

PBBJ545

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

1. TRANSACTION CODE

A - Add
 C - Change
 D - Delete

Amendment Number

DOCUMENT CODE
3

COUNTRY/ENTITY SOUTH AFRICA

3. PROJECT NUMBER
674-0303

4. BUREAU/OFFICE
AFR

5. PROJECT TITLE (maximum 40 characters)
Black Private Enterprise Development

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)
MM DD YY
11 23 93

7. ESTIMATED DATE OF OBLIGATION
(Under "B" below, enter 1, 2, 3, or 4)
A. Initial FY 817 B. Quarter 4 C. Final FY 011

8. COSTS (\$000 OR EQUIVALENT \$) =

A. FUNDING SOURCE	FIRST FY 87			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total	200	3,300	3,500	2,000	17,500	19,500
(Grant)	200	3,300	3,500	2,000	17,500	19,500
(Loan)						
Other						
U.S.						
Host Country						
Other Donor(s)						
TOTALS	200	3,300	3,500	2,000	17,500	19,500

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION/PURPOSE CODE	B. PRIMARY TECH CODE	C. PRIMARY TECH CODE	D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
			1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ES	700B	840			19,500		19,500	
(2)								
(3)								
(4)								
TOTALS					19,500		19,500	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODE

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code EQTY
E. Amount 19,500

13. PROJECT PURPOSE (maximum 480 characters)

To assist black South Africans in overcoming the political, regulatory, economic, technical, social and altitudinal constraints that have stemmed from apartheid and operated to prevent their equitable participation in the south African economy as owners, managers or employees of private enterprise.

14. SCHEDULED EVALUATIONS

Initial MM YY 11 08 93 Final MM YY 01 6 93

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000 941 Local Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of 4 page 22 Amendment)

17. APPROVED BY

[Signature]
Mission Director
USAID/South Africa

Date Signed MM DD YY
11 23 93

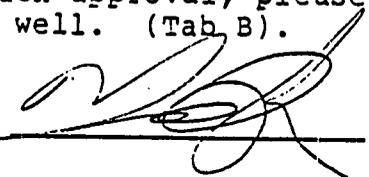
18. DATE DOCUMENT RECEIVED BY AID/W. OR FOR AID/W DOCUMENTS. DATE OF DISTRIBUTION

MM DD YY

In the event that USAID/SA deems it necessary to incorporate conditions precedent to disbursement in individual grant or cooperative agreements, this will be done. The Mission may include such conditions at its discretion, without amendment to the Project Authorization.

III. RECOMMENDATION

It is recommended that, pursuant to your authority under DOA 551, section 4, you approve the subject PP by signing below and authorize the Project at an LOP funding level of \$19.5 million by signing the attached Project Authorization Document. (Tab A). Should you grant such approval, please sign the attached Project Data Sheet as well. (Tab B).

Approve : 

Disapprove: _____

Timothy J. Bork, Mission Director

Date : 9/23/87

- Tabs:
- (A) Project Authorization Document
 - (B) Facesheet
 - (C) AID/W approval cable, and summary of issues raised and Mission response
 - (D) FCS and embassy written comments
 - (E) Final draft of PP

Clearances

RLA , D. Keene DK
PROG, C. Pascual (draft)
CONT, R. Solloway (draft)
RCO , D. Lake (draft)
PDO/WID, Aileen Marshall (draft)

DRAFTED, C. Merkling, PDO CM

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PROJECT AUTHORIZATION

Name of Country: South Africa
Name of Project: Black Private Enterprise Development
Number of Project: 674-0303

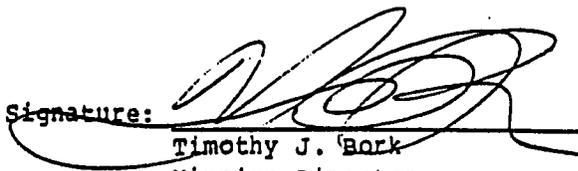
1. Pursuant to Section 535 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Black Private Enterprise Development Project in the Republic of South Africa involving planned obligations of not to exceed \$19,500,000 in grant funds over a five-year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is seven years from the date of initial obligation.
2. This Project will contribute to the goal of providing the opportunity for South African blacks to participate equitably in the South African economy as owners, managers or employees in private enterprises. The project consists of three separate but related components under which direct assistance will be provided to South African NGO's to (1) strengthen their institutional capacity to use legal and advocacy techniques to end apartheid policies and discriminatory laws, regulations, practices and attitudes; (2) increase opportunities for black entrepreneurship, skilled employment and economic advancement in micro and small-scale enterprises, and (3) expand the ability of blacks to manage and invest capital in primary economic activities. The Project Paper sets forth several criteria for selecting organizations for funding and describes several organizations which are illustrative candidates for support under the Project. No assistance or support under the Project shall be provided to organizations financed, influenced or controlled by the SAG, or to political parties.
3. The Project also will include a separate Project Guidance and Coordination component under which technical services and training will be provided to assist in the monitoring and implementation of the Project.
4. The grant agreements, cooperative agreements or contracts which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services.

Commodities financed by A.I.D. under the project shall have their source and origin in the Republic of South Africa or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Republic of South Africa or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

5. In the event that USAID/South Africa deems it necessary to incorporate conditions precedent to disbursement or covenants in individual grant or cooperative agreements with South African NGO's, it may do so without amendment to this authorization.

Signature: 

Timothy J. Bork
Mission Director,
USAID/South Africa

Clearances

SPDO, M. Johnson (draft)
PROG, C. Pascual (draft)
CONT, R. Solloway (draft)
PDO, C. Merklng (draft)

DRAFTED: RLA, D. Keene; 06/30/87

DK

ACTION MEMORANDUM

TO : TIMOTHY J. BORK, MISSION DIRECTOR

FROM: MARK R. JOHNSON, SPDO

SUBJECT: South African Black Private Enterprise Development
(674-0303); Project Paper Approval and Project
Authorization.

I. PROBLEM

Pursuant to the authority delegated to you under Africa Bureau Delegation of Authority no. 551 (DOA 551), section 4, you are hereby requested to:

- (1) approve the Project Paper (PP) for the subject Project; and
- (2) authorize the subject Project at an estimated life of project level of \$19.5 million. It is anticipated that all \$19.5 million will be funded out of the Economic Support Fund (ESF) account.

The PP has received PID-level clearance in AID/W, subject to guidance which has been incorporated into the final draft (State 188747; Tab C). A copy of the final PP draft, as well as the Project Authorization Document, is appended to this memorandum. (Tabs E and A, respectively).

II. DISCUSSION

A. Background.

South Africa is a deeply divided society wracked by increasing instability, polarization and violence arising from opposition to apartheid, the system of racial separation enforced by South African law. Apartheid laws, regulations, practices and attitudes severely suppress the political, civil, social and economic rights and opportunities of South African blacks.*

It is U.S. policy, expressed by the President's five-year assistance strategy for South Africa, the President's September 1985 Executive Order on South Africa, the Comprehensive Anti-Apartheid Act of 1986 (CAAA), and other policy instruments, to help bring about both an end to apartheid and the establishment of a nonracial, democratic form of government in South Africa. Consistent with this, the major goals of the A.I.D. assistance program are to assist the victims of apartheid laws, reduce injustice, support human rights and the development of democratic institutions, and promote the development of black leaders. Both the CAAA and Executive directives recognize the major role black private enterprise development can play in the ongoing process of change leading to a post-apartheid South African society.

* In this memo, the term "blacks" encompasses Indians, so called "coloureds", and Africans - all of whom are legally disadvantaged by apartheid laws, and all of whom are targets of assistance under the Project. K S

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 their 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, even though the extensive intervention of the South African Government (SAG) in the economy for racial purposes is antithetical to a free market enterprise system.

This legacy of "racial capitalism" will only be overcome through increased black involvement at all levels of the economy. It must be demonstrated to those who have been disadvantaged by current policies and business practices that private enterprise can offer greater access to goods, services, and 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.

B. Summary Project Description.

This Project, as elaborated in the PP, has been designed as an umbrella type program in which grants will be made to South African NGO's providing assistance to the black private sector. This approach will allow USAID/SA 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 provides sufficient flexibility to respond to opportunities as they arise, a critical attribute in an unstable and unpredictable environment. It also contributes to the institutional development of organizations advancing the objectives of the black community and promoting the equitable participation of blacks in all aspects of South African society.

In order to ensure that activities and grants are technically sound and will have a realistic impact in South Africa's complex economy, the Project Paper (PP) identifies three substantive direct assistance areas under which proposals will be (and already have been) received:

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Institutional Development and Advocacy; Micro and Small Enterprise Development; and Participation in the Primary Economy. The choice of these areas, which are described more fully below, has been based on extensive and wide-ranging consultations with the black community in general and black businesspersons in particular, as well as a comprehensive assessment of the South African economy. The latter survey contained detailed analyses of: the history and impact of apartheid laws and regulations in South Africa; racially discriminatory business practices not based on law; control of resources and capital flows; and black businesspersons' perceptions of the major constraints to entry at all levels of the economy. The evaluation of black business attitudes consisted of both extensive interviews with black business leaders and a survey of 300 randomly selected black entrepreneurs from all parts of South Africa. Funds are budgeted in the PP for ongoing assessments of the private sector to ensure that the areas of focus remain relevant and an effective means of supporting black private enterprise.

The Institutional Development and Advocacy component will support black entrepreneurs, businesspersons, and business organizations in their efforts to develop the networks and structures necessary to lobby for and promote black business. These networks and structures will allow blacks to play a leadership role in addressing the constraint upon equitable black participation in the economy. As such networks are strengthened and develop greater information-gathering and analytical capabilities, they will be able to communicate effectively with the broader black community, the white private sector, international organizations and the SAG.

The Micro and Small Enterprise Development component will support groups responding to the financial and business skills needs of both potential and existing informal and small-scale black entrepreneurs. This support is aimed at expanding black interaction with free enterprise and the economic benefits it can bring, at expanding income generation and employment possibilities, and, ultimately, at supporting economic and political change in South Africa.

The Participation in the Primary Economy component will involve assistance to black businesspersons and organizations to enable them to increase their influence and decision-making power in the primary economy, and, by extension, in the political arena. Organizations and individuals will be helped to overcome complex financial, skills-related and attitudinal constraints which reduce black leadership and decision-making in, and limit the formation and ownership of, medium and large-scale enterprises. Initially, it is anticipated that U.S. assistance will principally finance management development programs and feasibility studies for specific businesses or sectors. Later in the Project, it is possible that equity or credit assistance for symbolic ventures may be warranted, but present constraints on resources will limit initial USAID/SA support for such activities.

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Grantees will be selected on the basis of specific criteria detailed in the PP. (See pages 53-55 of Tab E). These criteria seek to ensure that organizations demonstrate genuine commitment to black ownership and management, or decision-making and leadership; have the support of credible black community and business leaders; provide the program with a broad geographic base; are technically and financially sound; and promote equitable black participation in the economy, thereby promoting an end to apartheid. The criteria will also ensure adherence to legislative requirements concerning support for NGO's, U.S. investment restrictions specified in the CAAA, and A.I.D. policy on private enterprise.

Based on these criteria, as well as consultation with black businesspersons and community leaders, five organizations -- the National African Federated Chamber of Commerce and Industry, the Get Ahead Foundation, the Black Management Forum, the Association of Black Accountants of South Africa, and the African Council of Nyangas and Hawkers Association -- are identified in the PP as potential recipients of Project support in FY 1987; also under consideration are feasibility studies for an insurance company and a development bank. These institutions are broadly illustrative of the types of groups and programs to be assisted over the life of the Project.

C. Project Implementation.

The PP states that USAID/SA will have full management responsibility for all activities under the Project. A Project Guidance and Coordination component will provide support for the USAID/SA Project Officer by funding two long-term personal services contractors, other short-term consultants, and associated strategic training costs. The scope of work for these individuals would include helping adjust the Project plan as necessary, analyzing funding ideas and proposals, gathering information, and monitoring Project implementation. In addition, USAID/SA will have available IQC-type services for monitoring of grantee financial and audit-related performance, and AID/W TDY assistance from AFR/PD and AFR/SA for backstopping ongoing grantee programs and developing new ones. A.I.D. financial, contracting and legal assistance will be provided by regional staff from USAID/Swaziland.

D. Financial Summary.

Planned obligations for the Project will total \$19.5 million over the five fiscal years 1987 to 1991. To permit full implementation of FY 1991 and prior year obligations, the Project Assistance Completion Date (PACD) is December 31, 1993. The illustrative summary cost and financial plan is as follows:

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(FY Obligations, \$000's)

Component or Activity	87	88	89	90	91	TOTAL
Institutional Development & Advocacy	1,800	1,310	1,210	1,560	300	6,180
Micro & Small Enterprise Development	1,350	1,450	900	1,500	430	5,630
Participation in Primary Economy	350	700	1,500	650	2,500	5,700
Project Guidance & Coordination		270	270	270	810	1,620
Evaluation & Audit		20	120	20	210	370
TOTAL	3,500	3,750	4,000	4,000	4,250	19,500

E. Issues Raised by AID/W & Embassy Review.

The Project was approved at the PID level by AID/W on May 27, 1987 and the Mission notified on June 19, 1987. Nine substantive issues were raised by AID/W in the aforementioned cable, none of which required substantial revision of the PP; all nine have been addressed in the final draft of the document. A summary of the issues raised, and the USAID/SA responses, is appended to this memo. (Tab C).

Written comments on the PP were also solicited and received from FCS and the Econ. section of the Embassy. These have been considered, and have contributed to production of the final draft of the PP. Copies of written comments received are appended to this memo. (Tab D).

F. Other Actions/Issues.

1. Environmental review.

A categorical exclusion was approved on June 11, 1987, for the three Project activity components as described in the PP (State 188747, paragraph 9). If additional activities are contemplated, or if any activity affecting the physical environment is contemplated in the future, these will be subject to AID/W environmental review.

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2. Gray Amendment certifications.

Gray Amendment procurement is largely inapplicable under this Project, as very little U.S. procurement is anticipated. However, to the extent U.S. goods and services are required and contracted for under the Project, USAID/SA will endeavor to maximize the use of small and disadvantaged U.S. suppliers.

3. Local-cost financing.

USAID/SA anticipates the vast majority of disbursements under the Project to be accomplished through local-cost financing. The exceptions will arise in those minimal instances where Project funding supports the purchase of goods and services from U.S. sources, in which case provision will be made for financing in U.S. dollars.

4. Implementation mode.

In general, USAID/SA anticipates utilizing cooperative agreements, specific support grants, and operational program grants to obligate funds and finance Project activities. For studies and other services provided by profit-making firms, contracts will be utilized. The preferred funding mechanism will be the cooperative agreement, as it provides recipients with maximum protection from fundraising restrictions under South Africa's Fund Raising Act. (The Act does not appear to restrict funds received through joint ventures or contractual arrangements, as opposed to outright contributions or grants). The mix of funding mechanisms used may be subject to change based on revised legal opinions and changing legal parameters in South Africa.

5. Procurement.

Recipients under the Project will be able to purchase commodities and services locally, so long as these commodities/services have their source/origin in South Africa or are imported shelf items of code 941 origin. For locally available items having their origin in code 899 countries (Free World, less host country), shelf item procurement will be available up to \$250,000 for the overall Project. A waiver of the \$250,000 shelf item limit is not being sought at the present time.

In accordance with the CAAA, all obligating documents under the Project will mandate that goods and services financed by A.I.D. be procured, to the maximum extent practicable, from black South Africans.

6. Grantee and third-party contributions.

Because the U.S. assistance program in South Africa explicitly eschews SAG participation, no host government contribution to financed activities will take place. Due to the effects of apartheid, it is likely in most cases that significant grantee contributions will not be feasible. Nonetheless, wherever possible, funding agreements under the Project will provide for grantee contributions, on either a cash or an in-kind basis. Both mid-term and final Project evaluations will consider the level of such contributions as one measure of the future self-sustainability of Project activities.

7. Congressional notification.

The CN was sent to Congress on June 19, 1987; it has not yet cleared.

8. Competition.

By June 26, 1986 delegation of authority from the AA/AFR, the USAID/SA Mission Director has been authorized to restrict competition in all A.I.D. projects, invitations for grants or cooperative agreements in accordance with the criteria in A.I.D. Handbook 13, section 1B2C. The main criterion for limiting competition will be the Mission's judgement that the entity is unique or is most appropriate to undertake the subactivity in question. Where such a determination is made, the Director's approval will be obtained as the grant is approved.

Whenever goods and services are contracted for by USAID/SA under this Project, formal or informal competition, as appropriate, will be required by the Mission in accordance with A.I.D. policy and regulations.

9. Audit/payment verification procedures.

In conformity with A.I.D. requirements, the Controller in USAID/Swaziland and/or a local accounting/financial firm will conduct a review of the accounting and financial control systems of prospective grantees. Organizations without adequate procedures and documentation practices will not be eligible for assistance, or, alternatively, improvements will be required as a condition precedent to funding. In special cases, USAID/SA may finance the design and introduction of an acceptable accounting system as a prerequisite to further funding contained in the grant. Funding is provided within the Project budget to finance required financial reviews and audits.

Because of the umbrella nature of the Project, the Mission is unable at this point to compile accurate payment verification data for any of the Project components save that of Project Guidance and Coordination. Payment verification information for this component is contained in the PP. As grantee and program profiles become clearer, and as implementation and financing methodologies take shape, the Mission will complete its payment verification reporting obligations.

10. Section 611 (a) requirements.

Because this is an umbrella project entailing assistance to as yet undetermined NGO's, Section 611 (a) of the Foreign Assistance Act of 1961, as amended, is satisfied by specifying subproject selection criteria which will ensure that all 611 (a) requirements are met before incurring any obligations. These criteria are detailed in the PP.

11. CAAA Section 316 prohibitions.

Section 316 of the CAAA prohibits U.S. Government "assistance to investment in, or any subsidy for trade with, South Africa". In the absence of an authoritative legal finding to the contrary, it should be assumed that section 316 is broad enough to encompass USAID/SA funding of black business investment. Pending a determination of section 316's scope by the A.I.D. general counsel's office, Project activities will be earmarked for ESF financing, as a legal determination has been made that ESF funds under Section 535 of the Foreign Assistance Act of 1961 may be used to support black enterprise ventures notwithstanding the strictures of section 316. Should D.A. funds be used at any point in the future, and should questionable cases arise with respect to the applicability of section 316, such cases will be individually reviewed and analyzed by the Regional Legal Advisor, who will determine whether the activity at issue is permissible under the section's terms.

12. Covenants and conditions precedent to disbursement.

Funding agreements under the Project will contain covenants ensuring, to the extent possible, competitive purchasing by grantees. Where relevant and appropriate, funding agreements shall also contain covenants requiring grantees to demonstrate how and whether program activities have fostered employment generation and/or the role of women in the South African economy; determinations of relevance and appropriateness shall be made in consultation with the USAID/SA Women in Development officer. More detailed description of Project covenants are contained in the PP. (See pages 71-72, Tab E).

AID/W CABLE - AVAILABLE IN L.O.U. FILE

SUMMARY OF ISSUES RAISED BY ECPR
REVIEW, AND USAID/SA RESPONSES

Issue # 1: AID/W recommended that the final PP incorporate a stronger justification for the proposed \$19.5 million LOP funding level.

- The final draft of the PP has been revised to explain that the \$19.5 million figure represents USAID/SA's current best estimate of the amount of money that can be efficiently absorbed by appropriate black private enterprise development programs over the next five years. The most important calculation in arriving at the figure was an initial assessment of what percentage of the \$30 million worth of proposals received to date satisfied all applicable Project criteria, with this proportion then being used as a basis from which to extrapolate a 5 year estimate of fundable proposals and programs. Included in the amendment was an affirmation of the difficulty of making accurate long-term projections in the South African context, and of the possibility of future Project budget amendments or other adjustments should additional funding be warranted by changes in circumstance.

Also added to the PP, at ECPR's suggestion, have been stronger justifications for the choice of NAFCOG and Get Ahead as funding recipients, based on such factors as USAID/SA's past and present relations with them, their primacy in their respective fields, and their potential.

(Revisions at pp.4,45,51,54,52,57 of original PP).

Issue # 2: AID/W noted that the information presented in the PP for section 611(a) and payment verification purposes was scarce. ECPR accepted the position that full 611(a) and payment verification data could only be submitted at the proposal review and approval stage, but suggested that, at least for the Guidance and Coordination component of the Project, USAID/SA could provide additional information at this point.

- The PP has been amended to include what payment verification data is available for the Project Guidance and Coordination component, and to briefly reemphasize the obstacles preventing more comprehensive disclosure at this preliminary stage. (Note: this issue has been specifically reviewed by the Controller).

(Revisions at pp. 59,61 of original PP).

Issue # 3: AID/W noted that the wording of Annex C to the PP would have to be changed to reflect the current sense that CAAA section 316 may restrict Mission activities in the sphere of black private investment, and the resultant preference for full financing through the ESF account.

- The RLA has amended Annex C to: (a) affirm that full ESF funding for the Project will be planned, pending a determination by AID general counsel of section 316's ambit; and (b) delete existing references to the Kleinjan memo, and reiterate that should D.A. funds have to be used, all questionable cases will be subject to individual review by the RLA to ensure compliance with the law.

(Revision at Annex C, pp. 1-2 of original PP).

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Issue # 4: AID/W noted the institutional weakness of prospective grantees and stated that in the final PP, USAID/SA should outline its approach to dealing with these. Specifically, AID/W was interested in the type and depth of institutional analyses that would be undertaken for each NGO grant.

- The final draft of the PP explains that USAID/SA will conduct extensive individual analyses of the administrative status and needs of prospective grantees, with the assistance of local black and U.S. experts where necessary. An illustrative list of issues to be examined in such assessments was included, and the reader interested in greater elaboration referred to an appended scope of work for the consultants presently evaluating NAFCOG, BMF, and ABASA.

(Revision at p. 46 of original PP).

Issue # 5: AID/W queried the magnitude of Project funding tentatively earmarked for NAFCOG, referring in doing so to the mid-term evaluation of the Entrepreneurial Training for Disadvantaged South Africans Project. ECPR asked that USAID/SA provide rationales for planning such a large grant to NAFCOG.

- The final draft of the PP recognizes that questions may be raised about the magnitude of proposed NAFCOG funding, and acknowledges the criticisms contained in the mid-term evaluation. It goes on to provide three main reasons, summarized below, why the Mission believes anticipated support levels are justifiable:

(1) NAFCOG is the only institution of its kind in South Africa. There is a need for an umbrella body to provide the sort of research, member support, and coordinating activities undertaken by NAFCOG, and neither Get Ahead, BMF, or any other group has the capacity to fulfill this role across the black private enterprise spectrum. NAFCOG has a history and a nationwide structure, and has avoided the severest forms of factionalism.

(b) NAFCOG's potential is substantial. The organization has significant status at present, tremendous if uneven leadership talent available to it, and a record of respectable if cautious innovation. The economic history of the Afrikaners testifies to the potential potency of mobilizing business and financial institutions in South Africa.

(c) NAFCOG's weaknesses are capable of redress. The mid-term evaluation itself recommended that NAFCOG administration and finance rank as future funding priorities. Moreover, the organization has demonstrated a willingness to acknowledge and act on identified problem areas. USAID/SA has had extensive discussions with NAFCOG concerning the latter's shortcomings, culminating in a planning grant in FY 86 and a current, mutual recognition that further concrete reforms are necessary. This consensus will be reflected in any NAFCOG funding agreement under the Project, which will contain specific measures designed to overcome the organization's institutional weaknesses.

(Revision at p. 52 of original PP).

Issue # 6: AID/W encouraged the Mission to require grantee contributions where it could, quantify the amount thereof to the extent possible, record the requirement in the grant agreement, and monitor the contribution during project implementation.

- The PP has been revised to reaffirm that, all other things being equal, activities with varied sources of support will be preferred in the proposal selection process to those solely funded by USAID/SA. The revision stresses that in most cases significant grantee contributions are not likely to be feasible, but will be provided for to the extent possible. Where politically practicable, grantee contributions will be recorded in the grant agreement.

The revision has also memorialized a related ECPR suggestion that mid-term and final Project evaluations consider the level of grantee contributions as one measure of the future self-sustainability of Project activities.

(Revision at p. 63 of original PP).

Issue # 7: AID/W asked the Mission to include in the final PP an evaluation plan describing evaluation procedures for measuring the impact of Project activities on: (a) employment generation; and (b) women's participation in black private enterprise in South Africa.

- The Covenants section of the PP has been revised to include the following language:

" Where appropriate, grant or cooperative agreements concluded under the Project shall include, in their reporting requirements, provisions mandating that grantees address: (1) how and to what degree program activities have fostered women's participation in private enterprise and the South African economy; (2) how and to what degree program activities have had an impact on employment generation. The appropriateness of imposing such requirements in individual cases shall be primarily determined with reference to the relevance of grant activities to these two issues, and also to the size and duration of the grant. Such determinations shall be made in consultation with the Mission's Women in Development officer. In addition to forming an integral part of the grant monitoring process, grantee reports will be addressed and analyzed by USAID/SA in both the mid-term and final Project evaluations."

Where relevant, other sections of the PP have been revised to reflect the addition of these requirements.

(Revisions at pp. 37,38,44,63 of original PP).

Issue # 8: AID/W stated that the final PP should describe the steps which USAID/SA is undertaking to design implementing procedures for credit activities, and the parameters which will govern the development of those procedures.

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The final draft of the PP reemphasizes that, due to the complexity of the issues involved and the fact that the identity of post-FY 87 grantees is unclear, the precise contours of Project credit activities cannot be fully described at this point. It explains that as credit program proposals are received, USAID/SA will conduct intensive assessments of these (with the assistance of local black and U.S. expertise, as necessary), and will come to decisions concerning the appropriate content and structure of loan schemes receiving AID financing. In this way, a coherent strategy appropriate to the South African context will emerge through the proposal evaluation and negotiation process.

The final PP draft also refers to the issues to be addressed in conducting assessments of lending program proposals. It lists a number of these (e.g., the self-sustainability of lending activities, whether working as opposed to investment capital should be provided, whether the service or manufacturing sectors of the economy should receive financing, the degree to which repayment plans should follow the cash flow or business plans of loan recipients, etc.), and directs the reader requiring greater elaboration to an appended scope of work for the consultants who will be evaluating Get Ahead and ACNHA.

Other parameters of USAID/SA credit initiatives - such as the requirement that final beneficiaries of any such schemes borrow at commercial, market rates - were already explicit in the PP draft reviewed by ECPR, and have thus not been restated in the above additions to the document.

(Revisions at pp. 33,37,39,47,48 of original PP).

Issue # 9: AID/W stated that any Project activity which contemplated the utilization of AID funds to finance an equity participation program (other than through loans or subloans) would have to receive prior review and approval by AID/W on a case-by-case basis.

- The final draft of the PP has been revised to incorporate explicitly the above requirement.

(Revisions at pp. 33,37,39,47,48 of original PP).

Issue # 10: AID/W noted that a categorical exclusion had been approved for the three Project activity components described in the PP, and stated that if additional activities were contemplated, or if any activity affecting the physical environment were contemplated in the future, these would be subject to AID/W environmental review.

While USAID/SA concurs fully in AID/W's statement, no revision has been made to PP as this would appear unnecessary and redundant.

GWALTNEY MEMO - AVAILABLE IN L.O.U. FILE

UNITED STATES GOVERNMENT

Memorandum

TO : MARK JOHNSON / DEVO

FROM : A.M.A. U.J.
A.M. ANDERSSON / U. JOHNSON F.C.S.

SUBJECT: COMMENTS ON U.S. AID DRAFT PROJECT PAPER

DATE: MAY 21ST, 1987.

F.C.S. Recommends the following:

1. That B.M.F. only be given a \$250,000. training program grant. U.S. AID should be alert to possible criticism of financing B.M.F., realizing the association of Consumer Behaviour to the B.M.F. group. U.J.
- 2 The draft and final project paper be considered "Official For Internal Use Only" and instructions be given to recipients not to release the document in South Africa to persons not connected to the U.S. Mission. A.M.A.
3. All wording creating perceptions that U.S. Aid could be funding "Post-Apartheid" projects and creating the perception of funding the overthrow of the S.A. Government be removed from this document. U.J.



5010-104

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

MEMORANDUM

TO: MARK JOHNSON
FROM: CARLOS PASCUAL
SUBJECT: PRIVATE SECTOR PROJECT PAPER

MAY 19, 1987

I think the document is both conceptually and analytically sound. I made a few comments in the margins on a couple of individual points that may not be factually correct, or which might be taken as inconsistent with other statements in the PP. Generally, these are fairly minor.

I would recommend that, in light of recent developments in our relationship with Washington, we revise slightly some of the sections which cite the CAAA as the determinant of U.S. policy to include Administration documents. Question #1 in the briefing book lists the relevant documents. I have marked the relevant passages in the text.

My guess is that the document will not have too much problem in the AID/W review. As Mike Feldstein pointed out, we may have some problem with the Hill, particularly with the NAFCOC grant. Some of the issues which may come up vis-a-vis NAFCOC are:

1. Does it really have the credibility of black business people to merit a \$3 million investment overall, and \$1.4 million in FY 1987? From what Mike has said, I don't think that the 40% membership figure which came out of the survey would fly with Wiseman. He knows enough about the organization to argue that membership is more like paying the necessary fees to join in a professional association, but that it doesn't necessarily imply support.
2. Why should we put any more money into NAFCOC? The evaluation of the Entrepreneurial Training Project was negative and made recommendations on how that program should be improved. The Germans just put in \$1.5 million. If \$3 million could not be put to good use over a number years under Entrepreneurial Training, why should we believe that the situation has changed and that both the German money and the new AID money can be used effectively?
3. What are we really buying for \$3 million? The PP states that the main purpose of the grant is to develop policy analysis capabilities and to reorganize the administrative structure. This seems like an awful lot for these objectives which may have dubious outputs and may result in only minor or incremental changes in the environment for black business.

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4. Given the uncertainty of what we're buying and the lingering questions about NAFCO's ability to handle the funds effectively, shouldn't we require them to make major changes in their administration before we give them such a sizeable grant?

5. The \$3 million to NAFCO under this project, as well as the \$3 million under the previous grant will make NAFCO our largest grantee, aside from the bursary programs. Does this really reflect U.S. priorities in South Africa? The Administration may think so; we may have some difficulty with this on the Hill.

6. A corollary to the above question is what is the opportunity cost of providing NAFCO with \$1.4 million this fiscal year? In terms of the number of beneficiaries and U.S. policy objectives, could we invest these funds more effectively in high school bridging programs, teacher training, labor programs such as training of labor lawyers, bursaries, community development, etc.?

7. We have made large grants to other organizations (EOC, SAIRR, Wilgespruit), but these have mainly been conduits for channelling funds to other beneficiaries, such as scholarship recipients or community development organizations. Even the GETAHEAD grant would end up being used to support numerous small businesses around the country. Why should we invest so much money in a single organization for its own purposes? Can the organization even handle such an influx of funds if the intent is that it should use the money directly?

8. In this light, what is the incremental value of our investment? What would we get for \$200,000? \$500,000? \$1,000,000? Can we show that \$1.4 million is really needed to accomplish the stated objectives?

Since Mike will probably be the person defending the project on the Hill, you may want to draft answers to these questions and telefax them. I would advise against a cable for obvious reasons.

SOUTH AFRICA
BLACK PRIVATE ENTERPRISE DEVELOPMENT
674-0303
PROJECT PAPER

JULY 1987

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PROJECT AUTHORIZATION

Name of Country: South Africa
Name of Project: Black Private Enterprise Development
Number of Project: 674-0303

1. Pursuant to Section 535 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Black Private Enterprise Development Project in the Republic of South Africa involving planned obligations of not to exceed \$19,500,000 in grant funds over a five-year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the Project is seven years from the date of initial obligation.
2. This Project will contribute to the goal of providing the opportunity for South African blacks to participate equitably in the South African economy as owners, managers or employees in private enterprises. The project consists of three separate but related components under which direct assistance will be provided to South African NGO's to (1) strengthen their institutional capacity to use legal and advocacy techniques to end apartheid policies and discriminatory laws, regulations, practices and attitudes; (2) increase opportunities for black entrepreneurship, skilled employment and economic advancement in micro and small-scale enterprises, and (3) expand the ability of blacks to manage and invest capital in primary economic activities. The Project Paper sets forth several criteria for selecting organizations for funding and describes several organizations which are illustrative candidates for support under the Project. No assistance or support under the Project shall be provided to organizations financed, influenced or controlled by the SAG, or to political parties.
3. The Project also will include a separate Project Guidance and Coordination component under which technical services and training will be provided to assist in the monitoring and implementation of the Project.
4. The grant agreements, cooperative agreements or contracts which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

VIII. ANNEXURES

A. LOGICAL FRAMEWORK

B. STATUTORY CHECKLIST

C. SPECIAL LEGISLATIVE REQUIREMENTS

D. INITIAL ENVIRONMENTAL EXAMINATION

E. FINANCIAL PLAN - NOTES AND ASSUMPTIONS

F. CREDIT PROGRAM ASSESSMENTS - MODEL SCOPES OF WORK

G. INSTITUTIONAL ASSESSMENTS - MODEL SCOPES OF WORK

H. DRAFT AUTHORIZATION

I. SUMMARY AND RECOMMENDATION

A. FACESHEET (attached)

B. RECOMMENDATION

Authorization, in an amount not to exceed \$ 19.5 million over five years, of a Project to promote, through peaceful means, an end to apartheid and the emergence of a nonracial and democratic society in South Africa. The Project will provide grants to non-governmental organizations (NGO's) to help black South Africans overcome the political, regulatory, economic, technical, social and attitudinal constraints that have stemmed from apartheid and operated to prevent their equitable participation in the South African economy as owners, managers or employees of private enterprises. \$ 3.5 million is expected to be obligated in FY 87.

C. BACKGROUND

South Africa is a deeply divided society wracked by increasing instability, polarization and violence arising from opposition to apartheid, the system of racial separation enforced by South African law. Apartheid laws, regulations, practices and attitudes severely suppress the political, civil, social and economic rights and opportunities of South African blacks.

It is U.S. policy, expressed in the Comprehensive Anti-Apartheid Act of 1986 (CAAA), the President's five-year assistance strategy for South Africa, the President's September 1985 Executive Order on South Africa, and other policy instruments, to help bring about both an end to apartheid and the establishment of a nonracial, democratic form of government in South Africa. Consistent with this, the major goals of the A.I.D. assistance program are to assist the victims of apartheid laws, reduce injustice, support human rights and the development of democratic institutions, and promote the development of black leaders. The CAAA recognizes the major role black private enterprise development can play in the ongoing process of change leading to a post-apartheid South African society.

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, even though the intervention of the South African Government (SAG) in the economy for racial purposes is antithetical to a market enterprise system.

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,

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must be able to see that private enterprise can offer greater 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.

D. PROJECT DESCRIPTION

In response to the environment just described, this project has been designed as an umbrella program in which grants will be made to South African NGO's providing assistance to the black private sector. This approach allows A.I.D. to respond to black initiatives in the private sector, rather than playing the type of proactive or prescriptive role in private enterprise development that could be perceived as interventionist. It provides sufficient flexibility to respond to opportunities as they arise, a critical attribute in an unstable and unpredictable environment. It also contributes to the institutional development of organizations advancing the objectives of the black community and promoting the equitable participation of blacks in all aspects of South African society.

In order to ensure that projects are technically sound and will have a realistic impact in South Africa's complex economy, USAID/SA has identified three substantive direct assistance areas under which proposals will be (and already have been) received: Institutional Development and Advocacy; Micro and Small Private Enterprise Development; and Participation in the Primary Economy. The choice of these areas, which are described more fully below, has been based on an extensive assessment of the South African economy, including analyses of: the history and impact of apartheid laws and regulations in South Africa; racially discriminatory business practices not based on law; control of resources and capital flows; and black business perceptions of the major constraints to entry at all levels of the economy. The later evaluation consisted of both extensive interviews with black business leaders and a survey of 300 randomly selected black entrepreneurs from all parts of South Africa. Funds have been budgeted in the project for ongoing assessments of the private sector to ensure that the areas of focus remain relevant as an effective means of supporting black private enterprise.

The Institutional Development and Advocacy component will support black entrepreneurs, businesspersons, and business organizations in their efforts to develop the networks and structures necessary to lobby for and promote black business. These networks and structures will allow blacks to play a leadership role in addressing the constraints upon equitable black participation in the economy. As such networks are strengthened and develop greater information-

gathering and analytical capabilities, they will be able to communicate effectively with the broader black community, the white private sector, international organizations and the SAG.

The Micro and Small Enterprise Development component will support groups responding to the financial and business skills needs of both potential and existing informal and small-scale 1/ black entrepreneurs. This support is aimed at expanding black interaction with free enterprise and the economic benefits it can bring; at expanding income generation and employment possibilities; and, ultimately, at supporting economic and political change in South Africa.

The Participation in the Primary Economy component will involve assistance to black businesspersons and organizations to enable them to increase their influence and decision-making power in the primary economy, and, by extension, in the political arena. Organizations and individuals will be helped to overcome complex financial, skills-related and attitudinal constraints which reduce black leadership and decision-making in, and limit the formation and ownership of, medium and large-scale enterprises. Initially, it is anticipated that U.S. assistance will principally finance management development programs and feasibility studies for specific businesses or sectors. Later in the Project, it is expected that equity or credit assistance for symbolic ventures may be warranted, but present constraints or resources will limit initial USAID/SA support for such activities.

The criteria for selecting proposals are specified in Section IV-C, Selection Criteria, of the Project Description. These seek to ensure that organizations financed under the project are black-owned and managed, or demonstrate genuine commitment to black participation in decision-making and leadership; have the support of credible black community and business leaders; provide the program with a broad geographic base; are technically and financially sound; and promote equitable black participation in the economy, thereby promoting an end to apartheid. The criteria will also ensure adherence to legislative requirements concerning support for NGO's, U.S. investment restrictions specified in the CAAA, and A.I.D. policy on private enterprise.

Based on these criteria, as well as consultation with black businesspersons and community leaders, four organizations -- the National African Federated Chamber of Commerce and Industry (NAFCOC), the Get Ahead Foundation, the Black Management Forum (BMF), the Association of Black Accountants of South Africa (ABASA), and the African Council of Nyangas and Hawkers Association (ACNHA) -- have been identified for possible Project support in FY 1987; also under consideration are feasibility studies for an insurance company and a development bank. These institutions, whose proposals are summarized in Section IV-D, Types of Grantees and Programs, are broadly illustrative of the types of groups and programs to be assisted over the life of the Project.

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E. FINANCIAL SUMMARY

Obligations for the Project will total \$ 19.5 million over the five fiscal years 1987 to 1991. The methodology for arriving at this figure is detailed in Section V, Cost Estimates and Financial Plan. To permit full implementation of FY 1991 and prior year obligations, the Project Assistance Completion Date is December 31, 1993. The summary cost estimate and financial plan is as follows:

(FY Obligations, \$ 000's)

Component or Activity	87	88	89	90	91	TOTAL
Institutional Development & Advocacy	1,750	1,360	1,210	1,560	300	6,180
Micro & Small Enterprise Development	1,400	1,400	900	1,500	430	5,630
Participation in Primary Economy	350	700	1,500	650	2,500	5,700
Guidance & Coordination		270	270	270	810	1,620
Evaluation & Audit		20	120	20	210	370
TOTAL	3,500	3,750	4,000	4,000	4,250	19,500

F. PROJECT IMPLEMENTATION

USAID/SA will have full management responsibility for all activities under the Project. A Project Guidance and Coordination component, described in Section, IV-B, Project Components and Inputs, will provide support for the USAID/SA Project Officer by funding two long-term personal services contractors (PSC's), other, short-term consultants, and associated strategic training costs. These individuals would help adjust the Project plan as necessary, analyze funding ideas and proposals, gather information, and monitor Project implementation. In addition, USAID/SA will have available IQC-type services for monitoring of grantee financial and audit-related performance, and AID/W TDY assistance from AFI/PD and AFR/SA for backstopping ongoing grantee programs and developing new ones. A.I.D. financial, contracting and legal assistance will be provided by regional staff from USAID/Swaziland.

G. PROJECT DEVELOPMENT COMMITTEE

Stafford Baker	Project Development Officer	AFR/PD/SA
Benjamin Brown	Commercial Officer	FCS/Johannesburg
Sheila Gwaltney	Economics Officer	USEMB/Pretoria
Mark Johnson	Project Development Officer	USAID/SA
Donald Keene	Regional Legal Advisor	USAID/Swaziland
Donald Lake	Regional Contracts Officer	USAID/Swaziland
Aileen Marshall	Women in Development Officer	USAID/SA
Carlos Pascual	Program Officer	USAID/SA
Richard Solloway	Controller	USAID/Swaziland

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II. PROGRAM OVERVIEW

A. BACKGROUND

Because of the sensitive socio-political environment in South Africa, it is important to set black private enterprise development in the context of broader social, political and economic events in the country. It is also useful to survey the increasing polarization within the country, and identify those precedents for democratic and peaceful progress toward reforms that do exist. This socio-political environment, moreover, is the basis for a project implementation strategy which is responsive to black initiatives and which seeks to strengthen black business organizations and networks to promote equitable black participation in the economy. Such participation is central to promoting both an end to apartheid and a nonracial democratic society in South Africa.

1. Political Crisis

As is well known, South Africa is a deeply divided society wracked by political crisis. The situation, however, is generally more complex than popularly envisioned. The February 10, 1987, South Africa Advisory Committee Report observed that "The choice is not between slow peaceful change and quick violent change, but between a slow, uneven, sporadically violent evolutionary process and a slow but much more violent descent into civil war."^{2/} The Advisory Committee Report drew the lines of conflict in these terms: "It is a misleading simplification to view the spiraling violence of 1985-86 as a confrontation between committed revolutionaries and a reactionary white monolith. The roots of the South African conflict are far deeper and more tangled. At the core of this conflict is a clash between the legitimate demands for justice and economic opportunity of a long-disenfranchised black majority and the fears of the ruling white minority that major concessions could be suicidal."^{3/}

The disenfranchisement of the black majority results from the racist underpinnings of South Africa's political system.^{4/} Under the separatist system of apartheid enforced in South Africa, membership in a racial group conclusively determines a person's political, civil, economic and social rights and liberties. Once classified by the white SAG as an African, "colored", or Asian, a person is automatically relegated by law to an inferior social and political status, with few of the rights and opportunities accorded whites. The constitution of the Republic of South Africa excludes black Africans entirely from the national government and national electoral process while affording only limited political power to Asians and coloreds. By differentiating even these limited political rights according to race, moreover, the SAG has actively promoted division and discord among the non-white population.

It is this political system that has produced the dangerous conditions of increasing instability, polarization, and violence that today characterize South African society. The volatile socio-political climate and the denial of rights based on race gained international recognition and condemnation with the Soweto uprisings of 1976. Protest and violent conflict have recurred with increased intensity in the 1980's and especially since 1984, when township rent hikes by SAG-imposed local authorities and black African exclusion from the Tricameral Parliament sparked mass displays of black opposition. Harsh police action to suppress both peaceful and violent forms of protest gave rise to further anger and unrest. In July 1985, the SAG imposed a state of emergency in 36 of the country's magisterial districts, the first such action since 1960; although lifted in early 1986, emergency measures were reimposed in June of the same year, this time over the entire country. Army units were deployed as backup for police in townships. Thousands of arrests, detentions, and bannings ensued, and by January 1987 over 2,200 people had been killed.^{5/} In many townships government authority collapsed completely in the aftermath of attacks on black councillors and policemen. Between September 1984 and June 1985 more than 240 black councillors resigned, and all but three of the town councils became inoperative.

The SAG reacted to these developments with hard-line siege tactics. It rejected the preliminary negotiating concept for black political participation developed by the Commonwealth Eminent Persons Group, and in November 1986 decided not to consider the report of the President's Council on reform of the Group Areas Act. At the same time, President Botha demonstrated a willingness to bypass the legislative branch of government entirely with his 1986 use of the President's Council to enact security legislation that had been voted down by the Asian and colored houses of parliament. The hard-line policy was also evident in the mounting campaign of the SAG to discredit the African National Congress (ANC) and other potential participants in future negotiations. For example, the SAG decided in October, 1986, to declare the United Democratic Front (UDF) an "affected" organization, preventing it from receiving foreign funds. This crackdown on indigenous democratic elements was dramatically symbolized by the drastic escalation of press restrictions in December 1986, with members of the foreign press expelled from the country and the South African press further limited in its ability to report government "security" actions.

The government's increasingly restrictive measures, combined with the denial of political rights, employment opportunities and equal education have heightened tensions within the black community, causing alienation and anger that often results in violence. SAG policies have effectively outlawed any other expressions of protest or frustration, resulting in an implosive situation which exacerbates existing disparities and tensions and further

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complicates an already sensitive political environment. At times, such tensions within the black community have become so preoccupying that they have detracted from and often overridden attempts at dialogue and development. Vis-a-vis black businesses, political and social tensions have created a poor business environment characterized by, inter alia, property damage and unexpected forced closings. This issue is discussed more extensively in Section III-A, Problem, of the text.

2. International Economic Pressures

South Africa's apartheid policies and internal repression have evoked international condemnation, characterized most strongly by sanctions imposed by many Western countries. The U.S. sanctions legislated in the CAAA possibly constitute the strongest direct actions by a foreign government against South Africa for the purpose of promoting an end to apartheid and a nonracial, democratic society. Anti-apartheid pressure groups in the U.S. and elsewhere have vigorously reinforced legislated sanctions, causing many companies to disinvest from South Africa although not required to do so by law.

The actual impact of disinvestments has been mixed, depending on the extent of social and political responsibility which withdrawing firms have been willing to impose upon themselves. In 1986, 49 U.S. companies, among them General Motors, IBM, Exxon, Honeywell and Warner Communications, sold or announced they would sell their South African operations; 40 companies left in 1985, and 7 in 1984. Many of these withdrawals allowed white South African companies to further extend their control over the economy at what have been termed "fire sale" prices. In such cases, companies continue operating as before, generally under white South African ownership holding licensing agreements with multi-national firms and/or their foreign subsidiaries. Parts, finance and technology are often supplied by these arrangements. In some cases workers have been laid off, but unemployment is generally perceived more as a function of declining consumer demand than of corporate disinvestment.

Some disinvestments have been exemplary of the pressures intended to be brought against apartheid. In a few cases, black workers have been included in revamped ownership and management schemes. In one case, that of Union Carbide, the South African buyer was required to establish a trust to reinvest a portion of its profits in the black community. Most transfers of ownership, however, have not been implemented quite so responsibly. Indeed, at least in the short term, the largest beneficiaries of disinvestment appear to have been those white-owned businesses that have been able to increase their existing white South African management and assets at discount rates.

Another form of pressure, trade sanctions, have exacted a price, though at this stage a more financial than political one. "Sanctions busting" has become a common element of South African business, and one strongly supported by the SAG. Already, over 50 percent of South Africa's trade is reported to go through "back channels" such as Taiwan, Israel, Singapore and Yugoslavia. This means a premium on price, but it has not stopped goods from entering or leaving the country. During Rhodesia's attempts to stave off black-majority rule, similar tactics were reported to have added 15 percent to the cost of all imports. With the benefit of experience, South Africans believe they can do it more cheaply.

Possibly the strongest form of economic pressure on South Africa may be the restriction of credit. Since 1985, when Chase Manhattan Bank called in its loans to South Africa and blocked access to all lines of credit, South Africa has faced a de facto global credit freeze. In response, Pretoria initially froze payment on its \$ 14 billion short-term debt. Since then, agreements with creditors have provided for some repayments -- \$ 1.4 billion by June 1990 -- but in effect, South Africa has been granted a rescheduling of its debt that appears to have buttressed the Rand considerably. The international buoyancy of gold has further strengthened the exchange rate, putting the South African economy on a more stable monetary footing than appears warranted by its internal political crisis and increasing government expenditures.

Theoretically international sanctions against South Africa could benefit black entrepreneurs by creating the following opportunities previously inaccessible to blacks:

- * restrictions on exports to South Africa should create a vacuum which could be filled through import substitution by black firms;
- * corporate disinvestments should create opportunities for black investment, even if on a minority share basis, in major industries;
- * private investments in black majority-owned firms are exempted from U.S. investment restrictions. Hence, U.S. businesses which see potential profits in South Africa have an incentive to invest in black businesses.

In practice, these benefits would appear not to have materialized. Goods have been imported through intermediaries. Corporate pullouts have further entrenched white business domination in the economy. U.S. companies are making few new investments in South Africa, and black businesses are not perceived to have entries into promising fields. Indeed, with the current state of political turmoil and seemingly little effective international economic support, black businesses may presently face the greatest obstacles they have encountered to date in gaining significant influence in South Africa's industrialized economy.

3. Indigenous Movements for Change

Set against this negative backdrop has been the spontaneous organization of black communities and NGO's seeking to promote change through peaceful means. Such organizations are establishing themselves as alternatives to government bodies, particularly the SAG's local authorities. Their development, moreover, reflects a consensus among black South Africans that government organizations will not respond to black priorities, that the government will not include respected black leaders in designing solutions to community issues, and that significant economic and social change will require local private associations of citizens to organize themselves and collectively act upon their priorities.

Such community-based groups have generally been characterized by democratic principles, a sharp contrast with the circumscribed role the SAG has assigned blacks in local and national government. Before initiating new programs, NGOs have had extensive meetings with their constituencies, basing resolutions for action on unanimous consensus. The National Education Crisis Committee the (NECC), for example, emerged from groups of concerned parents in numerous communities throughout the country. It evolved into a national organization supported by the votes of students, teachers, parents, political figures and educationalists. Even now, after the SAG has detained eight of the nine members of the executive board, the NECC continues to play a major role in the education debate through its firmly established grassroots networks.

Labor unions have also proved a major catalyst for social change, with vastly untapped potential. Only in 1981 were black labor unions allowed to organize. Since then, the Congress of South African Trade Unions (COSATU) has become the largest federation of all trade unions in South Africa with some 650,000 members. The Council of Unions of South Africa/Azanian Confederation of Trade Unions (CUSA/AZACTU), the third largest in South Africa, claims 160,000 members. Independent unions represent an additional 120,000 workers. Collectively or through independent action, unions have displayed tremendous power in negotiating for higher minimum wages (e.g. a recent doubling of the minimum wage in one of South Africa's largest store chains), promoting worker rights (e.g. lobbying for families to be allowed to join migrant workers), and negotiating with the SAG on labor issues (e.g. establishing May 1 as a holiday).

Moreover, the SAG's measures to suppress black protest have had a coalescing effect on many organizations. With many community leaders detained or forced into hiding, organizations have recognized a need to cooperate more closely, share leadership skills, reduce administrative costs, and emphasize common interests rather than political differences -- despite tremendous political tensions in the black community. On the issue of school boycotts, for example, the UDF, Azanian People's Organization (AZAPO), ANC, Pan African Congress (PAC), major churches and the NECC were able to

jointly urge students to continue their studies and help avoid a generation of untrained youth, even if they objected to the inferiority of black education. Organizations operating in common fields are seeking to establish financial trusts in order to facilitate fund raising and minimize duplication of efforts. Conferences to share both technical information and administrative experience are becoming more common.

Increasingly, whites are also involved in the process of change, either out of genuine commitment or a self-interested realization that the present slow pace of reform will minimize, in the long-term, the potential for a truly nonracial society. Public opinion surveys indicate that as many as two-thirds of whites now view power-sharing with blacks as inevitable. White journalists, businessmen, religious leaders, academics, and opposition politicians have called for and engaged in discussions with the ANC. Numerous white-led and nonracial organizations are working on development projects intended to benefit the black community. Whether they are fully embraced in the struggle for change will depend in large part on whether they allow blacks to assume decision-making positions, or whether they impose their programs and agendas -- however laudable -- on the black community.

Many concerned whites have grown sufficiently frustrated with the lack of change and the SAG's resistive measures to have opted for emigration. While this may have hurt the progressive forces for change within South Africa, it has also, ironically, given some blacks an opportunity for personal advancement. Many whites who have left the country vacated management positions in South African companies. Looking to the future, white-owned businesses have recognized the need to train blacks to fill technical and managerial jobs previously held almost exclusively by whites. When a U.S. contractor on A.I.D.'s external training project surveyed students in 1986 to determine their ability to find jobs, they found that "with increasing white emigration, professional jobs are opening for blacks and (project) alumni are in a position to take advantage of these opportunities."

4. Time Frame for Change

While some opportunities have availed themselves to blacks in South Africa's white-dominated economy, most blacks appear resolved that significant structural change is not immediately forthcoming and must be black-generated. This has several implications for the continuing struggle against apartheid.

Firstly there is a need to be practical about requirements and strategies for the process of change. In all sectors, plans for black involvement must be carefully defined. People must be trained to compete effectively with whites. Organizations and businesses will require capital to make inroads into fields controlled by whites. This will be expensive and will require donor support.

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Secondly, selective confrontation of apartheid laws and regulations is critical in promoting peaceful change. Unchallenged, the government has been unwilling to change policies significantly. International pressure, some would say, has had a marginal impact. Both domestic and international pressures could be much more significant if cases of confrontation were well-documented, information were well-distributed, and action were broadly taken by networks of organizations and pressure groups.

Lastly, the growing realization that actions against apartheid will take time -- at least years rather than months -- justifies long-term investments that previously may not have been considered politically acceptable. Before the current state of emergency, many people believed that an end to apartheid was imminent. Long-term investments were often perceived as detracting resources from activities that could tip the balance of the struggle. The present period of turbulent calm and austerity has vividly demonstrated the extent of SAG resistance to progressive change. It has also led to hardened realism about the types of projects which are necessary to make a difference in South Africa. In this light, a black private enterprise development project is increasingly appropriate and important.

B. A.I.D. IN SOUTH AFRICA

1. Program Objectives and Policies

It is U.S. policy, established by the CAAA, the President's five year assistance strategy for South Africa, the President's September 1985 Executive Order on South Africa, and other policy instruments, to help bring about both an end to apartheid and the establishment of a nonracial, democratic form of government in South Africa. In the CAAA, the Congress declared that "the United States policy toward the victims of apartheid is to use economic, political, diplomatic and other effective means to achieve the removal of the root cause of their victimization, which is the apartheid system. In anticipation of the removal of the system, it is the policy of the United States to assist these victims of apartheid as individuals and through organizations to overcome the handicaps imposed on them by the system of apartheid and to help prepare them for their rightful roles as full participants in the political, social, economic, and intellectual life of their country in the post-apartheid South Africa envisioned by this Act [Sec. 103(a)]."

The assistance program in South Africa commits the United States government, through A.I.D., to help in concrete ways to support political, social and institutional change. The program focuses on providing those disadvantaged and oppressed by apartheid with resources to implement projects which they and their communities see as critical in promoting social, political and economic change through nonviolent means. The overall assistance strategy is guided by the following goals and objectives of the A.I.D. mission in South Africa:

- * to support U.S. policy objectives in South Africa;
- * to build bridges between the United States and the legally disadvantaged;
- * to promote communication and cooperation within and between the black communities and between black communities and whites in South Africa;
- * to support the development of future South African leaders in the short to medium term through all programs and sectors;
- * to assist, in the most direct ways feasible, black organizations and institutions to undertake sound and effective programs and projects they have identified as priorities;
- * to promote non-violent political and social change in South Africa that leads to the end of apartheid and a democratic political system based on the consent of the governed;
- * to avoid the pursuit of programs which are solely developmental in nature and the rightful responsibility of the SAG and that are financed or controlled by the SAG; and,
- * to maintain the U.S. Government's worldwide humanitarian commitment to assist in meeting the food needs of people at risk of starvation.

In support of these objectives and the policy guidelines defined in the CAAA, USAID/SA has developed the following operational criteria which are applied to all projects and activities. In particular, these criteria are intended to support the processes of community consultation and social and political change. Additional criteria specific to the selection of black private enterprise projects are provided in Section IV-C, Selection Criteria.

- * Black Priorities - All projects and activities should respond to priorities as they are perceived and expressed by the black community and its leaders. Project proposals should specify how the intended beneficiaries were consulted in designing the project, and how such input has been incorporated into the proposed activity. In all cases, USAID/SA consults with credible black leaders, organizations and technical specialists before financing an activity.
- * Black Participation - All projects and activities should maximize black participation in policy making, management and implementation. Due to apartheid, highly qualified blacks have often been denied the experience of managing and implementing their own programs. USAID/SA therefore gives priority to projects which enhance the development of black leadership skills and experience through active black participation at all levels.

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- * Community Consultation and Accountability - Projects should be accountable to beneficiaries during their implementation to ensure that they remain relevant and maintain community support. Proposals should demonstrate how projects will solicit and incorporate community feedback at regular intervals.
- * Community Control - USAID/SA does not fund projects or organizations which are owned, financed or controlled by the SAG, or by the governments of the so-called "independent" or "self-governing" states.
- * Political and Social Impact - All activities should contribute directly or indirectly to dismantling apartheid, to providing the foundations for nonracial institutions in a post-apartheid South Africa, and, ultimately, to establishing a nonracial, democratic society. Since numerous groups sponsor activities that could benefit disadvantaged individuals, priority is given to those projects which promote social and political change.

In summary, the South African A.I.D. program is considerably different from A.I.D. programs elsewhere in the world. Its major goals are to assist the victims of apartheid laws, reduce injustice, support human rights and the development of democratic institutions, and assist in the development of black leaders. The A.I.D. program supports the ongoing process of socio-political change in South Africa, preparing for a post-apartheid society.

2. Private Sector Strategy

U.S. policy towards South Africa recognizes that following a transformation of the apartheid political and social system, the country will still be faced with the economic problems of creating employment for a growing population, creating new wealth to overcome poverty and inequality, and shaping an economic system that is compatible with broad democratic ideals. In a March 26, 1987 address to the Cape Town and Western Cape Chambers of Commerce, the U.S. Ambassador to South Africa, Mr. Edward Perkins, stated that "We have found through bitter experience that freedom is indivisible, that economic and political freedom reinforce each other and that you cannot suppress one without endangering the other."

The U.S. Congress expressed its concern for expanding black participation in the South African economy in the CAAA, declaring that "...the denial under the apartheid laws of South Africa of the rights of South African blacks and other nonwhites to have the opportunity to participate equitably in the South African economy as managers or owners of, or professionals in, business enterprises, and ... the policy of confining South African black and other nonwhites to the status of employees in minority-dominated businesses, is an affront to the values of a free society." The Congress urged "... the United States Government to assist in all appropriate ways the realization by South African blacks and other nonwhites of their rightful place in the South African economy [Sec. 203]."

To this end, the A.I.D. program in South Africa expanded in 1982 and 1983 with assistance for external scholarships, labor union training, and entrepreneurial training in addition to the small human rights program that had started in 1980. Based on the reinforced mandate contained in the CAAA, A.I.D.'s strategy for 1987 to 1991 is to build on this experience with assistance to: external and internal scholarship programs and non-formal training; black labor unions and trade unionists; organizations promoting fundamental human rights; leadership development and emerging black community organizations; legal assistance; and the black entrepreneurial and business sectors.

A.I.D. has been assisting the black private sector in South Africa since 1983 with the \$ 3,000,000 A.I.D. Entrepreneurial Training for Disadvantaged South Africans Project (690-0220). This endeavor is developing a management training and business counseling program for NAFCOC, an organization representing approximately 40 percent of the black businesses in South Africa. Since beginning work in early 1985, a U.S. 8(A) contractor has developed training curricula, trained NAFCOC trainers and counselors, and assisted NAFCOC in establishing two regional education centers in Johannesburg and Durban. When the Project is completed in early 1989, two additional education centers will have been established, and over 2,500 black entrepreneurs will have received business training and counseling assistance. Although not targeted specifically for private enterprise development, business and management skills training is also provided to black South Africans under the internal and external bursaries programs.

In 1986, USAID/SA provided: \$ 40,000 to the Sullivan Signatory Association to support, on a fifty/fifty cost-sharing basis, the employment of a black business advisor; \$ 96,050 to the International Executive Service Corps, to establish a volunteer executive service program in South Africa; and a \$ 160,000 strategic planning grant to NAFCOC, for an employers' affirmative action study program in the U.S. and planning for a policy and advocacy unit.

USAID/SA considers the training program and the small grants to be only preliminary and limited responses to the economic objectives of U.S. policy in South Africa. Accordingly, the NAFCOC grant has also been used to help plan an expanded program of A.I.D. support for black private enterprise. This planning exercise involved the preparation of a comprehensive Black Private Sector Assessment by a black South African consulting firm, Consumer Behavior, that provides much of the background and analytical basis for this project paper. In addition to an extensive analysis of the economic history of apartheid and the current economic and regulatory constraints upon black business development, this assessment included a survey of 300 black entrepreneurs from all parts of South Africa. The survey identified the principal constraints upon black business as perceived by black entrepreneurs, as well as established black determined priorities for A.I.D. assistance.

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The aspirations and priorities for assistance expressed through the survey, as well as through extensive consultations by USAID/SA with the black community in general and black businesspersons in particular, form the objectives for an expanded A.I.D. program. Specifically, the main goals of such a program would be to:

- * develop an enhanced capacity in the black private sector and promote the equitable participation of blacks in all aspects of the South African economy;
- * facilitate black investment or equity participation in financially and economically viable ventures and activities; and
- * employ greater numbers of Black South Africans.

The following section of this paper examines the constraints which must be overcome to achieve these objectives, and proposes a strategy for dealing with such constraints. Section IV, Project Description, then describes the specific components of the strategy, the proposal selection criteria, and the illustrative grants for FY 1987.

III. PROJECT RATIONALE

A comprehensive black private sector development program must be fashioned to help: accelerate removal of the interlocking network of legal and other constraints that form the basis of apartheid-created obstacles to black economic advancement; nurture micro and small enterprises in the black sectors of the economy to relieve unemployment in a rapidly-growing population, provide broader opportunities for economic advancement and political influence, and introduce more people to private enterprise; and augment the numbers of skilled black entrepreneurs, professionals, managers, artisans, and technicians participating in the primary economy who will exercise increasingly important roles in leadership and decision-making.

A. PROBLEM

Statistics on black enterprise are essentially non-existent, but Consumer Behavior's Black Private Sector Assessment and other sources offer some indication of the limited role of the black private sector in South Africa's economy. The Assessment estimates that there may be about 10,000 formal sector, licensed black businesses in the country. If unlicensed and informal sector businesses are added, the total rises to between 30,000 and 50,000, most being one person operations. Records of trading licenses issued in the Johannesburg area in 1982 indicate that formal sector black businesses are small in number relative to the white private sector. Although comprising about 72 percent of the population at the time, only 5.8 percent of the licenses were issued to black Africans. Black businesses are also small in size. In a representative survey of black businesses throughout the country, more than half employed four persons or fewer. Only about 10 percent employed more than ten people.

Those employed are fortunate by South African standards. Official figures placed black unemployment at 22 percent of the economically active population (1.4 million persons) in February 1987, and many analysts believe these figures to be vastly understated. The ongoing recession in South Africa has contributed to a reduction in the overall private sector labor force of over 20 percent since 1981, with blacks suffering most of the losses. In particularly depressed areas such as the hard-hit Eastern Cape, black unemployment may be as high as 60 percent.^{6/}

Black private enterprise development could play a major role in economic growth and employment generation in South Africa, but expansion of the black business sector is constrained by deeply-rooted apartheid policies and structures. The history and evolution of the black private sector in South Africa is closely intertwined with the apartheid system. Beginning in the late 1800's, discriminatory laws and regulations were enacted to restrict black competition with whites and guarantee the supply of free or cheap black labor for white farmers, miners and industrialists.

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Apartheid practices and attitudes became such an ingrained feature of South African society that today, with many of the old laws abolished, blacks are still constrained from equitable participation in private enterprise. The white oligarchy that grew to administer apartheid, and the white private sector that dominates the South African economy under apartheid protection, restrict the black private sector's access to markets, capital, and labor resources. Finally, the black private sector has not organized itself to deal in a unified way with either these formidable obstacles or political and economic opposition from the rest of the black community. While these problems have not altogether crushed black private enterprise, they have reduced black interest in "free market", "capitalist" economic structures as a solution to South Africa's problems.

1. Apartheid Laws and Regulations

A complex web of literally hundreds of laws and regulations have been enacted in South Africa over the past century to restrict black competition with whites and guarantee the availability of free or cheap black labor to white farmers, industrialists and miners. In general, these laws can be divided into those that restricted access to land, those that reduced educational opportunities, those that regulated employment, and those that limited business opportunities. It is fully recognized that many of the laws have been relaxed or abolished in recent years; nonetheless, their effect on black enterprise development continues to be felt. A selective sampling of these measure is set out below.

a. Restrictions on Access to Land

<u>Year</u>	<u>Measure</u>	<u>Effect</u>
1869, 1876, 1884	Cape Assembly Location Acts	Limited number of blacks allowed to rent white farm land.
1892	Act 33	Required registration of blacks on white farms; limited number of black tenants.
1894	Glen Grey Act	Limited land tenure in black reserves to ownership of one 10-acre plot.
1899	Anti-Squatting Law	Allowed unlimited number of blacks on white farms, but required license fee for each black.
1909	Act 32	Raised the license fee for black tenants on white farms.

<u>Year</u>	<u>Measure</u>	<u>Effect</u>
1913	Native Land Act	Limited blacks to 13 percent of South Africa's total land area. Allowed only black laborers to live on farms. Prohibited black share-cropping, rental and ownership of farm land.
1936	Native Trust and Land Act	Elaborated upon restrictions of 1913 Native Land Act.
1936	Urban Areas Consolidation Act	Restricted black entry into urban areas and prohibited black ownership of urban land.

The intent of these early laws was to prevent black agricultural self-sufficiency and competition with white farmers, thereby ensuring a ready supply of unskilled labor. The prohibitions on black ownership of land mean that today's black entrepreneur usually lacks fixed assets that are normally required in any economic setting as collateral for business loans.

b. Denial of Equal Educational Opportunities

<u>Year</u>	<u>Measure</u>	<u>Effect</u>
1953	Bantu Education Act	Required segregation of education systems in South Africa by language and ethnic group.
1959	Extension of University Education Act	Excluded blacks from previously open English Universities (Afrikaans universities had always been closed to blacks).

The Bantu Education Act symbolizes direct SAG action to suppress black development, and the resulting productivity losses and gross distortion of national labor markets. The Act placed black education under the control of a separate unit in the Department of Education and Training, and directed that black children receive an education markedly different from, and in practice vastly inferior to, that received by white children. The per capita ratio of expenditure on white and black African education was 16.1 to 1 in 1968, and remains at approximately 7 to 1 today despite substantial increases in SAG spending on black African education in recent years. Such a policy has deliberately limited the range of educational opportunities available to black school children and resulted in a secondary school system where 70 percent of black teachers do not themselves have a secondary school diploma.^{7/} The system does not impart skills necessary for self-employment, dynamic decision-making, leadership, and skilled labor and management positions.

A similar distortion was worked by the Extension of University Education Act, which had the effect of establishing separate black universities in or near "homeland" areas. With no serious business activities in those areas, it has been virtually impossible for black university students to obtain relevant orientation and experience in business and management skills. Moreover, tertiary educational institutions created for blacks traditionally have not offered business courses, thus compounding the problem.

c. Regulation of the Black Labor Market

<u>Year</u>	<u>Measure</u>	<u>Effect</u>
1911	Native Labor Regulation Act	Prevented blacks from leaving jobs without employers' consent.
1911 1926	Mines and Works Act	Barred blacks from more skilled mining jobs.
1918	Factories Act	Gave whites first options for employment opportunities.
1922 1944	Apprenticeship Act	Reserved all better paid jobs for whites.
1924	Industrial Conciliation Act	Permitted negotiation mechanisms for white laborers, but excluded black workers.
1925	Wages Act	Established minimum wage rates to exclude blacks from certain job categories.
1925	Customs Tariff Act	Protected local manufacturers only if they employed a certain proportion of whites.
1932	Native Service Contract Act	Prevented blacks from leaving jobs without employers' consent.
1936	Black Urban Areas Consolidation Act	Severely restricted movement of blacks outside homelands (influx control, better known as the "pass laws" system).
1967	Physical Planning Act	Kept blacks out of management and other skilled or better paying positions.

<u>Year</u>	<u>Measure</u>	<u>Effect</u>
1968, 1970	Bantu Labor Regulations	Limited black work contracts to one year, after which it was necessary for workers to return to their "homelands"; operated to disqualify blacks from achieving rights of permanent residence in white urban areas.
1970	Bantu Labor Amendment	Extended job reservations.

The collective effect of these laws was to reserve skilled, supervisory and managerial positions for whites, limit blacks to unskilled employment, and limit the ability of blacks to move in search of better employment. 1974 labor statistics for motor mechanics, showing 19,259 whites, 331 coloreds, 426 Asians, and not one black African, demonstrate the impact these laws and regulations have had on South Africa's labor force. In 1980, while representing 72 percent of the population, black Africans comprised 87 percent of the agricultural labor force, 78 percent of the service force, 69 percent of production laborers, 40 percent of sales personnel, 31 percent of professional and technical staff, 25 percent of clerical staff and 3 percent of managerial and administrative staff.

d. Curtailment of Black Business Opportunities

<u>Year</u>	<u>Measure</u>	<u>Effect</u>
1950 1957 1966	Group Areas Act	Mandated separate urban areas for each racial group.
1963	Policy Guidelines	Prohibited blacks from specified trades and business activity.
1966	Quotas	Limited the number of business licenses issued in black areas.

The Group Areas Act, still in effect, mandates that certain areas be owned or inhabited only by persons of specified races, and that residential areas be segregated on the basis of race. The Act is largely responsible for the segregated townships that abut South Africa's major urban centers. The Act reinforces the "dualism" that characterizes the South African economy. By physically isolating blacks in poor, underdeveloped communities, the SAG effectively blocks their access to capital, know-how, specialized employment and other requirements for participation in the primary industrialized economy. The dispersed nature of the townships, and the fact that most adult residents are away at work in the neighboring white urban centers during business hours, restricts the size of the natural market available to black businesses located in the townships.

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To similar effect, the 1963 Policy Guidelines restricted the ability of black entrepreneurs to gain business experience outside of the small retail sector. The regulations prohibited blacks from trading in white areas, trading as peddlers or hawkers, conducting or owning more than one business, starting or operating businesses that did not provide daily household necessities, operating and owning manufacturing concerns, and forming companies or partnerships. The 1982 profile of licensed black businesses showed 98 percent involved in retail trades and services and less than 2 percent in the industrial sector. As a result of township business areas being zoned and developed according to these restricted trade regulations, business sites and facilities are not adequately sized or serviced to support light manufacturing activities.

Comparable inhibitions on entrepreneurship were effectively imposed by the 1966 Quotas, which restricted the number and types of business licenses issued according to the number of families in the living area concerned. The quotas were based on census figures that underestimated the actual black urban population by as much as 50 percent. As a result, the natural development of small business was hampered and all black urban areas are undersupplied with basic services.

2. Inhibiting Practices and Attitudes

In the 1970's, rising unemployment, rising inflation and a worldwide recession resulted in an economic crisis in South Africa. At the same time, the pool of skilled white labor dried up. It became clear, even to the SAG, that radical changes were required to ensure future economic growth. Superficial reforms of the separate education system were made in 1973, moderately increasing expenditures on black education and opening up skills training to blacks. The job reservation system was relaxed. Reforms accelerated in response to the Soweto riots of 1976. In 1978, many blacks were, in theory, allowed to "own" land on a 99-year leasehold basis. Today, most of the formal apartheid laws and regulations that have restricted black employment and enterprise have been relaxed or abolished (the Group Areas Act being a major exception). However, apartheid practices and attitudes continue to limit black business and managerial participation in the economy.

a. Limited Access to Credit

The SAG claims that the 99-year leasehold estates relieve the problem of collateral that has restricted black access to commercial financing. However, research shows that many financial institutions will not lend against these instruments. In any case, they are still selectively granted to black businesses, usually only in undesirable locations in the black townships.

Substitutes for normal collateral requirements, such as business training and counseling programs, have been accepted in principal by some banking institutions. Others claim to be prepared to lend on the basis of a good business plan. In practice, the training and counseling programs are not extensive, and white bank managers consider most black business plans inadequate. Finally, the questionable viability and stability of businesses in township areas, particularly in light of recent urban violence, has risk-adverse banks being more content to keep excessive liquidity rather than making adventurous loans.

The small business programs of the commercial banks have had little impact on their overall loan portfolios, but they are still the major lenders to black business. It is estimated that Barclay's and Standard Banks together have provided loans to black businesses of about 10 and 8 million Rand (U.S. \$ 5 and 4 million) respectively. Citibank has provided about 850,000 Rand (U.S. \$ 425,000) in loans to black enterprises. Almost all of these loans are to small, 8/ formally registered black businesses.

Non-commercial financing exists, but most is channeled through the Small Business Development Corporation (SBDC), an instrumentality of the SAG. The SBDC lends in accordance with SAG policies and strategies. For example, it sponsors small-scale investment in industrial parks located in remote township areas. SBDC conditions are unacceptable to most black entrepreneurs, and it is generally viewed as a lender of last resort. The SBDC is reluctant to disclose details about the stratification of its portfolio, but it is estimated that, while the majority of its loans are made to informal and small-scale black enterprises, no more than 20 percent of the value of its 110 million Rand (U.S. \$ 55 million) in outstanding loans has been provided to blacks.

Other development agencies finance black business facilities within the "homeland" areas. These agencies have, however, been widely discredited because of the overtly political terms and conditions they attach to approval of loan applications.

Small, new and informal sector black businesses have few reasonable options for financing. A few private voluntary organizations such as Get Ahead have loan programs for micro and small-scale enterprises, but they are very thinly capitalized and not operated on a self-sustaining basis. Together, the known programs in this field provide less than R 1 million (U.S. \$ 500,000) in loans. The organizations are in serious need of capital and technical assistance to establish commercially viable and sustainable programs.

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b. Cumbersome Licensing Procedures

The Licensing Act establishes fairly lengthy and complex procedures for the formation and operation of businesses. In and of itself, the Act does not discriminate against racial groups. However, in keeping with the superficially "legalistic" approach of South African authorities to apartheid administration, the regulatory requirements ostensibly intended to further legitimate health and welfare goals are frequently used in practice to allocate favors and suppress black enterprise. A white entrepreneur establishing a small enterprise in a white area need only fill in a form, find a zoned business site, and sign a lease with a landlord.^{9/} By contrast, a black entrepreneur usually must obtain authorizations for trading rights, ministerial approval and a trading license.

Trading rights in urban areas play a role analagous to that of zoning in white areas, although with considerably less certainty attached. In black townships, a proposed site must first be approved by the local government (a process that reportedly takes place over a period of up to six months) and then advertised for applications. Ultimate decision-making authority rests with Town Councils, but they are alleged to exercise their powers unfairly. It is repeatedly asserted that political pressures from existing traders or outright corruption play a major role in the allocation of trading sites.

In rural areas, application for trading rights can take anywhere from 3 months to 3 years and must be repeated each time that a site changes hands. An additional proclamation for rural areas provides that a black trader (or spouse) may not own two trading sites separated by less than 20 kilometers, or have a direct interest in two trading sites separated by less than 20 kilometers.

After obtaining "trading rights" and "ministerial approval", the trader can apply for a "trading license". The relevant Board must be satisfied that, among other things, "the license is reasonably required to meet the convenience of the public." This so-called "necessity clause" is often used to protect established traders from competitors offering the same or similar service.

The SAG also attempts to regulate informal activities, although these requirements are more easily ignored. In theory, according to the President's Council Report; to obtain a hawker's license in the Transvaal, an applicant must: place an advertisement in the press in both official languages; submit an application that is routed through police, health authorities, traffic authorities, the town engineer, and the fire department; secure storage at a nearby location; and pay a R20 to R150 fee (U.S.\$ 10 to 75) on approval. The total cost of the process can be as high as R250 (U.S.\$ 125) and must be repeated each year.

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c. Inhibiting Employment Policies

Job reservations were officially abolished in 1979, but changes in employment policies have been slow. Today, of an estimated 5.6 million economically active blacks, only 4,040 are in managerial positions, and of these only 102 are women. Black participation in and promotion to managerial positions is still constrained by a white "corporate culture" that does not easily allow for the promotion and advancement of blacks, by an insufficient number of blacks in responsible business and management positions to be able to influence apartheid practices and attitudes, and by a lack of black skills and experience important to primary sector business and management. Black managers are hindered by a lack of meaningful relationships with whites in the work environment, little feedback and accessibility to white supervisors, and by the disrespectful attitudes of white co-workers.

d. Oppressive Political Climate

To curb black resistance to apartheid, the SAG has severely restricted the rights of blacks to assemble and form representative organizations. It was only after the reforms of the 1970's, for example, that black workers were allowed to be represented, first by trade committees and later by trade unions. Black leaders have customarily been placed under police surveillance and subjected to bannings and detentions. In this climate of oppression, there have been few organizations formed to represent black business interests and few incentives to join such organizations. The organizations that have developed have been careful to avoid anything resembling political objectives. The black private sector has a limited ability to represent its interests to the SAG, the white private sector, or the larger black community.

The oldest and most widely known black business association in South Africa is NAFCOC. The only other known black trade and professional associations are the South African Black Taxi Association, the National Taverners Association, the Soweto-based Black Builders' Association, the BMF and ACNHA (both noted on page 5). Only 65 percent of the businesses surveyed for the Black Private Sector Assessment were aware of NAFCOC, and fewer than 40 percent were members. Awareness of and membership in the trade associations is even less widespread, and generally restricted to the urban areas. NAFCOC is considered a relatively effective advocate for business objectives, but is seen as administratively weak and as primarily and representing black traders (retailers). The other organizations are relatively new, and are viewed as weak and ineffectual.

3. Macro-Economic Obstacles

In partnership with the white-controlled government, and protected by apartheid laws from black competition, the white private sector has grown to dominate the South African economy. Most black businesses cannot compete with larger and more experienced white businesses for labor, capital, land and markets. The bloated government bureaucracy created to administer apartheid policies siphons off government investment that could otherwise begin to equalize critical social services such as education, health and infrastructure development.

a. Dominant White Private Sector

South Africa's private sector is dominated by a handful of large white-owned conglomerates with close ties to the government. Three major corporations -- Anglo American, Sanlam, and Old Mutual -- were estimated in January 1987 to control 76.3 percent of the value of all shares listed on the Johannesburg Stock Exchange.^{10/} Other corporations, though not so large, still dwarf the biggest of their black counterparts. The dominating position of such institutions, established under the protection of apartheid policies, severely restricts the ability of the black private sector to compete in the open market. The white private sector enjoys economies of scale, long established customer relations, and many more years of business experience.

The 1979 modification of the Physical Planning Act (of 1967) relaxed the business restrictions on black entrepreneurs. This easing of restrictions has been largely responsible for the emergence of a new generation of black entrepreneurs involved in the service and industrial sectors. However, these new black businesses find it difficult to compete with the more sophisticated and experienced white private sector. Today, fewer than 1 percent of black businesses are involved in light manufacturing. Only one black industrial company in the entire country is considered to have export potential. There is but one black owned bank and one black owned supermarket chain. Not a single black owned business is listed on the Johannesburg Stock Exchange.

While the Group Areas Act has been amended recently so that black businesses can apply to locate in certain "free trade areas" and "central business districts", these represent halting and limited approaches to reform. Most black entrepreneurs are unable to afford the high rents and compete with the established white businesses in these areas.

Finally, the black private sector cannot compete for labor with a white private sector that can offer higher wages and more security. In learning to deal with apartheid regulations, black workers have developed paternalistic relationships with white employers who can intervene with SAG authorities. Black entrepreneurs are frequently

forced to turn to illegal rural labor, or to limit their number of employees. While rural labor is usually unskilled, employee training is avoided because it allows the workers to move on to employment in the preferred white private sector.

Until recently, the white private sector has not seen fit to press for changes to a system that accords whites so many business, employment and standard of living privileges. A broad range of indicators substantiates that disparities of income, wealth and living conditions in South Africa are among the most extreme in the world. For example, a 1982 study by a University of Natal Economist concluded that although whites constituted less than 20 percent of the population, they consumed between 56 and 61 percent of the goods and services financed by the government between 1949-50 and 1975-76.^{11/} Likewise, it has been shown that in 1980, whites (who made up 16 percent of the population at the time) received 60 percent of total personal income, while black Africans (who made up 72 percent of the population) received only 29 percent.^{12/}

b. Bloated Government Bureaucracy

South Africa's bloated bureaucracy, government programs and parastatal corporations divert potential investment from black economic development. Since the National Party first came to power in 1948, the public sector's share of the economy has nearly doubled.^{13/} The annual expenditures of the public sector, as a percentage of gross domestic fixed investment, increased from 36.5 percent to 53 percent between 1946 and 1976.^{14/} The number of government employees has risen over 19 percent since 1981. One-half of all white Afrikaans speaking South Africans are employed by the government.

The existence of separate government departments for racial groups and as well as for each of the individual homelands leads to duplicative structures. The SAG has four Ministers of Health, four Ministers of Agriculture, five Ministers of Education and six Ministers dealing with housing issues. With the "homelands" policy, there are five Presidents of South Africa, five Ministers of Foreign Affairs, five Finance Ministers and five Ministers of Defense.

The SAG also plays a major role in controlling the economy. There are 21 control boards that administer agricultural food prices. Among the major corporations that are government-owned or government operated are the Electricity Supply Commission (ESCOM), the Armaments Development and Production Corporation of South Africa, Ltd. (ARMSCOR), and the South African Iron and Steel Industrial Corporation (ISCOR). Each enjoys a virtual monopoly. The major role of the state in the economy is not limited to the domestic market. In the area of foreign trade, government institutions are estimated to sell more than half of all the country's exports and buy more than 25 percent of all imports.^{15/}

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The cost of sustaining the bureaucracy limits the SAG's ability to close the spending gap between white and black social services. Much needed funds for upgrading township services, education housing, transport and health have also been scarce during the recent recessionary period.

4. Negative Black Perceptions of Free Enterprise

By and large, the black community in South Africa has not been satisfied with the advances made in the last few years, even though there have been numerous reforms of apartheid laws and regulations and increased government spending on services for blacks. The central objection is that separate and inferior development for blacks remains a fixture of SAG policy. Today, the black community considers reforms of apartheid to be insufficient; only its complete elimination, including elimination of its economic characteristics, is acceptable.

a. "Racial Capitalism"

Ironically, although state-controlled and dominated by a handful of powerful firms in the white private sector, the South African economic system is popularly identified as capitalist and free enterprise. Given the inequities of the economic system, it is not surprising that many in the black community generally consider capitalism to be the handmaiden of apartheid. Many black leaders reject South Africa's brand of "racial capitalism" as a means to spread wealth and reduce inequality in post-apartheid South Africa. They believe that a continuation of South Africa's "free market" economy will perpetuate racism. Black business and the black middle class are perceived to be aligned with the status quo. Displeasure with apartheid is therefore increasingly expressed through escalating rhetoric, boycotts and violence against black private enterprise and the black middle class. Over 40 percent of businesses surveyed by Consumer Behavior had been threatened, asked to close their shops, vandalised or forced to assist anti-apartheid demonstrators.

b. Lack of Confidence

Apartheid policies and practices, SAG control of the economy and the dominance of the white private sector are formidable obstacles to black private enterprise development, and leave the black private sector especially vulnerable to political instability in the black community. The prevailing climate of social, economic and political unrest has gone a long way to destroy whatever confidence the black private sector may once have enjoyed. The situation has dampened the enthusiasm of young entrepreneurs who had been encouraged by the relaxation of regulatory restrictions. Many white customers and clients of black manufacturing companies have been lost. In these circumstances, incentives to save, invest and plan for the future have been dramatically reduced.

B. PROJECT STRATEGY

This Project is designed as an umbrella activity in order to allow USAID/SA to respond flexibly to local initiatives and priorities (Section III-B-6, Implementation Strategy, provides a detailed justification of this implementation strategy). It is also necessary, however, to define a general Project Strategy which ensures that key technical issues are and will be identified and addressed, and that key actors who affect the development of black business are considered. Ultimately, the appropriateness of this strategy will determine the Project's actual impact on black private enterprise and on the processes of change in South Africa.

The purpose of this section is, therefore, to explain the analytical process pursued in formulating the Strategy, as well as the rationale for the Strategy's three direct assistance components (Institutional Development and Advocacy; Micro and Small Enterprise Development; and Participation in the Primary Economy). These components, moreover, should be perceived as a dynamic focus which may be shifted to address changing circumstances or new information. Provisions for additional analysis and reaffirmation or refinement of the strategy are described in Section IV-B-4, Project Guidance and Coordination.

The Project Strategy is crafted in light of the sectoral objectives (Section II-B, A.I.D. in South Africa) and constraints (Section III-A, Problem) outlined earlier. Section III-B-1, Parameters of Influence, considers what level of impact may be realistically expected from the Project. Section III-B-2, Programming Consideration, then discusses the audiences or targets which black businesspersons have indicated are critical to reach, both directly and indirectly. Section III-B-3, Assistance Options, briefly suggests those assistance options which may be appropriate to help reach such targets, summarized in a diagram on how each option may be relevant vis-a-vis the respective audiences. Section III-B-4, Strategy Components, categorizes the realm of options into the three direct and substantive components that form the Project Strategy. The programs and activities of other donors and their relationship to this Project are discussed in Section III-B-5, Other Donors. Section III-B-6, Implementation Strategy, discusses the implementation of this strategy and outlines the requirement for a Project Guidance and Coordination Component. Because of the importance of women in South Africa's private sector and their general role as catalysts of change, Section III-B-7, Involvement of Women, outlines USAID/SA's strategy for involving women in all aspects of the Project.

1. Parameters of Influence

When assimilated, the constraints upon black business development in South Africa may appear overwhelming. Apartheid laws, regulations and business practices for generations have actively precluded full black participation in South Africa's economy while promoting white dominance and control over natural resources, capital, technology and labor. Such racial subjugation has, in effect, created economic barriers to equitable black participation in the economy which will persist even if the legislative and regulatory components of apartheid are dismantled. Not surprisingly, such intermingling of racism and capitalism has also made blacks skeptical of "the free enterprise system" and has lead many intellectuals and activists to call for a departure from capitalism as the only means to eradicate the practical manifestations of apartheid.

Working within these parameters, the prospects for a black business development project are not completely promising. Very little direct influence is possible on the root causes of the problem. The SAG has been unwilling to dismantle many legislative and regulatory components of apartheid despite the de facto institutionalization of apartheid in both the economy and society. The white-dominated business sector has an incentive for marginal reforms that might promote stability in the business climate, but clearly has no interest in competing with or relinquishing control to black entrepreneurs. Many of the intended beneficiaries are wary of foreign support for an economic system which they perceive as reinforcing their social and political disenfranchisement, even if the racial manifestation of capitalism in South Africa is antithetical to free enterprise.

In the context of South Africa's industrial economy, moreover, foreign assistance will have only a marginal and symbolic impact in promoting structural economic change. USAID/SA does not, at this point, control sufficient funds to play a large role in capitalizing black enterprise. While it is feasible that U.S. resources may significantly facilitate entrepreneurial development within the impoverished sectors of the economy, promoting breakthroughs into the primary sectors and reducing the imbalances between Third World and industrialized economies would strain the budgetary limits of any assistance program. Expectations of Project outputs and purposes must therefore be geared accordingly.

Indeed, in light of such political and economic constraints one could, as in other programmatic areas, question the efficacy of any black private enterprise initiative. The following factors reconfirm why such an undertaking project is appropriate and significant at this time:

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- * All foreign assistance to South African blacks is symbolically important as it demonstrates identification with change and condemnation of the policies that have led to black oppression. From this perspective, the mere provision of assistance is justified independently of the outputs and purposes.
- * The economic dimensions of apartheid, regardless of how large, must be tackled in order to promote a truly nonracial and democratic society. It is unrealistic to expect immediate and dramatic change, but foreign support can complement indigenous efforts to promote economic rights.
- * The problems of racial capitalism must be addressed from the grassroots level upwards to affect both popular attitudes toward the market system and white-imposed barriers to black participation. Such an approach implies different stages of assistance characterized by different financial requirements which should grow over time. By all accounts, this Project fits into an initial stage where a principal objective is to promote black institutional and individual capabilities to both utilize resources effectively and mobilize capital from private sources. A U.S. contribution at this point could have a significant multiplicative impact.

2. Programming Considerations

To contribute effectively at this early stage of initiatives in black business development, it is important to define both the targets of direct assistance and those who should be indirectly influenced through project activities. Given the social, political and economic constraints that impinge on a black private enterprise project, this Project is based on the recommendations of black businesspersons, consultants and organizations, as well as the black community at large, that the broadest possible range of direct and indirect targets be considered in designing the Project Strategy. Hence, the direct beneficiaries of assistance will be black businesspersons, organizations, workers and entrepreneurs in either the primary sectors of the economy or micro and small enterprises. Their programs may affect other black business persons and entrepreneurs, the black community, business practices in the white-dominated economy or SAG laws and regulations. The importance of each target audience is discussed in Part b, Target Audiences, of this section. Part a, Rationale, provides additional details on why a broad approach was adopted.

a. Rationale

Two approaches were analyzed in determining the program targets: limiting the scope of assistance in order to maximize the impact of available funds; or examining all possible opportunities for assistance in order to seek a catalytic effect in as many areas as possible. While practical implementation constraints confronting USAID/SA may make the former approach superficially appear more prudent, it was not adopted; the reasons for this, outlined as follows, emerged from consultations with the black community and were reinforced by the aforementioned Black Private Sector Assessment funded by USAID/SA.

- * Concentrating the program makes sense when it facilitates having a meaningful impact in a well-defined and widely accepted critical area. Financial requirements in the context of South Africa's industrialized economy are so large, however, that concentration of all Project resources would still not result in a minimum threshold level of assistance that would be necessary for widespread and significant influence in the primary economy.
- * It may be possible to have a significant impact by limiting the Project to the micro and small enterprise sector, yet such a focus could be interpreted as accepting apartheid's relegation of most black entrepreneurs to the less developed sectors of the economy. That is not to say that blacks reject assistance for micro and small businesses -- this is an area of great need and community interest. However, an assistance program must not suggest by its character that blacks can compete solely at the micro and small enterprise level.
- * Because of limited capital availability relative to the size of the economy, support for black business in the primary economy must be loosely structured to take advantage of opportunities as they arise and, when possible, to leverage the private resources that can significantly enhance a company's ability to get started, expand, or buy out a disinvesting firm. Hence, it is important to keep open the possibility of addressing a wide number of issues.
- * The black community must be incorporated into a private enterprise project in order for it to have a lasting and meaningful impact. The perceptions and desires of the black community will, in a post-apartheid South Africa, determine the political and economic character of the country. Effectively reaching this audience will require a flexible and creative approach which is responsive to black initiatives that promote dialogue and demonstrate by example that a market economy is not synonymous with - and indeed is antithetical to - racial regulations precluding free participation in the market.

b. Target Audiences

Proposals which promote the development of black business vis-a-vis any of the following audiences will be considered under the Project.

Black Business. Black business is broadly defined as black businesspersons, organizations, workers and entrepreneurs. Increasingly, all elements of black business are trying to cooperate and think collectively about the constraints upon operating in the South African economy. Such networks within the private sector will enhance their capability to address these constraints directly, as well as to mobilize others on their behalf.

Small Businesses. The USAID/SA-commissioned survey of 300 black entrepreneurs, conducted by Consumer Behaviour, identified numerous constraints specific to small business development. Many of these constraints are technical -- minimal business skills or lack of access to capital -- but have been induced by apartheid regulations or business practices. Such constraints have also limited most black businesses to informal micro or formal small-scale enterprises.

Primary Sector Institutions. Because apartheid has created a dual economy, with First and Third World businesses coexisting next to each other, one of the greatest challenges to black business is to break out of the Third World economy and into activities in the primary sector. Direct assistance to such initiatives is politically important and highly symbolic, yet must be structured in ways to leverage private resources, whenever possible, in order to have a significant impact.

Black Community. As indicated earlier, the wider black community eventually will determine the political and economic character of a post-apartheid South Africa. A black private enterprise development project will have a lasting impact only if black business can demonstrate to the community that its existence and growth is in the broader community's long-term interests.

White-Dominated Economy. The cumulative economic impact of apartheid has concentrated control of South Africa's resources among whites. This has allowed a continuation of apartheid practices even when official regulations have been rescinded. These practices should be addressed through a black business development project, preferably aimed at strengthening black business networks.

SAG; Formal Apartheid Structures. The constraints analysis in Section III-A, Problem, noted laws and regulations which preclude blacks from competing on an equal basis with white-owned businesses. Such laws and regulations would be abolished in a post-apartheid South Africa, but immediate lobbying against their enforcement and for their abolition could allow blacks to expand their influence in the economy in the short-term.

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3. Assistance Options

A.I.D.'s approaches to foreign assistance - institution building, policy dialogue, technology transfer and capital transfers - are appropriate in promoting black business development, but must be carefully tailored to the above targets, audiences and circumstances. Because of political sensitivities vis-a-vis the black community and the SAG, A.I.D. should not play a lead role in policy dialogue. Instead, the approach must be to help black business develop or strengthen indigenous institutions which can directly confront inhibiting and discriminatory government regulations and business practices as well as promote constructive dialogue with community leaders.

Technology transfer through technical assistance and training will have a direct impact on such institutional development. Both technical assistance and training are also relevant in promoting the ability of individual firms and entrepreneurs to compete effectively in the economy. A more extensive description of how technical assistance and training will be utilized in the Project is provided in Section IV, Project Description.

Capital transfers will most extensively affect micro and small enterprises as their requirements for credit and equity are modest and manageable within USAID/SA's currently available resources. Capital assistance for activities in the primary economy will have to be carefully considered as the requirements are much greater. The establishment of a highly sophisticated, finely focused loan fund would be unrealistic as the funds available could not capitalize many operations that would play a significant role in the primary economy. "Buy-outs" of disinvesting firms have received extensive publicity as potential A.I.D. areas of activity, but the funding requirements are again well beyond the scope of available resources. In the later years of the Project, and only after extensive review and evaluation, credit and/or equity assistance may become possible for selected medium and large scale symbolic ventures, and provisions are made accordingly in the Cost Estimates and Financial Plan (Section V). Loan guarantees which require less funding up front may also be possible, but the potential for defaults obviously entails equally high risks and capital levels.

Figure 1 on the following page summarizes the potential use of each assistance option vis-a-vis the direct target and indirect program audiences identified earlier. In the diagram, direct targets of A.I.D. funds are noted under the heading "Project Assistance"; indirect program audiences are categorized under "Project Impacts". The resulting matrix demonstrates the widest possible range of activities under the Project. Immediately following the diagram Section III-B-4, Strategy Components, describes how this range has been folded into three direct assistance components that constitute the basic Project Strategy.

ASSISTANCE OPTIONS & PROGRAM TARGETS

TARGETS	PROJECT ASSISTANCE		PROJECT IMPACTS		
	BLACK BUSINESS		BLACK	WHITE-DOMINATED	SAG; FORMAL APARTHEID STRUCTURES
OPTIONS	SMALL AND MICRO ENTERPRISES	PRIMARY SECTOR BUSINESS & ORGANIZ.	COMMUNITY	ECONOMY	
INSTITUTION- BUILDING	Strengthen and promote networks among black businesses able to identify, research, analyze and disseminate information and positions on constraints to and the role of black private enterprise		Practical demonstration to community of black organizational strength and decision making in the private sector.	Reduce black dependence on white institutions for business info/strategies; greater interdependence between black and white businesses.	documented impact of apartheid laws & regulations; dissemination of information nationally and abroad.
POLICY DIALOGUE	Enhanced dialogue among black businesses on the constraints upon business development; conferences, workshops and informational materials on tackling political and technical constraints.		1. Business outreach programs toward community. 2. Dialogue, conferences, workshops, school programs on role of free market.	1. Direct lobbying on business practices that deny access to credit/equity. 2. Direct lobbying on employment issues. 3. Lobbying through international pressure groups.	1. Direct lobbying 2. Lobbying through domestic groups 3. Pressure through international organizations, businesses and embassies.
TECHNOLOGY TRANSFER	Assistance in business start up, marketing, planning, bookkeeping, expansion, loan applications, etc.	Feasibility studies for black-owned banks, service and manufacturing companies, trusts, support programs for professional managers, program design and evaluation.	Functioning businesses provide communities with goods, services and employment opportunities.	Black businesses compete more effectively at all levels of the economy, begin eroding white domination, and promote economic interdependence across racial lines.	Black economic strength allows stronger opposition to apartheid laws, both in private sector and generally in society.
CAPITAL	Self-sustaining credit programs run on commercial terms.	Selected credit/equity support, possible loan guarantees, support and commodity costs for management development.			

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4. Strategy Components

For conceptual and management purposes, USAID/SA has grouped the range of activities demonstrated above into three direct assistance components - Institutional Development and Advocacy, Micro and Small Enterprise Development, and Participation in the Primary Economy - which form the substantive centerpiece of the Project Strategy. These components, moreover, combine the priorities identified by black business itself (and confirmed by the Private Sector Assessment) into administratively manageable and conceptually consistent units. The formulation of each component from Figure I is discussed below.

The Institutional Development and Advocacy component will subsume assistance to business and trade networks such as NAFCCO, the BMF and the ACNHA. This component covers all activities identified in Figure I under institution building and policy dialogue. As indicated in the diagram, all institution-building and policy dialogue activities are relevant to all black private enterprises, whether large or small businesses, entrepreneurs or managers, individual businesses or business networks and organizations. Institution-building and policy dialogue, moreover, are substantively linked. The growth and strengthening of black institutions will promote effective dialogue with all the target audiences identified earlier. Hence, treating institution-building and policy dialogue together as a conceptual unit will result in substantive complementarities in addition to facilitating administration.

By definition, micro and small enterprise and primary sector activities are relevant solely to those businesspersons and entrepreneurs operating in each of the respective sectors. Technical questions such as start-up requirements, marketing techniques, and cash flow analyses differ. Training should be geared to the differing levels of business sophistication. Capital requirements and the types of analyses required to obtain capital differ depending on the size and focus of the operations. As a result, the remaining assistance options -- technology and capital transfers -- have been substantively divided according to the size of business involved. This will allow conceptually consistent packages of technical assistance, training and capital to be combined in addressing the needs of the respective targets.

Referring back to Figure I, the Micro and Small Enterprise Development component thus includes all activities related to smaller businesses. Institution-building and policy dialogue will, indirectly, affect the opportunities and climate for small business development, but the principal inputs of this component will be technical assistance, training, support costs and credit/equity funds. The few micro and small enterprise support programs operating in South Africa require all of these inputs, but it is possible that organizations may in some instances receive additional inputs from other components under one grant.

Facilitating the participation in the Primary Economy component will be the most difficult challenge of this Project. As with small businesses, institution-building and policy dialogue will support and reinforce efforts in this field. Of the options identified in Figure I, technical assistance and training to support management development programs and help conduct feasibility studies and define strategies for entry into the primary economy will, in the early stages of the Project, be most critical. As indicated earlier, credit/equity interventions may be possible later in the Project.

The remainder of this subsection provides a detailed rationale for each direct assistance component. Additional details on the inputs to be provided by each component are provided in Section IV, Project Description. Additionally, the Project Guidance and Coordination component is discussed generally in part 6, Implementation Strategy, of this Section and then defined further in Section IV-B-4, Project Guidance and Coordination.

a. Institutional Development and Advocacy

Like black groups active in other fields, black businesspersons have noted their collective organizational and structural limitations and sought to address them in attempting to overcome apartheid. Business is not generally an altruistic endeavor. However, there are numerous objectives which bind participants in business ventures to a common over-arching goal. While certainly not in the majority, many blacks see the merits of a post-apartheid South African economy based on a free enterprise system. Moreover, many more blacks, given the current number of parastatals and government control of economic activities, support a mixed economy, with the proportions of private and public production remaining basically similar to that of today. In any case, substantial support exists throughout black organizations like NAFCOG, Get Ahead, ACNHA and the BMF for private sector principles and practices.

Assistance to such organizations will permit them to expand their membership, sharpen their ability to advocate the position of their constituents, and augment their capacity to carefully plan and implement activities that will increase the political influence and economic opportunities enjoyed by their constituencies. International exchanges will transfer institutional and organizational skills and "technologies", open new channels of communication and information, and enhance the power and prestige of the black leaders and organizations involved. These leaders will benefit from an opportunity to deploy greater administrative resources and to redouble their efforts to press for policy reforms needed to open the way for significant black economic development. Furthermore, an organized black business sector working on a unified basis to promote its interests will be less vulnerable to arbitrary repression and more capable of working steadily and consistently to achieve sharply defined economic objectives and increased political influence.

It should be noted that no matter how successful, the efforts of a few organizations will not be sufficient to accelerate the removal of apartheid and to redress the political and economic marginalization produced by it. Nevertheless, broad-based and sophisticated organization, as well as enhanced skills in leadership, policy analysis and advocacy, form a necessary foundation upon which greater achievements can be built. An organized black private and professional sector can seek to:

- (1) overturn discriminatory laws and regulations;
- (2) correct the unfair allocation of national resources and government patronage;
- (3) bridge the extreme gaps in income distribution;
- (4) highlight and promote the positive actions by the white private sector which show that the private sector can be a tool for change; and
- (5) erode the barriers excluding blacks from the formation of political and economic policies.

Moreover, the demonstration effect created by a few visible business and professional organizations successfully defending and advancing their interests can lead to their replication. Unification of these organizations on an ad hoc issue-by-issue basis will provide an organized institutional framework through which political rights and economic opportunities can be broadened.

Black business organizations recognize fully their responsibilities to and difficulties with the greater black community as well as the requirement for intensified interaction with the SAG and the closed white business sector. Additionally, such organizations understand that absolute sensitivity must accompany all efforts to promote black private enterprise in the current South African environment. All black organizations supporting a private sector-oriented future for South Africa constantly reflect on and review their actions to ensure that such activities are not viewed by the broader black community as too narrow and self-serving, and artificially introduced and solely supported from the outside. All USAID/SA efforts pursuant to Project implementation will be approached cautiously and patiently, responding only to locally determined objectives which demonstrate that private enterprise is an effective and equitable economic system. If an activity is poorly supported or might diminish existing support for the black private sector, we would prefer to do little or nothing or postpone our funding decision.

A recent national agricultural conference in Pietersburg sponsored by NAFCOC provides an example of the ability of black business organizations to work with the broader black community, the white private sector and the SAG to promote positive change. Black farming issues were discussed and analyzed, and recommendations on land tenure established. Participants included SAG officials, white commercial farmers, black commercial farmers of (illegally) rented white land, urban black community leaders, "homeland officers", and NAFCOC representatives. NAFCOC's conference resolutions stated

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"that blacks must immediately have the right to purchase any land in South Africa on a freehold basis ... that all land, other than parks and reserves, should be commercially used ... that communal use of land is to be discouraged." While the Group Areas Act, as noted earlier in the paper, prohibits black ownership of land outside the "homelands", and while many rural blacks would appear to prefer the traditional communal land tenure system, the NAFCOC conference concluded in a manner which strengthened the support for a private sector alternative to the land ownership dilemma facing South Africa.

The BMF conducts similar functions on behalf of black professionals and labor officials by directing their program toward exposing the general black community to business principles, influencing white owned businesses to promote advancement through affirmative action programs, and documenting the SAG's efforts to hinder black professionals through education, housing and job reservation practices. Finally, the ACNHA has made major organizational strides recently, has battled effectively the City Councils of Johannesburg, Durban, Cape Town and Bloemfontein to establish hawker areas and has successfully defended hawker rights in courts.

In sum, the lobbying efforts of black business groups have to be simultaneously focused on three distinct audiences -- the black community, the white private sector, and the SAG. Improved and extended external networking and advocacy efforts must be pursued in concert with internal institutional development in order to sustain and deepen private enterprise support.

b. Micro and Small Enterprise Development

Organization in the economic policy and advocacy arena will be complemented by mutually reinforcing grassroots economic organization and business development. Grant assistance will be provided to groups providing credit, technical assistance, training and institutional support to micro and small-scale enterprises. Evaluations of A.I.D. micro and small-scale enterprise projects worldwide demonstrate that loan programs which provide investment and working capital to micro or small enterprises often have internal rates of return for economic benefits of over 100 percent, and suggest that such programs are "among the most successful categories of all types of foreign aid programs (A.I.D. Evaluation Special Study No. 28, March 1987)." Micro and small enterprise loans generate high numbers of incomes and jobs per loan dollar invested. Loan recipients are able to expand their enterprises and enhance their prospects for the future. Neighborhood businesses and their employees, organized around small lending and business assistance centers, can together increase their economic weight and in South Africa strengthen the voice of their demands for a just and prosperous post-apartheid society.

Given the current state of black business underdevelopment in South Africa, and the myriad of constraints facing organizations attempting to provide assistance to micro and small enterprises, grant financing of credit and/or equity programs is considered justified in the context of this project component. The substantial socio-political externalities greatly exaggerate the purely financial risks confronting such programs and the individual businesses themselves. Nevertheless, grant financing will be provided to intermediary organizations only, and on-lending to individual firms will be accomplished, to the extent possible, at commercial market rates.

The precise contours of credit activities financed under this component cannot be fully described in this Project Paper, due to the complexity of the issues involved and the fact that the identity of post-FY 87 grantees is unclear. For FY 87 USAID/SA has, through an extensive process of consultation and proposal evaluation, identified groups presently conducting the most innovative and significant lending programs in the micro and small enterprise field. USAID/SA has contracted with local black and U.S. experts to intensively scrutinize these programs, and make recommendations as to the appropriate contents and structure of loan schemes receiving A.I.D. financing. Such analyses, which have been welcomed by prospective FY 87 grantees, will delve into such issues as the self-sustainability of lending activities, whether working as opposed to investment capital should be provided (and whether to the service or manufacturing sectors of the economy), the degree to which repayment plans should follow the cash flow or business plans of loan recipients, the appropriate mechanics of revolving loan funds, and so on. (A more comprehensive description of the factors to be evaluated can be found in Annex F, in the scopes of work of the aforementioned contractors). USAID/SA will conduct similarly thorough, individualized evaluations of future year grantees, utilizing local and U.S. expertise as necessary. In this manner, a more detailed and coherent lending program strategy appropriate to the South African context will emerge through the proposal evaluation and negotiation process.

Likewise, the exact parameters of equity financing activities cannot be elaborated at this stage. Based on evaluation of proposals received, no such programs are contemplated for FY 87, and USAID/SA will proceed into this area only after extensive investigation of the merits of particular proposals and options. External expertise will be called upon to assist in this process if and as required. Prior to USAID/SA entry into any grant agreement containing financing for an equity participation scheme (other than through loans or subloans), AID/Washington will be provided with complete details for its review and approval. In no case will such a program contradict either A.I.D. policy concerning private enterprise or sound business and financial principles.

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Many black businesspersons are understandably weary of being restricted to micro and small-scale enterprises. If this program served solely as a stopgap relief measure to make present SAG apartheid policies toward blacks more acceptable, it would be unwarranted. However, the program's principal contributions will be to widen interest and support for free enterprise among blacks, broaden opportunities for employment and upward economic and social advancement, and contribute to momentum to end apartheid practices designed to thwart black socio-economic advancement and integration into the modern economy. Furthermore, most black businesses in South Africa operate at the micro and small enterprise level; while it is appropriate to look to the future, it would be inappropriate to ignore present realities.

On a practical level, efficient operation of community businesses will help communities see the value of private enterprise once blacks are allowed to compete. The program will help provide an organizational nucleus that will permit its beneficiaries to specifically identify, articulate, and advocate market reforms designed to achieve full participation in economic development and the primary economy. Moreover, program activities may provide a notable spur to local employment, thus addressing one of the most severe consequences of economic discrimination against blacks and providing black South Africans with the basic means to participate more equitably in the national economy. While job creation is not the immediate focus of the Project, this particular Project component holds out the possibility of such as ancillary benefit. Accordingly, where appropriate, individual grants under this component will build in mechanisms for evaluation of the grant's impact on employment generation.

c. Participation in the Primary Economy

One of the principal results of the apartheid system has been to exclude blacks from significant participation in the management of government and private sector economic resources. Therefore, in addition to advocacy organization and grassroots economic development, it is necessary to support and encourage the direct participation of black business leaders and managers in the larger, sophisticated sectors of South Africa's economy. This is a first step toward demonstrating their rightful role in major private and public policy decision-making.

Several black business groups have put forward proposals to establish black-owned and administered investment vehicles. Among the most prominent proposals are those relating to the creation of new black-owned and administered development banks, life insurance and pension fund management companies, and investment capital holding companies, as well as the takeover of departing multinationals or even white-owned South African companies.

These types of proposals form a complicated dilemma for USAID/SA. On the one hand, USAID may be in a position to use its technical expertise, project credibility and wide access to other interested and capable parties to play a catalytic role in the implementation of such initiatives. In the socio-political environment in South Africa, they would be recognized as something of a historical breakthrough. Moreover, successful projects of this nature could exert a powerful demonstration effect among all South Africans by testifying not only to the ability of black leaders to manage a sophisticated economy, but also to the broad-based economic benefits under a system of black capitalism.

On the other hand, these proposals pose very significant risks to the credibility of USAID/SA. First, they tend, more than interventions in other areas, to visibly align USAID/SA with particular commercial and political interests, which might in turn lead to alienation of other similar interests not accommodated in an A.I.D. funding decision. In general, black South Africans should be making such key, primary sector investment choices; the local environment is too politically volatile for USAID/SA to be acting as a direct lender to the black private sector. Second, many of the requirements for blacks to enter the primary economy hinge on large quantities of capital. In many instances, these financial needs far exceed what AID has contemplated for its entire South African program. A related point is that these proposals raise technical, feasibility and implementation issues that may stretch the institutional capability of USAID/SA to the limit. Finally, any attempt now to move largely inexperienced black business leaders and organizations into center stage positions in ownership, leadership and management of commercial assets in sophisticated national and international capital markets may be precipitous. A highly visible failure, or irregularities in administration (such as recent allegations of mis-management of the African Bank and the supermarket group Blackchain) would strongly reinforce prevailing negative impressions of black management capabilities, and appear to substantiate the often dismissive and paternalistic attitudes of white management executives in South Africa's business establishment. As a result, USAID/SA credibility among blacks and whites in the country would be severely undermined.

Consequently, USAID/SA will proceed carefully in its consideration, analysis, and development of primary economy activities. USAID/SA will determine whether to fund proposal feasibility studies, or whether to go ahead in individual cases and partially fund a portion of the development costs. Depending on the results of these initiatives, USAID/SA would then be in a position to determine whether further technical assistance or more direct USAID participation in the form of loan or equity capital, was warranted.

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In the case of proposals to assist particular companies, USAID/SA would prefer, whenever possible to channel its support through South African (and preferably black) financial intermediaries. Again, as discussed previously in relation to the Micro and Small Enterprise Development component, to the extent possible given local economic, financial and political conditions, the final beneficiaries of any A.I.D.-supported loan, equity or guarantee scheme will borrow at commercial market rates.

Once more, the details of credit and/or equity activities carried out under this component cannot be accurately provided at this point, due to the complex issues at stake and the fact that satisfactory proposals in this vein have yet to be received by USAID/SA. No such programs will be supported in FY67, and any future financing will be forthcoming only after detailed analyses such as those described in the Micro and Small Enterprise Development Section, above. External assistance in the form of local black and/or U.S. expertise will be utilized if necessary. In the case of equity activities, AID/Washington review and approval will be obtained prior to USAID/SA entry into any funding agreement which finances an equity participation program (other than through loans or subloans).

To assist in the development of top black management and leadership in the primary economy, USAID/SA will support or help create bodies which facilitate the growth and improve the decision-making responsibilities of black managers in the corporate bureaucracies of white-owned firms. Additionally, through assistance to and the formation of affirmative purchasing plans, USAID/SA may help black businesses to secure volumes sufficient to expand, attract new equity, and qualify for loans. Finally, because the primary economy of South Africa is extremely sophisticated, and as complex as that of most European and Asian nations, USAID/SA will continue to study and analyze opportunities and possibilities for intervention independently through a separate Project Guidance and Coordination component. (See Section IV-B, Project Components and Inputs). This Project component deals with a terribly imposing, dynamic environment. Activities contemplated and financed in this area will require a greater level of understanding and analysis, but USAID/SA must have the flexibility to respond to the targets of opportunity created for and by experienced black entrepreneurs and professionals.

5. Other Donors

Assistance in the black enterprise development field has been provided predominantly through individual multinational firms, the Sullivan Signatories Association, large, white-owned South African companies, several SAG financed development banks, and foreign and local foundations. Consumer Behavior estimated that approximately \$30.0 million had been spent collectively by these organizations since 1980 on black business-related assistance. While many U.S. Companies having black business programs are members of the Sullivan

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Association, they most frequently prefer to operate independently rather than in collaboration with others. Similarly, many British, Dutch, German and large South African corporations assist black private enterprise. A partial listing of important private sector-sponsored activities include:

- * factory establishment (Norton Abrasives);
- * retailing (Unilever);
- * business counselling (Colgate-Palmolive);
- * management skills training (Metro-Management);
- * entrepreneurial training (Barlow-Rand and Adenhauer Foundation);
- * training (Shell);
- * training program counselling (National Cash Register);
- * credit (Barclays, Standard, Citibank, IBM and Mobil); and
- * business scholarships (IBM, accounting firms, Anglo-American and Rembrandt Group).

On the whole, private sector-sponsored assistance is viewed by black business as being technically sound and generally appropriate. However, business-supported activities have also been criticized as being hastily formulated, with little black involvement, and then implemented inflexibly and without blacks at the helm.

As far as other sources are concerned, the Southern African Development Bank, SBDC, and the development banks of the "independent states" and "self-governing homelands" also have lending and technical assistance programs for black businesspersons. However, these SAG bodies as well as the programming they provide have been frequently criticized for providing too little assistance and then only in response to political rather than financial criteria.

In sum, while corporate responsibility and other programs are focusing more and more on black business programs, coordination among donor organizations and between them and the black community should be improved. Additionally, the black community in general, and black businesspersons in particular, feel that more consultation must precede corporate programming. Moreover, those programs which are well-conceived from the stand point of consultation frequently suffer from a distinct lack of black leadership and decision making during implementation.

Overall, the level of resources directed at black private enterprise development is and has been small relative to the need and the size of the South African economy. One leading black businessman hinted at the scope of the challenge by suggesting that a "Marshall Plan" for black business was needed to overcome the economic disparity between blacks and whites in South Africa and avoid economic chaos.

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Given the magnitude of the problem, A.I.D. funding, in concert with that from other sources, has and will continue to provide only the most basic of requirements. Nonetheless, strategically planned and positioned resources in the hands of black business can begin the process that will ultimately lead to greater black participation in the South African economy.

6. Implementation Strategy

As with other projects in USAID/SA's portfolio, this Project will be implemented by responding to proposals from South African organizations. Criteria for responding to proposals are specified in Section IV-C, Selection Criteria. The rationale for such an implementation strategy in this Project is threefold:

- * As discussed earlier, many black community leaders and activists are skeptical of underlying U.S. interests in promoting private enterprise development. Concerns range from a supposed American imperialistic attempt to define South Africa's future economy to promoting a complacent black middle class that will undermine or slow the struggle against apartheid. In order to avoid accusations of foreign interventionism or manipulation, USAID/SA must operate responsively rather than proactively.
- * The struggle of blacks against apartheid focuses on their exclusion from decision-making power over resources and, hence, over their own social, economic and political destiny. If U.S. assistance is to make an immediate difference in South African society, it must place blacks in a decision-making role. This will be done most effectively and demonstrably by responding to the ideas of black South Africans.
- * As A.I.D. has found in countries worldwide, dialogue between donor and grantee is critical to promoting effective programs that address the concerns of both organizations. Inevitably, the frankness of such interchanges depends on confidence and trust. At this early stage of the Project, USAID/SA must be particularly careful to offer suggestions which will help grantees achieve their objectives rather than redefine grantee programs. However, given the apolitical nature of sound business principles, there may be greater room for exchanging programming ideas and implementation strategies as USAID/grantee relationships and organizational confidence develops. Ultimately, however, to continue operating effectively in South Africa, USAID/SA must respect the final decisions of actual or potential grantees.
- * USAID/SA recognizes fully that black private enterprise development must be approached slowly and from a thoroughly sound analytical base. These requirements are particularly important with regard to activities under the Participation in the Primary Economy component of this Project. Therefore, to assure credibility and to be well-placed to respond to market-generated opportunities, a separate Guidance and Coordination component (see Section IV-B-4) is required and must be implemented expeditiously. Increased quality of private sector proposals, as well as enhanced USAID/SA knowledge of and activity in the private enterprise field, will result only from

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7. Involvement of Women

It is essential that any project focused on community or enterprise development contain a component dealing affirmatively with women. In the South African context, women victimized by apartheid are even worse off than men, in that they are also subject to a multiplicity of laws which effectively relegate them to the status of minors. Women are not permitted access to credit through formal mechanisms, even when they can provide the necessary collateral, without having their husband's guarantee and signature of approval. Apart from the obvious discrimination, this is often impossible given the social dislocation, domestic problems and male absenteeism apartheid has made characteristic of many black households.

Women have always used the informal sector as a means of increasing their income and thus improving the welfare of their families. They do this either on a micro scale -- by embarking on a buying, selling and hawking venture in addition to another job -- or in the form of an unlicensed business venture. Both options are saddled with the problem of limited access to capital, markets, and discounted inputs. While most women are engaged in the informal sector as petty traders, producers and sellers of home industry products, or shebeen owners, some have moved into more formal (albeit small-scale) businesses. Increasingly, this movement to small scale business appears to be the choice of better educated women who, are still essentially precluded from entering the corporate world in any meaningful way.

In South Africa there is a multiplier effect from providing women with access to credit or allowing them to benefit from business training, marketing and buying strategies. As has been proven elsewhere, South African women, more than men, appear to use income earned from business ventures to improve the well-being of their families. The links between income earning and concern for improved family nutrition and health care, as well as improved educational opportunities for offspring -- particularly female children -- are clear. Similarly, any meaningful involvement in the economy and labor force allows women to feel that they have a role and status within the society and their own family structures that permits them to have some control over their own lives and to participate in decision-making. The benefits of this are endless, particularly in the context of apartheid and attempts to move towards a post-apartheid South Africa.

Without involving women, any initiative runs the risk of either disregarding their role in the economic and social structure of the society or affirming a discriminatory status quo. Far from facilitating the process of change, it thus becomes a factor in perpetuating the marginalization of one sector of society, and in contributing to a situation of inequality and disadvantage which will remain to be addressed in a post-apartheid South Africa. Given the involvement and role of women in the economy, and their frequent status as the sole supporters of families, this would be a grave disservice, to say the least.

The number and type of women beneficiaries included in any private sector initiative are hard to quantify, as such estimates are totally dependent on both the amounts of money involved and the degree to which the program targets women. The range of beneficiaries encompasses: micro-traders, mostly operating as individuals; producers and sellers of goods, again on a very small scale; those who have formed cooperatives to produce and sell goods; those who, either singly or in partnership with other women, have entered into a formal retail business; those who have started service industries which cannot expand due to lack of venture capital; those who are increasingly looking to a more challenging entrepreneurial career as an alternative to a low level corporate position; and those who strive to ascend the professional ranks of big businesses in the primary sector. The number of beneficiaries also varies according to the enterprise involved -- small-scale petty traders have much lower needs than those wishing to establish larger, more formal ventures. What is clear, however, is that the number of beneficiaries goes far beyond the actual number of women directly involved, and that the ramifications extend far beyond the mere success of the business venture. The social benefits cannot be underestimated, nor can the socio-political spin offs of allowing women to increase the control they have over their own lives and those of their children.

The Project will seek to involve women by ensuring that the following objects are accomplished:

- * the concerns and problems of women entrepreneurs and managers must be taken into account in advocacy activities;
- * credit facilities must be structured to ensure that women's needs are considered and met;
- * the status of women hawkers and informal traders, and the special problems faced by them, must be a factor in any negotiations with groups providing credit and training for micro-enterprises;
- * women entrepreneurs and managers must, to the extent possible, be included in any negotiations conducted with bodies such as NAFCOC and BMF;
- * the involvement of women must be a factor in the consideration of proposals received;
- * where appropriate, all grant or cooperative agreements concluded under the Project shall require grantees to report on how program activities have fostered women's participation in private enterprise and the South African economy.

USAID/SA, while it cannot dictate to potential and existing grantees, will ensure that they are aware of our concerns as regards women, and of our aim to meaningfully include women and adequately address their needs in all projects. Additionally, USAID/SA will consistently attempt to raise the issue of women as traders, managers, workers and entrepreneurs in all discussions of the private sector and those disadvantaged by apartheid, and attempt to raise the consciousness of all those involved as to the important role played by women, and the need to facilitate their access to all sectors of the economy.

IV. PROJECT DESCRIPTION

A. PROJECT GOAL, PURPOSE AND OUTPUT

As detailed and qualified in the Project Log Frame (Annexure A), presented below are key Project objectives and motivations:

- GOAL** To promote, through peaceful means, an end to apartheid and the emergence of a nonracial and democratic society in South Africa.
- PURPOSE** To assist black South Africans in overcoming the political, regulatory, economic, technical, social and attitudinal constraints that have stemmed from apartheid and operated to prevent their equitable participation in the South African economy as owners, managers or employees of private enterprises.
- OUTPUTS**
1. Strengthened and functioning networks among black businesses capable of identifying, researching, analyzing and disseminating information and positions on the constraints to, and the role of, blacks in private enterprise in South Africa.
 2. Increased dialogue among black businesspersons and between black business groups and the broader black community, and between black business groups and white businesspersons and those who would promote change within the SAG.
 3. Improved decision-making, leadership and business skills among black entrepreneurs and managers.
 4. Self-sustaining credit programs for micro and small black enterprises.
 5. Creation and enhancement of institutions and mechanisms to help black businesspersons overcome the financial and attitudinal constraints in South Africa's primary economy.

B. PROJECT COMPONENTS AND INPUTS

The Project consists of four separate but closely interrelated components. As previously explained in detail in Section III-B, Project Strategy, the complex problems facing black business dictate that inputs funded under any component will seldom support only a single Project output, but in most cases will lead to several (or even all) anticipated Project outputs. To logically group Project concepts as well as for USAID/SA administrative ease, the Project contains three direct assistance components -- Institutional Development and Advocacy, Micro and Small Enterprise Development, and Participation in the Primary Economy. A fourth component, Project Guidance and Coordination, will supply needed expertise and training to support Project management, research, and strategic planning requirements. That all four components may contain the same input (e.g. technical assistance) is a reflection of the multifaceted approach needed even to begin to have an impact on the apartheid system in terms of black private enterprise development.

The estimated budgets for each component have been derived by evaluating a number of relevant factors, including: (a) the nature and financial value of proposals possessing prima facie merit received by USAID/SA at the time of Project design, with extrapolations being utilized to project visible trends over five years; (b) assessments by black businesspersons and others possessing relevant knowledge of the different components relative importance in an overall strategy of black private enterprise development in South Africa; (c) the relative strengths/weaknesses of existing institutions and programs operating in each component area. While necessarily imprecise given the sheer underdevelopment of black entrepreneurship and economic institutions, such indicators have provided a basis for the respective component budgets listed below. More specific cost projections and underlying financial assumptions are provided in Annex E, while annual cost estimates for each Project component for the five fiscal years 1987 - 1991 are found in Section V-A, Obligations.

1. Institutional Development and Advocacy (\$6,180,000)

In order to develop the appropriate networks and structures to advocate and lobby for black private enterprise, and to facilitate dialogue with the broader black community, the white private sector, international organizations and the SAG, black business groups seek to strengthen and develop units, programs and operations within their organizations. Inputs provided under this component will support institutional development and heightened analytic research and communicative capabilities in order to strengthen the capacity of black business to advocate and successfully promote economic and political reform, including the removal of specific apartheid laws and practices. Such enhanced capabilities will also assist black business in conveying the merits and achievements of black enterprise in a free market economic system to the black community, the white private sector, and the SAG. A.I.D.-financed inputs for the institutional development and advocacy elements of this component are detailed below.

a. Institutional Development

To enhance and facilitate the capacity of organizations to carry out dialogue and advocacy activities, project inputs will include:

- * Technical Assistance - to help plan, execute and evaluate organizational development.
- * Support Costs - to offset operational expenditures (salaries, travel, telephone, office, per diem, etc.) for advocacy, public relations and research programs and units.
- * Commodities - to improve institutional efficiency through the purchase of copying machines, typewriters, computers, telex machines and other equipment and supplies.
- * Training - to upgrade the knowledge and skills base of key permanent employees, members and leaders of organizations through short and long-term studies at South African and U.S. universities, institutes and associations.

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Due to the effects of apartheid, institutional weakness is a common phenomenon among black business organizations, and institution-building will therefore be a particularly important component of numerous grants under the Project. In deciding what mix of the above inputs are appropriate for particular grantees, USAID/SA will conduct individualized analyses of such grantees, including examinations of personnel quality, efficiency of planning and decision-making processes, financial posture, capacity to respond to constituent needs, organizational structure, and so on. Specific examples of the type of in-depth institutional assessments planned by USAID/SA can be found in Annex G, which contains scopes of work for U.S. contractors to evaluate three potential grantees.

b. Advocacy

To organize and strengthen networks among black business groups, and to enhance and deepen the content of their discussions with the white private sector, the SAG, and the rest of the black community, the following inputs are required:

- * Conferences/Workshops/Seminars/Meetings/Forums/ School Programs - to facilitate communication between black business and the broader black community, the white private sector, the SAG, foreign business persons and governments; and, for aspiring entrepreneurs and managers, to discuss and communicate ideas, concepts, recommendations, actions, progress, results and findings concerning black private enterprise development.
- * Technical Assistance - to research, validate, formulate and support decision-making and position-taking on key private enterprise issues affecting blacks.
- * Training - to aid exchanges with similar support organizations in the U.S. and other countries.
- * Publications and Advertising - to produce and circulate studies, books, statements, shadow white papers, conference resolutions and minutes, and newsletters, both foreign and local, which disseminate research, findings, conclusions and recommendations regarding black private enterprise development.

2. Micro and Small Enterprise Development (\$5,630,000)

This component will support organizations responding to the financial and business skills needs (bookkeeping, marketing, merchandising, etc.) of both potential and existing micro and small black entrepreneurs, in order to: expand black interaction with, and economic benefits from, free enterprise; expand income generation and employment possibilities; and, ultimately, support economic and political change in South Africa. Inputs are:

- * Credit/Equity - to capitalize micro and small enterprises through investment and/or working capital loan programs or venture capital activities on a commercial, self-sustaining basis.
- * Support Costs - to offset operations expenditures (salaries, travel, telephone, office, per diem, etc.) for lending, equity participation, training and technical assistance activities for micro and small-scale entrepreneurs.
- * Technical Assistance - to help plan, execute, manage, monitor and evaluate business development and training programs focused on micro and small black entrepreneurs.
- * Training - to increase the knowledge and effectiveness of micro and small scale lending, training and technical assistance programs by providing key employees and organizational leaders with short and long-term study opportunities at local or U.S. universities, institutes, PVO's, banks and other organizations.
- * Commodities - to improve micro and small-scale enterprise development programming efficiency through the purchase of appropriate equipment and supplies.

3. Participation in the Primary Economy (\$5,700,000).

To assist established black businesspersons to gain increased influence in the primary economy and, by extension, in the political arena, this component will assist organizations and individuals in overcoming complex financial, skills-related and attitudinal constraints which inhibit black leadership of and decision-making in medium and large-scale enterprises, and which limit the formation and ownership thereof. Inputs are:

- * Technical Assistance - to prepare pre-feasibility and feasibility studies for major black-owned (51 percent) ventures (banks, service and manufacturing companies, trusts, etc.); to analyze problems and recommend support programs for the advancement of professional black managers; to design and evaluate programs which involve the purchase of black supplied goods and services by white-owned and international businesses; and to help plan, execute, manage and evaluate black business activities directed at and operating in the primary sector.
- * Training - to increase the knowledge and effectiveness of management training programs and employees of firms in the primary sector by providing key employees, organizational leaders and managers with short and long-term training at local or U.S. universities, institutes, businesses or organizations.

- * Support Costs - to offset the operational expenditures (salaries, travel, telephone, office, per diem, etc.) associated with managerial development, intermediary financial institutions and purchasing activities.
- * Commodities - to improve managerial development and purchasing programs' efficiency through appropriate equipment and needed supplies.
- * Credit/Equity - to capitalize, on a commercial basis, a few key black investments in the primary economy, wherever possible through South African (and preferably black-owned and managed) financial intermediaries. Any such programs will be subjected to a thorough USAID/SA evaluation before being initiated, and will comply with the guidelines described in Section III-B-4, Strategy Components. (Note: as A.I.D. does not control sufficient funds to play a major role in the financial markets of the primary economy, the purpose of participation would be to signify confidence, act as a catalyst, leverage other available funds and/or make a symbolic action.)

4. PROJECT GUIDANCE AND COORDINATION (\$1,620,000)

In addition to the direct assistance of the three components described, the complexity of the Project requires a separate management, study and research component that provides long and short-term technical assistance to USAID/SA and training in support of the Project itself. Because of the dynamic business environment of South Africa, the number of expected grants, project management demands, and the wide scope of the Project, assistance is required to:

- * gather, review, analyze and catalog information and data on black private enterprise development;
- * undertake and prepare required sub-sectoral and individual grant analyses;
- * detail and refine Project plans and strategies;
- * introduce new concepts and ideas;
- * assist in the monitoring and evaluation of funding proposals and approved grants;
- * pursue concrete linkages and coordination among the organizations funded under the project;
- * help define scopes of work for diverse studies/analyses, and the technical assistance and training required for each project activity;

- * help in the organization and logistics of international exchanges and institutional arrangements; conference and seminar planning, coordination and attendance; and international and local training.
- * monitor, evaluate, and adjust Project activities to reflect initial results, new thinking and changing circumstances;
- * Identify and follow up opportunities to further strengthen black businesses and professional organizations.

To accomplish the above, the guidance and coordination component will fund the following:

- a) two long-term personal services contractors, one US and one black South African as Project Coordinators, to work for a period of six years each;
- b) local black business consultants and contractors for short-term assignments over a period of six years; and
- c) Short and long-term external and internal training at universities, institutes, associations and business in the U.S. and South Africa; trainees would be selected from individuals directly or indirectly participating in the Project or black enterprise development in general. (Foreign training would be accomplished through buy-ins under the External Bursaries Project).

A great deal of enthusiasm for this Project has been generated by and through black consultants. USAID/SA has had excellent experiences with several black firms and individuals. Moreover, the consultative and developmental role played by black business professionals has been and will continue to be reinforced by their experiencing our planning and analytical processes. An associated output of these activities is the emergence of an enlarged and more sophisticated cadre of such black business professionals. To ensure the continuation of such trends, and to provide for the extension and deepening of consultations so as to nurture fresh input and ideas for the Project and USAID/SA, significant technical assistance and training is necessary and included under this component.

C. SELECTION CRITERIA

USAID/SA will identify NGO's for grant support under this Project on an annual basis corresponding to A.I.D. fiscal years. General program criteria for all USAID/SA activities were outlined and described above in Section II-B, A.I.D. in South Africa. Specific criteria for selecting black private enterprise organizations and activities pursuant to this Project are set forth below:

1. Organizational Criteria

- * Organization should provide assistance to black entrepreneurs and/or managers and reflect, in nature and intent, the promotion of a just and productive post-apartheid society.
- * Organizations selected should be black-owned and managed, or should demonstrate a genuine commitment to increasing black participation in leadership and decision-making roles at all levels of program management.
- * Organizations selected should be supported by credible black business and community leaders.
- * Organizations selected should provide the broadest possible geographic base for the program.
- * Support shall not be given to organizations which are financed, influenced or controlled by the SAG.
- * Political parties shall not be funded.
- * Funding shall be limited to organizations deemed financially responsible and having sufficient management and technical capabilities to carry out the activity.
- * Organizations should be based on and supportive of democratic principles.

2. General Activity Criteria

- * Activities will be considered which strengthen the ability of blacks to assume their rightful role in the management of South Africa's economy and government, and which will help put an end to the apartheid system.
- * Activities will be considered that have a high symbolic effect relative to their cost.
- * Activities receiving support from a variety of sources are preferable to activities where AID is the sole source of funding.
- * Activities will be considered that are financially and commercially feasible and have the maximum possible number of beneficiaries.
- * Activities will be considered which logically lead to self-sufficiency in terms of finance and administration.

- * Financial and economic analyses of credit programs must satisfy the technical soundness and sustainability requirements of FAA Section 611(a) as demonstrated by their capitalization, the number and amount of subloans disbursed, delinquency rates, market interest rates, commercial perspective of the black sector and market, etc. Moreover, to the maximum extent possible in the socio-political environment of South Africa, USAID/SA will assure that the A.I.D. Policy Paper on Private Enterprise Development is closely adhered to.
- * Support for feasibility studies or direct investment in private firms will be reviewed on a case by case basis for compliance with the legal restrictions of the CAAA (see Annexure C).

D. TYPES OF GRANTEES AND PROGRAMS

To date, in the black private enterprise development area, USAID/SA has received and analyzed twenty-two (22) proposals from eighteen (18) organizations, which request support totalling over \$30.0 million. Preliminary reviews have suggested that a minority of these both possess merit and comport fully with the selection criteria just detailed. This section provides illustrative examples of the types of grantees and programs which may be funded or further analyzed through feasibility studies under the Project. The examples provided are also the grants recommended for FY 1987 A.I.D. assistance. These organizations and activities were selected based on:

- * black priorities and needs as determined by consultations with and surveys of the black community in general and black businesspersons in particular;
- * their adherence to program, organizational and activity criteria;
- * previous USAID/SA experience with the program;
- * the completeness and quality of the proposals; and
- * analyses conducted and recommendations made by Consumer Behavior.

Organization and grant descriptions provided below indicate probable grant size, initial funding increments, planned activities and applicable Project components. FY 87 funding estimates by Project component are presented in chart form in Section V, Cost Estimates and Financial Plan.

1. National African Federated Chamber of Commerce

NAFTOC was created in 1969 as a national executive umbrella for various regional black traders associations. Today it has 18 regional chambers with a growing membership exceeding 12,000 traders and manufacturers. Its objectives are to:

- * promote a spirit of co-operation and unity among black businesses in Southern Africa;
- * mobilize the black community towards self-help and full participation in the economy of South Africa;
- * further the development of the black business community by sponsoring needed industrial, commercial and agricultural projects; collating and disseminating information on business matters; awarding scholarships; and organizing special training courses and seminars for businesspersons;
- * protect the rights and interests of blacks in business by opposing measures which directly or indirectly obstruct their progress; and
- * serve as the sole body representing black business interests nationally.

NAFCOC activities include organization of business conferences, production of a monthly business magazine, and sponsorship of students for commercial and industrial training at various South African universities and technical schools. In addition, NAFCOC has assisted the establishment of major black enterprises including the African Bank, the only black controlled bank in South Africa.

NAFCOC is currently receiving assistance, described earlier, under the \$ 3,000,000 A.I.D. Entrepreneurial Training for Disadvantaged South Africans project (699-0220) and a \$ 160,000 planning grant from USAID/SA, part of which was used to finance the Consumer Behavior survey. NAFCOC has also received a \$ 1.5 million grant from the German Embassy for development of a training facility.

The Black Private Sector Assessment financed by the planning grant, recommends a strategy for development of a policy research capacity in NAFCOC and reorganization of NAFCOC's administrative structure to better suit the implementation of its programs over the next five years. NAFCOC fully concurs with these areas of focus and needed assistance. A new grant to NAFCOC of up to \$ 3,000,000 under this project is planned to cover the costs of these two initiatives over the next 5 years. The first increment of funding in FY 87 is estimated at \$1,425,000.

The planned NAFCOC grant of up to \$3,000,000 is the single largest obligation presently contemplated under the Project. USAID/SA recognizes that questions may be raised about the appropriateness of such substantial support, especially in light of the mid-term evaluation of the Entrepreneurial Training for Disadvantaged South Africans Project, which pointed out several areas of administrative and financial weakness in NAFCOC. While acknowledging such concerns, USAID/SA believes that NAFCOC is worthy of the anticipated funding level, for the following main reasons:

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* NAFCOC is the only institution of its kind in South Africa. There is an evident need for an umbrella body to provide the sort of research, member support, and coordinating activities undertaken by NAFCOC. The common, apartheid-created obstacles faced by all black entrepreneurs overshadow what differences exist between them, and NAFCOC is the sole black enterprise support group to represent the whole spectrum of black businesspersons. The Get Ahead Foundation's activities focus primarily on the small and micro-scale sectors of the economy, and the Black Management Forum caters to professional managers in the primary sector; the field is barren of other large-scale institutions. Despite its administrative and financial difficulties, NAFCOC has a respectable 23 year track record of fostering the interests of small, medium and large scale black business, a developed nationwide structure, and a paying membership in five figures. Moreover, NAFCOC has demonstrated an ability, unusual in the South African context, of avoiding severe factionalism.

* NAFCOC's potential is substantial. The economic experience of the ruling, Afrikaans-speaking whites themselves demonstrates the potential potency of coordinating and mobilizing business and financial institutions, even small-scale ones. NAFCOC has been involved in a disproportionate number of those innovations that have taken place to date in the black enterprise field, such as the creation of the African Bank. Moreover, it has achieved a status to the point where its conferences attract widespread business & media attention, and where the government formally sits down with it once a year for an exchange of views. The quality of leadership available to NAFCOC, while somewhat uneven, gives cause to believe that far more in the way of substantive achievements is conceivable in the future.

* NAFCOC's weaknesses are capable of redress. Although critical of certain administrative and financial aspects of NAFCOC's operations, the mid-term evaluation of the Entrepreneurial Training for Disadvantaged South Africans Project went on to recommend that these areas rank as future funding priorities. For its part, NAFCOC has demonstrated a willingness to concede its shortcomings in these areas, and to take steps to redress them. USAID/SA has had longstanding discussions with NAFCOC concerning such issues, culminating in a \$160,000 planning grant in FY 86 and a mutual recognition at present that additional concrete reform measures are necessary. Dialogue is currently taking place between NAFCOC and USAID/SA over what form such measures should take; based on this as well as the suggestions of an external evaluation team contracted by the Mission, a strategy to increase the institutions' administrative efficiency will be contained in future grant agreements. While fully aware of the problems, USAID/SA feels confident that with the combination of proper inputs and NAFCOC's commitment, such difficulties are capable of being overcome.

2. Get Ahead Foundation

The Get Ahead Foundation is black-owned and is registered as a non-profit organization in South Africa. Its objectives are to assist black business by:

- * enabling entrepreneurs to become established in suitable premises;
- * promoting black entrepreneurs by publicizing their goods and services amongst larger organizations and the black community;
- * creating employment and job opportunities for black people through various training programs;
- * assisting the black informal sector with a small loan scheme;
- * cutting the regulatory red tape that inhibits emerging black businesses; and
- * advocating deregulation.

Get Ahead has a broad community and regional base with offices established in the townships of Atteridgeville, Mamelodi, Soshanguve, Mothloutung and Winterveldt in the northern Transvaal, Soweto, Alexandra and Tembisa in the southern Transvaal, Crossroads in the Western Cape, KwaZakhele/New Brighton in the Eastern Cape, and Durban and Acornhoek in Natal. In order to ensure the broadest possible community support, offices are only established after extensive discussions and negotiations with local community leaders. Community participation continues as specific programs are implemented.

Get Ahead is currently implementing the following programs:

- * Job Creation. The Foundation provides training and advisory assistance through activities that vary from construction of classrooms to advertising the services of artisans in the architectural and building professions.
- * Provision of Micro-loans. The Foundation makes loans, generally of R 300 (U.S. \$150) or less to informal sector entrepreneurs such as hawkers. Interest is charged at the rate of 10 c per R 25 per week, for an effective annual interest rate of approximately 20 percent. This program is administered through the Get Up Lending Trust.

- * Encouragement of Informal Markets. The Foundation builds or adapts premises in black and white areas for people to make and sell their goods.
- * Provision of Venture Capital. The Foundation makes larger loans ranging from R 500 to R 20,000 (U.S. \$250 to U.S. \$10,000) for formal sector type activities such as welding, clothing manufacturing, printing and taxi operation. (Note that in strict financial terms such loans would not be considered venture capital.) Many of the aided enterprises are unlicensed and do not pay taxes.
- * Fronting. The Foundation signs leases for industrial and commercial premises in white areas, and then sublets to black tenants.
- * Mentoring. The Foundation provides counseling services through black managers who are seconded from companies for a morning a week or month. About 60 companies currently participate in the program. Each mentor develops a regular relationship with two or three black businesses.
- * Holding of Seminars. The Foundation arranges training meetings for black businesspersons covering subjects such as management, client relationships, marketing, bookkeeping and accounting.
- * Support for Jabavu Crossroads Shopping Center Buy-out. The Foundation is involved in a buy-out program for an insolvent shopping center complex in Soweto, formerly 49 percent white-owned.
- * Creation of an Anti-Apartheid Code of Conduct. The Foundation is developing a code fashioned on the EEC and Sullivan Codes that South African businesses will be urged to adopt.

The Project will contribute to the cost of Get Ahead's credit, technical assistance, and training programs for micro and small scale entrepreneurs with assistance totaling up to \$2,000,000 over the next five years. This amount will be adjusted upward or downward depending upon actual implementation progress and achievement of goals. FY 87 funding is estimated at \$1,350,000.

The magnitude of potential funding for Get Ahead reflects Get Ahead's prominence in the small and micro-loan field, the importance of such credit facilities in any strategy for micro and small enterprise development, and favorable USAID/SA experience to date with the institution. The Mission has previously supported Get Ahead's fronting and legal assistance programs, both of which were run professionally and to positive effect. As in the case of all other prospective recipients of Project financing, more extensive

evaluation of Get Ahead's administrative and programmatic capacities will be carried out before grant negotiations are commenced; such evaluations will bear heavily on the nature and content of an ultimate funding agreement.

3. Black Management Forum

The BMF was founded in 1976 by a group of black managers working for South African companies. The organization's main objective is to assist in developing and advancing blacks in business organizations so that they may become effective professional managers. BMF's primary activities have been publication of a quarterly newsletter and organization of forums, seminars, meetings, and workshops by member volunteers responsible for portfolios covering Research and Information, Education and Training, Membership, Fundraising, and Publicity.

In late 1986, the BMF set out to establish an administrative infrastructure including offices and full-time paid staff. The organization proposes to develop the following:

- * a research and information unit which will be responsible for conducting research on black managers and also for studying attitudes of white managers towards black advancement;
- * an education and training unit which will be responsible for designing and identifying suitable management programs for training and developing managers;
- * a lobbying unit to design and monitor an affirmative action employment program and involve black professionals in the "indigenization of businesses in the First World economy."
- * a monthly magazine, growing out of the organization's quarterly newsletter and extending its coverage of BMF activities to incorporate stories on a wider range of leadership in the black community; and
- * an expanded, more ambitious program of BMF-supported conferences, meetings and seminars.

The Project will support these institution-building, advocacy, management training and primary economy programs with a grant of \$500,000 to finance activities over the next 3 years.

4. Association of Black Accountants of South Africa

The ABASA was founded in 1985 as a support group for black South African accountants. Its goals are to:

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- * increase job opportunities for black accountants, and promote their career development;
- * upgrade educational opportunities for black accounting students, thereby enhancing the skills possessed by such individuals upon entrance into the profession;
- * build support networks for black accounting students;
- * increase the awareness among blacks of the accounting process of improving the self-image and self-confidence of South African blacks.

Although still a young organization, the ABASA has already recorded several impressive organizational and programmatic achievements. Despite the extremely small size of its professional community -- a direct legacy of apartheid discrimination -- the group has established strong international ties to sister organizations, launched bursary and other assistance programs, forged links with universities and other domestic support organizations, and started publishing a newsletter. To help support an ambitious program of activities planned by the ABASA the Project will provide financing of some \$50,000 in FY 87 to offset the costs of national and branch operations, publications and public relations activities, research, and networking. Further funding in the future is a possibility.

5. Black Economic Development Fund

One of the resolutions passed at the January 1987 meeting of NAFCO's Transvaal Regional Convention (NATRECO) concerned the establishment of a Black Economic Development Fund. The Convention concluded that the existing black economic development agencies and corporations and their programs were fundamentally flawed because they were premised on white South Africans trying to do things for and on behalf of black South Africa. The Convention proposed a black-developed and managed Fund to break the apartheid-based underdevelopment of the black economy in South Africa.

NATRECO has requested financial assistance to analyse the level of support for the Fund idea in the general black community, the potential foci of the Fund's activities, technical considerations for founding and operating a fund and requisite financial institutions, and the strengths and weaknesses of other financial institutions attempting to serve the black community. Specifically, NATRECO proposes a pre-feasibility study that would establish the following:

- * the reasons why development corporations, foundations, bank programs and social responsibility programs established and designed to move blacks forward economically have failed to yield positive results;
- * the measures that black leadership groupings think can be taken to bring about real black economic development;

- * a survey of opinions on and attitudes toward a Black Economic Development Fund owned and utilized by blacks;
- * the types of projects/programs such a fund would be expected to finance and support - i.e., the scope of the fund (business, infrastructure and/or community activities);
- * the expected differences between the envisaged fund and other planned and existing financial programs, e.g. the SBDC, IBM, Coca Cola, Barclays, Standard Bank and "development" banks;
- * the desired type of trustee or financial institution to serve as custodian and implementor of the envisaged fund;
- * an analysis of local and international legal, economic and banking requirements for a fund of this nature; and
- * preliminary investigation of lending terms and conditions to ensure the long-term self-sufficiency and growth of the fund.

The NATRECO proposal includes a study methodology that provides for library/literature searches, opinion/attitude surveys and visits to international development institutions. The project will finance the estimated \$ 50,000 cost of the pre-feasibility study.

If the pre-feasibility study confirms the technical merit of the fund concept and its acceptance by the black community, NATRECO has indicated that it will then commission a full feasibility study focusing on the detailed implementation procedures of the fund and the monitoring of the specific programs.

6. African National Insurance Company

An organizing committee consisting of American and black South African business interests has submitted proposals for developing and financing an African National Insurance Company (at a level of U.S. \$8,000,000), and developing a program for recruiting and training management for the new company (at a cost of U.S. \$24,300). The insurance company is proposed as a basic and effective form of resource mobilization, providing an efficient allocational mechanism for savings. Investible capital would be directed toward mortgage securities, financing for black projects, and a venture capital fund to stimulate small business opportunities.

USAID/SA review of the insurance company proposal has raised serious questions that may best be answered through a feasibility or pre-feasibility study. These questions relate to the ownership and management structure of the company, SAG involvement (through reserve requirements), market analysis, financial analysis, and the proposal's relationship to USAID/SA program priorities. The recruitment and training proposal is considered premature as long as these basic questions about feasibility remain unanswered. As the Insurance Company is proposed as a private company, USAID/SA may provide some 50 percent of the costs of the pre-feasibility study (U.S. \$ 50,000).

7. African Council of Nyangas and Hawkers Association

The ACNHA was formed in April 1986 as an umbrella body for trade groups representing hawkers, informal manufacturers, informal traders and nyangas (suppliers of traditional herbs, remedies and tonics). The major objectives of the organization are to advocate the abolition of restrictive regulations that discourage the black entrepreneur, and to provide members with legal, marketing, management and training support. The ACNHA has about 12,000 members, with a head office in Johannesburg and branches in Pretoria, Durban, Port Elizabeth, Cape Town, Maritzburg and Pietersburg. The Project will initially provide the organization with about \$ 75,000 in FY 87 to finance general operating costs and legal fees, and to enrich training programs and install a revolving credit fund. Additional funds may be made available should the credit fund prove successful and more hawkers seek ACNHA training.

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V. COST ESTIMATES AND FINANCIAL PLAN

A. OBLIGATIONS

Obligations for the Project will total \$ 19.5 million and are planned over the five fiscal years from 1987 to 1991. The Project Assistance Completion Date is December 31, 1993, which will permit full implementation of FY 91 obligations and complete utilization of prior years' funding availabilities.

The figure of \$19.5 million represents USAID/SA's best estimate of the amount of money that can be efficiently absorbed by appropriate black private enterprise development programs over the next five years. In arriving at the figure, the most important calculation was an initial assessment of what percentage of the \$30 million worth of proposals received to date by USAID/SA satisfied applicable project criteria. The Mission then used this proportion as a basis from which to extrapolate a 5 year estimate of fundable proposals and programs, taking as an assumption that the rate of applications for assistance would remain relatively constant over this period. For purpose of the exercise, separation of meritorious from other proposals was accomplished through preliminary application of the criteria specified in Section IV-C, Selection Criteria.

Making accurate medium and long-term financial projections in an environment as complex, unstable and uncharted as the one surrounding this Project is extremely difficult. However, in the circumstances the figure reflects USAID/SA's current best effort at judging what is both appropriate and feasible in the unique political and economic context of South Africa. As the Mission becomes more familiar with the black private enterprise area, and as USAID/SA's activities become better known to black entrepreneurs, it is possible that the budgetary evaluations above will change, and that an amendment to the Project or even an additional Project itself will have to be implemented. While such adjustments are not anticipated at present, USAID/SA will engage in an ongoing process of assessment to ensure that it remains responsive to the needs and prospects in this field.

Presented below in Table 1, SUMMARY COST ESTIMATE AND FINANCIAL PLAN, are FY obligations by Project component and activity. Cost estimates presented in this section of the Project paper are illustrative, particularly in the out years. FY 87 budget projections are accurate, but final confirmation of individual grant amounts will not take place until later in the year, after budget figures and funds are made available, and further detailed analyses and negotiations completed. It must be realized that the out year projections here are subject to an inherent uncertainty, as the possibility of major investments in an activity aimed at facilitating black participation in the primary economy may utilize substantially more Project proceeds than are currently estimated. Barring an amendment or supplementary project, such obligation would correspondingly reduce available funds for other Project components and activities. Notes and assumptions for all financial tables are found in Annexure E; the methodology used to arrive at individual component budgets has already been discussed in Section IV-B, Project Components and Inputs.

TABLE 1

SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(FY Obligations, \$ 000's)

Component or Activity	87	88	89	90	91	TOTAL
Institutional Development & Advocacy	1,800	1,310	1,210	1,560	300	6,180
Micro & Small Enterprise Development	1,350	1,450	900	1,500	430	5,630
Participation in Primary Economy	350	700	1,500	650	2,500	5,630
Guidance & Coordination		270	270	270	810	1,620
Evaluation & Audit		20	120	20	210	370
TOTAL	3,500	3,750	4,000	4,000	4,250	19,500

Planned obligations for FY 87 by organization and component are presented in Table 2, ANTICIPATED FY 87 OBLIGATIONS. The NAFCOC advocacy and institutional development grant and, possibly, the grant to Get Ahead for micro and small enterprise development represent the first increments of anticipated larger activities. Similarly, depending upon further planning and actual implementation progress, the BMF and ACNHA may be considered for larger multi-increment grants.

TABLE 2

ANTICIPATED FY 87 OBLIGATIONS
(\$ 000's)

	Institutional Development & Advocacy	Micro & Small Enterprise Development	Participation in Primary Economy	TOTAL
NAFCOC	1,425	---	---	1,425
BMF	250	---	250	500
ACNHA	75	---	---	75
ABASA	50	---	---	50
Get Ahead	---	1,350	---	1,350
Development Fund	---	---	50	50
Insurance Company	---	---	50	50
TOTAL	1,800	1,350	350	3,500

Project funds will be obligated through cooperative agreements, grants and contracts, depending on the activity. Cooperative agreements may be the preferred obligating document due to present SAG action in applying the Fund Raising Act to many of our current grantees. FY 91 obligations for the Evaluation and Audit and Guidance and Coordination components are proportionately larger than in prior years as these activities will require prior year funding for activities scheduled in FY 92 and 93.

B. DISBURSEMENTS AND AUDITS

At this point in Project development, disbursements by activity and component, let alone figures for the Project as a whole, cannot be accurately projected. However, based on recent experience under the Community Outreach and Leadership Development project and the nature of proposed inputs, it is expected that disbursements will be fairly quick, avoiding any pipeline issues. USAID/SA, in full coordination with the Controller in USAID/Swaziland, will evaluate the cash flow requirements of individual activities to be funded and the financial status of the proposed organizations in order to determine whether advances are justified. Periodic ninety (90) day advances will be made to not-for-profit NGOs as warranted, but in general it is anticipated that direct reimbursement will be the preferred method of financing. Further details on methods of obligation and financing will be determined during the analysis of grant proposals and subsequent negotiations.

In conformity with A.I.D. requirements, the Controller and/or a local accounting/financial firm will conduct a review of the accounting and financial control systems in place and used by prospective grantees. Organizations without adequate procedures and documentation practices will not be eligible for assistance, or, alternatively, improvements will be required as a condition precedent to funding. In special cases, USAID/SA may finance the design and introduction of an acceptable accounting system as a requirement to further funding included in the grant. Funding in the amount of \$120,000 is provided within the project budget to finance required financial reviews and audits.

C. PAYMENT VERIFICATION

USAID/SA is aware of A.I.D. policy concerning payment verification, specifically those provisions requiring that methods of implementation and financing be detailed and assessed. Given that this is an umbrella project, designed for maximum flexibility in order to cope with the rapidly shifting circumstances of South Africa, USAID/SA is unable at this preliminary stage to provide such details for any of the Project components are that of Project Guidance and Coordination. Rather than engage in speculation, USAID/SA feels it would be preferable in these cases to produce such data as it becomes reliable - i.e., as proposals are submitted, activities negotiated, and grants prepared under the Project. As grantee and program profiles become clearer and as implementation and financing methodology take shape, USAID/SA will, with the input of the AID Regional Controller and IQC assistance, complete its payment verification reporting obligations.

For the Project Guidance and Coordination Component, available payment verification information follows below. It is anticipated that: (a) all contracting under this component will be handled directly by AID or USAID/SA; (b) all payments will be made by reimbursement, rather than advances; (c) formal or informal competition will be utilized in procurement of all goods and services; (d) the U.S. personal services contractor to be hired for six years (estimated cost: \$900,000), will be financed in U.S. dollars; the South African personal services contractor to be hired for the same period (estimated cost: \$300,000) will be financed in local currency, as will all other local contractors (estimated cost: \$300,000); internal and external training (estimated cost: \$120,000) will be financed in local and U.S. currency, respectively; the relative amounts are unknown at this time.

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VI. IMPLEMENTATION PLAN

A. A.I.D. ADMINISTRATIVE ARRANGEMENTS

USAID/SA will have full management responsibility for all activities under the Project, and will assign a project officer to monitor the progress of local grants, feasibility studies and technical assistance. The technical assistance provided for Project management and research through the Project Guidance and Coordination component will report directly to the USAID/SA Project officer. In addition USAID/SA will have available, under an Indefinite Quantity Contract, the services of a black South African firm(or firms) for the monitoring of grantee financial and audit-related performance.

Project funds will also be available to contract for local and foreign technical assistance to support grantee institution-building and programming activities. These would include assistance for improving accounting, internal monitoring, evaluation, management systems, research capabilities, and so on. Similarly, support for grantee operations costs may be financed in order to facilitate long-term self-sufficiency and overcome heavy start-up expenditures. AID/W TDY assistance, will also be available to the mission as needed for backstopping individual grantee programs and developing new grants and studies. The primary AID/W backstopping office will be AFR/PD, with the support of AFR/SA and AFR/PRE.

A.I.D. financial management will be handled by the Regional Controller's office in USAID/Swaziland. It will arrange disbursement and vouchering procedures with USAID/SA and local grantees. The Regional Controller and/or the local South African financial and accounting firm will arrange for pre-assistance examinations of individual local grantee bookkeeping and accounting practices. The Regional Controller will certify, in accordance with requirements set out in HB 13, Chapter 1, that the prospective grantee can responsibly administer project funding.

The Regional Legal Advisor and the Regional Contract Officer in Swaziland will assist USAID/SA with the award of grants and contracts. The RLA will review and approve the text of all grant agreements, cooperative agreements and contracts before they are signed, and will also perform 802-C certifications (see Annexure C) for each agreement. The RCO will assist in drafting grant and cooperative agreements and contracts as necessary.

B. SCHEDULE OF MAJOR PROJECT ACTIVITIES

1987	May	Project paper informally reviewed in AID/W.
	August	Project reviewed, approved and authorized in USAID/SA.
	August	USAID/SA to further analyze grant requested and begin negotiations with prospective grantees. Regional Controller to examine bookkeeping and accounting practices of prospective grantees, and to certify that each has the capacity to responsibly administer and use A.I.D. funds.
	August/ September	USAID/SA to finalize negotiations and sign agreements or contracts with local grantees.
1988	October/ March	Receipt and review of grantee proposals for FY 1988 funding by USAID/SA. Contracting for Project Guidance and Coordination assistance.
	January	Project Guidance and Coordination assistance operative.
	January/ June	Negotiations with grantees by USAID/SA. Regional Controller's examination and certification of grantee fiscal accountability.
	March/ September	USAID/SA to complete negotiations and sign grants or contracts for FY 88 activities.
1989	October/ September	FY 1989 programming cycle similar to FY 88.
	October	Mid-term Evaluation.
1990	October/ September	FY 1990 programming cycle similar to FY 88.
1991	October/ September	FY 1991 programming cycle similar to FY 88.
1992	June	Final Evaluation

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C. GRANT PROCEDURES

1. Requirements for Competition

The USAID/SA Director was authorized by delegation of authority from the AA/AFR dated June 26, 1986, to restrict in all A.I.D. projects, invitations for grants or cooperative agreements in accordance with the criteria in A.I.D. Handbook 13, Section 1B2C (see State 203062). The main criterion for limiting competition will be the Mission's judgement that the entity is unique or is most appropriate to undertake the subactivity in question (criterion number 3, chapter 1B2(e) in Handbook 13). The Director's approval will be obtained as each grant is approved.

2. FAA Section 611(a)

Due to the umbrella nature of the Project, provision of full detail as to Project design must await the receipt of proposals and the negotiation and approval of individual grant agreements. Each approved grant proposal will include detailed description of specific activities and a detailed budget and financial plan. Pending this, requirements for 611(a) are met through inclusion in this Project Paper of: detailed criteria for selection of grantees and activities, as listed in Section IV-C, Selection Criteria; descriptions and costs for an illustrative set of grants to be awarded during the first year of the Project in Section IV-D, Types of Grantees and Programs; and procedures for reviewing and approving grants in Section VI-A, A.I.D. Administrative Arrangements.

3. Obligation authorities

In accordance with Redelegation of Authority No. 149.1.1 from the AA/M, effective June 1, 1985, the USAID/SA Director has authority to execute grant agreements with local South African organizations in amounts not exceeding \$ 5 million per grant. Per the Redelegation of Authority No. 149.1.86.50, the USAID/SA Director has authority to execute cooperative agreements with South African NGO's in an amount not to exceed \$ 2 million (see State 265356). Execution of grants and cooperative agreements above these amounts will require an ad-hoc delegation of authority from the AA/M or signature of a grant officer possessing the requisite amount of grant authority.

4. Procurement

All procurement under the Project will be in compliance with both Executive Order 12539 of September 9, 1985 and the CAAA. The USAID/SA Director will be asked to authorize Geographic Code 000 (U.S.) procurement and local cost financing up to the totality of the Project's LOP cost. Grantees under the Project will be able to purchase commodities and services locally, using local currency, in

unlimited quantities, as long as commodities and services have their source/origin in South Africa or are imported shelf items of Code 941 origin. For locally available items having their origin in Code 899 countries (Free World, less host country), shelf item procurement will be available up to \$ 250,000 for the overall Project.

All obligating documents effected with funding authorized by this Project will require that all goods and services financed by A.I.D. will, to the maximum extent practicable, be procured from black South Africans. (See Section 5, Covenants, below, for covenant language.)

A waiver of the \$ 250,000 shelf item limit is not being sought at the present time, since it is too early to predict precise origin of commodities to be procured. The USAID/SA Director has standard source/origin waiver authority under Redlegation of Authority No. 551, which could be used if total shelf item procurement exceeds the \$ 250,000 limit.

A.I.D. normally obtains an exemption from the host country from the requirement to pay a variety of incidental taxes, e.g. sales tax, VAT, or customs duties on imported commodities. Since it is not appropriate for A.I.D. to enter into agreements with the SAG, some A.I.D. funds may be used for payment of taxes. An across-the-board approval for payment of such taxes for A.I.D. projects in South Africa was authorized in the Labor Union Training for South Africans project (690-0223), and will apply to this Project as well.

5. Covenants

* CAA Section 203 (c)

Section 203 (c) of the CAA states that "notwithstanding any other provision of law, the Secretary of State and any other head of a department or agency of the United States carrying out activities in South Africa, shall, to the maximum extent practicable, in procuring goods or services, make affirmative efforts to assist business enterprises having more than 50 percent beneficial ownership by South African blacks or other nonwhite South Africans." A Covenant expressing this policy will be included in all grants and similar language will be included in the selection criteria stated in all local contract Request for Proposals (see Annexure C, l.c.).

* A.I.D. Private Enterprise Development Policy

Although the A.I.D. assistance program in South Africa is political, rather than economic in nature, a covenant expressing A.I.D.'s Private Enterprise Development Policy will be included, to the extent practicable, in each grant that includes a credit or equity activity. Specifically, the Covenant will require interest rates and repayment periods to be set at market determined rates to prevent decapitalization and economic misallocation of scarce resources.

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* CAAA Section 316

The Regional Legal Advisor will be consulted, on a case by case basis for any assistance provided directly to private enterprises, on the necessity of requiring any Covenants to satisfy CAAA Section 316 concerns (see Annexure C, 1.a.).

* Employment Generation and Women's Participation

Where appropriate, grant or cooperative agreements concluded under the Project shall include, in their reporting requirements, provisions mandating that grantees address: (1) how and to what degree program activities have fostered women's participation in private enterprise and the South African economy; (2) how and to what degree program activities have had an impact on employment generation. The appropriateness of imposing such requirements in individual cases shall be primarily determined with reference to the relevance of grant activities to these two issues, and also to the size and duration of the grant. Such determinations shall be made in consultation with the Mission's Women in Development officer. In addition to forming an integral part of the grant monitoring process, grantee reports will be addressed and analyzed by USAID/SA in both the mid-term and final Project evaluations.

6. Grantee and Third-Party Contributions

Because the U.S. assistance program in South Africa explicitly eschews SAG participation, no host government contribution to financed activities will take place. As noted earlier in Section IV-C, Selection Criteria, activities receiving support from third parties other than the SAG will be preferred to those funded solely by AID, all other things being equal.

Given the discriminatory barriers on access to resources which black businesspersons and enterprise groups have long suffered, it is likely in most cases that significant grantee contributions will not be feasible. However, every USAID/SA analysis of a potential grantee will include an evaluation of the organization's capacity to contribute -- whether on a cash or in kind basis -- to the program proposed, and every ensuing grant negotiation will provide for such contributions to the extent possible. When politically feasible, grantee contributions will be recorded in the grant agreement. Both mid-term and final Project evaluations will consider the level of grantee contributions as one measure of the future self-sustainability of Project activities.

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D. MONITORING, AUDIT AND EVALUATION PLAN

Regular monitoring of grantee and contractor activities will be accomplished by the Mission Project officer and the Mission-contracted Project coordinators. Grantee and contractor reports and vouchers will be reviewed, project sites will be visited on a periodic basis, and grantee and contractor officials and staff will be interviewed and consulted. In-depth reviews of grantee and contractor performance, and achievement of grant objectives will be conducted as part of the annual programming cycle. Regular audit/financial reviews will be conducted by an independent and objective South African contractor on a portion of the grants financed by this project as part of each Fiscal Year programming cycle. All large grants (over \$500,000) will include funding for mid-point grant evaluations.

Mid-term and final Project evaluations will be conducted in late 1989 and mid-1992, respectively. These evaluations will include a review of ongoing and completed activities and contracts similar to the regular grant evaluations, but will also look at the validity of Project assumptions, progress towards achievement of goal and purpose level objectives, and the validity and feasibility of goal and purpose. The mid-term evaluation will be used to guide any necessary corrective action required for the remainder of the Project. The final evaluation will analyze and review attainment of Project goals, purposes and outputs and make recommendations for any future private sector projects.

VII. ENDNOTES

1. As in other economic settings, the scale of enterprises can be calculated in a variety of ways through the use of employment, figures, sales totals, net assets, etc. In South Africa, however, these universal difficulties are further compounded by the vast differences that exist between: (1) rural and urban-based enterprises; (2) the service and manufacturing sectors; (3) the complex white and underdeveloped black business sectors; and (4) fully legal, partially registered and illegal businesses. For purposes of this Project, and as an aid to further analysis and Project implementation, the following classifications are used. These scale determinations take into account the wide variances discussed above and are in line with most academic studies of black business in South Africa.

<u>Scale</u>	<u>Number of Persons Employed</u>	<u>Value of Net Assets (Rands)</u>
Micro	1 - 5	Up to 10,000 (U.S.\$ 5,000)
Small	5 - 20	10,000 - 750,000 (U.S.\$ 5,000 - U.S.\$375,000)
Medium	20 - 100	750,000 - 2,000,000 (U.S.\$ 375,000 - U.S.\$1,000,000)
Large	100 and up	2,000,000 and up (U.S.\$ 1,000,000 and up)

2. South Africa Advisory Committee Report to Secretary of State (Part One) (February 10, 1987) at p.3. (Note: all page references are to teletype copy of report on file at USAID in Pretoria). In general, the Background, Constraints and other sections of this project paper rely on information culled from the Advisory Committee Report. The Strategy, Rationale and Project Description activities have also been included in the illustrative recommendations of the Report. However, the project activities described in the Project paper were arrived at independently based on South African black enterprise proposals presented to USAID/SA, as well as the relevant laws and regulations and policy guidelines that shape USAID/SA activities in South Africa.

3. Ibid.

4. Because race plays such a preeminent role in South African affairs, the law provides for a series of different racial categories or classifications. Under the law, the word "African" is a racial classification that refers to any person

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"who is, or is generally accepted as, a member of any aboriginal race or tribe of Africa." "Colored" is a racial classification denoting South Africans of mixed race. The terms "Asian" and "Indian" are used interchangeably, although the "colored" classification can also include people of Asian extraction. The Orwellian nature of the system is illustrated in the many petitions filed each year by persons wishing to be racially reclassified in order to gain access to increased rights and benefits. For reasons of its own, the South African government will grant such petitions from time to time.

USAID, of course, rejects the South African racial classification system and in this project paper the term "blacks" is used generically as a collective noun that may include Africans, Coloreds, Indians and other Asians. As required by context, the term "blacks" may also be used in the narrower sense of "African" in references to apartheid laws and practices.

5. All statistical data contained in this Project paper is believed to be correct. Nonetheless, given the dearth of available figures on unrest and the black community, the frequently conflicting numbers provided by the SAG, investigative and academic sources concerning black economic status, and the near complete lack of reliable data from rural black areas, extreme caution must be employed when applying and analyzing quantitative information.
6. Advisory Committee Report.
7. Ibid at 16.
8. See Louw, The Solution (1986) at 61-62.
9. Advisory Committee Report.
10. Ibid at 33.
11. Ibid.
12. Ibid.
13. Ibid.
14. Ibid.

ANNEXURE A
PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Project Title and Number: Black Private Enterprise Development

Life of Project: Seven years
From FY 87 to FY 93
Total U.S. Funding: \$19.5 M.

NARRATIVE SUMMARY
Program or Sector Goal:
The broader objective to
which this Project contributes:

**OBJECTIVELY VERIFIABLE
INDICATORS**
Measure of Goal Achievement:

MEANS OF VERIFICATION

IMPORTANT ASSUMPTIONS
Assumptions for achieving
goal targets:

To promote, through peaceful means, and end to apartheid and the emergence of a non-racial and democratic society in South Africa.

Enhancement of black leadership and decision-making capability in selected black advocacy organizations, private voluntary organizations, and particular businesses.

DSAIID/SA effort to document BOP status for each advocacy, lending, and investment/consulting facility assisted.

Political situation in S.A. sufficiently flexible to allow achievement of black business advancement and economic development through private sector initiatives.

Increased ability of blacks to gain economic and political influence and to produce and consume the output of the S.A. Economy.

Independent mid-term Project evaluation relying in part on views of advocacy organization constituencies as well as other interested groups, including: lending facility beneficiaries and personnel, primary economic sector intervention beneficiaries and other elements of wider black and white business communities in industrialized sectors. BOP/mid-term status and BOP targets will be compared.

Project Purpose:

To assist black South Africans overcome the political, regulatory, economic, technical, social and attitudinal constraints that have stemmed from apartheid to prevent their equitable participation in the South African economy as owners, managers or employees in private enterprises.

Conditions that will indicate purpose has been achieved:

Self-sustaining black business advocacy organizations better able to formulate, articulate, disseminate and manage programs and policies which advance the interests of their constituencies.

Self-sustaining black and non-racial NGO's able to use financial resources and technical assistance to create black jobs and incomes, and to integrate blacks into the larger economic life of the country

Black owned and managed investment vehicles/consulting firms providing sophisticated financial, marketing, economic development and other services to clients.

Evaluations as above together with an economic impact analysis directed at the micro and small enterprise lending beneficiaries. Also, an in-depth comparison of capacity of advocacy institutions and linkages among them before and after the Project.

Assumptions for achieving purpose

SAG permits U.S. assistance to selected private black business advocacy, lending and economic development groups. Groups selected have capacity to carry out leadership and advocacy functions, micro and small enterprise lending, and other support activities. In prime sector, black entrepreneurs selected possess sufficient skill and experience to undertake complex management and finance activities.

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<u>Outputs</u>	<u>Magnitude of Outputs</u>		<u>ASSUMPTIONS FOR ACHIEVING OUTPUTS</u>
1. Strengthened and functioning networks among black businesses capable of identifying, researching, analyzing and disseminating information and positions on the constraints upon, and the role of, blacks in private enterprise in South Africa.	Number of: 1. advocacy associations strengthened; "twin" organizations established; policy analyses published and disseminated, individuals receiving short-term training; concrete linkages among associations made; increases in associations membership, dues and fee generation.	Periodic reports by grantees. Visits to project sites by staff of USAID/SA Periodic project evaluations.	The groups selected efficiently utilize their capability to carry out leadership, advocacy functions and economic development activities. USAID/SA effectively and timely delivers grant funds and technical assistance.
2. Dialogue among black businesspersons and between black business groups and the broader black community, white business people and those who would promote change within the SAG.	2. meetings and conferences convened; resolutions of meetings.		
3. Improved decision-making, leadership and business skills among black entrepreneurs and managers.	3. black managers and professionals participating in training programs and seminars.		
4. Self-sustaining credit programs for micro and small black enterprises.	4. micro and small-scale lending facilities strengthened; amounts lent and jobs created; beneficiaries trained.		
5. Institutions and mechanisms started and strengthened to assist established black businesspersons overcome the financial and attitudinal constraints in South Africa's primary economy.	5. pre/feasibility studies funded/completed; investment/credit/consultancy vehicles created or strengthened; investments made; jobs created; savings mobilized; companies bought out, etc.		
<u>Inputs:</u>	<u>Implementation Target (Type and Quantity)</u>	Grant agreements and other obligating documents negotiated and signed. Contractor T.A. reports submitted to USAID/SA.	<u>ASSUMPTIONS FOR PROVIDING INPUTS</u> USAID/SA and grantees effectively and timely deliver and utilize funds. Continued use of black South African suppliers of goods and services.
Grants to predominantly black-owned and managed businesses and NGO's. Training and Technical assistance.	FY 87: \$ 1.75 million in funding for 3 advocacy organizations; \$ 1.4 million micro and small scale lending funds; \$ 0.1 million for feasibility studies and \$ 0.25 million for management and professional education programs.		
Commodities			
Credit/equity	FY 88: \$ 3.75 million for similar activities.		
	FY 89: \$ 4.0 million for similar activities.		

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IV (2) STATUTORY CRITERIA

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A. includes criteria applicable to all projects. Part B. applies to projects funded from specific sources only:
B.1. applies to all projects funded with Development Assistance loans, and
B.2. applies to projects funded from ISF.

CROSS REFERENCES: IS COUNTRY CHECKLIST (1) Assistant is not to the Government of South Africa
UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT? (2) Yes

A. GENERAL CRITERIA FOR PROJECTS

1. FY 1985 Continuing Resolution Sec. 535; PAA Sec. 533A.

Decision by authorizing and appropriations committees of Senate and House have been or will be notified concerning the project. A congressional notification: of this activity will be submitted to the Congress.

2. PAA Sec. 511(a)(1). Prior to obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (a) Yes (b) Yes

3. PAA Sec. 511(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? The planned assistance do not require further legislative action within the Republic of South Africa.

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As of April 1, 1987, the date of preparation of this statutory checklist to be incorporated as part of the Authorization Package for the FY 1987 Black Private Enterprise Development Project, the official FY 1987 statutory checklist had not been distributed by ADDM and therefore was not available. Accordingly, per advice from OC/AFR and FMA, USAID is using an updated version of the FY 1986 statutory checklist in all cases where reference is made to the FY 1986 Continuing Resolution, this update

X
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4. FAA Sec. 611(b); FY 1995 Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See AID Handbook 3 for new guidelines.)

N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

In the event there are construction costs under certain grants or subgrants the total of such costs is not expected to exceed \$1 million. If in the future a determination is made that such costs will exceed \$1 million a 611(e) certification will be performed at that time.

6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

No. The project is not exclusively an assistance to disadvantaged South Africa.

7. FAA Sec. 601(a). Information and conclusions whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

Assistance will not be provided to the Government of South Africa. The project contributes in to provide the opportunity for the South Africans to part equitably in the South African economy as owners, managers or employees of private enterprises. In contrast, the project will foster Black South African private initiative and thereby increase competition. The project will also encourage the development of Black-owned institutions.

8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

Section 601(b) of the Commerce and War Reliefs Act prohibits private US investment in South Africa except with respect to enterprises owned by black South Africans. The goal to which project contributes is to provide the opportunity for South African blacks to participate equitably in the South African economy as owners, managers or employees of private enterprises. It is expected that achievement of goal will encourage greater private trade and investment in such enterprises.

9. FAA Sec. 612(b), 636(h); FY 1985 Continuing Resolution Sec. 507. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

- Assistance will not be provided to the SAC but rather, to indigenous South African non-governmental organizations.
- The U.S. does not own excess local currency.

10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

NO

11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

YES

12. FY 1985 Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

N/A

13. FAA 118(c) and (d). Does the project comply with the environmental procedures set forth in AID Regulation 16. Does the project or program take into consideration the problem of the destruction of tropical forests? YES N/A
14. FAA 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipts and expenditure of project funds (dollars or local currency generated therefrom)? N/A
15. P.L. 96-5 Continuing Resolution Sec. 230. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution? NO
16. ESDA of 1985 Sec. 310. For development assistance projects, how much of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? N/A

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B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance
Project Criteria

2. FAA Sec. 102(a), 111, 113, 251(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and cooperative encourage democratic private and local governmental institutions; (c) support the voluntary efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; (e) utilize and encourage regional cooperation by developing countries?

N/A
The project is presently ES funded. However, in the event that the project is funded development assistance fund in the future, the funding criteria in this section are herein addressed:

a) The project will support development of black private enterprise at the grass level by providing financial organizations who provide support services and/or credit to black small businesses.

b) The project will support the development of the small scale private enterprise and strengthen institutional capacity use legal and advocacy techniques to oppose apartheid.

c) Assistance will not be provided to the government of South Africa.

d) The project will contribute to the goal of providing opportunity for black African women to participate equitably in the South African economy as owners, managers or employees in private enterprise.

e) N/A The project is focused exclusively on assisting disadvantaged South African

- b. FAA Sec. 103, 103A, 104, 105, 106. Does the project fit the criteria for the type of funds (functional account) being used? N/A
- c. FAA Sec. 107. Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Appropriate technology generally is not relevant the type of assistance to provided under the Project. However, to the extent th appropriate technology is relevant, its use will be emphasized.
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a 'relatively least developed country)? N/A Assistance will not be pr to the Government of South Africa.
- e. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes. The project will contribute to the develop of black economic resource and to the increase of th productive capacity of bl private enterprise.

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f. FAA Sec. 126(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority?

Yes. The ultimate beneficiaries of project will be disadvantaged black South Africans.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental processes essential to self-government.

- All project activities will take into account black priorities, participation, and community consultation and accountability.
- The project will provide technical assistance and training in order of the development of black enterprises.

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2. Development Assistance Project
Criteria (Loans Only)

- a. FAA Sec. 122(b). Information on conclusion on capacity of the country to repay the loan, at a reasonable rate of interest. N/A
- b. FAA Sec. 620(c). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent exports to the U.S. of more than 30% of the enterprise's annual production during the life of the loan? N/A

3. Economic Support Fund Project
Criteria

- a. FAA Sec. 301(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of part I of the Act? The project will enhance the economic opportunities of disadvantaged Africans and thereby contribute to economic and political stability South Africa. - Yes
- b. FAA Sec. 301(c). Will assistance under this chapter be used for military, or paramilitary activities? NO
- c. ESDA of 1981 Sec. 207. Will ECF funds be used to finance the construction of, or the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the recipient certified NO

that such country is a party to the Treaty on the Non-Proliferation of Nuclear Weapons or the Treaty for the Prohibition of Nuclear Weapons in Latin America (the "Treaty of Tlatelolco"), cooperates fully with the IAEA, and pursues nonproliferation policies consistent with those of the United States?

NO

- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

N/A

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24 (3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. Procurement

1. 33 USC 502. Are there arrangements to permit U.S. small business to participate equitably in the financing of commodities and services financed?

Yes. All statutes & regulations provide equitable participation of small business to be complied with.

2. 33 USC 504(a). Will all procurement be from the U.S. except as otherwise authorized by the President or other designated authority?

YES

3. 33 USC 504(b). If the participating country authorizes exportation of commodities and services to U.S. small business in the U.S., will commodities be financed in the United States without undue risk of non-compliance?

YES

4. 33 USC 504(a); 1900A of 1900 USC 2001(b). Is the procurement of commodities and services to be financed, in those provisions which such procurement from the foreign source of such commodities is less than 50%? (Exception where commodity financed could not reasonably be procured in U.S.)

N/A

FAA Sec. 114(a). Will construction or engineering services be produced from firms of countries which receive direct economic assistance under the FAA and which are otherwise eligible under Code 941, but which have attained a competitive capability in international markets in one of these areas? Do these countries permit United States firms to compete for construction or engineering services financed from assistance programs of these countries?

NO

N/A

6. FAA Sec. 901. Is the shipping excluded from compliance with requirements in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk cargoes, dry cargo vessels, and tankers) transported shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available in that port or ports?

All cargo preference requirements will be complied with.

7. FAA Sec. 901. Is the shipping excluded from compliance with requirements in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk cargoes, dry cargo vessels, and tankers) transported shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available in that port or ports?

YES

8. International Air Transportation Fair Competitive Practices Act, 1974. In air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

YES

9. By 1985 continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Any such contracts include such a prov

W. Construction

1. CAA Sec. 501(a). Is capital project, will U.S. engineering and architectural services be used?

This project is not capital project. If in the event contract services are require is expected that no services will be at locally.

2. CAA Sec. 501(b). Is contract for construction to be financed, will they be let on a competitive basis to maximum extent practicable?

YES

3. CAA Sec. 501(k). Is the procurement of products, materials, and equipment value in aggregate to be financed by the U.S. not exceed \$100 million (except for protective expenditures in cases that were recorded in the 1977)?

YES

c. Other Restrictions

1. FSA Sec. 172(b). If development loan, is interest rate at least 2% per annum during grace period and at least 3% per annum thereafter? N/A

2. FSA Sec. 301(c). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

3. FSA Sec. 302(a). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist or other countries? YES

4. Will arrangements prohibit use of financing:

a. FSA Sec. 104(e): FY 1980 Continuing Resolutions
Sec. 104(e) (1) to pay
the performance of projects as a method of family planning or to contribute to other means to practice abortions; (2) to pay the performance of family planning projects as a method of family planning, or to contribute to projects for the purpose of providing any person to undergo

YES TO ALL ITEMS

YES

sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; (4) to lobby for abortion?

YES

U. 22 USC 1488 TO
authorize persons, in
the form of a
committee, whose
primary purpose is to
promote the
interests of the

YES

V. 22 USC 1489 TO
authorize persons, in
the form of a
committee, whose
primary purpose is to
promote the
interests of the

YES

W. 22 USC 1490 TO
authorize persons, in
the form of a
committee, whose
primary purpose is to
promote the
interests of the

YES

X. 22 USC 1491 TO
authorize persons, in
the form of a
committee, whose
primary purpose is to
promote the
interests of the

YES

Y. 22 USC 1492 TO
authorize persons, in
the form of a
committee, whose
primary purpose is to
promote the
interests of the

YES

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7. FY 1985 Continuing Resolution, Sec. 503.
TO PAY PENSIONS, BENEFITS, RETIREMENT PAY, OR ADJUSTED SERVICE COMPENSATION FOR MILITARY PERSONNEL?

YES

8. FY 1985 Continuing Resolution, Sec. 505.
TO PAY U.K. ASSESSMENTS, AIRRATES OR DUES?

YES

9. FY 1985 Continuing Resolution, Sec. 506.
TO CARRY OUT PROVISIONS OF FAA SECTION 209(b) (REQUIREMENT OF FAA FUNDS TO MAINTAIN CERTAIN ORGANIZATIONS FOR TESTING)?

YES

10. FY 1985 Continuing Resolution, Sec. 512.
TO PROVIDE THE EXPORT OF MILITARY EQUIPMENT, TECHNOLOGY OR TECHNOLOGY TO THIRD COUNTRY NATIONALS IN MILITARY MATTERS?

YES

11. FY 1985 Continuing Resolution, Sec. 511.
TO PROVIDE ASSISTANCE TO THE GOVERNMENT OF SOUTH AFRICA FOR THE PURCHASE OF MILITARY EQUIPMENT FROM THE GOVERNMENT OF SOUTH AFRICA TO SUPPORT THE POLICE AND ARMED FORCES OF SOUTH AFRICA IN THE FIGHT AGAINST THE APARTHEID REGIME?

Assistance will be provided to the government of South Africa.

12. FY 1985 Continuing Resolution, Sec. 513.
TO BE USED FOR PURCHASE OF EQUIPMENT OR SERVICES BY THE U.S. GOVERNMENT BY CONTRACT?

YES

2. The Anti-Drug Abuse Act of 1986, the Bumpers Amendment (Section 309 of the Supplemental Appropriations Act of 1986) and the Lautenberg Amendment (Section 109 of the FY 1987 Continuing Resolution) are not applicable to or are complied with by this OIG Program.

COUNTRY CRITERIA

Listed below are statutory criteria applicable generally to TAA funds, and criteria applicable to individual fund sources: Development Assistance and Economic Support Fund.

This criterion is inapplicable to this project because assistance will only be provided to South African non-governmental organizations

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. TAA Sec. 481(b)(1); FY 1985 Continuing Resolution Sec. 422. Has it been determined or certified to the Congress by the President that the government of the recipient country has failed to take adequate measures or steps to prevent narcotic and psychotropic drugs or other controlled substances (as listed in the schedules in section 202 of the Comprehensive Drug Abuse and Prevention Control Act of 1970) which are cultivated, produced or processed, in whole or in part, in such country or transported through such country, from being sold, distributed, within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States jurisdiction?

N/A

2. TAA Sec. 481(b)(4). Has the President determined that the recipient country has not taken adequate steps to prevent (a) the production, in whole or in part, in such country of narcotic and psychotropic drugs or other controlled substances, (b) the transportation through such country of narcotic and psychotropic drugs or other controlled substances, and (c) the use of such country as a refuge for illegal drug traffickers?

N/A

7. FIA Sec. 601(a). Has the country failed to enter into an agreement with OASIS? N/A

8. FIA Sec. 620(a): Fishermen's Protective Act of 1967, as amended, Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing activities in international waters? N/A

(b) If so, has any deduction required by the Fishermen's Protective Act been made? N/A

9. FIA Sec. 620(a): FY 1985 Continuing Resolution Sec. 511. (a) Has the government of the recipient country been in default for more than six months on issue of or payment of any AID loan to the country? (b) Has the country been in default for more than one year on interest or principal of any U.S. loan under a program for which the recipient is eligible (or eligible recipient)? N/A

10. FIA Sec. 620(a). If concerned with assistance to development loan or from Economic Support Fund, has the Administration taken into account the status of foreign exchange or other resources which the country has spent on military equipment? (Reference may be made to the Bureau of Arms Control, Administration and Control, taken into account by the Administration at time of approval of Agency and this approved by the Administration of the Operations and Control Bureau of the State Dept. for its administrative purposes during the fiscal year unless significant changes in circumstances occur.) N/A

11. FAA Sec. 220(c). Has the country severed diplomatic relations with the United States? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

N/A

12. FAA Sec. 220(u) What is the payment status of the country's D.K. obligations? If the country is in arrears were such arrearages taken into account by the AID Administrator in determining the current AID Operational Year Budget? (Reference may be made to the taking into consideration memo.)

N/A

13. FAA Sec. 220A: FY 1985
Continuation Resolution Sec.

13.1. Has the President determined that the country (a) remains severely troubled or (b) is no longer severely troubled? If (a) determine if the country is eligible for (a) or (b) otherwise appropriate international assistance? Has the government of the country been notified of the determination? If so, what is the basis for the determination? If (b) determine if the country is eligible for (a) or (b) otherwise appropriate international assistance? Has the government of the country been notified of the determination? If so, what is the basis for the determination?

N/A

14. FAA Sec. 222(b).

14.1. Has the Secretary of State determined that the country is a high priority interest country under the authority of the Department has determined the country to receive (a)(1) of the Federal Acquisition Act of 1980, that in reports in the country does not maintain and administer effective security measures?

N/A

15. FAA Sec. 666. Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

N/A

16. FAA Sec. 668, 670. Was the country, after August 3, 1977, delivered or received nuclear equipment or reproducing equipment, materials, or technology, without specified arrangements or safeguards? Was it transported a nuclear explosive device to a non-nuclear vessel state, or in such a state, either received or transported a nuclear explosive device? (FAA Sec. 668 permits a special waiver of sec. 668 for transfers.)

N/A

17. FAA Sec. 669. In the country, is a non-nuclear vessel state, was it, as of August 3, 1977, exported illegally (or attempted to export illegally) from the United States any material, equipment, or technology which would contribute significantly to the ability of such country to manufacture a nuclear explosive device?

N/A

18. ISSUE of 1981 Sec. 70. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. of Sept. 25 and 26, 1981, and failed to disassociate itself from the communique issued? If so, was the President taken into account? (Reference may be made to the talking into consideration memo.)

N/A

19. BY 1985 Containing Resolution. With assistance is from the organization. International account, does the country (or organization) include as part of its regular financial programs international accounts?

N/A

20. BY 1985 Containing Resolution Sec. 70. Was the recipient country seen determined by the President to have engaged in a significant activity in support of the country of the United States?

N/A

FORMING OTHER COUNTRIES FOR

Development Assistance
Country Collection
702 Sec. 70. Was the
Department of State
determined that this
government has engaged in a
significant activity in
support of the
country of the United States?
If so, was it
of determined that
continued with assistance will
seriously damage the country?

N/A

USAID/SA is seeking a black South African Contractor to assist it in analyzing the need for and preparing the proposed grants just described. As set out more fully below, the contractor would work closely with two American counterparts in conducting detailed assessments of the institutional capacities, finances, and credit and other programs of the respective grantees, drafting grant agreements based on these assessments, and providing evidence and rationales to support the substantive content of such agreements. Work would be conducted wholly in South Africa, and would span 30 working days over a period of some 5 1/2 weeks, from mid-July to mid-August 1967.

II. Specific Scope of Work

The one South African and two American experts will comprise the design team, in accordance with the guidelines and individual job responsibilities specified in section III, below. The team as a whole will be responsible for the following activities:

The team will evaluate the respective capacities of GAF and ACONHA to reach the goals that are outlined above and that will be elaborated in greater detail through team consultations with USAID/SA and the proposed grantees. Such evaluations will include assessments of, inter alia: (1) the proposed grantee's past and present short-term plans, and the level of compliance therewith; (2) the proposed grantee's financial capabilities, measured by past and present budgets, the rates of growth thereof, and any past or present difficulties related thereto; also, the group's financial self-sufficiency, measured by the nature and extent of sources of income and the presence or lack of other actual or prospective charitable grants; (3) the proposed grantee's current administrative structure and capacity, including its capacity to manage effectively grant monies and undertake substantial new initiatives; also, the quality of the organization's present leadership and staff; (4) the proposed grantee's existing credit, training, and other programs in the micro and small enterprise field, and the presence or lack of substantial growth potential in such programs; also, the degree to which such initiatives are responsive to the needs and desires of the grantee's constituents; (5) the proposed grantee's influence and support within the black business community, as measured by the overall impact of past programs or initiatives undertaken by it; also, the degree to which blacks play or will play a meaningful decision-making role in the proposed grantee's operations.

Information necessary to such assessments will be gathered through evaluation of the documents and written materials of proposed grantees, as well as interviews with the following: (1) GAF and ACONHA representatives; (2) GAF and ACONHA constituents, including potential beneficiaries of lending or other programs targeted on micro and small black

enterprise; (3) commercial bankers; (4) black businesspersons and consultants; (5) Small Business Development Corporation officials; and (6) others possessing relevant knowledge.

Dialogue and consultations with proposed grantees

Upon completion of the assessment process the team, in conjunction with USAID/SA, shall enter into consultations with GAF and ACONHA over what steps such organizations might take to achieve their respective programmatic goals. Consultations should also focus on the precise role to be played in such initiatives by any USAID/SA funding, and the extent of financing needed. The process should be one of dialogue, with the proposed grantees establishing their priorities and aims and the team providing constructive guidance, technical expertise and advice. Efforts should be geared towards responding to black-generated ideas, arriving at a consensus on how agreed-upon objectives should be met, and agreeing upon how USAID/SA financing should fit into such a strategy.

Production of draft grant agreements and supporting analyses

Following conclusive consultations with proposed grantees, the team will produce two draft grant agreements providing for A.I.D. financing of specified programs and initiatives undertaken by GAF and ACONHA in order to achieve their programmatic goals. The draft agreements shall be written in accordance with A.I.D. specifications as detailed in A.I.D. Handbook #10, and shall reflect USAID/SA policy aims and operating procedures in South Africa. Due to the magnitude of proposed GAF funding, the GAF grant agreement in particular must contain, inter alia, the following elements: (1) a detailed description of the grant and specific activities financed thereunder, such description to include a statement of the total cost and time frame of the grant; (2) a detailed implementation plan, specifying the objectives and goals of the grant, the means to achieve these ends, and schedules and target dates for all activities; (3) a highly detailed financial plan, including provisions for regular financial reporting; (4) a detailed reporting plan, specifying the number of GAF reports to be submitted to USAID/SA and the contents thereof; such contents shall include a listing of specific performance criteria as well as objectively verifiable indicators of program progress; (5) a breakdown of all projected inputs under the agreement, including the source of such inputs, their nature, and whether they are to be financed in U.S. or local currency; (6) provision for an independent, mid-grant evaluation of financed programs; such provision shall authorize the hiring by USAID/SA, after consultation with GAF, of American experts to carry out the task. The evaluation should be budgeted into the grant agreement itself, and authorization should be made to finance it in U.S. currency.

Along with the draft agreements, the team will submit supporting analyses to USAID/SA. The analyses, one per draft agreement, should meet the following specifications:

* GAF analysis: Should be approximately 30 pages, and contain: (1) a detailed institutional and financial evaluation of GAF's current lending program for small and micro black enterprises, including the program's responsiveness to constituent needs and its capacity for expansion. The evaluation shall address, inter alia, the following issues: (a) capital requirements; (b) bad debt/arrearages; (c) size of loans; (d) sources of capitalization; (e) the precise process of decision-making on loans, and the level of meaningful black participation therein; (f) whether loans provide working or investment capital; (g) whether repayment plans follow the cash flow or business plans of loan recipients; (h) whether loans are primarily directed to the service or manufacturing sectors of the micro and small-scale black economy; (2) an assessment of GAF's technical assistance and training programs, including their responsiveness to constituent needs and capacity for expansion; (3) an evaluation of the degree of black participation in decision-making related to the above programs and the prospects for increasing same; (4) a specific description of how the grant agreement addresses problems isolated in (1), (2), (3), and other issues; (5) a brief summary of any problems encountered during the consultation process, and of any alternative programs or strategies considered but eschewed; (6) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

* ACNRA analysis: Should be approximately 10 pages, and contain: (1) an evaluation of ACNRA's organizational and administrative capacities, particularly as they relate to the group's ability to launch a lending program for informal entrepreneurs; (2) a discussion of an appropriate lending program strategy for ACNRA, taking into account the specific technical issues listed above; (3) an assessment of ACNRA's current training and legal support programs, including their responsiveness to constituent needs and capacity for expansion; (4) a specific description of how the grant agreement addresses problems isolated in (1), (2), (3), and other issues; (5) a brief summary of any problems encountered during the consultation process, and of any alternative programs or strategies considered but eschewed; (6) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

The three functions just described - assessment, consultation, and production of draft agreements and supporting analyses -

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constitute the basic responsibilities of the design team. In addition, the team should maintain regular contact with USAID/SA, and should keep a record for eventual submission to USAID/SA memorializing all interviews and activities conducted in the course of its business. The substance of these need not be delved into in any detail, but the topic of each interview and the focus of each activity should be summarily listed.

The team will be supervised by USAID/SA's SPDO or his designee, and formal weekly briefings for USAID/SA are to be planned and executed. Before commencing work, all members of the team will meet with the USAID/SA Mission Director for a briefing. The team leader must ensure that all work is completed in South Africa as contracted.

The time frame for fulfillment of the team's responsibilities is 35 days. Of every 7 days, 6 are authorized as work days, thus bringing the total period for which the South African contractor may receive compensation to 30 days. No paid extension of contract time will be authorized. The following schedule is premised upon a project commencement date of July 13, 1987:

ILLUSTRATIVE SCHEDULE FOR COMPLETION OF
TEAM RESPONSIBILITIES

<u>Dates</u>	<u>Activity</u>
July 13	One of two U.S. contractors arrives, meets with South African contractor and USAID/SA officials in Pretoria. Contractors familiarize themselves fully with the USAID/SA Private Enterprise Development Project Paper and USAID/SA objectives in the field of black business. Work begins.
July 20	Contractors brief USAID/SA on work progress.
July 27	Second U.S. contractor arrives in South Africa; assumes team leadership. USAID/SA and team leader briefed on work progress.
August 3	Team briefs USAID/SA on work progress.
August 6	First drafts of the two grant agreements and supporting analyses due for USAID/SA review.
August 9	USAID/SA returns first drafts with comments and suggestions.
August 16	Team presents final copies of two comprehensive draft grant agreements and supporting analyses to USAID/SA. Team also submits list of interviews and activities to USAID/SA and provides USAID/SA with last briefing. (Note: wherever written products are required, 5 copies must be made and submitted to USAID/SA).

Foreign Support Fund
Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the country made such significant improvements in its human rights record that furnishing such assistance is in the national interest?

N/A

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ANNEXURE C

SPECIAL LEGISLATIVE REQUIREMENTS

This project is subject to the Comprehensive Anti-Apartheid Act (CAAA) and other special U.S. legislative requirements relating to South Africa. Set forth below is a description of such legislative requirements and how they will be satisfied or complied with under the project.

1. Comprehensive Anti-Apartheid Act of 1986

a. Section 316

Section 316 of the CAAA states that "no United States Government funds may be available for any assistance to investment in, or any subsidy for trade with, South Africa, including but not limited to funding for trade missions in South Africa and for participation in exhibitions and trade fairs in South Africa." Section 316 does not explicitly make an exception for investment in black businesses. However, ESF funds which are authorized under Section 511 of the CAAA are not subject to Section 316's prohibition because, notwithstanding any other provisions of law, such funds are authorized to be used as assistance "to promote the participation of disadvantaged South Africans in ... private enterprise ..." Accordingly, FY 1987 project funds, which are all ESF funds authorized under Section 511, will not be subject to the prohibition under Section 316.

Because only ESF funds are clearly exempt at this time from Section 316's prohibitions, USAID/SA is currently planning for all Project financing to come out of the ESF account. However, since D.A. funds may be used for Project purposes at some point, the applicability to the Project of the Section 316 prohibition must still be addressed. To trigger Section 316, there must be "investment" in South Africa by an entity other than A.I.D., and A.I.D.'s involvement must be deemed "assistance" to "that investment". Under the "Participation in the Primary Economy" component of the Project, it is possible that A.I.D. may be asked to provide assistance to certain investments in black South African business ventures. In the event that questionable cases arise with respect to the applicability of Section 316, such cases will be individually reviewed and analyzed by the Regional Legal Advisor who will make a determination whether the activity is permissible under Section 316.

b. Section 314

Section 314 of the CAAA prohibits the United States Government from entering "into a contract for the procurement of goods or services from South African parastatal organizations except for items necessary for diplomatic and consular purposes". As a strictly legal matter, procurement by A.I.D. for program purposes probably falls within the exemption for diplomatic and consular purposes (see State 048464). As a policy matter, however, A.I.D. has decided to prohibit, with a few exceptions, A.I.D. contracts with South African parastatals, unless the approval of the AA/AFR is obtained. This policy applies to A.I.D.-financed procurements by A.I.D. grantees. The relevant exceptions to the prohibition are procurements of railway or air transportation and port services from parastatals.

It is not expected that any Project funds will be used by A.I.D. or A.I.D. grantees to procure goods or services from South African parastatals. This notwithstanding, individual grant or cooperative agreements will contain a clause prohibiting such procurement except within the confines of the stated exceptions.

c. Section 203(c)

Section 203(c) of the CAAA states that "notwithstanding any other provision of law," A.I.D. shall, to the maximum extent practicable, in procuring goods and services for activities in South Africa, make affirmative efforts to assist business enterprises that are majority black-owned. A.I.D. has implemented Section 203 by authorizing special procedures for procurement in South Africa which provide for preference to black individuals and majority-owned organizations in the award of contracts and grants (see State 048461). In compliance with Section 203(c) and A.I.D. policy, USAID/SA will ensure that, to the maximum extent practicable, all goods and services procured with Project funds are procured from black individuals or black owned firms. All grant and cooperative agreements, contracts and subagreements under the Project will contain clauses which provide for preference to black-owned entities with respect to procurement.

2. Section 802(c) of ISDCA

Section 802(c) of the International Security and Development Cooperation Act of 1985 (ISDCA) provides that FY 1986 and FY 1987 A.I.D. funds which "are used for education and training programs in South Africa may not be used for programs conducted by or through organizations in South Africa which are financed or controlled by the Government of South Africa ..." (emphasis added). Such funds may only be used for programs which in both their character and organizational sponsorship in South Africa clearly reflect the objective of a majority of South Africans for an end to the apartheid system. To the extent that any Project funds are used for education or training programs, USAID will ensure that no such funds will be used for programs conducted by or through organizations in South Africa which are financed or controlled by the SAG. The Regional Legal Advisor will review questionable cases and render an opinion as to whether organizations are "financed or controlled" by the SAG. Furthermore, the organizational sponsorship and character of all the Project's components clearly reflect the objective for an end to apartheid.

Not Available Document

3. Section 117 of the Foreign Assistance Act (FAA)

Section 117 of the Foreign Assistance Act of 1961, as amended, entitled "Assistance for Disadvantaged South Africans", states that in providing assistance with ESF funds for disadvantaged South Africans, "priority shall be given to working with and through South African nongovernmental organizations whose leadership and staff are selected on a nonracial basis, and which have the support of the disadvantaged communities being served. The measure of this community support shall be the willingness of a substantial number of disadvantaged persons to participate in activities sponsored by these organizations."

Most, if not all, of the assistance under the Project will be provided to South African NGO's. Moreover, USAID/SA's financing decisions will be based on criteria which include black participation, black priorities and community consultation and accountability as more fully described in the Implementation Strategy section of the Project paper.

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ANNEXURE D
INITIAL ENVIRONMENTAL EXAMINATION

Project Country: South Africa

Project Title: Black Private Enterprise Development (674-0303)

Funding: FY 1987 Economic Support Funds - \$3.5 million
LOP \$19.5 million (ESF and/or DA)

Environmental Action Recommended: Categorical Exclusion

This Project consists of three separate but related components under which assistance will be provided to South African non-governmental organizations (NGO's) to: (1) strengthen institutional capacity to use legal and advocacy techniques to end apartheid policies and discriminatory laws, regulations, practices and attitudes which impede the development of black private enterprise; (2) increase opportunities for black entrepreneurship, skilled employment and economic advancement in micro and small scale enterprises; and (3) expand the ability of blacks to manage and invest capital in primary economic activities. The assistance will be in the form of grants to NGO's for the above purposes, technical assistance and studies. It is not anticipated that any of the grants will involve construction or include other activities directly affecting the environment.

Based on the above, this activity meets the criteria for Categorical Exclusion in accordance with the Environmental Regulations set forth in 22 CFR Part 216.2 (c)(2)(i) (technical assistance and training), (iii) (studies and analysis), (x)(support for intermediate credit institutions) and (xiii)(support grants to PVO's). See AID Handbook 3, Appendix 2D entitled "Environmental Procedures".

In the event that any of the grants to NGO's do involve construction, IEE's will be prepared for each such grant proposal and reviewed by the regional legal advisor, at the time of proposal submission, and subsequently approved by the Mission Director, USAID/South Africa (assuming an ad hoc DOA is obtained), or submitted to the Regional Environmental Officer at REDSO/ESA in Nairobi for approval.

Categorical Exclusion Recommended By:

Timothy J. Bork,
USAID/SA Mission Director,

Bureau Environmental Officer
Determination:

Approved: _____

Disapproved: _____

Date: _____

Clearance: GC/AFR:

USAID/SA: Mark Johnson

AFR/PD: Stafford Baker

Drafted: RLA/SA: DG Keene.

_____ Date _____

_____ Date _____

_____ Date _____

ANNEXURE E

FINANCIAL PLAN - NOTES AND ASSUMPTIONSTABLE 1 - OBLIGATIONS

a. AUDIT & EVALUATIONS

(i) Audit/Financial Reviews FY 88-93

6 years @ \$ 20,000 each = \$ 120,000

(ii) Evaluations FY 89 & 92

\$ 100,000 + \$ 150,000 = \$ 250,000

TOTAL COMPONENT \$ 370,000

b. GUIDANCE AND COORDINATION FY 88-93

(i) US PSC

6 years @ \$ 150,000 = \$ 900,000

(ii) South African PSC

6 years @ \$ 50,000 = \$ 300,000

(iii) Local Contractors

6 years @ \$50,00 each = \$300,000

(iv) Short and long term training (U.S. and/or South Africa)

6 years @ \$20,000 = \$120,000

TOTAL COMPONENT \$ 1,620,000

c. PARTICIPATION IN PRIMARY ECONOMY

(i) Feasibility Studies

approximately 29 @ \$ 50,000 each = \$ 1,450,000

FY 87	\$ 100,000
88	200,000
89	250,000
90	400,000
91	500,000
Sub-total	<u>1,450,000</u>

(ii) NGO Grants

FY 87	\$ 250,000
88	500,000
89	250,000
90	250,000
91	500,000
Sub-total	<u>1,750,000</u>

(iii) Credit/Equity

FY 89	\$ 1,000,000
91	1,500,000
Sub-total	<u>2,500,000</u>

TOTAL COMPONENT \$ 5,700,000

d. MICRO AND SMALL ENTERPRISE DEVELOPMENT

NGO Grants

FY 87	\$ 1,400,000
88	1,400,000
89	900,000
90	1,500,000
91	430,000

TOTAL COMPONENT \$ 5,630,000

e. INSTITUTIONAL DEVELOPMENT AND ADVOCACY

NGO Grants

FY 87	\$ 1,750,000
88	1,360,000
89	1,210,000
90	1,560,000
91	300,000

TOTAL COMPONENT \$ 6,180,000

MICRO AND SMALL ENTERPRISE DEVELOPMENT

Scope of Work for South African Contractor

1. Background

To combat the inhibiting effects of apartheid on black business and to facilitate the expansion of black private enterprise, USAID/SA has launched a 5 year, \$19.5 million Black Private Enterprise Development Project. A central component of the Project is the allocation, over the same period, of roughly \$5.6 million to foster the development of micro and small-scale black South African enterprises. The purpose is to expand income generation and employment possibilities among the mass of South Africa's blacks, increase black familiarity with and appreciation of the workings and benefits of free enterprise, and, ultimately, support substantial economic and political change. To this end, the project contemplates funding for nongovernmental black business support groups working in the micro and small business sectors, to enable them to increase the quality and quantity of services they provide to their constituents. Depending upon the particular institutions and programs concerned, such funding would be available to help capitalise credit facilities as well as to support the costs of relevant technical assistance, training, commodity purchases, and operating expenses.

After extensive USAID/SA consultations with black leaders and businesspersons, two initial proposed grantees have been identified. These are as follows:

* Get Ahead Foundation (GAF)

GAF is a nationwide umbrella organization devoted to the interests of black entrepreneurs in both the formal and informal sectors. It requires financing to enhance and expand existing credit, technical assistance, and training programs targeted at micro and small-scale enterprises. A USAID/SA grant of up to \$2 million over 5 years is tentatively planned, with approximately \$1 million slated for FY 87.

* African Council of Nyangas and Hawkers Association (ACNHA)

ACNHA is a recently-formed support body for hawkers, informal manufacturers, informal traders, and nyangas (suppliers of traditional herbs, remedies and tonics). It needs funding to strengthen its administration as well as programs in the training and legal support fields, and to install a revolving credit fund for its constituents. Approximately \$75,000 has been preliminarily targeted for the group, in the form of a single FY 87 grant.

111. Qualifications and job responsibilities.

a. Qualifications:

The team will consist of team leader/enterprise specialist from A.I.D. in Washington, a small business/credit expert from the U.S., and a program management/decision-making processes expert from South Africa. Preferred qualifications for the small business/credit expert are as follows:

- * should possess an advanced degree in business, finance or economics;
- * should possess extensive academic and practical experience in analyzing the development and needs of micro and small-scale South African businesses;
- * should possess extensive academic and practical experience in evaluating the decision-making processes of organizations serving micro and small-scale South African businesses;
- * should possess extensive academic and practical knowledge of the obstacles facing South African black business in general, and micro and small-scale black business institutions in particular;
- * should possess a thorough familiarity with various lending strategies and programs relevant to micro and small-scale businesses, particularly those appropriate in the particular circumstances of South Africa;
- * should possess excellent writing and consultative skills, and experience in working on cooperative projects;
- * the contractor should be black or, at the least, be employed by a black-led and owned consulting company.

b. Job responsibilities:

The South African program management/decision-making processes expert will be responsible for integrating his/her activities and talents with those of the American experts, and will report directly to the team leader. The specific responsibilities of the program management expert are as follows:

- * participation in assessments of the existing or proposed lending programs of prospective grantees, as well as other GAF and AONWA projects targeted on micro and small black enterprise;

- * provision of expert analysis of the decision-making processes of GAF and ACONHA, particularly in relation to these institutions' lending programs, and of advice on how meaningful black participation in such processes can be increased and institutionalized;
- * provision of expert advice on how to make lending programs and other activities under consideration responsive to the particular needs and circumstances of micro and small black South African businesses;
- * participation in the writing of draft grant agreements and supporting analyses, especially though not exclusively in own area of expertise;
- * participation in the process of consultation and program planning with proposed grantees;
- * backstopping of other team members where necessary.

IV. Illustrative Budget (South African Contractor)

<u>Item</u>	<u>Total</u>
1. <u>Professional Compensation</u>	
a. Salary and company overhead (30 days at c/\$350/day)	\$10,500
2. <u>Per Diem</u>	
a. For travel outside Pretoria/Johannesburg (4 days at c/\$67/day)	\$ 270
3. <u>Travel</u>	
a. Air travel within South Africa (round trips to Durban and Cape Town, at c/\$135 and \$230, respectively)	\$ 365
b. Automobile travel within South Africa	
I. One rental car at monthly unlimited mileage rate of c/\$750/per month	\$ 935
II. Petrol at c/\$20 per tankful	\$ 300
4. <u>Administrative Support</u>	
a. Business telephone calls	\$ 250
5. <u>Contingencies</u>	\$ 1,540
<hr/>	
TOTAL	\$14,000

* Funds to be drawn from USAID/SA Program Management and Research Budget.

** All items must conform to A.I.D. regulations in order to qualify for Agency financing.

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AID 05/22/67
DEV:TJBORK
DEV:CMERKLING:RH
1.DEV:MRJOHNSON, 2.OIC:SROGERS, 3.DEV:KMCCALL
DEV-3 OIC

AMEMBASSY PRETORIA
SECSTATE WASDC PRIORITY
INFO AMEMBASSY MBABANE

AIDAC

FOR S&T/RD/EED: M. FARBMAN AND AFR/SA: M. FELDSTEIN

E.O. 12356:N/A
SUBJECT: BLACK PRIVATE ENTERPRISE DEVELOPMENT PROJECT
(NO. 674-C303) -- TDY AND CONTRACT ASSISTANCE.

REF: (A) FARBMAN/JOHNSON TELECON OF 5/14/67
- (B) STATE 102262

1. AS DISCUSSED REF A, USAID/SA REQUESTS THREE (3)
WEEK TDY FROM JULY 27 TO AUGUST 16 BY MIKE FARBMAN TO
UNDERTAKE SCOPE OF WORK DESCRIBED IN PARAGRAPH 7(B)
BELOW. FUNDING CITES ARE:

RESERVATION CONTROL NO. PER DIEM: A870257 DOLS. 2,000.00
RESERVATION CONTROL NO. TRANSPORT: A870258 DOLS. 3,000.00
BPC: COEA-67-21674-U000
APPROPRIATION: 72-1171000

PLEASE ADVISE CONCURRENCE AND ETA.

2. AS PROPOSED REF B, MISSION REQUESTS S&T/RD/EED TO
CONCLUDE 5 WEEK ARIES CONTRACT WITH HENRY JACKELIN.

FUNDING DATA ARE:
RESERVATION CONTROL NO: B870035
APPROPRIATION: 72-117/81037
BPC: GES7-67-21674-KG14
AMOUNT: DOLS. 30,000

4. DEV:CPASCUAL

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SCOPE OF WORK AND ILLUSTRATIVE BUDGET FOLLOW.
MISSION SUGGESTS THAT APPROPRIATE EXCERPTS FROM
FOLLOWING SCOPE OF WORK BE INCLUDED IN JACKELIN'S
CONTRACT.

3. BACKGROUND

TO COMBAT THE INHIBITING EFFECTS OF APARTHEID ON BLACK BUSINESS AND TO FACILITATE THE EXPANSION OF BLACK PRIVATE ENTERPRISE, USAID/SA PLANS TO LAUNCH A 5-YEAR, BLACK PRIVATE ENTERPRISE DEVELOPMENT PROJECT FOR POSSIBLY UP TO DOLS. 19.5 MILLION. A CENTRAL COMPONENT OF THE PROJECT WOULD BE THE ALLOCATION, OVER THE SAME PERIOD, OF ROUGHLY DOLS.5.6 MILLION TO FOSTER THE DEVELOPMENT OF MICRO AND SMALL-SCALE BLACK SOUTH AFRICAN ENTERPRISES. THE PURPOSE IS TO EXPAND INCOME GENERATION AND EMPLOYMENT POSSIBILITIES AMONG THE MASS OF SOUTH AFRICA'S BLACKS, INCREASE BLACK FAMILIARITY WITH AND APPRECIATION OF THE WORKINGS AND BENEFITS OF FREE ENTERPRISE, AND, ULTIMATELY, SUPPORT SUBSTANTIAL ECONOMIC AND POLITICAL CHANGE. TO THIS END, THE PROJECT CONTEMPLATES FUNDING FOR NONGOVERNMENTAL BLACK BUSINESS SUPPORT GROUPS WORKING IN THE MICRO AND SMALL BUSINESS SECTORS, TO ENABLE THEM TO INCREASE THE QUALITY AND QUANTITY OF SERVICES THEY PROVIDE TO THEIR CONSTITUENTS. DEPENDING UPON THE PARTICULAR INSTITUTIONS AND PROGRAMS CONCERNED, SUCH FUNDING WOULD BE AVAILABLE TO HELP CAPITALIZE CREDIT FACILITIES AS WELL AS TO SUPPORT THE COSTS OF RELEVANT TECHNICAL ASSISTANCE, TRAINING, COMMODITY PURCHASES, AND OPERATING EXPENSES.

AFTER EXTENSIVE USAID/SA CONSULTATIONS WITH BLACK LEADERS AND BUSINESSPERSONS, TWO INITIAL PROPOSED GRANTEES HAVE BEEN IDENTIFIED. THESE ARE AS FOLLOWS:

(1) GET AHEAD FOUNDATION (GAF)

GAF IS A NATIONWIDE UMBRELLA ORGANIZATION DEVOTED TO THE INTERESTS OF BLACK ENTREPRENEURS IN BOTH THE FORMAL AND INFORMAL SECTORS. IT REQUIRES FINANCING TO ENHANCE

AND EXPAND EXISTING CREDIT, TECHNICAL ASSISTANCE, AND TRAINING PROGRAMS TARGETED AT MICRO AND SMALL-SCALE ENTERPRISES. A USAID/SA GRANT OF UP TO DOLS.2 MILLION OVER 5 YEARS IS TENTATIVELY PLANNED, WITH POSSIBLY DOLS.1 MILLION OBLIGATED IN FY 67.

(II) AFRICAN COUNCIL OF NYANGAS AND HAWKERS ASSOCIATION (ACNHA)

ACNHA IS A RECENTLY-FORMED SUPPORT BODY FOR HAWKERS, INFORMAL MANUFACTURERS, INFORMAL TRADERS, AND NYANGAS (SUPPLIERS OF TRADITIONAL HERBS, REMEDIES AND TONICS). IT NEEDS FUNDING TO STRENGTHEN ITS ADMINISTRATION AS WELL AS PROGRAMS IN THE TRAINING AND LEGAL SUPPORT FIELDS, AND TO INSTALL A REVOLVING CREDIT FUND FOR ITS CONSTITUENTS. APPROXIMATELY DOLS.75,000 HAS BEEN PRELIMINARILY TARGETED FOR THE GROUP, IN THE FORM OF A SINGLE FY 67 GRANT.

USAID/SA IS SEEKING AN ARIES CONTRACTOR TO PROVIDE IT WITH SMALL BUSINESS/CREDIT EXPERTISE AND ASSIST IT PREPARING AND CERTIFYING THE DAMAND FOR THE PROPOSED GRANTS JUST DESCRIBED (PRELIMINARY DEMAND ANALYSES HAVE ALREADY BEEN UNDERTAKEN). AS SET OUT MORE FULLY BELOW, THE CONTRACTOR WOULD WORK CLOSELY WITH A.I.D. ENTERPRISE SPECIALIST MICHAEL FAREMAN AND A BLACK SOUTH AFRICAN CONTRACTOR (TO BE CONTRACTED SEPARATELY BY USAID/SA) IN CONDUCTING DETAILED ASSESSMENTS OF THE INSTITUTIONAL CAPACITIES, FINANCES, AND CREDIT PROGRAMS OF THE PROSPECTIVE GRANTEEES, ASSISTING IN DRAFTING GRANT AGREEMENTS BASED ON THESE ASSESSMENTS, AND PROVIDING EVIDENCE AND RATIONALES TO SUPPORT THE SUBSTANTIVE CONTENT OF SUCH AGREEMENTS. WORK WOULD BE CONDUCTED WHOLLY IN SOUTH AFRICA, AND WOULD SPAN 30 WORKING DAYS OVER A PERIOD OF 5 WEEKS, FROM MID-JULY TO MID-AUGUST 1967.

4. SPECIFIC SCOPE OF WORK

THE ONE SOUTH AFRICAN AND TWO AMERICAN EXPERTS WILL COMPRISE THE DESIGN TEAM, IN ACCORDANCE WITH THE GUIDELINES AND INDIVIDUAL JOB RESPONSIBILITIES SPECIFIED IN PARAGRAPH 7(B), BELOW. THE TEAM AS A WHOLE WILL BE RESPONSIBLE FOR THE FOLLOWING ACTIVITIES:

(I) THE TEAM WILL EVALUATE THE RESPECTIVE CAPACITIES OF GAF AND ACNHA TO REACH THE GOALS THAT ARE OUTLINED ABOVE AND THAT WILL BE ELABORATED IN GREATER DETAIL THROUGH TEAM CONSULTATIONS WITH USAID/SA AND THE PROPOSED GRANTEEES. SUCH EVALUATIONS WILL INCLUDE ASSESSMENTS OF, INTER ALIA:

(1) THE PROPOSED GRANTEEES' PAST AND PRESENT SHORT-TERM PLANS, AND THE LEVEL OF COMPLIANCE THEREWITH; (2) THE PROPOSED GRANTEEES' FINANCIAL CAPABILITIES, MEASURED BY PAST AND PRESENT BUDGETS, THE RATES OF GROWTH THEREOF, AND ANY PAST OR PRESENT DIFFICULTIES RELATED THERETO; ALSO, THE ORGANIZATIONS' FINANCIAL SELF-SUFFICIENCY, MEASURED BY THE NATURE AND EXTENT OF SOURCES OF INCOME AND THE PRESENCE OR LACK OF OTHER ACTUAL OR PROSPECTIVE CHARITABLE GRANTS; (3) THE PROPOSED GRANTEEES' CURRENT ADMINISTRATIVE STRUCTURE AND CAPACITY, INCLUDING ITS CAPACITY TO MANAGE EFFECTIVELY GRANT MONIES AND UNDERTAKE SUBSTANTIAL NEW INITIATIVES; ALSO, THE QUALITY OF THE ORGANIZATIONS' PRESENT LEADERSHIP AND STAFF; (4) THE PROPOSED GRANTEEES' EXISTING CREDIT, TRAINING, AND OTHER PROGRAMS IN THE MICRO AND SMALL ENTERPRISE FIELD, AND THE PRESENCE OR LACK OF SUBSTANTIAL GROWTH POTENTIAL IN SUCH PROGRAMS; ALSO, THE DEGREE TO WHICH SUCH INITIATIVES ARE RESPONSIVE TO THE NEEDS AND DESIRES OF THE GRANTEEES' CONSTITUENTS; (5) THE PROPOSED GRANTEEES' INFLUENCE AND SUPPORT WITHIN THE BLACK BUSINESS COMMUNITY, AS MEASURED BY THE OVERALL IMPACT OF PAST PROGRAMS OR INITIATIVES UNDERTAKEN BY IT; ALSO, THE DEGREE TO WHICH BLACKS PLAY OR WILL PLAY A MEANINGFUL DECISION-MAKING ROLE IN THE PROPOSED GRANTEEES' OPERATIONS.

INFORMATION NECESSARY TO SUCH ASSESSMENTS WILL BE GATHERED THROUGH EVALUATION OF THE DOCUMENTS AND WRITTEN MATERIALS OF PROPOSED GRANTEEES, AS WELL AS INTERVIEWS WITH THE FOLLOWING: (1) GAF AND ACNHA REPRESENTATIVES; (2) GAF AND ACNHA CONSTITUENTS, INCLUDING POTENTIAL BENEFICIARIES OF LENDING OR OTHER PROGRAMS TARGETED ON MICRO AND SMALL BLACK ENTERPRISE; (3) COMMERCIAL BANKERS; (4) BLACK BUSINESS PERSONS AND CONSULTANTS; (5) SMALL BUSINESS DEVELOPMENT CORPORATION OFFICIALS; AND (6) OTHERS POSSESSING RELEVANT KNOWLEDGE.

(II) DIALOGUE AND CONSULTATIONS WITH PROPOSED
- GRANTEES

UPON COMPLETION OF THE ASSESSMENT PROCESS THE TEAM, IN CONJUNCTION WITH USAID/SA, SHALL ENTER INTO CONSULTATIONS WITH GAF AND ACNHA OVER WHAT STEPS SUCH ORGANIZATIONS MIGHT TAKE TO ACHIEVE THEIR RESPECTIVE PROGRAMMATIC GOALS. CONSULTATIONS SHOULD ALSO FOCUS ON THE PRECISE ROLE TO BE PLAYED IN SUCH INITIATIVES BY ANY USAID/SA FUNDING, AND THE EXTENT OF FINANCING NEEDED. THE PROCESS SHOULD BE ONE OF DIALOGUE, WITH THE PROPOSED GRANTEES ESTABLISHING THEIR PRIORITIES AND AIMS AND THE TEAM PROVIDING CONSTRUCTIVE GUIDANCE, TECHNICAL EXPERTISE AND ADVICE. EFFORTS SHOULD BE GEARED TOWARDS RESPONDING TO BLACK-GENERATED IDEAS, ARRIVING AT A CONSENSUS ON HOW AGREED-UPON OBJECTIVES SHOULD BE MET, AND AGREEING UPON HOW USAID/SA FINANCING SHOULD FIT INTO SUCH A STRATEGY.

(III) PRODUCTION OF DRAFT GRANT AGREEMENTS AND
- SUPPORTING ANALYSES.

FOLLOWING CONCLUSIVE CONSULTATIONS WITH PROPOSED GRANTEES, THE TEAM WILL PRODUCE TWO DRAFT GRANT AGREEMENTS PROVIDING FOR A.I.D. FINANCING OF SPECIFIED PROGRAMS AND INITIATIVES UNDERTAKEN BY GAF AND ACNHA IN ORDER TO ACHIEVE THEIR PROGRAMMATIC GOALS. THE DRAFT AGREEMENTS SHALL BE WRITTEN IN ACCORDANCE WITH A.I.D. SPECIFICATIONS AS DETAILED IN A.I.D. HANDBOOK #13, AND SHALL REFLECT USAID/SA POLICY AIMS AND OPERATING PROCEDURES IN SOUTH AFRICA. DUE TO THE MAGNITUDE OF PROPOSED GAF FUNDING, THE GAF GRANT AGREEMENT IN PARTICULAR MUST CONTAIN, INTER ALIA, THE FOLLOWING ELEMENTS: (1) A DETAILED DESCRIPTION OF THE GRANT AND SPECIFIC ACTIVITIES FINANCED THEREUNDER, SUCH DESCRIPTION TO INCLUDE A STATEMENT OF THE TOTAL COST AND TIME FRAME OF THE GRANT; (2) A DETAILED IMPLEMENTATION PLAN, SPECIFYING THE OBJECTIVES AND GOALS OF THE GRANT, THE MEANS TO ACHIEVE THESE ENDS,

AND SCHEDULES AND TARGET DATES FOR ALL ACTIVITIES; (3) A HIGHLY DETAILED FINANCIAL PLAN, INCLUDING PROVISIONS FOR REGULAR FINANCIAL REPORTING; (4) A DETAILED REPORTING PLAN, SPECIFYING THE NUMBER OF GAF REPORTS TO BE SUBMITTED TO USAID/SA AND THE CONTENTS THEREOF; SUCH CONTENTS SHALL INCLUDE A LISTING OF SPECIFIC PERFORMANCE CRITERIA AS WELL AS OBJECTIVELY VERIFIABLE INDICATORS OF PROGRAM PROGRESS; (5) A BREAKDOWN OF ALL PROJECTED INPUTS UNDER THE AGREEMENT, INCLUDING THE SOURCE OF SUCH INPUTS, THEIR NATURE, AND WHETHER THEY ARE TO BE FINANCED IN U.S. OR LOCAL CURRENCY; (6) PROVISION FOR AN INDEPENDENT, MID-GRANT EVALUATION OF FINANCED PROGRAMS; SUCH PROVISION SHALL AUTHORIZE THE HIRING BY USAID/SA, AFTER CONSULTATION WITH GAF, OF AMERICAN EXPERTS TO CARRY OUT THE TASK. THE EVALUATION SHOULD BE BUDGETED INTO THE GRANT AGREEMENT ITSELF, AND AUTHORIZATION SHOULD BE MADE TO FINANCE IT IN U.S. CURRENCY.

ALONG WITH THE DRAFT AGREEMENTS, THE TEAM WILL SUBMIT SUPPORTING ANALYSES TO USAID/SA. THE ANALYSES, ONE PER DRAFT AGREEMENT, SHOULD MEET THE FOLLOWING SPECIFICATIONS:

(I) GAF ANALYSIS: SHOULD BE APPROXIMATELY 30 PAGES, AND CONTAIN: (1) A DETAILED INSTITUTIONAL AND FINANCIAL EVALUATION OF GAF'S CURRENT LENDING PROGRAM FOR SMALL AND MICRO BLACK ENTERPRISES, INCLUDING THE PROGRAM'S RESPONSIVENESS TO CONSTITUENT NEEDS AND ITS CAPACITY FOR EXPANSION. THE EVALUATION SHALL ADDRESS, INTER ALIA, THE FOLLOWING ISSUES: (A) CAPITAL REQUIREMENTS BASED ON EFFECTIVE DEMAND; (B) BAD DEBT/ARREARAGES; (C) SIZE OF LOANS; (D) SOURCES OF CAPITALIZATION; (E) THE PRECISE PROCESS OF DECISION-MAKING ON LOANS, AND THE LEVEL OF MEANINGFUL BLACK PARTICIPATION THEREIN; (F) WHETHER LOANS PROVIDE WORKING OR INVESTMENT CAPITAL; (G) WHETHER REPAYMENT PLANS FOLLOW THE CASH FLOW OR BUSINESS PLANS OF LOAN RECIPIENTS; (H) WHETHER LOANS ARE PRIMARILY DIRECTED TO THE SERVICE OR MANUFACTURING SECTORS OF THE MICRO AND SMALL-SCALE BLACK ECONOMY; (2) AN ASSESSMENT OF GAF'S TECHNICAL ASSISTANCE AND TRAINING PROGRAMS, INCLUDING

THEIR RESPONSIVENESS TO CONSTITUENT NEEDS AND CAPACITY FOR EXPANSION; (3) AN EVALUATION OF THE DEGREE OF BLACK PARTICIPATION IN DECISION-MAKING RELATED TO THE ABOVE PROGRAMS AND THE PROSPECTS FOR INCREASING SAME; (4) A SPECIFIC DESCRIPTION OF HOW THE GRANT AGREEMENT ADDRESSES PROBLEMS ISOLATED IN (1), (2), (3), AND OTHER ISSUES; (5) A BRIEF SUMMARY OF ANY PROBLEMS ENCOUNTERED DURING THE CONSULTATION PROCESS, AND OF ANY ALTERNATIVE PROGRAMS OR STRATEGIES CONSIDERED BUT ESCHEWED; (6) WHERE NECESSARY, AN ELABORATION OF GENERAL TERMS CONTAINED IN THE GRANT AGREEMENT, OR A PROVISION OF DETAIL HELPFUL TO GRANT MONITORING.

(II) ACNHA ANALYSIS: SHOULD BE APPROXIMATELY 10 PAGES, AND CONTAIN: (1) AN EVALUATION OF ACNHA'S ORGANIZATIONAL AND ADMINISTRATIVE CAPACITIES, PARTICULARLY AS THEY RELATE TO THE GROUP'S ABILITY TO LAUNCH A LENDING PROGRAM FOR INFORMAL ENTREPRENEURS; (2) A DISCUSSION OF AN APPROPRIATE LENDING PROGRAM STRATEGY FOR ACNHA, TAKING INTO ACCOUNT THE SPECIFIC TECHNICAL ISSUES LISTED ABOVE; (3) AN ASSESSMENT OF ACNHA'S CURRENT TRAINING AND LEGAL SUPPORT PROGRAMS, INCLUDING THEIR RESPONSIVENESS TO CONSTITUENT NEEDS AND CAPACITY FOR EXPANSION; (4) A SPECIFIC DESCRIPTION OF HOW THE GRANT AGREEMENT ADDRESSES PROBLEMS ISOLATED IN (1), (2), (3), AND OTHER ISSUES; (5) A BRIEF SUMMARY OF ANY PROBLEMS ENCOUNTERED DURING THE CONSULTATION PROCESS, AND OF ANY ALTERNATIVE PROGRAMS OR STRATEGIES CONSIDERED BUT ESCHEWED; (6) WHERE NECESSARY, AN ELABORATION OF GENERAL TERMS CONTAINED IN THE GRANT AGREEMENT, OR A PROVISION OF DETAIL HELPFUL TO GRANT MONITORING.

5. THE THREE FUNCTIONS JUST DESCRIBED - ASSESSMENT, CONSULTATION, AND PRODUCTION OF DRAFT AGREEMENTS AND SUPPORTING ANALYSES - CONSTITUTE THE BASIC RESPONSIBILITIES OF THE DESIGN TEAM. IN ADDITION, THE TEAM MUST REPORT REGULARLY TO USAID/SA, AND SHOULD KEEP A RECORD FOR EVENTUAL SUBMISSION TO

USAID/SA OF ALL INTERVIEWS AND ACTIVITIES CONDUCTED IN THE COURSE OF ITS BUSINESS. THE SUBSTANCE OF THESE NEED NOT BE DELVED INTO IN ANY DETAIL, BUT THE TOPIC OF EACH INTERVIEW AND THE FOCUS OF EACH ACTIVITY SHOULD BE SUMMARILY LISTED.

THE TEAM WILL BE SUPERVISED BY USAID/SA'S SPDO OR HIS DESIGNEE, AND FORMAL WEEKLY BRIEFINGS FOR USAID/SA ARE TO BE PLANNED AND EXECUTED. BEFORE COMMENCING WORK, ALL MEMBERS OF THE TEAM WILL MEET WITH THE USAID/SA MISSION DIRECTOR FOR A BRIEFING. THE TEAM LEADER MUST ENSURE THAT ALL WORK IS COMPLETED IN SOUTH AFRICA AS CONTRACTED.

6. THE TIME FRAME FOR FULFILLMENT OF THE TEAM'S RESPONSIBILITIES IS 39 DAYS, WHICH INCLUDES FOUR DAYS OF INTERNATIONAL TRAVEL BY THE U.S. EXPERTS AND 35 DAYS IN SOUTH AFRICA. A.I.D. ENTERPRISE SPECIALIST FARBMAN WILL SPEND ONLY 21 DAYS IN SOUTH AFRICA. OF EVERY 7 DAYS SPENT IN SOUTH AFRICA, 6 WILL BE AUTHORIZED AS WORK DAYS, THUS BRINGING THE TOTAL PERIOD FOR WHICH THE ARIES AND SOUTH AFRICAN CONTRACTORS MAY RECEIVE COMPENSATION TO 30 DAYS. NO PAID EXTENSION OF CONTRACT TIME WILL BE AUTHORIZED. THE FOLLOWING SCHEDULE IS PREMISED UPON A PROJECT COMMENCEMENT DATE OF JULY 11, 1987:

ILLUSTRATIVE SCHEDULE FOR COMPLETION OF TEAM RESPONSIBILITIES

<u>DATES-</u>	<u>ACTIVITY</u>
JULY 11-	ARIES CONTRACTOR FLIES TO SOUTH AFRICA.
JULY 13-	ARIES CONTRACTOR MEETS SOUTH AFRICAN
-	CONTRACTOR AND USAID/SA OFFICIALS IN
-	PRETORIA. CONTRACTORS FAMILIARIZE
-	THEMSELVES FULLY WITH THE USAID/SA PRIVATE
-	ENTERPRISE DEVELOPMENT PROJECT PAPER AND
-	USAID/SA OBJECTIVES IN THE FIELD OF BLACK
-	BUSINESS. WORK BEGINS.

JULY 20- CONTRACTORS BRIEF USAID/SA ON WORK
- - PROGRESS.

JULY 27- A.I.D. ENTERPRISE EXPERT FARBMAN ARRIVES
- - IN SOUTH AFRICA; ASSUMES TEAM LEADERSHIP.

AUGUST 3- TEAM BRIEFS USAID/SA ON WORK PROGRESS.

AUGUST 6- TEAM SUBMITS FIRST DRAFTS OF THE TWO GRANT
- - AGREEMENTS AND SUPPORTING ANALYSES FOR
- - USAID/SA REVIEW.

AUGUST 8- USAID/SA RETURNS FIRST DRAFTS WITH
- - COMMENTS AND SUGGESTIONS.

AUGUST 15- TEAM PRESENTS FINAL COPIES OF TWO
- - ASSESSMENTS/ANALYSES AND TWO DRAFT GRANT
- - AGREEMENTS TO USAID/SA. TEAM ALSO SUBMITS
- - LIST OF INTERVIEWS AND ACTIVITIES TO
- - USAID/SA. (NOTE: WHEREVER WRITTEN
- - PRODUCTS ARE REQUIRED, 5 COPIES MUST BE
- - MADE AND SUBMITTED TO USAID/SA).

AUGUST 17-18 U.S. EXPERTS RETURN TO U.S.

7. QUALIFICATIONS AND JOB RESPONSIBILITIES.

(A) QUALIFICATIONS

THE TEAM WILL CONSIST OF A.I.D. ENTERPRISE SPECIALIST FARBMAN, WHO WILL ACT AS TEAM LEADER, A SMALL BUSINESS/CREDIT EXPERT FROM THE U.S., AND A PROGRAM MANAGEMENT/DECISION-MAKING PROCESSES EXPERT FROM SOUTH AFRICA. PREFERRED QUALIFICATIONS FOR THE SMALL BUSINESS/CREDIT EXPERT ARE AS FOLLOWS:

(1) SHOULD POSSESS AN ADVANCED DEGREE IN BUSINESS, FINANCE OR ECONOMICS;

(II) SHOULD POSSESS EXTENSIVE ACADEMIC AND PRACTICAL EXPERIENCE IN ANALYZING MICRO AND SMALL-SCALE BUSINESSES AS WELL AS LENDING PROGRAMS SERVING SUCH BUSINESSES, PREFERABLY IN AFRICA;

(III) SHOULD POSSESS EXTENSIVE ACADEMIC AND PRACTICAL EXPERIENCE IN ANALYZING THE INSTITUTIONAL DEVELOPMENT NEEDS OF SMALL AND MEDIUM-SCALE BUSINESS INSTITUTIONS, PREFERABLY IN AFRICA;

(IV) SHOULD POSSESS EXCELLENT WRITING AND CONSULTATIVE SKILLS;

(V) SHOULD POSSESS EXPERIENCE IN WORKING ON COOPERATIVE PROJECTS.

B. JOB RESPONSIBILITIES

BOTH TEAM LEADER FARBMAN AND THE SMALL BUSINESS/CREDIT EXPERT WILL BE RESPONSIBLE FOR INTEGRATING THEIR ACTIVITIES AND TALENTS WITH THOSE OF THE SOUTH AFRICAN CONTRACTOR. THE SPECIFIC RESPONSIBILITIES OF THE TWO U.S. MEMBERS OF THE TEAM ARE AS FOLLOWS:

(I) TEAM LEADER FARBMAN: RESPONSIBLE FOR SUPERVISING THE WORK OF OTHER MEMBERS OF THE TEAM IN CONDUCTING ASSESSMENTS OF PROSPECTIVE GRANTEEES, CONCEPTUALIZING STRATEGIES TO ADDRESS THEIR NEEDS, AND PRODUCING DRAFT GRANT AGREEMENTS AND SUPPORTING ANALYSES; FOR ENSURING THAT DEADLINES ARE MET AND WORK IS PERFORMED SATISFACTORILY; FOR ENSURING THAT DRAFT GRANT AGREEMENTS CONFORM TO ALL RELEVANT A.I.D. OPERATING PROCEDURES AND REGULATIONS, AND ACCORD WITH USAID/SA POLICY. CHIEF SPOKESPERSON FOR THE TEAM IN DEALINGS WITH PROPOSED GRANTEEES.

(II) SMALL BUSINESS/CREDIT EXPERT: RESPONSIBLE FOR ASSESSMENT OF THE EXISTING OR PROPOSED LENDING PROGRAMS OF PROSPECTIVE GRANTEEES, AS WELL AS OTHER GAF AND ACNHA

INITIATIVES TARGETED ON MICRO AND SMALL BLACK ENTERPRISE; FOR CONCEPTUALIZING STRATEGIES RESPONSIVE TO GAF AND ACNHA NEEDS IN THESE AREAS; FOR PRODUCING SECTIONS OF DRAFT GRANT AGREEMENTS AND SUPPORTING ANALYSES DEALING WITH OWN AREA OF EXPERTISE, AND OTHERS WHERE NECESSARY; FOR ASSISTING IN CONSULTATIONS WITH PROPOSED GRANTEEES. BEARS LEAD RESPONSIBILITY FOR COORDINATING WORK DONE BY SELF AND TEAM LEADER WITH THAT DONE BY THE SOUTH AFRICAN PROGRAM MANAGEMENT/DECISION-MAKING PROCESSES EXPERT.

8. ILLUSTRATIVE BUDGET (SMALL BUSINESS/CREDIT EXPERT)

- ITEM	-	-	- TOTAL
1. PROFESSIONAL COMPENSATION			
- A. SALARY (30 DAYS AT C/DOLS.260/DAY)-	-	-	DOLS. 7,800
- B. OVERHEAD (30 DAYS AT C/DOLS.390/DAY)	-	-	DOLS.11,700
2. PER DIEM			
- A. IN SOUTH AFRICA (35 DAYS AT C/DOLS.70/DAY)	-	-	-DOLS. 2,450
- B. EUROPEAN STOPOVER (1 DAY EACH WAY AT C/DOLS.150/DAY)-	-	-	-DOLS. 300
3. TRAVEL			
- A. INTERNATIONAL (1 ROUND TRIP TICKET AT C/DOLS.2,500)-	-	-	DOLS. 2,500
- B. AIR TRAVEL WITHIN SOUTH AFRICA (ROUND TRIPS TO DURBAN AND CAPE TOWN, AT C/DOLS.125 AND DOLS.230, RESPECTIVELY)	-	-	DOLS. 355

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C. AUTOMOBILE TRAVEL WITHIN SOUTH AFRICA

I.	ONE RENTAL CAR AT MONTHLY UNLIMITED MILEAGE RATE OF C/DOLS.750/MONTH	DOLS.	925
II.	ONE RENTAL CAR FOR TOTAL OF 4 DAYS IN DURBAN AND CAPE TOWN AT C/DOLS.25 PER DAY	- DOLS.	100
III.	PETROL AT C/DOLS.20 PER TANKFUL	DOLS.	200
4.	ADMINISTRATIVE SUPPORT		
-	A. PAPER, TYPING, PHOTOCOPYING-	DOLS.	200
-	B. TELEPHONE-	DOLS.	300
5.	CONTINGENCIES-	DOLS.	3,120
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TOTAL-	- - -	-DOLS.	30,000

ALL FUNDS ARE TO BE DRAWN FROM USAID/SA PROGRAM MANAGEMENT AND RESEARCH BUDGET. BARKLEY##

INSTITUTIONAL DEVELOPMENT AND ADVOCACY PROJECT

Scope of Work for South African Contractor.

I. Background

To combat the inhibiting effects of apartheid on black entrepreneurship and facilitate black private enterprise development, USAID/SA has recently launched a 5 year, \$19.5 million Black Private Enterprise Development Project. A central component of the Project is the allocation of roughly \$6 million over the same period to foster the institutional development and advocacy capabilities of black South African business. The purpose is to enable black business to advocate and successfully promote economic and political reforms - including the removal of specific apartheid laws and practices - as well as to assist it in demonstrating the merits and potential of black enterprise in a free-market system to the black community, the white private sector, and the South African government. To this end, the project contemplates funding for nongovernmental black enterprise support groups to permit them to enhance their own capacities and, consequently, those of their constituents. Depending upon the particular institutions and programs concerned, such funding would be applicable to the costs of relevant technical assistance, training, commodity purchases, operating expenses, workshops and other meetings, advertising, and publications.

After extensive USAID/SA consultations with black leaders and businesspersons, two initial proposed grantees have been identified. These are as follows:

* National African Federated Chamber of Commerce (NAFCOC).

NAFCOC is a nationwide umbrella organization representing over 12,000 black manufacturers and traders. It requires financial assistance to develop a policy research capacity, ensure financial self-sufficiency reorganize its administrative structures, enhance and enlarge its advocacy efforts, and better plan its strategic objectives. A USAID/SA grant of up to \$3 million over five years is planned, with approximately 1.4 million slated for FY 87.

Association of Black Accountants (ABA).

ABA, an umbrella organization devoted to the interests of South Africa's black accountants, requires funding to ensure financial self-sufficiency, better plan its strategic objectives, facilitate its institutional development, and carry out programs aimed at increasing the numbers and well-being of black accountants. Approximately \$50,000 has been preliminarily targeted for the group, in the form of a single FY 87 grant.

USAID/SA is seeking a black South African contractor to assist it in analyzing the need for and preparing the proposed grants just described. As set out more fully below, the contractor would work closely with three American counterparts in conducting detailed institutional, organizational, financial and advocacy program assessments of NAFCOC and ABA, drafting tentative grant agreements based on these assessments, and providing evidence and rationales to support the substantive content of such agreements. Work would be conducted wholly in South Africa, and would span 32 working days over a period of some 5 1/2 weeks, from mid-June to mid-July, 1987.

II. Specific Scope of Work.

The one black South African and three American contractors will comprise the design team, in accordance with the guidelines and individual job responsibilities specified in section III, below. The team as a whole will be responsible for the following activities:

* Assessments of Prospective Grantees

The team will evaluate the respective capacities of NAFCOC and ABA to reach the goals that are outlined above and that will be elaborated in greater detail through team consultations with USAID/SA and the proposed grantees. Such evaluations will include assessments of, inter alia: (1) the proposed grantee's past and present short-term plans, and the level of compliance therewith; also, any past or present longer-term plans, and the level of compliance therewith; (2) the proposed grantee's financial capabilities, measured by past and present budgets, the rates of growth thereof, and any past or present difficulties related thereto; also, the group's financial self-sufficiency, measured by the nature and extent of revenues and expenditures and the presence or lack of other actual or prospective charitable grants; (3) the proposed grantee's current administrative structure and capacity, including its capacity to manage effectively grant monies and undertake substantial new initiatives; also, the quality of the organizations' present leadership and staff; (4) the proposed grantee's influence and support within its entrepreneurial and/or professional community, as measured by the nature and extent of membership in the organization and the overall impact of past programs or initiatives undertaken by it; also, the institution's degree of access to other organizations or support groups (black-led or otherwise) and its standing in their eyes; (5) the proposed grantee's capacity for effective lobbying or networking, as measured by the past success or failure

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of its efforts in this regard, by the nature and extent of its participation in conferences, fora and other relevant exercises; also, the group's visibility and reputation among lobbying and advocacy targets such as white political figures, white businesspersons, and, most importantly, the black community.

Information necessary to such assessments will be gathered through evaluation of the documents and written materials of proposed grantees, and through extensive interviews with the staff of such groups, members of their respective professional communities, and others possessing relevant knowledge. USAID/SA anticipate that in order to effectively conduct such assessments, the South African contractor will also have to draw on the experiences of successful South African lobbying and special interest organizations. Accordingly, two days of interviews with groups such as the Afrikaans Handelsinstituut and other professional federations have been budgeted for in advance of the arrival of the American contractors and the formal creation of the design team.

* Dialogue and consultations with proposed grantees.

Upon completion of the assessment process the team, in conjunction with USAID/SA, shall enter into consultations with NAFCOOC and ABA over what steps such organizations might take to achieve their respective institutional development and advocacy goals. Consultations should also focus on the precise role to be played in such initiatives by any USAID/SA funding, and the extent of financing needed. The process should be one of dialogue, with the proposed grantees establishing their priorities and aims and the team providing constructive guidance, technical expertise and advice. Efforts should be geared towards responding to black-generated ideas, arriving at a consensus on how agreed-upon objectives should be met, and how USAID/SA financing should fit into such a strategy.

* Production of draft grant agreements and supporting analyses.

Following conclusive consultations and negotiations with proposed grantees, the team will produce three draft grant agreements providing for A.I.D. financing of specified programs and initiatives undertaken by NAFCOOC and ABA in order to achieve their institutional development and advocacy goals. The draft agreements shall be written in accordance with A.I.D. specifications as detailed in A.I.D. Handbook #13, and shall reflect USAID/SA policy aims and

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operating procedures in South Africa. Due to the magnitude of proposed NAFCOC and funding, the NAFCOC grant agreement in particular must contain, inter alia, the following elements: (1) a detailed description of the grant and specific activities financed thereunder, such description to include a statement of the total cost and time frame of the grant; (2) a detailed implementation plan, specifying the objectives and goals of the grant, the means to achieve these ends, and schedules and target dates for all activities; (3) a highly detailed financial plan, including provisions for regular financial reporting; (4) a detailed reporting plan, specifying the number of grantee reports to be submitted to USAID/SA and the contents thereof; such contents shall include a listing of specific performance criteria as well as objectively verifiable indicators of program progress; (5) a detailed breakdown of all projected inputs under the agreement, including the source of such inputs, their nature, and whether they are to be financed in U.S. or local currency; (6) provision for an independent, mid-grant evaluation of financed programs; such provision shall authorize the hiring by USAID/SA, after consultations with the respective grantees, of American experts to carry out the task. The evaluation should be budgeted into the grant agreement itself, and authorization should be made to finance it in U.S. currency.

Along with the draft agreements, the team will submit supporting analyses to USAID/SA. The analyses, one per draft agreement, should indicate the institutional development and advocacy needs of NAFCOC and ABA, how these organizations are currently failing to address such needs, and how the corresponding grant agreements are calculated to redress the problem. More specific requirements for each of the analyses are as follows:

* NAFCOC analysis. Should be approximately 30 pages, and contain: (1) an evaluation of NAFCOC's organizational and administrative capacities and strengths/shortcomings, specifically in the areas of finance, personnel use, research, and lobbying; (2) an evaluation of NAFCOC's degree of financial self-sufficiency and prospects for same; (3) an assessment of the services desired by NAFCOC's constituents, and what such constituents would be willing to pay for; (4) a discussion of NAFCOC's long-term organizational objectives, priorities and goals, and the means necessary to achieve such ends; (5) a specific description of how the grant agreement addresses (1), (2), (3), (4) and other issues; (6) a brief summary of any problems encountered during the negotiating process, and of any alternative programs

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or strategies considered but eschewed; (7) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

* ABA analysis. Should be approximately 7 pages, and contain: (1) an evaluation of ABA's organizational and administrative capacities and strengths/shortcomings, particularly as they relate to the group's lobbying and advocacy activities; (2) an evaluation of ABA's current programs to promote the numbers and well-being of black accountants, and whether such programs are responsive to the priorities of this professional community; (3) an evaluation of ABA's degree of financial self-sufficiency and prospects for same; (4) a discussion of ABA's long-term organizational objectives, priorities and goals, and the means necessary to achieve such ends, (5) a specific description of how the grant agreement addresses (1), (2), (3), (4) and other issues; (6) a brief summary of any problems encountered during the negotiating process, and of any alternative programs or strategies considered but eschewed; (7) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

The three functions just described - assessment, consultation, and production of draft agreements and supporting analyses - constitute the basic responsibilities of the design team. In addition, the team should maintain regular contact with USAID/SA, and should keep a record for eventual submission to USAID/SA memorializing all interviews and activities conducted in the course of its business. The substance of these need not be delved into in any detail, but the topic of each interview and the focus of each activity should be summarily listed.

The team will be supervised by USAID/SA's SFDO or his assignee, and formal weekly briefings for USAID/SA are to be planned and executed. Before commencing work the team will meet with the USAID/SA Mission Director for a briefing.

The time frame for fulfillment of the team's responsibilities is 32 working days, which includes two days of interviews by the South African contractor before the arrival of his/her U.S. counterparts and the creation of the design team. The remaining 30 work days authorized must be completed within a period of 5 weeks. No paid extension of contract time will be authorized. The following schedule is premised upon a project commencement date of June 11, 1987:

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ILLUSTRATIVE SCHEDULE FOR COMPLETION OF TEAM RESPONSIBILITIES.

<u>Dates</u>	<u>Activity</u>
June 11 - 12	South African consultant conducts interviews before arrival of American counterparts.
June 15	U.S. contractors arrive, meet with South African contractor and USAID/SA officials in Pretoria. Project team formed. Contractors familiarize themselves fully with the USAID/SA Private Enterprise Development Project Paper and USAID/SA objectives in the field of black business.
June 16 - July 8	Team conducts assessments, consultations and production of rough draft agreements and supporting analyses. Provides briefings for USAID/SA on June 24 and July 1 on team progress to date.
July 9	First drafts of the two grant agreements and supporting analyses due for USAID/SA review.
July 11	USAID/SA returns first drafts with comments and suggestions.
July 18	Team presents final copies of two assessments/analyses and two draft grant agreements to USAID/SA in Pretoria. Team also submits list of interviews and activities to USAID/SA, and provides USAID/SA with final briefing. (Note: wherever written products are required, 5 copies thereof must be made and submitted to USAID/SA).

III. Qualifications and job responsibilities.

a. Qualifications:

The team will consist of a team leader/institutional development expert, a lobbying/advocacy expert, and a strategic planning/self-sufficiency expert, all from the U.S., and a program management expert from South Africa. The program management expert should preferably possess the following qualifications:

an advanced degree in business or economics;

- * extensive academic and practical experience in analyzing the institutional development and advocacy needs of small and medium-scale South African business organizations;
- * academic and practical knowledge of the obstacles facing South African black business in general, and small and medium-scale black business institutions in particular;
- * excellent writing and consultative skills;
- * experience in working on cooperative projects with other contractors;
- * the contractors should be black, or, at the least, be employed by a black-led and owned consulting company.

b. Job responsibilities.

The South African program management expert will be responsible for integrating his/her activities and talents with those of the American contractors, and will report directly to the team leader. The specific responsibilities of the program management expert are as follows:

- * participation in assessments of the institutional development and advocacy needs of NAFCOC and ASA;
- * participation in the writing of draft grant agreements with NAFCOC and ASA, as well as supporting analyses accompanying these agreements;
- * provision of expert advice to other team members on the peculiar constraints and challenges facing small and medium-scale black business institutions in South Africa;
- * participation in the process of consultation and program planning with proposed grantees;
- * backstopping of other team members where necessary.

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IV. Illustrative Budget (South African Contractor)*

<u>Item **</u>	<u>Total</u>
1. <u>Professional Compensation</u>	
a. Salary and company overhead (32 days at c/\$350/day)	\$11,200
2. <u>Per Diem</u>	
a. For travel outside Pretoria/Johannesburg (6 days at c/\$67/day)	\$ 460
3. <u>Travel</u>	
a. Air travel within South Africa (round trips to Durban, Bloemfontein and Cape Town c/\$125, \$112, and \$230, respectively)	\$ 467
b. Automobile travel within South Africa	
I. One rental car at monthly unlimited mileage rate of c/\$750 per month	\$ 925
II. Petrol at c/\$20 per tankful	\$ 160
4. <u>Administrative Support</u>	
a. Business telephone calls	\$ 250
5. <u>Contingencies</u>	\$1,598
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TOTAL	\$15,000

* Funds to be drawn from USAID/SA Program Management and Research budget.

** All items must conform to A.I.D. regulations in order to qualify for Agency financing.

INSTITUTIONAL DEVELOPMENT AND ADVOCACY PROJECT

Scope of Work for U.S. Contractors.

I. Background

To combat the inhibiting effects of apartheid on black entrepreneurship and facilitate black private enterprise development, USAID/SA recently launched a 5 year, \$19.5 million Black Private Enterprise Development Project. A central component of the Project is the allocation of roughly \$6 million over the same period to foster the institutional development and advocacy capabilities of black South African business. The purpose is to enable black business to advocate and successfully promote economic and political reforms - including the removal of specific apartheid laws and practices - as well as to assist it in demonstrating the merits and potential of black enterprise in a free-market system to the black community, the white private sector, and the South African government. To this end, the project contemplates funding for nongovernmental black business support groups to permit them to enhance their own capacities and, consequently, those of their constituents. Depending upon the particular institutions and programs concerned, such funding would be applicable to the costs of relevant technical assistance, training, commodity purchases, operating expenses, workshops and other meetings, advertising, and publications.

After extensive USAID/SA consultations with black leaders and businesspersons, three initial proposed grantees have been identified. These are as follows:

* National African Federated Chamber of Commerce (NAFCOC).

NAFCOC is a nationwide umbrella organization representing over 12,000 black manufacturers and traders. It requires financial assistance to develop a policy research capacity, ensure financial self-sufficiency, reorganize its administrative structures, enhance and enlarge its advocacy efforts, and better plan its strategic objectives. A USAID/SA grant of up to \$3 million over five years is planned, with approximately 1.4 million slated for FY 87.

* Black Management Forum (BMF).

BMF is a support body for black managers in business. It needs financing to ensure financial self-sufficiency, shore up its administration, better plan its strategic objectives, increase its professional outreach capabilities, institute research, education, and training programs, and develop a lobbying unit to design and advocate affirmative action initiatives in the primary business sector. Up to \$500,000 has been tentatively allocated by USAID/SA for BMF in FY 87.

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Association of Black Accountants (ABA).

ABA, an umbrella organization devoted to the interests of South Africa's black accountants, requires funding to ensure financial self-sufficiency, better plan its strategic objectives, facilitate its institutional development and carry out programs aimed at increasing the numbers and well-being of black accountants. Approximately \$50,000 has been preliminarily targeted for the group, in the form of a single FY 67 grant.

USAID/SA is seeking three U.S.-based contractors to assist it in analyzing the need for and preparing the proposed grants just described. As set out more fully below, the contractors would work closely with a black South African counterpart in conducting detailed institutional, organizational, financial, and advocacy program assessments of the prospective grantees, drafting grant agreements based on these assessments, and providing evidence and rationales to support the substantive content of such agreements. Work would be conducted almost wholly in South Africa, and would span 33 working days over a period of some 6 weeks, from mid-June to mid-July, 1967.

II. Specific Scope of Work.

The one black South African and three American contractors will comprise the design team, in accordance with the guidelines and individual job responsibilities specified in section III, below. The team as a whole will be responsible for the following activities:

* Assessments of Prospective Grantees.

The team will evaluate the respective capacities of NAFCCO, BMT, and ABA to reach the goals that are outlined above and that will be elaborated in greater detail through team consultations with USAID/SA and the proposed grantees. Such evaluations will include assessments of, inter alia: (1) the proposed grantee's past and present short-term plans, and the level of compliance therewith; also, any past or present longer-term plans, and the level of compliance therewith; (2) the proposed grantee's financial capabilities, measured by past and present budgets, the rates of growth thereof, and any past or present difficulties related thereto; also, the group's financial self-sufficiency, measured by the nature and extent of revenues and expenditures and the presence or lack of other actual or prospective charitable grants; (3) the proposed grantee's current administrative

structure and capacity, including its capacity to manage effectively grant monies and undertake substantial new initiatives; also, the quality of the organizations' present leadership and staff; (4) the proposed grantee's influence and support within its entrepreneurial and/or professional community, as measured by the nature and extent of membership in the organization and the overall impact of past programs or initiatives undertaken by it; also, the institution's degree of access to other organizations or support groups (black-led or otherwise) and its standing in their eyes; (5) the proposed grantee's capacity for effective lobbying or networking, as measured by the past success or failure of its efforts in this regard, by the nature and extent of its participation in conferences, fora and other relevant exercises; also, the group's visibility and reputation among lobbying and advocacy targets, such as white political figures, white businesspersons, and, most importantly, the black community.

Information necessary to such assessments will be gathered through evaluation of the documents and written materials of proposed grantees, and through extensive interviews with the staff of such groups, members of their respective professional communities, and others possessing relevant knowledge. USAID/SA anticipates that in order to effectively conduct such assessments, the U.S. contractors will also have to draw on the expertise of successful American lobbying and special interest organizations. Accordingly, the U.S. team leader has been allotted three days of consultations in Washington D.C. in addition to the time spent in South Africa.

* Dialogue and consultations with proposed grantees.

Upon completion of the assessment process the team, in conjunction with USAID/SA, shall enter into consultations with NAFCCO, BMF, and ABA over what steps such organizations might take to achieve their respective institutional development and advocacy goals. Consultations should also focus on the precise role to be played in such initiatives by any USAID/SA funding, and the extent of financing needed. The process should be one of dialogue, with the proposed grantees establishing their priorities and aims and the team providing constructive guidance, technical expertise and advice. Efforts should be geared towards responding to black-generated ideas, arriving at a consensus on how agreed-upon objectives should be met, and how USAID/SA financing should fit into such a strategy.

Production of draft grant agreements and supporting analyses.

Following conclusive consultations with proposed grantees, the team will produce three draft grant agreements providing for A.I.D. financing of specified programs and initiatives to be undertaken by NAFCOC, BMF, and ABA in order to achieve their institutional development and advocacy goals. The draft agreements shall be written in accordance with A.I.D. specifications as detailed in A.I.D. Handbook #13, and shall reflect USAID/SA policy aims and operating procedures in South Africa.

Due to the magnitude of proposed NAFCOC and BMF funding, the NAFCOC and BMF grant agreements in particular must contain, inter alia, the following elements: (1) a detailed description of the grant and specific activities financed thereunder, such description to include a statement of the total cost and time frame of the grant; (2) a detailed implementation plan specifying the objectives and goals of the grant, the means to achieve these ends, and schedules and target dates for all activities; (3) a highly detailed financial plan, including provisions for regular financial reporting; (4) a detailed reporting plan, specifying the number of grantee reports to be submitted to USAID/SA and the contents thereof; such contents shall include a listing of specific performance criteria as well as objectively verifiable indicators of program progress; (5) a detailed breakdown of all projected inputs under the respective agreements, including the source of such inputs, their nature, and whether they are to be financed in U.S. or local currency; (6) provision for an independent, mid-grant evaluation of financed programs; such provision shall authorize the hiring by USAID/SA, after consultations with the respective grantees, of American experts to carry out the task. The evaluation should be budgeted into the grant agreement itself, and authorization should be made to finance it in U.S. currency.

Along with the draft agreements, the team will submit supporting analyses to USAID/SA. The analyses, one per draft agreement, should indicate the institutional development and advocacy needs of NAFCOC, BMF, and ABA, how these organizations are currently failing to address such needs, and how the corresponding grant agreements are calculated to redress the problem. More specific requirements for each of the three analyses are as follows:

* NAFCOC analysis. Should be approximately 30 pages, and contain: (1) an evaluation of NAFCOC's organizational and administrative capacities and strengths/shortcomings, specifically in the areas of finance, personnel use, research, and lobbying; (2) an evaluation of NAFCOC's degree of financial self-sufficiency and prospects for same; (3) an assessment of the services desired by NAFCOC's constituents, and what such constituents would be willing to pay for; (4) a discussion of NAFCOC's long-term organizational objectives, priorities and goals, and the means necessary to achieve such ends; (5) a specific description of how the grant agreement addresses (1), (2), (3), (4) and other issues; (6) a brief summary of any problems encountered during the negotiating process, and of any alternative programs or strategies considered but eschewed; (7) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

* BMF analysis. Should be approximately 15 pages, and contain: (1) an evaluation of BMF's organizational and administrative capacities and strengths/shortcomings, particularly as they relate to the group's lobbying and advocacy activities; (2) an assessment of BMF's ability to carry out successful research, education and training programs for its constituents; (3) an evaluation of BMF's planned affirmative action initiative targeted on the primary business sector; (4) an assessment of the services desired by BMF's constituents, and what such constituents would be willing to pay for; (5) a discussion of BMF's long-term organizational objectives, priorities and goals, and the means necessary to achieve such ends; (6) a specific description of how the grant agreement addresses (1), (2), (3), (4), (5) and other issues; (7) a brief summary of any problems encountered during the negotiating process, and of any alternative programs or strategies considered but eschewed; (8) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

* ABA analysis. Should be approximately 7 pages, and contain: (1) an evaluation of ABA's organizational and administrative capacities and strengths/shortcomings, particularly as they relate to the group's lobbying and advocacy activities; (2) an evaluation of ABA's current programs to promote the numbers and well-being of black accountants, and whether such programs are responsive to the priorities of this professional community; (3) an evaluation of ABA's degree of financial

self-sufficiency and prospects for same; (4) a discussion of ABA's long-term organizational objectives, priorities and goals, and the means necessary to achieve such ends; (5) a specific description of how the grant agreement addresses (1), (2), (3), (4) and other issues; (6) a brief summary of any problems encountered during the negotiating process, and of any alternative programs or strategies considered but eschewed; (7) where necessary, an elaboration of general terms contained in the grant agreement, or a provision of detail helpful to grant monitoring.

The three functions just described - assessment, consultation, and production of draft agreements and supporting analyses - constitute the basic responsibilities of the design team. In addition, the team should maintain regular contact with USAID/SA, and should keep a record for eventual submission to USAID/SA memorializing all interviews and activities conducted in the course of its business. The substance of these need not be delved into in any detail, but the topic of each interview and the focus of each activity should be summarily listed.

The team will be supervised by USAID/SA's SFDO or his designee, and formal weekly briefings for USAID/SA are to be planned and executed. Before commencing work the team will meet with the USAID/SA Mission Director for a briefing. The team leader must ensure that all work is completed in South Africa as contracted.

The time frame for fulfillment of the team's responsibilities is 42 days, which includes three days of interviews by the U.S. team leader in Washington, D.C., four days of international travel by the U.S. contractors, and 35 days in South Africa. The U.S. contractor furnishing expertise on lobbying and advocacy will spend only 21 days in South Africa. For the 5 weeks of on-site research, 6 days out of every 7 will be authorized as work days, thus bringing the total periods for which the respective U.S. contractors may receive compensation to the following: team leader, 12 days; strategic planning/self-sufficiency expert (see explanations in sec. III, below), 30 days; lobbying/advocacy expert, 18 days. No paid extension of contract time will be authorized. The following schedule is premised upon a project commencement date of June 10, 1987:

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ILLUSTRATIVE SCHEDULE FOR COMPLETION OF TEAM RESPONSIBILITIES.

<u>Dates</u>	<u>Activity</u>
June 10 - 12	U.S. team leader conducts interviews in Washington, D.C.
June 13 - 14	U.S. contractors fly to South Africa.
June 15	U.S. contractors meet USAID/SA officials and South African contractors in Fretoria. Project team formed. Contractors familiarize themselves fully with the USAID/SA Private Enterprise Development Project Paper and USAID/SA objectives in the field of black business.
June 16 - early July	Team conducts assessments, consultations and production of rough draft agreements and supporting analyses. Provides briefings for USAID/SA on June 24 and July 1 on team progress to date.
July 6 - 7	U.S. lobbying/advocacy expert returns to U.S.
July 9	First drafts of the three grant agreements and supporting analyses due for USAID/SA review.
July 11	USAID/SA returns first drafts with comments and suggestions.
July 18	Team presents final copies of three assessments/analyses and three draft agreements to USAID/SA, in Pretoria. Team also submits list of interviews and activities to USAID/SA, and provides USAID/SA with final briefing. (Note: wherever written products are required, 5 copies thereof must be made and submitted to USAID/SA).
July 20 - 21	Remaining U.S. contractors return to U.S.

1/bb

III. Qualifications and job responsibilities.

a. Qualifications:

The team will consist of a team leader/institutional development expert, a lobbying/advocacy expert, and a strategic planning/self-sufficiency expert, all from the U.S., and a program management expert (to be contracted separately) from South Africa. Preferred qualifications for the three U.S. contractors are as follows:

* Team leader/institutional development expert.

Should possess an advanced degree in business or economics. Should possess extensive academic and practical experience in analyzing the institutional development of small and medium-scale business organizations, preferably in Africa. Should possess excellent managerial skills and experience in coordinating projects and personnel activities. Should possess excellent writing and consultative skills.

* Lobbying/advocacy expert.

Should possess an advanced degree in business or public relations. Should possess extensive academic and practical experience in evaluating the lobbying and advocacy needs of small and medium-scale interest groups or institutions, preferably in Africa. Should possess excellent writing and consultative skills, and experience in working on cooperative projects.

* Strategic planning/self-sufficiency expert.

Should possess an advanced degree in business or economics. Should possess extensive academic and practical experience in evaluating the strategic planning and financial profiles of small and medium-scale business organizations, preferably in Africa. Should possess excellent consultative skills, and experience in working on cooperative projects.

b. Job responsibilities.

All three U.S. contractors will be responsible for integrating their activities and talents with those of the South African contractor. The specific responsibilities of the three U.S. members of the team are as follows:

Team leader/institutional development expert.

Responsible for supervising the work of other members of the team; for assigning specific duties to each; for ensuring that deadlines are met and work is performed satisfactorily. Bears lead responsibility on the team

for conducting assessments of the institutional development needs of proposed grantees, and for producing required writings related thereto. Chief spokesperson for the team in dealings with proposed grantees.

* Lobbying/advocacy expert.

Responsible for assessment of the lobbying and advocacy needs of proposed grantees, and for conceptualizing strategies responsive to such needs; for backstopping the team leader on institutional development issues; for helping produce drafts of required writings, especially in own area of expertise; for assisting in consultations with prospective grantees.

* Strategic planning/self-sufficiency expert.

Responsible for assessment of the long-term plans and financial profiles of proposed grantees, as well as their institutional capacities to implement programs responsive to their lobbying and developmental needs; for backstopping the respective experts on institutional development and advocacy issues; for producing writings on own area of expertise and others where necessary; for assisting in consultations with prospective grantees.

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IV. Illustrative Budget (U.S. Contractors)*

<u>Item **</u>	<u>Total</u>
1. <u>Professional Compensation</u>	
a. Salaries (81 person/days at \$260 per person/day) ***	\$21,060
b. Overhead (81 person/days at \$390 per person/day) ***	\$31,590
2. <u>Per Diem</u>	
a. In South Africa (81 person/days at \$70 per person/day)	\$ 5,670
b. European stopover (1 day each way at c/\$150/day, per person)	\$ 900
3. <u>Travel</u>	
a. International (1 round trip ticket at c/\$2500, per person)	\$ 7,500
b. Air travel within South Africa (round trips to Durban, Bloemfontein and Cape Town for each contractor at c/\$125, \$112, and \$230, respectively)	\$ 1,401
c. Automobile travel within South Africa	
I. Two rental cars at monthly unlimited mileage rate of c/\$750 per month.	\$ 1,850
II. One rental car for total of 5 days in Durban, Bloemfontein, and Cape Town at c/\$35 per day	\$ 210
III. Petrol at c/\$20 per tankful	\$ 300
4. <u>Research support</u>	
a. Paper, typing, photocopying	\$ 300
b. Books ****	\$ 300
c. Telephone	\$ 300
5. <u>Contingencies</u>	\$ 8,619
<u>TOTAL</u>	<u>\$80,000</u>

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- * Funds to be drawn from USAID/SA Program Management and Research budget.
- ** All items must conform to A.I.D. regulations in order to qualify for Agency financing.
- *** Based on team leader receiving compensation for 33 days work, strategic planning/self-sufficiency expert 30 days work, and lobbying/advocacy expert 18 days work.
- **** Title to books purchased will vest in USAID/SA after completion of contractors' work.

ANNEXURE H

PROJECT AUTHORIZATION

Name of Country: South Africa
Name of Project: Black Private Enterprise Development
Number of Project: 674-0303

1. Pursuant to Section 535 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Black Private Enterprise Development Project in the Republic of South Africa involving planned obligations of not to exceed \$19,500,000 in grant funds over a five-year period from date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of the project is seven years from the date of initial obligation.
2. This Project will contribute to the goal of providing the opportunity for South African blacks to participate equitably in the South African economy as owners, managers or employees in private enterprises. The project consists of three separate but related components under which direct assistance will be provided to South African NGO's to (1) strengthen their institutional capacity to use legal and advocacy techniques to end apartheid policies and discriminatory laws, regulations, practices and attitudes; (2) increase opportunities for black entrepreneurship, skilled employment and economic advancement in micro and small-scale enterprises, and (3) expand the ability of blacks to manage and invest capital in primary economic activities. The Project Paper sets forth several criteria for selecting organizations for funding and describes several organizations which are illustrative candidates for support under the Project. No assistance or support under the Project shall be provided to organizations financed, influenced or controlled by the SAG, or to political parties.
3. The Project also will include a separate Project Guidance and Coordination component under which technical services and training will be provided to assist in the monitoring and implementation of the Project.
4. The grant agreements, cooperative agreements or contracts which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

X
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a. Source and Origin of Commodities, Nationality of Services.

Commodities financed by A.I.D. under the project shall have their source and origin in the Republic of South Africa or in the United States, except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Republic of South Africa or the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

Ocean shipping financed by A.I.D. under the project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

5. In the event that USAID/South Africa deems it necessary to incorporate conditions precedent to disbursement or covenants in individual grant or cooperative agreements with South African NGO's, it may do so without amendment to this authorization.

Signature

Timothy J. Bork
Mission Director,
USAID/South Africa

learances:

- A. SPDO: Mark Johnson
- B. AFR/PD: Stafford Baker
- C. Program Officer: Carlos Pascual
- D. Regional Controller: Richard Solloway
- E. RLA/SA: Donald Keene

Drafted by: RLA/SA; Donald G. Keene; 03/30/87

PROJECT DATA SHEET

1. TRANSACTION CODE

A B C D

Assignment Number

DOCUMENT CODE

3

COUNTRY/ENTITY SOUTH AFRICA

3. PROJECT NUMBER

674-0303

4. BUREAU/OFFICE

AFR

06

2. PROJECT TITLE (maximum 40 characters)

Black Private Enterprise Development

5. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY
11 23 91

6. ESTIMATED DATE OF OBLIGATION

(Under "E" below, enter 1, 2, 3, or 4)

A. Initial FY R1 7

B. Ongoing

C. Final FY 01 1

7. COSTS (1000 OR EQUIVALENT \$) =

A. FUNDING SOURCE	FIRST FY 87				LIFE OF PROJECT		
	1. FX	2. L/C	3. Total	4. FX	5. L/C	6. Total	
AD APPROPRIATE Total	200	3,300	3,500	2,000	17,500	19,500	
(Grant)	-200	3,300	3,500	2,000	17,500	19,500	
(Loan)							
Other 11							
Other 12							
Host Country							
Other Donors							
TOTALS	200	3,300	3,500	2,000	17,500	19,500	

8. SCHEDULE OF AID FUNDING (1000\$)

A. APPROXIMATE RELATION/PURPOSE CODE	B. PRIMARY TECH CODE	D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ES 700B	1840			19,500		19,500	
(2)							
(3)							
(4)							
TOTALS				19,500		19,500	

9. SECONDARY TECHNICAL CODES (maximum 3 codes of 3 positions each)

10. SPECIAL CONCERNS CODES (maximum 2 codes of 4 positions each)

A. Code: EOTY
B. Amount: 19,500

11. PROJECT PURPOSE (maximum 480 characters)

To assist black South Africans in overcoming the political, regulatory, economic, technical, social, and attitudinal constraints that have stemmed from apartheid and operated to prevent their equitable participation in the south African economy as owners, managers or employees of private enterprise.

12. SCHEDULED EVALUATIONS

Start: MM YY 10 8 5
End: MM YY 01 6 2

13. SOURCE/ORIGIN OF GOODS AND SERVICES

DOO M1 Local Other (Specify)

14. AMENDMENTS/NATURE OF CHANGE PROPOSED (Page 1 of 1)

15. APPROVED BY

Signature: Mission Director
USAID/South Africa

Date: MM DD YY

16. DATE DOCUMENT RECEIVED BY ADM. OR FOR AD/IN DOCUMENTAL DATE OF DISTRIBUTION

MM DD YY