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A.I.D. Project Number 613-0232

PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE REPUBLIC OF ZIMBABWE  
and the  
UNITED STATES OF AMERICA  
for  
ZIMBABWE BUSINESS DEVELOPMENT

Dated: August 7, 1991

Appropriation : 72-111/21014  
Budget Plan Code : GSS1-91-21613-KG13  
Allotment : N/A  
Amount : US\$2,000,000.00  
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## TABLE OF CONTENTS

	<b>Page</b>
Article 1: The Agreement	3
Article 2: The Project	3
SECTION 2.1 Definition of Project	3
SECTION 2.2 Incremental Nature of Project	4
Article 3: Financing	4
SECTION 3.1 The Grant	4
SECTION 3.2 Grantee Resources for the Project	4
SECTION 3.3 Project Assistance Completion Date	5
Article 4: Conditions Precedent to Disbursement	5
SECTION 4.1 First Disbursement	5
SECTION 4.2 Additional Disbursements	5
SECTION 4.3 Notification	6
SECTION 4.4 Terminal Dates for Conditions Precedent	6
Article 5: Special Covenants	6
SECTION 5.1 Project Evaluation	6
SECTION 5.2 Workplan Collaboration	7
SECTION 5.3 Continued Compliance	7
Article 6: Procurement Source	7
SECTION 6.1 Foreign Exchange Costs	7
SECTION 6.2 Local Currency Costs	8
Article 7: Disbursement	8
SECTION 7.1 Disbursement for Foreign Exchange Costs	8
SECTION 7.2 Disbursement for Local Currency Costs	9
SECTION 7.3 Other Forms of Disbursement	10
SECTION 7.4 Rate of Exchange	10
Article 8: Miscellaneous	10
SECTION 8.1 Communications	10
SECTION 8.2 Representatives	11
SECTION 8.3 Standard Provisions Annex	11
ANNEX 1 Amplified Project Description	
ANNEX 2 Project Grant Standard Provisions Annex	

Project Grant Agreement

Dated: August 7, 1991

Between

The Republic of Zimbabwe ("Grantee")

And

The United States of America, acting through the  
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Project Grant Agreement ("Agreement") is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the project described below ("Project"), and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, is designed to test the effectiveness of selected interventions in fostering private enterprise growth through facilitating local and foreign investment and expanded indigenous enterprise. Annex 1, attached, amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent

## Article 2: The Project (Continued)

increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed. It is anticipated that, subject to the provisions of this Section, A.I.D.'s total contribution to this Project will be U.S. \$5,540,000.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

## Article 3: Financing

SECTION 3.1 The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement an amount not to exceed Two Million United States ("U.S.") Dollars (\$2,000,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

### SECTION 3.2. Grantee Resources for the Project

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Grantee and participating private Zimbabwean entities for the Project over its three year life will be not less than the equivalent of U.S. \$1,846,203, including costs borne on an "in-kind" basis.

### SECTION 3.3 Project Assistance Completion Date

(a) The "Project Assistance Completion Date" ("PACD"), which is July 31, 1994, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

### Article 3: Financing (Continued)

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank referred to in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

### Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of any documentation pursuant to which any disbursement may be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., a written statement setting forth the names and titles of those persons in the Government of Zimbabwe who are authorized to sign Project documents and communications, together with a specimen signature of each such person specified in such statement.

#### SECTION 4.2. Disbursement of Funds under the Export Processing (EPZ) Component

(a) Prior to the disbursement of funds, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made for Phase 2 of the EPZ component, as described in the Amplified Project Description, the Grantee shall furnish documentation, in form and substance satisfactory to A.I.D., that it has established and designated an official EPZ working group which shall have the responsibility for implementation of the EPZ program, including the development and drafting of legislation, procedures and regulations.

(b) Prior to the disbursement of funds, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made for Phase 3 of the EPZ component, as described in the Amplified Project Description, the Grantee shall furnish documentation, in form and substance satisfactory to A.I.D., that Parliament has passed EPZ enabling legislation satisfactory to the A.I.D. Mission to Zimbabwe. Alternatively, the Grantee may furnish evidence that the President of Zimbabwe, through Presidential decree, has created the equivalent of EPZ enabling legislation, in form and substance satisfactory to the A.I.D. Mission to Zimbabwe.

**SECTION 4.3. Notification.** When A.I.D. has determined that the conditions precedent specified in Section 4.1 or 4.2, as the case may be, have been met, A.I.D. will promptly so notify the Grantee.

**SECTION 4.4. Terminal Dates for Conditions Precedent**

(a) If the condition precedent specified in Section 4.1 has not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

(b) If all of the conditions precedent specified in Section 4.2 have not been met within the time set forth in Project Implementation Letters, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

**Article 5: Special Covenants**

**SECTION 5.1. Project Evaluation.** The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and/or at one or more points thereafter:

(a) evaluation of progress towards attainment of the objectives of the Project;

(b) identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

**SECTION 5.2. Continued Compliance**

The Grantee shall not in any way discontinue, reverse or otherwise impede any action it has taken in satisfaction of any condition precedent to disbursement set forth herein, except as mutually agreed to in writing by A.I.D. and the Grantee.

## Article 6: Procurement Source

**SECTION 6.1. Foreign Exchange Costs.** Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality, in the United States, Zimbabwe or any other country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services ("Foreign Exchange Costs"), except as provided in Annex 1 to this Agreement or as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States, except as A.I.D. may otherwise agree in writing. All other goods and services for the Project financed under the Grant shall have their source, origin or nationality, as the case may be, in the United States to the maximum practicable extent.

**SECTION 6.2. Local Currency Costs.** Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services, their nationality, in the United States, Zimbabwe or any other country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services ("Local Currency Costs"), except as provided in Annex 1 to this Agreement or as A.I.D. may otherwise agree in writing. To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

## Article 7: Disbursement

### **SECTION 7.1. Disbursement for Foreign Exchange Costs**

(a) After satisfaction of relevant conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services on the Grantee's behalf for the Project; or

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**Article 7: Disbursement (Continued)**

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts, (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for goods or services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless the Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

**SECTION 7.2 Disbursement for Local Currency Costs**

(a) After satisfaction of relevant conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Local Currency Costs of goods or services required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. dollars by purchase or from local currency already owned by the U.S. Government; or

(2) by A.I.D., (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of the subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

**Article 7: Disbursement (Continued)**

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into the Republic of Zimbabwe by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of the Republic of Zimbabwe at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of Zimbabwe.

**Article 8: Miscellaneous**

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telex, telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee: Secretary

Mail Address: Ministry of Finance, Economic  
Planning and Development  
Private Bag 7705  
Causeway, Harare

Alternate address for telex: MFEPD  
Harare

To A.I.D.:

Mail Address: Director  
USAID/Zimbabwe  
P.O.Box 6988  
Harare

Alternate address for telex: c/o U.S. Embassy  
Harare

**Article 8: Miscellaneous (Continued)**

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of written notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of Secretary, Ministry of Finance, Economic Planning and Development, and A.I.D. will be represented by the individual holding or acting in the office of Director, A.I.D. Mission to Zimbabwe. By written notice, the foregoing individuals may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Republic of Zimbabwe and the United States of America, each acting through its duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE UNITED STATES OF AMERICA

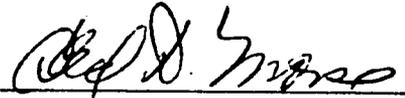
By:

  
Donald K. Petterson

Title: Charge d'Affaires  
United States of America

Date: 7 AUG. 1991

By:

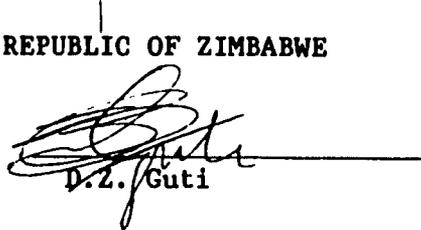
  
Ted D. Morse

Title: Director, United States  
Agency for International  
Development

Date: Aug. 7, 1991

THE REPUBLIC OF ZIMBABWE

By:

  
D.Z. Guti

Title: Acting Secretary  
Ministry of Finance,  
Economic Planning and  
Development

Date: 07/08/91



Project : Zimbabwe Business Development Project  
Appropriation : 72-111/21014  
Budget Plan Code: GSS1-91-21613-KG13  
Allotment : N/A  
Amount : US\$2,000,000.00  
RCN : G102320  
Funds Available : Mary L. Sewell  
Controller, USAID/Zimbabwe

Zimbabwe Business Development Project (613-0232), Project Agreement

Prepared: Donald Keene, RLA/SA, 6/12/91

Clearances:

RLA	:	DKeene ( <u>Keene/Spielman fax</u> )	Date: June 19, 1991
DDIR	:	SSpielman ( <u>Draft</u> )	Date: June 19, 1991
PRM	:	RDaugherty ( <u>Draft</u> )	Date: June 24, 1991
CONT	:	MLewellen ( <u>substance to clear</u> )	Date: June 14, 1991
TIA	:	DGreenberg ( <u>Draft</u> ) <u>final</u>	Date: June 24, 1991
CPDIS	:	PBuckles ( <u>Draft</u> )	Date: June 24, 1991

## Amplified Project Description

Elements of this Amplified Project Description may be changed by written agreement of the authorized representatives of the parties named in the Project Agreement without formal amendment of the agreement, provided that such changes are within the general scope of the project as set forth in the text of the agreement.

### I. General Project Description

#### A. Objectives

A low rate of investment by the private sector, particularly by the foreign private sector, has been identified as one cause of inadequate economic growth in Zimbabwe.

The purpose of the Zimbabwe Business Development (ZBD) Project, therefore, is to test the effectiveness of selected interventions in fostering private sector enterprise growth through facilitating local and foreign investment and expanded indigenous enterprise. ZBDP will test means of promoting investment, and providing firm level technical assistance activities that will increase the competitiveness of the private sector and, thus, its attractiveness to investors.

The goal of the ZBD Project is to increase private sector-lead economic growth that results in increased job creation, foreign exchange earnings and broadened indigenous participation in the economy. The goal of the ZBD Project is, in essence, also the objective of the Zimbabwean Structural Adjustment Program (SAP).

#### B. Project Components

ZBD Project components are grouped in two general areas: Operational Testing Components, and Analytical Components. The project also has established a Quick Response Fund that will allow a flexible capability to finance operational testing and analytical components that meet the ZBD Project criteria. The following are brief descriptions of the ZBD Project components.

#### Pilot Operational Testing Components

##### 1. Development of a Competitive Export Processing Zone (EPZ) Regime

This project component will test whether a competitive EPZ regime in Zimbabwe could: (a) accelerate investment, job creation, and foreign exchange earnings, and (b) help broaden the participation of indigenous entrepreneurs in the economy, either as EPZ firms, or as suppliers and subcontractors to EPZ firms.

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ZBD Project activities in the EPZ component have been organized into three phases. An assessment will be made by the A.I.D. Mission to Zimbabwe (USAID/Zimbabwe), with input from the Government of Zimbabwe, at the end of each phase to determine whether or not to proceed with A.I.D. support for the subsequent phases. The three phases are:

**Phase 1 Feasibility analysis** designed to provide the comprehensive analytical basis for the GOZ and USAID to determine if operational testing activities in Phases 2 and 3 are warranted. In accordance with Section 4.2(a) of this Grant, prior to disbursement of funds for Phase 2 of the EPZ component, the Grantee shall furnish to A.I.D. documentation that it has established and designated an official EPZ Working Group which shall have responsibility for implementation of the EPZ program, including the development and drafting of legislation, procedures and regulations.

**Phase 2 Development of competitive EPZ enabling legislation, and the framework for regulations and streamlined administrative arrangements.** In accordance with Section 4.2(b) of this Grant, prior to disbursement of funds for Phase 3 of the EPZ component, the Grantee shall furnish to A.I.D. documentation that Parliament has passed satisfactory enabling legislation, or that an equivalent Presidential decree has been issued.

**Phase 3 Development of EPZ implementing regulations and procedures.** This phase will entail design of an institutional framework; viz., the appropriate authorities for development, regulation, and promotion of the EPZ.

## 2. Business Linkage

The Business Linkage pilot component of ZBDP will facilitate the linkage of small and large businesses in Zimbabwe. Business Linkages can occur in at least three ways:

- o Subcontracting/Local Purchase of goods and services by larger firms from smaller existing or new firms;
- o Spin-off of operating units from larger businesses, to be set up as smaller independent businesses, new or expanded existing businesses. The parent may continue some relationship with the spun-off business.
- o Joint Purchasing of goods and services, coordinated by the larger businesses that have expertise, market clout, and financing.

Activities in the business linkage component are grouped into two phases, Diagnostic Assessment and Pilot Operational Testing. An assessment will be made by USAID/Zimbabwe, with input from the Government of Zimbabwe, at the end of the Phase One, Diagnostic Assessment on whether to proceed with Phase Two, Operational Testing. The two phases are described below.

Phase One Diagnostic Assessment The diagnostic activities in Phase 1 are:

- Baseline survey of current linkage activities in Zimbabwe and lessons learned.
- Study of policy and other external constraints to business linkage.
- Exposure tour of a targeted group to business linkage programs in the region.
- Workshop reviewing findings, analysis, and obtaining private and public sector input.
- Detailed workplan for implementation, including the kinds of assistance and institutional structures, with USAID/Zimbabwe, Government of Zimbabwe and workshop input.

Phase Two Operational Testing of Business Linkage Assistance Component The operational assistance activities of Phase Two will work with up to 15 larger firms and up to 20 smaller firms. These activities are:

- Needs assessment for the larger firms; what goods and services can be outsourced to smaller firms, and what operations should spun off as independent units, and how this would be accomplished
- Needs assessment for the smaller firms; what goods and services could they produce for larger firms, how this would be facilitated.
- Technical assistance for operational testing facilitation.
- Pilot Operational Support for Business Linkage, as outlined in the approved workplan, and modified to accommodate needs as identified above.

Larger firms will be provided assistance in adapting their purchasing and quality control procedures to smaller vendors, in publicizing their interest in purchasing goods and services from smaller vendors, in devising creative financing and payment schemes for smaller vendors, and other areas identified in the needs assessment. Smaller firms will be assisted in bidding and tendering procedures, quality control, business planning, costing and pricing, marketing and promotion, logistics, purchasing, and other areas identified in the needs assessment.

3. Volunteer Business Advisory Services (VBAS)

Under project funding, the International Executive Service Corps (IESC) will continue to offer the three basic services, which are: regular Volunteer Executive (VE) projects, American Business Linkage Exchange (ABLE) projects, and Joint Venture Service (JVS) projects. This project tests innovations to

the IESC program, including: outreach to small, black-owned business, improvement of client tracking, monitoring and evaluation systems, and the development of Zimbabwe briefing sheets for Volunteer Executives.

The VBAS component also will explore and possibly fund the use of local and South African retired executives to form a Zimbabwe executive service corps, and assess its political, economic and cultural acceptability.

#### Analytical Components

#### 4. Analysis of the Small/Micro-Enterprise (SME) Sector

##### Phase One: Baseline Survey Results Seminar

The Analysis of SME Sector will consist of a workshop to analyze and disseminate the results of the SME baseline survey (Gemini) undertaken before project implementation. The workshop participants will include researchers, the GOZ, business associations, and other interested parties. The workshop may be part of a larger regional conference, which will address the SME survey work that has been undertaken in east and southern Africa over the past several years.

##### Phase Two: Focused SME Research

Longitudinal Surveys, tracking a selected sub-sample of firms into the second and third year, to monitor firm level SME change, the impact of the evolution of the SAP and the economy, and assistance efforts.

Subsector Analyses, analyzing one or more subsectors in depth to elucidate the relevance of the baseline GEMINI survey results, through a combination of survey, focus group, and desk analyses.

#### 5. Description of the Productive Sector

##### Phase One: Productive Sector Description

This phase will finance a team, utilizing Zimbabwe expertise as appropriate, to assist in developing a Manual for Action in the Private Sector (MAPS). The MAPS team will develop a report that will provide a description and analysis of the productive sector, disaggregated by subsector, ownership, and geographical location. To the extent possible, the MAPS team will collect and analyze data over a 20 year period from 1970 to 1990. The Productive Sector Description data will be placed in a data base to be housed in a GOZ agency or local private business organization. Copies will be made available to other interested parties, including GOZ units.

##### Phase Two: Survey and Focus Groups

If recommended by the MAPS team, and endorsed by USAID/Zimbabwe, survey and focus group activities will be undertaken to fill in data gaps from the secondary data, and better understand managerial/entrepreneurial perceptions of the results.

6. Implementation Support Research (ISR)

Focused studies will be undertaken to assist implementation, maximize the utility of lessons learned, and assist in the design of future private enterprise assistance activities. The topics of the studies will include areas such as the role of women in productive enterprises, and firm and industry competitiveness.

7. Quick Response Fund (QRF)

A portion of the ZBD Project budget (and any remainder from nonimplementation or surplus from other components) has been allocated to the Quick Response Fund, which has two major objectives: First, to modify or strengthen ZBD operational testing or analytical components to enhance their contribution to the project purpose and goal; second, to assist in developing new private sector project initiatives, operational testing or otherwise, to implement during the full course of this or other projects.

To be eligible for the Quick Response Fund, a proposed activity must, amongst other things, be consistent with the project purpose and goal, be environmentally sound, and otherwise be consistent with the ZBD Project Grant Agreement between A.I.D. and the Government of Zimbabwe.

II. Project Implementation Responsibilities including Procurement

A. Roles and Responsibilities of USAID/Zimbabwe

The project will be implemented under the overall guidance of USAID/Zimbabwe, with implementation support provided by a project-funded, A.I.D. direct contract project manager based in the USAID mission. USAID/Zimbabwe will be responsible for day-to-day project management, including all procurements through grant-making and contracting, implementation monitoring, and internal evaluations of the project. In particular, USAID/Zimbabwe will negotiate and sign a specific support grant agreement with IESC who will administer a volunteer business advisory service for local businesses. USAID/Zimbabwe will issue Project Implementation Letters (PILs) to provide guidance on project implementation issues and procedures. An annual implementation plan will be developed by USAID/Zimbabwe, in consultation with the Government of Zimbabwe and other Zimbabwean institutions as appropriate. Payments to grantees, contractors, or consultants under this project, usually will be made by USAID/Zimbabwe through direct payment or reimbursement.

B. Role and Responsibilities of GOZ

The Ministry of Finance, Economic Planning and Development will serve as the authorized signatory for this grant on behalf of the Grantee, unless otherwise delegated. Except for the EPZ component, technical oversight of the project is the responsibility of the Ministry of Commerce and Industry (MCI); specifically, the office of the Under Secretary (Planning and Policy). It is expected that the Ministry of Commerce and Industry will be delegated additional signatory authority in their role as primary responsible ministry.

An official within the MCI will act as additional authorized signatory and Liaison Officer of the Grantee for GOZ actions and official correspondence related to project implementation.

1. EPZ Component

The Phase I EPZ study is being undertaken at the request of, and on behalf of the Economic Policy Unit of MFPD which has been given the mandate by the GOZ to undertake the necessary analyses to determine whether an EPZ regime is advantageous in the Zimbabwean context. The consultants performing the task will work closely with the private sector as well.

The formation of the EPZ Working Group is a condition precedent for A.I.D. funding of Phase Two. Before Phase 2, Legislative Development, commences, an official private/public EPZ Working Group will have been established. This EPZ working group will serve as the chief advocate and promoter of the EPZ concept in Zimbabwe. As stated in the Condition Precedent, the Working Group will have been officially charged by the GOZ as responsible for preparing legislative and regulatory draft proposals for consideration by parliament, and for gazetting, respectively.

As stated in the Condition Precedent to disbursements for Phase 3, the Parliament of Zimbabwe must pass the draft EPZ legislation (that will have been developed by the specialist consultants, and refined by the EPZ Working Group). Alternatively, the equivalent of EPZ legislation could be created by the President of Zimbabwe through Presidential decree.

2. Other Project Components

The GOZ has no direct management responsibilities for the Business Linkage, Volunteer Business Advisory Services, Small/Micro-Enterprise Survey, Productive Sector Description or Implementation Support Research components, but is expected to collaborate and provide recommendations and suggestions as appropriate, be informed of the status of project implementation, assist in resolving project "bottlenecks" as needed, receive and review studies and analyses of relevance to GOZ concerns and, otherwise, provide support as required for effective project implementation.

ZIMBABWE BUSINESS DEVELOPMENT  
PROJECT 613-0232

ILLUSTRATIVE FINANCIAL PLAN  
(US DOLLARS)

SUMMARY OF PROJECT COSTS BY ELEMENT AND SOURCE OF FUNDING\*

ELEMENT	FY 1991 OBLIGATION			PLANNED FUTURE OBLIGATIONS**			LIFE OF PROJECT**		
	AID	GRANTEE	TOTAL	AID	GRANTEE	TOTAL	AID	GRANTEE	TOTAL
PILOT OPERATIONAL TESTING COMPONENTS	1,525,510	630,742	2,156,252	2,072,758	1,215,461	3,288,219	3,598,268	1,846,203	5,444,471
ANALYTICAL COMPONENTS	230,000	0	230,000	823,473	0	823,473	1,053,473	0	1,053,473
USAID PROJECT MANAGEMENT	50,000	0	50,000	101,250	0	101,250	151,250	0	151,250
MONITORING AND EVALUATION	20,000	0	20,000	178,100	0	178,100	198,100	0	198,100
AUDIT	0	0	0	56,600	0	56,600	56,600	0	56,600
CONTINGENCY/INFLATION	174,490	0	174,490	307,819	0	307,819	482,309	0	482,309
<b>TOTAL</b>	<b>2,000,000</b>	<b>630,742</b>	<b>2,630,742</b>	<b>3,540,000</b>	<b>1,215,461</b>	<b>4,755,461</b>	<b>5,540,000</b>	<b>1,846,203</b>	<b>7,386,203</b>

\*EITHER PARTY MAY UNILATERALLY, WITH WRITTEN NOTICE TO THE OTHER, ADJUST LINE ITEMS IN THIS BUDGET TO A MAXIMUM OF 15% PER LINE ITEM, PROVIDED, HOWEVER, THAT THE TOTAL OBLIGATED AMOUNT AS SHOWN IN THE BUDGET IS NOT EXCEEDED.

\*\*SUBJECT TO THE AVAILABILITY OF FUNDS TO AID FOR THIS PURPOSE, AND TO THE MUTUAL AGREEMENT OF THE PARTIES TO PROCEED AT THE TIME OF EACH SUBSEQUENT INCREMENT.