

## Data Sheet

<b>USAID Mission:</b>	South Africa
<b>Program Title:</b>	Economic Capacity Building
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	674-004
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$2,400,000 DA
<b>Prior Year Unobligated:</b>	\$360,000 ESF
<b>Proposed FY 2006 Obligation:</b>	\$2,100,000 DA
<b>Year of Initial Obligation:</b>	1996
<b>Estimated Year of Final Obligation:</b>	2007

**Summary:** USAID's economic capacity building program improves the capability of historically disadvantaged institutions and individuals to analyze economic problems and to design and implement market-based policies that reduce poverty and unemployment. Focusing on capacity building, this program demonstrates that an understanding of economic fundamentals leads to development-enhancing economic policies, which provide the foundation for poverty reduction and job creation.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Economic Policy and Governance (\$2,000,000 DA, \$360,000 Prior Year ESF). This program uses DA funds to provide technical assistance and training to the South African government to improve economic policy and to target its scarce resources in order to maximize employment and minimize poverty. USAID assistance is supporting the government as it refocuses its efforts from improving economic fundamentals to addressing the problem of poverty. The program works in three primary poverty and unemployment-related areas, and includes the participation of at least 15 USAID-educated black economists. First, USAID is examining the dimensions of poverty and unemployment through six analytical pieces and a workshop to review the analyses. Second, it is filling in knowledge gaps through commissioned research by think tanks. Third, USAID is designing and monitoring four pilot activities, including labor-intensive public works and exempting smaller enterprises from some regulatory controls. These new activities complement USAID's on-going work in public-private partnerships and policy analysis on poverty reduction. USAID is continuing to fund a U.S. Treasury advisor who assists South Africa in monitoring the results and performance of social safety net programs. USAID is maintaining its support to parliament to establish operational procedures and to train members of the parliamentary Joint Budget Committee on budget analysis and oversight of poverty programs. USAID is using ESF to train members of the land tenure boards to develop implementation regulations in conjunction with new legislation that addresses the tenure problems of the rural poor living on marginal land. Principal contractors: IBM and the U.S. Treasury Department (both prime).

Strengthen Financial Sector's Contribution to Economic Growth (\$400,000 DA). The FY 2005 program builds on FY 2004 successes in which USAID-funded advisors helped open the formal banking system to greater competition and developed legislation establishing a deposit insurance scheme and the provision of consumer credit (truth in lending) protections. By reducing costs and expanding services to smaller enterprises and the poor, the program contributes to reducing poverty and unemployment. The FY 2005 phase of this work focuses on providing technical assistance to implement the deposit insurance legislation passed in FY 2004 and on developing consumer credit regulations to strengthen medium-sized banks and financial institutions serving the poor. Other activities seek to open the insurance and the equity markets to greater domestic and international competition. USAID also is promoting greater use of innovations that lower the cost of financial transactions, such as cell phone banking, smart cards, and new approaches to payment of pensions. USAID-trained economists also are helping the government to develop options and recommendations for establishment of single financial regulator for banks, insurance, and equity brokers. Principal contractors: IBM and the U.S. Treasury Department (both prime).

**FY 2006 Program:** Improve Economic Policy and Governance (\$1,650,000 DA). USAID will continue to support technical assistance and training to analyze the results of the pilot interventions begun in FY

2005 that target poverty, unemployment, and land tenure reform. USAID-funded technical advisors and South African government officials will use this information to improve the pilot projects and then roll them out nationally. USAID also will provide technical assistance and training to improve the analytical capacity of South Africans to develop regulations, investigate and prosecute anti-competitive behavior, and encourage the competitive provision of services by opening markets to additional domestic and international firms. Increased competition will improve investment and service provision, particularly in telecommunications, transport, and energy. Regulatory policies will be designed to lower the cost of services and improve competitiveness, thereby increasing exports and jobs and reducing poverty. The land tenure reform works directly with the poor to improve their access to land. Principal contractors: IBM and the U.S. Treasury Department (both prime).

Strengthen Financial Sector's Contribution to Economic Growth (\$450,000 DA). USAID will complete its assistance to create deposit insurance in South Africa, thus helping smaller banks that serve the poor. USAID will continue to provide technical assistance and training to financial regulators that work with banks servicing the poor, and will train the staff of the new financial system's single regulatory body. This work will emphasize prudent regulation, while also assisting South Africans to implement newer low-cost technology. USAID will begin analytical work on the need to introduce competition in other areas of the financial sector, such as insurance, bonds, and equities. This analytical work will be done by USAID-funded technical advisors in collaboration with USAID-trained black and female economists. Principal contractors: IBM and the U.S. Treasury Department (both prime).

**Performance and Results:** USAID-funded training programs have directly strengthened the capacity of individuals and institutions to be key players in economic decision-making to reduce poverty and unemployment. Among the specific training results, 71 U.S.-trained economists have returned to South Africa and are working in increasingly important decision-making positions. Eighty-six parliamentarians have been trained in economics and budgeting, and after the 2004 elections, many have moved into even more senior positions in government. The number of economics students at historically disadvantaged universities supported by USAID has more than doubled, to over 800, including more than 100 at the masters level. This level of demand ensures the sustainability of these programs beyond USAID assistance.

Because of their increased local economic capability, the South African government has increasingly turned to USAID-trained economists to play major roles in economic policy and research. As a result, USAID-funded programs have been instrumental in shaping and influencing policies such as increasing competition in banking, developing land tenure legislation to directly assist the poorest in rural areas, developing new financial instruments that target the poor, and creating public-private partnerships to encourage the private provision of government infrastructure (roads, hospitals, schools) using labor-intensive methods. Further, USAID assisted the South African Cabinet to analyze the impact of HIV/AIDS anti-retroviral drug treatment rollout, to improve the country's anti-trust policy, and to make taxes more transparent and job friendly. Finally, these programs have helped make government more results-oriented, in part by expanding Parliament's oversight role.

At the end of the program in FY 2007, the number of historically disadvantaged economists and economic decision makers will have risen significantly, to well over 200 at the master's or higher level. These economists will be participating in the analyses, design, and implementation of key programs that help South Africa find a sustainable balance between public and private provision of social services and which contribute to accelerated economic growth and reduced unemployment and poverty.

## US Financing in Thousands of Dollars

South Africa

674-004 Economic Capacity Building	CSH	DA	DFA	ESF
<b>Through September 30, 2003</b>				
Obligations	1,500	37,436	1,378	0
Expenditures	1,375	31,139	1,378	0
Unliquidated	125	6,297	0	0
<b>Fiscal Year 2004</b>				
Obligations	0	3,368	0	0
Expenditures	125	5,143	0	0
<b>Through September 30, 2004</b>				
Obligations	1,500	40,804	1,378	0
Expenditures	1,500	36,282	1,378	0
Unliquidated	0	4,522	0	0
<b>Prior Year Unobligated Funds</b>				
Obligations	0	0	0	360
<b>Planned Fiscal Year 2005 NOA</b>				
Obligations	0	2,400	0	0
<b>Total Planned Fiscal Year 2005</b>				
Obligations	0	2,400	0	360
<b>Proposed Fiscal Year 2006 NOA</b>				
Obligations	0	2,100	0	0
Future Obligations	0	15,158	1,000	0
Est. Total Cost	1,500	60,462	2,378	360