

PD-AEL 655

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/SOUTH AFRICA



Tel: (012) 323-8869

P.O. Box 55380  
Arcadia, Pretoria 0007

Fax: (012) 323-6443

April 26, 1993

Ms. Mpho Ndebele  
Director  
Social Change Assistance Trust  
13B Kloofnek Road  
Tamboerskloof  
Cape Town  
8001

Subject: South Africa Community Outreach and Leadership  
Development (COLD) Project  
Grant Agreement with the Social Change Assistance  
Trust (SCAT)  
Agreement No. 674-0301-G-SS-3014-00

Dear Ms. Ndebele:

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 Social Change Assistance Trust (hereinafter "SCAT" or the "Grantee") and obligates the sum of \$260,000 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 shall apply to commitments made by the Grantee in furtherance of program objectives during the period beginning on March 1, 1993 and ending February 28, 1995. Retroactive payment for eligible program expenses is authorized as of March 1, 1993.

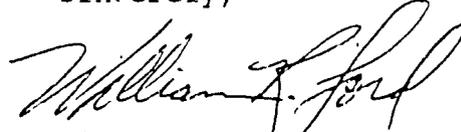
This Agreement is entered into with the Grantee on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, "Schedule," Attachment 2, "Program Description," Attachment 3, "Standard Provisions," Attachment 4, "Disbursement of and Accounting for Agreement Funds," Attachment 5, "A.I.D. Geographic Code 935 List," Attachment 6, "Guidelines for Financial Audits Contracted for by Foreign Recipients" and

1

Attachment 7, "Grantee Certifications". This letter and the seven attachments just described, which have been agreed to by your organization, constitute the Agreement.

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

Sincerely,



William R. Ford  
Acting Director

ACKNOWLEDGED AND ACCEPTED  
Social Change Assistance Trust

By: \_\_\_\_\_  
Ms. Mpho Ndebele  
Title: Director, SCAT

By: \_\_\_\_\_  
Barry Streek  
Title: Trustee, SCAT

Date: \_\_\_\_\_ 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)

ATTACHMENT 1  
SCHEDULE

I. OVERVIEW OF AGREEMENT

The purpose of this Agreement is to provide assistance to the Social Change Assistance Trust (SCAT) for supporting grants to non-governmental organizations engaged in projects to promote social justice in disadvantaged communities, and related administrative costs.

II. PERIOD OF AGREEMENT

The effective date of this Agreement is the date the cover letter is signed by an authorized USAID representative; however, retroactive payment for eligible program expenses is authorized from March 1, 1993. Unless otherwise agreed to by USAID in writing, the expiration date is February 28, 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. The total estimated amount of USAID funds to be provided under this Agreement for the period shown in Section II. above is U.S. \$520,000.

B. USAID hereby obligates the amount of U.S. \$260,000 for eligible program expenditures during the estimated period of March 1, 1993 through February 28, 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.

Set forth in Attachment 2, Section VII., is a more detailed Illustrative Financial Plan.

Table 1

Financial Plan  
South African Rand (SAR)

<u>Item</u>	<u>Total</u>
Compensation (salaries)	117,787
Travel and Per Diem	32,521
Capital Expenditures	8,142
Other Direct Costs	545,908
Indirect Costs	8,142
Audit	<u>28,500</u>
Total	741,000

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. 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 in a timely manner written, semi-annual progress reports to USAID on activities funded and general performance under the Agreement. The semi-annual reports 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 semi-annual reports shall be submitted to USAID by September 30 and March 31 during each year this Agreement is effective. The Grantee will also submit a written final report on all activities financed by the Agreement within 60 days of the expiration of the Agreement.

#### VI. OVERHEAD RATE

Not Applicable.

#### 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 goods and 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 and

for program participants. 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.

#### F. Sub-grants

SCAT will provide to USAID a brief written description of each proposed sub-grant to be funded under this Agreement prior to executing sub-grant funds for this purpose. USAID will approve the funding of each sub-grant in writing. The amounts and conditions of each sub-grant will be in accordance with SCAT's established policy and operating procedures which have been reviewed and approved by USAID.

#### G. Recipient Audit Program

The sub-grantees receiving more than \$25,000 fall under the Recipient Audit Program in accordance with the provisions of the "Guidelines For Financial Audits Contracted by Foreign Recipients" under Attachment 6. SCAT will ensure that all sub-grantees receiving more than \$25,000 conduct recipient audits. This will be a condition in the sub-grant agreements before USAID approves such agreements.

#### H. Follow-Up Financial Review

There shall be no disbursement of any Agreement funds after four Agreement months if a satisfactory follow up financial review of SCAT has not been conducted.

## ATTACHMENT 2

### I. OVERVIEW OF AGREEMENT

This agreement provides assistance to the Social Change Assistance Trust (SCAT) for sub-grants to non-governmental organizations engaged in projects to promote social justice in disadvantaged communities and related administrative costs.

### II. BACKGROUND

SCAT was established in 1985 for the initial purpose of assisting organizations that were addressing problems of repression caused by apartheid laws such as bannings, banishments, detentions and censorship. However, with the unbanning of the liberation political organizations in 1990, SCAT decided to focus on funding and providing training to organizations and groups that seek to achieve equality and social justice in South Africa. In 1992, SCAT supported a total of 60 organizations located in the Cape Province and Transkei. SCAT's policy emphasizes the importance of institution-building through the development of strong, stable and resourceful community organizations.

The staff consists of a director, four field workers and an administrator. Field workers are responsible for liaising with, supporting and monitoring the performance of projects funded by SCAT, and meeting with and evaluating new organizations that apply for funding. The staff and committees of many of these community-based organizations funded by SCAT are likely to form the nucleus of democratic local government when a new constitution is implemented.

To date, SCAT has been funded entirely by Norwegian churches. It is now trying to expand its donor base and, accordingly, has sought funding from USAID and several other international donors. The COLD grant to SCAT is in accordance with the strategic objective of strengthening black-led non-governmental organizations that support black political empowerment and civic development. It is expected that the project will empower and strengthen marginalized communities and groups.

### III. PROBLEM

A peaceful transition to democracy does not guarantee the elimination of poverty in rural areas and the inequities between the black and white communities. While a large percentage of the black population is caught in a poverty trap, the situation of those living in rural areas is even worse. These marginalized communities also suffer from powerlessness which prevents them from actively addressing their circumstances. Such feelings of powerlessness will retard their participation in a democratic South Africa.

At the moment, 40% of the black population live in rural areas. The rural economy offers very few opportunities in the form of employment and competitive wages. Also, rural areas have less developed infrastructure and social services. Therefore rural residents have limited access to clean drinking water, electricity, health care and educational facilities. Such communities suffer from lack of skills and the experience of taking control of their circumstances. Consequently, projects that seek to address these issues in rural areas are often struggling and isolated from possible sources of funding.

The high unemployment and the severe shortage of skills signals the daunting tasks ahead for a democratically elected government. The socio-economic and political indicators point to an even more significant role for non-governmental organizations which promote social development.

#### IV. PURPOSE

The purpose of this Agreement is to enable SCAT to fund and technically assist an increased number of projects which seek to empower disadvantaged communities and promote social justice. Most of the projects funded under this Agreement will be located in rural areas of the Cape Province, but projects in other geographic areas can also be funded.

#### V. PROGRAM DESCRIPTION

All forms of empowering support will be essential for impoverished communities for some years to come. To SCAT, "empowerment" means supporting poor rural and urban communities in their efforts to prepare themselves for the control of their own lives. SCAT does this by funding and advising community-based organizations and resource organizations which serve the historically disadvantaged community.

As a funding organization, SCAT receives numerous proposals for funding from community-based organizations in the Cape province and other areas of the country. These proposals are reviewed with the assistance of field workers who play a major role in their evaluation. Priority is given to rural community-based projects, service organizations which support rural community-based organizations and community-based projects in poverty-stricken communities located in peri-urban areas. During the current financial year, SCAT will increase the number of organizations funded from 60 to 67. Organizations funded by SCAT must be democratically controlled and accountable to their membership and raise funds locally so as to reduce dependence on outside assistance.

The types of organizations supported by SCAT include rural advice offices that deal with labor issues, housing and living conditions, human rights and general social problems; rural service organizations; and other rural and peri-urban projects which address local and regional development issues.

After SCAT decides to fund an organization, it also provides ongoing technical assistance to ensure that the projects succeed and that the communities become empowered in the process. SCAT field workers visit each project on the average of three times per year. The types of technical assistance the field workers provide include providing information on planning and evaluation of programs, helping projects focus on their objectives and providing general administrative training and program advice.

Projects are expected to provide SCAT with a detailed annual report indicating their successes and failures, as well as aims and objectives for the coming period, annual audited statements and regular financial statements. Advice offices are also required to submit monthly case statistics.

#### VI. AGREEMENT FUNDING

The grantee will be responsible for selecting organizations to be funded under the Agreement and submitting a list of proposed sub-grantees to USAID for review and approval to avoid duplication of funding. Funds under this Agreement are provided specifically for the following: salaries for two field workers and one administrative assistant; domestic travel and per diem; capital expenditure for equipment (e.g., computers and office furniture); other direct costs (such as costs for sub-grants, regional seminars, staff training, publications, and an annual evaluation); indirect costs (rent, utilities, communications, stationary and postage) and an annual audit.

Funds under this Agreement may not be used for the purchase of vehicles, liquor, land or buildings, for the construction or renovation of buildings or for the expenses of family or friends of program participants.

#### VII. DETAILED ILLUSTRATIVE FINANCIAL PLAN

Attached is a detailed Illustrative Financial Plan which supplements the Financial Plan found in Attachment 1. The Financial Plan in Attachment 1 is the binding budget for the purposes of this Agreement.

ILLUSTRATIVE FINANCIAL PLAN  
(SAR)

<u>Item</u>	<u>1993/4</u>
<u>Salaries</u>	
Field workers (2)	94,406
Administrative assistant	23,381
Subtotal	117,787
<u>Travel and Per Diem</u>	
Subtotal	32,521
<u>Capital Expenditures</u>	
Equipment	8,142
Subtotal	8,142
<u>Other Direct Costs</u>	
Sub-grants	487,278
Regional Seminars (2 in 1993 and 4 in 1994)	18,322
Staff training	8,142
Publications	3,666
Evaluation of SCAT	28,500
Subtotal	545,908
<u>Indirect Costs</u>	
Administrative expenses	8,142
Subtotal	8,142
<u>Audit</u>	
Subtotal	28,500
Subtotal	28,500
<u>Grand total</u>	<u>741,000</u>

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

DATE: March 31, 1993

FROM: Cecily Mango *C Mango* Chief, CDD

SUBJECT: South Africa Community Outreach and Leadership  
Development (COLD) Project (674-0301)  
Social Change Assistance Trust (SCAT)  
Agreement No. 674-0301-G-SS-3014-00

I. PROBLEM

Your approval is required to obligate U.S. \$260,000 of FY1993 funds under the Community Outreach and Leadership Development (COLD) Project (674-0301) through a Grant Agreement with the Social Change Assistance Trust (SCAT), as described herein.

II. AUTHORITY

Pursuant to Redelelegation 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

SCAT is a non-partisan funding agency based in Cape Town. It was formed in 1985 and has been funded entirely by churches in Norway. SCAT supports organizations and groups that seek to achieve equality and social justice in South Africa. The purpose is to empower communities so that they can take control of their circumstances and exercise power democratically.

In order to further its aims, SCAT provides financial assistance and training to community-controlled projects in deprived areas, especially in rural areas. The following are criteria used by SCAT for selection of sub-grantees:

- rural
- situated in poverty-stricken communities adjoining urban areas
- community-based
- open membership
- accountable leadership
- situated in the Cape
- undertakes own fundraising
- clear aims, objectives and plans
- detailed report on past activities
- modest, realistic budget

*1/2*

Organizations supported by SCAT range from those involved in providing legal assistance and advice to disadvantaged rural inhabitants to urban-based groups working on issues related to squatter settlements and local and regional development. SCAT also provides extensive technical assistance to the organizations it funds. By supporting such organizations, SCAT seeks to redress the imbalance, especially in skills, between whites and blacks. In this way, the proposed grant to SCAT is in accordance with the Mission's strategic objective of strengthening black-led non-governmental institutions that support black political empowerment and civic development (see Attachment 2 of the Agreement for a detailed program description).

GDO recommends that the Agreement cover retroactive payment for costs incurred as of March 1, 1993 for the following reasons:

Firstly, although this proposed Agreement was approved at the COLD Action Plan review on January 15, 1993, the process of signing it was delayed by funding allocations which were not received as quickly as anticipated. Secondly, as a result of the financial review, it was recommended that SCAT should purchase a software package so as to update the organization's financial management systems. The Grantee responded by purchasing and installing the software in March 1993.

#### 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 COLD Action Plan review of January 15, 1993 and approved. This activity is consistent with the strategic objective of political empowerment and the strategic target of strengthening black-led non-governmental institutions.

B. Grantee's Illustrative Budget and Cost Negotiation - The Community Development Division (CDD) conducted verbal negotiations with the Social Change Assistance Trust to establish its priorities for funding. The Agreement will fund salaries, travel and per diem, grants to projects and administrative expenses. The budget for these items is well within the standard for such expenses. The funds used for sub-grants will be governed by SCAT's operating policy on granting funds which has been reviewed by CDD and found to be satisfactory. SCAT will be required to submit a brief description of all projects to be funded under the Agreement to avoid duplication of funding. This requirement is the subject of a special provision in the Agreement. The budget and costs have been reviewed within the

Mission as part of the grant approval process and are fair, reasonable and appropriate for a grant of this nature. The grant file contains sufficient support for this determination.

C. Noncompetitive Justification - Although competition is to be encouraged in the award of grants and cooperative agreements to NGOs (Handbook 13, Chapter 2B), Chapter 2B3a permits exceptions to competition where the proposal "is not solicited by A.I.D." and where the proposal is "unique, innovative, or proprietary and acceptance would be fair, reasonable, and would represent appropriate use of A.I.D. funds to support or stimulate a public purpose." SCAT has submitted an unsolicited proposal, and it is the determination of the CDD that

the activity is innovative in that SCAT is able to reach small rural projects that would otherwise go unserved and supplements its financial assistance with a comprehensive package of technical assistance. Because this activity is consistent with USAID program objectives and is so innovative, acceptance of the SCAT proposal would be fair and reasonable and would represent an appropriate use of USAID funds.

D. Technical and Management Capability - It is CDD's determination that the subject organization possesses suitable policies and practices to ensure adequate management of USAID funds provided under the Grant Agreement, including selection, award and monitoring of sub-grants.. This determination is based on discussions with the grantee organization; a review of the proposal submitted by the grantee; and the experience of the grantee organization with another donor.

E. Financial Management Capability - A financial review of SCAT's financial management systems was conducted on February 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, staff time or in-kind support from the general public.

G. Grantee Contribution - SCAT receives more than 25% of total project costs from other donors. Funding from COLD will thus not exceed 75% of the total project costs.

H. 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.

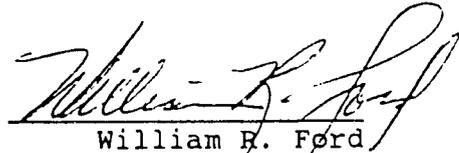
4. Selection of a Grant as the Assistance Instrument - It is the determination of the CDD that, in accordance with Handbook 13, Chapter 6, a grant is the appropriate assistance mode to be utilized, as A.I.D. is not procuring goods or services and does not require a substantial degree of operational control or involvement in project implementation. USAID will review sub-grant descriptions only to avoid duplication of funding under the Mission's programs. The attached document is, in form and substance, a grant as defined by A.I.D.

5. Travel Policies - The Grantee will provide within the next 2 months for USAID approval its travel and per diem policy for travel not to exceed U.S. Government rates. In the case that the Grantee does not establish a travel and per diem policy, the prevailing U.S. Government rates shall apply.

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 the Social Change Assistance Trust by signing below; and (3) execute said Agreement, as attached, by signing on the appropriate page and line as indicated.

Approved:



William R. Ford  
Acting Director

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

Date: \_\_\_\_\_

4/21/93

drafted: TMbatha, GDO/CDD                       
cleared: DRat.bun, SGDO                       
          Wlivengood, DCONT                       
          Jaddleton, PROG                       
          TRiedler, RLA                       
          WFord, DD                     

*M*