

USAID/SOUTH AFRICA
SUPPORT FOR ECONOMIC
DEVELOPMENT
BRIEFING BOOK

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Private Sector Development Division

Housing and Urban Development Division



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USAID/SOUTH AFRICA AND SUPPORT FOR ECONOMIC DEVELOPMENT

1. INTRODUCTION

USAID/WORLDWIDE

The U.S. Agency for International Development (USAID) is the independent federal agency that manages U.S. foreign economic and humanitarian assistance programs around the world. The agency was created by an executive order of President John F. Kennedy through the Foreign Assistance Act of 1961. The 3,000 employees of USAID work with individuals, governments, and other organizations to support sustainable development -- economic and social growth that can maintain itself without exhausting the resources of a host country or damaging the economic, cultural, or natural environment. Sustainable development focuses on four interrelated areas, including the environment, health and population, democracy and economic growth. USAID coordinates programs and operates missions in Asia and the Near East, Central and Eastern Europe, Latin America, the Caribbean, Africa, and the Newly Independent States of the former Soviet Union.

USAID/SOUTH AFRICA

Over the past decade, the U.S. Agency for International Development (USAID) has provided more than \$350 million to support the transition to a democratic, nonracial South Africa. Under the Comprehensive Anti-Apartheid Act (CAAA) legislation enacted in 1986, the funds were channeled through a wide range of South African Non-Governmental Organizations (NGOs). Assistance levels expanded dramatically during the last few years, from \$14 million in 1986 to \$50 million in 1991 and \$80 million in 1992. Funding in fiscal year 1994 will reach \$166 million, making USAID/South Africa the largest USAID program in sub-Saharan Africa. The United States is also the largest single donor country working in South Africa.

From 1986 through 1993, the USAID program's main objectives were (1) to support the dismantling of apartheid; and (2) to help South Africa's historically disadvantaged population prepare for a leadership role in a democratic, post-apartheid South Africa.

In January 1993 the "South African Democratic Transition Support Act of 1993" replaced the Comprehensive Anti-Apartheid Act (CAAA). The new act recognizes the move by the South African Government to dismantle the legal structures of apartheid through the establishment of a Transitional Executive Council and the setting of a date for non racial elections.

USAID/South Africa's program is increasingly addressing the broad development concerns affecting the country's majority population. Project activities are directed toward three main areas, each coinciding with concerns over political, social, and economic empowerment of historically disadvantaged South Africans:

- (1) promotion of democratization, human rights and a civil society;
- (2) human resource development, particularly education; and
- (3) private sector mobilization, including housing.

There is some overlap among activities and sectors, and projects in one area often reinforce or contribute toward goals and objectives in another. The overall intent is to support the transition toward a democratic, equitable and economically viable post-apartheid South Africa.

2. ORGANIZATION OF USAID/SOUTH AFRICA

USAID/South Africa is currently being re-organized into three functional offices corresponding to the three areas for empowerment identified above: (1) the Office of Democratic Institutional Development responsible for the promotion of human rights and a civil society, (2) the Office of Social Development responsible for education and health, and (3) the Office of Economic Development.

The Office of Economic Development will be responsible for USAID/South Africa's activities to expand majority participation and ownership in South Africa's economy. The intent is to overcome those legacies of apartheid which have barred South Africa's majority population from fully participating in the country's economy, especially private enterprise and home ownership.

The goal of USAID/South Africa's economic development activities is to promote full economic empowerment of the historically disadvantaged majority through broad scale economic and social integration.

Activities within the Office of Economic Development will be organized around private sector development activities, housing and urban development activities, and economic policy support activities relating to these two specific sectors.

Success for both private enterprise and housing activities will be evaluated (1) more in terms of the development of viable models and policies that are adopted locally, than in terms of numbers; and (2) in terms of the additional resources that USAID assistance allows the organizations to leverage from other sources.

The Office of Economic Development will include the Housing and Urban Development Division, the Private Sector Development Division, and an economic policy support staff.

Housing and Urban Development Division

Activities in the Housing and Urban Development Division promote the economic empowerment of disadvantaged South Africans by the improvement, increased production, and greater ownership of affordable shelter within viable urban environments. Activities also increase the generation of wealth and income for South Africa's disadvantaged majority by supporting an increase in black ownership, employment, and participation in the shelter related business sector at

all levels of the economy. Specific activities include the use of USAID-funded housing guarantees to provide home loans for formally employed but limited income urban disadvantaged families, basic-shelter, necessary infrastructure, and shelter-related micro-enterprise opportunities for disadvantaged households at the lowest income levels, urban environmental policy support, and assistance to local government to access private capital for public services like electricity.

Private Sector Development Division

Activities in the Private Sector Development Division range from innovative microenterprise development programs to assisting already established enterprises expand their operations through direct support and access to credit. Specific support is given to business associations and other interest groups aimed at expanding majority participation in the economy.

Economic Policy Support

An economic policy support staff will work directly with the Director of the Office and the Mission Economist in coordinating economic activities relevant to the private and housing sectors. The economic policy support staff will also work with the Director of the Office to ensure that USAID-funded support is available to help participants in the private enterprise and housing sectors articulate their needs for policy change and that USAID is ready to react to requests from the Government of South Africa for assistance in responding to these requests. This staff will also play a role in coordinating monitoring, evaluation, research, and dissemination activities covering USAID/South Africa's support for economic development. The Mission is currently recruiting for this position.

3. PRIVATE SECTOR DEVELOPMENT DIVISION

3.1. Private Sector Development Division Goals

USAID/South Africa's private sector strategy supports USAID/South Africa's overall mandate of empowerment of historically disadvantaged South Africans; it is based on the recognition of two realities:

1. A successful transition to a market-oriented, democratic society will be impossible without the support of a dynamic market economy.
2. The emergence of a dynamic, market-driven economy will require the broad participation of the majority population as stakeholders in the new economic dispensation.

The Private Sector Development Division's efforts towards expanding majority participation and ownership in South Africa's economy are framed within three parameters:

1. Maximum focus on USAID's comparative advantages;
2. Maximum leveraging of USAID's limited financial resources; and
3. Maximum relevance and responsiveness in a rapidly changing environment.

The United States, as the world's leading market economy, has a wealth of experience, expertise and technology relevant to the South African situation. In addition, the continuing American experiment with the economic empowerment of its own minority populations provides insight into certain aspects of the South African situation. This market technology and relevant experience also provides a powerful stimulus for the trade and investment relationships that can further accelerate resurgence of the South African economy.

Question:

What role does the agency play in promoting U.S. businesses abroad?

Answer:

Increased international trade and investment are both a result of development progress and a contributing factor. That doesn't mean that USAID's job is to go out and cut deals and bring businesses into countries. Our job is to help create the environment and the demand for trade, capital flows and investments. We thereby play a central role in the promotion of American commercial business interests. USAID also has helped make the economies of countries such as South Africa and Russia more available and attractive to people who hadn't participated previously. We want to encourage capital flows into these countries so that the development process goes on long after the concessional grant programs are over.

BRIAN ATWOOD FRONT LINES/JUNE/1994

3.2. Black Private Enterprise Development Project

Most activities for private sector development are financed under the Black Private Enterprise Development Project (674-0303). This project is a \$60 million, ten year project started in September 1987 and designed to assist disadvantaged South Africans to overcome the political, regulatory, economic, technical, social and attitudinal constraints that have stemmed from apartheid to prevent their equitable participation in the South African economy as owners, managers or employees in private enterprises. When designed, three objectives were identified that should be achieved by the end of the project:

- Self-sustaining disadvantaged majority business advocacy organizations better able to formulate, articulate, disseminate, and manage programs and policies which advance the interests of their constituencies.
- Self-sustaining majority and non-racial NGO's able to use financial resources and technical assistance to create black jobs and incomes, and to integrate historically disadvantaged South Africans into the larger economic life of the country.
- Majority owned and managed investment vehicles/consulting firms providing sophisticated financial, marketing, economic development and other services to clients.

3.3. Private Sector Development Division Program Objectives

Activities designed to achieve the stated objective are structured to reflect the fact that South Africa is not a developing country, but rather an "integrating" country; the dynamics of a rapidly-changing transition process are helping to forge an integration of economic entities and forces which were formerly in opposing, and often hostile camps. On one side are the traditional white corporate and business stakeholders (possessing limited community credibility), which continue to use their overwhelming technical and managerial capacity to create and control wealth. On the other side is an emerging disadvantaged business sector racing to claim a seat at the economic table. It is the intent of the Private Sector program to strengthen the capacity of historically disadvantaged business.

The program strategy includes developing collaborative linkage mechanisms which will join South African initiatives with suitable U.S. expertise in order to accelerate the growth curve of such initiatives. This approach is highly focussed; it is targeted on the interface between the current level of South African development capacity in "growing a participatory market economy" and the international experience from which South Africa has to some extent been isolated.

To address this interface, USAID/South Africa has categorized the range of South African initiatives into six groupings and has begun the process of developing linkage mechanisms for each of them. They are:

1. The Informal Sector: Informal sector initiatives are directed at supporting a viable, self-sustaining micro-enterprise business environment that can address the vast job creation needs currently faced by South Africa. Such activities are directed at building the capacity of initiatives in this area (ranging from community-based, micro-finance organizations to large, national commercial banks), and facilitating the process of networking these initiatives into a cohesive sector. An "umbrella" mechanism for support to this sector has been developed and is now operational. Existing financial support to various individual micro-finance and training organizations will continue until completion of on-going individual Grants.

2. The Formal Sector: Formal sector initiatives are directed at building the capacity of or providing services to formal historically disadvantaged businesses as they struggle to overcome the legacy of apartheid and to join the mainstream economy. There are three principal linkage mechanisms in this component of the program. The first is directly assisting high potential firms to grow into the "mainstream" economy, principally through linkages with South African and international partners. This activity also includes efforts to increase U.S. trade and investment activity in South Africa. The second is directed at building the capacity of organizations, including non-profit, for-profit, and governmental that provide services to or build the capacity of enterprises owned by historically disadvantaged South Africans.

The third complements the first two mechanisms by providing technical assistance through the voluntary contributions of experienced, retired business executives.

3. The Financial Sector: Financial sector initiatives are directed at increasing the quality and availability of financial services including debt and equity capital and increasing private ownership of assets by historically disadvantaged South Africans. An initial activity in this area will stimulate dialogue and possible partnerships between the local financial sector and international investors, and test the feasibility of a project mechanism for additional work in this area. In addition, an AID/Washington loan-guaranty program, involving the extension of finance to historically disadvantaged businesses by four large South African banks, is becoming increasingly active. This credit guaranty program will be expanded.

4. The Policy Sector: Policy sector initiatives are directed at improving the "voice" of disadvantaged business interests in the various forums that currently debate the role of the private sector in a new economic dispensation. Activities in this area focus on assisting various advocacy groups to build their capacity to represent their constituencies at regional and national economic forums, and to improve communication patterns among the constituent members of such groups to ensure policy initiatives adequately represent their interests. Given the rapidly-moving economic debate and negotiation process, a flexible program of support is envisioned for those local initiatives which are attempting to articulate a positive enabling business environment for the new South Africa. In response to these needs, several closely-coordinated mechanisms will be used to provide immediate and responsive assistance during the post-election period.

5. Business Interest Groups: Business interest group initiatives are targeted to develop organizations that represent the interests of specific business and professional groupings. These activities will focus on the development of linkages between similar groupings of minority business and professional groups in the U.S. and like associations of disadvantaged business and professional organizations in South Africa. In the short run, capacity- building assistance to business interest groups will be included in projects developed under the "formal" sector area. This activity will have the flexibility to target not only business development organizations, but business interest groups, chambers of commerce, associations and advocacy groupings. Experience in this effort will determine if a separate mechanism for business interest groups will be required.

6. The Academic Sector: Academic sector initiatives are ultimately aimed at increasing the participation of South African educational institutions in

helping to create an appropriate enabling environment for private sector development. The immediate short-term objective of this mechanism is to prepare emerging private sector leaders to assume key positions within the private sector as counterparts to the new cadre of public sector leaders that is emerging since the April 1994 election. The development of leadership talent within the private sector will improve the quality of dialogue with the public sector and thus enhance the chances for a fully supportive market-oriented economy to emerge. Activities for emerging private sector leaders will be implemented under a leadership development and training program. Each initiative will focus on increasing the capacity of emerging majority owned South African business and professional leaders to influence the emergence of an integrated private sector-led market economy.

3.4. Ongoing Activities

3.4.1. Black Entrepreneurship and Enterprise Support (BEES)

Agreement No: 674-0303-G-SS-3128

Dates: September 1993 - September 1995

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Braamfontein
2017

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Begun in late FY 1993 as a linkage mechanism for the sector, BEES intends to provide a technical capability to assess the needs of the South African micro-enterprise sector and to then identify and channel appropriate technical assistance for the development of a more viable and self-sustaining micro-finance industry. The activity is being implemented through a cooperative grant agreement with PACT, a U.S. PVO, which will integrate technical programs of financial management and training with a sector-wide approach considering the diverse needs of the formal financial and NGO micro-lending communities, while integrating the considerable experience of international micro-finance practitioners.

A technical team will develop and implement three major activities: 1) core activities broadly applicable to beneficiaries in the sector such as technical training, seminars, workshops and applied research; 2) specific support tailored to individual beneficiaries such as activity grants, institutional linkages or customized technical assistance packages and; 3) facilitating the development of micro-enterprise fora seeking to create suitable industry networking and advocacy mechanisms.

Principal location: Braamfontein, Johannesburg, PWV.

Regions covered: Western Cape, PWV, Eastern Cape.
Northern Transvaal and Kwa-Zulu Natal.

3.4.2. Cooperative League of the U.S.A. (CLUSA)

Agreement No: 674-0303-G-SS-2059

Dates: August 92 - September 94

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Suite 1100
Washington D.C. 20005

Office and contact: Russell C. Notar
1401 New York Avenue
Suite 1100
Washington D.C. 2005
Tel: 202-638-6222
Fax: 202-638-1374

An innovative grant was initiated in August 1992 with the Cooperative League of the U.S.A. (CLUSA). CLUSA is providing U.S. technical assistance, along with a Gray Amendment firm, Urban Systems Inc. They have a sub-grantee, the Mangaung Education and Development Trust (MEDET), established by leading local historically disadvantaged businessmen and professionals, which is based near Bloemfontein. The project is designed to support a community based enterprise initiative. The principle objective chosen by the community is housing upgrading. The program will include development of majority owned-owned contracting firms to carry out this housing development work. While this activity is a U.S. initiative, MEDET, as an organization, is entirely community-based. Implementation of this activity is being closely coordinated with the Housing Division. A mid-course assessment has identified some issues which are now being addressed.

Principal location: Johannesburg, PWV.

Regions covered: Eastern Cape, Western Cape.

3.4.3. Independent Business Enrichment Center (IBEC)

Agreement No: 674-0303-G-SS-2037

Dates: June 1992- June 1996

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The Independent Business Enrichment Center has its headquarters in East London with branch offices in Durban and Johannesburg. They are going through a rapid expansion phase since project start-up in mid-1992. They have also concluded agreements to obtain commercial capital for their lending operations. IBEC does provide some training to their clients; the four courses currently being offered include product costing, cash flow projection and monitoring, and balance sheet production. They have approximately 800 active borrowers are utilizing the services of Nedcor Bank for loan extension and collection points.

Principal location: East London.

Regions covered: Eastern Cape, Western Cape, Transvaal and Kwa-Zulu Natal.

3.4.4. Small Enterprise Foundation (SEF)

Agreement No: 674-0303-G-SS-3026

Dates: May 1992 - April 1996

Post address: P.O. Box 212
Tzaneen
0850

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Victoria Building
22 Danie Joubert Street
Tzaneen

The Small Enterprise Foundation, headquartered in Tzaneen, is utilizing a financial systems approach to providing credit and savings services to its clients. Although still quite new, they have extended nearly Rand 1.4 million and obtained on-time repayments at a rate of 100%. The projects client's are about 93% women managing small enterprises in small villages in the Tzaneen area. This model was developed following the Executive Director's experience with Get Ahead, described below.

The driving force behind this initiative is the Executive Director who previously was the Deputy Executive Director of the Get Ahead Foundation where he developed this model. The Grant contains a significant amount of loan capital, the need for which will be reassessed given the organization's recent ability to obtain commercial capital. A recent assessment of SEF indicates that implementation is proceeding exceptionally well.

Principal location: Tzaneen and Phalaborwa.

Regions covered:

3.4.5. Informal Business Training Trust (IBTT)

Agreement No: 674-0303-G-SS-2048

Dates: June 1992 - June 1996

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The Informal Business Training Trust, based in Cape Town and with a branch operation in Johannesburg, is primarily a training intervention in micro-enterprise development. Their "Township MBA" program has "graduated" over 2,000 people to date under AID sponsorship. IBTT has explored innovative relationships with commercial banks where graduates can obtain financing for their businesses. IBTT is currently developing a computerized database on each of their clients to track the progress of trainees. A recent assessment of IBTT indicates that implementation is proceeding smoothly.

Principal location: Claremont, Cape Town and Johannesburg.

Regions covered: Western Cape and PWV.

3.4.6. Black Integrated Commercial Support Network (BICSN)

Agreement No: 674-0303-C-00-1064

Dates: April 8, 1992 - September 30, 1996

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P.O. Box 1936
Randburg, 2125

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The BICSN program is currently being restructured to target its resources in a more focused manner. This project provides a bundle of technical and marketing services to selected mid and large scale majority owned businesses in an attempt to move such businesses into the "mainstream" economy. The potential linkages between South African "corporate responsibility" programs and burgeoning business capabilities offers particularly fertile opportunities for sustainable majority owned business growth. The BICSN initiative is encouraging the growth of these linkages and can offer technical assistance to businesses as these firms attempt to consummate specific "deals."

The area of franchising continues to hold particular promise for the development of majority owned business development. In November 1993, the BICSN team assisted in sponsoring the second U.S. International Franchise Fair which brought another modest contingent of American franchisors to South Africa. A well-represented group of approximately 200 South Africans attended the two day conference, which generated enthusiasm and excitement. In order to continue the momentum generated by this conference, the PSD intends to continue integrating BICSN and PRE/I LPG initiatives in order to leverage additional private resources for the majority owned business sector from South African banks. In addition, BICSN is working on efforts to conclude business deals involving significant corporate buy-out opportunities for majority South African investors. Such debt/equity schemes promise to be an important focus of the project during the next year. Regarding equity capital initiatives, the PSD sees resolution of the political situation in South Africa leading to the emergence of numerous venture capital schemes. BICSN will continue to follow such developments and test the feasibility of introducing a U.S.-style risk/capital management approach to this sector.

Principal location: Johannesburg, PWV.

Regions covered: PWV, Western Cape, Eastern Cape, North West, Kwazulu Natal, Orange Free State, and Eastern Transvaal.

3.4.7. International Executive Service Corps (IESC)

Agreement No: 674-0303-G-SS-1029

Dates: May 1991 - May 1995

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Johannesburg
2000

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220 Commissioner Street, JHB
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This linkage activity is intended in large part to support both the BUDS and BICSN activities by providing technical assistance to BUDS and BICSN clients from the ranks of retired American and South African Executives.

The International Executive Service Corps of South Africa (IESC/SA) is responding to the improved majority business development environment by planning to expand its activities from its base of providing mentors to small businesses on request into broader, more pro-active business development. It has been aided in its thinking by IESC/USA which is interested in cooperating IESC/South Africa, and through a recently-initiated strategic exercise.

As part of this process, IESC/SA plans to recruit and develop a leadership cadre reflecting the population in South Africa (its current black-led board provides the executive vision for the program), and to ensure that its programs are more broadly accepted and understood by the black community. IESC recently merged with PRISCO, an Urban Foundation spin-off which provides a mentorship program by historically disadvantaged South African mid-level executives for small businesses.

Principal location: Johannesburg, PWV.

Regions covered: PWV, Eastern Cape, Kwa-Zulu Natal.

3.4.8. Loan Portfolio Guarantee (LPG) Program

Agreement No: *

Dates: October 1992 - 1998

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Mr. Ali Mokoka
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First National Bank
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The Loan Guarantee Program (LPG) leverages credit availability to "small" businesses by providing a 50% portfolio-wide loan guarantee. The program can be administered either through a formal bank or an alternative financial institution. Presently four South African financial institutions participate in the program. Active lending began in late 1992 and early results appear promising. The Private Sector Division intends to continue seeking opportunities for leveraging South African private financial resources, both through the existing PRE/I LPG and

through increased linkages between NGO's that provide credit to small and micro enterprises and formal financial institutions seeking to develop innovative products to make the financial sector more relevant to the disadvantaged community through both equity financing and ownership. Although two of the four three financial institutions currently supported under the program are minority-led, all clients under our program are from the majority population. *Whites*

Principal location: Nationwide.

Regions covered: Nationwide.

3.4.9. Implementing Policy Change (IPC)

Agreement No: *

Dates: September 1993 - September 1995

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Under the Apartheid regime, the business environment was carefully structured to exclude majority participation in the economy and to strengthen the control of the previously disenfranchised Afrikaaner over the levers of power. The result has been grotesque distortions of the policy and regulatory environment. All parties recognize the need to restructure the economy, and the debate that will lead to restructuring is rapidly gathering speed. While restructuring of the environment is critical to the ability of disadvantaged business to play a full role in the economy, the effective participation of majority owned business in the debate on a new policy and regulatory environment is essentially non-existent. In FY 1993, the Private Sector Division initiated development of a mechanism that will bring U.S. resources to bear on the effort to increase interaction on the policy and regulatory environment and create structures for the maintenance of dialogue. This effort was accomplished via a buy-in to the AID/W "Implementing Policy Reform (IPC)" project. The FY 1994 buy-in will be utilized for continuation of the following three activities:

1) supporting a range of majority interest groups in business and labor (NAFCOC, FABCOS and others) that are attempting to increase their participation in the debate by more substantive participation in the emerging economic fora at both national and regional levels; 2) stimulating, analyzing and supporting the capacity of local initiatives to pick-up and carry-out policy initiatives; and 3) providing policy analysis and technical support to an FY 1993 AID grantee, the Sunnyside Group (see below), a multi-racial consortium of groups interested in small, business development.

Principal location: Nationwide

Regions covered: Nationwide

3.4.10. Sunnyside Group

Agreement No: 674-0303-G-SS-2033

Dates: February 1993 - October 1994

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Braamfontein
Tel: 011 4033340
Fax: 011 3393909

The Sunnyside Group (SSG) is a national coalition of small business organizations which are attempting to improve the policy environment for small enterprise development. It has grown into a coalition of over 70 organizations representing the full spectrum of groups interested in small business development, including most of the major black-led business groupings (NAFCOC, FABCOS, ACHIB, NIC, SABTA, BCU, etc.). USAID support to the SSG began in FY 1993 with assistance for general administration and specific policy initiatives. These initiatives included a number of specific policy and legislative analyses (small enterprise promotion act, impact of the industrial council system on small business, user side subsidies, inputs into the National Economic Forum, etc...) and facilitated the contribution of coalition members (particularly its black-led partners) in determining policy proposals put before legislative or other negotiating fora.

As the debate over future economic policy becomes more active and open, the SSG is attempting to expand its already significant influence by continuing to strengthen the contribution of its coalition organizations as they participate in the national economic debates (A member of NAFCOC is now the Chairman of the group. Continuation of USAID support will allow this program of small business policy support to continue and significantly increase the voice of small minority operated business at the negotiation table at both the national and regional level.

Principal location: Braamfontein, Johannesburg, PWV.

Regions covered: PWV, Kwazulu Natal, Western Cape.

4. HOUSING AND URBAN DEVELOPMENT

4.1. Housing and Urban Development Division Goals and Program Objectives

USAID/South Africa supported activities in the Housing and Urban Development areas have the potential for improving the living conditions of millions of disadvantaged South Africans. The apartheid system left tens of millions of people in situations in which community services were practically non-existent, the state of housing and basic infrastructure for the majority of the disadvantaged population was pitiful and family dislocations and separations were common. To address these issues USAID/South Africa initiated the \$50 million Shelter and Urban Development Support (SUDS) project in 1992. A major component of the SUDS project is the Community and Urban Services Support Program (CUSSP). Activities are breaking new ground in community based development, finance for the disadvantaged, enhancing effectiveness and economic participation of the black building sector and improving the policy framework for local community development and governance. Activities include the development of capacity of at least 48 community organizations throughout South Africa. Through 28 grants to South African NGOs totaling 20 million, USAID/South Africa also is deeply involved in the key shelter sectors for community based development. This experience promises to yield insights that will be crucial to the policy reform and pioneering community based work that can help turn things around in this country for those living in squalor.

4.2. Housing Guaranty Programs

A \$75 million Private Sector Housing Guaranty Program will begin this year to provide home loans for formally employed urban black families and to support the black private sector development companies through access to construction finance. A second \$75 million Basic Shelter Housing Guaranty Program will also be developed to provide shelter and micro business opportunities to the black households at very low income levels. Within the next year, USAID/South Africa will expand its program to assist local governments to access capital markets through a \$50 million Township Electrification Housing Grants to obtain the municipal finance for infrastructure services such as electrification to black households.

4.3. The Shelter and Urban Development Services (SUDS) Project

The program has three interdependent components: (a) Community capacity building; (b) Finance; and (c) Policy and institutional development. The substance

of these three elements is as follows:

- (a) SUDS strengthens the capacity of black South African communities to plan, implement, build and manage equitable and sustainable housing and urban development programs.
- (b) SUDS leverages existing South African capital resources in a least a 2:1 ratio to provide the construction and mortgage finance required to achieve the project's stated purposes, and to develop models for future domestic lending.
- (c) SUDS promotes the development of a supportive policy environment in which sustainable, community based, private sector housing and urban development programs can proceed in South Africa.

The largest SUDS component is the \$10 million Community & Urban Services Support Program contract won by a gray amendment consortium of U.S. firms including Lance Bailey, PADCO and Creative Associates. CUSSP is a national program with offices in Johannesburg, Capetown and Durban (and soon East London) staffed by a total of approximately 20 professionals and para professionals with skills in architecture, urban planning, engineering, training and community organization. With AID's approval, the CUSSP team will select approximately 48 communities (12 per region) and assist them to plan and build low cost housing and infrastructure.

The SUDS program calls for CUSSP community organizations to be supported by approximately 30 SUDS grantees whose activities include legal services, finance, project preparation planning, and construction management assistance. While all of these grantees are active in their own national programs, the SUDS grantees are available to the CUSSP team to bring their resources to bear on the individual problems of the CUSSP communities. Through CUSSP, with its supporting grants, USAID intends to demonstrate that a partnership of communities, government and the private sector can result in the provision of housing and infrastructure in which the public sector provides the appropriate "enabling environment" and the private sector, with the community, produces the housing. The assumption is that SUDS will produce on the ground results within the next 12 to 18 months which will demonstrate that a community based, private sector approach is a realistic way for South Africa to achieve its goals for all but the poorest levels of society.

The SUDS program was designed to reach as broad a spectrum of housing and urban issues as possible. The following range of housing interventions illustrates the breadth of concerns of the SUDS program: (a) upgrading of existing informal settlements, where feasible and appropriate; (b) provision of new serviced sites and

support for self-help dwelling units on these sites; (c) development of appropriate, integrated new subdivisions; (d) promotion of urban infill, particularly in areas formerly cleared of black South African residents under apartheid's "black spot" legislation; and (e) assistance to tenant acquisition of medium and high rise apartment buildings in central urban areas.

In its finance segment, SUDS will provide access to construction lending for housing and community facilities, bridging finance for black contractors, and home improvement loans to majority population families through formal group credit programs as well as more traditional community savings schemes. The policy component of the SUDS project can promote a supportive policy environment relative to housing and urban development in SA through grants supporting the initiatives of selected NGOs concerned with housing, strengthening the black construction industry, community based development and assisting negotiating fora such as the National Housing Forum. The effective link with policy at local, regional and national levels will be made through the planned comprehensive SUDS monitoring and evaluation program..

Models of Community Development, Finance and Economic Empowerment. SUDS is designed to provide "models" and data that will provide the foundation for policy dialogue with a new South African government and information to encourage private sector finance for low income housing, community facilities and infrastructure.

The goal of the SUDS Program overall is not housing production at scale; rather, it is to provide "models" of successful private sector, community based low income housing production. Therefore, for SUDS to be a success, it is essential that USAID be able to document and communicate the lessons learned to a broad audience, including the new SAG, SA community and civic (political) organizations, the SA financial community, and other bilateral and multi-lateral donors. For this reason, the role of SUDS Program monitoring and evaluation is a critical and key activity that is central to the program.

4.4. Ongoing Activities

4.4.1. Corplan

Agreement No: 674-0312-G-SS-3075-00

Dates: July 26,1993 - December 31, 1994

Post address: CORPLAN
P.O. Box 7101
East London 5200

Office and contact: Mr. Steve Topham
BOMAC HOUSE, 19 GLADSTONE STREET
EAST LONDON
Tel: (0431) 431-422
Fax: (0431) 432-200

Background: Corplan, a technical support, non-governmental organization (NGO), was established in 1990 as a section 21 company to provide planning and organizational assistance to low income black South African communities in the Border Kei Region of the Eastern Cape. Corplan is currently working with 40 communities throughout the region and is regarded as one of the most successful technical service organizations in South Africa.

Purpose of Grant: This grant will provide support for Corplan in close association with the Duncan Village Residents Association (DVRA), a community based organization, to undertake community based comprehensive planning for the redevelopment of the entire Duncan Village area whose population exceeds 100,000. This comprehensive plan will allow the Grantee to present implementable plans for the development of low cost housing, associated infrastructure, community facilities and employment opportunities to financial institutions for project financing.

Principal location: Duncan Village (East London).

Regions covered: Eastern Cape.

4.4.2. Goldev

Agreement No: 674-0312-G-SS-3071-00

Dates: June 30,1993 - December 31, 1994

Post address: GOLDEV CORPORATION (GOLDEV)
P.O. Box 270
Johannesburg 2000

Office and contact: Mr. S.A.A. Shaikh
2nd Floor, FHA HOUSE
158 Market Street
Tel: (011) 337-3824
Fax: (011) 337-3823

Background: Goldev Corporation, a community based organization (CBO), is a section 21 company organized as an outgrowth of the central Witswatersrand Metropolitan Chamber Negotiation process. Established in 1993, its purpose is to design and manage a proposed large scale shelter development for black South Africans in the Goldev area. This area is one of the best located "green field" development sites in close proximity to the Johannesburg central business district and will, when fully developed, provide affordable housing for up to 80,000 black South Africans.

Purpose of Grant: A project preparation grant to provide GOLDEV with the necessary financial resources to contract with private sector architects, planners, engineers, lawyers, etc. To prepare development documents for the Goldev area development which will be presented to financial institutions for project financing.

Principal location: Johannesburg.

Regions covered: PWV.

4.4.3. Natal Project Preparation Trust (NPPT)

Agreement No: 674-0312-G-SS-3077-00

Dates: September 17, 1993 - December 31, 1995

Post address: Private Bag X 54001
DURBAN
4000

Office and contact: Dr. Michael Sutcliffe
Tel : (031) 820-2231
Fax : (031) 822-192

Background: Natal Project Preparation Trust (NPPT) was established in 1993 by a coalition of civic leaders who have been active in seeking solutions to the housing and urban development problems in Natal. The NPPT will function as a revolving fund to underwrite the cost of preparing community based development proposals aimed at capturing national and international sources of end use financing.

Purpose of Grant: This Grant is to support the establishment of the NPPT as an independently administered revolving fund to underwrite the cost of preparing community based development proposals aimed at capturing national and international sources of end use finance. The NPPT will promote cooperation, information exchange and debate around development issues among development oriented CBOs and NGOs in Natal. The NPPT will serve as a pilot project for additional regional project preparation facilities in the future.

Principal location: Durban.

Regions covered: Natal.

4.4.4. Southern Cape Land Committee (SCLC)

Agreement No: 674-0312-G-SS-3122-00

Dates: August 18, 1993 - December 31, 1994

Post address: P.O.BOX 9015
GEORGE, 6530

Office and contact: Ms. Dean Van Rooy
LANGENHOVEN STREET
310, NEDBANK BUILDING
GEORGE
Tel: (0441) 74-6162
Fax: (0441) 73-5336

Background: Formed six years ago under the name of "Southern Cape Against Removals" (SCAR), this organization was one of the few black led and staffed "service organizations" in South Africa. SCAR fought the government's programs to remove black South Africans from their historical locations. When they had won this battle, they became the SCLC in early 1991 and broadened their mandate to include development advice and activities with black community structures in the areas of housing, land, urban services and local government negotiations workshops.

Purpose of Grant: This Grant is to provide financial assistance to the SCLC to conduct a series of external activities with community based structures in the Southern Cape. These activities shall include community investigations, organizational assessments and local government negotiations' workshops. The programs will assist the community structures to implement housing activities, ensure their rights to land and make preparations for the local government.

Principal location: George.

Regions covered: Western Cape.

4.4.6. National Stokvels Association of South Africa (NASASA)

Agreement No: 674-0312-G-SS-3031-00

Dates: June 7, 1993 - April 30, 1996

Post address: P.O.BOX 130459
Bryanston, 2021

Office and contact: Mr. Andrew Lukhele
30 SIMMONDS STREET
JOHANNESBURG
Tel : (011) 832-1955
Fax : (011)838-1624

Background: In February 1988 the National Stokvels Associations of South Africa was formed as the first umbrella body representing stokvels, a type of "Rotating Thrift" or credit union in which a group of people enter into an agreement to contribute a fixed amount of money to a common pool. At present it is estimated that one fourth of all black urban South Africans belong to one or more stokvels thereby generating more than R200 million per month.

Purpose of Grant: To provide support to NASASA through the establishment of a growth fund for geographic and product expansion. NASASA will then be able to provide credit to increased numbers of disadvantaged South Africans for housing and other purposes.

Principal location: Johannesburg.

Regions covered: Nationwide.

4.4.7. Mortgage Installment Guaranty Association (MIG)

Agreement No: 674-0312-G-SS-3076-00

Dates: July 14, 1993 - December 31, 1994

Post address: P.O.BOX 4997
Durban
4000

Office and contact: Mr. Willy Thomas
FENTON HOUSE
FENTON ROAD, DURBAN
Tel: (031)301-1003
Fax: (031)301-8158

Background: MIG was established in 1991 by a group of prominent black businessmen from Natal concerned with the increasing difficulties low income Black South Africans faced in obtaining mortgage finance. The purpose of MIG is to combine a program of mortgage education with a limited term installment guarantee insurance product designed specifically to assist low income black South African borrowers to overcome temporary financial difficulties without going straight into default.

Purpose of Grant: To provide seed money to establish a mortgage installment guarantee fund. This fund will provide installment guarantee coverage for a period of 12 months anytime during the first three years to low income Black South African borrowers who have successfully completed MIG's mortgage education program.

Principal location: Durban.

Regions covered: Natal.

4.4.8. Land Investment Trust (LIT)

Agreement No: 674-0312-G-SS-2079-00

Dates: August 21, 1992 - August 31, 1994

Post address: P.O.BOX 260835
EXCOM
2023

Office and contact: Mr. Taffy Adler
FHA HOUSE
158 MARKET STREET, JHB
Tel: (011) 337-6250/1/2/3
Fax: (011) 333-7265

Background: LIT, a not-for-gain Section 21 company established in 1991, is a subsidiary of the New Housing Company Holdings, a non-profit company which operates nationally in the housing sector. LIT's purpose is to provide affordable finance for shelter for legally disadvantaged South Africans both in urban areas and in projects which have engaged in community consultation and received community support.

Purpose: This grant is to provide the necessary financial resources to capitalize LIT's "Community Based Development Fund" (CBDF). The fund is a financial guarantee mechanism which will allow LIT to securitize borrowing for their onward relending to finance land acquisition, construction of infrastructure and low-cost housing in low-income Black communities. To date, the CBDF has provided construction finance for over 22,000 serviced homelots throughout the country.

Principal location: Johannesburg.

Regions covered: Nationwide.

4.4.9. Inner City Housing Upgrading Trust (ICHUT)

Agreement No: 674-0312-G-SS-3063-00

Dates: June 30, 1993 - June 30, 1995

Post address: c/o Central Johannesburg partnership
P.O. BOX cc 99-010
Carlton Centre
Johannesburg, 2001

Office and contact: Mr. D. Neil Fraser
CARLTON CENTRE
Tel: (011) 331-2851
Fax: (011) 331-5161

Background: Incorporated in 1992 ICHUT is a not-for-gain company which grew out of collaboration between tenants' organizations, activist non-governmental organizations, and established business concerns through the Central Johannesburg Partnership. ICHUT's objective is to provide financing and technical assistance to tenant groups seeking to acquire ownership of their buildings in Johannesburg. Currently there are approximately 150 buildings in Central Johannesburg suitable for the ICHUT program.

Purpose of Grant: This grant is to provide financial assistance to ICHUT in an effort to make ownership of affordable housing in Central Johannesburg accessible to low-income, black and disadvantaged South Africans. These funds will provide partial capitalization of ICHUT's Collateral fund, which will leverage and secure long term financing for tenant acquisition of medium and high rise apartment buildings in Central Johannesburg.

Principal location: Johannesburg.

Regions covered: PWV.

4.4.10. Headstart

Agreement No: 674-0312-G-SS-3078-00

Dates: August 9, 1993 - March 1, 1996

Post address: 2nd Floor Corner House
62 A Lowry Road
Cape Town

Office and contact: Mr. Rod MacGillivray
Tel: (011) 337-6250
Fax: (011) 333-7265

Background: Incorporated in 1989, Headstart is a Section 21 company established with support from British Petroleum and other major corporations. Headstart's purpose is to develop affordable low-cost housing for black South Africans in the inner city "in fill" areas of Cape Town in an attempt to recreate the relative socio-economic and racial heterogeneity which was characteristic of the pre-apartheid era.

Purpose of Grant: This grant is to provide seed financing for a revolving construction finance facility. This facility will allow Headstart to develop and sell medium rise residential units to low and moderate income Black South Africans at affordable prices without the additional burden of compound interest on conventional bridging finance.

Principal location: Cape Town.

Regions covered: Western Cape.

4.4.11. Group Credit Company

Agreement No: 674-0312-G-SS-2073-00

Dates: August 21, 1992 - April 30, 1996

Post address: P.O.BOX 1198
Johannesburg
2000

Office and contact: Mrs. Christine Glover
317 Buitenkloof Centre
8 Kloof Street, Cape Town
Tel: (021) 22-2840
Fax: (021) 24-3129

Background: The GCC was founded in 1989 and is a spin off from the Urban Foundation. The principal activity of GCC is to provide small loans to groups of low income, historically disadvantaged black South Africans for housing. To this end loans are made only in communities in which the average monthly household income is less than R1000.

Purpose of Grant: This Grant is to provide financial assistance to the GCC to support the expansion of their program to provide small loans to disadvantaged South Africans for housing purposes. The requested USAID support will fund the establishment of a "Growth Fund" which will supply, on a revolving basis, the working capital required for the establishment and training cost for each new branch.

Principal location: Cape Town.

Regions covered: Western Cape, PWV, Eastern Cape.

4.4.12. Entrepreneurial Development Southern Africa (EDSA)

Agreement No: 674-0312-G-SS-3060-00

Dates: August 17, 1993 - April 30, 1996

Post address: 2nd Floor, Block E, Crownwood
100 Northern Parkway, Ormonde
Johannesburg 2091 Private bag 2016

Office and contact: Mr. Colin Griffin
Tel: (011) 496-1638
Fax: (011) 496-1270

Background: EDSA, a non governmental organization (NGO), was incorporated in 1989 and has since operated as a non-profit development initiative providing entrepreneurial training and financial assistance to the small black building contractors in the informal sector. The EDSA small builders bridging finance loan scheme has been the only source of interim bridging finance available to small black builders in South Africa today.

Purpose of Grant: This grant will provide support for EDSA in its effort to expand its program to provide bridging finance to small black-owned construction firms. These funds will increase the capital of the EDSA Small Builders Bridging Finance Loan Fund thereby permitting EDSA's predominantly PWV region program to expand into the Durban and Cape Town areas. Black building contractors with access to these funds will be able to compete more effectively for construction works in South Africa.

Principal location: Johannesburg.

Regions covered: PWV, Western Cape, Natal.

4.4.13. Operation Masakhane for Homeless (OMHLE)

Agreement No: 674-0312-G-SS-2080-00

Dates: July 27, 1992 - December 31, 1995

Post address: 4th Floor, York House
46 Klerk Street
Johannesburg

Office and contact: Dr. Cecil Manitshana
Tel: (011) 934-1246
Fax: (011) 934-1246

Background: OMHLE was formed in 1987 in Soweto under the auspices of the Soweto Civic Association. The original purpose of OMHLE was to protest against the forced removal of shack-dwellers. OMHLE is now involved in organizing their efforts to create affordable housing. At the First General Meeting conference attendees came to a conclusion that a timber frame house would be the most reliable and durable structure that the poor could afford. An existing relationship with the South African Lumber Miller's Association was strengthened and a program initiated for the establishment of building material depots.

Purpose of Grant: This Grant is to provide initial capital to OMHLE Trust for the implementation of a program to establish low cost/affordable building material depots in homeless communities. This agreement will support the opening of an estimated nine building materials depots and pay for security fencing and the initial stock purchases.

Principal location: Johannesburg.

Regions covered: PWV.

4.4.14. The South African Black Construction Assistance Program (SABCAP)

Agreement No: 674-312-G-SS-3059-00

Dates: September 7, 1993 - April 30, 1996

Post address: P.O.BOX 127
Southfield, 7880
Cape Town

Office and contact: Mr. Cornelius Peterson
Tel: (021) 318-582
Fax: (021) 318-582

Background: SABCAP is a new organization established in 1992 by the National African Federated Chamber for the Building Industry (NAFBI) and the African Builders Association (ABA) to provide an effective program to expand the strength, skills and capacity of the black construction sector in general. These two associations represent more than 5,000 members.

Purpose of Grant: This grant is to provide SABCAP with the necessary financial resources to establish a country-wide program assisting black building contractors to compete for private and public sector construction works in South Africa. This grant will allow SABCAP to assist in the economic empowerment of black South Africans as it assists craftsman and labor-only sub-contractors to become productive contractors, sub-contractors, builders and developers.

Principal location: Cape Town.

Regions covered: Nationwide.

4.4.15. National Housing Forum Secretariat Trust (NHFST)

Agreement No: 674-0312-G-SS-3100-00

Dates: January 1, 1993 - June 30, 1994

Post address: 7 Longsbank Building
Johannesburg
2000

Office and contact: Mr. Sath Moodley
Tel: (011)838-2822
Fax: (011) 838-1825

Background: In June 1992, leading participants in South Africa's Housing Sector agreed to establish a "National Housing Forum, to serve as a forum so that the 17 original members comprised of political organizations, trade unions, civic organizations, business organizations, and development organizations, plus any additional members could "serve the interest of the general public" in the formulation of a non racial, national housing policy. A few months later the National Housing Forum Secretariat Trust was established to promote the necessary support to the Forum. (The National Housing Forum is not a legal entity itself).

Purpose of Grant: This Grant is to provide the necessary financial resources to the NHFST for consultants to its "Working Groups", which deal with subjects including: land and services; end user finance and subsidies; housing types and delivery systems; and restructuring the built environment and hostels. It is anticipated that the NHFST shall cause to be drafted a set of national housing principles which shall define a new, non-racial housing and urbanization policy for South Africa.

Principal location: Johannesburg.

Regions covered: Nationwide.

4.4.16. New South African Housing Association (NSAHA)

Agreement No: 674-0312-G-SS-2077-00

Dates: August 11, 1992 - July 31, 1995

Post address: P.O.BOX 33358
Jeppestown
2043

Office and contact: Mr. James Ngobeni
23 de Beer Street
3rd Floor, Field North
Braamfontein
Tel: (011) 339-2654
Fax: (011) 339-6254

Background: The New South African Housing Association, a section 21 organization, was formed at the behest of Nelson Mandela by Dr. Nthato Motlana. Its Board has concentrated its efforts on consulting with communities to determine appropriate housing types and land suitable for the construction of affordable houses.

Purpose of Grant: To provide support to the New south Africa Housing Association's effort to alleviate the massive housing problem in South Africa by providing affordable housing to low income black South Africans. Funding will be provided for:

- (a) Establishing equipment and operating an office;
- (b) Staff salaries and travel; and
- (c) investigating and developing potential projects for affordable housing in South Africa.

Principal location: Johannesburg.

Regions covered: PWV.

4.4.17. Housing for People and Empowerment (HOPE)

Agreement No: 674-0312-G-SS-3058-00

Dates: June 17, 1993 - June 30, 1994

Post address: P.O. BOX 300
WITS 2050

Office and contact: Mrs. Joan Fubbs
Tel: (011) 804-2777 Code 6022

Background: HOPE is a newly founded organization created by a group of committed individuals who have been active supporters of community based private sector housing development. The HOPE Trustees believe that it was vital to form a new association to support a structured program of outreach to the thirty three PWV informal or squatter areas presently involved in the HOPE program. The Trustees could then bring their own business and real estate expertise to assist disadvantaged South Africans rebuild their own communities and help to empower the squatter communities.

Purpose of Grant: This Grant is to provide financial support to HOPE for its presentation of:

- (1) Three Technical Seminars, 125 representatives from the PWV region on local empowerment for housing and community redevelopment.
- (2) Two Intensive Workshops ("Training of Trainers") for 50 PWV community leaders; and
- (3) Ten Field Investigations to assist in conflict resolution in PWV squatter or informal settlements.

Through these seminars, workshops and investigations, squatter leaders and the communities they serve will become full partners in the housing and community development process.

Principal location: Johannesburg.

Regions covered: PWV.

4.4.18. Institute of Local Government and Development (INLOGOV)

Agreement No: 674-0312-G-SS-3073-00

Dates: April 15, 1993 - December 31, 1994

Post address: Private Bag X 17
Bellville, 7535

Office and contact: Mr. Thozamile Botha
1st Floor, Old Mutual Centre
52-54 Voortrekker Road
Bellville
Tel: (021) 959-2501
Fax: (021) 959-3041

Background: The National Institute of Local Government and Development (INLOGOV), a Section 21 Company, is one of the first black led NGO's, representative of the disadvantaged South African Community to emerge in the area of local government. INLOGOV undertakes research, training, information dissemination and coordination in the critical area of local government.

Established in 1992, INLOVOV is an outgrowth of the Local Government and Planning Policy Research Project which has been examining central issued in the area of South African local government since 1990.

Purpose of Grant: To provide INLOGOV with support to assist in the establishment of a unified, equitable system of local government in South Africa. This Grant will provide funding for:

- (a) initial capital cost to establish INLOGOV;
- (b) Salaries and running costs for a 21 month period;
- (c) funding for training, research activities and workshops; and
- (d) an evaluation and audit.

The services provided by INLOGOV will ensure that black South Africans will achieve equitable and appropriate local government structures.

Principal location: Cape Town.

Regions covered: Nationwide.

4.4.19. South African Black Technical and Allied Careers Organization (SABTACO)

Agreement No: 674-0312-G-SS-3093-00

Dates: July 1, 1993 - September 30, 1995

Post address: P.O. BOX 5012
Braamfontein
2017

Office and contact: Mr. James Ngobeni
Tel: (011) 339-2654
Fax: (011) 339-6254

Background: Though SABTACO was formed in 1990 it is recognized as South Africa's leading organization focusing on the welfare and unique problems of South African black Technical professionals. The purpose of SABTACO is to:

- (a) advance the technical disciplines in the black community;
- (b) exchange knowledge and experience on the relevant disciplines;
- (c) promote high professional standards;
- (d) promote technical education and training; and
- (e) assist black professionals to achieve opportunities in the pursuit of their chosen careers.

Purpose of Grant: To fund cost of this two year program including:

- (a) expenses to equip the Urban Development Planning Project Office;
- (b) staff and support salaries and related expenses to design and produce a "planners Notebook" with an instructional video and a newsletter and related workshops
- (c) to make planning education more accessible to black South Africans
- (d) promote a community based planning perspective to the South African Government

Principal location: Johannesburg.

Regions covered: Nationwide.

4.4.20. Lawyers for Human Rights (LHR)

Agreement No: 674-0312-G-SS-2074-00

Dates: July 11, 1992 - December 31, 1993

Post address: 713 Van Erkom Building
Pretorius Street
Pretoria

Office and contact: Mr. Brian Leveson
Tel: (011) 331-8501
Fax: (011) 333-1050

Background: LHR is considered one of the most effective, politically neutral organizations in South Africa today. Its efforts to curb human rights abuses and to promote due process and the rule of law have given them a clear understanding of the many problem areas in the justice system. In April 1990 the LHR Housing Rights Unit began working as a project of the Legal Aid Bureau and then became an independent entity in December 1991. On July 1, 1992 the Human Rights Unit was incorporated as a unit of LHR to address violations of disadvantaged South Africans' basic human right to adequate shelter.

Purpose of Grant: This grant is to provide financial support to LHR's Housing Rights Units program in Johannesburg and the program to expand to the provinces and ultimately establish a branch in each of LHR's fourteen regional offices. Funding will be provided for program administration and staff development; the development of a resource center; seminars and workshops; and a litigation fund.

Principal location: Johannesburg.

Regions covered: Nationwide.

4.4.21. Legal Resources Trust (LRT)

Agreement No: 674-0312-G-SS-3064-00

Dates: June 17, 1993 - June 30, 1995

Post address: P.O.BOX 9495
JOHANNESBURG
2000

Office and contact: Mr. Geoffrey M. Budlender
8th Floor, Elizabeth House
18 Pritchard Street, Johannesburg
Tel: (011) 836-9831
Fax: (011) 836-8680

Background: Founded in 1978, The Legal Resources Centre is a non-profit Law Centre which employs lawyers and support staff to provide skilled legal assistance to the most disadvantaged members of the South African society. With limited resources, it concentrates its' efforts on issues affecting a wide community. Today the main focus of the Cape Town office is land, housing and the provision of housing-related services.

Purpose of Grant: To provide support to the Legal Resources Trust, acting as financial agent for the Legal Resources Centre, to expand and enhance it's housing advocacy program for township residents, hostel dwellers and other disadvantaged communities in Cape Town.

The three major components are:

1. Assisting homeless communities seeking land and the establishment of services and facilities;
2. Transformation of "hostels to homes" in townships surrounding Cape Town; and
3. Adjudication, negotiations and advocacy in land restoration claims.

Principal location: Cape Town.

Regions covered: Western Cape.

4.4.22. Development Law Services Trust (DLST)

Agreement No: 674-0312-G-SS-3030-00

Dates: June 5, 1993 - April 30, 1996

Post address: c/o E.F.K. Tucker
P.O.BOX 9
JOHANNESBURG 2000

Office and contact: Ms. Erica Emdon
Tel: (011) 331-7211
Fax: (011) 331-3470

Background: Development Law Services Trust is a newly created non governmental organization (NGO) founded by a group of committed individuals who have been active supporters of community based, private sector housing development. Its main objectives are: 1) to provide proactive and strategic legal services to black communities; 2) to empower black communities to manage, initiate, and control the delivery of housing and community facilities; and 3) to normalize the historic inequalities that exist in respect of land and tenure rights.

Purpose of Grant: This Grant will support the DLST to establish its operations to alleviate the massive housing problem in South Africa by providing legal services to facilitate the transfer of public housing to the occupants and support housing developers who can deliver affordable housing to low income black South Africans.

Principal location: Johannesburg.

Regions covered: PWV.

4.4.23. Housing Consumer Protection Trust (HCPT)

Agreement No: 674-0312-G-SS-3081-00

Dates: July 2, 1993 - July 30, 1995

Post address: P.O.BOX 1198
JOHANNESBURG
2000

Office and contact: Mr. Humphrey Khoza
The Atrium, Cnr. 7th Avenue
& Rustenburg Rd. Mellville

Tel: (021) 408-4070

Fax: (021) 25-3807

Background: Launched on March 24, 1993 the HCPT is a Non Governmental Organization (NGO) created to address the exploitation that many black South Africans face when attempting to acquire housing. The exploitation is the result of the severe housing shortage for low-income people coupled with inadequate information on the working of the housing market. HCPT's objectives are to educate consumers about their rights and to create mechanisms and institutions attacking the cause of the problem through legislation and legal advocacy.

Purpose of Grant: This grant will provide financial assistance to HCPT to establish its principal program, "A support advice service for the housing consumer awareness campaign". The funding will go towards the creation of five advice centers to be located in Johannesburg, Cape Town, Durban, East London and Bloemfontein.

Principal location: Johannesburg.

Regions covered: Nationwide.

4.5. Planned Activities

USAID/Pretoria plans to design and authorize a Basic Shelter Housing Guaranty project (BSHG) in FY 1995. There is an easily demonstrable need for massive amounts of housing and services for low-income families throughout the country, and housing is one of the ANC's top three priorities. Although South Africa has a first world capability to develop and finance housing for the upper income strata, it does not have the institutional and regulatory framework to serve the needs of the majority poor population at the required scale. Indeed, the national institutions systematically blocked the provision of adequate housing for the poor until the dismantling of apartheid, the results of which are clearly revealed by the performance of the housing market.

The USAID Housing and Urban Development Division (HUDD) has been working for over two years to strengthen the capacity of a wide array of non-governmental and community-based organizations to take lead roles in the development of housing and urban infrastructure. Through its work with grantees under its \$50 million Shelter and Urban Development Support (SUDS) project, it has gained extensive experience and established its credibility in the shelter sector country-wide. Its knowledge and reputation have been multiplied through the work of the Community and Urban Services Support Project (CUSSP) contractor. CUSSP will soon have four offices operating around the country to strengthen the development

capacity of community-based organizations.

4.5.1. Private Sector Housing Guaranty

During FY 1994, USAID designed a capital financing project for low-cost housing, which will be implemented as the Private Sector Housing Guaranty (PSHG) project. The \$75 million project will primarily operate through formal housing finance institutions, which will in some cases collaborate with black institutions through on-lending arrangements. PSHG is designed to reach households at or just below the median income. Project financing will be for houses costing about R35,000 and affordable by families earning about R1,500 per month; lower cost solutions will be affordable at incomes of R1,000. This project will firmly establish the role of USAID in enhancing the institutional capacity of the South African shelter sector to operate at the lower end of the market, and it will provide a significant flow of funds for construction. PSHG will not, however, reach much below the income levels which the unassisted private sector could be expected to serve, albeit with considerable adjustment of attitudes and operating procedures.

4.5.2. Basic Shelter Housing Guaranty

During FY 1995 USAID/South Africa will design and authorize the BSHG project. The overall thrust of this project will be to assist the SAG in developing

mechanisms to enable affordable shelter solutions to be produced for lower income families. Extensive data collection and analysis, as well as extended dialogue with the South Africa Government, the private sector, and relevant NGOs will be required to resolve the details of the project.

Considerable resources are now being devoted by others to analyzing the sector and debating the policy issues. This work is in progress and expected to produce substantial output within the next several months.

4.5.3. Township Electrification Guaranty Project

This project will be designed in FY 1995 to demonstrate models of effective delivery of electricity to urban and peri-urban disadvantaged households and to enhance the collateral benefits of electricity distribution to disadvantaged households with respect to small business and micro-enterprise development.

Approximately 85% of disadvantaged South African urban and peri-urban households live without electrical service. Nelson Mandela announced that it was a major priority of the new South African Government's (SAG) Reconstruction and Development Program (RDP) to extend electricity service to half a million disadvantaged households a year for the next five years. Costs estimates for the program are approximately US\$1,000 per household connection or a half billion

dollars a year. The SAG is asking for the experience and assistance from countries, such as the United States, to assist it create sustainable, replicable and environmentally appropriate models of electrification.

The Township Electrification Guaranty Project will provide \$75 million in housing guaranties (HG) to the SAG to provide necessary finance to electrify disadvantaged urban households and to reinforce the policy dialogue between the stakeholders which will (1) overcome the institutional obstacle to expanding power distribution, (2) enhance small business and micro enterprise development opportunities arising from electrification, and (3) increase community participation in decision-making. the Project is expected to be implemented in one \$50 million tranche in FY 1995 with implementation over the period FY 1995-2000.

5. OTHER USAID ACTIVITIES DIRECTLY INVOLVED IN ECONOMIC DEVELOPMENT IN SOUTH AFRICA

5.1. Support to Economic Think Tanks

Prior to the transition to a newly elected democratic government, USAID support to economic think tanks focused on three groups. First, was the Macroeconomic Research Group (MERG) which was a black-led consortia of economists centered at the University of Witwatersrand. MERG has now become a legal, independent institution, the National Institute for Economic Policy (NIEP). The grant to MERG was designed to support their efforts to develop the research capacity of South African economists who had been disadvantaged by apartheid while developing possible macroeconomic policies and frameworks for the post-election government.

The second think tank receiving USAID support was the African Institute for Policy Analysis (AIPA). The grant to AIPA was an institutional support grant during the start-up of the institute. AIPA's long-term agenda focuses on three general areas. First, is economic research supporting efforts to promote economic growth and promote black empowerment and capacity development within the South African economy. The second thrust revolves around the possible economic role(s) of a democratic South Africa in sub-Saharan Africa in general and within the southern Africa region specifically. The third and final component of the AIPA long-term agenda deals with general economic training and strengthening the organization and capacity of South Africa's historically black tertiary education institutions.

The third and final institution supported under the rubric of economics is the Institute for African Alternatives (IFAA), an NGO which develops alternative, generally non-mainstream economics, policy alternatives to South Africa's economic problems.

National Institute for Economic Policy (NIEP)

35 Melle St.

Seventh Floor

Bromfontein

011-403-3009

Contact is in flux, but can use: Jaya Josle

Previous Grant: \$340,000 (through the Center for Development Studies in Cape Town)

New Grant in Development for approximately \$600,000

African Institute for Policy Analysis (AIPA)
Previous Address (has changed)
University of Cape Town
Breakwater Campus
Portwood Road
Green Point, Cape Town 9001
Tel: 021-419-3370
Fax: 021-419-3371
Contact: Bax Nomvete
Previous Grant: \$160,000 674-0318-G-SS-3123-00
New Grant under consideration for 2-3 funding of \$600,000-\$700,000

Institute for African Alternatives (IAAA)
Previous contact was Ben Turoc

5.2. Support for Economic Training

Within the education program of USAID/South Africa, there has been a major emphasis on long-term training. Economics is an eligible field under this program, but it has not received special attention or concentration. Currently, in association with NIEP, the Mission is establishing a linkage with Williams College's economic development masters program for a small number of students. The first intake of students under this program will be for the 1995/96 academic year.

In FY 95, the Mission will also initiate a \$5.0 to 7.5 million economics MS/Ph.D. program under the Support for Tertiary Education Project (STEP funded under the Governance component of the Enhanced South Africa program

5.3. Southern Africa Enterprise Development Fund

Final design is still not ready, but expected to be \$100 million, five year program; with between 30 and 50 percent of the funds for South Africa.

6. OTHER UNITED STATES GOVERNMENT AGENCIES AND PROGRAMS DIRECTLY INVOLVED IN ECONOMIC DEVELOPMENT IN SOUTH AFRICA

6.1. United States Trade Representative (USTR)

After USAID's assistance program, the U.S. Government package with potentially the largest benefit to South Africans is the Generalized System of Preferences (GSP) concession which President Clinton signed into force on May 10, 1994, inauguration day. The GSP program opens the U.S. market to a vast range of products, allowing 4400 products to enter the United States duty free up to the amount of \$108 million per item. In 1993, \$262 million worth of South Africa's exports to the U.S. would have been eligible for duty free treatment at the U.S. border.

Contact point is Joe Sala, U.S. Embassy, Pretoria.

6.2. Overseas Private Investment Corporation (OPIC)

During the visit to South Africa of the U.S. Secretary of Commerce, Ron Brown, OPIC signed a bilateral OPIC agreement with the government of South Africa in order to provide the legal framework necessary to allow OPIC to open its range of programs in South Africa. OPIC now offers American investors insurance to guard against political and non-repatriation risks. OPIC has allocated \$50 million worth of insurance for new U.S. investment in South Africa, and is prepared to increase this amount if additional projects are identified. OPIC can also provide finance for American investments in South Africa.

OPIC announced in March the creation of a \$75 million equity investment fund. Equator Bank is now opening an office headed by Senior Vice President Richard Bouma in Johannesburg to manage this fund. The "Africa Growth Fund II", as it is called, will provide venture capital to Black entrepreneurs to add finance to this rapidly emerging business community. Money for the fund comes from the U.S. private sector, but is secured with an OPIC guarantee. About 40 percent of it will be earmarked for South Africa. The investment will require a U.S. partner (a minimum of 25% must come from the American side) and will qualify for all the other OPIC programs.

OPIC in cooperation with USAID will sponsor investment missions aimed at linking American investors with members of the disadvantaged business sector.

Contact Point is Anthony Woods, U.S. Embassy. At OPIC, Rachel Viddy and Walter Jones follow South Africa (phone: (202) 336-8637).

Inquiries on the African Growth Fund should be directed to Richard Bouma, Equator Bank, Johannesburg.

6.3. Export-Import Bank (Eximbank)

The Export-Import Bank of the United States (Eximbank) is an independent U.S. Government agency that provides financing for the export of U.S. goods and services. Eximbank assists U.S. exporters by absorbing reasonable credit risks beyond the reach of the private sector and by matching officially-supported foreign credit competition. Eximbank's business is driven by U.S. exporter demand; requests for its support can be generated from any of the parties involved in the transaction -- including the buyer -- but generally originate directly from exporters and are considered by Eximbank on a first come, first served basis.

Financing programs offered by Eximbank include export credit insurance, guarantees (comprehensive or political risk only), and loans. These programs can be made available either directly to the foreign obligor or through an intermediary financial institution. Eximbank will also consider project finance for projects which are effectively insulated from direct and indirect foreign government involvement. Eximbank will also finance asset-backed aircraft finance deals.

Questions can be referred to Anthony Wood, U.S. Embassy. In Washington, Annmarie Emmet handles South Africa (phone - (202)566-8008; fax - (202)566-7524.

6.4. Trade Development Agency (TDA)

TDA is a front-line agency for implementing U.S. trade and foreign assistance objectives by rapidly and effectively mobilizing U.S. technical expertise. It assists economic growth in the developing and middle-income world by increasing access to U.S. private sector expertise and helping position U.S. companies to compete successfully as suppliers of goods and services for major capital projects.

TDA has several different programs, but its bread and butter is funding feasibility studies, usually for major projects. TDA has just agreed to grant \$630,000 to South Africa's Hulett Aluminum to finance a feasibility study for a plant expansion. (Fluor Daniels has the contract to conduct the study.) TDA announced on July 28 a grant to a joint venture between GA-Rankuwa Milling and American company Brooks Sausage for a feasibility study on the expansion of a bakery and construction of a flour milling facility near Pretoria. This is TDA's first grant to a South African Black business.

Questions can be referred to Stephanie Eshelman at the U.S. Embassy. In Washington, Jill Bezek Jones handles South Africa (phone - (703) 875-4357; fax - (703) 875-4009).

7. WHO TO CONTACT

USAID (012) 323-8864
Leslie (Cap) Dean, Mission Director Ext. 443
William Ford, Deputy Director Ext. 473
Steve Brent, Special Projects Officer Ext. 448
Richard Harber, Economist Ext. 452

USAID Office of Economic Development
James Beebe, Director OED Ext. 441
Rosalia Ciminella, Administrative Assistant Ext. 470
Economist (under recruitment)

USAID Private Sector Development Division
Bruno Cornelio, Division Chief Ext. 408
Margot Ellis (ETA August 5), Private Sector Officer Ext. 411
International Banking and Finance Advisor (ETA October) Ext. 407
Dawn Radebe, Project Manager Assistant Ext. 410
Crystal Roach, Secretary Ext. 409

USAID Housing and Urban Development Division
Jeremy Hagger, Division Chief Ext. 417
Douglas Heisler, Housing and Urban Dev. Officer Ext. 418
Carlene Day (ETA September), Housing and Urban Dev. Officer
Municipal Finance Advisor (under recruitment)
Housing Specialist (under recruitment)
Zanele Ndinisa, Secretary Ext. 416

U.S. Embassy Pretoria (012) 342-1048
Michael Cleverley, Counselor Ext. 2340
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August 22, 1994

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