

RESULTS REVIEW  
AND  
RESOURCE REQUEST  
(R4)

**USAID/SOUTH AFRICA  
MARCH 1997**

## TABLE OF CONTENTS

<b>ACRONYMS</b> .....	i
<b>PART I: FACTORS AFFECTING THE PROGRAM</b> .....	1
<b>PART II: STATUS OF THE MANAGEMENT CONTRACT</b> .....	2
<b>PART III: PROGRESS TOWARD OBJECTIVES</b> .....	5
<b>A. SO1: DEMOCRATIC INSTITUTIONS STRENGTHENED THROUGH CIVIL SOCIETY PARTICIPATION</b> .....	5
1. Summary and Analysis of Data, and Contribution of USAID Activities .....	5
a. Summary .....	7
b. Intermediate Results Reporting .....	7
IR 1.1 Expanded Access to Justice by the Majority Population .....	7
IR 1.3 Capacity to Prevent, Manage and Resolve Democracy Threatening Conflicts Strengthened .....	8
IR 1.4 Civil Society and Public Participation Increased in Public Policy Formulation in Selected Areas .....	10
2. Expected Progress and Management Actions .....	11
<b>B. SO2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY OF ACCESS AND QUALITY</b> .....	18
1. Summary and Analysis of Data, and Contribution of USAID Activities .....	18
a. Summary .....	18
b. Intermediate Results Reporting .....	19
IR 2.1 Policies for Transformation Developed, Disseminated and Enacted in the Areas of ABET Further and Higher Education .....	19
IR 2.2 Transformation of Key Targeted Systems in Basic, Further and Higher Education .....	20
IR 2.3 Strengthened Human and Organizational Capacity in Departments of Education, Education Institutions, and Selected Individuals .....	22
2. Expected Progress and Management Actions .....	22
<b>C. SO3: MORE EQUITABLE, UNIFIED AND SUSTAINABLE SYSTEM DELIVERING INTEGRATED PHC SERVICES TO ALL SOUTH AFRICANS</b> .....	37
1. Summary and Analysis of Data, and Contribution of USAID Activities .....	37
a. Summary .....	37

2.	Expected Progress and Management Actions .....	39
<b>D.</b>	<b>SO4: IMPROVED CAPACITY OF KEY GOVERNMENT AND NON-GOVERNMENT ENTITIES TO FORMULATE, EVALUATE AND IMPLEMENT ECONOMIC POLICIES .....</b>	<b>40</b>
1.	Summary and Analysis of Data, and Contribution of USAID Activities .....	40
a.	Summary .....	40
b.	Intermediate Results Reporting .....	40
	IR 4.1 Strengthened Human Resources in Economics & Policy Analysis for Key Government Entities .....	40
	IR 4.3 Strengthened Think Tanks to Formulate and Evaluate Economic Policy Options of all Economic Policy Makers .....	40
2.	Expected Progress and Management Actions .....	41
<b>E.</b>	<b>SO5: INCREASED ACCESS TO FINANCIAL MARKETS FOR THE HISTORICALLY DISADVANTAGED POPULATION .....</b>	<b>42</b>
1.	Summary and Analysis of Data, and Contribution of USAID Activities .....	42
a.	Summary .....	
b.	Intermediate Result Reporting .....	42
	IR 5.1 Improved Policy Environment to Facilitate Access to Capital for Historically Disadvantaged Informal and Microenterprises .....	43
	IR 5.2 Improved Capacity of the Financial Sector to Service Historically Disadvantaged Informal and Microenterprises .....	43
	IR 5.3 Improved Capacity of Historically Disadvantaged Enterprises to Respond to Financial Market Requirements .....	44
	IR 5.4 Improved Policy Environment to Facilitate Access to Capital for Historically Disadvantaged Small, Medium and Large Enterprises ...	44
	IR 5.5 Improved Capacity of the Financial Sector to Service Historically Disadvantaged Small, Medium and Large Enterprises .....	45
	IR 5.6 Improved Capacity of Historically Disadvantaged Small, Medium and Large Enterprises to Respond to Financial Market Requirements ...	46
2.	Expected Progress and Management Actions .....	46
<b>F.</b>	<b>SO6: INCREASED ACCESS TO ENVIRONMENTALLY SUSTAINABLE HOUSING AND URBAN SERVICES FOR THE HISTORICALLY DISADVANTAGED POPULATION .....</b>	<b>55</b>
1.	Summary and Analysis of Data, and Contribution of USAID Activities .....	55
a.	Summary .....	55
b.	Intermediate Result Reporting .....	56

IR 6.1	Improved Environment for the Development and Implementation of a Policy Agenda for Increasing Access to Housing and Urban Services for the HDP . . .	56
IR 6.2	Previously Ineligible Households, Developers, Builders, and Municipal Service Providers Obtain Access to Credit for Housing and Urban Services . . . . .	58
IR 6.3	Increased, Non-Credit Forms of Assistance Made Available by Participating Institutions to HDPs for Obtaining Access to Housing and Urban Services . . .	59
2.	Expected Progress and Management Actions . . . . .	59
<b>PART IV:</b>	<b>RESOURCE REQUEST</b> . . . . .	<b>66</b>
<b>A.</b>	<b>Financial Plan</b> . . . . .	<b>66</b>
<b>B.</b>	<b>Pipeline Analysis</b> . . . . .	<b>68</b>
<b>C.</b>	<b>Prioritization of Objectives</b> . . . . .	<b>68</b>
<b>D.</b>	<b>Linkage of Field Support</b> . . . . .	<b>69</b>
<b>E.</b>	<b>Workforce and Operating Expenses</b> . . . . .	<b>69</b>
1.	Workforce . . . . .	69
2.	Operating Expenses . . . . .	70
<b>F.</b>	<b>Environmental Compliance</b> . . . . .	<b>70</b>

**LIST OF FIGURES**

Figure 1:	Mission Goal . . . . .	4
Figure 3:	SO 1 Performance Monitoring Plan . . . . .	12
Figure 5:	SO 2 Performance Monitoring Plan . . . . .	24
Figure 11:	SO 5 Performance Monitoring Plan . . . . .	48
Figure 13:	SO 6 Performance Monitoring Plan . . . . .	60

**LIST OF TABLES**

Table 1:	Financial Plan for FY 1999 . . . . .	66
Table 2:	Order of Curtailment . . . . .	69
Table 3:	Workforce Ceilings . . . . .	69

## ACRONYMS

ABET	Adult Basic Education and Training
ADR	Alternative Dispute Resolution
ANC	African National Congress
CBO	Community-Based Organizations
CDPA	Community Development Projects Association
CMPF	Community Multi-Party Forum
COLD	Community Outreach and Leadership Development
CSP	Country Strategy Plan
CSO	Civil Society Organizations
CSS	Central Statistics Services
DOE	Department of Education
FY	Fiscal Year (October 1 to September 30)
GDP	Growth Domestic Product
HDI	Historically Disadvantaged Institution
HDP	Historically Disadvantaged Population
ICI	Institutional Capacity Index
IFP	Inkatha Freedom Party
IRI	International Republic Institute
LAPC	Land and Agriculture Policy Centre
NCHE	National Commission on Higher Education
NICE	National Investigation into Community Education
NDOE	National Department of Education
NGO	Non-governmental Organization
NLC	National Literacy Co-operation
OCI	Organizational Capacity Index
PEI	South African President's Education Initiative
PHC	Primary Health Care
R4	Results Review and Resource Request
RDP	Reconstruction and Development Program
RSA	Government of the Republic of South Africa
SO	Strategic Objective
SOT	Strategic Objective Team
STD	Sexually Transmitted Diseases
TRC	Truth Reconciliation Commission
USAID	United States Agency for International Development
USAID/SA	United States Agency for International Development/South Africa

## **PART I: FACTORS AFFECTING THE PROGRAM**

The quality of implementation of USAID/South Africa's program has been heavily affected by a number of external and internal factors. These include overall economic performance; local elections; government policy shifts; opposition government; bilateral programming; and extra assignments. These are summarized briefly below.

Economic Performance: South Africa's economic performance in 1995 and 1996 has generally helped to establish a positive environment for our program, improving its performance relative to the early 1990s. At the same time, under the RSA's Growth and Economic Redistribution Strategy (GEAR) an economic growth target of 6 percent has been estimated. There are some indications that this may be somewhat ambitious. In 1995, real economic growth equaled 3.5 percent, compared to an estimated population growth rate of 2.6 percent to 2.7 percent, thus registering a positive real per capita growth. For 1996, the economy's growth performance appears to be slightly lower than that experienced in 1995. Based on the comparison of the performance through the third quarter, real per capita GDP is growing at 3.0 percent per annum. Compared to the early 1990s, inflation has been reduced considerably to single digit levels; however, it appears that inflation has picked-up slightly in 1996.

While income growth has improved, it has not generated growth in formal sector employment. For 1995, formal sector employment did increase by 1.1 percent, but declined by 0.7 percent in 1996. The net result is an increase in formal sector employment of 0.3 percent, which has come from the expansion of the public sector rather than from the private sector. From mid 1994 through mid 1996, public sector employment increased by 4.5 percent, while formal private sector employment declined by 1.7 percent.

Local Elections: The successful local elections during 1996 provided the basis for completing and reforming governmental structures which began in 1994. This also provided the positive political climate for the extension of USAID bilateral programs from national to provincial levels, and should provide the foundation for more substantial impact reporting in future years.

Government Policy Shifts: FY96 saw a turn-around by Government to encourage international donors to support civil society in attaining the goals of the Reconstruction and Development Programme (RDP). This paved the way for continuing extensive support to NGOs, in cooperative partnerships with national and provincial government entities. During this period, Government disbanded the Office of the RDP in favor of integrating tenets of that program into normal government structures and programs. This reduced the pressure on donors to fund specific "RDP projects" and supported USAID/South Africa's thrust of ensuring that all of our programs were supportive of the RDP.

Opposition Government: The departure of the National Party during June 1996 from the Government of National Unity paved the way for the Republic of South Africa's first, formal opposition party-based government. This also serves to emphasize the importance of a true multi-party democracy, and accents the relevance of USAID's assistance in support of this goal.

Bilateral Programming: The clarification of broad strategy objectives, both within Government, and within USAID/South Africa and other donors, provided the foundation upon which to build towards more substantial programming of USAID/South Africa's resources conjointly with Government. During this period, we increased the number of bilateral agreements from 12 to 14, representing an increase in obligated funding via bilaterals from \$31.1 to \$67.6.

The relatively newness of the political layers of government, combined with remaining elements of “disjointedness” between the political and the existing bureaucratic layer, has meant delays in implementing donor bilateral agreements. USAID/South Africa is addressing this issue by continued dialogue to facilitate communication and follow-through between these layers of government; increasing USAID support to training at both levels; and periodic, high-level, program reviews with the Department of Finance in its role of government’s donor coordinator. This tripartite strategy is showing signs of bearing fruit in early FY97.

Extra Assignments: As a high-profile program, USAID/South Africa will continue to remain in the “limelight” of public attention. This translates into a steady stream of high-level visitors (both public and private sector), US and South African press attention, and USAID/W study and analyses teams to examine our models and extract lessons from our experience for broader use within the Agency. To this constant pressure on the staff, one must add the management challenges inherent in USAID's participation in the U.S. - South Africa Binational Commission.

## **PART II: STATUS OF THE MANAGEMENT CONTRACT**

USAID/South Africa submitted a draft Country Strategic Plan (CSP) in the Spring of 1996. As a result of the review of this document, USAID/W agreed that the proposed strategy was appropriately conceived and targeted. Together with Strategic Objective vision statements submitted during the review and the guidance reporting cable, the draft CSP provided the basis for moving ahead and implementing the program. Prior to this draft CSP, the approved Strategy Concept Paper (May 1993) and its guidance reporting cable, plus pre-CSP documents, formed the Mission’s Management Contract.

USAID/W guidance was critical in enabling the Mission to submit a revised CSP in March 1997. Approval of the CSP and the Performance Monitoring Plan (PMP) will provide the basis for agreement on the Mission's Management Contract by April/May 1997.

During the finalization of the Country Strategic Plan, USAID/South Africa addressed the cross-cutting and technical issues raised in the USAID/W review. The Mission and its partners, with assistance from USAID/W staff, revalidated all of its SOs and confirmed that the SOs are indeed achievable within projected resource constraints and stated assumptions. In sum, the revised CSP reflects decisions reached during the USAID/W review of the draft CSP, the FY96 R2B process, and the FY97 OYB planning process. (The transmittal letter accompanying the CSP outlines in detail the revisions made since the draft CSP was submitted, which are not repeated herein.)

The revised CSP demonstrates a close fit between the goals of the Republic of South Africa and USAID. The CSP goal is "Support for sustainable transformation," and the sub-goal "Political, social, and economic empowerment." The proposed strategy covers the period from 1996 to the Mission's planned exit from South Africa in 2005. Six strategic objectives support three program thrusts: democracy and governance, support to the South African Government's Reconstruction and Development Program in key social sectors, and support for economic growth and economic empowerment.

Specifically, the USAID/South Africa proposed management contract consists of the following SOs:

SO 1: Democratic institutions strengthened through Civil Society Participation

SO 2: Transformed Education System Based on Equity of Access and Quality

- SO 3: More Equitable, Unified and Sustainable System Delivering Integrated PHC Services to all South Africa.
- SO 4: Improved Capacity of Key Government and Non-Government Entities to Formulate, Evaluate and Implement Economic Policies
- SO 5: Increased Access to Financial Markets for the Historically Disadvantaged Population
- SO 6: Improved Access to Environmentally Sustainable Housing and Urban Services for the Historically Disadvantaged Population (HDP)

### **Gender Issues in South Africa**

Annex D of the CSP, "Gender Considerations," provides an excellent and thorough basis for furthering the Mission's work on gender issues. Strategic objective presentations in the CSP further outline how the Mission's portfolio has begun to address some of these issues. SO presentations in this document provide detailed, noteworthy examples of progress in this regard. For example, the Mission's program continues to have significant impact on (a) increasing the quality of women's participation in government; (b) increasing awareness of human rights with specific focus on women and children, including work targeted at reducing violence against women -- a major problem in South Africa; (c) strengthening women's participation in public policy debate and formulation -- ranging from the community to the national levels; (d) increasing women's access to skills and capital to meet basic shelter requirements and to explore real opportunities within the business sector; and (e) improving the skills of women primary school teachers as they take on increasing challenges in the face of severe resource constraints.

The "Gender Considerations" CSP annex concludes with a range of strategy options which the Mission will consider in context of further developments in the RSA's own gender strategy. Recently, the RSA has begun to take definite steps to shape its gender strategy as well as its legal and institutional "infrastructure" to improve the lot of women and children. These developments provide the framework for the Mission to now move to develop a concerted Mission gender strategy. Such a strategy will (a) be easily integrated into our six strategic objectives, (b) be based on a solid understanding of Government's emerging gender strategy and priorities, (c) not require extra budget/staff resources or lead to extra management units which we cannot afford, and (d) address our need and desire to disaggregate impact data, and provide clear, demonstrable impact on an extremely important program area.

The Mission's cross-cutting Gender Team is currently negotiating with G/WID for technical assistance to achieve this objective. The strategy will be developed by late FY97, and be in place to influence program decisions and guide impact data collection during FY98.

(See Figure 1 for Mission Goal)

**Figure 1**  
**USAID/South Africa**  
**STRATEGIC OBJECTIVES AND RESULTS FRAMEWORK**

**GOAL: SUSTAINABLE TRANSFORMATION**

Indicators:

Human Development Index for historically disadvantaged population.

Status of democracy consolidation.

**SUB-GOAL: POLITICAL, ECONOMIC, AND SOCIAL EMPOWERMENT**

Indicators:

Increased political participation at all levels.

Improved Educational Status.

Improved Health Status.

Increased Economic Growth and Equity.

Increased ownership of assets.

Increased ownership of serviced houses..

**SO1:  
 DEMOCRA  
 CY/  
 GOVERNA  
 NCE**

Democratic  
 Institutions  
 Strengthened  
 through Civil  
 Society  
 Participation

**SO2:  
 EDUCATIO  
 N**

Transformed  
 Education  
 System Based  
 on Equity of  
 Access and  
 Quality

**SO3:  
 HEALTH**

More  
 Equitable,  
 Unified and  
 Sustainable  
 System  
 Delivering  
 Integrated  
 PHC Services  
 to all South  
 Africans

**SO 4:  
 ECONOMIC  
 POLICY  
 CAPACITY**

Improved  
 Capacity of  
 Key  
 Government  
 and Non-  
 Government  
 Entities to  
 Formulate,  
 Evaluate and  
 Implement  
 Economic  
 Policies

**SO5: PRIVATE  
 SECTOR  
 DEVELOPMENT**

Increased Access to  
 Financial Markets for  
 the Historically  
 Disadvantaged  
 Population

**SO6: SHELTER  
 AND URBAN  
 SERVICES**

Improved Access to  
 Environmentally  
 Sustainable  
 Housing and Urban  
 Services for the  
 Historically  
 Disadvantaged  
 Population (HDP)

Indicators:

- < I/OCI scores of government and CSOs.
- < Number of people benefiting from civil society participation in democratic institutions in selected activity areas.
- < Number of public/private partnerships for participatory development.

Indicators:

- < Black African share of Grade 7 enrollment.
- < Black Africans enrolled in Higher Education.

Indicators:

- < Contraception use (women age 15-50).
- < Immunization coverage.

Indicators:

- < Roles and contributions of USAID-assisted individuals and institutions in affecting the economic environment.

Indicators:

- < Total value of funds leveraged for informal and microenterprises, and small enterprise loans.
- < Total Rand value of corporate assets made available through equity and quasi-equity deals, unbundling, etc.
- < Total number of SMME formal loans to HDP.
- < Total Rand value of corporate assets made available through privatization.

Indicators:

- < Total Rand value of funds (including amounts leveraged) made available for shelter and urban services.
- < Total number of HDP households with access to full or partial shelter units and urban service that meet criteria in focus areas.

## **PART III: PROGRESS TOWARD OBJECTIVES**

### **A. SO1: DEMOCRATIC INSTITUTIONS STRENGTHENED THROUGH CIVIL SOCIETY PARTICIPATION**

#### **1. Summary and Analysis of Data, and Contribution of USAID Activities**

##### **a. Summary**

South Africa has made substantial progress, better than predicted or expected, in strengthening democratic institutions and expanding public participation. Prior to 1994, public participation was not a norm of the old government, even for whites. In the space of a little more than two years, dramatic strides have been made in opening up Parliament to public input and serious debate of public issues, in developing new policies by open and consultative processes, and in making government at all levels more transparent and responsive to the will of the people. People now feel that they can hold their government accountable. Some reasons for this success are: (1) new government officials generally came into office committed to transparency and public participation; (2) South Africa has a large number of highly developed NGOs and other civil society organizations which have helped to facilitate public participation; and (3) structures of government have been designed to emphasize participation and accountability. USAID has made significant contributions to this progress by: (1) supporting the development of strong local NGOs for the last ten years; (2) building the capacity of many NGO leaders who then entered government, and (3) building on relationships of trust with key civil society and government leaders to support new initiatives to strengthen democracy and participation.

USAID is a major donor in Democracy/Governance, especially in civil society programs. However, foreign aid as a whole makes only an incremental contribution to democratization progress in South Africa. This program is driven by South Africans themselves. With that caveat, USAID made significant contributions during FY96 in the following areas:

--Local Elections. USAID assistance to the local elections contributed to the following positive aspects of the elections: (1) despite the prediction of administrative problems, publicized widely in local newspapers, the opposite in unexpectedly smooth administration occurred; USAID-funded technical assistance contributed to this, particularly in KwaZulu-Natal; (2) compared to the violent state of affairs which effectively led to an earlier postponement of these elections, the elections took place with relatively no violence (violence had been widely feared in KwaZulu-Natal and other areas; USAID voter education, conflict resolution, and campaign training all helped reduce its actual occurrence); (3) higher than predicted participation in particular provinces (e.g., 68% of registered voters in rural areas of the Western Cape voted); and (4) more campaigning on local issues occurred, than would have been the case without USAID-funded assistance from the National Democratic Institute (NDI), the International Republican Institute (IRI), and the International Foundation for Electoral Systems (IFES), especially in KwaZulu-Natal; and (5) more participation by women than would have been the case without USAID-funded assistance by the Women's Development Foundation and others, as evidenced by information from focus group discussions with USAID partners.

--Truth and Reconciliation Commission (TRC). With USAID support, the TRC has made considerable progress in exposing the evils of the apartheid years and promoting reconciliation in spite of those evils. This has contributed directly to TRC effectiveness in exposing crimes. USAID provided critical support in the development of the TRC. For example, USAID arranged and funded a trip to Chile for key South Africans involved in defining the terms of the TRC and drafting its enabling legislation. This allowed these individuals to

benefit from the lessons of Chile's Truth and Reconciliation Commission's structure and operation. Impacts of USAID assistance are: (1) a decision to make the TRC a public and transparent process (not done in Chile); the public nature of South Africa's TRC, including televised testimony and extensive coverage in newspapers, has made it much more effective in promoting awareness of past wrongs and reconciliation; (2) a decision to put in place sufficient numbers of commissioners and staff (which has contributed to relatively fast processing of cases); (3) a focus on amnesty only after the hearings process is completed (to minimize problems of apparent injustices); and (4) inclusion of subpoena power (which the Chile Commission did not have), contributed directly to the TRC's effectiveness in exposing crimes. As a result, a broad percentage of citizens have access to the information on the TRC. A final TRC report will be published.

--The Constitution. With USAID assistance, the development of the South African constitution was highly participatory, involving adult South Africans in local meetings, workshops, and hearings. USAID contributed to this effort by funding several key NGOs that were instrumental in the process. This included: (1) public education on the constitution by the South African Foundation for Public Management, the Advice Centers, and other NGOs; (2) submission to the Constitutional Assembly on children's rights by the National Institute for Public Interest Law and Research (NIPILAR); (3) submissions on the bill of rights by the Black Lawyers Association and National Association of Democratic Lawyers submissions on the bill of rights; (4) funding research by NDI and IRI on comparative constitutional models (which contributed to the drawing of best practices from many countries, for which the South African Constitution has been lauded); and (5) the decision to incorporate an independent election authority and the principle of "cooperative governance" in the Constitution, supported by research by NDI.

--A Reduction of Violence in KwaZulu-Natal. With USAID assistance, KwaZulu Natal successfully reduced violence, increased cross-party cooperation, and strengthened economic development prospects. USAID provided: (1) a wide array of USAID-funded NGO efforts in conflict resolution, civic education, and local government training (by IRI and local NGOs); and (2) major support for the programs of African Center for Constructive Resolution of Disputes (ACCORD, which has worked on conflict resolution, including incorporation of conflict resolution in government structures), Institute for Multi-Party Democracy (MPD, which has focused on reducing violence in "no go"<sup>1</sup> areas, and Vuleka Trust (which facilitated early high-level cross-party dialogue).

--Local Government. USAID-funded partners have contributed to strengthen local governance in several areas. Newly established local governments confront major problems of untrained new officials, difficulty of establishing new participation norms, difficulties in building cooperation among groups which had nothing to do with each other in the past, and rigidities in budgets and programs. In those locales where USAID-funded partners have been active (concentrated in KwaZulu-Natal, but covering all provinces), the partners have made significant contributions to: (1) increasing the sense, across racial and political divides, that "we are all in this together," particularly on issues of economic development (one of the focuses of IRI training); and (2) building basic governance knowledge in new elected councilors and officials (critical for implementation of the national Government's principle of "cooperative governance," which seeks to build strong ties between the national and local levels of government). However, they continue to confront major problems of the kind noted above.

--Institutionalization of Participation. Public participation in new government structures has increased as a result of USAID's contributions to all levels of government through activities such as : (1) a variety of programs to

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<sup>1</sup>"No go" areas are areas which are dominated by one political party and are dangerous areas for members belonging to other political parties.

strengthen participatory local government (see above); (2) support for Foundation for Contemporary Research's (FCR) program to develop a transport policy in the Western Cape with the participation of government, civil society organizations (CSOs), community groups, and business (see highlight); (3) support for Philisisizwe Association for Development's program to promote economic development through tourism in Kranskop, a rural area in the Midland region of KwaZulu Natal; (4) support for NDI's efforts to assist the Gauteng legislature in establishing a public participation unit; and (5) support for Africare's internship program for the national parliament, which contributed to the parliament's decision to institutionalize research and administrative support to members of parliament through more internships.

--Capacity for Partnerships. A key element of SO1 is strengthening public participation through supporting the development of public/private partnerships for development. While the building of capacity in CSOs, community groups, and Government structures to participate in such partnerships will take considerable time, in FY96 USAID's contribution resulted in improved skills and management capacity in areas such as program planning, financial management, and legislative skills, skills needed for managing partnerships for development (such as the implementation of the Reconstruction for Development Program (RDP), empowerment of women in government, and consulting with constituents). All this was achieved through: (1) skills training to 3,313 individuals from marginalized communities and (2) training to 585 individuals (90 percent of whom were government officials, more than a third of them women).

Our partners are working with USAID/South Africa to develop more appropriate indicators to measure progress at the SO level. As a result, in FY97 the Mission plans to refine its SO and IR indicators. (Refer to the comment section of the Performance Monitoring Plan for specific explanations.)

## **b. Intermediate Results Reporting**

This report will highlight three IRs (administration of justice/civic education, conflict resolution, and public policy participation) whose progress has contributed most significantly to the SO in the last year. The remaining two IRs will be discussed in the Expected Progress section.

### **IR 1.1 Expanded Access to Justice by the Majority Population**

During the FY96 reporting period, IR 1.1, Access to Justice, and IR 1.2, Civic Education, were stated as a single IR: "Increased awareness of human rights and access to equitable justice system." The IR was separated to focus more on the importance of rights education. This narrative will report on progress made in these two areas combined (future reports will treat these IRs separately).

Progress towards this IR exceeded expectations. Due largely to the proactive leadership of the Minister of Justice, excellent cooperative relationships exist between the Ministry of Justice and South Africa's well-developed human rights NGOs. The substantial technical and training capacity of these NGOs is also on track. Thus, major progress was made in strengthening a key democratic institution with heavy involvement by civil society (contributing directly to the SO). USAID has been the lead donor in this area.

Inadequate or nonexistent access to legal services and human rights protections for the majority population was one of the basic deprivations of apartheid. Since the 1994 election, the new Government has made considerable strides in rectifying these problems. First, it has put in place a comprehensive vision and operational plan for reforming the justice system, called "Justice 2000." This plan includes specific reform goals focused on making the justice system more equitable and accessible, and strategies to achieve these goals. It was developed by a

highly participatory process that involved government, universities, NGOs, community groups, and others. USAID was a major contributor to both the substance of this plan and the process by which it was developed. Many of the ideas in Justice 2000 were pre-shadowed in USAID's bilateral agreement with the Ministry of Justice (signed in 1994). This is indicative of the participatory nature of the process in which the fundamental ideas were crafted jointly by USAID and the Ministry. USAID also funded a large proportion of the consultative events and helped the Ministry develop its reform plans through technical assistance and exchanges.

Second, the Ministry has made a serious start on the implementation of justice reform (a 10-20 year process). One major focus is the improvement of legal services in the previous homeland areas, where a large proportion of the majority population resides. The Ministry has announced a pilot project in the old Transkei homeland area, which will serve as a model for the rest of the country. The Transkei initiative was developed at a major conference in Bloemfontein in 1996, funded by USAID. The conference documented the extent of breakdown of legal services in Transkei, built consensus on the need for, and outline of, remedial action, and laid the base for the initiative. USAID will provide major support to the Transkei initiative, including assessments and limited assistance with refurbishing of court houses. The Government is committing significant funds to the homelands upgrade program (including \$10 million for computerization and \$5 million for office equipment).

A third major focus is increasing the number of black lawyers participating in the legal system at high levels and improving services in rural areas through advice centers. USAID made significant contributions in these areas:

--USAID supported the training and placement of paralegals in advice centers, which have provided legal services to many rural South Africans who would otherwise have none. In KwaZulu-Natal, paralegals in 24 rural-based advice centers provided legal, mediation and negotiation services and access to litigation in more than 1,470 cases during FY 1996, ranging from state pension payments to accessing Unemployment Insurance Fund (UIF) money. Nationwide, USAID training helped NGOs (with the approval of the Ministry) expand the network of advice centers by 20.

--With USAID support, more than 100 black lawyers were provided three-week internships with well-established law firms. Approximately 50 percent of the interns were offered articles<sup>2</sup> after their internships. Thirty-one lawyers, including nine women, were awarded financial assistance (bursaries) for LLM degrees in Human Rights and Constitutional Practice. This will increase representation of historically disadvantaged South Africans (including women) in specialized legal practice.

The new Government is also moving aggressively to expand public knowledge of democratic and human rights. USAID is the leading donor in this field and made significant contributions in FY96. USAID has been directly involved in discussions between the Ministries of Justice and Education, which have led to plans to incorporate democratic and human rights into school curricula within three years. Work has begun, with USAID support, on developing appropriate curriculum materials. Other USAID-funded accomplishments include the successful raising of awareness of human rights through the training of more than 264,000 South Africans in human rights and democracy, including women's and children's rights (roughly 240,000 high school pupils and 16,000 teachers were trained). USAID partners also participated in 5 radio talk shows on human rights and democracy with a combined listenership of 10 million and 3 television shows with a combined viewership of 6 million.

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<sup>2</sup>The South African legal system requires that law graduates do articles for clerkship for two years before they are permitted to practice as fully-fledged lawyers.

### **IR.1.3 Capacity to Prevent, Manage and Resolve Democracy Threatening Conflicts Strengthened**

Although political violence and unrest have been drastically reduced since the election of 1994, it has not been eliminated, especially in the politically divided province of KwaZulu-Natal. Political instability in Natal was widely seen as one of the greatest potential threats to democratic consolidation in the new South Africa and political violence continued at high levels in the province after the 1994 election. However, from about mid-1995 to the present, the province has witnessed a marked downturn in political violence and an increase in dialogue across party lines. This progress was evident in the relative peacefulness of the local elections in KwaZulu-Natal in 1996, as compared to the conditions that previously led to the postponement of these elections during 1995.

The credit for this progress lies with South Africans themselves, especially top national and local leaders of the ANC and the IFP. However, USAID has supported the process by facilitating high-level political dialogue and provided extensive training and workshops on conflict resolution to communities and groups dealing with local level conflicts. USAID has been the leading donor in the field of conflict resolution in KwaZulu-Natal.

USAID has emphasized conflict resolution because: (1) political violence has been a major threat to democracy; and (2) the U.S. has been the source of some of the conflict resolution practices applied in South Africa, such as Alternative Dispute Resolution (ADR). ADR has been widely applied in South Africa, first to labor disputes, then to community disputes (e.g., by the Independent Mediation Service of South Africa), and finally to institutionalization within government or quasi-government organizations (such as the Commission on Conciliation, Mediation, and Arbitration, a new quasi-government body to mediate labor disputes).

USAID made significant contributions to conflict mediation capacity and reduction of violence in FY96:

--Many ADR systems were formalized during 1996. ADR processes are now incorporated in a range of government legislation such as the Labor Relations Act, the Development Facilitation Act, and land reform legislation. ADR mechanisms, suggested by USAID-funded CSOs, are a prominent component of the Ministry of Justice's "Justice 2000" plan.

--With USAID funding, five CSO programs in KwaZulu-Natal strengthened institutionalization of conflict management mechanisms through training and the establishment of structures and systems at community, government and political leadership levels. A total of 2,196 people were trained in 1996 in KwaZulu-Natal, and a total of 5,800 were trained nationally (far exceeding the target of 2,000). Approximately 70 percent of the people trained in KwaZulu-Natal were from communities directly affected by violent conflict.

--To build capacity among local organizations to manage their own conflicts, USAID supported local peace committees and community multi-party forums (CMPF), especially in rural areas (see highlight). The focus of

#### **MANAGING CONFLICTS**

Ndwedwe, north of Durban, has been plagued by violent conflict caused by political differences. With the facilitation of the Institute of Multi-Party Democracy (IMPD), a community multi-party forum (CMPF) was established by community members from across the political spectrum. Recently, car theft increased in a section of the community known as an ANC stronghold. In the past, ANC supporters would have blamed the IFP for this problem and violent conflict would have erupted. Due to the level of objectivity gained as a result of the CMPF training, the community was able to engage in proper problem identification and to avoid resorting to violence.

these programs is not only conflict resolution and mediation, but also peace education to build values of tolerance and non-violence. Many of these communities have reported a decrease in violent conflicts. This contributed to the decline in political fatalities in KwaZulu-Natal from 1,464 in 1994 to 347 in 1996.

#### **IR.1.4 Civil Society and Public Participation Increased in Public Policy Formulation in Selected Areas**

Public participation in policy formulation is one of the most important elements of participatory democracy. Prior to the 1994 elections, public policy-making totally excluded the majority population and was dominated by government officials. Since the 1994 elections, processes for public policy formulation have become much more participatory and inclusive of the majority population.

As noted above, new officials came into government with an openness to public and civil society participation. However, this openness could have eroded over time if there had not been strong CSOs capable of facilitating public inputs into policy formulation. Fortunately, South Africa had such NGOs, which were capable not only of responding to governmental openness, but also of actively leading policy development in many areas. NGOs did this by working with Ministers and their key staffs, by working with portfolio committees in Parliament, and by publishing public information on policy and budget issues. NGO capacity to fill these roles was due, in part, to past and present assistance from donors, including USAID.

#### **BUILDING PARTICIPATION IN POLICY-MAKING**

The Foundation for Contemporary Research (FCR) facilitated participatory processes that resulted in an approved white paper on Western Cape Provincial Transport Policy. FCR engaged the participation of Western Cape local communities, the provincial government, and the private sector. This process far exceeded expectations. A civil society government partnership was formed, which successfully resolved a number of sensitive and difficult issues and established durable working relationships. This model is now being replicated in seven provinces.

Examples of NGO participation in public policy development funded by USAID: (1) the Land and Agricultural Policy Center has had major impact on Government policies on land restitution and tenure and on rural development; (2) the National Social Welfare Development Forum has had major influence on welfare policy; and (3) the Institute for a Democratic South Africa (IDASA) has provided extensive information to the public on public policy and budget issues through its USAID-funded public information center.

USAID made significant contributions to strengthening public participation in public policy, particularly at the provincial and local levels:

--With USAID assistance, NDI helped nine provincial legislatures increase their capacity to receive public input through training in rules of openness, committee procedures, and specific party policies on conducting constituency outreach.

--In FY96 USAID-funded partners helped local governments build their capacity for participatory governance by training of 1,252 local government councilors. Examples: IRI provided workshops and training for a large number of local government councilors in KwaZulu-Natal, stressing the need for constituency outreach; IRI training materials are being used by other NGOs and several training companies in at least six of the nine provinces; (2) the Joint Center for Political and Economic Studies collaborated with MPD to convene local government debates; close to 40 local government candidates participated in training debates in the Eastern Cape

and KwaZulu-Natal; on average, 200 people attended each of five country-wide debates held in 1996; and (3) the Joint Center also collaborated with Khululekani (NGO) to convene a series of eight workshops with an average attendance of sixty-five local leaders and councilors to introduce the concept of constituency outreach, and how to use research as a way of ensuring that the interests and needs of constituents influence local government policy-making processes.

--USAID-funded partners helped women participate in public policy formulation. Examples: (1) fifteen women legislators from various political parties organized an all-party forum for women members elected to Parliament to improve skills that enable them to serve more confidently and competently their constituents and their respective parties; as a result of this forum, women legislators are now proposing amendments to legislation with a knowledge and understanding that did not exist before; (2) a program sponsored by MPD and the Joint Center contributed to inclusion of domestic violence in justice reform plans; and (3) the Women's Development Forum trained local government women councilors in rural and peri-urban areas in meeting management, reading and drafting legislation, and constituency outreach; twenty-four workshops were held and eight hundred women participated in this program.

## **2. Expected Progress and Management Actions**

With government structures now in place and functioning, USAID/South Africa is optimistic that out-year targets are within reach during FYs 1998/1999. USAID anticipates supporting (1) a draft of the new civil rights law by the end of 1997 and the enactment of this law in 1998; (2) the strengthening of the Ministry of Justice by training 200-250 black lawyers by 2000; and (3) the incorporation of human rights into school curricula by 2000. USAID's activities in conflict resolution in the future will focus on creating sustainable institutional capacity to resolve or manage conflicts that will continue after completion of the USAID program in 2005. The Mission expects to support the establishment of thirteen public mediation units in provincial and local government level in 1997. In addition, USAID expects to fund the training of 3,500 people (cumulative) by 1999, with a corresponding increase in the number of CMPFs established and functioning. Expected results by 1999 in public policy participation to which USAID will be a major contributor are: (1) three major public policy CSOs will become significantly more sustainable; (2) provincial legislatures will be more open to popular inputs; and (3) more models of grassroots participation will be in place by the 1999 election.

With the development of sound indices at the SO level and the refinement of existing indicators at the IR level during FY 1997, the Mission will have systemic mechanisms for measuring impact and progress towards achieving this SO. The development of the Organizational/Institutional Capacity Index<sup>3</sup> (OCI/ICI) will be particularly significant for the SO1 portfolio because of the focus on building capacity within government institutions, local NGOs, and other community organizations.

Based on our consultations with South Africans, USAID envisions a shift in focus after the 1999 national election to more support for civil society, government and private sector partnerships, to strengthen democratic institutions in South Africa. The most recently developed Intermediate Results, (IR 1.4: Public Policy Participation; IR 1.5 Managing Participatory Development, and IR 1.6 Partnership for Development) will then become the core of the D/G portfolio.

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<sup>3</sup> Organizational/Institutional Capacity Index is an instrument which will measure institutional/organizational sustainability; it will be developed during FY 97.

<p>OBJECTIVE: Strategic Objective 1: Democratic institutions strengthened through civil society participation  APPROVED: pending COUNTRY/ORGANIZATION: South Africa</p>			
<p>RESULT NAME: Intermediate Result 1.1 <i>Administration of Justice</i>: Increased access to equitable justice system</p>			
<p>INDICATOR: Number of historically disadvantaged legal professionals enter mainstream legal practice</p>			
<p>UNIT OF MEASURE: number of HDP lawyers</p> <hr/> <p>SOURCE: project records and reports</p> <hr/> <p>INDICATOR DESCRIPTION: Targets are cumulative. These refer to law students, participating in USAID-supported activities, who have completed the LLM degree and are entering mainstream legal practice for the first time. Data will be disaggregated by gender.</p> <hr/> <p>COMMENTS: At least 100 black lawyers were placed in three-week internship programs with well-established law firms. One of the spin-offs of this was that after the program, approximately 50% of the interns were offered articles. This augurs well for increased opportunities for black lawyers to enter mainstream legal practice and increase the representation of the historically excluded population from positions of responsibility within the justice system.</p> <p>Thirty-one graduate students, including 9 women, were awarded financial assistance (bursaries for LLM degrees).</p> <p>The training and placement of paralegals in advice centers and offices that are located in remote and under-resourced rural areas enhanced and facilitated access to the justice system for a number of South Africans previously denied this right. In KwaZulu/Natal, paralegals in 24 rural-based advice centers provided legal, mediation and negotiations services and access to litigation in more than 1,470 cases ranging from state pension payments to accessing Unemployment Insurance Fund (UIF) money. It is also worth noting that an additional network of 20 advice centers were established.</p>	YEAR	PLANNED	ACTUAL
	1996 (B)		50 include 9 F
	1997 (T)	100	
	1998 (T)	331	
	1999 (T)	380	
	2000 (T)	430	
	2001 (T)	480	
	2002 (T)	530	
	2003 (T)	580	

**OBJECTIVE:**Strategic Objective 1: Democratic institutions strengthened through civil society participation

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 1.2: *Rights Education and Protection: Knowledge and protection of rights and their practice strengthened*

**INDICATOR:** Reported Human Rights Violations

**UNIT OF MEASURE:** Violations reported to USAID-partner NGOs

**SOURCE:** Grantee reports and records

**INDICATOR DESCRIPTION:** USAID Partners include: NIPILAR, CLC (Durban), CLC (Cape Town), Human Rights Trust, Center for Socio-Legal Studies, and the Center for Criminal Justice. While the incidence of violations of human rights is perceived to be declining, it can be expected that rights education activities will produce an initial increase in the number of cases reported. A subsequent decline will indicate the growing respect of human rights.

**COMMENTS:**

YEAR	PLANNED	ACTUAL
1996 (B)		2,673
1997 (T)	3,208	
1998 (T)	3,849	
1999 (T)	2,887	
2000 (T)	2,165	

**OBJECTIVE:** Strategic Objective 1: Democratic institutions strengthened through civil society participation

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 1.2: *Rights Education and Protection: Knowledge and protection of rights and their practice strengthened*

**INDICATOR:** Number trained in rights and democracy education

<b>UNIT OF MEASURE:</b> Number of trained	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> Grantee reports and records	1996 (B)		264,242
<b>INDICATOR DESCRIPTION:</b> Targets are cumulative and include high school students. Data will be disaggregated by gender in FY1997  An increase of 200 000 in FY 1999 is expected because of the general election scheduled to take place.	1997 (T)	300, 000	
<b>COMMENTS:</b> Significant progress has been made in this area. Of particular importance this reporting period is the negotiation of an agreement between the Ministries of Justice and Education to include rights training in school curricula. In September 1996, the draft curriculum policy framework was completed; it is expected to be formally announced by the Ministry of Education in April 1997.	1998 (T)	400, 000	
The 1996 total includes: NIPILAR trained 2,000 women on domestic violence and 1,000 children on child abuse; Human Rights Trust trained 1,000 high school pupils, 250 university students, 1,000 on the Constitution, 500 from NGOs and 500 from youth, women's and church groups. The Community Law Centers (CLC) trained 240,000 pupils in 1,200 schools; 750 law professionals, 15,750 teachers and 200 in the Youth Parliament program; Center for Criminal Justice trained 240 children, 450 on the policing project, 390 on women's rights and 210 on political rights and political violence. These training activities have made a significant impact on increasing people's awareness of democracy and human rights. It is important to note the importance of teacher training in this area. With an average pupil-teacher ratio 40:1, the multiplier effect, in terms of the number of pupils reached, is significant.	1999 (T)	600, 000	
	2000 (T)	700, 000	
	2001 (T)	800, 000	
	2002 (T)	900, 000	
	2003 (T)	1,000, 000	

<b>OBJECTIVE:</b> Strategic Objective 1: Democratic institutions strengthened through civil society participation			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 1.3: <i>Conflict Resolution: Capacity to prevent, manage, and resolve democracy threatening conflicts strengthened</i>			
<b>INDICATOR:</b> Number of people trained in methods and mechanisms of conflict mediation and management			
<b>UNIT OF MEASURE:</b> Number of people trained <b>SOURCE:</b> <u>Grantee records and reports</u> <hr/> <b>INDICATOR DESCRIPTION:</b> Historically, the Mission has supported considerable training in broad areas of conflict resolution. Some of this training has been directed at preventing and managing "democracy threatening" conflicts; some has been more general. For FY96, USAID partners included both long-term and short-term training in their data. The Mission and its partners are currently working to establish criteria for what is defined as training, thus enabling the Mission to report on long-term training that has more of an impact on our target audience in this area. Data will be disaggregated by gender starting FY 97. Target figures are annual. <hr/> <b>COMMENTS:</b> A total of 11,370 people were trained nationally in conflict mediation mechanisms. Of that number, 8,070 people participated in training sessions lasting not less than five days, and 2,196 in KwaZulu-Natal specifically, through programs focusing on the institutionalization of conflict resolution systems/mechanisms at both community and political leadership levels which has helped prevent potential conflicts and manage conflict mediation at the provincial and local levels. As stated above, the Mission is currently working with partners to better define criteria for reporting data on training. A decrease in outyear targets is anticipated as a result of an expected reduction of management units and the collection of data specifically on long-term training.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996 (B)		11,370
	1997 (T)	2,000	
	1998 (T)	2,500	
	1999 (T)	3,000	
	2000 (T)	3,000	
	2001 (T)	2500	
	2002 (T)	2000	
	2003 (T)	1500	

<b>OBJECTIVE:</b> Strategic Objective 1: Democratic institutions strengthened through civil society participation			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 1.3: <i>Conflict Resolution</i> : Capacity to prevent, manage, and resolve democracy threatening conflicts strengthened			
<b>INDICATOR:</b> Number of functioning public service mediation units at local and provincial level			
<b>UNIT OF MEASURE:</b> Number of units	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	<b>SOURCE:</b> Grantee records and reports		
	1996 (B)		2
	1997 (T)	13	
	1998 (T)	16	
	1999 (T)	22	
<b>INDICATOR DESCRIPTION:</b> The pilot program began in FY 1996. The increase in the target for FY 1997 is anticipated as a result of the Mission's partners working with local government structures.	2000 (T)	28	
	<b>COMMENTS:</b> 2 mediation units were established through the pilot program which began in FY 1996.		

<b>OBJECTIVE:</b> Strategic Objective 1: Democratic institutions strengthened through civil society participation			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 1.4: <i>Public Policy Participation:</i> Civil society participation increased in public policy formulation in selected areas			
<b>INDICATOR:</b> Number of elected officials trained to engage constituents			
<p><b>UNIT OF MEASURE:</b> Number of elected officials trained</p> <p><b>SOURCE:</b> Grantee reports</p> <p><b>INDICATOR DESCRIPTION:</b> Targets are cumulative. Engagement in this indicator is operationally defined as interaction between government and civil society. Data will be disaggregated by gender starting in FY 97.</p> <p><b>COMMENTS:</b> In 1996 1,600 elected officials at all three tiers of government were trained in areas such as committee procedures and constituency outreach. During 1997, USAID will continue to support programs to train elected officials in constituency relations (including policy research). Approximately 300 local government councilors in KwaZulu-Natal will be trained in the areas of financial management and local economic development. This program may be replicated in other provinces through a South African organization during the next two years. Programs to train 500 officials from the National Parliament and provincial legislators from the nine provinces in public participation and constituency relations will also continue during 1997. These programs create the opportunities for the previously disengaged majority population to actively participate in government at all levels, and for government officials to contribute to a more transparent government.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996 (B)		1,600
	1997 (T)	2,400	
	1998 (T)	3,200	
	1999 (T)	3,800	

## **B. SO2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY OF ACCESS AND QUALITY**

### **1. Summary and Analysis of Data, and Contribution of USAID Activities**

#### **a. Summary**

USAID/South Africa's strategic objective in education supports the Government in its efforts to dismantle one of the most debilitating components of the old regime, apartheid education, and replace it with a system that embodies the principles of equity of access and quality. This is a vital undertaking given that 25 percent of the South African population are students in the system and the South African Government now annually allocates 20 percent of the national budget on education. Despite the large budgetary allocations on education, the Government is still severely constrained by limited financial and human resources and organizational capacity to affect the changes that the public expects and that are urgently needed.

The financial and human resources and organizational capacity constraints notwithstanding, the Government has made significant progress, particularly in establishing policy and passing legislation in the area of basic education. The old education bureaucracy has been reorganized and the integration of the 19 former education departments into one unified system is well advanced. Systems for redistributing resources, from richer to poorer provinces and from former white educational institutions to black educational institutions, are being instituted. Plans for upgrading teaching skills are being finalized and will be linked to the introduction of new curriculum and assessment methods.

In 1996 the Government established the President's Education Initiative (PEI) to serve as the main mechanism for directing resources to the improvement of teaching. President Clinton pledged \$19 million to President Mandela to support this initiative. USAID support will enable the Department of Education to utilize the capacity that has been developed within South African education civil society organizations (CSOs), much of which is a direct result of USAID/South Africa support to these CSOs over many years. It is now widely accepted that CSOs will play a key role in the establishment of systems and the development of capacity at the national and provincial levels. This will serve to institutionalize USAID's investment to date.

Progress is also being made in addressing problems at the higher, further and adult education levels. South African institutions are faced with many challenges, including the full integration of formerly white universities, and the upgrading of facilities and the improvement of academic capacity at formerly black institutions. Additionally, one consequence of improved basic education is the added pressure on higher education institutions as more students qualify for and demand entry. The concept of further education at the community level is relatively new to South Africa, but has been recognized as having a significant role to play in meeting the backlog of education needs, especially for adults and youth. Plans are also being developed to reach adults who require basic education and literacy programs.

"THE TEACHER is an excellent publication, a publication that came just at the right time in the history of this country. Because for quite a long time the teaching profession has been characterized by a culture of silence. This has much to do with the kind of history from which South Africa, has emerged, where people were not free to say their say...At this time in South Africa teachers need to be involved. Teachers need to know the background that informs some of the education policy decisions that are taken by government...USAID gave us seed money...It has provided us with a solid foundation from which we could build the success of the paper. I am positive three to five years down the line, this paper will be self-sustainable."

Vusi Mona, Editor, THE TEACHER

The Schools Bill, widely hailed as the most significant piece of legislation in South Africa, was passed, establishing the legal framework for education transformation. This bill is the culmination of several years of debate and consultation on education policy that was directly and indirectly supported by USAID/SA. Thus, FY 1996 saw substantial progress in the area of policy development.

As FY 1997 will be the first year of implementation under a new Country Strategic Plan the baseline year for many of the indicators at the I.R. level is FY 1996, which is also the reporting year for this report.

**b. Intermediate Results Reporting**

**IR 2.1: Policies for Transformation Developed, Disseminated and Enacted in the Areas of ABET Further and Higher Education.**

Adult Basic Education and Training (ABET)

• **"Guidelines 2000" Established**

The finalization of "Guidelines 2000" establishes a national policy for ABET which will structure the learning of thousands of historically disadvantaged adults, giving them access to learning and thus, improved economic opportunities. A tremendous amount of preparation and consultation has been required to achieve progress in this area. USAID funded technical advisors participated in the drafting and revising of the Interim Guidelines in ABET within all nine provinces and among CSOs, as well as a preliminary plan listing all components of the proposed national ABET policy. This support led to unprecedented collaboration at the national and provincial level between CSOs in ABET and Government structures in the development of key policy components and the design of an overall national implementation strategy. The completion of these guidelines puts USAID and its partners on track to achieve this objective as scheduled.

Further Education

• **Preliminary Policy Guidelines Formulated and Accepted**

Further education encompasses community education, technical colleges, and colleges of education. As a result of USAID support, preliminary policy development guidelines were formulated. These guidelines drew from the results of a feasibility study, which was noted in the FY 1995 R2A report, conducted by National Institute For Community Education (NICE) to assess the education needs required for this sub-sector. These activities were spearheaded by NICE through a USAID grant. In FY 1996, these activities culminated in the Ministry of Education announcing a National Committee on Further Education (NCFE), which will formulate policy recommendations on the goals and composition of the further education sub-sector. A policy framework for further education was heretofore non-existent. The creation of this sub-sector will allow students more fluidity and provide more career options.

• **National Youth Commission Action Plan Developed**

In June 1996, the government formally established the National Youth Commission (NYC) which is responsible for formulating national policy and catalyzing programs on youth. Progress to administratively establish the NYC has been slow owing to the need to establish, recruit for, and fill staff positions. With USAID assistance, the Commission has completed its first action plan and guidelines on areas to be targeted for policy development have been identified.

### Higher Education

- **National Consensus on Higher Education Policy Obtained**

Due largely to substantial USAID support, the National Commission on Higher Education (NCHE), after an exhaustive policy review, issued its final report six months ahead of schedule, proposing extensive reform of the higher education sub-sector. It was received with tremendous acclaim and generated much debate, which ensured balanced input from all stakeholders. A round of consultations supported by USAID resulted in the release of a Green Paper<sup>4</sup> on Higher Education. Another round of consultations will lead to a White Paper, which will serve as a foundation for legislation forming the basis for sweeping transformation of the higher education sub-sector.

### **IR 2.2: Transformation of Key Targeted Systems in Basic, Further and Higher Education.**

### Basic Education

- **Guidelines for Education Finance Incorporated in the Schools Bill**

In basic education, USAID played an important role in framing the guidelines for education finance that were incorporated into the Schools Bill passed by the legislature during 1996. This supports the reallocation of resources to achieve equity among schools at the provincial level and follows on the policy reform of the Schools Bill, which requires equality of pupil-teacher ratios across all schools. It is important to note, however, that only when the pupil-teacher ratio is closer to a national norm in every school will the National Department of Education (NDOE) be justified in saying that significant progress has been made in reallocating resources. The average pupil-teacher ratio for a province reveals little, and often hides the tremendous variation that is commonly known to exist between privileged and disadvantaged schools within a province. USAID is supporting the achievement of this result by funding a long-term technical advisor to assist the NDOE in preparing the national and provincial budgets which determine the allocation of funding and correspondingly that of teachers.

- **Geographic Information System Developed**

Through a grant to the Education Foundation (reported in the 1995 R2A), information from a global information system is being used to inform the development of provincial policies on a host of issues. USAID supported the development of a Geographic Information System (GIS) as part of a NDOE-commissioned School Register of Needs Project which involved globally positioning all thirty thousand schools (in fact, more were found as a result of this project) in the country and collecting data on pupil enrolment, teacher numbers, numbers of classrooms, sanitation, water, electricity, equipment, and medium of instruction, among other things. The GIS

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<sup>4</sup>Green Papers are discussion documents prepared for stakeholder discussion outside of Parliament. The White Paper is the document official tabled at Parliament.

project is the first of its kind in this country and is already providing information to national and provincial departments of education about school distribution, infrastructure, and pupil-teacher ratios on a per province basis.

- **Strategic Plans and CSO Models Developed Lay the Groundwork for PEI**

The South African President's Education Initiative (PEI) serves as the major initiative that will drive local and internationally funded teacher education activities in the future. USAID has already helped to lay the groundwork for its successful implementation through the provision of technical assistance in the development of provincial plans. Members of the PEI Task Team have stated that the four provinces that had developed strategic plans with USAID assistance are better prepared for the development of teacher education plans and should thus be able to move to the implementation phase of the PEI more quickly. The first phase of the PEI is underway with the appointment of a National Department of Education (NDOE) Task Team to formulate policies and plans for teacher education. The Task Team expects to develop proposals for each province by May 1997 that will link the needs and priorities of provincial departments of education (DOEs) with those of specific donors. USAID provided a great deal of support during 1996, through grants and institutional contractors, in laying the groundwork for the development of provincial PEI plans -- e.g., USAID provided technical assistance to four provincial DOEs in the development of strategic plans, and grants to key CSOs for the delivery of teacher education services in response to the needs of provincial DOEs. In presenting the strategic plans to USAID, all of the representatives of the four provincial DOEs commented on how these plans helped them to better prioritize educational needs in their province in order to better allocate limited resources.

#### **Teacher Education Activities**

"We started running workshops in partnership with the Education Department which then in KwaZulu/Natal seemed to be very much ahead of other departments in terms of starting to work together...I remember going to Kokstad at a time when there was a lot of conflict in the area and the daily newspaper had a headline 'Kokstad is a Powder Keg Waiting to Explode.' And we had for the first time ever teachers from the previous black, Indian, Coloured and white schools, sitting together and workshopping, saying, 'this is history being made.' The project grew from that. Very much a part of its strength is that it ties together teachers from different environments...I do think that maybe what's been developed in this country also has the potential of having an impact on the rest of the continent."

Wilna Botha, Director, Media in Education Trust

- **Guidelines for National ABET Initiative Established**

Considerable USAID support during 1996 focussed on the need for CSOs and Government to work collaboratively on the development and implementation of ABET, including curriculum development and impact assessment. With USAID support, nine provincial DOEs and regional National Literacy Cooperation (NLC) affiliates collaborated to establish guidelines for joint responsibility of an overall national initiative, including a national training strategy based on a multiplier training model. This served to consolidate previously fragmented relationships and lead to a ground breaking agreement between Government and CSOs to work collaboratively in areas such as curriculum, accreditation, training and assessment. The articulation between the Government, NLC affiliates and other educational institutions also resulted in a shared monitoring and evaluation framework for the overall implementation of the Government's "Ithuteng" and the CSOs' "Thousand Learner Unit" literacy campaigns, targeting 90,000 and 18,000 learners.

#### Further Education

- **Needs Analysis Informs the Development of a Community Education Framework**

USAID support to 3 provincial DOEs in conducting a needs analysis and assessment of further education existing resources, available facilities and institutions, resulted in their being able to determine community education needs and the magnitude of resources available. In addition, through technical support from USAID, a national coordination plan for education programs for youth to be institutionalized in the community colleges has been developed by all nine provincial DOEs and youth offices.

#### Higher Education

- **Development of Substantial Planning Capacity**

Under apartheid there was no system of planning within Historically Disadvantaged Institutions (HDIs), and these institutions were discouraged from cooperating or even communicating among themselves. USAID supported the development of substantial planning capacity in six of eight targeted HDIs. This activity began in FY 1995 and was noted in the R2 report for that year. In addition, frequent meetings of the HDI vice chancellors and rectors, supported by USAID, has fostered national and regional cooperation among all 15 of these institutions, thereby leveraging improved use of limited resources. We will continue that support in order to enhance HDI capacity to prepare rolling 3-year plans as required by the Ministry of Education.

### **IR 2.3: Strengthened Human and Organizational Capacity in Departments of Education, Education Institutions, and Selected Individuals.**

#### Basic Education

- **Partnerships Established with Provincial DOEs**

As discussed above, the PEI will not begin full implementation until 1997. It is envisioned, however, that this initiative will draw upon the expertise of a number of CSOs, many of which are former or current recipients of USAID funding. With USAID funding, these CSOs have developed and tested innovative teacher education models that can now be applied on a broad scale. A number of these CSOs were noted in the FY 1995 R2 report. USAID support is beginning to result in some of these CSOs establishing partnerships with provincial DOEs to deliver their services. With respect to the reporting year, USAID/South Africa had grants with 20 CSOs which provided teacher training in one of the South Africa-defined priority areas and which reached nearly 17,000 pre-primary, primary, and ABET teachers.

## **2. Expected Progress and Management Actions**

Until the 1994 democratic elections, the SO2 portfolio consisted almost entirely of grants to non-government organizations. Since the elections, the program has shifted almost entirely to large bilateral agreements with the Ministry of Education. These agreements provide the educational and geographic focus to USAID programs, but do not transfer funds to the government. Rather, they are intended to support partnerships between government and CSOs for the design and implementation of government education programs.

The ESAT bilateral, which is the vehicle for our ABET program, has finally been cleared by the NDOE for implementation in the provinces, and we are confident that the provincial governments and the grantees they select will move ahead rapidly. Considerable progress at the national level through technical assistance and CSO support will contribute to achievement in the early phases of the development and implementation of the National ABET Policy to be released in FY 1997. The SABER bilateral, under which our teacher training and other activities reside, has long been awaiting NDOE clearance to proceed in the provinces. It has now been encompassed in a new President's Education Initiative which, although it will not be defined until May, at least offers both a schedule and the visibility to assure us that it will finally proceed. The Youth Development bilateral is now the responsibility of the National Youth Commission, and progress is underway in FY 97.

With the four bilateral agreements functioning effectively, we are optimistic that our out-year targets are within reach. Under IR 2.1, Policies for Transformation, the draft national policy on ABET will be announced in March or April, 1997 and enacted into legislation in 1998, closing out this target. The national policy on Further Education is actively under preparation, and should be developed in 1997 and enacted in 1998 as scheduled. A national policy on youth, which will make special youth issues an integral part of government department programs, is slated for design during FY 1997 and is on target for enactment by FY 1998. The National Policy on Higher Education has already been presented as a Green Paper, and the White Paper will be completed in 1997. These national policy reforms at all levels of education will serve as a strong foundation and a comprehensive framework for the transformation of South Africa's education system.

Under IR 2.2, Systems Development, as a result of continuing dialogues with partners and long experience with very effective contractors and grantees who are qualified to conduct the types of activities envisioned for the future, USAID/South Africa is convinced that the FY 1997 and FY 1998 targets can be achieved on schedule. In particular, we anticipate: (1) that, with the expected completion of the first phase of the PEI in May, we should have a national teacher education plan in place before the end of FY 1997, followed by fully developed teacher education plans in at least 2 provinces in 1998; (2) continuing to provide key technical assistance to the national DOE to revise the budget formulae which are central to the reallocation of resources to achieve equity as indicated by pupil/teacher ratios; (3) continuing to support the NDOE and grantees who have demonstrated capabilities to develop ABET curricula as targeted for 1998; (4) at least three provincial education management information systems (EMIS) unit will be fully operational; and (5) a National Further Education Plan will be an outcome of the NCFE in 1997, and at least seven provincial DOEs will submit their business and strategic plans by the end of FY 1997 so that they are ready to begin the implementation process in early FY 1998. Achieving these focused systems development targets, along with very considerable prior work on provincial planning and management support, will help to translate policies into actuality, and lay the groundwork for related capacity enhancement activities.

The targets under IR 2.3, Strengthened Capacity, are in many instances conditional on achievement of policy and systems development targets. We are confident that these contingent targets will be achieved. Once the President's Education Initiative is defined and approved, we believe USAID and our partners should be able to upgrade teachers' capacities as scheduled for FY 1997 and FY 1998. The support for EMIS systems development should result in provincial units institutionalizing the capacity to produce the specified reports on target. The strengthening of further education institutions is very much dependent on the plans developed under IR 2.2. The development of capacity in nine youth provincial youth commission offices by 1998 is a high priority of the National Youth Commission, and adequate resources are available. In terms of strengthening the capacity of HDIs, the Mission will intensify its support for strategic planning and financial management through an existing contract with DevTech Systems International and a cooperative agreement that is likely to be signed in early FY 98. Lastly, a group of 30 staff members from the 15 HDIs will depart this year to obtain graduate degrees in the U.S. These strengthened capacities, which involve major contributions from our government and

CSO partners, will take us far down the path toward a transformed education system based on equity of access and quality.

**OBJECTIVE:** Strategic Objective 2: Transformed education system based on equity of access and quality

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Strategic Objective 2: Transformed education system based on equity of access and quality

**INDICATOR:** Black African Grade 7 (Std 5) enrollment

**UNIT OF MEASURE:** Black African pupils in Std 7

**SOURCE:** EduSource

**INDICATOR DESCRIPTION:** Grade 7 (or Std 5) is the highest level of primary education. Target values for indicators were calculated based on a 3% growth rate in enrollment. African population growth rate for the period 1991-94 was 2.4%.

**COMMENTS:** This indicator is similar to the sub-goal indicator relating to the number of Black African pupils **completing** Grade 7, the difference being that this indicator focuses only on increased **participation** by Black South African pupils up to the Grade 7 level. Due to problems associated with establishing an information system for the unified education system, several provinces were unable to collect the data accurately, while others didn't send out the data collection forms to schools until late 1996 (although the school year ends in December). In addition, much of the data collected for 1996 were not disaggregated by ethnic group. Fortunately, a decision was finally taken by the national information system authorities that in the future data **would** be collected by ethnic group. Therefore, while 1996 data for this indicator will probably not be particularly useful if, and when, it is available, it is very likely that the 1997 data will be much improved. It should also be noted that this is one of the reasons the SO2 Performance Monitoring Table in the Country Strategic Plan did not set a specific target for 1996, but rather choose to set a target for 1998 when the new information system should be functional.

YEAR	PLANNED	ACTUAL
1994 (B)		630,000
1996 (T)	±642,500	
1998 (T)	650,000	
2000 (T)	725,000	
2002 (T)	800,000	

**OBJECTIVE:** Strategic Objective 2: Transformed education system based on equity of access and quality  
**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Strategic Objective 2: Transformed education system based on equity of access and quality

**INDICATOR:** Black Africans enrolled  
in Higher Education

UNIT OF MEASURE: Black African students in higher education	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> EduSource	1995 (B)		260,000
<b>INDICATOR DESCRIPTION:</b> Current data collection practices are in flux and inconsistent, therefore, data, especially race-disaggregated data, may be unreliable before 1998. As a result, the targets set here may be revised in the future as dictated by the availability of data.	1996 (T)	±272,500	
An attempt will be made to desegregate the data by gender.	1998 (T)	300,000	
<b>COMMENTS:</b> Although detailed data are difficult to obtain, it is certain that Black African enrolment in higher education is increasing rapidly. While more Black African students are qualifying for higher education, the system is experiencing difficulties in accommodating the demand. This is one reason it is important for the policy on higher education to be completed in 1997 with USAID/SA support.	2000 (T)	330,000	
	2002 (T)	370,000	

<p><b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality  <b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa</p>			
<p><b>RESULT NAME:</b> Intermediate Result 2.1: Policies for transformation developed, disseminated and enacted in the areas of ABET, further and higher education</p>			
<p><b>INDICATOR:</b> National Policy on ABET</p>			
<p><b>UNIT OF MEASURE:</b> N/A</p> <hr/> <p><b>SOURCE:</b> NTTFE/DOEs/NICET</p> <hr/> <p><b>INDICATOR DESCRIPTION:</b> While USAID/SA's support to the policy making process will end in 1997, it is anticipated that final legislation will not be enacted until 1998.</p> <p>DEV = Developed  DIS = Disseminated  ENA = Enacted</p> <hr/> <p><b>COMMENTS:</b> During FY96 the National Institute for Community Education Trust (NICET), with USAID funding, spearheaded much of the work in developing a community college system in South Africa, including the development of initial policy guidelines and support for nine provincial workshops to develop preliminary policy submission proposals on further education to the National Committee on Further Education (NCFE). These efforts will feed directly into the White Paper expected in 1997.</p>	<p><b>YEAR</b></p>	<p><b>PLANNED</b></p>	<p><b>ACTUAL</b></p>
	1997	DEV  DIS	
	1998	ENA	

<p><b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality  <b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa</p>			
<p><b>RESULT NAME:</b> Intermediate Result 2.1: Policies for transformation developed, disseminated and enacted in the areas of ABET, further and higher education</p>			
<p><b>INDICATOR:</b> National Policy on Further Education</p>			
<p><b>UNIT OF MEASURE:</b> N/A</p> <hr/> <p><b>SOURCE:</b> NTTFE/DOEs/NICET</p> <hr/> <p><b>INDICATOR DESCRIPTION:</b> While USAID/SA's support to the policy making process will end in 1997, it is anticipated that final legislation will not be enacted until 1998.</p> <p>DEV = Developed  DIS = Disseminated  ENA = Enacted</p> <hr/> <p><b>COMMENTS:</b> During FY96 the National Institute for Community Education Trust (NICET), with USAID funding, spearheaded much of the work in developing a community college system in South Africa, including the development of initial policy guidelines and support for nine provincial workshops to develop preliminary policy submission proposals on further education to the National Committee on Further Education (NCFE). These efforts will feed directly into the White Paper expected in 1997.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1997	DEV  DIS	
	1998	ENA	

**OBJECTIVE:** Strategic Objective 2: Transformed education system based on equity of access and quality  
**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

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**RESULT NAME:** Intermediate Result 2.1: Policies for transformation developed, disseminated and enacted in the areas of ABET, further and higher education

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**INDICATOR:** National Policy on Youth Development

UNIT OF MEASURE: N/A	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> Government Act/Bill/NYC			
<b>INDICATOR DESCRIPTION:</b> After 1998 the Mission does not expect to be involved in Youth policies that will go through legislation.	1996		NYC appt.
NYC = National Youth Commission (appointed)  DEV = Developed DIS = Disseminated ENA = Enacted	1997	DEV  DIS	
<b>COMMENTS:</b> The process of policy formulation in the youth development sector has been slow, owing in part to the fact that the National Youth Commission was only appointed in June 1996. During FY96 USAID provided technical assistance to the Department of Education to develop an action plan and guidelines for policy development in the sector.	1998	ENA	

<p><b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality  <b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa</p>			
<p><b>RESULT NAME:</b> Intermediate Result 2.1: Policies for transformation developed, disseminated and enacted in the areas of ABET, further and higher education</p>			
<p><b>INDICATOR:</b> National Policy on Higher Education</p>			
<p><b>UNIT OF MEASURE:</b> N/A</p> <hr/> <p><b>SOURCE:</b> Government Gazette</p> <hr/> <p><b>INDICATOR DESCRIPTION:</b> USAID/SA's support to the policy making process in higher education will end in 1997. It is anticipated that policy will be legislated in 1997.</p> <p>DEV = Developed  DIS = Disseminated  ENA = Enacted</p> <hr/> <p><b>COMMENTS:</b> In FY96 a Green Paper on Higher Education was drafted. The contents of this paper came primarily from a USAID-supported report. The release of the Green Paper paves the way for the drafting of the White Paper and the passing of legislation in 1997. At present, the process is proceeding on schedule.</p>	<p><b>YEAR</b></p>	<p><b>PLANNED</b></p>	<p><b>ACTUAL</b></p>
	<p>1996</p>		<p>Green Paper DIS</p>
	<p>1997</p>	<p>Draft White Paper  DEV DIS ENA</p>	

<b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result: 2.2: Transformation in key targeted systems of basic, further and higher education			
<b>INDICATOR:</b> Reallocation of resources to achieve equity in basic education at the provincial level Black African (EC Province) White (EC province)Reallocation of resources			
<b>UNIT OF MEASURE:</b> P:T Ratio <b>SOURCE:</b> DOE <b>INDICATOR DESCRIPTION:</b> The key factors to achieving equity in education finance are: (1) salaries - because teachers and other education personnel consume about 80% of the education budget and (2) the redeployment of teachers so that accepted pupil:teacher (P:T) ratios are achieved in all classrooms across the country. Certain provinces (e.g., Eastern Cape, KwaZulu Natal and Northern) have high <b>average</b> P:T ratios for Black African pupils. More important is the large number of Black African pupils who are in classrooms where P:T ratios are higher than 70:1. It should be noted that, since schools are now non-racial, it will not be possible in the future to report on P:T ratios by race. However, it will be possible to identify the racial composition of schools, districts and provinces, so a rough calculation of progress on P:T ratio by race <u>should be possible</u> . <b>COMMENTS:</b> Although P:T data by ethnic group for this indicator is not available for 1996, the data should be available beginning in 1997. Data are available that, show that in 1995/96, a 15% shift in spending from white to black children took place nationally, and a further 20% shift was expected in 1996/97. Most of this reallocation is being achieved by introducing new P:T ratios, by redeploying teachers from areas of excess to areas of need, and by <u>implementing a new teacher salary grading system</u>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		45:1 (Black) 19:1(White)
	1996 (T)	(All groups) 44:1	
	1997 (T)	(All groups) 43:1	
	1998 (T)	(All groups) 41:1	
	1999 (T)	(All groups) 39:1	
	2000	37:1	

<b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result: 2.2: Transformation in key targeted systems of basic, further and higher education			
<b>INDICATOR:</b> Number of fully functional EMIS units			
<b>UNIT OF MEASURE:</b> EMIS units <b>SOURCE:</b> EduSource <b>INDICATOR DESCRIPTION:</b> The success of USAID/SA in meeting the above targets will be measured by a combination of customer satisfaction surveys within the DOE and the objective assessment of the implementing agency(ies). A unit will have to be operational and demonstrably competent in the collection, management and dissemination of relevant education information to be included in the annual count. Targets are cumulative. <b>COMMENTS:</b> The targets for this indicator will be achieved through a grant to the Education Foundation. Because this grant was awarded within the last four months of the reporting period, there is not yet any significant progress to report. However, some incremental steps have been undertaken: 1) the appointment of 3 provincial project managers with responsibility for management of grant activities in the 4 target provinces and; 2) the completion of a needs analysis to determine the priority needs in the development of one provincial EMIS unit. In addition, as a member of the EMIS National Committee, the Education Foundation was part of several studies that are the basis for the development of the national and provincial EMIS.  Also, as part of a prior grant, the Education Foundation undertook two projects commissioned by the national DOE. The outcomes of these projects will have long-term affects on education and EMIS at both the national and provincial levels. One of the projects entitled a 'Register of School Needs' involves globally positioning all thirty thousand schools in the country and collecting data on pupil enrollment, teacher numbers, number of classrooms, etc. The other project, entitled the 'National Teacher Education Audit'; involved the analysis and modelling of education data which resulted in a research report with recommendations on future <u>teacher demand, supply, utilization, and costs</u>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996 (B)		0
	1997 (T)	1	
	1998 (T)	3	
	1999 (T)	4	
	2000	5	
	2001	6	

<p><b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality  <b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa</p>			
<p><b>RESULT NAME:</b> Intermediate Result: 2.2: Transformation in key targeted systems of basic, further and higher education</p>			
<p><b>INDICATOR:</b> Establishment of provincial further education frameworks and implementation plans</p>			
<p><b>UNIT OF MEASURE:</b> Frameworks and plans</p> <hr/> <p><b>SOURCE:</b> DOE</p> <hr/> <p><b>INDICATOR DESCRIPTION:</b> Once the further education policy has been made, and the sector given more definition, provinces will be required to develop frameworks and plans for the implementation of the policy and the management of the sector.</p> <p>Target figures are annual.</p> <hr/> <p><b>COMMENTS:</b> Three districts in three different provinces conducted needs assessments of existing resources and anticipated needs in the further education sector. Through this exercise, an audit manual was developed to assist other provincial education departments with this process.</p>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996 (B)		0
	1997 (T)	1 National Plan	
	1998 (T)	7 Provincial Plans	
	1999 (T)	9 Provincial Plans	

<b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result: 2.2: Transformation in key targeted systems of basic, further and higher education			
<b>INDICATOR:</b> Institutionalization of strategic planning in historically disadvantaged higher education institutions			
<b>UNIT OF MEASURE:</b> Strategic and Rolling Plans  <hr/> <b>SOURCE:</b> HDIs  <hr/> <b>INDICATOR DESCRIPTION:</b>  SP = Strategic Plans; RP = Rolling Plans  Strategic Plans are developed for a period spanning 5 years; rolling plans, which will be used for securing government funding, are developed every 3 years. Attainment of the goals set out above will be dependent on each institution's ability to secure sufficient funding to operate effectively on the basis of their strategic and rolling plans.  <hr/> <b>COMMENTS:</b> USAID/SA provided funding through the Tertiary Education Linkages Project (TELP) for technical support to assist HDIs with strategic planning. Six of the 8 targeted HDIs were able to complete their strategic plans as a result of this support and another HDI was able to complete its plan unassisted. USAID/SA is providing funding through TELP for assistance to the remaining institutions in 1997.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		0
	1996	8	7
	1997	15 SPs	
	1998		
	1999	15 RPs	
	2000		
	2001	15 SPs 15 RPs	

<b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 2.3: Strengthened human and organizational capacity in Departments of Education, Education Institutions, and Selected Individuals			
<b>INDICATOR:</b> Number of educators trained in the priority pre-service and in-service areas identified by the national and provincial Departments of Education			
<b>UNIT OF MEASURE:</b> Educators <hr/> <b>SOURCE:</b> Implementing agencies <hr/> <b>INDICATOR DESCRIPTION:</b> The SABER bilateral agreement and the Presidential Education Initiative specify math, science, technology, Early Childhood Development (ECD), English, multi-lingual/multi-grade classes, critical thinking skills, and outcomes-based education as the key areas for teacher training. -Educators includes school teachers, subject advisors and ABET teachers -By the end of the project, the training programs should have reached a total of 40% of the teaching corps in the four target provinces. -Reductions in the number of teachers reached in the outer years are a result of program phase out and expiration of grants -Target figures are cumulative <hr/> <b>COMMENTS:</b> The 1996 baseline of zero reflects the fact that the Presidential Education Initiative (PEI) will not begin full implementation until 1997. While the PEI represents the major initiative which will drive all local and internationally-funded teacher education activities in South Africa, it is envisioned that the initiative will draw upon the expertise of a number of CSOs, many of which are former or current recipients of USAID funding. These CSOs have developed and tested innovative teacher education models that can now be applied on a broad scale. In addition, over the last ten years, USAID/SA has invested more than \$60 million in the development of innovative curriculum models for use in pre-service and in-service teacher education at all levels. USAID/South Africa had grants with 20 NGOs which provide teacher training in one of the South Africa-defined priority areas and which, during the reporting period, reached nearly 17,000 pre-primary, primary, and ABET teachers. More encompassing teacher education initiatives in the priority areas currently funded by USAID include: (1) support to Media in Education Trust in introducing a critical-thinking skills methodology course, utilizing newspapers and other print resources; (2) support to the Maths Center for Primary Teachers for the upgrading of mathematics skills for primary teachers; and (3) support to the Independent Training and Educational Center for in-service teacher training of lower-primary school teachers	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996 (B)		0
	1997 (T)	10,000	
	1998 (T)	14,000	
	1999 (T)	18,000	
	2000 (T)	22,000	
	2001 (T)	24,000	
	2002 (T)	28,000	
	2003 (T)	30,000	

<b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 2.3: Strengthened human and organizational capacity in Departments of Education, Education Institutions, and Selected Individuals			
<b>INDICATOR:</b> Capacity of EMIS units to produce quality reports and publications based on provincial information			
<b>UNIT OF MEASURE:</b> Reports/documents <hr/> <b>SOURCE:</b> EduSource <hr/> <b>INDICATOR DESCRIPTION:</b> Monitoring will cover the four targeted provinces (NB: The EF will specify types of materials that can be counted). These materials will be analyses of the education information in the province and will be measured against a defined standard of quality, timeliness and utility. During the first two years, the Education Foundation will be principally responsible for assisting the provincial units to produce the publications; in the later years the provinces will have the <u>capacity to produce their own publications</u> . <hr/> <b>COMMENTS:</b> The targets for this indicator will be achieved through a grant to the Education Foundation. As reported above (see Intermediate Result 2.2, "Number of Fully Functional EMIS Units"), this grant was only awarded within the last four months of the reporting period. Thus, at this time, only the incremental steps discussed above regarding the appointment of project managers who will be principally responsible for working with provincial DOEs in the establishment of functional EMIS units that will be capable of producing quality reports and publications, can be reported.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1996 (B)		0
	1997 (T)	1 publication in each of 4 provinces	
	1998 (T)	1 publication for 1 province 2 publications in each of 3 provinces	
	1999 (T)	2 publications in each of 4 provinces	
	2000 (T)	2 publications in each of 4 provinces	

<b>OBJECTIVE:</b> Strategic Objective 2: Transformed education system based on equity of access and quality			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 2.3: Strengthened human and organizational capacity in Departments of Education, Education Institutions, and Selected Individuals			
<b>INDICATOR:</b> Number of HDIs with improved financial management capacity			
<b>UNIT OF MEASURE:</b> Effective financial management systems <b>SOURCE:</b> HDIs <b>INDICATOR DESCRIPTION:</b> Financial management systems will be considered effective if they meet the financial management guidelines set out by the Department of Education. Monitoring will begin in 1999, as training will only be completed in 1997/1998. <u>Targets are cumulative</u> <b>COMMENTS:</b> USAID/SA provided funds to assist HDIs in strengthening their financial management systems. In 1996 three of the 4 target HDIs received this support and an additional 4 will be targeted for assistance in FY97.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1995 (B)		0
	1996 (T)	4	3
	1997 (T)	8	
	1998 (T)	12	
	1999 (T)	15	

**C. SO3: MORE EQUITABLE, UNIFIED AND SUSTAINABLE SYSTEM DELIVERING INTEGRATED PHC SERVICES TO ALL SOUTH AFRICANS**

**1. Summary and Analysis of Data, and Contribution of USAID Activities**

The EQUITY Project, which is the core activity for this strategic objective, was approved at the end of FY95. In FY96, attention in EQUITY was largely focused on establishing implementation systems and management structures, as well as issuing the Request For Proposals (RFP) for the comprehensive technical assistance contract. Limited health training impact will be reported for the "bridging" training activities, which end this year and effectively have paved the way for the activities that will achieve the Primary Health Care (PHC) training intermediate result (I.R. 3.4). The HIV/AIDS small grant and bridging training activities are currently being evaluated. Below is a summary of management events, and "bridging" and HIV/AIDS activities. With regard to performance monitoring, it should be noted that only exit targets have been defined. Given the current status of activity development, USAID/South Africa expects some changes in both the current IRs and indicators as a result of beginning full EQUITY Project implementation. Changes are also anticipated from the process of working collaboratively with both national and provincial governments to integrate and finalize mutual outcomes and indicators from EQUITY Project activities. The likelihood of change will be especially true for the IR relating to HIV/AIDS. As part of the first workplan for the new institutional contractor for the EQUITY Project, indicators will be finalized and validated using both census and demographic and health survey data, which are expected to become available in 1997.

**a. Summary**

The only SO3 activities that contributed directly and quantitatively to any of the five IRs were the management and comprehensive primary health care (PHC) skills training programs under the bridging activities. Nominal numbers of health care personnel were actually trained in FY96 during the "pilot" training program development activities.

HIV/AIDS

The Mission's HIV/AIDS/STDs strategy has been to support educational efforts in two areas: prevention of HIV/AIDS/STDs through sexual transmission and reduction of the impact of HIV/AIDS/STDs infection on individuals, groups and societies. To date, USAID has only funded activities conducted by NGOs through the Mission's Community Outreach and Leadership Development (COLD) Project. The grants under the COLD Project were awarded beginning in 1991 and either have already concluded or will end in 1997. The NGOs receiving funding under the COLD project were expected to achieve specific outcomes related to prevention and/or minimization of disease impact, but since these grants pre-dated the establishment of the Mission's reengineered strategy, they were not intended to meet quantitative targets related to specific intermediate results.

Many NGOs supported by USAID have conducted community outreach and AIDS awareness activities in rural and informal settlement areas. These interventions, designed and implemented by individuals who are members of the communities being served, target the general population and individuals at increased risk for HIV infection, such as youth and women. Other NGOs have developed peer-led HIV/AIDS prevention education programs to target youth in urban, rural and informal settlement areas. The education activities include discussions on sexuality, sexually transmitted diseases (STDs), reproductive health, values clarification and decision making skills. The NGOs have involved youth in the design and implementation of the prevention education activities. Youth are trained as peer educators to conduct workshops and small group presentations in schools, clinics and

youth organizations. USAID also provides technical assistance support that has enhanced the capacity of organizations to design, implement and manage HIV/AIDS prevention efforts. This process has helped to facilitate the exchange of ideas in a non-judgmental environment. USAID grants have also provided training for 220 nurses nationally in the syndromic approach to HIV/AIDS diagnosis. This approach, which is based upon diagnosing by symptom rather than running clinic tests, is recommended by the World Health Organization as the preferred management method for STDs due to the potential for early diagnosis and its cost effectiveness. Through another NGO, the Institute for Urban Primary Health Care, Alexandria Clinic, USAID has financed a research program which involved 841 STD patients to better understand the partner notification process and identify interventions to enhance such notification. As a result of the study's findings, a multi-site intervention will be implemented to test the findings in both urban and rural settings. Finally, USAID has supported the development of a broad, coherent national HIV/AIDS strategy (at the time of the previous government) that has since been adopted by the current government as its own national strategy.

### The EQUITY Project

The initial grant agreement was signed with the RSA in September 1995. Activity development and management were the principal SO3 foci during FY96, including the following key activities. While these activities, e.g., the development of project management structures and selection of an implementing contractor, do not constitute "impact" in relation to the five IRs, the groundwork is now positioned for successful project implementation.

Development of the EQUITY Project management structure. This included negotiations with the South African Government (at both national and Eastern Cape Province level) to insure that it will participate fully in all strategic project issues and decisions as an equal partner. The outcome was a tripartite "Strategic Management Team" (SMT) including representatives from the national DOH, the Eastern Cape Department of Health and Welfare, and USAID/SA. This unique and extremely effective partnership has developed into a cohesive group with a common objective and commitment to achieve it. The SMT will continue to lead project development and implementation, in collaboration with the Mission's SO3 Team, as the new technical assistance contractor begins its complex implementation role.

Issuance of the RFP and selection of the institutional contractor. The RFP was issued in early August 1996, with a closing date of early November. Because of the importance of moving into the full project implementation phase as quickly as possible, the contractor selection process was completed in record time -- six weeks from the closing of the RFP to the signing of the contract. The TA contractor fielded its long-term team and began its work in early February 1997.

### Bridging Activities

A set of high-priority bridging activities were designed and implemented to help overcome the long time interval between grant agreement execution and full activity implementation. These activities, with USAID/Washington support, have insured that critical EQUITY-related programs would be developed prior to the availability of the TA contractor.

Training program development. The bridging activities included the development of both management and comprehensive PHC skills training (the latter principally for rural nurses), from curriculum development to the implementation of courses for future trainers. An evaluation of these initial training efforts in early 1997 will provide the basis for modification of curricula, training concepts and methodologies, so that the comprehensive PHC training program to be carried out with assistance from the TA contractor will be as effective and self-sustainable as possible.

South African Demographic and Health Survey. This effort, begun in mid-1995, has taken longer than expected, because the sustainability element was more difficult to develop than initially planned. However, South Africa's first truly *national* demographic survey should be completed -- including field work, analysis, and final report -- during 1997. The strategy for planning and executing this initial survey was to insure that it would be carried out by South African institutions (with technical assistance from USAID) and thus would be replicable and sustainable with little or no USAID assistance in the future. The resulting 1997 South African Demographic and Health Survey should fully meet these criteria, and will also fulfill its purpose of providing baseline data both to the EQUITY Project and for other high-priority health programs.

## **2. Expected Progress and Management Actions**

The SO3 Team has already initiated several actions that will prepare the way for further progress in achieving the IRs, including developing an RFP for an "umbrella organization" that will manage the small-grant program under the EQUITY Project. Secondly, SO3 is actively developing an HIV/AIDS assessment (scheduled for July 1997) which will be combined with a European Community-sponsored STD assessment. The combined assessment will provide the information necessary for the design of a new HIV/AIDS and STD activity. This process has already begun through a strategic planning exercise. USAID/South Africa and the national DOH will produce a plan to utilize USAID assistance for critical interventions in the HIV/AIDS and STD program at both national and provincial levels. Expected to be in the range of \$10 million, USAID/SA support will be coordinated with that of the RSA itself and other donors to insure that USAID's predominant capabilities in the HIV/AIDS sector will be used to achieve high-priority objectives of the South African HIV/AIDS program. The activity will be comprehensive, but will likely focus on prevention of further infection to help contain the HIV/AIDS epidemic that afflicts South Africa and has serious implications for the entire Southern Africa region.

**D: SO4: IMPROVED CAPACITY OF KEY GOVERNMENT AND NON-GOVERNMENT ENTITIES TO FORMULATE, EVALUATE AND IMPLEMENT ECONOMIC POLICIES.**

**1. Summary and Analysis of Data, and Contribution of USAID Activities**

**a. Summary**

Strategic Objective Four (SO4) was created and approved in FY 1996. Following the completion of the Country Strategic Plan, the primary effort under this SO was the development and approval of the Support for Economic Growth and Analysis/Mandela Economic Scholars Program (SEGA/MESP, 674-0321) Results Package (RP). The RP was approved on September 11, 1996. This RP is the principal vehicle for the implementation of SO4.

**b. IR Reporting**

**IR4.1 Strengthened Human Resources in Economics & Policy Analysis for Key Government Entities**

Activities were initiated in FY1996 using funds that had previously been obligated under the Support for Tertiary Education Project (STEP, 674-0309). Six Mandela Economic Scholars were selected and began training in the U.S. in September 1996. The first of these participants will return in June/July 1998.

**IR4.3 Strengthened Think Tanks to Formulate and Evaluate Economic Policy Options of all Economic Policy Makers**

Using funds from the Transition Support Fund (TSF, 674-0318), the Mission initiated two grants to economic think tanks in FY1994 and FY1995 (IR4.3). The first grant was to the African Institute for Policy Analysis and Economic Integration (AIPA) and provided funding for a major research effort on "Growth with Equity for South Africa." This research covers the following theme areas: Growth with Equity; Financial, Fiscal and Monetary Affairs; Savings and Investment; Community Savings; Industrial, Trade and Competition Policies; Agriculture; Labour Market; Privatization; Regional Impact of Proposed Changes; and Experience of Other Countries in Promoting Growth with Equity. Major reports for each of these topic areas and a summary volume have been prepared and are undergoing final editing in preparation for publication. The report on privatization has already been published. The findings and recommendations coming from this work will be presented at a major national conference to be opened by Deputy President Mbeki. The panel of international reviewers for the various studies and reports has been very impressed with the papers. It is anticipated that the result of this major research exercise will establish AIPA as a credible economic think tank and provide information and options for the Government's policy formulation process, as well as increase AIPA's organizational capacity for this sort of research work.

The second grant was an institutional support grant to the National Institute for Economic Policy (NIEP). NIEP is demonstrating its success as an economic think tank through its research program and the provision of technical assistance to a variety of South African groups and organizations. Through commissioned work and bids on studies being tendered by government and others, NIEP is also demonstrating its potential for sustainability. Among NIEP's specific accomplishments are:

- A study for the Reconstruction and Development Program (RDP) Office on the impact on growth and employment of reprioritizing expenditures within the national budget;
- An assessment of trade negotiations with the European Union prepared for the Labor Caucus at the National Economic Development and Labor Advisory Council (NEDLAC) ;
- Contributions to the National Growth and Development Strategy and the government's Growth, Employment and Redistribution (GEAR) Macroeconomic Strategy;
- Active and vocal participation in the debate surrounding the GEAR Strategy;
- Technical assistance to the NGO-Labor coalition in the Eastern Cape as they prepared to enter a provincial version of NEDLAC; and
- Policy papers on the government's Urban and Rural Development Strategies prepared for the Community Constituency of NEDLAC.

## **2. Expected Progress and Management Actions**

This section focusses on the actions required and underway to achieve planned results. It is anticipated that the projected indicator targets for each intermediate result will be met within the given time period.

The SO4 Team is initiating a series of procurement actions which will deliver the assistance required to achieve these results. The primary action is the procurement of a long-term contractor which will be responsible for implementing SEGA/MESP. In the interim, the SO4 Team has: (a) executed a buy-in to the Global Training for Development contract for the implementation of the 1997 Mandela Economic Scholars participant intake (IR4.1); (b) initiated a number of activities to support government (IR4.2), both through Interagency Agreements and a buy-in to G/EG's CAER II; (c) prepared a Request for Applications for support to NGO Economic Think Tanks (IR4.3); and (d) continued discussions and consultations to identify an initial candidate for support as a Center of Economics Training (IR4.4). The combination of the long-term contractor and the intermediate assistance actions just discussed are expected to lead to the achievement of the intermediate results and the strategic objective.

To help ensure the achievement of this SO, the SO4 Team has established a number of fora and committees involving representatives from both the South African Government and civil society to provide guidance and to assist in the implementation of the program. These groups, which comprise our expanded team, will serve as mechanisms to continually test our development hypothesis, provide customer feedback, and monitor progress and satisfaction with regards to the SO and its activities.

**E. SO5: INCREASED ACCESS TO FINANCIAL MARKETS<sup>5</sup> FOR THE HISTORICALLY DISADVANTAGED POPULATION**

**1. Summary and Analysis of Data, and Contribution of USAID Activities**

**a. Summary**

USAID/South Africa's choice for its fifth strategic objective, increased access to financial markets for the historically disadvantaged population, has proven to be correctly focused. The Government and the private sector continue to develop programs to address apparent gaps in the financial markets, especially as they affect historically disadvantaged small, medium and microenterprises (SMMEs). As a result, we will continue to report on results directly attributable to USAID interventions, as well as providing additional information on national level trends with regard to access to capital.

Apartheid government policy did its best to stifle entrepreneurial spirit by barring the bulk of the population from economic activity, credit and ownership. One-third of the 400,000 new jobs per year forecast by the government's macroeconomic strategy are expected to come from small and medium-sized firms. Manufacturing only created 14,000 new jobs last year. Given that lack of access to credit has been acknowledged as a chief obstacle to small enterprise development, the Department of Trade and Industry's (DTI) launch of Khula Enterprise Finance and Khula Credit Guarantee during this past year is a very significant initiative. The USAID loan portfolio guarantee scheme was a model for the design of the government's new portfolio guarantee mechanism. Khula, established in October 1995, is a wholesale finance and guarantee facility for small businesses and will be capitalized at R300 million (US\$ 66.7 million) over the next three years by the government. Khula will offer wholesale loans of between R1 million and R100 million (US\$ 220,000 to US\$ 22 million) to financial intermediaries to create a source of financing for small businesses and will offer loan guarantees of between 60 percent and 80 percent to financial intermediaries who are on-lending to small businesses, thus enabling banks to enter markets traditionally considered too risky.

Discussed below are brief descriptions of progress made on intermediate results 5.1 and 5.4, improved policy environment to facilitate access to capital for historically disadvantaged informal and microenterprises, and small, medium and large enterprises, respectively. Although some progress is already being recorded, initiatives undertaken by the Department of Trade and Industry under USAID's bilateral agreement are just beginning. Furthermore, the Microenterprise Support Project (MSP), which contains a policy component, was only signed in September 1996. IR5.3, improved capacity of historically disadvantaged informal and microenterprises to

**Small Enterprise Foundation**

In 1992, Mrs. Makinbela started her business by buying clothes in Johannesburg and selling them in Rhulani, a small village near Tzaneen (300 miles from Johannesburg). Mrs. Makinbela normally would buy a stock of clothes for R500 and sell it for R700, making a profit of only R200 a month. With this income, she and her four children struggled to survive.

Mrs. Makinbela heard about SEF from someone in a nearby village and decided to form her own group. With her first loan, she purchased fabric and sewed them into finished goods for sale. She then diversified her business and began selling Coca-Cola and groceries. Afterwards, Mrs. Makinbela was able to afford electricity and, with the next loan, brought a fridge. Mrs. Makinbela has received six loans from SEF. Now she is selling stationery, groceries, food, vegetables, bread, sweets and cool drinks. She purchases her stock at METRO (the bulk purchasing factory) as she has a Metro dealer card and buys more than R3000 (\$677) in stock a month. Mrs. Makinbela now makes R600 (\$135) profit a month and is able to support her children, send them to school and buy better food for them.

<sup>5</sup>The rate of exchange used is R4.425 = \$1 as officially quoted as of February 28, 1997.

respond to financial market requirements, is limited to reporting on impact through various microenterprise-focused NGOs. In the future, the impact of the government's wholesale finance facility and USAID's Microenterprise Support Project will be significant. With regard to IR5.5, improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises, impact is limited to USAID/South Africa's various bankers' training programs and the loan portfolio guarantee program. Impact should be significant beginning in FY97, as the Southern Africa Enterprise Development Program (SAEDF) begins disbursing equity and long term debt and as the Mission's initiatives in the restructuring/privatization of public and private assets begin recording impact.

**b. Intermediate Result Reporting**

USAID is measuring its impact both directly through USAID interventions, and tracking national level trend data on such vital data as employment, savings, and investment at the sub-goal level as it contributes to increased ownership of assets as a measure of economic empowerment. The percentage of the historically disadvantaged population (HDP) with savings accounts grew from 26 percent in 1994 to 28.2 percent in 1996, just above target estimates. (This compares with 72 percent of the white population with savings accounts.) Similarly, the percentage of the HDP with investments grew from 0.8 percent to 2.8 percent in 1996. Employment generated through USAID micro and small enterprise loans grew from 10,000 jobs annually to 20,000 in 1996.

At the strategic objective level, the total value of funds leveraged for informal and microenterprise loans through FY96 totaled \$12.2 million, exceeding our original target. This represented more than 4,400 loans leveraged through USAID's loan portfolio guarantee program, in addition to the actual loans made through USAID micro-finance grantees, which totaled 16,150 in FY96. Sixty percent of these loans were made to women.

**IR5.1: Improved Policy Environment to Facilitate Access to Capital for Historically Disadvantaged Informal and Microenterprises**

Through its \$2.5 million bilateral agreement with the Department of Trade and Industry (DTI), USAID provided technical assistance to structure various DTI institutions. This has helped to move the policy formulation process forward during this past year. The Ntsika (pillar) Enterprise Promotion Agency (NEPA) was created during this period, with its board approved and functioning and staffing of the Agency completed. NEPA was designated as a statutory institution under the recently gazetted Small Business Enabling Act. The creation of NEPA is notable, because among its missions, is the provision of information to stakeholders to guide decision-making, policy formulation and review. It will be gathering and analyzing data on SMMEs, publishing policy documents, formulating a policy agenda and maintaining an SMME resource center. While the first year since its inception has been devoted to institutional development, henceforth, efforts within NEPA will focus on SMME policy formulation and promulgation. Also during this period, two critical USAID-funded studies were completed, "Improving the South African Investment Climate" and "Democratization and Growth of the South African Economy: Barriers to Entry." These two comprehensive documents have been widely disseminated to policy makers in South Africa, to guide the policy formulation and prioritization process. Evident to date are changes in the national and provincial government's policies with regard to improving micro-finance availability in South Africa through the opening of Khula Enterprise Finance and Khula Credit Guarantee. These agencies are providing wholesale finance and credit guarantees to intermediary financial institutions for on-lending to small and microenterprises.

## **IR5.2: Improved Capacity of the Financial Sector to Service Historically Disadvantaged Informal and Microenterprises**

In order to bridge the financing gap being experienced by micro-finance NGOs in their transition from donor dependence to reliance on government and private sector/commercial financing, USAID provided transitional support to various intermediate NGOs serving the needs of microenterprises. During this past year, \$2.1 million was disbursed to 79 NGOs (original target of 40 NGOs) to maintain their existing microenterprise service capacity. In addition, five of the six banks participating in USAID's loan portfolio guarantee program (LPG), had their agreements amended to allow the banks to on-lend to micro-credit NGOs. With a 50 percent credit guarantee on borrowing of up to \$500,000, these NGOs can more readily tap into commercial financing sources, thereby improving their clients' -- microentrepreneurs' -- access to financing. Two additional banks newly participating in the LPG scheme have incorporated this provision for on-lending to NGOs under the guarantee facility. This decision was based on an acknowledgment of the value the NGO community played in serving informal and microenterprises, and the concurrent constraint these NGOs confronted in accessing financing.

## **IR5.3: Improved Capacity of Historically Disadvantaged Enterprises to Respond to Financial Market Requirements**

Through the various USAID initiatives to provide basic business training and loan financing to microentrepreneurs, more than 16,000 informal and microenterprises through FY96 were able to access credit through the NGO community. This represents an estimated increase of 6,000 from FY95. In the future, access will be enhanced through the outreach of Khula Enterprise Finance, the government's wholesale finance facility which began disbursing funds in January 1997.

## **IR5.4: Improved Policy Environment to Facilitate Access to Capital for Historically Disadvantaged Small, Medium and Large Enterprises**

USAID/South Africa has been working closely with the Department of Trade and Industry and the NGO community in identifying policy constraints and promulgating positive policy change. For example, the two widely-disseminated, USAID-financed studies on barriers to entry and improving the South African investment climate identified key policy barriers to small business expansion and further investment in South Africa. During this year, the government gazetted its Small Business Enabling Act. This Act created a framework for delivering support through a national framework. Key provisions in the Act include the creation of Ntsika Enterprise Promotion Agency (NEPA), a statutory body to wholesale support services to SMMEs, the creation of a National Small Business Council (NSBC), a statutory body to act as the collective voice of SMMEs, a definition of SMMEs, and the provision for government to review all proposed and existing laws to consider their impact on SMMEs. Further, a Green Paper on procurement policy was released, which has resulted in initial amendments to the State tender system. National level reforms are facilitating access to tenders by emerging entrepreneurs, who are predominantly historically disadvantaged. The State Tender Board has initiated reforms, including the

### **Petite Upholsters**

Petite Upholsters is one of several success stories from the BICSN project. Petite Upholsters, located outside Johannesburg, is a small family business established in 1970. In 1995 the chairman of the company, Mr. Issy Penniken, met Mr. Sony Tarr of BICSN. BICSN offered expert technical assistance to Petite. In addition, BICSN arranged a trip, to North Carolina, for Mr. Penniken. The trip exposed him to leading manufacturers and upholsters in the U.S. As a result of technical assistance provided by BICSN and linkages through the BLUE projects, Petite was able to become more competitive. Petite has since won several contracts, which include the refurbishing of several five star hotels in South Africa and the refurbishing of the country's luxurious Blue Train. The value of the Blue Train contract alone is R700,000 (\$158,192).

implementation of a ten-point plan drawn up by consumers, experts, suppliers and organized labor. Key elements of the plan, include using criteria such as the use of local resources, equity, shareholding, affirmative action policies, labor intensive methods and development-oriented projects. The government has stated its willingness to pay a premium of between 12 and 18 percent to the lowest tenderer meeting such criteria. Other measures envisaged include the simplification of tendering procedures and documentation and facilitation of readier access to tendering information.

At the provincial level, progress is varied, with Mpumalanga Province's Tender Board having recorded the most significant progress. During the last year, of approximately US\$ 19 million worth of contracts negotiated by the provincial government, US\$ 14.5 million reportedly were awarded to emerging contractors. With regard to the contribution of USAID's Business Linkages for Underutilized Enterprises (BLUE) activity, BLUE provided assistance to the Gauteng Government on the Government's Tender Education Road Show, and presentations were made to the Chairman and Vice-Chairman of the State Tender Board, as well as the Chairperson of the Cape Provincial Tender Board on proposed tender reforms.

#### **IR5.5: Improved Capacity of the Financial Sector to Service Historically Disadvantaged Small, Medium and Large Enterprises**

USAID/South Africa is utilizing various instruments to improve the financial sector's ability to service SMMEs, including the provision of loan guaranties, bankers' training programs, technical assistance to assist in restructuring public and private assets, and the provision of equity and long-term debt financing. With the exception of loan guaranties and selected financial sector training programs, most other assistance began in late FY96 and will therefore be reporting on in next year's R4.

In FY92, USAID established a \$4.0 million loan guarantee program in South Africa to mobilize credit through the formal financial sector for South Africans historically disadvantaged by apartheid. This program, which currently aggregates \$27.0 million, is specifically designed to provide targeted support for the financial needs of emerging entrepreneurs as they begin to participate more actively and visibly in the development of post-apartheid South Africa. During this last year, two additional banks were approved as intermediaries in the LPG scheme, for a total of eight South African banks. One of USAID/South Africa's objectives is to broaden the geographical focus of participating intermediaries in the LPG scheme. The two banks approved this year, Boland Bank and NBS (Natal Banking Services), are headquartered in Western Cape and KwaZulu-Natal, respectively.

The banks participating in USAID's loan guarantee program have each dedicated significant resources to the development of their small business and microenterprise lending programs. These programs are designed to target those business which would normally have difficulty in accessing credit through the formal financial sector, but which demonstrate the potential to grow and the ability to repay their debt obligations. The level of risk associated with this undertaking is often high, as management is testing new concepts in financial intermediation and working with an unfamiliar market. The USAID Guarantee helps to mitigate this risk and thus provide support for this important initiative. Since a somewhat slow start-up in 1992, the demand and utilization of the facility have grown significantly, resulting in the leveraging of US\$ 12.2 million in small business loans to nearly 4,500 new and expanding enterprises. Furthermore, one of the great benefits of the program is its leveraging factor. USAID only funds the subsidy cost of the guarantee -- the estimated potential liability of loss of principal on loans made. Currently, approximately \$616,000 of subsidy cost is leveraging a potential \$27 million in loans to small business, a factor of 44:1. Importantly, USAID's loan guarantee program served as a model for the government's new Khula Credit Guarantee Facility which is just beginning to approve guarantee facilities with intermediary institutions. The impact of both USAID's LPG program and Khula Credit Guarantee will be reported on in the future.

USAID is also training black business leaders and financial sector leaders through exposure to "best practices" utilized in the financial and corporate communities in the U.S. During this past year, 72 business leaders, including 20 women (28 percent) were sent to the United States under a United States-South Africa Leadership Exchange Program (USSALEP) cooperative agreement, for a short-term intensive course at Wharton Business School, in conjunction with Merrill Lynch and the HBCU, Morgan State University. The numbers exposed to this training, exceeded by nearly 50% the number of participants originally anticipated, thanks to USSALEP's endeavors to secure counterpart contributions for all of the private sector participants.

### **IR5.6: Improved Capacity of Historically Disadvantaged Small, Medium and Large Enterprises to Respond to Financial Market Requirements**

Improved access to long term risk capital will be enhanced through the start-up of USAID's Equity Access System (EASY) activity as well as the Regional Technical Assistance Activity (RTAA), both commencing in FY97. During this last year, much greater than anticipated results were recorded for the Business Linkages for Underutilized Enterprises (BLUE) activity.

The BLUE project, a \$2.5 million cooperative agreement with the National Industrial Chamber (NIC), was created to assist the NIC in structuring commercially-viable, long-term relationships between corporations and small and medium supply firms where the historically disadvantaged have a majority equity interest. As a result of the BLUE project activities, at least 50 historically underutilized suppliers are expected to obtain at least four contracts (as opposed to orders) for corporate procurements averaging R75,000 (\$16,950) per contract executed during the life of the project. Of a target of 20 large corporations implementing small business initiatives, nine have already contracted with small suppliers as a result of BLUE initiatives. Further, of a R15 million (\$3.3 million) target in supply contracts, R8.0 million has been achieved from October 1995 to October 1996, equivalent to more than \$1.8 million of the total project cost of \$2.5 million in just over one year since the project's inception. These contracts include a R700,000 (\$158,192) contract for the refurbishment of the luxurious Blue Train, a R3.2 million (\$.72 million) contract awarded by the Northern Province Department of Education, and a R2.5 million (\$.56 million) contract from the Department of Correctional Services to manufacture 105,000 garments. A consortium has been formed with six small manufacturers to supply the garments. The value of these contracts obtained in just one year far exceeds the original expectation of R5 million (\$1.29 million).

In order to increase business skills among supplier firms, NIC will develop, test and deliver at least six training modules, including skill testing, instructor's plans, case studies, and exercises. NIC is expected to utilize these modules in 30 training sessions reaching at least 1,000 entrepreneurs. Courses will be offered in topics such as marketing to meet the needs of large customers and improving quality control in the small business environment. To date, 29 training sessions involving 938 participants have been conducted (this compares with a target of 1,000 entrepreneurs over a three year period). The modules have included: obtaining tender business; the tender game; negotiating skills purchasing; clothing/textile manufacturers' training program (in association with the SA Bureau of Standards); and the National Productivity Institute Game. Five additional training modules are nearing completion. In FY97, USAID will start tracking individuals trained to find out how they have applied their increased business skills.

## **2. Expected Progress and Management Actions**

**Policy Environment:** Significant impact should begin to be recorded on improving the policy environment for improving access to capital for informal and microenterprises (IR5.1) and small, medium and large enterprises

(IR5.4). Under the Microenterprise Support Project, the policy, regulatory and administrative constraints confronting microentrepreneurs will be continuously monitored and recommendations advanced. The areas to be assessed include:

- the Usury Act, as it affects the legal upper-limit of interest rates vs. the true cost of market demand-determined willingness to pay for the provision of credit, and the future sustainability of micro-finance institutions;
- restraints to entry into the formal sector (licensing, inspections, taxation, audited accounts, etc.);
- tax exemptions for financial service organizations that reach and serve the disadvantaged; and
- sector-specific constraints.

**Capacity of the financial sector to service SMMEs:** (IR5.2 and IR5.5) Beginning in FY97, SO5 will be able to report on the impact of disbursements made under government's Khula Enterprise Finance and Credit Guarantee facilities. Furthermore, the Southern Africa Enterprise Development Fund has just commenced approving its initial equity and debt investments. Disbursements within South Africa will be reported on. The value of government assets restructured/privatized and the impact on SMMEs will be reported as a result of our bilateral agreement with the Ministry for Public Enterprises, as will the value of private sector assets restructured/divested to benefit the historically disadvantaged population as a result of USAID assistance.

**Capacity of historically disadvantaged enterprises to respond to financial market requirements:** (IR5.6) Similarly, the impact of technical assistance provided under the EASY and RTAA projects will be recorded, noting the value and number of deals intermediated through USAID assistance. Over time, we will track the impact of these investments on firm-level employment, turnover, asset growth and profitability.

**OBJECTIVE:** Strategic Objective 5: Increased access to financial markets for the historically disadvantaged population

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Increased access to financial markets for the historically disadvantaged population

**INDICATOR:**Total value of funds leveraged for informal and microenterprises, and small enterprise loans

**UNIT OF MEASURE:** Dollars leveraged through USAID assistance (US\$ Million)

**SOURCE:** Loan Portfolio Guarantee & Microenterprise Sector Project records

**INDICATOR DESCRIPTION:** Target amounts are cumulative for the program. For broader impact assessment, funds leveraged through USAID support will be compared with total funds leveraged nationally in South Africa on a percentage basis.

**COMMENTS:** The total value of loans, \$12.2 million, exceeded USAID's original target. This represented more than 4,400 loans leveraged through USAID's loan portfolio guarantee program, in addition to the actual loans made through USAID microfinance grantees, which totaled 16,150 in FY 1996. Sixty percent of these loans were made to women.

YEAR	PLANNED	ACTUAL
1985		0
1996	\$12M	\$12M
1997	\$15M	
1998	\$20M	
1999	\$25M	
2000	\$30M	
2001	\$35M	

**OBJECTIVE:** Increased access to financial markets for the historically disadvantaged population

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Increased access to financial markets for the historically disadvantaged population

**INDICATOR:** Total number of SMME formal loans to HDP

**UNIT OF MEASURE:** USAID assisted loans to HDP

**SOURCE:** LPG & MSP project reports

**INDICATOR DESCRIPTION:** Number of loans will be disaggregated by gender of recipients where possible starting in FY 97 when it is anticipated that the performance monitoring system for this SO will be operational.

**COMMENTS:** The banks participating in USAID's loan guarantee program have each dedicated significant resources to the development of their small business and microenterprise lending programs. The demand and utilization of the Guarantee facility has grown significantly, resulting in the leveraging of \$12.2 million in small business loans to nearly 4,500 new and expanding enterprises. One of the great benefits of the program is its leveraging factor. Currently, approximately \$616,000 of subsidy cost is leveraging a potential \$27 million in loans to small business, a factor of 44:1. USAID's loan guarantee program served as a model for the South African Government's new Khula Credit Guarantee Facility which is just beginning to approve guarantee facilities with intermediary institutions.

YEAR	PLANNED	ACTUAL
1985		0
1996	4400	4427
1997	5500	
1998	6500	
1999	7500	
2000	8500	
2001	9000	

**OBJECTIVE:** Increased access to financial markets for the historically disadvantaged population

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 5.2: Improved capacity of the financial sector to service historically disadvantaged informal and micro enterprises

**INDICATOR:** Amount of financing made available to intermediate NGOs

**UNIT OF MEASURE:** US\$ Millions

**SOURCE:** PACT & LPG project reports

**INDICATOR DESCRIPTION:** Indicator reflects USAID supported financing. Data are cumulative.

**COMMENTS:** During the past year, \$2.1 million was disbursed to 79 NGOs (original target of 40 NGOs) to maintain their existing microenterprise service capacity. In addition, five of the six banks participating in USAID's loan portfolio guarantee program (LPG), had their agreements amended to allow the banks to on-lend to microcredit NGOs. Two additional banks newly participating in the LPG scheme have incorporated this provision for on-lending to NGOs under the guarantee facility. With a 50% credit guarantee on borrowing of up to \$500,000, these NGOs can more readily tap into commercial financing sources, thereby improving their client's--microentrepreneurs--access to financing.

YEAR	PLANNED	ACTUAL
1994		0
1996	\$2.1M	\$2.1M
1997	\$3.0M	
1998	\$4.0M	
1999	\$5.0M	
2000	\$6.0M	

**OBJECTIVE: Increased access to financial markets for the historically disadvantaged population**

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME: Intermediate Result 5.3: Improved capacity of historically disadvantaged enterprises to respond to financial market requirements**

**INDICATOR:** Number of microenterprises accessing loans through DTI/Khula programs and NGOs (current borrowers)

**UNIT OF MEASURE:** SMME

**SOURCE:** Khula, Get Ahead, IBEC reports

**INDICATOR DESCRIPTION:** Target figures are cumulative. The data on the number of microenterprises accessing loans will be disaggregated by gender in FY97.

**COMMENTS:** Through the various USAID initiatives to provide basic business training and loan financing to microentrepreneurs, more than 16,000 informal and microenterprises and 4,400 small businesses through USAID's guarantee program were able to access credit.

YEAR	PLANNED	ACTUAL
1994		0
1996	10,000	20,000
1997	15,000	
1998	20,000	
1999	25,000	
2000	30,000	

<b>OBJECTIVE: Increased access to financial markets for the historically disadvantaged population</b>			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME: Intermediate Result 5.4: Improved policy environment to facilitate access to capital for historically disadvantaged small, medium and large enterprises</b>			
<b>INDICATOR:</b> Policy recommendations implemented: Black Business Manifesto promoted; Small Business Enabling Act gazetted; Green Paper on procurement policy released; State tender system amended -			
<b>UNIT OF MEASURE:</b> Yes/No (Cumulative) <hr/> <b>SOURCE:</b> NAFCOG & DTI reports <hr/> <b>INDICATOR DESCRIPTION:</b> <hr/> <b>COMMENTS:</b> The Ntsika (pillar) Enterprise Promotion Agency (NEPA) was created during this period, with its board approved and functioning and staffing of the Agency completed. NEPA was designated as a statutory institution under the recently-gazetted Small Business Enabling Act. The creation of NEPA is notable, because among its missions is the provision of information to stakeholders to guide decision-making policy formulation and review.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1994		No
	1996	All 4 areas implemented	
	1997	Continued implementation of Black Business Manifesto	

**OBJECTIVE:** Increased access to financial markets for the historically disadvantaged population

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 5.5: Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises

**INDICATOR:** Amount of financing made available

by financial sector:

1. loan guarantee (LPG and Khula) -
2. value of corporate assets dispersed -
3. value of corporate assets intermediated by SAEDF -
4. value of govt assets restructured/privatized -

**UNIT OF MEASURE:** US\$ million and billion

**SOURCE:** LPG, Khula; KPMG; SAEDF; MPE and Reserve Bank reports and records

**INDICATOR DESCRIPTION:** Amounts include direct USAID Annual funds or value intermediated by USAID. Data are cumulative.

**COMMENTS:** The total value of funds leveraged for informal and microenterprise loans through FY96 totaled 12.2 million, exceeding USAID's original target. Reporting on the progress of the other activities will begin in FY 1997. The Southern Africa Enterprise Development Fund has just commenced approving its initial equity and debt investments. The value of government assets restructured/privatized and the impact will be reported as a result of USAID bilateral agreement with the Ministry for Public Enterprises, as will the value of private sector assets restructured/devised to benefit the historically disadvantaged population as a result of USAID assistance.

YEAR	PLANNED	ACTUAL
1994		0
1996	1. \$12M 2. \$0 3. \$0	\$12.2m \$0 \$0
1997	1. \$20M 2. \$5M 3. \$5M 4. \$1B	
1998	1. \$30M 2. \$10M 3. \$15M 4. \$1.2B	
1999	1. \$40M 3. \$25M 4. \$1.4B	
2000	1. \$50M 3. \$35M 4. \$1.6B	
2001	3. \$50M	

<b>OBJECTIVE: Increased access to financial markets for the historically disadvantaged population</b>			
<b>APPROVED: pending COUNTRY/ORGANIZATION: South Africa</b>			
<b>RESULT NAME: Intermediate Result 5.5: Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises</b>			
<b>INDICATOR: Number of bankers or financial professionals trained</b>			
<b>UNIT OF MEASURE:</b> Bankers trained  <b>SOURCE:</b> IFESH, USSALEP and LPG reports  <b>INDICATOR DESCRIPTION:</b> Number of bankers trained will be disaggregated by gender. Of the 72 trained, 20 were females.  <b>COMMENTS:</b> During the reporting period, 72 business leaders, including 20 women (28%) were sent to the United States under a USSALEP (United States-South Africa Leadership Exchange Program) cooperative agreement, for a short-term intensive course at Wharton Business School, in conjunction with Merrill Lynch and the HBCU, Morgan State University. The number of individuals exposed to this training exceeded by nearly 50% the number of participants originally anticipated, thanks to USSALEP's endeavors to secure counterpart contribution for all of the private sector participants.	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1994		0
	1996	50	72
	1997	100	
	1998	100	
<b>OBJECTIVE: Increased access to financial markets for the historically disadvantaged population</b>			
<b>APPROVED: pending COUNTRY/ORGANIZATION: South Africa</b>			
<b>RESULT NAME: Intermediate Result 5.5: Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises</b>			
<b>INDICATOR: Number of HDP small and medium firms successfully tendering for large contracts</b>			
<b>UNIT OF MEASURE:</b> HDP firms  <b>SOURCE:</b> BLUE project records  <b>INDICATOR DESCRIPTION:</b> Data are cumulative. Data will also be disaggregated by gender to the extent possible.  <b>COMMENTS:</b> During this reporting period, much greater than anticipated results were recorded for the Business Linkages for Underutilized Enterprises (BLUE) activity. Of a target of 20 large corporation implementing small business initiatives, 9 have already contracted with small suppliers as a result of BLUE initiatives	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1990		0
	1996	10	11
	1997	30	
	1998	50	

**OBJECTIVE:** Increased access to financial markets for the historically disadvantaged population

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 5.5: Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises

**INDICATOR:** Value of contracts obtained through USAID assisted linkages

<b>UNIT OF MEASURE:</b> Rand (Million)	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> BLUE project reports			
<b>INDICATOR DESCRIPTION:</b> Data are cumulative.	1990		0
<b>COMMENTS:</b> Of a target of R15 million (\$3.38 million) in supply contracts, R8.0 million (\$1.8 million) had been achieved from October 1995 to October 1996. These contracts include a R700,000 (\$158,000) contract for the refurbishment of the luxurious Blue Train, a R3.2 million (\$720,000) contract awarded by the Northern Province Department of Education, and a R2.5 million (\$564,000) contract from the Department of Correctional Services to manufacture 105,000 garments. The value of these contracts obtained in just one year far exceeds the original expectation of R5 million (\$1.1 million).  The exchange rate used for conversion of rands to dollars is R4.425 = \$1 as of February 28, 1997.	1996	R5M	R8.027 million
	1997	R10M	
	1998	R15M	

**F. SO6: INCREASED ACCESS TO ENVIRONMENTALLY SUSTAINABLE HOUSING AND URBAN SERVICES FOR THE HISTORICALLY DISADVANTAGED POPULATION**

**1. Summary and Analysis of Data, and Contribution of USAID Activities**

**a Summary**

September 1996 marked the half-way point between the 1994 and 1999 national democratic election in South Africa. It also marks the point at which the Republic of South Africa had to demonstrate unequivocally to the electorate that it is making inroads on the housing problem, and that it will be able to hit, or at the very least approach, the promised target of providing one million housing units by the year 2000.

The obstacles that the government must overcome to make good on its promise are daunting; moreover, the gains that it has made, to date, are primarily in the area of policy, and are, therefore, not readily apparent to the man on the street. But, perceptions aside, concrete steps have been taken to ameliorate the constraints on housing delivery over the last two years, and the Department of Housing (DOH) currently believes that it may be able to achieve its goal. It is within this context that USAID/South Africa continues to support public and private sector stakeholder efforts to provide the disadvantaged majority with housing and basic urban services.

USAID/South Africa's creation of a discrete Strategic Objective (SO) for housing and urban services in its new Country Strategy Program (CSP) is, in part, reflective of the magnitude of the challenge facing the sector. At the same time, the types of assistance being provided through USAID have not altered appreciably under the new CSP because the nature of the constraints remain unchanged. Developing policies that encourage housing and service provision for disadvantaged households, increasing access to credit for lower income group, and providing technical assistance to strengthen the capacity of community groups to plan and implement housing delivery remain the focus of USAID's shelter program. Employing a multiplicity of tools and undertaking a wide range of interventions are still the program's hallmark. The most important change under the CSP has been the addition of a new intermediate result (IR) intended to improve urban environmental management capacity. This new IR is an essential complement to the existing IRs and is intimately linked to the long-term sustainability of the programs now being implemented.

For this reporting period, USAID/South Africa can assert that the level of achievement reported upon in the FY95 R2A has been equaled, and, in many instances, surpassed. This is because programs that were designed and established in 1994 and 1995 are now positioned to show tangible results. Policies that USAID was instrumental in developing in 1994 and 1995 are now being implement on an appreciable scale, and, in some instances, are being fine-tuned in response to inputs from beneficiaries and other key stakeholders. In the critical area of access to credit, USAID's programs are also bearing fruit. Banks participating in the Housing Guarantee loan projects

**East Rand Builders Association**

Thuli began as a realtor whose job put her in contact with the world of contractors. Being a curious person, she would visit construction sites, look at how things were done, and ask questions. In 1989 she decided to start her own business and sold her house to raise funds. She bought a car with part of the proceeds, sold it at a profit, and used all the funds thus generated to secure an overdraft facility with a local bank. In 1995, she heard about NURCHA from one of her suppliers, and, with its assistance, secured a bridging loan of R350,000 from a bank. Thuli has been engaged by the Provincial Housing Board, the municipality of Germiston, Transnet and Gendev as a contractor and a developer in four areas on the East Rand. Her company, the East Rand Builders Association which employs over 200 people, is responsible for providing 250 of the housing units that have been completed in the area this year. The challenge facing her in 1997 is to deliver 50 units per month at a site in Vosloorus, but Thuli is undaunted. She is determined she will make her mark in the delivery process, for the benefit of her people.

(authorized in late FY94 and FY95) have now submitted substantial eligible expenditures in the form of mortgages and small housing loans to low-income households. Other entities (non-traditional lending institutions and NGOs) that provide credit for shelter have also increased the volume of assistance to their target audience. Finally, the impact of non-credit linked assistance provided to disadvantaged communities has also continued to expand. USAID-assisted NGOs have helped dozens of community-based organizations to manage the housing and service delivery process in their communities and many can now assess the results of their efforts in the form of actual serviced units on the ground.

The section below provides information on what has been achieved under three of SO6's IRs in FY96. The fourth IR: *Improved capacity to apply sustainable/participatory environmental management principles to local-level urban development*, owing to its newness, will not be discussed at this time.

At the sub-goal level, USAID is measuring total country-level progress, including inputs from the public and private sector and other donors, in furnishing historically disadvantaged households with key urban environmental services such as water, sanitation and electricity. At the SO level, USAID is limiting its reporting to the impact of its own interventions on access to housing and urban services for the same target group. The first key indicator at the SO level is *the total value of funds, including amounts leveraged, made available and the total number of households with access to full or partial shelter units and urban services in focus areas*. In FY96, USAID, through its programs, helped to make available over R454,600,000 (approximately \$103,318,182 at the current rate of exchange of 4.4:1) for the provision of housing and urban services for historically disadvantaged households. This figure is a cumulative total for all of the funds provided for low-income housing and services through all of the programs carried out by SO6. It should be noted that not all of SO6's programs can be translated directly into a rand total. This is particularly true for most of the policy and training activities, and for many of the technical assistance programs. However, almost all of USAID's credit-linked activities, can, and have been assessed in terms of a rand input to housing and service provision. For the FY97 and FY98 exercises, USAID is planning to report on the actual rand value of the majority of its technical assistance inputs.

In terms of the second SO level indicator, *total number of HDP households with access to full or partial shelter units and urban services*, USAID calculates that over 247,000 households were given access or helped to obtain access through USAID-funded programs in FY96. The major contributors to this indicator are, the credit and technical assistance programs, although inputs provided through some of the USAID-supported policy initiatives, have contributed to this total. For both indicators, it should be noted that figures provided at the SO level are essentially a composite of the relevant figures provided at the lower IR levels.

#### **Victoria Mxenge Housing Savings Scheme**

Patricia Matolengwe is a pioneer in South Africa's housing sector. The 41 year old had dreamed of being a nurse, but lack of funds forced her to leave school early and go to work as a maid. Her involvement in her church put her in contact with the homeless people's movement which inspired her to spearhead the Victorian Mxenge Housing Savings Scheme along with 11 of her neighbors. Today the scheme has over R50,000 in savings and the members have built 18 houses for themselves. The group received technical assistance in organizing its efforts under USAID's Community and Urban Services Support Project and is now being assisted in building and equipping its training/community center under a USAID grant. It has also been instrumental in helping other groups of homeless women organize and build houses, 61 at the last count. Patricia has also evolved as one of the three national leaders of the Homeless People's Federation, the group which has made the most significant impact on the approach to housing provision for the poorest of the poor in South Africa. Patricia still lives in a shack with her family and is waiting unselfishly her turn to have a house built through the scheme that she helped to create.

#### **b. Intermediate Result Reporting**

### **IR6.1: Improved environment for the development and implementation of a policy agenda for increasing access to housing and urban services for the HDP.**

The major contributors to this IR were the \$1.5 million bilateral agreement with the Department of Housing (DOH), signed in 1994, and the \$300,000 bilateral agreement with Constitutional Development and Provincial Affairs (CDPA), signed in 1995. In FY95, USAID reported that technical assistance provided through the DOH agreement was utilized by the DOH to set up a policy framework and the related implementing institutions required to address specific constraints on shelter delivery. In addition to the White Paper on Housing (the seminal policy document), these include: the Housing Subsidy Scheme, which provides the lowest-income groups with a one-time, graduated, housing grant; the Mortgage Indemnity Fund (MIF), which insures banks against the political risks associated with mortgage loans, the National Home Builders Registration Council (NHBRC) /National Builders Warranty Program, which guarantee the quality of housing construction, and the National Housing Finance Corporation (NHFC), which will increase the level of funds mobilization for both formal and non-traditional lending institutions. FY96 USAID furnishing data on the implementation of this framework as per the following three indicators:

Between October 1995 and September 1996, the nine Provincial Housing Boards (the implementers of the subsidy program) approved over 101,000 housing subsidies to both individuals and groups. Should the current trend continue, the DOH anticipates that it will exhaust its subsidy budget for this fiscal year. This is a major achievement given that it was obliged to roll over funds set aside for subsidies in the two previous fiscal years owing to the inability of its administrative mechanisms to process and approve subsidy applications.

From June 1995 to August 1996, the Mortgage Indemnity Fund provided coverage to banks against the political risk of non-payment in 550 areas (areas formerly red-lined by the commercial banks). In absolute terms, this coverage allowed banks to issue 52,000 new housing loans during that period. It is estimated that the number of areas now covered by the MIF represent half of those that could potentially receive coverage. Currently, MIF is assessing and covering between 10 and 20 new areas on a monthly basis.

Finally, 1,919 contractors have been certified under the National Home Builders' Warranty Fund with an additional 1,074 applications having been submitted for approval to the program. A significant proportion of the contractors being certified are "emerging contractors" belonging to the disadvantaged majority population. The Home Builder's Warranty Fund reports that it is processing applications at the rate of 200 per month; however, because no accurate figures exist for the number of emerging contractors, it is difficult to assess how many contractors could eventually be registered under this program.

The DOH also utilized the funds remaining in the 1994 bilateral agreement to monitor the implementation of its new policies and to refine them in response to the findings. Examples of these changes include: providing the housing subsidy in tranches, as opposed to a lump sum, and eliminating the requirement that a signed "social compact" (proving beneficiary participation in the development of the project) must accompany each project submitted for funding under the subsidy. The final activity under the bilateral has been the creation of the People's Partnership (PHP)<sup>6</sup>, viewed by the DOH as the final piece in its total housing puzzle. In September 1996, USAID signed a second \$5.5 million bilateral agreement with the DOH which will be used to implement the PHP and will be reported upon in subsequent R4 submissions.

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<sup>6</sup>The PHP is an independent trust set up by the DOH. Its objective is to build the capacity of households and communities and provide them with authority and competence to resolve their own housing problems.

In FY96, the \$300,000 CDPA/USAID bilateral agreement was employed to, finalize the CDPA's Municipal Infrastructure Investment Framework (MIIF) and to help to organize the March 1995 National Infrastructure Conference in which the framework was presented to all concerned entities including: the financial sector, other ministerial departments, local governments, labor and consumer groups. At the conference, the government emphasized its decision to enlist the aid of the private sector in financing the provision of infrastructure (including the use of privatization options) and launched the implementation phase of the MIIF. USAID signed a second bilateral agreement with CDPA in September 1996 for \$3.5 million to provide technical assistance for implementation of the MIIF.

### **IR6.2: Previously-Ineligible Households, Developers, Builders, and Municipal Service Providers Obtain Access to Credit for Housing and Urban Services**

Credit mobilization is an area in which USAID/South Africa has a clear advantage owing to the variety of implementing mechanisms that it has at its disposal. The two indicators associated with IR6.2 are: (1) number of households who obtain credit and (2) rand value of credit obtained for shelter (including amounts leveraged) by historically disadvantaged households. In FY96 USAID mobilized R454,000,000 (approximately \$103,181,818 at the current rate of exchange of 4.4:1) in credit to be utilized for housing and urban services intended for its target population which resulted in the provision of credit to over 83,000 low-income households.

The Housing Guarantee Loan Program, implemented through NEDCOR and First National Bank (FNB), is USAID's primary instrument for leveraging funds. Under the Private Sector Housing Guarantee (PS-HG), authorized in September 1994, FNB reported issuing over R89,334,000 (approximately \$20,303,182 at the current rate of exchange of 4.4:1) in credit, of which 17 percent represented mortgages and 83 percent represented shelter-related micro-loans, to 9,609 households. Under the September 1995 Basic Shelter and Environment Housing Guarantee (BSE-HG), NEDCOR reported issuing R271,686,000 (approximately \$ 61,746,818 at the current rate of exchange of 4.4:1) in credit to 31,562 households of which 20 percent represented mortgages and 80 percent micro-loans. Both banks have surpassed the 15 percent gender targets contained in the program agreements by issuing approximately 22 percent of their loans to female-headed households.

USAID has also utilized three Project Preparation trusts to leverage over R20,000,000 in resources in FY96. The trusts make short-term loans to community-based organizations to be utilized for the preparation of projects that are submitted for consideration to potential funders (i.e., bi- and multi-lateral donors and municipalities). They also provide small grants for short-term technical assistance to help in the start-up phase of projects. The project preparation trusts do not keep gender disaggregated data on their loans; however, the communities that profit from this assistance are those in which an estimated one third of all households are headed by women. USAID-funded non-traditional lenders are also a source of credit for shelter and urban services. In FY96 the emerging Saving and Credit Cooperative League of South Africa (SACCOL), which is patterned after U.S. and Canadian credit unions, and CASHBANK, a depositor owned bank, together provided almost 11,000 housing loans worth over R31,000,000 to individuals earning at or around median income. An estimated 15 percent of CASHBANK's loans were to women.

Three grantees, National Urban Reconstruction and Housing Association (NURCHA), Entrepreneurial Development of South Africa (EDSA), and the New Housing Company (NEWHCO), furnished over R49,000,000 (approximately \$11,136,363 at the current rate of exchange of 4.4:1) in bridge financing for emerging developers or for low income housing developments. Of the three grantees, NURCHA has been

exceptionally successful in its first eighteen months of operation. It has supplied guarantees (ranging between 45 percent and 70 percent of the value of the loan) to commercial banks for loans to emerging developers thereby unlocking over R27,600,000 (approximately \$6,272,727 at the current rate of exchange of 4.4:1) in credit and providing desperately needed support for the group that will ultimately provide the bulk of the promised one million houses.

In FY96 USAID also provided grants to a number of community-based savings and loan schemes. Owing, in part, to the long start-up time required for activities of this type, only one entity reported achievements this FY. People's Dialogue, to which USAID has provided a \$300,000 grant to be utilized as a revolving fund for the setting up of Building and Technology Information Centers, the heart of its operation, has provided shelter-linked savings services to over 27,000 households and made micro-loans valued at over R10,400,000 (approximately \$2,363,636 at the current rate of exchange of 4.4:1) in the reporting period. As is frequently the case with micro-savings and loan schemes, over 90 percent of the participants in this program are women. The Victoria Mxenge Housing Scheme, whose founder, Patricia Matolengwe, is featured in our first success story, is an example of work done under this activity.

### **IR6.3: Increased, Non-Credit Forms of Assistance Made Available by Participating Institutions to HDPs for Obtaining Access to Housing and Urban Services**

IR6.3 is perhaps the most complex in terms of assessing impact and assigning causality. Nevertheless, USAID/South Africa can report significant impact from this IR during FY96. Thirteen USAID partners (twelve NGOs and one contractor), working with dozens of community-based organizations, have reported being directly instrumental in obtaining housing and urban environmental services for over 131,000 households in FY96. The thirteen grantees provide their customers with a wide range of services ranging from training, mentorship and technical assistance through legal aid and small impact grants. Their role has been to take community organizations, whose previous focus has been protest activities, and transform them into dynamic developmental entities that address, not just housing, but the larger constellation of resource issues. All of the grantees under IR6.3 have reported on the length and complexity of the process and upon the inevitability of encountering a fairly high percentage of failure, despite best efforts and intentions. Community in-fighting, local-level politics, poor leadership and a host of other factors are cited as the cause. At the same time, USAID has funded and will continue to fund NGOs working in the shelter sector because they are, in most instances, the only method of providing assistance to the poorest of the poor, including the large proportion of women-headed households that live in squatter settlements and other low-income areas.

## **2. Expected Progress and Management Actions**

**Management Actions:** In FY97, USAID anticipates reducing the number of grantees and utilizing umbrella organizations (for issuance and management of grants) as a means of compensating for the high program-to-personnel ratio in SO6. Currently, three urban development professionals, one program assistant and a secretary manage thirty-nine active grants (\$18.3 million), a large institutional contract (\$17.2 million); five bilateral agreements (\$10.8 million), and four Housing Guarantee agreements (\$169.9 million). To provide adequate program supervision and effective implementation, SO6 will close-out over a dozen grants in FY97 and channel future grants through less management-intensive umbrella organizations. The reduction in the grant management load is also motivated by the need to devote more time to expanding the relationships with national and local governments (under bilateral agreements), given their comprehensive housing and environmental service delivery responsibilities.

**Implementation and New Design Activities:** In FY97, SO6 will: (1) put in place the agreements addressing the new environmental management IR; (2) set up implementing mechanisms for the September 1996 bilateral agreements with DOH and CDPA; and (3) amend the Shelter and Urban Development Project that provides funding for non-HG, SO6 activities. For both the environmental management IR and the bilateral agreements, program impacts will probably not be observable until FY98. Finally, SO6 will be designing a new Municipal Environmental Infrastructure HG and technical assistance project that will focus upon financing urban environmental infrastructure and services for low-income communities.

**Expected Progress in FY97:** In FY97, SO6 expects to be able to continue to chart major gains in: (1) the implementation of DOH and CDPA policies; and (2) the provision of shelter-related loans under the existing Housing Guarantees.

**OBJECTIVE:** Strategic Objective 6: Improved access to environmentally sustainable housing and urban services for the HDP

**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Improved access to environmentally sustainable housing and urban services for the HDP

**INDICATOR:** Total Rand value of funds (including amounts leveraged) made available for shelter and urban services

**UNIT OF MEASURE:** SA Rand

**SOURCE:** RSA government data

**INDICATOR DESCRIPTION:** Figures do NOT include private sector firms, financial institutions and CSOs which did not receive USAID support. TBD = To Be Determined

**COMMENTS:**

YEAR	PLANNED	ACTUAL
1992		0
1996	R0.9 billion	
1997	R1.56 billion	
1998	R2.56 billion	
1999	TBD	
2000	TBD	

**OBJECTIVE:** Improved access to environmentally sustainable housing and urban services for the HDP  
**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Improved access to environmentally sustainable housing and urban services for the HDP

**INDICATOR:** Total number of HDP households with access to full or partial shelter units and urban service that meet criteria in focus areas

<b>UNIT OF MEASURE:</b> HDP households	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> RSA government data	1992		0
<b>INDICATOR DESCRIPTION:</b> Figures do NOT include private sector firms, financial institutions and CSOs which did not receive USAID support. TBD = To Be Determined	1996	38,000 households	
	1997	47,500 households	
	1998	100,000 households	
	1999	TBD	
	2000	TBD	
<b>COMMENTS:</b>			

**OBJECTIVE:** Improved access to environmentally sustainable housing and urban services for the HDP  
**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 6.1: Improved Policy Environment for Facilitating Access to Shelter and Urban Services

**INDICATOR:** Implementation of policy framework as assessed by: (see Note 1)  
 (a) number of housing subsidies issued  
 (b) number of areas covered by Mortgage Indemnity Program (see Note 2)  
 (c) number of builders registered under Builder Warranty Scheme. (see Note 3 )

<b>UNIT OF MEASURE:</b> Policy documents and survey of practices	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
<b>SOURCE:</b> RSA government data and informal survey	1993		0
<b>INDICATOR DESCRIPTION:</b> 1. Note- all of the figures provided below are cumulative. 2. The average number of areas assessed per month is 10. Total number of areas that could receive coverage is estimated to be 1,000. 3. The total number of contractors that could be registered is estimated to be 7,000 (although no firm figures exist for the number of active emerging contractors in South Africa).	1996	a. 100,000 b. 500 c. 1,500	90,472 550 2,000
	1997	a. 200,000 b. 600 c. 3,000	
	1998	a. 400,000 b. 670 c. 4,000	
<b>COMMENTS:</b>	1999	a. 600,000 b. 800 c. 5,000	

<b>OBJECTIVE:</b> Improved access to environmentally sustainable housing and urban services for the HDP			
<b>APPROVED:</b> pending <b>COUNTRY/ORGANIZATION:</b> South Africa			
<b>RESULT NAME:</b> Intermediate Result 6.2: Previously ineligible households, developers/builders and municipal service providers who obtain access to credit			
<b>INDICATOR:</b> Number of HDP households who obtain credit for shelter and urban services			
<b>UNIT OF MEASURE:</b> HDP households <hr/> <b>SOURCE:</b> Reports from USAID/SA clients <hr/> <b>INDICATOR DESCRIPTION:</b> 1. Note that the figures provided are cumulative. 2. Some credit providers are likely to experience an initial growth in HDP households receiving credit, followed by a levelling off or possible decline. This might be the result of the most credit worthy HDP households being approved for credit in the initial years, with the less credit worthy accumulating in the later years. USAID's program , with special-reference to the Housing Guarantee Loans, is aimed at convincing the formal financial sector to extend credit to ever lower income groups. 3. Two of the major HG programs will end on/or about FY1999. A third program will begin in FY 98. Owing to these changes, projections for the year 1999 and beyond are not provided at this time. <hr/> <b>COMMENTS:</b>	<b>YEAR</b>	<b>PLANNED</b>	<b>ACTUAL</b>
	1993		0
	1996	80,000	117,000
	1997	180,000	
	1998	200,000	
	1999	TBD	
	2000	TBD	

**OBJECTIVE:** Improved access to environmentally sustainable housing and urban services for the HDP  
**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 6.2: Previously ineligible households, developers/builders and municipal service providers who obtain access to credit

**INDICATOR:** Rand value of credit obtained by HDP households, developers/builders, and service providers for HDP shelter and urban services

UNIT OF MEASURE: RSA Rand (Million)	YEAR	PLANNED	ACTUAL
<b>SOURCE:</b> Reports from USAID/SA clients	1992		0
<b>INDICATOR DESCRIPTION:</b> 1. All Figures are MILLION Rand and are cumulative 2. Some credit providers are likely to experience an initial growth in HDP households receiving credit, followed by a levelling off or possible decline. This might be the result of the most credit worthy HDP households being approved for credit in the initial years, with the less credit worthy accumulating in the later years. USAID's program , with special-reference to the Housing Guarantee (HG) Loans, is aimed at convincing the formal financial sector to extend credit to ever lower income groups. 3. The two major HG projects will end on/or about FY1999. A third project will begin in FY'98. Owing to these changes, projections for the year 1999 and beyond are not provided at this time.	1996	R300M	R454.6M
	1997	R700M	
	1998	R900M	
	1999	TBD	
<b>COMMENTS:</b>	2000	TBD	

**OBJECTIVE:** Improved access to environmentally sustainable housing and urban services for the HDP  
**APPROVED:** pending **COUNTRY/ORGANIZATION:** South Africa

**RESULT NAME:** Intermediate Result 6.3: Increased non-credit forms of assistance made available

**INDICATOR:** Number of HDP households that receive services through USAID Partner intervention

**UNIT OF MEASURE:** HDP households

**SOURCE:** Reports from USAID/SA clients

**INDICATOR DESCRIPTION:**

1. These figures are cumulative
2. The target numbers for this indicator are believed to be conservative estimates. This is because the true number of beneficiaries goes beyond the number of individuals who seek assistance from USAID partner organizations. For example, several organizations are involved in facilitating the transfer of house ownership in HDP communities. Most often this assistance takes the form of working with community leaders who may represent a few, or several hundred or thousand people. So, while the partner organization may only have contact with a small group, the number of people who benefit can be quite large. Additionally many more people are likely to benefit indirectly when the information and experience gained through these services are communicated and shared to family, friends and other community members.
3. Totals are increasing but at diminished rates because the number of USAID/Grantees is being significantly reduced starting in FY1996 in response to decreasing OYB levels.

**COMMENTS:**

YEAR	PLANNED	ACTUAL
1995		0
1996	110,000	130,890
1997	190,000	
1998	250,000	
1999	TBD	
2000	TBD	

**PART IV: RESOURCE REQUEST**

**A. Financial Plan**

USAID/South Africa's request for FY99 is based upon its recently submitted CSP:

**Table 1: Financial Plan for FY 1999**

	\$ Millions		
	FY97	FY98	FY99
Development Assistance	<b>\$86.5</b>	<b>\$70.0</b>	<b>\$54.0</b>
SO1, Democracy/Governance	17.0	16.75	17.8
SO2, Education	28.3 <sup>7</sup>	14.45	11.0
SO3, Health	11.5	12.0	10.0
SO4, Economic Capacity	4.0	4.0	4.7
SO5, Private Sector	6.0	6.0	-
SO6, Housing	7.5	4.5	3.2
Self-Help Program	0.5	0.5	0.5
Program Support	1.7	1.8	1.8
SAEDF	10.0	10.0	5.0
<b>Housing Guarantee</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>
<b>Small Business Loan Guarantee</b>	<b>\$4.0</b>	<b>\$4.0</b>	<b>\$4.0</b>
<b>Total</b>	<b>\$110.5</b>	<b>\$94.0</b>	<b>\$78.0</b>

With these levels, the Mission will continue implementation of its 10-year strategy for Sustainable Transformation for South Africa. We are also requesting the continuation of two invaluable guarantee programs, the Housing Guarantee, which has supported the RSA's promise to its people of adequate shelter and infrastructure; and the Small Business Loan Guarantee program, which has successfully leveraged funding for small to medium entrepreneurs, strengthening the engine for sustainable economic growth.

It should be noted that the above totals now absorb anticipated HIV/AIDS earmarks of \$2.0 million per year. The cost to our program of this adjustment has been to lessen U.S. support to: the formation of civil society and government partnerships; the development of a strong further education sector, primarily based on community colleges, to facilitate the smooth transition of a potentially volatile youth population into gainful employment or

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<sup>7</sup>Includes Bureau \$9 million contribution for Presidential Teacher Training Initiative

higher education; and support to local governments in providing environmentally sustainable infrastructure to compliment new housing sites.

**SO1: Democracy and Governance:** Funding requested for SO1 will support future efforts as detailed in Part III, Section A.2, expected Progress and Management Actions. Results such as the drafting of a civil rights law, establishment of institutional capacity to manage conflict, and the development of strong CSO policy and watchdog capacity, are all critical benchmarks for a developing democracy. Resources required for each FY are as follows: FY97 - \$17.0 million, FY98 - \$18.0 million, and FY99 - \$17.0 million. SO1 will obligate its FY97 budget through six recently authorized Result Packages (RP). On-going projects funded under the Community Outreach and Leadership Development (COLD - 674-0301) Program for democracy and governance activities will continue through the December 1998 PACD.

**SO2: Education:** The Mission's request in education will support the formulation of policies to guide further education and the implementation of newly developed policies for basic, ABET and higher education. Improved systems for information management, resource allocation and strategic planning will be developed during the FY97-99 period to support the education system and help it to support the entire school-aged population. Finally, human and institutional capacities to administer this system will be strengthened. Resources required for each FY are as follows: FY97 - \$28.3 million, FY98 - \$14.45 million, and FY99 - \$11.0 million. Three new results packages will be developed and obligated during FY97. This design effort is the finalization of the realignment of this portfolio with the SO.

**SO3: Health:** Funding requested for this SO will be directed toward the implementation of the EQUITY integrated primary health care program. In addition, a new \$10 million HIV/AIDS activity will be designed in FY 97 and implemented beginning in FY 98, with an expected 5 year time frame for full implementation. Resources required for each FY are as follows: FY97 - \$11.5 million, FY98 - \$12.0 million, and FY99 - \$10.0 million. It should be noted that these planned levels anticipate an HIV/AIDS target of \$2.0 million per year (FY 96 through FY 00).

**SO4: Economic Policy Capacity:** SO4 is the newest addition to the USAID/South Africa portfolio. Already, Mandela Economic Scholars are in the U.S. and consultation groups meet regularly to coordinate technical assistance and other SO activities. Actions during the planning period, FY97-99, will include the continuation of the Mandela Economic Scholars program, support to the government through a demand-driven technical assistance program, support for economic think-tanks and, possibly, the development of an economics training center. This SO will help to provide an informed critical mass of skilled policy analysts to guide the country in making tough economic policy choices. Resources required for each FY are as follows: FY97 - \$4.0 million, FY98 - \$4.0 million, and FY99 - \$4.7 million.

**SO5: Private Sector Development:** FY98 is the final year of funding for SO5. Activities will be completed between FY97 and FY2000 in all IR areas. Resources required for each FY are as follows: FY97 - \$6.0 million and FY98 - \$6.0 million. In addition, funds are requested under this SO for the completion of South Africa-specific funding for the Southern Africa Enterprise Development Fund as follows: FY97 - \$10 million, FY98 - \$5 million, and FY99 - \$5 million.

**SO6: Shelter:** In FY97 SO6 will: (1) put in place the agreements supporting the new environmental management IR; (2) set up implementing mechanisms for the September 1996 bilateral agreements with the Department of Housing and the Department of Constitutional and Provincial Affairs; and (3) amend the Shelter and Urban Development Project that provides funding for non-HG, SO6 activities. Finally, SO6 will design a

new Municipal Environmental Infrastructure HG and technical assistance activity that will focus upon financing urban environmental infrastructure and services for low-income communities. Resources required for each FY are as follows: FY97 - \$7.5 million, FY98 - \$4.5 million, and FY99 - \$3.2 million. Additional HG resources, \$20 million per year, are also requested to continue to assist the RSA in its ambitious housing program.

## B. Pipeline Analysis

As of January 1997, USAID/South Africa's pipeline was \$253 million. Current estimates are that this amount can be drawn down over a period of 4 years. Almost half of this, 44 percent, however, was obligated in FY96, the final year of the \$600 million 3 year "Clinton Pledge" to South Africa following the historic 1994 election. The Mission is using a "swat" Team approach to close out and deobligate all old grants. Of 501 close-out actions identified a year ago 213 have now been officially closed resulting in pending deobligations of over \$2 million. Unfortunately, a portion of this amount was not subsequently made available to the Mission for reobligation, but a plan has been laid recently to prioritize and capture future deobligations for reobligation by this Mission in support of the BNC programs. In addition, agreements with the government totaling some \$100 million have been slow to take-off. Extensive discussions with line ministries as well as the Ministry of Finance are having some impact and should facilitate acceleration of disbursements under these agreements. Disbursements of the \$22 million pipeline for SOs 3 and 4, should increase now that implementation mechanisms are in place (SO3) or being contracted (SO4). The two largest pipeline amounts for SOs 1 and 2, are explained below:

Of the total SO1 pipeline, 63% was obligated within the last two years. SO1's current pipeline is approximately \$54.5 million representing:

- \$31.8 million in on-going grant activities and contracts (including \$8.0 million awarded as new grant activities at the end of FY96),
- \$7.4 million in the Administration of Justice Bilateral agreement,
- \$4.7 million in HIV/AIDS activities, and
- \$10.6 in completed activities that are being closed and funds deobligated.

Approximately \$7.3 million has been disbursed by USAID/Washington to U.S. grantees, but the charges have not yet been sent to the Mission.

SO1 anticipates approximate expenditures for FY97 through FY99 as follows: FY97 - \$22 million, FY98 - \$ 25 million, and FY99 - \$23 million. At an expenditure rate of \$5 - 7 million per year, along with the deobligation of closed-out activities, the SO1's pipeline will be drawn down considerably. Assistance will be required from AID/W to clear outstanding advice of charges (AOCs).

SO2's pipeline is very substantial at over \$100 million. About half of this is in the STEP Project, which has funded about \$75 million in scholarships and is required to fund the full education of every participant. Most of the remainder, about \$38 million, has been tied up in three basic education and youth development bilateral agreements, implementation of which has been delayed for more than two years. The participant training pipeline will diminish on schedule as students complete their education, and we are confident that the bilateral agreements will receive concurrence by the national DOE for implementation in the provinces in the next six months.

**C. Prioritization of Objectives**

R4 guidance requests a prioritization of Mission objectives based upon performance and an order of curtailment. The Mission's strategic objectives 5, private sector, and 6, shelter, are high performers and on track to achieving their stated results in the allocated time frame. SOs 1, democracy and governance, and 2, education, have gone through some adjustment, from broad portfolios which were key to the transition from apartheid, to programs focused on sustainability. These SOs have now clearly defined achievable results to that end. SOs 3 and 4 are new program areas. Planning phases to achieve their objectives are now complete. Implementation is now beginning in these SOs and, barring external disruptions, they should achieve their results in the planned time frame.

As discussed in our R2B, submitted in July 1996, if curtailment of the program were required, it would not involve wholesale elimination of SOs but rather programmatic consolidation to retain what the Mission believes to be essential. Depending on the magnitude of the reduction, curtailment would proceed as follows:

**Table 2: Order of Curtailment**

SOs 1 and 2 Democracy/Governance and Education	Scale back: eliminate public/private/NGO partnerships (IR1.5) in SO 1; and, limit further and higher education interventions to policy development and not the implementation of policies
SO4 Economic Capacity	Would not go into full implementation. Mandela Scholars would continue, shifting management to SO2.
SOs 5 and 6 Private Sector and Housing	Close-out early, by 2000 rather than 2001.

**D. Linkage of Field Support**

USAID/South Africa plans to utilize two Global Bureau support projects on a buy-in basis -- CAER II in FY97 and EPIII in FY98. No field support is yet planned for FY99. In addition, some limited assistance will be requested from the Africa Bureau for TDY assistance for SO 2, Education, and SO 1, Democracy and Governance.

## E. Workforce and Operating Expenses

### 1. Workforce

**Table 3: Workforce Ceilings**

	<b>USDH</b>	<b>OE Local PSC<sup>8</sup></b>	<b>All Prog</b>	<b>Total</b>
<b>FY97</b>	22	75	49	146
<b>FY98</b>	20	66	41	127
<b>FY99</b>	20	66	41	127

South Africa is considered to be a critical country in sub-Saharan Africa by a variety of sources - US congress, journalists, and development experts from all over the world. The belief is that, if South Africa can make it through this pivotal transitional period, there is hope for the region - and perhaps the rest of Africa. As a high profile program, USAID/SA will continue to remain in the "limelight" of public attention. This translates into a steady stream of high-level visitors (both public and private sector), US and South African press attention, and USAID/W study and analyses teams to examine our models and extract lessons from our experience for broader use within the Agency. To this constant pressure on the staff, one must add the management challenges inherent in USAID's participation in the U.S. - South Africa Binational Commission's activities.

Due to the heavy workload, all offices report that staff members are being stretched to the limit. Solutions are being sought, but the transition to consolidated management units is a very labor-intensive and long-term process. As this portfolio adjustment occurs, personnel levels can be gradually adjusted.

USAID/South Africa has consistently stated that its staffing requirements through FY99 are 145 total staff. Per current workforce ceilings, this number is now scheduled to decline to 127 at the beginning of FY98. All Mission teams have been working rapidly to reduce/consolidate management units, and continue to do so. They are preparing for the reduced staff levels which were to become effective at the end of FY98. However, the Mission was recently advised that the reduced ceilings would become effective at the beginning of, rather than at the end of FY98. The Mission cannot, however, drop 19 positions between now and October 1, 1997. This is an untenable situation and we request further consideration of this proposed timing

### 2. Operating Expenses

Operating expense (OE) requirements derive entirely from staff requirements discussed above. The Mission's OE projections (see OE Tables attached) incorporate current Agency concerns of declining levels of OE funds in the foreseeable future. USAID/South Africa has limited the growth of overhead costs, especially OE costs. The Mission has identified creative approaches to fund the support needs that are directly related to attainment of program results.

Staff levels follow USAID/Washington-established ceilings. It is anticipated that the South African inflation rate will remain at a level of approximately 10 percent per annum for the strategy period. Our assumption is that the

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**This number includes one internationally-recruited, OE funded, TCN.**

US Dollar-to-South African rand exchange rate will remain within the range of R4.5 to R5.0 = 1 US Dollar throughout the reporting period.

Some factors, such as a higher inflation level, reduced OE resources, etc., could obviously impact upon the above OE projections. Other factors could also arise, such as unforeseen wage increases, which would require adjustments in the Mission's projections.

#### **F. Environmental Compliance**

USAID/South Africa's major design work, requiring initial environmental examinations (IIEs), occurs in FY97. Six IIE's have been drafted for new results packages (RPs) for SO1, Democracy and Governance, and 3 more will be drafted for SO2, Education, RPs. The SO1 RPs are being cleared presently with the REDSO environmental officer and then will be forwarded to USAID/W. SO2 IIEs will follow the same process. These designs should complete the consolidation of USAID/South Africa's portfolio as planned. Therefore, the Mission does not envision further IIEs for FYs 98 and 99.

March 17, 1997

Ms. Carol Peasley  
Acting Assistant Administrator  
Bureau for Africa  
U.S. Agency for International Development  
Washington, D.C. 20523

Dear Carol:

I am pleased to submit herewith USAID/South Africa's first combined Results Review and Resource Request (R4). The Results Review section covers FY96, which represented a period of continued, heavy transition for this Mission, in terms of strategy development, personnel changes, and reengineering. Notwithstanding this period of significant change, I am pleased to note that the program achieved impressive progress across all of our strategic objectives (SOs) -- both the more established and the relatively new SOs. I believe that the Mission has captured and reported the breadth and depth of this progress in an easy to read fashion which is responsive to USAID/W's guidance.

The Resource Request portion of the document projects our budgetary and staffing requirements for FY99, the third year of our new strategy. By FY98, we expect to have settled any remaining requirements respecting the Performance Monitoring Plan (PMP) in terms of baseline data and revised targets. By FY99, the Mission should be well into implementation of the strategy. Systems which are currently being refined to capture program impact more accurately and objectively, will be fully operational. Late FY99 also represents the "mid-point" of our CSP period, a time during which the Mission expects to conduct a mid-term program evaluation and review of the basic tenets of our strategy. Thus, the review of the attached document covers a significant period in the life of our program -- the first year's impact and resources at mid-term.

I wish to note that the Mission benefited considerably from and appreciates the participation of Ms. Gail Spence, AFR/SA, in this exercise.

We look forward to the Bureau's review of our submission.

Sincerely,

Aaron S. Williams  
Director