



United States Agency for International Development

Contract Information Management System (CIMS)

DIRECT ACTION DATA FORM FOR GRANTS & COOPERATIVE AGREEMENTS

1. Basic Award Number 674-0312-G-SS-3059-00

2. Recipient Name South Africa Black Construction Assistance Program

3. Award Description (This description will be seen by high-level Agency officials, as well as members of Congress.)
The recipient shall... Assist South African black building contractors to compete and participate fully and effectively for private and public construction works throughout South Africa.

4. Principal Place of Performance

Johannesburg, Cape Town and Durban

5. Benefiting Country

South Africa

6. Project Officer

Office Symbol

USAID/South Africa
GDO/HUDD

Name (Last, First)

Heisler, Douglas

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SECTION

7. Grant Agreement Type

- A. Disaster Assistance
- B. American Schools & Hospitals Abroad (ASHA)
- C. Other Than Those Listed Above
- D. Title XII Authority

8. Basic Purpose

- A. Tech. Services to Host Country
- B. Commodities
- C. Train. Services to Host Country
- D. Research
- E. Arch. & Engineering Services
- F. Construction

7a. Extent Competed

- E. Competed by the Technical Office
- F. Competed by the Contracting Office
- G. Not competed (unsolicited proposal)
- H. Not competed (predominant capability, etc.)

9. Taxpayer Identification Number

Not applicable

10. Business Organization Type

- A. Corporation
- B. Individual
- C. University or College
- D. Historically Black College or University
- E. Educational Organization (other than University or College)
- F. International Center
- G. Research Organization (other than International Center)
- H. Voluntary Organization
- I. Foundation
- J. Hospital
- N. Hispanic American College or University
- Z. Other

11. If U.S. University, Host Country Institution

Not applicable

12. If obligated amount is in local currency, provide U.S. Dollar amount

13.a. Negotiator (Last, First, MI)

Heisler, Douglas

13.b. Signature

Douglas W. Heisler

14.a. Contract Officer (Last, First, MI)

Dean, Leslie A.

14.b. Signature

LA Dean

COPY OF AWARD DOCUMENT MUST BE ATTACHED TO THIS FORM

ACTION MEMORANDUM FOR THE DIRECTOR, USAID/SOUTH AFRICA

DATE: May 13, 1993

FROM: Douglas Heisler, HUDD *DH*

SUBJECT: South Africa Shelter and Urban Development Support (SUDS) Project (674-0312); South Africa Black Construction Assistance Program (SABCAP) Agreement No. 674-0312-G-SS-3059-00

I. PROBLEM

Your approval is required to obligate U.S. \$400,000 of FY1993 funds under the South Africa Shelter and Urban Development Support (SUDS) Project (674-0312) through a Grant Agreement with the South Africa Black Construction Assistance Program (SABCAP) as described herein (these funds constitute thirty-one percent of the proposed LOP \$1,300,000 amount of this grant).

II. AUTHORITY

Pursuant to Redlegation of Authority No. 452, the Director, USAID/South Africa, has authority to authorize and execute grants, and amendments thereto, with indigenous non-governmental organizations (NGOs) in an amount not to exceed \$5.0 million per grant.

III. DISCUSSION

Based upon discussions and contacts with a wide range of community leaders, USAID has received and reviewed numerous unsolicited proposals from community, urban development and technical services organizations throughout the country for SUDS activities which far exceeds the FY1993 SUDS budget. Based on the Mission's review of these proposals, an Agreement with SABCAP is recommended.

Though newly founded, SABCAP is composed of a Board of Directors who have distinguished themselves in long years of community service and advocacy for the small black contractor in South Africa. The Directors are: Cyril Gwala, Mandla Ndlovu, James Ngobeni, Linda Nyembe, Cornelius Petersen and Randolph Erentzen.

The objectives of SABCAP are to expand the strength, skills and capacity of the small black builder in the construction

sector and to assist black building contractors to compete and participate fully and effectively for private and public sector construction works in South Africa.

Although newly formed, SABCAP is already recognized in the South African construction sector as the leader in two principal areas: (1) on-the-job practical assistance to help the small contractor to make better business decisions and thereby complete quality work on schedule and at a profit; and, 2) as the leading advocate in national and regional fora promoting coordination and unity among small contractors and initiatives that recognize the important role of the small builder in African development.

The expertise represented by SABCAP Directors is vitally needed by scores of small black contractors throughout South Africa. To establish its operations at sufficient scale to address those needs, however, requires outside resources. SABCAP therefore has turned to USAID for assistance in establishing itself as a national provider of on-the-job assistance to small black contractors building shelter and related community facilities throughout the country.

IV. ISSUES

Through the development of this Agreement, the following issues have been identified and addressed as presented below:

A. Action Plan and Strategic Objective(s)

This proposed Agreement was discussed and approved during the April 1, 1993 SUDS Action Plan review. This activity is consistent with both the SUDS Project Paper, the Housing and Urban Development Strategy, Mission Strategic Objective Three ("increase broad-based black ownership, employment and participation in all levels of the economy") and Mission Strategic Target 3.4 ("deliver innovative and viable community based, private sector financed housing to disadvantaged South Africans").

B. Grantee's Illustrative Budget and Cost Negotiation

The Housing & Urban Development Division conducted verbal negotiations with SABCAP to establish its priorities for funding. The SABCAP Trust intends initially to minimize its own direct costs and expenses through the use of specialized consulting services from established professional firms, such as MATRIX Development Consultants. The grant will be used by SABCAP to fund costs of: (a) capital expenses related to the establishment of three offices; (b) staff salaries and benefits; c) accounting

services, audits, and program evaluations; d) operating expenses; e) consultancies; f) workshops and training; and (g) travel and transportation.

The budget and costs have been reviewed within the Mission as part of the grant approval process and have been determined to be fair, reasonable and allowable for a grant of this nature. The grant file contains sufficient support for this determination.

C. Non-competitive Justification

Although competition is to be encouraged in the award of grants and cooperative agreements to NGOs (Handbook 13, Chapter 2B), Chapter 2B3a permits exceptions to competition where the proposal "is not solicited by A.I.D." and where the proposal is "unique, innovative, or proprietary and acceptance would be fair, reasonable, and would represent appropriate use of A.I.D. funds to support or stimulate a public purpose." SABCAP has submitted an unsolicited proposal, and it is the determination of the Housing & Urban Development Division that the activity is "innovative," based on the justification described below.

The South Africa Black Construction Assistance Program (SABCAP) is an innovative approach that has never before existed in South Africa. The usual approach which is based on classroom lectures and on-site skills training has failed because it does not address the real needs of the small contractor. This program was developed by the two largest black construction trade associations in South Africa and reflects the needs and experiences of their approximately 5,000 members. SABCAP will be a new and unique program in South Africa to assist the small black contractor to organize, manage and operate in the private construction sector under real market conditions and at a profit. Because this activity is consistent with USAID program objectives, and provides an innovative development service to disadvantaged South Africans not previously available, acceptance of SABCAP's proposal would be fair and reasonable and would represent an appropriate use of USAID funds.

D. Technical and Management Capability

It is the Housing & Urban Development Division's determination that the subject organization possesses suitable policies and practices to ensure adequate management of USAID funds provided under the Grant Agreement. This determination is based on numerous discussions with the SABCAP directors and a review of the SABCAP's staff position descriptions, employee selection methodology and hiring policy; and of SABCAP's written policies and procedures which were prepared in accordance with USAID guidelines.

E. Financial Management Capability

Because SABCAP is newly organized, USAID reviewed SABCAP's proposed financial management, accounting and internal controls policies and systems on August 30, 1993 which were based on USAID guidelines. The financial review found that SABCAP is a new organization and therefore, to date has not implemented an accounting system. The financial review looked at SABCAP's engagement letter with the SABCAP auditor and the planned SABCAP accounting system. That financial review concluded that the planned accounting system will be satisfactory if it is correctly implemented. Accordingly, Attachment One of the Agreement will include a Condition Precedent to disbursement of funds after Agreement month six if a satisfactory follow-up financial review has not been completed.

F. PVO Registration Determination

The proposed Grantee does not qualify as a Private Voluntary Organization, as defined in A.I.D. Handbook 3, Appendix 4C and 88 State 356010 because it does not solicit or receive contributions from the general public, nor does it receive voluntary contributions of money, staff time or in-kind support from the general public. The only donor funding SABCAP is A.I.D.

G. Grantee Contribution

It is anticipated that in addition to this initial A.I.D. establishment grant, SABCAP will support its operations from increasing fees from successful SABCAP Program client contractors. Given that SABCAP is newly organized, and has developed such a unique program that supports USAID's objectives in the housing sector, and is expected to make an increasing financial contribution by fee income, HUDD recommends that the 25% financial participation requirement be waived.

H. Sustainability

SABCAP is expected to be able to continue to provide its services after the three year term of this establishment grant due to the fees it will collect from successful client contractors.

I. Pre-Award Program Development Expenses

There have been occasions during project development in which

members of the Program Development Committee have incurred expenses directly related to the development of the program that have not been, nor will be, reimbursed by any other source. The grant Agreement will provide for the reimbursement of those eligible expenses pre-dating the signing of the grant Agreement, under strictly controlled conditions. Such program development expenses shall be limited to expenses for travel and accommodation; telephone and fax; legal, accounting or management consulting. Specifically excluded are any expenses for per diem, salaries or benefits, imputed value of time, meals or other such miscellaneous expense. It is estimated that these pre-award expenses will not exceed \$10,000.

J. Standard Issues

1. Section 611(a) Requirements

Consistent with Section 611(a) of the FAA, adequate technical and financial planning underlie the proposed Agreement and reasonably firm cost estimates have been established. Such planning is evidenced by the Agreement program itself, as described in Attachment 2 of the proposed Agreement, which contains a detailed methodology for implementing Agreement activities and attaining specified Agreement outputs. The Illustrative Financial Plan is based on reasonably firm cost estimates for program activities.

2. Payment Verification Requirements

Payment verification requirements for the Grantee are satisfied by: (a) the specification of financial management and reporting procedures in the attached Agreement; (b) the certification by the USAID Controller of the recipient organization's ability to handle initial Agreement disbursements; and (c) provision in the proposed Agreement for annual audits of use of Agreement funds.

3. Recurrent Costs

Donor financing of recurrent costs, such as consultancy fees, allows the Grantee to provide an essential service that is unmet by the public sector and, due to the limited income of the beneficiaries, cannot be met through normal market channels. Recurrent cost assistance in such cases is justified under category 2 of USAID's Recurrent Cost Policy. The "design considerations" outlined in this policy document have been taken into consideration in the design and negotiation of this Agreement.

4. Selection of a Grant as the Assistance Instrument

It is the determination of the Housing & Urban Development Division that, in accordance with Handbook 13, Chapter 6, a grant is the appropriate assistance mode to be utilized, as A.I.D. is not procuring goods or services and does not require a substantial degree of operational control or involvement in project implementation. The attached document is, in form and substance, a grant as defined by A.I.D.

V. RECOMMENDATION

It is recommended that, pursuant to your authority under Redlegation of Authority No. 452, you: (1) approve noncompetitive selection in accordance with the justification provided above; (2) authorize the proposed Agreement to SABCAP by signing below; and (3) execute said Agreement, as attached, by signing on the appropriate page and line as indicated.

Approved: Leslie A. Dean
Leslie A. Dean
Director, USAID/SA

Disapproved: _____

Date: Sept 7, 1993

FISCAL DATA AND CLEARANCES

1. Fiscal Data:

Agreement No: 674-0312-G-SS-3059-00

Grantee: South Africa Black Construction Assistance Program

Appropriation: 72-113/41014

BPC: GSS3-93-21674-KG13

Reservation Control No: B930264

Amount: \$400,000

Total Project Obligations To Date including Current Grant
Obligation: \$ _____

Total Project Authorization Amount: \$30,000,000

Agreement Completion Date: April 30, 1996

Project Assistance Completion Date (PACD): May 13, 1996

Funds Available: 62 FUNDS AVAILABLE

ACCT: C via Costa

Date: 09/03/93

2. Clearances for Action Memorandum, Grant Agreement Letter
and Attachments 1-7:

Drafted:

D.Heisler, HUDD: (Draft) *[Signature]*

Clearance:

J.Hagger, HUDD: (Draft) *[Signature]*

D.Rathbun, GDO: (Draft) *[Signature]*

J.Addleton, PRO: (Draft) *[Signature]*

D.Keene, RLA: (Draft) *[Signature]*

G.Hensley, CONT: [Signature] *[Signature]*

W.Ford, D.DIR: [Signature]

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/SOUTH AFRICA



Tel: (012) 323-8869

P.O. Box 55380
Arcadia, Pretoria 0007

Fax: (012) 323-6443

Mr. Cornelius Petersen
P.O. Box 127
Southfield 7880
Cape Town

Subject: South Africa Shelter and Urban Development Support Project; Grant Agreement with The South Africa Black Construction Assistance Program (SABCAP); Agreement No. 674-0312-G-SS-3059-00

Dear Mr. Petersen:

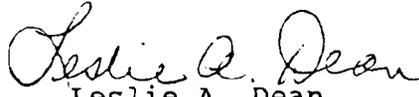
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Comprehensive Anti-Apartheid Act of 1986, as amended, the Agency for International Development (hereinafter "USAID") hereby enters into this Grant Agreement (hereinafter "Agreement" or "Grant") with the South Africa Black Construction Assistance Program (hereinafter "SABCAP" or the "Grantee") and obligates the sum of \$400,000 to provide support for a program described in Attachment 1, entitled "Schedule," and Attachment 2, entitled "Program Description," of this Agreement.

The effective date of this Agreement is the date the cover letter is signed by an authorized USAID representative. Unless otherwise agreed to by USAID in writing, the expiration date is April 30, 1996, meaning that no USAID funds under this Agreement shall be applicable to goods not furnished or services not performed for the program by this date. However, this grant is retro-actively applicable to eligible program expenditures incurred by the Grantee on or after December 1, 1992.

This Agreement is entered into with the Grantee on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, "Schedule," Attachment 2, "Program Description," Attachment 3, "Standard Provisions," Attachment 4, "Disbursement of and Accounting for Agreement Funds," Attachment 5, "A.I.D. Geographic Code List," Attachment 6, "Guidelines for Financial Audits Contracted for by Foreign Recipients" and Attachment 7 "Grantee Certifications". This letter and the seven attachments just described, which have been agreed to by your organization, constitute the Agreement.

We request that you and another member of the SABCAP Board of Directors sign the original and one (1) copy of this letter and then return the original to USAID/South Africa.

Sincerely,



Leslie A. Dean
Director

Date: Sept. 7, 1993

ACKNOWLEDGED AND ACCEPTED:

By: Cornelius Petersen
Title: Trustee

Date: _____

By:
Title: Trustee

Date: _____

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions and Additional Provisions as Applicable
4. Disbursement of and Accounting for Agreement Funds
5. A.I.D. Geographic Code 935 List
6. Guidelines for Financial Audits Contracted for by Foreign Recipients
7. Grantee Certifications (Grantee Signatures Required)

ATTACHMENT 1

SCHEDULE

I. OVERVIEW OF AGREEMENT

This Agreement will support the establishment of the South Africa Black Construction Assistance Project (SABCAP) by providing funding for: (a) operating a national office from either Johannesburg, Cape Town, or Durban to be designated following the selection of the Executive Director; plus two field offices in the remaining two locations; and (b) providing staff and support salaries and related expenses to expand the strength, skills and capacity of the small black builder in the construction sector and to assist black building contractors to compete and participate fully and effectively for private and public sector construction works in South Africa.

II. PERIOD OF AGREEMENT

The effective date of this Agreement is the date the cover letter is signed by an authorized USAID representative. Unless otherwise agreed to by USAID in writing, the expiration date is April 30, 1996, meaning that no USAID funds under this Agreement shall be applicable to goods not furnished or services not performed for the program by this date. However, this grant is retroactively applicable to eligible program expenditures incurred by the Grantee on or after December 1, 1992.

III. AGREEMENT FUNDING AND PAYMENT

A. The total estimated amount of USAID funds to be provided under this Agreement for the period shown in Section II. above is U.S. \$1,300,000.

B. USAID hereby obligates the amount of U.S. \$400,000 for eligible program expenditures during the estimated period of December 1, 1992 through March 1, 1994.

C. Payment shall be made to the Grantee in accordance with procedures set forth in Attachment 3 - Additional Standard Provision 1, entitled "Payment - Periodic Advance," and as provided for in Attachment 4, "Disbursement of and Accounting for Agreement Funds."

D. Additional funds up to the total amount of the

Agreement as shown in Section III.A., above, may be obligated by USAID subject to the availability of funds, the agreement of the Parties hereto to proceed with the Grant program, and to the requirements of the Mandatory Standard Provision, Attachment 3 to the Agreement, paragraph 4 entitled "Revision of Grant Budget."

IV. FINANCIAL PLAN

A. Financial Plan

The Financial Plan for funds obligated under this Agreement is set forth in Table 1 below which includes grant funds to be obligated under this Agreement in USAID Fiscal Year 1993. Revisions of this Plan shall be made in accordance with Mandatory Standard Provision 4 of this Agreement, located in Attachment 3 and entitled "Revision of Grant Budget." The Grantee is authorized a 15% deviation between the category line items, provided that USAID is notified in writing of such budget changes in the Grantee's following Disbursement Report. However, any deviation in excess of 15% by category, or any increase in the total Grant, must be approved in advance in writing by the Director, USAID/South Africa.

The Attachment II, Detailed Illustrative Financial Plan, incorporates the planned total A.I.D. contribution over the life of the Grant.

TABLE ONE

Financial Plan: USAID Fiscal Year 1993 Obligation

ITEM	SOUTH AFRICAN RAND
Salaries and Benefits	416,347
Travel and Per Diem	153,391
Administrative Support	263,791
Other Direct Costs (1)	66,000
Capital Equipment	166,000
Consultancies	134,471
TOTAL	1,200,000

(1) Note: in FY'94 and FY'95, the Category "Other Direct Costs" will include an annual audit, external accounting services and program evaluations.

B. Level of Assistance

The total Rand amount in the Financial Plan (Table 1) above is the maximum Rand amount available under this Agreement. The conversion rate from U.S. Dollars will be the prevailing rate at the time of conversion as determined by the Controller, USAID/South Africa. To determine the U.S. Dollar amount of disbursements to the Grantee under the Agreement, an exchange rate of R3.0 to one (1) U.S. Dollar will be used. Notwithstanding the above, in no event will the total Rand amount provided to the Grantee under the Agreement exceed the obligated Dollar amount provided for in Section III. B., above.

Due to exchange rate fluctuations, the total amount of Rands available after converting the total obligated U.S. Dollar amount into Rands may exceed the Rand Budget. If the Grantee desires to use such excess Rands to finance additional eligible program expenses, it may submit to USAID a written proposal for use of such funds. If USAID is in agreement with the Grantee's proposal, the Agreement may be modified to provide for the authorized expenditures. USAID reserves the right to deobligate any Dollars in excess of those needed to fund the Rand Budget. However, should changes in the exchange rate result in fewer South African Rands being available than budgeted for, the Grantee will be responsible for financing the shortfall, since the U.S. Dollar amount prevails.

V. REPORTING

The Grantee shall submit to USAID, in a timely manner, written semi-annual progress reports to USAID on activities funded and general performance under the Agreement. These reports shall be submitted on July 1 and January 1 of each year. The content of the semi-annual reports will be mutually agreed upon but should include a brief description of program accomplishments during the preceding six months and a discussion of any problems encountered and how they were resolved. The Grantee shall also submit, in a timely manner, and in a form to be mutually agreed upon by the Parties, a written final report on all activities financed by the Agreement.

VI. TITLE TO PROPERTY

Title to all property purchased under this Agreement shall vest in the Grantee in accordance with the terms of Attachment 3, Additional Standard Provision 18, entitled "Title to and Use of Property."

VII. AUTHORIZED GEOGRAPHIC CODE

The authorized geographic code for all procurement with A.I.D. funds under the Agreement is the United States, the Republic of South Africa and countries included in A.I.D. Geographic Code 935, meaning that all goods and services financed by this Agreement shall have, with respect to goods, their source and origin and, with respect to the suppliers of services, their nationality in the United States, the Republic of South Africa or in other countries included in A.I.D. Geographic Code 935. To the maximum extent practicable, goods and services financed with funds provided under this Grant should be procured from the United States. Please refer to Attachment 5 for a list of countries included in Code 935.

VIII. SPECIAL PROVISIONS

A. Procurement

1. Scope: This provision is applicable to the extent that local cost financing is otherwise authorized by the Agreement. It does not require procurement in South Africa where offshore procurement could otherwise occur.

2. Policy: In the procurement of goods and services in South Africa, the Grantee shall, to the maximum extent practicable, award contracts to individuals who or organizations which have been disadvantaged by apartheid and are responsive and appropriate providers of goods and services.

3. Definitions: Individuals and organizations disadvantaged by apartheid shall mean: (1) South African individuals of black, "colored" or Asian descent whose principal place of business is in the Republic of South Africa; and (2) private partnerships or commercial firms which are incorporated in or organized under the laws of the Republic of South Africa, whose principal place of business is in the Republic of South Africa, and which are more than 50 percent beneficially owned by South African persons of black, "colored" or Asian descent. The Republic of South Africa includes the so-called "independent" and "self-governing" homelands.

B. Competition

Except as otherwise provided in Sub-Section A, above, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, free and open competition.

C. Staff Recruitment

The Grantee agrees that all staff recruitment for positions funded by USAID will be carried out through an appropriate competitive process and that salary levels will be in accordance with community and professional standards.

D. Travel and Per Diem

The Grantee will provide for USAID approval a copy of its travel and per diem policy covering both domestic and international travel for its staff and for program participants. The travel and per diem rates allowable under this grant shall not exceed U.S. Government rates. In the event the Grantee does not establish a policy, U.S. Government regulations governing travel and per diem shall apply.

E. Political Affiliation

The Grantee agrees that programs funded under this Agreement will be made available to individuals and groups regardless of their political beliefs or affiliations. The Grantee shall not discriminate in its hiring practices or in the provision of its services against individuals or organizations who associate themselves with any particular political philosophy. The Grantee shall periodically review the level of actual provision of its services to assure that persons or organizations sympathetic to certain political groupings or philosophies are not intentionally excluded from activities financed by USAID.

F. Special Conditions

1. Conditions Precedent to Disbursement:

No disbursement of funds shall be made after month six of this Agreement unless a positive review of SABCAP's financial management and internal controls system has been completed and approved, in writing, by the USAID Controller. Not later than the end of month four of this Agreement, SABCAP shall make a written request to the USAID Project Officer asking that a review of SABCAP's financial management and internal controls system be initiated by the USAID Controller.

2. Coordination with CUSSP:

The Grantee shall use its best efforts to coordinate its activities so that it may respond to requests for assistance from eligible contractors building the community based shelter and related infrastructure located within the so-called "CUSSP" (Community and Urban Services Support Program) communities supported by USAID.

3. Consultancies:

a. Approval of Rates:

A vote of the full Board of the Grantee shall be necessary to approve consultancy rates used under this Agreement which shall be in accordance with the provisions of Attachment 2 to this Agreement, "Program Description," Section VII.7, "Consultancies." The Board shall review the full financial statements showing the make-up of the consultancy rate. Following Board approval, the Board shall forward to USAID for its information, the approved consultancy rate with its accompanying financial backup. In no event shall consultancy rates exceed the maximum rates allowable under A.I.D. regulations and policy.

No member or employee of SABCAP, nor of its Board of Directors, nor any immediate relative of, nor organization or company controlled by, such member or employee or Director, shall be employed or hired as a consultant to SABCAP. In the event of any actual or perceived conflict of interest in the process of selection or employment of consultants, any member or employee or Director of SABCAP involved in such conflict shall immediately withdraw from said process.

b. Approval of Payments:

At least two Members of the SABCAP Board of Directors shall approve each consultancy contract and subsequent fee note presented.

IX. STANDARD PROVISIONS

The Standard Provisions applicable to this Agreement are contained in Attachment 3, titled "Standard Provisions."

ATTACHMENT 2

PROGRAM DESCRIPTION

I. OVERVIEW OF AGREEMENT

This Agreement will support The South African Black Construction Assistance Program (SABCAP) in its efforts to establish a country wide program to assist black building contractors to compete and participate fully and effectively for private and public sector construction works in South Africa.

II. BACKGROUND

A. Shelter and Urban Development Support Program

This Agreement is being funded under USAID/South Africa's Shelter and Urban Development Support (SUDS) project, which was approved in May 1992. The purpose of the SUDS project is to promote the provision of services, infrastructure and housing to low income disadvantaged South Africans. The focus is on training, technical assistance and leveraging finance with a supportive policy environment. Interlinked assistance is to be provided in the areas of community capacity building, support for black building contractors, short and long term finance and policy development.

B. The South African Black Construction Assistance Program

SABCAP is a new black led organization in South Africa that grew from the initial meetings of a Program Development Group comprising three representatives of the African Builders Association (ABA) and three from the National African Federated Chamber for the Building Industry (NAFBI). These two organizations are respectively affiliates of the Foundation of African Business and Consumer Services (FABCOS) and the National African Federated Chambers of Commerce (NAFCOC). ABA was initially formed in 1988 as the Transvaal African Builders Association. NAFBI was formed in 1991 out of the Housing Committee of NAFCOC and the Professional Builders' Federation. The two associations together represent more than 5,000 members.

In late 1992, ABA and NAFBI came together to develop a common aim, to improve the quality of support services to their members and to provide an effective program which would expand the strength, skills and capacity of the black construction sector in general.

The Program Development Committee developed a comprehensive nation wide program to assist small black contractors in four regional centers at an estimated cost of \$2.6 million. However, due to funding limitations, USAID will launch the SABCAP Program with a \$1.3 million, three year grant to support regional operations offices in Durban, Capetown, and Johannesburg. Depending on the home base of the Executive Director, one of these regional centers will also be the SABCAP national management center. In due course, as SABCAP generates supplementary program funding from other international donors and South Africa sponsors, it is envisioned that additional offices will be opened to complete the original design of SABCAP as a comprehensive national program.

III. PROBLEM

The construction industry, a major sector in all economies, has a very low cost of job formation, can absorb large numbers of unskilled and semi-skilled workers and offers the potential of enormous opportunities to black South Africans. The most recent estimates indicate that there are upwards of 13,000 small contractors in South Africa, the vast majority of which are Black owned, unregistered, and employ 1-5 persons. Most of these small Black construction firms are owned by a bricklayer, carpenter or by a specialist sub-contractor such as a plumber or electrician. Most of these small black owned firms usually stay small, enjoy limited success, and are locked into subservient, labor-only sub-contracts with larger white construction firms. Although the principals have good trade skills, Black owned firms typically stay small because they are excluded from opportunities to tender or because their owners lack the managerial skills required for success; cannot obtain performance surety bonds; and are impeded by low levels of education, limited access to bridging finance and building materials credits.

There are several "training programs" for the building trades in South Africa ranging from basic trade skills training on specific job sites by a subsidiary of the largest SA construction firm, Murray and Roberts, to comprehensive classroom instruction for a fee by private sector vendors. However, none of the existing programs meets the needs of the small black contractor with basic trade skills and growth potential. An AID supported study of small contractors in the South African construction industry found that the SABCAP target group were quite explicit concerning appropriate training - they wanted hands-on training that does not require them to take a significant amount of time off from their work. They also needed access to finance, surety bonds and building materials that training programs other than SABCAP do not provide.

IV. PURPOSE

The South Africa Black Construction Assistance Program grant will establish a nationwide program to assist black building contractors to compete and to participate fully and effectively for private and public construction works in South Africa.

IV.1 Relationship to USAID Objectives

The SABCAP Program directly supports the USAID/South Africa Strategic Objectives and the more specific objectives of the Housing Division's Shelter and Urban Development Support Program.

IV.2 USAID/South Africa Strategic Objectives

The Mission's strategy, based on the objectives of the 1986 Comprehensive Anti-Apartheid Act (CAAA), is "to increase the political, economic and social empowerment of South Africa's disadvantaged majority." That strategy is further defined in the action target: "Increase broad-based black ownership, employment and participation in all levels of the economy." There are multiple levels of opportunity in the \$2.5 billion construction industry in South Africa for black ownership and economic empowerment. The SABCAP program will assist in the economic empowerment of black South Africans as it assists craftsmen and labor only sub-contractors to become productive contractors, sub-contractors, builders and developers.

IV.3 Shelter and Urban Development Support Program Objectives

The Shelter and Urban Development Support (SUDS) Project Paper, approved on May 13, 1992, states that the program's goal and purpose is to promote the economic empowerment of disadvantaged South Africans through support for the improvement, increased production and greater ownership of affordable shelter within viable urban environments. To achieve its purpose, the SUDS Program has interdependent components which include the Community and Urban Services Support Sub-project (CUSSP) whose objective is to strengthen the capacity of black South African organizations to plan, implement, build and manage equitable and sustainable housing and urban development programs. CUSSP technical support offices, operating in Johannesburg, Cape Town and Durban, provide architecture, engineering and planning services; and access to legal support and financing to community organizations which are developing low income housing and related community facilities. The CUSSP program also intends that those community based projects should be built by community based black contractors so that the economic benefits and multipliers will remain in the black community.

The SABCAP Program is not solely dedicated to the CUSSP program. However, SABCAP will be launched in CUSSP regional centers and a key SABCAP objective will be to support black contractors building CUSSP Community facilities and housing.

V. PROGRAM DESCRIPTION

V.1 The South Africa Black Construction Assistance Program

SABCAP will seek to develop local construction capacity through practical assistance. It recognizes that small contractors have limited time for formal training and can't afford other than on-the-job assistance or short week-end courses. SABCAP will not "train"; it will assist contractors on-the-job; it will provide advisers, not "trainers" and, should specific needs arise, a limited number of focused seminars.

While SABCAP will work closely with public and private sector clients and organizations to ensure appropriate contractor selection and tender procedures are adopted and followed, SABCAP will not support a policy of providing concessions to support small building contractors. Contractors must develop and succeed in the real world and with real competition.

SABCAP advisers will be locally-recruited business-orientated building contractors and professionals who will have construction management skills. They will provide on-the-job assistance on a one-to-one basis, at the same time maintaining a flexible approach to make sure the right assistance is provided at the right time. Occasionally the advisers will hold informal workshops to provide a forum for discussion and an opportunity for key industry players to meet on subjects of mutual interest.

SABCAP clients will be black contractors, or groups of individual builders who want to improve their technical and management skills. They will seek and use the advice provided by the program to increase the success of their operations. They will be aware that SABCAP provides no guarantees. Client contractors will make and follow through their own decisions. They will pay SABCAP a fee which will contribute to maintaining the program.

SABCAP assistance will be designed to help contractors make better decisions. It believes that assistance that results in cash gains and improved profits will result in greater retention of new skills and experience. The nature and timing of the assistance will be performance driven. What are the problems the contractor is facing and how can he deal with them? SABCAP assistance will be delivered on an as-required basis and will include:

Project planning	Cash flow planning	Materials purchase
Approach to the bank	Performance bonds	Company profile
Book-keeping	Insurance	Correspondence
Tender preparation	Development of rates	Job claims
Consultant relations	Change Orders	Workmanship
Management/scheduling	Labor deployment	Contracts
Sub-contractors	Valuations	Computer software
Staff recruitment	Plant & Equipment	Cost control

V.1.a Structure

SABCAP is a registered Section 21 Company with a Board of Directors comprised of seven members including the Executive Director who will be a non-voting member. The initial USAID funded SABCAP Program will be administered by an Executive Director with a total of six construction advisors and supporting staff in Durban, Cape Town and Johannesburg.

V.1.a.1 Board of Directors

Each member of the Board of Directors must positively contribute to the aims of SABCAP. NAFBI and ABA will each nominate a member who will participate in SABCAP rather than simply "represent" the respective organizations. Other members will be individuals, organizations or firms who will have a proven interest in advancing the aims of SABCAP and its client contractors, and who will be able to contribute advice, influence or finance to ensure that the program can effectively reach the largest possible number of clients. SABCAP Directors will be an important and active management resource to the Executive Director. Since one of the major constraints to the growth of the sector is the lack of market opportunities, supporters who can facilitate the development and expansion of appropriate markets will be identified and encouraged to be associated with SABCAP.

The role of the Board of Directors will be defined by the Board and will include, but will not necessarily be limited to, the establishment of overall SABCAP direction and the formulation of policies and guidelines in the following areas: Personnel; Travel and Transportation; Administration, Financial Management, Controls and Accounting; Reporting, Monitoring and Evaluation; Cost Recovery; Client Selection, Services and Fees; and use of Consultants.

V.1.a.2 Executive Director

SABCAP will be administered by a South African Executive Director who shares the experiences and concerns of the target group, who

will have a construction-related background and proven managerial and promotional skills. Though he or she will be expected to act independently in the interests of SABCAP, the Executive Director will seek policy guidance and support from the SABCAP Board. Although the ideal will have the skills of a Construction Adviser, s/he will be fully occupied in managing SABCAP, preparing and implementing programs, monitoring the performance of SABCAP advisers and their client contractors, developing new markets and representing SABCAP's interests wherever necessary. Following his/her appointment, the Executive Director will then recruit program staff, arrange offices and procure furniture and equipment.

The Executive Director will be a qualified architect, engineer, construction manager or quantity surveyor, with management experience, a current driving license, appropriate languages, computer knowledge and who will be located in one of the program centers. Because this program is directed to black contractors, experience at the sharp end of the construction industry and a proven thorough knowledge of the constraints facing the growth of the black construction industry in South Africa are essential requirements.

V.1.a.3 Construction Advisers (Six Positions)

A Senior Construction Adviser will be recruited for each program location who will be assisted by additional Construction Advisers who will be recruited and assigned in response to the program demands in the three regional offices. SABCAP Construction Advisers will provide on-the-job construction assistance and advisory services to the target group, "South African black building contractors who have potential for growth."

The Construction Advisers will be recruited from within the construction industry and will have technical, managerial and business skills. Construction Advisers will speak more than two languages, have hands-on technical and business skills, and will understand and appreciate the problems facing the growth of black building contractors in South Africa. Technical qualifications including computer skills will be an advantage, but first-hand business experience in the industry of at least ten years will be of prime importance. A driving license will be required.

V.1.a.4 Secretarial Staff (Three Positions)

Secretaries will be recruited for each regional center. The ideal candidates will be at least bi-lingual, computer literate, and will be able to organize and manage an office and take responsibility for program record and book-keeping.

V.1.b Cost Recovery

Cost recovery is the long-term aim of SABCAP. Initially a fee will be charged to client contractors which will be geared to commitment rather than cost recovery, and will reflect the affordability of the busy contractor as opposed to the contractor who temporarily has no work.

In time, as the value of the program has been measured by client contractors in concrete results, fee levels will increase. In addition, charges will be made for computer time, publications, and specific advisory services. Although cost recovery is the medium-term aim, in the short-term nothing must be established that will deter potential firms or individual builders from seeking SABCAP assistance.

V.1.c Co-financing

Although SABCAP had proposed a \$2.6 million, nation-wide program in four regions of South Africa, the lesser USAID grant provided in this Agreement, and SABCAP contractor-client fee income, will be the initial and sole source of support for The SABCAP South Africa Black Construction Assistance Program. SABCAP agrees that the program will not be enlarged or modified within the three year USAID grant without the prior consultation and approval of USAID.

V.1.d Selection of SABCAP Clients

The success of SABCAP is unavoidably linked to the availability of, or creation of a sustainable market. SABCAP accepts that there is little point in developing contractors only to find they have no work prospects. Some townships have low levels of employment and communities are unable to pay for, or borrow funds for home improvements, expansion or new houses. With low employment other small businesses are also unable to flourish. Therefore in selecting potential client contractors linkages need to be made to other development program such as housing, education or health. Alternatively clients will only be selected in areas where there is an established workload.

SABCAP has, by necessity, a flexible approach to the target group. Of prime importance is the establishment of selection criteria which will identify contractors who have growth potential. This would not normally include a one-man business which has remained a one-man business for a number of years. However, research has shown that there is potential for encouraging the formation of groups of one-man businesses to increase their resource base and potential for carrying out larger jobs.

Growth in terms of turnover and employment levels will be more rapid with small firms who have, for instance, a bakkie, access to a telephone, small office, an established workload, secretary/book-keeper, etc.. These firms will be the prime target group.

Preliminary research has shown that in South Africa it is not a simple matter to establish one set of criteria for selecting contractors with growth prospects. Regional and township economic variations have resulted in either limited or no development of the black construction industry. However in areas where there is no sector development there are skilled construction workers who have potential for development.

The following two target groups are identified:

- (i) Existing small, medium or larger black-owned construction companies.
- (ii) Individual skilled artisans or businessmen who have the potential to form into viable groups that could develop into companies.

SABCAP will have an interest in working together with the larger construction firms who may not need such intensive assistance. These firms can form subcontract relationships with smaller firms to encourage growth, their affiliation will also improve the revenue-earning capacity of SABCAP.

To achieve growth the first group will have priority, but where numbers are limited, the second group will be considered. Selection criteria for these groups will be developed by SABCAP.

As possible, the SABCAP Program will provide Construction Advisors on a priority basis to assist eligible small black contractors building low income housing or related facilities planned and developed by community organizations participating in the USAID "CUSSP" Program.

V.1.e On-the-Job Assistance

SABCAP's flexible approach may include more formal training for those contractors who have a need for more detailed assistance with subjects such as estimating, however, the main assistance will be delivered on-the-job. The most suitable level of contact will be established with experience. Too much contact with client contractors will render SABCAP a nuisance. Initially half a day will be made available to each client every two weeks including necessary travelling time. If one day each week is set aside for administration each construction adviser can be responsible for sixteen clients. After a period of time it is expected that

clients will have differing needs and time requirements and the capacity of clients per adviser will increase. As mentioned previously, the SABCAP approach is geared to improved decision-making which results in financial gain, but assistance will also be provided to ensure the client becomes more efficient in every aspect of his business.

Clients who develop through SABCAP will gradually use the program as an advisory service on an as-needed basis. A different fee system will be developed to accommodate this category of client.

V.1.f SABCAP Monitoring - Success or Failure

If the client contractor fails to develop, the Construction Adviser must also question why he or she has failed to achieve growth results. When a contractor joins SABCAP basic data will be recorded regarding the structure of the firm, number of employees, plant, financial details and performance to date.

Every three months, SABCAP will up-date each client's details to establish movement of key indicators which will include projected turnover, value of work in hand, plant and employees. These records will immediately indicate growth or no growth. They will also indicate whether or not the Construction Adviser has been effective or not. Comparisons can be made between Construction Advisers and between the regions covered by SABCAP. There are few assistance programs that can be monitored so accurately.

SABCAP will prepare a database to record and circulate regional and national details. It is proposed that the database include the following for each client:

- Client details, including date of establishment, address, tel/fax, start-up strength in terms of plant, office/yard, staff, etc..
- Work-in-hand at start-up, present, growth since start, growth for the year. Details to have an adjustment for inflation.
- Projected annual turnover at start-up and present.
- Employment levels (permanent and casuals).
- Plant and equipment
- List of projects in hand with values, significant earlier project completions.
- Details of clients
- Fee payment record, totals to date, arrears, etc..

The database will also include summary details and average results by region and nationally and will be published in a periodic SABCAP Newsletter on the construction industry in South Africa which will include estimates of the contribution of the informal sector.

V.1.g Other Services to SABCAP Clients

SABCAP is primarily an on-the-job assistance program aimed at achieving black construction sector growth. However SABCAP development research has identified other constraints to growth and SABCAP proposes to assist its client contractors in gaining access to the following: insurance-based performance bonds; bridging finance; building materials credits and supplies; and tendering opportunities. The SABCAP organization will establish strong links with all organizations concerned with township development. These will include USAID-supported activities primarily in the housing market. In locations where construction market opportunities are limited, short-term studies will help to identify appropriate market strategies for client contractors.

It is expected that the potential workload will be realized as SABCAP establishes itself in the three SABCAP Program regions. The USAID Community and Urban Support Service Sub-Project (CUSSP) will commence providing housing finance prior to the end of 1993. CUSSP will keep in close contact with SABCAP to ensure client contractors are aware of market opportunities as they occur.

V.2 GRANT COMMENCEMENT DATE

The commencement date of this grant, December 1, 1992, will predate the actual grant signing date to allow for the reimbursement of program development expenses, neither reimbursed nor covered by any other source of funding. Such reimbursements shall be approved in advance of payment by USAID, upon the submission of original receipts and in accordance with Section VII herein.

VI. ILLUSTRATIVE IMPLEMENTATION PLAN

August 1993	SABCAP registered as a Section 21 company
September 1993	Grant Agreement signed and FY 93 disbursement approved
November 1993	First grant advance payment deposited
January 1994	SABCAP Executive Director requests USAID follow-up financial review
March 1994	SABCAP submits first semi-annual report

VII. DETAILED ILLUSTRATIVE FINANCIAL PLAN

The SABCAP detailed illustrative program budget attached as Table 2 assumes that the first program obligation will be made in USAID Fiscal Year 1993 (October 1, 1992 - September 30, 1993); subsequent obligations are planned for FY94 and FY95 and all USAID funded

activities will be concluded prior to the USAID "SUDS" Program Project Assistance Completion Date (PACD) of May 13, 1996.

Eligible expenses include the following categories which are further detailed in the Table 2, "Detailed Illustrative Financial Plan."

- Approved program development expenses
- Salaries and Benefits
- Travel and Per Diem
- Administrative Support
- Other Direct Costs
(including external accounting services; annual audits;
and program mid-term and final evaluations)
- Capital Equipment
- Consultancies

VII.1 Pre-Award Program Development Expenses

There have been occasions during project development in which members of the Program Development Committee have incurred expenses directly related to the development of the program that have not been, nor will be, reimbursed by any other source. The grant Agreement will provide for the reimbursement of those expenses pre-dating the signing of the grant Agreement, under strictly controlled conditions. Such program development expenses shall be limited to expenses for travel and accommodation; telephone and FAX; legal, accounting or management consulting; and cash or credit advances or non-interest bearing loans used to advance the program. Specifically excluded are any expenses for per diem, salaries or benefits, imputed value of time, meals or other such miscellaneous expense. It is estimated that these pre-award expenses will not exceed \$10,000.

VII.2 Salaries and Benefits

Salaries and benefits paid to SABCAP staff shall be in accordance with community and professional standards and will be in accordance with the written policies and guidelines approved by The SABCAP Board of Directors. Reasonable salaries (including bonuses or a thirteenth check) and medical insurance may be paid to an Executive Director, three Senior Construction Advisors, Three Construction Advisors, and Three Secretary/bookkeepers. It is estimated that the SABCAP Board of Directors member responsible for financial control will be required to spend approximately one half day per week on the program. That Director may be reimbursed for his time at the rate of 50 Rand per hour (not to exceed 1000 Rand per month) upon the submission of a certified time sheet.

VII.3 Travel and Per Diem

Travel, transportation and per diem expenses for SABCAP staff including the executive Director and the Construction Advisors and the members of the SABCAP Board of Directors, shall be paid in accordance with the written policies and guidelines approved by The SABCAP Board of Directors and approved in advance by USAID.

For construction advisers to be effective and to reach their clients in their offices or building sites at agreed times, they must be mobile. Because construction advisors are expected to assist clients in more than one township substantial and flexible transport will be necessary. SABCAP may therefore lease economy automobiles for the program related use by its staff and pay for fuel, insurance and maintenance costs of such vehicles in proportion to the program related use; and/or pay mileage for work related use of a privately owned vehicle in accordance with the SABCAP transportation policy approved in advance by USAID.

The Executive Director will need to make regular supervision visits to each region to establish the needs of the program, to manage the program, and to ensure that reporting is accurately and regularly completed. The Executive Director will also participate in meetings of the SABCAP Board of Directors and approximately every quarter will hold a Construction Advisors coordination meeting to discuss problems, achievements, targets and to share experiences. Transportation for the Executive Director and the Construction Advisors will be provided by SABCAP, as required and in accordance with a SABCAP transportation policy approved in advance by USAID. Such transportation costs may include economy class air travel.

The SABCAP Board of Directors will meet at most quarterly, or as otherwise agreed to by the Board Members. The Board members will be reimbursed only for their direct out-of-pocket expenses in accordance with a SABCAP transportation policy approved in advance by USAID. Board members will be nominated based on their commitment to advance the economic opportunities of the disadvantaged small black contractors in South Africa. Therefore, Board members will receive neither honoraria, nor fees, nor any other reimbursements for imputed income lost as a result of their services to SABCAP.

From time to time the Executive Director, Construction Advisors, and possibly Board Members, may be required to participate in training programs, seminars, conferences or other functions

outside of South Africa. Any travel, supported by USAID funds, will be in accordance with a SABCAP transportation policy approved in advance by USAID, and shall not exceed the maximums established by A.I.D. regulations and policy.

VII.4 Administrative Support

Administrative Support items may include the reasonable costs of establishing and operating three regional offices to be located in the vicinity of Johannesburg, Cape Town and Durban. The specific office locations shall identified in consultation with USAID and approved in advance by USAID. Office expenses may include, but are not specifically limited to: rental and utilities, consumables, telephone and FAX operating expenses, postage, equipment maintenance including janitorial services, promotional materials, newsletter, insurance, advertising for staff, and reference materials.

VII.5 Other Direct Costs

Other Direct Costs may include staff training and development, accounting services and annual audits, legal fees, a mid-term review and final program evaluation, workshops and annual meetings.

SABCAP workshops will be essentially informal, at the same time they will have clearly-defined aims. SABCAP workshops will be held every two months and will deal with a topical subject or particular concern to the client contractors. Partly a social gathering, clients will meet other clients and compare experiences, and the Construction Advisers will invite participants who have a mutual business interest in meeting the client group. These could include prospective clients, bankers, technical consultants, or materials suppliers. Agreement funds may be used for limited refreshments, the cost of which shall not exceed \$3.00 per participant.

VII.6 Capital Equipment

The SABCAP offices will be multi-functional with work stations, a meeting area, and secretary and reception areas. Furnishings may include desks, chairs, fixed work benches, filing cabinets, personal computers and printers which will be available for word processing and for preparation of construction programs and estimates, procurement plans, bookkeeping, and program monitoring. Facsimile machines, telephones and answering machines, photocopiers and electronic mail (E-mail) facilities may also be provided, as needed, at each regional office.

VII.7 Consultancies

SABCAP may employ consultants in order to achieve legitimate program objectives in accordance with the written policies and guidelines approved by The SABCAP Board of Directors and approved in advance by USAID; and in accordance with the provisions of Attachment 1, to this Agreement, Section VIII.F.3, "Consultancies."

TABLE 2

DETAILED ILLUSTRATIVE FINANCIAL PLAN @R3.0/\$1.00

	SA RAND FY93	SA RAND FY94/95	SA RAND TOTAL
SALARIES AND BENEFITS			
Executive Director	89739	315261	405000
Senior Construction Advisors (3)	123130	431870	555000
Board of Directors Financial Control (1)	8348	27652	36000
Construction Advisors (3)	111652	398348	510000
Secretary/Bookkeepers (3)	83478	119613	203091
Sub-Total	416347	1292744	1709091
TRAVEL AND PER DIEM			
Cars (Lease; Operate; Mileage)	98087	459055	557142
Air tickets & Per Diem	55304	137554	192858
Sub-Total	153391	596609	750000
ADMINISTRATIVE SUPPORT			
Office Expenses			
Rental and Utilities	90782	327076	417858
Consumables & Paper	14609	49678	64287
Telephone/FAX	53478	141522	195000
Postage	4200	10800	15000
Equipment maintenance	1200	7908	9108
Promotional material, Newsletter	27522	8907	36429
Insurance	29000	100642	129642
Advertising for staff	13000	929	13929
Reference Materials	30000	3588	33588
Sub-Total	263791	651050	914841
OTHER DIRECT COSTS			
Staff training & Development	35000	6429	41429
Accounting, Audit, Evaluation, Legal	10000	61142	71142
Workshops & Annual Meeting	21000	70713	91713
Sub-Total	66000	138284	204264
CAPITAL EQUIPMENT			
Equipment, furniture, fittings	120000	0	120000
Photocopying Machines	20000	0	20000
FAX/Answering machines/E-Mail	20000	0	20000
Computer software	6000	0	6000
Sub-Total	166000	0	166000
CONSULTANCIES	134471	21313	155784
TOTAL SABCAP BUDGET	1200000	2700000	3900000

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