



PD-ARC-160
Embassy of the United States of America

July 19, 1990

Office of Development Affairs

Professor Charles Breen
Institute of Natural Resources
University of Natal
P.O. Box 375
Pietermaritzburg
3200

Subject: Institute of Natural Resources
Agreement No: 674-0301-G-SS-0025-00

Dear Professor Breen,

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 Institute of Natural Resources (hereinafter the "Institute" or "the Recipient") and obligates the sum of \$223,000 to provide support for a program described in Attachment No. 1, entitled "Schedule," and Attachment No. 2, entitled "Program Description," of this Agreement.

This Agreement is effective and obligation is made as of the date of this letter. The Agreement and obligation shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning on the date of this letter and ending June 30, 1993.

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

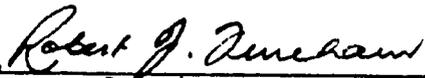
Please sign the original and one (1) copy of this letter and then return the original to USAID/Pretoria.

Sincerely,



Dennis P. Barrett
Counselor for Development Affairs

ACKNOWLEDGED AND ACCEPTED


By: *for* Prof. Charles Breen

Title: Director

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions and optional provisions as applicable
4. Advance Request (as applicable)
5. A.I.D. Geographic Code 935 List

ATTACHMENT NO. 1

SCHEDULE

I. OVERVIEW OF AGREEMENT

A. Purpose of Agreement

This Agreement provides funds to the Institute of Natural Resources to support two of its rural development projects in Natal: the Biyela Integrated Rural Development Project and the Nansindlela Research, Development and Training Farm. The program is more fully described in Attachment 2, Section V., Program Description.

II. PERIOD OF AGREEMENT

The effective date of this Agreement is the date the cover letter is signed by an authorized USAID representative. The expiration date is June 30, 1993, meaning that no USAID funds under this Agreement shall be applicable to goods not furnished or services not performed for the program by this date.

III. AGREEMENT FUNDING AND PAYMENT

A. The total estimated amount of A.I.D. funds to be provided under this Agreement for the period beginning the date the attached letter is signed by the authorized A.I.D. representative through June 30, 1993, is US\$486,000.

B. A.I.D. hereby obligates the amount of US\$223,000 for program expenditures during the estimated period of July 1, 1990 to June 30, 1991 as shown in the Financial Plan below. Additional funds up to the total amount of the Agreement shown above may be obligated by A.I.D. subject to the availability of funds, and to the requirements of Attachment III., Standard Provisions entitled "Revision of Financial Plan".

IV. FINANCIAL MANAGEMENT

A. The Institute of Natural Resources shall be responsible for accounting for all funds provided under this Agreement. The Institute shall open a separate bank account to be used solely for funds provided under this Agreement. The Institute shall deposit all USAID cash advances into this separate account and shall make all disbursements for goods and services from this account. Execution of this Agreement constitutes USAID approval of the advance, and for A.I.D.'s internal purposes, earmarks and commits all funds obligated under the Agreement. Any interest earned from funds provided under this Agreement must be returned to USAID.

Each month after the initial advance, the Institute will submit to the USAID Project Officer a voucher for reimbursement based on expenses incurred during the previous month. The voucher will consist of three parts:

1. Disbursement Report. A detailed report of disbursements by budget line item. Each report will include (a) a summary sheet listing, in a format compatible with the budget, the purpose and amount of all individual expenses incurred with a sub-total for each budget line-item and a grand total; and (b) copies of paid invoices (not proforma invoices), checks, or other documentary evidence showing that funds were expended and the payee received such funds; e.g. an invoice stamped "paid", a cancelled check, a payroll sheet signed by the employee.
2. Summary of Projected Disbursements. A summary, by budget line item, of projected disbursements for the next reporting period.
3. Cash Advances Status Report in the following format:

USAID CASH ADVANCE STATUS REPORT

Institute of Natural Resources Agreement 674-0301-G-SS-0025-00

A. Period covered by this report:

From (Month, day, year) _____
To (Month, day, year) _____

Period covered by next report:

From (Month, day, year) _____
To (Month, day, year) _____

B. Cash Advance and Needs:

1. Cash advance on hand at the beginning of this reporting period R _____

2. USAID check advances received during this reporting period R _____

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3. Interest earned on cash advance during this reporting period R _____

4. GROSS cash advance available during this reporting period (total of lines 1, 2 and 3) R _____

5. LESS, interest remitted to USAID during this reporting period R _____

6. NET cash advance available during this reporting period R _____

7. Total disbursements during this reporting period R _____

8. Amount of cash advances available at the end of this reporting period (line 6 minus line 7) R _____

9. Projected disbursements for the next reporting period R _____

10. Additional cash advance requested for the next reporting period (line 9 minus line 8) R _____

11. Total interest earned on cash advance from the start of the grant to the end of this reporting period, but not remitted to USAID R _____

12. Total cash advances to subgrantees, if any, as of the end of this reporting period R _____

C. The undersigned hereby certifies: (1) that the amount in paragraph B.9 above represents the best estimate of funds needed for the disbursements to be incurred over the period described, (2) that appropriate refund or credit to the Agreement will be made in the event of a disallowance in accordance with the terms of the Agreement, (3) that appropriate refund or credit to the Agreement will be made in the event funds are not expended, and (4) that any interest accrued on the funds made available herein will be refunded to USAID.

Date _____

By _____

Attachments:

1. Disbursement Report
2. Summary of Projected Disbursements

V. FINANCIAL PLAN

A. The Binding Financial Plan for this Agreement is set forth in Table I below. 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". The Recipient is authorized a 15% deviation between line items. However, any deviation above this amount, or any increase in the total Grant, must be approved in advance in writing by the Counselor for Development Affairs.

Table 1
Binding Financial Plan
SAR

<u>Item</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
1. <u>Biyela</u>				
Salaries	107,300	123,395	141,905	372,600
Administration	77,700	89,355	102,255	269,815
Program Costs ^{1/}	<u>58,500</u>	<u>59,075</u>	<u>67,790</u>	<u>182,365</u>
Subtotal	240,500	271,825	312,455	824,780
2. <u>Nansindlela</u>				
Salaries	68,845	79,170	91,045	239,060
Program Costs ^{1/}	<u>95,000</u>	<u>109,250</u>	<u>125,635</u>	<u>329,885</u>
Subtotal	163,845	188,420	216,680	568,945
Total	404,345	460,245	529,135	1,393,725

1/ Includes travel expenses and capital expenses.

B. Level of Assistance

The financial plan (Table I) in South African Rands is the binding financial plan of the Agreement. The conversion rate from U.S. dollars will be the prevailing rate at the time of conversion by the Controller, USAID/South Africa. To determine the U.S. dollar amount of the Agreement, an exchange rate of R2.7 was used for Year 1, R2.9 for Year 2 and R3.0 for Year 3. Notwithstanding the above, in no event will the total level exceed the obligated dollar amount. Should changes in the exchange rate result in fewer South African Rands being available than budgeted for, the Institute must finance the shortfall since the U.S. dollar obligation of \$223,000 equals the total amount available for conversion to Rands. Should exchange rate fluctuations result in more Rands being available, the Institute may request the USAID to reprogram the excess for continued activities under the Agreement.

ATTACHMENT 2

PROGRAM DESCRIPTION

I. Summary

This Agreement provides funds to the Institute of Natural Resources to support two of its rural development projects in Natal: the Biyela Integrated Rural Development project and a research and demonstration farm at Nansindlela. A more detailed description of the projects and the specific items receiving funding can be found in Section V., Program Description.

II. Background

The Institute of Natural Resources is an independent non-profit applied research institute located at the University of Natal. The purpose of the Institute is to contribute to the socio-economic advancement of rural South Africans and to promote responsible management of natural resources through integrated rural development and conservation. The Institute's projects are equally divided between rural development (22 projects) and environmental management (26 projects); however, 75% of the Institute's income, provided by donors, is directed at rural development leading to an improved quality of life for rural black South Africans.

This agreement supports two of the Institute's rural development projects. Both projects involve the local communities through democratically elected development committees. The purpose of the community committees is to ensure the widest possible community participation in the projects which seek to alleviate the problems of low agricultural productivity, degradation of natural resources and the general poverty of blacks in rural areas.

The Biyela Integrated Rural Development Project was initiated in 1981 to design and evaluate appropriate methods of rural development which enable optimal and sustainable land use and encourage rural people to move away from subsistence agriculture and communal grazing. Current activities include poultry, milk dairy, and reforestation projects; the establishment of a rural service center to provide extension training and marketing services and promote small agro-industry and informal sector agricultural marketing; and a pilot irrigation, community garden and associated market stall project.

The Nansindlela Research, Demonstration and Training Farm was set up in 1983 to provide examples of sustainable land use practices and ways of improving traditional agriculture. The farm serves as a center for hands-on agricultural training for rural black farmers throughout Natal. The program which

VI. REPORTING

The Institute will submit quarterly progress reports on activities funded under the Agreement. The Institute will also submit a final report on all activities financed by the Agreement. The content and format of the final report will be agreed upon by A.I.D. and the Recipient at a later date.

VII. OVERHEAD RATE

Not Applicable.

VIII. TITLE OF PROPERTY

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

IX. AUTHORIZED GEOGRAPHIC CODE

The authorized geographic code for all procurement with A.I.D. funds under the Agreement is the United States, the Republic of South Africa and countries included in A.I.D. Geographic Code 935, 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, the Republic of South Africa or in countries included in A.I.D. Geographic Code 935. Please refer to Attachment 6 for a list of countries included in Code 935.

X. LOCAL COST FINANCING

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

XI. SPECIAL PROVISIONS

1. Procurement

(a) Scope. This provision is applicable to the extent that local cost financing is otherwise authorized by the Agreement. It does not require procurement in South Africa where off-shore procurement could otherwise occur.

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

(c) Definitions. Individuals and organizations disadvantaged by apartheid shall mean (1) South African individuals of black, "colored" or Asian descent whose principal place of business is in the Republic of South Africa; and (2) private partnerships or commercial firms which are incorporated in or organized under the laws of the Republic of South Africa, whose principal place of business is in the Republic of South Africa, and which are more than 50 percent beneficially owned by South African persons of black, "colored" or Asian descent. The Republic of South Africa includes the so-called "independent" and "self-governing" homelands.

2. Except as provided in Section B.1. above, all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, free and open competition.

3. The Institute agrees that no funds provided under this agreement will be provided to or channeled through any homeland governmental or parastatal entity.

4. The Institute agrees that all staff recruitment for positions funded by USAID will be carried out through an appropriate competitive process and that salary levels will be in accordance with community and professional standards.

5. Travel and Per diem. The Institute will provide for USAID approval a copy of its travel and per diem policy covering both domestic and international travel for its staff and for program participants not to exceed U.S. rates. In the event the Institute does not establish a policy, U.S. Government regulations governing travel and per diem will be applied.

6. Political Affiliation. The Institute agrees that programs funded under this Agreement will be made available to individuals and groups regardless of their political beliefs or affiliations. The Recipient will periodically review the level of actual provision of its services to various political groupings active in its areas of operation.

XII. STANDARD PROVISIONS

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

includes practical experience in general farm management, culminates in helping trainees to acquire loan financing and extension services to develop their own production systems.

III. Problem

For decades the South African Government has pursued a deliberate policy of relocating black South Africans to the least productive rural areas in the country. These regions are generally characterized by inhospitable features such as a lack of water, rocky terrain, steep gradients and the virtual absence of infrastructure. These conditions combined with the low level of education in rural areas and the continuance of unproductive traditional farming techniques have led to extreme poverty and deprivation for the majority of rural blacks. Resources that are directed for rural development, such as agricultural extension services, are almost exclusively aimed at whites. Resources provided through local homeland governmental authorities are insufficient and such structures frequently lack the support of the communities which they serve. Even alternative structures and organizations have focussed most of their attention on urban areas leaving the rural black population, for the most part, unrepresented and unserved.

IV. Purpose

The purpose of this Agreement is to provide support for the Biyela Integrated Rural Development Project and the Nansindlela Research, Demonstration and Training Farm, both projects of the Institute of Natural Resources which seek to improve socio-economic conditions of blacks in rural Natal.

V. Program Description

A. Biyela Integrated Rural Development Project

The Biyela Integrated Rural Development Project began in 1981, located in a hilly 23,000 ha. area of KwaZulu lying between Eshowe and Melmoth with a population of roughly 23,000 people. The Biyela area is characterized by scattered settlement; a lack of basic infrastructure, services and facilities essential for the initiation and support of economic activity; few employment opportunities; and a system of land-use that is neither productive nor sustainable.

The term "integrated rural development" describes a way of meeting the basic needs of rural people in terms of three broad dimensions: an increase in agricultural productivity; the provision of such infrastructure and services as are necessary to improve their quality of life; and the stimulation of non-farm commercial and industrial activities to provide employment for those people who exceed the land's agricultural capacity. The integrated approach is based on the premise that a

combination of factors - not only the right technology and education, but access to physical inputs and markets, and attractive prices - is essential to get the local economy moving. This means that integrated, simultaneous and comprehensive action on a number of fronts.

The primary objective of the Biyela project is to evolve appropriate and innovative rural development systems which can contribute to the solution of some very serious problems in the area and in many other similar less developed rural areas. A fundamental tenet of the Institute's approach has been to examine possibilities for promoting development and economic advancement opportunities for as many people as possible. The surveys carried out at the start of the project showed that if people were to take the step from subsistence agriculture to commercial smallholder farming, or from being unemployed to involvement in rural-based small-scale industries, they would require substantial support and incentives, especially during the initial phases of development.

In line with its commitment to develop the individual, the Institute recognized the need for an "action research" approach (that is, conducting research on people's own land with them involved) on its part and a learning-by-doing" approach on the part of the local people. A number of small trials and demonstrations were mounted concurrently with the physical and socio-economic work to assess the technical, economic and social acceptability of various land-use management systems, water and sanitation development systems, produce markets, and organizational structures. Local people were involved and received training in all of these trials and demonstrations, with some units being run by families selected by democratically elected development committees.

A report on the preliminary proposals for the Biyela area, which identified the constraints to development in the area and proposed a strategy of integrated rural development was then prepared. The main recommendation of the report was that there was a need to continue the research work and commence implementation in the form of a pilot project scheme (approximately 1,000 ha.) which would allow the proposed systems of development to be tested in the field on an integrated basis and on a reasonably small scale. The pilot project will provide an opportunity to resolve further problems and devise other systems of rural development suitable for and acceptable to the local community. It is anticipated that it will serve as a core of development which will be expanded in a gradual and orderly manner until full development of the whole Biyela Project area is achieved. The development system evolved and tested there could in future be applied elsewhere in similar areas of KwaZulu.

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In general, the precursor trials have performed above initial expectations with regard to economic viability, acceptance by the people and their catalytic effect in promoting development initiatives among the local communities. The community garden has operated very successfully and as a result, positive attitudes towards development have been engendered among the local community. Attention is now being given to the establishment of additional community gardens since a recent survey among the local community has indicated that there is much interest in this type of development.

A large market stall was established in 1985 adjacent to the main Eshowe/Melmoth road which traverses the project area, and it has since been run successfully by a local women's group. Vegetable and fruit produce, some of which is grown locally, is sold at the market. Three other small stalls have recently been established in order to facilitate marketing of eggs, milk and vegetables produced within the project area.

Another important development, already under way, is the establishment of a rural service center. The center will ultimately provide opportunities for small industry, agro-industrial and informal sector enterprises and it will also serve as a market and service center. The center, which includes a clinic, will stimulate agricultural development and greatly facilitate contact between the local community, researchers, planners, and others concerned with development of the area.

Funding under this Agreement will be provided for personnel (field officer, rural development officer, INR project coordinator, survey assistants, field assistants), domestic travel and per diem related to the Biyela project, administrative costs of the Institute associated with running the project, project operating costs (office and shed rental, tools, materials, etc.) and selected capital costs (personal computer, educational equipment). Table 2 below provides a detailed breakdown of the budget, however, the binding Financial Plan of the Agreement is found in Attachment I, V. Financial Plan. No funding is provided for entertainment, consumables, liquor or for the purchase of vehicles.

Table 2
 Illustrative Financial Plan (SAR)
 Biyela Integrated Rural Development Project

Item	Year 1	Year 2 ^{1/}	Year 3	Total
Personnel				
Full-time Field Staff	54,400	62,560	71,945	188,905
Part-time Professional Staff	41,880	48,162	55,385	145,427
Part-time Field and Administrative staff	11,020	12,673	14,575	38,268
Subtotal	107,300	123,395	141,905	372,600
Institute Administration ^{2/}	77,700	89,355	102,760	269,815
Travel ^{3/}	39,500	45,425	52,240	137,165
Project Operating Costs ^{4/}	11,000	12,650	14,550	38,200
Capital Expenses ^{5/}	5,000	1,000	1,000	7,000
Total	240,500	271,825	312,455	824,780

- 1/ Costs for years 2 and 3 have been increased by 15%.
- 2/ Includes pro rata administrative staff time, telephone, copying, utilities, office supplies.
- 3/ Calculated at 54,000 km @ 0,70/km; R70 per diem for 24 trips.
- 4/ Includes rental of project offices, sheds, etc., tools, insurance, casual labor, office supplies, telephone, maintenance.
- 5/ Year 1 includes the purchase of a personal computer. Funds for years 2 and 3 cover educational equipment such as an overhead projector, slide screen, etc.

B. Nansindlela Research, Development Training Farm

Realizing the magnitude of the problems of poverty, environmental degradation and unemployment facing the people living in rural areas of South Africa, the Institute recognized early in its existence that if it was to achieve one of its main objectives, namely, that of promoting the integration of conservation and development, it would have to show people in a very practical way how to introduce and maintain sustainable land use management systems. Thus, the Institute accorded a high priority to the acquisition of some land in or adjacent to one of the less developed rural areas on which it could focus on researching traditional agriculture practices and also demonstrate and train people in sustainable land use management. With the help of a Pietermaritzburg businessman who acquired 16 ha. of land near Inchanga and made this land available to the Institute for an indefinite period, a research, training and demonstration farm, called Nansindlela, was established on this site in 1982.

The objectives of the project are to:

- (a) operate a number of small, economically viable farming enterprises for the purpose of demonstrating to aspirant smallholder farmers, development agencies, the private sector and people wishing to engage in rural development work that, using appropriate farming systems and technologies, not only can rural people farm more productively but at the same time they can conserve and protect the land.
- (b) use the agricultural demonstration units together with a training center as a teaching complex for aspirant smallholder farmers and others.
- (c) maintain a field experimental program with the aim of improving land use and increasing food production in the less developed rural areas.
- (d) experiment with appropriate technology and assemble resulting equipment for display and demonstration.

As the farm exhibits characteristics typical of land in much of Kwazulu, for example, steep land, poor soil and soil erosion, the opportunity has been taken to demonstrate the principles of land use planning and optimum forms of land use in terms of both agricultural production and conservation of resources. Enterprises introduced to the farm include demonstration dairy, pig and poultry units, crop and vegetable units (with and without irrigation), a woodlot and forestry trials. From time to time, trials have been conducted on the farm with new crops for Kwazulu such as pigeon pea, and an interesting and potentially very valuable form of land use known as agroforestry. This novel land use management system,

tested extensively in other less developed areas of the world and receiving the attention of the International Council for Research in Agroforestry, Nairobi, places emphasis on the integration of crops and trees on a given land unit. This system has particular appeal on steep land, commonly farmed in KwaZulu, because of its potential to limit soil erosion problems and increase productivity.

The erection of a modern training center on the farm was completed in May 1986. The facility provides a means of linking theoretical lectures to practical demonstrations on the farm, a combination that has been shown to be a very effective way of motivating people. The Institute's education program, which gives attention to community health, water and sanitation matters as well as to agriculture, operates from the center. The training provided at the center falls into two categories: short courses spread over 1-5 days and intensive training of individual aspirant smallholder farmers who spend a period of several weeks at the center learning about and looking after one of the production units. Two education officers have been charged with responsibility for:

- * Creating a positive vision in rural communities of the possibilities for rural/agricultural development.
- * Creating an awareness of natural resources.
- * Encouraging a change from subsistence farming to productive commercial agriculture.
- * Promoting the concept of integrated rural development (that is, emphasizing that the many problems of rural communities must be tackled at one and the same time).

In addition to offering courses at the training centre, the education officers are involved in various outreach activities, primarily in neighbouring areas but also in other parts of KwaZulu. These activities include helping rural communities to organize and control their own development through the establishment of development committees, health committees, etc., and providing on-site advice concerning the development of water resources, sanitation facilities and commercial farming enterprises.

For the Nansindlela Farm, funding is provided for personnel (project manager and INR Coordinator), domestic travel and per diem related to the project, project operating costs (animal, diary, crop production units, farm repair and maintenance, security, office operating costs, tools) and selected capital costs (tools and equipment, fencing, market stall materials, production unit materials). Table 3 below provides a detailed breakdown of the budget for illustrative purposes, however, the binding Financial Plan is found in Attachment I, V. Financial Plan of the Agreement. No funding is provided for entertainment, consumables, liquor or for the purchase of vehicles or farm machinery (e.g. tractors).

Table 3 (SAR)
Illustrative Financial Plan
Nansindlela Demonstration Farm

Item	Year 1	Year 2 ^{1/}	Year 3	Total
Personnel				
Professional	52,605	60,495	69,570	182,670
Technical	<u>16,240</u>	<u>18,675</u>	<u>21,475</u>	<u>56,390</u>
Subtotal	68,845	79,170	91,045	239,060
Travel ^{2/}	20,500	23,575	27,110	71,185
Project Operating Costs ^{3/}	69,400	79,810	91,780	240,990
Capital Expenses ^{4/}	5,100	5,865	6,745	17,710
Total	163,845	188,420	216,680	568,945

- 1/ Costs for years 2 and 3 have been increased by 15%
- 2/ Includes operating expenses (petrol, oil, maintenance) of a farm pick-up truck and 14,285 km of staff travel @ 0,70/km.
- 3/ Includes operating costs of demonstration projects (e.g. dairy units, animal units, crop units), tractor operating costs (petrol, oil, regular maintenance; repairs above R500 must receive USAID approval), telephone, electricity, insurance, general maintenance and repair, security.
- 4/ Illustrative costs include tools, small farm equipment, materials for a pig production unit and market stall and fencing.

Attachment 4
 Quarterly Cash Flow
 and Advance Request
 (SAR)

	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>Total</u>
Biyela	60,125	60,125	60,125	60,125	240,500
Nasindlela	<u>40,962</u>	<u>40,961</u>	<u>40,961</u>	<u>40,961</u>	<u>163,845</u>
Total	101,087	101,086	101,086	101,086	404,345

The Advance request for 60 days of operation totals R67,392.