

USAID



in South Africa



*Learning Lessons
Continuing Debates*

Douglas J. Tilton
Edited by Jim Cason

USAID in South Africa

*Learning Lessons,
Continuing Debates*

Douglas J. Tilton

Edited by Jim Cason

The Africa Policy Information Center wishes to acknowledge

The Carnegie Corporation of New York

The Ford Foundation

The John D. and Catherine T. MacArthur Foundation

The South Coast Foundation

· their generous support and their assistance in the publication of this book.

Africa Policy Information Center
110 Maryland Avenue, N.E., Suite 509
Washington, D.C. 20002

© 1996 by the Africa Policy Information Center
All rights reserved. Published 1996

Printed in the United States of America

05 04 03 02 01 00 99 98 97 96 5 4 3 2 1

Cover photos: Scott Braley

ISBN 0-9634238-3-5

Library of Congress Catalog Number: 95-83026

In memory of

Jean Sindab

*who devoted her life to the struggle for
economic, political, and social equality*

Contents

Abbreviations	<i>viii</i>
Foreword	<i>ix</i>
Acknowledgments	<i>xi</i>
Executive Summary	<i>xiii</i>
Introduction	1
A Brief History of US Foreign Assistance Programs	17
US Assistance Programs in South Africa	25
An Assessment of USAID's South Africa Program	49
Policy Recommendations	83
Bibliography	86

ABBREVIATIONS

USAID programs and USAID-created entities appear in **bold type**.
South African organizations and programs appear in *italics*.

AALC	African-American Labor Center (AFL-CIO)
ABEL	Advancing Basic Education and Literacy
AIDSCOM	AIDS Communication Project
<i>ANC</i>	<i>African National Congress</i>
BEES	Black Entrepreneurship and Enterprise Support Facility
<i>BESG</i>	<i>Built Environment Support Group</i>
BICSN	Black Integrated Commercial Support Network
BLDP	Black Leadership Development Program
BPED	Black Private Enterprise Development
BUDS	Business Development and Support
CAAA	Comprehensive Anti-Apartheid Act (1986)
CBO	Community-Based Organization
COLD	Community Outreach and Leadership Development
<i>COSATU</i>	<i>Congress of South African Trade Unions</i>
CUSSP	Community and Urban Services Support Project
DFA	Development Fund for Africa
ESAT	Education Support and Training
HAPA	HIV/AIDS Prevention in Africa
<i>IDT</i>	<i>Independent Development Trust</i>
IESC	International Executive Service Corps
<i>IFP</i>	<i>Inkatha Freedom Party</i>
IPC	Implementing Policy Change
<i>LIT</i>	<i>Land Investment Trust</i>
LPG	Loan Portfolio Guaranty
<i>NACTU</i>	<i>National Council of Trade Unions</i>
<i>NAFCOC</i>	<i>National African Federated Chamber of Commerce</i>
NED	National Endowment for Democracy
NGO	Non-Governmental Organization
<i>NPPHCN</i>	<i>National Progressive Primary Health Care Network</i>
<i>PAC</i>	<i>Pan African Congress</i>
PACT	Private Agencies Collaborating Together
PSHG	Private Sector Housing Guaranty
PVO	Private Voluntary Organization
<i>RDP</i>	<i>Reconstruction and Development Programme</i>
SABER	South African Basic Education Reconstruction
SAEP	South African Education Project
<i>SANCO</i>	<i>South African National Civic Organisation</i>
SARP	Southern Africa Regional Program
STEP	Support to Tertiary Education Program
SUDS	Shelter and Urban Development Support
TELP	Tertiary Education Linkages Project
TEPS	Tertiary Education Project Support
TSF	Transition Support Fund
<i>UDF</i>	<i>United Democratic Front</i>
USSALEP	US-South Africa Leader Exchange Program

Foreword

In the last ten years, the US foreign aid budget has been cut dramatically. The November 1994 elections swept into Washington a new majority of conservative legislators committed to even larger cuts in foreign assistance. Pledging an end to “politics as usual,” the 104th Congress began to implement the biggest disassembling of public policy in 40 years. Aid to Africa became a particular target.

In this context, the Africa Policy Information Center (APIC) introduces *USAID in South Africa: Learning Lessons, Continuing Debates*.

While many advocates of continuing aid to the continent accurately point to Africa’s economic and geo-strategic importance to the US, APIC seeks to reinforce several other rationales for US assistance to Africa:

- **The world is getting smaller.** Economic, environmental, health, and resource allocation issues that threaten other countries can easily spill over into the US. The US must be an active partner in the world community’s search for equitable, sustainable approaches to development designed to foster human development and human security.
- **The solutions to the difficult problems associated with development will not be found in the market alone.** There is a role for the market economy. The evidence from Africa and other parts of the world—including the United States—suggests, however, that unregulated markets are incapable of addressing some critical development issues. The dominant policy-making prescription of drastically reduced government spending on social programs coupled with increased reliance on the private sector to deliver public goods and services is fundamentally flawed.
- **The US must share responsibility for Africa’s problems.** Many of Africa’s present problems are directly attributable to the Cold War, which made many African nations battlegrounds for US-Soviet competition, and to the continent’s long and negative experience of

pre-colonial and colonial engagement by Western powers. The US should be as active in addressing the consequences of these struggles as it was in perpetuating them.

These views are not new. Some critics will dismiss them as impractical or see them as more consistent with “social work” than with policy-making. At APIC, however, we do not agree that the discussion is closed. This publication is offered as one contribution to the national debate on US priorities and interests in Africa and the developing world in general.

Finally, I want to emphasize that the word “debate” was carefully chosen. As the enclosed document indicates, there are no easy answers to the difficult questions and challenges facing those charged with organizing and implementing the US foreign aid program. This is the first of what I hope will be a series of publications on these issues. We welcome comments, criticisms, praise, and corrections.

Imani Countess, *Executive Director*
Africa Policy Information Center

Acknowledgments

This document grew out of a brief history of USAID involvement in South Africa that I prepared for the Washington Office on Africa (WOA) in 1991. In the intervening period, it has undergone several revisions and expansions in response to changes in South African society, in USAID's South African programs, and in the political climate in which US foreign assistance decisions are made. Although the fluidity of the political context, both in South Africa and in Washington, gave earlier drafts of the report a fairly short "shelf life," these shifts have also been beneficial in that they have prompted the adoption of a slightly different—and, I hope, more valuable—analytical approach: one that uses USAID's South Africa country program as a case study to illustrate a broader examination of the goals and priorities of US assistance programs in Africa and around the world.

I am greatly indebted to a large number of individuals and organisations who have generously shared their time, experience, insight, and information to assist in the preparation of this analysis. The main contours of my argument emerged from a round of interviews conducted in Durban, Johannesburg, and Pretoria in late 1993 with staff members of several South African non-governmental organizations (NGOs) and the local offices of several foreign agencies. I am grateful to all who participated in this process: Richard Mkholo and Brian Abbott of the Institute for Multi-Party Democracy; Muntu Shabalala of the National Progressive Primary Health Care Network; Jabu Sithole of SANCO (Southern Natal Region); Clive Forster of the Built Environment Support Group; Rogers Govender of Crisis Care; Athol Jennings and Vuyi Mxasana of Vuleka Trust; Bongani Khumalo, Lynn Oldacre, Charles Ndlovu, Greg Moran, and Carol Baekey of the Community Law Centre; Patrick Bond of PLANACT; Erica Emden of EFK Tucker; staff of the National Housing Forum; Kerry Cullinan of *Reconstruct* magazine; Aubrey McCutcheon of the Ford Foundation; Sharda Naidoo of the Friedrich Ebert Stiftung; Richard Martin and Steve Horn of the Community and Urban Services Support Project; Jonathan Addleton and Dennis Wentzel of USAID (Pretoria); and USAID consultant David DeGroot. Patrick Bond was especially helpful in patiently guiding me through some of the complicated issues related to housing finance, an area in which USAID's involvement had increased

dramatically since my first review of the South Africa country program. I also appreciate the opportunity to have spoken with Bob Richards of Private Agencies Collaborating Together and Mike Lescault of the AFL-CIO's African American Labor Centre during a visit to Washington in 1994. Although many of these individuals have perspectives on US assistance programs that differ markedly from my own, I appreciate their graciousness in taking time to speak with me, and I trust that where I have incorporated their remarks, I have done so accurately.

The Africa Policy Information Center (APIC), WOA's educational affiliate, not only initiated this project (with the generous financial support of Kathy Cook and the South Coast Foundation), but members of the WOA staff also provided valuable moral support, research assistance, and critical evaluation along the way. Kristen Lee reliably coordinated supplementary research in Washington with the aid of a series of able and dedicated interns: Anne Escaron, Scott Couper, and Kier Riemersma. I am grateful both to them and to the many individuals who responded to their inquiries on my behalf, including Keith Brown, Gussy Daniels, and Victor Barnes at USAID; Adwoa Dunn Mouton of the Senate Foreign Relations Africa Subcommittee staff; and Anne Griffin of the House Foreign Affairs Africa Subcommittee staff. APIC also solicited comments on various drafts from Anne Poirier, David Berger, Ann Seidman, Patrick Bond, Cherri Waters, and Adwoa Dunn Mouton, and I benefited greatly from their insights. The final presentation of this document owes much to the talents of copy editor Kamili Anderson, typesetter Will Packard of Free Hand Press, and photographer Scott Braley, each of whom manage to combine thorough professionalism with enormous patience.

My greatest debt, however, is to three individuals who repeatedly permitted me to draw upon both their formidable analytical and editorial skills and the wealth of experience they have acquired in the course of their lifelong involvement in the struggle for political and economic justice in southern Africa: APIC's Executive Director, Imani Countess; APIC Senior Research Fellow William Minter; and Jim Cason, who authored the introduction and edited the study. Imani and Bill played a pivotal role in identifying analytical problems, keeping the research focused on key policy issues, and weeding out some of my more opaque digressions and tortured prose. Jim's own research into US foreign assistance policy in Africa rendered him an invaluable source of ideas and information, which he has shared freely over the past two years. More recently, he contributed greatly to the overall quality of this document, serving as a patient and sensitive editor of the final draft. While these three friends and colleagues deserve the bulk of the credit for ensuring that this project reached fruition, I remain responsible for any lingering flaws.

Douglas J. Tilton
Durban, June 1995

Executive Summary

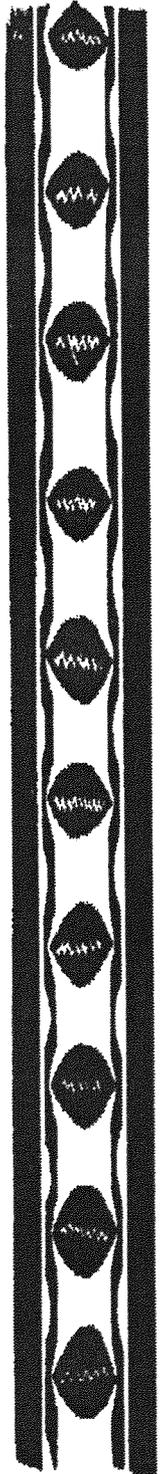
In a decade when foreign aid is increasingly under attack as inefficient, unsuccessful, and irrelevant to the US national interest, the South Africa aid program has been held up as a model for a new type of aid—foreign aid that works. Over the last decade the US has spent nearly \$1 billion on programs to assist non-governmental organizations and lawyers defending victims of apartheid, to strengthen community organizations, and to help South Africans develop adult education programs to meet the needs of their new society.

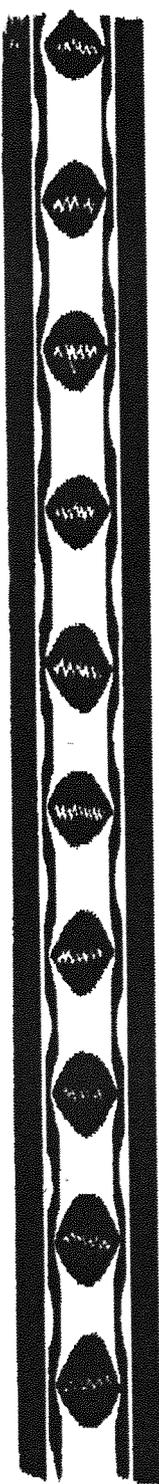
Just as the US aid program in South Africa made a contribution in the period leading up to the establishment of a democratic system in that country, so this study suggests that foreign aid to Africa can play an important role in assisting African development initiatives. At the same time, it argues that foreign aid programs, both in South Africa and elsewhere on the continent, need to be fundamentally refocused to support more directly long-term, sustainable, and equitable development.

Evaluations of the US Agency for International Development (USAID) program in South Africa have praised its innovative character and emphasized its impact. The US was, for example, the largest single donor to voter education efforts during South Africa's first non-racial national election. Since then, American assistance has helped the new government and non-governmental organizations to build houses, to restructure government ministries, to improve the educational system, and to address other legacies of apartheid.

The case study in this book highlights these successes and in particular the program's strength in responding to a changing environment. During the past decade, USAID provided valuable assistance to South Africans working to end apartheid.

At the same time, there is much room for improvement. USAID has articulated a commitment to making "disadvantaged South





Africans” the main beneficiaries of its work. But USAID’s recent initiatives have not been as successful in addressing the fundamental inequalities in South African society. Generations of segregation and apartheid policies have left most black South Africans with little access to housing, education, health care, and many of the other benefits of modern society. Addressing these legacies is the primary task of Nelson Mandela’s government. Yet there is a danger that in the post-apartheid period the small, relatively affluent sector of the urban black population that has found regular employment will enjoy the bulk of the benefits from development planning while a large portion of the black population is left behind.

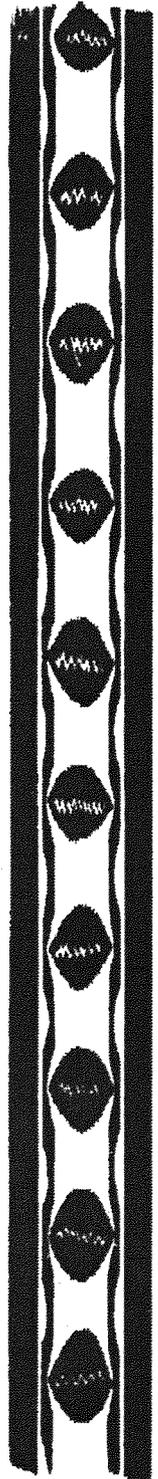
The report suggests that the USAID mission subordinated the goal of enhancing low-income households’ access to housing to a more overtly political objective: maximizing the market-orientation of the post-apartheid South African economy. The US assistance program for housing construction was designed to frame the public debate over housing and to point the new government towards specific policy choices by promoting a relatively narrow range of market-based initiatives.

One historic strength of the US program has been its emphasis on supporting non-governmental and community-based organizations. The report endorses continued US support for civil society. At the same time, both as a practical matter and as a matter of principle, US foreign aid to South Africa must be structured to promote and sustain development strategies designed by South Africans both within the government and in local communities. One key test for foreign assistance should be how well it helps South Africans to create their own independent institutions that can continue to promote long-term, sustainable, and equitable development after the last US aid worker has left.

The study concludes that the weaknesses of the South African aid program can be traced largely to policy decisions made in Washington. Consequently, USAID personnel have to deal with a complex and shifting set of priorities that make consistent long-term support based on the needs of the beneficiaries nearly impossible. This contradiction can only be addressed through a reevaluation of Washington’s foreign aid priorities. The author has therefore identified several policy recommendations for US aid programs in South Africa.

- 1) Strengthen local control of the development process: The US must work to strengthen the participation of both the South African government and local community-based organizations in designing the structure, content, and priorities of US assistance programs in South Africa.
- 2) Reduce economic inequality: The US should structure its programs so that the poorest 50 percent of the population are the primary beneficiaries and so as to strengthen the ability of this segment of the population to organize and to articulate its needs.
- 3) Strengthen local level, community-based and non-governmental organizations: The US should continue to work in partnership with South African-controlled community and non-governmental organizations, but must strive to channel its aid more effectively in order to strengthen these organizations' capacity to deliver services, to engage in policy advocacy, and to realize their own, internally-defined, development agendas.

There are compelling reasons to continue to provide assistance to the new government in South Africa, both to support that government through this critical transition period and to enable South Africa to become an engine for development and growth in the entire region. But to achieve these objectives the US assistance program in South Africa must be fundamentally refocused in order to support long-term, sustainable, and equitable development.



Introduction

By the end of 1996 the US will have provided almost \$1 billion in foreign aid to South Africa, in one of the largest US assistance programs ever undertaken in Africa.¹ Over the last decade this program has supported non-governmental organizations (NGOs) and lawyers defending victims of apartheid, strengthened community organizations working to mitigate violence, and helped to prepare South Africans for leadership roles in the democratic, post-apartheid society. During the election in 1994, the US was the largest single foreign donor to voter education programs. After Nelson Mandela became South Africa's President, the US launched a program that will provide nearly \$600 million in grants and loan guarantees to build houses, restructure government ministries, improve the educational system, and overcome the legacy of apartheid.

At a time when international assistance programs are under attack as inefficient, unsuccessful, and irrelevant to the US national interest, policy-makers in Washington are holding up the US South Africa aid program as a model for a new type of foreign aid—foreign aid that works.

But what has the US been able to accomplish in South Africa? Is aid to South Africa truly a model for the future? A series of evaluations of the US aid program have praised its innovative character and emphasized its impact. Outside consultants hired by the US Agency for International Development (USAID) have prepared voluminous folders and reports attesting to the importance of these programs and their constructive impact (see further references in the study itself).

The case study detailed in this book highlights the successes of the US aid program in South Africa, particularly its strengths in responding to the changing political environment. But it also argues that US assistance needs to be redirected to respond more directly to the priorities of South Africans; to target the poorest sections of society; and to utilize grassroots, community-based organizations (CBOs) as the best delivery channels for assistance that will ultimately lead to long-term, sustainable development.

1. At least \$200 million of this aid took the form of loans or loan guarantees that ultimately will have to be repaid.

Although USAID's South Africa program differs substantially from most US assistance programs in Africa, many of the recommendations in the case study also apply to US aid programs elsewhere in Africa. The central common point is that US assistance to Africa should be continued, but must also be changed dramatically to fully realize the goal of promoting long-term, sustainable development.

Foreign Aid—The Broader Debate

It is impossible to discuss the US aid program in Africa without first confronting the debate about what policy goals determine—or should determine—how and where the US provides foreign assistance. Although foreign aid (apart from military aid) is commonly seen as being aimed at promoting development, foreign assistance priorities in the past have most often been determined by more narrowly drawn economic and political interests.

This reality has in the past led some Africans to become vocal critics of foreign aid. African leaders were among the first to challenge the assertion that development, particularly sustainable development, was a principal goal of US foreign aid. One of Africa's most famous leaders, Kwame Nkrumah, argued nearly thirty years ago in his book on neocolonialism that "aid" turns out to be another means of exploitation."² Others have noted that during the Cold War America's ideological allies, such as Zaire, Ethiopia, Kenya, Liberia, Somalia, and Sudan, received the bulk of US assistance.

Since the end of the Cold War, aid flows have shifted, but some African analysts have continued to argue that foreign aid often produces more dependence than development. One recent United Nations study demonstrated that developing countries pay more in debt service each year than they receive in new flows of grants and loans. These statistics led Tanzanian development analyst A. M. Babu to argue that Western governmental aid is intended primarily to keep Africa dependent and impoverished and to ensure that the debt is repaid.³ Many analysts argue that increased investment, improved commodity prices, and more just terms of trade would be more effective catalysts to development than additional aid money.⁴

Despite concerns about the long-term impact of aid dependence, African

-
2. Kwame Nkrumah, *NeoColonialism: The Last Stage of Imperialism* (New York: International Publishers, 1966), 242.
 3. United Nations Development Programme, *Human Development Report 1994* (New York: Oxford University Press, 1994), 63; A. M. Babu, "Aid Perpetuates Dependency," *Southern Africa Political and Economic Monthly* (Harare), November 1994, 6.
 4. See, for instance, Organization for African Unity Secretary General Salim Ahmed Salim's comments in "Africa's Top Statesman Mince No Words," *Africa News*, March 22-April 4, 1993, 4. See also various issues of the journal *Africa Recovery* (published by the United Nations Department of Public Information).

countries continue to rely on foreign aid to assist their economies. From impoverished Mozambique, where 70 percent of the government's budget has been met by foreign aid, to South Africa, where foreign aid made up less than three percent of total government spending in 1995, African countries continue to appeal for aid. And the appeals do not come just from governments. When funding for Africa through a World Bank affiliate was threatened in 1995, an international coalition of African NGOs—reflecting prevailing views among a wide range of groups—issued a statement appealing for continuing aid.⁵

Many African critics believe that the US still provides foreign aid largely to advance its own narrow economic and political interests, and that consequently it is often less focused on Africa's long-term development needs and less effective in advancing them. But most argue that African governments must take this aid in the hope that at least a portion of it can be channeled to help meet the needs of their people. At the same time, African countries are also beginning to ask donor nations for more predictable information about how much money is available and better definition of the objectives of the foreign aid programs.

Some African governments and leaders have expressed particular bitterness at donor inconsistency. They note that although a number of African governments have taken important steps forward in economic and political reform, often with the encouragement of Western countries, the flows of development aid are drying up.⁶ The clear implication is that the US and others should instead follow up their freely-offered advice with greater assistance in implementing programs.

Aid to Africa and the US Budget

These African requests for more aid come at a time when political pressures in Washington are tying foreign aid funding ever more closely to narrow US economic and political interests. Fiscal conservatives, eager to reduce deficit spending, have seen foreign aid as an easy target, given public perceptions of the issue.⁷ In the last decade

-
5. "Recommendations of the African NGO Consultation on IDA 11," Addis Ababa, January 9-13, 1995. The statement on the International Development Association's 11th replenishment of funds, adopted by participants in the consultation, was distributed electronically, and is available through the APIC home page at <http://www.igc.apc.org/apic/index.shtml>.
 6. See, for example, the comments of the executive secretary of the UN Economic Commission for Africa, Layashi Yaker, in "Modest Economic Upturn for Africa: But More Genuine Support Needed from Donors, says ECA Head," *Africa Recovery*, December 1994, 1.
 7. According to "Americans and Foreign Aid: A Study of American Public Attitudes," a report of a poll conducted in early 1995 by the Program on International Policy Attitudes, a program of the Center for the Study of Policy Attitudes and the University of Maryland Center for International and Security Studies (CSPA, 11 Dupont Circle NW, Suite 610, Washington,

alone, the budget for foreign aid has been effectively cut by almost one-third. In 1995 some members of Congress proposed abolishing the separate aid agency altogether and some suggested strict tests to determine whether assistance advances specific, short-term US national interests, completely eliminating the goals of reducing poverty and promoting sustainable development.

As the federal government cuts back drastically on domestic expenditures, the question repeatedly arises whether or not the US should spend scarce taxpayer funds on foreign aid. This issue has been framed most starkly by legislative proposals introduced in 1994 and again in 1995 that would have cut funds for aid to Africa in order to pay for emergency assistance to victims of earthquakes, floods, and other emergencies in the United States.

Cutbacks are having a particularly harsh impact on aid to developing countries. While funding for US strategic allies in Eastern Europe and the Middle East is being protected, overall development funding has been cut by more than 50 percent in the ten years ending in 1995. Although final figures for fiscal year 1996 had not been approved at this writing, it appears that Congress will cut total funds for development efforts by another 22 percent. The House and Senate agreed in the foreign operations appropriations bill to eliminate specific earmarking of funds for Africa. The bill's language, however, suggests that funding will be cut by approximately 25 percent.

Conservative critics, in particular, have questioned whether the US should continue to provide development assistance to Africa. In 1994, Senator Mitch McConnell (R-KY) proposed that US foreign assistance be provided only to protect US national security interests, achieve US economic objectives, or foster stability. Using these tests, the senator concluded: "I have a hard time justifying expenditure in most of the African countries. I know they have enormous problems, but I have a hard time finding an American national interest."⁸

Other critics have argued that much of the US aid to Africa is wasted. In congressional hearings in 1995 Senator Jesse Helms (R-NC) noted that the more than \$320 million in assistance the US had provided to Rwanda since 1962 had done little to prevent the crisis that nation experienced in the mid-1990s. Helms and other critics also point out that although the US provided more than \$11 billion in foreign aid to

D.C. 20036), a strong majority of Americans (75 percent) believe that the United States is spending too much on foreign aid. This attitude, however, is based on the assumption that the US is spending vastly more than it actually is. Asked to estimate how much of the federal budget goes to foreign aid, the median estimate of those responding to the CSPA survey was 15 percent—15 times actual spending (only about 1 percent of the budget). (Other polls have found even higher estimates.) Asked what an "appropriate" amount would be, the median level proposed was 5 percent. Asked how much would be too much, the median response was 13 percent, while 3 percent was seen as "too little"—still 3 times the present spending.

8. Associated Press news report by Donald M. Rothberg, November 18, 1994.

Africa in the thirty years ending in 1994, the African continent remains the poorest in the world, with endemic disease, poverty, and illiteracy common in many countries.⁹

In this highly charged atmosphere, it is often hard to sort out truth from fiction, or real arguments about issues of policy from rhetoric designed to score easy political points. But even advocates of continuing aid to Africa agree that the first question that must be answered is: Why should the US provide aid to the countries of Africa?

Why Should the US Aid Africa?

Ironically, it was this question which prompted Congress to establish the Development Fund for Africa (DFA) in 1987. In an effort both to resist then-President Ronald Reagan's attempt to divert money from African aid and to encourage new models of development assistance, Congress enacted legislation specifically stating that the US has a clear national interest in promoting broad-based, sustainable development in Africa. The act recognized African aid programs as consistent with the nation's values and acknowledged the potential for systematic assistance to generate long-term progress.

The objectives of the DFA were specified as follows:

...to help the poor majority of men and women in sub-Saharan Africa to participate in a process of long-term development through economic growth that is equitable, participatory, environmentally sustainable, and self-reliant.¹⁰

Although these objectives were often subverted by shorter-term political and economic priorities, this Congressional legislation has, at least on paper, guided the major US assistance programs in Africa for almost a decade. By designating the DFA as a specific line item, Congress was able to set a minimum level of funding for Africa each year.

Under the Development Fund for Africa, the US has provided important support for agricultural credit programs, assistance in building road and bridges, money for health posts and medicines, and funding for schools and scholarships. In addition, when famines, floods, or disease outbreaks have occurred, the US has often been the first to provide assistance—whether it is to feed hundreds of thousands of refugees in

9. Senator Helms's figures for aid to Rwanda are a little high. According to USAID documents, the US provided about \$270 million in development aid to Rwanda (USAID, *Congressional Presentation: Fiscal Year 1995*, Summary Tables [Washington, D.C.: USAID, 1995], 31, 37, 43; USAID, "U.S. Overseas Loans and Grants: Obligations and Loan Authorizations: July 1, 1945 - September 30, 1992" [Washington, D.C.: USAID, 1994], 27, 62).

10. PL 87-195, *Foreign Assistance Act of 1961*, Section 496.

Mozambique, bring water to dislocated people in Central Africa, or provide critical transportation assistance to peacekeepers to separate warring parties in Liberia.

USAID's own reports provide a sampling of some of the many projects that Development Fund for Africa monies have supported:

- In Burundi, US funds helped to reduce the incidence of children's measles from 1600 cases per 100,000 people in 1977 to 200 per 100,000 people in 1991;
- In Mali, US support for educational reforms helped expand primary school enrollment by 41 percent between 1989 and 1993;
- In Niger, US assistance for micro-enterprise development provided loans to support cooperative programs assisting more than 100,000 families and helped to establish savings and credit unions that continue to provide credit for small-scale economic activity, mostly in rural areas.

The Development Fund for Africa guidelines have helped reorient US aid in Africa toward more development-oriented programs. Even with these guidelines in place, however, large amounts of US economic, military, and humanitarian assistance still went to politically-linked programs designed to prop up corrupt African leaders sympathetic to the United States, regardless of the developmental consequences.¹¹

As funding for foreign aid worldwide has been cut, long-term development programs are often neglected in favor of short-term emergency relief. As development aid officials themselves note privately, it is much easier to report to Congress that 200,000 people have received food aid to keep them from starving, than to report the beginning of a ten-year commitment to developing rural agricultural extension workers that will help peasant farmers grow corn and develop sustainable agriculture. The US does support both types of programs in Africa. But

11. Between 1962 and 1992, the top recipients of combined economic and military assistance were Sudan (\$1.955 billion), Zaire (\$1.325 billion), Kenya (\$1.252 billion), Ethiopia (\$1.094 billion), Somalia (\$952 million), and Liberia (\$937 million). After the Development Fund for Africa was established, the top recipients of US economic, military, and humanitarian aid between 1988 and 1994 were Mozambique (\$302 million), Senegal (\$220 million), Malawi (\$215 million), Kenya (\$210 million), Ethiopia (\$199 million), and Mali (\$198 million), marking a significant shift. The most notable exception was Kenya, which in 1993 and 1994 continued to receive more than \$40 million per year despite a notable decline in democratic rule. In that later period, Zaire received \$138 million, Sudan \$151 million, Somalia \$84 million, and Liberia \$81 million ("U.S. Overseas Loans and Grants: Obligations and Loan Authorizations July 1, 1945 - September 30, 1992" [Washington, D.C.: USAID, 1994], various pages, and from USAID *Congressional Presentations*, various years).

budget pressures have increased, more and more money has been allocated to short-term emergency relief.¹²

As the assault on foreign aid funding has intensified, the arguments in support of continued assistance have focused more on how aid funding creates short-term opportunities for US business. In political terms, this has always been a primary justification for the aid program. By 1995, however, with a more conservative Congress in Washington, the direct linkage of foreign aid to US jobs, exports, and security had become an even more central theme. "Aid to Africa is not welfare. It is an investment in other people for one's own self interest," argued the head of the Agency for International Development, J. Brian Atwood, in early 1995.

Atwood went on to suggest that US aid to Africa opens up markets for US trade and investment:

Africa is today what the Latin American and Asian markets were a generation ago. It is the last great developing market. ... In 1993, sub-Saharan Africa imported \$63 billion worth of merchandise goods from the rest of the world. America's share of this market is 10 percent, but it has been growing. African imports have risen by around 7 percent a year for the past decade. At this rate, the African market would amount to \$480 billion by the year 2025. These figures represent millions of jobs. They reflect precisely what happens when the markets of developing countries grow.¹³

USAID documents describing recent aid programs reinforce this notion: "Foreign assistance helps create US jobs and advances American economic well being. Trade opportunities do not simply materialize, the ground must be prepared first. Through policy reforms, strengthening institutions, and removing legal barriers to trade, US foreign assistance programs create an enabling environment for investment and economic growth."¹⁴

In a similar vein, Washington policy-makers supportive of foreign aid have argued that, in an interdependent world, the US cannot afford not to give aid to Africa because crisis there often leads to crisis in the Americas. Environmental pollution, it is often said, does not respect national borders. US expenditures to curb toxic emissions

2. Between fiscal years 1987 and 1991, 51% of all US assistance to Africa took the form of development assistance, while 43% was provided as food aid and disaster relief. Between fiscal years 1992 and 1995, development assistance declined slightly to 50% while emergency relief rose to 49%. Preliminary figures suggest that fiscal year 1995 may have been an exception to this trend (with 56% of aid committed to development), but it is too soon to tell if this will be a sustained shift. (Calculations from USAID figures.)

3. *International Herald Tribune*, February 9, 1995.

4. USAID, "Why Foreign Assistance?" 1995.

in this country cannot be effective unless they are complemented with investments in environmentally-sound technologies in other countries. Similarly, the US has a vital interest in efforts to curb the spread of infectious diseases to help stem epidemics.

Another argument advanced by advocates of foreign aid is that assistance dollars spent today are, in effect, a form of diplomacy that can help to prevent or structure solutions to emerging crises that otherwise would require far greater expenditures by the international community in the future. "While Washington provides only 5 percent of the development assistance that Africa receives," argued USAID Administrator Atwood in 1995, "it provides 30 percent of the relief assistance directed at the continent's emergencies. It is a lot less expensive to lead the way on prevention than to pay the costs of failure."¹⁵

Does Economic Growth = Development?

Atwood is right when he notes that US aid can help to create markets for US products and support long-term development programs that prevent more costly crises from developing. And the Clinton administration—with Atwood in the lead—has been more aggressive in promoting public education about the importance of foreign aid than any administration since the 1960s. Early in the Clinton administration, Atwood began a major reform of the USAID bureaucracy, attempting to reorient the thinking of the agency and supporting changes in legislation to promote more effectively sustainable development, free-market principles, and democracy. But in the process of defending foreign aid, proponents have often had to reduce complex arguments and objectives to simplistic slogans and targets, thereby inviting the use of strategies that conflict with a long-range development agenda.

For instance, the US government has embraced a model that tends to equate economic growth with social development. This model has won support among business and political leaders in the United States because it opens new markets for US trade and investment, and in Africa because it boosts short-term income. But there are other voices, particularly within African churches and trade union movements, which challenge the assumption that economic growth automatically produces sustainable and equitable development. These skeptics have been particularly critical of the structural adjustment programs advocated by the United States and by multilateral lending institutions such as the World Bank and the International Monetary Fund.¹⁶

15. *International Herald Tribune*, February 9, 1995.

16. Among many such comments see the remarks of Rev. José Chipenda, General Secretary of the All Africa Conference of Churches, cited in *Focus Africa* (Toronto: Interchurch Coalition on Africa), August 1995, 1. See also "The Lost Continent: Challenges to Africa," in *One World* (Geneva: World Council of Churches), August-September 1994, 10-16.

In South Africa, the “Reconstruction and Development Programme” (RDP) of the African National Congress (ANC) has challenged the assumption that growth should be the primary goal of economic policy:

Growth—the measurable increase in the output of the modern industrial economy—is commonly seen as the priority that must precede development. Development is portrayed as a marginal effort of redistribution to areas of urban and rural poverty. In this view development is a deduction from growth. The RDP breaks decisively with this approach. If growth is defined as an increase in output, then it is of course a basic goal. However, where the growth occurs, how sustainable it is, how it is distributed, the degree to which it contributes to building long-term productive capacity and human resource development, and what impact it has on the environment, are the crucial questions when considering reconstruction and development.¹⁷

Few analysts deny the importance of economic growth as an essential component of development. But there is a danger that US officials, in an effort to preserve continued funding for foreign assistance programs, will set economic growth as the primary goal while downplaying the importance of balanced development and participatory structures that ensure that all people share the benefits of that growth. The current aid debate provides an opportunity to reexamine the goals of US foreign aid and refocus attention on what should be the primary objectives of such programs, namely ensuring long-term, sustainable, and equitable development.

A New Vision of Aid to Africa

It is in the fundamental interest of the United States to promote long-term, people-centered development that emphasizes empowering Africans to make decisions, decentralizing decision making, and ensuring that short-term economic growth does not take precedence over efforts to eliminate poverty or address inequalities in the distribution of income. It is only through programs such as these that US aid can support the kinds of political stability and economic growth in the developing world that are in the long-term interest of the majority of people in the United States. These are also the programs which are most likely to break the continuing cycle of poverty and dependence by helping Africans to create solutions to their own development problems and outgrow the need for assistance.

17. African National Congress, *The Reconstruction and Development Programme* (Johannesburg: ANC, 1994), 6.

Those within USAID who are trying to move the agency in this direction should be encouraged and pushed to go further. But that requires moving beyond defensive battles to preserve existing budgets to accepting the need for radical reforms in both the objectives of the programs and their implementation.

A growing number of US groups have argued that the US has a moral responsibility to continue to provide aid to Africa, which is home to some of the poorest countries in the world. Indeed, the World Bank has estimated that without significant assistance from the international community the number of poor people in Africa could double in the 1990s. But increasing inequality is not a problem that is limited to Africa. By the mid 1990s, concern that growing inequalities within the US could threaten the nation's social fabric prompted US officials and civic leaders to devote greater attention to strategies capable of addressing the expanding gulf between rich and poor.

There is also a growing constituency for Africa in the US, with a significant base in the approximately 12 percent of the population that has its roots in Africa. These citizens recognize the racism implicit in attempts to cut aid when these moves are premised on the assumption that such assistance will be squandered as a consequence of mismanagement, corruption, and warfare. Like other Americans, though, African Americans will support such assistance only if they see it as part of an investment—at home and abroad—in building a sustainable economic future for communities that have previously been marginalized.

Can Aid to Africa Work?

Even those who accept the importance of providing foreign aid disagree about the type of aid to Africa that has been most effective. While the US has provided important assistance that has helped to save African lives, critics are also correct when they point out that large amounts of US foreign aid funds are spent on projects that do little to improve the long-term development of Africa and that often leave few lasting institutions when they end.

For example, when the US Ambassador to Chad assessed the more than \$300 million in food aid, development assistance, and economic support funds provided to that country between 1982 and 1995, he stated that while the emergency food aid helped save lives, the development assistance was mainly spent “on overhead, expensive contractors and consultants.” His conclusion: it “had little impact except to deepen the culture of dependency which is a part of the problem.”¹⁸

Though the US often provides emergency assistance to African countries to avert starvation, assist refugees, or address emergency crises caused by natural disasters, the

18. Unclassified State Department Cable, April 4, 1995.

longer-term development goals are much harder to achieve. In Zimbabwe, for instance, some critics have charged that US assistance has actually undermined that country's ability to develop long-term, sustainable agricultural policies that could help to avoid or at least mediate the impact of future droughts.¹⁹ In Mozambique in the early 1990s, the US provided hundreds of millions of dollars in emergency assistance to alleviate the effects of war and drought and keep many people from starving. Yet critics such as writer Joe Hanlon have argued that this aid—which was often channeled through non-governmental organizations (NGOs)—frequently undermined existing government efforts. “In Mozambique,” Hanlon argues, “NGOs were brought in to distribute food and medicines when government agencies were already doing a better job at lower costs.”²⁰

US officials in Mozambique disagree with Hanlon's argument, insisting that the Mozambican system broke down long before the US began providing assistance. What is indisputable, however, is that in ten years of efforts in Mozambique most of the US aid has not gone to support institutions that will ensure that when the US aid program in that nation is ended structures will be in place to continue this work.

This is perhaps the hardest test for development aid: what happens when the assistance ends? Critics argue that in many cases when the last US aid worker leaves, African countries are no better off than when aid workers first arrived. The best that can be said, these critics contend, is that US aid allowed some people to avoid starvation for a few years. There is some truth to this argument, and the question provides a valid test of the sustainability of these programs. Nonetheless, the criticisms should not constitute a reason for ending aid to Africa, but rather should help focus attention on the issue of sustainability in design, implementation, and evaluation of programs. There are some USAID programs in Africa, and in South Africa in particular, that have helped to put in place long-term, sustainable institutions that will survive after the last US aid worker has left.

One of the major obstacles to sustainability has been that US programs have been designed with conflicting objectives at best and sometimes with objectives that run directly counter to the development agenda of the intended beneficiaries. State Department policy makers often view US aid as another mechanism for cozying up to political leaders they are courting or punishing political leaders who have not been sufficiently responsive to US policy concerns. In the early 1980s, for example, both

19. See, among others, Carol B. Thompson, *Beware the Hand that Feeds You: USAID in Southern Africa* (New York: The Africa Fund, 1992). For a more extensive treatment, see Carol B. Thompson, *Harvests under Fire: Regional Cooperation for Food Security in Southern Africa* (London: Zed Books, 1991).

20. “It's Time to Say: No More,” *African Agenda* 1, No. 2 (1995): 8. Hanlon's critique is elaborated in Joseph Hanlon, *Mozambique: Who Calls the Shots?* (Bloomington, IN: Indiana University Press, 1991).

Zimbabwe and Mozambique discovered the links between political policy and monetary aid from the US.²¹

Congressional attempts to influence the structure of US assistance policy have also served to undermine the development objectives of these programs at times. While members of Congress often help to shape a positive long-term development approach for USAID—the Development Fund for Africa being a good example of this—many members view foreign aid as another way to deliver political “pork” to their home constituencies.²²

Although US financial assistance is generally described as funds sent to other countries, USAID officials recently acknowledged that close to 80 percent of all USAID grants and contracts go “directly” to US firms and non-governmental organizations, either to implement programs and studies in the recipient countries or to take a hefty administrative cut before passing on the remaining funds to the intended beneficiaries. In South Africa in 1993 and 1994, USAID sources note that US contractors were the intermediaries in about 44 percent of the assistance provided by the agency.

While USAID programs have a mixed record in Africa—some contribute a great deal to sustainable development, some are simply failures, and many fall somewhere in between—the reasons for these failures and the key to the success of future US assistance programs in Africa can be found through an examination not only of USAID itself but also of the broader domestic and foreign policy objectives that guide US assistance initiatives overall.

USAID in South Africa

Doug Tilton’s investigation into the recent history of US assistance to South Africa is intended to provide an overview of that important program, highlighting both its

-
21. Shortly after independence, Zimbabwe was selected for a seat on the United Nations Security Council, only to discover that its votes there were provoking the Reagan administration to threaten to cut foreign aid allocations. As Hanlon (1991) and others have documented, even US emergency drought aid was delayed to put pressure on Mozambique prior to the signing of the Nkomati agreement with South Africa in 1984.
 22. For instance, for several years in the early 1990s, USAID population planning programs in Africa had to purchase condoms from a manufacturer in Alabama even though this manufacturer offered them at nearly three times the price of similar items available on the world market. USAID officials sought to change to another overseas supplier, but each year the two senators from Alabama demanded a commitment from USAID to buy condoms from their constituent. USAID and State Department officials were so aware of the importance of linking foreign aid to US procurement that foreign service officers sent out to speak around the US in the late 1980s were routinely briefed on how much USAID procurement was done in the state they were visiting.

positive aspects as well as ways in which its objectives and implementation failed to meet the needs of grassroots development in South Africa.

There have been many studies of US assistance to South Africa over the years, and several recent studies have been commissioned by USAID itself. Tilton's report is not an attempt to provide a quantitative assessment of the overall impact of the US aid program in South Africa, but rather an issue-oriented review of what the US is trying to achieve, how well it is meeting those goals, and how South Africans, particularly those connected with grassroots organizations, view the USAID effort. It also evaluates weaknesses that have undermined the program's effectiveness in the past and suggests guidelines for future policy. Tilton brings to the study not only experience in the Washington policy arena, but valuable experience from direct work with grassroots groups in KwaZulu-Natal, South Africa. As the acknowledgments indicate, the study reflects perspectives from a wide range of South African non-governmental observers as well as interviews with USAID officials themselves.

During the past 15 years, US assistance has provided important support to some organizations, working first to eliminate apartheid and then later to address the structural legacies of white minority rule. Many rural legal clinics, township-based community organizations, and adult education programs would not have been able to exist without support from USAID and other international donors.

It is more questionable, however, what contribution these efforts have made toward shaping sustainable programs that address the inequalities in South African society. While different groups in South Africa were debating which approaches to development might best address these inequalities, US officials were designing and implementing a program that was structured primarily to support groups that agreed with the underlying "free-market" assumptions that are a central component of US policy. Though there were variations between projects and differences in perspectives among the US officials concerned, the USAID program was implemented in a manner that was intended to ensure that the development strategies that were eventually adopted were consistent with the underlying market-based approach of the US.²³

23. For instance, USAID, in evaluating its own program in South Africa relative to its grantmaking in economic policy formulation, noted the following: "A USAID-funded international economics conference and supported research are credited to have led the GNU [Government of National Unity] leadership to endorse pragmatic economic policies and a fiscally conservative approach to the RDP, contrary to the prior expectations that an ANC-dominated government would opt for more statist solutions and fiscally unsustainable social programs" (USAID/South Africa, "Draft Assessment of Program Impact" [Pretoria: USAID, February 23, 1995], 8.) The South African National Civic Organisation, SANCO, in an April 1994 report describes another example: "USAID offered money to set up a loan fund, but then withdrew the offer when the community group said it would charge less than market interest" (*Making People-Driven Development Work: Report of the Commission on Development Finance formed by the South African National Civic Organisation* [Johannesburg, SANCO, April 11, 1994], 98.)

A central issue in this analysis is the question of accountability and control. From the very beginning, the US assistance strategy in South Africa has been driven by concerns shaped in Washington, not South Africa. Initially some members of Congress regarded this aid as an instrument to support the struggle against apartheid, while others saw it as a substitute for sanctions. The Reagan administration first proposed significant increases in funding to South Africa in a failed attempt to derail pressures in Congress for sanctions. Congress then dramatically increased aid going to South Africa as part of legislation imposing sanctions in 1986. The largest increases came after negotiations began in 1990 between the South African government and the African National Congress, and these increases were in part designed to increase US leverage in that process. Even today, the post-apartheid support package of the Clinton administration is driven more by the administration's desire to influence the policies of the new government and its vision of South Africa as "an emerging market" for US goods and services than by any development objectives coming out of South Africa itself.

That funding patterns are shaped by a donor's own agenda should come as no surprise. Indeed, many analysts have argued that all aid is offered with a specific objective in mind, and that the only difference between donor agencies is how honestly and openly each acknowledges its agenda. The term "aid" itself is a misnomer, some would contend, given that donors almost invariably demand a quid pro quo sooner or later. Nevertheless, the central point here is that for recipients to make an informed decision about whether to take aid at any given point in time, there must be full public disclosure and debate about the benefits of such aid, both to the recipients and the donors.

The South Africa program in particular has been singled out by some commentators as a model of participatory development that is highly sensitive to the needs of disadvantaged South Africans.²⁴ However, USAID's own documents demonstrate that US funding for housing development, for instance, was designed not to respond to a development agenda designed by South Africans but to attempt to shape and influence the types of decisions South Africans made. Members of Congress concerned with the program and USAID officials themselves differed significantly in their knowledge of and sensitivity to grassroots South African concerns. But officials involved in the program acknowledge that US assistance to South Africa in the early 1990s was driven in large part by the desire to shape the development planning of South Africans in directions that were compatible with the perceived interests of the US government and US corporations.

The emphasis on market-based, growth-led models of development has also prevented the US from providing meaningful levels of direct support to the poorest

24. See citations in the last chapter of this study.

of the poor in South Africa. The bulk of US assistance to South Africa has gone to a small, relatively affluent sector of the urban black population, namely those who have regular employment in the formal economy. Admittedly, some development theorists argue that this is the only strategy that can lead to long-term development in South Africa. Yet even the World Bank has conceded in a recent report that implementation of such a market-based strategy “will not reach a large number of the very poor” in that nation.²⁵

One strength of the US assistance program in South Africa has been its emphasis on supporting a broad range of non-governmental organizations (NGOs) and community-based organizations (CBOs). But this program, which is being offered as a model for civil society programs in other countries, has not been as successful in empowering these organizations to determine their own agendas and shape their own priorities. Some critics in South Africa have raised the concern that US influence has tended to “depoliticize” the work of these groups and shift them away from the more progressive development agenda emerging from links between grassroots organizations and the history of struggle against the apartheid regime.

The role of NGOs and CBOs in South Africa is still evolving. Many of the organizations that played a key role when political movements were banned in the period before the first democratic elections are now struggling to define their future agenda. Tilton’s case study suggests that the US should continue to provide support to this important sector, while working to improve the way that support is delivered, and to ensure that grassroots, community-level groups control that agenda to the greatest extent possible.

There are deep structural problems in the way the US provides foreign aid to South Africa, but these problems do not constitute an argument for eliminating this vital program. The general implications of this study are that foreign aid to South Africa has provided significant support to some important development initiatives and that a broad range of representative South Africans are eager to see these programs continue. At the same time, this document suggests that the program must be reformed to better serve a positive, people-oriented, grassroots development agenda in a post-apartheid society.

As it has reached the general public and major news media, the recent public debate in the US on aid to Africa has tended to divide between, on the one hand, those who want to completely eliminate all development-oriented assistance and only retain assistance more narrowly based on short-term political interests and, on the other hand, those who counter simply by saying don’t cut aid to Africa. Critical non-governmental organizations, such as Bread for the World, the Development Gap, and

25. World Bank, *Reducing Poverty in South Africa* (Washington, D.C.: World Bank, 1994), 16.

others, have pushed a reform agenda for US assistance to Africa over the past decade. That debate, however, has been pushed to the background by louder voices. This study, to the contrary, implies that it must continue and deepen.

There are compelling reasons to continue to provide substantial development assistance to Africa, but that assistance must be radically redesigned in order to support long-term, sustainable, and equitable development. Those of us who support continuing and increasing aid to Africa must also stimulate an ongoing public dialogue about what type of aid is most effective in Africa and what types of reforms are needed to ensure that aid reaches the people most in need. We cannot stand still in defense of the status quo. If the debate is not to move backwards into short-sighted isolationism and narrow self-interest, we must move it forward.

Jim Cason
October 1995

A Brief History of US Foreign Assistance Programs

The Origins of US Aid Policy

The roots of modern US foreign assistance programs were established in 1950 when Congress passed the Act for International Development.¹ Over the next decade, the Eisenhower administration developed an institutional apparatus for the allocation of foreign aid, establishing the International Development Cooperation Agency in 1956 and the Development Loan Fund the following year. In 1961, Congress passed the Foreign Assistance Act of 1961, which, with amendments, remains the primary legislative framework for US foreign aid. That same year, President Kennedy established the Agency for International Development, later renamed the United States Agency for International Development (USAID), which assumed the primary responsibility for administering the nation's foreign aid.²

The expansion of the US foreign assistance program was driven largely by self-interest and by the intensifying Cold War with the Soviet Union. As the program grew, military aid surpassed both economic and development assistance to comprise more than 40 percent of the total aid budget by the mid-1980s.³ Development aid was largely motivated by US concern that poverty, underdevelopment, and lack of political participation would lead Third World countries to view communism as an attractive model for political and economic development.

The dominant development literature of the 1960s argued that the principal obstacle to economic growth in poor countries was insufficient capital investment. Based on this analysis, USAID during its first decade channeled aid primarily to large-scale, infrastructural projects such as dams, highways, and industrial plants. Economists theorized that such ventures would facilitate accelerated investment, the development of manufacturing industries and self-sustaining economic growth—

Frances Moore Lappé, Rachel Schurman, and Kevin Danaher, *Betraying the National Interest* (New York: Grove Press, 1987), 57.

Ira N. Gang and James A. Lehman, "New Directions or Not: USAID in Latin America," *World Development* 18:5 (May 1990), 725.

Lappé, Schurman, and Danaher, *op. cit.*, 9 and 27.

a process known in the jargon of the day as “takeoff.” This would in turn alleviate poverty as the fruits of economic growth trickled down to all socioeconomic levels. Moreover, development aid, like military aid, was expected to draw recipient nations more securely into a US sphere of influence.⁴

By the early 1970s, foreign financing of capital investment projects had produced few benefits for the poorest sections of the recipient societies. Congress responded by enacting the Foreign Assistance Act of 1973 and the International Development and Food Assistance Act of 1975, which shifted the focus of US development aid policy from economic growth to the satisfaction of basic human needs. This approach, known as the “New Directions” policy, emphasized labor-intensive practices and the expansion of education, nutrition, and health services. It also sought to give poor people a larger role in the articulation and implementation of a development agenda by promoting bottom-up development strategies.

The New Directions policy, however, never fully realized these ambitious objectives. The needs-based logic of this new initiative was not reflected in the actual pattern of aid allocation. In Latin America, for example, changes in child mortality rates—an important indicator of real standards of living and hence of the level of basic needs—had no significant impact on the pattern of US aid allocation in the region. Instead, aid allocation patterns responded much more strongly to changes in political stability and trade relationships.⁵ Even where USAID attempted to implement the New Directions mandate by expanding programs for small farmers and by financing education and public health projects, its approach sought only to compensate for the deficiencies of the “trickle-down” model by meeting immediate physical needs for food, clothing, shelter, education, and employment. It did not attempt to bring about the structural reforms necessary to reduce the reproduction of poverty.

Development analyst Ben Wisner has contrasted USAID’s approach with an alternative understanding of basic needs that embraces popular participation in economic and political policy-making through voluntary organizational affiliation. Wisner also stresses the importance of productive instead of menial employment.⁶ Basic needs include the need to establish sustainable mechanisms of self-support.

Other writers have charged that during this period USAID officials made little effort to prevent local elites from capturing the new resources made available by its programs and using them to enhance their own wealth and power. These critics point out that the bulk of US assistance continued to be spent on infrastructure development projects, using private contractors, and that the main beneficiaries were

4. Gang and Lehman, *op. cit.*, 725.

5. *Ibid.*, 731.

6. Ben Wisner, *Power and Need in Africa: Basic Human Needs and Development Policies* (London: Earthscan, 1988), 33-37.

established local business people and larger farmers.⁷ As analysts from the Institute for Food and Development Policy observed: “New Directions development assistance...assumed that the communities receiving the new resources were composed of people with common interests. In reality, they were communities at war.”⁸ By working with and through already powerful groups instead of allying with voluntary associations of the poor, USAID accelerated economic stratification and reinforced the unequal social relationships that rendered the poor powerless.

In the 1980s, President Ronald Reagan revived the emphasis on economic growth as the primary objective of US foreign aid, but he identified the private rather than the public sector as the key engine of growth. US assistance during this period was often contingent on the recipient government adopting a package of economic reforms. Typically, the US insisted on policy reforms, or “structural adjustment” plans, that paralleled the demands of the International Monetary Fund and the World Bank, including currency devaluation, deregulation of markets, corporate tax concessions, and wholesale privatization of state industries.

These policies were expected to boost export production in both the agricultural and industrial sectors, generate broadly-based economic growth, and expand employment opportunities that would benefit the entire society, including the poor. The rewards of economic growth, however, rarely reached the most disadvantaged. Instead, inflation and the abandonment of subsidies on food and other basic goods often meant that living standards for the poor declined. At the macroeconomic level, export growth was frequently offset partially or completely by currency devaluation, thus trade revenues did not increase concomitantly, if at all.⁹

In the last thirty years, the public goals of the US foreign aid program have shifted several times, as administrations have changed and development theories have been refined. The dominant forces driving foreign aid decisions, however, have remained remarkably consistent. Most US assistance has been linked to narrow US strategic and economic objectives such as supporting friendly governments that host American air, naval, and military bases; shoring up pro-western governments; and creating an economic climate conducive to western trade and investment. One of USAID’s longstanding key objectives has been to generate business for US corporations. The agency boasts that 70 percent of all foreign aid expenditures are used to purchase US goods and services.¹⁰

7. Lappé, Schurman, and Danaher, *op. cit.*, 118-119.

8. *Ibid.*, 64.

9. *Ibid.*, 137-141; Sharon Pauling, “Beyond Famine: Peace & Development in the Horn of Africa,” *Background Paper* No. 118, (Washington, D.C.: Bread for the World, July 1990), 3.

10. Lappé, Schurman, and Danaher, *op. cit.*, 70.

USAID programs have been less effective in alleviating poverty. Some of this failure can be ascribed to the application of well-intentioned but inappropriate development strategies. More usually, though, it has resulted from policy-makers' preoccupation with the defense of narrowly-defined, short-term US interests. This precludes the conceptualization of a development agenda capable of addressing the root cause of poverty: the poor's lack of access to and control over the resources they require for advancement.

There have been exceptions to this trend, including agencies such as the African Development Foundation (ADF), established by Congress in 1980. ADF assists "locally-conceived and managed development activities" such as the small-scale Farming Systems Kenya project and Somaliland's Himilo Cooperative.¹¹ Generally, however, US foreign assistance programs have shared the faults cited by USAID Deputy Administrator Carol Lancaster in one of her last published critiques of aid initiatives in Africa before she took office. According to Lancaster:

Aid donors have often been...too quick to commit their resources, too mesmerized by grand theories for promoting worldwide development, too constrained by development policies derived from experience at home or elsewhere in the world, too little informed about Africa, and too unwilling to spend enough time consulting Africans about what they wanted and needed.¹²

Recent Changes

The end of the Cold War and the downsizing of the USAID bureaucracy in the early 1990s have created new opportunities for a fundamental reassessment and reorientation of US foreign assistance programs. In the absence of the distorting lens of superpower conflict, moreover, there may be greater opportunity for USAID to fulfil its stated commitment to involving indigenous people and grassroots organizations in the design and implementation of a development agenda.

Clinton administration officials have stressed the concept of "sustainable development," which they define as "development that meets the needs of the present without compromising the ability of future generations to meet their own

11. Elmira Nazombe, "Foreign Aid: Challenges for the Future," *Background Paper* No. 111, (Washington, D.C.: Bread for the World, May 1989), 4; Sharon Pauling, "Ending War and Famine in the Horn of Africa Through Grassroots Initiatives," *Background Paper* No. 119, (Washington, D.C.: Bread for the World, March 1991), 1, 4.

12. Carol J. Lancaster, *United States and Africa: Into the Twenty-First Century* (Washington, D.C.: Overseas Development Council, 1993), 54.

needs.”¹³ The practical definition of sustainable development which emerges from US policy documents gives priority to human development through programs to support education, health care, and training in productive skills. It seeks to promote responsive and accountable government by facilitating participatory democracy and the emergence of thriving non-governmental, grassroots, and voluntary sector organizations. It also places new emphasis on environmental concerns. These stated goals are more similar to those that have been articulated by many critics of past US foreign assistance programs.

Yet this new emphasis comes at a time of rising political pressure in the United States for the virtual abandonment of foreign aid and the elimination of a separate USAID bureaucracy. The real amount of money devoted to foreign aid has been declining for the last decade. In the ten years ending in 1995, the total budget for programs that are strictly development aid and disaster relief (as opposed to security programs in the Middle East or Eastern Europe) was cut by more than 50 percent in constant dollars. For fiscal year 1996, the development aid portion of the budget, which had not been finalized at this writing, is expected to be cut by another 22 percent.¹⁴

There are also indications that, for many US officials, sustainable development is little more than a new set of clothes for a doddering emperor. The program’s poverty alleviation strategy continues, in most cases, to insist on a dependence on market-based solutions and “economic openness” (i.e., deregulation of internal markets and reduction of trade tariffs) that fail to take into account the historical failures of these strategies to achieve broad-based, equitable economic growth. The long-term impact of structural adjustment policies on economic growth remains the subject of heated controversy. But even USAID acknowledges that “economic growth [resulting from such programs] is still much too slow (given rapid population growth) to make much difference in people’s lives.”¹⁵

Economic growth is, of course, a key indicator of development. However, most US policy-makers concede that it implies “broad-based, poverty-alleviating growth”

13. I. Serageldin, “Agriculture and Environmentally Sustainable Development,” Keynote address to the 13th Agricultural Symposium, World Bank, January 1993, cited in United States Agency for International Development, *Africa: Growth Renewed, Hope Rekindled: A Report on the Performance of the Development Fund for Africa, 1988-1992* (Washington, D.C.: USAID, 1993), 65.

14. Development aid and disaster relief programs in Africa, Asia and Latin America (aid to Israel, Egypt, the former Soviet Union and Eastern Europe is not included in the development account) was \$8.7 billion in 1985 and \$4.1 billion in 1995 (figures in 1995 dollars) (USAID, chart titled “110% More Available in 1985 than Today for Development and Disasters in Africa, Asia & Latin America,” 1995); for fiscal year 1996, see “Making Appropriations for Foreign Operations, Export Financing and Related Programs for the Fiscal Year Ending September 30, 1996, and for Other Programs: Report of the Conference Committee,” US Congress, October 26, 1995, 2.

15. USAID, *Africa: Growth Renewed, Hope Rekindled*, 18.

Table I: USAID Country Programs in Africa, Fiscal Year 1995

Country	Total Aid*	Rank	Population*	Aid per capita
Angola	5,000	35	8,800	0.57
Benin	20,578	17	5,000	4.12
Botswana	6,733	31	1,400	4.81
Burkina Faso	12,737	22	9,500	1.34
Burundi	15,772	19	5,800	2.72
Cameroon	6,278	32	12,200	0.51
Cape Verde	7,444	30	340	21.89
Central Afr. Rep.	5,861	33	3,200	1.83
Chad	5,069	34	6,000	0.84
Comoros	1,528	40	460	3.32
Congo	3,651	38	2,400	1.52
Côte d'Ivoire	10,640	24	12,900	0.82
Djibouti	480	43	530	0.91
Equatorial Guinea	264	44	360	0.73
Eritrea	8,627	25	3,580	2.41
Ethiopia	92,148	1	55,980	1.65
Gabon	3,794	37	1,200	3.16
Gambia	12,814	21	860	14.90
Ghana	56,587	3	15,800	3.58
Guinea	27,116	15	6,100	4.45
Guinea-Bissau	8,227	27	1,000	8.23
Kenya	38,458	9	25,700	1.50
Lesotho	7,952	28	1,900	4.19
Madagascar	35,707	11	12,400	2.88
Malawi	42,347	8	9,100	4.65
Mali	42,842	7	9,000	4.76
Mauritania	3,338	39	2,100	1.59
Mauritius	247	45	1,100	0.22
Mozambique	54,250	4	16,500	3.29
Namibia	15,562	20	1,500	10.37
Niger	24,535	16	8,200	2.99
Nigeria	32,337	13	101,900	0.32
Rwanda	19,988	18	7,300	2.74
São Tomé	1,475	41	125	11.80
Senegal	35,421	12	7,800	4.54
Seychelles	651	42	71	9.17
Sierra Leone	4,896	36	4,400	1.11
Somalia	12,000	23	8,300	1.45
South Africa	82,453	2	39,800	2.07
Swaziland	8,500	26	780	10.90
Tanzania	36,228	10	25,900	1.40
Togo	7,451	29	3,900	1.91
Uganda	45,725	5	17,500	2.61
Zambia	43,990	6	8,300	5.30
Zimbabwe	31,729	14	10,400	3.05

(* In thousands)

Note: Figures reflect USAID fiscal year 1995 budget as of March 4, 1994 and therefore may not include the South Africa Initiative, which was announced in May 1995.

SOURCE: USAID, *Congressional Presentation for FY95*, Summary Tables, Table 4C.

rather than just growth in macroeconomic indicators.¹⁶ Thus, the primary challenge confronting USAID officials is to translate the rhetoric of sustainable development into tangible benefits for the majority of the world's poorest people. In this respect, Africa is a critical region for evaluating the program's success or failure.

Long-term sustainable development that is also equitable, participatory, and self-reliant has been an explicit goal of the US aid program in Africa since Congress consolidated USAID funding for development programs in sub-Saharan Africa into the Development Fund for Africa (DFA) in 1987. The DFA has become a primary conduit for USAID bilateral and regional foreign assistance programs on the continent. Through it, the US government channeled \$3.5 billion in aid to Africa between 1988 and 1992.¹⁷

In singling out the DFA for specified appropriations, Congress also provided a regular mechanism to reserve a minimum amount of money annually for Africa's development needs. In 1994 and again in 1995, however, some Clinton administration officials and members of Congress proposed the elimination of this special, earmarked fund for Africa.¹⁸ One of the arguments used was that geographical restrictions such as those of the DFA limit USAID's flexibility, preventing reorganization and creative grantmaking. Advocates for Africa argued that, without such protection, funds would simply go to those areas with the most effective bureaucratic clout.

Nonetheless, USAID has been undergoing considerable reorganization under the Clinton administration. In addition to efforts to give greater priority to consultation and programs involving US non-governmental organizations, it has started to close down some existing programs and to concentrate assistance in fewer areas to achieve greater impact. In Africa, this has led the agency to begin phasing out bilateral programs in thirteen African countries and to expand aid to others. Funding for South Africa, however, has been increased.

The US has been providing substantial aid to South Africa since 1987, when congressionally mandated sanctions against that nation's white minority government required the Reagan administration to begin providing assistance to "disadvantaged South Africans." Between 1987 and 1994, USAID provided more than \$420 million in assistance to South Africa, mostly to non-governmental organizations. After Nelson

16. *Ibid.*, 65.

17. *Ibid.*, 5.

18. Legislation agreed by both houses of Congress in October 1995 eliminated the Development Fund for Africa as a separate account but mandated that Africa receive the same proportion of development funding as in fiscal year 1995. The wording of the legislation was subject to a variety of interpretations, and the exact proportion of funds that would go to Africa in the future was uncertain.

Mandela was elected president of South Africa in 1994, the Clinton administration announced a new, three-year assistance program to provide nearly \$600 million in grants and loans to assist the transition from apartheid to majority rule.

This study will focus primarily on the USAID program in South Africa during the final years of white minority rule between 1987 and 1994. The evolution of this program is quite distinct from that of programs elsewhere in Africa. Its size and particular advantages, however, as well as the fact that it is being cited as a model, mean that its strengths and weaknesses have implications for the US-Africa program in general. It is also an important case that can provide some indication of whether sustainable development constitutes a more profound US policy shift than the ineffectual New Directions policies of the 1970s.

US Assistance Programs in South Africa

The Legislative Framework for USAID Programs in South Africa

In the late 1970s, the US Agency for International Development (USAID) began making limited funds available to South African exiles for scholarships at US institutions and to non-governmental organizations (NGOs) engaged in human rights work in South Africa. US assistance to South Africa, of course, dates back much before this. Some agencies, such as the US Information Service, have been running programs in that country since at least the 1960s.

The agency's major program work in South Africa, however, began in 1982 after Congress approved \$4 million for programs in the next two fiscal years to "finance scholarships for undergraduate or professional education in the United States for South African students who are disadvantaged by virtue of legal restrictions on their ability to get an adequate undergraduate or professional education."¹ This appropriation effectively marks the beginning of substantial allocation of funds for that nation through USAID.

In 1983, Congress earmarked \$500,000 of this money for a special Human Rights Fund to be administered by the US ambassador in fiscal year 1984. An additional \$1 million was allocated in the following fiscal year for "grants to nongovernmental organizations in South Africa promoting political, economic, social, juridical, and humanitarian efforts to foster a just society and to help the victims of apartheid."² Until Congress passed the Comprehensive Anti-Apartheid Act (CAAA) in 1986, USAID projects in South Africa were financed under the agency's Southern Africa Regional program.³

1. PL 97-113, Title III, Sec. 303(b), Dec. 29, 1981, 95 Stat. 1532; codified in 22 U.S.C. 2151c.

2. PL 98-164, Title X, Sec. 1002(a), Nov. 22, 1983, 97 Stat. 1052; codified in 22 U.S.C. 2151n.

3. Projects funded from USAID's Southern Africa Regional account bore the project number prefix 690. Projects subsequently funded under USAID's bilateral South Africa country program received a project number prefix of 674. During the mid-1980s, when USAID was setting up its South African mission, many existing projects were funded out of both accounts.

USAID efforts were further expanded in September 1985 when then-President Ronald Reagan, in an effort to head off congressional pressure for sanctions, issued Executive Order 12532, which imposed mild sanctions on South Africa and expanded the US aid program. The White House contended that US aid would be effective in undermining apartheid and white supremacy without threatening the livelihoods of black South Africans. Sanctions opponents in Congress also claimed that the positive assistance of aid was better than the negative pressure of sanctions. Many sanctions proponents, on the other hand, pointed out that it was apartheid that posed the greatest threat to the majority of South Africans, and that such aid would do little to increase the pressure on South Africa's minority regime to abandon its policies and abdicate power. Indeed, they argued, aid might prolong white control by alleviating some of apartheid's worst effects and diminishing the perceived urgency of more fundamental reforms. It might also be used to build up a black middle class with access to benefits within the apartheid system.

The following year, when Congress considered the Comprehensive Anti-Apartheid Act (CAAA), conservatives pressed for the allocation of additional aid to South Africa in lieu of intensified sanctions. An overwhelming majority of members eventually approved the CAAA's package of sanctions over the President's veto in October 1986. The final bill also included substantially increased aid to "assist the victims of apartheid." The legislation detailed an aid program that:

- extended the "Training of Disadvantaged South Africans" program by allocating not less than \$4 million for each of fiscal years 1987, 1988, and 1989 for education, training, and scholarships for black South Africans (including teachers) attending colleges and universities in South Africa (Title I, Sec. 201);
- provided up to \$1 million in each of fiscal years 1987, 1988, and 1989 for secondary school scholarships for black South Africans (Title II, Sec. 201);
- allocated up to \$500,000 in fiscal year 1987 and \$1 million in fiscal year 1988 for in-service teacher training through non-governmental organizations (Title II, Sec. 201);
- increased the amount of Human Rights Fund money earmarked for South Africa to \$1.5 million per fiscal year from fiscal year 1987 and stipulated further that these funds be awarded to political detainees and prisoners (not less than \$500,000 per year), to the families of victims of "necklacing" and other acts of violence (\$175,000 per year), and to black groups working towards multi-racial political power sharing through non-violent means (\$175,000 per year) (Title II, Sec. 202);

- appropriated \$10 million for fiscal year 1987 to acquire housing in “white areas” to be made available to black South African employees of the US government at reasonable rents (Title II, Sec. 206); and
- designated up to \$40 million of Economic Support Fund monies in fiscal year 1987 and each subsequent fiscal year for “activities that are consistent with the objectives of a majority of South Africans for an end to the apartheid system and the establishment of a society based on non-racial principles. Such activities may include scholarships, assistance to promote the participation of disadvantaged South Africans in trade unions and private enterprise, alternative education and community development programs.” Of this, up to \$3 million was earmarked for training programs for South African trade unionists.⁴

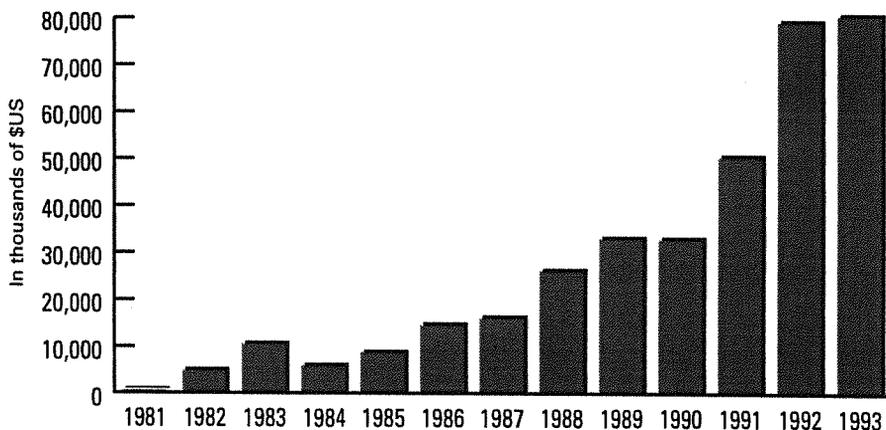
The CAAA program prohibited the US from providing any assistance to agencies that were “financed or controlled” by the South African government. It stipulated instead that USAID funds be channeled through non-governmental organizations. After the passage of this legislation, USAID initiated a separate South Africa country program and began making preparations to open a USAID mission in the capital city of Pretoria. Agency personnel subsequently developed a six-point approach to implementing the aid program described in the CAAA. This approach involved the following tasks:

- 1) building bridges between the US and South Africa’s legally disadvantaged;
- 2) promoting communication and cooperation within black communities and between blacks and whites in South Africa;
- 3) supporting the development of future South African leaders through education, training, and scholarship programs as well as through institutional development;
- 4) enhancing and expanding black participation in the South African economy, particularly to combat apartheid-related distortions of free enterprise;
- 5) supporting black organizations and institutions in undertaking sound and effective programs and projects they have identified as priorities; and
- 6) promoting non-violent political and social change in South Africa that leads to the end of apartheid and the formation of a democratic political system based on the consent of the governed.⁵

4. PL 99-440, Oct. 2, 1986, 100 Stat. 1086 *et seq.*; sections identified above codified in 22 U.S.C. 2151c., 22 U.S.C. 2151n., 22 U.S.C. 2151o., and 22 U.S.C. 2346d.
 5. USAID, *Congressional Presentation: Fiscal Year 1989*, Annex I, Africa, (Washington, D.C.: USAID, 1988) 406.

Table II: US Aid to South Africa, 1981-1993

All years are fiscal years



SOURCES: *Washington Post*, August 5, 1986; USAID, *Congressional Presentations*, various years

Since the CAAA program was established, US aid to South Africa has expanded dramatically. In fiscal year 1990, Congress appropriated \$38.1 million for assistance to South Africa. This rose to \$40 million the next year, and an additional \$10 million in Economic Support Fund resources was earmarked by Congress in each of those years for the “promotion of democracy” in South Africa.

When Nelson Mandela was released from prison in February 1990, the first formal negotiations for an end to white minority rule in South Africa began. In July 1991 then-President George Bush called for the repeal of most sanctions against that nation. To mollify critics who argued that democratic forces within South Africa had not called for sanctions to be lifted, Bush proposed a doubling of the US South Africa aid commitment to \$80 million.⁶ Congress approved \$80 million in assistance for fiscal years 1992 and 1993.

Many anti-apartheid activists were suspicious of the motives and objectives of the US government’s assistance program. The African National Congress (ANC), the United Democratic Front (UDF), and other liberation movements had consistently called for the economic isolation of South Africa—a demand around which US solidarity groups had also mobilized. These groups viewed foreign assistance as a weak

6. Most of the CAAA sanctions were formally repealed with the passage of the South African Democratic Transition Support Act (PL 103-149 [H.R. 3225], 107 Stat. 1503), which became law in November 1993.

and unacceptable substitute for sanctions, a strategy that, like the “constructive engagement” policy of the Reagan and Bush administrations, exerted minimal pressure on the South African government. Many South African activists were also familiar with critical appraisals of USAID that claimed the agency’s agenda was determined by US security interests associated with the Cold War. Attitudes began to soften, however, as certain South African non-governmental organizations quietly and hesitantly began to accept USAID assistance. When fears of blatant and aggressive intervention by USAID personnel were not realized, a growing number of groups sought USAID assistance, arguing that it was possible to use US aid to finance projects of genuine benefit to poor communities.

In early May 1994, just days after South Africa’s first democratic elections, the Clinton administration announced a \$528 million expanded aid package, which it dubbed the “South Africa Initiative.” This new, three-year transitional aid package was intended to build on the existing US aid program and expand it to address apartheid’s legacy of social and economic injustice, consolidate support for the new majority government, and promote sustainable development. The plan provided \$166 million in USAID assistance to South Africa during fiscal year 1994, increasing to \$181 million in each of the fiscal years 1995 and 1996.⁷

Figures for this new program are difficult to interpret because, in the rush to announce as large a number as possible, the Clinton administration fashioned an aid program that included grants, loans, and other leveraged monies. USAID’s actual financial commitment was projected to be \$136 million in fiscal year 1994 and \$128 million each year for fiscal years 1995 and 1996.⁸

The post-election USAID initiative is funded largely through the Development Fund for Africa (DFA) and is expected to consume roughly 15 percent of the DFA’s annual budget, making it USAID’s largest single country program in sub-Saharan Africa. (See Table I on page 24 for a comparison of USAID bilateral assistance programs in Africa prior to the announcement of the Clinton administration’s South Africa Initiative.) In addition to the money provided through USAID, the South Africa Initiative includes assistance provided by almost a dozen other cabinet agencies, from a Commerce Department investment and trade promotion program, to initiatives by the Energy and Agricultural departments and a training program instituted by the Department of Defense.

7. USAID, “Post-Elections Assistance to South Africa,” June 1994.

8. White House, Office of the Press Secretary, “Fact Sheet: Trade, Aid and Investment Package for South Africa,” May 5, 1994, 2; other figures provided by USAID. The size of the post-election initiative for South Africa has been variously interpreted. The program includes grants, loans, and leveraged funds from other parts of the budget, but the primary funds were programmed through USAID accounts to South Africa. It is these funds that are largely discussed in this study.

Table III: US Assistance to South Africa 1994 to 1996

A. Black Private Sector Development, Jobs, and Infrastructure : \$268.6 million

To promote full economic empowerment of the black majority through broad scale economic and social integration. Loan guarantee programs to support housing construction and municipal finance, black private enterprise development and small business loan guarantee programs.

B. Strengthening Democratic and Political Institutions: \$126.4 million

To promote governance, civil society, and consolidation of the new democracy. Support for community-based and non-governmental organizations remains a big part of this project, although support for training programs for officials of the new government (including provincial and local officials) and exchange programs between the US and South Africa are also major areas of focus.

C. Education and Health Delivery: \$133 million

To support rationalization of the South African education and health delivery systems. To develop linkages between tertiary educational institutions in South Africa and historically black colleges in the US, to support model educational curriculum development, and to support primary health care projects, particularly the provision of local health clinics in targeted areas of the country.

SOURCE: USAID/South Africa, "Post-Elections Assistance Fact Sheet," 1994.

The Implementation of USAID Programs in South Africa

In March 1993, USAID distilled the objectives of its program under the CAAA into three broad areas of focus emphasizing "the political, economic, and social empowerment of South Africa's disadvantaged majority."⁹ For fiscal years 1987 through 1994, the last component (primarily education) absorbed approximately 40 percent of all resources, while the political and economic aspects received substantially less funding.¹⁰

9. USAID, "USAID/South Africa Strategy Concept Paper," March 1993, xi.

10. The rest of this chapter focuses principally on USAID programs implemented between 1987 to 1994, because it was these programs, operating under the authority of the CAAA and later the South African Democratic Transition Support Act, which laid the foundation for the aid efforts currently underway in South Africa. The bulk of this research was completed in 1993 and no attempt is made here to provide a comprehensive overview of the post-election program in South Africa. Where necessary for clarity and understanding, some attempts have been made to provide updates that address the shifts in US aid since Nelson Mandela's government came to power, but much of that discussion has been left to the evaluations in the next chapter.

USAID Support for Political Empowerment

One of the earliest goals of USAID's program was to ensure that the "majority population participates more fully in the political development and governance of a democratic, human rights-based South Africa."¹¹ Within this broad objective of promoting political empowerment, the USAID mission identified four strategies or targets:

- 1) establish and strengthen black-led non-governmental institutions that support political empowerment and civic development;
- 2) help assure fundamental civil and political rights under a rule of law that is respected by and accessible to all citizens;
- 3) increase the capacity of disadvantaged South Africans to govern in a post-apartheid South Africa; and
- 4) help prepare for free and fair elections.

USAID has sought to achieve its political empowerment objectives through four major types of projects: community and institutional development, labor organization development, human rights law, and electoral education. In fiscal year 1993, these projects accounted for roughly one-third of the agency's spending.¹²

Community and Institutional Development Efforts

USAID's Community Outreach and Leadership Development (COLD) project (674-0301)¹³ has been the flagship of the agency's political empowerment initiatives since its inception. COLD's primary objective has been "to strengthen the leadership and institutions of the disadvantaged community so that they can better respond to the legitimate needs of their constituencies."¹⁴ The project has focused on democratic processes, youth programs, women's self-defined needs, rural awareness programs, and leadership training. To be eligible for assistance under COLD, agencies and organizations are expected to demonstrate a commitment to ending apartheid through peaceful means, substantial community support, and financial responsibility. In addition, they should be black-led or working toward black leadership and control.

Most of the organizations that have received COLD support have been NGOs that provide alternatives to government policy formulation and service provision structures in the fields of health, education, communication, and legal services. COLD

11. USAID, "USAID/South Africa Strategy Concept Paper," March 1993, 38.

12. USAID, "USAID/South Africa," July 1993, 6.

13. USAID identifies its projects by seven digit codes. Typically, the first three digits indicate the country or regional budget out of which the project is funded (e.g, 674 for South Africa, 690 for southern Africa, etc.) while the last four are unique to the specific project.

14. Management Systems International, "Mid-Term Evaluation Report: Community Outreach and Leadership Development Project," prepared for USAID, October 26, 1990, i.

also finances a smaller number of agencies working “to impart skills and enable individual participants to either create small jobs or to enter the mainstream of the economy as employees.”¹⁵

COLD supported a wide range of organizations during its first four years of operation, including the Independent Monitoring Service, Black Sash, the Human Rights Awareness Programme, Valley Trust, Vuleka Trust, Madimba, Crisis Care, Soyikwa, the Centre for Intergroup Studies, the Trust for Christian Outreach and Education, the Archdiocese of Durban, the Advice Centres Association, the ACA Women’s Desk, the Career Information Centre, Operation Hunger, Khula Udweba, the Legal Resources Centre, the South African Association of Youth Clubs, the Black Lawyers Association, the Rural Advice Centre, Peoples Express, Edendale Lay Centre, *Echo* (the *Natal Witness* education supplement), Themba lethu, Zikhuliseni, the Education Information Centre, the Red Cross, and the Wilgespruit Fellowship Centre. More recently, COLD funds have been instrumental in launching and sustaining the Institute for Multi-Party Democracy (MPD).

The COLD project will most probably remain a key component of USAID’s political empowerment program in the future. In 1993, it was extended until at least 1998 with a total life-of-project budget of \$190 million. Since 1993, COLD’s activities have been buttressed by two other USAID initiatives: the Community and Urban Support Services Program (CUSSP) which is an initiative of the private sector division discussed below; and the Private Agencies Collaborating Together (PACT) consortium of US NGOs, which provides development and support services to local NGOs in South Africa and many other countries.

One of PACT’s objectives was to prepare new NGO leadership to replace former staff members expected to be drawn into public-sector positions in the post-election period.¹⁶ It established a Johannesburg office and began offering a series of training workshops for staff members of approximately thirty USAID-funded South African NGOs, the majority of which are COLD grantees. These workshops have focused on topics such as management and planning, women and management, team-building, fundraising, evaluation, and strategic planning.

In addition to these major programs, USAID has provided smaller-scale grants to grassroots community development projects since the early 1980s through its Special Self-Help Development Fund (690-9901/674-0304). This fund supports income-generating activities and community development projects in education, agriculture, marketing, and other sectors.

15. *Ibid.*, 5.

16. Private Agencies Collaborating Together, “Year Three Workplan: Training, Technical Assistance, Information Exchanges and Networking to Strengthen South African NGOs and CBOs,” September 13, 1993, 4-5.

One other early component of the agency's political empowerment program was the Building Democratic Institutions project (674-0306) instituted in 1986. Between 1986 and 1990, USAID gave over \$1.8 million to the National Endowment for Democracy (NED), a US government-funded non-governmental agency, for activities designed to:

- enable selected South African trade unionists and community organization leaders to participate in courses on cooperatives, trade unionism, and community organization run by Histadrut, the Israeli labor federation;
- help the Institute for a Democratic Alternative for South Africa (IDASA) to expand its national network and organize conferences intended to formulate policy options for a democratic South Africa;
- finance, through New York's Freedom House organization, the publication of a biweekly series entitled "How Democracy Works," which has appeared in *City Press*, the newspaper with the largest circulation in South Africa's black community;
- support the growth of the Black Consumer's Union, including the launch of its Sechaba Sizwe Cooperative;
- sponsor conflict management workshops run by LAMLA, a non-racial, interdenominational conciliation and mediation group in the Western Cape; and
- assist the Peoples Press Community Communications Centre, a black-owned and managed media center in Cape Town, which publishes a newspaper and a business review.

In addition to its USAID-supported activities, NED has also financed Center for International Private Enterprise-sponsored projects that assist the South African Black Taxi Association and the Get Ahead Foundation; however, the last funds committed to this program were allocated in fiscal year 1990.¹⁷

In 1990, members of Congress, motivated by the euphoria surrounding the unbanning of South Africa's national liberation movements and the release of key political leaders from prison, appropriated an additional \$10 million under the Dire Emergency Supplemental Appropriation Act (PL 101-302) to permit USAID to launch its Transition to Democracy project (674-0310). These funds were intended to build the administrative capacity of formerly suppressed organizations, thereby enabling them to participate more effectively in the negotiations leading to a new

17. National Endowment for Democracy, *Annual Reports*, 1987 and 1988; and USAID *Congressional Presentations*, various years.

constitution and democratic elections. Congressional wrangling over USAID's proposed allocation of grants—in particular, the efforts of Senator Jesse Helms (R-NC) and Representative Dan Burton (R-IN) to block any plan that did not provide equal support to the ANC and the Inkatha Freedom Party (IFP)—delayed the disbursement of funds for more than a year.

By the end of 1991, USAID had signed an \$8 million contract with the United States-South Africa Leader Exchange Program (USSALEP) to administer the provision of \$4.8 million to the ANC and \$2.6 million to the IFP.¹⁸ These funds were intended to secure offices for national and regional staff of the two organizations; purchase and install computer equipment and train personnel to use it; and pay for travel, consulting, and workshop expenses associated with policy development. The stringent disbursement criteria imposed by USAID (which, for example, prohibited USSALEP from financing grantee salaries), together with the limited ability of the ANC and IFP to absorb the allocated funds, prevented USSALEP from distributing all of the funds by the intended project completion date, September 30, 1992; USAID therefore extended the project until the end of 1993.¹⁹

In addition to the USSALEP grant, USAID allocated \$1 million each to the US Information Service (USIS) and the NED. The USIS award was used to finance study tours to the US by South African political leaders and some visits of US community leaders and elected officials to South Africa.²⁰ The NED award, like the USSALEP grant, was used primarily to finance the development of South African organizations. NED made subgrants to the Soweto Civic Association, the Centre for Policy Studies, the African Centre for the Constructive Resolution of Disputes (ACCORD), the South African Institute of Race Relations, and Empowering for Reconciliation with Justice.²¹

USAID launched a new initiative, the Governance Support Program, in 1994 to offer training and technical assistance to new public officials at the local, provincial, and national levels. This program strives to enhance the officials' skills in organizing and running new government departments, formulating and analyzing policy, and delivering services. It is scheduled to run through 1999 (the maximum lifespan of the interim government) at a total funding level of \$28 million.

18. The remaining \$600,000 was allocated to USSALEP to defray its administrative expenses. USAID's initial proposal called for the ANC to receive \$3 million and IFP to receive \$1 million; however, Senator Helms and his conservative colleagues succeeded in securing Inkatha a larger share of this pie, both absolutely and relatively.

19. USSALEP, *News Update*, October 1991; and USSALEP, *1992 Program Update*, January 1993.

20. Author's interview with Jonathan Addleton, Program Officer, USAID/SA, Pretoria, September 28, 1993.

21. Dan Rathbun, USAID/SA official, to Keith Brown, AFR/SA official (internal USAID memorandum), June 29, 1993.

Labor Organization Development Efforts

USAID initiated its Labor Union Training Program (690/647-0223) in 1983 to train trade unionists in organizing, collective bargaining, membership recruitment, grievance handling, and occupational health and safety issues. From its inception, this program has been implemented by the AFL-CIO's African-American Labor Center (AALC) under a subcontract with USAID. Initially intended to last for two years, it has been repeatedly extended through amendment of USAID's grant agreement with the AALC. As of 1994, it was expected to run until 1997 at a total cost of approximately \$25 million.

The AALC's South African program has focused on three major types of assistance to that nation's unions:

- 1) multilateral assistance, primarily through the Geneva-based International Confederation of Free Trade Unions, which provides some support to the Congress of South African Trade Unions (COSATU), the National Council of Trade Unions (NACTU), and some labor service organizations;
- 2) bilateral assistance through the work of the AFL-CIO International Trade Secretariats and by facilitating the establishment of direct union-to-union relationships between US trade unions and their South African counterparts; and
- 3) direct assistance through AALC-sponsored training seminars, conducted under the auspices of the Southern Africa Trade Unions Coordination Council (SATUCC, which includes labor unions in South Africa and neighboring states), financial support for South African unions, and other services organized out of the AALC's regional office. (Prior to 1990, the AALC's direct assistance activities were primarily limited to NACTU affiliates and independent unions, due in part to the concerns many COSATU affiliates raised about accepting assistance from the AALC and/or USAID.)²²

22. John H. Sullivan, Jerome Barrett, and Anne E. Finbar Mullins, "Draft Final Report: South Africa Labor Union Training," Development Associates, Inc., Washington, D.C., March 1990, III-2, III-3. The AALC's involvement was controversial because of its role in Cold War competition among international trade union federations, and because of the murky history of CIA involvement with trade union officials in that competition. COSATU unions were linked to the ANC and to the South African Communist Party, while the international activities of the US trade unions were generally perceived as linked to the US government's Cold War agenda. For more on this complex issue, see Ken Luckhardt and Brenda Wall, *Working for Freedom: Black Trade Union Development in South Africa throughout the 1970s* (Geneva: World Council of Churches, Programme to Combat Racism, 1981), particularly pp.103-105, and Barry Cohen, "The CIA and African Trade Unions," 70-79 in Ellen Ray et al., eds., *Dirty Work 2: The CIA in Africa* (Secaucus, NJ: Lyle Stuart, 1979).

Human Rights Efforts

USAID's Human Rights Fund program for South Africa (690-9801/647-0305) began in earnest in fiscal year 1984. Under this program, small grants (generally not exceeding \$10,000) were awarded to "organizations or activities which contribute, directly or indirectly, to promoting a just society, to aiding victims of official discrimination, and to the nonviolent elimination of apartheid." Eligibility was limited to non-governmental organizations whose "character and membership reflect the objective of a majority of South Africans," and priority was given to groups that "evidence community support".²³ The CAAA of 1986 increased the Human Rights Fund's allocation for South African projects to \$1.5 million annually and imposed additional guidelines on the expenditure of these resources.

Under the auspices of its human rights program, USAID has:

- financed legal services for defendants in political trials;
- supported legal education at academic institutions (including the establishment of a human rights training center for black law students) and in the black community (through assistance to legal resource centers, legal aid clinics, and community legal advice services);
- underwritten research into the social impact of apartheid laws and the activities of the security forces; and
- contributed to black professional societies and community-based organizations working to challenge the nation's racially-exclusive laws and practices.

Electoral Education Efforts

Although USAID began funding voter education projects in 1992 through major US contractors, funding for South African-based organizations involved in electoral education did not begin until the following year. In fiscal years 1993 and 1994 the USAID South African mission identified voter education as a critical area in need of support, and substantial funding was reallocated to finance education efforts associated with South Africa's first non-racial national elections. USAID was by far the largest foreign funder of electoral education work in South Africa, providing more than \$35 million to help with voter registration programs, training exercises, and electoral monitoring activities.

USAID Support for Social Empowerment

Due to the specific dictates of the CAAA and the difficulties of operating under apartheid, USAID's social empowerment agenda was confined largely to the sphere

23. 22 U.S.C. 2151n, Sec. (e)(2)(B).

of education. Thus, the primary program objective for this component, as outlined in the mission's March 1993 Strategy Concept Document, is helping to "establish a more equitable and effective education system."²⁴ USAID officials defined four strategies associated with the achievement of this objective:

- 1) developing, evaluating, and disseminating new and innovative approaches to education;
- 2) helping to develop alternative educational policies and ensuring that such policies are actively considered by decision makers;
- 3) enabling educational institutions to better meet demands placed on a new, non-racial education system; and
- 4) increasing the number of qualified and skilled black South Africans engaged in education.

Historically, the US government's earliest and most substantial commitments in South Africa have been in the field of education. Nearly two-thirds of all US foreign assistance funds allocated to that nation between 1980 and 1993 was spent on or earmarked for a variety of educational programs. However, with the expansion of USAID's South Africa program in recent years, educational spending has diminished as a proportion of total assistance. In fiscal year 1993, only 36 percent of the agency's total South African budget was committed to social empowerment (officially termed Human Resource Development) programs.

US government involvement in South African education began in 1980, when the Carter administration announced that the US government would participate in the South African Education Program (SAEP), a joint initiative of prominent US educators, corporate executives, and foundation administrators. SAEP was launched to permit about 80 black South African students per year to enroll at US universities. Scholarship support has remained a central component of USAID's South Africa program ever since. USAID's Training for Disadvantaged South Africans project (690/674-0213) was instituted in fiscal year 1982 to enable SAEP to offer an increased number of places. Corporate donors provided supplemental funding for the project, and participating universities typically offered full or partial fee waivers. Students, selected on merit by the Institute of International Education in New York and the Educational Opportunities Council in South Africa, received scholarships for study at US institutions. By 1991, the final year of USAID's grant to SAEP, the program had financed scholarships for roughly 950 students. Although it was initially intended to underwrite graduate studies, due in part to applicant demand about 40 percent of the bursaries were ultimately designated for undergraduate education.

24. USAID, "USAID/South Africa Strategy Concept Paper," March 1993, 38.

USAID's University Preparation Program (690-0222), begun in fiscal year 1983, designed resources to help black students to prepare for their school leaving exams. The project aimed to increase the pool of black South Africans eligible for admission to US universities. Concern was expressed in Congress that the study guides produced by the program were not well-adapted to South Africa, and the program was abandoned in fiscal year 1985. However, the guides continued to be widely used by black students.²⁵

After 1985, USAID financed scholarships for students to attend universities within South Africa through the South African Bursaries Program (690/674-0230). In its first year, the project supported 76 students in four-year courses at 19 black and non-racial universities in South Africa. Student selection and placement were handled in South Africa by the South African Institute of Race Relations and the Educational Opportunities Council. In 1986, the program was expanded to provide bursaries for 200 students annually, the vast majority of which were for undergraduate study. Its final awards were made in 1991.

In fiscal year 1990, as the Training of Disadvantaged South Africans and the South African Bursaries programs were drawing to a close, USAID launched its Support to Tertiary Education Program (STEP) (674-0309). STEP provides bursaries for post-secondary study in the US and South Africa and also finances career counseling, academic support programs, and internships. Its awards target human resource development and immediate occupational needs in professional and technical fields where South African blacks are underrepresented.²⁶ Under a contract with USAID, the Tertiary Education Support Project (TEPS) provides technical support for STEP grantees.²⁷

USAID obligations under STEP totalled close to \$30 million in fiscal year 1992.²⁸ STEP obligations were scheduled to be reduced to \$15.8 million in fiscal year 1993, but the program continued to receive the bulk of the funds allocated for the agency's social empowerment efforts (\$28.8 million).²⁹ In 1994, the program was scheduled to run through the year 2000 at a total cost of \$110 million.

The Educational Support and Training (ESAT) program (647-0302) commenced in fiscal year 1986 under the name Alternative and Non-Formal Education to assist in redressing apartheid's impact on black education. To date, it

25. Michael Sinclair and Julia Weinstein, *American Philanthropy: A Guide for South Africans* (Washington, D.C.: Investor Responsibility Research Center, 1988), 11.

26. USAID, "Post-Elections Assistance to South Africa," June 1994.

27. Jonathan Jansen, *The Annual Socio-Educational Survey: 1992-93* (Johannesburg: Advancing Basic Education and Literacy, January 1993), 31.

28. USAID, "USAID/South Africa," July 1993, 6.

29. *Ibid.*

has allowed more than 1,000 students to enroll in community schools. According to USAID sources, ESAT:

...finances educational activities which: help disadvantaged South Africans cope with the inadequacies of apartheid education; are non-racial, yet affirm black culture and history; may influence the political debate on educational priorities; promote community involvement in education; or provide a foundation for non-racial education in a post-apartheid society.³⁰

The program also seeks to increase the availability of educational opportunities for black adults too old to attend state schools and to promote the development of non-racial, community-based models for preprimary, primary, and secondary education. During 1992, ESAT provided \$4.5 million in small grants to 45 South African agencies to support "educare" (a form of preschool education), teacher development, adult literacy, subject-specific training support, educational publishing, policy development, and independent schools. Program grantees receive technical assistance through Advancing Basic Education and Literacy (ABEL), a Johannesburg-based agency set up under a USAID contract with a US contractor.³¹ USAID designated \$6 million for the program in fiscal year 1993 and plans to continue it through 1998.

Section 201 of the CAAA directed the US government to initiate a secondary school scholarship program in South Africa and appropriated \$1 million annually for fiscal years 1987, 1988, and 1989 for this purpose. In its Congressional Presentation for 1988, USAID indicated that it planned to initiate a Secondary Schools Project (674-0308) to carry out this mandate. However, the program was never implemented.

In fiscal year 1992, USAID launched its South African Basic Education Reconstruction (SABER) program (674-0314), a five-year effort to promote the "increased development and use of innovative models and policy systems which improve the quality of primary education for historically disadvantaged South Africans."³² The program provides larger grants to a few model primary education projects that have demonstrated success. SABER overlaps with ESAT in that it also supports some preprimary, secondary, and adult education programs, including innovative models of decentralized education designed by community-based organizations. USAID earmarked \$6 million for SABER grants in fiscal year 1992 and \$7 million the next year.

USAID's newest educational development initiative is the Tertiary Education Linkages Project (TELP) (674-0315), begun in 1994 and scheduled to run through

30. USAID, *Congressional Presentation: Fiscal Year 1989*, Annex I, Africa, (Washington, D.C.: USAID, 1988) 407.

31. Jansen, *op. cit.*, 30.

32. *Ibid.*, 31.

2004 at a total cost of \$50 million. This project aims to “improve access by black South Africans to tertiary education and improve academic, administrative and research capacity in the country’s historically black tertiary education institutions.”³³ TELP is not a bursary program, but is rather intended to enhance the capacity of South Africa’s tertiary education sector, particularly its historically black universities, and to foster links between these institutions and their counterparts in the United States.

USAID Support for Economic Empowerment

Since 1991, the economic empowerment component of USAID’s South African budget has grown more rapidly than the other two components. By 1993, spending on economic empowerment programs in South Africa was approaching one-third of the entire budget (28 percent). USAID’s economic empowerment portfolio is intended to “increase broad-based black ownership, employment and participation in all levels of the economy.”³⁴ The four goals identified by USAID in this regard are:

- 1) to increase access to private sector financial and business services for black South Africans;
- 2) to enable the black South African business community to participate in reshaping the nation’s legal, regulatory, and judicial environment;
- 3) to increase interaction among labor, business community, political, and academic groupings on economic transformation; and
- 4) to deliver innovative and viable community-based, private-sector-financed housing to disadvantaged South Africans.

USAID’s economic empowerment initiatives fall into two broad categories: projects designed to promote and develop black professional skills and small- and medium-sized, black-owned businesses; and, since 1992, initiatives intended to stimulate the construction of housing and improve black access to the housing market. The Clinton administration’s new post-election South Africa Initiative expands the private-sector component of the USAID program even further, allocating \$99 million (55 percent) of the \$181 million earmarked for South Africa for fiscal year 1995 to economic empowerment.

Private Enterprise Development Efforts

The first private sector aid effort launched in South Africa was the 1983 Entrepreneurial Training for Disadvantaged South Africans project (690-0220). That project, developed in conjunction with the National African Federated Chamber of

33. USAID, “Post-Elections Assistance to South Africa,” June 1994.

34. USAID, “USAID/South Africa Strategy Concept Paper,” March 1993, 46.

Commerce and Industry (NAFCOC), was intended to provide black South African entrepreneurs with training in basic business management skills and financial counseling/consultancy services. USAID signed a preliminary grant agreement with NAFCOC for \$150,000 in September 1983. It subsequently signed a \$2.75 million agreement with Birch & Davis, a US firm, to provide curriculum development and technical support services to NAFCOC.³⁵

With the expansion of USAID's program in 1986, the agency's entrepreneurial training thrust was incorporated into a larger Black Private Enterprise Development (BPED) project (647-0303). BPED provides support for micro- and small-enterprise development, the integration of established black-owned firms into the primary economy, and policy development and advocacy.³⁶ USAID earmarked a total of \$11.25 million for BPED programs in fiscal year 1994.

Micro-Enterprise and Informal Sector Development Efforts

In the early years of BPED, the Get Ahead Foundation served as the primary conduit for USAID funds earmarked for micro-enterprise and informal sector development. Some funds, however, went to other contractors such as the Business Achievers Foundation, with which USAID signed a \$1 million agreement in June 1989 to finance the provision of capital credits and business development services to black South African entrepreneurs.³⁷

From 1992, USAID began to diversify further its micro-enterprise support schemes in South Africa. During fiscal year 1992, its Private Sector Division signed grant agreements with:

- the Small Enterprise Foundation (\$1.9 million over four years) to provide credit and savings facilities to clients (93 percent of whom are women) managing small businesses in communities surrounding Tzaneen in the northeastern Transvaal;
- the Independent Business Enrichment Centre (\$3 million over four years) to provide training and credit facilities for informal sector clients in East London, Johannesburg, and Durban;
- the Informal Business Training Trust (\$1.7 million over four years) to support the Trust's Township MBA training program and its

35. Susan Goldmark, John Hannah, and Martin Sebesho, "A Midterm Evaluation of the Entrepreneurial Training for Disadvantaged South Africans Project in South Africa" (Development Alternatives, Inc., April 1987), 7.

36. J.E. Austin Associates, "South Africa: Private Sector Strategy Assessment, Phase I," August 1990, 5.

37. Ernst & Young, Inc., "South Africa: Evaluation of the Business Achievers Foundation, Final Report," August 1990, 2-5.

efforts to facilitate access to commercial capital for the program's graduates;

- the Cooperative League of the USA (\$2.85 million over two years) to provide—in conjunction with Urban Systems Inc., a US-based, minority-owned firm—technical support for a community-based housing upgrading project near Bloemfontein run by the Mangaung Education and Development Trust;
- Soft Sheen, Inc. (\$500,000 over three years) to stimulate and support entrepreneurial activity in the black hair care industry.³⁸

In September 1993, USAID signed an initial two-year, \$3.5 million contract with the US-based PACT organization to implement a Black Entrepreneurship and Enterprise Support project (BEES). BEES is intended to become the primary vehicle for USAID's future micro-enterprise and informal sector support activities, as the agency seeks to abandon separate contracts with individual NGOs in favor of umbrella agreements with intermediaries in each subsector. PACT is charged with developing an integrated program to expand black South African entrepreneurs' access to training, financial management skills, credit facilities (provided by both commercial and non-profit institutions), and sectoral advocacy networks.³⁹

Black Formal Sector Efforts

Programs aimed at the development of the black formal sector in South Africa and the integration of this sector with the primary economy (i.e., increased linkage of black small- and medium-sized businesses with white-owned big business through contracts for the provision of goods and services) initially lagged behind those dealing with the informal and policy sectors. At the time of BPED's launch, USAID intended that its budget would be divided equally among the three program areas. In the first four years of the program, however, spending on economic integration projects represented less than half of the amount spent on either of the other two objectives.⁴⁰

Since 1992, USAID support for black South African formal sector and linkage programs has increased dramatically. USAID formed the Black Integrated Commercial Support Network (BICSN) in April 1992, earmarking more than \$10 million for the initiative through the end of fiscal year 1996. The BICSN offers a package of technical and marketing services geared to South Africa's larger black enterprises. These have

38. USAID, General Development Office, Private Sector Division, "FY94 Action Plan: South Africa's Post Sanctions Economy: USAID Assistance to the Private Sector" January 1994, 6-8.

39. *Ibid.*, 5-6.

40. J.E. Austin Associates, *op. cit.*, 4.

included: support for business expansion and development (feasibility studies, preparation of applications for financing, etc.), two conferences to introduce black South African businesspeople to franchising opportunities available through US companies, promotion of increased corporate purchasing from black-owned firms, and technical support to facilitate black buy-outs of existing firms.

USAID's action plan for fiscal year 1994 also called for the launch of another major formal sector initiative, known as Business Development and Support (BUDS).⁴¹ That project, however, was abandoned because of disagreements about the focus and appropriate contractor.

USAID also extended a long-running contract with the International Executive Service Corps (IESC) to provide technical services intended in part to complement those offered through BICSN. Previously, USAID-supported IESC activities in South Africa were limited mainly to mentoring schemes for that nation's black businesspeople. This latest grant was designed to enable the IESC to improve its capacity to recruit volunteer consultants, increase the number and types of businesses serviced by IESC volunteers, address the administrative and managerial needs of black-run NGOs engaged in black business development, and offer consulting services to facilitate the transfer of ownership of medium- to large-sized businesses to black investors. USAID's annual commitment to the IESC is roughly \$500,000.⁴²

Private Enterprise Policy Development Efforts

Past USAID programs in the South African policy sector included funding for NAFCOG, a series of grants to the Association of Black Accountants of South Africa for organizational development and the establishment of a bursary scheme for black female accountants, corporate affirmative action schemes, and lobbying on behalf of black business interests. During 1993, USAID began to provide assistance to the Sunnyside Group, a national coalition of more than 70 small business organizations (including NAFCOG and other leading black business associations) working "to improve the policy environment for small enterprise development."⁴³ USAID support for this coalition, projected at \$500,000 in fiscal year 1994, has been designated for general administration and for enhancing the group's policy analysis and advocacy capacity.

This initiative was supported further by two additional USAID/SA contracts. In fiscal year 1994, the mission contributed \$500,000 to an existing program, funded by the central USAID budget, intended to increase the opportunities for a range of black business and labor interest groups, particularly the Sunnyside Group, to

41. USAID, General Development Office, Private Sector Division, *op. cit.*, 9.

42. *Ibid.*, 9-10.

43. USAID, "Support for Economic Development Briefing Book" (Pretoria: USAID/Private Sector Development Division), August 22, 1994, 24.

participate in the debate on economic and business policy currently emerging at both the national and regional levels.

In addition, USAID continues to finance USSALEP activities under a 1989 grant agreement. USSALEP's projects are being increasingly geared to USAID's policy sector objectives, the result being that USSALEP is moving away from its former emphasis on developing the skills of individual black business and community leaders, to focusing instead on support for new and existing institutions engaged in influencing the enabling environment for black business. USAID allocated \$1 million in fiscal year 1994 to finance USSALEP initiatives designed to strengthen the ability of black business organizations (NAFCOC, the Western Cape Traders Association, the Independent Business Forum, the Consultative Business Forum, the KwaZulu/Natal Chamber of Commerce and Industry, etc.) to represent their constituencies in the various policy fora that will influence South Africa's economic policy and business regulatory environment in the post-election period.⁴⁴

USAID's Private Sector Division in South Africa has begun to collaborate with the agency's Education Division on another project that has implications for the policy sector. Known as the Black Leadership Development Program (BLDP), this initiative offers "tailored leadership and career development" training to "emerging private sector leaders who, in addition to career achievement, have demonstrated broader leadership skills." BLDP is motivated by USAID's desire to foster "substantive debate between the political leadership of the new South Africa and the emerging private sector leadership on the shape and direction of the economy." The Private Sector Division has earmarked \$750,000 in fiscal year 1994 to expand this program to offer training for 100 individuals after the initial group of 15 completes the course under the auspices of the Education Division.⁴⁵

USAID is also involved in several programs targeting South Africa's financial sector. The agency's Financial Markets Initiative, which grew out of USAID-sponsored research in 1993, is intended to stimulate dialogue between South African and American financial management communities as well as generate programs that can enhance black South African businesses' access to capital.

USAID's Loan Portfolio Guarantee (LPG) program was extended to South Africa in October 1992. This program leverages credit for small businesses by offering a 50 percent portfolio-wide loan guarantee to banks and other financial institutions. At the beginning of 1994, USAID had signed loan guarantee agreements totalling \$4.5 million with four South African lenders, two of which are black-led. The LPG program

44. USAID, General Development Office, Private Sector Division, *op. cit.*, 12-14.

45. *Ibid.*, 11.

is administered by USAID in Washington and makes no claims on the South African mission's funds.

Housing Efforts

In 1992, USAID made its first foray into housing matters in South Africa with the launch of its Shelter and Urban Development Support (SUDS) project (647-0312). The agency, through its global Housing and Urban Development Division, spent \$9.2 million on SUDS in the first year, and earmarked \$11 million for fiscal year 1993.

A primary goal of USAID's housing and urban support grantmaking has been to influence the housing debate in South Africa toward private enterprise, market-driven models. Most of its housing sector funding is therefore considered part of the agency's economic empowerment portfolio. The SUDS program more than doubled the amount USAID was spending on economic empowerment.

SUDS is composed of four main project areas: community-based organization (CBO) capacity building, housing finance, housing policy and institutional development, and construction management assistance. Roughly 80 percent of the SUDS budget for the first three years of operation (\$28.4 million) is earmarked for the first two areas.

The community-based organization capacity building component of SUDS is intended to increase the ability of CBOs to formulate and implement new housing initiatives. Toward this goal, USAID contracted with a consortium of US and South African consultants to create an intermediary entity, the Community and Urban Support Services Project (CUSSP), that would assume responsibility for this task. CUSSP then set up three regional offices (in Johannesburg, Durban, and Cape Town), each of which is responsible for identifying and working with between twelve and twenty communities to train community leaders and catalyze responses to local housing needs by making impact grants and creating consultancy and mentoring programs. Like ABEL, TEPS, and BICSN, CUSSP is financed by USAID, with \$4.35 allocated to the project in fiscal year 1993 and total life-of-project funding in excess of \$12 million.

The housing finance component of SUDS provided \$4.2 million in fiscal year 1993 to finance innovative housing development projects, with the intent of leveraging further capital for such schemes from the private sector. Projects supported that year included the Inner City Housing Upgrading Trust (\$1.6 million to capitalize partially a fund to secure sums loaned for the acquisition of apartments in medium- and high-rise buildings), the Headstart In-Fill Pilot Project (\$1 million for financing of housing in Cape Town's District Six), the Mortgage Installment Guarantee Fund (\$520,000 for mortgage guarantees), and Project Preparation Facilities in Natal, East London, and Johannesburg (a total of \$715,000 for three

centers that provide technical support for the planning and financing of low-cost housing developments).

SUDS also assists roughly a dozen South African organizations engaged in housing policy analysis and formulation with funds (\$1.6 million in fiscal year 1993) for research and institutional development. Beneficiaries in fiscal year 1993 were the National Institute for Local Government and Urban Development (\$550,000), the New South Africa Housing Association (\$210,500), the Development Law Services Trust (\$200,000), the Legal Resources Trust (\$150,000), the Housing Consumer Protection Trust (\$125,000), the National Housing Forum Trust (\$100,000), the Black Urban Development Planners Association (\$100,000), Project HOPE (\$100,000), and the Southern Cape Land Committee (\$75,000). Another \$800,000 was allocated that year to support construction management initiatives. This support was divided between the Black Contractors Bridging Finance Project and the South African Black Contractors Assistance Project.⁴⁶

Other Programs

In the past decade, USAID has provided limited support for other program areas, particularly projects related to medical care and health education in South Africa. In fiscal year 1986, for example, the agency's South African mission authorized a \$500,000 grant to the International Committee of the Red Cross (647-0307) to assist that organization's efforts to respond to medical emergencies in the nation's townships, to mediate in crisis situations, and to provide relief for displaced people. Since fiscal year 1988, USAID has also authorized support for AIDS prevention and education initiatives in South Africa under the HIV/AIDS Prevention in Africa program (674-HAPA). Further assistance to South African projects was made available in fiscal year 1992 by the AIDS Technical Support Program (936-5972), a Washington-administered USAID fund for AIDS control initiatives around the world.

HIV/AIDS prevention is one of two "targets of opportunity" identified in the agency's 1993 Strategy Concept Document, the other being violence mitigation initiatives, funded under the COLD project. USAID has contracted with the US-based AIDS Communication Project (AIDSCOM) to undertake activities in South Africa in support of this program objective. The South African mission budgeted \$500,000 for AIDSCOM in fiscal year 1993.

46. USAID, chart entitled "Shelter and Urban Development Project: Disbursements and Projections by Activity and Fiscal Year 1992-1993," August 6, 1993.

Toward an Assessment

The size of the program and the wide variety of projects contained within it, as recounted in this chapter, virtually guarantee that some will be relatively successful and others less so, whether in terms of management or of goals achieved. This study is not intended to substitute for more detailed evaluations of particular programs. But there are important questions to be raised, which deserve to be debated beyond the circles of “inside-the-beltway” discussions by administration officials and congressional committees. The next chapter singles out several aspects that were highlighted by the author’s interviews with South African NGO officials, as well as by more informal conversations with grassroots activists.⁴⁷

47. As this report was going to press, a controversy arose concerning USAID’s South Africa program. A study of the program, conducted by USAID’s inspector general, was critical of the process which USAID had used in awarding certain grants and contracts. The concerns focused on grants made in compliance with the 1991 “Gray Amendment” (named for its author, then-Representative William H. Gray III (D-PA)). This legislation earmarks at least 10 percent of USAID South African assistance funds for distribution through US minority contractors. Three such grants, totaling less than \$2 million (or less than 0.5 percent of commitments to date), have come under particular scrutiny. Foreign aid opponents quickly seized upon the study as a way of amplifying their assault on US assistance programs. Senator Jesse Helms (R-NC), the Chair of the Senate Foreign Relations Committee, convened a hearing on December 14, 1995, to draw attention to the inspector general’s findings. In their testimony at the hearing, USAID officials acknowledged that they had made errors of judgement in certain cases, but argued that, taken as a whole, the USAID program had made a significant and effective contribution to accelerating the demise of apartheid and the establishment of democracy. They also denied more general accusations that USAID had shown unwarranted bias in the awarding of contracts, citing evidence that, between fiscal year 1990 and fiscal year 1995, 8 percent of all USAID South Africa program funds had been disbursed to African American organizations, while a further 3 percent had gone to other minority contractors. In the judgement of the author and editor, these particular criticisms of the USAID South Africa program have been greatly exaggerated and, even if accurate, apply to only a tiny fraction of the overall program.



An Assessment of USAID's South Africa Program

Foreign aid accounts for only a fraction of all assistance to welfare and development projects in South Africa. In 1991, USAID's \$50 million program comprised just over 1 percent of total giving from all sources (\$3.745 billion). These overall giving totals, however, give an incomplete picture of the welfare and development sector because much of this giving is in the form of contributions by individuals. Institutional donors (corporations, governments, foundations, and trusts) provided just under \$1 billion.¹ To put the US assistance program in clearer perspective, it is also worth noting that even when USAID rose to almost \$200 million a year, it was still small in comparison to South Africa's \$100 billion annual economy.

These cautions notwithstanding, USAID has become one of the largest institutional donors in South Africa, especially with respect to support for the NGO sector. Between 1987 and 1994, the US provided more than \$420 million in grants intended either directly or indirectly to support non-governmental and community-based organizations. The Clinton administration's post-election South Africa Initiative is expected to provide more than \$542 million to South Africa by the end of 1996. These actual expenditures and future commitments will make the US certainly one of the largest, if not the largest, single donor, together with the countries of Europe (grouped in the European Union) and the Japanese. Therefore, as a single entity capable of deploying funds strategically, USAID could be expected to exert a disproportionate influence over the trajectory of South Africa's development.

In addition, because of its size, USAID has taken the lead in coordination of some donor initiatives. Since 1992, the US has convened meetings of foreign government donor agencies, and it chairs two of the seven working groups that have emerged from these consultations, one focusing on democratization and civil society and the other on the private sector.² Some countries with much smaller assistance

-
1. David Bonbright, "Dimensions of the South African Welfare and Development Funding Sector," unpublished paper prepared for Kagiso Trust-sponsored workshop, September 30, 1992; cited in USAID, "USAID/South Africa Strategy Concept Paper," March 1993, 25.
 2. USAID, "USAID/South Africa Strategy Concept Paper," March 1993, 27.

Table IV: Financial Allocations by sector 1986 to 1994

*Total Obligations This Period: \$542,583,000**

Political Empowerment

Total: \$141,300,000, about 26 percent

Support for community organizations and NGO training programs (more than 50 percent), human rights (16 percent) and local level democracy promotion, voter education, and funds to assist the transition process.

Social Empowerment

Total: \$209,766,000, about 39 percent

Funds for local and overseas scholarships and training (72 percent); developing alternative educational policy (10 percent); local government, diplomacy, and administrative training; and self-help projects.

Economic Empowerment

Total: \$185,100,000, about 34 percent

Funds for private sector housing guarantee programs (50 percent), model private sector housing projects, NGO and CBO training programs (18 percent), black micro-enterprise and private enterprise development (23 percent), and labor union training (9 percent).

* Note: Percentages may not add up to 100 percent due to rounding and the fact that within categories funding for some projects comes from more than one category of funds. There is an overlap in programming for the year 1994 because part of the programming in this period was under the post apartheid priorities and is also counted in allocations under table III.

SOURCE: Aurora Associates, "Program Evaluation USAID/SA," 1995.

programs, and thus more limited staff and research capabilities, use USAID as a bellwether for funding decisions. One agency commented, for example, that the Japanese embassy was only prepared to consider funding projects that had previously received USAID's support.³

Using the data provided in the previous chapter, the assessment of the USAID program presented in this chapter will focus primarily on agency expenditures in the four-year transition period leading up to the 1994 elections. During most of this period, USAID's program was still guided by the general objectives enunciated by the Comprehensive Anti-Apartheid Act (CAAA) and the South Africa Transition to

3. Author's interview with Brian Abbott, Institute for Multi-Party Democracy, Durban, September 13, 1993.

Democracy Act. Project designers were also heavily committed to programs that could influence the direction the new government was expected to take.

The assessment below is not intended as a comprehensive analysis of USAID's South African country program. Given the rapid increase in the budget of the agency's South African mission in the early 1990s and the consequent proliferation of new projects, that would be a task far beyond the scope of this document. Instead, this report concentrates on aspects of the program noted in interviews with staff of South African NGOs and USAID at the end of 1993.

On the one hand, the strengths of the program are largely a result of its focus on NGOs, its flexibility in adapting to a changing environment and its support for a broad range of small, grassroots-level organizations. These strengths are well-documented in internal USAID assessments and in assessments made by outside contractors. Our interviews did not turn up evidence contradicting these evaluations, and the programs themselves are described in the preceding chapter. While there was certainly a range of effectiveness in programs and a range of views from South African observers, the general view was that USAID money had been spent for programs that were needed. The critiques that emerged, the major focus of this chapter, did not at all reflect the "money-down-a-rathole" theme so prevalent in the current congressional political climate in the US. It is almost inevitable that any aid program that seeks to support innovative trial or demonstration projects will fund some that succeed and some that fail, but, in the end, the success of the overall program must be based on whether the projects that succeed have a lasting positive impact on the society as a whole.

This study found that although a portion of the projects funded by USAID did not achieve their stated objectives, the more fundamental questions had to do with the objectives themselves rather than with the implementation of the agency's program. These are more general issues which will have further relevance in the future, now that the previous focus on opposition to apartheid is no longer applicable. The three major concerns that emerged were: USAID's accountability to the ostensible beneficiaries of its development activities, the impact of USAID's own agenda on its program (especially with respect to economic policy), and the agency's future relationship with South African NGOs.

Program Strengths

Over the past decade, USAID has played a role in supporting organizations struggling against apartheid. The CAAA's prohibition on the use of US funds to support entities "financed or controlled" by the South African government forced USAID to deviate from its usual pattern of bilateral, government-to-government assistance, compelling

it to channel funds through South African non-governmental and community-based organizations (NGOs and CBOs) instead.⁴

South Africa boasts a large and diverse voluntary sector, and South African NGOs have formulated a wide range of creative and sophisticated responses to the myriad social problems engendered by apartheid. In some cases, USAID assistance has been vital to the survival, expansion, and effectiveness of locally-designed initiatives, particularly in the fields of human rights law, political and institutional development, and violence mitigation.

One USAID-funded study completed in 1995 concluded that between 1987 and 1994 the US aid program made a "considerable" contribution to the breakdown of apartheid and the social and political empowerment of black South Africans, and that it had had a "positive" impact on the development of black leadership.⁵ An assessment prepared by the USAID mission in South Africa concluded that the program "contributed in countless ways to supporting the dismantling of apartheid" and "succeeded in helping black South Africans prepare for a leadership role in post apartheid South Africa."⁶

Without exception, these studies place a particular emphasis on USAID's support for non-governmental organizations (NGOs), an emphasis which forced the agency's mission in Pretoria to adopt a style of operation that most closely approximates that of a foundation. Former USAID/SA Program Officer Jonathan Addleton noted that although this model places a greater administrative burden on mission personnel, it has enabled USAID to develop a more diverse and flexible project portfolio in South Africa. By administering a large number of smaller grants, the USAID/SA mission has been more willing to take risks on innovative projects and less-established organizations. This in turn has facilitated the creation of a

-
4. NGOs and CBOs are both structures that, in the United States, might be considered to be part of the private voluntary organization (PVO) sector. The distinction between these two types of organizations is often hazy. In general, CBOs are more narrowly defined than NGOs. Typically, they work primarily with a particular, geographically-defined community; are staffed by residents of that community; and fall under the control of a board or management committee made up of recognized community leaders. Civic organizations are perhaps the best examples of CBOs. Commonly the term also covers broader associations or federations of CBOs such as the South African National Civic Organisation (SANCO). NGOs are more likely to be national or regional in scope and/or to draw their leadership (staff and board) from professional ranks such as academics, business people, church leaders, and other professionals.
 5. Aurora Associates and Creative Associates, "Program Evaluation USAID/South Africa," report prepared for USAID, 1995.
 6. USAID, "Draft Assessment of Program Impact," February 23, 1995, 41.

program with a greater degree of responsiveness to the rapidly changing South African political and social context.⁷

Staff at a cross-section of South African NGOs that have received USAID assistance, interviewed by the author in connection with this study, generally confirmed this assessment. This consensus is particularly striking given that in the mid-1980s many agencies were hesitant to accept USAID funding because of their suspicions of the motives and agenda behind US government aid. At one point during that period, the United Democratic Front, a broad internal alliance generally supportive of the then-banned African National Congress, passed a formal policy of refusing to take money from the US government.

By the early 1990s, however, many NGO staff interviewed for this study characterized their relationship with USAID officials as supportive and helpful.⁸ NGO staff members often praised those mission personnel with whom they dealt regularly for their dedication and efforts to solicit the views of a range of organizations. Though most organizations noted that USAID's extensive reporting and financial record-keeping requirements imposed strenuous demands on their staff, they were generally sympathetic to the intent behind these regulations, if not to the bureaucracy involved in their implementation. Some of the individuals interviewed conceded that these conditions had challenged their organizations to attain a higher standard of professionalism and accountability. Certain agency representatives expressed particular appreciation for USAID's readiness to finance staff salaries and administrative expenses—costs which are increasingly difficult to cover given the growing number of restrictions that donors typically place on the deployment of grants. At the same time, these staffers voiced dismay about the sluggishness with which grant checks often emerged from the agency's South African mission.

If USAID grant recipients had more serious reservations concerning the agency's activities, they may have been reluctant to express these concerns too pointedly given that, in many cases, the organizations involved rely heavily—and in some cases, completely—on USAID funding. Moreover, these largely favorable comments were almost exclusively limited to the observers' perceptions of their own personal contacts with USAID—contacts that sometimes revolved around one or two specific projects. Few of the spokespeople for these organizations were prepared to offer a more comprehensive analysis of USAID's impact on the trajectory of development with respect to more broadly defined sectors (e.g., education, housing, etc.).

7. Author's interview with Jonathan Addleton, Program Officer, USAID/SA, Pretoria, September 28, 1993.

8. See acknowledgments, page xi, for a listing of major contacts during the study period.

Additional interviews with a range of other South African NGOs that do not receive USAID support produced a more complex and problematic picture of USAID's development role. Although it is important not to diminish either the significance of USAID's historic contribution to the erosion of apartheid or the authenticity of grant recipients' satisfaction with their association with USAID, it is equally imperative to maintain a critical perspective on the overall thrust of USAID activity in South Africa.

Accountability and Control of the South African Development Agenda

One of the major weaknesses of the USAID program in South Africa is that there is no regular mechanism by which South Africans can call USAID to account for its decisions about the deployment of development funds or the particular development strategies it endorses. During the period of white minority rule, this was partly a function of the agency's perceived need to operate with a certain amount of confidentiality, but the reluctance to provide even routine detailed public information about particular grantees, levels of assistance, and long-term plans well after the elections in 1994 suggests a more general unwillingness to open the program to public scrutiny.

USAID boasts that 93 percent of its missions in Africa routinely involve local people and organizations in the design of projects. However, it also admits that far fewer (29 percent) engage these same groups in broad strategy formulation.⁹ Yet, in surveys of USAID missions in Africa, the "collaborative style" of the agency's South African mission is singled out as a particularly good example of participatory planning. Its NGO/CBO-based program has been viewed, by mission personnel and NGO staff alike, as one of the major strengths of the agency's South African involvement. Many of the endorsements of this strategy are premised on the assumption that, by working with NGOs and CBOs, the mission is enabling South Africans, particularly those who were marginalized and silenced by apartheid, to construct and implement an indigenous development agenda.

The Pretoria mission typically does not solicit project proposals from South African groups, but relies on a steady stream of unsolicited proposals. Staff assess these proposals on the basis of their potential effectiveness and consistency with USAID program objectives to identify those deemed worthy of support. To a certain extent, this system shields USAID from accusations that the mission is pursuing an

9. USAID, *Africa: Growth Renewed, Hope Rekindled: A Report on the Performance of the Development Fund for Africa, 1988-1992* (Washington, D.C.: USAID, 1993), 15.

independent development agenda. Although it adheres to broad policy goals to dictate its overall pattern of expenditure, USAID leaves grassroots organizations to devise the specific means of achieving those goals. The mission has formed a number of advisory committees composed of prominent local leaders to assist with project selection, oversight, and evaluation.

However, consultation is not the same as accountability, and USAID's approach does not necessarily give South Africans substantial influence over the direction of the mission's program. The advisory committees do not always play a very active role. In at least one case, several individuals whom USAID identified as committee members were not aware of this status.¹⁰

USAID is also under no obligation to justify its funding choices to the South African public nor to explain its rationale for rejecting certain proposals. In general, South Africans have had very little influence on the broad outlines of USAID's program or on the overarching priorities that determine the Pretoria mission's spending patterns.

USAID's decisions concerning the allocation of funds among program portfolios or the launch of new program initiatives respond more directly to decisions made in Washington than in South Africa. Thus, when USAID/SA inaugurated its housing program in 1992, it was not principally in response to a South African development agenda indicating that housing was the top priority for the deployment of new development resources. Instead, it was because then-President Bush identified housing and education as two key sectors that should benefit from the additional funds he asked to be allocated to the South Africa country program in July 1991.¹¹ Likewise, the only substantial USAID funding for public health programs in South Africa over the last decade has been spent on AIDS awareness and prevention, not because South Africans cited this as their foremost need in the health field, but because USAID earmarked money for this purpose.

Given USAID's fiscal responsibility for expenditure of US taxpayers' funds, it would not be feasible for the agency to relinquish control of such decisions to South

10. Researcher Jim Cason interviewed four out of approximately one dozen South Africans identified as participants in a consultative committee that USAID convened in 1994 to assist in planning the transition to funding after the elections. Without exception, these four individuals, all of whom were leaders of major South African organizations, reported that while they were invited to two sets of meetings at the USAID mission, the sessions consisted primarily of US personnel describing mission plans. Moreover, they noted that the invitations were issued at the last minute, no agenda was issued in advance, and the South Africans concerned did not leave with the impression that they had participated in any type of formal consultative process.

11. Sharon Manfred Trail, Henry P. Minis, Jr., and David G. DeGroot, "Strategy for Shelter and Urban Development" (Research Triangle Institute, Research Triangle Park, NC, 1991), 1.

African organizations, whether governmental or non-governmental. But the absence of meaningful South African participation in decision making about resource allocation and broad priorities weakens the sustainability of this program. Establishing formal mechanisms for more direct participation at this level would substantially strengthen the program and make it more responsive to a variety of voices in South African civil society. The approach of the European Union, which during the anti-apartheid period provided most of its funding to South Africa through the Kagiso Trust, an independent organization with a South African board, was widely cited as an example of more effective consultation, even if not an exact model for emulation in the future.¹²

When the first USAID mission was opened in South Africa in 1987 the position of the US was so discredited among anti-apartheid groups that the agency made a major initial effort to seek out and consult with a broad range of South Africans. But as one USAID-supported evaluation of the program acknowledges, as the size of USAID funding grew in South Africa, the relationship of individual grantmakers to the broader community deteriorated.¹³ A 1993 Senate Foreign Relations Committee staff study of the USAID program in South Africa also concluded, "USAID was often accused of operating without close consultation to the range of views on the development challenges facing the new South Africa."¹⁴

The external determination of development priorities can also disrupt existing, locally-defined development agendas. Support for AIDS awareness as a result of US government earmarking for that purpose provides an example of this. Although USAID funding has enabled the National Progressive Primary Health Care Network (NPPHCN) to expand dramatically its HIV/AIDS campaign, donor agencies have been less eager to support NPPHCN's public health education efforts regarding equally dangerous, but less visible, medical concerns such as tuberculosis,

12. The Kagiso Trust is a South African non-governmental organization that was established in 1986 as a vehicle for attempting to ensure that development projects financed by the European Union were defined as much as possible by the communities they were intended to serve. The organization, which now has an investment arm as well, has used a network of regional directors and community-based project officers to try to increase meaningful participation from a broad range of individuals and organizations. In the 1980s and early 1990s, US officials refused to channel any funds to the Kagiso Trust. See Kagiso Trust, "Annual Review 92/3" for a further description of how the organization works; see also Kagiso Trust, "Sustainable Development" (Johannesburg, 1994). It is notable that the European program, working through the Kagiso Trust, was able to keep its own staff to far fewer (between 10 to 15) than the USAID program, which was roughly equivalent in financial terms and had 120 to 130 employees.

13. Aurora Associates et al., "Program Evaluation USAID/South Africa," 1995, xiii.

14. Unpublished 1993 Senate Foreign Relations Staff Study (report of a trip made by Adwoa Dunn Mouton and Tim Trenkle to South Africa).

malnutrition, etc. As a result, NPPHCN's institutional capacity and outreach programs have become heavily weighted in favor of HIV/AIDS work, despite its desire to provide services across a wide range of health issues in rough proportion to the extent to which they threaten the population at large.¹⁵

This is not to suggest that housing and HIV/AIDS awareness initiatives are not needed in South Africa, or that USAID's funding for projects in these sectors is unwelcome and unappreciated, especially by recipient organizations such as NPPHCN. It is simply to point out that the process by which US assistance came to be deployed should not be mistaken for one in which South Africans had significant influence or even input. In short, USAID's approach is to contract with consultants it chooses to provide the diagnosis (often based in part on agency-funded surveys of the community to be served), to determine the prescription itself, then to invite South Africans to help decide how to administer the medicine.

Of course, apartheid and political repression thwarted the emergence of governmental structures that could legitimately claim a popular mandate to offer guidance on development choices. USAID attempted to overcome this obstacle by consulting, usually on a bilateral basis, with a wide range of organizations. Although the strategy was handicapped by the suspicion with which many groups most deeply involved in the anti-apartheid struggle regarded the US, staff members of some South African NGOs argued that USAID could have done more to facilitate networks and dialogue within the NGO/CBO sector in an effort to encourage collective decision-making on development practices and priorities.

The election of a democratic government has allowed South Africa to begin constructing legitimate public institutions charged with identifying appropriate development models and orchestrating national development initiatives. USAID must be sensitive and responsive to this change. This does not mean that USAID should stop dealing directly with NGOs and revert to its more traditional bilateral, government-to-government relations. It does mean, however, that USAID now has the opportunity to receive systematic input—from both government and civil society—on South Africa's national development priorities as well as guidance on the preferred pattern of distribution of assistance across various development sectors.

In this environment, USAID should endeavor to facilitate national discussion of a development agenda in South Africa, both inside and outside government circles. But it must be careful to do so in a way that does not, or is not perceived to, bias that debate toward consideration of only those preconceived policy options it prefers. More importantly, it must work closely with the new government to ensure that the overall

15. Author's interview with Muntu Shabalala, National Progressive Primary Health Care Network, Durban, September 16, 1993. In the mid-1990s, USAID did set aside up to \$50 million for a ten-year general health program in South Africa.

US development aid program is consistent with the priorities and objectives that emerge from the democratic process within South Africa.

The lack of accountability of the USAID program in the early 1990s meant that the US has deployed development funds in a manner calculated to achieve objectives that appear, at best, peripheral to the central concerns of emerging development policy and, at worst, in contradiction with that policy. The gap between USAID policy and domestic consensus in South Africa is most apparent with respect to two issues: the role of the market in the delivery of public services and the restructuring of the NGO/CBO sector.

Promoting Market-oriented Solutions: The Case of USAID Involvement in South African Housing Finance

During the late 1980s, USAID programs reflected a broad political agenda that coincided in general terms with the demands being articulated by apartheid's opponents in South Africa and abroad, namely, the abolition of apartheid and the creation of non-racial, democratic institutions. The bulk of USAID funds were, at that time, devoted to education and, to a lesser extent, to the support of legal and extraparliamentary campaigns against apartheid legislation and its social impact. Although concerns about the agency's agenda surfaced within many organizations that were considering applying for USAID assistance, USAID programs appear to have helped to accelerate the pace of political reforms.

Beginning in 1992, however, USAID began to place growing emphasis on the "economic empowerment" aspects of its program. Prior to 1992, less than one-quarter of the mission's budget had been spent on economic projects, primarily on initiatives designed to strengthen the management and marketing capacity of black entrepreneurs in the small business and informal sectors. With the repeal of the Group Areas Act (which restricted residency on the basis of race) in 1991, USAID determined that it had become "both the prudent and opportune time to enter the [housing] sector and demonstrate the effectiveness of a private-sector-NGO response to the existing housing crisis."¹⁶

The launch of USAID's Shelter and Urban Development Support (SUDS) program in 1992 doubled the mission's budget for economic empowerment initiatives. Within two years, the funds allocated for SUDS—initially set at \$30 million over three years—had increased to \$70 million over seven years. During this period, USAID announced that \$150 million would be used to guarantee private-sector loans

16. Secretary of State to American Embassy, Pretoria, State Department cable, State 129548, April 24, 1992, 1.

to finance low-cost housing construction and underwrite mortgages for black South African home buyers. Another \$50 million was earmarked for guaranties on loans to electrification projects. USAID also extended its Black Private Enterprise Development scheme, created a \$50 million Enterprise Fund to support black-owned small and medium-sized businesses, and initiated a \$30 million Small Business Loan Portfolio Guaranty Program.¹⁷

Economic empowerment programs have assumed a central role in USAID activities. Roughly half of the \$542 million allocated to USAID's South Africa program for fiscal years 1994 to 1996 under the South Africa Initiative has been budgeted for projects in this portfolio. However, the point at issue is not whether the market—and private enterprise—has a legitimate role in development programs, particularly in terms of promoting economic growth. Few today would disagree with that point, whatever their past or present position on the political spectrum. What is much more debatable is whether giving primacy to market-oriented mechanisms can sufficiently address issues of gross societal and racial inequities in social and economic conditions.

The US features as the most unequal rich nation in a series of recent studies. Concern over growing inequality is a significant counter-trend even in the current US political climate.¹⁸ It is therefore far from obvious that US-developed solutions to such problems will be more appropriate than those developing from debate within South Africa. The precise role of the market and the state is being and will continue to be debated among development scholars and policy analysts within South Africa and internationally. The result will be a compromise among many forces, from newly empowered voters, trade unions, and community groups to established business elites and financiers. US participation in this debate must therefore be assessed in the context of the South African debate on these issues, not just the conventional wisdom in Washington.

There is little evidence to suggest that the degree of USAID's present emphasis on the exploration of market-oriented solutions to social problems is compatible with either the wishes of the majority of South Africans or their democratically-elected representatives. USAID's economic initiatives thus demand particularly close scrutiny because they are most liable to have repercussions on the new government's attempts to address the legacies of apartheid.¹⁹

17. USAID, "Post-Elections Assistance to South Africa," June 1994.

18. Among many references, see "Low Ranking for Poor American Children," *New York Times*, August 14, 1995; "Widest Gap in Incomes? Research Points to U.S.," *New York Times*, October 27, 1995; Melvin Oliver and Thomas Shapiro, "Race, Wealth and Inequality in America," in *Poverty & Race* (Washington, D.C.: Poverty & Race Research Action Council), November/December 1995.

19. In the last five years, there has been extensive debate in South Africa concerning future development, most particularly around formulation of the ANC's Reconstruction and Development Programme (See Macro Economic Research Group (MERG), *Making*

The record of USAID's intervention in the field of housing finance is particularly instructive because it focuses attention on a number of issues central to assessing the agency's role in promoting a particular vision of how South Africa should approach its problems. As a relatively recent initiative begun at a time when USAID was anticipating its need to adapt to fundamental social and political changes in South Africa, the program provides a glimpse of the new attitudes and priorities that are likely to impinge on the agency's future activities.

In July 1991, President Bush abandoned most sanctions and announced that USAID assistance to South Africa would be doubled. He identified housing and education as two priorities for USAID funding. In conjunction with this initiative, USAID commissioned a US-based consulting firm, Research Triangle Institute, to prepare a strategy document for the mission's shelter and urban development program. Following discussions with roughly one hundred individuals in more than fifty South African public, private, and voluntary sector groups, the authors of that study identified three common objectives which, they argued, should be central to USAID's housing strategy: extending housing finance services to low-income households, strengthening community control over decisions affecting community residents, and generating policy alternatives across a wide range of urban and shelter issues.

The Research Triangle Institute report urged USAID to support existing South African community groups and service organizations by working with and through them to build their management skills and capacity, promote selected housing finance

Democracy Work: A Framework for Macroeconomic Policy in South Africa [Cape Town: Centre for Development Studies, 1993]; African National Congress, *The Reconstruction and Development Programme* [Johannesburg: ANC, 1994].

International agencies, including the International Monetary Fund and the World Bank, have weighed in with their own prescriptions (see, in particular, Peter Fallon and Luiz A. Pereira de Silva, *South Africa: Economic Performance and Policies* [Washington, D.C.: World Bank, 1994]). The Bank's report argues that growth and redistribution are equally vital to sustainable economic development. But it recommends the adoption of "prudent" and stable fiscal and monetary policies to encourage private investment and check inflation and is vehemently opposed to redistributive strategies based on large-scale public spending or rapid wage increases.

The present study is not the place for a more extensive discussion of this debate, which includes many complex issues with no simple answers. But the question should be raised whether the US should be seen as focusing on pushing the debate to the right, rather than considering issues on their merits, as is suggested by an internal USAID evaluation giving the agency credit for leading the South African government "to endorse pragmatic economic policies" and turn away from "more statist solutions and fiscally unsustainable social program." (quoted from a USAID "Draft Assessment of Program Impact," February 23, 1995, cited by Jim Cason in "Newt-ering the Solidarity Movement," *Southern Africa Report*, November 1995, 9.)

mechanisms, and enhance the urban policy formulation and analysis capacities of key actors in the housing sector.²⁰

The consultants' emphasis on facilitating the work of local organizations, addressing the shelter needs of low-income households, and exploring a wide range of policy options soon began to be eclipsed by other concerns. The SUDS program, which grew out of this initial strategy document, was designed as a part of the mission's private-sector development portfolio. The agency's rationale for this initiative was explained in its July 1992 budget submission:

The reasons for including housing within our private-sector mandate, although perhaps less immediately apparent, are nonetheless compelling in the context of South Africa. First, it is vital that approaches to shelter be linked from the outset with the private sector to ensure long-range viability. This formulation also explicitly recognizes that many opportunities exist for black contractors and businesses to benefit from a rapidly expanding housing sector. Finally, a private-sector orientation gives obvious support to an important facet of any housing program—ensuring that the majority population has opportunity to accumulate equity and gain a more obvious stake in the South African economy.²¹

As the 1992 SUDS project paper similarly notes, “The basic thrust of the SUDS Program is towards the empowerment and stimulation of the private sector.”²² Another USAID document describes the project's objective in part as “the creation of a policy environment which will support community-based, private-sector-oriented, sustainable solutions to the housing and infrastructure needs of black South Africans.”²³

The emerging emphasis on the role of the private sector in housing delivery was not simply a function of USAID's eagerness to support the establishment and success of black-owned businesses; nor was it merely a reflection of USAID's conviction that the private sector would be the most dynamic and efficient vehicle for the provision of shelter. Rather, USAID documents suggested that the mission subordinated the goal of enhancing low-income households' access to housing and control of local housing policy to a more overtly political objective: maximizing the market orientation of the post-apartheid South African economy. With respect to housing, this means

20. Sharon Manfred Trail, Henry P. Minis, Jr., and David G. DeGroot, “Strategy for Shelter and Urban Development,” 1, 14, 16-17.

21. USAID, *Annual Budget Submission, FY 1994: South Africa* (Washington, D.C.: USAID, July 1992), 42.

22. USAID, “Project Paper: South Africa Shelter and Urban Development Support Program,” May 13, 1992, Appendix F: Social Analysis, 3.

23. USAID, “Concept Paper: Private Sector Housing Guaranty, South Africa,” 1993, 1.

ensuring that private-sector institutions assume a pivotal and enduring role in housing finance and delivery—at the expense of truly community-controlled or public-sector-led initiatives.

This agenda is evident in the program rationale that mission staff presented to USAID's project review committee in March 1992, which stressed demonstrating "the effectiveness of a private-sector-NGO response to the existing housing crisis."²⁴ Despite the strategy document's recommendation that USAID support a wide range of housing finance initiatives, the SUDS project paper is openly hostile to public-sector-led programs. It notes that both the World Bank and USAID "strongly oppose" a reliance on substantial government subsidies to stimulate housing construction and black homeownership on the grounds that a subsidy program would overextend public resources. It further claims that "experience elsewhere in the world has demonstrated that government programs do not work very well."²⁵

USAID's strategy concept paper for its South African country program, prepared in March 1993, reiterates the agency's interest in promoting private, rather than public, sector strategies:

The window of opportunity for demonstrating and assessing effective *non-governmental* [italics added] approaches to housing delivery is likely to be widest during the transition period, before a democratically elected government assumes power. At that point, the new government will likely welcome a range of policy options and practical demonstrations of what does and does not work. USAID's housing project is specifically designed to meet this concern.²⁶

This approach did not constitute a response to popularly expressed demands; rather, USAID was seeking to identify and exploit a moment of political vulnerability during which it could most effectively advance its own agenda in South Africa.

During the early 1990s, it was extremely difficult to determine any coherent and detailed set of housing policies that could convincingly claim to constitute a popular agenda in South Africa. Grassroots activists within the democratic movement were endeavoring to translate the slogans of liberation politics—especially those of the 1955 Freedom Charter—into concrete policy objectives. By

24. Secretary of State to American Embassy, Pretoria, Diplomatic cable, State 129548, April 24, 1992; reprinted in USAID, "Project Paper: South Africa Shelter and Urban Development Support Program," Appendix B.

25. USAID, "Project Paper: South Africa Shelter and Urban Development Support Program," May 13, 1992, 23.

26. USAID, "USAID/SA Strategy Concept Paper," March 1993, 49.

early 1994, this process was well-advanced, as the Reconstruction and Development Programme (RDP) had articulated the sectoral development strategies that were emerging from public debate over housing and other public policy issues. However, USAID intervened in the housing debate in late 1991, a time of great political fluidity, thus inviting the question: to what extent did USAID encourage the formulation of an indigenous housing strategy that reflected local needs and priorities, and to what extent did it seek to promote specific options consistent with its own economic and political agenda?

USAID also provided some funding to the National Housing Forum, a consultative group influenced by the Urban Foundation, which aimed to promote a broad discussion on these issues.²⁷ But the bulk of the Pretoria mission's support did not go to facilitate, in an impartial manner, the domestic debate out of which a housing development agenda could be developed. USAID committed itself to promoting one type of market-oriented response to South Africa's housing crisis without making itself accountable to those who would be most affected by its activities. Agency funds thus supported pilot projects with the explicit intention of influencing the internal debate by offering ready-made, "practical demonstrations of what does and does not work." In short, the mission was attempting to stack the deck in favor of market-oriented housing and urban development policies.

Insofar as it is possible to determine the broad outlines of a popular housing agenda, the priorities and objectives of such an agenda differ significantly from those of USAID in South Africa. The Pretoria mission's emphasis on private-sector financing ran counter to much of the thinking within South African NGOs and CBOs involved in addressing the country's housing crisis. As the president of the South African National Civic Organisation (SANCO) wrote, "it remains a fundamental principle of the democratic forces that housing is a human right and that people should pay no more for it than what they can afford."²⁸

SANCO and other community groups have been highly critical of housing projects that require clients to secure the resources to construct their own housing—such as the site-and-service schemes promoted by the Urban Foundation and the Independent

27. The Urban Foundation was created in 1977 by South African business leaders, partly in response to the growing housing crisis precipitated by apartheid. It defined as one of its central objectives the promotion of a black middle class. The organization initially promoted "site-and-service" schemes—vacant tracts of land, supplied only with pit toilets and occasional standpipes, on which tenants were expected to construct their own dwellings. In later years, the organization undertook a variety of other projects. In 1995, the Urban Foundation merged with the Consultative Business Movement to form the National Business Initiative.

28. Moses Mayekiso [then-president of SANCO], "More Money for Housing—In a Way that Suits Civics," *Reconstruct*, No. 13 (September 1993) [supplement to *Work in Progress*, No. 92 (September/October 1993)], 8.

Development Trust. They have called instead for provision of public subsidies substantial enough to enable recipients to afford to purchase a house, not just a site. SANCO's position is consistent with that of the RDP, which recognizes housing as a "human right," calls for the blending of public and private capital to make subsidies available for a variety of forms of tenure, and accepts that "the democratic government is ultimately responsible for ensuring that housing is provided to all."²⁹

Neither SANCO nor the South African government deny that private capital will ultimately play an important part in financing housing development, but SANCO argues that the US role must be consistent with a publicly endorsed and controlled national housing policy that gives priority to meeting the shelter needs of South Africa's most disadvantaged households. USAID's eagerness to make private-sector institutions the engine of housing finance prior to the emergence of a popular consensus on such a policy runs counter to this objective. Furthermore, USAID's private-sector focus is at odds with the popular housing agenda emerging from community-based structures such as SANCO precisely because it is ill-suited to the goal of making affordable housing available to the poor.

The SUDS project paper effectively acknowledges both aspects of this contradiction. It warns against exclusive dependence on the mobilization of private-sector financing on the twin grounds that it would "be unacceptable to the extraparliamentary groups now [i.e., in 1992] negotiating with the SAG [South African government]" and that private capital markets are "not yet capable of directing massive amounts of funds to the very needy."³⁰ Consequently, the document predicts that South Africa will ultimately need to pursue a composite strategy "relying on the efforts of a changing private sector coupled with the provision of carefully targeted subsidies to enable the very poor to reach an acceptable level of shelter."³¹ As USAID officials grudgingly acknowledge:

[I]t appears, for the foreseeable future, subsidies to support low cost housing and appropriate urban development will be a part of any new government's policies. It will be important that such subsidies, inevitable as they may be, do the least possible damage to the overall economy.³²

This analysis implies that USAID is operating from an economic model that assumes public subsidies are inherently destructive (thereby ignoring the multiplier effects of

29. ANC, *The Reconstruction and Development Programme, op. cit.*, chapter 2.5, 23-25.

30. USAID, "Project Paper: South African Shelter and Urban Development Support Program," May 13, 1992, 23.

31. *Ibid.*, 24.

32. *Ibid.*, 23.

housing on the economy and the public health benefits to households). It further implies the agency's confidence that, by promoting private-sector remedies, it can eventually persuade the South African government to abandon its commitment to subsidies.

USAID's strategy in South Africa has been to segment the housing market and promote disparate strategies to address the shelter needs of households at different socio-economic levels: loans for the relatively well-off and limited, tightly controlled subsidies for some poorer households. Superficially, this may seem desirable because it implies the design of a set of policies that can respond more efficiently to the various socio-economic circumstances in which the intended beneficiaries find themselves. However, it is exactly this type of strategy that led former SANCO leader Moses Mayekiso to complain that "the private sector has a way of dividing our ranks by breaking us into individual families in a free market system, some getting site-and-service subsidies, some getting first time homebuyers subsidies, some normal bonds [mortgages] and most nothing at all."³³

On the one hand, USAID's stated objective is to stimulate and support housing initiatives that can increase access to affordable housing, particularly among South Africa's less affluent households. On the other, it recognized that its preferred vehicle for the delivery of these services—private housing finance institutions—are unable (or unwilling) to offer mortgages to low-income households. The analysis of the South African housing finance market contained in the SUDS project paper argued that:

With regard to the formal private sector, South Africa has a comparatively well developed housing delivery and finance system. ...Thus, there is not a need, as is common in most developing countries, to create major structural components of a housing delivery system. Rather, the existing system requires adaptation and encouragement to serve the needs of the low-income market.³⁴

USAID concludes, rightly, that there is sufficient liquidity in South African capital markets to underwrite the development of a substantial amount of new housing. The challenge is to mobilize these funds to make capital accessible to those communities and households most in need of money for the construction and purchase of shelter.

The SUDS project paper saw the unwillingness of mainstream banks and housing finance institutions to lend to black clients largely as a function of risk:

33. Moses Mayekiso, "More Money for Housing—In a Way that Suits Civics," *Reconstruct*, No. 13 (September 1993) [supplement to *Work in Progress*, No. 92 (September/October 1993)], 8.

34. USAID, "Project Paper: South African Shelter and Urban Development Support Program," May 13, 1992, 21.

Standard Bank executives responsible for both conventional and unconventional housing finance claim that their main constraint to extending mortgages to currently excluded but potentially lucrative markets is risk, not capital. They estimate an annual market of at least 25,000 conventional mortgages *in the middle-income black communities* [italics added] alone, if risk could be either reduced or shared with others, with ample capital to expand this market should the opportunity arise.³⁵

Consequently, a considerable portion of USAID's housing program was aimed at coaxing private lenders into lower income markets by reducing the risk they expected to incur through increased exposure. The agency planned to put up close to \$18 million in loan guaranties from 1994 to 1996, in order to leverage \$140 million in private-sector loans under its Private Sector Housing Guaranty, Basic Shelter Housing Guaranty, and Township Electrification Guaranty programs.³⁶ In addition, a portion of the \$70 million authorized for the SUDS project was be used to facilitate access to private capital markets for end-user mortgage and construction bridging (i.e., developer) finance.

Unfortunately, this strategy ignored the primary obstacle encountered by borrowers: the high cost of capital. With interest rates in South Africa in the range of 16 to 21 percent in recent years, only the top 15 to 20 percent of households can afford the repayments on housing loans. Black households comprise only a very small percentage of this privileged category.

Loan guaranty programs designed to encourage South Africa's private-sector lenders to make capital available to new segments of the market (i.e., black households) can only be expected to benefit the most financially secure households (as the SUDS project paper cited above acknowledges) unless these initiatives are implemented within the context of a larger strategy to control interest rates. Even middle-income clients risk financial crisis when exposed to the exorbitant and volatile interest rates that prevail in private capital markets. Nevertheless, USAID, keen to demonstrate the success of its efforts to observers in South Africa and Washington alike, appeared to be making the bulk of its housing development funds most readily available to a relatively affluent segment of the housing market. If housing can be placed within easy reach of these households, they will be best placed to take advantage

35. *Ibid.*, Appendix D: Financial and Economic Analysis, 2.

36. The Private Sector Housing Guaranty program was the only portion of this project that had been obligated at the time of the writing of this report. Since that time, in August 1995, USAID signed the first contract to implement a portion of the Basic Shelter program, which is targeting for assistance people who make less than 1500 rands per month.

of the program, thereby enabling USAID to claim rapid results while poorer households continue to wait.

USAID anticipated that the Housing Guaranty Program would address the issue of capital affordability by providing private housing finance institutions with access to long-term loans at comparatively low rates of interest, thereby enabling them to manage the risk perceived to be associated with loans to lower income clients while holding interest rates down.³⁷ However, this tactic is unlikely to produce interest rates significantly below the already high market rates because the small number of banks prepared to offer mortgages to black households are reluctant to pass these savings on to their customers. To the contrary, despite the new South African government's guaranty, the nation's banks raised the interest rate on loans to low-income households from 17 percent to 22 percent during 1995.

One study of these proposals has suggested that the sort of risk management assistance USAID promotes can, at best, be expected to put mortgages within the reach of only another 10 to 20 percent of black households beyond the estimated 10 percent that are already able to afford the lowest rates on offer from South African banks.³⁸ A study by the US General Accounting Office of the results of USAID's housing guarantee programs in other countries concluded that Congress should consider discontinuing the program because "it has failed to spur private-sector investment in lower-income housing in developing countries [and] its benefits often go to higher-income persons."³⁹

In its eagerness to privatize housing development in the new South Africa, USAID neglected strategies involving a substantial state role—despite the fact that private-sector-led initiatives have had a poor track record. Since the mid-1980s, when the apartheid government extended freehold tenure rights to a limited number of black households, housing finance institutions and a number of corporate-sponsored private trusts have launched roughly a dozen highly publicized programs to encourage home construction and ownership in black townships. To date, none of these schemes has had a significant and sustained impact on the housing market; those benefits that have been forthcoming have accrued almost exclusively to the wealthiest 10 percent of the black population.⁴⁰

37. USAID, "Project Paper: South African Shelter and Urban Development Support Program," May 13, 1992, 39.

38. Patrick Bond, "Analysis of and Recommendations on USAID Concept Paper: 'Private Sector Housing Guaranty'," Planact Discussion Paper, 1993, 2.

39. GAO, "Foreign Housing Guaranty Program: Financial Condition is Poor and Goals are Not Achieved," (Washington, D.C.: GAO/NSIAD-95-108, June 1995).

40. Data from Patrick Bond in chart entitled "Recent Innovations in Township Housing Finance."

These efforts have been plagued by a number of problems, but one of the most persistent has been the difficulty in making loans affordable to the target market. Many of these schemes, including the Inner City Housing Upgrading Trust (ICHUT) in Johannesburg, to which USAID allocated \$1.6 million in 1993, have involved the use of secured funds to leverage additional mortgage and bridging (i.e., developer) finance from private-sector markets. ICHUT charges 15% interest—below the market rate but still well out of the reach of poor people—and insists on turning loans over to banks after two years. Consequently, by the end of 1995, ICHUT had yet to make a loan to a single low-cost housing project. Furthermore, the leveraging of these initiatives has always been exceedingly conservative—in the range of 1:4 or 1:5 (that is, lenders have been willing to risk loaning only four to five rands for each rand of secured funding). As a result, such programs have been much less effective in freeing up capital than similar programs in other countries where security ratios can be as low as 1:33.

The first phase of USAID's Private Sector Housing Guaranty (PSHG) program in South Africa is even less ambitious than previous programs. According to the 1993 PSHG concept paper, "appropriate leveraging [termed 'gearing' in South Africa] of the PSHG funding will be negotiated in the 2 - 2.5 range."⁴¹ As Patrick Bond notes, "The conservative ratio used in many South African financing mechanisms makes it impossible to pass through soft loans (such as those provided by the IDT [Independent Development Trust] to IDT Finance Corporation or LIT [Land Investment Trust]) to end users at an affordable rate."⁴²

USAID loan guaranty programs are primarily concerned with protecting the interests of big lenders rather than individual borrowers, who have the greater need for protection. If a mortgage holder defaults on payments, even if the default is precipitated by a change in financial circumstances beyond his or her control (such as loss of employment), the client is likely to lose his or her home; meanwhile, USAID compensates the lender. In addition to the social justice issues raised by repossession, there is a practical objection to this guaranty system: residents, individually and collectively, have frequently resisted eviction. SANCO and others have called instead for unemployment bond insurance that would cover mortgage-holders' payments in the event of unemployment, thereby enabling the household to retain its home. The RDP also favors "demand-side" guaranties to protect borrowers.⁴³

Where access to housing finance revolves around private capital markets, borrowers are exposed to other pitfalls. For example, a housing loan guaranty program

41. USAID, "Concept Paper: Private Sector Housing Guaranty, South Africa," 1993, 8.

42. Patrick Bond, "Institutions and Principles for the Optimal Mobilisation of Wholesale Housing Finance," September 17, 1993, unpublished manuscript, 5.

43. ANC, *The Reconstruction and Development Programme*, *op. cit.*, section 2.5.1.5, 25.

is unable to offer clients protection against the accumulation of negative equity. The phenomenon of negative equity, which occurs when the market value of a piece of property falls below the amount for which the mortgage has been issued, has recently plagued housing markets in Britain, parts of the US, and neighboring Zimbabwe.⁴⁴ In South African townships, negative equity threatens to become a generalized problem.

The factors that generate negative equity are varied and complex, but the problem is most often related to a sudden, sharp decline in property values, frequently due to a change in government policy or the termination of a period of intense property speculation. As a result, homeowners are discouraged from putting property on the market because they would not be able to recover the full amount of their debt, and a prolonged depression of the housing market can ensue. Market mechanisms alone are generally poorly suited to resolving the situation.

The terms of USAID's first contract under the Private Sector Housing Guaranty program reinforce speculation that lenders, not borrowers, may become the primary beneficiaries of this initiative, together with US businesses. For example, at the end of 1993, USAID was planning to make \$5 million available to guarantee \$16 million in private loans to Nedcor Bank. This capital was to be used to make housing loans through the Perm Building Society, a Nedcor subsidiary. According to USAID,

It is anticipated that NEDCOR would use the dollars generated by this program to strengthen its U.S.-South Africa trade finance program....[T]he dollars will be retained as foreign exchange in the trade finance program, [so] there will be no foreign exchange conversion risk.⁴⁵

When the program was approved in 1994, Nedcor was actually able to acquire substantially more than \$16 million in foreign exchange, underwritten by USAID, at the comparatively low interest rates prevailing in US capital markets. At the same

44. According to one analyst, the tendency for negative equity to develop in portions of the Zimbabwean housing market in the early 1990s was, in part, a foreseeable result of the successful efforts of USAID and the World Bank to persuade the Zimbabwean government to adopt market-oriented housing finance policies similar to those USAID is now prescribing for South Africa. See Patrick Bond, "Housing as an Investment: A Report on Zimbabwe's Housing Crisis and on Public-Private Reform of the Housing Finance System through Pension/Provident Funds," independent consultant's report prepared for the Zimbabwe Congress of Trade Unions' Department of Health and Social Welfare and the Friedrich Ebert Stiftung (Harare, August 1993), 26; Patrick Bond "Housing Crisis in Zimbabwe: What Lessons for South Africa?" Occasional Paper No. 9 (Johannesburg: Institute for African Alternatives, December 1993).

45. USAID, "Concept Paper: Private Sector Housing Guaranty, South Africa," 1993, 8.

time, the Perm Building Society, a Nedcor subsidiary, could presumably offer mortgages at considerably higher interest rates, yet even rates 3 to 4 percent below market in South Africa would be much higher than those in US markets. Nedcor could thus earn a substantial profit on the deal, with very little risk involved from borrower default or disadvantageous exchange-rate movements. Similarly, US companies stand to benefit from increased South African orders under the trade finance program.

The benefits of this program to US businesses and South African banks are obvious. Less certain are the benefits to the more than 7 million black South Africans who lack adequate shelter.

Although the bulk of the money that was included in USAID housing initiative proposals in the early 1990s took the form of private-sector loans, agency officials acknowledge that some form of subsidy will be necessary to enable lower-income households to obtain housing. Through the SUDS program, USAID provided some money (approximately \$3 million from 1994 through 1996) to a range of NGOs to support policy and institutional development activities. It also helped to establish a revolving pool of capital to provide intermediate financing for low-income housing construction. Additionally, in 1994 USAID began negotiations with the South African government to develop a loan program that would provide more loans to low-income households that received partial subsidies.

In 1993, most of the subsidy programs in operation or under consideration in South Africa involved capital subsidies—typically one-time grants to households to help finance the purchase of a serviced site or the construction of a core structure to which additions can later be made. The largest of these programs was the much-criticized, R750 million capital subsidy program launched by the state-financed Independent Development Trust in 1991 to enable 100,000 families to purchase serviced sites. By mid-1993, 60,000 serviced sites had been made available, but buyers encountered difficulty in obtaining end-user finance.

Current capital subsidy schemes—especially those associated with site-and-service schemes—have come under attack from SANCO and other community groups. As the Homeless People's Dialogue laments:

Much of the subsidy is consumed in bureaucracy and by the profits of private developers. The toilet towns [site-and-service schemes, so named because initially the only structure on the lot is an outhouse] that are sprouting up all over South Africa will degrade rapidly, becoming the disintegrating core of future slums.⁴⁶

46. Homeless People's Federation, "‘Utshani Buyakhuluma’: A Special Report on the Homeless People's Dialogue" (n.p.: Homeless People's Federation, September 1992-August 1993), 13.

These community-based groups have proposed instead the provision of subsidies in the form of long-term, low-interest loans, made possible through the blending of public and private capital. This approach, endorsed by the RDP, addresses the perennial problem of loan affordability and thus can make housing finance available to even the poorest households by gearing interest rates to income. By dealing fairly and consistently with all clients, it can thereby avoid market segmentation.

An integrated solution is also more politically defensible because one-off capital subsidy schemes can split communities between the eligible and ineligible, between those who have received a grant and those who have not. Officials therefore find it easier to tamper with them, knowing that public response will be mixed depending on each household's situation. A broad-based interest subsidy plan, however, gives all beneficiaries a continuing interest in maintaining the program. At the same time, it requires substantial public-sector involvement (most likely through the creation of a public lending institution), thereby enhancing regulation of the housing market to reduce the risk of problems (such as speculation⁴⁷) and facilitate policy implementation.

This discussion is not intended to propose or endorse a particular set of housing finance policies. There are numerous aspects of interest-rate subsidies that still require considerable research and debate before a viable plan capable of benefitting the poorest households can be developed. But the point is that if the US is genuinely interested in helping the poorest households obtain shelter, it should encourage the exploration of a broad range of options, including those which involve a substantial enabling and management role for the new South African government. USAID's narrow focus invites speculation that the agency is more concerned with promoting the adoption of political and economic policies that coincide with its own ideological commitments than with helping to address the economic legacy of apartheid in general and to resolve South Africa's housing crisis in particular.

USAID's Future Relationship with South African NGOs

USAID's past support for non-governmental organizations and community-based organizations was seen, by mission personnel and South Africans alike, as one of the major strengths of its South African country program. South Africans in these organizations in 1994 were therefore anxious to see if USAID remained committed to a substantial emphasis on an NGO-based program with the advent of the new,

47. The RDP calls for "non-speculative subsidies"; in other words, subsidies that must be repaid if the site is sold within a certain period of time. USAID's promotion of individual ownership has not been conditional on anti-speculation restrictions.

democratic South African government and repeal of the legislation that had prohibited the agency from pursuing a more traditional bilateral assistance program. At least in the first year, USAID, in contrast to many other foreign donors, has continued to emphasize this important sector.

The issue of the long-term role of NGOs and their relationship with government programs is a critical one for the future of South African society, for outside governments, and for non-governmental organizations wishing to support efforts to address the legacy of apartheid. The relationship between government and NGOs in that nation is obviously changing following the installation of a democratically elected government. But does that mean that NGOs should merely become service agencies, unengaged in advocacy work with political implications? To what extent can and should functions performed by NGOs during the apartheid period be taken up by national or local government? How will NGOs adapt to the funding crisis that has arisen as donor funding has been redirected to the new government?

A strong civil society, analysts differing on many other points agree, is vital to the future of South African democracy. Yet, in the short run, a significant fraction of the best leadership from the non-governmental sector has been absorbed into government functions. Moreover, an Independent Development Trust survey revealed that, by June 1995, a sample of 128 NGOs had a total budget shortfall of some two-thirds of their 1995-1996 operating budgets, a rapid decline from budget surpluses in the year before the South African election.⁴⁸ The extent to which NGOs continue to receive support, the criteria by which they are chosen, and how they define their roles in the new context are the subject of internal as well as public debate in South Africa. USAID's role thus also requires greater scrutiny. Although the following concerns were raised during discussions in South Africa held in late 1993 and 1994, they remain relevant—and unresolved—issues for the future.

Some US personnel have argued strongly in favor of continued NGO support in the post-election period. Funding for Community Outreach and Leadership Development (COLD), the Pretoria mission's primary vehicle for NGO support, was scheduled in 1994 to continue through 1998, and the extension of the housing program's SUDS initiative implies that Community and Urban Support Services Program (CUSSP) will also be able to carry on its NGO capacity-building activities. However, NGO support will probably represent a declining share of USAID's portfolio as its South African mission expands its assistance to government initiatives. Plans for the South African Basic Education Reconstruction program, for example, anticipated a three-phase project, with funds initially channeled to NGOs being diverted primarily to the education department of a new government after elections.

48. "The NGO Funding Drought," *The Star* (Johannesburg), September 4, 1995.

Although NGOs are eager to see USAID maintain a continuing relationship with their sector, some organizational staff interviewed for this study identified concerns about the way in which the mission relates to NGOs. One of the most commonly articulated complaints had to do with the frequent and detailed reports USAID required of them. One organizational leader claimed that it was necessary to hire a full-time staff person just to deal with USAID. Although most recognized that there were benefits to meeting the mission's rigorous requirements, USAID's own project evaluations have occasionally recommended that less demanding standards be set.

Two NGO staffers also expressed a desire for USAID to demonstrate as much interest in on-site visits to see their organizations in action as it does in paperwork. Whereas representatives from other international donor agencies often spend considerable amounts of time with grantees, traveling to field locations and observing operations, USAID personnel have a reputation for brief and fairly cursory visits. This tendency is particularly puzzling given the relatively large staff at the USAID mission in Pretoria compared to the staff at the mission of the European Union, for instance, which programs a similar amount of money.

In addition to these specific concerns, more fundamental and subtle questions were raised about what USAID hopes to achieve through its COLD, CUSSP, and other NGO support programs. The Pretoria mission frequently states its commitment to "capacity building," "community empowerment," and strengthening "civil society." In some cases, however, USAID's behavior has appeared tangential to or even inconsistent with these assurances. Critics among the NGO staff interviewed argued that USAID's reliance on American contractors often undermines the stated goals of empowering South Africans and ultimately threatens the long-term sustainability of the agency's program. While there are undoubtedly some US NGOs and private contractors that provided unique services unavailable in South Africa, many of those interviewed questioned why such a high percentage of US funds had to be channeled through US contractors.⁴⁹

Similarly, many interviewees suggested that community empowerment could be better promoted by facilitating communication and coordination among NGOs and CBOs, thereby enhancing their ability to reach consensus on basic development policy issues and to advocate these positions on behalf of their constituencies. Unfortunately, USAID has not given priority to fostering contact among NGOs and CBOs or to reinforcing their joint advocacy role. Some funds have been earmarked for policy analysis projects and at least one USAID subcontractor, PACT, views advocacy training as an explicit component of its work. However, there are other indications

49. In 1993 and 1994, according to USAID sources, 44 percent of all USAID funds for South Africa were channeled through US contractors (*The Star* [Johannesburg], March 27, 1995).

that USAID is uncomfortable with NGOs having a strong advocacy role. Indeed, CUSSP, one of the newer projects aimed at providing services to NGOs, appeared in 1993 to be intent on both redefining the role of NGOs and stripping them of their advocacy functions.

Interviewed in the course of this study, Steve Horn, the CBO/NGO Management Advisor for CUSSP's Johannesburg office, argued that, under apartheid, no legitimate public policy-making process existed because the vast majority of citizens were prevented from expressing themselves politically or from having any direct influence over the government. As a result, NGOs were compelled to move into this vacuum, devoting a large proportion of their resources to advocacy work. Many of these NGOs grew out of the struggle against apartheid, so their staff members tended to be left-wing and highly politicized, and this impinged on the agencies' priorities and policies. NGOs were engaged not just in service delivery but also in political activities.

The changes in the early 1990s, Horn noted, enabled political parties representing a broad range of public opinion to form, to organize, and to compete for public office and control of the public policy agenda. He argued that NGOs should therefore be encouraged to shed the political functions which they took on in the past, as these are the rightful domain of political parties. Horn noted that it would be difficult to change this pattern, since many NGOs have come to rely on their political alliances as a significant source of their credibility and power. In his view, these agencies have grown accustomed to being arbiters of the development process, and they want to continue in this capacity. This objective is defensive, rather than progressive, he contended, motivated by their desire to protect their position in the policy-making process and the concomitant ability to impose their political ideology on the process.

Horn also asserted that staff of many NGOs do not necessarily represent the communities they ostensibly serve. Often, he stated, communities share neither the agencies' ideological views nor their commitment to certain principles of development, and, in the most extreme cases, local communities have become virtual hostages to the agencies, which are the self-appointed development institutions for the area.

According to Horn, CUSSP's primary role is not to support NGOs per se, but to assist their constituencies, that is, the local communities with which these organizations work. He argued that the most effective way of doing this is to return control of the development process to community residents by making funds available directly to residents, through their organic democratic structures. This will enable them to formulate their own development agendas and to purchase the services of those agencies that are best able to deliver the technical assistance they require. Thus, those NGOs which focus on efficient and cost-effective service delivery will thrive while those that continue to make political considerations the primary criteria for program development and assessment will find themselves starved of customers and funds.

By providing funds directly to communities, CUSSP hopes to facilitate grassroots political empowerment by precipitating a fundamental transformation in both the relationship between NGOs and communities and the social and political role played by NGOs. Superficially, this concept of placing resources at the direct disposal of communities—which are then free to make independent decisions about their deployment and negotiate contracts directly with service providers—appears a radical and laudable approach to community empowerment and the decentralization of power. On paper, this recommendation parallels recommendations developed by the South African National Civic Organization, which in 1994 published a study arguing that funding ought to be channeled to local communities that could then hire NGOs to perform specific tasks.⁵⁰

However, a number of South African NGO staff interviewed for this study, particularly those concerned with housing policy and development, expressed doubts about the motivations behind the rhetoric of empowerment and capacity-building employed by CUSSP staff and in USAID policy documents. CUSSP's analysis of the advocacy role of NGOs and its vision of their future domain are, they suggested, seriously flawed. Moreover, they argued that CUSSP's strategy invites consequences that are at odds with the development agenda it supposedly endorses.

Simply turning money and resources over to communities does not necessarily facilitate comprehensive popular empowerment. This approach fails to adequately acknowledge several important problems by treating communities as organic units and ignoring the diversity of interests and allegiances to which individual residents respond. It also glosses over class differences. Although the degree of economic stratification in most black South African communities may be limited in comparison with the society as a whole, class cleavages are nevertheless significant. Variations in social and economic power, status, and wealth can have a substantial impact on the ability of individuals or groups within the community to control and benefit from this transfer of resources. In short, it evades the fundamental question: who exactly in the community will be the recipient of these funds?

Furthermore, according to the NGO staff interviewed, it overlooks the fact that although most communities are able to identify and prioritize their general needs (education, health care, opportunities to earn income, etc.), they often lack the skills to design and evaluate the relative merits of specific methods of addressing those needs. They require access to information, analytical resources, and guidance through the process. Although CUSSP recognizes this deficiency and aims to address it through funding for leadership training, the problem could be more appropriately

50. SANCO, *Making People-Driven Development Work* (Johannesburg: SANCO Commission on Development Finance, April 11, 1994), vii.

overcome by enhancing the capacity of local agencies to meet these needs and facilitating sustainable partnerships between such organizations and relevant community groups.

More fundamentally, the interviewees criticized the idea of depoliticizing NGOs or stripping them of a political function. As the preceding discussions on housing and economic empowerment strategies have indicated, and as USAID itself has acknowledged, debates about development policy are inherently political. The only way to strip NGOs of any political role would be to prohibit them from existing or somehow to restrain them from engaging in any activity that touches upon the social realm. As long as NGOs engage social problems and represent a component of human endeavors to resolve these problems, they will inevitably play a political role—at least in terms of the classic definition of politics as who gets what, where, when, and how.

It is possible, however, to strip NGOs of their political power and hence their ability to play an effective advocacy role. If support is explicitly given only to those NGOs that concentrate on service delivery and abandon advocacy as “too political,” these organizations’ ability to adopt any independent stance which significantly challenges or threatens other politically powerful agents would be severely curtailed. NGOs would, in effect, be transformed into political chameleons whose activities would, of necessity, blend in against the background of prevailing political conditions in South Africa.

Viewed in this light, CUSSP’s agenda—at least as it has been self-described by some of its officials—is alarming. NGOs have the potential to be the leavening in South African civil society; they can act as the catalyst for social transformation by drawing attention to social problems, creating the channels for interaction between the public and private spheres, and enhancing popular participation in and influence over democratic government. Their advocacy function is essential because it frequently has been left to NGOs to champion the cause of marginalized groups whose voices might not otherwise be heard. If they are stripped of this role, they will become little more than private consultancy firms, and popular political participation will be concomitantly suppressed.

Finally, although USAID received praise from some quarters for the extent of its consultations with South African NGOs during the process of designing the SUDS program, many agencies were disappointed with the more independent profile the agency has adopted during the program’s implementation phase. In particular, a number of organizations were distressed by USAID’s decision to finance the creation of a new intermediary agency (CUSSP) as the vehicle for interfacing with communities. Critics felt that this was an unnecessary step and that the services CUSSP is intended to provide could have been more effectively and appropriately delivered through programs designed to build the capacity of existing South African institutions.

Despite CUSSP's self-defined role as a partner with South Africans on housing and community development initiatives, several established NGOs and CBOs have come to view CUSSP as more a competitor than a colleague. While the initial round of USAID consultations with NGOs prior to the founding of CUSSP and the delineation of the SUDS program seemed to strike a hopeful note, CUSSP's subsequent behavior has been perceived as less sensitive.

CUSSP's method of identifying and recruiting partner organizations within communities has also contributed to tensions with South African NGOs. One of CUSSP's key criteria for awarding training and development funds to community groups is the extent to which such groups have shown "initiative" and an ability to tackle the problems facing residents, particularly with regard to housing. In practice, this means that CUSSP is most likely to approach community organizations that have already demonstrated their enterprise by working with regional agencies such as Planact, BESG, CorePlan, or Development Action, or those which have been active within national networks, such as SANCO.

CUSSP's overtures to such community groups generally occur outside the framework of existing relationships with these other agencies. As a result, they are often perceived as disruptive or even hostile by the agencies concerned. Several representatives of these agencies suggested in interviews that CUSSP presents itself as an alternative—rather than an additional—partner for community groups. In many cases, they claimed, CUSSP offers services that duplicate, rather than complement, those offered by South African NGOs, and is able to offer a much more attractive package of recruitment incentives (i.e., money, consultants, prestige) to prospective partners. Moreover, they noted that since CUSSP typically establishes bilateral relationships with its partner organizations, its intervention sometimes conflicts with the efforts of South African NGOs to create multilateral contact networks that encourage the sharing of information and experiences. This frustrates NGOs' efforts to devise development strategies capable of responding to the varied needs of different communities and social groupings within communities.

The institutional environment within which CUSSP operates encourages it to behave in a manner that contributes to its competitive image. As a project of USAID, CUSSP is under pressure to produce quantifiable results that staff can report to USAID and that USAID can, in turn, report to Congress in order to justify its budget and program. This imperative leads to a tendency on the part of CUSSP and USAID to claim sole or primary credit for projects that often have their roots in discussions and initiatives that long predate USAID's financial involvement. It also discourages both CUSSP in particular and USAID in general from entering into the type of low-profile, open-ended coalitions with South Africans that generate many of the program ideas USAID subsequently funds. Instead, USAID favors discrete, self-contained

projects with well-defined, measurable objectives—the achievement of which can be clearly demonstrated to Congress.

CUSSP is only one of the channels through which USAID engages and provides institutional support for South African NGOs and CBOs. However, its political analysis and strategy appear to be consistent with those of other USAID programs. Furthermore, there is some evidence to suggest that CUSSP may be assuming an increasingly central role in shaping USAID's relationships with South African NGOs. According to an interviewee, CUSSP officials have indicated to at least one NGO that their recommendation "counts a lot" in influencing the grantmaking decisions of other USAID programs, particularly COLD, the Pretoria mission's primary vehicle for NGO support and development. If CUSSP becomes a gatekeeper for USAID contact with and assistance to South African NGOs, then its agenda assumes even greater significance for the future of USAID programs.

The issue of advocacy roles for NGOs has recently been a hot topic of more general controversy in the United States. Conservative legislators have sought to impose tighter restrictions on lobbying by non-governmental groups that receive government funding for service activities. Such measures have been vehemently, and so far successfully, opposed by the non-profit community, which views them as attempts to restrict advocacy and suppress dissenting views.⁵¹ While there may be a variety of different views within USAID on the parallel issue in South Africa, and though NGOs must clearly address issues of efficiency and service delivery, questions should be raised about any policy in any nation aimed at excluding NGOs from advocacy activities.

The other issue about which some South African NGO activists expressed concern was the role of USAID with regard to the particular strategies used to promote black leadership in the NGO sector. One of the principal objectives of USAID's South Africa country program has been to facilitate black leadership and control of South Africa's social, political, and economic structures and institutions, including NGOs. It was with this goal in mind that COLD was conceived and given a mandate "to strengthen the leadership and institutions of the disadvantaged community so that they can better respond to the legitimate needs of their constituencies."⁵² Yet, a 1990 evaluation of COLD found that over half the agencies that had received assistance under COLD remained predominantly or exclusively led by whites.⁵³

51. See various issues from August to December 1995 of the biweekly *Monday Developments*, published by InterAction, a broadly based coalition of over 150 private and voluntary organizations working on international programs.

52. Management Systems International, "Mid-Term Evaluation Report: Community Outreach and Development Project," October 26, 1990, i.

53. *Ibid.*, vii.

In the early 1990s, USAID's Pretoria mission began to make a special effort to identify and fund black-controlled organizations in South Africa and to utilize minority US contractors. As a result, according to the mission's own records, 64 percent of its South African assistance by fiscal year 1994 was channeled through black-controlled organizations (compared to 50 percent in fiscal year 1990). Few individuals found fault with these goals, but some controversy arose over the tactics USAID adopted to achieve this goal.

The objections arise from a suspicion that, at least with respect to the NGO sector, USAID was in some cases using the goal of promoting black leadership to advance the agenda of diminishing the political role of NGOs. This was, understandably, an emotional issue within existing organizations, so such claims might easily be interpreted as the product of defensiveness. Indeed, there was sometimes a disturbing contradiction between the sensitivity of some NGO officials to the relationship between race and power in South African society at large and their lack of sensitivity to the replication of similar relationships within their own organizations. However, other aspects of USAID's strategy tend to lend some credence to these charges.

Instead of reforming existing NGOs, USAID has sought to encourage the emergence of new agencies, established and run by black professionals. To facilitate this process, the mission has contracted with a US-based NGO, Private Agencies Collaborating Together (PACT), to provide training and institutional development support for new NGOs. PACT has run a series of workshops and seminars around the country to equip NGO staff with essential skills. USAID/South Africa has also been extremely active in building up a network of black-led NGOs and has offered a variety of training courses and bursaries to individual black staff members at existing NGOs (again, instead of funding more comprehensive staff training plans designed by the organizations themselves).

The fundamental concern, intertwined with all the complexities of race and class in the two societies, is whether US models of solutions to social problems and the proper functioning of NGOs have been inappropriately imposed on the South African NGO community, through the leverage of funding, to the detriment of developing the creativity already shown by South African civil society in building greater responsiveness to grassroots communities. In this arena, both Americans and South Africans have much to learn from each other as well as common unresolved issues. USAID priorities therefore need to be examined in the light of ongoing debate in South Africa as well as at home.

Broader Implications of the USAID South Africa Program

South Africa is entering a critical phase in which political, social, and economic relationships—for years rigidly defined by apartheid legislation—are becoming more fluid. This is likely to be a temporary phenomenon; as a new political dispensation takes shape, so too will new social and economic patterns emerge and settle into stability. Competition among social actors will intensify in the next period as an unavoidable consequence of this struggle to define the contours of the new South Africa.

As long as USAID operates in South Africa, it will inevitably have an impact on the outcome of that struggle. The fluidity of the present situation increases the stakes, raising the possibility that short-term USAID initiatives could have profound and lasting implications for South African society. Americans who are concerned about South Africa must work diligently to ensure that the US government—particularly USAID—contributes to the creation of a just society and to the genuine empowerment of all South Africans.

Beyond the details of USAID's program, there are a series of fundamental issues. Does the agency address inequality as well as economic growth, or does it tend to contribute to widening the gap between the poor and the rich? Does it take advantage of the creativity and openness developed by South African civil society in the context of the long years of resistance to apartheid, finding new mechanisms by which the program's priorities can be developed in dialogue with a range of South African voices? Or does it conform to more narrow agendas reflecting the latest orthodoxy in Washington?

USAID is only one player in the ongoing dialogue on these issues between South Africans and Americans, in and out of government. But the priorities established in its program will have repercussions not only in South Africa but also elsewhere on the African continent.

By 1994 USAID's South African country program had become the largest such initiative in sub-Saharan Africa. From 1994 to 1996, the Clinton administration's South Africa Initiative will be funded largely out of monies allocated to the Development Fund for Africa (DFA), consuming roughly 15 percent of the approximately \$800 million allocated to the DFA for sub-Saharan projects in 1994 and 1995. Indeed, the agency's South Africa program is likely to continue to dominate its sub-Saharan programs at least through fiscal year 1996.

In announcing the new South Africa Initiative, President Clinton argued that a successful transition in South Africa will serve as an engine for development in the entire southern African region and perhaps in the entire continent. Yet there are critics both within the US government and outside of it who argue that committing so many resources to one of the most wealthy countries on the continent is a mistake. Moreover, because the launching of this initiative coincided with a reduction in overall

USAID spending in the subcontinental region, they point out that the increase in funding for South Africa necessarily implies cuts in other country programs.

However, the endemic poverty that afflicts the majority of South Africa's population is relative—a function of the highly uneven distribution of wealth engendered by apartheid—rather than absolute. Poverty reduction in South Africa would be more appropriately addressed from the standpoint of resource deployment in the sub-continent as a whole, through policies and programs designed to effect a substantial redistribution of wealth within the country. This would enable a greater portion of outside resources, such as USAID's, to be reassigned to other areas of the continent where the absolute need is greater.

USAID has nonetheless maintained a commitment to other countries in Southern Africa and has been working to design a new strategy for its regional initiatives, both its individual country programs and the Southern Africa Regional Program (SARP). An analysis prepared in 1991 by a USAID consultant based in Zimbabwe outlined four potential regional strategies, ranging from responding “generously to political change in South Africa, Angola, and Mozambique...where their political and economic orientations are towards democratic governments and free market systems,” through two more limited options emphasizing assistance to South Africa, to phasing out all but humanitarian aid. The report was premised on the assumption that “the US will want to have a role in ensuring the evolution of regional economic cooperation in the Southern Africa region to minimize regional conflicts and open up opportunities for U.S. trade and investment relying heavily on U.S./South African business relationships.”⁵⁴

USAID has already launched a regional enterprise fund to provide capital for regionally-designed development initiatives in Southern Africa. This fund includes both South Africa and the other countries in the region; however, it is not yet clear what proportion will be allocated to South Africa and what proportion will strengthen that nation's neighbors.

Early reports indicated that as much as 50 percent of the regional spending would be concentrated on South Africa in the expectation that this will enable it to become an engine of economic growth for the entire area. This is not surprising, given that the stated objectives of the SARP are “promoting trade liberalization and entrepreneurship development for export promotion and economic growth in the region.”⁵⁵ Of all the countries in the region, South Africa enjoys the economic

54. W. Haven North [consultant on international development for the USAID Regional Office, Harare], “Reshaping the USAID Regional Program Strategy for the Southern Africa Region” (Harare: USAID, December 1991), 32.

55. USAID, *Congressional Presentation: Fiscal Year 1995* (Washington, D.C.: USAID, 1994), 123.

conditions most conducive to the successful implementation of this model. If USAID is able to entrench market-oriented, export-led development principles in South Africa, it will gain a base from which to extend this vision to neighboring countries.

The dangers inherent in this approach are that instead of fostering local or national self-sufficiency and uniform development across the region, it may further reinforce South Africa's regional economic dominance. On the positive side, South Africa can indeed play a constructive role within the Southern African region and the continent as a whole. Its economic spin-offs can be of potential benefit to other African countries. The strengths of its emerging democratic civil society can have lessons for its neighbors and beyond.

The lessons from USAID's experience during the anti-apartheid period in supporting a variety of creative programs can also be profitably adapted elsewhere on the continent. It would be a profound mistake, however, to assume that development strategies which rely primarily on market mechanisms will automatically produce sustainable solutions which improve the living standards of the poor and enhance the political and social power of ordinary citizens.

Both within South Africa and other African countries, as well as in the encouragement of ties between them, USAID should be challenged to adopt greater openness and more dialogue. It should be encouraged to resist the easy assumptions that US models and conventional wisdom are necessarily the best way to address intractable issues of inequality as well as economic growth. Only then will the chances be increased of making greater contributions to sustainable and equitable development in South Africa and around the continent.

US Foreign Assistance to South Africa: Policy Recommendations for Future Programs

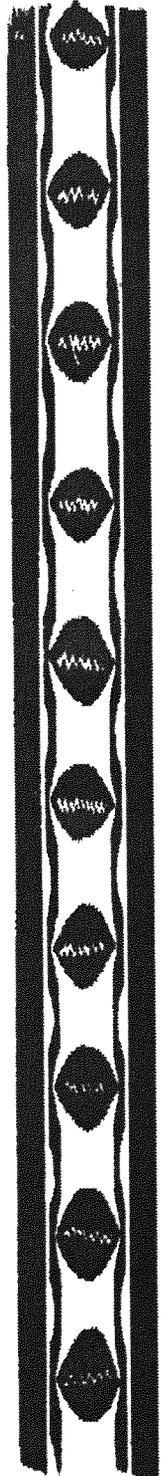
Two messages emerge from the preceding discussion of USAID programs in South Africa, both of which have clear implications for the continuing debate over US foreign assistance policy:

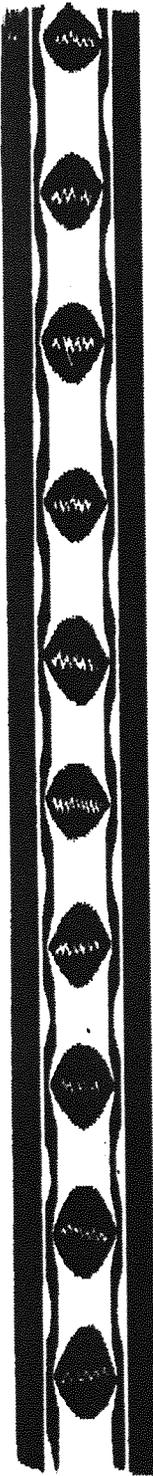
1) **US aid to South Africa should be continued.**

The history of USAID's involvement in South Africa, particularly its support for South African organizations working to end apartheid and to establish a more just political and economic order, has demonstrated that US assistance *can* help to improve conditions for poor communities. Such programs have had the greatest beneficial impact when they have enhanced the capacity of South Africans to act on the basis of their own assessments of the problems confronting them and their own priorities for change.

South Africa's transition to democracy has not resolved the enormous array of social, political, and economic problems generated by apartheid and by the centuries of oppression on which apartheid was founded. Democratic institutions simply give South Africans a mechanism by which they can begin to rebuild their society, but the extent to which they are able to do this will be determined by the resources at their disposal. At a time when many foreign governments are curtailing aid to South Africa, US assistance assumes increasing importance.

2) **The US assistance program in South Africa needs to be refocused.** South Africans are working to identify a development path which is simultaneously sustainable and equitable. USAID's





growing emphasis on market-oriented approaches is often inconsistent with the commitment to fair and balanced growth articulated by many South African community leaders. This divergence has become more marked in recent years as USAID has devoted increasing attention and resources to its private-sector projects. It is time for a reexamination of the program's direction and a reorientation of its activities.

Both as a practical matter and as a matter of principle, US aid to South Africa must be structured to support and sustain development strategies designed by South Africans, including government officials and community representatives. US assistance should help South Africans to create independent institutions that can sustain equitable development even after the last foreign aid worker has left.

Specifically, US assistance programs in South Africa should be refocused in order to:

- **Enhance local control of the development process.** US assistance programs must allow South Africans to determine their own development strategies, priorities, and objectives and must respect this emerging agenda. In practice, this means soliciting greater participation by both the South African government and local community-based organizations in designing the structure, content, and goals of US assistance programs.

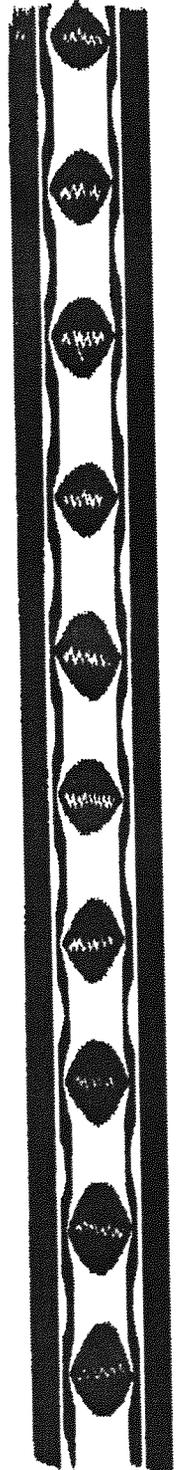
The new, democratically elected government in South Africa has established several structures to improve the coordination of foreign assistance. These aim to ensure that foreign aid is allocated within the overall priorities of the government's Reconstruction and Development Programme and to prevent project duplication or unfunded budgetary obligations. South Africa also has a network of strong and vibrant community organizations, church groups, unions and non-governmental organizations involved in development projects. Although the US has worked with non-governmental

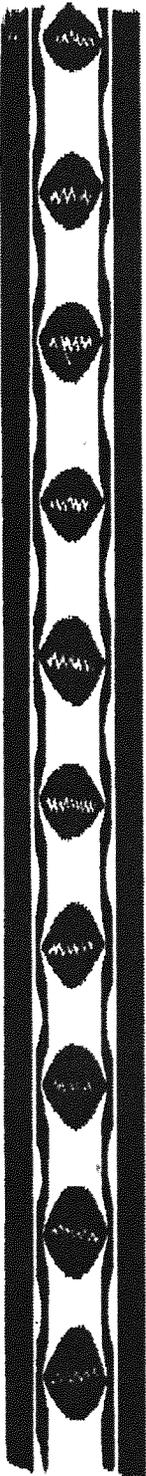
organizations in the past, the responsiveness of the US assistance program to grassroots South African priorities needs to be improved.

- **Reduce economic inequality.** The US should structure its programs so that the poorest 50 percent of the population are the primary beneficiaries and so as to strengthen the ability of this segment of the population to organize and to articulate its needs. Evaluations of US assistance programs should assess how well they are serving the poorest of the poor, particularly in rural communities. Explicit attention should be devoted to analyzing the extent to which each initiative redresses the economic legacies of apartheid by promoting a more equitable distribution of wealth within the society.

Many of the existing aid projects in South Africa are of most immediate benefit to permanently employed black South Africans working in the formal urban economy. These projects, which are often linked to private-sector business development efforts, can have a tremendous impact on long-term development, but they do not directly address the needs of the poorest sectors of the black majority. Moreover, they can exacerbate existing inequalities within the society. US assistance should be focused on programs which provide sustainable new opportunities to that portion of the black population that was most completely excluded from the apartheid economy.

- **Build robust and dynamic organs of civil society.** The historic strength of the US program in South Africa has been its work with non-governmental organizations, some of which have strong links to grassroots communities. The US should continue to work with South African-controlled community and non-governmental organizations, but must strive to channel its aid more effectively in order to increase the capacity of these organizations to deliver services, to





engage in policy advocacy, and to realize their own, internally-defined, development agendas.

The tensions inherent in this strategy are obvious. The broadly-defined “civil society” in South Africa, which includes non-governmental and community-based organizations, unions, religious institutions, and civic groups, is undergoing a period of tremendous turmoil as individuals and institutions seek to redefine their roles in the new society. Many of these organizations were developed primarily to support campaigns against apartheid. A large number will not have useful roles in the post-apartheid era and will be unable to sustain themselves. US aid should not be used to prolong the lives of organizations which have failed to retain popular support.

At the same time, efforts to promote the development of civil society should be complemented by programs which help South Africa’s new, democratic government to realize its objectives. Elected officials will ultimately be responsible for defining the broad outlines of social and economic policy and for ensuring the coordinated delivery of services. US assistance programs should facilitate the articulation and implementation of public policies capable of improving the lives of all South Africans.

Community-based organizations in particular can play a pivotal role in ensuring the local level, democratic participation in development projects that is essential if such initiatives are to become truly sustainable. At the same time, they can help to create a government which is both effective and responsive by holding the actions of elected officials up to public scrutiny. In identifying partners in South Africa, the US should assess the degree to which these organizations are accountable to and controlled by the communities which they seek to serve, the effectiveness with which these groups implement their programs, and the degree to which they can ultimately be sustained by funding from within South Africa.

Bibliography

- African National Congress. *The Reconstruction and Development Programme*. Johannesburg: ANC, 1994.
- Aurora Associates and Creative Associates. "Program Evaluation USAID/South Africa." Report prepared for USAID/South Africa, Washington, D.C., 1995.
- Babu, A.M. "Aid Perpetuates Dependency." *Southern Africa Political and Economic Monthly* (Harare), November 1994, 5-7.
- Bonbright, David. "Dimensions of the South African Welfare and Development Funding Sector." Paper prepared for a Kagiso Trust-sponsored workshop, 30 September 1992. Cited in USAID, "USAID/South Africa Strategy Concept Paper" (Pretoria: USAID, March 1993), 25.
- Bond, Patrick. "Analysis of and Recommendations on USAID Concept Paper: 'Private Sector Housing Guaranty' . . ." Unpublished Discussion Paper. Planact, Johannesburg, 1993.
- . "Recent Innovations in Township Housing Finance." Unpublished.
- . "Institutions and Principles for the Optimal Mobilisation of Wholesale Housing Finance," September 17, 1993. Unpublished.
- Ernst & Young, Inc. "South Africa: Evaluation of the Business Achievers Foundation, Final Report." August 1990.
- Gang, Ira N. and James A. Lehman. "New Directions or Not: USAID in Latin America." *World Development* 18, no. 5 (May 1990): 723-732.
- General Accounting Office. "Foreign Housing Guaranty Program: Financial Condition Is Poor and Goals Are Not Achieved." GAO (GAO/NSIAD-95-108), Washington, DC, June 1995.
- Goldmark, Susan, John Hannah, and Martin Sebesho. "A Midterm Evaluation of the Entrepreneurial Training for Disadvantaged South Africans Project in South Africa." Report prepared for USAID by Development Alternatives, Inc., April 1987.

- Hanlon, Joseph. "It's time to say: no more." *African Agenda* 1, no. 2 (1995): 8-9.
- Homeless People's Federation. "'Utshani Buyakhuluma': A Special Report on the Homeless People's Dialogue." September 1992-August 1993.
- J.E. Austin Associates. "South Africa: Private Sector Strategy Assessment, Phase I." Report prepared for USAID, August 1990.
- Jansen, Jonathan. *The Annual Socio-Educational Survey: 1992-93*. Johannesburg: Advancing Basic Education and Literacy, January 1993.
- Lancaster, Carol J. *United States and Africa: Into the Twenty-First Century*. Washington, D.C.: Overseas Development Council, 1993.
- Lappé, Frances Moore, Rachel Schurman, and Kevin Danaher. *Betraying the National Interest*. New York: Grove Press, 1987.
- Management Systems International. "Mid-Term Evaluation Report: Community Outreach and Leadership Development Project." Report prepared for USAID, October 26, 1990.
- Mayekiso, Moses. "More Money for Housing—In a Way that Suits Civics," *Reconstruct* 13 (September 1993): 8-9. Supplement to *Work in Progress* 92 (September-October 1993).
- Mlambo, A. S. "Towards an analysis of IMF: Structural Adjustment Programmes in Sub-Saharan Africa: The Case of Zimbabwe 1990-1994." *Africa Development* 20, no. 2 (1995): 77-98.
- National Endowment for Democracy. *Annual Report*. Washington, D.C.: NED, 1987.
- . *Annual Report*. Washington, D.C.: NED, 1988.
- Nazombe, Elmira. "Foreign Aid: Challenges for the Future." *Background Paper* No. 111. Bread for the World, Washington, D.C., May 1989.
- Nkrumah, Kwame. *NeoColonialism: The Last Stage of Imperialism*. New York: International Publishers, 1966.
- North, W. Haven. "Reshaping the USAID Regional Program Strategy for the Southern Africa Region." December 1991.
- Pauling, Sharon. "Beyond Famine: Peace & Development in the Horn of Africa." *Background Paper* No. 118. Bread for the World, Washington, D.C., July 1990.

- . “Ending War and Famine in the Horn of Africa Through Grassroots Initiatives,” *Background Paper* No. 119. Bread for the World, Washington, D.C., March 1991.
- Private Agencies Collaborating Together. “Year Three Workplan: Training, Technical Assistance, Information Exchanges and Networking to Strengthen South African NGOs and CBOs.” September 13, 1993.
- Program on International Policy Attitudes. “Americans and Foreign Aid: A Study of American Public Attitudes.” Center for the Study of Policy Attitudes and the University of Maryland Center for International and Security Studies, Washington, D.C., 1995.
- “Recommendations of the African NGO Consultation on IDA 11.” Addis Ababa, January 9-13, 1995. Available from the APIC World Wide Web site at <http://www.igc.apc.org/apic/index.shtml> (file ida9502).
- Serageldin, I. “Agriculture and Environmentally Sustainable Development.” Keynote address to the 13th Agricultural Symposium, World Bank, January 1993. Cited in United States Agency for International Development, *Africa: Growth Renewed, Hope Rekindled: A Report on the Performance of the Development Fund for Africa, 1988-1992* (Washington, D.C.: USAID, 1993), 65.
- Sinclair, Michael and Julia Weinstein. *American Philanthropy: A Guide for South Africans*. Washington, D.C.: Investor Responsibility Research Center, 1988.
- South African National Civic Organisation. *Making People Driven Development Work: Report of the Commission on Development Finance formed by the South African National Civic Organisation*. Johannesburg: SANCO Commission on Development Finance, April 11, 1994.
- Sullivan, John H., Jerome Barrett, and Anne E. Finbar Mullins. “Draft Final Report: South Africa Labor Union Training.” Development Associates, Inc., Washington, D.C., March 1990.
- Trail, Sharon Manfred, Henry P. Minis, Jr., and David G. DeGroot. “Strategy for Shelter and Urban Development.” Research Triangle Institute, Research Triangle Park, NC, 1991.
- United Nations Development Programme. *Human Development Report 1994*. New York: Oxford University Press, 1994.

- U.S. Agency for International Development. *Africa: Growth Renewed, Hope Rekindled: A Report on the Performance of the Development Fund for Africa, 1988-1992*. Washington, D.C.: USAID, 1993.
- . *Annual Budget Submission, FY1994: South Africa*. Washington, D.C.: USAID, July 1992.
- . “Concept Paper: Private Sector Housing Guaranty, South Africa,” Pretoria: USAID, 1993.
- . *Congressional Presentation: Fiscal Year 1995*. Washington, D.C.: USAID, 1994.
- . *Congressional Presentation: Fiscal Year 1989*. Washington, D.C.: USAID, 1988.
- . “Draft Assessment of Program Impact.” Pretoria: USAID, February 23, 1995.
- . “FY94 Action Plan: South Africa’s Post Sanctions Economy: USAID Assistance to the Private Sector.” Washington, D.C.: USAID General Development Office, Private Sector Division, January 1994.
- . “Post-Elections Assistance to South Africa.” Washington, D.C.: USAID, June 1994.
- . “Project Paper: South Africa Shelter and Urban Development Support Program.” Pretoria: USAID, May 13, 1992.
- . “Support for Economic Development Briefing Book.” Pretoria: USAID/Private Sector Development Division, August 22, 1994.
- . “U.S. Overseas Loans and Grants: Obligations and Loan Authorizations: July 1, 1945 - September 30, 1992.” Washington, D.C.: USAID, 1994.
- . “USAID/South Africa.” Pretoria: USAID, July 1993.
- . “USAID/South Africa Strategy Concept Paper.” Pretoria: USAID, March 1993.
- . “Why Foreign Assistance?” Washington, D.C.: USAID, 1995.
- U.S. Department of State. Secretary of State to American Embassy, Pretoria. Unclassified cable, State 129548, April 24, 1992. In USAID, “Project Paper: South Africa Shelter and Urban Development Support Program,” May 13, 1992, Appendix B.
- U.S. Senate. Foreign Relations Committee. “Study Report of a trip of Adwoa Dunn Mouton and Tim Trenkle to South Africa.” Unpublished. 1993.

United States-South Africa Leader Exchange Program. *News Update*. October 1991.

———. *1992 Program Update*. January 1993.

White House. Office of the Press Secretary. "Fact Sheet: Trade, Aid and Investment Package for South Africa." May 5, 1994.

Wisner, Ben. *Power and Need in Africa: Basic Human Needs and Development Policies*. London: Earthscan, 1988.

World Bank. *Reducing Poverty in South Africa*. Washington D.C.: World Bank, 1994.

APIC PUBLICATIONS

- ***USAID in South Africa: Learning Lessons, Continuing Debates***
Documents both achievements and shortcomings of one of the largest US assistance programs in sub-Saharan Africa. 112 pp. Paperback. 1996. ISBN: 0-9634238-3-5. \$8.95.
- ***Invisible Crimes: U.S. Private Intervention in the War in Mozambique***
A painstakingly documented case study of the role of private US citizens and organizations in supporting a war which claimed more than 700,000 victims. Calls for accountability for past offenses and suggests mechanisms for assessing such accountability in future conflicts. 64 pp. Paperback. 1994. ISBN: 0-9634238-2-7. \$7.95.
- ***U.S. Foreign Policy: An Africa Agenda***
Leading African thinkers and US policy-makers assess issues confronting Africa in the 1990s in this series of speeches from a March 1993 conference. Includes: Salim Salim (Organization of Africa Unity), Ellen Johnson Sirleaf (UN Development Program), Makau wa Mutua (Harvard Law School Human Rights Program), Rep. Harry Johnston (House Africa Subcommittee), Gen. Olusegun Obasanjo (Africa Leadership Forum), Sen. Paul Simon (Senate Africa Subcommittee). 26 pp. Paperback. 1994. ISBN: 0-9634238-1-9. \$6.50.
- ***Africa's Problems...African Initiatives***
An invaluable reference tool containing three key documents in which Africans analyze critical contemporary issues: "African Alternative Framework to Structural Adjustment Programs for Socio-Economic Recovery and Transformation," "African Charter for Popular Participation in Development and Transformation," and "The Kampala Document: Towards a Conference on Security, Stability, Development and Cooperation in Africa." 47 pp. Paperback. 1992. ISBN: 0-9634238-0-0. \$7.50.

BACKGROUND PAPERS:

- ***Angola: Country Profile***
Four-page background paper. Includes current policy issues, capsule history, map, fast facts and poem. (\$1.00 ea. for 1-19, \$.80 ea. for 20 or more.)
- ***Africa: Dispelling the Myths***
Two-page background paper. Includes map, basic facts. (\$.50 ea. for 1-50, \$.45 ea. for 51-250, \$.40 ea. for 251 or more.)
- ***Sudan Resource Guide***
Eight-page annotated resource guide on the Sudan including map and basic facts. (\$2.00 ea. for 1-19, \$1.60 ea. for 20 or more.)
- ***Trade: Issue Brief***
Eight-page analysis of key issues affecting US trade with Africa. Proposes priorities for US-Africa trade policy. (\$2.00 ea. for 1-19, \$1.60 ea. for 20 or more.)
- ***Thinking Regionally: Issue Brief***
Eight-page brief lays out a framework for a fresh approach to US-Africa relations. (\$2.00 ea. for 1-19, \$1.60 ea. for 20 or more.)

- ☛ 10% bulk discount on orders over \$50; 20% discount on orders over \$200.
- ☛ Add 15% for postage and handling.

TOTAL enclosed for publications:

\$ _____

APIC Membership

Membership in APIC's educational network entitles you to receive all APIC publications. APIC Associates also receive three issues of *Washington Notes on Africa*, the newsletter of the Washington Office on Africa. APIC organizational associates receive five copies of each publication.

- Please sign me up for a year's membership in APIC's educational network!
- Individual member (contribution of at least \$30)
- APIC Associate (individual) (contribution of \$50 or more)
- APIC Associate (organization) (contribution of \$200 or more)
- I cannot afford a full year's membership, but still want to support your work.
- I am already a member for this year, but enclose an additional contribution to support your work.

TOTAL enclosed for membership and contribution: \$ _____

Name _____

Organization _____

Address _____

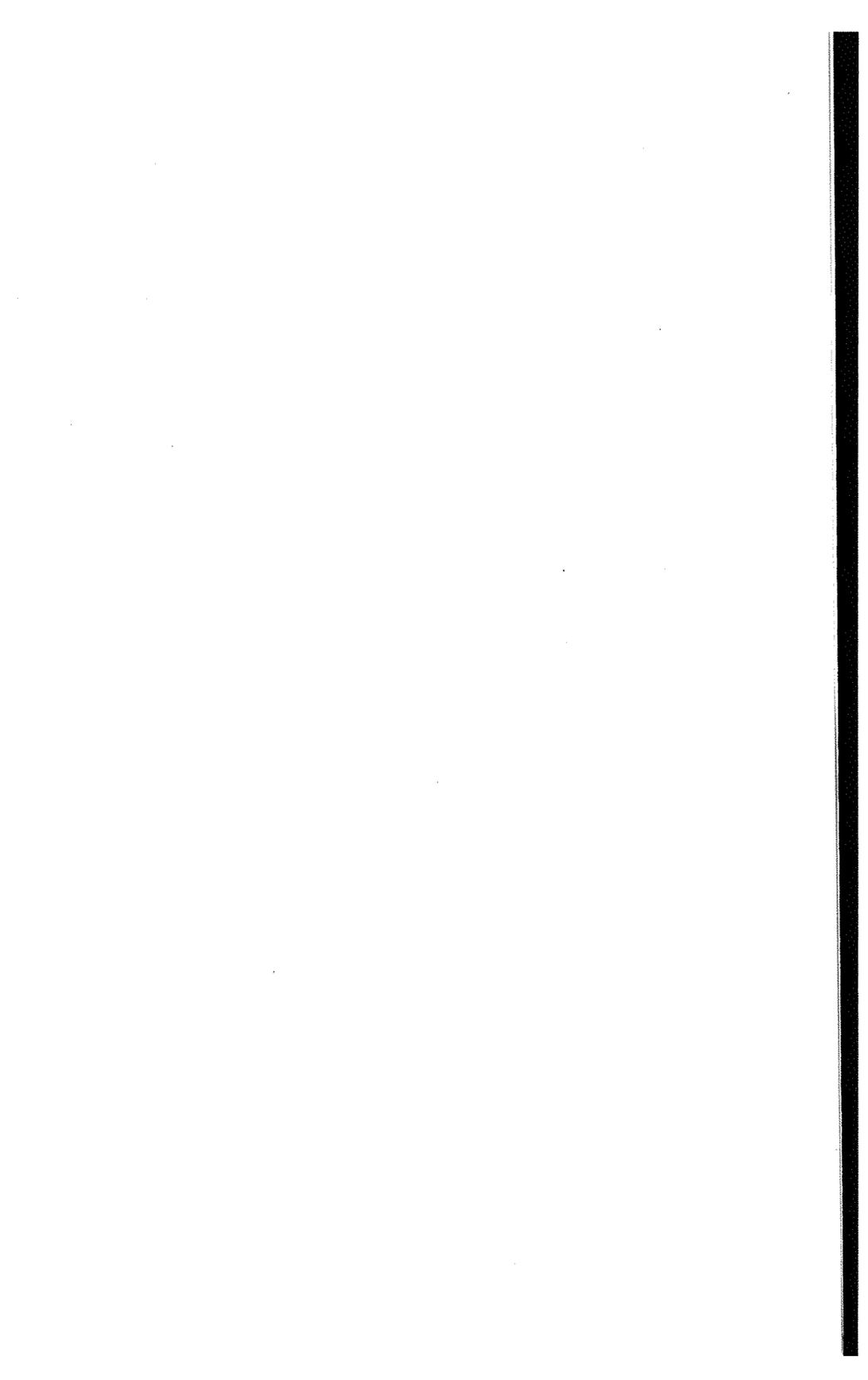
City _____ State _____ Zip _____

Phone _____ Fax _____

E-mail _____

Africa Policy Information Center
110 Maryland Ave., N.E., Suite 509
Washington, DC 20002
Tel: (202) 546-7961
Fax: (202) 546-1545
E-mail: apic@igc.apc.org

Make check or money order payable to APIC
Contributions in excess of basic membership (\$30) are tax-deductible



In a decade when foreign aid is increasingly under attack as inefficient, unsuccessful, and irrelevant to the US national interest, the South Africa aid program has been held up as a new type of aid—foreign aid that works. *USAID in South Africa* details the history of USAID programs in South Africa and assesses their strengths and weaknesses. The study calls for continued assistance to South Africa, but recommends a refocusing of the program's priorities to promote equitable and sustainable development.

DOUGLAS J. TILTON, a Mission Specialist for the Presbyterian Church (USA), is currently serving as the Africa Policy Information Center's Associate Director for Communications. From 1992 to 1995, he acted as Projects Manager for Christian Relief and Development in Amanzimtoti, South Africa. He completed Masters and Doctoral studies in South African political history at Oxford University, UK.

JIM CASON is completing a research and writing fellowship from the Program on Peace and International Cooperation of the John D. and Catherine T. MacArthur Foundation. He was formerly the Associate Director of The Africa Fund and has served as a consultant to the United Nations Centre Against Apartheid and the UN Council on Namibia.

The Africa Policy Information Center is a non-profit educational organization working to widen the policy debate in the United States to include issues that affect grassroots African interests throughout the continent. APIC facilitates linkages between the Washington policy arena and the American public and others concerned with US policy towards Africa.

APIC works to democratize the foreign policy debates that determine the US role in Africa by:

- ▶ identifying critical policy issues in US/African relations:
- ▶ bringing to the policy process diverse perspectives from Africa and the US; and
- ▶ distributing information and analyses to a broad cross-section of the American public.



110 Maryland Avenue, NE, Washington, DC 20002

Cover design by Sarah Carter



ISBN 0-9634238-3-5



9 0000 >



9 780963 423832