



Enterprise Management & Innovation (Pty) Ltd

**SOUTH AFRICA: INCREASING EMPLOYMENT
OPPORTUNITIES IN AGRICULTURE
(AGRILINK II) PROJECT**

(Contract No. 674-C-00-01-00032-01)

(Project No. 674-0326-3-10004)

**2nd QUARTERLY REPORT, FY'02
(1/01/2002 – 31/03/2002)**

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EXECUTIVE SUMMARY

During 2nd Quarter, FY'02, the AGRILINK II Project achieved solid progress, as measured by its performance impact indicators in five (5) programmatic areas:

- **SO5: Increased Market-Driven Employment Opportunities Created**

The highest level of Objective for the AGRILINK II Project measures the employment impact of the Project's activities. In 2nd Quarter, FY'02, four thousand seven hundred thirty-seven (4,737) Market-Driven Employment Opportunities were created through Project activities. This Quarter's performance, added to that of 1st Quarter, FY'02, contributes to a cumulative achievement of 84% of the FY'02 target of eight thousand three hundred (8,300) Market-Driven Employment Opportunities.

- **Increased Commercial Viability of Existing Small and Medium Agribusiness**

The AGRILINK II Project facilitated the increased commercial viability of small and medium agribusinesses in 2nd Quarter, FY'02 through nine thousand eight hundred fifty-one (9,851) business transactions. This represents 50% of the FY'02 target of sixteen thousand four hundred ninety (16,490) business transactions. The 2nd Quarter, FY'02 transactions totaled R47,509,867.

The percentage of business transactions with small and medium agribusinesses that include some female ownership or active participation has been targeted as a specific performance indicator. In 2nd Quarter, FY'02, women were involved in close to 50% of AGRILINK II Project transactions. This is above the FY'02 target of 20%.

- **Markets for Small and Medium Agribusiness Growth Identified**

In 2nd Quarter, FY'02, the AGRILINK II Project identified nine thousand eight hundred forty-four (9,844) markets for small and medium agribusinesses, of which three thousand three hundred seventy-seven (3,377), or 34%, involved women. In addition, four hundred fifteen (415) small and medium agribusinesses were assisted to establish markets with larger entities. Of these, 27% were created for women-owned agribusinesses.

These markets were identified in several agribusiness areas, including livestock, grains and vegetables, farm inputs, livestock, and land. The largest proportion of markets was in livestock (56.3%), followed by farm inputs (30.1%). Grains and vegetables (7.0%), land (6.2%), and wool (0.5%), were other important Quarterly markets.

- **Enhanced Small and Medium Agribusiness Capacity to Respond to Markets**

During February 2002, two (2) land transfers were completed through AGRILINK II Project staff facilitation for loans of R 260,000 and R 225,000 (totaling R 485,000). These loans were critical to the privatization of government land to emerging black farmers, an important objective of the AGRILINK II Project.

In 2nd Quarter, FY'02, the AGRILINK II Project enhanced the capacity of small agribusiness to capitalize on market opportunities through business skills training and value-added technology. Over one thousand (1,000) small historically disadvantaged agribusiness entrepreneurs received business training toward the FY'02 target of seven thousand two

hundred (7,200). Twenty percent (20%) of these entrepreneurs were women. This represents a total of nine hundred twenty-three (923) entrepreneur hours of business training.

- **Increased Small and Medium Agribusiness Access to Capital Resources**

In 2nd Quarter, FY'02, the AGRILINK II Project increased access to capital on behalf of five (5) agribusinesses. The value of these transactions totaled R1,108,913, toward the FY'02 access to finance target of R 49,347,000. In 2nd Quarter, FY'02 transfers were completed of eight (8) farms, facilitated by the AGRILINK II Project, consisting of two thousand five hundred fifty-seven (2,557) hectares. Twenty-seven (27) black farmers, including eight (8) households headed by women, benefitted directly from the transfer, with many more family members benefitting indirectly.

Supporting Programmatic Areas

By the end of 2nd Quarter, FY'02, female participation was higher than the target of 20% for almost all project indicators. AGRILINK II Project Agribusiness Linkage Officers distributed twenty three thousand two hundred fifty (23,250) condoms, along with educational materials, to two thousand four hundred (2,400) project clients. Linkage Catalyst Grants have been prepared and signed by five (5) grantees. The remaining grants will be completed and disbursements will begin in 3rd Quarter, FY'02.

A total of \$386,970 in project funds was expended during 2nd Quarter, FY'02.

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ACRONYMS and ABBREVIATIONS

| | |
|---------------------|--|
| ABC | Agricultural Business Chamber |
| ABSA | Amalgamated Bank of South Africa Ltd. |
| AGRILINK | Increasing Employment Opportunities in Agriculture Project (2000-2001) |
| AGRILINK II | Increasing Employment Opportunities in Agriculture Project (2001-2006) |
| APS | Annual Program Statement |
| ARC | Agricultural Research Council |
| ARDC | Agricultural and Rural Development Corporation |
| ATICC | AIDS Training Information Counseling Center |
| CCHC | Choice Comprehensive Health Care |
| CEP | Commodity Export Program |
| CRS | Catholic Relief Services |
| CSIR | Council for Scientific and Industrial Research |
| CTO | Cognizant Technical Officer |
| DLA | Department of Land Affairs |
| EM&I | Enterprise Management and Innovation (Pty) Ltd |
| FY | Financial Year |
| GNFU | Great North Farmers Union |
| IDC | Industrial Development Corporation |
| IDT | Independent Development Trust |
| IR | Intermediate Result Objective |
| KWANALU | KwaZulu-Natal Agricultural Union |
| KZN | KwaZulu-Natal |
| LOE | Level of Effort |
| LRAD | Land Redistribution for Agricultural Development Program |
| NAFU | National African Farmers Union |
| NAMC | National Agricultural Marketing Council |
| NDA | National Department of Agriculture |
| NERPO | National Emergent Red Meat Producers Organization |
| NGO | Non-Governmental Organization |
| NICRA | Negotiated Indirect Cost Agreement |
| PACD | Project Activity Completion Date |
| PMA | Produce Marketing Association |
| PMP | Performance Monitoring Plan |
| R | Rand |
| RCO | Regional Contracting Officer |
| RLA | Regional Legal Advisor |
| S.A. | South Africa |
| SO5 | Strategic Objective 5 |
| TA | Technical Assistance |
| USAID | United States Agency for International Development |
| US\$ | United States Dollar |
| VAT | Value-Added Tax |
| 1 st QTR | First Quarter |
| 2 nd QTR | Second Quarter |
| 3 rd QTR | Third Quarter |
| 4 th QTR | Fourth Quarter |

1.0 INTRODUCTION

This 2nd Quarterly Report, FY'02, details the activities performed on the USAID/South Africa-funded South Africa: Increasing Employment Opportunities in Agriculture (AGRILINK II) Project, (Contract No. 674-C-00-01-00032-01), for the period 1st January 2002 to 30th March 2002.

2.0 PROJECT IMPLEMENTATION

2.1 AGRILINK II Project Performance, 2nd Quarter FY'02

A self-assessment of the AGRILINK II Project performance at the end of the 2nd Quarter, FY'02, is: Good. Five (5) indicators (out of fifteen), including the indicator measuring the highest level of Objective, have achieved 50% of FY'02 target levels by the end of the 2nd Quarter, FY'02. Three (3) indicators have already met the annual target level (5.2.A. Number of Business Transactions (101%); 5.2.1.A. Number of Markets Identified (101%); and 5.2.3.A. Number of Entities that Accessed Finance (98%)). Performance Indicators are found in Appendices A and B.

This rate of achievement of performance targets is an indication that AGRILINK II Project approaches are working. In 2nd Quarter, FY'02, existing markets expanded, markets for new crops increased rapidly, land transfers matured in Eastern Cape and expanded in other provinces, and new areas of finance were actively explored. The number of transactions was above targeted levels for 2nd Quarter, FY'02; however, the Project will need to focus on the value of the transactions for which achievement falls below performance targets, in the next Quarter. The following sections provide a qualitative assessment of AGRILINK II Project performance for each area of activity, as well as a brief summary of performance data.

2.2 Increased Market-Driven Employment Opportunities

The highest level of Objective for the AGRILINK II Project measures the employment impact of the Project's activities. In 2nd Quarter, FY'02, four thousand seven hundred and thirty-seven (4,737) Market-Driven Employment Opportunities were created through Project activities. This Quarter's performance, added to that of 1st Quarter, FY'02, contributes to a cumulative achievement of seven thousand (7,000) Market-Driven Employment Opportunities, or 84% of the FY'02 target of eight thousand three hundred (8,300).

2.3 Increased Commercial Viability of Existing Small and Medium Agribusinesses

The AGRILINK II Project facilitated the increased commercial viability of small and medium agribusinesses in 2nd Quarter, FY'02, through nine thousand eight hundred fifty-one (9,851) business transactions. This represents 60% of the FY'02 target of sixteen thousand four hundred ninety (16,490) business transactions. The value of business transactions totaled R52,124,104, or 8% of the FY'02 target.

The percentage of business transactions with small and medium agribusinesses that include some female ownership or active participation has been targeted as a specific performance indicator. In 2nd Quarter, FY'02, women were involved in close to 50% of AGRILINK II Project transactions. This is above the FY'02 target of 20%.

This indicator aggregates performance in three areas: market identification, access to finance, and privatization of public enterprises. Performance in these three (3) areas is discussed below.

2.4 Markets for Small and Medium Agribusiness Identified

In 2nd Quarter, FY'02, the AGRILINK II Project identified nine thousand eight hundred forty-four (9,844) markets for small and medium agribusinesses, of which three thousand three hundred seventy-seven (3,377), or 34%, involved women. In addition, four hundred fifteen (415) small and medium agribusinesses were assisted to develop markets with larger entities. Of these, 27% were facilitated for women-owned agribusinesses.

These markets were identified in several agribusiness areas, including livestock, grains and vegetables, farm inputs, and land. The Chart found in Appendix C shows that the largest proportion of markets identified was in livestock (56.3%), followed by farm inputs (30.1%). Grains and vegetables (7.0%), land (6.2%), and wool (0.5%), were other important markets identified.

Highlights

Livestock. The AGRILINK II Project Eastern Cape office continues a productive relationship with the Stockowners Association and Elliot Brothers, provincial livestock auctioneers. More and more livestock farmers were able to find markets for their cattle and other small stock (sheep and goats) at better prices. This model, of creating productive relationships with provincial livestock auctioneers, is being successfully applied in KwaZulu-Natal (with Karoo Ochse) and Limpopo Province (with Vleissentral). In 2nd Quarter, FY'02, AGRILINK II Project staff assisted in sixty-eight (68) livestock auctions, achieving sales of six thousand seven hundred thirty-eight (6,738) cattle, one hundred thirty-three (133) goats, and one thousand three hundred ninety-eight (1,398) sheep.

During the quarter, the AGRILINK II Project also provided additional services to emergent livestock farmers. Improved breeding stock was sourced, and farmers' access to affordable stock remedies increased. In addition, the AGRILINK II Project worked with the National Department of Agriculture (NDA) and the Eastern Cape Development Corporation (ECDC) to promote cattle branding. Branding is an important deterrent to stock theft, yet farmers are not convinced of the value they receive for the cost they incur. Project staff will continue to promote the need for branding among farmers on an ongoing basis.

In Eastern Cape, farmers continued to benefit from the services provided by the AGRILINK II Project in promoting improved wool production. Wool sales in 2nd Quarter FY'02 reached a total of R238,650.

Grains and Vegetable Crops. The AGRILINK II Project expanded markets for emerging farmers for crops such as green mealies, dry beans, vegetables (potatoes, cabbages, and tomatoes), and products such as eggs. In 2nd Quarter, FY'02, farmers benefitted from the sale of over R3,500,000 in grains and vegetables.

Agricultural Inputs. The market for treated poles continued to grow in Eastern Cape. The sales value for 2nd Quarter, FY'02, was R827,845. There is a large scope for AGRILINK II Project support to small-scale sugarcane growers in KwaZulu-Natal. Agribusiness Linkage Officers in the province linked input and transport companies with sugarcane producer groups. The total value of farm input sales in 2nd Quarter, FY'02 was R15,222,955, which included an agribusiness linkage of R13,900,000 between a fertilizer company and small black sugarcane growers.

Agricultural inputs form an important part of forward contracting - a growing strategy for improving input supply and market access for emergent farmers. As forward contracting grows, farmers will benefit from increased access to inputs. Forward contracting is described in Section 2.6.

New Product Areas. In 2nd Quarter FY'02, the AGRILINK II Project began to assist farmers in several new areas.

- *Catfish and other Aquaculture Activities.* The AGRILINK II Project staff researched local technology and created linkages to access funding for catfish farming in KwaZulu-Natal.
- *Heliculture/Snails.* A farmer in Eastern Cape, who implemented a successful pilot snail production project, wanted to increase his snail breeding stock and expand his business. AGRILINK II Project staff worked with the snail producer to develop a heliculture business plan that will be submitted to an equity investor to raise approximately R22,000,000 to finance the purchase of breeding stock and expand the business.
- *Hides and Skins.* AGRILINK II Project staff sourced skins and hides on behalf of a KwaZulu-Natal buyer for export to Italy. Although hides are commonly sourced "salted" in South Africa, AGRILINK II Project staff found abattoirs that can produce wet, blue-tanned hides, which meet export sanitary regulations.
- *Ostrich Farming.* Ostri-san, a company working with the San to improve their economic status, requested that the AGRILINK II Project assist in raising finance for San businessmen to begin ostrich farms. Ostri-san also requested that the AGRILINK II Project help identify markets for ostrich leather products and decorated eggs.

2.5 Small Agribusiness Capacity to Respond to Markets

Public Enterprises are Privatized. During February, two (2) land transfers were completed with the facilitation of AGRILINK II Project staff through grants (Land Redistribution for Agricultural Development (LRAD) Facility) and loans (Land Bank) for a total of R485,000. This performance represents 67% of the annual FY'02 target. These loans were critical to the privatization of government land to emerging black farmers, an important objective of the AGRILINK II Project.

Entrepreneurs Receive Business Training. In 2nd Quarter, FY'02, the AGRILINK II Project enhanced the capacity of small agribusiness to capitalize on market opportunities through business skills training and value-added technology. Over one thousand (1,000) small, historically disadvantaged agribusiness entrepreneurs received business training, toward the FY'02 target of seven thousand two hundred (7,200) trained farmers. Twenty percent (20%) of these entrepreneurs were women. This represents a total of nine hundred twenty-three (923) hours of entrepreneur business training.

2.6 Increased Small Agribusiness Access to Capital

In 2nd Quarter, FY'02, the AGRILINK II Project increased access to capital on behalf of five (5) agribusinesses. The value of these transactions totaled R1,108,913, toward the FY'02 Access to Finance target of R 49,347,000.

Highlights

Land Transfers. The AGRILINK II Project facilitates land and farm transfers between emerging agribusinesses in historically disadvantaged communities and established white farmers, financed by the Department of Land Affairs, utilizing the Land Redistribution and Agricultural Development (LRAD) Facility. In 2nd Quarter, FY'02, transfers were completed of eight (8) farms, consisting of two thousand five hundred fifty-seven (2,557) hectares valued at R1,770,108. Twenty-seven (27) black farmers, including eight (8) households headed by women, benefited directly from the transfer. Land transfers facilitated by AGRILINK II Project staff in KwaZulu-Natal and Limpopo Provinces are in the pipeline for 3rd Quarter, FY'02.

New Product Areas for Financing. In 2nd Quarter, FY'02, AGRILINK II Project staff initiated the development of new finance mechanisms for emergent farmers.

- *Risk-Managed Input Finance.* Due to declining land values in South Africa, most farmers have found it difficult to raise sufficient capital to purchase inputs. Arrangements between insurance companies, banks, and input suppliers have begun to redress the situation for the commercial agricultural sector. This model can be implemented without land being pledged as collateral security, and is, in principle, applicable to farmers in communal areas. The AGRILINK II Project developed a risk-managed input finance fund, and is in discussion with interested parties in the insurance, financial and governmental sectors, as well as with donor organizations.
- *Forward Contract Farming as a Solution to Credit and Production Constraints.* AGRILINK II Project staff in Head Office and Eastern Cape worked closely with small black farmers, a commodity broker and financial institutions (Uvimba Finance and the Land Bank) to develop forward contracts for farmers. Proposed forward contracts in Port Saint John's (sweet corn, popcorn and beans) and Qamata (beans) will provide both market and management skills to the farmers. These services are sufficient production guarantees to motivate banks (Uvimba Finance and the Land Bank) to extend loans to the farmers.

2.7 Capacity to Address Sectoral Policy and Regulatory Constraints Increased

The activities under this Intermediate Result for FY'02 will be implemented in 3rd and 4th Quarters, FY'02. In 2nd Quarter FY'02, the Terms of Reference for Dr. Nick Vink, who will identify policy and regulatory constraints, were prepared according to the Projected Activities provided in the AGRILINK II Project 1st Quarterly Report, FY'02. In 3rd Quarter, FY'02, Dr. Vink will interview relevant stakeholders and begin to identify policy and regulatory constraints. Mr. Allan Brown, Performance Monitoring and Evaluation Specialist, will work with Dr. Vink to further develop the Policy Matrix for reporting purposes.

2.8 Linkage Catalyst Agreements

In 1st Quarter, FY'02, the AGRILINK II Project identified strategic partners through a limited competition tender, and worked with these partners to ensure submission of acceptable proposals.

In 2nd Quarter, FY'02, proposals, bench audits and budgets were completed for nine (9) linkage catalyst grantees. The documentation for five (5) of these grantees was forwarded to the

USAID/SA Regional Contracting Office, and an invoice was submitted to the USAID/SA Controller's Office for the first Quarterly Accrued Liability to the grantees. The documentation for an additional four (4) grantees will be submitted in 3rd Quarter, FY'02.

Two (2) of the selected Linkage Catalyst grantee proposals are still under discussion. Options are being considered as to how to strengthen the institutional capacity of the Great North Farmers Union to represent small and medium-scale black farmers in Limpopo Province. Discussions are also continuing with the Agricultural Business Chamber (ABC), since their initial proposal did not strengthen emerging farmer associations and organizations and was turned-down.

2.9 Gender Concerns

In 2nd Quarter, FY'02, female participation in AGRILINK II Project activities was monitored and reported, according to the appropriate performance indicators. The AGRILINK II Project's progress, as measured by its performance impact indicators, shows a substantial achievement in this area.

The FY'02 target for female participation is 20%. By the end of 2nd Quarter, FY'02 female participation was higher than the target:

- 28% of all business transactions involved women;
- 28% of small and medium agribusiness that benefited from markets identified by the project are women-owned (or with active participation); and,
- 37% of small agribusinesses that received access to capital had significant participation by women.

2.10 HIV/AIDS – Awareness, Prevention and Mitigation

In 2nd Quarter, FY'02, the AGRILINK II Project Agribusiness Linkage Officers distributed twenty three thousand two hundred fifty (23,250) condoms, along with educational materials, to two thousand four hundred (2,400) project clients. This compares to the distribution of two hundred sixty-three (263) condoms and educational materials to project clients in 1st Quarter, FY'02.

2.11 Monitoring and Evaluation

On 22nd January 2002, Mr. Reibel submitted ten (10) copies of the Performance Monitoring Plan (PMP) prepared by Mr. Allan Brown, Monitoring and Evaluation Manager, to Mr. Dorvin Stockdale, CTO, USAID/South Africa. On 5th February 2002, the AGRILINK II Project's Performance Monitoring Plan (PMP) was approved by Mr. Stockdale. As of 5th February, only those transactions documented according to the PMP will be accepted as completed transactions (deals). Performance reported prior to 5th February was partly revised during 2nd Quarter, FY'02 to reflect PMP guidelines. This revision will be completed in 3rd Quarter, FY'02.

During 2nd Quarter, FY'02, Mr. Brown developed four (4) key reporting instruments for the AGRILINK II Project. Mr. Brown has field-tested these reports in Eastern Cape and will introduce the improved forms to KwaZulu-Natal and Limpopo Province staff in April 2002. The staff will be fully trained in the type and quality of supporting documentation necessary to verify each report. These have been included in the revised PMP, along with a complete glossary of terms. In May 2002, an EM&I data management specialist will develop a unified database for comprehensive performance data collection, storage, analysis and reporting. During 2nd Quarter, FY'02, Mr. Brown visited each of the three (3) AGRILINK II Project provinces to train staff in reporting procedures.

On 5th March 2002, in a meeting with Mr. Bill Brands, SO 5 Team Leader, USAID/South Africa, Mr. Brands determined that the AGRILINK II Project did not need to convert Rand figures into Dollars in Monthly Reports. In a subsequent meeting with Mr. Brands on 11th March, it was agreed to change the wording of Intermediate Result 5.2.3 from "Increased Small and Medium Agribusiness Access to Capital Resources" to "Increased Small and Medium Agribusiness Access to Finance".

3.0 PROJECT ADMINISTRATION

During 2nd Quarter, FY'02, project administration has focused primarily on procurement, recruitment and training issues, and USAID coordination, as detailed below.

3.1 Personnel

By the end of the 2nd Quarter, FY'02 the Agrilink II Project had a staff complement of twenty (20), including seven (7) in the Head Office, and thirteen (13) in the Provincial Offices.

Head Office members of staff are Mr. Jaime Reibel, Chief-of-Party, Mr. Ronald Ramabulana, Co-Deputy Chief-of-Party (Program) and National/International Market Linkages Manager, Dr. Kristy Cook, Co-Deputy Chief-of-Party (Administration) and HIV/AIDS Manager, Mr. Nicholas Shanga, National Financial Services and Business Development Manager, Mr. Allan Brown, Performing Monitoring and Evaluation Specialist, Dr. Felipe Chaparro, Agricultural Administrator and Environmental Assessment Manager, and Mr. Philip Nel, Financial Services (Corporate) Manager. See Appendix D for the AGRILINK II Project Organigram.

Ms. Julialynne Walker resigned from her position as Co-Deputy Chief-of-Party (Administration) on 28th February 2002, and was replaced by Dr. Kristy Cook. Dr. Cook began her duties on 19th February 2002. Mr. Philip Nel began his duties as Financial Services (Corporate) Manager on 10th January.

At the end of 2nd Quarter, FY'02, Eastern Cape Provincial Office staff consisted of Mr. Leon Coetsee, Provincial Linkages Manager, Mr. Enoch Qwabe, Agribusiness Linkage Officer, Mr. Max Fihla, Livestock Marketing Officer, Mr. Dumisani Lutseke, Agribusiness Linkage Officer, and Ms. Susan Hayes, Administrative Assistant.

During 2nd Quarter, FY'02, the AGRILINK II Project Limpopo Office reached a complement of five (5) staff members. Mr. Riaan Breedt was employed as Provincial Linkages Manager (Program and Administration), effective 4th February. Ms. Phetla replaced Ms. Mokgolobotho, Administrative Assistant, Limpopo Province, on 18th February 2002. On 21st January 2002, Mr. Clerans Maeko joined the AGRILINK II Project as an Agribusiness Linkage Officer responsible

for land transfers. Mr. Rudi Vos was employed on 2nd February 2002 as an Agribusiness Linkage Officer. Mr. Albert Ntsoane, who was employed as the Livestock Marketing Manager, Limpopo Province, was dismissed on 18th March 2002 for lack of successful completion of work objectives during his probation period.

In KwaZulu-Natal Province, Mr. Bradley McDonald was hired as the Provincial Agribusiness Manager (Administration), and Mr. Bongani (Cleo) Mpungose was hired as an Agribusiness Linkage Officer on 2nd January 2002. Ms. Jean McKenzie joined the Office as the Administrative Assistant on 14th January 2002. Mr. Mandla Ncgobo resigned as the Provincial Linkages Manager (Program), KwaZulu-Natal, effective 8th March 2002, and Mr. McDonald was subsequently appointed Provincial Linkages Manager (Administration and Program).

3.2 Procurement

In 2nd Quarter, FY'02, the Limpopo Provincial Office was established. Furniture and equipment were supplied by EM&I, and computers, faxes and telephone services were contracted. Building security was upgraded to meet acceptable standards. AGRILINK II Project staff moved into the office on 1st February 2002.

Four (4) leased vehicles were added to the agreement with Lease Management South Africa (Pty) Ltd: two (2) Toyota Corollas and two (2) Toyota Hilux's. Nine (9) laptop computers were rented for use by AGRILINK II Project Provincial Linkage Officers.

In 2nd Quarter, FY'02, significant staff hours in human resource and procurement services were provided to the AGRILINK II Project by EM&I employees. These hours have been billed to the AGRILINK II Project at actual cost.

3.3 Management Systems

The management systems established for the AGRILINK II Project in 1st Quarter, FY'02 have not been significantly altered. Administrative procedures (time and vehicle management) have been strengthened by requiring Provincial Manager approval of all Agribusiness Linkage Officer and Administrative Assistant timesheets, vehicle trip sheets, and requests for travel and advances prior to submission to the Chief-of-Party for his approval.

Provincial bank accounts were established in KwaZulu-Natal and Limpopo Province for large procurements and the replenishment of petty cash. All financial disbursements require prior approval by the Chief-of-Party. The provincial bank accounts facilitate timely office procurement and financial payments.

3.4 Staff Training

On 14th – 15th January 2002, the AGRILINK II Project held an orientation and training session for new staff members. Mr. Dorvin Stockdale, Senior Agricultural Officer and CTO, USAID/South Africa, presented an overview of the strategic relationship between USAID and the Project. AGRILINK II Project staff made presentations on the Project's Objectives. Two (2) work periods were devoted to the review of project administration on forms and reporting format. On 16th January 2002, a separate training session was held for the three (3) provincial Administrative Assistants. A second Staff Training Session is planned for May 2002 to orient new staff members, update personnel on changes in administrative procedures, and ensure that

all Provincial Officers understand the Project's strategic framework and how to report accurately on the results of their activities.

Dr. Felipe Chaparro, Agricultural Administrator and Environmental Specialist, visited all three (3) provincial offices in February, and again in March, establishing automated management information systems, mirroring those in the Midrand Office, and training staff in the correct use and management of these systems. The integration of these systems will speed-up the transfer and integration of reporting data and facilitate reporting procedures. The Provincial Manager and Administrative Assistant, Limpopo Province, were provided with a one-day training session in administrative procedures at the Head Office. Day-to-day oversight and training in administrative procedure is conducted by Ms. Colleen du Plessis, AGRILINK II Project Personal Assistant, who coordinates document submission by the Administrative Assistants.

3.5 Project Deliverables

In 2nd Quarter, FY'02, three (3) monthly reports were produced (January, February and March). Additionally, during 2nd Quarter, FY'02, the AGRILINK II Project submitted Monthly Fiscal Reports, Vouchers and Standard Form 1034s. These documents provided USAID/South Africa with a summary by major line item of the previous month's actual expenditures.

3.6 USAID Coordination, Notifications, Requests, Reporting, Pending Actions

3.6.1 USAID Coordination

In 2nd Quarter, FY'02, AGRILINK II Project staff held five (5) meetings with USAID personnel.

On 19th February, Mr. Reibel met with Mr. Dorvin Stockdale, CTO, USAID/South Africa, to review progress on the AGRILINK II Project. On 7th March, the AGRILINK II Project staff provided a comprehensive briefing on the AGRILINK II Project to Mr. Joel Kolker, who will become USAID SO5 Team Leader in June 2002. On 27th March, Mr. Brown briefed the USAID/South Africa Program Development Office and various SO Team members on the AGRILINK II Project Performance Monitoring Plan (PMP).

On 15th February 2002, Mr. Jaime Reibel, Chief-of-Party, met with Mr. Dirk Dijkerman, Mission Director, USAID/South Africa, Mr. Carl Fickenscher, Regional Legal Advisor, USAID/South Africa, and Mr. Dorvin Stockdale, Senior Agricultural Officer and CTO, AGRILINK II Project, to discuss the expansion and replication of the AGRILINK II Project by the National Department of Agriculture (NDA) to the remaining six (6) provinces in South Africa.

On 21st February 2002, Mr. Reibel met with Ms. Katherine McKee, Director, Office of Microenterprise Development, USAID/Washington, Mr. Bill Brands, Team Leader, SO5, USAID/South Africa, Ms. Armin Sethna, Chief-of-Party, Ntinga/World Education, Mr. Simon Aphane, Managing Director, EM&I, and Mr. Willie Höll, Chief-of-Party, SEMED Project, to discuss business linkages lessons learned.

3.6.2 USAID Notifications

On 18th February 2002, Mr. Reibel submitted a discussion of the AGRILINK II Project Linkage Catalyst Agreement Grantees to the Regional Contracting Officer, USAID/South Africa, providing documentation for five (5) completed grant applications.

On 6th March 2002, Mr. Allan Brown, Monitoring and Evaluation Manager, notified Mr. Dorvin Stockdale, CTO, USAID/South Africa, of the results of a meeting with Mr. Simon Aphone, Managing Director, Enterprise Management & Innovation (Pty) Ltd., Mr. Michael Klesh, Senior SMME Advisor, USAID/South Africa, and Mr. Bill Brands, Head, SO5, USAID/South Africa. The discussions resulted in an agreement that it was not necessary to convert Rand figures into Dollars in AGRILINK II Project Monthly Reports.

On 15th March 2001, Mr. Reibel, advised Mr. Kryschtal, Regional Contracting Officer, USAID/South Africa, of an increase in Mr. Allan Brown's salary, consistent with EM&I's Personnel Policy.

3.6.3 USAID Requests

On 11th February 2002, Mr. Reibel submitted a request for approval to the Regional Contracting Officer, USAID/South Africa, of EM&I's standard grant agreement contract that will be used for AGRILINK II Project Linkage Catalyst Agreement Grants.

3.6.4 USAID Reporting

AGRILINK II Project Monthly Progress Reports were submitted to the CTO on 18th January 2002, 19th February 2002, and 15th March 2002. The AGRILINK II Project 1st Quarterly Report, FY'02, was submitted to the CTO on 4th February 2002. Monthly Vouchers were submitted to the Controller's Office on 8th January 2002 (for December 2001), 7th February 2002 (for January 2002), and 7th March 2002 (for February 2002).

3.6.5 Pending USAID Actions

At the end of 2nd Quarter, FY'02, one (1) request for approval by the RCO was pending action: Linkage Catalyst Grant Agreements, submitted on 5th March 2002.

4.0 CONSTRAINTS/SOLUTIONS

Constraint #1: A major constraint during 2nd Quarter, FY'02 was staff recruitment. Only two (2) AGRILINK II Project Provincial Offices - Eastern Cape and Limpopo - reached their full complement of five officers in 2nd Quarter, FY'02. In March it was necessary to dismiss an Agribusiness Linkages Officer in Limpopo for poor performance. In KwaZulu-Natal, the Provincial Linkages Manager (Program) resigned, and a replacement candidate withdrew his application after several weeks of discussions. At the end of 2nd Quarter, FY'02, two (2) Agribusiness Linkage Officers were on staff in KwaZulu-Natal Province, with two (2) more being recruited. The identification of self-motivated, honest and experienced Linkages Officers continues to be a major constraint.

Solution: The AGRILINK II Project Head Office will put more effort into identifying potential staff. Improved interviewing techniques will be applied to better substantiate the marketing skills of potential Agribusiness Linkage Officers. In addition, the AGRILINK II Project Head Office staff is increasing the monthly hours of training and mentoring for new staff by increasing travel days to the Provincial Offices.

Constraint #2: The Performance Monitoring Plan (PMP) was approved on 5th February 2002, providing a systematic reporting framework for the AGRILINK II Project. Transactions

completed by Agribusiness Linkage Officers prior to the adoption of the PMP may not have the same level of supporting documentation as is now required. The transition from one reporting framework to another has resulted in some inconsistencies in reporting figures and the need to update indicator performance.

Solution: The AGRILINK II Project Head Office staff is reviewing all Project agribusiness transactions to verify reporting data. Supporting documentation will be located for all transactions, and when it is not at the standard of the PMP, performance indicator data will be revised.

5.0 MODIFICATIONS IN THE 1st YEAR WORK PLAN

Establishment of a Project Advisory Board. The AGRILINK II Project has a USAID/South Africa Cognizant Technical Officer (CTO), as a result of the Contract between the Contractor, Enterprise Management & Innovation (Pty) Ltd., and USAID/South Africa. The Contract states: "The Contractor shall be responsible to USAID/South Africa for all matters related to the execution of this contract. Specifically, the Contractor shall report to the USAID Cognizant Technical Officers (CTO) located with the Strategic Objective 5 Team (Increased Employment) for technical and program direction." AGRILINK II Project Management, in consultation with the CTO, determined that the establishment of a Project Advisory Board was potentially in conflict with the technical direction between the Contractor and the CTO. Therefore, the AGRILINK II Project will not establish a Project Advisory Board, as outlined in the 1st Year Work Plan.

6.0 PROJECT ACTIVITY LEVEL OF EFFORT (LOE)

Appendix D presents a Major Project Activities Level of Effort Chart, which identifies the amount of money and person months expended, and provides a measurement of each project activity as a percentage of the total number of person months worked during the quarter, as well as who performed the work.

In 2nd Quarter, FY'02, 53% of total person months was devoted to programmatic activities and 47% to administration.

7.0 FINANCE

Appendix E presents a Financial Statement, providing the AGRILINK II Project, 2nd Quarter, FY'02, Quarterly Financial Summary, broken-down by major line item. Second Quarter, FY'02, expenses amounted to \$383,970 or 4.36% of total contract budget. This amount is lower than projected due primarily to lower-than-expected staff salary and office expenditures and the fluctuations in the Rand to Dollar exchange rate.

8.0 PROJECTED 3rd QUARTER, FY'02 ACTIVITIES

April 2002

- Recruit appropriate staff in KwaZulu-Natal and Limpopo Province
- Collaborate with the Agricultural Research Council (ARC) to draft the Terms of Reference for KwaZulu-Natal and Limpopo Province Producer and Market Surveys (postponed from 2nd Quarter, FY'02, due to funding delays)
- Submit the May 2001 Progress Report to the CTO
- Submit the April 2001 Monthly Fiscal Report, Detailed Invoice and Standard Form 1034 to the Controller's Office
- Submit the 2nd Quarterly Report, FY'02, to the CTO

May 2002

- Design and implement a staff administrative and performance monitoring training session
- Submit the April 2002 Monthly Progress Report to the CTO
- Submit the May 2002 Monthly Financial Report, Detailed Invoice and Standard Form 1034 to the Controller's Office
- Provide orientation and training to new AGRILINK II Project staff
- Meet with selected Linkage Catalyst Grantees to assist them to report results in a manner consistent with the performance monitoring indicators
- Submit remaining Linkage Catalyst Grantee Agreements to the Regional Contracting Officer
- Hire Dr. Nick Vink on a short-term consultancy to identify agricultural policy and regulatory constraints (postponed due to Dr. Vink's travel schedule)

June 2002

- Submit the May Monthly Progress Report to the CTO
- Review all previous quarterly performance data toward annual targets
- Conduct training sessions in HIV/AIDS awareness and prevention methods with Agribusiness Linkage Officers (postponed until Linkage Catalyst Grantees are in a position to implement grant activities)
- Establish an internal reporting database to track all agribusiness transactions to assist management and facilitate reporting
- Implement a financial tracking system for Linkage Catalyst grant management
- Submit the May 2002 Monthly Fiscal Report, Detailed Invoice and Standard Form 1034 to
the Controller's Office

APPENDICES

- A. AGRILINK II Project Performance Indicators – Quarterly Summary
- B. AGRILINK II Project Performance Indicators – Monthly Summary
- C. AGRILINK II Project Distribution of Markets by Product and Value, 2nd Quarter, FY'02
- D. AGRILINK II Project Organigram, 2nd Quarter FY'02
- E. AGRILINK II Project Major Activities Level of Effort Chart
- F. AGRILINK II Project Quarterly Financial Summary

APPENDIX A: AGRILINK II PROJECT PERFORMANCE INDICATORS, 2nd QUARTER, FY'02 - QUARTERLY SUMMARY

| PERFORMANCE INDICATORS | 2 nd QUARTER, FY'02 | FY'02 YEAR TO-DATE | TOTALS TO-DATE AS PERCENT OF FY'02 TARGETS |
|--|--------------------------------|--------------------|--|
| | TOTAL | TOTAL | |
| SO5 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED | | | |
| Number of Market-Driven Employment Opportunities Created | 4,737 | 7,000 | 84% |
| IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL & MEDIUM AGRIBUSINESSES | | | |
| A. Number of Business Transactions | 9,851 | 16,621 | 101% |
| B. Value of Business Transactions | R 52,124,104 | R 79,400,181 | 13% |
| IR 5.2.1 MARKETS FOR SMALL & MEDIUM AGRIBUSINESS IDENTIFIED | | | |
| A. Number of Markets Identified | 9,844 | 16,164 | 101% |
| B. Number of Profitable Product Lines Developed or Enhanced | 0 | 0 | 0% |
| C. Number of Markets Established with Larger Entities | 415 | 3,376 | 28% |
| IR 5.2.2 ENHANCED SMALL & MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS | | | |
| A. Number of Entrepreneurs Who Received Business Training | 1,085 | 2,577 | 36% |
| B. Number of Entrepreneur Hours in Business Training | 923 | 2,040 | 4% |
| C. Number of Value-Added Technology Transfers | 33 | 160 | 28% |
| D. Number of Privatized Public Enterprises | 2 | 2 | 67% |
| E. Value of Privatized Public Enterprises | R 390,280 | R 390,280 | 29% |
| IR. 5.2.3 INCREASED SMALL & MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES | | | |
| A. Number of Entities that Accessed Finance | 5 | 522 | 98% |
| B. Value of Finance Accessed by Entities | R 1,108,913 | R 11,535,993 | 23% |
| IR 5.2.4 REDUCED POLICY & REGULATORY CONSTRAINTS TO SMALL & MEDIUM AGRIBUSINESS DEVELOPMENT | | | |
| A. Number of Business Clusters Assisted with Policy Reforms | 0 | 0 | 0% |
| B. Number of Policy Environment Changes | 0 | 0 | 0% |
| C. Matrix Score on the Evolution of Policy Issues Key to Employment Generation in SME Agribusiness | 0 | 0 | 0% |

APPENDIX B: AGRILINK II PROJECT PERFORMANCE INDICATORS, 2nd QUARTER, FY'02 - MONTHLY SUMMARY

| PERFORMANCE INDICATORS | JANUARY 2002 | | FEBRUARY 2002 | | MARCH 2002 | | JANUARY, FEBRUARY & MARCH AS A PERCENT OF FY'02 TARGET |
|--|--------------|---------------------|---------------|---------------------|--------------|---------------------|--|
| | TOTAL | % OF WOMEN INVOLVED | TOTAL | % OF WOMEN INVOLVED | TOTAL | % OF WOMEN INVOLVED | |
| S05 INCREASED MARKET-DRIVEN EMPLOYMENT OPPORTUNITIES CREATED | | | | | | | |
| Number of Market-Driven Employment Opportunities Created | 614 | | 1,508 | | 2,615 | | 57% |
| IR 5.2 INCREASED COMMERCIAL VIABILITY OF EXISTING SMALL & MEDIUM AGRIBUSINESSES | | | | | | | |
| A. Number of Business Transactions | 5,934 | 26% | 989 | 58% | 2,928 | 44% | 60% |
| B. Value of Business Transactions | R 17,989,893 | 26% | R 11,525,672 | 60% | R 22,608,539 | 52% | 8% |
| IR 5.2.1 MARKETS FOR SMALL & MEDIUM AGRIBUSINESS IDENTIFIED | | | | | | | |
| A. Number of Markets Identified | 5,934 | 26% | 985 | 58% | 2,925 | 43% | 62% |
| B. Number of Profitable Product Lines Developed or Enhanced | 0 | 0% | 0 | 0% | 0 | 0% | 0% |
| C. Number of Markets Established with Larger Entities | 244 | 0% | 85 | 0% | 86 | 0% | 3% |
| IR 5.2.2 ENHANCED SMALL & MEDIUM AGRIBUSINESS CAPACITY TO RESPOND TO MARKETS | | | | | | | |
| A. Number of Entrepreneurs Who Received Business Training | 811 | 26% | 194 | 22% | 80 | 25% | 15% |
| B. Number of Entrepreneur Hours in Business Training | 608 | 25% | 169 | 21% | 146 | 25% | 2% |
| C. Number of Value-Added Technology Transfers | 33 | 45% | 0 | 0% | 0 | 0% | 6% |
| D. Number of Privatized Public Enterprises | 0 | | 2 | | 0 | | 67% |
| E. Value of Privatized Public Enterprises | R 0 | | R 390,280 | | R 0 | | 29% |
| IR 5.2.3 INCREASED SMALL & MEDIUM AGRIBUSINESS ACCESS TO CAPITAL RESOURCES | | | | | | | |
| A. Number of Entities that Accessed Finance | 0 | 0% | 2 | 0% | 3 | 100% | 1% |
| B. Value of Finance Accessed by Entities | R 0 | 0% | R 485,000 | 0% | R 623,913 | 100% | 2% |
| IR 5.2.4 REDUCED POLICY & REGULATORY CONSTRAINTS TO SMALL & MEDIUM AGRIBUSINESS DEVELOPMENT | | | | | | | |
| A. Number of Business Clusters Assisted with Policy Reforms | 0 | | 0 | | 0 | | 0% |
| B. Number of Policy Environment Changes | 0 | | 0 | | 0 | | 0% |
| C. Matrix Score on the Evolution of Policy Issues Key to Employment Generation in SME Agribusiness | 0 | | 0 | | 0 | | 0% |

APPENDIX C: AGRILINK II PROJECT MARKET DISTRIBUTION BY PRODUCT AND VALUE, 2nd QUARTER, FY'02

APPENDIX E
ENTERPRISE MANAGEMENT & INNOVATION (PTY) LTD

AGRILINK II PROJECT

CONTRACT NUMBER: 674-C-00-01-00032-01

MAJOR PROJECT ACTIVITIES

LEVEL OF EFFORT 2ND QUARTER, FY '02

| Component (Major Activity) | Average Personnel Salary & Benefits US\$ | Person Months | Major Activity as % of Total Person Months | Chief-of-Party (# of days) | Co-Deputy Chief-of-Party (Administration) (# of days) | Co-Deputy Chief-of-Party (Program) (# of days) | National Financial Services Managers (2) (# of days) | Performance Monitoring & Evaluation Manager (# of days) | Agricultural Administrator & Environmental Monitoring & Training Specialist (# of days) |
|--|---|---------------|--|-------------------------------|---|--|--|---|--|
| Project Administration | 80,007 | 23.1 | 0.4 | 50.3 | 52.0 | 0.8 | 2.3 | - | 48.9 |
| Grants Administration | 4,994 | 0.4 | 1% | 4.8 | 4.9 | - | - | - | - |
| Project Accounting | 1,363 | 0.4 | 1% | - | - | - | - | - | - |
| Staff Training and Development | 4,144 | 2.2 | 4% | 0.6 | 2.3 | 2.0 | 1.0 | - | 8.9 |
| Performance Monitoring & Evaluation | 5,476 | 1.3 | 2% | 0.4 | 0.1 | - | - | 28.0 | - |
| Market Identification & Business Linkages | 45,842 | 23.9 | 41% | 4.5 | 0.1 | 60.1 | 45.5 | - | - |
| Access to Appropriate Technology | 935 | 0.4 | 1% | - | - | 1.5 | 0.3 | - | - |
| Business / Entrepreneurial Skills Training | 3,496 | 1.7 | 3% | - | - | - | 9.9 | 2.0 | 1.0 |
| Access to Finance | 10,877 | 4.4 | 8% | 0.4 | - | 0.5 | 55.1 | - | - |
| HIV / AIDS Education & Awareness | 637 | 0.2 | 0% | - | 0.5 | - | - | - | - |
| Environmental Assessment & Training | 36 | 0.0 | 0% | - | - | - | - | - | - |
| Policy Reform | - | - | 0% | - | - | - | - | - | - |
| Co-ordination | - | - | 0% | - | - | - | - | - | - |
| TOTAL | 157.807 | 58.2 | 100% | 61.0 | 59.9 | 64.9 | 114.0 | 30.0 | 58.8 |

NOTE: 1st Quarter, FY'02, includes the period 13 August 2001 to 31 December 2001.