

POCBA 334

EMBASSY OF THE
UNITED STATES OF AMERICA

Office of Development Affairs
June 8, 1987

Rev. Buti Tlhagale
Acting Director
Educational Opportunities Council
P.O. Box 3323
Johannesburg
2000

690-0230

Subject: Cooperative Agreement No. 674-0230-A-00-5003-03

Dear Rev. Tlhagale:

The subject Cooperative Agreement was amended on November 14, 1985, on February 21, 1986 and on September 17, 1986. That Agreement is to be further amended (A) to provide additional funds to the Educational Opportunities Council (hereinafter referred to as "Recipient" or "EOC") in the amount of Two Million United States Dollars (US \$2,000,000) to increase the level of activities set forth in Attachment 1 to the aforesaid Agreement and (B) to make related and unrelated revisions to the Cooperative Agreement.

1. The Cooperative Agreement cover letter dated November 14, 1985 is hereby amended to read as follows:

"Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act of 1977, the United States Agency for International Development (hereinafter referred to as "A.I.D.") hereby provides to the Educational Opportunities Council (hereinafter referred to as "Recipient") the sum of five million six hundred ninety five thousand United States Dollars (\$5,695,000) to assist in the financing of technikon, undergraduate and graduate training in South Africa for South African students who are disadvantaged by virtue of legal restrictions on their ability to obtain an adequate technikon or university education, undergraduate or graduate. The assistance is more fully described in Attachment No. 1 hereto."

2. The Agreement is further amended hereby to make the following changes to Attachment No. 1, Schedule, thereto:

"(a) Section I.A., Scholarships for Undergraduate Academic Training, is hereby retitled "Scholarships for Technikon and Undergraduate Academic Training" and replaced by the following:

"The Recipient undertakes to provide scholarships, and seeks to arrange associated bridging, support and tutorial services, to enable disadvantaged black South Africans to engage in technikon and university study in South Africa.

The scholarship will permit the recipients to attend a South African technikon or university of their choice. The institution selected can be a technikon, "open" or predominantly white university, one of the black universities, the university of South Africa or - for first year study - Khanya College.

The scholarships will be available for three year and four year undergraduate degree programs and technikon diplomas. The fields of study for which the scholarships are available are specified in section III.E. Fields of Study.

The amount of funding provided by each scholarship will vary per recipient depending on the institution attended, the degree sought, the accommodation arrangements, any other scholarships, inflation, the fluctuations in the Dollar/Rand exchange rate and the number of years of support.

It is estimated that the average length of support provided for the scholarship recipients will be four and one-half years. However, the actual number of years of support for each recipient will vary from a minimum of one year to a maximum of six years according to the following considerations:

- (1) Technikons offer diplomas in administrative and technical fields. In many professions, technikon graduates are the preferred choice for employment due to the practical training with which graduates emerge. Most technikon courses run three years for full-time study. Scholarship recipients will receive three years of support for full-time courses.
- (2) Although most South African undergraduate programs are designed for a student to obtain a bachelor's degree after three years of study, the majority of the white students require four years to earn their degrees, even though most of the white students are drawn from the comparatively advantaged white school system. Consequently, given the inferior condition of black secondary school education in South Africa, four years of support will be provided to enable each scholarship recipient to complete a three-year undergraduate program.

- (3) During times of unrest, the black universities are often closed for considerable periods by boycotts, violence or action by the police or other officials. As a result, students who attend these universities face the distinct possibility of losing a year of study. If this should occur, one additional year of funding will be provided to each scholarship recipient who is so affected. Payment of living expenses and other stipends will depend on the length of any closures and the students' ability to obtain alternative accommodation.
- (4) While most South African undergraduate programs are three-year programs, there are some fields which require four years of study to earn a bachelor's degree (engineering, for example). Consequently, one additional year of support will be provided for each scholarship recipient who is enrolled in a four-year program.
- (5) It is expected that not all of the scholarships will be awarded to first-year technikon and university students. There undoubtedly will be some highly qualified second-year, third year or possibly even fourth-year students who will require support in order to complete their degrees. However, because these students have already made the adjustment from secondary school to technikon or university study, it is anticipated that they will be able to complete their degree programs without requiring an extra year for bridging, although a contingency year for university closures due to unrest will still be made available. Therefore, for each university scholarship recipient who is a second-year student, two fewer years of support will be provided than would be provided for a comparable first-year student. Similarly, three fewer years of support will be provided for each third-year university student than would be provided for a comparable first-year student, etc. For technikon students the number of years of study already completed will be deducted from the maximum three-year bursary.

The additional year of support provided for each first-year student, the additional year of support provided in the event of university closing and the proposed "bridging" activities described in Section I.C. (Supplementary Education and Bridging Programs) should help reduce the drop-out rate, contribute to the basic objective of the project -- to promote the post-secondary academic success of black South Africans -- and ensure effective utilization of project funds.

For each scholarship, the specific financial arrangements will be worked out among the student, the educational institution and EOC based on EOC's standard policies for its bursary programs and guidance provided by the Policy Advisory Board. Factors such as travel, maintenance and accommodation requirements will be taken into account."

(b) Section I.B., Scholarships for Graduate Work and Extended Professional Degrees, is retitled, "Scholarships for Honours Degrees, Graduate Work and Extended Professional Degrees", and it is replaced by the following:

"Honours degree graduates and graduates with post-graduate professional degrees have a much better chance in competing for positions than bachelor degree graduates. Therefore, it is expected that many of the scholarship recipients will want to earn honours degrees or postgraduate professional degrees.

For those students who do not have problems in coping with the regular university academic requirements and thus are able to complete their bachelor's degree programs on schedule, there will be one year of funding remaining in their scholarships. They may elect to use this funding to help them obtain an honours or postgraduate professional degree.

All other scholarship recipients who wish to earn an advanced degree must request additional year(s) of funding from EOC. EOC will make decisions on these requests based on the number of requests for additional funds, the candidates' undergraduate records, the balance of uncommitted funds remaining in the budget, and any additional funding which may be available.

However, due to the limited resources available, scholarships will not be made available to new applicants who intend to pursue advanced degrees."

(c) Section I.C., Supplementary Education and Bridging Programs, is amended to replace "Recipients" with "scholarship recipients" in the third line of the second paragraph and in the second line of the third paragraph.

(d) Section I is amended to add Section I.D., Numbers of Scholarships Awarded, which reads as follows:

"The amount of funds obligated hereunder is expected to be adequate to fund the enrollment of approximately the following numbers of new students during each of the indicated South African academic years:

1986 - 38 students
1987 - 160 students
1988 - 95 students

However, the actual numbers of scholarships to be awarded each year may be greater or fewer, depending on the sizes of and overall costs associated with the scholarships awarded."

(e) Section II, Period of Agreement, is deleted in its entirety and is replaced by the following:

"The duration of the Agreement will be such as is necessary to see the courses of study undertaken by the students through to their completion or termination. It is anticipated that training for students receiving scholarships pursuant to this Agreement will continue until December 31, 1994. Subsequent amendments to this agreement which may provide funds for additional scholarships will consider the time required for completion of those scholarships and will provide appropriate adjustments to the period of the Agreement."

(f) Section III, K, Selection Procedure, is amended to replace "Recipients" with "scholarship recipients" in the ninth line of the first paragraph.

(g) Section III.L, Selection Criteria, is amended to read:

"L. Selection Criteria: The criteria used in selecting scholarship recipients will be established by EOC in light of the recommendations of the Advisory Board, and approved by USAID."

(h) Section IV.A, Scholarship Award Report, is amended to replace "February 28th" with "April 30th".

(i) Section IV.C., Annual Report, is amended to read:

"Recipient will submit to USAID by September 30th of each year throughout the duration of the Cooperative Agreement its Annual Report covering matters and activities arising under the Agreement."

(j) Section VII, Financial Plan, is amended to replace the existing illustrative budget with the following illustrative budget and additional paragraph:

1. Scholarships

1986 Students	\$480,200
1987 Students	\$2,599,200
1988 Students	<u>\$1,739,000</u>
Subtotal Scholarships	\$4,818,400

2. Administrative Costs

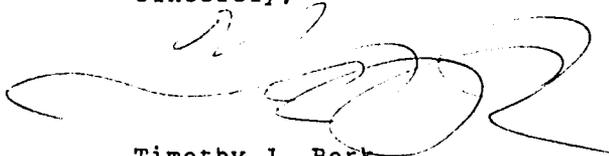
All years	\$876,600
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Total \$5,695,000

The funds for the scholarships for each year's students are to be distributed over a six year period (the indicated year and the following five years) as discussed in Section I.A., Scholarships for Undergraduate Academic Training, although it is estimated the average length of the scholarships, as illustrated in Attachment 3, will be four and one-half years. Attachment 4 provides an illustrative distribution of the administrative costs. Specific details on the breakdown of administrative costs for calendar year 1988 will be agreed upon in a Project Implementation Letter."

(k) Section VIII, Local Cost Financing with U.S. Dollars, is amended to delete the sentence: "The obligated amount of \$445,000 was derived using an exchange rate of approximately R1.85 = \$1.00."; to replace "\$445,000 U.S." with "\$5,695,000 U.S." in the original last line; and to add the following last sentence: "In the event that the full dollar amount obligated is more than that required for budgeted expenditures, the Recipient and USAID will agree upon reprogramming the excess amount for additional activities."

Sincerely,



Timothy J. Bork
Counselor for Development Affairs



Accepted: Rev. Buti Thagale
Acting Director
Educational Opportunities Council

Attachment 3

EOC Student Fees

For each AID contribution specified on the following page, the percentage indicated under the respective calendar years represents the ratio of administrative costs to student costs for the year's contribution.

However, due to pressing administrative start up requirements in the first year of the project, as well as a revised analysis of student fees for the 1986 students, the respective administrative fees for 1986 and 1987 deviate individually from the stated 20% rate although, when combined they actually constitute 20% of 1987. Mathematically, this is due to the transfer of \$306,800 from the 1986 students category to the 1987 students category. This transfer does not reduce the number of 1986 students financed, but reflects actual financial requirements after awards were made.

See Attachment 5 for a more detailed analysis of student fees and their relation to administrative costs.

(4.5 STUDENT FEES yrs per student)	CONTRIBUTIONS (\$) BY AID							Attachment No. 3
	1986 (20%)	1987 (20%)	1988 (15%)	1989* (15%)	1990* (11.1%)	1991* (11.1%)	1992* (11.1%)	
1986	75,000							
1987	90,000	406,000						
1988	108,000	487,000	271,500					
1989	129,500	584,500	326,000	271,500				
1990	77,700	701,200	391,000	326,000	281,000			
1991		420,500	469,000	391,000	337,000	281,000		
1992			281,500	469,000	405,000	337,000	281,000	
1993				281,500	485,500	405,000	337,000	
1994					291,500	485,000	405,000	
1995						291,500	485,000	
1996							291,500	
TOTAL CONTRIBUTION	480,200	2,599,200	1,739,000	1,739,000	1,800,000	1,800,000	1,800,000	
* Projected Contributions								

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Attachment 4

EOC Administrative Fees

Under each calendar year in the following table, reference is made both to a specific administrative option (eg, "admin 5"), and to an administrative rate. As in Attachment 3, the rate or percentage for each year gives the ratio of administrative costs to student costs, with the caveats explained in Attachment 3 for 1986 and 1987. The administrative options (admin 3 and admin 5) indicate how the administrative costs were broken down over a five-year interval to obtain the agreed upon administrative funds for each group of students.

Again, please see Attachment 5 for details on the administrative options.

EOC ADMIN.	CONTRIBUTIONS (\$) BY AID							Attachment No. 4
	1986 (admin 5-20%)	1987 (admin 3-20%)	1988 (admin 3-15%)	1989* (admin 3-15%)	1990* (admin 3-11.1%)	1991* (admin 3-11.1%)	1992* (admin 3-11.1%)	TOTAL AVAILAB FUNDS/Y (\$)
1986	76,000							76,000
1987	15,000	138,600						153,600
1988	18,000	60,000	76,000					154,000
1989	22,000	71,000	34,000	76,000				203,000
1990	27,000	85,000	41,000	34,000	59,000			246,000
1991		103,000	50,000	41,000	26,000	59,000		279,000
1992			60,000	50,000	32,000	26,000	59,000	227,000
1993				60,000	38,000	32,000	26,000 + ...	215,000
1994					45,000	38,000	32,000 + ...	200,000
1995						45,000	38,000 + ...	200,000
1996							45,000 + ...	200,000
TOTAL CONTRIBUTION	158,000	457,600	261,000	261,000	200,000	200,000	200,000	
*Projected Contributions.								

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Attachment 5

Analysis of Administrative Options

The following tables specify the administrative options which were considered. Two independent concerns are: (1) the ratio of administrative costs to student fees, i.e. the administrative rate, for students who begin their studies in any particular year under the Cooperative Agreement; and (2) the way in which funds resulting from a negotiated administrative rate are disbursed over the potential five years for which students might be financed, i.e. the administrative plan.

For both Tables 5.1 and 5.2, five different administrative plans are specified. Each administrative plan represents a different way of disbursing the funds associated with any administrative rate negotiated for a particular group of students. For example, the 15% administrative rate for students beginning in 1988 could be disbursed so that either most or a small portion of the administrative funds are available up front. In each plan, there is also a 20% inflation factor built in to accommodate escalating costs. The plans were derived using the following alternative percentage breakdowns of total administrative funds.

	<u>Admin 1</u>	<u>Admin 2</u>	<u>Admin 3</u>	<u>Admin 4</u>	<u>Admin 5</u>
Year 1	20%	30%	40%	50%	60%
Year 2	20%	17.5%	15%	12.5%	10%
Year 3	20%	17.5%	15%	12.5%	10%
Year 4	20%	17.5%	15%	12.5%	10%
Year 5	20%	17.5%	15%	12.5%	10%

Table 5.1 focuses on the 1986 and 1987 AID contributions, for which the cooperative agreement has already specified that the administrative rate is 20%. Two columns are shown in Table 5.1 for student costs: estimated student costs and revised student costs. The estimated costs, specified in the original agreement, and the first two amendments are based on an average of 4.5 years of support per student. In the revised costs which have been authorized by this amendment, \$306,200 were moved from the 1986 students to the 1987 students to reflect more accurately the expected costs for the students selected by EOC in 1986 and 1987, respectively.

Due to this transfer of student funds from 1986 to 1987, the respective ratios of administrative costs to revised student costs for these years do not equal 20%. However, the overall ratio of administrative costs to student costs, for both 1986 and 1987, is approximately 20%:

$$\frac{\underline{615,600}}{3,079,400} = 19,99\%$$

Table 5.2 illustrates five administrative plans for lowering the administrative rate to 15% and 11.1%, respectively. The administrative rate of 15% applies to funds obligated to EOC

under this amendment of the Cooperative Agreement, which EOC would utilize for new student bursaries starting in calendar year 1988. Due to the accumulating administrative fees paid for each group of students, it is anticipated that EOC will be able to lower its administrative rate to at least 11.1% for scholarships beginning in Calendar Year 1990.

TABLE 5.1: 1986 and 1987 AID CONTRIBUTIONS
at 20% Administrative Rate.

	Estimated ST. Costs	Revised ST. Costs	Admin 1	Admin 2	Admin 3	Admin 4	Admin 5
<u>1986</u>							
<u>Students</u>							
1986	123,000	75,000	22,000	34,000	47,000	61,000	76,000
1987	147,500	90,000	26,000	23,000	20,000	18,000	15,000
1988	177,000	108,000	31,000	28,000	25,000	22,000	18,000
1989	212,000	129,500	36,000	33,000	30,000	26,000	22,000
1990	127,500	77,700	43,000	40,000	36,000	31,000	27,000
	787,000	480,200	158,000	158,000	158,000	158,000	158,000
<u>1987</u>							
<u>Students</u>							
1987	358,000	406,000	61,200	98,200	138,200	177,200	220,200
1988	429,500	487,000	75,100	67,100	60,100	51,100	41,100
1989	515,400	584,500	88,100	79,100	71,100	61,100	50,100
1990	618,500	701,200	106,100	96,100	85,100	75,100	67,100
1991	371,100	420,500	127,100	117,100	103,100	93,100	82,100
	2,292,400	2,599,200	457,600	457,600	457,600	457,600	457,600
TOTAL	3,079,400	3,079,400	615,600	615,600	615,600	615,600	615,600

Table 5.2
CONTRIBUTIONS OF \$2,000,000 per year at
Lower Administrative Rates

	Student Costs	Admin 1	Admin 2	Admin 3	Admin 4	Admin 5
<u>Admin Fees = 15%</u>						
Year 1	271,500	35,000	55,000	76,000	100,000	126,000
Year 2	326,000	42,000	38,000	34,000	30,000	25,000
Year 3	391,000	51,000	46,000	41,000	36,000	30,000
Year 4	469,000	61,000	55,000	50,000	43,000	36,000
Year 5	281,500	72,000	67,000	60,000	52,000	44,000
TOTAL	1,739,000	261,000	261,000	261,000	261,000	261,000
<u>Admin Fees = 11.1%</u>						
Year 1	281,000	27,000	43,000	60,000	77,000	96,000
Year 2	337,000	32,000	29,000	26,000	23,000	19,000
Year 3	405,000	39,000	35,000	32,000	28,000	23,000
Year 4	485,500	46,000	42,000	39,000	33,000	28,000
Year 5	291,500	56,000	51,000	46,000	39,000	34,000
TOTAL	1,800,000	200,000	200,000	200,000	200,000	200,000

Financial Data

Cooperative Agreement: 674-0230-A-00-5003-03

Appropriation: 72-117/81037

BPC: GES7-87-21674-KG14(770-51-674-00-69-71)

Amount: \$2,000,000

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