

Reference: 674-06-012

**2006-2007 Annual Program Statement  
for  
USAID/South Africa's  
Program for Employment Generation through Small, Medium  
and Micro Enterprise (SMME) Development**

**I. Summary**

This Annual Program Statement (APS) solicits proposals in support of USAID/South Africa's program to increase market-driven employment. The program is designed to stimulate employment through the growth of historically disadvantaged (HD) agribusinesses and small, medium and micro-enterprises (SMMEs). Applications are encouraged from organizations that are currently implementing activities in South Africa that could support USAID's employment program objectives. Historically disadvantaged enterprises are those with at least 25 percent black, Indian, colored, female and/or disabled shareholders. For the purpose of this APS, SMMEs includes enterprises in the agricultural, manufacturing and services sectors.

The APS: (1) describes USAID/South Africa's strategy for supporting private sector employment generation; and (2) explains the application submission process and the criteria that will be used to evaluate applications.

USAID/South Africa anticipates awarding four to six grants to applicants under this Annual Program Statement, based on the quality of submissions and the amount of funding available to USAID/South Africa's Market-Driven Employment Generation program. **It is expected that a portion of the funds available under this APS will be set aside to support microenterprise activities.**

Applications may be submitted any time until **16:00 (Pretoria time) December 1, 2006**. Applications shall first be **reviewed in August 2006 and monthly thereafter** until the expiry date of the APS or until available funds are fully allocated. Grant awards will be based on justified cost requirements and shall not exceed the South African Rand equivalent of **\$US500, 000** per award. It is anticipated that grants will be awarded for a period of 12 months.

USAID/South Africa will use this APS to consider innovative and creative programs to promote employment generation through growth of historically disadvantaged SMMEs in the agribusiness, manufacturing and services sectors. Programs that support the development of microenterprises so that they can graduate to the small business category and maximize opportunities for creating employment are of particular interest.

## II. Employment Generation Strategy

### A. Program Description

This APS solicits proposals for programs in support of USAID/South Africa's strategic objective to increase market-driven employment through activities that promote growth of historically disadvantaged SMMEs. Grant activities proposed under this APS should support that objective.

Despite a gross national income per capita similar to those of middle-income countries, South Africa's legacy of apartheid and its exceptionally unequal income distribution mean that the majority of the population faces keen challenges including the struggle to find productive employment. In a 2004 survey, South Africans ranked unemployment – reported at 26.5% overall, but over 32% for black South Africans in March 2005 – as the country's most serious problem. South Africa's principal strategy for reducing unemployment is to stimulate the development of small, medium and micro enterprises (SMMEs), focusing on historically disadvantaged businesses, so that they can compete effectively and stimulate broad-based growth that generates benefits for all. USAID's SMME development program will primarily support the government's priority of inclusion and expanded participation by historically disadvantaged individuals in the economy, as embodied in South Africa's Black Economic Empowerment (BEE) initiative, including the agricultural BEE (AgriBEE) program. USAID/South Africa's strategic approach to generating employment is based on the premise that growth in the SMME and agribusiness sectors is critical to generating new jobs that will help to reduce poverty and inequality. For more information about USAID/South Africa's employment generation program, applicants are encouraged to review the Mission website: <http://southafrica.usaid.gov>

### B. Program Objectives

Programs seeking funding under this APS should be aimed at achieving one or more of the following targeted program results noted in bold print and should contribute to increased employment.

**Improve the Competitiveness of the Historically Disadvantaged Enterprises and Small Businesses:** While the ultimate objective of the Mission's small business development program is integration of South African small businesses into regional and international markets, activities will focus on strengthening businesses' capacity to reliably meet domestic market requirements. Principal capacity-related challenges that confront small HD businesses include, but are not limited to: inconsistent quantity and quality of production; weak financial and business management systems; and ineffective marketing strategies. As SMMEs develop capacity to deal with these challenges, they can become suppliers to larger businesses that have the infrastructure and market linkages in place to export, and thus become an integral part of the global trade supply chain. Illustrative examples of activities that might help SMMEs build capacity include:

- Technical assistance to upgrade product quality, improve marketing, develop business and financial management skills, and meet ISO requirements;
- Strengthening SMME business development services (BDS) providers to institutionalize the provision of BDS to emerging businesses; and
- Creating and strengthening value chain linkages between SMMEs and larger businesses in South Africa, the region, and the U.S, particularly where the Africa Growth and Opportunity Act presents special opportunities for trade;

**Affordable, transparent financial services/products available to support SMMEs:**

Financial sector practices in South Africa continue to constrain loan and equity financing for SMMEs and remain an obstacle to business expansion. The banking sector is dominated by four large profitable banks that, until recently, had few products to meet the needs of historically disadvantaged SMMEs (and low income individuals), driving them to seek finance from high-interest informal lenders. USAID activities will seek to improve the competitiveness of banking products and services through creative approaches including the use of credit enhancements and guarantees. Illustrative examples of activities that might address challenges in this sector include:

- Expanding the range and access to financial services and products for SMMEs, including facilitation of equity deals and export financing arrangements and development of innovative concepts for micro- and rural finance;
- Identifying and securing opportunities for increasing access to finance for SMMEs and agribusinesses through the use of the 50 percent loan guarantee offered through USAID’s Development Credit Authority; and
- Enhancing or creating value chain financing for SMMEs, including agribusinesses, by their buyers, suppliers, or other chain actors, including piloting credit enhancement, insurance or other arrangements that increase the potential for value chain financing to SMMEs.

**Regulatory Framework Supportive of Small Business Growth being Implemented:**

South Africa’s macro-economic policy framework is generally touted as stable and supportive of competitive, private sector-led growth. South Africa is ranked 28<sup>th</sup> out of 155 countries in the World Bank’s 2006 “Ease of Doing Business” survey, with low performance related to difficulties in starting a business, trading across borders, hiring and firing staff, and paying taxes. USAID’s program in this area will target such specific regulations that are determined to impede small business growth. Illustrative examples of activities include:

- Identifying and developing action plans to address specific targeted microeconomic and regulatory measures to help improve the business climate for SMMEs, including agribusinesses; and
- Facilitating collaborative linkages between South African and U.S. Government agencies to address regulations which are barriers to business development and anti-competitive behavior.

**Improved Quality of Workforce:** A workforce that possesses the basic vocational and technical skills required for entrepreneurship and productive employment is essential to the creation of a competitive private sector. Training represents a critical gap that must be addressed by government and the private sector. The government has launched an initiative called the Joint Initiative for Priority Skills Acquisition (JIPSA). Its aim is to identify urgent skills needs in South Africa and to develop quick and effective solutions. Training and capacity building for women and youth has been identified by the government as a priority. The government is also set to launch a Further Education and Training (FET) program to develop vocational skills while the private sector, spurred on by BEE, recognizes its role in providing apprenticeship opportunities, as well as broader training in the skills needed to upgrade the product and services of SMME suppliers. Illustrative examples of activities that might support this objective include:

- Providing opportunities within the private sector for internships, apprenticeships, and other on-the-job training activities;
- Mentoring and overseas placement of trainees to fast track their development; and
- Building and strengthening partnerships with large businesses that are seeking to develop training programs for SMMEs that are potential suppliers.

### **C. Expected Results and Their Indicators**

USAID/South Africa's employment generation program measures its progress toward achieving targeted results, listed below in bold print, by monitoring such indicators as those listed below. Applicants for funding under this APS shall (1) state clearly how activities they are proposing will contribute to specific indicators from this list; (2) propose targets for the indicators they will track; and (3) present a performance monitoring plan that explains how indicator data will be tracked, verified and reported. USAID/South Africa will look at both the reach and breadth of activities proposed to achieve program objectives.

#### **Increase in Market-Driven Employment**

- Net change in full-time equivalent jobs or income within assisted enterprises

#### **Growth of assisted SMMEs and Agribusinesses**

- Number of sales by assisted enterprises
- Value of sales by assisted enterprises

#### **Improved Business Environment for Small Businesses**

- Regulatory impediment to small business growth identified and intervention facilitated

#### **Increased Access to Financial Resources for SMMEs**

- Number of loans or other financial agreements supported
- Value of finance accessed by supported enterprises

#### **Strengthened Vocational and Entrepreneurial Skills of Historically Disadvantaged Individuals**

- Number of individuals completing training courses
- Number of trained workers gaining private sector employment

- Number of apprenticeships developed and offered

### **III. Application Process**

#### **A. Overview**

Organizations with on-going or planned activities with potential to support USAID/South Africa's employment generation objectives may submit an application for funding. The required format and content for the application are described in Section III B, below. A Selection Team that includes USAID/South Africa staff shall review and score applications received periodically as sufficient numbers of proposals become available. If the Team selects a proposed activity, a letter will be sent informing the applicant when negotiations are likely to begin and what additional information may be required. Likewise, unsuccessful applicants shall be informed in writing, with a brief explanation as to why the application was not selected for funding.

#### **B. Application Submission**

Interested organizations shall submit an application electronically, by post, by courier or hand delivery to the address listed in Section VII below. Applications shall be submitted in the following format and shall not exceed 15 single-spaced typed pages (excluding Attachments):

- Table of Contents listing all page numbers and attachments;
- Project Abstract not to exceed one page, describing, in brief, what the program will do, what it will accomplish and how;
- Body of proposal describing the program's strategic fit, technical approach, and the organization's qualifications and past experience;
- Proposed outcomes and impact indicators (not to exceed 2 pages);
- Monitoring and Evaluation Plan (not to exceed 2 pages);
- Detailed budget denominated in South African Rand (not to exceed 3 pages); and
- Attachments should be lettered, e.g., Attachment A, and can include the resumes of key personnel, letters of support, letters from public entities, and other supporting documents.<sup>1</sup>

### **IV. Evaluation of Applications**

USAID and its grant management partner (selection in process) will apply the evaluation process and criteria outlined below to all submissions.

#### **A. Evaluation Process**

Applications received in response to this Annual Program Statement must address the criteria detailed in Section IV. B, below.

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<sup>1</sup> Please note that excessive documentation submitted as attachments is neither necessary nor warranted.

If all of this information is not contained in the application, but the application generally has merit (particularly in terms of technical approach and strategic fit), the applicant may be requested to re-submit the proposal in accordance with these requirements.

## **B. Evaluation Criteria**

Criteria used to evaluate applications shall include, at a minimum, the technical merits of the applications, cost effectiveness and cost realism of the application, and past performance of the applicant. Proposals received in response to this Annual Program Statement will be evaluated against the following selection criteria:

**Strategic Fit:** This criterion addresses the likelihood that the programs for which funding is sought will make a direct, significant and measurable contribution towards achieving the strategy described above in Section II, specifically in increasing employment opportunities through the growth of historically disadvantaged agribusinesses and SMMEs. (25 points)

**Technical Approach (including key personnel):** The technical approach should be methodologically sound and based on clear analysis of the challenges to be tackled. *Proposals should demonstrate, where appropriate, how the principles of Black Economic Empowerment legislation and opportunities are integrated into proposed activities.* Applicants are encouraged to present creative and innovative approaches, with the potential for replication, to deal with these complex issues. The sequence and timing of activities to be undertaken should be realistic. Proposals must clearly state the intended outcomes, and how the applicant will measure those outcomes. Baseline data, where available, should be presented. Proposals should answer the following questions: 1) What are the targeted outcomes of the proposed activities? 2) Can the proposed technical approach be reasonably expected to produce the intended outcomes? and 3) How will outcomes be measured and shared with appropriate stakeholders? The caliber of key personnel is critical. Key personnel should have demonstrated field experience relevant to activities to be managed. They should have demonstrated ability to develop collaborative relationships with counterparts, partners and other stakeholders. (25 points)

**Organizational Effectiveness:** This criterion will be used to assess demonstrated ability of the organization (or organizations in the case of joint proposals) to deliver specific agribusiness and/or SMME services to the desired constituency, including a record of past and present experience with similar programs and activities and demonstrated effectiveness in relationships with partners and agribusiness or SMME clients. The demonstrated effectiveness of an organization will be assessed through a consideration of such factors as the organization's governance and leadership, internal structure, strategic goals and objectives, technical capacity, human and material resources, and operational management (including monitoring and evaluation capacity). Note that the organization's financial management capability is of particular concern, and that it will be assessed by a pre-award financial review. (10 points)

**Innovation:** This criterion considers the degree to which a program uses creative and resourceful interventions to address constraints and achieve results in particularly challenging situations, especially where traditional approaches may have been applied with little success. Replicable, scaleable innovations are of particular interest. (10 points)

**Past Performance:** All applicants will be subject to a past performance review. Applicants must submit a list of all contracts, grants and cooperative agreements involving similar or

related programs over the past three years prior to receiving an award. Reference information for each agreement/contract shall include the location, current telephone numbers, points of contact and award numbers if available. A brief description of work performed is also required. This information should be attached to the Final Proposal package. (10 points)

**Sustainability:** This criterion considers the likelihood that, subsequent to the termination of donor support, the program or services being supported, and the results they achieve (e.g. jobs created, market linkages established), will: continue to be successfully implemented; be improved, adapted and replicated by other organizations; or result in a sustained, heightened level of knowledge and/or awareness of services among the targeted beneficiaries. (5 points)

**Gender:** Applications should include a statement outlining gender issues, indicating how the proposed activities will integrate and support disadvantaged gender groups and how progress and impact will be tracked, measured and reported. The technical approach in the application should describe participation and benefits for both males and females. It should also describe any anticipated gender issues that might affect achievement of intended results and how they would be addressed. (5 points)

**Cost Effectiveness:** This criterion considers the capability of the organization and its program approach to reach a wide base of beneficiaries at lowest cost. (5 points)

**Counterpart Contribution/Leveraging of Resources:** This criterion considers the ability of the organization to contribute financially or in-kind, or leverage resources through partnerships with other private or public entities, towards the activities of the grant agreement. (5 points)

TOTAL POINTS (100)

**Public/Private Partnerships:** Potential offerors are strongly encouraged to think innovatively and creatively about ways to solicit financial resources, be it cash or in-kind, from organizations other than the U.S. Government. These might include, for example, U.S. or South African private sector organizations or foundations. Offerors are encouraged to include such resources in the contributions listed in their proposals when possible. Public-private alliances are expected to bring together a coalition of organizations and individuals who will jointly define a problem, situation, and solution, thereby capitalizing on the combined knowledge, skills and expertise of all partners. Foundations, private companies, NGOs and other entities have become increasingly active in financing development efforts in Southern Africa and elsewhere, and they are often looking for synergies with other similar programs.

**Environment:** Applicants must demonstrate how proposed programs address environmentally sensitive issues and adherence to South African environmental laws and regulations.

### **C. Timing of Application Process**

This APS will be in effect until 16:00 (Pretoria time) December 1, 2006. Applications may be submitted any time during the validity of this APS. However, applicants should be aware that funds are limited, and that proposals of interest to the Selection Team are more likely to obtain funding early in the APS process. Proposals will be reviewed periodically as sufficient numbers of proposals are received to convene the technical review panel.

## **V. Eligibility of Applicants**

Applicants may be not-for-profit, South African NGOS including local offices of US private voluntary organizations (PVO) registered under South Africa's Companies Act Section 21A. For-profit South African organizations may apply but they may not include any profit or fee to be earned against the program budget. The participation of a US/PVO or a South African governmental or parastatal organization may be considered as a subcontractor to a successful local applicant. All applicants must be legally recognized entities under the laws of South Africa or other appropriate jurisdictions and authorized to operate in South Africa.

## **VI. Administration of Awards:**

The awards will be administered in accordance with the following USG regulations: for U.S. organizations, 22 CFR 226, OMB Circulars and the USAID Standard Provisions will be applicable; and for non-U.S. organizations, the Standard Provisions will apply. These documents are available on the USAID website – <http://www.usaid.gov> .

## **VII. Point of Contact**

The proposal review process will be managed for USAID by its grant management partner (selection in process). Electronic proposal submissions are encouraged and should be submitted to the email addresses listed below. Please direct all questions and proposal submissions to:

Francinah Hlatshwayo  
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USAID/South Africa  
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**This APS does not commit USAID/South Africa to award an agreement, or to pay any costs incurred in the preparation or submission of applications, or to procure or contract for services or supplies. USAID/South Africa reserves the right to reject any**



**or all proposals, to negotiate with any applicant(s) considered qualified or to make award without further applicant negotiations.**