; and in early FY90 we expect to have another USDH PDO. Controller direct and contract staff is anticipated to rise proportionately.

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We generally feel that with those staff increases we will be able to manage a program in the \$25-30m OYB range without a drastic change in the current mode of operation. The budget mix between local grants, requiring immense work for each activity, and larger scholarship obligations which place a relatively larger administrative burden on the contractor or grantee, will be constantly analyzed. The upcoming design of the follow-on to our current bursary programs will be critical to our managing our "management unit problem."

Mission management units at the end of the reporting period totalled 277. Overall the number of management units decreased by 50 from 327, with the largest reduction occurring under the Human Rights Project.

Active Grant, Cooperative Agreement,
Purchase Orders and Direct USAID
Contracts by Sector/Project
and Financial Source

	<u>Project</u>			<u>PD&S</u>		
	<u>9/30/88</u>	<u>3/31/89</u>	<u>Change</u>	<u>9/30/88</u>	<u>3/31/89</u>	<u>Change</u>
COLD/NED	22	26	4	8	5	(3)
BPED/Entre- preneurial Training	17	11	(6)	0	1	1
ESAT	22	26	4	5	3	(2)
Internal Bursaries	2	2	0	1	1	0
Human Rights/ Legal Assistance	237	191	(46)	0	0	0
Disaster Assistance/ Health/ Nutrition	1	1	0	5	4	(1)
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>6</u>	<u>(1)</u>
Subtotal	301	257	(44)	26	20	(6)
9/30/88 TOTAL				327		
3/31/89 TOTAL				277		
Decrease/Increase =====				(50) =====		

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In all but the COLD and ESAT sectors there was stability or a decrease in numbers. These changes result from a number of activities coming to their anticipated conclusion and numerous deobligation actions. FY89 obligations, the bulk of which will be effected in the next reporting period, will again increase the number of management units. However, as stated previously, recent staff increases and those approved, should reduce the number of management units/officer ratio.

A review of last reporting periods planned actions shows resolution of many problem grants. After a difficult 2 years, the IBR/NEO grant was terminated; Songoba was reviewed by the IG and is in the process of being terminated; the ATASA/HBCU grant will end next reporting period and USAID will enter into a local agreement to provide ATASA with needed continued assistance; issues surrounding CEAPA have been resolved; and the Democratic Lawyers Conference will be terminated. Only the BMF grant and AALC contract remain problems from the past report. On the other hand, as could be expected, other activities were reclassified as problems warranting special attention. These activities are listed in Section VI, Planned Actions, of this overview and in individual project annexes.

V. Problems

USAID/SA is always in a major design, intensive implementation predicament. We never have the luxury of an FY with no or few design actions which would provide us time to focus solely on implementation; we are simultaneously and constantly developing new and monitoring old grants and contracts. Where possible, project implementation and evaluation receives priority; however, the next reporting period must focus on new program development.

Financial management and reporting issues continue to slow project implementation and quantitative project management. Most grantees are not sophisticated administratively and require extensive assistance in order to respond to minimum AID financial control requirements. Accruals are being prepared more accurately, but, due to the way in which many of the project accounting structures have been established and the immense number of transactions, they have not always been fully recorded. With additional financial management staff (USAID and contract) and assistance from USAID/Swaziland, it is anticipated that the MACS system can be made to accommodate and respond better to the magnitude of project accounting needs and be of greater assistance to the Mission in monitoring and reporting project implementation.

To overcome the Controller's current staff constraints, we will expand the use of local accounting firms to augment our existing capacities. Additional Controller capacity will also relieve OPMD of some of its current financial workload enabling it to spend more time on program issues and project implementation and design problems.

VI. Planned Actions

1. Implementation

OPMD and HRO will place particular emphasis over the next six months on improving the implementation progress of the following grants/contracts:

<u>Project</u>	<u>Grant</u>
COLD	Basadi Baagi Trust; ACA Women's Desk; CRIC
ESAT	NEST, Khanya Pre-School
BPED	BMF, NEWCO, ITT, NAFCO
HR/Legal Assistance	Institute for Public Interest Law; Black Housewives League; South African Red Cross; and ICRC reporting
Labor	AALC reporting

No single problem is common to the above activities. However, when viewed against the general portfolio and/or against other grants within a particular project, implementation of these particular grants is slipping. A more detailed discussion is contained in the individual project report and/or its annex. In regard to the ICRC grant (674-0309), we have requested a final report from the ICRC which will be forwarded to AID/W upon receipt.

2. Design

A. Except for the ESAT and BPED, all necessary FY89 project obligations have been approved in principle, through sectoral Action Plans. As usual, the number of new activities (grants, contracts, cooperative agreements) to meet the OYB will be significant -- some 70 actions. USAID will concentrate its efforts for the next reporting period on developing, negotiating and executing programmatically sound, implementable and financially prudent activities. The ESAT and BPED projects will receive special attention so that we, if possible, can effectively develop and obligate the full planned OYB for these projects. We expect to confirm by early June our intention to obligate all projected BPED ESF resources or return to AID/W unprogramable balances for Bureau use elsewhere.

B. By mid-July we expect to submit for AID/W review and approval, a PID for a new scholarship/training project which combines internal and external, and short and long-term training into a single project. The recent evaluation, TDYs by AID/W technical staff and our experiences will be key to

the development of the new project. Accordingly we expect the "PID" to go beyond the usual conceptual issues and to deal with major tactical, institutional and administrative refinements. Because of FY90 obligation requirements, we must begin contracting the US portion of these activities early in the second quarter FY90, thus PP development and approval will receive priority attention in late FY89 and early FY90.

3. Audit/Financial Reviews

We have asked for a Non-Federal Audit of NAFCOC, which will begin in the next reporting period. Our regular program of conducting financial reviews of selected grantees continues to work well. Wilgespruit is undergoing an extensive financial analysis and reconciliation in preparation for an FY89 amendment. By attempting to sort out grantee financial problems, we anticipate smoother project and grant implementation.

4. Earmarks

We are pleased to learn that there has been some Congressional movement on our request to reduce the number of legislative earmarks that currently restrict our programming and eat up valuable staff time. We hope AID/W will continue to push hard for full Congressional approval to reduce or eliminate these earmarks.

5. Other

USAID plans to hold a 3 day retreat during the next reporting period to discuss program objectives and options, management issues, the balancing of regular design/implementation pressures and other key Mission problems.

May 18, 1989
Date

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