

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/SOUTH AFRICA



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ES JUN 1993

Mr. Andrew Khehla Lukhele
President
National Stokvels Association of
South Africa
P. O. Box 130459
Bryanston 2021

Subject: South Africa Shelter and Urban Development
Support Project; Grant Agreement with the National
Stokvels Association of South Africa (NASASA);
Agreement No. 674-0312-G-SS-3031-00

Dear Mr. Lukhele:

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 the National Stokvels Association of South Africa (hereinafter "NASASA" or the "Grantee") and obligates the sum of \$200,000 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 May 1, 1993 and ending April 30, 1996.

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 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.

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

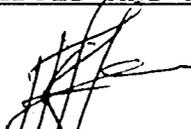
Sincerely,

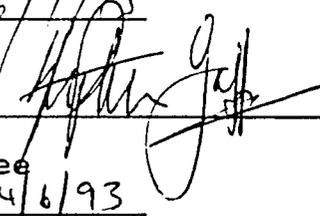


Leslie A. Dean
Director

Date: June 7, 1993

ACKNOWLEDGED AND ACCEPTED


By: Andrew Khehla Lukhele
Title: President
Date: 14/06/1993


By: _____
Title: Trustee
Date: 14/6/93

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)

ATTACHMENT 1
SCHEDULE

I. OVERVIEW OF AGREEMENT

The purpose of this Agreement is to support the expansion of the National Stokvels Association of South Africa (NASASA) so it may provide credit to increased numbers of disadvantaged South Africans for housing and other purposes. Specifically, the Agreement will provide capital for an interest free fund to be used internally on a revolving basis, for the establishment of new branch and regional operations as well as for further diversification of NASASA products and credit facilities, throughout the urban areas within 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 April 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 USAID funds to be provided under this Agreement for the period shown in Section II. above is U.S. \$300,000.

B. USAID hereby obligates the amount of U.S. \$200,000 for eligible program expenditures during the estimated period of April 1, 1993, through September 1, 1994.

C. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 - Additional Standard Provision 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 USAID subject to the availability of funds, the agreement of the Parties hereto to proceed with the Grant program, and to the requirements of the Mandatory Standard Provision, Attachment 3 to the Agreement, paragraph 4 entitled "Revision of Grant Budget."

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.

Attachment II, Detailed Illustrative Financial Plan incorporates the planned total A.I.D. contribution over the life of the Grant.

Table One
Financial Plan
South African Rand (SAR)

<u>Item</u>	<u>Total</u>
Revolving Growth Fund	515,000
Evaluation	20,000
Annual Audits	<u>25,000</u>
Total	560,000

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 R2.8 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. B., 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. These reports should be submitted on July 1 and January 1 of each year. The content of the semi-annual reports will be mutually agreed upon 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 form to be mutually agreed upon by the parties, a written interim report following the conclusion of the first phase of A.I.D. funding and a final report on all activities financed by the Agreement.

VI. 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."

VII. 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.

VIII. 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

No funding for staff positions is provided by USAID through this Agreement.

D. Travel and Per Diem

No funding for travel or per diem is provided by USAID through this Agreement.

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.

F. Special Conditions

1. Funds under the growth Fund line item of the Illustrative Financial Plan of this Agreement shall be disbursed to NASASA in two tranches using the procedures set forth in Section VI. of Attachment 2 to this Agreement.
 - (a) The first disbursement shall be made upon NASASA's submission to USAID of a written, detailed, NASASA Board-approved business plan, in form and substance acceptable to USAID, which describes the organization's plans for geographical and/or product expansion. This plan shall be accompanied by an implementation schedule and a financial plan for the opening of the first regional office and/or similar documentation for the introduction of a new financial product which would make use of the Growth Fund provided under this Agreement.
 - (b) The second and final disbursement of funds under the Growth Fund line item of the Illustrative Financial Plan shall be made when NASASA provides USAID with written confirmation of either the appointments of the core team of employees to be trained and employed in the first regional office to be opened under the terms of this Agreement or the holding of an introductory seminar for the chairmen of those stokvels who will administer the innovative financial product to be introduced under the terms of this Agreement.
2. NASASA will use its best efforts to coordinate its expansion efforts so as to include communities designated as "CUSSP" (Community and Urban Services Support Program) communities by USAID. Upon request, NASASA will present the "stokvel concept" to organizations within the CUSSP communities.

X. STANDARD PROVISIONS

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

ATTACHMENT 2
PROGRAM DESCRIPTION

I. OVERVIEW OF AGREEMENT

The purpose of this Agreement is to support the expansion of the National Stokvels Association of South Africa (NASASA) so that it may provide credit to increased numbers of disadvantaged South Africans for housing and other purposes. Specifically, the Agreement will provide capital for an interest free fund to be used internally, on a revolving basis, for the establishment of new branch and regional operations as well as for further diversification of NASASA products and credit facilities, throughout the urban areas within South Africa.

II. BACKGROUND

A. Shelter and Urban Development Support Program

This Agreement is being funded under USAID/South Africa's Shelter and Urban Development Support (SUDS) project, which was approved in May 1992. The purpose of the SUDS project is to promote the provision of services, infrastructure and housing to low income disadvantaged South Africans. The focus is on training, technical assistance and leveraging finance with a supportive policy environment. Interlinked assistance is to be provided in the areas of community capacity building, support for black building contractors, short and long term finance and policy development.

B. The National Stokvels Association of South Africa

NASASA was formed by its current President, Andrew K Lukhele, in February 1988 as the first, and still, sole umbrella body representing stokvels. A stokvel is a type of credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool weekly, fortnightly or monthly; it is sometimes called a "rotating thrift and credit society". Although the exact origin of the stokvels is unknown, it is thought that the concept grew out of church related Tswana women's groups founded in the Johannesburg area early in the twentieth century. The concept soon spread to all black ethnic groups in South Africa and incorporated many existing black burial societies as well. At the present time, it is estimated that one fourth of all black urban South Africans belong to one or more stokvels and that they generate more than R200 million per month.

A survey conducted by NASASA revealed that its male members' number one use of stokvel funds was for house building. The stokvel is the primary financial institution used by most non-professional, urban black South Africans.

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NASASA as an organization has focused its activities over the last 5 years in two main areas of operation:

- a) The promotion of the stokvel culture as an effective self-help mechanism to all sectors of the South African economy, including housing and urban development, but with particular emphasis on the education of formal sector institutions as to how the stokvels could work as an effective private sector partner with them.
- b) The development of a meaningful range of "benefits" for proliferation to stokvel members, such benefits adapted to meet stokvel requirements.

The range of benefits which NASASA has endeavored to create has been determined via a bottom-up approach to demand evaluation. Thus, NASASA has concentrated its efforts in such areas as:

- a) Enhancement of returns earned on stokvel savings accounts.
- b) Creation of appropriate insurance products to compliment self-help initiatives.
- c) Provision of loan finance to the disadvantaged for a variety of purposes, including housing, utilizing the group structures inherent in stokvels.
- d) Negotiation of retail discounts on behalf of members.

NASASA has established a national office based in Johannesburg, where the full-time Management Committee of the organization is located. This office establishes and coordinates the strategic priorities of NASASA, on behalf of stokvel members, interfacing with over 50 NASASA "Coordinators" located throughout South Africa. In order to ensure that NASASA members, both current and future, are effectively serviced, it has become necessary to establish more formalized regional representative centers, transforming our "Coordinator" network into this formal, regionalized structure. The establishment of such regionally based resources centers (the "branches") will significantly contribute to the achieving of NASASA's objectives for the benefit of members in the following manner:

- a) Increased effectiveness in member servicing on a local basis.
- b) Improved NASASA/member communications.
- c) Tangible visibility of NASASA in key stokvel regions leading to increased community awareness, lessening of perceptions of remoteness and vastly improved convenience factors.
- d) "Benefit delivery" to members can be achieved on a local basis whereby NASASA "products", such as insurance benefits, retail

discounts, saving and housing loan facilities, etc., can be delivered to the community on a face-to-face local basis, particularly with regard to the educational role of the NASASA coordinators and the local requirements, cultures and aspirations of the community.

III. PROBLEM

In 1985, more than 55% of the total black South African population, or at least 13 million people, were living in the country's cities. By 2010 the number of urban black South Africans will rise to 33 million, or about 70% of the projected total black population in that year.

In 1990, more than seven million urban black South Africans were living in informal housing, including back yard shacks in townships and rapidly growing, unserviced squatter settlements.

These figures imply an existing urban housing backlog of nearly one million units. Up to three million additional new units will be required to accommodate the projected increase of 20 million black city dwellers by 2010.

In addition, approximately one million urban South African households (comprising approximately 3/4 million people) live in "public" housing as tenants holding one of nine different types of leasehold or occupancy permit.

The net effect of this situation is to create an enormous demand for new housing construction which surpasses the public sector's ability now or in the future to provide sufficient completed housing. Private sector community based housing development must continue to play the dominant role in the provision of new housing stock. For this to take place, sufficient technical skill must be marshalled in one place and a means must be provided for paying for these services.

IV. PURPOSE

The purpose of this Agreement is to provide support to the National Stokvels Association of South Africa (NASASA) through the establishment of a Growth Fund for geographic and product expansion. It is anticipated that members of stokvel primary societies will play a key role in alleviating the massive housing problem in South Africa .

V. PROGRAM DESCRIPTION

A. Background.

On June 30, 1993, NASASA, in conjunction with a leading South African commercial bank and a prominent mutual fund management

group, will launch a major project whereby a new mutual fund will be initiated, tailor-made for stokvels savings and investments, together with a related small-loan product for groups where their mutual fund investments will be utilized for collateral purposes to secure loans. This new product will be distributed nationally via the participating commercial bank. Consequently, NASASA is committed to the strengthening of its regional institutional capacity in order that the organization can provide on the ground back-up in the promotion of their new innovative savings/loans project.

Consequently, NASASA has embarked on a strenuous institutional growth program, particularly at the regional level, to facilitate the forthcoming launch of the "People's Fund" Unit Trust and related loan program which will require close NASASA monitoring to ensure effective implementation. A.I.D.'s financial support under this Grant will enable NASASA to initiate its regional expansion program through the establishment of a "Growth Fund" for the setting up of appropriate regional offices. NASASA has determined to employ the Growth Fund initially with the establishment of regional branches in the Orange Free State and Natal given the strength of existing NASASA membership in close proximity to these centers.

Each new regional branch office will be made up as follows:

- a) A formal office will be established in each regional location,
- b) A NASASA regional representative will be employed, and
- c) A NASASA regional office administrator will also be employed.

Each office will require telephone/fax facilities, normal office furnishings, PC-based management information systems (a membership database management system will be linked, via an existing network, to NASASA's Head Office in Johannesburg), word processing facilities, etc.

In addition, each branch will require access to technical resources, such as training facilities for office administration, product knowledge, M.I.S. management, etc.

This Agreement will provide financing for the NASASA Growth Fund, for a mid-term and final evaluation and also for annual audits.

B. The NASASA Growth Fund

During the period of this Agreement, it is expected that the USAID contribution to the Growth Fund will fully fund the establishment of at least three new NASASA regional offices. The following principles will govern the use of money from the NASASA Growth Fund:

1. Each new region will be allowed to borrow from the Fund at no cost for a maximum of two years.
2. Each new region will be allowed to use the monies from the

Growth Fund for the following activities:

- the six months of initial training required of all regional representatives and of all regional office administrators;
 - the initial capital expenditure involved in establishing the office; and
 - the full operating costs in terms of overhead for a maximum of twenty-four months from the date of the start of the staff training (the date that the first expenditure is incurred).
3. Each new region has a further two year repayment holiday, after which it is required to repay the capital in full. The capital will then be advanced to another new region.
 4. Post Growth Uses of Growth Fund: Once the anticipated regional growth plan (six regional branches) has been achieved and all monies repaid to the Growth Fund, the Fund will be used:
 - a. to fund any further growth;
 - b. to satisfy anticipated South African Government & liquid asset requirements governing NASASA and other deposit taking institutions; and
 - c. as reserves to offset risks.
 5. Evaluation: The Agreement will fund comprehensive mid-term and final evaluations of NASASA's Growth Fund, with a focus on how branch expansion has contributed to increased lending to historically disadvantaged South Africans for low income housing. The scope of work and budget for the evaluation will be mutually agreed upon by NASASA and USAID at a later date.

C. Evaluation and Audit Costs

Evaluation and audit costs will be paid by NASASA and reimbursed by USAID upon the receipt of a written request from NASASA. Since an advance from A.I.D. is not employed, these funds do not have to be deposited into a separate bank account, nor does interest earned have to be remitted back to A.I.D.

E. Implementation Plan

- | | | |
|----------------|---|---|
| August 1993 | - | Bloemfontein Regional Office Director appointed and office established. |
| September 1993 | - | Durban Regional Office Director appointed |

and office established.

December 1993 -

Welkom Regional Office Director appointed
and office established.

VI. DETAILED ILLUSTRATIVE FINANCIAL PLAN

Illustrative Financial Plan South African Rand (SAR)

<u>Item</u>	<u>Total</u>
Growth Fund	745,000
Mid-Term & Final Evaluations	45,000
Annual Audits	50,000
TOTAL LIFE OF PROJECT	840,000

PHASE I BUDGET (S.A.R.560,000)

1993

Growth Fund	515 000
Mid-Term Evaluation	20 000
Audit	25 000
TOTAL	560 000

PHASE TWO BUDGET (S.A.R.120,000)

1994

Growth Fund	230 000
Final Evaluation	25 000
Audit	25 000
TOTAL	280 000

(Conversion Rate Used: US\$1 = SAR2.8)

FISCAL DATA AND CLEARANCES:

1. Fiscal Data:

Agreement No: 674-0312-G-SS-3031-00

Grantee: The National Stokvels Association of South Africa

Appropriation: 72-113/41014

BPC: GSS3-93-21674-KG13

Reservation Control No: B390218

Amount: \$200,000

Total Project Obligations To Date including Current Grant
Obligation: \$ 11,100,000

Total Project Authorization Amount: \$30,000,000

Agreement Completion Date: April 30, 1996

Project Assistance Completion Date (PACD): May 13, 1996

Funds Available: a FUNDS AVAILABLE

ACCT: C DA COSTA

Date: 06/03/93

2. Clearances for Action Memorandum, Grant Agreement Letter
and Attachments 1-7:

Drafted: JHagger, HUDD: JA

Clearance:

DRathbun: GDO

JAddleton: PRO

DKeene: RLA

GHensley: CONT

WFord: DD

 JA
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ACTION MEMORANDUM FOR THE DIRECTOR, USAID/SOUTH AFRICA

DATE: May 19, 1993

FROM: Jeremy Hagger, HUDD 

SUBJECT: South Africa Shelter and Urban Development Support (SUDS) Project (674-0312); National Stokvels Association of South Africa; No. 674-0312-G-SS-3031-00

I. PROBLEM

Your approval is required to obligate U.S. \$200,000 of FY1993 funds under the South Africa Shelter and Urban Development Support Project (674-0312) through a Grant Agreement with the National Stokvels Association of South Africa (NASASA), as described herein (these funds constitute a portion of the proposed LOP \$300,000 amount of this grant).

II. AUTHORITY

Pursuant to Redlegation 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

Based upon discussions and contacts with a wide range of community leaders, USAID has received and reviewed numerous unsolicited proposals from community, urban development and technical services organizations throughout the country for SUDS activities which far exceeds the FY1993 SUDS budget. Based on the Mission's review of these proposals, an Agreement with the National Stokvels Association of South Africa is recommended.

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 January FY93 SUDS Action Plan review and approved. This activity is consistent with both the SUDS Project Paper, the Housing and Urban Development Strategy, Strategic Objective Three ("increase broad-based black ownership, employment and participation in all levels of the economy") and Strategic Target 3.4 ("deliver innovative and viable community based, private sector financed housing to disadvantaged South Africans").

B. Grantee's Illustrative Budget and Cost Negotiation - The Housing & Urban Development Division conducted verbal negotiations with NASA to establish its priorities for funding. The grant will be used by NASA for: (a) the creation of a growth fund, (b) mid-term and final evaluations, and (c) annual audits.

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." NASASA has submitted an unsolicited proposal, and it is the determination of the Housing & Urban Development Division that the activity is "innovative". The stokvel concept is indigenous to South Africa's black community, and today there are approximately 10,000 local, primary societies throughout the country. NASASA is the only umbrella organization which is attempting to structure these primary societies into a nationwide movement and organization as a force for economic empowerment among the disadvantaged community. Today, more low income black South Africans, in the formal and informal sectors, turn to their stokvel society for credit than to any other source. There is no competing type of institution for NASASA.

Because this activity is consistent with USAID program objectives and is so innovative acceptance of the NASASA's proposal would be fair and reasonable and would represent an appropriate use of USAID funds.

D. Technical and Management Capability - It is the Housing & Urban Development Division'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 numerous discussions with NASASA's principals and a review of documents furnished by the organization.

E. Financial Management Capability - Since no advance is contemplated under this grant (a "growth fund" does not require an advance), a pre-award financial review is not required. HUDD has been informed that John M. Donnelly, a Chartered Accountant with the accounting firm of Arthur Anderson in Johannesburg, has agreed to act as external auditor for NASASA on this project, and he will review both internal financial procedures and management

controls as part of his brief. HUDD is, therefore, confident that the Grantee will demonstrate appropriate professional conduct in its use of the proposed budget.

Nevertheless, A.I.D. will conduct a regular financial review, including an examination of financial management capability, of NASASA following the execution of this grant and prior to the second disbursement of funds hereunder.

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 contributions from the general public.

G. Grantee Contribution - It is anticipated that following this grant which will establish a "Growth Fund" for NASASA, a series of NASASA regional offices will be established throughout the country to coordinate directly with primary societies. NASASA has developed a series of innovative financial products (described later in this Agreement) which it will make available to affiliated primary stokvel societies. NASASA will levy a fee on these products and services which, it is planned, will make the system largely self-sufficient by the end of the Grant period. At this time, however, A.I.D. is informed that NASASA has a \$5,000 monthly income which is still sufficient for it to furnish limited assistance in personnel time and materials towards supporting the joint program. NASASA's financial documents show a more than 10 fold projected increase in home office income by the end of the Grant period.

Therefore, it is anticipated that these member fees and charges will produce sufficient amounts by the end of the Grant period to allow NASASA to furnish support equivalent to at least 25% of the Grant budget. HUDD believes that since NASASA is working on developing an objective of special importance to A.I.D., namely, a financial system open to very low income disadvantaged South Africans, which is a unique resource which will provide a long term capacity to support a variety of programs of value to disadvantaged South Africans, NASASA should be allowed to accept this Grant while initially making a less than 25% contribution.

H. Sustainability - NASASA will be able to continue to provide its services after the three year term of this establishment grant due to primarily to fees and charges it will levy on participating parties, mainly stokvel primary societies, in its range of financial services. In addition, it is likely that other domestic and international corporate and public entities will make additional grants to NASASA to support its goals and programs.

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 Housing & Urban Development Division 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 Redlegation of Authority No. 452, you: (1) approve noncompetitive selection in accordance with the justification provided above; (2) authorize the proposed Agreement to NASASA 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: 6/7/93