

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/SOUTH AFRICA



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23 AUG 1993

Dr. Bax Nomvete
Africa Institute for Policy Analysis (AIPA)
University of Cape Town
Graduate School of Business
Breakwater Campus, Portswood Road
Cape Town
8001

Subject: South Africa Transition Support Fund
Project; Grant Agreement with Africa Institute for
Policy Analysis (AIPA); Agreement No. 674-0318-G-SS-
3123-00

Dear Dr. Nomvete:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Comprehensive Anti-Apartheid Act of 1986, as amended, the Agency for International Development (hereinafter "USAID") hereby enters into this ~~Grant Agreement~~ (hereinafter "Agreement" or "Grant") with AIPA (hereinafter "AIPA" or the "Grantee") and obligates the sum of \$160,000 to provide support for a program described in Attachment 1, entitled "Schedule," and Attachment 2, entitled "Program Description," of this Agreement.

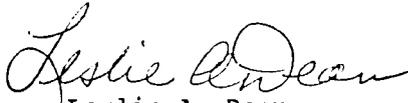
This Agreement is effective and obligation is made as of the date this letter is signed by an authorized USAID representative. The Agreement and obligation shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning on the effective date of this letter and ending March 31, 1995.

This Agreement is entered into with the Grantee on the 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, "Standard Provisions," Attachment 4, "Disbursement of and Accounting for Agreement Funds," Attachment 5, "A.I.D. Geographic Code 935 List," Attachment 6, "Guidelines for Financial Audits Contracted for by Foreign Recipients," and Attachment 7, "Grantee Certifications". This letter and the seven attachments just described, which have been agreed to by your organization, constitute the Agreement.

BEST AVAILABLE DOCUMENT

We request that you and a member of the Board of Trustees of the AIPA sign the original and one (1) copy of this letter and then return the original to USAID/South Africa.

Sincerely,



Leslie A. Dean
Director

Date: Aug. 23, 1993

ACKNOWLEDGED AND ACCEPTED

Africa Institute for Policy Analysis

Bax Nomvete,
Director
Date:

Francis Wilson
Board Chairman
Date: _____

Attachments:

1. Schedule
2. Program Description
3. ~~Standard Provisions and Additional Provisions as~~
Applicable
4. Disbursement of and Accounting for Agreement Funds
5. A.I.D. Geographic Code 935 List
6. Guidelines for Financial Audits Contracted for by Foreign Recipients
7. Grantee Certifications (Grantee Signatures Required)

FISCAL DATA AND CLEARANCES

1. Fiscal Data:

Agreement No.: 674-0318-G-SS-3123-00

Grantee: African Institute for Policy Analysis (AIPA)

Appropriation: 73-113/41014

BC: G553-93-21674-KG13

FUNDS AVAILABLE *fb* *start 93*

Reservation Control No: B930446

Amount: \$160,000

Total Project Obligations to Date including Current Grant:
\$160,000

Total Project Authorization Amount: \$10 million

Agreement Completion Date: March 31, 1995

Project Assistance Completion Date (PACD): September 30, 1997

Funds Available: _____

Acct: _____

Date: _____

Draft: JAddleton, PRM *JA*
Cleared: FMangera, PRM (draft)
DKeene, RLA (draft)
WELLIOTT, PHRD (draft)
GHensley, CONT *GH*
~~WFord, DD~~ _____

ATTACHMENT 1
SCHEDULE

I. OVERVIEW OF AGREEMENT

The purpose of this Grant Agreement is to provide "seed funding" covering institutional support and operational costs to the African Institute for Policy Analysis (AIPA), a relatively new Cape Town-based institution founded to undertake in-depth policy analysis research and training related to the economic restructuring and transformation of a post-apartheid South Africa.

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 March 31, 1995, 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. USAID hereby obligates the amount of \$160,000 for eligible program expenditures under this Agreement.

B. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 4 "Disbursement of and Accounting for Agreement Funds."

IV. FINANCIAL PLAN

A. Financial Plan

The Financial Plan for funds obligated under this Agreement is set forth in Table 1 below. Revisions of this Plan shall be made in accordance with Mandatory Standard Provision 4 of this Agreement, located in Attachment 3 and entitled "Revision of Grant Budget." The Grantee is authorized a 15% deviation between line items, provided that USAID is notified in writing of such budget changes in the Grantee's following Disbursement Report. However, any deviation in excess of 15%, or any increase in the total Grant, must be approved in advance in writing by the Director, USAID/South Africa.

BEST AVAILABLE DOCUMENT

Table 1
Financial Plan
South African Rand (SAR)

<u>Item</u>	<u>Total</u>
Compensation (salaries)	296,000
Travel and Per Diem	35,000
Administrative Support Costs	100,000
Recipient Audit	15,000
Evaluation	10,000
Total	456,000

B. Level of Assistance

The total Rand amount in the Financial Plan (Table 1) above 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 disbursements to the Grantee under the Agreement, an exchange rate of R2.85 to one (1) U.S. Dollar will be used. Notwithstanding the above, in no event will the total Rand amount provided to the Grantee under the Agreement exceed the obligated Dollar amount provided for in Section III. A. above.

Due to exchange rate fluctuations, the total amount of Rands available after converting the total obligated U.S. Dollar amount into Rands may exceed the Rand Budget. If the Grantee desires to use such excess Rands to finance additional eligible program expenses, it may submit to USAID a written proposal for use of such funds. If USAID is in agreement with the Grantee'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 Grantee will be responsible for financing the shortfall, since the U.S. Dollar amount prevails.

V. REPORTING

The Grantee will submit to USAID, in a timely manner, written, semi-annual progress reports to USAID on activities funded and general performance under the Agreement. The content of the semi-annual reports will be mutually agreed upon by the Parties but should include a brief description of program accomplishments during the preceding six months and a discussion of any problems encountered and how they were resolved. The Grantee will also submit, in a timely manner, and in a format to be mutually agreed upon by the Parties, a written final report on all activities financed by the Agreement.

VI. ADMINISTRATIVE SUPPORT COSTS

Administrative support costs are provided for activities funded under this Grant as specified in the Financial Plan. No direct overhead rate is included as part of this Agreement. However, the Grant consists almost entirely of operational support, including funding for salaries, office furniture, rental costs, supplies and equipment.

VII. TITLE TO PROPERTY

Title to all property purchased under this Agreement shall vest in the Grantee in accordance with the terms of Attachment 3, Additional Standard Provision 18, entitled "Title to and Use of Property."

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. To the maximum extent practicable, goods and services financed with funds provided under this Grant should be procured from the United States. Please refer to Attachment 5 for a list of countries included in Code 935.

IX. 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 offshore procurement could otherwise occur.

2. Policy. In the procurement of goods and services in South Africa, the Grantee shall, to the maximum extent practicable, award contracts to individuals who or organizations which have been disadvantaged by apartheid and 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 Sub-Section A. above, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, free and open competition.

C. Staff Recruitment

The Grantee 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 Grantee will provide for USAID approval a copy of its travel and per diem policy covering both domestic and international travel for its staff. The travel and per diem rates established under such policy shall not exceed U.S. Government rates. In the event the Grantee does not establish a policy, U.S. Government regulations governing travel and per diem shall apply.

E. Political Affiliation

The Grantee agrees that programs funded under this Agreement will be made available to individuals and groups regardless of their political beliefs or affiliations. The Grantee 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 Grantee 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.

X. STANDARD PROVISIONS

The Standard Provisions applicable to this Agreement are contained in Attachment 3, entitled "Standard Provisions."

BEST AVAILABLE DOCUMENT

ATTACHMENT 2
PROGRAM DESCRIPTION

I. OVERVIEW OF AGREEMENT

This Agreement provides assistance to the African Institute for Policy Analysis (AIPA) to support and enlarge its activities in the area of economic policy analysis and training related to economic restructuring in a post-apartheid South Africa. The program is fully described in part V below.

II. BACKGROUND

AIPA was incorporated in October 1992 as a non-profit, independent organization in association with--but separate from--the University of Cape Town, with the specific goal of engaging in high level, non-partisan, interdisciplinary economic policy analysis. While AIPA in the long-run will increasingly have a regional role, the more immediate imperative is to address the pressing issues of restructuring the South African economy and upgrading the economic efficiency and welfare of South Africa's black majority.

AIPA is headed by Bax Nomvete, one of the first black South Africans to receive advanced training in economics. Prior to his return to South Africa in 1990, he had been in exile for forty years, during which time he became a leading official in the United Nations system working on economic issues related to Africa. He served most recently as Secretary General of the Preferential trade Area for East and Southern Africa (PTA), based in Lusaka. Upon his retirement, he was encouraged by senior World Bank officials to found an institute for economic policy analysis in South Africa.

In the short time since its inception, AIPA has made considerable progress in readying itself to embark on a comprehensive program of research and training. A team of consultants has already identified a wide range of high priority, relevant research topics in the most essential economic sectors. Working with local historically black and white universities, a comprehensive training program has also been developed. Plans are also underway to appointment African Fellows from other regions of Africa, thus bringing African experience to bear on a previously isolated South Africa.

A nonracial Board of Directors has also been appointed, headed by Francis Wilson (Economics Professor, University of Cape Town) and including S.M. Bengu (Vice Chancellor, University of Fort Hare); N. Chabani Manganyi (Executive Director, Joint Education Trust);

Wiseman Nkuhlu (Independent Development Trust); Gavin Maasdorp (University of Natal); Pieter Le Roux (University of Western Cape); and S.F. Coetzee (African Institute).

Initial funding and support for AIPA was provided by the World Bank. In addition, it has received funding from the UNDP and the Kagiso Trust. Finally, the African Capacity Building Foundation (ACBF), located in Harare, has emerged as a major supporter, providing an initial grant of \$150,000.

AIPA first approached USAID/South Africa regarding possible funding in August 1992 through an unsolicited proposal. Subsequently, several meetings were held involving the Mission Director, Deputy Director and Program Office. Utilizing resources made available through the centrally-funded Implementing Policy Change (IPC) project, USAID/South Africa also supported a brief reconnaissance Mission involving one technical specialist (David Gordon), who recommended that the Mission proceed with an initial start-up grant.

The proposed grant relates directly to the goals and objectives of the new Transition Support Fund (TSF), the purpose of which 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." It also supports several elements in the Mission's strategy for the transition period, especially in the extent to which it supports black-led organizations engaged in issues vital to economic policy dialogue and economic restructuring in a post-apartheid South Africa.

III. PROBLEM

Lack of economic research capacity within the majority population is likely to become an obstacle in the transition to a democratic post-apartheid South Africa. Research and policy analysis skills do exist within the historically white university community, within government-funded research bodies and within the South African private sector. However, very few black South Africans are meaningfully involved in these various institutions.

Several initiatives have been developed to respond to this concern. For example, the Macro Economic Research Group (MERG) was organized by several major anti-apartheid groupings a year ago and includes an ambitious research and training agenda. Other organizations have also from time to time sponsored training or commissioned economics-related research as part of a broader effort to engage the majority population directly in issues related to economic restructuring and transformation in a post-apartheid South Africa.

AIPA, as one of a very small number of South African economic institutions headed by a black South African, represents an

important new initiative which is also designed to specifically address this concern. Already, it has developed an impressive network of resources in South Africa, within Africa and beyond which position it to play a important role in developing a research agenda and providing a forum for discussing economic policy options during the forthcoming transition leading up to elections and a new constitution. The independent, non-partisan nature of AIPA from the outset is another important asset, given the heavily politicized and polarized nature of so many institutions and organizations in South Africa.

IV. PURPOSE

The purpose of this Grant Agreement is to provide institutional support to AIPA, thereby enabling it to further develop and expand its role in promoting research, analysis, training, and policy dialogue on economic issues related to a post-apartheid South Africa.

V. PROGRAM DESCRIPTION

This Grant provides "seed funding" to a relatively new institution, funding salaries and providing additional operational support at a critical juncture. Funds will be made available over the next twelve months, covering a period that will be vital in determining whether or not AIPA can make an effective contribution to the transition process now underway. If successful in accessing essential funds and developing effective programs, AIPA can potentially play a vital role in shaping the debate on economic development in South Africa and in training the next generation of black South African economists.

Typically, donors look to only fund research studies, conferences, training programs or other activities undertaken by a particular institution as part of their broader outreach program. However, institutional support is also vital, particularly for a young organization seeking to develop the capacity needed to promote and effectively implement such programs. Given the "seed funding" nature of this initial Grant, USAID/South Africa funds are specifically targeted toward the operational costs of AIPA. Specifically, funds will be targeted to the following two main areas essential to AIPA's survival as a viable organization:

1. Salary Support: AIPA envisages a core staff of fifteen, only three of whom (including the Executive Director and the Director of Administration) have been recruited thus far. Vacant positions include a macroeconomist, a monetary and fiscal analyst, and various support staff. USAID funds will be used under this grant toward meeting the costs of the Director of Administration and to contribute toward the hiring of essential support such as a secretary, documentalist and a bookkeeper.

2. Operational Costs: Under an agreement with the University of Cape Town (UCT), AIPA is presently located at the UCT Business School's Breakwater campus. However, it must independently meet all costs associated with its operation, including payment of rent, telephones and faxes, computers, supplies, office equipment, etc. USAID funds will be used under this grant to contribute toward the payment of such essential operational costs, including telephone and fax services, photocopy and reproduction services, repairs and maintenance, stationary and supplies, and the procurement of office furniture and computer software.

3. Travel and Per Diem: Provision is made in the budget for travel and per diem costs associated with the management and operation of AIPA. Most, if not all, travel funded under this line item will be for in-country travel or travel within the Southern African region. All travel will be in economy class, and per diem payments will not exceed those authorized for United States government personnel.

4. Other Activities: In keeping with standard operating procedures for such grants, USAID funds will also be made available for a mandatory non-federal audit, contracted for by AIPA. In addition, funds are also included to allow AIPA to independently contract for an independent, external evaluation on the effectiveness of its internal organization and external outreach programs, with a view toward shaping decisions on possible future program directions. Prior to undertaking this evaluation, a copy of the draft Scope of Work (SOW) should be provided to USAID for comment and approval.

Reporting Requirements: In addition to the regular financial reporting described in Annex Four, AIPA will provide to USAID/South Africa, at not less than six monthly intervals, a progress report summarizing activities supported under the USAID Grant, especially as they relate to the development of the organization and the recruitment of new staff funded under the grant. Given the operational, institutional support nature of this grant, the report should also include a brief discussion of outreach programs and other initiatives taken by AIPA during the reporting period, including a summary of any conferences or workshops held or research undertaken or published.

VI. DETAILED ILLUSTRATIVE FINANCIAL PLAN

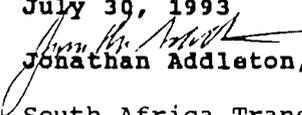
A detailed Illustrative Financial Plan which supplements the Financial Plan found in Attachment 1 follows below. The financial plan in Attachment 1 is the binding budget for the purposes of this Agreement; the illustrative budget suggests the types of expenses which can be financed out of the USAID grant within the broad funding categories shown in Attachment 1.

**Detailed Illustrative Budget
(South African Rands)**

Compensation (salaries and allowances)	296,000
-- Director of Administration	
Basic Salary (8,550 x 12)	102,600
Housing Allowance	12,000
-- Book Keeper	
Basic Salary (3,525 x 12)	42,300
Medical Aid (350 x 12)	4,200
Housing Subsidy	5,496
-- Documentalist	
Basic Salary (5,415 x 12)	64,980
Medical Aid (350 x 12)	4,200
Housing Subsidy (485 x 12)	5,496
-- Secretary	
Basic Salary (3,525 x 12)	42,300
Medical Aid (350 x 12)	4,200
Housing Subsidy	5,496
-- Misc. and temporary assistance	2,732
Travel and Per Diem	35,000
Administrative Support Costs	100,000
-- Photocopying and Reproduction	10,000
-- Repairs and Maintenance	4,000
-- Rent (Office Space)	6,000
-- Telephone and Fax	35,000
-- Stationary and Supplies	8,000
-- Computer Software	2,500
-- Other Support Costs	4,500
Other	25,000
-- Audit	15,000
-- Evaluation	10,000
TOTAL:	456,000

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/SOUTH AFRICA

DATE: July 30, 1993

FROM:  Jonathan Addleton, PRM

SUBJECT: South Africa Transition Support Fund (TSF) Project (674-0318); African Institute for Policy Analysis (AIPA) Agreement No. 674-0318-G-SS-3123-00

I. PROBLEM

Your approval is required to obligate U.S. \$160,000 of FY1993 funds under the Transition Support Fund (TSF) Project (674-0318) through a Grant Agreement with the African Institute for Policy Analysis (AIPA), as described herein.

II. AUTHORITY

Pursuant to Redelegation of Authority No. 452, the Director, USAID/SA, has authority to authorize and execute grants, and amendments thereto, with indigenous non-governmental organizations (NGOs) in an amount not to exceed \$5.0 million per grant.

III. DISCUSSION

The purpose of this Grant Agreement is to provide institutional support to the African Institute for Policy Analysis (AIPA), a relatively new Cape Town-based research and training institution which potentially can play an important role in facilitating policy dialogue in a post-apartheid South Africa.

AIPA was incorporated in October 1992 as a non-profit, independent organization in association with the University of Cape Town with the specific goal of engaging in high-level, non-partisan, interdisciplinary economic policy analysis. While AIPA will increasingly have a regional role in the long term, the more immediate imperative is to address the pressing issues of restructuring the South African economy and upgrading the economic efficiency and welfare of South Africa's black majority.

AIPA is headed by Bax Nomvete, one of the first black South Africans to receive advanced training in economics. Prior to his return to South Africa in 1990, he had been in exile for forty years, during which time he became a leading official in the United Nations system working on economic issues related to Africa. He served most recently as Secretary General of the Preferential Trade Area for East and Southern Africa (PTA), based in Lusaka. Upon his retirement, he was encouraged by senior World Bank officials to found an institute for policy analysis in South Africa. The World Bank also provided some initial funding for the effort.

BEST AVAILABLE DOCUMENT

AIPA first approached USAID/South Africa regarding possible funding in August 1992 through an unsolicited proposal. Subsequently, several meetings were held involving the Mission Director, Deputy Director and Program Office. Utilizing resources made available by the centrally-funded Implementing Policy Change (IPC) Project, USAID/South Africa also supported a reconnaissance mission involving one technical specialist to assess AIPA and the extent to which it might be able to make a contribution during the transition to a democratic South Africa. Based on recommendations made as a result of this survey, the Mission decided to provide a modest, institution-strengthening grant to AIPA to ensure its continued survival and to better position it to solicit other donor funding in carrying out programs related to training and economic policy analysis.

IV. ISSUES

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

A. Action Plan and Strategic Objective(s) - This proposed Agreement was discussed during the FY93 PD&S/TSF Action Plan reviews dated April 2, 1993 and approved. This activity is consistent with Strategic Objective One ("Majority Population participates more fully in the political development and governance of a democratic, human rights based South Africa") and Strategic Targets 1.1, 1.3 and 3.3 ("Establish and strengthen black-led non-governmental institutions that support black political empowerment and civic development;" "Increase capacity of disadvantaged South Africans to govern in a post-apartheid South Africa;" and "increase interaction among labor, business community, political and academic groups on economic transformation").

B. Grantee's Illustrative Budget and Cost Negotiation - The Program Office conducted verbal negotiations with AIPA to establish its priorities for funding. The grant provides "seed funding" to a relatively new institution. Most of the funds will be used for salaries, travel, supplies and general office support. In addition, funding is provided for an evaluation of AIPA's activities and for the required recipient audit program. The budget and costs have been reviewed within the Mission as part of the grant approval process and have been determined to be fair, reasonable and allowable for a grant of this nature. The grant file contains sufficient support for this determination.

C. Competitive Procedures or Non-Competitive 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." AIPA has submitted an unsolicited proposal, and it is the determination of the Program Office that the activity is both unique and innovative. In a very real sense, the institution represents the vision of its founder, Bax Nomvete, a black South African who returned to South Africa after forty years of exile specifically to found an organization which would contribute toward the ongoing discussion on economic policy and economic restructuring in a post-apartheid South Africa; relating this restructuring to experiences elsewhere in Africa is another important feature of the proposal. Because this activity is consistent with USAID program objectives and is so unique and innovative, acceptance of the AIPA proposal would be fair and reasonable and would represent an appropriate use of USAID funds.

D. Technical and Management Capability - It is the Program Office's determination that the subject organization possesses suitable policies and practices to ensure adequate management of USAID funds provided under the Grant Agreement. This determination is based on several factors. First, the Program Office has visited AIPA offices in Cape Town and discussed the proposal with AIPA representatives on several occasions. Second, the Program Office commissioned outside technical assistance from a centrally-funded AID/W project to review the organization and its goals, capabilities and potential. Third, technical assistance has also been provided by the World Bank, which has assisted AIPA in its early stages of development and is promoting the institution as a possible key player for enhancing indigenous economic analysis and research capability in Africa. Finally, the series of papers and proposals prepared by AIPA thus far reflect a seriousness and determination that suggest that AIPA has effective technical and management capability and is positioning itself for an important research and policy role over the short and medium term.

E. Financial Management Capability - A financial review of AIPA's financial management systems was conducted on May 7, 1993 which certified that the Grantee possesses adequate accounting systems, books and records for the administration of this Agreement.

F. PVO Registration Determination - The proposed Grantee does not qualify as a Private Voluntary Organization, as defined in A.I.D. Handbook 3, Appendix 4C and 88 State 356010 because it does not solicit or receive voluntary contributions of money from the general public and because it is also a research institution.

G. Grantee Contribution - A Grantee contribution (financial and/or in kind) of not less than 25% of total grant project costs is anticipated. USAID/South Africa is only one of several likely donors for AIPA. Although the grant will be used

to fund a number of support staff, salaries for the largest portion of the staff--including the salary of the Executive Director, the Director of Administration and several technical specialists will be provided from other donors. Similarly, a considerable portion of the support costs will come from other sources. The budget includes no line item for overhead since this, too, will be met by AIPA.

H. Sustainability - This grant represents "seed funding" for a new institution which potentially can play an important independent and non-partisan role in fostering economic policy dialogue, analysis, research and training in a post-apartheid South Africa. Funds will be used for institutional support and operational costs, not for ongoing research or training activities. However, the grant is premised on the assumption that AIPA will be able to attract sufficient funds from bilateral and multilateral donors as well as from corporate or private foundation sources in the coming months. AIPA has already been identified as a potential candidate for funding under the World Bank's Africa Capacity Building (ACBF) initiative, further underscoring the prospects for long-term sustainability.

I. Standard Issues

1. 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 Agreement program itself, as described in Attachment 2 of the proposed Agreement, which contains 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.

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

3. Recurrent Costs - Donor financing of recurrent costs, such as salaries, allows the Grantee 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.

4. Selection of a Grant as the Assistance Instrument - It is the determination of the Program Office that, in accordance with Handbook 13, Chapter 6, 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.

V. RECOMMENDATION

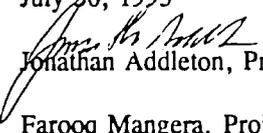
It is recommended that, pursuant to your authority under Redefinition of Authority No. 452, you: (1) approve noncompetitive selection in accordance with the justification provided above; (2) authorize the proposed Agreement to AIPA by signing below; and (3) execute said Agreement, as attached, by signing on the appropriate page and line as indicated.

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

Disapproved: _____

Date: 8/23/93

ACTION MEMORANDUM TO THE DIRECTOR, USAID/SOUTH AFRICA ON USE OF TSF FUNDS

Date: July 30, 1993
From:  Jonathan Addleton, Program Office
Through: Farooq Mangera, Project Manager 
Subject: Request for TSF Project Funding

Part I: Introduction and Summary

The purpose of this memorandum is to request funding of \$160,000 for the proposed African Institute for Policy Analysis (AIPA) grant. The activity supports Strategic Objective One ("Majority Population participates more fully in the political development and governance of a democratic, human rights based South Africa") and Strategic Targets 1.1, 1.3 and 3.3 ("Establish and strengthen black-led non-governmental institutions that support black political empowerment and civic development;" "Increase capacity of disadvantaged South Africans to govern in a post-apartheid South Africa;" and "increase interaction among labor, business community, political and academic groups on economic transformation"). It supports the transition process directly by providing "seed funding" for a black-led economic analysis and research institution that is poised to play an important role in the ongoing debate on economic policy in a post-apartheid South Africa.

Part II: Background and Discussion

The purpose of this Grant Agreement is to provide institutional support to the African Institute for Policy Analysis (AIPA), a relatively new Cape Town-based research and training institution which can potentially play an important role in facilitating policy dialogue during the ongoing transition to a democratic, post-apartheid South Africa. As noted above, the institution is directly relevant to the Mission's Strategic Objective on economic empowerment; it also helps meet several of the Mission's strategic targets related to economic transformation. With respect to use of TSF funds, it falls under the "analytical studies and sector assessments" category. As noted in the Project Paper, under this category the Mission "will provide limited institutional support to organizations engaged in policy-related research which will likely contribute to the policy debate in a post-apartheid South Africa."

The grant has its origins in an unsolicited proposal submitted by the Director, Bax Nomvete, a South African exile who was one of the first black economics graduate (in the 1940s) from the University of Cape Town and who subsequently became a leading official in the United Nations system working on economic issues related to Africa. Most recently, he served as Secretary General of the Preferential Trade Area for East and Southern Africa (PTA), based in Lusaka. The AIPA initiative is also one of the few black-led initiatives related to economic policy dialogue, research and training related to the transition process. As such, it helps the disadvantaged majority participate in a debate in which they have, up until now, been noticeably under-represented.

USAID's grant primarily consists of operational support, allowing the organization to continue to expand its donor base and develop networks with existing institutions in South Africa. Since the grant provides institutional support rather than funding for specific research studies, a formal plan to disseminate results has not yet been developed in the context of this Grant Agreement. However, there is no question but that the institution will actively seek to distribute the result of its research as widely as possible. Its first publication, entitled "AIPA Program on the Economic Democratization of South Africa and Promotion of Economic Cooperation with African Countries," is at the press now. The Director, an active promoter of the institution, also figures in a number of forums and discussions on future economic policy in a post-apartheid South Africa, providing an important vehicle for ensuring that the results of AIPA studies are taken seriously and discussed at the highest levels.

Part III: Recommendation

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

Approved *Lucie A. Dean*

Disapproved _____

Date *Aug 23, 1993*