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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT



USAID/SOUTH AFRICA
COUNTRY STRATEGIC PLAN

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A

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USAID/SOUTH AFRICA -- COUNTRY STRATEGIC PLAN

EXECUTIVE SUMMARY

At the end of the day, the yardstick that we should all be judged by is: are we creating the basis to better the lives of all.

Nelson Mandela (Business Day, 19 August 1994)

EXECUTIVE SUMMARY

Introduction

Analysis of Assistance Environment Legacy of Apartheid

Proposed Strategic Plan Program Strategic Objectives

Goal: Sustainable Transformation Sub-Goal: Empowerment Strategic Objectives 1 - 6

Resource Requirements

INTRODUCTION

Shortly after South Africa's historic elections in 1994, the Republic of South Africa's (RSA) new Government of National Unity (GNU) set a course towards reconstruction and development. The commonality between the goals set by the GNU and the following sustainable development objectives of the United States Agency for International Development (USAID) facilitates partnership in many areas:

- ▶ broad-based participation in political and economic life;
- ▶ rising living standards, reduced poverty, and broadly available social benefits for current and future generations;
- ▶ population growth which is within the economic and ecological capacity of the country and that permits maintenance of healthy and productive populations;
- ▶ responsible stewardship of the natural resource base; and
- ▶ economic growth and equity.

USAID/SOUTH AFRICA'S SIX STRATEGIC OBJECTIVES (SOs):

USAID/South Africa, in consultation with our customers and partners, including South African government and non-governmental entities and U.S. public and private stakeholders, has articulated the following six strategic objectives.

SO1: Democracy/Governance: Democratic institutions strengthened through civil society participation.

SO2: Education: Transformed education systems based on equity of access, and quality.

SO3: Health: More equitable, unified, and sustainable system delivering integrated primary health care services to all South Africans.

SO4: 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: Housing and Urban Services: Improved access to environmentally-sustainable housing and urban services for the historically disadvantaged population.

PART I: SUMMARY ANALYSIS OF ASSISTANCE ENVIRONMENT

Apartheid, which literally means "apartness," represented the codification of all the laws and regulations that politically, economically, and socially oppressed the majority population, (largely Africans but including Coloreds and Asians). Beginning with the 1913 Land Act, apartheid consolidated and made systematic the segregation of the races. In the 1960s, apartheid took on the guise of separate development. Instead of claims about biological or genetic differences, arguments for racial separation after this time were based on cultural or ethnic differences and the rights of different groups to maintain their identities. "Blacks," "majority population," and "historically disadvantaged" are used to refer collectively to South Africans of African, Colored (mixed), or Asian (Indian) descent.

In April 1994, South Africa entered a new stage of non-racial and non-sexist democracy with the election of Nelson Mandela as President. The newly-elected Government of National Unity (GNU) inherited a structure developed to promote and defend the social and economic system of apartheid. As a result, many of the inherited apartheid policies and practices, if left unchanged, will seriously jeopardize the capacity of the government to succeed in the political, social and economic transformation of the country.

TABLE 1: POPULATION GROUPS (1991)

Population Group	Life Expectancy at birth (years)	Adult literacy rate (%)	Gross Geographic Product per capita (PPPS)*
Total	62.77	82.16	3.885
Africans	60.30	76.64	1.665
Whites	73.11	99.52	16.722
Coloreds	66.46	91.06	3.020
Asians	68.89	82.16	3.885

Central Statistical Service (CSS) Human Development Index (1995)

*Gross Geographic Product is the total value of the goods and services produced in a geographic area. Purchase Power Parity (PPP) adjusts official exchange rates to reflect domestic purchasing power.

PART II: PROPOSED STRATEGIC PLAN

Some of the factors that have impacted on particular choices of strategic objectives and choices of mechanisms to achieve these results are summarized below.

Strategic Choices: The strategic choices for the program were influenced by the following factors: (a) the Agency's strategies for sustainable development, and Agency and Africa Bureau guidance; (b) sector assessments and consultations; (c) experience with past program areas; (d) Congressional interest areas as represented by legislative or budgetary earmarks or targets; (e) the Mission's judgments concerning its ability to achieve results given likely resource constraints, including program budgets, staffing and operational budgets; (f) relative focus of other international donor programs; (g) opportunities for appropriate support of the RSA's priority areas; (h) extensive, inter-agency and Congressional consultations; and (i) comparative advantage. The Agency's review and approval of the Mission's March 1993 Concept Strategy Paper, reaffirmed a focus on political, social, and economic empowerment of the disadvantaged majority population. Specific areas of intervention identified included community development, human rights, democracy, basic and higher education, health, private sector development, and shelter and urban services provision.

Consultation in Strategy Development: The Mission's significant rethinking of its portfolio through the strategic planning process has involved extensive and structured consultations with customers and partners. These consultations have served to ground-truth the strategy by ensuring its relevance to South Africa and confirm the validity of its development hypotheses. The Mission initiated a comprehensive evaluation of the program covering the period 1986 - 1994. This was accomplished in a consultative manner, involving customers, partners and stakeholders. Then, consultations with all levels of the new GNU were begun. We also deepened dialogue with South African civil society and relevant U.S. PVOs. Finally, within USAID/South Africa the Mission established Strategic Objective Teams (SOTs) and an Overarching Strategic Team (OST), to guide the strategy development process and to stimulate broader participation.

The U.S.-South Africa Binational Commission: A cornerstone of USAID's program is support for the Binational Commission (BNC), co-chaired by U.S. Vice President Albert Gore and South African Deputy President Thabo Mbeki. The broad objective of the BNC is to catalyze sustainable relationships between the U.S. and South Africa in the public and private sectors, including NGOs, communities and universities. The creation and strengthening of these linkages is fundamental to the sustainable transformation pursued through the USAID program and, thus, USAID's program is particularly supportive of the BNC's goals. The continuing evolution of the BNC as a framework within which all aspects of the bilateral relationship operate will underscore USAID's significant contributions. To support this end, USAID coordinates its program closely with the BNC's six technical committees. USAID also provides general support to the BNC to fund exchanges and visits that strengthen the involvement of South Africans in the development of BNC activities.

Policy Dialogue: USAID/South Africa's approach to policy dialogue will be atypical to approaches used in other sub-Saharan USAID programs. Typical approaches are not relevant to South Africa due to: (a) the government's strong desire to lead the policy reform process; (b) the size of the South African economy in proportion to the resources of any donors; (c) the availability of many highly-qualified South Africans to fill government positions and to serve as *ad hoc* consultants; and (d) the absence of traditional World Bank and IMF programs. USAID/South Africa will continue to foster good relationships with key officials in national and provincial government, will continue cooperative efforts with civil society and government to identify lessons learned, will respond positively and selectively to limited requests for U.S. consultant expertise, and on a highly-selective basis, will support pilot exercises.

Donor Coordination: Donor coordination continues to be an important area of concern for USAID/South Africa. The extensive consultations for the development of the CSP catalyzed substantial involvement of the donor community. The RSA has established a donor coordination approach based on: (a) periodic sessions to review implementation issues regarding donor programs; (b) sector working groups; (c) annual consultations; and (d) the South African International Donors Forum (SAIDF).

Role of NGOs: Extensive participation of South African NGOs and U.S. PVOs has been and will remain a hallmark of our program. This has been embraced across South African civil society and by the RSA. In addition to continuing direct support to NGO programs, USAID/South Africa negotiated a series of bilateral Grant Agreements which are structured to: (a) help build delivery capacity within government departments (both national and provincial); and (b) apply lessons learned from successful relationships with NGOs. These Agreements obligate funds to South African government departments, but establish joint mechanisms for activity-level programming and targets for allocating resources to NGOs and the private sector.

Mission Reengineering: This CSP reflects a Mission newly energized by reengineering. The Mission has made significant progress in re-examining all of its operations and structures in order to operationalize the five core values of reengineering: empowerment and accountability; teamwork; customer focus; results orientation, and valuing diversity. To facilitate teamwork, the Mission abolished the old technical office/division structure and is operating under Strategic Objective Teams (SOTs). The Mission has finalized Mission Orders which empower the SO teams by delegating all programmatic authorities to SO team leaders, and establish operational procedures based on teams and the principles of teamwork. The Mission recognizes the need to align its existing portfolio to the proposed CSP and Results Framework. In order to ensure that future activities contribute directly to achieving expected results, the Mission will compete more grant awards and will utilize umbrella mechanisms for the award of grants.

PART III: PROGRAM STRATEGIC OBJECTIVES

Goal: Sustainable Transformation.

The proposed strategy covers the period from 1996 until the Mission's planned exit from South Africa in 2005. The strategy is a "graduation" or "completion" strategy. USAID/South Africa believes that the overall goal of the program should be support for sustainable transformation. Sustainable transformation goes beyond short-term transition but not as far as long-term sustainable development. There is a general shift in the strategy's emphases over the ten-year (1996-2005) program. Programs focused on sustainable sectoral transformation of the private sector, housing, and health will be completed by 2000 to 2003. After this, the program will concentrate on sectoral transformation in education and sustainable structural transformation in governance and economic policy designed to ensure an environment for long-term development and growth. Sustainable transformation means:

Sustainable transformation will have been achieved when South Africa is at the point where democracy is sufficiently consolidated; basic systems and policies for social service delivery in education and health are moving from being fragmented to being unified; and institutions are establishing mechanisms so that the historically disadvantaged and previously disempowered women and men participate in, contribute to, and benefit from the development of South Africa.

Sub-goal: Empowerment

The strategy sub-goal is political, social, and economic empowerment. The Mission will continue to ensure that the program strengthens the capacity of the historically disadvantaged population to take the next steps in their own and their community's development. That is, in all our efforts we seek to empower the historically disadvantaged to sustain the transformation and development processes. USAID/South Africa's efforts towards achieving racial equality are planned to ensure gender balance as well. Our strategic objectives will increase opportunities for women and men to participate in, contribute to, and benefit from the development of their country.

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SO1: DEMOCRATIC INSTITUTIONS STRENGTHENED THROUGH CIVIL SOCIETY PARTICIPATION

Problem Analysis/Background: South Africa's transformation is, in the first instance, political. USAID/South Africa will pursue its objectives in democratic governance not only as an end in itself, but because it provides the enabling environment to achieve USAID/South Africa's other strategic objectives and the RSA's reconstruction and development goals. USAID/South Africa's aim under SO1 is not to support all aspects of the political process, but to focus on the particular dimension of civil society participation. Many South Africans believe this dimension is critical, and it is an area in which USAID/South Africa has a comparative advantage. The vision underlying SO1 is that, by the year 2005, South Africa will have established, with assistance from the U.S. and other donors, a stable democracy with strong civil society participation -- including from the historically disadvantaged -- and pluralism. Programs under SO1 will focus on democratic consolidation and participatory development. Democratic consolidation will include support for increasing access to justice, knowledge of rights, conflict management capacity, and civil society participation in public policy formulation. Under participatory development, USAID will assist the South African government, civil society and the private sector to develop and implement innovative and replicable models of public/private partnerships for the delivery of services at provincial and local levels. This will strengthen civil society and democratic pluralism.

DEMOCRACY/GOVERNANCE – INTERMEDIATE RESULTS**1.1: Increased access to an equitable and effective justice system.**

Although South Africa has made important gains in this field, much more needs to be done to increase delivery capacity and skills in justice systems. USAID assistance meets urgent needs of the Ministry of Justice.

1.2: Society knowledge and protection of rights and their practice strengthened.

A critical component of democratic consolidation is civil society's ability to monitor government performance on human rights issues and protect human rights gains over the long term.

1.3: Capacity to prevent, manage and resolve democracy-threatening conflicts strengthened.

Although political violence has been reduced since the 1994 elections, conflict resolution is still needed to reduce violence and mediate development-related disputes.

1.4: Civil society and public participation increased in public policy formulation in selected areas.

The South African government wants to increase citizen participation. USAID assistance will strengthen both the capacity of civil society to generate public policy inputs and the capacity of government to receive these inputs.

1.5: Strengthened capacity of selected governmental institutions to manage participatory development.

The South African government wants training to help it implement and manage participatory development.

1.6: Innovative, community-oriented models of partnership (civil society, government and private sector) developed and/or disseminated.

Innovative partnerships among government, CSOs, and the private sector will improve participatory development.

SO2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY OF ACCESS, AND QUALITY

Problem Analysis/Background: A strategic objective which focuses on the transformation of the public education system in South Africa is essential for "Sustainable Transformation." The fragmented and undemocratic nature of the apartheid education system may be its most damaging feature. Apartheid education was characterized by an inequitable allocation of resources, differing education standards, and unnecessary and expensive duplication of educational facilities. Maintenance of hard-won democratic principles rests on an educated population that can articulate its needs. The transformation of education into a system based on equity of access and quality is a high priority for the RSA. The RSA's capacity to address these issues, however, is constrained by a number of factors, including the sheer magnitude of the undertaking and the shortage of experienced personnel in government. The vision underlying SO2 is that by the year 2005, the South African government, with support from USAID/South Africa and other development partners, will have established an education system that is guided by rational and equitable policies, administered through relevant and efficient systems and implemented by effective organizations. In order to assist in this effort, programs under SO2 will focus on the key areas of: (1) policy formulation, dissemination and implementation; (2) the creation of systems for educational transformation; and (3) strengthened human and organizational capacity to implement the necessary changes. Programs in these focus areas will cut across the various subsectors: basic, further, higher and adult basic education. USAID/South Africa has selected this approach because improved educational status in South Africa can only come about through transformation of the entire education sector.

EDUCATION -- INTERMEDIATE RESULTS**2.1: Policies for transformation developed, disseminated and enacted in the areas of ABET, further and higher education.**

The RSA currently lacks specified policies and strategies, particularly at the provincial level, to operationalize the promise of equitable access to quality education.

2.2: Transformation in key targeted systems of basic, further and higher education and ABET.

A key requirement for the effective implementation of new educational policies is the existence of well organized and efficient systems of administration and service delivery. Such systems are lacking due to the legacy of apartheid structures for different racial groups.

2.3: Strengthened human and organizational capacity in Departments of Education, education institutions and selected individuals.

An acute shortage of trained personnel, at both the national and provincial levels, has a severe adverse impact on the RSA's ability to implement educational policies and systems based on equity of access and quality.

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**SO3: MORE EQUITABLE, UNIFIED AND SUSTAINABLE SYSTEM DELIVERING
INTEGRATED PRIMARY HEALTH CARE TO ALL SOUTH AFRICANS**

Problem Analysis/Background: The major health care challenge for the new South Africa is to provide equity in basic health care to all South Africans and, in the process, to rectify the underlying inequities in health services provision brought about and supported by apartheid. SO3 will accomplish this both by increasing access to an integrated package of primary health care (PHC) services, and by improving the institutional sustainability of critical PHC management and service delivery systems. South Africa has had a highly fragmented public health system designed to serve the different population groups separately. Fragmentation, curative focus, and lack of community participation resulted in a large, majority population which was deprived of even basic primary health care. The rationale for supporting the development of an integrated primary health care system, rather than the delivery of specific health services, is based on the RSA's identification of such a system as the cornerstone of its new health system, and the lessons learned from health and child survival programs elsewhere in Africa that such interventions cannot be sustained without reinforcing the support components of integrated health systems. SO3 will be achieved through the implementation of two phases. During Phase 1 (Years 1-4), SO3 will be implemented principally in a single province, the Eastern Cape. During Phase 2 the results will be disseminated nation-wide. In addition to assistance with PHC management and service delivery systems, SO 3 will implement a targeted program to address the increased incidence of HIV/AIDS and STDs in South Africa. Specific programming needs will be determined after an extensive participatory evaluation to be conducted in early 1997.

HEALTH -- INTERMEDIATE RESULTS**3.1: Increased access to integrated package of quality PHC services.**

Increased access to PHC services for the majority disadvantaged population is the most critical element of rectifying the inequities in the health service program brought about by apartheid.

3.2: Effective health care referral system operating.

The development of an effective system for health care referrals is an essential component of delivering PHC services in a cost efficient manner so as to maximize the availability of PHC services.

3.3: Improved management of the integrated PHC (including HIV/AIDS/STDs) delivery system at the provincial level.

The lack of management skills impairs the ability of provinces to deal effectively with planned organizational changes and other issues regarding equitable access to integrated PHC services.

3.4: PHC training program strengthened and institutionalized at provincial level.

Current training programs for medical/health professionals are based on curative models of health care and do not prepare medical/health professionals for PHC service delivery.

3.5: Increased capacity of the PHC system to deliver appropriate HIV/STD prevention and treatment.

Due to the rapidly increasing nature of the HIV/AIDS epidemic, assisting the PHC system to address this problem is a critical component of providing adequate health care to all South Africans.

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

Problem Analysis/Background: An improved economic policy environment is critical to achieving the economic empowerment of South Africa's historically disadvantaged population. This strategic objective addresses the issue of capacity to formulate, evaluate, and implement economic policies, but does not directly address the overall policy environment or specific policy reforms. The major challenge for South Africa is to generate increased broad-based, sustainable economic growth, employment opportunities, and improved equity for the historically disadvantaged population. The achievement of a growth promoting policy environment will require strengthened capacity within the governmental and the non-governmental sectors to engage in economic policy formulation, evaluation and implementation. Of special concern is the ability to participate, both in the sense of opportunity and technical ability, by those previously excluded from such processes. Strengthened capacity of critical governmental and non-governmental organizations to engage in the economic policy process is required not only to support the efforts for policy change, but also to help influence different groups and to help identify and form winning coalitions for reform and change. The vision underlying SO4 is that by the year 2005, South Africans will benefit from more effective government and civil society cooperation in formulating, adopting and implementing growth and equity promoting economic policies. Programs under SO4 will assist in increasing the capacity of these government and civil society actors.

ECONOMIC POLICY CAPACITY -- INTERMEDIATE RESULTS**4.1: Strengthened human resources in economics and policy analysis for key government entities.**

A critical component of improving the RSA's capacity in economic policy is to address the human resource development needs of those government entities that are key to economic and policy analysis, including analysis of issues related to participation of the majority population.

4.2: Strengthened government departments that deal with economic policy matters.

Another critical component of achieving SO4 is to strengthen the government departments themselves that deal with economic policy issues.

4.3: Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers.

Capacity building for think tanks and other NGOs is also critical because of the important role that civil society can play in public dialogue regarding economic policy options.

4.4: Strengthened centers of economics training, especially within the historically disadvantaged institutions.

South Africa lacks institutions for meeting the country's continuing human resource development requirements in economics, particularly for the disadvantaged majority population.

SO5: INCREASED ACCESS TO FINANCIAL MARKETS FOR THE HISTORICALLY DISADVANTAGED POPULATION

Problem Analysis/Background: While political participation has been greatly enhanced with the establishment of a majority government in South Africa, social and economic disparities along racial lines are still very evident. Blacks dominate the ranks of the unemployed and the informal sector, both as survivalists and microentrepreneurs. Women dominate in the survivalist category. In order to provide overall economic growth, entry of blacks into the formal sector is critical. The problem in South Africa is not lack of capital, *per se*, but facilitating access throughout the economy. SO5 focuses on improving the policy environment to facilitate access to capital for historically disadvantaged enterprises, improving the capacity of the financial sector to service the historically disadvantaged and improving the capacity of the historically disadvantaged to respond to financial market requirements. The interventions to be pursued are divided between results focused on informal and micro enterprises, where our partners are NGOs and the RSA, and results focused on small, medium and large enterprises, where our development partners are from the private sector.

PRIVATE SECTOR DEVELOPMENT -- INTERMEDIATE RESULTS

Intermediate Results Focused on Informal and Micro Enterprises

5.1: Improved policy environment for facilitating access to capital for historically disadvantaged informal and microenterprises.

Because South Africa's impediment to private sector development is access to capital, and not the lack of capital, it is critical to create a policy environment that facilitates access to capital for the historically disadvantaged.

5.2: Improved capacity of the financial sector to service historically disadvantaged informal and microenterprises.

South Africa's relatively sophisticated financial sector lacks experience in the methods and techniques necessary to service historically disadvantaged informal and micro enterprises.

5.3: Improved capacity of historically disadvantaged informal and microenterprises to respond to financial market requirements.

Historically disadvantaged informal and micro enterprises are unfamiliar with and, thus, unable to satisfy financial market requirements for obtaining capital.

Intermediate Results Focused on Small, Medium and Large Enterprises

5.4: Improved policy environment for facilitating access to capital for historically disadvantaged small, medium and large enterprises.

Because South Africa's impediment to private sector development is access to capital, and not the lack of capital, it is critical to create a policy environment that facilitates access to capital for the historically disadvantaged.

5.5: Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises.

South Africa's relatively sophisticated financial sector lacks experience in the methods and techniques necessary to service historically disadvantaged small, medium and large enterprises.

5.6: Improved capacity of historically disadvantaged small, medium and large enterprises to respond to financial market requirements.

Historically disadvantaged small, medium, and large enterprises are unfamiliar with and, thus, unable to satisfy financial market requirements for obtaining capital.

SO6: IMPROVED ACCESS TO ENVIRONMENTALLY-SUSTAINABLE HOUSING AND URBAN SERVICES FOR THE HISTORICALLY DISADVANTAGED POPULATION

Problem Analysis/Background: South Africa's urban landscape is currently dominated by sprawling slums and squatter settlements. They serve as a constant reminder of the gap between the economically empowered and the economically deprived, and underscore the need for access to housing and basic urban services for the historically disadvantaged majority. A cornerstone of the apartheid system was legislation which specifically prohibited ownership of key economic goods (i.e., houses and businesses) and restricted access to vital services (i.e., water and electricity) by black South Africans. Today, an estimated one million historically disadvantaged households live in squatter settlements in appalling conditions. The magnitude of the housing and urban infrastructure problem in South Africa dictates the form of USAID's strategy. Given the size of the shelter deficit versus USAID's limited available resources, in order to make an appreciable impact USAID/South Africa must focus upon *access* to shelter as opposed to the actual *production* of shelter. Access to shelter can be increased by improved policy formulation, improving access to credit for housing and urban services, and providing non-credit support for the very low-income households. These are also areas where USAID/South Africa has experience. USAID/South Africa possesses an arsenal of tools that are particularly well-suited to the implementation of its chosen strategy, including: (1) grants and cooperative agreements; (2) technical assistance and training for institutions that are recipients, providers and facilitators of credit and non-credit assistance to the historically disadvantaged population; (3) bilateral agreements with national, provincial and local-level policy developing entities; and (4) loans under the Housing Guaranty (HG) program.

HOUSING AND URBAN SERVICES -- INTERMEDIATE RESULTS

- 6.1: Improved environment for the development and implementation of a policy agenda for increasing access to housing and urban services for the historically disadvantaged population.**
- The creation of a policy framework that affirmatively makes provision for access to housing and urban services by the historically disadvantaged is the foundation on which subsequent results will be erected.
- 6.2: Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for housing and urban services.**
- Access to credit from the private financial sector remains an impediment to those constructing housing and providing urban services for the historically disadvantaged population.
- 6.3: Increased non-credit forms of assistance made available by participating institutions to historically disadvantaged South Africans for obtaining access to housing and urban services.**
- For the majority of the disadvantaged population who currently have no prospect of obtaining credit from the formal financial sector, non-credit forms of assistance are the only means of increasing their access to housing and urban services.
- 6.4: Improved capacity to apply sustainable/participatory environmental management principles to local-level urban development.**
- This intermediate result, which aims at supporting local authority attempts to work with communities regarding local-level environmental issues, is a critical aspect of ensuring the environmental sustainability of housing and urban services for the historically disadvantaged population.

PART IV: RESOURCE REQUIREMENTS

Program resources required for completion of the Mission's strategy are \$442.2 million over 10 years (8 years funding and 2 years close-out). This will allow the Mission to fully fund its bilateral programs (and their close-out) and to complete its portion of funding for the Southern Africa Enterprise Development Fund (SAEDF).

Strategic Full Funding (\$ Millions)

Strategic Objective	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04-05 ¹	TOTAL 96-05
SO1 D/G	23.7	17.0	16.75	17.8	15.5	12.4	10.6	5.0	-	118.8
SO2 Educ	43.6	28.3 ²	14.45	11.0	10.0	13.0	9.9	4.5	-	134.8
SO3 Health	14.1	11.5	12.0	10.0	4.4	-	-	-	-	52.0
SO4 Econ	4.8	4.0	4.0	4.7	3.5	3.0	3.0	3.0	-	30.0
SO5 Prv.Sec	15.3 ³	6.0	6.0	-	-	-	-	-	-	26.7
SO6 Housing	16.1	7.5	4.5	3.2	-	-	-	-	-	31.4
Self Help	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	-	4.0
Program Support	2.5	1.7	1.8	1.8	1.2	1.1	1.0	1.0	2.0	14.0
Bilateral Total	120.6	76.5	60.0	49.0	35.1	30.0	25.0	14.0	2.0	411.4
SAEDF ⁴ Regional	-	10.0	10.0	5.0	5.0	-	-	-	-	30.0
TOTAL	120.6	86.5	70.0	54.0	40.1	30.0	25.0	14.0	2.0	442.2 ⁵
Hsing Guar. ⁶	36.9	20.0	20.0	20.0						
Sm. Busn. Loan Guar. ⁷	6.0	4.0	4.0	4.0						

¹ FY 04 and 05 are estimated close-out costs

² Includes Bureau \$9 million contribution for Presidential Teacher Training Initiative

³ Includes \$0.6 million provided from Global Bureau PRIME funds for the Microenterprise Support Project.

⁴ The Southern Africa Enterprise Development Fund is a regional program. USAID/South Africa will use bilateral funds to provide South Africa specific funding

⁵ Total includes Bureau \$9 million contribution for Presidential Teacher Training Initiative, \$0.6 million awarded from the centrally-funded PRIME project for Microenterprise Support and reflects budget cuts of \$2.5 million in FY 97 and \$0.2 million in FY 98.

⁶ The Housing Guarantee Program funding for FY 97 is an estimate of program amount to be leveraged.

⁷ In FY 96 \$3.0 million in guarantees leveraged \$6.0 in loans to small and micro businesses. FY 97 \$4.0 million will be leveraged.

ACRONYMS

Adult Basic Education and Training	ABET
African Institute for Policy Analysis &	
African Institute for Policy Analysis & Economic Integration	AIPA
African National Congress	ANC
Binational Commission	BNC
Business Linkages for Under-Utilized Enterprises	BLUE
Centers for Disease Control and Prevention	CDC
Civil Society Organizations	CSO
Community Outreach and Community-based organizations	CBOs
Congress of South African Trade Unions	COSATU
Constitutional Development and Provincial Affairs	CDPA
Critical Assumptions	CAs
Customer Service Plan	CSERV
Democracy/Governance	D/G
Demographic and Health Survey	DHS
Department of Health	DOH
Department of Trade and Industry	DTI
Development Bank of Southern Africa	DBSA
Development Research Unit	SALDRU
Education Management Information Systems	EMIS
Enhanced Credit Authority	ECA
Equity Access Systems	EASY
Equity and Growth through Economic Research	EAGER
European Union	EU
Expanded programs of immunization	EPI
Foreign Service National	FSN
Government of National Unity	GNU
Gross Domestic Product	GDP
Health Care Points	HCPs
Health Development Division	HDD
Historically Disadvantaged Institutions	HDIIs
Historically Disadvantaged Population	HDP
Housing Guaranty	HG
Human Development Index	HDI
Initiative for Southern Africa	ISA
Inkatha Freedom Party	IFP
Institute for Social and Economic Research	ISER
Intermediate Result	IR
International Foundation for Education and Self-Help	IFESH
Micro and Small Enterprise Development	MSED
Ministry of Education	MOE
National Bureau of Economic Research	NBER
National Commission on Higher Education	NCHE
National Economic Development and	
National Economic Development and Labour Advisory Committee	NEDLAC
National Health Information System for South Africa	NHIS/SA
National Health System	NHS
National Institute for Economic Policy	NIEP
National Qualifications Framework	NQF
National Small Business Council	NSBC
New Partnerships Initiative	NPI
Non-governmental Organization	NGO

Ntsika Enterprise Promotion Agency	NEPA
Oral Rehydration Therapy	ORT
Overarching Strategic Team	OST
Overseas Development Administration	ODA
Primary Health Care	PHC
Private Voluntary Organizations	PVOs
Public Service Commission	PSC
Rapid Assistance for National Development	RAND
Reconstruction and Development Plan	RDP
Reengineering Task Force	RTF
Requests for Agreements and Requests for Proposals	RFAs/RFPs
Results Review	R2
Results Review and Resource Request	R4
Shelter for Urban Development Services	SUDS
Small and Medium and Micro Enterprise	SMME
South African Chamber of Business	SACOB
South African Labour and Development Research Unit	SALDRU
South African Network of Economic Research	SANER
Southern Africa Enterprise Development Fund	SAEDF
Strategic Objective Team	SOT
Support for Economic Growth and Analysis	SEGA
Tertiary Education Linkages Project	TELP
U.S. Direct Hire	USDH
University of Cape Town	UCT
World Trade Organization	

INTRODUCTION

At the end of the day, the yardstick that we should all be judged by is: are we creating the basis to better the lives of all.

Nelson Mandela (Business Day, 19 August 1994)

Shortly after South Africa's historic elections in 1994, the Republic of South Africa's (RSA) new Government of National Unity (GNU)¹ set a course towards reconstruction, development, economic growth and equity. The RSA's Reconstruction and Development Plan (RDP)² targeted a number of different sectors in order to achieve the overall goal of democratic transformation of South Africa³. The commonality between the RSA's goals and the following sustainable development objectives of the Agency for International Development (USAID) facilitates partnership in many areas:

- ▶ broad based economic growth;
- ▶ sustainable democracy;
- ▶ population growth stabilized and human health protected;
- ▶ environmental management for long-term sustainability; and
- ▶ lives saved, suffering reduced and development potential reinforced.

United States Assistance for the Transition to a Nonracial Democracy ... "shall focus on building the capacity of disadvantaged South Africans to take their rightful place in the political, social, and economic systems of their country..." shall give priority to working with and through South African nongovernmental organizations whose leadership and staff represent the majority population and which have the support of the disadvantaged communities being served by such organizations..." (South African Democratic Transition Support Act of 1993)

A foundation for USAID assistance in South Africa was established by legislation. *The Comprehensive Anti-Apartheid Act of 1986* established a "framework to guide the efforts of the United States to bring an end to apartheid in South Africa and lead to the establishment of a nonracial, democratic form of government." *The South African Democratic Transition Support Act of 1993* underscores the sense of the Congress that the United States should "support a consolidation of democracy" and should continue "to provide assistance to support the transition to a nonracial democracy in South Africa".

U.S. foreign assistance grew from \$7 million in FY 85 to \$212 million, after the first, all-race election was held in April 1994. To support this democratic change and to help redress the social and economic legacies of apartheid, President Clinton committed \$600 million of U.S. assistance over the period FY 94-FY 96.

¹The Government of National Unity (GNU) was the transition government formed in 1994. Upon the resignation of the Nationalist Party and the passage of a new constitution in 1996, the government became a simple majority government. It is no longer referred to as the GNU but rather the Government of the Republic of South Africa (RSA).

²The Reconstruction and Development Program Office was disbanded in 1995. However, the program itself continues to be implemented through the appropriate line ministries of the government.

³See Annex A for a discussion of the RDP. Original goals of the program were: meeting basic needs, developing human resources, democratizing the state and society, building the economy, and implementing and financing the RDP.

The goal of USAID's proposed strategy is consistent with South African efforts at transforming from a society based on apartheid to a "united, nonracial, non-sexist" state. The aspiration of South Africans is to manage social change effectively and to sustain development progress towards increased political participation, improved educational and health status, and increased economic growth and equity.

The United States is interested in helping South Africa succeed for several reasons:

- ▶ South Africa is a symbol to the world of the possibility of resolving serious racial and ethnic differences through negotiation and compromise. South Africans have shown a commitment to and skills to achieve implementation of democratic principles. Vice President Gore emphasized this role when he said that South Africa ranks with Russia as two of the top U.S. foreign policy concerns worldwide.
- South Africa is important as a U.S. trade and investment partner. U.S. trade with South Africa is greater than with all of Eastern Europe.
- ▶ South Africa has the potential for sustainable, private sector-led growth and has demonstrated a willingness to foster free markets it exhibits; fiscal discipline and provides a model of participative development of national economic policies.
- South Africa has potential to lead regional economic cooperation and political stabilization in the southern Africa region. South Africa is now a member of the Southern Africa Development Community (SADC) which has renewed its commitment to (a) deeper economic cooperation on the basis of balance, equity and mutual benefit, cross-border investment, trade and labor, and capital flows across national boundaries; and (b) common economic, political, and social values and systems, such as free enterprise, free elections, respect for the rule, of law and guarantee of basic human rights.

USAID/South Africa's proposed program will be catalytic in supporting social, economic, and political empowerment of the majority population during the next decade, and will eventually support transformation to sustainable development during the next two decades. USAID/South Africa's ultimate customers are very clearly defined by our original mandate - - the historically disadvantaged majority population, mostly black Africans (including Coloreds and Asians),⁴ who have suffered from decades of repressive, racist policies, and who now seek their fundamental rights as citizens, economically active producers and consumers, and builders of the country's future. USAID/South Africa's six strategic objectives address, in varying degrees, the needs of the historically disadvantaged population

USAID/South Africa's Country Strategic Plan (CSP) is divided into three parts. Part I discusses the strategy development context. Part II presents the six proposed strategic objectives. Part III examines the resource implications of the strategic plan.

⁴ "Black" is used in this paper to refer collectively to South African individuals of African, Colored or Asian (Indian) descent. These groups which comprise the majority population are also referred to as "historically disadvantaged" by apartheid or the underserved population.

PART I: PROPOSED STRATEGIC PLAN

I. Strategic Choices

The strategic choices for the program were influenced by the following factors (not necessarily in order of priority):

- ▶ the Agency's strategies for sustainable development, and Agency and Africa Bureau guidance;
- ▶ extensive, inter-agency and Congressional consultations involved in the development of the "Clinton Pledge" for South Africa;
- ▶ sector assessments and consultations;
- ▶ experience with and investments in past program areas;
- ▶ Congressional interest areas as represented by legislative or budgetary earmarks or targets;
- ▶ the Mission's judgements concerning its ability to achieve results given likely management constraints respecting program budget, staff levels, operational budget, and program duration;
- ▶ relative focus of other international donor programs;
- ▶ opportunities to support the RSA's priorities and development strategy with an emphasis on selected key policy reforms; and
- ▶ the U.S.' comparative advantage in different areas.

The Agency's review and approval of the Mission's last strategy paper, the March 1993 Concept Strategy Paper, reaffirmed a focus on political, social, economic empowerment of the disadvantaged majority population. A 1995 Concept Paper (prelude to this CSP) proposed specific areas of intervention, including three, long-standing sectors -- community development, human rights, and democracy; basic and higher education, and two additions -- private sector development (focusing heavily on microenterprise development); and shelter and urban services provision.

The (program, project and activity level) evaluations and sector assessments targeted these past focus areas as well as perspectives on the country's needs in other sectors vis-à-vis the U.S.' comparative advantage and the other factors noted above. Extensive consultations with our customers, partners and stakeholders in Government, civil society, and the private sector built upon these evaluative efforts to take a longer-term view of development in South Africa.

Conclusions from these exercises were as follows:

- ▶ Continued, significant investments by USAID are warranted in the areas of **democracy, human rights, participatory development, and in basic and higher education**. These areas speak to the fundamental needs of the historically disadvantaged population as the country transforms itself into a sustainable democracy governed by majority-rule. The

nature, magnitude and content of USAID's experience in these areas also augurs well for a continuing, leadership role among donors in these areas.

- ▶ The Agency and Mission recognized early-on in our strategy development process that **health** was also a critical area in which the Agency's experience elsewhere could be applied in South Africa. The substantial Agency and Bureau Congressional targets in this sector, combined with the fact that the USAID/South Africa program absorbs a relatively high proportion of Bureau resources, underscored the need for a strategic focus on health. The RSA enthusiastically welcomed and embraced the proposed USAID intervention in this area. A strategic choice was made with the decision that the USAID program would focus on primary health care with a specific focus on systems development in primary health care -- a top Government priority
- ▶ **Housing and private sector development** are included in the strategic framework because they are: (1) among the highest ranked government priorities; (2) critical to sustained economic growth; and (3) have potential to contribute successfully to equity considerations -- via a focus on low-income housing, employment generation, and mobilization of private capital in support of the RDP. USAID's loan guarantee programs, one of the principal tools of the housing and private sector programs, are low in cost to the U. S. Government, have high impact, and are a powerful means of leveraging local funds. Dollar-for-dollar, they are perhaps the U.S.' best aid bargain. USAID also possesses considerable expertise on policy and program implementation in these areas which it can provide through complimentary grant-funded technical assistance.
- ▶ The RSA is aggressively pursuing sound **economic policies** to foster higher levels of sustainable economic growth -- a clear prerequisite for a democratic, stable South Africa. President Mandela personally called for a clear strategic focus on improving economic policy to achieve targets of the Growth Employment and Redistribution Policy (GEAR). The Agency thus agreed during the June 1995 Concept Paper review that a USAID program which is silent on this crucial issue, particularly in South Africa where economic growth and equity issues are extremely pertinent, would represent a considerable, missed opportunity. This is true in light of : (a) the U.S.' preeminence in training in this area; (b) the heavy NGO orientation of our program; and (c) related to (b), the important role of civil society in stimulating increasing community participation in economic issues. It was recognized, however, that economic policy is a very sensitive issue in South Africa, and that traditional approaches would not be appropriate. Thus, a strategic choice was made to attempt to build on the U.S.' comparative advantage, mobilize increased civil society participation, and meet specific training needs identified by South Africans.

Strategic focus areas considered but not addressed include:

- ▶ Agricultural, rural development and land reform. It is widely-recognized that, in South Africa, issues of agriculture and rural development are largely, but not entirely, related to the thorny, political issue of land reform. USAID is providing technical assistance in the area of policy analysis on land reform, and possibly the area of rural enterprise

development, but this is not focused on technical or traditional agriculture and rural development, per se, due to funding and staffing resource limitations. USAID's support to the development of appropriate policies on land issues is aimed at helping to ensure broad-based participation in the formation of these policies. This will eventually result in opening doors for substantially-increased participation of the disadvantaged population in agriculture and rural development.

- ▶ "Green" environmental issues. Following an exhaustive examination of a possible broad-based environmental program, the Mission decided to limit interventions to urban areas and "brown" issues. The rationale for the decision included: the relatively greater magnitude of the urban-based threat to the health of the population and to the physical environment (South Africa's population is 65 percent urbanized with high rates of urbanization predicted for the poor), and the fact that the Mission already possesses an urban-based program with the capacity to influence the establishment of environmentally sustainable policies, and program interventions. Limited funding and staffing resources also support the rationale for limiting the scope of the intervention. Annex E presents a comprehensive view of environmental issues (including institutional arrangements and organizational capabilities), and gives further evidence of the relative importance of urban environmental issues.
- ▶ An infrastructure development program, including energy. Most major infrastructure is largely in place. Extending this infrastructure (roads, telecommunications, and electricity) to unserved and under-served rural areas is very expensive and clearly beyond the grant resources available to USAID, and will involve heavy use of loans from both external and internal sources. Nevertheless, we will be engaging at a policy level with national and provincial governments, to help address the municipal finance constraint related to the provision of water and sewerage services in urban areas.

II. Overarching Highlights

Prior to presenting a summary of each of the Mission's six strategic objectives, it is helpful to understand something of the approach and context within which USAID/South Africa has developed the strategy.⁵

A. The U.S. South African Binational Commission

In March 1995, President Clinton and President Mandela agreed to establish a Binational Commission (BNC) between the U.S. and South Africa. The Commission was modeled along the lines of similar commissions established with Russia and Egypt. The objective was to encourage a broad high-level dialogue between our vice President and his counterpart to cover all areas of mutual concern. In addition, specialized sectoral BNC committees were established to catalyze and foster sustainable relationships between our countries -- relationships which would extend well beyond public sector boundaries, to include all elements of U.S. and South African civil societies, non-governmental organizations (NGOs),

⁵See Annex A for a full discussion of the South African Development Context

private voluntary organizations (PVOs), private sectors, university communities, etc.

Committees focusing on the following areas were established:

- Agriculture
- Business Development
- Energy
- Environment and Conservation
- Human Resources Development and Education
- Science and Technology

Initially, the committees were assumed to be targetted on new programs and initiatives rather than ongoing programs, no matter how important the latter might be.

Two years down the road, the BNC process is under review to encourage the committees, and the plenary session, to include discussion of ongoing programs (including USAID, security assistance, INL or any others) whenever such high-level discussion would appear to be of mutual benefit.

USAID's substantial assistance program in South Africa is a predominant element in the U.S.-South Africa bilateral relationship, yet initially the major USAID programs were not considered to be an integral part of the BNC's activities. USAID is currently implementing a 10 year strategy which calls for a phase-out of assistance in 2005. A principal goal of this strategy is to leave in place sustainable institutions that will have benefited from USAID assistance. The creation and strengthening of linkages between U.S. and South African organizations will be fundamental to this transformation and thus, USAID programs are particularly responsive and supportive of the BNC's broad goals. The continuing evolution of the BNC as a framework within which all important aspects of the bilateral relationship are supported will recognize and underscore the important contributions which USAID is making in this regard. To support this objective, USAID coordinates its programs closely with the six technical committees of the BNC and will be substantially engaged in possible expansion of the scope of the Commission in several areas.

In August 1995, USAID/South Africa transferred \$1 million out of the Transition Support Fund (TSF) Project to USIA/South Africa under an Inter-Agency Agreement (Agreement) to sponsor programs to support the BNC. This program, referred to as the Exchange Support Fund (ESF), is used to support exchanges and visits to strengthen the involvement of South Africans' in the design and development of activities under the six BNC committees. To date, \$1.4 million has been provided for this purpose, and additional funds will be provided for this purpose in FY97.

The original concept behind the BNC was and remains:

to examine how available public sector resources can be utilized within existing legislative and statutory authorities to facilitate linkages between U.S. and South African institutions, *(public and non-public alike) -- linkages that would out-last the program which catalyzed initial contacts.*

This concept was underscored by both U.S. Vice President Gore and South Africa Deputy President Mbeki during the first, full meeting of the BNC in December 1995. They both called for all committees of the BNC to identify strategies and approaches to ensure the substantive, continuing involvement of the non-public sector(s) in the programs of work of these committees.

Annex C describes in more detail how USAID supports BNC initiatives.

B. Consultation in Strategic Development

The strategy presented herein is supportive of the RSA's strategy for the transformation and development of South Africa. This is insured by the extensive consultation with Government, public institutions (universities, research entities, etc.), NGOs, other donors and relevant elements of the private sector. The most comprehensive statement, to date, of the government's strategy is the Reconstruction and Development Program (RDP). This is complemented by the draft Growth, Employment and Redistribution Policy (GEAR).

The proposed USAID/South Africa strategy supports both of these complementary strategies. Civil society participation and strengthening of democratic institutions (SO1), the transformation and extension of the education and health systems (SO2 and SO3), small and medium scale enterprise development (SO5) and housing and urban services (SO6) are all central elements of the RDP. Expansion of business opportunities and improvement of economic competitiveness (SO5), and efforts to identify and promote economic and employment growth (SO4) are fully supportive of the GEAR. Just as the RSA's visions are complementary and mutually supportive, USAID's strategy is supportive of both thrusts of the RSA's strategy.

Consistent with the Agency's reengineering principles, USAID/South Africa has, over the past two years, engaged in an extensive and intensive strategy development process. First, USAID/South Africa initiated a comprehensive evaluation of its program covering the period 1986 - 1994. This was accomplished in a consultative manner, involving pertinent customers, partners and stakeholders both in South Africa and the U.S. Second, intensive consultations with a new Government of National Unity were begun (and continue) at the national and provincial levels. Third, we have deepened and focused our dialogue with South African civil society and relevant U.S. PVOs.

C. Policy Dialogue

Before the 1994 national election, there was extensive dialogue with representative groups, of the majority population. Through this dialogue, USAID/South Africa forged important and enduring relationships with organizations and individuals, many of whom continue to play important roles both within and outside of Government. This provided an important platform for the Mission to identify policy issues and to engage selectively in more formal policy dialogue with the new Government.

USAID/South Africa will pursue the following approaches:

- ▶ First, USAID/South Africa will continue to build upon our excellent relationships with key officials in national and provincial government positions, many of whom we have worked with in the past.
- ▶ Second, the Mission will continue cooperative efforts with civil society and government to identify past programs which have the greatest potential to contribute substantively to major problems.
- ▶ Third, as reflected in the detailed SO presentations, the Mission will respond positively and selectively to a limited number of requests for U.S. consultant expertise in those sectors where the U.S. has clearly-recognized comparative advantage.
- ▶ Finally, USAID/South Africa will continue, on a highly-selective basis, to support pilot exercises, at the community, provincial, and national levels, and will carefully monitor these exercises with South African policy-makers. From this, South African policy-makers will be able to draw their own conclusions about the implications that these activities have for policy.

D. Synergy Among Strategic Objectives

The Mission has carefully examined and will seek to achieve important synergies among our 6 SOs. Details of this are found in the SO presentations in Part II.

E. Donor Coordination

Over the past two years, USAID/South Africa has continued to play a proactive role in donor coordination. First, the extensive strategy consultation process catalyzed the substantial involvement of the donor community at various levels. Additionally, numerous donors have commented positively on the transparency of this process. Finally, given the large size and breadth of our program, issues raised and examined by USAID/South Africa during this process triggered other donors to reassess elements of their own strategies in the context of their own dialogues with the RSA and civil society.

Concurrently, the RSA's donor coordination strategy currently focuses on: (a) annual consultations with each donor agency, (b) sector working groups composed of donors and RSA representatives, (c) periodic coordination sessions with representatives of the donor community, and (d) the recently initiated South African International Donors Forum (SAIDF). The latter is expected to serve as the equivalent of a donor consultative group (CG) and will be directed by the RSA. USAID/South Africa has used these various fora plus more informal, ad hoc sessions to ensure that the strategy reflects appropriate coordination with programs of other donors.

F. Geographic Focus

USAID has completed its extensive, consultative strategy development process and is well into a major reengineering exercise. These have afforded the opportunity to rethink substantially the geographic and sectoral focus of the program. The results of this exercise are articulated in-depth in the presentations of our six strategic objectives and are summarized in Table 1. All SOs have elements of their programs targeting national issues. Additionally, the selection of focus provinces for SOs is based upon discussions with partners which identify sectoral

need, program complementarity (with USAID's SOs and other key donors), and relevance to the objectives of the RDP in a manner that is sensitive to varying needs and resource levels across South Africa's nine provinces.

Table 1: Focus Provinces

Strategic Objective	Relative Geographic Focus Provinces
SO 1: Democracy/Governance	<i>National, KwaZulu-Natal, Northern Cape, Free State.</i>
SO 2: Education	<i>National, Northern Province, KwaZulu-Natal, and Northern Cape, Eastern Cape</i>
SO 3: Primary Health Care	<i>National, Eastern Cape</i>
SO 4: Economic Policy Capacity	<i>National</i>
SO 5: Private Sector Development	<i>National</i>
SO 6: Shelter and Urban Services	<i>National, Eastern Cape, KwaZulu-Natal, Mpumalanga</i>

Italics indicate focus by two or more SOs.

G. Southern Africa Regionalization

A democratic South Africa has tremendous potential, across numerous sectors, to contribute to regional development in southern Africa. USAID/South Africa is aware that our contributions to South Africa's development could potentially have considerable impact beyond the country's borders and the Africa Bureau's Initiative for Southern Africa (ISA) will seek to capitalize upon opportunities presented by a democratic South Africa. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) has recognized the potential contribution of South Africa to the region in calling for a special, southern Africa, donor coordination effort among key international donors. The DAC recognizes a special role for South Africa's civil society in addressing regional problems.

The Mission will consult with our partners both within and outside of South Africa, to identify ways in which the program can help South Africa's strategy for regional development. We continue to work closely with the Regional Center in Gaborone to identify opportunities for collaboration beyond the Southern Africa Enterprise Development Fund (SAEDF). The mission has already assisted the Regional Center regarding South African NGO's in the democracy/governance sector where programs have clear regional application. Potential areas of further collaboration include HIV/AIDS prevention and regional economic policy. Similarly, we will continue cooperation with Global Bureau initiatives within the context of the Mission's strategic objectives and staffing constraints.

H. Role of NGOs

Extensive participation of South African NGOs and U.S. PVOs has been and will remain a hallmark of our program. This has been confirmed and embraced across South African civil society and by the RSA. It is particularly relevant to note that RSA policy on donor assistance to NGOs has evolved considerably -- from its initial, strong effort to solicit direct, large donor contributions to the RDP Fund, to its current recognition of the critical role

NGO's must play in the development process and the validity of direct donor support for those efforts.

In addition to continuing direct support to NGO programs, USAID/South Africa negotiated a series of bilateral Project Agreements which are structured to: (a) help build delivery-capacity within government departments (both national and provincial); and (b) through policy dialogue to apply lessons learned from successful relationships with NGOs. These bilateral Project Agreements obligate funds to government, establish joint or tripartite mechanisms for activity-level programming, set clear targets for allocating resources to NGOs and private sector agents, and help build capacity within government.

I. Gender Considerations

Annex D suggests various strategies for the sustainable transformation of gender relationships in South Africa. These strategies for women's empowerment cut across the political, social and economic arenas. USAID's current portfolio reflects the priority placed on achieving gender equality -- from support provided to groups assisting women as targets of domestic violence, to funding provided for maternal and child health programs, and support provided to microfinance organizations whose principal beneficiaries are poor, rural women. Some specific examples of how the program is impacting on women include:

- ▶ The Mission's Gender Working Group will be meeting with the Deputy Minister of Justice to discuss mutually agreeable strategies and mechanisms for USAID and the South African Government to work together to mitigate the disempowerment created by gender bias and create opportunities for the political, social and economic development of women in South Africa.
- ▶ Under the South African Presidential Education Initiative, \$19 million will be provided to upgrade the skills of pre-primary and primary school teachers, the majority of which are female.
- ▶ Several private sector development (SO5) activities have targeted women as beneficiaries. USAID's grant to the Small Enterprise Foundation supported the organization's group lending scheme; 96 percent of the beneficiaries have been poor, rural women. Similarly, more than 50 percent of the beneficiaries of Get Ahead Foundation's microcredit schemes are women, both urban and rural. Under SO5's new Microenterprise Support Project, women were specifically targeted.
- ▶ The implications of the Mission's health objective (SO3) activities and its results on women are very positive, since the primary health care (PHC) delivery system primarily serves women and children. There are three principal ways in which women -- especially rural women -- will benefit from SO3: (1) improved quality of life, (2) a strengthened role in the community, and (3) improved job opportunities and skills. Improved quality of life will result from the fact that children will generally be healthier, meaning that women will spend less time dealing with children's ill health, and children will be happier and will likely do better in school, etc. In addition, improved health services for women (especially reproductive health, family planning,

and HIV/AIDS programs) will mean that the women themselves are healthier, can be more productive, have the opportunity for fewer (and spaced) children, etc. A strengthened role in the community should result from expanded opportunities for women to be actively involved -- in fact, take a leadership role -- in community development activities related to PHC services and facilities, and to broader, health-related services (e.g., community water supply, transportation services). Improved job opportunities and skills will result from the fact that women comprise the vast majority of PHC health workers, and SO3 activities will provide the opportunity for improved training, skill enhancement, and additional community health worker jobs -- especially in the rural areas. Thus, SO3 will have a clear and positive impact on women in at least these three key areas affecting their lives. which focuses on economic growth and employment generation.

In looking ahead, the Mission will continue to utilize its Gender Working Group to coordinate gender-related efforts within the Mission, ensuring that our future endeavors are responsive to the priorities of South Africa. The Mission will also utilize its Program Monitoring and Evaluation Contract to prepare a gender strategy which will investigate how specific SOs can better target women's issues.

J. Mission Reengineering

This CSP reflects a Mission newly energized by reengineering. The Mission has made significant progress in re-examining all of its operations and structures in order to operationalize the five core values of reengineering; empowerment; teamwork; customer focus; results orientation; and valuing diversity. In undertaking this re-examination, the Mission has sought and achieved active participation by a broad cross section of employees. In 1995, the Mission established Strategic Objective Teams (SOTs) and an Overarching Strategic Team (OST), to guide the strategy development process. This had the critical effect of stimulating broad participation of staff in the process and solidifying our own collective understanding of and commitment to the final product. This has brought not just new blood, but new ideas into the Mission's reengineering efforts.

Of equal importance, as part of the Mission's significant rethinking of its portfolio through the strategic planning process, the Mission has begun its most extensive and structured consultations with customers and partners ever. In many respects, the Mission's cutting-edge approach in working directly with local NGOs enabled the Mission to make a smooth transition to a more customer-focused system. Moreover, the Mission's pre-existing relationships with its customers and partners facilitated the formalized process of consultations on the proposed strategy. These consultations have served to ground-truth the strategy by ensuring its relevance to the South African context, and helped to confirm the validity of its development hypotheses. Annex G provides a more detailed accounting of the efforts the Mission has undertaken to facilitate aggressive reengineering.

K. Performance Monitoring

The Mission has initiated a Performance Monitoring effort to better track results under this strategy. In FY96 a contract was awarded to MACRO International to provide technical

assistance and access to expertise in the establishment of monitoring systems and the evaluation of activities. This contract is not intended to replace Mission efforts but rather to facilitate the gathering of data and the establishment of internal systems to assist Mission staff. In addition, in FY97 the Mission will establish routine portfolio reviews - in October the Progress Review will focus on implementation and results and in November the Planning Review will focus on implementation and forward planning. Both will culminate in the preparation of the R4 Report. There will also be a combined Progress and Planning Review held at mid-FY, in the April-June timeframe. Finally, the Mission has an in-house database, MERIT, which, among other things, will facilitate the tracking indicator information from the activity to the Intermediate Result, to the SO level. This information will feed into the NMS at the management contract level and also inform project managers of progress at activity impact level. The Mission has a full time Evaluation Officer who leads a team consisting of representatives from each Strategic Objective Team to implement the Monitoring and Evaluation Plan.

The critical point for USAID/South Africa's program will be the 1999 national election. Although not precisely a strategy "mid-point," this will be an appropriate point for any needed adjustments to our strategy. Therefore, the Mission will plan a program-level evaluation following the election. This evaluation will examine the continued viability of the Mission's results framework, anticipated results, and progress toward graduation. As required, targets will be revalidated or changed at that time. Additionally, the Mission will conduct a rigorous assessment of the level of resources (time, program budget, staffing, and OE budget) required to successfully close-out the program. This will provide for the negotiation of a formal close-out plan with USAID/Washington and the RSA.

PART II: PROGRAM STRATEGIC OBJECTIVES
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I. Overview: Results Framework

A. Goal: Support for Sustainable Transformation

The overall goal of USAID/South Africa's program over the next ten years will be support for sustainable transformation.

Sustainable transformation will have been achieved when South Africa is at the point where democracy is sufficiently consolidated; basic system and policies for social service delivery in education and health are moving from being fragmented to being unified; and institutions are establishing mechanisms so that the historically disadvantaged and previously disempowered women and men participate in, contribute to, and benefit from the development of South Africa.

A vital principle of transformation is increasing empowerment of the historically disadvantaged majority population. Apartheid was a top-down system in which most aspects of life of the majority population were decided by the minority government. The RSA does not just want to change the faces of government leaders making decisions for the people, but rather, to include the people in decision-making so they can ensure government programs are responsive to their needs, hold the government accountable for performance, and add their own energies and involvement.

The proposed strategy covers the period from 1996 until the Mission's planned exit from South Africa in 2005. Thus, it is a "graduation" or "completion" strategy. Its goal is support for sustainable transformation in South Africa. This support is intended to go further than short-term transition support, but not as far as long-term sustainable development support. The latter is not targeted because South Africa has substantial resources to address its problems over the long term. Short-term transition support is not seen as sufficient because of the major problems South Africa faces in uplifting the majority population that suffered under apartheid.

No clear-cut standard can be applied to assess when sustainable transformation has been achieved. However, the general notion is that political, social, and economic change will have been carried far enough that definitive new directions have been set, strong momentum for continuing change has been established, and South Africans themselves maintain this momentum without donor assistance. Thus, support for sustainable transformation does not guarantee long-term development outcomes, but rather lays the foundation for their achievement by South Africans.

B. Sub-Goal: Empowerment

The strategy sub-goal, thus, is political, social, and economic empowerment. The Mission will continue to ensure that the program strengthens the capacity of the historically disadvantaged population to take the next steps in support of their own and their communities' development. That is, in all our efforts we seek to empower the historically disadvantaged population (HDP) to sustain the transformation and development processes. We will ensure, through our own assistance and with our development partners, that the HDP have the tools to take control of their lives and to take advantage of increased opportunities, options, and access to resources to make informed decisions affecting their lives and their families.

C. Evolution of Strategy

Formulation of an exit strategy roughly two years after South Africa's historic 1994 national election is appropriate. Prior to the election, USAID/South Africa's goal was political, social, and economic empowerment of the disadvantaged population, with the explicit objective of supporting political change. With the advent of democratic rule, the critical goal of formal political enfranchisement was achieved. However, daunting legacies of social and economic disempowerment remain, and even the political sphere needs further transformation and consolidation. USAID/South Africa's assistance over the last two years addressed critical, post-transition needs in political, social, and economic areas. It has supported the new Government's early efforts to expand and consolidate democracy; establish new policies and systems in education, health, housing, and private sector development; and deliver tangible gains to the majority population under the RDP. President Clinton's post-election pledge (\$600 million over 3 years) led to the rapid and substantial increase in assistance resources. This gave USAID the opportunity to initiate a series of bilateral assistance agreements with the RSA, continue its support to NGOs and PVOs, and thus support RSA/NGO cooperation to achieve reconstruction and development objectives.

Now that South Africa's transition is through the first phase, it is appropriate to look at the longer-term problems facing South Africa, and to set explicit objectives for U.S. assistance in a limited number of areas that are critical for the goal of sustainable transformation. The Mission has done this through an intensive process of consultation with South African and American development partners. The exact form of consultation has varied by (Strategic Objective, but the common theme was shared discussion and debate about what South Africa's key development needs are, what USAID/South Africa's comparative advantages are, and what USAID/South Africa can realistically hope to contribute.

What USAID/South Africa can contribute is obviously influenced by the Mission's past assistance relationships in the country. Thus, it is not surprising that the Mission's proposed strategy builds on our experience in the three areas of political, social, and economic empowerment that were highlighted in the Mission's 1993 Concept Strategy Paper. However, the content of the new Strategic Objectives has evolved considerably from the concepts of three years ago.

II. Strategic Objective 1: Democratic Institutions Strengthened Through Civil Society Participation

A. Introduction and Vision Statement

South Africa's transformation is, in the first instance, political. Beginning with a fundamental change in the rules of the game and the distribution of power, it can best be understood as an effort to make real, tangible, and permanent the principles and promise contained in that initial wave of change. The government recognizes that progress in the political arena must continue in order to provide the stability and overall framework for the sustainable transformation of all sectors within South Africa.

The South Africa "miracle" is primarily a result of the efforts of South Africans working together to bring about the changes that have occurred. However, the U.S. Government (USG), primarily through USAID/South Africa has been an active participant in the democratization process in South Africa. USAID played a major role in the 1994 national elections, through efforts in voter education, political party training, and local and international monitoring. We have funded a broad range of programs to support civil society, as well as activities targeted at legal and human rights, conflict resolution, elections and governance.

Consolidation of democracy is the most apparent challenge in the new South Africa. The weakest link in democratic participation today is the connection between formal government structures and the people at the grassroots level. Effectiveness has been hampered by the majority population's lack of experience in civil participation, poverty, and lack of education, and by the newness of public participation as a Government concern. The 1995 local government elections and the subsequent establishment of local government structures opened new opportunities for constituency representation and public participation at the local level.

USAID strategy under SO1 focuses on those aspects of democratic consolidation that involve public participation and partnerships between government and civil society. That is why the SO is stated as **democratic institutions strengthened through civil society participation**.

The vision underlying SO1 is that, by the year 2005, South Africa will have established, with the assistance of United States and other donors, a stable democracy that has strong civil society participation and pluralism. This democracy will include strong participation by the previously disadvantaged population, not only in voting and other formal democratic processes, but also in Governmental processes that affect daily lives. Governmental delivery of services will be responsive to local needs because of community participation, and public/private partnerships will be producing effective and responsive services. Specific components will include: (1) a more equitable and accessible justice system; (2) better public knowledge of civic rights contributing to improved equity; (3) well-developed mediation channels to manage conflicts; (4) strong public information and public oversight of Government by civil society; (5) national and provincial legislatures that are responsive to constituency interests; (6) government officials who are capable of managing participatory development; and (7) an expansion of innovative partnerships among Government, civil

society organizations (CSOs), and the private sector to supplement traditional Government services.

The SO1 strategy has been influenced by an intensive process of consultation with customers and partners, including senior government officials and a Reference Group of South Africans which provided on-going advice and feedback. The consultation process is described in Annex H, Part 1. This process has improved the quality of the strategy by ensuring that it is relevant to the constraints and opportunities in South Africa as understood by South Africans themselves. It has also helped to establish ownership of the strategy by our development partners in and out of Government, who are critical to effective implementation.

B. Problem Analysis

1. South African Context

Annex H, Part 2 presents an overview of South African developments since the 1994 election in two areas relevant to SO1: democratic consolidation and participatory development. Some conclusions.

--Democratic consolidation is progressing well, especially in the areas of reconciliation, democratic norms, openness of government, and vitality of civil society. Two challenges are increasing democratic participation at grassroots level and building political consensus and peace in KwaZulu-Natal.

--Participatory development is an area of great promise, because of South Africa's strong civil society and the desire of the Government to involve the people in development. However, progress in this area has been hampered by lack of operational methods for Government/civil society cooperation, and lack of capacity in the public service to work with CSOs.

2. Central Themes

Although USAID/South Africa's projected D/G budget is large relative to that of other Missions in Africa and the world, it is not large relative to the total resources involved in the sector from the South Africa Government, local NGOs, other donors, and other sources. In addition, the Mission's D/G efforts have a pre-determined end-point and must be based on a coherent **exit strategy** -- a concept for what will be accomplished by the end of the program and how those accomplishments will have lasting impact after the end of USAID funding. This requires careful selection of USAID's interventions in close coordination with Government and civil society representatives. Conscious of these factors, the Mission has chosen three themes to guide its choice of program areas and results targets in D/G.

--**Participation.** The first theme that USAID/South Africa believes is critical for the future is popular participation--defined broadly to include public participation in processes to influence government policy, community involvement in development, and general linkages between the people and their government. This is a principle that has been embraced by Agency policy as an important element of both democratic governance and effective development. South Africa presents unique opportunities to

pursue participation objectives, because the country already embraces the principle, which is deeply rooted in the history of the anti-apartheid struggle and the democratic norms of the new Government.

--**Civil Society.** Around the world, studies have shown the importance of a strong civil society to sustainable democracy. The Government says that it wants a strong civil society, favors Government/civil society cooperation, and is seeking ways to involve CSOs in long-term development. The latter is directly relevant to democratic pluralism, because CSOs need viable long-term roles in social and economic development if they are to be sustainable, and sustained CSOs are a key element of democratic pluralism.

As noted in Annex H Part 2, South Africa emerged from the anti-apartheid era with a strong civil society, but the NGO sector is in crisis today and there are questions about the long-term viability of NGOs and Community-Based Organizations (CBOs). Thus a USAID/South Africa focus on supporting CSOs seems appropriate--including both support for CSO activities aimed at strengthening and consolidating democracy and indirect support for the CSO sector through assistance to CSO efforts to find viable long-term roles in development.

USAID/South Africa believes that it has a comparative advantage within the donor community in promoting cooperation between government and CSOs because of the Mission's strong base of experience in working with local and international NGOs, its capacity to effectively grant to NGOs (in some cases through wholesale mechanisms), the special interest of the United States in promoting civil society, and the special interest of USAID in supporting partnerships among government, NGOs, and the private sector (highlighted in the Agency's New Partnerships Initiative [NPI]).

There is a particularly strong case for USAID assistance on models of public-private partnership. The Government has said it wants creative partnerships with civil society and the private sector, in part because it recognizes that it does not have sufficient resources, or in many cases the appropriate skills, to meet the country's development needs by itself. But there are few models for such cooperation. USAID has experience with such partnerships worldwide; they are endorsed in the NPI, and USAID/South Africa has an experience base with relevant South African NGOs.

In both these areas, civil society and participation, there is a high degree of overlap between the goals and objectives of South African Government and USAID policy interests. This led the Mission to stress the development of models for participation and public/private partnerships in SO1.

--**Selected Government Institutions.** A final theme that USAID/South Africa believes is important to a balanced D/G program is support for Government efforts to reform Government institutions. Since this is an enormous area, the Mission felt it had to focus on a limited number of institutions in which the Mission has comparative advantage. As explained below, three areas were chosen: the justice system (expanding access), legislatures (focused on improving public participation), and

increasing the capacity of provincial and local officials to manage participatory development.

C. Development Hypothesis and Rationale for Selection

Given these strategic themes, what sub-sectors of D/G should the Mission focus on, and what specific results should it target?

1. Development Hypothesis

Support for South Africa's democratic transition is a cornerstone of U.S. policy. Thus there is a strong case for making support for democratic consolidation a major component of SO1. This also fits with Global D/G policy guidance, which stresses the importance of providing follow-on assistance after major democratic transitions in areas such as democratic and accountable governance, rule of law, civic education, civil society strengthening, public participation in policymaking, and public information. SO1 direct support for democratic consolidation would also complement indirect support for democratic consolidation provided by other SOs through their funding of Government and NGO programs to deliver tangible benefits to the majority population in education, housing, health, and other areas (which most observers believe is important for long-term democratic stability in South Africa).

SO1 is broader than a traditional D/G strategy, in that it includes two Intermediate Results that are related to participatory development and not normally seen as part of Agency D/G strategy (public management and partnerships for development). SO1 also does not address all aspects of sustainable democracy or democratic consolidation. It rather focuses on selected components (administration of justice, human rights, conflict resolution, and public policy participation). Common to all of these Intermediate Results is the central theme of government-civil society partnerships.

This emphasis on government-civil society partnerships is based both on general theory and on the particular conditions of South Africa. The general theory is that civil society pluralism is the single most important determinant of democratic pluralism and sustainable democracy--the ground out of which democracy grows, and the check and balance that ensures public accountability. The particular conditions of South Africa are the strong civil society base that exists in the country, the strong culture of participation favored by both Government and the public, and the strong acceptance of democracy in both Government and civil society. These represent very favorable conditions for the achievement of sustainable democracy and accountable government.

SO1 seeks to build on these strengths of South Africa in order to help make democracy more deep, strong, and irreversible. It does not draw a sharp distinction between democracy and participatory development, arguing that the two are closely linked and mutually reinforcing. The methods of public representation and accountability cannot be separated from the methods by which Government pursues its objectives of economic and social development. CSOs are critical to both. Increasing popular participation in development will strengthen accountable governance. By the same token, if NGOs and CBOs can't find viable long-term roles in

development, civil society pluralism will suffer. But finding those CSO roles in development requires more than traditional democracy support. It also requires support for building participatory development capacity and experience, both in Government and civil society.

This is the basic development hypothesis that underlies SO1. Democratic governance is the goal, but the means include both direct support for democratic governance and indirect support for it through participatory development and CSO involvement in social and economic development. The latter is reinforced by the Mission's other SOs, most of which also support CSO involvement in social and economic development (which is a broader theme of USAID/SA's program). Put another way, the SO1 goal is political but the means are both political and economic/social.

2. Democratic Consolidation

After extensive dialogue with partners, the Mission decided that major results should be targeted in four areas: (1) administration of justice (focused on expanding access to the justice system by the disadvantaged population); (2) civic rights education (expanding awareness of rights and civil society protections); (3) conflict resolution (aimed at reducing violence and other threats to democracy); and (4) civil society participation in policymaking (supporting both public inputs and government receptiveness). Rationales for these choices:

--**Justice reform and expansion of access** are key concerns of the new Government and important components of democratic consolidation. Like most aspects of life under apartheid, the justice system provided first-rate services to the minority population but dismal or non-existent services to the majority population. The challenge of expanding access is to preserve the strengths of the old system in terms of quality and integrity, but expand its reach dramatically and rapidly. USAID/South Africa has a strong base of experience with relevant NGOs and new Government officials in this field.

--**Civic rights education and monitoring of human rights performance** are important because of the special problems that have existed in this area in the past in South Africa and the need to consolidate and protect the human rights culture that the new Government has established. Expanding knowledge of civic rights in the majority population is a key element of improving equity of justice, and protecting human rights is widely viewed as a critical component of sustainable democracy and improved social justice. USAID/South Africa has a strong base of experience with relevant NGOs in this field.

--**Conflict resolution** is still a critical need in South Africa, both in terms of reducing violence (especially in KwaZulu-Natal) and in terms of mediating disputes over development issues such as education, land, and water. Political violence is reduced considerably from its levels at the time of the 1994 elections, but political and community-level violence are still disrupting development and democratic participation in KwaZulu-Natal and other parts of the country. USAID/South Africa has a strong base of experience with the country's leading NGOs in this field.

--**Public policy participation and sustainable CSOs disseminating public information** are critical to democratic pluralism and accountable government. As noted above, a weakness in South Africa's democracy is channels for citizen participation in government decision-making. One important channel for citizen and civil society input to government is through elected legislatures. USAID/South Africa proposes to support political participation by strengthening both public capacity to generate public policy inputs and the capacity of legislatures to receive them. USAID/South Africa has a comparative advantage in this area because: the Mission has established relations with many CSOs that want to play a policy monitoring and public information role; South African members of legislatures are interested in exploring examples of political participation from a range of experiences (including those of the United States); and U.S. PVOs have expertise in this field.

3. Participatory Development

As noted above, USAID/South Africa decided to include major investments in support for participatory development in SO1, both as an end in itself (complementing the Mission's broad emphasis on participatory development throughout the portfolio) and as a means of strengthening sustainable democracy. Under participatory development, the Mission felt that it was important to support (1) better capacity in Government to manage participatory development; and (2) innovative models of public/private partnerships that could be replicated to expand the scope and effectiveness of participatory development beyond traditional Government delivery of services. Rationale for these choices:

--**Public Management.** Many donors are providing substantial assistance in public administration (including the European Union, Britain, Canada, and Sweden). USAID/South Africa support will not duplicate other donor efforts but concentrate on the specific issue of helping national and provincial Government structures increase their capacity to manage participatory development. This is important for the effectiveness of participatory development and the viability of Government-civil society cooperation.

--**Partnerships for Development.** The Mission decided that it should support innovative models of partnership among government, CSOs, and the private sector at the provincial and local levels. The Mission made this judgment for several reasons:

--Supporting partnerships between government and CSOs is consistent with the Agency's policy guidance under the Agency's Strategic Framework as well as the NPI. NPI concepts seem to fit South Africa's conditions quite well.⁶ USAID/South Africa's interventions support increased provincial and local government participation in decision-making while emphasizing the role of civil society. However, rather than a traditional local governance approach

⁶NPI only targets local government cooperation with NGOs, CBOs, and the private sector. In South Africa, provincial governments will be as relevant to such cooperation as local government, especially in rural areas (where local government is weak or non-existent).

which focuses on service delivery, the focus is on developing partnerships among government, civil society and the private sector.

--A development model of government/civil society/private sector cooperation has much more potential to achieve effective social service delivery under the RDP that is participatory and responsive to local needs than the alternative of government-dominated delivery. The superiority of civil society involvement over a "government does all" approach is one of the general lessons of development experience in Africa and the developing world. It is also supported by the particular conditions of South Africa today--Government bureaucracies have little experience in providing quality services to the majority population and no history or culture of implementing participatory development, while South African CSOs are skilled in fostering popular participation. Many of the Mission's other SOs foster government/CSO/private sector cooperation in technical areas, but there is also a need for generic models of such cooperation which can be applied across sectors and replicated by others. This is what SO1 will focus on. Such models can help leverage additional resources into long-term development and increase the effectiveness of development delivery, which will strengthen political stability.

--Finding long-term development roles for NGOs appears to be the best, and possibly only, way to allow a rationalized NGO sector to survive in a future environment of reduced or nonexistent donor funding.

--As noted in Annex H Part 2, South Africa has unique capacity for making participatory development work because of its strong civil society base and willing government. If South Africa can demonstrate special accomplishment in terms of effective delivery and effective popular participation through public/private partnerships and other methods, it could be a model for other countries in Africa and the world.

4. Other Donors

Annex H, Part 3 describes other donor activities in SO1 areas. As the annex indicates, the main areas of democratic consolidation in which other donors are working are: (1) elections (declining support but still carrying over from local elections); (2) national Parliament (the European Union plans a major program to support capacity building in Parliament; various other donors have specialized programs); and (3) human rights (a number of donors plan to work with the Ministry of Justice to support Ministry and NGO activities in human rights). In public management, a large number of donors are assisting the national government civil service reform and supporting provincial and local governments in forming new structures and in implementing the RDP. Other donors are supporting a variety of activities related to RDP delivery that could be called participatory development.

D. Expected Results

SO1 does not target as its end point full consolidation of democracy. It does, however, strive to make major contributions to key components of democratic consolidation and to support the entrenchment of democracy in strong popular participation and a pluralist civil society. USAID/South Africa believes that the proposed strategy and programs can achieve major impacts in these areas, as well as make a major contribution to the sub-goal of **political empowerment of the historically disadvantaged population**. These judgments are based on the following assumptions:

--South Africa has excellent prospects of achieving democratic consolidation in the sense of formal institutions and laws. It has good prospects for building a democracy that is highly participatory and accommodating of political differences (although these outcomes are less certain). USAID/South Africa does not believe that democratic strengthening or political empowerment will be complete or nearly complete by 2005. However, we do believe that substantial progress can be made and that there is a good chance that the process will reach a point of irreversibility even before then.

--The real key to deep and sustainable democracy in South Africa is the civil society base and democratic pluralism. South Africa starts out with unique advantages in these areas due to its strong and activist civil society. However, it is not clear that pluralism and activism will grow in the future at a sufficient pace to support continuously strengthening democracy. It is even conceivable that they will move backwards. One of the main thrusts of SO1 (per the above key development hypothesis) is to shore up this critical base for sustainable democracy by supporting civil society pluralism and popular participation. The Mission's other SOs will also support these areas through their work with CSOs. This will increase the pace of positive movement if the direction is positive and help ensure against backsliding if it is not. It is this component of the SO that gives us the most reason to claim major impact that is more than proportional to resources applied.

--The specific areas of democratization targeted (administration of justice, civic education, conflict resolution, and public policy participation) are important components of democratic consolidation. USAID/South Africa believes that its programs under these IRs will have high individual and collective impact, because of our experience in and ability to work with CSOs, which have strong capability to deliver cost-effective results.

Figure 1 presents the Mission's Results Framework for this SO, defines as **democratic institutions strengthened through civil society participation**. The Results Framework contains six Intermediate Results (IRs), the first four associated with democratic consolidation and the last two associated with participatory development.

1. Intermediate Results

The programmatic content, targeted results, and leave-behinds under each of these IRs are as follows.

a. IR 1.1 - Increased Access to Equitable Justice Systems

The new Government has made major gains in incorporating human rights in new legislation, but desired new directions have not yet translated into operational changes in staffing, attitudes, and training in the Ministry of Justice. These are some of the problems being addressed by USAID/South Africa's bilateral agreement with the Ministry of Justice. This program emphasizes training of black lawyers and paralegals; expansion of legal access through advice centers and paralegal services for the poor; and support for further legal reform. USAID/South Africa programming in this area has been coordinated with other donors through the active personal involvement of the Minister of Justice. It relies heavily on local NGOs for services, technical assistance, and training. Principal results and leave-behinds under this IR are:

- 200 Ministry of Justice officials retrained in democracy, human rights, and culture of tolerance.
- 200 black law graduates complete their articles of clerkship (required for practice in South Africa).
- Pilot project for training and upgrading skills of justice officials in the former Transkei homeland area of the Eastern Cape completed (to be replicated in other areas with other donor funding -- e.g., the European Union and Canada).
- Community court structure in place.
- Rationalization of the court system improved through technical assistance.
- 30 law students complete masters degrees in human rights.
- A Civil Rights Act drafted and presented to Parliament.
- A Children's and Women's Rights Bill drafted and presented to Parliament.

Access to justice is expected to be considerably expanded by 2000 (and even more by 2005), with USAID making a major contribution. USAID/South Africa's bilateral agreement with the Ministry of Justice was the first donor bilateral in this area and helped define the Government's plans in administration of justice. The Ministry of Justice is aligning other donor support to be consistent. USAID/South Africa's \$9.5 million commitment is being reinforced by approximately \$7 million from the government and \$10 million from other donors. The Ministry has a clear idea of what it is trying to achieve and is moving satisfactorily on implementation. The Transkei pilot project will have major demonstration effects and is likely to leverage substantial other funding. USAID/South Africa will play the lead role in supporting drafting a Civil Rights Act and a Children's and Women's Rights Act, which will be landmark legislation.

b. IR 1.2 - Civil Society Knowledge and Protection of Civic Rights Strengthened

This IR includes a major program of civic education to build understanding of rights and democracy. The Reference Group also highlighted the need for outside monitoring of government performance on human rights by NGOs (not funded by the Government) in order to protect human rights gains over the long-term. The Mission agreed with this recommendation and plans to contribute to an endowment that will fund local NGOs to carry out human rights monitoring. Principal results and leave-behinds under this IR are:

out human rights monitoring. Principal results and leave-behinds under this IR are:

- 18 human rights and democracy centers in place promoting civic rights knowledge.
- Rights and democracy education incorporated in school curriculum.
- Report from Truth and Reconciliation Commission feeds into legislation on human rights.
- An endowment in place to fund non-Governmental monitoring of human rights.

Civil society knowledge of civic rights will grow slowly and probably not be substantial by 2005. Protection of civic rights is expected to advance more quickly and to be solidly in place by 2005. Progress in this area will mainly depend on the efforts of the Government and local groups. USAID funding will provide a significant boost, particularly to the scope of civic education in the next five years. Leave-behinds include a human rights endowment to monitor human rights adherence and 18 regional human rights and democracy centers carrying out civic education.

c. IR 1.3 - Capacity to Prevent, Manage, and Resolve Democracy-Threatening Conflicts Strengthened

Previously, USAID-funded conflict resolution activities focused on politically motivated violence and community disputes. Conflict resolution in the traditional mode will continue in troubled areas, but be supplemented by "second generation" conflict resolution on issues such as border disputes among provinces, land restitution, and water rights. This IR also envisions helping a conflict resolution CSO that can provide conflict resolution services throughout South Africa reach a level of capacity and financial sustainability that will allow it to continue operations after the end of USAID funding. Principal results and leave-behinds under this IR are:

- 2-3 national conflict management institutions are sustainable.
- 4-6 local conflict management institutions are sustainable.
- Endowment in place to support conflict resolution, public policy participation, and partnerships for development activities in KwaZulu-Natal.
- Mediation units in place in selected Government organizations.
- Culture and skills of conflict management strengthened in selected institutions.
- Community-level forums for conflict management established and functioning.

Conflict management capacity is already high in South Africa and is expected to be even more fully developed by 2005. This IR addresses "second generation" conflicts linked to development, not just violence and political disputes. Whether these types of conflict will be substantially reduced by 2005 will depend on political and social developments in South Africa, but it seems likely they will be. USAID is a dominant partner in this field. Leave-behinds include two to three sustainable national institutions, four to six sustainable local institutions, and an endowment in KwaZulu-Natal. There will probably also be indirect benefits in other countries (especially in Africa) as South African NGOs take their expertise outside.

d. IR 1.4 - Civil Society Participation Increased in Public Policymaking Processes in Selected Areas

This IR envisions a two-pronged approach to strengthening citizen, community, and civil society participation in public policy formulation--one on the supply side and one on the demand side. The supply side involves the strengthening of mechanisms for informing people about public policy issues, for developing independent policy inputs from civil society, and for increasing grassroots participation in policy formulation. This will entail support for (1) CSOs to monitor public policy, provide public information, and advocate policy alternatives; and (2) innovative models of grassroots participation that can be replicated. The demand side involves strengthening mechanisms for government institutions, especially legislatures, to receive and incorporate inputs from civil society on policy and process issues. Targeted institutions include national Parliament, provincial legislatures, and local councils. Principal results and leave-behinds under this IR are:

- 3 major CSOs strengthened that promote public policy participation through monitoring of public policy developments and dissemination of information, research, and training
- National and provincial legislators trained in constituency outreach.
- Public participation units established in provincial legislatures.
- 5 innovative models of grassroots participation in place and disseminated.

Public policy participation is likely to be significantly strengthened by 2005, but still short of national ideals. USAID assistance is important but not dominant in this field, in which many domestic and international partners are involved. Legislative capacity for constituency outreach is likely to be significantly helped by assistance from U.S. PVOs, but the decisive factor will be political will within the parties and legislatures. The three major South African public policy CSOs that USAID is strengthening have good to excellent prospects for long-term sustainability, but that sustainability will result from multiple support sources. These organizations are likely to have substantial impact on public knowledge and activism, as they are highly capable. The impact of USAID-funded innovative models of grassroots participation in policy formulation is likely to be high, since there is strong political will in Government to support popular participation (a critical assumption).

e. IR 1.5 - Strengthened Capacity of Selected National and Provincial Government Institutions to Manage Participatory Development

Previously, USAID programs in public administration funded various training activities at national and provincial levels, building strategic planning and other skills. Under this IR, future programs will focus on building capacity to manage participatory development. This will be done by training selected senior career officials and leaders of selected organizations that have shown commitment to participatory development principles in skills such as working with community groups, partnering with NGOs and CBOs, and directing Government programs to meet local needs. Principal results and leave-behinds under this IR are:

- Presidential Review Commission on Public Service Reform supported. (This is a

possible one-time activity.)

--300 senior career national and provincial officials trained in participatory development management.

--Management capacity for participatory development strengthened in 4 national Ministries.

--To-be-defined training and technical assistance provided to national and provincial Government structures after the 1999 election.

Government capacity for managing participatory development is likely to increase significantly by 2005, but still fall short of national ideals. A shortage of trained personnel sympathetic to new development needs will constrain this capacity for at least 20 years. The existing culture of the civil service is resistant to participatory development methods and will not change quickly. Impact will be higher if one or more of the targeted Ministries or provincial Governments demonstrate clear progress and inspire others to follow (which will depend on political will in these organizations).

f. IR 1.6 - Innovative, Community-Oriented Models of Partnership (Civil Society, Government, and Private Sector) Developed and/or Disseminated

This IR will concentrate on three focus provinces: Free State, Northern Cape, and KwaZulu-Natal. In these provinces, USAID/South Africa proposes to support specialized programs developed in consultation with governmental and civil society organizations in each province that can demonstrate innovative and effective models of government, civil society, and private sector partnerships and community involvement in development. In the early stages, USAID/South Africa will support processes to bring representatives from these sectors together and to define the area or areas they want to pursue and targets for accomplishment. USAID resources will then be used catalytically to mobilize private sector resources and encourage self-sustaining cooperation among the partners. USAID/South Africa will explore options for applying to South Africa the "community foundation" model that has been used extensively in the United States (an endowment that draws on interest on the capital to provide funding for community activities under the guidance of a representative Board of Directors). However, the different conditions of South Africa may require that this concept be adapted considerably to fit local conditions. USAID/South Africa will also support national dissemination of successful models, including both those funded by USAID and highly successful models supported by others. Principal results and leave-behinds under this IR are:

--17 local development agencies facilitating partnerships in three focus provinces by 1999.

--18 community foundations (modified to meet South African conditions) functioning throughout South Africa in 2003.

--Successful partnership models (whether funded by USAID or not) disseminated.

Partnerships for development could be a major new development paradigm in South Africa by 2005, helping the country use limited development finances to the most effect. USAID models could make a major contribution to such partnerships by demonstrating the potential. However, much depends on whether the Government, CSOs, and the private sector mobilize

around such partnerships. Community foundations depend heavily on whether private philanthropy can be attracted on a large scale (a critical uncertainty). This is the only IR that is framed in terms of models; thus impact depends heavily on whether the models are replicated, which depends on Government and private commitment. Because of the high dependence on local will and conditions, the key pre-conditions for progress in this IR will be monitored closely and USAID programs re-directed (possibly including the whole IR) if trends are not positive. If trends are positive, this IR could result in major leave-behinds in the form of a large number of self-sustaining community foundations or community foundation-like entities with capital endowments that would grow over time.

g. Special Result - Conducive Legal and Regulatory Environment for CSO Viability In Place

This special result focuses on improving the enabling environment for CSOs in order to increase the long-term viability and sustainability of CSOs. This is another way to support civil society and democratic pluralism. The legal environment for CSOs in South Africa is in flux at present. A consortium of NGOs called the NGO Coalition is working with members of Parliament to develop a bill that will try to balance the need for financial and other accountability with the need to preserve NGO independence. At present, tax incentives for NGOs are favorable for certain categories of giving, but not for others. This result envisages support to local coalitions and organizations working for legislation which will ensure a conducive enabling environment, particularly with respect to incentives for private philanthropy.

E. Performance Monitoring

The Performance Monitoring Plan (Annex D) lists key indicators to be tracked to measure progress at the SO and IR levels. These indicators were influenced by consultation with USAID/South Africa grantees, who will use them in their results reporting on individual activities.

The SO Team does not propose to report on progress in SO1 solely by these quantitative indicators. It will also present qualitative assessments of progress IR by IR in narrative form. For example, progress in IR 1.1 (administration of justice) will describe the type of systems change targeted in the justice system and some indicators of progress (some qualitative and some quantitative). The latter measures will not attempt to be comprehensive, but will present a reasonable indication of progress in the sector and the Mission's contributions to that progress.

In addition, the SO Team plans to sponsor an annual "Democracy Report" which will track progress in South Africa in the D/G sector as a whole which will be used to report at the Sub-Goal level. This report will draw on contributions from respected South African analysts and possibly incorporate the views of some American and other experts. It is envisioned that this report will eventually be taken over by a South African organization and become a leave-behind activity.

F. Implementation and Management Strategy

1. Teams

The Mission's SO Team for SO1 has formed Results Package Teams (one for each IR) which are fully functioning. (The old office structure has been dropped.) As noted earlier, the team has established a Reference Group of South Africans, which is expected to continue as an advisory body (with membership changing annually). Extended team participation at both the SO and Results Package (RP) levels will be drawn from the Reference Group and existing grantees.

2. Solicited Proposals

In the past USAID/South Africa did most of its programming in the D/G field through selection from unsolicited proposals from South African and U.S. NGOs and PVOs. Many hundreds of proposals were received every year. In what has been compared to a "foundation" mode of operation, the Mission then chose a very small percentage of activities to fund based on USAID program priorities, the merits of the individual proposals, and the capacity of the proposing organizations. In 1994 the AID/W Office of Procurement examined USAID/South Africa's system and concluded that it represented *de facto* competition, due to the implicitly competitive selection process. However, the Office of Procurement also encouraged the Mission to go further in publicizing its strategic objectives, and, where possible, to use RFAs/RFPs (requests for applications and requests for proposals) to make the competition solicited. In FY96 SO1 awarded most of its new grants through RFAs linked to individual IRs. In the future SO1 expects to continue to award most of its activities through RFAs/RFPs. This will not only ensure competition, but also allow the Mission to measure more rigorously the contributions of activities to individual IRs.

3. Reducing Management Units

Under the previous foundation mode of operation, USAID/South Africa's D/G portfolio consisted of a very large number of individual grants to South African NGOs and a smaller number of grants to U.S. PVOs. This resulted in a tremendous management workload for USAID/South Africa staff. While considerable progress has been made in reducing the number of management units in D/G in the last two years (especially in the grant-intensive Human Rights portfolio), the number continues to outstretch staff capacity, resulting in less than optimal monitoring and implementation oversight.

The Mission expects to have to operate with even tighter constraints on operating expenses and personnel in the future. SO1 has been told that it will have to reduce its staff level by FY98. To cope with staff limitations, it is imperative that SO1 dramatically reduce its management load. To this end SO1 will compete a major grants-management contract in FY97. The contractor selected will handle all administrative aspects of grants management for designated future activities under SO1 and provide more limited administrative support for existing grants. (USAID/South Africa staff will still handle the substance of the program [results planning, defining RFAs, sitting on selection panels, and overseeing implementation].) The proportion of new activities that will be managed this way will be approximately 70%.

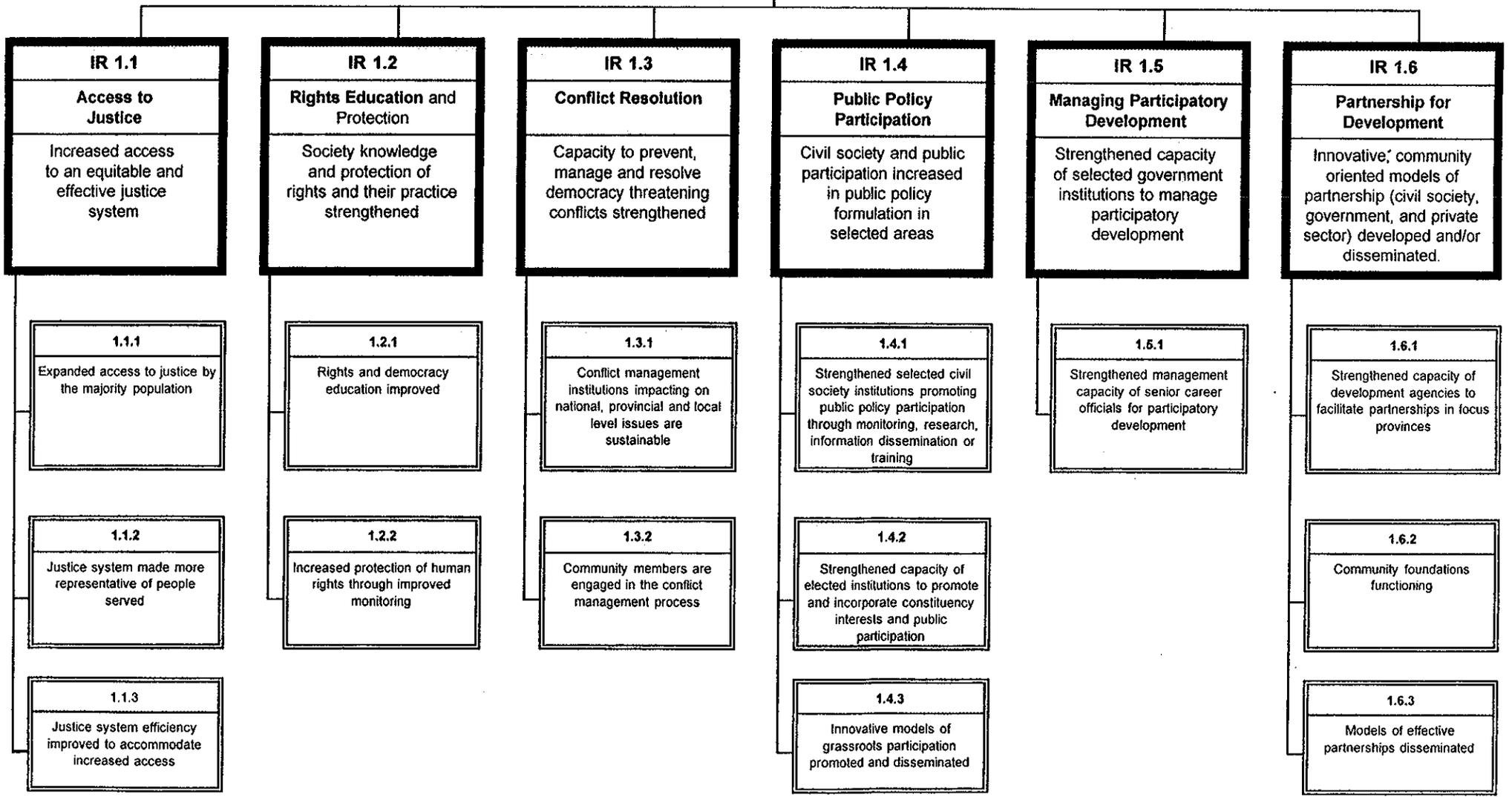
This will reduce total management units from approximately 60 in FY96 to 40 in FY98 to 20 in FY2003 (compared to 250 in FY94).

G. Resource Requirements

Resource requirements under SO1 for the above program are consistent with the "high option" approved level of \$118.75 million over eight years (FY96 to 2003). Mission staffing requirements are discussed in Part IV of this document. SO1 will also require approximately two person-weeks per year of technical assistance from USAID/W for the next five years.

FIGURE 1: Strategic Objective 1 Results Framework

Strategic Objective (SO) #1
Democratic Institutions Strengthened Through Civil Society Participation



III. Strategic Objective 2: Transformed Education System Based on Equity of Access and Quality

A. Introduction and Vision Statement

Assistance by USAID/South Africa over the last 10 years has played a significant role, both directly and indirectly, in effecting many important changes to South African education. Although considerable progress in education reform has been made within a relatively short period, much remains to be done. The education strategic objective contains three elements essential for continuing and building on these accomplishments in order to complete the transformation from apartheid education to a system based on equity of access and quality. These elements relate to: (a) policy reform, (b) creation of effective systems for education delivery, and (c) improved human and organizational capacity.

The vision underlying the education strategic objective is that by the year 2005 the South African government, with support from USAID/South Africa and other development partners, will have established an education system that is guided by rational and equitable policies, administered through relevant and efficient systems, and implemented by effective organizations. The cornerstone of this new system will be the National Qualifications Framework⁷ (NQF) which establishes the principle of life-long learning and provides for the accreditation of both formal and non-formal learning for learners of all ages. The basic education component of the new system will be decentralized and administered through nine, fully functional provincial Departments of Education (DOEs), under the guidance and coordination of the National Department of Education (NDOE). Each provincial DOE will have education management information systems (EMIS) that are used to inform system management through the provision of timely and relevant education information to a broad spectrum of education stakeholders. There will be important changes and improvements in teacher performance in the classroom as a result of the introduction of new curriculum and materials, as well as the application of new teaching methods.

The education needs of adult learners will be addressed through provincial Adult Basic Education and Training (ABET) programs, using guidelines and materials approved at the national level and based on principles outlined in the education White Paper. National policies on youth, further⁸ and higher education will be established and program development initiated. The importance of youth to the social, political and economic future of the country will be recognized throughout government, and national and provincial level initiatives which target youth will be operational.

⁷The NQF is defined more precisely in Annex J.

⁸The Community Education in South Africa Conference Report (July 1995, page 19) provides the following definition of further education: "Further education is conceived as the level of education and training between the general education phase, covering compulsory schooling to Grade Nine level on the one hand, and ABET on the other. Learning at the further education level will occur in a variety of contexts, such as senior secondary schools, present technical colleges, community colleges, industrial training centers, at distance education centers, or a combination of these centers."

In the case of higher education, the organizational capacity (both administratively and academically) of historically disadvantaged institutions (HDIs) will be enhanced and equity will be accorded across all higher education institutions through the application of an impartial funding formula and a redress formula.⁹ In sum, learners of all ages will have increased access to a quality education and will thus be better prepared to participate in the political, economic, and social development of South Africa.

B. Problem Analysis

Apartheid education was characterized by an inequitable allocation of resources, differing education standards, and duplication of educational facilities within a system of extraordinary complexity and fragmentation. Low education levels, high illiteracy, dropout and repetition rates, and poor academic performance among most of the historically disadvantaged population (HDP) are legacies of that system. The resulting effects of poor quality education on society are well known and include limited economic opportunities, higher birth rates, increased health problems and higher crime rates.

The transformation of education into a system that embodies the principles of equity of access and quality is a high priority of the South African government. This commitment is evidenced both by the level of national resources allocated to education,¹⁰ as well as the progress made in the last 2.5 years towards dismantling the old system and creating unified structures. Since the establishment of democracy in April 1994 the list of achievements in education includes: the creation of a national education department and nine provincial education departments; the development and legislation of a schools bill which sets policy for basic education; and the creation of the NQF. While these achievements are important, they represent only the beginning. Although the democratic government has a mandate to implement radical reform, meeting student and parent expectations for rapid, visible improvement is a difficult process.

The South African government's capacity to address these issues is influenced by a number of constraining factors. Perhaps the most significant of these is the sheer magnitude of the undertaking. It is doubtful that history can provide instances of a society attempting to transform itself on the scale and pace upon which South Africa has embarked. The shortage of experienced human resources in government to undertake policy analysis and formulation, develop legislation, and establish infrastructures and management systems, is widely acknowledged. The government's commitment to democratic processes of broad-based participation and consultation by stakeholders extends the time needed for achieving goals, and adds to the perception that change is slow in coming. In general, there appears to be a consensus that at least another seven years will be required to complete the transition process in South Africa.

⁹A redress formula is a formula used to allocate earmarked funding under the NDOE budget to disadvantaged institutions on the basis of applications and an assessment of needs.

¹⁰The RSA has allocated 21% of the national budget for education, a percentage which is in the upper range suggested by organizations such as UNESCO. Basic Education Sector Assessment, prepared by DevTech Systems for USAID/South Africa in September 1995, page 76.

One of the first significant challenges facing education authorities in 1994 was the reorganization of the bureaucracy and the integration of former education departments. Under apartheid there were 19 racially-separate education departments with no national education department to provide guidance or direction. As mentioned above, South Africa now has a new national and nine new provincial education departments staffed by a combination of old and new civil servants. In some provinces a large number of new staffing appointments have been made; in others the process is still occurring. In all provinces the reorganization process consumes a great deal of time and energy as education authorities deal with the particular dynamics of the former education structures. The challenge is particularly demanding in provinces where education provision was most marginalized and poverty-stricken, and where at the same time the harmonization of multiple, segregated education departments with widely varying standards has posed severe problems. Three of these provinces (KwaZulu/Natal, Eastern Cape and Northern Province) are focus provinces for USAID/South Africa support under the Pre-Primary/Primary Bilateral Agreement.¹¹

C. Development Hypothesis and Rationale for Selection

In basic education, past USAID/South Africa support contributed significantly to the debate, clarification and understanding of policy issues and options. In particular, a series of computer models helped analyze the costs of the apartheid education system. This, in turn, led policy makers to understand and acknowledge the fiscal realities constraining the types of education reform that were envisioned. These insights were reflected in the Education Schools Bill passed by the national parliament in late 1996. What is lacking now is the completion of national policy legislation on further and higher education, youth development and ABET, as well as the relevant legislation at the provincial level. USAID/South Africa has provided support to the broad policy debate in these areas and will continue to offer assistance that facilitates the completion of these policies. Such support is essential since policies are a prerequisite for the development of effective delivery systems and for the building of the capacity within organizations to implement change.

As mentioned earlier, the NQF will be the mechanism that drives change at the systems level as it provides the framework for measuring specific outcomes in individual learning areas (i.e., the skills and information expected of the learner in each subject). In light of this, the principles of the NQF will guide all activities to be undertaken by USAID/South Africa under the education strategic objective. While the NQF is the result of extensive investigation and consultation over the last four years and is generally welcomed, it is not yet functional and there is considerable uncertainty concerning its application. This is a matter of concern given that the NQF is the blueprint for systems that will design and administer education programs, as well as develop new curriculum and train teachers. Therefore, USAID/South Africa will seek opportunities to provide assistance to the various statutory bodies that constitute the NQF, as well as to promote an understanding of NQF concepts and procedures among education authorities, educators at all levels, and the general public. With this approach USAID/South Africa will be able to make a positive contribution to the success of fundamental systems change in South African education.

¹¹The fourth focus province is the Northern Cape.

In basic education and ABET, the following needs call for systems-level changes: (1) an education budget which disproportionately benefits pupils in formerly white schools; (2) lack of or unreliable data for education planning purposes; (3) a large percentage of un- and under-qualified teachers; (4) pre-service and in-service teacher training has been haphazard and uncoordinated; and (5) the lack of a national plan for ABET has also meant that a national system of standards for curriculum, accreditation, and assessment has not been developed. Areas in which USAID/South Africa will provide targeted support include: (1) the reallocation of resources to achieve equity in basic education; (2) the development of functional EMIS units; and (3) the development of national and provincial pre-service and in-service teacher education plans; and (4) the development and implementation of ABET curricula, including the setting of standards, accreditation, and learner assessment.

In the further and higher education sectors there is also a real need for systems development. Under apartheid, further education programs received only marginal support and operated without an organizing framework. This fact, combined with the reality that millions of young adults are too old to benefit from the transformation of basic education, is the basis for the Government's plans to develop a framework with programs encompassing several facets of further education, including the development of a system of community colleges incorporating many aspects of the American community college system. In addition, under the apartheid government, youth issues for the majority population were never addressed, resulting in the poor coordination and provision of youth development services. Areas in which USAID/South Africa will provide limited but targeted support include: (1) the establishment of provincial further education frameworks and implementation plans which include the continued promotion and creation of a community college system; and (2) the establishment of national and provincial Youth Commissions and the integration of a unitary youth development system involving government departments and civil society organizations (CSOs).

In higher education, for many years the HDIs have struggled against a system determined to restrict their growth and limit their capacity. A major weakness in all of the 15 HDIs is a lack of strategic planning systems which has inhibited their ability to adjust to do internal planning and the new dispensation. This lack of planning systems affects the institutions' ability to manage their finances, recruit and train staff, develop curricula which meet market needs, and support relevant research. USAID/South Africa's support will thus focus on assisting these institutions in developing and incorporating strategic (including financial management) planning processes into their systems. Specifically, USAID will fund the development and review of strategic plans. As a result of the recommendations of the National Commission on Higher Education, all tertiary institutions will be required to establish three-year rolling strategic plans. USAID will assist the 15 HDIs in meeting this requirement. The new democracy cannot succeed without effective leaders and managers in public administration, economic development, science, engineering, and mathematics. Therefore, HDIs need to be strengthened in order to produce the cadre of professionals required to fill these positions.

At the same time as systems are undergoing changes, the capacity of organizations and individuals to apply new education materials and methods is limited. Educators form the largest human resource component of the education system and are the ones upon whom

implementation of new policies, systems, curriculum and assessment procedures depends. As might be expected, apartheid policies resulted in large numbers of poorly trained black teachers. This is particularly true for black African female teachers who will be the primary beneficiaries of teacher education under the South African Presidential Education Initiative (PEI).¹² Sixty percent of black African primary teachers and twenty percent of black African secondary teachers are un- and under-qualified.¹³ As part of the PEI, USAID/South Africa will assist the NDOE, and particularly the provincial DOEs, in designing and implementing a teacher education program for pre-primary/primary school teachers. Other capacity building initiatives include the training of professionals in the EMIS units of DOEs and in assessment techniques in the four focus provinces mentioned above.

There is also an urgent need for capacity building within the further and higher education sectors. Since several further education initiatives are new developments, there will be a need to ensure that program managers and staff have the requisite skills. A precise definition of these skill areas will be articulated as the sectoral framework is designed. In the case of higher education, the HDIs (1) lack sound financial management due to the loose accountability structures and the lack of adequate management skills; and (2) have poor research output due to weak faculties with inadequate research capacity. To address these needs, capacity building will be carried out in administrative areas (e.g., financial management, budgeting, strategic planning, etc.), as well as in academic areas (e.g., mathematics, science, engineering, etc.).

1. Causal Relationships

At the goal and sub-goal level, USAID/South Africa is proposing to contribute to an increase in the number of African enrollments as well as the number of degrees and certificates granted to Africans. USAID/South Africa concurs with the RSA in arguing that the implementation of the NQF and new education funding formula will lead to the attainment of these objectives. Both of these transformations will lead to increased access and improvements in quality. The NQF will ensure that individuals have access to the formal education system regardless of their age and level of education. Similarly, the reallocation of education resources is a critical step towards enabling schools for the historically disadvantaged to provide a higher quality education to their students. Thus, the Education SO Team is confident that the targeted increases in enrollments and degrees granted will occur if these two systems are put in place. In order to ensure that this occurs, USAID/South Africa's strategic objective in education emphasizes those areas in which the Mission has a distinct comparative advantage and that are key elements in the education transformation process.

Although USAID/South Africa's involvement alone in these areas will not bring about the desired degree of transformation, the areas of intervention targeted by USAID/South Africa are important links in a chain of desired outcomes. The Government and other donors will also be making important contributions towards the implementation of the NQF and

¹²For a description of the PEI, see Annex J.

¹³For a further explanation of teacher qualifications, see Annex J.

transformation of the education system.

The USAID/South Africa education strategy places special emphasis on supporting sustainable roles for CSOs and on helping CSOs and the Government work out mutually beneficial and productive relationships. This strategy is the premise behind the use of the Bilateral Agreements which were designed to build upon USAID/South Africa's comparative advantage vis a vis the CSO sector, and to ensure the sustainability of models developed through donor funding. The Agreements signed in FY95 were designed to support CSO involvement in terms of policy input and development, systems development and capacity building. This approach recognizes that the failure to support the adoption of proven and tested CSO models will have a deleterious impact on the RSA's ability to transform the education system.

2. Critical Assumptions

In order for USAID resources to achieve the expected strategic and intermediate results a number of conditions must prevail.

a. Increased Expediency by Partners in Government

The Bilateral Agreements signed in 1995 have encountered implementation delays due to the slow pace of dismantling the previous 19 education departments and unifying them into one NDOE and nine provincial DOEs. As mentioned earlier in Section B, while the 19 apartheid departments were formally abolished in January 1995, the filling of many staff positions took a great deal of time and is still incomplete. Part of the reason for the delays is the fact that all such appointments are made through the Public Service Commission which has been overburdened with the task of filling thousands of government positions nationwide. In the case of the Higher Education Bilateral Agreement, delays were due to insufficient numbers of trained staff and the fact that these independent institutions had to develop new relationships of cooperation.

The Mission assumes that the pace of implementation of the bilaterals will increase considerably in the coming year for the pre-primary/primary education sector, ABET, youth development, and higher education. This assumption is based on: (1) our observation of recent movements in key areas and receipt of specific requests for technical assistance; (2) the fact that government officials are becoming increasingly more experienced and that there is progress towards reaching full staffing levels; (3) the recent appointment of the National Youth Commission and the anticipated appointment of its Secretariat in 1997; (4) the anticipated April 1997 proposal from the NDOE concerning international donor support for implementation specifics of the PEI; (5) the establishment of an Executive Committee of the Advisory Panel of the HDIs; and (6) the establishment and staffing of the Chief Directorate for Higher Education by the NDOE.

b. Continued Financial Commitment to the Education Sector by the South African Government

The government currently commits about 21 percent of the national budget to education. While this is a significant level by international standards, even this will not ensure that sufficient resources are available for addressing the backlog of education need and for

initiating new program initiatives. In order for the government to achieve its education objectives it must maintain its financial commitment to education. Given the political sensitivity related to the provision of education, this is a reasonable expectation and the Mission does not expect any sizable decrease in the education budget in the near term.

D. Expected Results

USAID's Sub-Goal in South Africa is "Political, Economic, and Social Empowerment." Education and training are fundamental to empowerment whether it be political, economic, or social.¹⁴ Without education and training, improvements expected from investments in other sectors will be diminished and short-lived. Realizing the critical role of education to the process of empowerment, USAID/South Africa has decided to make substantial investments in the education sector. One way to gauge progress in achieving empowerment, i.e., achieving the Sub-Goal, is to measure improvements in the educational status of Africans,¹⁵ and will be done by tracking graduation rates at the basic, further, and higher education levels. With the assumption that the standards for judging quality will be maintained or improved, increases in completion rates will be an indicator that the quality of the system is improving. Improved educational status can only come about by a transformation of the entire education sector, which will require the combined efforts of the South African government, the private sector, and international donors. The USAID/South Africa education strategic objective, therefore, is a "Transformed Education System Based on Equity of Access and Quality." Indicators that this transformation is on pace are measures of increased access, i.e., enrollments at the basic and higher education levels.

USAID/South Africa has chosen to take a systemic approach to transformation of the education system in South Africa by: (1) focusing on reforming, or in some cases developing, the ability of the RSA to formulate, disseminate, and enact policies fundamental to the transformation; (b) assisting with the creation of systems by which the transformation can be implemented; and (c) developing the capacity in South Africa to undertake this process. But

¹⁴See the following for a discussion of the relationship between education and economic growth: Benavot, A., *Education and Economic Development in the Modern World*, 1985; Pease, A. "Education's Role in Development" in *Economic Development and Cultural Change*, Vol. 11, No. 3: p. 293-318, 1969. For a discussion of the effects of education on health see: Cochrane, Susan H., *The Effects of Education on Fertility and Mortality and the Effects of Education and Urbanization on Fertility*, The World Bank, 1986; *Closing the Gender Gap: Educating Girls.*, Population Action International, 1994. For a discussion of the effects of education on democratic development see: Rauner, Mary., *Education and Democracy: A Review of the Literature*, U.S. Agency for International Development, 1993 or Carnoy, Martin, *The Case for Investing in Basic Education*, UNICEF, 1992. General references which discuss the range of development benefits of education are Lockheed, Marlaine and Adriaan Verspoor, *Improving Primary Education in Developing Countries*, World Bank, 1991 as well as the *World Development Reports* for the last three years.

¹⁵USAID/South Africa has decided to report on the progress for black Africans, rather than all racial groups, due to the fact that black Africans are historically the most disadvantaged group in society, so that an improvement of their relative status is an indicator of progress toward system equity.

rather than attempt to transform education and training at all levels, USAID/South Africa has elected to target its limited resources in key areas of policy, systems, and capacity, in which it has a recognized comparative advantage. The education strategic objective results framework reflects this targeted approach and interventions at the Intermediate Result (IR) level concentrate on specific policies, systems, and capacities.

In some subsectors, USAID support will be provided across the entire policies-systems-capacity continuum. In other subsectors, support will be restricted to only one or two of the three key areas. The distinction will be based upon: (1) strategic opportunities and ability of USAID to leverage other partner support; (2) critical needs in the transformation of the education system; (3) USAID/South Africa's comparative advantage; and (4) the relation of the need to USAID/South Africa's manageable interest in an era of declining staff and financial resources.

Within each IR, indicators have been identified that relate to specific outcomes. A baseline value for each indicator has been assigned and targeted values projected. Individually, these indicators reflect a measurement of the impact of activities in the three targeted areas. Cumulatively, the attainment of targeted values for each indicator within an IR serves as a proxy for demonstrating success in achieving the IR. Likewise, success across all three IRs, and interventions by the RSA and other partners, will denote the achievement of the education strategic objective.

Listed below are more detailed explanations of the expected results in each IR.

**1. Intermediate Result 2.1: Policies
Policies for transformation developed, disseminated and enacted¹⁶ in the
areas of ABET, further and higher education.**

With the support of USAID/South Africa, the government recently completed the lengthy process of establishing key policies for basic education. For that reason, IR 2.1 will concentrate on policy development in the remaining areas of ABET, further, and higher education.¹⁷ The notion of equity will underlie the formation of policy development in all of these areas. Each of the policies focus on closing the gap between majority and previously privileged populations in levels of funding, adequacy of facilities and standards of quality. In the long term, such educational policies will define courses of action which support the creation of the systems and human resource base needed to encourage economic growth and participation in democratic government.

a. Indicator: National Policy on ABET

USAID/South Africa will provide support for the formulation of a national ABET policy that

¹⁶We note that some of the policies may not finally be legislated, but approved at cabinet level.

¹⁷A policy matrix that chronicles USAID/South Africa's contribution to the development of education policy in South Africa is attached to the end of this section.

defines an integrated approach to adult basic education and training. USAID/South Africa will judge progress under this indicator based on the establishment of a National policy on ABET by the end of calendar year 1998.

b. Indicator: National Policy on Further Education

Within the further education subsector USAID/South Africa assistance will support some of the National Task Committee on Further Education's activities. The Minister of Education has tasked this Committee with the development of policy recommendations on governance and finance guidelines, as well as the establishment of a framework for human resource development. It is expected that such policies will provide for the rationalization and transformation of some of the institutions in the current college sector (including teacher education and technical colleges) into community colleges, or the linking of some colleges to higher education institutions. USAID/South Africa will judge progress under this indicator based on the enactment of a National Policy on Further Education by the end of calendar year 1998.

c. Indicator: National Policy on Youth Development

Youth development is a key component of the U.S.-South Africa Binational Commission (BNC) initiative. One of the main activities under this initiative will involve assisting the National Youth Commission, formed in 1996, in its efforts to provide leadership in policy formulation and implementation. USAID/South Africa will judge progress under this indicator based on the enactment of a National Policy on Youth by the end of calendar year 1998.

d. Indicator: National Policy on Higher Education

In the higher education subsector, USAID/South Africa supported the creation of the National Commission on Higher Education (NCHE) that provided guidance to the NDOE in its effort to transform the existing system. In September 1996, the NCHE released a final report for use in drafting the Green and White papers that will lead to formal policy legislation.¹⁸ Although the NCHE has completed its duties and disbanded, USAID/South Africa will continue to provide limited technical assistance and other support to the government to facilitate the remaining stages of policy development. USAID/South Africa will judge progress under this indicator based on the enactment of a National Policy on Higher Education by the end of calendar year 1997.

¹⁸A Green Paper is a party-specific discussion document that informs the development of a White Paper. A White Paper is a government document setting forth policy which then goes to Parliament's Portfolio Committee on Higher Education for presentation to the entire Parliament.

**2. Intermediate Result 2.2: Systems
Transformation in key targeted systems of basic,¹⁹ further and higher
education and ABET**

Although comprehensive structural changes have been carried out as part of the process of creating the national and provincial education departments, new systems (e.g., management guidelines, development plans, operational procedures, etc.) have not been established or are just now being put in place. This process is further hampered by some resistance from structures and personnel who are trying to preserve elements of the old system. In order to address this situation and to ensure the implementation of policies developed under IR2.1 (policy), USAID/South Africa will provide specialized technical assistance to assist governmental bodies and educational institutions in establishing new systems of education administration and service delivery that are consistent with the principles of the NQF.

a. Indicator: Reallocation of resources to achieve equity in basic education

Due to a variety of factors, the proportion of the education budget that benefits African pupils remains at about one-half of the amount that is spent on pupils in formerly white schools. A significant part of this uneven distribution is due to the amount spent on teachers in the respective schools, as spending on salaries currently constitutes about 80 percent of the total education budget. The disparity in spending is due to the lower number of teachers at formerly disadvantaged schools, and to the lower qualifications and corresponding lower salaries of those teachers who taught at these schools. The government is committed to eliminating this disparity by redressing the salary imbalance and by redeploying teachers to achieve more equitable pupil:teacher ratios.²⁰ In order to achieve this goal, USAID/South Africa will follow-up on prior support for this activity by providing technical assistance in the form of a senior international education economist to the NDOE. Such assistance is in direct response to the NDOE's request for extended assistance in this area. Working with other education finance specialists within the NDOE, a funding formula and other management interventions will be devised that ensure equity across provinces and schools. USAID/South Africa will judge progress under this indicator based on the attainment of equal pupil:teacher ratios in schools across all races by the beginning of calendar year 2000.

b. Indicator: Development and implementation of ABET curricula

In order to address the unique educational needs of adult learners a system for implementing the national plan for ABET discussed in IR2.1 (policy) above must be developed. USAID/South Africa will provide assistance to the NDOE to develop a national system of standards for curriculum, accreditation and learner assessment, as well as the generation of

¹⁹For an explanation of the continued and anticipated increase in support for basic education, see Annex J.

²⁰The relationship between pupil:teacher ratios and the reallocation of resources is explained further at Annex J.

unit standards in specific learning areas (i.e., subjects). Finally, these unit standards will be translated into learning programs and curriculum materials to be used throughout the various provincial ABET programs. All of these activities will be carried out as a component of the overall development of an operational system for the NQF. This indicator focuses specifically on the piloting of the curriculum and assessment methods in two provinces. Because curriculum development is a long-term process, the actual benefits of USAID/South Africa's intervention will only be realized after the life of the grant, when the curriculum will be implemented on a wider scale. USAID/South Africa will judge progress under this indicator based on the development and piloting of specified ABET curricula and assessment practices by the end of calendar year 1998.

c. Indicator: Number of fully functional EMIS units

Historically, USAID/South Africa has supported the work of the Education Foundation (EF), a South African CSO, to develop and maintain an EMIS that is regarded as a primary source of education data for both government and non-government institutions. With continued USAID/South Africa support, this experience and expertise will now be applied to establishing and supporting EMIS units in the four focus provinces. Over a two-year period, EF will work with provincial DOEs to institutionalize EMIS units that provide timely and relevant information, and to develop an organizational culture that values and relies on the use of information in decision-making. This support may be expanded to include other provinces or the NDOE. USAID/South Africa will judge progress under this indicator based on a combination of customer satisfaction surveys within the DOEs, and the objective assessment of independent evaluators by 1999.

d. Indicator: The development of national and provincial pre-service and in-service teacher education plans.

USAID/South Africa will assist the NDOE and provincial DOEs in establishing and implementing a new and relevant teacher education system. It is expected that this process will involve CSOs that have developed and tested innovative teacher education models that can be adapted to the proposed new curriculum and outcomes-based teaching methodologies. In addition, Colleges of Education will also be involved in the new teacher education system. USAID/South Africa will judge progress under this indicator based on the teacher education plans completed at national level and for four provincial DOEs between 1997 and 1999.

e. Indicator: Establishment of provincial further education frameworks and implementation plans.

A milestone in the South African further education sector will be the establishment of a flexible system that offers quality programs and professional training. USAID/South Africa will help establish such a system by providing support to the process of developing a community education institutional framework, including its governance, management and administrative systems. The support will be through targeted technical assistance and short-term training to the education departments and CSOs working in the sector. USAID/South Africa will judge progress under this indicator based on the development of a national framework by 1997; and provincial further education frameworks and implementation plans

in seven provinces by 1998, and in two additional provinces by 1999.

f. Indicator: Integration of a unitary youth development system involving government departments and CSOs.

USAID/South Africa will assist the youth development sector, in both government and CSOs, to integrate their youth programs, and to coordinate and establish development partnerships. Support will also involve the assessment of current youth programs and training of provincial youth office staff so that they can more effectively liaise and collaborate with other government departments at the national and provincial level on issues relating to youth development. These activities should have the effect of influencing departments to integrate youth development perspectives into their overall systems. USAID/South Africa will judge progress under this indicator based on the establishment of two collaborative relationships (e.g., CSOs successfully bidding for government-sponsored contracts, funded under the Youth Bilateral, to operate youth programs) between government departments and CSOs involved in youth development by 1997, and an additional three by 1998.

g. Indicator: Institutionalization of strategic planning in historically disadvantaged higher education institutions.

One of the many legacies of apartheid education that impede the development of HDIs is the need for improved administrative systems. Perhaps the most fundamental aspect of this problem relates to the capacity to develop and implement a strategic plan. USAID/South Africa has provided targeted technical assistance to train HDI staff in this area and will continue to support them as they institutionalize the process. USAID/South Africa will judge progress under this indicator based on the development of strategic and rolling plans over a four-year period (between 1997 and 2001).

**3. Intermediate Result 2.3: Capacity
Strengthened human and organizational capacity in Departments of
Education, education institutions, and selected individuals.**

In concert with the development of new policies and the creation of new systems, the transformation of South African education requires increased and improved organizational and human resource capacity. Although there is a need for training and capacity building throughout the system, USAID/South Africa interventions will focus on those areas targeted under policies and systems.

a. Indicator: Number of educators trained in the priority pre-service and in-service areas identified by the NDOE and provincial DOEs.

The Pre-Primary/Primary Bilateral Agreement and the PEI identify mathematics, science,

technology, early childhood development (ECD),²¹ English, multi-lingual/multi-grade classes, critical thinking skills and outcomes-based education as the key areas in which the provincial DOEs are likely to request training and reorientation programs for teachers. USAID/South Africa will judge progress under this indicator based on the number of educators trained in the priority pre-service and in-service areas identified by NDOE and provincial DOEs by the year 2003.

b. Indicator: Capacity of EMIS units to produce quality reports and publications based on provincial information.

As part of their support to the EMIS units, the EF will build capacity in the EMIS units in analysis, presentation, and dissemination of information. The EF will assist the provinces in preparing analytical reports, discussion documents, and other information tools such as maps. In this way, capacity will be transferred, and at the end of the grant the provinces will be able to produce their own publications. USAID/South Africa will judge progress under this indicator based on the number of publications produced in the provinces, with and without EF assistance by 2000.

c. Indicator: Strengthened further education institutions

As the further education and training sector evolves and some teacher training and technical colleges are transformed into community colleges, such institutions will have to make adjustments in order to be responsive to the new community education structure. USAID/South Africa will provide support to these institutions in the areas of strategic planning, management skills, and administrative and financial management. USAID/South Africa will judge progress under this indicator based on the number of strategic plans developed by selected further education institutions in three provinces in 1998, and an additional six provinces in 1999.

d. Indicator: Number of HDIs with improved financial management capacity.

One of the key aspects of managing an institution is sound financial management systems. HDIs lacked this capacity largely due to the loose accountability structures in place for the management of higher education as a whole. The change in resource allocation mechanisms in this sector will place greater demands on institutions for better financial management and accounting systems. USAID/South Africa is providing training and technical assistance to the HDIs that currently lack the capacity to put these systems in place. USAID/South Africa will

²¹Because the RSA defines early childhood development (ECD) as covering children from birth to nine years of age, there is considerable overlap between ECD and basic education. Research suggests that the high drop-out rate in grade one can be attributed to several factors including student unpreparedness for formal learning. The Government recently legislated the introduction of a mandatory "reception year" (age five) under the South Africa Schools Bill and is presently piloting a reception year program. Because ECD and basic education are so closely intertwined in South Africa, in agreeing to support teacher education in basic education, USAID/South Africa will also be supporting the training of some ECD instructors. The training of ECD instructors is likely to draw upon models developed by USAID grantees in earlier years.

judge progress under this indicator based on the additional number of HDIs that meet management and reporting standards (to be developed by the NDOE) between 1997 and 1999.

e. Indicator: Development of capacity in provincial youth offices.

USAID/South Africa will support the training of staff in provincial youth development offices as these offices make the shift away from the design and implementation of sector-specific programs to more integrated, multi-sectoral programs. Select CSOs will also receive assistance so that they can design, replicate and disseminate successful youth development models. These models will be in the area of education and training. USAID/South Africa will judge progress under this indicator based on the number of provincial youth development offices that demonstrate capacity (possibly as a result of an assessment by the National Youth Commission) to develop and manage programs in four provinces by 1997, and an additional five provinces in 1998.

f. Indicator: Number of HDI faculty receiving higher education qualifications who are funded through USAID/South Africa's Training program.

Since 1986, USAID/South Africa has supported training at Bachelors, Masters and PhD levels for South Africans in the areas of business administration, economics, public administration, planning, statistics, and engineering. Much of the training was begun before the development of this strategy document and will not be completed until 1999. Over the next five years, USAID/South Africa will support a limited and focused amount of additional long-term training to increase the capacity of the HDI faculty in strategic disciplines. USAID will judge progress under this indicator based on the number of HDI faculty completing Master's and PhD's each year up to 2002.

E. Performance Monitoring

As stated earlier, in concert with inputs from the RSA and other partners, success across the three IRs will contribute to the achievement of the education strategic objective. Thus, the indicators selected within each IR to measure the impact of activities is critical to determining when an IR has been achieved. During the development of the education strategic objective, a reference group of educationists from government, CSOs and the private sector were used to identify a list of potential areas for USAID/South Africa intervention. The group also provided input on the selection of key indicators and offered advice on the availability of baseline data and the likely availability of comparative data in the future. These partners have assisted USAID/South Africa in carefully selecting indicators that are both measurable and obtainable. The Mission's Performance Monitoring plan sets forth the three intermediate results with corresponding indicators and targeted values projected. With the assistance of several institutional contractors, including a recently-awarded contract for program monitoring and evaluation services, the education strategic objective team will closely monitor progress toward achievement of stated targets, and by extension monitor progress toward achievement of the three IRs. Additional strategies for monitoring will include semi-annual reports, site visit monitoring, sector assessments, and grantee evaluations.

F. Management Strategy

1. Development Partners

USAID/South Africa support to education transformation is designed with input from the government (NDOE and provincial DOEs), CSOs, the international donor community, and the private sector through a process of consultation. These consultations take various forms such as input during project design, on-going dialogue during regularly scheduled meetings and the normal process of project monitoring, and reference/advisory groups. Examples of such collaboration are found in the higher education sector where an advisory body reviews and recommends applications for assistance action by USAID/South Africa, while a consultative body advises on project management. Another example is the amendment to the Tertiary Education Linkages Project (TELP) that was completed in consultation with the higher education section of the NDOE and the government Department of Finance. The Youth Development Bilateral Agreement was developed as a result of negotiations between the United States of America and the Republic of South Africa under the auspices of the Binational Commission.

Other forms of cooperation²² address the importance of establishing partnerships with other donors. For many years USAID/South Africa has actively collaborated with the larger donor community working in South Africa. The Donor Coordination Group, which meets approximately every second month, includes the European Union, Great Britain, Canada, Germany, Japan, the World Bank, UNDP Liaison Office, Sweden, and the Ford Foundation. In addition to discussing sector and subsector assistance provided by each donor, experiences and problems are shared. The group meeting is an effective forum for discussing issues of common interest and prioritizing responses to the needs of the government and NDOE.

Future efforts to enhance collaboration will include increased contact with the private sector (which already occupies a seat in the higher education advisory group), the civil service commission and other governmental agencies impacting human resources development in the country, the academic community, and the large government parastatals that function like donors (such as ESKOM, the national electric utility company).

As discussed earlier, in the last few years Bilateral Agreements have become the primary mechanisms for USAID/South Africa support to education. As a result, the South African Government, the NDOE and provincial DOEs are now the Mission's main development partners. It has also been noted that a key feature of these Agreements is the creation of an environment for achieving NDOE and provincial DOEs objectives by contracting the services of CSOs. In all likelihood, most of these CSOs will be those who previously received USAID/South Africa funds to build their organizational capacity and to develop specific education materials and models. As such, the earlier USAID/South Africa investment in these CSOs will be paying additional dividends in the form of providing a ready source of skilled and proven indigenous technical assistance on which the NDOE and provincial DOEs can draw. Since the CSOs are the authors and developers of these materials and models, they are

²²See Annex J for other forms of donor cooperation.

the best choice for insuring their successful introduction and application.

USAID/South Africa's strategy is designed to ensure that the development of strong partnership arrangements between government, CSOs and the private sector is optimized. This will allow for USAID support to be phased-out over time and enable the government to maintain, on a contractual or other basis, the full cost of the interventions it values, thus assuring sustainability.

2. Internal Management Structures

As discussed below, the staff of the education strategic objective team will be reduced quite substantially in the coming years. Therefore, the team will need assistance in the effective implementation and management of activities arising under the results framework discussed above. The team has a number of mechanisms in place, or will be in place in the next six months, to assist it in the management of its activities; although implementation, monitoring oversight, and impact reporting remains largely the responsibility of the team. Chief among these are two grants management/technical assistance (GMTA) contracts to be awarded in the next six months to manage the day-to-day implementation of activities under the Pre-primary/Primary Bilateral Agreement (including activities under the PEI), the Youth Development Bilateral Agreement, and activities in the area of further education.

With respect to grants management, these contracts will perform a number of tasks including the development, negotiation, execution, administration, and performance monitoring of all new grant agreements. The contracts will also provide more limited assistance in the management of existing grantees. These contracts will also provide a variety of technical assistance and short-term training in the development of targeted policies, systems and capacities for government bodies and CSOs at both the national and provincial levels.

In addition, existing contracts are providing assistance in the day-to-day management of the Adult Basic Education and Training Bilateral Agreement and the Higher Education Bilateral Agreement. Finally, as mentioned above, buy-ins to the newly-awarded program monitoring and evaluation contract will enable the team to establish a long-term framework for performance monitoring and evaluation of activities. With the assistance of these various contract mechanisms, the staff of the education strategic objective team will have fewer management units and will be able to focus on the oversight of these contracts, broader issues related to the identification of activities which directly support and advance the education strategic objective, and effective management for results.

G. Resource Requirements

The education strategic objective is one of the largest and most complex strategic objectives in the Mission, covering adult basic education and youth development, pre-primary/primary, further, and higher education and training. The education strategy was designed to make targeted interventions in key strategic areas, thereby leveraging USAID's comparative advantage and the work of our partners. The funding level required to accomplish this strategic objective has been approved under the high option at \$125.8 million over eight years

(FY 1996 to FY 2003).²³ However, the required high option staffing level was not approved by USAID/Washington, thus the Mission faces serious staffing reductions by the end of FY 1998.

To accommodate past and anticipated staffing reductions and shifts in policy, programmatic adjustments will be made in order to achieve targeted objectives. These actions include:

- (1) the phase out support in ABET by the end of FY98;
- (2) reducing support for further education, after FY98 no additional funding will be programmed for further education;
- (3) narrowing areas of activity within subsectors, including eliminating support for higher education Centers of Excellence; and
- (4) increasing the use of institutional contractors to reduce the management units handled by a smaller staff.

Because of staffing reductions and changes in policy (often outside the control of the education strategic objective team), USAID/South Africa will be phasing out work in two education subsectors. ABET is no longer included in the U.S. Congress' definition under the basic education "earmark" or target. Hence, the Mission will phase out support in this area by the end of FY98, even though ABET was identified as a Presidential Priority of the South African Government and a key area for donor support. A downside of this shift in policy is the premature close-out of the ABET Bilateral Agreement, prior to the achievement of its full impact.

USAID/South Africa's support for the development of a further education system in South Africa will be consolidated during FY96-FY98 and will then be reduced substantially after FY98. Because of its successful community college system, South Africa looks to the U.S. for guidance in this area and USAID/South Africa assistance has been integral in facilitating and advancing the discussion of issues in this sector. USAID assistance has financed the production of discussion documents, stakeholder fora, and study tours to share the U.S. experience.

Limited staffing levels will also impact the establishment and strengthening of Centers of Excellence in higher education. Three planned Centers of Excellence in education, governance/public policy, and economics will be eliminated. Instead, the Mission will target the strengthening of specific university departments in these sectors. Linkages and faculty exchanges envisioned between HDIs and U.S. institutions will also be tempered.

While USAID/South Africa has had to drop areas identified as priority by the South African Government, it is simultaneously being asked to increase support in other areas. One area of increased emphasis is teacher training at the pre-primary/primary level, as noted earlier. President Clinton recently committed \$19 million to President Mandela for the Presidential

²³ In addition, the Africa Bureau has contributed \$9 million in support of the PEI. USAID/South Africa notes, however, that this high option figure represents a reduction due to the absorption of the HIV/AIDS earmark.

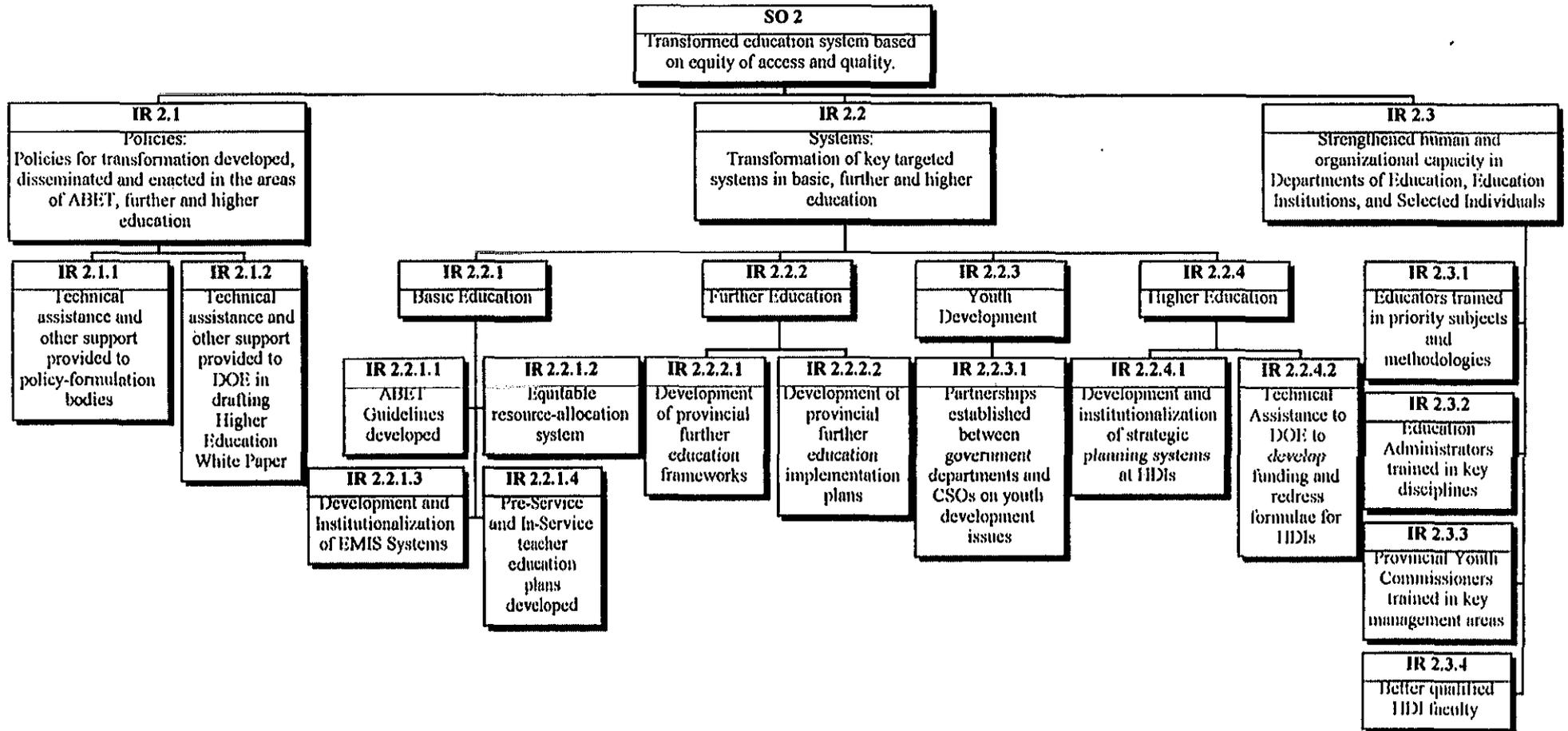
Education Initiative (PEI). This substantial increase in funding places a substantially higher implementation, management and oversight burden on the Primary Education Results Package Team, particularly as the NDOE has the political imperative to implement this initiative quickly. This new initiative means the vast majority of funds in basic education over a three-year period will support this expanded area of intervention.

Youth development issues remain a key component of the BNC. The Youth Bilateral Agreement, which overlaps to a limited degree with further education objectives, will continue as planned. A minimum of six to eight months is required before any substantive progress will be achieved under the Bilateral Agreement. Therefore, work in this area will need to continue beyond FY98 in order to achieve the anticipated impact.

As discussed above, USAID/South Africa has used, and will expand its use of, institutional contractors to provide management, technical assistance, and program monitoring and evaluation support. However, implementation, monitoring oversight and results-reporting will remain largely the responsibility of the strategic objective team who have responsibility for overall performance and the achievement of intended results.

FIGURE 2

STRATEGIC OBJECTIVE 2 RESULTS FRAMEWORK



**IV. Strategic Objective 3: More Equitable, Unified, and Sustainable System
Delivering Integrated Primary Health Care to All South Africans**

A. Introduction and Vision Statement

The major health care challenge for the new South Africa is to provide equity in basic health care to all South Africans and, in the process, to rectify the underlying inequities in health services provision brought about and supported by apartheid. **Achieving Strategic Objective (SO3) will result in a more equitable, unified and sustainable system delivering integrated primary health care (PHC) services to all South Africans.** SO3 will accomplish this both by increasing access to an integrated package of PHC services, and by improving the institutional sustainability of critical PHC management and service delivery systems. SO3 will be achieved through a single, comprehensive project -- emphasizing the focused nature of USAID/South Africa's assistance to the Government of the Republic of South Africa in accomplishing the most critical objective of the Government's Reconstruction and Development Program (RDP) strategy for the health sector.

Our vision is that by 2002, Primary Health Care in South Africa will be an integral part of the health system, owned by the community and health sector staff. Particularly, in the Eastern Cape Province, PHC will take place mostly in local settings with the community and will be based on a holistic approach to health which is multi-disciplinary, integrated and responsive to needs. Education strategies for PHC learning will include full integration of theory and practice, a modular curriculum system, self-directed learning, and a extensive resource and mentorship network. PHC here is a way of life. Outcomes are clearly visible in that the health of the people has improved. Based on successful, USAID-supported interventions, other donors will be actively assisting other provinces in implementing the PHC system based on the model in the Eastern Cape Province. These provinces will be serving previously under- and unserved blacks with basic health care, particularly in rural areas. USAID resources will have provided cohesiveness to, and leveraged policy and resources from the Government, other donors, and civil society organizations to produce a successful, sustainable, model PHC system in one province with demonstrated potential for nation-wide replication.

The country's health care resources will be better allocated since tertiary providers are no longer distracted with providing basic services. HIV/AIDS and STD interventions are a sustainable and integrated part of the PHC system, with clear delineation of roles and responsibilities for public and non-governmental organizations. South Africans that were denied basic health care services in the past, now have readily available, affordable, effective and sustainable access to preventative information and all PHC interventions.

The EQUITY Project was specifically designed to achieve SO3, and is fully consistent with the SO3 results framework. However, the growing HIV/AIDS epidemic has made it necessary to realign or amend the EQUITY Project. The HIV/AIDS epidemic is rooted in the very fabric of the South African Society. This multi-faceted epidemic with its medical, social,

psychological, and economic dimension requires the involvement of all sectors in society. Government has a particularly important role to play in implementing strategies. It is however, not the only role player. The fight against HIV/AIDS can only be won through the joint efforts of all the players, and the strategies and activities they employ need to complement one another. While USAID has been an important donor to the effort to address HIV/AIDS, it has done so in the absence of an overall strategic framework and plan. In this light, USAID/South Africa will conduct an extensive participatory assessment in February, 1997 to assist in developing a plan to improve and enhance program effectiveness, to provide formal format for prevention partners to discuss the impact of HIV/AIDS in South Africa, to jointly design a plan of action including the technical assistance needs of service providers at the local and provincial level, and to assist in the ongoing process of building a stronger partnership of all prevention partners.

B. Problem Analysis

South Africa has a population of over 40 million people, 73 percent of whom are women and children. Although classified as a middle-income country, South Africa exhibits major inequalities resulting largely from previous apartheid policies which ensured racial, gender and regional disparities. The majority of South Africa's people -- the historically disadvantaged population -- have inadequate access to basic services, including health, clean water and basic sanitation. Further, according to 1994 statistics, between 35 and 55 percent live in poverty, and 75 percent of the poor live in rural areas in contrast to 53 percent of the general population. Women and children are perhaps the most vulnerable groups in South Africa.

1. The Health System and the Need for Restructuring

South Africa has had a highly fragmented public health system that consisted of a three-tier, 14-department (ministry) "system" designed to serve the different population groups separately. Communication among the various tiers and within tiers was generally poor even within the individual population group systems -- rendering the services structurally, functionally, and politically segmented. In addition, there was no opportunity for community involvement in helping to determine priorities and provide guidance to the system. Resource allocations under apartheid neglected select geographical areas, especially large proportions of the black and rural populations. Also, the health system favored high-technology, curative health care for the minority white population which it did serve. The result was an inequitable system, and key health status indicators reflect the system's biases and ineffectiveness (see next subsection). All of these factors resulted in a large, majority population which was deprived of even basic primary health care. In addition to inequity, the previous health care system itself had many weaknesses. Historically, health planning and management were centralized. Information and other management systems were ineffective and fragmented. The same was true for human resource development and other critical elements of the system. Thus, overall health system strengthening has become SO3's focus.

2. Results of Inequities and Ineffectiveness

Child survival. The infant mortality rate among African children is nearly 10 times higher than that of White children. The life expectancy of African and Colored children at birth is

10 years less than that of White children. While diarrheal disease is the major cause of death among 1-4 year old African and Colored children, it accounts for only 4 percent of deaths of white children in this age category. In 1990, 74,283 cases of Tuberculosis were identified for ages 1-4, and of these, African and Colored children accounted for 98 percent. As with many other countries, early weaning of babies and low birth weight are both serious child survival problems. While breastfeeding is sustained for longer periods in rural areas, the duration of breastfeeding is declining, and the benefit of providing only breast milk for a period of 4 to 6 months is not widely appreciated or practiced.

Reproductive health and family planning. The quality and effectiveness of reproductive health services are clearly poorest for South Africa's historically disadvantaged population. At least 30 percent of women in rural areas give birth at home, and a significant proportion of these births are unassisted by trained persons. The most common causes of maternal mortality are sepsis, hemorrhage, and hypertension. The contribution of complications from illegal abortions and obstructed labor to the maternal mortality rate is unknown, but the evidence indicates that illegal abortions are a significant contributor. In addition, two of the main contributors of morbidity and mortality among adolescents are pregnancy and sexually transmitted diseases (STDs), yet health programs specifically targeting youth are virtually non-existent. Family planning has been a sensitive and political issue in the past. The South African Government now has the opportunity to develop effective maternal and child health care and women's services -- as part of the PHC service package -- that will meet the needs of clients to space and/or limit births in order to improve the health of both the mothers and children. More accessible family planning services will eventually yield results in decreasing fertility and reducing the population growth rate -- with corresponding economic and social benefits.

STDs/HIV/AIDS. In the past seven to nine years, the HIV epidemic has continued to progress rapidly, with a doubling rate of infection every 13-15 months. Approximately 2 million South Africans are currently infected with HIV, and more than 8,500 have been diagnosed with AIDS. Mathematical models predict that in the next five years, at least 250,000 HIV-infected people will start to develop AIDS symptoms. In addition, the results of the October/November 1994 national antenatal HIV survey show that more than 7.5 percent of women attending public health antenatal clinics were infected with HIV. KwaZulu-Natal had the highest rate: 14 percent. The interrelationships between HIV/AIDS and STDs has been well documented internationally, and the aggressiveness of the African HIV epidemic has apparently been due largely to the high prevalence of STDs. In South Africa, STDs have been a neglected area of health care. Furthermore, according to calculations from the national Department of Health (DOH), approximately one out of every twelve people in South Africa will be infected with at least one STD within the next year.

C. Development Hypothesis and Rationale for Selection

1. Development Hypothesis

The CSP sub-goal is "the political, economic and social empowerment of the historically disadvantaged population." SO3's specific contribution to this sub-goal is "improved health status;" this result will be fully achieved if the reductions in infant and child mortality rates,

maternal mortality rate, and fertility rate are achieved (as indicated by the magnitude of the respective targets). At the same time, SO3 has clear cause and effect linkages with each of the other "empowerment" components of this sub-goal. In a generic sense these linkages are well known, and they are merely summarized here to indicate the significant empowerment impact of SO3.

Political empowerment. SO3 involves communities and other stakeholders in the planning, decision-making, and monitoring of their PHC services. The involvement of historically disadvantaged people in determining the scope and nature of their basic health services is in itself an empowering activity. In addition, their community involvement in health care typically expands into other areas where they also have a role in determining the outcome of important influences on their lives. This involvement, in turn, leads to political empowerment and results in political stability.

Economic empowerment. The impact of accessible PHC services is that people benefit from promotive, preventive and basic curative services, and thus avoid diseases and conditions that otherwise would negatively affect them. In turn, their health status improves -- the population as a whole becomes healthier. For those who work (and attend school) this leads to improved labor productivity, and collectively results in increased productive capacity. PHC services will not only improve health status, but as a result of effective family planning services, fertility will be reduced. With smaller families, per capita income will increase and the economic status of families will improve.

Social empowerment. The improved health status resulting from accessible PHC services typically leads to improved life expectancy, which means that the disadvantaged population will have longer, more productive lives. The smaller families resulting from effective family planning services will lead to an improved quality of life for all family members -- providing an important form of social empowerment.

2. Rationale for Selection

After consideration of alternative approaches, USAID/South Africa and the Government have mutually decided that USAID will support the integrated PHC systems development approach. The rationale for supporting the development of an *integrated primary health care system* is based on more than the fact that the Government has identified such a system as the cornerstone of its new health system. It has been found that improvements in health systems increase access to primary health care and provide essential support for family planning programs, STD treatment and other health interventions. The institutional analysis for USAID/South Africa's health project design has strongly supported this view for South Africa. The systems development rationale is also strongly supported by the national Department of Health's vision for the health sector²⁴, which reflects the principles of the Government's development strategy:

- ▶ The health sector must play its part in promoting equity by developing one

²⁴"Towards a National Health System," National Department of Health, Pretoria, November 1995.

unified health system.

- The system will focus on districts as the major locus of implementation and will emphasize the primary health care approach.
- ▶ Local authorities, NGOs and the private sector will unite with the public sector in promotion of common goals.
- Central, provincial and district levels will play distinct and complementary roles.
- ▶ An integrated package of essential PHC services (including HIV/AIDS and STD interventions) will be available to the entire population.

The following conclusions support both USAID's involvement in the health sector and specifically the integrated PHC systems development approach:

- ▶ The earlier analyses conducted by USAID/South Africa in relation to potential USAID health sector support, together with those carried out recently by organizations and development partners, provide an adequate basis to determine whether and how USAID should become involved in the health sector.
- ▶ The magnitude of South Africa's health indicators, especially for the majority African population, warrant the inclusion of a health strategic objective in the Mission's CSP.
- ▶ The integrated PHC approach coincides with and supports the priorities and strategies of the Government of the Republic of South Africa, USAID/South Africa, the Africa Bureau, and the Agency.
- ▶ The significance and growth of the HIV/AIDS problem in South Africa warrants a more concerted effort and warrants the inclusion of an intermediate result to help reduce the devastating effects of this disease. In addition, the Mission determined that it would consider HIV/AIDS mitigation activities if and when the Africa Bureau support for such activities becomes available.

3. Synergy With Results and Resources of Other SOs

There are a number of possible linkages between SO3 and other SOs that would have a synergistic effect on SO3. Four examples are summarized below; more may arise as all six SOs are more fully developed in the coming months.

Improved urban/periurban services. SO6 will result in improved urban and periurban services -- electricity, water supply and sanitation -- as the infrastructure is developed to support low-cost housing in selected provinces. These improved services will have a direct and positive impact on the health of residents in the improved areas. While the contribution may not be large in national terms, the health benefits will be significant to the people who receive them.

Base for expanding health services. SO2's preschool education program has been successful in developing many community-based preschool programs serving the disadvantaged population in both urban and rural areas. Many of those programs have incorporated basic health services for the children -- to compensate for the fact that such services are not available in the area. This situation provides the opportunity for SO3 to use such existing, community-based services as the focal point for expanding integrated PHC services in areas

where they do not exist, and may not exist for a considerable period until resources are available to construct and fully staff fixed facilities. This situation provides a useful option for expanding service delivery sooner than can be done otherwise.

"Open learning" expertise. The concept of "open learning" (often referred to as distance teaching) will be a critical component of SO3's efforts both to improve management skills (result 3.3) and to strengthen and institutionalize PHC training at the provincial level (result 3.5). Based on its experience with open learning, SO2 should be able to provide guidance to SO3 in how to use the concept effectively in achieving SO3's efforts in both the management skills and PHC training institutionalization areas.

Strengthening the role of civil society. Firstly, this will occur by empowering communities to have a role in planning and monitoring their health services. In addition, community involvement in health care usually expands into other areas (e.g., planning of physical infrastructure such as roads and electricity) where community members can also have a role in determining ways in which they can improve the quality of their lives.

4. Critical assumptions.

In addition to the importance of other-partner results in achieving SO3, the following critical assumptions under-ly its achievement:

- ▶ Overall health sector resources from the Government and other development partners will continue to be available at anticipated levels.
- ▶ Intersectoral collaboration will be successful in achieving a positive impact on health from other sectors (e.g., improvements in access roads, water supply, sanitation).
- ▶ The existing positive health policy environment, both at parliamentary and Ministry of Health levels, will continue to support needed health system reforms.

D. Expected Results

This section will summarize the results framework itself; provide some illustrative program approaches, strategies and activities; and indicate how SO3 achievement will be measured.

1. Summary of the Results Framework

As indicated in the overview statement, achieving SO3 will result in a more equitable, unified, and sustainable system delivering integrated PHC services to all South Africans. In order to achieve this strategic objective, implementation through the focused EQUITY Project will work to accomplish the following five intermediate results (IRs). Our sector analysis, as well as intensive Government consultations, have revealed that these five IRs are necessary components of achieving SO3. There is a strong congruence between these SO3 outcomes and the national health system goals.

- ▶ Increased access to integrated package of PHC services.
- ▶ Effective health care referral system operationg.
- ▶ Improved management of the integrated PHC delivery system at the provincial

- level.
- ▶ PHC training program strengthened and institutionalized at provincial level.
- ▶ Increased capacity of the PHC system to deliver appropriate HIV/AIDS and STI prevention and treatment.

Achievement of these five intermediate results are reliant upon a number of results that must be accomplished by other development partners in order for the respective intermediate result to be accomplished. Note that all five results apply both to the Eastern Cape Province and to the other eight provinces. The monitoring and evaluation plan provides specific targets for each indicator; generally higher targets have been set for the Eastern Cape Province, since the levels of achievement in the other eight provinces during Phase 2 are expected to be somewhat lower. Some of these indicators and targets are very likely to change during the next calendar year with the arrival of the EQUITY Institutional Contractor and the determination about whether these are the most suitable indicators to track, because of a change in the situation and/or the desire to have SO3 indicators and DOH indicators identical where feasible.

2. Illustrative Program Strategies and Activities

The following summary illustrates how SO3 will achieve each of its intermediate results, and in turn, how these results will lead to achieving SO3 itself. It is important to relate these illustrative activities not only to the respective intermediate result, but also to the indicators that will demonstrate the achievement of each result. For convenience, these indicators are provided at the beginning of the discussion of each result. All five intermediate results and their respective indicators apply both to the Eastern Cape Province and to the other eight provinces. In addition to the illustrative strategies and activities discussed below, the summary results framework emphasizes the importance of key results that need to be achieved by other development partners.

a. IR 3.1: Increased Access to Integrated Package of Quality PHC Services

The indicators of achievement for this result are as follows:

- ▶ percent of black population served
- ▶ percent of Health Care Points (HCPs) in areas serving the black people in the Eastern Cape Province

As discussed earlier, the Government has begun the process of consolidating the fragmented health system, redistributing services in an equitable manner, and drastically changing health care priorities to ensure that primary health care, with its community orientation and attention to priority health problems, can be achieved. This restructuring of the health system is intended to draw the different health authorities and the private sector into one unified health system at all levels -- central, provincial, district, local government and community -- and to make an integrated package of essential PHC services accessible to the entire population. SO3, through the EQUITY Project, will help to achieve this increased access in several different ways. The youth of South Africa are a key target group for increased access to both

health services and health information. Both the Department of Health and the EQUITY Project stress the importance of community and stakeholder involvement in health care, since without it there is no assurance that the basic health services being provided are the ones the community wants and will use as a way to improve their health status. Thus, activities encouraging community and stakeholder involvement, especially in underserved areas, will be undertaken through appropriate mechanisms.

Other activities related to increased access will focus on expanding the range of PHC services available at each health care point (HCP), which in turn should make the HCP a more attractive place from which to receive care. Some HCPs -- especially the locations served periodically by mobile teams -- will be more difficult locations for expanding the number of services. Certain others (e.g., static clinics and community health centers) will be more amenable to service expansion so long as staffing is sufficient (a critical assumption). Adding youth-oriented programs at all appropriate HCPs will be critical in reaching this group and providing increased access to both information and services. Another way to increase access is to provide more HCPs. SO3 may be able to do this to a limited extent, for example, by establishing and/or re-initiating PHC service delivery at mobile HCPs until a more permanent solution is available. However, SO3 will rely on planned funds to the DOH and the provinces to provide the resources needed to construct additional health clinics and other facilities.

Collaborating to accomplish this will be an important element of SO3. Access can also be increased by providing additional health care providers -- both at existing HCPs where staffing is inadequate and to staff the new HCPs. However, since SO3 will not achieve increased access directly through these two means, both are considered to be critical assumptions. Finally, an important way to increase access is to improve the attitude and motivation of the health care workers, so that clients see the health care workers as caring, helpful people who will provide the best services they can. This kind of improvement may be achieved in some cases through community involvement mechanisms, but it must also be addressed in the health system itself to ensure that clients actually use available services and don't bypass them in search of more client-friendly health care workers. Increased access to PHC services is perhaps the most critical intermediate result that will lead to the accomplishment of SO3. Without increased access for the majority population, the health system will not be equitable. Taking the above activities together with others that may be developed as part of the annual action plans of the EQUITY Project, the outcome should be an increased number and percentage of historically disadvantaged people served.

b. IR 3.2: Effective Health Care Referral System Operating

The indicator for this result are as follows:

- ▶ Percentage of clients using appropriate HCP as entry point increased.

The unplanned, checkered distribution of clinics in the townships and rural areas and the lack of private-sector alternatives have resulted in an over-utilization of hospitals, especially in the cities. One study has shown that up to 80 percent of patients seeking care at hospital

emergency rooms could be treated effectively at a lower-level HCP. The results of this situation are the higher cost and typically poorer quality PHC services in hospitals due to the pressure on the staff and facilities, and the under-utilization of more appropriate HCPs at the periphery. Although referrals do take place, there is no uniform referral system. SO3 will develop and implement an effective referral system among primary, secondary and tertiary care levels, including the private sector where appropriate. This is likely to occur first in the Eastern Cape Province, and lessons learned will be used in replicating the system in the other provinces. Unless the health care referral system is operating well, people are not likely to receive the services they need. Similarly, if clients seek services at the wrong level, scarce resources will be wasted and the system will become less efficient. A 1995 survey showed that the overwhelming majority of (75.7 percent of the sample) of Africans rely on public hospitals and clinics for their health care (82.4 percent in rural areas), whereas 83.9 percent of whites rely on a private hospital or doctor. Achieving an effective referral system will require the development of a variety of mechanisms to help ensure that clients initially seek care at the appropriate level. This will likely include incentives to encourage the use of appropriate HCPs as entry points for care; these may in fact be "negative incentives," such as a surcharge for going to the wrong source of care. Community-level mechanisms, including education and awareness, will be necessary so that people can judge where to go for care. Taken together, these mechanisms and others that may be developed should increase the percentage of clients using an appropriate HCP as their entry point to the health system - the principal indicator for this result.

c. IR 3.3: Improved Management of the integrated PHC (including HIV/AIDS/STDS) delivery system at the provincial level.

The indicator for this result is as follows:

- percent of HCPs at provincial level and below delivering integrated PHC services

Due to its history of fragmentation and multiple health authorities at different levels, South Africa's health care system suffers from many inefficiencies. Unless overall system management can be improved, the system will be too expensive to operate -- leading to inequities that are likely to affect the majority population negatively. As already noted, many of the national-level constraints and opportunities are being addressed by the Government of the RSA as it reforms the health system and delineates and clarifies authorities and responsibilities. However, other opportunities to improve management's efficiency and effectiveness exist at the provincial level and below. These opportunities can be summarized in four areas: (1) greater integration of PHC services, (2) better resource reallocation between curative and preventive services, (3) management systems improvement, and (4) improvements in cost-effectiveness. SO3 will assist the DOH and the provinces to explore the range of feasible interventions among these four categories, and to implement the selected interventions to increase efficiency and effectiveness of PHC services.

PHC service integration. The primary purpose of integrating PHC services is to improve access to those services; however, integration should often increase cost-effectiveness (see

below). In the process of integrating PHC services, selected programs that typically operate "vertically" now will be truly integrated into the range of PHC services offered at certain HCPs, while others will be adapted so that initial services (e.g., screening) will be more accessible as part of the integrated PHC package, while other levels of service (e.g., treatment, follow-up) may continue to have a vertical component in at least the foreseeable future. SO3 will assist in this integration process in a number of ways.

Resource reallocation. Because of the system's historic focus on curative care catering to the aging white population, serious misallocation of resources exists between curative and preventive services in the health care system inherited by the Government. In the recent past, as much as three-fourths of public health expenditures were curative in nature. The policies of the Government have made major advances in redressing this imbalance, especially with the strong focus on accessible PHC services. Much remains to be done, however, to operationalize this national policy at the provincial level. SO3 will provide assistance through several related activities.

Management systems improvement. The critical need to improve health management systems has already been stressed. SO3 will develop and implement improved management systems through the development and implementation of a management improvement strategy that -- together with the management capacity-building activities just described -- will help to strengthen and streamline the management process (planning, decision-making, managing, monitoring and evaluating) at the provincial level and below. This strategy is likely to address, among other things, management systems and mechanisms that will be needed to manage effectively the health care system from the provincial level to the community. Based on the management improvement strategy, SO3 will adapt existing systems (e.g., planning, budgeting, accounting, personnel, facility and equipment maintenance) to achieve the objectives of the strategy.

Improving cost effectiveness. Although the primary focus of both the Government and SO3 is on improving access to PHC services, sustainability of the system is also required. Therefore, SO3 will improve the cost-effectiveness of health services through building a consensus among all stakeholders to implement needed cost-effectiveness reforms; and in developing and implementing a strategy and action plan for achieving these key reforms. Operations research studies will typically be used to determine what will and won't work. The resulting cost-effectiveness strategy might include such different elements as (1) free services, (2) enforcement of the existing cost-sharing mechanisms (e.g., fee-for-service structures), and (3) increased cost sharing for selected -- perhaps curative -- services. This latter area could include mandatory payments by medical aid schemes where services provided are covered by the schemes. The extent to which this and similar insurance-related mechanisms will be incorporated will be determined by the outcome of the current Government national health insurance proposal.

d. IR 3.4: PHC Training Program Strengthened and Institutionalized at Provincial Level

The indicators for this result are as follows:

- ▶ Integrated PHC curriculum developed
- ▶ Percent of nurses trained under the integrated PHC curriculum

The development of human resources is a specific priority for the Department of Health. It is clear that, if an increased focus on integrated PHC is to take place, a tremendous effort at reorienting and training health providers is necessary. The education of medical, nursing and other health professionals is currently based largely on the curative model. For example, there is little in the existing medical curriculum that stresses demography, epidemiology, planning, community involvement, management, and other important elements of the PHC system. Consequently, pre-service as well as in-service training curricula and materials for all health workers have to be rationalized and modified, so that cadres from medical doctors to community health workers become knowledgeable about, skilled in, and committed to the PHC goals of the Government. SO3 resources are expected to achieve the sustainability of an overall PHC training program by helping to implement the provincial training action plans developed by each of the provinces.

e. IR 3.5: Increased Capacity of the PHC System To Deliver Appropriate HIV/STD Prevention and Treatment

The indicator for this result is as follows:

- ▶ Number of Primary Health Care Nurses and private physicians trained on STD Syndromic management.

The RSA is committed to HIV/STD prevention. However, the epidemic has the potential to threaten the goals and future government strategies in every sphere. The DOH's Strategic Plan describes the broad objectives, policies, strategies and priorities of the South African HIV/AIDS and STD Programme for the period 1996/7-2000/1. This Strategic Plan was developed in consultation with Provincial HIV/AIDS and STD representatives, NACOSA, NAPWA and UNAIDS. Annual National and Provincial Operational Plans will be developed within the framework provided by the Strategic Plan. The plan proposes a range of interventions which constitute the minimum necessary response to the epidemic. These include recognizing and addressing socio-economic factors which underlie and contribute to the spread of HIV. Commitment from and partnerships with all sectors -- governmental, private, non-governmental and community based organizations and communities -- are a cornerstone of the National response. USAID/South Africa is currently supporting the South African National AIDS Program through a provision of direct grants to 10 local NGOs and CBOs and through programming under the AIDSCAP project. These activities are coming to closure. Recognizing the need that still exists in this area, and in anticipation of \$10 million earmarked funding over the next five years, USAID will carry out an extensive national HIV/AIDS/STD assessment in February 1997. This assessment will determine the appropriate mechanisms and programs for funding USAID's activities to increase the capacity of the PHC system to deliver appropriate HIV/STD prevention and treatment. The assessment will verify the appropriateness of the indicator selected to measure the accomplishment of the IR. The fund indicator depicted will individually and collectively ensure that the Intermediate Result is accomplished. It must be emphasized that this anticipated HIV/AIDS activity is

contingent on a successful response to a request for additional funding and staffing from USAID/Washington.

E. Performance Monitoring

The principal results to be achieved by SO3 have just been summarized, together with their respective indicators. However, there are corresponding baseline figures and measurable targets for each indicator. Results, indicators, and targets are provided for all relevant levels -- CSP goal, sub-goal, and SO3 itself. Attainment of these results along with those associated with our partners will indicate full SO3 achievement. As with any indicators and targets that are developed in advance of the program that will achieve the results, the DOH and USAID/South Africa anticipate that at least some of the indicators and targets will be revised from time-to-time to reflect changes in the situation. One reason is that, until baselines are established for all indicators, the proposed targets will be estimates. In addition, USAID/South Africa and the DOH will work to ensure that, to the extent possible, their programmatic indicators will be identical. Doing so will avoid duplication, including the measurement of the indicators themselves. Common indicators and targets will have the advantage both of reinforcing the mutual commitment to achieve them, and of reducing the magnitude and cost of data collection and analysis required to produce them. Revisions required for these and other reasons will be reflected in the EQUITY Project annual action plans, as well as in the annual SO3 results review and resource request (R4).

F. Management Strategy

SO3's single-project concept has two principal advantages: (1) By designing the EQUITY Project to fully achieve SO3, the result is a carefully-focused, comprehensive effort; and (2) despite the project's complexity, its implementation becomes management-efficient. Note that if funding and staffing for the major HIV/AIDS activity of forthcoming, the activity will be separate from the EQUITY project but still incorporated within SO3.

1. Implementation through a Single Project

Since the EQUITY Project includes major emphasis at both the national and provincial levels, and because of the need for strong coordination between the two levels (especially in view of the focus province concept), implementation efforts will be complex. Implementation includes provision of technical assistance; considerable training activities and workshops; observational travel; operations research; and commodity procurement. These activities must be carefully coordinated, with special emphasis on the Eastern Cape Province to ensure maximum project efficiency, effectiveness, and overall success. USAID/South Africa intends to have three "umbrella" institutional contractors (or consortium of organizations) that will have responsibility for (i) overall EQUITY project implementation throughout the seven-year project life; (ii) overall management of the EQUITY NGO umbrella grants program; and (iii) overall management of the new HIV/AIDS Program. This arrangement will facilitate effective project oversight and management by both the DOH and USAID/South Africa. All three contractors will be procured through full and open competition, based on both a

statement of work and selection criteria which have been collaboratively developed by representatives of the DOH, the Eastern Cape DOHW, and USAID. (The primary EQUITY institutional contract was executed in early December 1996.)

2. Involvement and Commitment of Other Development Partners and Stakeholders

Collaboration in the design of SO3. Collaboration in the design of the EQUITY Project itself began with the development of the project concept in May-June 1994. USAID/South Africa and REDSO/ESA representatives met not only with the Honorable Minister of Health and key DOH officials, but also with key South African health sector organizations and individuals. Together, this group provided both a source of ideas about what the project should accomplish, and a sounding board as the overall project concept was developed. The same high level of consultation and collaboration continued through the design of the EQUITY Project Identification Document (PID).

Coordination with other development partners. At a different level, USAID/South Africa has invested considerable time and effort with other relevant bilateral and multilateral development partners in the health sector to ensure that resources are effectively coordinated. USAID/South Africa's initiative with these key donors -- especially the European Union (EU), the British Overseas Development Administration (ODA), the World Bank and UNICEF -- has been instrumental in achieving this objective. Collaboration has included not only the more usual donor-with-donor and donor-with-government meetings, but also coordinated, short-term TA visits to develop plans for linked activities. Another important example is coordination among donors to ensure that focus-province types of efforts are distributed among a number of provinces in accordance with RSA priorities (to ensure an equitable distribution of donor resources), and that such activities are complementary.

Involvement of other stakeholders. In addition to the involvement of many stakeholders as just described, USAID/South Africa included consultation with SO3's intended beneficiaries, through focus group discussions, as an integral part of the Social and Gender Analysis for the EQUITY Project. The purpose of the analysis was to examine the potential impact of SO3 on the different social groups who are the intended beneficiaries. Thus, this analysis will help USAID/South Africa ensure that SO3's intermediate results will benefit the communities and people it is designed to serve. The results of this consultation (and similar future consultations with communities) will continue to influence the way in which SO3 meets the health needs of South Africans.

3. Management

In accordance with USAID/South Africa's emerging, reengineered organizational and management structure, SO3 will be managed by Strategic Objective 3 Team (SOT3). The multidisciplinary SOT3 will have full responsibility for managing SO3 and ensuring that its intermediate results are achieved. The SOT3 core team, comprised of internal USAID/South Africa staff representing all relevant Mission management elements, will provide leadership to and oversight of the implementation of SO3. In addition a tripartite Strategic Management

Team (SMT) has been formed with representatives the national DOH, the Eastern Cape DOHW, and USAID/South Africa. The SMT is broadly responsible for overall management of the EQUITY Project.

G. Resource Requirements

1. Program Funding

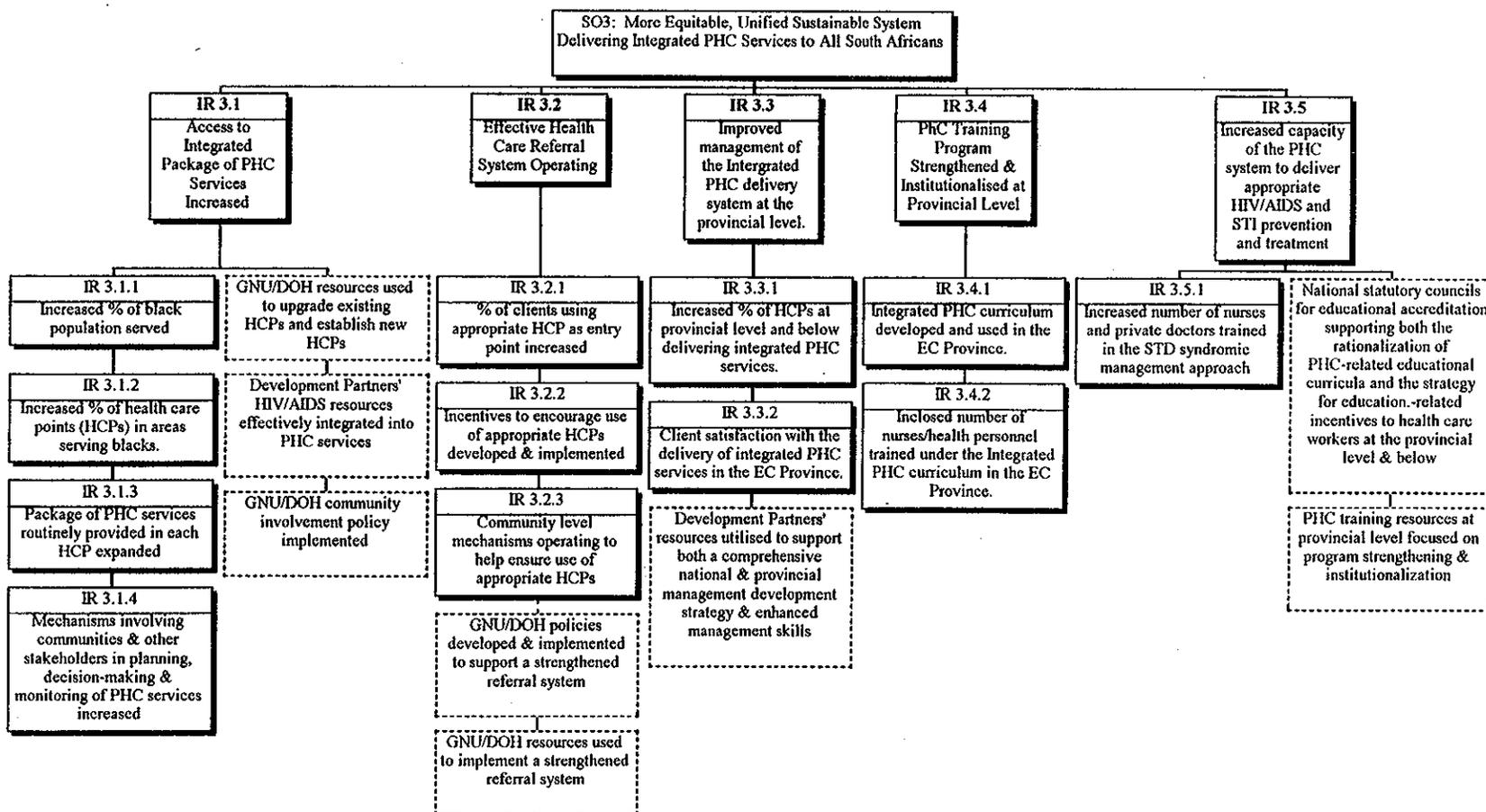
The funding level for the EQUITY Project grant agreement is \$50 million, and has been carefully budgeted to ensure that all five intermediate results under SO3 will be achieved. In addition to this USAID/South Africa funding, SO3 has received an additional increment of \$3.24 million in USAID/Washington Global Bureau field support funds for the bridging activities described in B.4 above. The Government's commitment of more than R97 million (\$28.5 million) for direct support to the EQUITY Project is the other essential resource component. This combination of Government and USAID resources will be required to meet the first four specific SO3 intermediate results described earlier, and the corresponding specific targets for each indicator have been established with these resources in mind. However, as emphasised in Section C.3, achieving I.R.5 will require additional funding (nominally \$10 million, but this amount may change based on the outcome of the comprehensive HIV/AIDS assessment scheduled for February 1997. Achieving I.R.5 implementing the new HIV/AIDS activity will also require additional staffing (i.e., two program funded FSN's as already requested from USAID/Washington. Without increased funds and staff, it will not be possible to incorporate I.R.5 in the SO3 Strategic Objective.

2. Staffing

In order to manage both the EQUITY Project and the new HIV/AIDS activity effectively, a total of six SO3 staff will be required through the completion combined activities. Therefore, two additional health staff members (Program- funded FSNs) have been requested to manage the anticipated additional \$10 million HIV/AIDS funds. Although the Africa Bureau has agreed to consider this request favorably, a decision will not be forthcoming until early 1997.

FIGURE 3
STRATEGIC OBJECTIVE 3 RESULTS FRAMEWORK

- Notes: 1. The solid boxes represent intermediate results (IRs) that will be accomplished directly through the resources of the SO itself. The dotted boxes represent results that need to be achieved by other development partners in order for the SO to be achieved.



V. Strategic Objective 4: Improved Capacity of Key Government and Non-Government Entities to Formulate, Evaluate and Implement Economic Policies

A. Introduction and Vision Statement

An improved economic policy environment is critical to achieving the economic empowerment of South Africa's historically disadvantaged population. Strategic objective four contributes to addressing, but does not directly address, that need. The Mission believes that this is the most ambitious objective in the economic sector that it can achieve with the limited resources available for this strategic objective. The accompanying Figure outlines the basic structure, logic and partnerships of this strategic objective.

USAID/South Africa's fourth strategic objective focuses on the capacity of organizations within and outside government to effectively deal with economic policy issues. Specifically, Strategic Objective Four is as follows:

Improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies.

Strategic Objective Four Vision Statement

By 2005 South Africans will benefit from more effective government and civil society cooperation in formulating, adopting and implementing economic policies. Institutionally, units in several government departments will be providing the analysis and information to decision-makers to inform policy options and decisions. Several civil society organizations will be actively and effectively influencing the policy process through analytical and research work. At least one historically black university will be providing quality, policy-related economics education with the associated active engagement in the policy analysis and evaluation debate.

B. Problem Analysis

The major challenge for South Africa is to generate increased broad-based sustainable economic growth, employment opportunities, and improved equity for the historically disadvantaged population who compose the vast majority of the roughly 35 percent of the labor force currently unemployed. For this to happen, a wide range of factors and problems need to be addressed. One of the key elements (necessary, but not sufficient) is a growth-promoting economic policy environment. Such an environment will also have positive feedback effects on other factors required to increase economic growth.

C. Development Hypothesis and Rationale for Selection

The achievement of a growth promoting policy environment will require at least three items: (1) a government willing and able to change growth-inhibiting elements of the economic policy framework, even in the face of entrenched interests; (2) other stakeholders willing to accept changes in policies, even if it means short-term "losses" which must be incurred to achieve longer-term benefits; and (3) a strengthened capacity within the governmental and the non-governmental sectors to engage in economic policy formulation, evaluation and implementation. Of special concern is the ability to participate, both in the sense of opportunity and technical ability, by those previously excluded from such processes. If the issues of economic growth and equity are to be addressed adequately, it is necessary to respond to the constraints on the ability and opportunities of the majority population to participate in economic policy decisions. In this context, the role of strengthened non-governmental organizations will be crucial.

Dealing with the first two of these items is problematic since the entrenched interests and positively and negatively affected stakeholders will generally differ for each set of policies considered. Thus, the process of effective policy change will require a major effort in applying "variable geometry" to form different coalitions to support such change. Strengthened capacity of critical governmental and non-governmental organizations to engage in the economic policy process is required not only to directly support the efforts for policy change, but also to help influence different groups and to help identify and form winning coalitions for reform and change. These issues are first and foremost a question of political will and ensuring that change-facilitating processes are used. The utilization of fora such as the National Economic Development and Labour Advisory Committee (NEDLAC) and related groups for the discussion of policy issues provide appropriate change-facilitating processes. However, the participants in NEDLAC -- representing government, business, labour and civil society -- must all be capable of participating in substantive dialog on matters of economic policy and thus be able to engage effectively in NEDLAC and similar fora. The existence and use of analytical capacity both within and outside the government should help to persuade groups to modify their positions on issues if/when a clear case for policy change is made.

Partners

a. Consultative Process

There is a clear, distinct and active group of partners already working on this problem. First and foremost is the RSA which recognizes the need for sustainable growth and employment creation. Second, there is an active set of non-governmental organizations (NGOs), universities and other groups who are also interested in the promotion and support of economic growth and equity. Finally, other donors also share this vision. These different sets of partners will play active cooperative roles in achieving this strategic objective.

These partners have been involved in the development of this strategic objective. This process began with the preparation of a series of analytical papers on South Africa's economy,

economic performance and economic problems.²⁸ These papers continue to be widely distributed to interested and relevant individuals within South Africa's University, NGO, Donor and Government communities. They also served as the basis for discussions with these individuals and groups concerning the country's economic problems and issues, as well as, what might be needed to address these problems. Over the course of these discussions, it became clear that a "non-project assistance approach" of leveraging policy change would not work in South Africa due to the small size of the USAID program relative to the economy.

Based upon these discussions, the basic outline and content of what has become SO4 was developed. These ideas were then discussed with the people and organizations who were instrumental in formulating it, plus a wider range of government officials and others. This process of wide ranging discussions has resulted in some modifications of what had initially been proposed and the validation of the basic structure and content of what is currently being proposed under SO4.

The design process for the "Support for Economic Growth and Analysis/Mandela Economics Scholars Program" activity, which will serve as the primary implementation mechanism for this strategic objective, used the same broad consultative process. A Policy Forum and Activity Steering Committees, all composed of key government, non-governmental, and USAID/South Africa representatives, will serve as a continuing consultative body for this strategic objective. In addition, the Expanded Strategic Objective Team will also serve this role.

b. Government

The Reconstruction and Development Programme (RDP) is the central guiding policy document of the RSA. It recognizes the need to restructure the economy, increase economic growth, and increase employment growth. It also states that these objectives "will be achieved through the leading and enabling role of the state, a thriving private sector, and active involvement by all sectors of civil society."

The basic objectives of the RDP are "to create a strong, dynamic and balanced economy which will:

- ▶ eliminate the poverty, low wages and extreme inequalities in wages and wealth generated by the apartheid system, meet basic needs, and thus ensure that every South African has a decent living standard and economic security;
- ▶ address economic imbalances and structural problems in industry, trade, commerce, mining, agriculture, finance and labour markets;
- ▶ create productive employment opportunities at a living wage for all South Africans; and
- ▶ integrate into the world economy in a manner that sustains a viable and efficient domestic manufacturing capacity and increases our potential to export manufactured products.

²⁸These papers form the basis of Attachment II of the CSP.

- ▶ It is only by addressing the above that our economy will be capable of sustained growth.²⁹

This strategic objective and the activities planned for its implementation have been formulated in close consultation and coordination with a steering committee of economists and administrators from key government departments and ministries. This same group will form the core elements of the government portion of the Expanded Strategic Objective Management Team and will continue to provide guidance throughout the implementation of this objective.

c. NGOs, University Organizations and Other Groups

There are several NGOs working on economic issues and economic capacity building. The primary ones with whom USAID/South Africa is already working include: the African Institute for Policy Analysis and Economic Integration (AIPA) and the National Institute for Economic Policy (NIEP). These two NGOs work on a wide range of issues and topics relevant to the strategic objective, including policy research and advocacy and training activities or other programs for economists from the historically disadvantaged population. Other groups also work on these and related issues. For example, there are generally research units or groups at the wide variety of South African universities. Examples include: South African Labour and Development Research Unit (SALDRU) at the University of Cape Town (UCT); Development Policy Research Unit at UCT; Economic Research Unit (ERU) at the University of Natal, Durban; the Institute for Social and Economic Research (ISER) at the University of Durban-Westville; and the economics departments at all the South African Universities and Tecnikons. There is currently an effort underway to form the South African Network of Economic Research (SANER) which will function much like the National Bureau of Economic Research (NBER) in the U.S., supporting, reviewing and promoting high quality, policy relevant economic research.

Many of the major businesses and business groups, e.g., the South African Chamber of Business (SACOB), have their own economists and economics departments. These groups' capacity to function as effective policy advocacy groups are being supported under the Mission's fifth strategic objective. In addition, there are NGOs which support business with research and facilitating activities, e.g., the Centre for Development and Enterprise (CDE). A wide range of NGOs exist which work on sector-specific policy issues.

While the sustainability of these organizations differ, it is clear that each organization is committed to trying to advance issues related in one way or another with this strategic objective. All these groups have their own links to various elements of government and other stakeholders. As a result, they will be able to assist in the achievement of this strategic objective. A selection of these groups have been involved in the development and formulation of this strategic objective and will be involved in its implementation.

d. Other Donors

There are a number of donors which have worked or continue to work in the various areas

²⁹Selected items from Sections 4.2.1 and 4.2.2 of the Reconstruction and Development Programme.

related to this strategic objective. Table 2 and its attachment summarizes the broad areas of their involvement. A key issue will be the continued coordination with the other involved donors to ensure that we avoid duplication and ensure the broadest coverage of our efforts.

TABLE 2. AREAS OF EXTERNAL PARTNERS' INVOLVEMENT IN RELATION TO STRATEGIC OBJECTIVE FOUR								
External Partner	USAID-Focus Areas (IRs)				Non-USAID-Focus Areas			
	Training	Govt. Capacity	Think Tanks Capacity	Training Centers	Policy Process	Re-search	NEDLAC-Like Processes	Labour Unions
African Capacity Building Fund (ACBF)			X					
African Economic Research Consortium (AERC)			X	X		X		
Australia			X		X		X	X
Canadian International Development Agency (CIDA)		X			X		X	
European Union								X
Netherlands								X
Overseas Development Administration (ODA)	X	X				X		
Sweden (SIDA)			?					
IMF								
World Bank	X	X				X	X	

D. Expected Results

Associated with this strategic objective which, when taken together, will achieve the strategic objective, i.e., strengthen the capacity of South Africans to formulate, evaluate and implement growth-promoting economic policies:

- 4.1. Strengthened human resources in economics and policy analysis for key government entities;
- 4.2. Strengthened government departments that deal with economic policy matters;
- 4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers; and
- 4.4. Strengthened centers of economics training, especially within the historically disadvantaged institutions.

These intermediate results represent the key elements for establishing the basic capacity mentioned in the strategic objective statement. The first and second intermediate results focus on strengthening the capacity and the participation of the majority population within government on economic policy issues. The first intermediate result focuses on helping to create a new cadre of U.S. trained economists from the majority population to work on these issues, while the second intermediate result works with government departments to strengthen the "work units" where such individuals will apply their training. Taken together, along with an assumption of adequate funding for the new or revised "work units," these two intermediate results provide the necessary components for strengthening government capacity for the formulation, evaluation and implementation of growth and equity promoting economic policies.

The third intermediate result addresses the capacity question in the non-governmental sector which will provide an expanded access of the majority population to the broader policy process. Finally, the fourth intermediate result provides a sustainable mechanism for meeting the continuing human resource development requirements in the field of economics. Thus, this intermediate result links back to and sustains the first intermediate result over the long-term.

The first intermediate result will be accomplished primarily through the mechanism of the Mandela Economics Scholars which will finance post-graduate economics training, primarily for the historically disadvantaged population, to improve the capacity of individuals to productively serve in government. This activity is also part of the United States-South Africa Binational Commission (BNC). This activity also supports other strategic objectives, such as education and health, since the BNC agreed that this activity would train economists for all areas of government. Short-term training will also support intermediate result 4.1. The second and third intermediate results will be achieved through the coordinated provision of technical assistance, short-term training and research support. Finally, the fourth intermediate result under strategic objective four will be promoted through the activities under the Mission's Tertiary Education Linkages Project (TELP) which has as one of its objectives capacity strengthening in selected disciplines (including economics) within South Africa's system of historically disadvantaged tertiary education institutions.

1. Intermediate Results from Others

There are a number of sub-intermediate results (intermediate results of others) associated with the achievement of SO4 and its intermediate results. These include:

a. 4.1. Strengthened human resources in economics and policy analysis for key government entities;

The principal lower level results for this intermediate result of strategic objective 4 deal with sustainability. While these are stated as separate, either one would be sufficient to provide the necessary sustainability for this intermediate result.

IR.4.1.1. Private sector and/or government funding for an endowment for a continuing Mandela Economics Scholars Program through a foundation or other structure. While not absolutely essential to the success of the Mandela Scholars in Economics and the strategic objective, the establishment of such an endowment structure would provide a sustainable basis for the continuation of the program and its impacts in South Africa. The pursuit of such funding, however, would be dependent on the desire of the Government of South Africa to continue the program.

IR.4.1.2. Funding for the Strengthened Training Center in Economics (see below for further discussion). The establishment of such a training center is an additional or an alternative way that this intermediate result can be sustained over the longer-term. The establishment of such a Center will allow the training being provided in the U.S. under this intermediate result to be transferred to South Africa.

b. 4.2. Strengthened government departments that deal with economic policy matters;

The following items relate to complementary and supporting activities of some of our partners. The primary effect of non-achievement on the strategic objective four intermediate result would be a reduction of impact or the targets which would be achievable by the intermediate result.

IR.4.2.1. Bilateral donor assistance to the government on specific sectoral policy issues. The fulfillment of this assumption will help ensure that the fullest range of necessary policy areas are addressed.

IR.4.2.2. World Bank funded critical studies on the policy framework. The World Bank's studies play a crucial role in identifying areas of concern and issues to be addressed. They also provide additional support for research efforts to improve the understanding of South Africa's economy and economic problems. If this work does not continue, additional resources will need to be directed towards filling this need

which will necessarily reduce the level of achievement in other areas.

IR.4.2.3. RSA funding and support for the sustainability of the improved government centers of policy and strategic analysis. This support and funding will be required to ensure that the investments made to strengthen such units or centers will be sustained.

c. 4.3 Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers;

The following items again relate to complementary and supporting activities of some of our partners. The primary effect of non-achievement on the strategic objective four intermediate result would be a reduction of impact or the targets which would be achievable by the intermediate result.

IR.4.3.1. Other donor assistance to "think tanks" in a coordinated fashion. The continuation and coordination of donor support to these institutions may be even more critical than in the case of support to government due to the issues of limited funding for these organizations and their sometimes limited management capacity.

IR.4.3.2. World Bank funded critical studies on the policy framework. The World Bank's studies play a crucial role in identifying areas of concern and issues to be addressed. They also provide additional support for research efforts to improve the understanding of South Africa's economy and economic problems. If this work does not continue, additional resources will need to be directed towards filling this need which will necessarily reduce the level of achievement in other areas.

IR.4.3.3. Sustainable funding or endowments to support the longer-term requirements of the "think tanks." A concerted effort in the area of establishing the sustainability of these organizations. While such "think tanks" can meet part of their requirements from specific contract work, some form of continued external funding or endowment mechanism will be required to ensure their financial sustainability.

d. 4.4 Strengthened centers of economics training, especially within the historically disadvantaged institutions.

This intermediate result involves not only external partners, but also will coordinate with USAID/South Africa's SO2 Team to strengthen HDI faculty in economics. Although SO2 no longer plans on creating "Centers of Excellence", targetted faculty development can still achieve the result envisioned.

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- IR.4.4.1. Government and the historically disadvantaged tertiary institutions support for "Centers of Economics Training" financially and in other ways. The continued support of the government and the historically disadvantaged tertiary institutions will be critical for the sustainability of these "Centers."

E. Performance Monitoring

The Economic Growth Strategic Objective's results will be judged by a set of quantitative and qualitative criteria. These indicators include a number of items which when considered together are expected to provide a clear picture of success or failure for the intermediate results. The indicators focus both on immediate results and items and issues which will be critical to the sustainability of these results.

The specific indicators are presented in Table 3. While these indicators are defined at this point, the identification of quantified targets will only be achieved as the Mission moves further into the design and implementation of the activities under the Results Package(s) for strategic objective four. The Results Package(s) will include mechanisms and procedures for tracking progress.

TABLE 3. MONITORING FRAMEWORK FOR STRATEGIC OBJECTIVE 4	
OBJECTIVE/RESULTS	PROPOSED INDICATORS
Strategic Objective 4: Improved capacity of key government and non-governmental entities to formulate, evaluate and implement economic policies to promote economic growth and equity.	<ul style="list-style-type: none"> USAID-assisted individuals and institutions playing a major role in improving the economic environment to promote economic growth and equity
4.1. Human resource development in economics and policy analysis for key government entities.	<ul style="list-style-type: none"> # of individuals trained at different levels (short-term, masters, doctoral) Match between jobs identified and training provided Length of continued service of trainees in appropriate jobs Capacity of trainees once training is completed
4.2. Strengthened government departments that deal with economic policy matters.	<ul style="list-style-type: none"> # of units within departments strengthened # and quality of studies/policy work conducted following strengthening Internal and external quality assessment of the strengthened units Number of trained disadvantaged South Africans in middle and senior levels Recurrent funding for the operation of the strengthened units
4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers.	<ul style="list-style-type: none"> # of think tanks supported with a viable plan for sustainability # of studies produced by the supported think tanks which are used by policy fora or other policy makers Internal and external quality assessment of studies and institutions Role of think tanks in advising on policy issues and topics Increased input of disadvantaged South Africans in the analysis and policy discussions
4.4. Strengthened centers of economics training, especially within the historically disadvantaged institutions.	<ul style="list-style-type: none"> # of centers sustainably strengthened or established Increased numbers of students and graduates in economics from the Center(s) Output (# and quality) of research papers by the centers Quality of the institutions, programs and research papers

F. Management Strategy

1. Illustrative Activities

The achievement of these intermediate results will be accomplished through the provision of short- and medium-term technical assistance, research support, and short- and long-term training. This assistance will be provided to support the strengthening of a variety of government departments and non-governmental organizations involved in the formulation, evaluation and implementation of economic policies. This assistance will be provided through three basic activities. The primary vehicle for supporting the first three intermediate results will be the Support for Economic Growth and Analysis (SEGA) Activity, the results package for which was developed in FY96. This activity includes the Mandela Economics Scholars Program (MESP) as a specific sub-component to address the first of the above intermediate results.

The Africa Bureau's Equity and Growth through Economic Research (EAGER) project, with its involvement in South Africa, will contribute to the third of the above intermediate results through its support of research efforts in collaboration with various "think tanks." It will also indirectly contribute to the second intermediate result by helping to demonstrate how effective policy analysis and research can be structured and used to influence the policy formulation process. Finally, it could also support the fourth intermediate result, if the center(s) is established soon enough, through collaborative research with the center(s) on policy issues.

Finally, the primary vehicle for achieving the fourth of the above intermediate results will be through collaboration with strategic objective two and the Tertiary Education Linkages Project (TELP).

2. Sustainability

The sustainability of the above results is a key concern and is addressed extensively above in the "Intermediate Results from Others" section. The design and selection of activities to achieve these results will be done with a major focus on ensuring sustainability of the results. The actual structure of the intermediate results also help to contribute to their mutual sustainability, especially in the area of training. For example, if the effort to establish strengthened centers of economics training is successful, the need for the continuation of the Mandela Scholars in Economics will be reduced since there will be a sustainable, in-country source for such future training.

G. Resource Requirements

The budget for this strategic objective is \$30 million over seven years. In terms of prioritizing funding from this strategic objective for the intermediate results outlined above, the rank ordering of the intermediate results from highest priority to lowest priority is as follows:

1. IR 4.1. Strengthened human resources in economics and policy analysis for key government entities;
2. IR 4.3. Strengthened think tanks to formulate and evaluate economic policy options for all economic policy makers;
3. IR 4.2. Strengthened government departments that deal with economic policy matters; and
4. IR 4.4. Strengthened centers of economics training (Centers of Excellence in Economics), especially within the historically disadvantaged institutions.

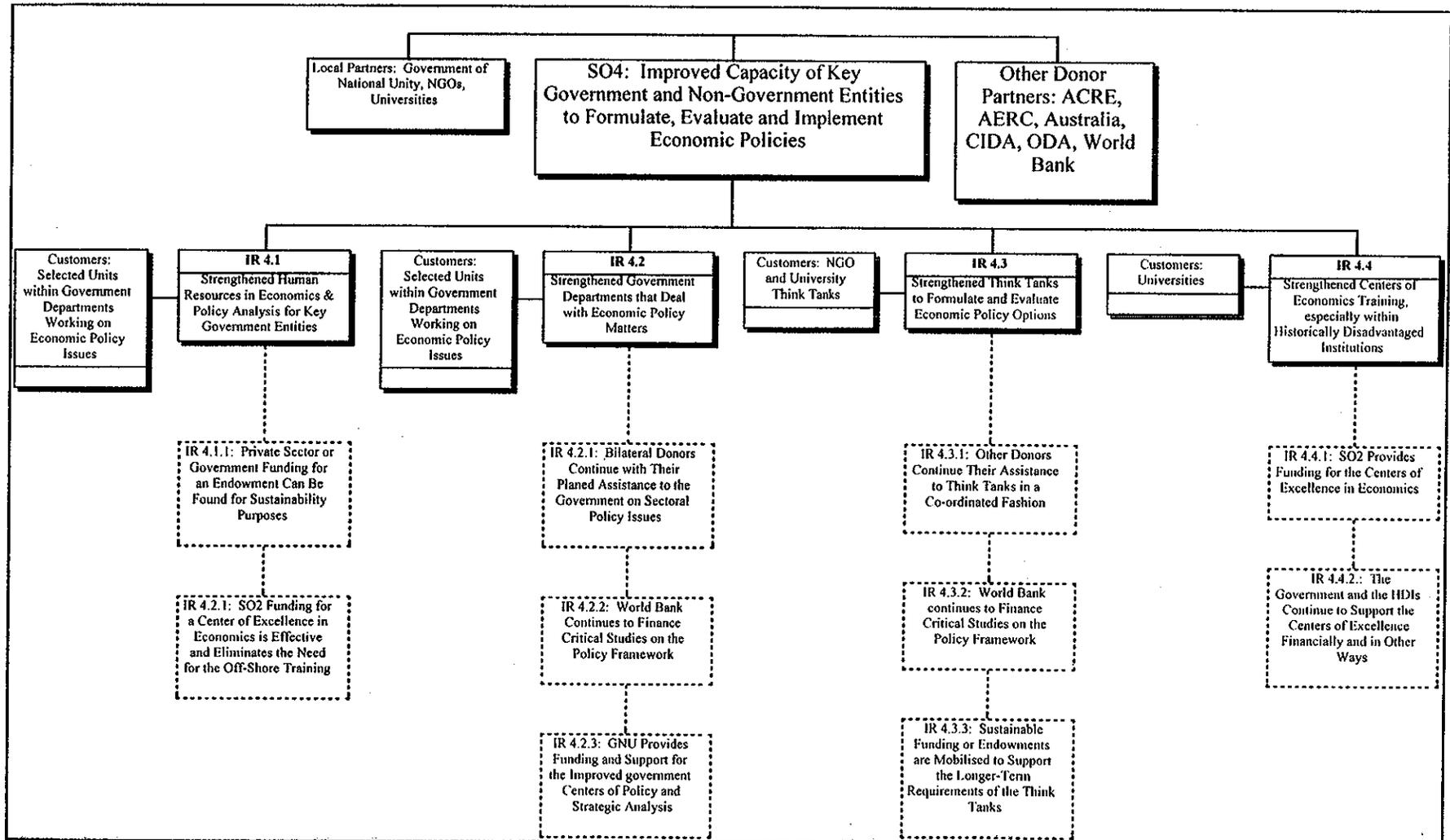
In addition, funds from the strategic objective will be used to support staffing, evaluation, monitoring and the participation of expanded team members representing both partners and customers in general meetings for the review of strategic objective four, its activities and progress.

A limited funding reduction would not necessarily "compromise" the basic integrity of the strategic objective, but would reduce the level of achievement of part of the intermediate results and increase the dependence of the strategic objective on other resources. The specific implications are as follows:

-
- ▶ A contribution from the high option funding for strategic objective four towards the “Center of Excellence in Economics to complement the expected investment from strategic objective two is eliminated;
 - ▶ Funding for both governmental and non-governmental capacity strengthening is reduced proportionately; and
 - ▶ Due to the reduction in the expected length of the program and its activities, program funding for Mission staffing, evaluation and monitoring requirements, including expanded team meetings, is slightly reduced.

If further reductions for funding of this strategic objective were to be necessary, the first \$5.0 million would be drawn from the planned funding for strengthening government capacity. Cuts beyond that point would require that intermediate result 4.2 be dropped. At this point, the strategic objective would need to be restructured since we would not be meeting the requirements for its achievement. Further cuts of up to an additional \$6.0 million could then be sustained before it would be necessary to drop intermediate result 4.3. At this point, it would be recommended that the remaining funding above that required for the Mandela Economics Scholars Program be removed.

**FIGURE 4
STRATEGIC OBJECTIVE 4 RESULTS FRAMEWORK**



VI Strategic Objective 5: Increased Access to Financial Markets for the Historically Disadvantaged Community**A. Introduction and Vision Statement**

USAID/South Africa's fifth strategic objective focuses on improving the policy environment to facilitate access to capital for historically disadvantaged enterprises, improving the capacity of the financial sector to service the historically disadvantaged and improving the capacity of the historically disadvantaged to respond to financial market requirements. The interventions to be pursued are divided in their focus on either informal and micro enterprises or the "informal, third world economy" or on small, medium and large enterprises comprising the "formal, first world economy." Our vision -- empowerment through enterprise -- encapsulates the contribution that improved access to financial markets has to enterprise development and economic empowerment, as measured by asset ownership, income levels and employment.

B. Problem Analysis

References to first world and third world economies in South Africa are euphemisms for the degrees of inequity in social, political and economic arenas. While political participation has been greatly enhanced with the establishment of a majority government in South Africa, social and economic disparities along racial lines are still very evident. Measures of economic equality or economic participation, including employment, managerial employment, business ownership and other forms of asset ownership, are in large part, products of inequities in the social, political and economic arena.

Measures of economic empowerment repeatedly confirm the degree of inequity among racial groups. With a national unemployment rate of approximately 35 percent, blacks dominate the ranks of the unemployed with 41 percent of economically active blacks unemployed, representing 87 percent of the total unemployed in South Africa. With more than 50 percent of the black population 20 years or younger, and prospects bleak for future employment, unemployment becomes a youth problem. Not unexpectedly, blacks dominate the informal sector, occupying 69 percent of the informal positions, both as survivalists³⁰ and micro entrepreneurs³¹. While this sector has been responsible for generating 13.4 percent of the jobs

³⁰Survivalist enterprises are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises. Support strategies should primarily help these people -- a large percentage of whom are women -- get out of this sector.

³¹Microenterprises are very small business, often involving only the owner, some family member(s) and at the most, on or two paid employees. They usually lack "formality" in terms of business licenses, value added tax registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary technical or business skills among their operators. However, many microenterprises advance into viable small businesses. Earning levels of microenterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support.

among the economically active population, or a quarter of the jobs generated by the formal sector, it contributes nominally to the economy as a whole, only 6.7 percent according to the October Household Survey. Therefore, in order to provide overall economic growth, entry of blacks into the formal sector is critical.

With regard to ownership, blacks are concentrated in those sectors in which barriers to entry are lowest -- wholesale and retail trade (especially in the informal sector), catering and accommodation, community social and personal services (especially in the informal sector), construction, transport, storage and communications. They are vastly under-represented in finance, insurance and business services, among the fastest growing sectors of the economy. Self-employment represents 6.1 percent of the blacks in the formal sector, and 89.5 percent (1,010,000) of the blacks working in the informal economy. According to the Project for Statistics on Living Standards and Development Survey, of those household members from disadvantaged groups involved in Small, Medium and Micro Enterprises (SMME), 59.1 percent were involved in survivalist activities, 38.5 percent were involved in micro enterprises and only 2.3 percent were involved in small enterprises. Women dominated in the survivalist category, with incomes below the minimum income level.

These statistics confirm that the legacy of the apartheid system remains a serious barrier toward the inclusion of the majority population into the economic mainstream. The chief binding constraint to greater participation by the historically disadvantaged population in the mainstream economy is access to financial markets, an area where USAID's comparative advantage can be brought to bear with measurable impact.

C. Development Hypothesis and Rationale for Selection

One area on which the United States can bring its comparative advantage to bear is in the area of capital markets development. The problem in South Africa is not lack of capital, per se, but facilitating access throughout the economy. Not only does the United States have sophisticated capital markets, but has utilized financial engineering techniques, including securitization (creating financial instruments tradeable on a securities market which represent an underlying asset), to ensure that assets are available and broadly owned throughout the economy. In addition, techniques for increasing access to ownership opportunities and the chances for new business success have been effectively employed in the United States, including franchising and affirmative procurement. Other techniques to facilitate broader asset ownership, including employee stock ownership plans and profit sharing schemes, have been used to great effect to disperse ownership widely.

Reflecting on U.S. comparative advantage, and the limited duration of the USAID program in South Africa, Strategic Objective Team 5 (SOT5) has embraced one element of the Mission's sub-goal, economic empowerment, as a key contributor to the Mission's program goal of sustainable transformation in South Africa. This sub-goal reflects the dual objectives of improved equity and economic growth as ingredients for the sustainable transformation of the economy from its apartheid legacy of exclusion. The selection of particular interventions to be supported and facilitated by USAID were screened using the Porter paradigm and John Page's recent report for the World Bank, "The East Asian Miracle", and refined for the South

African context through a consultative process with partners in the Government of South Africa and the private sector.

In the Porter paradigm, four necessary ingredients are identified to attract investment and stimulate economic growth -- capital; infrastructure; policy/regulatory environment; and human/technical resources. We then looked at each of these factors to identify which interventions would result in improved equity of access for historically disadvantaged South Africans.

Access to capital has repeatedly been cited as the number one binding constraint to ownership and private sector economic empowerment by our customers, the historically disadvantaged population. This is an area where USAID has been involved since 1987 through its work with South African micro enterprise finance organizations, and one where USAID's worldwide comparative advantage in capital markets development can be brought to bear. Given the finite resources of USAID, and capital resource availability in South Africa, our focus will be on increasing access to South African private sector capital resources, using innovative financial engineering techniques and leveraging USAID funds to the greatest extent possible, including use of guaranties, equity and quasi-equity instruments. Hence, the selection of our strategic objective "increased access to financial markets for the historically disadvantaged population." This is part of the achievement of a more equitable access to resources for the historically disadvantaged population, which along with increased productive capacity, a better educated and healthier workforce and political stability and good governance, can result in increased economic growth and equity. This in turn equates with economic empowerment, a key component of USAID/South Africa's sub-goal of political, social and economic empowerment.

The area of infrastructure was not designated as an area of focus for USAID private sector initiatives for several reasons:

- ▶ the physical infrastructure of South Africa on the whole is very sound. Substandard service delivery in the townships is being addressed as part of the RDP;
- ▶ the costs and duration of infrastructure development are beyond the transitional scope of the USAID program; and
- ▶ other facilities are available to finance infrastructure development, including through the Development Bank of Southern Africa (DBSA) and World Bank.

The area of policy and regulatory reform is a key area for USAID intervention. Policy interventions can be short-term and high impact in nature. Many of the barriers to economic growth and equality of access in South Africa are policy-based. The key determinants of rapid growth among the High Performing Asian Economies during the 1965-1990 period were high levels of savings and investment (primarily private sector), high investment in education and human capital, productivity growth from high, internal competition, a positive enabling environment, and the sharing of benefits of growth.

Levels of savings and private sector investment are largely policy-based, as is productivity growth from high, internal competition and openness to foreign technology. Government

policies, be they fiscal, monetary or bureaucratic, can create a competitive environment conducive to foreign and domestic investment and economic growth. Accordingly, SO5 works closely with and supports the activities under SO4, "improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies."

The area of human and technical resources is undoubtedly a critical area for attention in South Africa. The depth of the damage caused by the exclusionary policies of apartheid have created great disparities between the majority population and minority population. The challenge of equalizing basic and tertiary educational opportunities among the races is being pursued by SO2. The need for strengthening human and technical resources will focus on strengthening the capability of historically disadvantaged South Africans to lead policy work relating to economic growth and ownership. It will also be pursued as part of institutional strengthening that facilitates the extension of credit necessary for asset ownership by historically disadvantaged South Africans. Strengthening institutional capacity to facilitate expansion of business ownership among historically disadvantaged South Africans is an acknowledgement of the limited duration of our program and our desire to build on the already significant institutional structure in South Africa to ensure program sustainability beyond a period of intensive donor support.

In order to achieve our strategic objective of improved access to financial resources, we have targeted our assistance on policy related interventions, the capacity of the financial sector to service the historically disadvantaged population, and reciprocally, the capacity of those entrepreneurs to respond to financial market requirements. For example, due to apartheid restrictions on the ownership of assets, blacks have not amassed the collateral typically required for formal sector borrowing. In order to improve the financial sector's capacity to service emergent black entrepreneurs, USAID has introduced loan guaranty programs which serve as collateral surrogates and venture capital facilities as alternatives to traditional debt financing. Similarly, black entrepreneurs may need assistance in packaging their business ideas in order to obtain long-term risk capital; USAID's Equity Access Systems Project helps these entrepreneurs get to the "bankable" stage and obtain necessary financing in order to grow.

Our strategic objective of access to financial markets, as measured by the Rand value of funds leveraged for micro and small enterprises, the value of corporate assets made available through equity and quasi-equity deals and corporate unbundling, and formal sector loans to the historically disadvantaged population, will contribute to the sub-goal of economic empowerment, measured in terms of ownership of assets, income and employment levels. Economic empowerment is one element of sustainable transformation, as measured by such indicators as purchasing power parity and the Gini Coefficient of income equality.

Critical Assumptions

In developing an appropriate strategy for USAID/South Africa's private sector activities during the next five years, the following realities must be acknowledged. First, if a political base for market-oriented economic policies is to be nurtured and maintained in South Africa, economic access and participation are absolute requisites. Second, redistribution alone will

not address the problem associated with economic inequality in South Africa. A resumption of higher, sustainable growth is required to address the demands for employment and higher incomes among all South Africans. Many South Africans appear to believe that the current growth rate of approximately 3 percent annually is not sustainable without significant structural reform, and is inadequate to address the unemployment crisis.

The challenge is to build on South Africa's functioning private sector-led economy, excellent physical and financial infrastructure, while expanding access and opportunity to those previously excluded without damaging the forces that have created the strong economic foundation of South Africa today.

In order to advance our objective of increasing access to financial markets for the historically disadvantaged population, the following critical assumption is made:

► the existence of a public sector enabling environment.

Moreover, the following intermediate results by our partners are necessary conditions for achievement of USAID's strategic objective:

- continued Government priority for small business promotion and the creation of new mechanisms to operationalize that priority;
- the availability of private sector financial resources to be leveraged for the historically disadvantaged population; and
- the existence of CSOs which are proactive in policy formulation and dissemination.

USAID/South Africa's program is responsive to Vice President Gore's New Partnerships Initiative (NPI), notably its focus on empowerment through citizen participation and ownership; the emphasis on the role of local NGOs, universities, foundations, small businesses and decentralized government in sustainable development; and improving the enabling environment for NGOs and small business, with a goal of graduating from U.S. assistance. This latter point is critical in shaping our program -- the recognition of the limited duration and declining funding levels available to achieve our economic empowerment goals. Donor assistance overall plays a minor role in the South African economy, representing less than 1 percent of South Africa's GDP. This highlights the need for U.S. support in putting policies, institutions and participatory mechanisms in place as foundations for future growth, even in the absence of donor assistance. The USAID assistance interventions in the private sector can best be designed as change agents to catalyze internal processes and delivery mechanisms to continue in the future, independent of USAID or other donor assistance. USAID's selected interventions will, therefore, focus on the use of the private sector to increase access to financial markets for the historically disadvantaged population to address the immediate need to reverse the legacy of exclusion in South Africa, but also to contribute to longer-term economic growth.

D. Expected Results and Illustrative Activities

USAID's selected interventions focus on the use of the private sector to increase access to financial markets for the historically disadvantaged population. At the strategic objective

level, we anticipate impacting the loans made available to historically disadvantaged entrepreneurs, the funds leveraged on their behalf and the value of corporate assets made available to the historically disadvantaged population. Summarizing the discussion above and the rationale cited throughout this strategy, the following strategic objectives and intermediate results have been identified.

1. Intermediate Results Focused on Informal and Microenterprise Organizations

a. IR 5.1 - Improved policy environment for facilitating access to capital for historically disadvantaged informal and micro enterprises.

Interventions:

- ▶ Increase responsiveness of Government policies to address the needs of historically disadvantaged informal and micro entrepreneurs regarding access to capital (technical assistance, training).
- ▶ Strengthen the capacity of government to analyze, design and implement policies to stimulate the development of SMMEs in South Africa (technical assistance, training).
- ▶ Strengthen the capacity of industrial chambers and other business fora to increase businesses' access to financial markets through policy formulation relating to affirmative procurement (technical assistance, training).
- ▶ Strengthen the ability of business organizations (South African and American) to represent their constituent interests, especially in identifying barriers to entry and developing policy interventions to address these constraints (technical assistance).
- ▶ Strengthen the ability of business organizations (national and regional) to lobby for more facilitative regulatory environment (technical assistance).

b. IR 5.2 - Improved capacity of the financial sector to service historically disadvantaged informal and micro enterprises.

Interventions:

- ▶ Increase capacity of NGOs to provide finance to informal and micro entrepreneurs through improved access to commercial credit (technical assistance, training).
- ▶ Increase access to capital by micro enterprises utilizing the USAID loan guaranty program and training of bankers in cash flow lending techniques (loan guaranty, training).
- ▶ Strengthen the capacity of banks to lend to the historically disadvantaged micro entrepreneur (technical assistance, training).

- c. **IR 5.3 - Improved capacity of historically disadvantaged informal and micro enterprises to respond to financial market requirements.**

Interventions:

- ▶ Increase capacity of micro entrepreneurs to source credit (technical assistance, training).

2. **Intermediate Results Focused on Small, Medium and Large Enterprises**

- a. **IR 5.4 -Improved policy environment for facilitating access to capital for historically disadvantaged small, medium and large enterprises.**

Interventions:

- ▶ Strengthen the ability of business organizations (South African and American) to represent their constituent interests, especially in identifying barriers to entry and developing policy interventions to address these constraints (technical assistance).
- ▶ Strengthen the ability of business organizations (national and regional) to lobby for more facilitative regulatory environment (technical assistance).
- ▶ Strengthen the capacity of government to analyze, design and implement policies to stimulate the development of SMMEs in South Africa (technical assistance).
- ▶ Strengthen the capacity of industrial chambers and other business fora to increase businesses' access to financial markets through policy formulation relating to affirmative procurement, export promotion and promoting franchising opportunities (technical assistance, training).

- b. **IR 5.5 - Improved capacity of the financial sector to service historically disadvantaged small, medium and large enterprises.**

Interventions:

- ▶ Increase access to capital by small enterprises utilizing the USAID loan guaranty program and training of bankers in cash flow lending techniques (loan guaranty, training).
- ▶ Increase access to capital by small and medium-scale enterprises using risk sharing mechanisms, with particular application in franchising and sub-contracting (loan guaranty).
- ▶ Increase opportunities for ownership of corporate assets through deal structuring to unbundle corporate assets to benefit the historically disadvantaged, permit employee and management buy-outs, encourage franchising and sub-contracting and privatize government assets with the intent to disperse ownership widely (technical assistance, training).
- ▶ Strengthen the capacity of banks to lend to the historically disadvantaged small business operator (technical assistance, training).

- ▶ Utilize the USAID loan portfolio guaranty program as a model for new government loan guaranty scheme (technical assistance) and to leverage private sector resources (loan guaranty).
 - ▶ Utilize unbundling and privatization transactions consummated as models for other transactions (technical assistance).
 - ▶ Leverage private sector and other donor resources in transactions financed by the Southern Africa Enterprise Development Fund (equity investment).
- c. IR 5.6 - Improved capacity of historically disadvantaged small, medium and large enterprises to respond to financial market requirements.**

Interventions:

- ▶ Increase access to equity and quasi-equity capital through provision of technical assistance to bring potential investees to the "bankable" stage and to ensure their profitability after receiving equity injections (technical assistance, equity investment).
- ▶ Strengthen the local consulting capacity to structure transactions to access equity capital, unbundle corporate assets and work in privatization, as appropriate (technical assistance, training).

E. Performance Monitoring

A detailed performance data table has been developed and attached. It includes measures of policy changes as they affect access to capital, measures of the capacity of the financial sector to service historically disadvantaged entrepreneurs (for example, amount of financing made available and the impact of loan guaranties on emergent entrepreneurs) and the capacity of historically disadvantaged entrepreneurs to respond to financial market requirements (for example, the number of small enterprises accessing equity and debt financing through various facilities). When appropriate, data will be disaggregated by gender and collected on an annual basis. Most data sources are project-related for reporting on intermediate and sub-intermediate results; performance measurement at the strategic objective and sub-goal levels also includes national data sources.

F. Management Strategy

1. Illustrative Activities

Below is a summary of the currently planned activities to be undertaken to increase access to financial markets for the historically disadvantaged population. Results will be measured by both qualitative and quantitative means as each activity contributes to the intermediate results described earlier. Data will be disaggregated by gender and geographic reach of the program will be reported on.

Table 4: Currently Planned SO5 Activities

ACTIVITY	GENERAL DESCRIPTION
Get Ahead Foundation	Grant to the Get Ahead Foundation to support its group lending program for microentrepreneurs Sector: micro
Microenterprise Support Project (MSP)	Contracts with two NGO consortiums to design and implement cost-effective and replicable solutions to the problem of access to finance for historically disadvantaged microentrepreneurs (strong focus on women and the poor) Sector: micro
DTI Technical Support Facility	Grant to DTI to develop and implement SMME program and address trade and investment policies Sector: all with particular emphasis on SMMEs
Equity Access Systems (EASY)	Technical assistance to improve access to equity and long-term risk capital Sector: small, medium and large
Bilateral Agreement with the Ministry for Public Enterprises (MPE)	Grant to assist the Department and Ministry for Public Enterprises to advance and implement the restructuring of State assets and potential privatization of public enterprises Sector: medium and large
Buy-In to KPMG's Financial Sector Development Project	Contract with KPMG/Barents to assist public and private sector entities in restructuring to disperse assets to benefit the historically disadvantaged population Sector: medium and large
Business Linkages for Under-Utilized Enterprises (BLUE)	Cooperative agreement with the National Industrial Chamber to assist in structuring commercially-viable, long-term relationships between corporations and small and medium supply firms. BLUE will develop affirmative procurement programs, provide training on tendering procedures, develop quality assurance programs and lobby for tender reforms Sector: small and medium
US-South Africa Leadership Exchange Program (USSALEP)	Cooperative agreement with USSALEP consists of: sub-grants to business development organizations to improve capacity and promote small business advocacy; and short-term participant training in the US for black business leaders on financial issues Sector: small and medium
Free Market Development Advisors' Program (FMDAP)	American MBA student advisors provide business management assistance to small and medium sized enterprises Sector: small and medium
International Foundation for Education and Self-Help II (IFESH II)	Increase opportunities for disadvantaged South Africans to enter the managerial ranks in banking through management and technical skills training Sector: small and medium
Southern Africa Enterprise Development Fund (SAEDF)	Provide source of equity capital for promising business ventures Sector: small, medium and large
Other Tools: Micro and Small Enterprise Development (MSED) Loan Guaranty Program	Risk sharing arrangement with private sector financial resources to increase commercial access to credit Sector: micro and small

2. Sustainability

Recognizing the transformational nature of USAID assistance in South Africa, private sector programs will capitalize on U.S. comparative advantage, using techniques to maximize the impact of our assistance. These include:

- ▶ Funding for models to be broadly replicated and implemented as appropriate;
- ▶ Risk-sharing or the leveraging of USAID/South Africa resources with other local and international sources of funding to enhance sustainability;
- ▶ Increasing access to the best of U.S. and local expertise;
- ▶ Incorporating training where the lack of skills is the binding constraint to private sector development; and
- ▶ Jointly identifying and disseminating lessons learned most importantly with our South African partners in development.

3. Development Partners and the Consultative Process

a. Government Policies and Priorities

The Reconstruction and Development Program (RDP) acknowledges the structural problems in the economy and lays out a plan to address those problems and regenerate economic growth and a more equitable distribution of the benefits of such growth. Employment creation is the central priority with attention focused on reversing the low levels of investment and saving and the capital outflow to improve the environment for productive investment. In order to attract investment, the RDP hopes to create transparent and consistent policies and national treatment for foreign investors with access to foreign exchange to enable them to remit after-tax profits, service debt, purchase inputs and repatriate proceeds on the sale of assets. Trade policy embraces the gradual trade liberalization in all sectors of the economy, with assistance in capacity-building, retraining of workers and better utilization of technology to assist firms as tariff protection is gradually removed. With regard to competition policy, the Government plans to introduce anti-trust legislation to discourage over-concentration of economic power and interlocking directorships, and practices that effectively abuse market power and exploit consumers.

b. Small, Medium and Micro Enterprise Sector

The growth and development of SMMEs has been accorded significant importance within the economic growth and development strategy of the Government's RDP. According to the Ministry of Trade and Industry, "the importance of small enterprise development lies in its ability to instill an entrepreneurial culture, provide a viable alternative for youths looking in vain for blue or white collar jobs, generate new job opportunities, spread development to the regions, create an environment for innovation and spread industrial skills and know-how

among a broad spectrum of the population."³² In order to implement its SMME strategy, an 18 person Chief Directorate in the Department of Trade and Industry has been created.

While the Small Business Chief Directorate is responsible for small business promotion, the Ntsika Enterprise Promotion Agency (NEPA) and the National Small Business Council (NSBC) serve as the links between government and the SMME sector. The NEPA will function as a quasi-government SMME policy, coordination, facilitation and implementation agency for the Department of Trade and Industry. The NSBC, by contrast, will serve as a voice for small business through the participation by representatives of provincial small business "desks," themselves small business entrepreneurs.

A wholesale finance institution would improve SMMEs' access to capital and provide seed capital to NGOs for institutional development. A redesigned credit guaranty scheme will also be administered by the wholesale finance facility. Both the wholesale finance facility and SMME credit guaranty scheme will be initially funded by Government.

c. Larger Scale Enterprise Sector

While the RSA has inherited tremendous economic and socio-economic challenges, it has accepted its priority of extending public services and social infrastructure to those who had unequal access in the past. Concurrently, it is attempting to instill confidence in local and foreign investors that South Africa will become and remain an attractive environment for safe and profitable investment. One very critical development was South Africa's signing of the GATT agreement, with full consent of all parties for membership in the World Trade Organization (WTO). This will contribute to turning South Africa from a largely inward-looking to a more competitive, outward-looking economy. The economy, however, must grow rapidly enough to generate sufficient tax revenue to fund the government's social-economic agenda. The Government has tried to engage the private sector in the policy debate through the creation of the National Economic Forum, replaced by the National Economic Development and Labour Council (NEDLAC), a tripartite body of government, labor and business.

The Government of South Africa has adopted an approach which strongly supports the growth and development of a strong private sector and a gradual removal of government regulations and subsidies as the economy adjusts to a free market environment. One important policy measure implemented in February 1995 was the elimination of the dual exchange rate system. This was lauded by the business community as the first step in exchange control liberalization, which along with privatization, tariff and tax reform, are requisites to attracting foreign direct investment. Other important policy issues are being addressed including promoting affirmative hiring and tendering programs for blacks; tying productivity to wage increases; exploring privatization; and developing a comprehensive industrial policy. There is growing consensus among South Africans that in order to reintegrate South Africa into the global

³²Ministry of Trade and Industry, Strategies for the Development of an Integrated Policy and Support Programme for Small, Medium and Micro Enterprises in South Africa: A Discussion Paper, (Cape Town, South Africa, Ministry of Trade and Industry, 1994), p.5.

economy, it must look to means to transform itself from a primary products exporter and capital goods importer to an exporter of value-added products. The protected existence of monopolistic parastatals and the oligopolistic industrial sector have stifled technological innovation and, in turn, competitiveness. The Government of South Africa is beginning to look at such critical issues as the abuse of market power through the current Competition Board and through anti-trust legislation. The private sector, for its part, is moving proactively to anticipate the changes implied under a new economic order and can potentially play a very positive catalytic role in the creation of a more dynamic, more competitive and more outward-looking industrial sector in South Africa.

d. Other Donors

USAID is the largest bilateral grant donor in the area of private sector development. Until 1995, due to the Comprehensive Anti-Apartheid Act of 1986, USAID's funds were channelled outside of government, largely through the NGO community. USAID's predominant focus was on black economic empowerment, largely targeting the micro and small enterprise end of the sector. This is also the focus of most bilateral donors.

The World Bank and IMF have representative offices in South Africa. Recently, the Bank negotiated a rand-demoninated loan for small business development in South Africa. Both the IFC and African Project Development Facility have offices in South Africa, and are seeking out promising private sector activities requiring technical assistance and financing. The UNDP has a small office in Pretoria, but has not assumed the prominent role in donor coordination often evidenced in other countries. In the private sector arena, USAID assumed a leadership role in initiating and leading a donor discussion group (previously a donor coordination group). The Chief Directorate in the DTI has assumed leadership of the private sector donor coordination group. Our donor partners in the private enterprise arena include Germany, Britain, the European Union, Denmark, Japan, Norway, France and Canada. Government representatives have noted that the Government did need donors' access to the best technical assistance available more than donors' money, per se. USAID and other donors are currently tailoring assistance to anticipate the needs of Government and the private sector, while trying to capitalize on the comparative advantage and experience each respective country can bring to bear on developing South Africa's private sector.

4. Consultative Process

In selecting SO5, USAID/South Africa engaged in a highly consultative process with our partners and customers. Over the past two years, USAID/South Africa met extensively with partners in the Government, donor community, financial sector, NGO community, and with business chambers and CSOs. There were also meetings with ultimate customers, the historically disadvantaged entrepreneurs, to identify an appropriate area of focus where USAID comparative advantage could best serve the local community. USAID/South Africa discussed not only strategy, but potential interventions, through on-going implementation meetings, through a series of special focus groups organized by partners and through topic-specific forums held with technical counterparts. Importantly, USAID/South Africa was an active participant in the consultative process led by the Department of Trade and Industry in developing its small business strategy. The result was the production of a detailed Private

Sector Strategy for USAID/South Africa and the development of a set of tactics using the Manual for Action in the Private Sector (MAPS) methodology, both reflecting the outputs of a highly consultative process.

5. Management Strategy

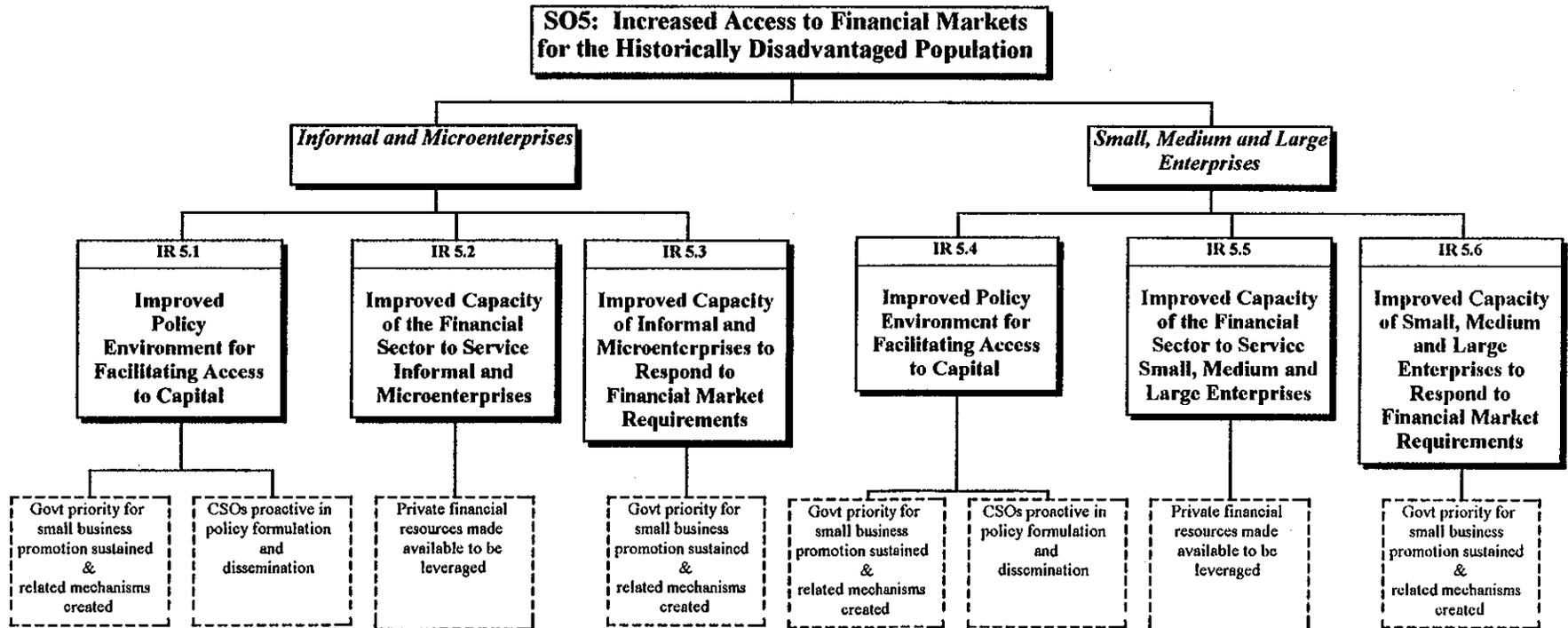
USAID/South Africa's partners in implementing the private sector program include the Government of South Africa through the Department of Trade and Industry and the Office for Public Enterprises, numerous NGOs and various American and South African contractors. As planned, SOT5's program will be implemented by one USDH, two FSN professionals and one administrative assistant. Increasingly, the program is administered using contract mechanisms, providing greater controls and the opportunity for performance based awards. For example, the recent award to two consortiums of American and South African NGOs to implement the Microenterprise Support Project was executed using a contract mechanism. With regard to management of our two bilateral agreements, contracting will be performed by the host country entity with either direct payment made by USAID or quarterly reimbursements made to the affected Government entity.

G. Resource Requirements

A total of \$26.8 million will be provided between FY96 and FY98 to implement strategic objective 5. This is in addition to \$30.0 million provided between FY97 and FY2000 for the Southern Africa Enterprise Development Fund. Under this scenario, \$6.6 million would be available to support improved access of micro enterprise to capital, \$7.0 million will support improved access to equity capital for historically disadvantaged entrepreneurs, and approximately \$10 million would be available to support transactions that could disperse ownership of restructured public and private assets. Another \$2 million will be available in FY97 and FY98 for the funding of activities such as bankers' training under the IFESH activity.

FIGURE 5

STRATEGIC OBJECTIVE 5 RESULTS FRAMEWORK



VII. Shelter, Housing, and Improved Access to Environmentally Sustainable
Housing and Urban Services for the Historically Disadvantaged Population

A. Introduction and Vision Statement

South Africa's urban landscape is currently dominated by sprawling slums and squatter settlements. They stand in vivid contrast to the communities where the privileged few reside. They serve as a constant reminder of the gap between the economically empowered and the economically deprived and underline the need for access to housing and basic urban services for the historically disadvantaged majority. USAID's vision for the South African shelter sector is one in which, by the year 2000, South Africans who were previously excluded from access to home ownership and basic urban services because of the color of their skin will have a greatly improved chance of obtaining these critical economic goods. In consequence, USAID/South Africa's sixth Strategic Objective (SO) is:

SO-6: Improved access to environmentally-sustainable housing and urban services for the historically disadvantaged population (HDP).

B. Problem Analysis

For historically disadvantaged South Africans, lack of economic empowerment has been manifested by the inability to participate in, and ultimately benefit from, the country's economy in an equitable manner. Perhaps the most glaring mark of economic disempowerment has been lack of access to housing and basic urban services.

A cornerstone of the apartheid system was legislation which specifically prohibited ownership by the Historically Disadvantaged Population (HDP) of key economic goods (i.e., houses and businesses) and restricted access to vital socio-economic services (i.e., water, sanitation, electricity and roads). Apartheid also fostered a system of enforced residential segregation which created spatially segregated, massively overcrowded, underserviced, black and colored townships -- almost all of which lacked a viable economic base and the associated local government revenues that would have permitted adequate service provision. Deficiencies in the apartheid urban planning process, and the eventual repeal of apartheid legislation in the late 1980s, culminated in the development of large squatter settlements around the formal towns and cities where employment was located and has seriously exacerbated shelter conditions in the urban areas. Today, an estimated one million historically disadvantaged households live in squatter settlements in appalling conditions and current urbanization rates indicate that the black urban population will double by the year 2000. The assessed shelter-related deficit, and the associated costs of providing historically disadvantaged communities with basic levels of housing and services, is enormous. Current estimates call for the construction of 300,000 housing units per annum over the next ten years and the expenditure of an additional 70 billion rand in urban infrastructure to bring the majority of HDP households up to the *minimum acceptable standard*.

The Republic of South Africa (RSA) inherited a policy and institutional framework that was designed in the apartheid era and is totally unsuited to meeting the special needs of the urban poor. Since coming to power in 1994, the RSA's Department of Housing (DOH) has made impressive strides in formulating a comprehensive set of shelter policies intended to engender an environment that is conducive to providing housing and urban services for low-income households. Most notable are: (a) a national subsidy program (under which low-income households are provided with a one-time graduated grant or "subsidy"); (b) a Mortgage Indemnity Scheme (to insure against the political risk of mortgage bonds and rent boycotts); (c) a Builders Warranty Program (which guarantees the quality of housing construction); and, recently, (d) a National Housing Finance Corporation (intended to increase the level of funds mobilization for retail lending institutions). Yet, despite the RSA's spectacular progress in formulating and promulgating pro-HDP shelter policies and in creating new implementing mechanisms, its ability to furnish the historically disadvantaged population with adequate shelter is constrained by a number of factors.

Policy issues remain a constant source of concern for the RSA, despite its achievements to date. Of particular relevance is the need to make ongoing adjustments to policy positions in response to current realities. A classic example is the controversy surrounding the principle of "incremental housing" under which the government's housing subsidy provides sufficient funds to a low-income household to permit the construction of a small (one or two-room) serviced unit that can be upgraded over time, as resources and circumstances permit. For more than one year after the adoption of this principle, a large influential constituency rejected the concept while maintaining that every family should be given sufficient funds to construct a complete four-room house. And although most decision makers and their constituencies now concede that there are insufficient public resources to make this possible, debate continues over such questions as the size and form of the starter unit that can actually be provided with the government subsidy and the most efficient method for satisfying existing demand (i.e., with large developers, small contractors, self help). The concept of a "social compact," defined as an official agreement between a development agent or agency and a target community about the terms and process of housing or service delivery, has also been difficult to operationalize.

Social compacts were originally made mandatory for subsidy-financed housing in an effort to ensure beneficiary inputs on such critical issues as affordability, preferred service levels, site selection, and environmental impacts. Although laudable in theory, social compacts have, in practice, been developer-driven, anti-consumer, and responsible for serious delays in housing delivery. They have subsequently been made optional by the DOH, with the decision on whether or not to use them placed in the hands of the provinces. At the same time, the question of how to structure participation to protect the rights of beneficiaries, without undermining efficiency, has yet to be resolved. Both incremental housing and social compacts demonstrate the difficulties involved in making the transition from theory to practice and illustrate the types of hurdles that have been encountered by the DOH.

Other policies and institutions that have also been subject to growing pains of varying intensity include: the Masakhane Campaign (intended to generate a culture of willingness to pay for services received among the poor), the Mortgage Indemnity Scheme (to insure against the political risk of mortgage bonds and rent boycotts), the Municipal Infrastructure

Investment Framework (to increase the supply of bulk infrastructure to support housing development) and the Builders Warranty Program (which guarantees the quality of housing construction).

Financial constraints on housing and service delivery also abound. The abysmal poverty of the HDP presents a formidable barrier to the provision of housing and urban services. Over 60 percent of black urban households earn monthly incomes below the national median monthly income of 1,500 rands and 40 percent earn below 800 rands per month. Such low income levels effectively prohibit the average HDP household from obtaining adequate shelter and infrastructure services from their own resources. More importantly, the private financial sector has traditionally been unwilling to provide the vast majority of HDP households and firms with loans for housing construction and/or improvements. Reasons include the high costs of administering numerous tiny loans and the uncertainty of repayment due to a history of bond boycotts. In a similar vein, financing has also been unavailable to the private and public-sector entities, such as parastatals and municipalities, that furnish urban services to historically disadvantaged communities. Non-payment for service provision is, again, a principal cause. At the same time, it is clear that, unless the private financial sector provides resources for low-income housing and urban services, present and future shelter needs will not be met.

Provincial and local government institutional capacity also poses a major obstacle to the provision of housing and urban services. The majority of South Africa's nine provincial governments were created at the time of the first democratic elections in April 1996. They consequently lack the administrative structures required to monitor the vast housing and infrastructure provision programs set up by the national government. At the local level, the situation is even more complex given that municipalities are now amalgamated entities that combine white towns with large black and colored townships and settlements. Newly consolidated local authorities are hard-pressed to: (a) obtain consensus on costs and levels of service provision, (b) recruit qualified personnel, (c) retain the loyalty and cooperation of entrenched civil services, (d) orient newly elected officials to their roles and functions, and, (e) gain the trust of local communities with a history of antagonism towards local authorities. The result is an inability to effectively implement the government's shelter programs. To render these units effective, massive training and technical assistance programs will have to be set up in the immediate future.

Environmental criteria, and their application in the context of housing and urban service provision, is recognized by the RSA to be of critical importance. Of particular concern is the long-term impact on the environment of the hundreds of thousands of low-income houses that are being erected with insufficient attention being paid to some important environmental issues. And while it is true that the low-income houses now being constructed are a vast improvement over what is available in squatter settlements and will have a positive impact on current levels of air and water pollution, it is also true that a golden opportunity to incorporate environmentally sustainable practices into the shelter delivery process is being forfeited. In the near future, greater efforts will have to be made to facilitate the incorporation of environmental issues into the urban planning process, with an emphasis on low-income housing design and delivery.

Land tenure issues present the final major constraint on housing and service delivery in South Africa. At the close of the apartheid era, land tenure systems reflected the mosaic of administrative systems that covered the national territory. The resultant confusion concerning land tenure rights and the origin of said rights frequently presents a hurdle to the issuance of clear land title as a prelude to infrastructure and housing investments. At the same time, despite the negative impact of lack of clear title on housing and service delivery, USAID/South Africa will not focus upon land tenure at this time. The principal reason for this is that land tenure is, to a great extent, a rural issue, linked to the distribution of the nation's agricultural land between large-scale white farmers and dispossessed majority population farm workers, whereas SO6 is an exclusively urban-based program. Additionally, in most major urban areas, where USAID/South Africa operates, substantial amounts of housing delivery can take place despite the existence of land tenure problems.

C. Development Hypothesis and Rationale for Selection

1. Development Hypothesis

To attain Strategic Objective 6: "improved access to environmentally-sustainable housing and urban services for the historically disadvantaged population" will require a concerted assault on the areas identified in the problem analysis section, namely: policy development and implementation, provision of credit, provision of non-credit assistance focused upon the poorest income groups, institutional strengthening (above all in the area of financial management and service delivery), and improved local-level environmental management. Findings from the shelter sector studies and analyses carried out by USAID over the past two years indicate that interventions must be undertaken in all four areas in order for shelter delivery to take place. Failure to address any of the problems identified will create significant bottlenecks and will thwart the attainment of joint RSA/USAID goals over the long run. Thus, if USAID limits its interventions to one or two selected areas, it must be assured that other actors, the RSA, the private sector, or other donors are dealing with the neglected issues.

USAID's shelter sector strategy is also dictated by the magnitude of the shelter and urban infrastructure problem in South Africa. Given the size and cost of the shelter deficit, little will be achieved by USAID if its limited funds are invested exclusively, or even predominantly, in the actual production of housing and urban services. For South Africa to produce its goal of one million houses in five years, public sector funds must be matched and surpassed by the private financial sector. In effect, to make an appreciable impact with its limited resources, USAID must focus upon access to shelter for the HDP as opposed to the actual production of shelter, per se. In sum, taking into account (1) USAID's experience in the shelter sector and its demonstrated strategic advantage in the identified problem areas, (2) the need to address all of the identified problem areas, and (3) USAID's limited resources, USAID, has elected to intervene in the four identified problem areas, maximizing its resources by focusing its program in limited areas.

2. Rationale for Selection

The primary reason for developing SO-6 is the importance placed upon access to housing and urban services by ordinary South Africans. Housing is currently identified by the Republic

of South Africa (RSA), and by disadvantaged communities, as one of the nation's top three priorities (ranked just below jobs and potable water). Related urban environmental services, such as sanitation and electricity, all fall within the top ten needs. For the average citizen, a house with services is the ultimate symbol of a positive change in living conditions. It is therefore not surprising that the RSA places the provision of housing to the disadvantaged majority among its principal goals, and has publicly promised to deliver a million housing units before the year 2000. Consultations by USAID with the RSA, shelter sector NGOs, and ordinary South Africans have confirmed that this is a sector where USAID intervention is greatly desired and can contribute towards the attainment of South Africa's developmental objectives.

The decision to include shelter in USAID/South Africa's strategy is also supported by the knowledge that it is a critical input for the achievement of the Mission's economic empowerment sub-goal and for sustainable transformation. Lack of adequate housing and urban services will seriously undermine continued economic growth and increased equity. Building houses provides jobs, furnishes households with collateral for credit, and is closely linked to the proliferation of the small and medium-sized enterprises that permit low-income households to acquire wealth and establish a stake in society. For the urban poor, a house is not just shelter, but a productive asset which serves as workshop, storehouse, source of production inputs, to name but some of its functions. In like manner, urban services provide jobs and are indispensable for the creation of the multiplicity of service-sector enterprises found in low-income urban areas. In sum, housing and urban service provision are an integral component of economic growth and development.

A third reason for including SO-6 among the Mission's Strategic Objectives is the notable strategic advantage possessed by USAID in this sector. This advantage is based primarily upon USAID's excellent relationships with the full gamut of urban-sector stakeholders, relationships that developed during the implementation of USAID/South Africa's Shelter and Urban Development Support (SUDS) Project and subsequent Housing Guaranty (HG) loan projects. SUDS, which began in 1992, has permitted USAID to make direct, identifiable contributions to the creation of a new policy framework through grants and bilateral agreements with public and private-sector stakeholders. USAID has also successfully intervened in the area of improving access to credit through SUDS grants made in conjunction with HG loan funds. HG loan funds, which are provided to the South African private financial sector by American financial institutions, are used to demonstrate the feasibility and desirability of new and innovative credit arrangements for low-income households. They also serve to leverage additional funds from borrowing entities to be used to provide shelter credit to low-income borrowers. SUDS grant funds are utilized to reinforce or complement the credit program by providing training and technical assistance to potential borrowers and lenders. Grant funds can also be used to support the growth of small non-traditional lenders that cater to low-income borrowers. USAID also has experience working in areas of non-credit-related assistance and has supported organizations that offer alternative types of support for low-income communities but which ultimately result in improved access to housing and services for targeted populations. Of special note is USAID's support for the establishment and monitoring of Local Agenda 21 programs in South Africa's three major metropolitan areas. This is the first program to establish local environmental management mechanisms in South Africa. In effect, USAID has wide experience in almost all of the areas (i.e., policy,

finance, institutional capacity, and environment) that are deemed to be critical to the success of a shelter program.

The final argument in the rationale for USAID's pursuit of Strategic Objective 6 is its possession of an arsenal of tools that is particularly well-suited to the implementation of a strategy that will have to deal with the wide array of identified constraints. Available tools include: (1) grants and cooperative agreements; (2) technical assistance and training for institutions that are recipients, providers, and facilitators of credit and non-credit assistance to the HDP; (3) bilateral agreements with national, provincial and local-level policy developing entities; and (4) loans to the public and private sector under the Housing Guaranty (HG) program.

3. Causal Relationships and Critical Assumptions

The attainment of SO-6 is predicated upon a number of macro-level assumptions that are beyond its direct sphere of control. The first is the assumption of sustained economic growth with equity over the next five-year period, linked to competent economic management. Without this, housing and urban service provision on the scale indicated above cannot take place. Another important assumption is that the government (which will fashion the policy and regulatory environment in which housing and service provision will take place) and the private financial sector (which controls the lion's share of the necessary financial resources) will remain committed to their urban sector goals. A third assumption is that the massive, nation-wide, public education campaigns that are aimed at convincing citizens to pay for the goods and services they consume will eventually have some degree of success. If consumers do not agree to pay for what they utilize and borrowers do not feel constrained to service their debts, then the basic premise underlying the provision of credit for HDP housing and services (i.e., that debts will be reimbursed as per agreed upon terms) will be seriously undermined. A fourth assumption is that land tenure issues, identified above as being an important ingredient in the shelter delivery system will be addressed by the RSA through the Department of Land Affairs and other concerned organizations. A number of other lower-level, critical assumptions are also linked to specific intermediate results and associated indicators. In a number of instances, these assumptions are linked to the intervention of other donors, as well as to actions undertaken by the RSA and NGOs.

Other Mission SOs are addressing issues that are also closely linked to the attainment of SO-6. These include: SO-4 which will improve the capacity of South Africans to ensure the level of economic growth that has been identified as a prerequisite to the development of housing and infrastructure markets and to enterprise creation; SO-1 which will strengthen national and provincial-level public-sector institutions and Civil Society Organizations (CSOs) to help ensure that the new political compact will endure; SO-5 will strengthen access to finance for HDP-owned enterprises, including the construction industry which is expected to build as much as 90 percent of the required housing and services; and SO-2 will enable the provision of education and training that is expected to have positive repercussions on the development of critical management skills.

D. Expected Results

Strategic Objective 6: has four associated intermediate results (IR). These results are described below along with the related illustrative activities and the tools that will be utilized to carry them out.

1. IR 6.1. Improved policy environment for facilitating access to housing and urban services for the HDP.

Achievement of the first intermediate result is critical for the achievement of SO-6. The creation of a policy framework that affirmatively makes provisions for HDP access to housing and services by removing existing policy and legislative barriers is the foundation on which subsequent results will be erected. Admittedly, new policies, in and of themselves, will not bring about changes in the status quo, but they are the essential first step in the transformation process. The DOH, in recognition of this fact, has devoted its energies to erecting the required policy framework during its first year in power, with USAID's wholehearted support and technical assistance. The next step is to refine the policy environment, to reflect the on-the-ground realities, and to ensure that the implementation mechanisms can function as planned. Specific activities under Intermediate Result 6.1 include:

- ▶ strengthening the capacity (managerial, networking, professional, etc.) of entities (forums, work groups, NGOs, and RSA departments) involved in policy formulation with an emphasis on assisting those entities that represent the interests of the HDP;
- ▶ increasing the body of information available to policy-making entities in order to enlarge the pool of considered policy options. Note that issues of gender equity, participation, affordability and environmental soundness are considered an integral part of the shelter policy framework; and,
- ▶ assisting with the setting up of structures for implementing particular policy mechanisms.

Policy development and implementation will be accomplished for the most part through technical assistance interventions. These will be provided primarily through multi-year bilateral agreements with RSA national and provincial-level departments (specifically Housing, Constitutional Development and Provincial Affairs) or through grants and cooperative agreements with shelter sector NGOs (or other legally constituted entities). Interventions under this intermediate result will also feature (a) services from expert consultants with international experience to ensure a better informed policy formulation process, (b) study tours or short-term training for key policy makers, and (c) support for research and studies to provide base-line information.

2. IR6.2. Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for housing and urban services.

The second intermediate result will focus upon reducing the numerous impediments to the procurement of credit for HDP housing and services from the private financial sector. It is intended to assist that portion of low-income households, and low-income urban service

providers that have the potential to obtain credit but are not currently being serviced. Activities under this intermediate result will aim at strengthening the capacities of both the borrowers and, on occasion, lenders of shelter credit to address shelter finance issues. To attain the desired results, USAID/South Africa will furnish grants, technical assistance and training to entities that require credit in order to be able to provide low-income communities with housing and urban services. Eligible entities include, developers/ builders, firms, parastatals, municipalities (or associations of these entities). Interventions will aim at:

- ▶ enhancing the capacity of these borrowers (individuals, firms, municipalities) to comprehend and comply with the rules governing the provision of credit by the private sector (i.e., budgeting, financial planning, knowledge of debt and equity options, alternative service provision arrangements); and
- ▶ improving the ability of these borrowers to create networks and to work in concert to augment their chances of obtaining credit (i.e., creating municipal associations, cooperatives, savings leagues, etc.).

Intermediate Result 6.2 will also utilize the Housing Guaranty (HG) Loan Program to make available funds for the financing of housing and urban infrastructure destined for low-income communities. The HG will also provide incentives to lenders to develop new lending products for HDP households and service providers, or to simply take the implied lending risk. Specified proportions of HG funds are targeted to female-headed households living in urban areas. HG-financed activities under 6.2 will therefore:

- enlarge the pool of available credit to be utilized for housing and urban services destined for use by the HDP through leveraging. Specifically, HG loans to private and public-sector financial institutions will leverage rands at ratios of two or three rands per dollar;
- ▶ finance the establishment and implementation of mechanisms/models for providing credit or enhancing the availability of credit to the target groups; and,
- ▶ create debt or equity instruments that could be used to encourage or facilitate private investments in infrastructure (i.e., bonds, insurance schemes).

Lastly, limited amounts of grant funds will also be employed to provide credit to the targeted groups through special programs that feature some unusual, but potentially effective credit provision mechanisms.

3. IR6.3. Increased, non-credit forms of assistance made available by participating institutions to HDPs for obtaining access to housing and urban services.

USAID/South Africa's ultimate customers are urban households earning below national monthly median income. The vast majority of this group does not now, and will not, in the near future, have access to credit. To have an impact on this group, USAID/South Africa's interventions must address non-credit issues of access to shelter. The third intermediate result therefore concerns the provision of non-credit forms of assistance to HDP households and communities. Since credit is not an option, alternative forms of support, tailored to their specific circumstances, are the preferred mode of intervention. These interventions are

simultaneously wider in scope and more varied in form as befits the greater complexity of the barriers facing the very poor. Again, the principal vehicle for furnishing this assistance will be grants and cooperative agreements along with multiple forms of technical assistance and training. The focus of the various interventions will be upon community-based organizations and firms that are active in the shelter sector and are well connected at grass-roots level. USAID will also work with public sector service providers, including municipalities that demonstrate a willingness to set up outreach programs for low-income constituents. Interventions under IR3 will serve to:

- ▶ strengthen the managerial and organizational capacity of shelter sector entities, primarily shelter-sector NGOs, in such a manner that these entities will be able to help low-income communities to obtain shelter or urban services (i.e. through obtaining government subsidies, donor assistance, etc.); and,
- ▶ enhance the capacity of public and private sector service providers to work in partnership with HDP entities on issues related to both short-term shelter provision and longer-term sustainability including: gender equity, environmental soundness, participation, and affordability.

4. IR6.4. Improved capacity to apply sustainable/participatory environmental management principles applied to local-level urban development.

The fourth intermediate result involves helping local authorities to work with low-income communities on applying environmentally-sustainable urban development principles, such as those espoused by the Agenda 21/Model Communities program. It aims at supporting local-authority attempts to work closely with communities on identifying local-level problems (including actual and potential environmental hazards), formulating local developmental objectives, and developing realistic action plans. The logical mode of intervention is the provision of technical assistance and training for the purpose of establishing, implementing and monitoring programs. Planned interventions will help to:

- ▶ increase the ability of local partners (public and private sector) to apply the principles of environmentally- sustainable urban management (policies, regulations and procedures);
- ▶ support the institution of mechanisms that will engender effective environmental management (i.e., state of the environment reports, monitoring programs, audits of facilities, mutual support networks, advisory services etc.) above all in HDP communities; and,
- ▶ bring about greater participation of target communities in environmental unsustainable development (i.e., extension of Local Agenda 21 programs to other municipalities).

The target of the interventions will be local authorities, the entities ultimately responsible for the provision of environmentally sustainable housing and urban services. These services should enhance environmental infrastructure provisions and improve the physical planning and policies associated with urban management. The beneficiaries, who are households residing in urban areas, will benefit from improved health conditions, increased employment opportunities, and an improved environment.

The program is also expected to be demand driven and will be flexible enough to respond to the expressed needs of the participating municipalities and communities. USAID will also work to coordinate its program with the South African Department of Environmental Affairs and Tourism (DEAT), as well as with other donors (i.e., Sweden) which are also involved in the development of the policy and institutional framework to support the application of local Agenda 21 principles.

E. Performance Monitoring.

Strategic Objective 6's intermediate and objective-level results will be monitored by a combination of qualitative and quantitative criteria; however, quantitative criteria will predominate. The indicators shown in the Performance Monitoring and Evaluation Plan (Annex I) and are expected to be liberally supplemented by sets of lower-level indicators linked to individual results packages as they are developed. USAID/South Africa is also in the process of creating a comprehensive research, monitoring, and evaluation program for the entire Mission. SO-6 will participate in this program through a multi-year buy-in. Because of the multiplicity of critical assumptions at all levels, and because of the high degree of volatility within the South African socio-economic and political environment, monitoring takes on added significance vis-à-vis the continuing validity of the strategy. The SO-6 team will, therefore, make explicit arrangements for obtaining, processing and disseminating information among team members and concerned partners on an ongoing basis. It will also make provisions for examining and reconsidering critical assumptions and planned results in response to the changing environment on a periodic basis.

F. Management Strategy

1. Partners

USAID/South Africa's principal public-sector partners in the quest for improved housing and urban environmental conditions are, at the national level, the Department of Housing (DOH), and the Ministry of Constitutional Development and Provincial Affairs (CDPA). USAID also works, to a lesser degree, with the Department of Environmental Affairs and Tourism (DEAT) and the Department of Water Affairs and Forestry (DWAF). At the provincial level, USAID/South Africa works with Departments of Housing and Local Government. At the local level, USAID/South Africa's partners are the specific municipalities, local-level NGOs and communities in which project activities are located.

In general, national-level counterparts possess a high degree of competence and are highly committed to providing the HDP with housing and services. USAID/South Africa has confirmed this commitment because it has worked in concert with central-level ministries (primarily through bilateral agreements and technical assistance contracts) to support the formulation of virtually every major policy initiative in the shelter area. Commitment and competence at the local level is less assured for the reasons described above. Note however that USAID/South Africa will only work with those municipalities that have effectively demonstrated their intention of servicing their historically disadvantaged constituents in a collaborative and sustainable manner.

USAID/South Africa also works extensively with over forty urban sector CSOs, primarily through grants. While all are committed to assisting the historically disadvantaged communities, they possess differing degrees of management capacity. Over the last year, USAID/South Africa has made efforts to decrease the number of grantees, and associated management units, by (1) focusing upon "umbrella" type organizations that group grantees within the sector and (2) assisting grantees to function as independent entities that are less reliant on USAID/South Africa assistance. Finally, USAID/South Africa works closely with the private financial sector in the design and administration of Housing Guaranty (HG) Loans through which credit is provided to HDP households and service providers. To date, neither capacity nor commitment is an issue with these entities.

2. Consultations

In early 1996, USAID/South Africa undertook a ten-week-long consultative process with its partners which culminated in the urban sector strategy presented here. The process began with the development of a draft document that was widely disseminated among the full range of partners listed above. The draft was accompanied by requests for review and comments on specific aspects of the strategy, as well as calls for more general unstructured inputs. Almost all of the major stakeholder provided detailed written responses or communicated their comments at one-on-one meetings or via phone calls. Over a six-week period, the document underwent a series of transformations that reflected these inputs as well as those of the USAID/South Africa-based, SO6 team members. The final vetting took place at a partners meeting attended by approximately 34 individuals including 26 partners from CSOs, financial institutions, the public sector, and research institutions as well as 8 USAID/South Africa participants. Based upon the outcome of the meeting, the strategy was ratified in its present form. Specific partner inputs that have had a major impact upon the strategy include the following:

- ▶ An increased focus upon non-credit forms of support for the HDP, as opposed to a more exclusive focus on credit-related forms of assistance;
- ▶ The specific inclusion of participatory processes as an indicator to be tracked in the monitoring framework to reinforce the extensive discussion of participatory issues in the problem analysis section;
- ▶ An explicit statement concerning the exclusion of land tenure issues as an area of intervention within the strategy; and,
- ▶ Information concerning the role of research and reviews in updating the strategy, over time, in response to changes in critical assumptions.

Finally, following the March, 1996 review of the CSP, and in direct response to AID/Washington's recommendation that SO6 develop a separate Intermediate Result (IR) on the environment, SO-6 carried out intensive consultations with national and local-level governments (with an emphasis on the major metropolitan areas where Agenda 21 activities have already begun). USAID/South Africa also consulted with the private sector and with parastatal and educational institutions that design or implement environmental programs. The consultations took place over a period of two weeks and involved meetings with over twenty-five senior officials from the public and private sector. The outcome of these consultations are the intermediate result and associated activities described above under IR 6.4.

3. Geographic Focus

SO-6 has a somewhat varied geographical focus because, in most instances, the geographic location is a function of the type of activity being undertaken. Both intermediate results 6.1 (policy formulation and implementation) and 6.2 (credit for housing and service delivery) are nation-wide in scope. Shelter policies, by definition, cover the entire nation, and the financial institutions with whom USAID/South Africa works have national coverage. Intermediate Results 6.2 (increased capacity of HDP households, firms and service providers to obtain credit), 6.3 (increased non-credit assistance to the HDP for obtaining access to housing and services) and 6.4 (increased capacity to apply sustainable environmental management principles to local-level urban development) have greater geographical focus and are located in or around towns with high concentrations of low-income settlements. USAID/South Africa is also making an effort to focus a range of activities in specific provinces or towns where a comparative advantage exists by dint of: the presence of other USAID/South Africa programs; previous work with grantees in the region; or special relationships with decision makers, many of whom have left USAID/South Africa funded grantee organizations to work in the public sector. Hence, the Eastern Cape, Kwa-Zulu Natal, Mpumalanga, and, to a limited extent, Gauteng, are all proposed focus areas.

4. Sustainability

Sustainability will be ensured by the program's multi-tiered intervention strategy. USAID/South Africa will simultaneously undertake activities at the level of: (a) the larger policy and legislative environment; (b) the private and public sector implementing agencies; and, most importantly, (c) the representative organizations of the target populations (CSOs). USAID/South Africa's objective is to focus in a coordinated manner on issues of great immediacy, as defined by its partners, without disregarding questions of long-term impact. Sustainability is also predicated upon the unwavering commitment of USAID/South Africa's public and private sector partners. In South Africa, USAID/South Africa is in the enviable position of working with a highly-sophisticated and well-motivated group of partners. The motivation to succeed, above all at the national-level, is propelled by the fact that the RSA came to power as the champion of the historically disadvantaged majority and is publicly committed to ameliorating existing shelter conditions. So far, the RSA has established the policy framework for its programs and is now embarking on an intensive implementation phase. It has also allocated increased percentages of the national budget to providing housing and infrastructure for the HDP, and this trend is expected to continue over the next decade. In the shelter sector, USAID/South Africa has worked, primarily as a facilitator with significant success. USAID/South Africa further believes that, to increase the probability of the long-term success of the RSA's housing and service delivery program, it should continue to provide its partners with assistance according to existing criteria, namely: as needed and as requested.

G. Resource Requirements

1. Program Funding

The budget for SO6 provides a total of \$31.3 million over a period of 4 years. This represents the ideal funding scenario and permits USAID to intervene at a funding level and over a time period that will ensure maximum impact. The \$31.3 million in SUDS funds will be complemented by Housing Guaranty funds that currently total \$169.9 million with an additional \$20 million (the precise amount will depend upon the identity of the borrowing entity) anticipated in FY'97.

Table 5: SUMMARY OF EXPECTED FUNDING ALLOCATIONS BY INTERMEDIATE RESULTS STRATEGIC OBJECTIVE 6

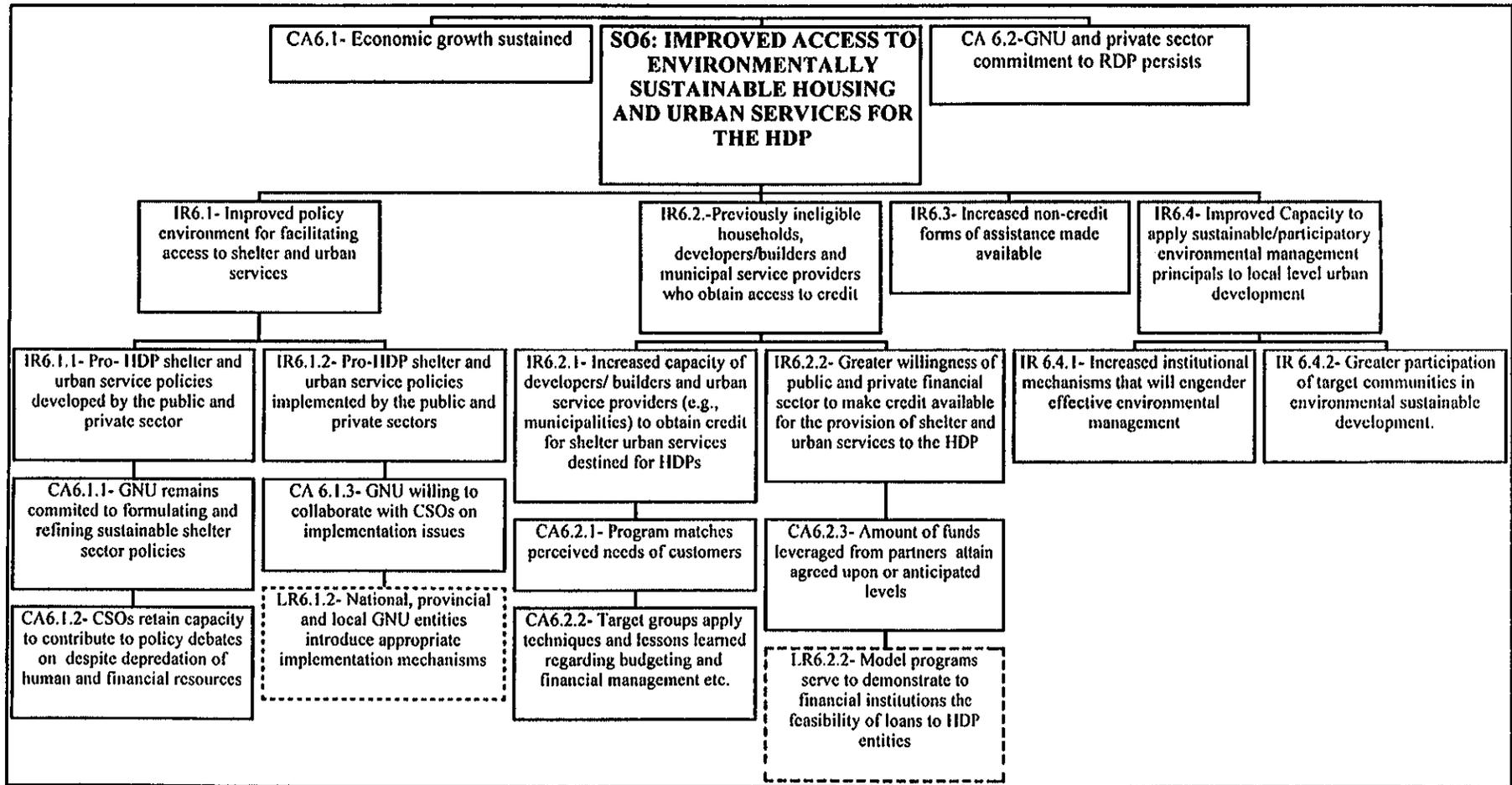
SO6: Improved access to environmentally-sustainable housing and urban services for the historically disadvantaged population (HDP)	
	\$ millions
Intermediate Results	
<i>6.1 Improved policy environment for facilitating access to housing and urban services for the HDP.</i>	8.4
<i>6.2- Previously-ineligible households, developers, builders, and municipal service providers obtain access to credit for shelter and urban services.</i>	9.0 <i>(HG=\$169.9 thru FY'94-96 \$20.0 estimated for FY'97)</i>
<i>6.3 Increased non-credit forms of assistance to the HDP for obtaining access to shelter and urban services.</i>	12.1
<i>6.4 Improved capacity to apply sustainable/participatory environmental management principles to local-level urban development.</i>	1.8
TOTAL DFA	31.3

2. Staffing

In order to manage the SO6 portfolio effectively, a five-person staff will be required. The optimal composition of the staff is the one which currently exists: three urban development professionals (2 USDHs provided by AID/ Washington's Global Bureau

and one U.S. PSC), one FSN-PSC program assistant, and one FSN-PSC secretary. Although the current work load is extremely heavy, SO6 anticipates that this will be alleviated by the end of FY'97 when 33 of the 55 existing grants and bilateral agreements will have been closed out.

FIGURE 6
STRATEGIC OBJECTIVE 6 RESULTS FRAMEWORK



PART III: RESOURCE REQUIREMENTS AND MANAGEMENT STRATEGY

I. Introduction

This section considers the resource requirements in terms of program funding, staff, operating expenses and time, for the strategy presented in Part III. Initial USAID/Washington guidance instructed the Mission to present a high and low implementation scenario. In March 1996, the Mission presented a 10-year, \$435 million program as optimal for achieving its goal of sustainable transformation. An 8 year, \$321 million program was also presented. Staffing and commensurate operating expenses were based on the Mission maintaining relatively constant staff levels from FY 1996 - 2000 with a gradual decline thereafter.

While USAID/Washington approved the high funding option and agreed to the 10-year time frame, the Mission's staff levels will not remain constant as requested. The Mission has, therefore, developed various implementation/management arrangements in an effort to manage the program within anticipated resource constraints.

II. Current Resource Requirements

A. Program Resources

The Mission presented its original estimates of a high and low budget option in a Concept Paper in June 1995. The original amounts were \$500 million and \$400 million, respectively, over the same programming periods noted above. The Agency's July 1995 review of the Concept Paper concluded in the need to reflect a larger difference between the levels (\$500 million and \$300 million, respectively) in order to clarify the strategic choices and reflect the possible need for the Bureau to target substantially lower resource flows to South Africa. Substantial reductions in the Agency's current budget during the strategy development process caused the Mission to re-examine both budget options for South Africa. The result is the above-noted levels. The Mission considers it imperative that the U.S. maintain a strong presence in South Africa through the 1999 national election and the consolidation of democratic processes immediately following. Between now and the 1999 election, there remains much to be done to assure that the present course toward sustainable democracy and economic growth continues.

Program resources required for completion of the Mission's strategy are \$442.2³³ million over 10 years (8 years funding and 2 years close-out). This will allow the Mission to fully fund

³³Total Includes Bureau \$9 million contribution for Presidential Teacher Training Initiative and reflects budget cuts of \$2.5 million in FY 97 and \$0.2 million in FY 98.

its bilateral programs (and their close-out) and to complete funding for the South Africa portion of the Southern Africa Enterprise Development Fund (SAEDF).

The Mission's budget request represents a "bottom up" derivation of resource requirements. The Mission has "costed-out" the components of its Development Assistance (DA) program according to the results envisioned in its 6 strategic objectives, i.e., what we wish to leave behind upon completion of the program. USAID/South Africa is now much more certain about what will be needed to complete a comprehensive, sustainable development assistance program in South Africa which is limited in duration, rational in cost, and high in impact. To fully carry out its plan of assisting South Africa's transformation, the Mission envisions a program beginning in FY 96, of 10 years duration, with program funding over 8 years as depicted in Table 6. This strategy relies on relatively high funding in FYs 96-98, with a significant tapering off of funding thereafter. This is important to allow projects which are now entering full implementation to achieve full impact and to allow relatively new programs in health and economic policy capacity to get underway. Under this scenario, the Mission and its partners will be able to complete the comprehensive program presented in this strategy, leaving behind sustainable, democratic institutions, an integrated educational system, a stronger, more participatory economy, a unified, cost-effective health system, and a shelter sector which has substantially increased stock and improved capabilities to plan in an environmentally sound manner.

The Mission's calculations also reflect planning for continued high levels of assigned program targets in Congressional interest areas such as HIV/AIDS, child survival, population, basic education, and environment.

B. Staffing

USAID/South Africa's staffing requirements rose sharply following the 1994 election in response to soaring budget levels under the Clinton Pledge. Although a high-level Mission Management Review Team recommended several staff increases, these did not materialize and the Agency began a serious staff reduction which culminated in the reduction in force of 1996. The Mission derived its original staff requirements for the CSP period from its proposed program and the recommendations of the 1994 Mission Management Review.

Basically, the Mission requested constant, total staff requirements of 141 through FY 2000, with a gradual decline thereafter. Major reductions in workforce will come with the completion of SO5 (Private Sector) in 2000, SO6 (Housing) in 2001, and SO3 (Health) in 2003. The other Strategic Objective areas will remain operative until the end of the program, although USDH staff levels, in particular, will begin to be minimized as FSN staff assume proportionally increasing responsibilities.

Table 6: Full Funding (\$ Millions)

Strategic Objective	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04-05 ³⁴	TOTAL 96-05
SO1 D/G	23.7	17.0	16.75	17.8	15.5	12.4	10.6	5.0	-	118.8
SO2 Educ	43.6	28.3 ³⁵	14.45	11.0	10.0	13.0	9.9	4.5	-	134.8
SO3 Health	14.1	11.5	12.0	10.0	4.4	-	-	-	-	52.0
SO4 Econ	4.8	4.0	4.0	4.7	3.5	3.0	3.0	3.0	-	30.0
SO5 Prv.Sec	15.3 ³⁶	6.0	6.0	-	-	-	-	-	-	26.7
SO6 Housing	16.1	7.5	4.5	3.2	-	-	-	-	-	31.3
Self Help	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	-	4.0
Program Support	2.5	1.7	1.8	1.8	1.2	1.1	1.0	1.0	2.0	14.0
Bilateral Total	120.6	76.5	60.0	49.0	35.1	30.0	25.0	14.0	2.0	411.4
SAEDF ³⁷ Regional	-	10.0	10.0	5.0	5.0	-	-	-	-	30.0
TOTAL	120.6	86.5	70.0	54.0	40.1	30.0	25.0	14.0	2.0	442.2³⁸
Hsing Guar. ³⁹	36.9	20.0								
Sm. Busn. Loan Guar. ⁴⁰	6.0	4.0								

³⁴FY 04 and 05 amounts are estimated close-out costs.

³⁵ Includes Bureau \$9 million contribution for Presidential Teacher Training Initiative.

³⁶ Includes \$0.6 million provided from Global Bureau PRIME funds for the Microenterprise Support Project.

³⁷ The Southern Africa Enterprise Development Fund is a regional program. USAID/South Africa will use bilateral funds to provide South Africa-specific funding.

³⁸ Total includes Bureau \$9 million contribution for Presidential Teacher Training Initiative, \$0.6 million awarded from the centrally-funded PRIME project for Microenterprise Support and reflects budget cuts of \$2.5 million in FY 97 and \$0.2 million in FY 98.

³⁹ The Housing Guaranty Program funding for FY 97 is an estimate of program amount to be leveraged.

⁴⁰ In FY 96 \$3.0 million in guarantees leveraged \$6.0 in loans to small and micro businesses. FY 97 \$4.0 million will be leveraged.

The decision of the FY 96 Resource Request Review to reduce the Mission's staff ceiling from 141 to 123 by the end of FY98 was subsequently revised to 127, which will allow the Mission to meet its needs in the implementation of the HIV/AIDS earmark. The timing of reaching this level remains an issue. Much of the Mission's portfolio will be maturing at that time, particularly SO3 (Health), which is absorbing an additional \$10 million in HIV/AIDS earmark, SO2 (Education), which will be implementing President Clinton's \$19 million pledge to President Mandela's Teacher Training Initiative, and SO1 (Democracy/Governance), which will be facing increased demands due to the national election in 1999. Many of these demands could be met by allowing the Mission to use program resources to hire local management staff, i.e., raising the ceiling on program-funded FSNs. A critical assumption to successfully meeting the declining USDH and OE-funded workforce levels is that the Mission will be able to retain its FSN staff. At a time when international businesses are flooding into the country and the government is heavily recruiting, USAID/South Africa is finding it increasingly difficult to compete for competent South African staff. At present, the Mission is rapidly losing qualified FSN employees to the private sector and government. This heavy turn-over has considerable morale, workload, and cost implications due to loss of efficiency and the retraining which is required. Regardless of the alternative measures applied to compensate for reduced staffing, USAID/South Africa could become more vulnerable in those areas negatively affected by the lack of a strong, direct presence on the ground, i.e., administration, financial management, etc.

C. Operating Expenses

Operating expense (OE) requirements of \$5.3 million annually derive entirely from staff requirements discussed above and are premised on a 10-year program. 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. Beginning in FY 94, the Mission intensified efforts to determine where program funds could be legitimately used to pay for the overhead support required to achieve our strategic objectives, and to identify further ways to economize on OE resources. The Mission will continue to explore ways to replace the USDH positions with program-funded FSN and personal services contractor (PSC) personnel. Staff levels will remain generally consistent with USAID/W projections. 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 US dollar-to-South African rand exchange rate will remain within the range of R4.5 to R5.0 = 1 US Dollar throughout the strategy 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.

III. Management Strategy

The Mission has presented an ambitious strategy given the tightness of resources and the intense scrutiny not only of what the Mission is doing but how the work is being done.

Several points of emphasis are outlined briefly which will guide the management of the USAID/South Africa program.

A. Management Units

In 1994, USAID/South Africa, was responsible for some 311 management units, all of which were grants to South African NGOs, U.S. PVOs, or contracts. By 1995, the Mission had been able to successfully reduce this enormous number by 18 percent, and by the end of FY 1996, by an additional 24 percent. At the end of FY 1996, the number of management units was 194, down from 311 in FY 94 and including a number of large bilateral agreements. Given declining staff levels, this is still a very heavy workload and potential source of vulnerability for the Mission. These numbers also do not reflect the increase in management units that will result from negotiations with Government departments to further program the resources obligated under the large bilateral agreements, i.e., hidden management units.

Thus, USAID/South Africa has, over the past year, actively sought mechanisms to consolidate the number of its management units and increase the average size of these units to allow for greater oversight and accountability by a shrinking staff. Each strategic objective narrative has outlined these efforts in Part II. A few notable examples are:

- ▶ SO1 (Democracy) will employ a combination of umbrella grants and a large management contract to focus management efforts. In effect, this will allow the SO Team to continue to work with a wide variety of NGOs.
- ▶ SO2 (Education) is competing two grants management/technical assistance contracts which will not only manage sub-grants, but also be a conduit for technical assistance needs. These contracts are specifically aimed at responding to the wide variety of needs under three bilateral agreements to assist the national and provincial departments of education.
- ▶ Both SOs 3 (Health) and 4 (Economic Policy Capacity) are obligated through single bilateral agreements and implemented through institutional contractors whose scopes of work include such things as management for results monitoring and evaluation requirements.
- SOs 5 (Private Sector) and 6 (Housing) have used a combination of consortia and implementation contracts to limit their management exposure and yet accomplish broad outreach to NGOs working in microenterprise and community development.

The Agency has proposed the use of Strategic Objective Agreements (SOAGs) as an integral element of its reengineering process, and as a mechanism to provide maximum flexibility in programming resources across elements of a strategic objective. Admittedly, problems still remain with respect to negotiating with Congress on key aspects of the Agency's reengineered systems. Nevertheless, the Agency continues to promote the use of SOAGs.

The RSA has recently promulgated the use of umbrella program agreements which are intended to commit funds across a broad program as well as across departments, as necessary. This is in direct response to the increasing difficulties which the government has encountered in negotiating project-specific, donor-financed programs, and in the face of stringent clearance and signing procedures pertaining to such international agreements.

USAID/South Africa has signed one SOAG to facilitate implementation of at least one SO - SO4, and is contemplating others as well. However, limited host country contracting capability on the part of relative inexperienced RSA departments means that the majority of the implementation work under all bilateral agreements must be initiated by the Mission. SOAGs do ease the obligations pressure and workload, and thus will be considered for significant, new bilateral programs. To further streamline our direct implementation workload, the Mission will be vigilant to examine effective opportunities for host country contracting, consistent with the RSA policy and requests to develop project implementation capacity.

USAID has also increased its use of Interagency Agreements with other USG agencies. This is being done both within and outside of our linkages with BNC programs. Much of this work relies on the direct implementation capacity of receiving agencies to produce and report results, thus easing immediate mission workloads.

B. Donor Coordination

The benefits of a strong coordination effort are apparent. As USAID's programs decline over the next few years, increased donor coordination will become more important and relevant to our exit strategy. There may be specific instances in which another donor's programs may be instrumental in helping to sustain and broaden key, positive lessons learned in our program. As such, the Mission will encourage leadership in this area by the RSA itself or, alternatively another entity to initiate coordinated and focus consultative groups which include the government.

C. Reengineering

The Mission has made a good start on reengineering as discussed in Part I, Section J of this document. Strategic Objective Teams will continue to be the Mission's primary implementing units. The participation of external partners on these teams will become increasingly important.

One of the primary issues that has arisen in USAID/South Africa's reengineering process has been that of training for empowerment. The Mission recognizes the benefits of a strong in-house training program, particularly given the high staff turn-over rates. In-house training will continue focus on hands on issues, particularly those pertinent to implementing our program under new Agency guidelines.

D. Managing Externalities

The pressures of dealing with "externalities" are a permanent feature of the USAID/South Africa program. This includes, but is not limited to, a steady stream of high-level visitors, the U.S. - South Africa Binational Commission (BNC), numerous high-powered study teams from Washington, demands of responding to Congressional and press allegations, mounting requests from the private and NGO sector (U.S. and South African) for meetings or information, specific Embassy taskers, and the like. The Mission has recently established an External Liaison Specialist position to assist Mission staff in addressing these requirements.

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March 10, 1997

Ms. Carol Peasley
Acting Assistant Administrator
Bureau for Africa

Dear Carol:

Attached please find the Mission's revised Country Strategic Plan (CSP). Over the course of the past several months the Mission has refined and reviewed its strategy based upon the Bureau's guidance (Attachment 2) I believe the strategy responds to stated concerns. Moreover, the document also takes into consideration decisions made during the FY96 R2B process and the FY97 OYB planning process. Changes which directly impact upon our management contract include:

- The addition of measurements of expected results at all levels of the Mission's Management Contract (Goal, Sub-Goal and Intermediate Result).
- Specific statements of results for environment and HIV/AIDS.
- A change in the wording of SO1 from: "Strengthened democracy, governance, and capacity for participatory development," to: "Democratic institutions strengthened through civil society participation;" and a revision of the associated Intermediate Results.
- A change in the wording of SO4 from: "Improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies to promote growth and equity" to: "Improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies."
- In consultation with our partners, a decision to drop the specific SO2 (Education) result of the development of Centers of Excellence under the TELP Activity. Instead, we will continue to strengthen the historically disadvantaged institutions (HDIs) in seven (7) subject areas (e.g., Math, Science, Economics, Public Administration, etc.) covering five (5) key, functional areas (e.g., staff development, research skills, program/curriculum development, etc.) There is however, one exception. SO4 will utilize the HDI strengthening component of TELP in conjunction with other SO4 (Economic Policy Capacity) activities to establish a Center of Economics Training.
- The addition of measures of financial market activity and employment both at the country status (sub-goal) level and in terms of our SO5 impact (SO level).
- An adjustment in our financial plan to absorb continuing HIV/AIDS earmarks (expected to

amount to approximately \$10 million).

- A decision to address staff cuts by reducing management units and with consolidated management mechanisms, i.e., management contracts and umbrella grants.

One outstanding issues remains:

HIV/AIDS Earmark: It was understood at the time of the CSP review that future HIV/AIDS earmark amounts would be additional to the approved planning level of \$435¹ million, i.e., \$445 million. During the formulation of the FY97 OYB, we were advised that the Mission would have to absorb this year's and future HIV/AIDS earmarks within the planned budget level. This was not anticipated in the Mission's planning and has resulted in cuts in D/G, Education and Housing SOs. This has been particularly problematic in the housing sector where we, unexpectedly, continue to receive HG authority. This additional HG authority is welcomed, as housing remains a high priority for South Africa, but the corresponding DA-funded technical assistance requirements must be recognized and planned for. The reduction in funding to the housing sector constrains our ability to respond with municipal infrastructure financing schemes which must complement the HGs.

Action Requested: That the Mission's CSP planning level be increased by the amount of anticipated HIV/AIDS earmarks (\$10 million).

It is our understanding that this document will be reviewed by the Bureau at the staff level with a recommendation to you on its final disposition and the approval of a final management contract. To facilitate that review, attached (Attachment 1) is a line by line consideration of Bureau issues referencing how and where they have been addressed in the document.

Finally, we would like to note and express our appreciation for the considerable Africa Bureau cooperation in this revision.


Aaron S. Williams
Director

Attachments:

Attachment 1: Mission Response to USAID/W CSP Review Issues

Attachment 2: CSP Review Cable

Attachment 3: IG Interim Report

¹ . This number is actually \$442.2 when the \$9 million from the AFR Bureau for Presidential Teacher Training Initiative is added, and when FY97/98 cuts of \$2.7 million are absorbed.

Mission Response to USAID/W CSP Review Issues

The attached document represents the finalization of a two year process to present a comprehensive 10-year strategy for USAID programs in the Republic of South Africa. Several iterations have been presented, most recently in March 1996. That document was formally reviewed in Washington with full representation from a broad spectrum of offices. That review resulted in a series of issues which the Mission has addressed in its revision. The following will serve to guide the reader to changes made.

It should also be noted that intervening the time of the review was the Agency's FY96 Resource Request (R2) process and the FY97 OYB allocation process. In the R2 process, staffing levels were further defined, resulting in severe cuts for USAID/South Africa - a 20 percent reduction by the end of FY 1998. This has led the Mission to intensify its focus on management mechanisms which will reduce the staff intensity of its program. During the OYB allocation, the Mission was advised that it would be expected to absorb within its \$435 million planning level, continuing HIV/AIDS targets amounting to approximately \$10 million. These issues are addressed in Part III of the CSP: Resource Requirements and Management Strategy.

Overarching Issues:

1. The first issue concerns the development hypothesis or "Causal Framework" for each SO, noting that the linkages between intermediate results and the strategic objective were unclear. There were also questions about illustrative approaches and how results would actually be achieved.

Mission Response: Part II of the CSP, Program Strategic Objectives, presents individual SO descriptions. Each presentation specifically addresses Causal Linkages and illustrative approaches to achieving the IRs. (Part II, Program Strategic Objectives)

2. The second issue concerns whether the level of result articulated in the SO made sense, given the scope of USAID's interventions and those of its partners; and whether the magnitude of change expected over the planning period was understood and clearly articulated. Since this is a "graduation strategy" aimed at sustainable change, participants in the review also wanted to know "exit benchmarks" that clarify what will be left behind.

Mission Response: The Mission reevaluated its entire strategic framework over the past several months in light of USAID/W comments and, more recently, in view of the OIG report (Attached) on USAID's performance under the Government Performance and Results Act (GPRA). All SOs were revalidated with the belief that USAID and other partners will achieve these objectives. The level of SO1's objective was lowered, in part, to acknowledge the longer term process of consolidation, and also to reflect more closely the focus of the program. Where changes did occur more frequently was at the IR level to ensure that indicators directly reflect program impact. Exit benchmarks are a combination of tangible leave-behinds, such as institutions, endowments, or systems, and intermediate results as measured through indicators. (Part II, Program Strategic

Objectives and Annex I, Program Monitoring and Evaluation Plan)

3. The third issue focuses on performance monitoring and reporting, i.e., the existence and appropriateness of indicators, baseline and data collection timelines, and whether the monitoring system as presented would allow the Mission to capture results and convey their significance. The Mission has to be able to answer the question, "What does it all add up to?"

Mission Response: The introduction section of each strategic objective presentation contains an abbreviated vision statement which addresses "what does it all add up to?" Formalizing this, the Program Monitoring and Evaluation Plan presents specific targets of achievement. (Part II, Program Strategic Objectives and Annex I, Program Monitoring and Evaluation Plan)

Strategic Objective Issues:

SO1: Democracy and Governance

Issue: How can we document results and the magnitude of change in the absence of indicators at the SO level?

Required Action: The Mission, working with the expanded SO team, South African partners, and USAID/W, will develop appropriate indicators, baseline, and performance targets. Any changes to the SO wording will have to be formally approved by USAID/W.

Mission Response: The SO1 Team has detailed its consultative process in Annex H, Democracy and Governance Attachments, to the CSP. Their net was cast broadly including South Africans and Americans, NGOs and Government, and USAID/South Africa and Washington. The SO1 presentation has been rewritten to clearly express USAID's and its partners' intentions and expectations in the sector. The SO statement is now: "Democratic Institutions Strengthened Through Civil Society Participation" vs. the old statement: "Strengthened democracy, governance, and capacity for participatory development." Indicators for this sector remain problematic. In the Performance Monitoring and Evaluation Plan, the Mission presents indicators which have evolved from SO consultations with its partners. The validation of these indicators however, will come with the first round of data collection for the R4 at which time revisions must be considered. (Part II, Program Strategic Objectives and Annex I, Program Monitoring and Evaluation Plan)

SO2: Education

Issue: Does it matter that higher education is not part of the Agency's strategic framework? What kind of results and changes should we anticipate for our education activities?

Required Action: Additional work is needed in establishing indicators, baselines, and targets.

Mission Response: AA/AFR made the decision at the review of the CSP that, although higher education is not within the Agency's Strategic Framework, the presence of higher education in the Mission's framework still supports overall Agency goals and is appropriate given the clear direction from Congress. Part II, Program Strategic Objectives, outlines all expected results under the Education SO. As noted above, the SO has not changed, but the IRs have become more specifically linked with SO2's program. The SO team has worked with its partners, both here and in USAID/W, to clarify and measure expected results. (Part II, Program Strategic Objectives and Annex I, Program Monitoring and Evaluation Plan)

SO3: Health

Issue: Wouldn't the significance of the HIV/AIDS problem warrant a more concerted effort? Also, are there more appropriate indicators for measuring primary health care utilization?

Required Action: The Mission will work with AFR/SD in establishing an IR on HIV/AIDS, indicators at the SO and IR levels, and a mechanism for supporting new HIV/AIDS activities. Staffing concerns will be discussed with AFR/SA and AFR/AM, as well as in the Bureau's R2B Reviews. The Mission and its partners will also review and refine (as necessary) the causal linkages between the intermediate results and the overall strategic objective, and identify appropriate indicators, baselines and targets at all levels. Particular emphasis should be given to measuring health care utilization.

Mission Response: The Mission has established an intermediate result for HIV/AIDS of "Increased Capacity of the PHC System to Deliver Appropriate HIV/STD Prevention and Treatment." This continues to reflect the Government's desire for an integrated system. The addition of a major HIV/AIDS element will require the development of a new results package. To implement this package the Mission requested two additional program-funded FSN PSCs. USAID/W has increased FY98 and FY99 staff ceilings accordingly. The issue of funding for this additional component, which was not included in our initial funding scenario for the strategy, still remains as noted above.

SO5: Private Sector Development

Issue: What is the causal relationship between the intermediate results and the SO? How will the Mission measure the program's contribution to increasing income and employment? How can the Mission help replicate its successful models and measure the progress and impact at a more system-wide level?

Required Action: The Mission agreed to monitor the status of financial markets beyond USAID's interventions in order to determine whether program resources are being directed to the areas of greatest need and are having the highest impact. They will also reexamine the results framework and reorient performance indicators to reflect a broader access to the disadvantaged population. All agreed that the "number of loans" was not sufficient to assess the systemic change which the Mission intends to have under this SO.

Mission Response: The causal relationships are discussed in the SO5 presentation in Part III. With regard to measures of income and employment, indicators have been added at the sub-goal level to monitor country trends. Indicators at the SO level have been added

to more broadly report on financial sector impact of SO5. (Part II, Program Strategic Objectives and Annex I, Program Monitoring and Evaluation Plan)

SO6: Housing

Issue: Given the Agency's commitment to preserving the environment and the opportunity to carry out a significant urban environmental program in south Africa, shouldn't this SO have more of an environmental focus? As in the previous SO can we have more systemic impact in this sector?

Mission Response: The Mission has added an IR which focuses on its urban environmental program, specifically that which is related to the adoption and implementation of the UN-sponsored Local Agenda 21 Program in major urban areas. (Part II, Program Strategic Objectives and Annex I, Program Monitoring and Evaluation Plan)

General Issues:

The final CSP should include the following: (1) the "Common Sense" vision statements for each of the strategic objectives; (2) articulation of what the Mission expects to see in place by the end of the CSP period that conveys broad systemic change in people's lives; (3) exit benchmarks for each strategic objective; (4) revised results frameworks and performance monitoring information based on agreements reached during program week; and (5) program budget and staffing levels that conform to Bureau's projections and FY96 R2B decisions. The Mission should also include a plan for a "mid-point reality check."

Mission Response:

- (1) Each SO has addressed its vision in its program description.
- (2) The articulation of end-points is found in each program description. This is more detailed in the Monitoring and Evaluation Plan (Annex I) where targets have been set for the life of the objective.
- (3) Exit benchmarks are considered to be the achievement of IRs leading to the accomplishment of an objective. IRs are detailed in the Monitoring and Evaluation Plan and measurable indicators have been attached.
- (4) The results framework has been revised per USAID/W suggestions and with the help of several USAID/W virtual team members from the AFR and Global Bureaus.
- (5) Both staffing and budget conform to FY96 R2B decisions. The Mission has presented a program which conforms to the previously-approved CSP level of \$435 million. With the absorption of the HIV/AIDS earmark within our ceiling and a \$2.5 million cut in our FY97 OYB, the original \$435 million planning level now represents a significant cut in program resources.

The critical point for USAID/South Africa's program will be the 1999 national election. Although not precisely "mid-point", it will be an appropriate point for any needed

adjustments. Therefore, the Mission will plan a program-level evaluation following the election. It should be noted however, that the Mission plans to reinstate annual program reviews leading into the R4 preparation which will also serve to highlight and resolve potential issues.

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AIDAC GABORONE FOR RCSA

E.O. 12958: N/A

TAGS:

SUBJECT: USAID/SOUTH AFRICA COUNTRY STRATEGIC PLAN
PROGRAM REVIEW

1. SUMMARY:

THE WASHINGTON REVIEW OF USAID SOUTH AFRICA'S 1996-2005 COUNTRY STRATEGIC PLAN (CSP) WAS HELD MAY 2-8, 1996. CHAIRED BY DAA/AFR CAROL PEASLEY AND WRAPPED-UP BY AA/AFR JOHN HICKS, PROGRAM WEEK WAS CHARACTERIZED BY HIGH INTEREST, EXTENSIVE DISCUSSION, AND BROAD PARTICIPATION THROUGHOUT THE AGENCY. AS THE CULMINATION OF A PLANNING PROCESS BEGUN IN FEBRUARY 1995, THIS GRADUATION STRATEGY REFLECTS BOTH THE HIGH PROFILE OF THIS PROGRAM AND THE NEED TO SHOW THE BROAD-BASED AND LONG-TERM IMPACT USAID'S RESOURCES WILL HAVE ON THE SOUTH AFRICAN PEOPLE. AGENCY SENIOR MANAGERS AGREED THAT THE PROPOSED STRATEGY IS APPROPRIATELY CONCEIVED AND TARGETED, RECOGNIZING THAT FINAL APPROVAL IS CONTINGENT ON THE MISSION'S COMPLETING ADDITIONAL WORK ON STRATEGIC OBJECTIVES AND SUBMITTING A REVISED CSP AND PERFORMANCE MONITORING PLAN TO USAID/W. THESE REVISED PLANS, WHICH WILL INCORPORATE DECISIONS FROM THIS YEAR'S "RESOURCE REQUEST" (R2B) REVIEWS, WILL ENABLE

THE MISSION AND USAID/W TO FORMALLY APPROVE THE STRATEGY AND FINALIZE A CSP MANAGEMENT CONTRACT. END SUMAARY.

2. PROGRAM WEEK DECISION MEETING: OPENING COMMENTS

A. JOHN HICKS OPENED THIS MEETING REFLECTING ON HIS RECENT PARTICIPATION IN THE SOUTH AFRICA INTERNATIONAL DEVELOPMENT FORUM (SAIDF) IN PRETORIA. HE NOTED THAT THE

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COUNTRY'S CONSIDERABLE ENDOWMENT OF WEALTH AND CAPACITY, AND ITS DEEP COMMITMENT TO SELF-MOTIVATED SUCCESS, HAVE HELPED CREATE A HIGH DEGREE OF INDEPENDENCE AS SOUTH AFRICANS CHART THEIR OWN COURSE IN ECONOMIC DEVELOPMENT AND DONOR PARTNERSHIPS. THE USAID PROGRAM SHOULD BE REVIEWED IN THIS CONTEXT, KEEPING IN MIND THE IMPORTANT DEVELOPMENTS THAT HAVE TAKEN PLACE SINCE THE ADVENT OF DEMOCRACY -- THE MOST TIMELY BEING THE RECENT ADOPTION OF THE COUNTRY'S FIRST DEMOCRATIC CONSTITUTION. MR. HICKS EXPRESSED HIS DESIRE THAT THE SAME SPIRIT OF COOPERATIVE ENGAGEMENT AND COMPROMISE THAT LED SOUTH AFRICA TO THIS NOTEWORTHY ACHIEVEMENT SHOULD GUIDE THE DELIBERATIONS AND DECISIONS MADE IN THIS FINAL MEETING OF PROGRAM WEEK. USAID/SOUTH AFRICA WAS REPRESENTED BY CAP DEAN, MISSION DIRECTOR, JOHN WOOTEN, DIRECTOR, OFFICE OF PROGRAM AND PROJECT DEVELOPMENT, STEVE BRENT, DEMOCRACY AND GOVERNANCE TEAM LEADER, KAREN FREEMAN, PROGRAM OFFICER, FAAROOQ MANGERA, DEMOCRACY AND GOVERNANCE SPECIALIST, AND MARIA BEEBE, SOCIAL SCIENTIST.

B. AA/AFR ALSO NOTED THAT THE CLINTON ADMINISTRATION, THE CONGRESS, AND U.S. TAXPAYERS MUST UNDERSTAND CLEARLY WHAT WE EXPECT OUR PROGRAM IN SOUTH AFRICA TO ACHIEVE AND WHAT CONDITIONS WE EXPECT TO LEAVE IN PLACE BY 2005, GIVEN THE COUNTRY'S CONSIDERABLE ENDOWMENTS. WE MUST BE ABLE TO EXPLAIN TO BOTH THE ADMINISTRATION AND TO OUR CRITICS THE RATIONALE FOR INVESTING SO MUCH IN SOUTH AFRICA WHEN NEEDS ARE EQUALLY GREAT ELSEWHERE.

C. MR. HICKS CONCLUDED HIS REMARKS BY EXPRESSING THE AGENCY'S APPRECIATION FOR AND CONTINUED COMMITMENT TO THIS CHALLENGING PROGRAM. HE EMPHASIZED THAT THE "GRADUATION" THEME SHOULD NOT BE TAKEN LIGHTLY, AS IT OFFERS USAID A UNIQUE OPPORTUNITY TO HELP PROMOTE SUSTAINABLE DEVELOPMENT IN SOUTH AFRICA AND WITHIN THE REGION.

D. MISSION DIRECTOR CAP DEAN EXPRESSED HIS AND HIS STAFF'S APPRECIATION FOR THESE COMMENTS AND FOR USAID/W'S KEEN INTEREST IN THE SOUTH AFRICA PROGRAM. HE WAS PLEASED WITH THE SCOPE AND LEVEL OF AGENCY PARTICIPATION IN THE CSP REVIEW, NOTING THE VALUE-ADDED THAT THESE BROAD-BASED DISCUSSIONS BROUGHT TO THE STRATEGIC PLANNING PROCESS.

3. OVERARCHING ISSUES

A. THE PROGRAM REVIEW INDICATED THAT IN ADDITION TO MANY TECHNICAL ISSUES ON SPECIFIC STRATEGIC OBJECTIVES (S.O.), THERE WERE THREE BROAD BUT FUNDAMENTAL CROSS-CUTTING ISSUES THAT PROVIDED THE FOCUS FOR MOST OF THE DISCUSSION.

B. THE FIRST CONCERNED THE DEVELOPMENT HYPOTHESIS OR "CAUSAL FRAMEWORK" FOR EACH S.O., NOTING THAT THE LINKAGES BETWEEN INTERMEDIATE RESULTS AND THE STRATEGIC OBJECTIVE WERE UNCLEAR. THERE WERE ALSO QUESTIONS ABOUT ILLUSTRATIVE

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APPROACHES AND HOW RESULTS WOULD ACTUALLY BE ACHIEVED.

C. THE SECOND CONCERNED WHETHER THE LEVEL OF RESULT ARTICULATED IN THE S.O. MADE SENSE, GIVEN THE SCOPE OF USAID'S INTERVENTIONS AND THOSE OF ITS PARTNERS; AND WHETHER THE MAGNITUDE OF CHANGE EXPECTED OVER THE PLANNING PERIOD WAS UNDERSTOOD AND CLEARLY ARTICULATED. SINCE THIS IS A GRADUATION STRATEGY AIMED AT SUSTAINABLE CHANGE, PARTICIPANTS ALSO WANTED TO KNOW "EXIT BENCHMARKS" THAT CLARIFY WHAT WILL BE LEFT BEHIND.

D. THE THIRD FOCUSED ON PERFORMANCE MONITORING AND REPORTING, I.E., THE EXISTENCE AND APPROPRIATENESS OF INDICATORS, BASELINE AND DATA COLLECTION TIMELINES, AND WHETHER THE MONITORING SYSTEM AS PRESENTED WOULD ALLOW THE MISSION TO CAPTURE RESULTS AND CONVEY THEIR SIGNIFICANCE. THE MISSION HAS TO BE ABLE TO ANSWER THE QUESTION "WHAT DOES IT ALL ADD UP TO?"

E. THE MISSION ADDRESSED THESE OVERARCHING ISSUES BY PRESENTING ONE-PAGE "COMMON SENSE" VISION STATEMENTS FOR EACH S.O. AT THE DECISION MEETING. IN GENERAL, THESE STATEMENTS LAID OUT THE CONDITIONS THE MISSION EXPECTS TO SEE IN SOUTH AFRICA IN THE YEAR 2005 AS A RESULT OF OUR VARIOUS ACTIVITIES. THEY CLARIFIED SEVERAL OF THE RESULTS AND CHANGES WE COULD EXPECT TO SEE, GIVEN THE PROGRAM'S FOCUS ON POLICIES, SYSTEMS, AND INSTITUTIONAL CAPACITIES. THEY ALSO OUTLINED EXIT BENCHRARKS AND PROVIDED ADDITIONAL INFORMATION ON PERFORMANCE MEASUREMENT AT THE S.O. LEVEL. PARTICIPANTS ALSO DISCUSSED ISSUES AND MAJOR CONCLUSIONS FOR EACH S.O. DURING PROGRAM WEEK, AS DETAILED BELOW.

4. DISCUSSION OF STRATEGIC OBJECTIVES

A. S.O.1: DEMOCRACY, GOVERNANCE AND THE CAPACITY FOR

PARTICIPATORY DEVELOPMENT STRENGTHENED

(1) ISSUE: HOW CAN WE DOCUMENT RESULTS AND THE MAGNITUDE OF CHANGE IN THE ABSENCE OF INDICATORS AT THE S.O. LEVEL?

(2) DISCUSSION/RESOLUTION: ESTABLISHING APPROPRIATE DIG BASELINES, TARGETS AND MONITORING STRATEGIES REPRESENTS A CONTINUING CHALLENGE ACROSS THE AGENCY. THE MAGNITUDE OF THE D/G ISSUES COMPARED TO THE LEVEL OF USAID RESOURCES AVAILABLE FOR THIS SECTOR INTENSIFIES THIS CHALLENGE IN SOUTH AFRICA. REVIEWERS RECOGNIZED THE FLUIDITY OF THE SOUTH AFRICAN D/G SITUATION AND THE EVOLVING NATURE OF PERFORMANCE MONITORING TOOLS, TECHNIQUES, AND STRATEGIES WILL BE ONGOING, AND ENCOURAGED THE MISSION TO WELCOME SUGGESTIONS FROM USAID/W FOR THE REFINEMENT OF INDICATORS.

(3) NEXT STEPS: THE MISSION, WORKING WITH THE EXPANDED S.O. TEAM, SOUTH AFRICAN PARTNERS, AND USAID/W, WILL DEVELOP APPROPRIATE INDICATORS, BASELINE, AND PERFORMANCE

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TARGETS. ALREADY (MID-JULY) TWO MEMBERS OF THE GLOBAL DEMOCRACY CENTER HAVE HELPED THE MISSION REVIEW THE RESULTS FRAMEWORK AND PUT IN PLACE REALISTIC INDICATORS. SEVERAL INTERMEDIATE RESULTS WERE CHANGED SLIGHTLY TO MORE TIGHTLY FOCUS SUPPORT FOR THE CONSOLIDATION PROCESS AND PARTICIPATORY GOVERNANCE. USAID/W UNDERSTANDS THAT THE MISSION IS CONSIDERING MODIFYING THIS S.O. TO READ "DEMOCRATIC CONSOLIDATION AND PARTICIPATORY GOVERNANCE STRENGTHENED." (AS NOTED IN ABOVE, ANY CHANGES TO S.O. WORDING WILL HAVE TO BE FORMALLY APPROVED BY USAID/W.)

B. S.O. 2: TRANSFORMED EDUCATION SYSTEM BASED ON EQUITY, ACCESS, AND QUALITY

(1) ISSUES: DOES IT MATTER THAT HIGHER EDUCATION IS NOT PART OF THE AGENCY'S STRATEGIC FRAMEWORK? WHAT KIND OF RESULTS AND CHANGES SHOULD WE ANTICIPATE FOR OUR EDUCATION ACTIVITIES?

(2) DISCUSSION/RESOLUTION: THE CSP'S STRATEGIC FOCUS SUPPORTS THE TRANSFORMATION OF SOUTH AFRICA'S EDUCATIONAL POLICIES AND SYSTEMS, INCLUDING BASIC, FURTHER, AND HIGHER EDUCATION. WHILE HIGHER EDUCATION IS NOT YET PART OF THE AGENCY'S STRATEGIC FRAMEWORK, AA/AFR HICKS CONCLUDED THAT THIS THRUST SUPPORTS OVERALL AGENCY GOALS, REFLECTING THE SPECIAL CASE OF APARTHEID AND CLEAR DIRECTION FROM CONGRESS. THE MISSION RECOGNIZED THE NEED TO DEVELOP MORE CONCISE INDICATORS AND TARGETS FOR THIS S.O.

(3) NEXT STEPS: ADDITIONAL WORK IS NEEDED IN ESTABLISHING INDICATORS, BASELINES, AND TARGETS. USAID/W UNDERSTANDS THAT AFR/SD TDY ASSISTANCE IN JUNE AND JULY GOT THIS PROCESS OFF TO A GOOD START.

C. S.O.3: MORE EQUITABLE, UNIFIED, AND SUSTAINABLE SYSTEMS DELIVERING INTEGRATED PRIMARY HEALTH CARE.

(1) ISSUES: WOULDN'T THE SIGNIFICANCE OF THE HIV/AIDS PROBLEM WARRANT A MORE CONCERTED EFFORT? ALSO, ARE THERE MORE APPROPRIATE INDICATORS FOR MEASURING PRIMARY HEALTH CARE UTILIZATION?

(2) DISCUSSION/RESOLUTION: GIVEN THE MAGNITUDE OF THE HIV/AIDS PROBLEM IN SOUTH AFRICA AND ALONG ITS BORDERS, THE MISSION AGREED TO DEVELOP AN INTERMEDIATE RESULT (I.R.) FOR HIV/AIDS ALONG WITH INDICATORS AT BOTH THE S.O. AND I.R. LEVELS. THE MISSION IS PREPARED TO ACCEPT FURTHER EARMARKED HIV/AIDS FUNDS AND AGREED TO WORK WITH AFR/SD IN IDENTIFYING A MECHANISM TO DELIVER A BROADER SET OF HIV/AIDS MITIGATION ACTIVITIES. THE MISSION ALERTED USAID/W THAT ADDITIONAL HIV/AIDS EFFORTS WOULD REQUIRE ADDITIONAL STAFF. THERE WAS ALSO CONCERN WHETHER THIS S.O., CURRENTLY TARGETED IN THE EASTERN CAPE, COULD BE

EFFECTIVELY REPLICATED IN THE OTHER EIGHT PROVINCES WITHIN THE RELATIVELY SHORT TIMEFRAME -- RECOGNIZING THAT SHARING LESSONS LEARNED WILL BE ON A CONTINUING BASIS AND NOT LIMITED TO YEARS 4-7 OF THE CSP.

(3) NEXT STEPS: THE MISSION WILL WORK WITH AFR/SD IN ESTABLISHING AN I.R. ON HIV/AIDS INDICATORS AT THE S.O. AND I.R. LEVELS, AND A MECHANISM FOR SUPPORTING NEW HIV/AIDS ACTIVITIES. STAFFING CONCERNS WILL BE DISCUSSED WITH AFR/SA AND AFR/AM, AS WELL AS IN THE BUREAU'S R2B REVIEWS. THE MISSION AND ITS PARTNERS WILL ALSO REVIEW AND REFINE (AS NECESSARY) THE CAUSAL LINKAGES BETWEEN THE INTERMEDIATE RESULTS AND THE OVERALL STRATEGIC OBJECTIVE, AND IDENTIFY APPROPRIATE INDICATORS, BASELINES AND TARGETS AT ALL LEVELS. PARTICULAR EMPHASIS SHOULD BE GIVEN TO MEASURING HEALTH CARE UTILIZATION.

D. S.O. 4: IMPROVED CAPACITY OF KEY GOVERNMENT AND NGO ENTITIES TO FORMULATE, EVALUATE, AND IMPLEMENT ECONOMIC POLICIES AND PROMOTE ECONOMIC GROWTH AND EQUITY.

(1) ISSUES: THERE WERE NO ISSUES FOR THE DECISION MEETING.

(2) DISCUSSION: REVIEWERS REAFFIRMED THAT USAID'S FOCUS ON CAPACITY DEVELOPMENT IS THE MOST EFFECTIVE MEANS TO SUPPORT SOUTH AFRICA'S LEADERSHIP ROLE IN CHARTING ITS ECONOMIC POLICY AGENDA, RECOGNIZING THAT THIS S.O. HAS THE POTENTIAL OF BEING "LOW-COST AND HIGH-IMPACT". THERE WAS ALSO AGREEMENT THAT THE PROPOSED QUALITATIVE MEANS OF ASSESSING IMPACT AT THE S.O. ARE APPROPRIATE.

(3) NEXT STEPS: MISSION MAY PROCEED WITH THE DESIGN AND AUTHORIZATION OF THE SUPPORT FOR ECONOMIC GROWTH AND ANALYSIS/MANDELA ECONOMIC SCHOLARSHIP (SEGA/MESP) RESULTS PACKAGE. IN DESIGNING THE RESULTS PACKAGE FOR THIS 8.0., THE MISSION SHOULD CONSIDER ESTABLISHING CRITERIA FOR PRIORITIZING ITS TECHNICAL ASSISTANCE AND TRAINING ACTIVITIES.

E. 5.0. 5: IMPROVED ACCESS TO FINANCIAL MARKETS FOR THE HISTORICALLY DISADVANTAGED POPULATION

(1) ISSUES: WHAT IS THE CAUSAL RELATIONSHIP BETWEEN THE INTERMEDIATE RESULTS AND THE 8.0.? HOW WILL THE MISSION MEASURE THE PROGRAM'S CONTRIBUTION TO INCREASING INCOME AND EMPLOYMENT? HOW CAN THE MISSION HELP REPLICATE ITS SUCCESSFUL MODELS AND MEASURE THE PROGRESS AND IMPACT AT A MORE SYSTEM-WIDE LEVEL?

(2) DISCUSSION/RESOLUTION: THERE WAS BROAD CONSENSUS THAT THE FOCUS OF THIS 8.0. SHOULD NOT JUST BE ON WHAT WE ARE DOING DIRECTLY WITH SOUTH AFRICAN FINANCIAL MARKETS, BUT HOW OUR SUCCESSES CAN BE USED AS MODELS FOR FURTHER

EXPANSION AND ACCESS, AS WELL AS POSSIBLE REPLICATION. SUCH AN APPROACH WILL MAXIMIZE IMPACT OF USAID- AND RELATED PARTNER-SUPPORTED ACTIVITIES. INDICATORS FOR THIS 8.0., PARTICULARLY THOSE MEASURING OVERALL INCOME AND EMPLOYMENT, SHOULD CAPTURE THIS FOCUS.

(3) NEXT STEPS: THE MISSION AGREED TO MONITOR THE STATUS OF FINANCIAL MARKETS BEYOND USAID'S INTERVENTIONS IN ORDER TO DETERMINE WHETHER PROGRAM RESOURCES ARE BEING DIRECTED TO THE AREAS OF GREATEST NEED AND ARE HAVING THE HIGHEST IMPACT. THEY WILL ALSO REEXAMINE THE RESULTS FRAMEWORK AND REORIENT PERFORMANCE INDICATORS TO REFLECT A BROADER ACCESS TO THE DISADVANTAGED POPULATION. ALL AGREED THAT "THE NUMBER OF LOANS" WAS NOT SUFFICIENT TO ASSESS THE SYSTEMIC CHANGE WHICH THE MISSION INTENDS TO HAVE UNDER THIS 8.0. THE MISSION WAS ALSO ENCOURAGED TO ARRANGE WORKSHOPS AND PUBLICATIONS THAT DISSEMINATE THE LESSONS LEARNED AND IMPACT ACHIEVED FROM SUCCESSFUL MODELS.

F. 5.0. 6: IMPROVED ACCESS TO ENVIRONMENTALLY SUSTAINABLE SHELTER AND URBAN SERVICES

(1) ISSUES: GIVEN THE AGENCY'S COMMITMENT TO PRESERVING THE ENVIRONMENT AND THE OPPORTUNITY TO CARRY OUT A SIGNIFICANT URBAN ENVIRONMENTAL PROGRAM IN SOUTH AFRICA, SHOULDN'T THIS 8.0. HAVE MORE OF AN ENVIRONMENTAL FOCUS? AS IN THE PREVIOUS 8.0., CAN WE HAVE MORE SYSTEMIC IMPACT IN THIS SECTOR?

(2) DISCUSSION/RESOLUTION: THE MISSION'S TRACK-RECORD IN PROMOTING ENVIRONMENTALLY SUSTAINABLE SHELTER UNDER ITS HOUSING GUARANTEE PROGRAM MAKES SOUTH AFRICA FERTILE GROUND FOR USAID TO EXPAND ITS POLICY-MAKING AND HUMAN CAPACITY BUILDING ACTIVITIES, PARTICULARLY ON THE URBAN ENVIRONMENTAL (AKA "BROWN") SIDE. PROJECTED FUNDING LEVELS, BEGINNING WITH ABOUT \$8 MILLION IN FY 96 AND GROWING \$5-10 MILLION OVER THE NEXT TWO YEARS, TRANSLATES INTO A NEED FOR MORE SPECIFIC PROGRAMMING AND REPORTING ON ENVIRONMENTAL IMPACTS. PARTICIPANTS SUGGESTED DEVELOPING AN I.R. THAT FOCUSES ON BUILDING PROVINCIAL-LEVEL CAPACITY TO ASSESS URBAN SERVICES AND CONDUCT ENVIRONMENTAL IMPACT ASSESSMENTS, WITH INDICATORS AND TARGETS THAT ARTICULATE PEOPLE-LEVEL RESULTS. AS WITH S.O.5, THE MISSION SHOULD FOCUS ON ESTABLISHING INDICATORS THAT NOT ONLY MEASURE USAID'S DIRECT INTERVENTIONS, I.E., NUMBERS OF HOUSEHOLDS WITH ACCESS TO ENVIRONMENTALLY-SOUND SHELTER, BUT POLICIES THAT CONTRIBUTE TO BROADER SYSTEMIC IMPACTS AS WELL. IN OTHER WORDS, THE STRATEGIC OBJECTIVE SHOULD BE MORE THAN THE SUM OF ITS INTERMEDIATE RESULTS.

(3) NEXT STEPS: THE MISSION AGREED TO ADD AN ENVIRONMENTAL I.R. WITH INDICATORS THAT ADDRESS SYSTEMIC CHANGE. AS IN S.O. 5. THEY WILL ALSO DISSEMINATE THE LESSONS LEARNED AND IMPACT ACHIEVED FROM SUCCESSFUL INTERVENTIONS AND MODELS.

5. FUNDING AND STAFFING CONCERNS

A. THE PROPOSED CSP CONTAINED A LOWER "HIGH FUNDING OPTION" THAN WAS NEGOTIATED DURING THE JULY 1995 CONCEPT PAPER REVIEW. IT ALSO REQUESTED STAFF INCREASES FOR FYS 1996-99 THAT WERE ABOVE THE BUREAU'S PROJECTED LEVELS. THESE RAISED CONCERNS ABOUT (1) PROGRAMMING ADDITIONAL FUNDS FOR HIV/AIDS, THE ENVIRONMENT AND BASIC EDUCATION, BEGINNING IN FY 97 AND POSSIBLY IN SUCCESSIVE YEARS; AND (2) INCREASING MISSION STAFFING LEVELS AS THE BUREAU'S WORKFORCE CONTROL LEVELS DECREASED.

B. AFR SENIOR MANAGEMENT STRESSED FROM THE OUTSET THAT THE FLUIDITY OF THE CURRENT ENVIRONMENT -- CHARACTERIZED BY DOWNSIZING, OVERSEAS RESTRUCTURING, AND CONSTANTLY CHANGING WORKFORCE AND SECTOR CONTROL LEVELS -- PRECLUDED THE BUREAU FROM MAKING IMMEDIATE FIRM DECISIONS ON PROGRAM AND STAFFING LEVELS FOR SOUTH AFRICA. IT WILL PROBABLY TAKE UNTIL THE END OF FY 96 TO HAVE A REASONABLY CLEAR PICTURE OF OUR OVERSEAS WORKFORCE. HOWEVER, IT WAS CLEAR THAT (1) THE EMPHASES OF CONGRESSIONAL EARMARKS AND AGENCY DIRECTIVES ARE NOT LIKELY TO CHANGE IN THE NEAR-TERM; AND (2) THE MISSION SHOULD ASSUME NO NEW INCREASES IN STAFFING LEVELS ABOVE THE BUREAU'S CURRENT PROJECTIONS FOR FISCAL

YEARS 96-99. AS SUCH THE MISSION WAS ASKED TO CONSIDER OPTIONS FOR INCREASED PROGRAMMING IN THESE TARGETED AREAS AND TO REEXAMINE WORKFORCE AND OE LEVELS IN THE FACE OF IMPENDING REDUCTIONS FOR FYS 1996-99.

C. THE MISSION REVISED ITS RESOURCE REQUIREMENTS, FRAMING SIX OPTIONS WITH VARYING LEVELS OF FUNDING AND STAFF. THE DISCUSSION CONCLUDED THAT: (1) THE MISSION SHOULD CONTINUE TO EXAMINE AND REFINE THESE OPTIONS; (2) THE BUREAU WILL CONTINUE EXAMINING PROGRAMMING OPTIONS FOR SOUTH AFRICA AGAINST OTHER COUNTRY STRATEGIES, BUREAU PRIORITIES, AND CONGRESSIONAL EARMARKS PROJECTED FOR FYS 97/98; AND (3) AFR WILL WORK WITH THE MANAGEMENT BUREAU OVER THE NEXT FEW MONTHS TO CLARIFY THE "PARAMETERS" WITHIN WHICH STAFFING DECISIONS ARE MADE. ONCE THE BUREAU GIVES THE MISSION THE RESULTS OF THE R2B REVIEWS, THE MISSION SHOULD REVISE ITS CSP, MAKING FURTHER STRATEGIC CHOICES AND ALIGNMENTS AS NECESSARY. IT MAY BE THAT THE MISSION'S OPTIONS WILL NOT PERMIT ADDITIONAL EARMARKS AND DIRECTIVES, AND THAT SOME EXISTING ACTIVITIES WILL HAVE TO BE SCALED BACK OR CUT.

D. THE MISSION SHOULD BE ASSURED THAT USAID/W IS AWARE OF AND SENSITIVE TO THE WORKLOAD IMPLICATIONS OF THIS LARGE, COMPLEX AND HIGH-PROFILE PROGRAM, AND IS COMMITTED TO WORKING WITH THE MISSION WITHIN THE INCREASINGLY TIGHT CONSTRAINTS WE JOINTLY FACE.

6. CONCLUSIONS AND FOLLOW-ON ACTIONS

A. BASED ON THE ABOVE DISCUSSION, THE AA/AFR CONCLUDED THAT THE MISSION'S PROPOSED STRATEGY IS APPROPRIATELY CONCEIVED AND TARGETED. WHILE THERE ARE VARIOUS FOLLOW-UP ACTIONS THAT MUST BE COMPLETED AND R2B DECISIONS THAT MUST BE MADE IN ORDER TO FINALIZE THE CSP, PUT A MANAGEMENT CONTRACT IN PLACE, AND FORMALLY APPROVE THE STRATEGY, THE CURRENT CSP AND VISION STATEMENTS PROVIDE THE BASIS FOR MOVING AHEAD AND IMPLEMENTING THE PROGRAM. OTHER DECISIONS ARE AS FOLLOWS:

B. THE REVISED CSP: IN ADDITION TO ELEMENTS ALREADY IN THE CURRENT CSP, THE REVISED CSP SHOULD INCLUDE THE FOLLOWING: (1) THE "COMMON SENSE" VISION STATEMENTS FOR EACH OF THE STRATEGIC OBJECTIVES; (2) ARTICULATION OF WHAT THE MISSION EXPECTS TO SEE IN PLACE BY THE END OF THE CSP THAT CONVEYS BROAD SYSTEMIC CHANGE IN PEOPLE'S LIVES, (3) EXIT BENCHRARKS FOR EACH STRATEGIC OBJECTIVE; 4) REVISED RESULTS FRAMEWORKS AND PERFORMANCE MONITORING INFORMATION BASED ON AGREEMENTS REACHED DURING PROGRAM WEEK; AND (5) PROGRAM BUDGET AND STAFFING LEVELS THAT CONFORM TO BUREAU PROJECTIONS AND R2B DECISIONS. THE MISSION SHOULD ALSO

INCLUDE A PLAN FOR A "MID-POINT REALITY CHECK" TO STEP BACK AND RELOOK THE STRATEGY IN THE CONTEXT OF CONDITIONS IN SOUTH AFRICA AFTER THE 1999 ELECTIONS. NOTE THAT THE BUREAU WILL NOT CONDUCT A FORMAL, SENIOR-LEVEL REVIEW OF THE REVISED CSP AND PERFORMANCE MONITORING PLAN UNLESS THE MISSION MAKES ANY SIGNIFICANT CHANGES IN THE STRATEGIC OBJECTIVES FROM WHAT IS CURRENTLY APPROVED. HOWEVER, THE AFRICA BUREAU, IN COLLABORATION WITH THE GLOBAL, PPC, AND N BUREAUS, WILL CONDUCT A WORKING-LEVEL REVIEW OF THE CSP TO CONFIRM INCLUSION OF THE REQUESTED INFORMATION AND TO KEEP CURRENT ON THE PROGRAM.

C. PERFORMANCE MONITORING PLAN (PMP): THE MISSION MUST DEVELOP AND SUBMIT A PMP THAT MEETS THE CRITERIA LAID OUT IN THE AGENCY GUIDANCE (ADS 203). THE MISSION WILL WORK CLOSELY WITH USAID/W AND THROUGH AFR/DP/POSE TO DEVELOP THE MEASURES AT S.O. AND I.R. LEVELS THAT WILL ENABLE THE MISSION TO BEST TRACK PROGRESS, MANAGE FOR RESULTS, AND MEET REPORTING REQUIREMENTS. THE PMP WILL BE REVIEWED AND AGREEMENT ON S.O. INDICATORS CONFIRMED AS PART OF THE MANAGEMENT CONTRACT.

D. CSP/PMP SUBMISSION DATE: WHILE AA/AFR HICKS INITIALLY REQUESTED THAT A REVISED CSP AND PERFORMANCE MONITORING PLAN (PMP) BE SUBMITTED TO USAID/W BY SEPTEMBER 30, 1996, THE PRESS OF FY 96 OBLIGATIONS, THE UNEXPECTED DEPARTURE OF STAFF, AND PENDING R2B DECISIONS MAKE IT ADVISABLE TO WAIT UNTIL FY 97. THE MISSION AND USAID/W AGREE THAT SUBMISSION SHOULD OCCUR WITHIN THREE MONTHS OF RECEIVING THE R2B DECISIONS.

7. MANY THANKS

USAID/W CONGRATULATES THE MISSION FOR DEVELOPING SUCH A WELL-GROUNDED, RESULTS-ORIENTED STRATEGY, BALANCING THE HIGH PROFILE OF SOUTH AFRICA WITH ITS CRITICAL DEVELOPMENT NEEDS. WE APPRECIATE YOUR SUCCESS IN INVOLVING A BROAD ARRAY OF PARTNERS IN DEVELOPING THE CSP, REFLECTING ONE OF OUR BEST EXAMPLES OF REENGINEERING VALUES AND PROCESSES TO DATE. OTHER MISSIONS IN AFR AND THE AGENCY ARE TAKING NOTE OF YOUR SUCCESSFUL EXPERIENCES AND LESSONS LEARNED. WE ALSO VERY MUCH APPRECIATE THE EXPERTISE, ENERGY, DEDICATION, PERSEVERANCE, AND MOST OF ALL "GOOD HUMOR" THAT MISSION STAFF BROUGHT TO THIS REVIEW; WE COULDN'T HAVE MADE IT THROUGH WITHOUT YOU! YOUR SEATS AT THE TABLE ENABLED USAID/W STAFF TO UNDERSTAND AND APPRECIATE THE SOUTH AFRICA PROGRAM AND, IN THE END, REMAIN COMMITTED TO HELPING YOU ACHIEVE RESULTS. WE WISH YOU WELL AS YOU FINALIZE THE STRATEGY AND CONTINUE IMPLEMENTING THIS PRIORITY PROGRAM.

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AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Office of
Director General

9-000-96-001-S
September 27, 1996

INFORMATION MEMORANDUM FOR THE ADMINISTRATOR

THRU: IG, Jeffrey Rush, Jr.

FROM: AIG/A, Everette B. Orr *Everette B. Orr*

SUBJECT: Interim Report on USAID's Implementation of the Government
Performance and Results Act of 1993

This report focuses on USAID's implementation of the Government Performance and Results Act of 1993 (GPRA) primarily as to whether USAID met its requirements as a "pilot" agency. We will also report on the status of the Agency's strategic plan and other related topics.

The Office of Management and Budget accepted USAID as a pilot agency for its sustainable development activities¹ and required the Agency to follow the Act's provisions. The provisions require USAID to have an Agency-wide strategic plan, annual performance plan, and an annual performance report covering pilot activities. In effect, while the GPRA requires such plans and reports for most Departments and Agencies at various times from September 1997 through March 2000, the Agency as a "pilot" was required to have these plans and reports prepared by fiscal year 1996. Although USAID progressed in developing its strategic plan, it did not have a finalized strategic plan by September 1996 as required. In addition, USAID did not prepare an annual performance plan based on the strategic plan, and the annual performance report which was prepared did not contain all the necessary information and comparisons.

¹ In 1995, USAID provided assistance in 106 countries: 39 sustainable development programs, 33 programs facilitating transition from political and other crises, 17 other programs addressing more limited goals, and 17 programs to be closed.

We have included several recommendations at the end of this report. As an interim report, these recommendations will not be included in the Consolidated Audit Tracking System. Nevertheless, please notify us within 30 days of any corrective actions you intend to take.

Background

Congress' determination to make agencies accountable for their performance lay at the heart of three landmark reforms of the 1990s: the Chief Financial Officers Act of 1990 (CFO), the Government Management Reform Act of 1994 (GMRA) and the Government Performance and Results Act of 1993. With these three laws, Congress imposed on federal agencies a new and more businesslike framework for management and accountability. The CFO requires performance measures as part of the consolidated financial statements for certain agencies. The GMRA extended this requirement to all agencies, including USAID, beginning with fiscal year 1996. The GPRA requires that Federal agencies implement effective management systems for measuring program performance by developing program strategies, monitoring progress on those strategies, and reporting on that progress² as set forth in the budget of the agency. USAID's Automated Directives System (ADS), which superseded USAID's Directive on Setting and Monitoring Program Strategy, requires that such strategies will be prepared at both the Agency and operating unit³ levels (as noted in the USAID's budget, the Congressional Presentation).

USAID as a "Pilot" Agency

While full government-wide GPRA implementation is not required until March 2000, the Act provided for pilot projects in designated agencies for fiscal years 1994, 1995, and 1996. The GPRA requires that these designated agencies prepare program performance plans and reports in accordance with the Act. Furthermore, it requires that a strategic plan be used when preparing the agency performance plan during one or more years of the pilot period.

² The Government Performance and Results Act of 1993 requires that Federal agencies develop strategic plans by September 30, 1997, prepare annual plans setting performance goals beginning with fiscal year 1999, and report annually on actual performance compared to goals by March 2000.

³ USAID's Automated Directives System Chapter 201, Managing for Results, defines an operating unit as "USAID field mission or USAIDW office or higher level organizational unit which expends program funds to achieve a strategic objective, strategic support objective, or special objective, and which has a clearly defined set of responsibilities focussed on the development and execution of a strategic plan."

In October 1993, the Office of Management and Budget (OMB) issued a memorandum⁴ urging agencies to consider nominating at least one pilot project. According to USAID officials, OMB subsequently requested that USAID submit a proposal⁵ for a "performance measurement and reporting" pilot since OMB did not have any foreign affairs agencies within its scope. USAID then submitted a proposal which stated that the Agency would:

- expand Agency-wide strategic planning;
- better link performance measures to Agency-wide programming and management systems; and
- test broader management system reforms aimed at enhancing the Agency's ability to manage for results through pilots in a series of "experimental missions".

Subsequently, OMB sent a letter⁶ to the Agency stating that OMB had accepted USAID as a pilot agency and its sustainable development activities as the pilot project for fiscal years 1995 and 1996. In this letter, OMB pointed out that USAID is required by statute to prepare an annual performance plan and program performance report for this pilot project. Guidance and information on preparing a performance plan was elaborated in OMB Memorandum M-94-15 which was sent to the pilot agencies on March 3, 1994. This memorandum said that the contents of the plan are defined in the GPRA. Furthermore, the memorandum said that USAID and OMB should discuss the prospective scale and scope of the fiscal year 1995 performance plan prior to its submission.

The Agency did not prepare a strategic plan nor a performance plan for its sustainable development activities for fiscal years 1995 or 1996. The Agency did, however, have such plans for its operating units and submitted an illustrative set of performance plans for nine countries. In February 1996, USAID sent OMB a copy of its 1995 Annual Performance Report. Our review of the performance report disclosed that the report did not comply with the requirements of the GPRA in several respects. The report did not address performance over the period of one year. It discussed performance covering several years. The report offered no basis to compare actual against planned performance. The report provided mostly anecdotal evidence.

⁴ Memorandum M-94-2 dated October 8, 1993 from Leon Panetta, Director, Office of Management and Budget on the Government Performance and Results Act of 1993.

⁵ Memorandum from Terrence Brown, Director of Policy, USAID to Leon Panetta, OMB in March 1994.

⁶ Letter from Leon Panetta, Director, Office of Management and Budget to J. Brian Atwood, Administrator, Agency for International Development dated July 6, 1994.

USAID officials did not fully comply with "pilot agency" requirements in the Act because they believed that they were only required to accomplish what they proposed to do in their March 1994 letter to OMB. According to OMB officials, they accepted and approved USAID's proposal. OMB officials believed that the agencies were allowed to experiment and that the pilot was suppose to be a risk-free exercise. However, USAID still did not meet the full requirements of the Act and OMB stated that they did not waive the statutory requirements.

In June 1996, USAID reported to OMB⁷ its progress over the past two years as a GPRA performance measurement pilot as delineated in its proposal. USAID reported that it accomplished what it proposed. With respect to expanding Agency-wide strategic planning, USAID said it has approved strategic plans, with explicit objectives and indicators, for every operating unit, and has made annual "results reports and resource requests" (R4s) the focal point for program and budget decisions.

With respect to better linking performance measures to Agency-wide programming and management systems, USAID said it developed an Agency Strategic Framework that articulates Agency goals, objectives and indicators. The Agency noted that the fiscal year 1995 Annual Performance Report summarizes country by country results and links them explicitly to the Agency's larger goals and objectives. The Agency nevertheless said that more work is needed in developing indicators and getting more complete and explicit performance data.

Lastly, the Agency said it would test broader management system reforms. The Agency said that it has developed an extraordinary array of management reforms encompassing operations, procurement, budget, financial management, personnel, and other business areas. Also, the Agency said it had developed the policies, essential procedures, and corporate information systems needed to operationalize these reforms.

Our review of USAID's accomplishments as reported to OMB disclosed that, in general, the Agency's reported achievements were substantially accurate. However, in some cases, the Agency's reported progress was somewhat overstated. For example, the Agency indicated that every operating unit had an approved strategic plan with explicit performance objectives, intermediate results, indicators, and targets. Although we found that most operating units had these performance parameters in place, we noted that some units still needed to finalize or improve their strategic plans to accurately report on performance.

Also, the Agency stated that the fiscal year 1995 Annual Performance Report explicitly linked country by country results to the Agency's larger goals and objectives. However,

⁷ Letter from J. Brian Atwood, Administrator, U.S. Agency for International Development to Alice M. Rivlin, Director, Office of Management and Budget dated June 12, 1996.

OMB commented that the report did not quite meet GPRA requirements, in part, because it did not show the causal link between USAID's programs (outputs) and country results (outcomes). Finally, the Agency indicated that it had developed a corporate information system (New Management System) to operationalize the management reforms. However, the Agency is experiencing development, testing and implementation delays in bringing this system on-line and it is not yet operational.

Status of USAID's Strategic Plan

The GPRA requires federal agencies to have a strategic plan for program activities by September 30, 1997. Ahead of this deadline, OMB initiated a "Summer Review" in 1996 to review the agencies' strategic plans, and to assess how agencies were progressing in developing these plans. USAID submitted documentation outlining its progress to date on the preparation of the strategic plan. USAID said that while it has not yet completed a formal strategic plan explicitly geared to GPRA requirements, USAID had implemented systematic strategic planning at both the Agency and operational levels incorporating most of the elements the GPRA requires. USAID said that it expected to complete a draft Agency Strategic Plan by September 30, 1996.

More specifically, USAID had prepared:

- "Strategies for Sustainable Development" (1993) which described the broad goals of U.S. foreign assistance in the post cold-war era;
- "Implementation Guidelines" (1995) which articulated how these strategies should be reflected in operational programs; and
- "The Agency's Strategic Framework and Indicators 1995-1996" which is a graphic depiction of the Agency's goals, objectives, and program approaches.

OMB reviewed USAID's progress in developing its strategic plan. In general, OMB said that the plan should be useful to its staff and should be formatted to facilitate understanding. OMB also noted that GPRA is an evolving process and that "there is no expectation that you will be able to 'get it right' the first time, or even the fourth time." OMB stated that the strengths of USAID's work-to-date were:

- (a) Strong and clear articulation of programmatic goals. The Strategic Framework and Indicators document lays out the hierarchy of goals very well;
- (b) Progress in defining ways to categorize Agency operations;
- (c) Commitment of senior management; and
- (d) Good discussion of context in which USAID operates.

OMB identified four areas needing attention. The first one pertained to attribution. Most of USAID's "performance indicators" report country-level performance, rather than Agency-level performance. Although they may be useful management tools, country progress indicators are not sufficient to satisfy GPRA. Some of USAID's goals go beyond the Agency's span of influence. Therefore, USAID needs to tie Agency goals more directly to Agency operations. This is a difficult area, especially in international development. USAID must tackle this attribution issue and measure performance. Also, USAID's Annual Performance Report did not quite meet GPRA requirements. It was not clear if the results stated (which are at a high level of aggregation) actually resulted from USAID programs. In his June 1996 letter to OMB, the Administrator said that the report not only summarized country by country results, but also linked them explicitly to the Agency's larger goals and objectives. However, the incomplete link was between USAID's activities and the country results.

The second issue pertained to aggregation. OMB noted that USAID's system of "managing for results" separates the goals the missions are trying to achieve from the Agency-wide goals. It was not possible at this point to "add up" the results obtained in each mission to get Agency-wide progress toward goals. Similarly, it was not possible to aggregate the results obtained in each sector (e.g., environment) to report on progress toward Agency-wide goals. The Agency said it was working on this issue.

The third problem centered around the data collection and reporting. OMB noted that data collection and reporting may be too burdensome for field staff in light of recent staff reductions. OMB questioned whether USAID was creating a new source of work or just a symptom of "start-up costs" associated with getting a new system in place. OMB said that the information must be useful and should be obtained at a reasonable cost.

On the fourth issue, OMB noted that the scope of goals and indicators were limited to program areas. USAID's goals and performance indicators related only to programs, but omitted other vital functions and operations of the Agency that materially influence results. For example, USAID could provide goals and indicators for internal management initiatives and cross-cutting issues such as installation of the new management information systems, progress in implementing the CFO Act and GPRA requirements, and establishment of country graduation criteria.

In addition, USAID's Center for Development Information and Evaluation (an office under PPC) hired a technical assistance contractor to assist the Agency in meeting GPRA requirements. He reported to USAID officials several issues which the Agency needed to address. With respect to the Agency's strategic plan, the contractor's report (August 1996) noted that while two key documents⁸ provided a significant part of the plan, the Agency still needed to revise and update the "Strategies for Sustainable Development"

⁸ "Strategies for Sustainable Development" issued in March 1994 and "The Agency's Strategic Framework and Indicators 1995-1996".

and USAID's mission statement. The contractor also mentioned that the Agency should address its general goals (e.g., environment, etc.) and objectives to make them more measurable, as well as several other issues in order to comply with GPRA.

According to USAID officials, they will address these issues by incorporating and reflecting these comments in the draft strategic plan. With respect to the attribution issue, they expect OMB to approve their performance indicators based on the sound logic and quality of the strategies. Evaluations would then substantiate this logic.

With respect to the aggregation issue, USAID officials expect to be able to "roll up" some indicators (e.g., population activities), and use some other mechanism for other activities (e.g., democracy). On the data collection and reporting issue, they intend to simplify the process which is basically the result reporting and resource request (R4) process. USAID officials believe that strategic plans for operations apart from the program activities are not required by GPRA. OMB officials, however, said that eventually all major operations and functions should have strategic plans. In conclusion, USAID has made progress in preparing a strategic plan to be ready by September 1997.

Operating Units (Missions and Washington-based Offices)

Accurate reporting and decision-making at the Agency-level require that reporting at the operating unit level be accurate, complete, and relevant. The Agency requires operating units to have strategic plans and performance monitoring systems⁹ in place to report on performance. To determine what progress operating units have made in establishing performance monitoring systems and in reporting results, we analyzed the 16 OIG audit reports from October 1, 1995 through September 4, 1996 which related to those topics (See Attachment 1 for summary of analysis). These audits revealed that operating units made significant progress in establishing performance monitoring systems to report results. Nevertheless, some units needed to (1) establish objectively verifiable indicators that measure the impacts of the activities, and (2) establish well defined and accurate baselines and targets for the performance indicators.

Seven of the 16 audits were part of an Agency-wide audit of population activities. These audits disclosed that, in general, the operating units established sound performance monitoring systems and made progress in achieving both the mission-level strategic

⁹ A performance monitoring system is an organized approach to systematically monitoring the performance of a program towards its objectives over time. The performance monitoring system at USAID consists of: performance indicators, performance baselines and performance targets for all strategic objectives, and intermediate results presented in a results framework; means for tracking critical assumptions; performance monitoring plans to assist in managing the data collection process; and the regular collection of actual results.

objective and project output targets. Although the reported data could generally be relied on, some improvement was needed to accurately report on progress and impact.

Managing the Implementation Process

Up to now, various offices and individuals within USAID's Bureau for Policy and Program Coordination (PPC) and the Bureau for Management (M) have worked on implementing different aspects of GPRA. For example, the Center for Development Information and Evaluation Division of PPC developed the Agency's strategic framework and is currently working on the Agency's strategic plan. The M Bureau has been instrumental in the reengineering and managing for reforms processes.

However, the Agency has not designated one office within the Agency to oversee the overall implementation of GPRA to ensure that the Agency complies with all requirements. Such an office may have been instrumental in clarifying the confusion as to whether USAID's pilot activities were to be consistent with the Act or those proposed by the Agency.

In addition, USAID did not have a detailed work plan which identified the specific tasks to be completed under the Act, the offices/individuals responsible for completing each of the tasks, and the timeframes for completing the tasks. As a result, in one instance, with respect to the reporting to OMB as a pilot project, PPC thought that the M Bureau would provide a status report to OMB. At the same time, the M Bureau thought that PPC would do it. In the end, PPC prepared the report.

Conclusions

1. Although USAID substantially accomplished what it proposed as a "pilot" agency, it did not meet all of the requirements under the Act.
2. In some cases, the Agency's reported progress was somewhat overstated. For example, the Agency stated that the fiscal year 1995 Annual Performance Report explicitly linked country by country results to the Agency's larger goals and objectives. However, OMB commented that the report did not quite meet GPRA requirements, in part, because it did not show the causal link between USAID's programs (outputs) and country results (outcomes). In another example, the Agency indicated that it had developed a corporate information system (New Management System) to operationalize the management reforms. However, the Agency is experiencing development, testing and implementation delays in bringing this system on-line and it is not yet operational.
3. The Administrator has not delegated specific management responsibility to oversee the implementation of GPRA or the performance measures required under the GMRA. Nevertheless, the Agency has made progress in developing a strategic plan.

4. Operating units made significant progress in establishing performance monitoring systems to report results. However, some operating units needed to (1) establish objectively verifiable indicators that measure the impacts of the activities, and (2) establish well defined and accurate baselines and targets for the performance indicators.

Recommendations

1. We recommend that the Administrator delegate in writing specific office and management responsibilities for the implementation of the Act. The delegated office should develop a detailed work plan that identifies the specific tasks to be accomplished to meet the requirements under GPRA and the performance measures under the GMRA. This work plan should also specify the office(s)/individual(s) responsible to complete each task and the timeframes.

We recommend that USAID ensure that it addresses the four issues raised in OMB's response to the Agency's strategic plan outline:

- (a) Attribution - USAID needs to better link reported results with the Agency's activities;
- (b) Aggregation - USAID needs to accumulate individual operating unit results to report Agency-wide progress towards its goals;
- (c) Data Collection and Reporting - USAID needs to review its data collection and reporting systems to ensure that the data is useful and can be obtained at a reasonable cost; and
- (d) Goals and Indicators Limited to Program Areas - USAID needs to also establish goals and indicators for its vital functions and operations.

Attachment: Analysis of Audit Reports

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ANALYSIS OF AUDIT REPORTS

- Purpose:** To analyze audit reports for the purpose of determining what audit work has been performed with respect to performance measures, reporting, etc.
- Source:** All OIG audit reports from 10/1/95 through 9/4/96.
- Conclusion:** There were 16 reports that covered performance measure, reporting, etc. (including 3 draft reports).

Strategic Initiative	# of Reports
Population	7
Environment	1
Economic Growth	3
Democracy	0
Humanitarian Response	1
Cross-Cutting (two or more areas)	4
Total	16

	Audit Result	Number of Audits
A	Progress was made in achieving the intended results (mainly population activities audits)	11
B	Performance measurement system was basically sound (population audits)	6
C	Performance measurement system was not finalized or needed improvement (e.g., problems with indicators, targets, etc.)	9
D	Activities not in the system to monitor/measure results	1
E	Data can generally be relied upon (population activities audits)	5
F	Accuracy/reporting of data needs some improvement (mostly population audits)	5
G	Contractors, grantees or sub-recipients' workplans, information systems, and progress reports do not contain needed information on indicators and impact	2

- 1) **Audit of the Eurasia Foundation Project (#8-110-96-003, dated 12/8/95)(Economic Growth)**
 - a) The Bureau for Europe and the New Independent States of the former Soviet Union (ENI) has generally ensured that activities funded by the Eurasia Foundation have contributed to achieving the project's objectives. Twenty-four of 31 subgrants would achieve their goals. Three had some problems while four would not achieve their goals. *A*
 - b) Foundation activities were not included in the ENI's Monitoring and Reporting System in order to identify and track targets and indicators. *D*
- 2) **Audit of the Private Voluntary Organization Humanitarian/Development Initiatives Project (#8-180-96-002, dated 12/4/95)(Cross-Cutting)**

- a) Considerable progress has been made in meeting the project's purpose. *A*
- 3) **Audit of USAID/Egypt's Monitoring of Small Projects (#6-263-96-002, dated 11/27/95)(Economic Growth)**
- a) The audit noted problems related to three projects' output and/or purpose-level indicators. One project lacked baseline data. One project did not have a target defined in precise and objectively verifiable terms for one indicator. One project did not have objectively verifiable targets. *C*
- 4) **Audit of USAID/Zimbabwe's Natural Resources Management Project (#3-613-96-001, dated 11/13/95)(Environment)**
- a) The Mission adopted quantifiable indicators, but did not have the documentation to fully support the baseline and actual results data for two indicators. *C*
- 5) **Audit of USAID/Egypt-Financed Population Activities (#6-263-96-005, dated 12/26/95)(Population)**
- a) USAID/Egypt established a performance measurement system and it is generally sound. *B*
- b) USAID/Egypt has made satisfactory progress toward achieving its strategic objective and related program outcome targets as well as the output targets. For the items tested, the information was accurate. *A,E*
- c) The usefulness and accuracy of reported information on some outputs could be improved. *F*
- 6) **Audit of USAID/Ghana's Population Activities (#7-641-96-002, dated 2/12/96)(Population)**
- a) USAID/Ghana exceeded its strategic objective for population. It also exceeded the planned targets for the performance indicators. *A*

- b) The strategic objectives, program outcomes, performance indicators, and baseline data were adequate. *B,E*
 - c) USAID/Ghana has progressed toward output targets. However, it needs to reassess/revise its planned interim targets. *A,C*
 - d) USAID/Ghana can improve the verification of the figures it reports. *F*
- 7) **Audit of USAID/Bangladesh's Population Activities (#5-388-96-001, dated 11/17/95)(Population)**
- a) USAID/Bangladesh has made good progress toward achieving its strategic objectives. The system complied with requirements. *A,B*
 - b) USAID/Bangladesh also progressed towards output targets. The accuracy of the data was also verified. *A,E*
- 8) **Audit of USAID/Madagascar's Population Activities (#3-687-96-005, dated 3/22/96)(Population)**
- a) The Mission has progressed towards its strategic objective and the key elements were adequate. *A,B*
 - b) The Mission has progressed towards output targets. *A*
- 9) **Audit of USAID/Kenya's Population Activities (#3-615-96-006, dated 5/31/96)(Population)**
- a) The Mission has made significant progress toward achieving its strategic objective and the key elements of the performance measurement system were adequate. *A,B,E*
 - b) The Mission has made excellent progress towards output targets. *A*
 - c) The Mission did not always establish interim targets or benchmarks. The Mission did not establish baseline data. *C*
- 10) **Audit of the Bureau for Global Programs, Field Support and Research's Population Activities (DRAFT)(Population)**

- a) It was too early to determine whether the Global Bureau had progressed towards its strategic objective. The key components met the requirements. The program outcomes were defined and the performance indicators, targets and baselines were adequate. *B,E*
 - b) The Bureau progressed towards its output targets. The Bureau's reported data was accurate. *A,E*
 - c) The Bureau should establish output targets. *C*
 - d) Reporting on certain projects can be improved. *F*
- 11) **Audit of USAID/Dominican Republic's Population Activities (DRAFT) (Population)**
- a) Mission made significant progress towards achieving its strategic objectives and, in some cases, exceeded those targets. *A*
 - b) Mission needs to strengthen its reporting system and better define its output targets. *C,F*
- 12) **Audit of the NIS Housing Sector Reform Project in Ukraine and Kazakstan (#8-115-96-005, dated 3/22/96)(Economic Growth)**
- a) Performance monitoring system was not yet fully implemented. *C*
 - b) Contractor's annual workplans were not clearly associated with the Bureau's program objectives. *G*
- 3) **Audit of USAID/Niger Cash Transfers (#7-683-96-005, dated 5/31/96)(Cross-Cutting)**
- a) The Mission established quantifiable indicators but there were problems with measuring results. *C*
- 4) **Audit of the Bureau for Europe and New Independent States' Humanitarian Health Assistance Activity in Ukraine Under Cooperative Agreement with the Program for Appropriate Technology in Health (PATH) (#8-121-96-009, dated 7/29/96) (Humanitarian)**

- a) The Bureau and USAID/Kiev ensured that the grantee's activities accomplished the objectives envisioned in the cooperative agreement. *A*
- 15) **Audit of USAID/Peru's Management of Non-Emergency Title II Food Aid Programs (DRAFT)(Cross-Cutting)**
- a) The Mission had not finalized its strategic framework and the framework it was following had certain problems. For example, the Mission lacked a documented analysis to support the plausibility of accomplishing higher level targets based on achieving lower level targets, the intermediate result indicators were more process- than impact-oriented, and the baselines and targets were not well supported. *C*
- b) The cooperating sponsors needed to improve their management information systems to accurately report information on food program beneficiary levels and project and program impacts. *G*
- 16) **Audit of USAID/Egypt's Energy Conservation and Environment Project (#6-263-96-010, dated 8/15/96) (Cross-Cutting)**
- a) The Project is making satisfactory progress toward achieving intended benefits, except that better monitoring and management of the gas analyzer program could yield significantly more energy savings and emission reductions than have been achieved to present. *A*
- b) USAID/Egypt did not report accurate information on the Project's progress: specifically, energy savings data underlying reported reductions in pollution were overstated by 30 percent. *F*