



PDBBS354
Embassy of the United States of America

Office of Development Affairs
September 29, 1989

Mr. G. Le Pere
Executive Director
U.S./S.A. Leader Exchange Program
P.O. Box 32896
Braamfontein
2017

SUBJECT: Black Private Enterprise Development Project;
U.S./S.A. Leader Exchange Program
Grant Agreement No: 674-0303-G-SS-9062-00.

Dear Mr. Le Pere,

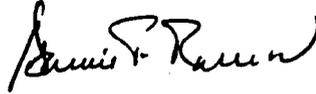
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, the Agency for International Development (hereinafter "USAID") hereby enters into this Agreement with the U.S./S.A. Leader Exchange Program (hereinafter "USSALEP" or the "Recipient") and obligates the sum of U.S.\$269,759, to provide support for a program described in Attachment No. 1, entitled "Schedule", and Attachment No. 2, entitled "Program Description" of this Agreement.

This Agreement is effective and obligation is made as of the date of this letter. The Agreement and obligation shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning September 29 1989, and ending December 31, 1992.

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

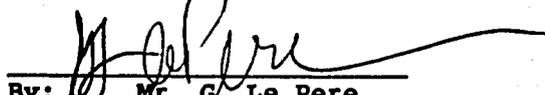
Please sign the original and one copy of this letter. Please then return the original letter to USAID/Pretoria.

Sincerely,



Dennis P. Barrett
Counselor for Development Affairs

Acknowledged and Accepted



By: Mr. G. Le Pere
Title: S.A. Executive Director
U.S./S.A. Leader Exchange Program

Attachments:

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

#0236J

ATTACHMENT NO. 1.
SCHEDULE

I. OVERVIEW OF AGREEMENT

A. Purpose of Agreement

This agreement will support a major effort by the U.S./S.A. Leader Exchange Program to enable black South African entrepreneurs to leverage U.S.-sourced business knowledge into competitive advantages in South Africa's mainstream economy. A more detailed description of the Agreement program is contained in Attachment 2 of this Agreement, entitled "Program Description".

II. PERIOD OF AGREEMENT

The effective date of this Agreement is September 29, 1989. The Agreement expiration date is December 31, 1992, meaning that no A.I.D. funds shall be applicable under this Agreement to goods not furnished and services not performed for the program by this date.

III. AGREEMENT FUNDING AND PAYMENT

- A. The total estimated amount of A.I.D. funds to be provided under this agreement for the period of September 29, 1989 to December 31, 1992 is \$ 930,710.
- B. A.I.D. hereby obligates the amount of \$ 269,759. Additional funds up to the total amount of \$ 930,710 stated above may be obligated by A.I.D. subject to the availability of funds and the requirements of the Attachment III Standard Provision entitled "Revision of Financial Plan".

IV. RECIPIENT RESOURCES

- A. The Recipient agrees to provide or cause to be provided for the Agreement program all funds, in addition to those provided herein, and all other resources required to carry out the Agreement effectively and in a timely manner.

- B. While not a specific cost element in the Agreement, a component central to the Agreement program's success will be USSALEP's established infrastructure and credibility. The South African side of USSALEP's operations projects a 1989 operating budget of R 839,000, all of it obtained from sources other than USAID. The U.S. side of USSALEP's operations projects a 1989 budget of \$ 499,447, likewise sourced elsewhere than A.I.D. Over the three year period of this Agreement, it is anticipated that the net application of USSALEP funds acquired outside of this Agreement will exceed R 3,000,000.

V. FINANCIAL MANAGEMENT

- A. USSALEP shall be responsible for accounting for all funds provided under this Agreement. Reimbursement for expenses incurred shall be in the form of a monthly submission of invoices marked "paid", cancelled checks, signed payroll sheets and other appropriate documentation, as further described in part B of this section.

Included in this Agreement, as Attachment 4, is a one year budget based upon expected expenditures covered by this Agreement. This budget also reflects quarterly cash flow requirements and represents USSALEP's request for a 30 day advance. A sufficient advance of funds will be provided to cover expenses for three months of operations.

Execution of this Agreement constitutes USAID approval of the advance, and for AID's internal purposes, earmarks and commits all funds obligated under this Agreement. Any interest earnings from funds provided under this Agreement will be returned to USAID.

B. Disbursement Procedures

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

Where Agreement expenditures are incurred by USSALEP in U.S. Dollars, disbursement will be made by USAID in Rands, and USSALEP will convert these into the required amount of U.S. Dollars at prevailing exchange rates. As reflected in Annexure A to Attachment 1 of this Agreement, below, USAID will reimburse USSALEP for the reasonable transaction costs of such conversions.

2. It is recognized that an advance of funds is required as working capital, to carry out the purposes of this Agreement. Refer to Section V-A and Attachment 4 which requests such an advance.
- a. As discussed in para. B1 above, monthly expenses are reimbursed. As such, USAID will reimburse the Recipient for recurring expenses financed from the advance, but non-recurring expenses financed from the advance will not be reimbursed.

Rather than reimburse non-recurring expenses, the amount of the advance will be reduced by that amount. Consequently, when the Recipient submits its monthly reimbursement request per paragraph B1, it is most important to include those expenses which will be used to reduce the advance balance.

- b. At the end of the Agreement period, an advance balance will be liquidated through submission of paid invoices and/or cash.
- c. Should there be a need to increase the level of the advance, USAID should be notified in writing at least 90 days before the required increase. USAID will advise in writing of any approved increases. Likewise, USAID reserves the right to decrease the level of the advance should expenditures fall below projected levels.

VI. FINANCIAL PLAN

- A. The Financial Plan for this agreement is set forth in Tables 1 and 2 of Annexure A to this Schedule. Revisions of this Plan shall be made in accordance with Standard Provision 4 of this Agreement, located in Attachment 3 and entitled "Revision of Agreement Budget". All line-item adjustments, as defined in the footnotes to Table 1 of Annexure A, must receive prior USAID approval.
- B. The budget-line items provided in Table 2 of Annexure A have been calculated by taking the amounts required by USSALEP in South African Rands and then converting these to U.S. Dollars at an exchange rate of R2.65/US\$1. While the Rand amounts are included in Table 1 for illustrative purposes, the U.S. Dollar totals, and not their Rand equivalents, constitute the binding level of USAID assistance.

Due to exchange rate fluctuations, South African Rands available under any individual item financed under this Agreement may exceed levels budgeted for by USSALEP. In such an event, USSALEP will propose to USAID in writing its priority use of these funds. If USAID is in agreement with such proposal, arrangements will be made to amend the Agreement to provide for their expenditure. However, should changes in the exchange rate result in fewer South African Rands being available than budgeted for, USSALEP must finance the shortfall since the U.S. dollar amount prevails.

VII. REPORTING AND EVALUATION

A. Reporting

1. Quarterly reports

Beginning at Agreement month 3, USSALEP shall submit quarterly reports to USAID/SA containing, inter alia, the following:

- a. A summary of Agreement program activities over the previous three months.
- b. A summary of Agreement program activities planned for the next three months.
- c. A summary of problems encountered in implementing Agreement program activities.
- d. A summary of the following statistical information, aggregated by sex and by region, for both the past quarter and cumulative

for the project to date:

1. the total number of applications to the program received broken down by the economic sector of the project proposed.
- ii. a list of people accepted for the program with brief descriptions of their projects.
- e. A summary of all reports for the period or documents prepared with the aid of technical assistance financed under the Agreement or otherwise required by the Agreement to be submitted to USAID/SA, including, inter alia:
 1. copies of the Subcontractor evaluations on the U.S. experience of each of the entrepreneurs sent on the program.
 - ii. copies of the evaluation on the entrepreneur's progress toward launching his/her business idea to be conducted by the Subcontractor approximately one year after the entrepreneur's return from the U.S.
- f. Any other Agreement-related information reasonably requested by USAID.

2. Selection Committee Meeting Minutes

USSALEP will maintain minutes of every Selection Committee meeting which will include, inter alia, the details of each candidate selected together with the selection rationale, and USSALEP will timeously provide a copy of the minutes of each meeting to USAID.

3. Final Report

Within two months of the conclusion of the Agreement, USSALEP shall submit a final report summarizing the accomplishments of the Agreement, significant problems/failures encountered in its implementation, actual expenditures pursuant to it and any other items USAID/SA may specify.

B. Evaluation

After approximately ten entrepreneurs funded under this Agreement have completed their U.S. exchange programs and had a reasonable opportunity to implement their enhanced business ideas, USAID/SA and USSALEP will jointly review Agreement progress to date and the continuing of the Agreement methodology. Such review will be a major early benchmark for measuring the Agreements effectiveness in attaining its objectives and outputs; based upon these joint deliberations, necessary reprogramming options or any other appropriate remedial actions, as necessary, will be considered.

Approximately three years from the signing of this Agreement an expert on enterprise development will conduct a comprehensive, independent evaluation of the program's success in attaining Agreement objectives. Central to the evaluation will be an attempt to measure the tangible benefits to the entrepreneurs in getting new/expanded businesses underway and in sustaining them. The consultant shall be selected by USAID/SA in consultation with USSALEP, and shall adhere to a specific scope of work prepared by the former. This evaluation shall play an important role in determining the future evolution of A.I.D.-supported USSALEP activities.

The evaluation consultant will be responsible for reporting to both USSALEP and USAID/SA. The consultant's advice may include suggestions

concerning the possible redesign of Agreement program elements if necessary.

Funds are budgeted into the Agreement to cover the costs of the evaluation. Simultaneous with the evaluation, or at any other time, USAID/SA may engage the services of an accounting firm to perform an audit of USSALEP's utilization of Agreement funds to date. USSALEP agrees to cooperate fully with any such audit.

VIII. OVERHEAD RATE

Not applicable.

IX. TITLE TO PROPERTY

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

X. AUTHORIZED GEOGRAPHIC CODE

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

XI. LOCAL COST FINANCING

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

XII. SPECIAL PROVISIONS

A. Conditions Precedent

1. Prior to disbursement of any funds in Section II and Section III of the Agreement Budget (see Annexure A to this Attachment), USSALEP shall submit, in form and substance satisfactory to USAID, evidence that it has:

a. Hired the Project Coordinator and modified the USSALEP office

- space, administrative infrastructure and equipment to accommodate the project.
- b. Appointed a Selection Committee of approximately fifteen prominent business persons and/or business academics, and secured acceptance of these appointments.
 - c. Appointed five Regional Coordinators, one each in Johannesburg, Durban, Port Elizabeth, Cape Town and Bloemfontein, and secured acceptance of these appointments.
 - d. Developed adequate written Selection Criteria for approving participation in the program.
 - e. Developed adequate strategies for promotion of the program nationwide.
2. Prior to disbursement of any funds in Section II and Section III of the Agreement Budget (see Annexure A to this Attachment), USSALEP shall submit, in form and substance satisfactory to USAID:
- a. An adequate Scope of Work for the activities of the Subcontractor to be selected to provide follow-up services to the project.
 - b. A succinct memorandum to USAID containing the identity of at least two other potential contractors considered, but not selected, to provide follow-up services under the project, and containing the identity of the contractor selected, the competitive process by which such selection emerged, and the rationale for selection.
 - c. An adequate draft contract to govern the performance of the Subcontractor selected to provide follow-up services to the project, prior to signing of the contract.

B. Covenants

1. Procurement

- a. Scope. This provision is applicable to the extent that local cost financing is otherwise authorized by the Agreement. It does not require local procurement in South Africa where off-shore procurement could otherwise occur.
- b. Policy. In the procurement of goods and services in South Africa, the Recipient shall, to the maximum extent practicable, award contracts to individuals or organizations which are disadvantaged by apartheid and which are responsive and appropriate providers of goods and services.
- c. Definitions. Individuals and organizations disadvantaged by apartheid shall mean: 1. South African individuals of black, "coloured" or Asian descent whose principal place of business is in the Republic of South Africa; and 2. private partnerships or commercial firms which are incorporated in or organized under the laws of the Republic of South Africa, whose principal place

of business is in the Republic of South Africa, and which are more than 50 percent beneficially-owned by South African persons of black, "coloured" or Asian descent. The Republic of South Africa includes the so-called "independent" and "self-governing" homelands, and, for purposes of implementing this provision, Namibia.

2. Competitive Contracting Procedures

Except as provided in Section B1 above, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, free and open competition.

For the technical assistance specified in Section III of the Budget for the subcontract for the provision of follow-up services, USSALEP shall submit a succinct memorandum to USAID containing those elements specified in Section XII - A(2)(b) of this Attachment, above.

USSALEP further agrees to provide three written quotes for any procurement of goods exceeding R5000 in value.

3. Impartial Candidate Selection Process

USSALEP will ensure that the process of candidate selection is impartial at all times, that no member of the Selection Committee, sitting or otherwise, nor any employee or director of USSALEP, shall have any personal or business interest, direct or indirect, in the outcome of any decision of the Selection Committee and that all members of the Selection Committee are made aware of these requirements at the time of their appointment as well as at the convening of each Selection Committee meeting.

4. Personnel Recruitment

USSALEP agrees that the position of Project Coordinator be recruited through an appropriate competitive process and in accordance with the relevant terms of this Agreement. Following selection of the Coordinator, USSALEP will provide a brief memorandum to USAID indicating the competitive process and providing the selection rationale for the individual chosen. USSALEP further agrees that the terms of Section B1, above, will apply fully to all personnel recruitment undertaken by the organization.

5. Employment Generation and Women's Participation

USSALEP agrees that in implementing this Agreement it shall make an affirmative and cognizable effort to promote the following, important objectives:

- a. generating employment opportunities in black communities;

b. increasing women's participation in the black private sector/broader South African economy.

6. Restriction on Assistance to the South African Government

USSALEP agrees that no funds provided under this Agreement shall be utilized in any way to support the South African Government, the governments of the so-called "homelands", or any entities controlled by same.

XIII. STANDARD PROVISIONS

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

**ANNEXURE A TO ATTACHMENT 1
TABLE 1 - ILLUSTRATIVE AGREEMENT BUDGET (RANDS)**

	YEAR 1	YEAR 2	YEAR 3
SECTION I: PROJECT INFRASTRUCTURE DEVELOPMENT COSTS			
1 SALARY/BENEFITS	31573	34731	38204
2 REGIONAL COORDINATION	50200	55220	60742
3 OFFICE RENTAL	4320	4752	5227
4 SELECTION COSTS	23664	26030	28633
5 EQUIPMENT & FURNITURE	47377		
6 GENERAL PROMOTION	13250	14575	16033
7 COMMUNICATIONS	12720	13992	15391
8 OTHER DIRECT COSTS	13250	14575	16033
9 PROJECT EVALUATION			53000
PROJECT INFRASTRUCTURE DEVELOPMENT SUB-TOTALS	196354	163875	233263
SECTION II: EXCHANGE IMPLEMENTATION COSTS			
1 AIRFARES	130380	189825	250770
2 PER DIEM	95400	136104	177431
3 HAC/CONTRACTOR COSTS	7950	10600	14786
4 MISC COSTS	22260	31758	41401
EXCHANGE IMPLEMENTATION SUB-TOTALS	255990	368287	484388
SECTION III: S.A. FOLLOW-UP SUB-CONTRACT			
1 DIRECT FOLLOW-UP COSTS	39750	132500	213723
2 INDIRECT COSTS	31800	106000	170978
3 FEE	7156	23850	38469
S.A. FOLLOW-UP SUB-CONTRACT SUB-TOTALS	78706	262350	423170
TOTAL PROJECT COST PER YEAR	531050	794512	1140821
TOTAL PROJECT COST: THREE YEARS			R 2466383

NOTE: The dollar equivalent of sub-totals in budget sections designated by Roman numerals (see Table 2 of this Annexure, below) may not be exceeded without prior USAID approval in writing.

Sub-section amounts designated above by numerals are fungible provided variances do not reflect an unreasonable departure from the Agreement program.

ANNEXURE A TO ATTACHMENT 1
TABLE 2 - OFFICIAL AGREEMENT BUDGET (US \$)

	YEAR 1	YEAR 2	YEAR 3
SECTION I: PROJECT INFRASTRUCTURE DEVELOPMENT COSTS			
1 SALARY/BENEFITS	11914	13106	14417
2 REGIONAL COORDINATION	18943	20838	22922
3 OFFICE RENTAL	1630	1793	1973
4 SELECTION COSTS	8930	9823	10805
5 EQUIPMENT & FURNITURE	17878		
6 GENERAL PROMOTION	5000	5500	6050
7 COMMUNICATIONS	4800	5280	5808
8 OTHER DIRECT COSTS	5000	5500	6050
9 PROJECT EVALUATION			20000
PROJECT INFRASTRUCTURE DEVELOPMENT SUB-TOTALS	74096	61840	88024
SECTION II: EXCHANGE IMPLEMENTATION COSTS			
1 AIRFARES	49200	71632	94630
2 PER DIEM	36000	51360	66955
3 HAC/CONTRACTOR COSTS	3000	4000	5580
4 MISC COSTS	8400	11984	15623
EXCHANGE IMPLEMENTATION SUB-TOTALS	96600	138976	182787
SECTION III: S.A. FOLLOW-UP SUB-CONTRACT			
1 DIRECT FOLLOW-UP COSTS	15000	50000	80650
2 INDIRECT COSTS	12000	40000	64520
3 FEE	2700	9000	14517
S.A. FOLLOW-UP SUB-CONTRACT SUB-TOTALS	29700	99000	159587
TOTAL PROJECT COST PER YEAR	200396	299816	430498
TOTAL PROJECT COST: THREE YEARS			\$ 930710

NOTE: Sub-totals in budget sections designated above by Roman numerals may not be exceeded without prior USAID approval in writing.

ILLUSTRATIVE AGREEMENT BUDGET (RANDS)

NOTES AND ASSUMPTIONS

SECTION I: PROJECT INFRASTRUCTURE DEVELOPMENT

1. Staff Compensation

The project will fund the salary for one Project Coordinator based on the following assumptions:

Base Salary: R 25,000 per annum or the equivalent Upper C Salary Scale amount on the "Patterson" job rating scale.

Retirement Benefits: 5% of base salary

Medical & Other Allowances: R 270 per month

Provision is made for 10% annual increases. Unemployment assurance does not apply to this position.

Bonus provision reflects a thirteenth cheque as per standard South African commercial practice.

2. Regional Coordination

Regional coordination expense is the cost of an annual promotion seminar in each region and of travel/accommodation for the Project Coordinator to ensure that the project is well promoted and active in the field, and is based on the following assumptions:

* Four annual visits to each of four outlying regions:

Airfares: R 900/trip

Per diem: R 750/trip

Car hire: R 400/trip

All South African domestic travel will be conducted pursuant to USSALEP's reasonable travel policies and procedures, copies of which will be forwarded to USAID for review prior to submission of reimbursement claims.

* Five annual promotion seminars at each of the outlying regions plus the PWV at Rand 2000 each. Allowable costs for such functions will include the expense of facility and equipment rental and allowable incidentals (excluding food and drink).

Finally, R2000/candidate has been provided for as the assumed cost of inducing the participation as regional coordinators of the small business development units of reputable universities or other qualified sources/individuals.

Provision is made for 10% annual increases.

3. Office Rental

Provision is made for the incremental cost of an additional office at USSALEP's S.A. headquarters to accommodate the Project Coordinator

ILLUSTRATIVE AGREEMENT BUDGET (RANDS)
NOTES AND ASSUMPTIONS
(continued)

based on the following assumptions:

The cost is estimated at R 20 per square meter per month for 18 square meters or a total of R 4320 per annum.

Provision is made for 10% annual increases.

4. Selection Costs

In order to achieve true regional representation in the selection process, provision has been made for flying four regionally-based members of the Selection Committee to Johannesburg quarterly to participate in Selection Committee meetings. Provision has also been made for flying four candidates to Johannesburg quarterly to be interviewed by the Selection Committee. These provisions are based on the following assumptions:

Four annual visits from each of four outlying regions for Selection Committee members (4) and candidates (4):

Airfares: R 1558/qtr
Per diem: R 600/qtr
Car hire: R 800/trip

Again, all travel will be conducted in accordance with USSALEP's established policies and procedures.

Provision is made for 10% annual increases.

5. Furniture & Equipment

To enable the Project Coordinator's office to function efficiently, the following allowances have been assumed:

Personal Computer 386	R 25872
Laser Printer	11505
Software	2000
Furniture	<u>8000</u>

R 47377

6. General Promotion

It has been assumed that creation of brochures, audio visuals, advertising and other items publicizing the program will cost R.13250 annually.

Provision is made for 10% annual increases.

7. Communications

It has been assumed that communicating with OIT of AID/W and its

ILLUSTRATIVE AGREEMENT BUDGET (RANDS)

NOTES AND ASSUMPTIONS

(continued)

placement contractor as well as the USSALEP office in Washington on matters related to the project will cost R 795/candidate or R 13250 annually.

Provision is made for 10% annual increases.

8. Other Direct Costs

It has been assumed that other direct costs including bank charges, foreign exchange translation costs, consumables, insurance, motor expenses, postage and telephone, printing, and electricity attributable to the project will cost R 13250 annually. To the extent relevant, such expenses will be billed according to USSALEP's established administrative policies and procedures, which will be communicated to USAID prior to or concurrent with claims for reimbursement.

Provision is made for 10% annual increases.

9. Evaluation and Audit

R 53000 has been assumed as the cost of an evaluation of the project to be conducted by two foreign enterprise development experts in the third year.

SECTION II: EXCHANGE IMPLEMENTATION

1. Airfares: The following airfares have been assumed:

International: JHB-NYC-JHB economy return ticket cost of Rand 7950
Domestic: seven U.S. city package estimate: Rand 2915

All international travel will be conducted with applicable U.S. Government/Entrepreneurs International Program travel policies and procedures. Again, such policy will govern the actual per diem amount allowed, as well as per diem rules and procedures.

Provision is made for 10% annual increases on the international airfares and 7% annual increase on the domestic airfares. Sixteen trips are assumed annually.

2. Per Diem

Per diem of \$ 100 has been assumed in line with OIT policy for the Entrepreneurs International Program.

Provision is made for 7% annual increases.

3. HAC/Contractor Costs

In line with OIT's anticipated expenses, the cost of accident/health insurance and placement contractor fees has been assumed to be \$ 250

ILLUSTRATIVE AGREEMENT BUDGET (RANDS)

NOTES AND ASSUMPTIONS

(continued)

per candidate trip. However, depending on the timing of the finalization of the new contract for placement contractor services in EI and on the timing of the first candidate trips, some HAC/Contractor costs may be paid directly by USAID/SA rather than by USSALEP, and those amounts would not be included in the budget for the project. This is because, currently, EI procedures call for HAC/contractor costs to be paid directly by USAID/SA while the placement contract currently under renegotiation will allow these costs to be paid directly by project administrators such as USSALEP.

No provision for increase is made in the second year, but a 14.49% (7% compound over two years) increase is made in year three in anticipation of renegotiation of the placement contract.

4. Miscellaneous Costs

These costs include the costs of seminars, conference and other expenses related to the maximization of the host/entrepreneur interface in the U.S. These costs are assumed to be \$ 700 per trip.

Any such costs incurred must be specified in the entrepreneur's program before departure, and must be important and necessary to the full attainment of the trip's business objective.

Provision is made for 7% annual increases.

SECTION III: S.A. FOLLOW-UP SUBCONTRACT

1. Direct Follow-up Costs

Direct follow-up costs cover those costs associated with provision of technical assistance by the Follow-up Subcontractor to the entrepreneurs after their return from the U.S. It is estimated that only a portion (40% or 6 entrepreneurs in year 1, 60% or 10 entrepreneurs in year 2 and 80% or 13 entrepreneurs in year 3) of the returned entrepreneurs will avail of this service. It is further assumed that those making use of the service will consume R 13250 in services in the year of their visit to the U.S. and nothing thereafter.

2. Indirect Costs

It is assumed that the negotiated indirect cost rate for the contractor supplying the follow-up services will be 80% of direct follow-up costs.

3. Indirect Costs

It is assumed that the negotiated fee rate for the contractor supplying the follow-up services will be 9% of direct follow-up costs plus indirect costs.

ATTACHMENT TWO
PROGRAM DESCRIPTION

I. SUMMARY

This Agreement will support a major initiative, the Entrepreneur Exchange Program (EEP), by the U.S./S.A. Leader Exchange Program (USSALEP).

The grant will enable USSALEP to effectively and efficiently provide outstanding black South African entrepreneurs with the opportunity to leverage U.S.-sourced business knowledge into competitive advantages in South Africa's primary economy. Pursuant to the project, USSALEP will identify outstanding black businesspersons with promising, concrete commercial ideas which are dependent in some way on the acquisition of knowledge from American business. It will then provide those entrepreneurs with the resources to visit the sources of this knowledge in the U.S. to access the required know-how, and to discuss their ideas and their strategies for implementation in South Africa. The project will also make business support services available to the entrepreneurs on their return to assist them in launching new or expanded businesses based on the knowledge acquired in the U.S.

The Agreement program will be incrementally funded, up to a three-year total of \$ 930,710. The initial obligation will be \$, , with the remainder funded in out-years depending upon the availability of funds.

In supporting USSALEP's implementation of the Entrepreneur Exchange Program (EEP), USAID/SA will fund the operational costs of USSALEP related to the program for a period of 3 years. Specifically, USAID/SA will fund the following inputs:

- * PROJECT INFRASTRUCTURE DEVELOPMENT
 - Salaries, benefits, travel, accommodation, office space, furniture, equipment, promotion, communications, evaluation and other direct project-related costs.
- * EXCHANGE IMPLEMENTATION
 - Travel, accommodation, insurance, technical assistance and other direct project-related costs.
- * FOLLOW-UP SERVICES
 - Technical assistance.

The most appealing features of the EEP concept are its commercial orientation, its focus on exceptional entrepreneurs, its objective of evolving black businesses to levels of significant size, and its leveraging of U.S. business resources in support of black business development in South Africa. The project represents an opportunity to fund an initiative aimed at providing black entrepreneurs with the resources for entry at a significant level into the mainstream of the South African economy, where blacks have virtually no representation currently. The EEP is an opportunity to address the needs of those black entrepreneurs capable of building intermediate and large scale enterprises, and, if successful, could have far ranging implications.

II. BACKGROUND

A. Black Private Enterprise Development Project

In September, 1987, USAID/South Africa launched a 5 year Black Private Enterprise Development Project. The immediate purpose of this Project is to combat the inhibiting effects of discrimination by, inter alia, enhancing the institutional development and advocacy capabilities of black business institutions, providing support for micro and small black enterprise and facilitating competitive black entry into the primary economy.

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

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

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

B. U.S./S.A. Leader Exchange Program, Inc.

1. Corporate Status

The U.S./S.A. Leader Exchange Program (USSALEP) was established in 1958, with operations in both the U.S. and South Africa. In South Africa, USSALEP is incorporated as a non-profit organization under Section 21A of the South African Companies Act of 1973.

USSALEP is a non-racial association of concerned South Africans and Americans and consists primarily of:

- a Council, limited by its constitution to no more than thirty members each in South Africa and the United States, meeting quarterly in the respective countries, but functioning as one body. The officers of the council include a chairman, who shall be South African, two vice-chairmen and two executive directors in the respective countries.
- offices with supporting staff in Johannesburg and Washington.

2. Purposes and Objectives

The principal objective of USSALEP is the promotion of a just society in South Africa through peaceful means, brought about by the transformation of human relationships and the fostering of human dignity; to this end, USSALEP seeks to:

- establish and promote authentic communications and interaction at the leadership level and keep open all lines of communications;
- promote assistance in the development of leadership in all sectors;
- promote understanding between all persons and groups and break down the stereotypes of group divisions;
- make possible the sharing of, and learning from, experiences gained; and
- act as a catalyst for actions and projects pursuant to the above ideas.

IV. PURPOSE

The purpose of this Agreement is to enable USSALEP to provide outstanding black South African entrepreneurs with the opportunity to leverage U.S.-sourced business knowledge into competitive advantages in South Africa's primary economy. To implement this broad objective, USSALEP will provide a comprehensive program to send entrepreneurs to the United States, provide them with access to resources there and then provide them with additional support to maximize the utility of these resources once they return to South Africa. The establishment of successful, black-controlled business ventures of significant size based in part on knowledge acquired through the project experience is the central strategy-level output projected to emerge from the Agreement program.

V. PROGRAM DESCRIPTION

A. Basic Framework

USSALEP is seeking to expand its operations into enterprise development, specifically to systematically assist outstanding entrepreneurs in moving black business into the mainstream of the South African economy. This Agreement is a result of consultations between USAID and USSALEP on how to achieve this ambitious goal.

Once it has established the necessary project infrastructure, USSALEP will identify outstanding black business persons with exceptional, well thought-out business ideas which are dependent in some way on the acquisition of knowledge from American companies. Quarterly it will select the most promising of these, and provide such entrepreneurs with the resources to visit the sources of this knowledge in the U.S. to access the required know-how, and to discuss their ideas and their strategies for implementation in South Africa. On their return from the U.S., the entrepreneurs will use the project to source business support services to assist them in launching new or expanded businesses based on the knowledge acquired in the U.S.

The EEP will consist of eight important elements: USSALEP, a Selection Committee, regional coordinators, a selection process, the entrepreneurs, the A.I.D./W -based Entrepreneurs International Program, U.S. host companies, and a South African follow-up subcontractor, all interacting through three central components.

The three central components which undergird the Agreement program are:

- * Project Infrastructure Development: The Agreement provides USSALEP with funds to enable it to establish the EEP project as a functioning institution: an office, staff, equipment, systems and operating guidelines. Specific support for staff compensation, office rental, purchases of equipment, travel and technical assistance is made available to facilitate this task.

* Exchange Implementation: The Agreement provides direct support to facilitate the transfer of business knowledge between the U.S. host and the black South African entrepreneur. To this end, USAID/SA will finance the following:

- a. matching of the entrepreneur with the U.S. host(s).
- b. entrepreneur travel to, around and from the U.S., and accommodation in the U.S.
- c. miscellaneous professional costs related to the U.S. experience.

* Follow-up Subcontract: This is technical assistance in the form of a follow-up subcontractor to provide various services aimed at bringing the entrepreneur's business idea to fruition on his return to S.A. The type and extent of the services to be provided will be determined by the entrepreneur and the follow-up subcontractor on the former's return from the U.S. The subcontractor will be well aware of the entrepreneur's objectives prior to the U.S. experience. Upon the entrepreneur's return, the subcontractor will debrief him/her and make an assessment of the degree to which these objectives were achieved (including reasons, if applicable, why they were not achieved). Approximately one year after the entrepreneur's return, and annually thereafter as required, the subcontractor will assess the entrepreneur's progress toward launching his/her business idea. USAID/SA will finance the cost of these services up to a certain maximum per entrepreneur.

Projected total financing for the Agreement over its three-year life is \$ 930,710, to be funded on an incremental basis. The initial obligation will be \$261,751, with the remainder funded in out-years depending upon the availability of funds. The key output flowing from such resources is anticipated to be a total of approximately 48 black entrepreneurs, each armed with strategic commercial knowledge accessed in the U.S. and each husbanding new or expanded competitive business entries into South Africa's primary economy.

B. Basic Elements

The EEP strategy rests on the following key elements:

1. USSALEP: USSALEP's primary roles are to establish the project infrastructure and ensure the on-going implementation of the project. Development of the project infrastructure will involve the competitive hiring of a Project Coordinator, modifying USSALEP's offices and furniture and equipment resources, appointing a Selection Committee and regional coordinators, developing selection criteria for entrepreneurs, competitively selecting a follow-up subcontractor and mastering the regulatory requirements of AID and EI. On the last point, it is essential

for the EEP to begin properly that USSALEP be familiarized by the Mission or its representatives on USAID procedures in the following areas:

- a. Procurement Procedures
 - b. Handbook 10 Procedures
 - c. PIO/P Preparation
 - d. Payment Procedures
2. Selection Committee: The Selection Committee of five will meet quarterly and will be drawn from an available pool of fifteen individuals with credible direct or indirect business experience - credible black businesspersons, or business academics or advisors with extensive contacts in the black community and with shrewd business sense. The Selection Committee should strive to represent the five targeted regions -the Western Cape, The Eastern Cape, Natal, the Orange Free State and the Transvaal at each sitting. To ensure attendance at the quarterly Selection Committee meetings, the five sitting members will be chosen on the basis of rotation subject to availability. Participation will be voluntary and non- remunerative. It will be USSALEP's responsibility to ensure that the selection process is impartial at all times, that no member of the Selection Committee, sitting or otherwise, nor any employee or director of USSALEP, shall have any personal or business interest, direct or indirect, in the outcome of any decision of the Selection Committee and that all members of the Selection Committee are made aware of these requirements at the time of their appointment as well as at the convening of each Selection Committee meeting. USSALEP will keep minutes of every Selection Committee meeting which will include, inter alia, the details of each candidate selected, and USSALEP will timeously provide a copy of the minutes of each meeting to USAID.
3. Regional Coordinators: The Regional Coordinators, one in each of the targeted regions, will be drawn from business academics or advisors with extensive contacts in the black community and considerable business experience. The Regional Coordinators will function as the prime program contact in the region and will assist in dissemination of information about the EEP, participate in the identification of candidates, help entrepreneurs develop their business plan proposals, help facilitate their travel arrangements and generally assist however possible in the implementation of the program in their regions. Though the role will not be so time consuming as to make it impracticable to attract credible individual, it's importance to proper functioning of the program suggests that an honorarium will be required for the coordinator.
4. Selection Process: The selection process, including the application form, EEP questionnaire, and interview formats, will be finalized by USSALEP and reviewed with USAID. Once agreed, the selection process and its components will be committed to writing and disseminated and explained to:
- a. Selection Committee members in a series of brief workshops prior to the launch of the project and prior to the quarterly convening of each Selection Committee meeting, and

- b. to the regional coordinators in a series of brief workshops prior to the launch of the project and at quarterly regional promotion workshops during the course of the project, and
- c. to potential candidates at the quarterly regional promotion workshops.

Selection Committee screening of candidates will occur in Johannesburg. Quarterly, in January, April, July and October, the Selection Committee will be convened to select candidates for the program. Prior to Selection Committee meetings, the members will be provided with application materials on each candidate. During the Selection Committee meeting, the Project Coordinator will brief the members on each candidate and his/her business plan. The Selection Committee will then debate the merits of each proposal and select those which merit participation in the program for that quarter.

The prime objective of the selection process is to identify serious, highly qualified entrepreneurs who have put considerable thought into the ideas they wish to pursue on the visit to the U.S.A. The selection process, its criteria, the methodology of application, and related information will form a significant portion of a promotional brochure describing the program. The selection process will be guided by the following three basic selection criteria:

- a. Leadership potential: The candidate's personal, educational and professional background should clearly demonstrate the qualities of leadership and entrepreneurial ability necessary to create and build businesses. Candidates must be owner/operators of existing businesses and, as such, have demonstrated the commitment required to carry their business endeavors through to a significant level of successful open market competition. This information will be elicited from the candidate's curriculum vitae, an EEP questionnaire, and an interview process.
- b. Business plan: The candidate must possess a clearly thought out, concrete business idea which can realistically result in the creation of a successful business of significant size in turnover, profits and assets. A major component of the idea or its success must be based on business knowledge (procedural, technological, legal or other) which is unavailable to the entrepreneur in South Africa but which can be sourced from U.S. business. The business idea, and all its ramifications, must be detailed in a business plan, which together with the above-mentioned questionnaire and curriculum vitae, will form the body of the application. The business plan must contain a focused description of the idea, the products or services to be produced, the expected magnitudes of the business (turnover, profits, assets, etc.) over the first five years of the

business, an activity/timeframe for initiating the business, areas of information, training or technical deficiency on the part of the candidate (the U.S. business knowledge critical to the plan), the preferred U.S. host company(s) and the areas of focus during the period of time with the host(s).

- c. Candidate commitment: The candidate must demonstrate a strong commitment to the creation and on-going management of the business proposed in his/her application.

Drawing upon the above as foundations, USSALEP will draft binding written criteria for entrepreneur selection, which criteria must be approved by USAID in writing before commencement of the candidate review process or any exchange activities (see Section XII - A(1) of Attachment 1 to this Agreement). It is recognized that the EEP is a novel program, and that the selection criteria may need modification over time. However, a commitment to absolute excellence in the selection of candidates will be maintained; moreover, any material changes in such criteria will require formal USAID approval.

5. Outstanding Entrepreneurs: The most important element of the strategy is the existence of at least forty-eight outstanding black entrepreneurs with exceptional business ideas dependent in some way on the acquisition of U.S.-sourced business knowledge. The EEP targets established entrepreneurs and is focusing on encouraging them to move to higher levels of business development. While a sponsored business idea may result in an entirely new business, the project will not be dealing with unproven business persons.
6. Entrepreneurs International: This is a program operating in the U.S. which matches the needs of the entrepreneurs to the resources available at U.S. host companies to enable access to the desired business knowledge. EI was initiated and implemented by AID's Office of International Training (OIT/PP). OIT/PP performs certain bureaucratic functions related to the program. However, the primary function of EI, the entrepreneur/host company match, is performed by the Placement Contractor which administers Entrepreneurs International on behalf of the OIT. The Placement Contractor has extensive contacts in the American business community. Starting sometime in FY 90, with the awarding of a new EI program placement contract, USSALEP will be able to deal directly with the Placement Contractor and hence avoid the AID/W pass-through in developing suitable U.S. itineraries for EEP nominees.
7. U.S. Host Companies: These companies will provide the entrepreneur with the on-the-job experience through which he or she obtains the vital U.S.-sourced business knowledge, the principal product the EEP offers. The knowledge might be technological, product or service related or related to management systems. It is anticipated that the hosts will be small or medium-sized firms, and that a working relationship can develop between the host and the entrepreneur whereby the latter can profitably represent the former in South Africa as a distributor, licensee and/or joint venture partner, all within the confines of existing sanctions legislation.

8. S.A. Follow-Up Subcontractor: The subcontractor will make available a wide range of services to the returned entrepreneur aimed at assisting entrepreneurs in developing their ideas into profitable businesses. These might include refinement of business plans, provision of communications with EI hosts in the U.S., identification of sources of finance, interpretation of regulations and other legal issues, and so on. To facilitate subsequent follow-up, the candidate will be interviewed by the subcontractor prior to departure to the U.S. On return from the U.S., the entrepreneur will be debriefed by the subcontractor on the U.S. experience. This interaction will establish the structure (i.e., detail the actual services to be provided) of the entrepreneur/subcontractor relationship for follow-up assistance, and will form the basis for evaluation of the effectiveness of the program, in that it will be one of the subcontractor's responsibilities to monitor the long-term success of the new ventures resulting from the program.
9. Contributions by Participants: In order to ensure serious participants in the program, each candidate will be required to contribute an amount to the administrative costs of the program. The exact amount and the mechanics of payment are yet to be determined, but the funds received will be applied toward administrative costs associated with the project which have not been reflected in the Agreement budget. The details of this element will be finalized between USSALEP and USAID prior to initiation of any exchanges.

C. Specific Agreement Program Components

SECTION I: PROJECT INFRASTRUCTURE DEVELOPMENT

The Agreement will finance the infrastructural needs of USSALEP at headquarters to enable it to effectively provide the necessary services to implement the EEP. Infrastructural development will include hiring a Project Coordinator, modifying USSALEP's offices and furniture and equipment resources, appointing and interfacing with a Selection Committee and regional coordinators, developing selection criteria, competitively selecting a follow-up subcontractor, and attending to the on-going administration of the project, including on-going evaluation of its continuing utility.

USSALEP will liaise with USAID/SA in the development of the selection process and its criteria, and as noted earlier, will obtain USAID/SA's written approval of both prior to their use in candidate selection.

The infrastructural needs of USSALEP will be addressed in nine areas, as described below:

1. Staff Compensation

Under the Agreement, the headquarters salary of one Project Coordinator will be funded. The incumbent will be competitively hired in the first month of the project, will be accountable and

responsible for the total operational activities of the EEP, and will report to the Executive Director of USSALEP. Consistent with the provisions of Section XII - B(4) of Attachment 1 to this Agreement, USSALEP will provide USAID with a summary memorandum of competition following selection of the Project Coordinator.

Staff benefits include provision to staff members of Medical Aid and Pension, within commercial norms.

In keeping with standard commercial practice in South Africa, provision is made for a thirteenth cheque.

Baseline maximum funding levels for the Project Coordinator's compensation are set forth in the notes to Table 1 of Annexure A to Attachment One.

2 Regional Coordination

This category will finance the costs associated with liaison with the project's regional coordinators to ensure that the EEP is properly promoted and active in the field. USSALEP will pay for travel and accommodation expenses incurred by the Project Coordinator in the course of quarterly visits to the four outlying regional centers of Durban, Port Elizabeth, Cape Town and Bloemfontein.

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, the Agreement will cover the reasonable cost of the following items:

Travel: Allowance is made for the reasonable costs of economy air travel for staff to network with Regional Coordinators on a quarterly basis in Durban, Port Elizabeth, Cape Town and Bloemfontein. As specified in the notes to Table 1 of Annexure A to Attachment 1, all domestic travel will be governed by USSALEP's reasonable travel policies and procedures, which will be forwarded to USAID for review prior to claims for reimbursement. USSALEP will provide USAID with the summary purpose of any travel undertaken when billing USAID for expenses related thereto.

Per Diem: Allowance is made for reasonable per diem associated with the travel specified in the previous paragraph. Again, USSALEP's reasonable per diem policies, to be forwarded to USAID, will apply.

Car Hire: Allowance is made for reasonable car hire associated with the travel specified in the previous two paragraphs. Relevant and reasonable USSALEP policies and procedures, to be forwarded to USAID, will apply.

Regional Promotion Seminars: Five annual promotion seminars at each of the outlying regions plus the PWV will be financed by the Agreement. Allowable costs for such functions will include the reasonable and allowable expense of facility rental and incidentals (excluding food and drink).

Fee or Honorarium: It may be that the small business development units of reputable universities in the various regions are the best sources of the regional coordination function, and that to obtain their cooperation, or the involvement of other highly qualified resources, a fee or honorarium may have to be paid. This aspect is still in evolution, however provision has been made in the budget for such expenses. USSALEP will keep USAID informed of the evolution of its arrangements on this and other aspects of regional coordination.

USSALEP will ensure that all the above costs are incurred only in connection with the legitimate business activities of the EEP project, and will certify this in each monthly or other reimbursement claim submitted to USAID.

3. Office Rental:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, provision is made for the incremental cost of an additional office at USSALEP's S.A. headquarters to accommodate the Project Coordinator. Immediately following the signing of the Agreement, USSALEP will proceed with the procurement of office space for the Project Coordinator.

4. Selection Costs:

In order to achieve true regional representation in the selection process, the Agreement will cover the reasonable cost of flying four regionally-based member of the Selection Committee to Johannesburg quarterly and of flying four candidates to Johannesburg quarterly to be interviewed by the Selection Committee, that is, four annual visits from each of four outlying regions for Selection Committee members (4) and candidates (4).

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, the Agreement will cover the reasonable cost of air travel, per diem and car rental associated with such visits. All travel will be governed by USSALEP's travel policies and procedures, as specified previously in this section. USSALEP will provide USAID with the summary purpose of travel undertaken when billing USAID for expenses related thereto.

USSALEP will ensure that all the above costs are incurred only in connection with the legitimate business activities of the EEP project, and will certify this in each monthly or other reimbursement claim submitted to USAID.

5. Furniture & Equipment:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance the following items:

Computer Equipment, Printer and Software: immediately following the signing of the Agreement USSALEP will proceed with the procurement of the computer equipment required to manage the EEP project.

Furniture: immediately following the signing of the Agreement, USSALEP will proceed with the procurement of the office furniture required to furnish the office of the Project Coordinator.

6. General Promotion:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funding will be provided for the creation of brochures and audio visuals, for advertising and for other publicity expenses required to properly promote the project. USSALEP will, within a reasonable time, forward to USAID copies of all such publicity-related materials funded out of the Agreement.

7. Communications:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funding will be provided for the cost of communicating with OIT and its placement contractor as well as the USSALEP office in Washington on matters related to the project.

8. Other Direct Costs:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funding will be provided for the cost of the following other direct costs:

Bank charges: The normal charges levied by banks for operational expenses related to the project, including transaction costs for necessary foreign exchange conversions.

Consumables: The cost of paper, supplies and other administrative needs related to the project.

Insurance: The insurance cover on all office furniture and equipment procured to implement the project.

Motor Expenses: The reasonable petrol and maintenance costs for business purposes claimable by staff as directly related to the project. Relevant and reasonable USSALEP travel/administrative policies and procedures, to be forwarded to USAID prior to claims for reimbursement, will govern such transactions.

Postage and Telephone: Costs related to postage and telephone usage which is directly attributable to the project.

Printing: The costs for photocopying training materials and other printing requirements which are directly related to the project.

Electricity: The cost of electricity usage at USSALEP's head office which is directly attributable to the project.

9. Evaluation and Audit:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance an evaluation of the project to be conducted in Agreement year three by two foreign enterprise development experts.

SECTION II: EXCHANGE IMPLEMENTATION

Subject to USSALEP's compliance with the terms of Sections XII.A.1. and XII.A.2. of Attachment I, the Agreement will finance costs incurred by USSALEP associated with implementing the exchange of knowledge between the sponsored entrepreneurs and their host(s). Sections XII.A.1. and XII.A.2. effectively require that USSALEP have developed a sufficient infrastructure to commence the exchange process and have made contractual arrangements with a local subcontractor to provide, inter alia, "aftercare" to returning entrepreneurs. With such foundations in place (and approved by USAID), Agreement monies will become available for exchange activities, as described below:

1. Airfares:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance return economy-class ticket costs between the entrepreneur's place of residence and various destinations in the U.S. which form part of the entrepreneur's approved host itinerary. All international and U.S. travel will be conducted in accordance with applicable U.S. Government/Entrepreneurs International Program travel policies and procedures.

2. Per Diem:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance the accomodation and maintenance of the entrepreneurs while they are participating in their approved host itinerary. Again, U.S. Government/Entrepreneurs International Program policies and procedures will govern the amount and terms of such per diem.

3. HAC/Contractor Costs:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance health and accident insurance covering the entrepreneurs while they are participating in their approved host itinerary, and to finance the fees of the OIT placement contractor. In line with OIT's anticipated expenses, the cost of accident/health insurance and placement contractor fees has been assumed to be \$ 250 per candidate trip. However, depending on the timing of the finalization of the new contract for placement contractor services in EI and on the timing of the first candidate trips, some HAC/Contractor costs may be paid directly by USAID/SA rather than by USSALEP, and those amounts would not be included in the budget for the project. This is because, currently, EI procedures call for HAC/contractor costs to be paid directly by USAID/SA while the placement contract currently under renegotiation will allow these costs to be paid directly by project administrators such as USSALEP.

4. Miscellaneous Costs:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance bona fide miscellaneous costs associated with making the entrepreneur's U.S. business experience more rewarding. These might include the costs of seminars, conferences and other expenses related to the maximization of the host/entrepreneur interface in the U.S. Any such costs incurred must be specified in the entrepreneur's program before departure and must be important and necessary to full attainment of the trip's business objective.

SECTION III: S.A. FOLLOW-UP SUBCONTRACT

Subject to USSALEP's compliance with the terms of Sections XII.A.1. and XII.A.2. of Attachment I (elaborated in the foregoing section), the Agreement will finance reasonable costs incurred by USSALEP associated with implementing the South African follow-up subcontract. The Subcontractor will be competitively selected by USSALEP, in compliance with the dictates of Section XII.A.2., XII.B.1. and XII.B.2. of Attachment 1. Costs associated with the subcontract will be addressed in three areas, as described below:

1. Direct Follow-up Costs:

Within the budgetary parameters set forth in Tables 1 and 2 of

Annexure A to Attachment 1, funds will be provided to finance direct follow-up costs associated with provision of technical assistance by the Follow-up Subcontractor to the entrepreneurs after their return from the U.S. Precise terms of reference for the Follow-Up Subcontractor's substantive activities will be developed by USSALEP and formally approved by USAID before execution of the Subcontract (see Section XII.A.2. of Agreement Attachment 1.)

2. Indirect Costs:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance the negotiated indirect costs of the contractor supplying the follow-up services.

3. Fee:

Within the budgetary parameters set forth in Tables 1 and 2 of Annexure A to Attachment 1, funds will be provided to finance the negotiated fee of the contractor supplying the follow-up services.

VII. IMPLEMENTATION PLAN

Major Agreement program activities and benchmarks are summarized in the following six-phase implementation schedule:

A. Pre-Launch Phase (October-November, 1989):

This phase will commence immediately after obligation of funds to the project and will include the following activities:

1. USSALEP structural changes: hiring a Project Coordinator, acquiring the necessary office space and equipment to support the project, and making other internal organizational changes to integrate the project into USSALEP. The Project Coordinator will be hired during the first month of the project.
2. Developing the project selection process and its components: setting the selection criteria, developing an application questionnaire and interview format, and committing these to writing in the form of the promotional brochure.
3. Selection of the Selection Committee and the Regional Coordinators.

B. Launch Phase (January, 1990):

This phase will immediately follow the Pre-Launch Phase and will consist primarily of:

1. Media and word of mouth promotion of the project.
2. Regional workshops promoting and explaining the project and the selection process, its criteria and application methodology.

C. Selection Phase: (February, 1990, onwards):

This phase will immediately follow the Launch Phase, will be repeated quarterly over the project period and will consist primarily of:

1. Application Solicitation from prospective candidates: The regional coordinators will play a major role in this.
2. Application Screening (regional): Again, the regional coordinators will play a major role, including initially interviewing candidates.
3. Selection Committee Screening: This will occur in Johannesburg. Quarterly, in January, April, July and October, the Selection Committee will be convened to select candidates for the program. Prior to Selection Committee meetings, the members will be provided with application materials on each candidate. During the Selection Committee meeting, the Project Coordinator will brief the members on each candidate and his business plan. The Selection Committee will then debate the merits of each proposal and select those which merit participation in the program for that quarter.

D. U.S./S.A. Interface Phase: (February, 1990, onwards):

This phase will recur quarterly following the completion of the Selection Phase:

1. USSALEP will complete an EI Nomination Form and forward same to the Office of International Training (OIT/PP) by pouch or cable and to USAID. At this point, USSALEP will clearly specify the candidate's needs and requests regarding U.S. hosts. In order to facilitate subsequent follow-up, the S.A. Subcontractor should participate with the candidate and USSALEP in this specification.
2. OIT/PP will assign EI nominees to its EI Placement Contractor for placement based on the candidates needs and preferences. Matches between nominees and U.S. business hosts may take as little as a month or as long as six months depending on the prior EI experience in the area of interest.
3. After a match is made, USSALEP must prepare an unfunded PIO/P for all travel and miscellaneous expenses and a funded PIO/P for insurance and EI Placement Contractor fees. The PIO/P's will be forwarded to OIT/PP after Mission approval and numbering. (As noted previously, starting in FY 1990, it is anticipated that the Mission's role can be substantially reduced and that USSALEP can deal directly with the EI Placement Contractor).
4. The EI Placement Contractor will cable a proposed schedule of activities and itinerary for USSALEP and candidate confirmation. A call forward will be issued. USSALEP must confirm that nominees will adhere to schedules once the call forward is issued since cancellations are difficult to explain to businesses which have agreed to donate staff and time.

E. Follow-up Phase:

This phase will recur quarterly following the completion of the Interface Phase:

On return from the U.S., the entrepreneur will meet with the Follow-up Subcontractor for a debriefing on the U.S. experience. This debriefing will form the basis of the project evaluation process. Following the debriefing, the Subcontractor and the entrepreneur will meet to establish the structure of the on-going follow-up relationship between them. This process will define the services the Subcontractor will make available to the entrepreneur to enable the latter to take the business idea to the next step toward implementation.

F. Evaluation Phase:

As mentioned previously, the Subcontractor will be well aware of the entrepreneur's objectives prior to the U.S. experience. Upon the entrepreneur's return, the Subcontractor will debrief him/her and make an assessment of the degree to which these objectives were achieved, including reasons why they were not achieved. Approximately one year after the entrepreneur's return, and annually thereafter as required, the Subcontractor will assess the entrepreneur's progress toward launching his/her business idea.

**MANDATORY STANDARD PROVISIONS FOR
NON-U.S., NONGOVERNMENTAL RECIPIENTS**

- | | |
|----------------------------------|----------------------------------|
| 1. Allowable Costs | 7. Ineligible Countries |
| 2. Accounting, Audit and Records | 8. U.S. Officials Not to Benefit |
| 3. Refunds | 9. Nonliability |
| 4. Revision of Agreement Budget | 10. Amendment |
| 5. Termination and Suspension | 11. Notices |
| 6. Disputes | |

1. ALLOWABLE COSTS (MAY 1986)

- (a) The recipient shall be reimbursed for costs incurred in carrying out the purposes of this agreement which are determined by the agreement officer to be reasonable, allocable, and allowable in accordance with the terms of this agreement and the applicable cost principles in effect on the date of this agreement, which are attached.
- (1) Reasonable. Shall mean those costs that do not exceed those which would be incurred by and ordinarily prudent person in the conduct of normal business.
- (2) Allocable Costs. Shall mean those costs which are necessary to the agreement.
- (3) Allowable Costs. Shall mean those costs which must conform to any limitations set forth in this agreement.
- (4) Unallowable costs, direct or indirect, include but are not limited to the following examples: Advertising, bad debts, contingencies, entertainment, fines and penalties, interest, fund raising, investment management costs, losses on other awards, taxes, first class air fare unless specifically approved. Additionally, public information service costs are unallowable as indirect costs.
- (b) Prior to incurring a questionable or unique cost, the recipient should obtain the agreement officer's written determination as to whether the cost will be allowable.

*NOTE: For educational institutions use OMB Circular A-21; for all other non-profit organizations or use OMB Circular A-122; and for profit making firms use Federal Acquisition Regulation 31.2. and AID Acquisition Regulation 731.2.

2. ACCOUNTING, AUDIT, AND RECORDS (MAY 1986)

- (a) The recipient shall maintain books, records, documents, and other evidence in accordance with the recipient's usual accounting procedures to sufficiently substantiate charges to the agreement. Accounting records that are supported by documentation will as a minimum accumulate and record all costs incurred under a agreement and disclose the amount of that portion of the costs of the project supplied by other sources. The recipient records and subrecipient records which pertain to this agreement shall be retained for a period of three years from the date of expiration of this agreement and may be audited by AID and/or its representatives.
- (b) The recipient agrees to have the funds provided under the agreement audited by an independent auditor during the course of the recipient's normal annual audit of the recipient's organization. Copies of the recipient's audit reports will be provided to AID. AID will review the audit reports will be provided to the grantor. If the audit coverage is not sufficient to verify the source and application of agreement funds or the audit does not meet the requirements of an independent audit, a second audit will be performed by AID.
- (c) The following language shall be inserted in all subgrants valued in excess of \$10,000.

(1) The recipient shall maintain books, records, documents, and other evidence in accordance with the grantee's usual accounting procedures to sufficiently substantiate charges to the grant. These records shall be maintained for three years after final payment. These records may be audited by the grantor's representatives.

(2) The grantee agrees to have the funds provided under this grant audited by an independent auditor during the course of the grantee's normal annual audit of the grantee's organization. Copies of the grantee's audit reports will be provided to the grantor. If the audit coverage is not sufficient to verify the source and application of grant funds or the audit does not meet the requirements of an independent audit, a second audit will be requested of the recipient and that audit shall meet the requirements of the grantor.

3. REFUNDS (MAY 1986)

- (a) The recipient shall remit to AID all interest earned on funds provided by AID.
- (b) Funds obligated by AID but not disbursed to the recipient at the time the agreement expires or is terminated shall revert to AID, except for such funds encumbered by the recipient by a legally binding transaction applicable to this agreement. Any funds advanced to but not expended by the recipient at the time of expiration or termination of the agreement shall be refunded to AID except for such funds encumbered by the recipient by a legally binding transaction applicable to this agreement.

- (c) If, at any time during the life of the agreement, or as a result of final audit, it is determined by AID that funds it provided under this agreement have been expended for purposes not in accordance with the terms of this agreement, the recipient shall refund such amount to AID.

4. REVISION OF AGREEMENT BUDGET (MAY 1986)

- (a) The approved agreement budget is the financial expression of the recipient's program as approved during the agreement award process.

- (b) The recipient shall immediately request approval from the agreement officer when there is reason to believe that within the next 30 calendar days a revision of the approved agreement budget will be necessary for any of the following reasons:

(1) To change the scope or the objectives of the project and/or revise the funding allocated among project objectives.

(2) Additional funding is needed.

(3) The recipient expects the amount of AID authorized funds to exceed its needs by more than \$5,000 or five percent of the AID award, whichever is greater.

(4) The recipient plans to transfer funds budgeted for indirect costs to absorb increases in direct costs or visa versa.

(5) The recipient intends to contract or subagreement any of the work under this agreement, and such contracts or subagreements were not included in the approved agreement budget.

- (c) Except as required by other provisions of the agreement specifically stated to be an exception from this provision, the Government shall not be obligated to reimburse the recipient for costs incurred in excess of the total amount obligated under the agreement. The recipient shall not be obligated to continue performance under the agreement (including actions under the "Termination and Suspension" provision) or otherwise to incur costs in excess of the amount obligated under the agreement, unless and until the agreement officer has notified the recipient in writing that such obligated amount has been increased and has specified the new agreement total amount.

5. TERMINATION AND SUSPENSION (MAY 1986)

- (a) For Cause. This agreement may be terminated for cause at any time, in whole or in part, by the agreement officer upon written notice to the recipient, whenever it is determined that the recipient has failed to comply with the conditions of the agreement.

- (b) For Convenience. This agreement may be terminated for convenience at any time by either party, in whole or in part, if both parties agree that the continuation of the agreement would not produce beneficial results commensurate with the further expenditure of funds. Both parties shall agree upon termination conditions, including the effective date and, in the case of partial terminations, the portion to be terminated. The agreement to terminate shall be set forth in a letter from the Project officer to the recipient.

- (c) Suspension: Termination for Changed Circumstances. If at any time AID determines that continuation of funding for a program should be suspended or terminated because such assistance is not in the national interest of the United States or that it would be in violation of an applicable law, then AID may, following notice to the recipient, suspend this agreement and prohibit the recipient from incurring additional obligations chargeable to this agreement other than necessary and proper costs in accordance with the terms of this agreement during the period of suspension. If the situation causing the suspension continues for 60 days or more, then AID may terminate this agreement on written notice to the recipient and cancel that portion of this agreement which has not been disbursed or irrevocably committed to third parties.
- (d) Termination Procedures. Upon receipt of and in accordance with a termination notice as specified in either paragraph (a) or (b) above, the recipient shall take immediate action to minimize all expenditures and obligations financed by this agreement and shall cancel such unliquidated obligations whenever possible. Except as provided below, no further reimbursement shall be made after the effective date of termination. The recipient shall within 30 calendar days after the effective date of such termination repay to the Government all unexpended AID funds which are not otherwise obligated by a legally binding transaction applicable to this agreement. Should the funds paid by the Government to the recipient prior to the recipient's obligations in the legally binding transaction, the recipient may submit to the Government within 90 calendar days after the effective date of such termination a written claim covering such obligations. The agreement officer shall determine the amount(s) to be paid by the Government to the recipient under such claim in accordance with the applicable cost principles.
6. DISPUTES (NOVEMBER 1985)
- (a) Any dispute under this agreement shall be decided by the AID agreement officer. The agreement officer shall furnish the recipient a written copy of the decision.
- (b) Decisions of the AID agreement officer shall be final unless, within 30 days of receipt of the decision of the agreement officer, the recipient appeals the decision to the Administrator of AID. Any appeal made under this provision shall be in writing and addressed to the Administrator, Agency for International Development, Washington, D.C. 20523. A copy of the appeal shall be concurrently furnished to the agreement officer.
- (c) In connection with any appeal proceeding under this provision, the recipient shall be given an opportunity to be heard and to offer evidence in support of its appeal.
- (d) A decision under this provision by the Administrator or an authorized representative shall be final unless overruled by a court of competent jurisdiction.

7. INELIGIBLE COUNTRIES (MAY 1986)

Unless otherwise approved by the AID agreement officer, funds will only be expended for assistance to countries eligible for assistance under the Foreign Assistance Act of 1961, as amended, or under acts appropriating funds for foreign assistance.

8. U.S. OFFICIALS NOT TO BENEFIT (NOVEMBER 1985)

No member of or delegate to the U.S. Congress or resident U.S. Commissioner shall be admitted to any share or part of this agreement or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this agreement if made with a corporation for its general benefit.

9. NONLIABILITY (NOVEMBER 1985)

AID does not assume liability for any third party claims for damages arising out of this agreement.

10. AMENDMENT (NOVEMBER 1985)

The agreement may be amended by formal modifications to the basic agreement document or by means of an exchange of letters between the agreement officer and an appropriate official of the recipient.

11. NOTICES (NOVEMBER 1985)

Any notice given by AID or the recipient shall be sufficient only if in writing and delivered in person, mailed, or cabled as follows:

To the AID agreement officer, at the address specified in the agreement.

To recipient, at recipient's address shown in the agreement or to such other address designated within the agreement.

Notices shall be effective when delivered in accordance with this provision, or on the effective date of the notice, whichever is later.

(END OF MANDATORY STANDARD PROVISIONS)

PAYMENT - PERIODIC ADVANCE (NOVEMBER 1985)

**REQUIRED AS APPLICABLE STANDARD PROVISIONS FOR
NON-U.S., NONGOVERNMENTAL GRANTEES**

B. The following standard provisions are required to be used when applicable. Applicability statements are contained in the parenthetical statement preceding the standard provision. When a standard provision is determined to be applicable in accordance with the applicability statement, the use of such standard provision is mandatory unless a deviation has been approved in accordance with Paragraph 1E of Chapter 1 of this Handbook. Each grant is required to have a payment provision. Check off the provisions which are to be included in the grant. Only those standard provisions which have been checked off are included within the grant.

- | | |
|--|-------|
| 1. Payment - Periodic Advance | _____ |
| 2. Payment - Cost Reimbursement | _____ |
| 3. Air Travel and Transportation | _____ |
| 4. Ocean Shipment of Goods | _____ |
| 5. Procurement of Goods and Services | _____ |
| 6. AID Eligibility Rules for Goods and Services | _____ |
| 7. Subagreements | _____ |
| 8. Local Cost Financing | _____ |
| 9. Patents Rights | _____ |
| 10. Publications | _____ |
| 11. Nondiscrimination | _____ |
| 12. Regulations Governing Employees | _____ |
| 13. Participant Training | _____ |
| 14. Voluntary Population Planning | _____ |
| 15. Protection of the Individual as a
Research Subject | _____ |
| 16. Negotiated Overhead Rates - Provisional | _____ |
| 17. Government Furnished Excess Personnel
Property | _____ |
| 18. Title To and Use of Property (Grantee Title) | _____ |
| 19. Title To and Care of Property (U.S.
Government Title) | _____ |
| 20. Title To and Care of Property (Cooperating
Country Title) | _____ |
| 21. Cost Sharing (Matching) | _____ |

(INCLUDE THIS PAGE IN THE GRANT)

TITLE TO AND USE OF PROPERTY (GRANTEE TITLE) (MAY 1986)

(This provision is applicable only when the Government vests title to property in the grantee.)

- (a) Title to all property financed under this grant shall vest in the grantee.
- (b) The grantee agrees to use and maintain the property for the purposes of the grant.
- (c) With respect to property having an acquired value of \$1,000 or more, the grantee agrees to report such items to the grant officer as they are acquired and to maintain a control system which will permit their ready identification and location.
- (d) Within thirty calendar days after the end of the grant, the grantee will provide a list to the grant officer of each item that has an appraised value of \$1,000 or more with a detailed proposal of what the grantee intends to do with that property. If the grant officer does not respond within 120 calendar days, the grantee may proceed with the disposition of the property. However, if the grantee uses the property for purposes other than those of the grant or sells or leases the property, AID shall be reimbursed for its share of the property unless the grant officer authorizes AID's share of the income from selling or leasing the property to be used as program income. This share is based upon the percentage of AID's contribution to the grantee's program. If AID paid 100% of the grantee's costs, then AID would receive 100% of the selling cost less a nominal selling fee of \$100.

(END OF STANDARD PROVISION)

ATTACHMENT 4
 REQUEST FOR ADVANCE IN RAND
 QUARTERLY EXPENDITURES FOR YEAR 1

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	TOTALS
SECTION I: PROJECT INFRASTRUCTURE DEVELOPMENT COSTS					
1 SALARY/BENEFITS	7893	7893	7893	7894	31573
2 REGIONAL COORDINATION	12550	12550	12550	12550	50200
3 OFFICE RENTAL	1080	1080	1080	1080	4320
4 SELECTION COSTS	5916	5916	5916	5916	23664
5 EQUIPMENT & FURNITURE	47377				47377
6 GENERAL PROMOTION	3313	3313	3313	3311	13250
7 COMMUNICATIONS	3180	3180	3180	3180	12720
8 OTHER DIRECT COSTS	3313	3313	3313	3311	13250
9 PROJECT EVALUATION					
SUB-TOTALS	84622	37245	37245	37242	196354
SECTION II: EXCHANGE IMPLEMENTATION COSTS					
1 AIRFARES		43460	43460	43460	130380
2 PER DIEM		31800	31800	31800	95400
3 HAC/CONTRACTOR COSTS		2650	2650	2650	7950
4 MISC COSTS		7420	7420	7420	22260
SUB-TOTALS		85330	85330	85330	255990
SECTION III: S.A. FOLLOW-UP SUB-CONTRACT					
1 DIRECT FOLLOW-UP COSTS			19875	19875	39750
2 INDIRECT COSTS			15900	15900	31800
3 FEE			3578	3578	7156
SUB-TOTAL			39353	39353	78706
TOTAL PROJECT COST PER QUARTER	<u>84622</u>	<u>122575</u>	<u>161928</u>	<u>161925</u>	<u>531050</u>
			TOTAL ADVANCE REQUEST		R 84622