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EMBASSY OF THE  
UNITED STATES OF AMERICA

Office of Development Affairs  
August 18, 1989

Mr. Jeffrey Kleinsmith  
Chairman, Steering Committee  
Institute for Democratic Economic Development  
P.O. Box 24289  
Lansdowne  
7780

Subject: Institute for Democratic Economic Development  
Agreement No.: 674-0303-G-SS-9049-00

Dear Mr. Kleinsmith:

Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter "USAID") hereby enters into this Agreement with the Institute for Democratic Economic Development (hereinafter "the Recipient" or "IDED"), and obligates the sum of US\$ 48,000 to provide support for a program described in Attachment No. 1, entitled "Schedule", and Attachment No. 2, entitled "Program Description", of this Agreement.

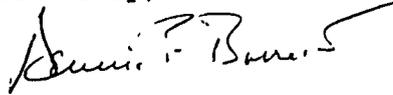
This Agreement is effective and obligation is made as of the date of this letter. The Agreement and obligation shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning August 18, 1989, and ending May 18, 1990.

This Agreement is entered into with IDED on condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, "the Schedule", Attachment 2, "Program Description", and Attachment 3, "Standard Provisions". This letter, and the three attachments just described, which have been agreed to by your organization, constitute the Agreement.

*Sub*

Please sign the original and one (1) copy of this letter and return the original to USAID/Pretoria.

Sincerely,



Dennis P. Barrett  
Counselor for Development Affairs

ACKNOWLEDGED AND ACCEPTED



By: Jeffrey Kleinsmith

Title: Chairman, Steering Committee  
Institute for Democratic Economic Development

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions
4. Thirty-Day Advance

ATTACHMENT NO. 1

SCHEDULE

I. OVERVIEW OF AGREEMENT

Purpose of Agreement

This Agreement will provide funds to the Institute for Democratic Economic Development (IDED), to enable it to undertake essential analyses and planning activities related to the possible establishment of a black business "think tank". A more detailed description of the Agreement program is contained in Attachment Two of this Agreement, "Program Description".

II. PERIOD OF AGREEMENT

The effective date of this Agreement is August 18, 1989. The expiration date is May 18, 1990, 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.

III. AGREEMENT FUNDING AND PAYMENT

USAID hereby obligates the sum of \$48,000 for purposes of this Agreement.

IV. FINANCIAL MANAGEMENT

A. IDED shall be responsible for accounting for all funds provided under this Agreement. Reimbursement for expenses incurred shall be in the form of a monthly submission of invoices marked paid, cancelled checks, signed payroll sheets, etc. as further described in Part B of this Section. Included in this Agreement, as Attachment 4, is a budget based upon expected expenditures covered by this Agreement. This budget also represents IDED's request for an advance. A sufficient advance of funds will be provided to cover expenses for one month of operation. Execution of this Agreement constitutes USAID approval of the advance, and for AID's internal purposes, earmarks and commits all funds obligated under the Agreement. Any interest earned from funds provided under this Agreement will be returned to USAID.



B. Disbursement Procedures

1. Local currency disbursements from USAID to IDED will be made through monthly reimbursements for expenses incurred during the previous month. Each reimbursement request will include (a) a summary sheet listing in a format compatible with the budget the purpose and amount of all (individual) expenses incurred with a sub-total for each budget line-item and a grand total; and (b) copies of paid invoices (not pro forma invoices), checks, or other documentary evidence showing that funds were expended and the payee received such funds; e.g. an invoice stamped "paid", a cancelled check, a payroll sheet signed by the employee, etc.

2. Advances. It is recognized that an advance of funds is required, as working capital, to carry-out the purposes of this Agreement. Refer to Section IV-A and Attachment 4 which requests such an advance.

(a) As discussed in para B1 above, monthly expenses are reimbursed. As such, USAID will reimburse the Recipient for recurring expenses financed from the advance, but non-recurring expenses financed from the advance will not be reimbursed. Rather than reimburse non-recurring expenses, the amount of the advance will be reduced by the amount. Consequently, when the Recipient submits its monthly reimbursement request per paragraph B.1, it is most important to include those expenses which will be used to reduce the advance balance.

(b) At the end of the Agreement period, any advance balance will be liquidated through submission of paid invoices and/or cash.

(c) Should there be a need to increase the level of the advance, USAID should be notified in writing at least 90 days before the required increase. USAID will advise, in writing, of any approved increases. Likewise, USAID reserves the right to decrease the level of this advance should expenditures fall below projected levels.

V. FINANCIAL PLAN

A. The Financial Plan for this Agreement is set forth in Tables 1 and 2 of Annex A to this schedule. Revision of this Plan shall be made in accordance with Standard Provision 4 of this Agreement, located in Attachment 3 and entitled Revision of Agreement Budget. As elaborated in Table 1 of Annex A, all line-item adjustments must receive prior USAID approval.



B. The budget line items provided in Table 2 have been calculated by taking the amounts required by IDED in South African Rands and then converting these to U.S. Dollars at an exchange rate of 2.65/US\$1. While the Rand amounts are set forth in Table 1 for illustrative purposes, the U.S. Dollar totals, and not their Rand equivalents, constitute the binding level of USAID assistance.

Due to exchange rate fluctuations, South African rands available under any individual item financed under this Agreement may exceed levels budgeted for by IDED, and thus allow other items to be financed as well. In such an event, IDED will consult with USAID on the priority use of these funds, and arrangements will be made to amend the Agreement to provide for their expenditure. However, should changes in the exchange rate result in fewer South African Rands being available than budgeted for, IDED must finance the shortfall since the U.S. Dollar amount prevails.

VI. REPORTING AND EVALUATION

A. Reporting

IDED shall timeously make available, on a confidential basis, all relevant reports and work products directly or indirectly financed by this Agreement. In the case of the comprehensive final report/action plan to be produced by IDED (see Section V of Attachment 2, Program Description) three copies of the finalized document shall be provided USAID. In addition, responsible representatives of IDED will provide periodic oral briefings on Agreement program progress at the reasonable request of USAID.

B. Evaluation

The Recipient agrees to cooperate with, and participate fully in, any evaluation or audit instituted at the request of USAID either during or after the term of this Agreement. Any such assessment would be financed by USAID with funds extraneous to the Agreement.

VII. OVERHEAD RATE

Not Applicable.

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VIII. TITLE TO PROPERTY

Title to all property purchased under this Agreement shall vest in the Recipient in accordance with the terms of Attachment 3, Additional Standard Provision 19, entitled Title to and Use of Property.

IX. AUTHORIZED GEOGRAPHIC CODE

The authorized geographic code for all procurement with AID funds under the Agreement is the United States and the Republic of South Africa, meaning that all goods and services financed by this Agreement shall have, with respect to goods, their source and origin, and, with respect to services, their nationality in the United States or the Republic of South Africa.

X. LOCAL COST FINANCING

It is hereby specified that the amount of U.S. dollars authorized to be used for local cost financing is the entire amount obligated under this Agreement.

XI. SPECIAL PROVISIONS

Covenants

1. Procurement

(a) 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 off-shore procurement could otherwise occur.

(b) Policy. In the procurement of goods and services in South Africa, the Recipient shall, to the maximum extent practicable, award contracts to individuals or organizations which are disadvantaged by apartheid and which are responsive and appropriate providers of goods and services.

(c) 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 and, for the purposes of implementing this provision, Namibia.



2. Competition

Except as provided in Section (1) above, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, free and open competition. Where IDED contracts with local consultants to undertake interviews, feasibility analyses, and other Agreement-related tasks, such contractors will be competitively selected solely according to their projected capacities to undertake the requisite work and contribute to the overall IDED planning process. Should professional fees paid to any such contractor exceed a total of R5,000, IDED will submit a summary memorandum to USAID explaining the rationale for both the contractor's selection and the degree of work allocated to same.

3. Recipient financial commitment

IDED agrees to apply, to the extent possible, resources beyond those provided by this Agreement as necessary to ensure the attainment of Agreement program purposes and objectives.

4. Scope of assistance

IDED confirms its understanding that this Agreement extends only to the evaluation/planning process set forth in Section V of Agreement Attachment Two. No contingent commitment to future support is explicitly or implicitly conveyed by this Agreement.

XII. STANDARD PROVISIONS

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



ANNEX A TO ATTACHMENT 1  
TABLE 1

ILLUSTRATIVE AGREEMENT BUDGET (RANDS)

I. Technical Assistance	R 62,200
II. Workshops	R 25,000
III. Admin/Travel	R 25,000
IV. International Input	<u>R 15,000</u>
Total	R 127,200

Notes:

- \* All figures are premised upon an exchange rate of R2.65 to \$US1. The binding Agreement total, as noted in Section V-B of Attachment 1, above, is denominated in U.S. Dollars, and not the South African Rand equivalent thereof (See Table 2 of this annex, below).
- \* All line item expenditures must be supported by appropriate documentation in order to qualify for Agreement financing.
- \* The dollar equivalent of line-items denominated by Roman Numerals (See Table 2 of this Annex, below) may not be exceeded without formal USAID/SA approval.

  
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ANNEX A TO ATTACHMENT 1  
TABLE 2

OFFICIAL AGREEMENT BUDGET (DOLLARS)

I. Technical Assistance	\$ 23,472
II. Workshops	\$ 9,434
III. Admin/Travel	\$ 9,434
IV. International Input	<u>\$ 5,660</u>
Total	\$ 48,000

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## ATTACHMENT TWO

### PROGRAM DESCRIPTION

#### I. SUMMARY

This Agreement will provide funds to the Institute for Democratic Economic Development (IDED), to enable it to undertake essential analyses and planning activities related to the possible establishment of a black business "think tank". The funded components of the Agreement program are more fully set forth in Section V of this Attachment, Program Description.

#### II. BACKGROUND

##### A. Black Private Enterprise Development Project

In September 1987, USAID/South Africa launched a five-year Black Private Enterprise Development Project. The immediate purpose of the Project is to combat the inhibiting effects of discrimination by enhancing the institutional development and advocacy capabilities of black business institutions, providing support for micro and small black enterprise, and facilitating black participation in the primary economy.

South Africa's complex social, political and economic environment impinges directly on the character and viability of a black private enterprise development project. Racially discriminatory laws and regulations have, over generations, allowed whites to dominate South Africa's economy and thereby institutionalize apartheid through monopolistic control of resources. Such control has limited the entry of blacks into business, particularly in the industrialized sector, and into management positions. It has also led many blacks to link apartheid with capitalism.

This legacy of "racial capitalism" will only be overcome through increased black involvement at all levels of the economy. Those who have been disadvantaged by current policies and business practices must have the opportunity to see what private enterprise can offer in terms of increased access to goods, services, employment and an improved standard of living. Moreover, the impetus for equitable participation in South Africa's economy must come from existing as well as potential black entrepreneurs and businesspersons; after generations of discrimination, reforms and development programs imposed by those seen as responsible for black oppression will be viewed skeptically or discredited.

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In response to the unique demands of this environment, the Black Private Enterprise Development Project has been designed as an umbrella project in which assistance is rendered to South African non-governmental organizations providing support to the black private sector. This approach allows USAID/South Africa to respond to black initiatives in the private sector, rather than play the type of proactive or prescriptive role in private enterprise development that could be perceived as interventionist. It also provides sufficient flexibility to respond to opportunities as they arise, a critical attribute in an unstable and unpredictable environment. Furthermore, it contributes to the institutional development of legitimate, community-based organizations, thereby positioning such groups to play a more effective role both in the present and in a future, post-apartheid society.

#### B. The Institute for Democratic Economic Development

IDED was conceived of in early 1989 by a group of (primarily Cape-based) black South African businesspersons. The idea stemmed in part from a meeting in Nairobi between members of the group and Hernando d. Soto, head of the Peruvian Institute for Liberty and Democracy (ILD). The experiences and successes of ILD suggested the practicability of a similar -- though obviously wholly distinct -- black business "think tank" in South Africa, an entity that would lend intellectual dynamism and other forms of support to those established institutions promoting black economic empowerment.

Following confirmation of the concept's basic validity through, inter alia, consultations with a number of the established black South African business support institutions, the group in July 1989 formally constituted itself as the Institute for Democratic Economic Development (IDED). Simultaneously, a steering committee was established, comprised of a number of highly respected black South African businesspersons. The steering committee's central function is to husband the concept to launch phase, at which point articles of association would be drafted, a full executive-management board appointed, etc.

The steering committee has determined that a thorough, nationwide consultative process/study is required to, inter alia, evaluate IDIED's appropriate scope, identify key variables for the initiative's success, broaden "ownership" of the IDIED concept, and generally provide the committee with the informational and other tools required to get the project off the ground. As the committee lacks the resources to sponsor such a planning exercise, it has approached USAID for assistance.

*John*  
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### III. PROBLEM

One of the most odious aspects of apartheid in South Africa has been the economic disempowerment of the country's black inhabitants. Despite much-publicized moves toward reform in recent years, this legacy continues to be enforced by entrenched legal, regulatory and attitudinal discrimination hampering black business and economic advancement. Resources available to the black community are grossly inadequate, especially when measured against the requirements for competitive entry into the mainstream of the economy.

In response to this situation, the black business community has spawned a number of both sectoral and more broadly-based institutions whose central aim is to advance black business and economic interests. While much good work is done individually by such groups, they often lack the research capacities, resources, and even mandate to absorb and integrate the volumes of complex data generated in South Africa's economy; as a corollary, their ability to develop or adhere to cohesive strategies for black business empowerment is typically limited. Not infrequently, black business is forced to turn to white academics and other resources outside of the community for leads on optimal directions and/or options for black business.

The IDED initiative seeks to fill precisely this void. However, a number of important technical and policy issues presently stand between the idea of IDED and the transformation of such into an operational concept. The IDED steering committee lacks the resources to address such questions without outside assistance.

### IV. PURPOSE

The purpose of this Agreement is to enable IDED to undertake essential analyses and planning activities related to the possible establishment of a black business "think tank".

### V. PROGRAM DESCRIPTION

This Agreement will fund a process of consultation, analysis and planning calculated to provide IDED with the tools to resolve those pre-launch issues confronting the institution. The process will operate through a number of distinct phases, as follows:

- \* First, IDED's steering committee will commission contractors in the various regions of South Africa plus Namibia, to interview a wide range of key business actors and investigate critical issues surrounding the IDED concept. The central, though not exclusive, purposes of this exercise would be to evaluate the appropriate scope of activities of a functioning "think tank", to broader "ownership" of the IDED concept, and to identify key variables for the initiative's success.

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- \* Following completion of the above, regional workshops will be held to bring together existing and potential new IDED participants to brainstorm the results, distill trends and implications, etc. This in turn, will lead to the convening of a national workshop to pool the regional findings and, once again, cull relevant data and conclusions.
- \* After the holding of the national-level workshop, input will be provided to IDED by overseas organizations with experience in developing advocacy/research entities on the IDED model. At present, it is contemplated that at a minimum the ILD and, possibly, the Plunkett Foundation in Britain would fill this role. The form of the input is not yet finalized, but might include a seminar/workshop at a venue outside of South Africa, structured site visits by IDED participants, and so on. It is envisioned that a broad spectrum of IDED "owners", representing important black South African business constituencies, would be involved in such activities.
- \* Finally, the IDED steering committee will be responsible for production of a final report/action plan, which would synthesize in documentary form the results of the entire foregoing process and establish a basic blueprint for IDED's functional evolution.

It is anticipated that the above series of activities would take no more than approximately four to six months.

The Agreement will finance those inputs necessary to implement the sequence of steps just described. Specifically, the following will be provided:

Technical Assistance. Technical assistance will be required most prominently in phase 1, above, but also, possibly, in conducting workshops and refining the final report/action plan. Within the budgetary parameters established in Tables 1 and 2 of Annex A to Agreement Attachment One, monies will be made available for the contracting of a range of qualified consultants to provide such assistance. Selection of contractors will be conducted fully in accordance with the terms of Sections XI (1) and (2) of Agreement Attachment One. Compensation for professional services will be on reasonable terms, based upon the established fee structure of those firms contracted by IDED.

All work-products and reports generated by Agreement-funded contractors will be forwarded on a confidential basis to USAID/SA.

  
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Workshops. Within the budgetary parameters established in Tables 1 and 2 of Annex A to Agreement Attachment One, monies will be made available for those workshops encompassed within phase 2 of the planning process, above. Allowable costs financed will include facility rental (excluding catering) and -- in the case of the national workshop projected -- travel and accommodation expenses for key participants. All travel will be conducted in compliance with IDEED's reasonable travel policies and procedures, a copy of which will be forwarded to USAID prior to any claim for USAID reimbursement under this line-item.

Should any formal summaries of proceedings emerge from the regional workshops, these will be made available to USAID/SA on a confidential basis. A concise description of the national-level workshop will be provided by IDEED to USAID/SA after its completion.

Admin/Travel. Within the budgetary parameters established in Tables 1 and 2 of Annex A to Agreement Attachment One, Agreement-related travel and administrative costs incurred by the interim steering committee (only) will be financed. Allowable administrative expenses would include, inter alia, direct costs such as telephone, paper, photocopying, etc., as well as the part-time services, as required, of a typist/clerical assistant. Allowable travel would include, inter alia, interim committee members participation in workshops outside their region, inter-regional committee consultations, etc. As noted above, all travel will be conducted in accordance with IDEED's reasonable travel policies and procedures, to be forwarded to USAID.

Any IDEED claims for reimbursement for travel under this line-item will be accompanied by a brief (c/ one sentence) description of the nature and purpose of such travel.

International Input. Within the budgetary parameters established in Tables 1 and 2 of Annex A to Agreement Attachment One, the reasonable costs of phase 4, above, will be financed. The precise form of such international input will be developed by IDEED in consultation with USAID/SA; allowable costs might include, inter alia, the expense of flying Hernando de Soto and/or other experts to an IDEED-developed seminar at an acceptable venue, the costs of the seminar itself, and so on. As IDEED will attempt to ensure that any international input reaches as broad a spectrum of concept "owners" and constituents as possible, it is anticipated that additional funding beyond that provided in the subject line-item may be required; in such a case, IDEED has agreed to rigorously seek alternative sources of funds, to maximize the utility of this phase of the planning process.

  
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As appropriate, USAID/SA may request a post-event, summary report on those international inputs ultimately financed under the Agreement.

In Addition to the work-products cited above, the IDED steering committee will provide USAID/SA, on a confidential basis, with three copies of the final report/action plan to be produced as the concluding act of the analysis and planning exercise.

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ATTACHMENT 4

Request for Advance in Rand  
Quarterly Expenditures for Year One

	<u>1st Quar</u>	<u>2nd Quar</u>	<u>3rd Quar</u>	<u>4th Quar</u>
I. TECHNICAL ASSISTANCE	50,000	12,200	-	-
II. WORKSHOPS	12,500	12,500	-	-
III. ADMIN/TRAVEL	12,500	12,500	-	-
IV. INTERNATIONAL INPUT	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
	75,000	52,200	-	-

TOTAL ADVANCE REQUEST: R75,000

