



USSALEP

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(United States South Africa Leader Exchange Program)

Association Incorporated under Section 21A
of Act 61 of 1973

Mr S.J. Mhlungu
Chairman
Action Group for Democracy
P O Box 4432
DURBAN 4000

21 January 1992

COPY

Dear Mr Mhlungu

Subject: Transition to Democracy Project.

The United States-South Africa Leader Exchange Program (hereinafter referred to as "USSALEP") hereby provides to the Inkatha Freedom Party, (hereinafter referred to as "The IFP", "The IFP/AGD", "the Sub-Recipient" or the "Sub-Grantee") the sum of \$ 2,652,410 under the Transition To Democracy Project, as described in Attachment 1, ("Schedule"), and Attachment 2, entitled "Program Description."

This Agreement is effective as of September 2, 1991 for furtherance of program objectives during the period beginning with the effective date and ending September 30, 1992.

This Agreement is entered into with the IFP/AGD on condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, "Schedule", Attachment 2, "Program Description", Attachment 3, "Standard Provisions", and Attachment 4, "A.I.D. Geographic Code 935".

This letter and the four attachments just described, which have been agreed to by your organization, constitute the Agreement.

Please sign the original and two (2) copies of this letter to acknowledge your acceptance of the Agreement, and return the original and one copy to USSALEP.

Sincerely

Stan Kahn
Project Manager

ACKNOWLEDGED AND ACCEPTED

By: _____
Mr S. J. Mhlungu

Original
Signed
22 JAN 1992.

Title: Chairman

For: The Action Group for Democracy,
on behalf of the
InKatha Freedom Party of South Africa

Date: _____

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions
4. Geographic Code 935

SCHEDULE

I. OVERVIEW OF AGREEMENT

The purpose of this Agreement is to provide infrastructure and related support to the InKatha Freedom Party, to encourage negotiations leading to a peaceful transition to a genuine democracy based on universal suffrage within a united South Africa, as further described in Attachment 2 to this Agreement entitled "Program Description."

II. PERIOD OF AGREEMENT

The effective date of this Agreement is September 2, 1991. Unless otherwise agreed to by USSALEP in writing, the expiration date is September 30, 1992, meaning that no 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

USSALEP hereby provides a sub-grant to the IFP/AGD in the amount of \$ 2,652,410 to cover program expenditure as specified herein. These funds have been made available to USSALEP by the United States Agency for International Development office in South Africa (USAID/South Africa), for the purpose of achieving the objectives of this Agreement.

IV. FINANCIAL MANAGEMENT

A. To the maximum extent practicable, financial management of grant funds, procurement and other financial transactions will be the responsibility of USSALEP and, therefore, will be outside of the IFP. This policy is to avoid possible conflict of interest arising from the need for any financial audit which may be required, to extend into the internal affairs and financial records of the IFP/AGD.

B. In the event that any funds are transferred to the IFP/AGD from USSALEP, the IFP/AGD shall be responsible for accounting for, and shall open a separate, non-co-mingled, bank account to be used solely for such funds. The IFP/AGD shall deposit all funds made available to it by USSALEP under this Agreement, including cash advances, into this separate account and shall make all disbursements for goods and services financed under this Agreement from this account. All cash advances shall be liquidated on a quarterly basis.

C. Return any interest exceeding US \$ 100 per annum earned from funds provided under this Agreement to USSALEP, not less often than quarterly. Up to \$100 in interest earnings per annum may be retained by the IFP/AGD to cover administrative costs such as bank charges on the separate interest bearing account.

V. FINANCIAL PLAN

A. Illustrative Financial Plan

The Illustrative Financial Plan for this Agreement is set forth in Table I below. Revisions of this Plan shall be made in accordance with Standard Provision 4 of this Agreement, located in Attachment 3 and entitled "Revision of Agreement Budget." The IFP/AGD is authorized a 15% deviation between line items provided that USSALEP is notified in writing of such budget changes in the IFP/AGD's following Quarterly Report. However, any deviation above this amount, or any increase in the total Grant, must be approved in advance in writing by USSALEP.

Table I

<u>Cost Element</u>	<u>Total SA Rand</u>
Salaries and Related Expenses	R 3,040,687
Office Equipment and Furniture	R 1,091,001
Office Expenses	R 1,752,429
Airfares and Travel Costs	R 658,727
Training	<u>R 486,043</u>
	<u>R 7,028,887</u>

B. Level of Assistance

The total Rand amount in the Illustrative Financial Plan (Table I above) is the maximum Rand 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 this Agreement, an exchange rate of R 2.65 to one (1) U.S. Dollar will be used.

Notwithstanding the above, in no event will the total level of funds provided under this Agreement exceed the obligated dollar amount stated in Section III above.

Due to exchange rate fluctuations, South African Rand available under any individual line item financed under this Agreement may exceed levels budgeted for by the IFP/AGD.

If the IFP/AGD desires to use such excess Rand to finance additional eligible program expenses, it may submit a proposal for use of such funds. If USSALEP is in agreement with the IFP/AGD's proposal, the Agreement may be modified to provide for the authorized expenditures. USSALEP 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 Rand being available than budgeted for, the IFP will be responsible for financing the shortfall since the U.S. dollar amount prevails.

VI. REPORTING.

A. Quarterly Reports

Beginning three months after the date of signature of this Agreement, the IFP/AGD shall submit written quarterly reports to USSALEP containing, inter-alia, at least the following:

1. A summary of Agreement program activities over the previous three months.
2. A summary of Agreement program activities planned for the next three months.
3. A summary of the problems encountered in implementing Agreement program activities.
4. Any other Agreement-related information reasonably requested by USSALEP.

B. Final Report

Within two months of the expiration of the Agreement, the IFP/AGD shall submit a written final report summarizing the accomplishments of the Agreement, significant problems or failures encountered in its implementation, actual expenditures pursuant to it and any other items USSALEP may reasonably specify.

VII. TITLE OF PROPERTY

Title to all property purchased under this Agreement for the use and benefit of the IFP/AGD shall vest in the IFP/AGD in accordance with, to the extent practicable, 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 funds provided 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. A copy of A.I.D. Geographic Code 935 is attached to this Agreement as "Attachment 4" and forms part of this Agreement.

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 off-shore procurement could otherwise occur.

2. Policy: In the procurement of goods and services in South Africa, under this Agreement, USSALEP shall, to the maximum extent practicable, award contracts to individuals who or organizations which are 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, "coloured" 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, "coloured" or Asian descent. The Republic of South Africa includes the so-called "independent" and "self-governing" homelands.

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

C. Staff Recruitment: The IFP/AGD agrees that all staff recruitment for positions funded under this Agreement 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 IFP/AGD will provide for USSALEP's approval a copy of its travel and per diem policy covering both domestic and international travel for its staff and for program participants not to exceed U.S. Government rates. In the event the IFP/AGD does not establish a policy, U. S. Government regulations governing travel and per diem shall apply.

E. Prohibition on Using Funds to Support Violence: The IFP/AGD agrees that it will not use any of the funds or fixed assets made available to it under this Agreement for the purpose of supporting physical violence by an individual, group, or government. In the event this prohibition is violated, USSALEP has the right to terminate or suspend, in whole or in part, this Agreement and to seek a refund of funds or fixed assets provided to the IFP/AGD hereunder.

F. Conditions Precedent To Disbursement: Prior to disbursement of any funds under this Agreement to, or on behalf of, the IFP/AGD, the IFP/AGD shall submit to USSALEP, in form and substance satisfactory to USSALEP, evidence that:

1. a detailed plan for infrastructure support and plans for any technical, management or other training or assistance that may be required to ensure that the IFP/AGD is able to use the items procured under this Agreement effectively have been agreed upon between USSALEP and the IFP/AGD; and

2. the IFP/AGD has formally appointed competent external auditors who have been fully briefed on the accounting, financial control and management reporting requirements under this sub-grant Agreement.

X. **STANDARD PROVISIONS**

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

PROGRAM DESCRIPTIONI. SUMMARY

The purpose of this Agreement is to provide assistance to the InKatha Freedom Party (IFP), to enable it to engage more effectively in the process of negotiating a new nonracial, democratic government in South Africa, based on universal suffrage. To achieve this purpose, Agreement funds will be used to procure, on behalf of and for the benefit of the IFP, infrastructure (office equipment, telecommunications equipment, printing, publication and distribution equipment), rental or lease of office space and human resource development and training.

It is expected that the IFP will, to the extent practicable, use all the resources provided under this Agreement to achieve the above stated purpose. The Action Group for Democracy (AGD), the IFP's Management and Administrative arm, has been mandated by the IFP to receive this assistance.

Recent dramatic political events in South Africa have created an environment that appears conducive both to the dismantling of apartheid as well as enhancing the process of meaningful negotiations, for a new constitution that will lead to a non-racial democracy. In the interest of fair, timely and open negotiations it is critically important that the negotiations process exist on a "level playing field."

Between 1975 and 1990, the IFP functioned as an anti-apartheid, National Cultural Liberation Movement, InKatha Yenkululeko Yesizwe. As the governing Party of the Kwa-Zulu administration, InKatha resisted efforts by the Pretoria government to manoeuvre it into independence, a move which would have resulted in Black South Africans losing their citizenship. While InKatha has always been a National movement, its responsibility to maintain Kwa-Zulu as an integral part of South Africa, restricted its organisational development on a nation-wide basis. Commitment by the IFP/AGD to negotiations for a future non racial, South African constitution, based on a universal franchise, is handicapped by these organisational difficulties.

Mechanisms need to be refined, and in some cases, established by which the leadership cadre of the IFP/AGD are able to better develop policy options, and more quickly transmit these down to their followers for comment. Similarly, more effective means must be found by which aggregated opinions and attitudes from grassroots supporters find their way into the negotiating positions of the IFP. This process obviously is complicated by the fact that significant numbers of IFP supporters are in the deep rural areas of South Africa, where communication is a problem.

II. PROGRAM ACTIVITIES

The support provided to the IFP/AGD under this Agreement will include the following:

Acquisition of Fixed Assets

- Information processing and communications equipment
- Equipment for the publication and distribution of pamphlets

Provision of Office Space

- Rental or lease of premises where required

Human Resource Development

- Provision of staff and clerical support
- Provision of training in computer skills, communication systems, and other permissible areas relating to the enhancement of their negotiating capacity.

III. IMPLEMENTATION RESPONSIBILITIES

USSALEP will channel funds to the IFP for the purpose described herein and will provide for the IFP/AGD a system of fiscal administration and grants management that will ensure proper accountability for funds disbursed under the project. The role of USSALEP with respect to the IFP/AGD is to administer grant funds, procure fixed assets, provide (by means of contracts) technical assistance and training in order to strengthen the IFP/AGD resources related to the negotiations process, and monitor and evaluate the program.

A. Guiding Principles

In establishing systems by which the funds will be administered, USSALEP will be guided by two major principles. These are:

1. Externalization. To the maximum extent practicable, procurement and other financial transactions (salary payments, rental payments, purchase of equipment, etc.) will be undertaken outside of the IFP/AGD. This policy is to avoid possible conflict arising from the need for any financial audit which may be required to extend into the internal affairs and financial records of the IFP/AGD.

2. Consultation. Given the sensitivity of this project, it is imperative that USSALEP establish an effective working relationship with the key members of the IFP/AGD as early as possible and consult with their counterparts frequently.

B. Delivery Systems

1. Procurement and Payments. Except under extraordinary circumstances, USSALEP will acquire all of the fixed assets funded under this Agreement.
2. Computers and Software. USSALEP will arrange a technical needs assessment (approximately one week in duration) for the IFP/AGD. This assessment will be carried out, after appropriate consultation, by one or more independent, non-vending consultants. The starting point for this exercise will be the May 13, 1991 needs assessment conducted by Zille Shandler Associates. At the conclusion of this exercise, procurement of equipment will commence, as outlined above.
3. Salary Payments. USSALEP will establish a central salary administration system, in which the IFP/AGD will be treated as an independent company for purposes of payroll. Assuming it is acceptable to the IFP/AGD, a "NEDPAC" system will be used to ensure that payments are made directly into the accounts of individuals nominated by the IFP/AGD, and that tax, medical aid and provident fund deductions are properly made, and paid over to the institutions involved.
4. Imprest System. An imprest system will be designed by USSALEP with the concurrence of the IFP/AGD, installed at appropriate levels within the IFP, and users will be trained in its use. This will give autonomy over restricted sums, down to the regional office level of the IFP, for limited expenditures as per budgeted categories.

IV. PLANNED PHASES OF PROGRAM IMPLEMENTATION

A. Mobilization

This phase (approximately one month) will entail completion of a number of tasks required before any disbursements can be made. Essentially, they consist of hiring staff and equipment to enable USSALEP to undertake the project, completion of technical services and project needs assessments, and finalization of technical service, procurement and any other necessary agreements with sub-contractors.

Training and instruction in the use of the equipment, systems, procedures and routines are necessary to ensure orderly office management and efficient equipment

utilization. The final cost of these services will be determined when the technical needs assessments are completed.

B. Disbursement

This phase (up to twelve months in duration from the effective date of this Agreement) will commence at such time as:

--USSALEP and the technical services sub-contractor are confident that adequate accounting and financial control systems are in place to record and track all disbursements

--a well designed program and appropriate procedures, acceptable to USSALEP and the IFP/AGD, exist for the procurement of all equipment and services to be procured under this Agreement; and

--the IFP/AGD has appointed competent external auditors who will have been briefed on the accounting, financial controls and management reporting requirements under the sub-grant agreements.

While designated project staff within USSALEP will be responsible for day to day implementation and monitoring of this project, USSALEP offices, both in Johannesburg and Washington, will provide additional personnel and material resources, as required, to ensure its satisfactory execution.

Although the project will be based and administered in South Africa, it differs in many respects from typical USAID activities in its high political profile in the United States and South Africa. Consequently involvement of the USSALEP/Washington staff is necessary for the success of the project. The Washington staff will also play a liaison function with the overseas offices of the sub-grantees, Congressional staff, interested U.S. Government departments and, possibly, the U.S. media as the program unfolds.