

SEGA / MESP QUARTERLY REPORT JANUARY TO MARCH 2004

SEGA/MESP activities to support South Africa's ability to design, implement and evaluate sound economic policies continued actively in the first quarter of the 2004 calendar year. As of the end of the March, the project has expended approximately \$24.7 million, of a total contract of \$28.7 million.

Highlights for the past six months include the development of a new campus for the South African Department of Trade and Industry as a public private partnership (PPP), which was honoured as Euromoney magazine's African PPP of the year, and the graduation of 35 Parliamentarians from an advanced degree course in economic policy. The continuing work with the South African Micro Finance Regulatory Council to expand credit availability to South Africans and reform the regulatory environment in microfinance and banking also continues to show excellent results. These activities for the first quarter of the year are described below. Activities for the last quarter of the year are discussed in the previous SEGA/MESP quarterly report.

HIGHLIGHT: DEVELOPMENT OF THE DEPARTMENT OF TRADE AND INDUSTRY'S NEW CAMPUS AS A PUBLIC PRIVATE PARTNERSHIP

In an urban renewal project that rivals the restoration of New York City's Times Square, USAID has created a model for public private partnerships (PPPs) in the construction of the South African Department of Trade and Industry's (DTI) new home. The new DTI campus, located on a nearly five hectare site in Sunnyside at the center of the City of Tshwane (Pretoria), will house 2,200 public servants and will also include several retail establishments and public spaces. The campus is already serving as an engine for economic growth and urban renewal in an area of the city had previously been deteriorating rapidly. The Minister and other senior personnel will move into the state of the art buildings by the celebration of the 10th anniversary of the first democratic election in South Africa on 27th April 2004.

Nathan Associates began this activity in early 2002 by hiring Peter Aborn, a Wharton Business school-educated former Philadelphia city planner and civic activist, to work with the DTI and the National Treasury on PPP development. However, his dynamic, entrepreneurial spirit quickly transformed the activity from technical assistance to a (literally) concrete demonstration of how

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to apply the principles of innovation, inclusion, and partnership to urban planning and development.

Aborn became the “project champion” for the DTI’s new campus project, which is the nation’s first new national government office building complex designed and built as a PPP under the Public Finance Management Act. DTI demonstrated a high level of ownership over the project by establishing a PPP management unit. From the very beginning, Aborn implemented this vision with an eye towards local economic revitalization and black empowerment, both of which are key policies for DTI. Aborn helped DTI assure that these policy concerns were integrated holistically and operationalized seamlessly to generate precinct-wide leverage outcomes in both primary and secondary economic impact zones.

The preferred bidder, Rainbow Construction, which is a black empowerment firm, was able to reach financial close in a record 29 weeks from appointment, following termination of the initial preferred bidder. Equally impressive, the project will have progressed from advert for a Transaction Advisor to actual move-in in only 39 months. Without a project champion like Peter Aborn, and strong commitment at the highest levels in government, significant challenges, would have delayed or derailed the entire initiative. One of the difficulties faced by the project was a negotiated environmental clean up of the site, which had been contaminated by the leaking reservoirs of the fuel station formerly situated there.

Thanks to Aborn’s able management of stakeholder interests, the DTI campus project has been transformed from an early works project carried forward at public sector risk to a simple works in progress project by the concessionaire at private sector risk. The project has illustrated a new way of doing business for the public service through partnership and customer-focus.

Spatially, the new DTI campus is enormous, covering over 50,000 square meters of office development in seven new buildings, on top of a full site super basement of 40,000 square meters. What is truly remarkable is that Aborn, DTI and the private sector partners chose to locate the project in the historic Sunnyside and Esselen Street business corridor section, a depressed precinct with pawnbroker shops and adult video stores. Through Aborn’s facilitation of extensive stakeholder consultation, a partnership was brokered between the local and national governments so that three neighboring buildings could be acquired, renovated and included in the project.

In total, over R500 million (approximately \$80 million) will have been spent on capital works during the project’s 15 months of fast track construction. The annual unitary payment over 25 years, including every aspect of outsourced campus retail service provision, will exceed R100 million (\$16 million) per year. The spin-off effects continue to accrue; including the creation of the ring fenced Nelson Mandela Revitalization Corridor. Within the extended boundaries of the corridor, hundreds of millions in private redevelopment money has already poured in, as three privately funded development projects have sprung up directly across the street from the campus.

The real significance of this project cannot be measure in mere bricks and mortar. Rather, the project’s real impact lies in its potential to completely transform the South African public service from a stove-piped, risk averse, compliance and activity based to one based on partnership, risk-taking, and shared accountability. Already, two major national institutions have adopted this same “new way of working” model for service delivery, using the same low- rise campus

approach. These two agencies will build almost 100,000 square meters of newly developed office space with an infusion of private sector cost-sharing and capex investment in the City of Tshwane, valued at approximately R1 billion (\$160 million).

USAID not only sponsored the development of this new and robust PPP policy, including institutional strengthening of the PPP Unit in the National Treasury (through the appointment of a long-term advisor and other support to Treasury through another contractor), but also played an instrumental role in the first major (and successful) pilot project. The DTI campus project logically completes the policy development circle, which USAID began tracing with its support for technical transfer of a well researched but relatively (in South Africa) untested policy (PPP). Continued support enabled both the City of Tshwane and the South African national government to proceed through implementation of a flagship pilot project. Aborn and Nathan Associates assured that the lessons learned and best practices from this experience were captured and used to refine the policy development process, specifically the imminent promulgation of PPP Standardized Guidance documents that will make all future PPP's much easier to design, quicker get to market, and more efficient to operate. As a result of the experience with the DTI campus, new guidelines on black economic empowerment for PPPs were launched which provide a much greater role for empowerment firms in PPPs than in normal government procurement, and each new PPP must now have a "project champion" like Aborn to facilitate the projects.

The project's success was highlighted recently by being named Euromoney's Project Finance magazine's African PPP of the year. Finally, the real indication of this USAID activity's sustainability is that the City of Tshwane has asked for permission to hire Aborn as its own senior advisor so that he can devote his full attention to assuring the full realization of all of the planned project outcomes and intended socio-economic impacts for which the new DTI campus will serve as the primary driver.

HIGHLIGHT: GRADUATION OF PARLIAMENTARIANS WITH ADVANCED DIPLOMAS IN ECONOMIC POLICY

Thirty-five South African Parliamentarians graduated from the University of the Western Cape in March 2004 with Advanced Diplomas in Economic Policy. The Minister of Finance, Trevor Manuel, spoke at the graduation. The programme was developed by Nathan Associates with the local groups EPRI (Economic Policy Research Institute) and FADTRU (Finance and Development Trade and Research Unit of the University of the Western Cape -- UWC).

Many of the Parliamentarians were on the streets or in exile during the 80s when "Liberation before Education" made regular schooling impossible during the last years of apartheid. They were committed to the struggle and street-smart but lacked formal tertiary education. A training activity began in 1999 for Parliamentarians, primarily from budget-related committees, on budgeting and macroeconomic policy. To satisfy this motivated group's quest for more education, the programme grew into a more formal training programme. USAID and Nathan Associates worked first with the University of South Africa (UNISA) to provide assistance for the Parliamentarians to achieve a certificate from UNISA, and then later worked with UWC to develop a new type of bachelor's program for professionals who could not attend regular classes. UWC now offers this program for all: a first in SA. Those students who score more than 60% are eligible for entry into UWC's Honours degree programme in Economics.

There are another 4 parliamentarians finishing their masters in public policy at Stellenbosch University (funded by another contractor), and a further 20 are enrolled in the certificate course. There are a total of 490 Parliamentarians in the two houses of Parliament, so this means that USAID will have trained more than 12% of all South African Parliamentarians. When Parliament decided it was necessary to set up a Joint Budget Committee, the ANC, the ruling party, said that only parliamentarians who were in the USAID course could be on the committee. The chair of the committee is one of the organizers of the USAID course and now a graduate. Senior government officials have commented how lively Parliamentary committee meetings now are and that they attribute the challenging interrogation by Parliament to the USAID training programme.

With national elections on 14 April we know that some of the people USAID has trained will be leaving Parliament. At present two have been appointed as Ambassadors (to Germany and Sweden), and many are moving into senior positions in the provinces and metro council and some into national executive positions. Similar training activities with the new Parliament are being developed and will be co-funded by Parliament. The demand for the programme from potential new Parliamentarians is already huge.

MANDELA ECONOMIC SCHOLARS PROGRAM (MESP)

The launch of the Mandela Economics Scholars Alumni Association (MESAA) has been described in earlier quarterly reports. On 1 April 2004, the U.S. Ambassador to South Africa, Cameron Hume, hosted the scholars at a reception at his residence. About 25 of the scholars who were based in Gauteng attended, as did USAID's Deputy Administrator.

Ten of the original US-based MESP scholars remain in the United States to complete graduate degrees. Three students are expected to return to South Africa in May 2004 (Parker and Munyama with PhDs and Sikhweni with two Masters degrees). Three of the US-based scholars are rewriting their comprehensive exams.

A number of the returned original MESP scholars have changed positions in government, but we are not aware of any of them leaving government service. Lilian Meyer has moved to the Department of Transportation, Francis Moloï and Phumla Ndaba have moved to the Department of Foreign Affairs (Francis as a Chief Director for Asian affairs), Moses Rangata has moved to the Department of Provincial and Local Government, and Bonakele Hlongwane has moved to the Department of Trade and Industry.

The three universities participating in the MESP-2 local bursary programme accepted a new batch of students in January 2004. The University of Cape Town (UCT) accepted 10 new students, meeting its target for the first time in three years. The students are all on the accelerated two year MCom from BCom degree and we are pleased that the gender distribution is better and that there are students in both the trade/regulatory specialty and in the labour markets degree. Stellenbosch accepted only 3 new students in the MESP programme after low enrollment, and the University of KwaZulu Natal has accepted 12 students.

The total number of MESP-2 students now matches the US-based programme (70 in each). Twelve of the MESP2 students have finished their degrees and almost all have found challenging employment in government, academia and the private sector. At least that many students are in the final stages of their dissertation revisions. Since many students were leaving the universities to take up employment before finishing their degrees, the programme has allowed for an extra semester of funding for students who stay on campus to finalize their research before taking up full-time employment.

Eleven students – some of them previous and current MESP bursary holders were funded as a part of UCT's MESP programme to attend a course on economy-wide modeling in Johannesburg (cohosted by UCT and TIPS) in late March. Although funded by the MESP budget, the programme support was endorsed by National Treasury, who funded some of their own staff to attend and had requested SEGA/MESP assistance with building a network of econometric modelers in the field of computable general equilibrium modeling.

SUPPORT TO GOVERNMENT ACTIVITIES (SEGA)

RESEARCH ON THE ECONOMIC IMPACT OF HIV AND AIDS

Papers from the second round of research on the economic impact of HIV and AIDS were finalized this quarter. Most of these were presented at a workshop in Pretoria in November 2003 and are available on the website: www.jeapp.org.za. The workshop was so successful that the Department of Social Development (DSD), together with the Joint Economics, AIDS and Poverty Programme (JEAPP) hosted a similar workshop in late March specifically targeted at DSD employees and other stakeholders. Approximately 90 people attended the workshop.

Contractual arrangements for the third round of HIV/AIDS economic impact studies were completed this quarter. Activities funded by other donors (AusAID, DFID and the UNDP) will be contracted for and managed by JEAPP. The studies to be funded directly by the SEGA/MESP Project include:

- a continuation of the University of the Orange Free State's household income study, which is now in its third year of data collection and is yielding important information on the coping mechanisms and income dynamics of affected households
- an examination HIV and AIDS's impact on health service personnel in two Gauteng hospitals (Helen Joesph and Coronation), and
- a cost effectiveness analysis of the Department of Social Development's (DSD) home and community based care systems (HCBC).

As noted in earlier reports, this research round sought to shift from supply- to demand-led research – policy makers were involved at every stage from topic selection for the call papers to refining methodology. Increased government linkages caused logistical burdens, but more beneficial research. The HCBC study, for example, took a month of focus groups to establish what indicators DSD wanted to use to evaluate its HCBC models. The result of the focus groups, however, was a study that will directly facilitate DSD policy decisions and, consequently, led to a more efficient allocation of DSD's finite palliative care resources.

The National Treasury's modeling of the macroeconomic impact of ARV rollout has been finalized, but not yet released publicly. SEGA/MESP funded some of the data for the project, and the technical assistance of Ben Smit, a well-known expert in the field from the University of Stellenbosch. Although the entire report has not been released to the public, it has been discussed at Parliamentary hearings and in the press. The results show a long-term financial benefit of the ARV treatment that exceeds the costs of the expanded rollout.

TECHNICAL ASSISTANCE FOR GOVERNMENT

Numerous activities for government progressed over the quarter. These are arranged by the primary government partner.

The Department of Trade and Industry (the dti)

Credit Law Reform and Other Work with the Micro Finance Regulatory Council

The 'Credit Law Review' is making excellent progress. The report of the task team, together with an introduction setting the scene for the credit law review was posted on the DTI website in February. This open dissemination of the research and recommendations has made the consultation process open and transparent in a way that often does not happen for such far-reaching policy initiatives. The process has been named a flagship progress. Key team members have briefed stakeholders such as the National Treasury, Banking Council and NEDLAC. New legislation is being drafted that may radically improve lower income individuals' access to finance under market-let conditions. SEGA/MESP support for Ms. Bridget Morony, a consultant at the dti who has consolidated the credit law research and is assisting with the process of stakeholder consultation, ended in March and she will be employed by the dti to continue with this important work.

The SEGA/MESP project is supporting the research for a government task team on "Competition in the Banking Sector". Two American experts (Dr. Robert Litan of the Brookings Institution and Nathan Associates' Dr. Tom Timberg) provided desk-top review of the task team draft report. Two British experts (Dr. David Llewellyn and Victoria Chick) provided more detailed analysis of the report, attended the task team workshop in South Africa and met with a range of stakeholders. USAID's economist, the team leader for employment and economic growth SO, and SEGA/MESP Chief of Party attended the lively workshop of the task team at the end of March. The content of the report and the task team's recommendations are still confidential, but the analysis has been thorough and the final report will certainly motivate some changes in the industry.

Other work with the Micro Finance Regulatory Council is progressing well. Investigations on the lending practices of registered and unregistered lenders continue and have yielded more than 20 admission of guilt fines and can be partially credited for an expansion in the number of registered lender this year. Preliminary results from the Township Residential Property Markets study were presented in Johannesburg this quarter. The study's hypothesis is that markets in townships are inefficient and result in capital being 'locked in'. Preliminary results point to cultural reasons for some of the inefficiencies, and the economic and legal motivations are now being explored. SEGA/MESP is providing some support for this study, which is being cofunded by FinMark Trust, the Ford Foundation and the National Treasury.

South African Institute for International Affairs (SAIIA)

SAIIA's Development through Trade project, cofunded by USAID's SEGA/MESP project and DFID, has now matured and has an excellent reputation for timely, thorough analysis of trade issues affecting South Africa. Although not directly funded by the SEGA/MESP project, SAIIA launched four reports on US-SACU trade in a well-attended public workshop in February. These are:

1. Mexico in NAFTA: 10 years on
2. Brazil's strategy for the Free Trade Area of the Americas
3. AGOA and agriculture: A case-study of South Africa
4. US Trade Strategy Post-Cancun: Prospects for the SACU-US FTA

The project continues to publish op-ed articles on trade issues, and is beginning research on issues involved in South Africa's potential trade negotiations with India and China.

National Labour and Economic Development Institute (NALEDI)

The research and capacity building project with NALEDI ended this quarter. The Sector Jobs Summits process has not moved forward as quickly as anticipated, but the unions' ability to back up their proposals with sound research has improved significantly. NALEDI has produced 29 Research reports in the different sectors. In addition to the research papers we have published a pamphlet and resource book for the food sectors, demands booklets for the Engineering and Chemical Sectors and a booklet on the ICT Sector Summit. One of the project aims was to develop the capacity of young researchers in the union; this has had varying degrees of success. Jeffrey Ndumo has been employed by NUMSA as their National Senior Researcher, Glenda Moss and Eric Watkinson were both poached - Glenda went to the department of Education and Eric to the Human Rights Commission. Of the two newest researchers Persy Sithole and Mzwakhe Mbatha, Persy is showing great promise.

Department of Land Affairs

This quarter, the Department of Land Affairs (DLA) Tenure Implementation and System Design Directorate is finalizing an alternative dispute resolution (ADR) mechanism and formulating an implementation plan for the Communal Land Rights Act (CLA). The SEGA/MESP program funded system design research for the ADR mechanism in three provinces. The results of that research were presented to the ADR design team and steering committee in early April. The research yielded interesting insights into labor relations in rural areas; and should substantially assist the design process.

Due to controversy surrounding the CLA, DLA has requested no assistance with drafting an implementation plan. The SEGA/MESP program offered to assist with the cost analysis of the legislation, but DLA has decided to move forward without our assistance.

In March, the SEGA/MESP program started negotiations to co-fund a study that would quantify the number of South African farm evictions and establish a permanent eviction monitoring method. The study is a multi donor project managed by Nkuzi Development and Social Surveys. The SEGA/MESP contribution would be on the behalf of DLA; thus, drawing DLA into the process.

The publication of the book on land reform issues discussed in previous quarterly reports has been delayed, primarily because the DLA co-editors have been busy with the new legislation. It is now anticipated by the end of the second quarter of the calendar year. The two consultants

hired by SEGA/MESP to assist DLA have now been hired in full time positions at the department.

Also under the topic of land reform, the LIMA project to create a rural land rental market in KwaZulu-Natal has continued. The project aims to bring together people who want to farm, but have no access to land, and people who have land but don't want to farm it. LIMA held a steering committee meeting in March 2004, during which progress with their USAID-funded project was appraised. The conclusion was that LIMA's intervention has had considerable success.

- Both equity and efficiency gains are being experienced: the emerging market is shifting land to land-poor people, and income to income-poor people. Widows, in particular, are benefiting from the income (or shares of crops) that they receive from renting out land (they do not have cash with which to farm it themselves), while emerging farmers are using the land and investing more in agriculture. There is some evidence that the market is providing a safety net for families impacted by HIV/AIDS. The market is maturing and becoming more sophisticated, more idle land is being brought into production, and crop yields are increasing.
- LIMA is succeeding in institutionalizing the project, which is very important for sustainability as USAID funding for the project, and therefore also LIMA's participation in it, will end in June 2004. Tribal authorities' early skepticism regarding the project has diminished substantially, and (mainly provincial) government support has grown significantly. The five-year period during which LIMA received USAID support allowed the necessary preparatory work to be undertaken in order to allow the state – mainly through agricultural extension officers – and other NGOs to continue to expand the land rental market.
- An interesting result, with ramifications beyond this project, is that LIMA was able to solve the problems caused by stray livestock in rural areas by establishing committees as an effective alternative to providing (expensive) fencing. Controlling livestock helps to expand the land rental market by reducing the risk associated with planting crops. The penalties imposed by the committees, and enforced by customary courts, proved to be high enough to create the incentives necessary to get both large and small stockowners to control livestock, the later by forming cooperatives.

All in all, therefore, the USAID-funded LIMA project can be considered to have successfully created a platform for continued growth of a land rental market in KwaZulu Natal.

Department of Social Development

An intensive two-week workshop was hosted by the Department of Social Development (DSD) in March 2003 to provide hands-on training in theory, software and analytical techniques for analyzing poverty and inequality. The training was conducted jointly by world-class international experts from Cornell University (Ravi Kanbur and Stephen Younger) and local experts from UCT's Development Policy Research Unit (DPRU). This focused training for implementers was highly successful and the participants walked away from the course with an in-depth knowledge of the advanced theories behind different poverty lines, inequality measures, and the dynamics of changes in poverty and inequality in South Africa. They also received the Stata software, a set of very useful sample programmes and data from various studies on the topic in South Africa. The combination of international and local experts was very beneficial and participants were pleased that they could now do some analysis in-house which they had

previously had to outsource. In addition, even if they lacked the time or expertise to do massive research projects within their own government departments, they felt they know had the knowledge to supervise local researchers and to ask the most relevant research questions. Although the training was initiated by the DSD, National Treasury and the HSRC also participated. The class size was limited to 20 in order to provide hands-on training, but the demand was much larger. The workshop was primarily funded by the DSD (through its SETA) and the USAID/Washington-based SAGA project (with Cornell University), with the SEGA/MESP project funding the participation of one of the key international participants.

While in Pretoria for the DSD training, Ravi Kanbur gave a lecture to senior government partners, hosted by the SEGA/MESP project, on a recent paper entitled “Inequality and Growth: Some Hard Questions”.

SEGA/MESP is providing support for the econometric analysis for the KwaZulu-Natal Income Dynamics Study (KIDS). KIDS is a longitudinal study of that is entering its third wave of collection (KIDS-2004) of economic and social data on households and communities in the KwaZulu-Natal province. The study will resample the original 1100 households from the 1993 Project for Statistics on Living Standards and Development (PSLSD) and the resample in 1998 that created the KIDS. Additionally, the KIDS-2004 will sample households formed out of the original households and will thus be able to address questions of intergenerational mobility. The new sample will also include specific questions targeted at assessing the impact of HIV/AIDS. The KIDS survey is primarily funded by DFID, but the team (Julian May of the University of KwaZulu Natal, Michael Carter of University of Wisconsin, and Anna van den Berg of the Department of Social Development) have requested our financial assistance to allow a researcher with significant statistical experience to participate in the analysis. Mr. Jorge Aguero, who is a research assistant with the University of Wisconsin, will provide technical assistance on survey design and panel data analysis techniques.

National Treasury

Ms. Marna Kearny from the National Treasury attended advanced economy-wide modeling course held at UCT in January 2004. National Treasury requested to send two staff members for a training programme on “Capital Markets: Development and Regulation” at the International Law Institute in Washington DC in April 2004. SEGA approved funding for one representative but the representative could not attend the training due to internal delays at the department.

Eleven students – some of them previous and current MESP bursary holders were funded as a part of UCT’s MESP programme to attend a course on economy-wide modeling in Johannesburg (cohosted by UCT and TIPS) in late March. Although funded by the MESP budget, the programme support was endorsed by National Treasury, who funded some of their own staff to attend and had requested SEGA/MESP assistance with building a network of econometric modelers in the field of computable general equilibrium modeling.

During January – March 2003, SEGA/MESP and USAID economists met with National Treasury on a new study of the incidence of spending and taxation in South Africa. The study should provide a thorough analysis of the impact of government expenditure and revenue collection patterns by income groups, with a comparison of the incidence in 1995 with those in 2000. On the expenditure side, the study will look at key areas that are of particular concern to

poorer households, such as education, health services, free basic services to determine to what extend government spending has reached those in most need.

Southern African Tax Institute (SATI)

During this quarter, SATI concentrated on marketing of the 2004 Winter Program in Taxation, scheduled to be presented in June and July. While fewer South Africans than expected have registered for the programme (28 individuals for 50 modules), a very positive response has been received from other African countries (74 individuals have registered for 150 modules). The SEGA/MESP project will provide partial tuition support for the South African students, who come from National Treasury, SARS, and the Department of Provincial and Local Government.

Intellectual Property and Technology Transfer Project

In January 2004, the US-based group the International Intellectual Property Institute (IIPI) finalized their report “South African University Technology Transfer: A Comparative Analysis”. The report provides background on the process by which innovations developed at South African institutions of higher learning and science councils are (or often are not) commercialized. The publication is being distributed and discussed by the local partner SARIMA and is available on the SARIMA website: www.sarima.org.za

The local group SARIMA have been described in previous quarterly reports. They were very active during this quarter. The SARIMA executive director facilitated a study tour of the US for a number of South African government officials engaged in technology transfer. The group visited innovation centers in Austin, Texas and the Research Triangle Park in North Carolina. They also attended the annual meeting of the US counterpart group the Association of University Technology Managers. (Note that the tour was not financially supported by SEGA/MESP, but rather with US Embassy and Department of Science and Technology co-funding).

Two research activities for SARIMA got underway this quarter: one that will model the impact of technology transfer on university revenue streams, and also address the macro impact of increased innovation through R&D expenditures. The other is a mapping of the many stakeholders in the research – innovation – commercialization process in South Africa and will enhance cooperation in the field. In addition, terms of reference were issued to prospective consultants on the third planned SARIMA project, the Institutional Research Information System (IRIS) Data Specification. For the fourth planned project, a short training course on research and innovation, a project implementation plan was finalized. All SARIMA activities are not being implemented.

Plans for SARIMA’s annual general meeting (described in last quarter’s report) in May are firming up. Also during this quarter, SARIMA co-hosted two workshops – one initial workshop on the modeling project and one workshop with Licensing Executives Society on the proposed IP legislation. The latter provided a venue lively debate among policymakers (keynote speaker: Dr. Adi Paterson of the Department of Science and Technology), business leaders, IP lawyers, and practitioners from universities.

Association of Public Accounts Committees (APAC)

APAC’s work is not funded by USAID’s democracy and governance team.

Accessing Employment Indicators

During this quarter, a report by the local consulting firm KNC on employment indicators was finalized. USAID's employment strategic objective aims to increase "market-led employment opportunities", but a "Data Quality Assessment" in mid 2003 indicated that the intermediate indicators on volume and value of sales, financing, etc. did not directly relate to the overall objective of job creation. The new research was intended to focus on monitoring and evaluation issues that are key to much of SEGA/MESP research (the impact of regulation and policy on increased job creation) and is applicable to other programmes that the South African government supports, such as dti's own programmes and microfinance activities. Using both South African and US definitions, and drawing on a vast international literature on measuring the impact of assistance on job creation, the report proposed a standard definition of an "employment opportunity" and recommended a method of collecting the necessary information from implementing partners.

SUPPORT TO A CENTER OF EXCELLENCE IN ECONOMICS TRAINING AND RESEARCH AT THE UNIVERSITY OF THE WESTERN CAPE

UWC's fadtru is described at length in previous reports. During 2003 and 2004, the SEGA/MESP project supported 10 bursaries for students in the Department of Economics at UWC. This quarter was a quieter one after the rush of exams and admissions. The research project on water is ongoing. This project will use advanced econometric techniques to estimate the demand for water in the Cape Metropolitan Area. Student researchers have been busy with data collection and have polled approximately 350 households. FADTRU finances are now run through the University, allowing the university to provide oversight and to integrate FADTRU activities with the Department of Economics. Only one FADTRU fellow remains – a senior fellow who is the retired chair of the department. During this quarter, FADTRU signed an agreement with the group SAMDI to provide economic literacy training for government officials in all provinces. Thus the programmes that USAID began are continuing and have taken on a life of their own.

SEGA/MESP PERSONNEL AND OTHER ISSUES

Subcontractors

SEGA/MESP subcontractor the Joint Center for Economic and Political Studies has withdrawn from the programme and the Joint Center activities are being implemented directly by Nathan Associates SEGA/MESP Project office. The local subcontractor, Econometrix, is now only implementing short-term technical assistance provided by South African consultants and providing the SEGA/MESP local office personnel. Purchase orders are now being contracted and managed directly by the SEGA/MESP project office. Both of these changes have resulted in significant cost savings to the project.

During this quarter, an audit of the local subcontractor's indirect rates was conducted by two local auditors and Nathan Associates headquarters and we are awaiting feedback from USAID/South Africa's contracts office on the acceptability of the audit.

Personnel

Ms. Amy Carr, SEGA/MESP Chief of Party since May 2002 is resigning from the project from the middle of May 2004 due to family circumstances. After an extensive search, Mr. Aaron Chassy was proposed and approved as the new Chief of Party for the project. Mr. Chassy has years of development experience in Africa. His education at Harvard's Kennedy School of Government and experience as a Democracy and Governance Officer at USAID should serve the project well.

Ms. Mandlakazi Madaka, who has very ably managed the MESP programme, is leaving the project at the end of April for an exciting opportunity in the private sector. She will be sorely missed by the scholars and the entire project team. A replacement for Ms. Madaka will be recruited.

Workplan and Budget

A new workplan and budget were submitted in November 2003 at the same time as the modification in the SEGA/MESP contract. A new budget that outlines specific activities expected over the life of SEGA/MESP was submitted to the CTO in April 2004. SEGA/MESP expenditure through the project's completion at the end of calendar year 2005 are now fully determined and there is no room for new unanticipated activities. Due to the rand's appreciation, keeping to the budget will be a challenge, even with recent cost-cutting actions.