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U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

MEMORANDUM

FROM: Carole *Palma*, Interim Director, USAID Zimbabwe

TO: Carol Peasley, Acting Assistant Administrator Bureau for Africa

SUBJECT: Zimbabwe-American Development Foundation

DATE: April 2, 1997

I am pleased to submit a proposal for the Zimbabwe American Development Foundation (ZADF), an endowed mechanism which will be the primary vehicle to implement USAID/Zimbabwe's special objective of *increasing opportunities for participation in the private sector and political processes*. This is an innovative approach to address key constraints in Zimbabwe and is the essence of sustainable development that will continue long after USAID completes its bilateral operations in Zimbabwe.

With a level of USAID funding of \$12.5 million, of which \$10.0 million will be for an endowment and \$2.5 million for initial start-up and technical assistance costs, the ZADF will leverage additional funds of \$10.0 million in a three to five year period. While this is the initial leverage and matching requirement for the ZADF, it is anticipated that non-USAID funding will continue to grow over time, adding to the strength and development impact of the ZADF in Zimbabwe.

The feedback and comments received from our AID/W and other colleagues on a preliminary draft of this proposal have been instrumental in developing this final document. In addition, our continuing collaboration with the U.S. Embassy ensures that this proposal contains the full support of the Ambassador and the Country Team.

I look forward to a discussion of this proposal during the USAID/Zimbabwe program week later in the month.

PD-ABN-841

Zimbabwe American Development Foundation Proposal

April 1, 1997

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## **USAID/Zimbabwe**

### **Proposal to Establish a Foundation and Endowment with Appropriated Funds**

### **Zimbabwe American Development Foundation**

**April 1, 1997**

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**Zimbabwe American Development Foundation  
Endowment Proposal**

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## ZIMBABWE AMERICAN DEVELOPMENT FOUNDATION

### List of Acronyms

AFR	-	Africa (USAID/W Bureau)
CAMPFIRE	-	Communal Areas Management Program for Indigenous Resources
CP	-	Condition Precedent
CSO	-	Civil Society Organization
DHRF	-	Democracy and Human Rights Fund
ESAP	-	Economic Structural Adjustment Program
GDP	-	Gross Domestic Product
GOZ	-	Government of Zimbabwe
IRS	-	Internal Revenue Service
M	-	Management
MP	-	Member of Parliament
MPP	-	Mission Program Plan
MSME	-	Medium, Small and Micro Enterprises
NGO	-	Non-Governmental Organization
NPI	-	New Partnership Initiative
PD	-	Policy Determination
PPC	-	Policy and Planning Coordination (USAID/W Bureau)
PVO	-	Private Voluntary Organization
SME	-	Small and Micro Enterprises
SO	-	Strategic Objective
USAID	-	United States Agency for International Development
USG	-	United States Government
USIS	-	United States Information Services
WILDAF	-	Women in Law and Development in Africa
ZADF	-	Zimbabwe American Development Foundation
ZANU-PF	-	Zimbabwe African National Union - Patriotic Front
ZIMPREST	-	Zimbabwe Programme for Economic and Social Transformation

## I. Executive Summary

After almost 20 years of assistance, the United States Agency for International Development in Zimbabwe (USAID/Zimbabwe) is phasing out its bilateral program. After 2003, U.S. foreign assistance to Zimbabwe will occur as part of regional or global effort with a multi-nation focus. A key element of the USAID close-out or graduation strategy is to establish and endow a foundation, to be called the Zimbabwe American Development Foundation (ZADF) which will continue supporting non-governmental organizations actively engaged in increasing opportunities for participation in the private sector and political processes.

It is expected that the ZADF will establish a long-term development relationship between Zimbabwe and the USA that engenders shared economic and political principles. It will have distinctive American ties through its founding and funding by the U.S. Government (USG) and other U.S. organizations, and through its approaches to development problems which rely on U.S. values, technology, and collaboration. This continued relationship between Zimbabwe and the U.S. is expected to respond initially to the challenges of sustainable economic development and political liberalization. The proposed purpose of the ZADF will be:

*increasing opportunities for participation in the private sector and political processes.*

Over the last several years, the Government of Zimbabwe (GOZ) has initiated the process of moving from a highly distorted, state-controlled economy to a liberalized market-driven economy. This is a welcome move, but the transition to a more open economy is far from complete. Access to economic opportunity and policy-making needs to be more inclusive and include traditionally marginalized groups. Furthermore, Zimbabwe is a fragile democracy which needs to strengthen many of the fundamental aspects and institutions required for a free and strong civil society.

Because the ZADF is only a proposal at the moment, USAID will enter into an assistance agreement (either a grant or a cooperative agreement) with a U.S. partner, probably a U.S. Foundation or U.S. Private Voluntary Organization (PVO), to be the Lead Organization and assist in establishing and mentoring the ZADF. The Lead Organization would be expected to manage the start-up tasks of the ZADF, and provide it the experience, training, and monitoring necessary for it to be deemed capable of managing the annual income from a US-based endowment.

USAID proposes to grant US\$12.5 million in project assistance to the Lead Organization for the ZADF. The Lead Organization will use approximately US\$2.5 million for technical assistance and start-up expenses for the ZADF. USAID would provide the remaining US\$10 million for a permanent endowment, expected to continue in perpetuity. The U.S. Lead

Organization will be responsible for raising an additional US\$10 million for the permanent endowment over a specified period of time, currently estimated at three to five years. The ZADF will utilize the net investment income of the US\$20 million endowment for grants to entities organized for public benefit and involved in promoting economic growth and democratic pluralism. Conservative projections indicate that annual programmable income, net of ZADF operating expenses, will be US\$600,000 - US\$700,000.

The two initial and interrelated themes proposed for ZADF grants will be: *1) increasing economic opportunities and 2) increasing the development of a politically active civil society.* Under the theme of expanding economic opportunity, grants and assistance will support activities designed to increase access for small and micro businesses to markets, technology, business partnerships, and input to policy-makers. With regard to the growth of a politically active civil society, assistance will be directed toward increased acceptance and awareness of human rights, promoting strong civil society organizations (CSOs), and media responsibility and freedom. It is anticipated that the ZADF will work also in the cross cutting area of *improved governance* through support for activities such as transparency and accountability of public and corporate operations, advocacy on policy issues, and increasing use of the formal justice system by small and micro businesses and other disadvantaged groups.

## II. Background, Problem Statement & Strategy

### A. USAID/Zimbabwe Graduation Background

The USAID program in Zimbabwe was started in 1980. Since that time, U.S. assistance to Zimbabwe has totaled approximately US\$700 million through fiscal year 1996. The assistance has been provided in large part through bilateral grant agreements with the Government of Zimbabwe, although considerable funding has been made available in the health and population field through transfers to support USAID/W projects operating in Zimbabwe. USAID/Zimbabwe has used a combination of grants to non-governmental organizations (NGOs), contracts with institutions and individuals, and buy-ins to central mechanisms for the implementation of the various activities under each of its three strategic objectives (SO):

- SO1: Natural resource management strengthened for sustainable rural development in selected Communal Area Management Programme for Indigenous Resources (CAMPFIRE) communities;
- SO2: Broadened ownership in a growing economy; and
- SO3: Reduced fertility and increased use of HIV/AIDS preventive measures.

Despite the planned graduation from bilateral assistance and expected achievement of the strategic objectives by 2003, Zimbabwe will continue to face economic and political development challenges. Over the last several years, the Government of Zimbabwe (GOZ) has initiated the process of moving from a highly distorted, state-controlled economy to a liberalized market-driven economy.

This is a welcome move, but the transition to a more open economy is far from complete. The policy framework which governs and regulates the business sector has yet to be fully modernized after more than 16 years of independence. Access to economic opportunity and policy-making needs to be more inclusive and include traditionally marginalized groups. Parallel movement towards political pluralism is also needed. Zimbabwe is a fragile democracy which needs to strengthen many of the fundamental aspects and institutions required for a free and strong civil society.

The USAID graduation strategy includes a Special Objective of *increased opportunities for participation in the private sector and political processes* which will seek to address the problems inherent with the transition to a more inclusive economic and political framework. The Zimbabwe American Development Foundation, with a mandate to enhance private sector development and democratic stabilization, is an essential tool to achieve this objective. The foundation will serve as a continuing symbol of U.S. support for Zimbabwe's development efforts and as a vehicle for channeling additional support into areas where the U.S. has played a crucial leadership role and has a comparative advantage as well as over-riding foreign policy interests.

## B. Problem Statement

### 1. Economic Opportunities

At independence in 1980, Zimbabwe inherited one of the most diversified economies in Africa. It was endowed with agricultural and mineral resources complemented by a manufacturing sector producing one of the most diversified ranges of products in sub-Saharan Africa. Close linkages between the agricultural and manufacturing sectors indicated a relatively high degree of self-sufficiency in the economy. However, the Zimbabwean economy at independence suffered from fifteen years of introspective, protectionist policies with an isolationist, statist government under the Unilateral Declaration of Independence of Ian Smith and the Rhodesian Front. More importantly, despite the diversity and vibrancy of the economy, the country was characterized in 1980 by a highly inequitable distribution of access to and ownership of resources. Five percent of the population owned nearly 50 percent of the land and most of the industrial and commercial sector was in minority hands.

During the early years of independence, the economy languished as the Zimbabwe African

National Union, the ruling political party, pursued its explicit commitment to socialism and equity. The period was characterized by low and erratic growth rates, inadequate employment creation, low investment levels, a burgeoning budget deficit and increasing government debt. While social equity programs led to significant expansion of health, education and other social services, the lack of economic progress impeded changes in the ownership structure of assets. At the end of the 1980s, a few thousand minority farmers still owned a majority of the prime agricultural land and the modern manufacturing sector was still primarily in minority hands.

As Zimbabwe moved into the 1990s, it recognized the need to achieve economic growth as a mechanism for ensuring greater equity and acknowledged the critical role of the private sector in this process. With the implementation of a comprehensive Economic Structural Adjustment Program (ESAP) from 1991-1995, the largely stagnant, heavily protected economy began the transformation to an open, internationally competitive one. The following major steps have been taken:

**Trade Liberalization** including reducing import duties, correcting the anti-export bias, and freer access to foreign exchange;

**Deregulation** including abolishing investment licensing, liberalizing foreign investment codes and easing barriers to small enterprise;

**Monetary Policy** including making interest rates positive and controlling money supply through policy as opposed to direct controls;

**Agricultural Sector Reforms** including removing price and market restrictions, restructuring marketing boards, and increasing availability of inputs; and

**Parastatal Reform** including restructuring, conversion to government-owned companies, phasing out subsidies, and planning for complete privatization.

The reforms and abundant rain in the last two years have produced a favorable enabling environment for private sector investment, such as:

Gross Domestic Product (GDP) has begun to respond with growth accelerating to nearly 5 percent per annum;

Exports are at an all time high and non-competitive firms are beginning to drop from the market;

The inflation rate may dip below 20 percent in 1997;

Commercial bank prime lending rates have dropped to 29 percent; and

Share price index has nearly doubled in the last year on the Zimbabwe Stock Exchange.

Despite these gains, poverty in Zimbabwe, especially among rural women and the majority population is too high. By one measure, an estimated 25 percent of the population (2.6 million) is considered to be poor. Of this group, slightly more than 700,000 are considered to be very poor. By another measure, 39 percent of the population consumes less than US\$1 per day. While poverty in Zimbabwe is less prevalent than in other Sub-Saharan Africa countries, the actual number of citizens below the poverty line is still large and needs to be addressed.

Zimbabwe is characterized by a highly unequal distribution of consumption and income. Partly because large numbers of small-scale farmers are on low-potential lands, poverty is more prevalent in rural than urban areas. Thirty-one percent of rural Zimbabweans are considered poor, compared to 25 percent of the country as a whole. Although fewer in number, the urban poor face serious difficulties. They live in overcrowded conditions and tend to be dependent on only one source of income. Of particular concern in developing a strategy to address poverty is the changing demographics: during the 1990s, the number of poor has been growing faster in urban than rural areas.

While increased economic growth is the obvious approach to poverty alleviation, the problem is complicated because economic growth by itself is insufficient. The challenge for the GOZ is to address the problem of poverty through economic growth that fosters a more equitable distribution of assets, services, and access to markets. The pattern of economic growth is key to decreasing the ranks of the poor and increasing the size of the middle class. Given Zimbabwe's socialist economic policies of the past, this will be a formidable task. The following constraints to broad-based economic growth have been pointed out as particularly critical:

**Indigenization** - with nearly 50 percent of land resources and 75 percent of industrial assets still owned by minority white Zimbabweans, redressing this imbalance is a political imperative. To avoid resorting to redistribution of assets, a growth-enhancing broadening of ownership must be encouraged. Progress on this issue is critical if the overall economic reform program is to be successful.

**Employment** - Unemployment rates are estimated as high as 40 percent. Sustained economic growth particularly through an accelerated supply response by micro, small and medium enterprises (MSME) and export sectors is the key to expanding formal employment and decreasing dependence on "invisible" informal employment.

**Fiscal Restraint** - High government borrowing to meet budget deficits strains the domestic banking system and fuels inflation.

**Parastatal Reform** - The early steps of the first half of the decade are the basis for a platform for true privatization of parastatals.

**Financial Markets** - Zimbabwe's financial institutions and markets need to mature. Capital markets must be broadened and deepened with creative new financing methods developed. Secondary markets in securities and financial instruments need to be developed to give financial institutions greater scope for allocating their assets. The majority of Zimbabweans must be brought into the formal financial sector. Incentive programs encouraging lending to lower-income households and small and micro-enterprises are needed to support the dynamic growth potential of these segments and support indigenization.

**Justice** - The judicial system covers commercial law as well as family law and civil liberties. Access to a functioning court system for enforcement of contracts is a fundamental requirement for efficient and equitable free markets. In Zimbabwe, MSMEs, especially women-owned businesses, are for the most part unaware of their commercial rights and the formal process for resolution of economic disputes. Even those who are aware of their commercial rights, find access to the formal justice system prohibitively expensive and time consuming. According to Women in Law and Development in Africa (WILDAF), increased awareness and enforcement of legal rights training can be directly correlated to the start-up and expansion of women-owned businesses.

Addressing the constraints to MSMEs ownership and expansion will be important to promoting broad-based economic growth (indigenization and employment). Working through business associations and civil society will ensure participation of the free-market stakeholders in promoting fiscal restraint, parastatal reform, and financial market development. The small business sector is seen as key to generating employment and more equitable income distribution, increasing competition, exploiting niche markets both domestically and internationally, enhancing productivity and technical change, and stimulating economic development.

## 2. Civil Society Constraints

In 1980, Robert Mugabe became the first head of the black-majority Zimbabwean African National Union Patriotic Front (ZANU-PF) government. Mugabe's election as head of the government was the culmination of a decade of warfare and international negotiations with the minority white-led government. Realizing that whites were necessary for Zimbabwe's

economic future, Mugabe balanced black hopes against white fears for a successful transition to majority rule.

This optimistic start was soon besmirched. Ethnic rivalry raised its head when a Zimbabwe Defense Force unit known as the "fifth brigade" left a trail of murder and torture across Matabeleland, which was never fully exposed and investigated. Zimbabwe under Mugabe pursued Marxist ideals, including the one-party state. As socialist rhetoric abounded, many in power accrued small fortunes by way of government corruption. Dissident students and opposition members were suppressed, and ministerial scandal was rife. In the late 1980s, stifling controls on currency, foreign exchange and trade along with a shift towards land appropriation from white farmers proved that the government was still committed to socialism.

After a constitutional amendment in 1988, Mugabe graduated from Prime Minister to be both Head of State and Head of the Government as the President of Zimbabwe. The political policy of solidifying a one-party state has weakened almost all of Zimbabwe's democratic institutions and left them with a very shallow base. Opposition parties are weak and fragmented. The political playing field is tilted heavily in favor of the ruling party. Under the Political Parties Finance Act of 1992, any party which wins more than fifteen seats in parliament is granted a proportionate share of taxpayer funds. The ruling ZANU-PF holds 117 of the 120 elected seats in Parliament. Government and party machinery are often indistinguishable to ordinary Zimbabwean citizens, particularly at election time. Zimbabwe's judiciary is the only democratic element which has emerged from the political past as a strong and independent organization.

After almost 20 years of a one-party state, the major challenges to consolidating democracy in Zimbabwe fall in the categories of **Civic/Human Rights Awareness, Press Freedom, Legislative Capacity, and Transparency and Accountability.**

**Civic/Human Rights Awareness:** There is a critical need for civic education in Zimbabwe, evidenced by extremely low voter registration figures, low voter turnout, and, more importantly, the vulnerability of Zimbabwean peasants to frequently repeated Government of Zimbabwe claims that if an area supports opposition candidates the government will withhold development assistance or the massacres of the mid-1980s will be repeated. Zimbabwean organizations in the governance and human rights field are under-funded and subject to government charges that they are "fronts for the opposition." Many are staffed by a small cadre of activists who form the core of several different organizations.

Since independence, the Government has enacted major laws aimed at enhancing women's rights and countering certain traditional practices that discriminate against women. However, women generally lack awareness of their rights under the law and remain disadvantaged in

Zimbabwean society. Illiteracy, economic dependency, and prevailing social norms prevent rural women, in particular, from combating societal discrimination. Although labor legislation prohibits discrimination in employment on the basis of gender, women are concentrated in the lower echelons of the work force and commonly face sexual harassment in the workplace.

Despite legal prohibitions, women are still vulnerable to entrenched customary practices, including "kuzvarira," the practice of pledging a young woman to marriage with a partner not of her choosing; "nhaka," the custom of forcing a widow to marry her late husband's brother; and the customary practice of offering a young girl as compensatory payment in inter-family disputes. Inheritance laws remain unfavorable to widows. While unmarried women may own property in their own names, women married under customary law are not allowed to own property jointly with their husbands.

**Press Freedom:** The GOZ owns the largest group of newspapers. The electronic media, of which radio is the most important information channel given levels of poverty and illiteracy in the countryside, are government-owned. Under the Broadcast Act, the government has refused to license any independent radio or television stations. Since 1995, the electronic media and government-controlled press have had a "black out" on some opposition politicians and several outspoken businessmen and union leaders. Added to these institutional impediments, there is little investigative journalism. The subject is not taught in the country's only journalism school. In addition, the Official Secrets Act makes it illegal to divulge "any information acquired in the course of official duties." The government exercises control over all media through editorial appointments, intimidation of editors and reporters and strict anti-defamation laws which make no distinction between public and private persons.

**Legislative Capacity:** The legislative branch is completely dominated by the executive, which in turn is dominated by the ruling party politburo. Parliament's weakness makes constitutional protection of even basic rights vulnerable to amendment or encroachment by government. Parliament has virtually no input into the budgetary process, meaning that Members of Parliament (MPs) must appeal to relevant ministers for developmental projects (schools, roads, bridges, etc.) in their constituencies. While several committees have begun more aggressive investigation of government and parastatal management and spending, parliament is subordinated to the executive branch.

Although MPs will occasionally take up issues of the day, "debate" on the President's opening of Parliament address may last several months. Many members of parliament have only a rudimentary understanding of parliamentary rules and orders and are thus subject to manipulation by government (i.e., the holding of votes or debate when there is no quorum). Non-governmental organizations are inexperienced lobbyists, and there is no formal open hearings system. MPs have no personal staff and little or no access to computers or secretarial support. Parliament has only very limited research staff. The principal challenge

to an independent judiciary comes from the ease with which parliament will pass constitutional amendments which undermine Supreme Court judgements or anticipated judgments.

**Transparency and Accountability:** Virtually every recent election has been challenged in the courts because of the poor state of the voters rolls and election officials' rudimentary understanding of correct procedures. The Electoral Supervisory Commission lacks the executive authority or the capacity to properly supervise Zimbabwe's elections. Even its monitoring function is affected by its lack of resources. Despite an expensive computerization effort, the voters roll still contains close to one million redundancies (double entries or the deceased listed as voters). In addition, the Electoral Act, promulgated as the ruling party was preparing to declare a one party state, gives the President a preponderance of powers over the conduct, timing and legitimacy of an election.

Corruption, economic and political, is on the rise. Lack of transparency is a problem at virtually all levels of government. The Auditor General's office is understaffed and underfunded. The office of the Ombudsman is also understaffed and poorly funded and as a consequence handles only minor cases concentrating on the capital city. It has no legal officer and has not dealt with human rights abuses by government or the security forces. The integrity of the tender board has been compromised by interference from cabinet and several recent scandals where the tender process was abrogated. Scandals over misappropriation of funds have rocked several local governments.

**Judicial:** The Zimbabwean judiciary is the only bulwark against the dominance of the executive branch and frequently serves as a check on government abuses. The government generally respects court rulings, even in sensitive areas. On occasion, however, the government ignores rulings and is slow to pay damages awarded. The magistracy, which hears the vast majority of cases, is under the Public Service, rather than the Judicial Services Commission, and is thus subject to greater political pressure. Nonetheless, magistrates will make unpopular decisions. The principal challenge to the judiciary comes from the ease with which parliament will pass constitutional amendments, undermining Supreme Court judgements or anticipated judgments. Human rights organizations are also concerned that the recent appointment of several judges with close ties to the ruling party may erode the judiciary's independence. Citizens' access to justice is inhibited by a severe backlog in the court system (resulting in Zimbabwe's having one of the highest pre-conviction detention rates in Africa (24 percent) and by the fact that very few Zimbabwean citizens are aware of their legal rights.

### C. U.S. Government Strategy

The strategy to establish and endow the Zimbabwe American Development Foundation is

consistent with USAID's Strategic Framework. The purpose of the foundation, *increasing opportunities for participation in the private sector and political processes* combines two USAID global objectives; it complements broad-based economic growth through expanded access and opportunity for the poor, with the increased development of politically active civil society. For the Zimbabwe American Development Foundation, expanded access and opportunity for the poor will include the traditional private sector definition of access to factors of production, markets and finance as well as access to policy-makers and formal courts. The need for the participation of the poor in policy-making through representative groups such as business associations, civil societies, and consumer groups is a generic requirement to sustainable development and good governance.

In a similar fashion, the development of a politically active civil society and the development of a culture of rights is as important to enforcing commercial prerogatives of small and micro businesses as it is to upholding basic personal liberties. For these reasons, the Zimbabwe American Development Foundation will address access and opportunity problems across the economic and political field. Indeed, it is anticipated that the ZADF will support activities which have a positive impact on both political and commercial governance.

As with access and opportunity, the Zimbabwe American Development Foundation will support the development of a culture of human and constitutional rights in Zimbabwe. Basic rights such as the right to property, due process, association, freedom of expression, and non-discrimination are as important to broad-based economic growth as they are to human dignity. It is hard, for instance, for rural Zimbabwean women to participate in broad-based economic growth if they are accorded a second-class status in terms of rights. By combining these two USAID objectives, the Zimbabwe American Development Foundation adopts a program approach that is consistent with USAID guidance, and at the same time tailored to meet the unique requirements of sustainable economic development in Zimbabwe.

The establishment of the Zimbabwe American Development Foundation adheres to the integrated approach to meeting U.S. Government objectives in Zimbabwe as specified in Strategies for Sustainable Development. USAID attaches the highest priority to coordinating its work with the needs and objectives of the Department of State and other members of the Country Team. The USG strategy for Zimbabwe, set forth in the U.S. Mission to Zimbabwe Program Plan (MPP), establishes several cross-cutting objectives whereby the proposed USAID-funded foundation becomes part of a Special Objective in USAID Zimbabwe's Country Strategic Plan.

The purpose of the Zimbabwe American Development Foundation is built across the current Country Team goals and objectives of:

Goal: Promote democracy, transparency, and accountability

- Objectives: Enhance transparency and fairness of the democratic process  
Strengthen independence of the judiciary
- Goal: Foster equitable economic growth to promote U.S. trade and investment
- Objective: Promote broadened ownership and increased investment in the  
Zimbabwean economy
- Goal: Promote sustainable development
- Objective: Support the reforms of the economic structural adjustment program

USAID/Zimbabwe's strategic objective for economic growth is *broadened ownership in a growing economy*. The USAID/Zimbabwe transition to a close-out expects great progress in each of its SOs, but recognizes that further support will be needed for some areas such as microenterprise development beyond the close-out date. By the end of FY 2000, two USAID-supported microfinance NGOs are expected to be financially viable, covering operating and finance costs from revenues. However, experience suggests that more time will be required for microfinance to become firmly established in Zimbabwe.

Consequently, continued assistance by the Zimbabwe American Development Foundation for microfinance and other small business development activities is contemplated. In addition, with the growth of an economically active population, the ZADF will assist the new participants to be empowered to promote policy change. Although it is unlikely that the foundation will provide direct firm-level assistance, it will promote more equitable growth by funding private sector organizations that strengthen MSMEs. This involves assistance in improving technical and professional business skills, gaining access to working capital, identifying and developing a market niche and strategies to reach targeted markets, gaining access to supplier and market information, improving business-oriented infrastructure, and lobbying for an appropriate legal and regulatory framework.

Since a more friendly business environment for MSMEs will facilitate upward mobility for the micro and small enterprises, the ZADF and other mechanisms will also encourage sound economic policies, such as reform of the commercial, tax, and investment code, that affect MSMEs and are not the focus of the International Monetary Fund or other donor policy efforts. It could also include support for privatization where the intent is to disburse ownership in parastatals to the employees as a way of promoting indigenization. Where the opportunity exists to promote indigenization through privatization or corporate buy-outs and at the same time alleviate poverty, the U.S. strategy will promote the use of U.S. financial expertise to explore innovative financial deal structuring, including debt conversions and swaps, equity investments, and investment promotion techniques.

To date, the U.S. Government has assisted with the political liberalization of Zimbabwe through the Democracy and Human Rights Fund (DHRF), the community-based CAMPFIRE program, the International Visitors Program through the United States Information Service (USIS), and the Southern Africa Regional Democracy Fund, as well as support for democratic initiatives in Zimbabwe through USAID's Global Bureau. The DHRF has financed small, short-term, high impact activities which target support of democratic institutions, political pluralism, and the protection and advocacy of human rights. Although the DHRF is anticipated to continue, its activities will be supplemented by grants made from the Zimbabwe American Development Foundation. While the DHRF has some latitude in the areas open to its funding, the Zimbabwe American Development Foundation will target increasing the development of a human rights culture in Zimbabwe as its priority. Developing a human rights culture is fundamental to growth with equity and ensures that all Zimbabweans are aware of their rights to participate legally in the development of the country.

#### D. GOZ Strategy

The principles and objectives of the ZADF are consistent with the Government of Zimbabwe's (GOZ) overall strategy. The GOZ development strategy, set forth in its draft Programme for Economic and Social Transformation - ZIMPREST (August 1996), is to bring about sustainable economic growth and social development directed at eliminating poverty and underdevelopment. Recognizing the importance of the private sector in achieving its economic growth objectives, the GOZ cites the need for private sector initiative to play a leading role in the economy with the government becoming a facilitator of an enabling private sector environment.

With 16 years of experience, the GOZ is beginning to recognize the limits of what it can achieve on its own for the people. The GOZ's strategic planning documentation states that intends to focus on those things that only the public sector can do well and allow an empowered private sector and citizenry to make the economy grow. Empowerment of the private sector is the central GOZ theme to greater equity in a growing economy. Although true GOZ commitment to partnership with the private sector will only be tested in the years to come, the proposed USG strategy for ZADF assistance to MSMEs to promote growth with equity is appropriate under the GOZ empowerment strategy.

The GOZ approach to empowerment has more than an economic dimension to it. The GOZ acknowledges that economic empowerment must be accompanied by empowerment in other spheres for its social transformation goals to be complete. Consequently, the GOZ strategy encompasses the social objective of removing citizen insecurity caused by uncertainty over a "means of livelihood, political oppression, and arbitrariness and lack of personal guarantees and individual safety." As stated in ZIMPREST, the GOZ sees no point in having an economic system which generates all the economic advantages unless the members of society

have guaranteed freedom and rights for the sustainable enjoyment of the economic benefits.

#### E. Rationale for Endowment

The proposed endowment of the Zimbabwe American Development Foundation is the key mechanism proposed within a Special Objective of *increased opportunities for participation in the private sector and political processes*. Others potential mechanisms include USAID/W Africa Bureau, the Southern Africa Regional Center, Global Bureau support, other endowments, and potential New Partnership Initiatives (NPI) and strategic partnerships with non-governmental organizations. The endowed foundation is one of the most important because it is a reliable, cost-effective, sustainable approach to address longer-term problems which will continue to impact Zimbabwe after the bilateral USAID Mission closes. A series of bilateral grants will not be feasible beyond the USAID in-country presence, nor would this type of short-term instrument be a Zimbabwean-based solution to the continuing issues which an endowed foundation would address. While regional and global assistance is expected, it will lack the familiarity and flexibility of a resident program.

An endowed foundation with local board members offers several advantages important to a foreign assistance program, especially in the economic policy and political arena. As a local organization, the foundation can tailor its assistance to fill gaps and needs not covered by the GOZ or other donors, including USAID global and regional programs. It will also provide the USG with a sustainable partner that is closely aligned with the needs and priorities of Zimbabwe's urban and rural poor.

Entrusting a local foundation with a development mandate is the ultimate notion of a partnership for development. It assists Zimbabweans with their own economic and political development, as opposed to donor implementation and management of the task itself. Within the grant guidelines of achieving the desired results of increasing economic opportunities, increasing the development of a politically active civil society and improving local governance, the local board of Trustees of the Zimbabwe American Development Foundation will have the responsibility of deciding how to invest the endowment's income. Endowing a local foundation establishes a sustainable means of utilizing the unique skills and contacts of the foundation's board members which is normally limited in bilateral projects.

Leveraging a matching endowment contribution is a fundamental design requirement. A condition of the endowment will be that the Zimbabwe American Development Foundation attract local corporate and private donations from the Zimbabwe and American communities as well as other U.S. foundations and organizations. Contributions from the GOZ will also be welcome, but the limited role for GOZ participation in decision-making will be underlined in the operations and structure of the foundation. The financial feasibility of the Zimbabwe American Development Foundation is tied to matching contributions, which if not

forthcoming by agreed upon dates will result in the termination of the endowment.

Finally, while the proposed endowment's income will subject to financial market fluctuations, it will be free from the changing political and budgetary environment in Zimbabwe and the U.S. It is designed to provide insulation from unpredictable political and budgetary situations on two continents. An endowment in a U.S. financial institution protects the Zimbabwe American Development Foundation to a large extent from possible local political manipulation and provides a more stable purchasing power through the U.S. dollar. In the United States, USAID focus countries and priority sectors have been known to change rapidly. Maintaining a sustainable non-presence program without an endowed foundation subjects the program to the uncertain political and budgetary environment in the U.S. In short, without an endowment, there is no guarantee of a visible and consistent U.S. foreign assistance legacy dedicated to priority, longer-term problems of Zimbabwe.

#### F. Consultation Process

During the initial design and feasibility stage of the ZADF development, USAID/Zimbabwe met with a variety of Zimbabwean NGOs and interested parties from both the economic growth and democracy and governance sectors. The reception from all parties was welcoming. However, further consultation with GOZ partners, potential U.S. implementers and funders, and more detailed discussions with possible grant recipients will be required and are underway.

The results of discussions with potential recipients have been incorporated into the proposed structure and operating principles for the foundation. The foundation has been designed to adapt to the Zimbabwean context. For example, the foundation will be established as a local trust rather than as a NGO, given the regulations and political pressures that are implicit in operation as a NGO.

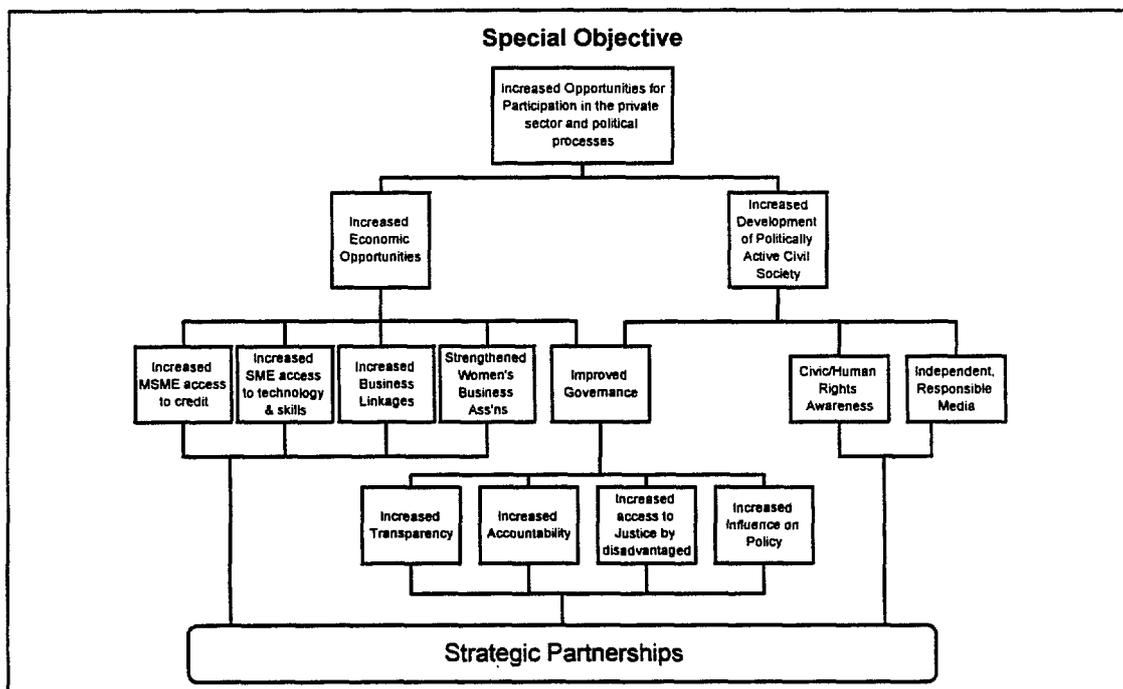
### III. Summary of Activities/Expected Results

#### A. Summary Results Framework

The Zimbabwe American Development Foundation will establish a long-term development relationship between Zimbabwe and the United States that engenders shared economic and political principles. It will have distinctive American ties through its founding and funding by the USG and other U.S. organizations, and through its approaches to development problems which draw on U.S. values, technology, and collaboration. The continued relationship between Zimbabwe and the U.S. will respond initially to the challenges of sustainable economic development and political liberalization; the purpose of the foundation will be:

*Increased opportunities for participation in the private sector and political processes*

This becomes not only the purpose of the Zimbabwe American Development Foundation, but also the USAID/Zimbabwe Special Objective. The initial founding principle for the foundation will also be the result expected from USAID regional and global assistance for economic development and democratic governance assistance. The Embassy, a partner in the design of the Zimbabwe American Development Foundation, will rely on it as a component of its Mission Program Plan. The USAID Results Framework for the Special Objective appears as Figure 1.

**Figure 1**

Key results anticipated from support to the foundation will be both institutional and programmatic in nature and are keyed to the graphical presentation of the Results Framework as summarized below. Indicators have been selected in line with the preliminary list of USAID Common Indicators issued in February 1997.

**Programmatic Results:**

1. Increased Economic Opportunities

- Proposed Indicators:
- a. Credit to USAID assisted groups
  - b. Production by targeted groups
  - c. Employment by targeted groups

2. Development of Politically Active Civil Society

- Proposed Indicators:
- a. Percent of population reporting participation in civil society
  - b. Number of independent sources of media
  - c. Freedom House index and report on human rights and civil society

3. Improved Public and Corporate Governance

- Proposed Indicators:
- a. Frequency of dissemination of information related to budget and procurement processes (annually, monthly, weekly, etc.)
  - b. Number/Percentage of legislators and cabinet members reporting CSO and/or NGO influence in policy and legislative decisions.

Institutional Results:

1. An institution, (the ZADF) capable of awarding and administering grants to Zimbabwean non-governmental institutions with appropriate:
  - legal status
  - financial management capability
  - technical analytical capacity
  - managerial capability
2. The ZADF will award grants ranging from Z\$25,000 (US\$2,500) to Z\$1,000,000 (US\$100,000) for annual and multi-year programs to Zimbabwean NGOs, trusts and other organizations meeting award criteria.
3. The ZADF will have a demonstrated ability to leverage additional funds for program activities (e.g. through co-financing) and for augmentation of the endowment corpus.

These become the endpoints to which the USG expects to contribute through its funding for the ZADF. The definition of results has been left intentionally broad to provide sufficient latitude for the ZADF board to develop and implement a Zimbabwean-driven agenda and program of action. In addition, while the results provide general program direction, they will not be a straightjacket to effective operation of the foundation and will allow the ZADF to adjust its specific programmatic focus over time in line with development priorities in Zimbabwe within the realm of economic development and civil society concerns. The

Zimbabwe American Development Foundation's implementation strategy for achieving these objectives will be through grants to local organizations, including trusts, NGOs, and civil society organizations (CSO) and others that benefit the public interest. The endowment agreement will specify benchmarks for specific time periods to measure progress toward achieving these results.

Measurement of progress toward these results will be handled in several ways. The ZADF will require grantees to include results and monitoring plans in the implementation of grants. In addition, the ZADF may sponsor periodic reviews, impact studies and special assessments of particular aspects of the broader level results. For example, after a number of years of grants to women's associations, the ZADF board may undertake an evaluation of the impact of such grants by reviewing the status of women in gaining increased access to credit or the impact of women's efforts to impact legislation.

USAID will report on progress toward desired results annually in its Results Reporting and Resource Request (R4), and it is anticipated that at least two broad spectrum studies and/or evaluations will be carried out prior to the completion of the USAID oversight period. In addition, due to the strong linkages to the U.S. Government Mission Program Plan, it is anticipated that the U.S. Embassy will assess progress towards sustainable economic development and political pluralism annually. The Embassy Political Officer and the Economic and Commercial Officer will join USAID in providing technical input into assessing achievement of the results.

At the highest level reporting will include standards as:

**Indigenization:** Is the majority population increasing its ownership of assets through broad-based economic growth? Do women and other disadvantaged groups have greater access to credit and input markets?

**Employment:** Is unemployment falling as a result of economic growth generated by micro, small and medium enterprises and export sector?

**Public Policy-Making:** Are business associations, consumer groups, and civil society organizations taking an increasingly active role in policy-making?

**Administration of Justice:** Do Zimbabwe citizens have increasing access to a court for the protection of their contractual, commercial, and constitutional rights?

**Constitutional Rights:** Has there been improvement in selected indicators of human rights, democratic development, and good governance as first reported in a regional 1994 survey? The selected indicators include rights related to: property, due process,

association, demonstration, political affiliation, vote, candidature, local governance, non-discrimination (ethnic, women, children, disabled, and sexual preference), opinions, expression, press, and freedom of information.

#### B. Summary Implementation Strategy

The Zimbabwe American Development Foundation's achievement of the expected economic and political results will initially be pursued through two major areas of focus: 1) increased economic opportunity and 2) increased development of politically active civil society as well as activities related to improved governance which fall in the intersection of the two areas. The types of results packages implemented for achieving increased economic opportunities will relate to access to credit, technology and input markets, increasing women's access to factors of production, and increasing linkages including export linkages for small producers. Anticipated results packages for development of a civil society will focus on civil and human rights awareness and developing an independent, responsible media. In the cross-cutting area of improved governance, results packages are likely to be in the areas of increased public and corporate transparency, increased accountability, increased access to justice (both commercial and civil) by disadvantaged groups and increasing the influence on policy makers by civil and private sector groups. The Zimbabwe American Development Foundation's will use grants to local NGOs, civil society organizations, and others that benefit the public to achieve its objectives.

Because the ZADF does not yet exist, USAID will seek out a U.S. partner (Lead Organization), probably a U.S. Foundation or U.S. Private Voluntary Organization (PVO), to assist in establishing and mentoring the ZADF. This partner would be expected to manage the start-up tasks of the ZADF, and provide it the experience, training, and monitoring necessary for it to be deemed capable of managing the annual income from a U.S.-based endowment. After complying with several start-up management conditions, such as submission of ZADF bylaws, ZADF policies, asset management agreements, and the first ZADF financial and operating plan, USAID will disburse the endowment funds of up to \$10 million to the U.S. Foundation or PVO to be held in a custodial or trust arrangement for the benefit of the ZADF.

The Lead Organization will work with the ZADF to develop the detailed operating principles for the grants to local NGOs and other organizations. In general, ZADF grant awards must meet the following general criteria:

**Public benefit** - grants must be to individuals or organizations organized solely for the purpose of providing services for the public benefit;

**Strategic Objective Fit** - the local organizations must have the fundamental

characteristics of a economic development or civil society organization as demonstrated by the relationship of the organization's mission statement in its charter. The activities of the applying NGOs must be related to the purposes of the Zimbabwe American Development Foundation, and each proposal must offer a results monitoring plan with measurable indicators;

Political Activity - the NGOs cannot use grant funds for participation in any political campaigns for or against any candidate for public office, and refrain from acting to influence legislation;

Competent administrative and technical capability - the recipient NGOs must demonstrate in their applications the capacity to spend the funding in accordance with the grant agreement, record and report on how the funds will be spent, and report on the results obtained from the grant; and

Environmental - The recipient NGOs must demonstrate that there will be no potentially harmful environmental impacts of their grant activities.

The operating principles for grant-making will need to develop methods for outreach and advertising, and standardized procedures for consideration and award/referral. Specifically, the Lead Organization will assist the Zimbabwe American Development Foundation in drafting and approving procedures for:

publicizing and competing potential sustainable economic development and democratic pluralism award opportunities,

managing the review and nomination process for promising proposals using site visits, formal board meetings, and formal Board-approved award memorandums;

carrying out any necessary pre-award actions with respect to the proposed grantees, such as financial reviews and environmental reviews;

cost and technical analysis, negotiating and executing grant agreements, and documenting agreements reached;

develop and implement controls to ensure proper accounting and financial control of all funding and incorporate such systems and procedures into all grants;

ensure that all financial, programmatic and impact results reports are received from grantees;

- carry out site visits to monitor implementation progress;
- ensure that annual audits of grant recipients are carried out; and
- post-award grant administration, including grant closeout.

In developing the operating procedures, the Lead Organization will aim to produce solicitation material that is relatively easy-to-comprehend and user-friendly which is designed specifically for the target audience. The best method to ensure the appropriate solicitation material is to involve local input from potential grantees on developing easy-to-use grant proposals and standardized applications which would also have acceptance among other donors.

As described above, the Embassy and/or USAID will report on the status of the Special Objective as part of their annual reporting functions. USAID/Zimbabwe desires to pass on the culture of managing for results to the Zimbabwe American Development Foundation and to the recipients of the subsequent grants. By requiring grant recipients to offer a results plan with indicators and reporting schedule in their proposals for economic growth and democratic pluralism, the Zimbabwe American Development Foundation can simplify the management burden that the development of a strategic framework with intermediate results would entail.

### C. Intermediate Results and Illustrative Approaches

By indicating the areas of planned intermediate results, the Zimbabwe American Development Foundation will adequately generate and maintain a grantee policy of managing for results. The following listing of intermediate results and illustrative approaches in the priority areas of *increased economic opportunities*, *increased development of politically active civil society*, and *improved governance* will provide the Zimbabwe American Development Foundation guidance in selecting grantees and programs which will contribute to achieving those results.

#### 1. Increased Economic Opportunities

**A. Input and Product Markets:** Increased availability of formal financial services, technology, information, outreach services and product/service markets for SMEs.

Illustrative approaches which will be used to achieve this result include the following:

- Support to business associations to increase small and micro-enterprise (SMEs) access to finance, technology, information and outreach services on a commercial basis;
- Support to associations implementing business linkages programs such as small supplier development programs and voluntarily disclosing their achievements;

- Establishment of SME export promotion programs;
- Established and strengthened SME quality assurance programs and standards through technical assistance, training and support for innovative approaches of outreach to small businesses;
- Support for training and special seminars to strengthen the capacity and willingness of banks to lend to the historically disadvantaged micro-entrepreneur;
- Support to local organizations (business associations and NGOs) which work to improved the capacity of informal and micro-enterprises to respond to formal financial market requirements, through assistance in business plan development, competency based training and other means; and
- Support to women's business associations to address impediments to economic opportunities for women and deepen economic advocacy role.

## **2. Development of Civil Society**

### **A. Civic/Human Rights Awareness: Citizens understand and apply principles of democratic governance.**

Illustrative approaches which will be used to achieve this result include the following:

- Funding for civic education campaigns which improve public knowledge of citizen rights and responsibilities;
- Assistance to develop civic rights curriculum for use in schools;
- Support through technical assistance and training to key CSOs to broaden outreach and public policy-making capacity;
- Public or private sector supported legal advice and paralegal services available to marginalized groups; support for campaigns to encourage additional pro-bono work by legal advocates; and
- Improved access to legal aid and legal outreach programs through funding for expansion of existing centers or establishment of new centers.

### **B. Press Freedom: Impediments to press freedom removed and mass media made responsible.**

Examples of illustrative approaches to increase freedom of the press in Zimbabwe may include:

- Information dissemination related to support for removal of Zimbabwe Broadcasting Corporation monopoly under the Broadcast Act;
- Support for establishment of independent radio stations;
- Technical assistance, seminars, and workshops to increase investigative reporting skills among professional journalists; and
- Training to improve human and constitutional rights and legal knowledge of professional journalists.

### **3. Improved Governance**

As noted above, improved governance strikes at the convergence of the political and economic aspects of participation in Zimbabwe. It is anticipated that the ZADF will be able to contribute to substantial gains in both public and corporate governance in Zimbabwe through a variety of mechanisms which seeks to increase transparency, accountability and to strengthen the capacity of all types of local organizations to represent their constituencies more effectively in the policy arena.

#### **A. Policy: Improved policy environment for facilitating access to capital, markets, and formal sector justice for informal and micro-enterprises.**

- Assistance to business associations to develop a sustainable capacity to analyze, design, and implement policies to stimulate the development of SMEs in Zimbabwe;
- Specialized technical expertise and training for industrial chambers and other business fora to increase businesses' access to financial and other markets through policy formulation relating to subcontracting and export promotion;
- Strengthen the ability of business and civil society organizations to represent their constituent interests, especially in identifying barriers to entry and rights awareness and developing policy interventions to address these constraints; and
- Strengthened ability of business organizations (national and regional) to obtain a more facilitative regulatory environment.

#### **B. Justice: Increased utilization of formal justice system by disadvantaged groups including**

SMEs, women's groups, civil rights groups and others to resolve commercial and economic disputes.

- Information campaigns to increase awareness of commercial code and rights by SMEs, especially women-owned SMEs;
  - Funding to increase the availability of arbitration, mediation, and conflict resolution services for commercial disputes and human rights issues; and
  - Public or private sector supported legal advice and paralegal services available to SMEs and disadvantaged groups.
- C. Transparency and Accountability:** More transparent and accountable government institutions and corporate practices through greater CSO and private sector monitoring and involvement;
- Support for the development and dissemination of standards for openness, accountability, and public participation in the day-to-day workings of government;
  - Assistance in the development and implementation of ethical codes and standards for corporate operations and public;
  - Assistance and technical expertise to strengthen CSO techniques for monitoring corruption;
  - Assistance to develop additional wide-spread Processes for public into national budget formulation and policy development procedures; and
  - Promotion of open and transparent procurement practices.

Without violating U.S. Internal Revenue Service prohibitions against NGOs participating in campaigns or lobbying, the above results and approaches are suitable for the Zimbabwe American Development Foundation to support under the current political environment. One of the benefits of an endowed local foundation will be its ability to rapidly drop or add intermediate results for human and constitutional rights to adjust to changing conditions. As political history in the region has demonstrated, democracy and pluralism can come and go in a matter of days. The Zimbabwe American Development Foundation will have the flexibility to adjust accordingly.

One consistent point raised during the interviews with the CSOs about the formation of the Zimbabwe American Development Foundation was the need for support of operating

expenses. Human rights and civic rights organizations find it difficult to raise funds under the best of circumstances. Unlike many NGOs in other sectors, human rights organizations are unable to sell a marketable product or service such as health care, business advice, or environmental tours; they exist through social conscience of individuals and organizations.

To obtain funding for operating expenses, CSOs have to rely for the most part on charitable contributions, volunteer staffing, and pro bono services. Foreign donors all too often only provide these organizations with program or project money, in many cases, limited to certain line items such as printing or conferences. Given the democracy and governance problems in Zimbabwe, it is the continued existence and operations of CSOs that is critical to achieving any results. They are the only entities monitoring human rights abuses, taking to the courts to protect erosion of the constitution, and publicly objecting to accountability and transparency problems. In the present environment, funding is needed just to keep CSOs active and vigilant. Consequently, the Zimbabwe American Development Foundation will initially consider allowing CSOs to include indirect costs in their grant proposals.

#### IV. Significant Aspects of Foundation Operations

Zimbabwe does not have a tradition of local philanthropy in the U.S. sense of the term. Formal donations and corporate social responsibility are minimal. In part, this is due to the economic priorities in a developing country and, in part, due to the absence of incentives and awareness. In the U.S., the tax code provides not only an incentive for philanthropy, but also raises awareness about donations and provides guidance on how to formally support charities. The Zimbabwe tax code has no provisions or deductions for charitable contributions. Zimbabwe corporations only deduct contributions which qualify under an approved expense classification such as advertising. The Zimbabwe American Development Foundation will encourage U.S. corporations operating in Zimbabwe to assume a leadership role in initiating philanthropic principles.

As with most developing countries, the size of the NGO community is large and diverse in terms of sectors and organizations. Unfortunately, the extent of private operating foundations (grant-giving organizations as opposed to service delivery) is limited to two entities: The Oak Foundation in Harare and the Organization of Rural Associations for Progress in Bulawayo. At one time Zimbabwe Trust operated in terms of a foundation, but gradually transformed itself into a service delivery NGO with a focus on natural resources.

With nine years of experience, the Oak Foundation provides a useful model to follow. The Oak Foundation is a private foundation which was endowed by a prominent Zimbabwean. The corpus for its programs is located outside of Zimbabwe in hard currency accounts as is the managing Board of Trustees. The overseas board makes all the official decisions, but has delegated broad grant-making and operating authority to the local Executive Director and an

extremely small local board which functions in the fashion of an "advisory" board with functional powers.

It is estimated that the Oak Foundation's annual funding of grants to NGOs is in the neighborhood of what the Zimbabwe American Development Foundation anticipates (approximately \$600,000 - \$700,000 annually). The Oak Foundation operates with extremely low administrative and operating costs. Its full-time staff of only two is comprised of an Executive Director and an Administrator. If the Oak Foundation receives proposals in a technical field beyond the Executive Director or Administrator's expertise, it utilizes consultants for a review and analysis. With the exception of its limited, local board arrangements, it provides good operational guidance for the design of the Zimbabwe American Development Foundation.

Because a Zimbabwe American Development Foundation is only a proposal at the moment, USAID is seeking out a U.S. partner for the Zimbabwe American Development Foundation, preferably a U.S. Foundation. The USAID endowment will be made to the U.S. Lead Organization in a custodial or trust arrangement for the benefit of the Zimbabwe American Development Foundation. This partner will manage the start-up tasks of the Zimbabwe American Development Foundation, and provide the experience, training, and monitoring necessary for it to be deemed capable of managing USAID funds, in this case, the income funding from the endowment. With a responsible U.S. Lead Organization as a partner, USAID is willing to consider the Zimbabwe American Development Foundation as capable of implementing programs in Zimbabwe with USAID support.

Making the endowment grant to a U.S. Lead Organization follows a model utilized by the Ford Foundation for Southern Africa, particularly South Africa during the apartheid years. Ford entrusted a U.S. human/legal rights Private Voluntary Organization (PVO) with endowment funding for specific NGOs in South Africa dedicated to ending apartheid. Those NGOs have continued to utilize the U.S. PVO as an intermediary partner, even though they are free to manage the endowments directly in the new South Africa. Reasons for choosing the U.S. PVO as an intermediary even with the end of apartheid and majority rule has been that the long-standing arrangement with a U.S. partner has worked technically (the U.S. PVO is comprised of successful U.S. lawyers), the U.S. PVO has demonstrated responsible financial management, and the funds in the U.S. have been shielded from local currency devaluations. In Zimbabwe, the Ford Foundation insists on the use of a U.S. PVO intermediary because of the concerns related to GOZ control and interference with local NGOs.

USAID/Zimbabwe proposes to use a U.S. Foundation or PVO as an intermediary for many of the same reasons. It ties the Zimbabwe American Development Foundation to a U.S. organization with similar programs and concerns and thereby maintains an American imprint

on the organization. It shelters the Zimbabwe American Development Foundation from changing political environments in Zimbabwe; that is, if a situation arises whereby funding the Zimbabwe American Development Foundation with endowment income flows becomes impossible or undesirable, USAID, the Zimbabwe American Development Foundation (depending on the circumstances), and the Lead Organization can determine whether the endowment income should continue to be used in Zimbabwe for the principles originally agreed to, or whether the endowment corpus should be returned to the U.S. Treasury. In the traditional bilateral endowments to a local entity, there is no option of flexibly continuing a post-presence program through alternative organizations or channels should it be necessary. Given the re-engineering guidance to maintain flexibility in the design of activities, this arrangement seems appropriate.

Finally, placing the endowment with a U.S. Lead Organization opens an option for fulfilling the emerging guidance on New Partner Initiatives. It complements and entrusts U.S. PVOs and Foundations with collaborative country and sector-specific targets and sustainable funding without micro-managing or interfering in the implementation of the programs.

#### A. Foundation Management

As contemplated, USAID will grant up to US\$12.5 million, subject to the availability of funds, to a U.S. Lead Organization to support the Zimbabwe American Development Foundation's program of grant making which expands sustainable economic development and political pluralism in Zimbabwe. The U.S. Lead Organization is anticipated to use up to US\$2.5 million during the start-up period for hiring staff, selecting a board, drafting a constitution, registering the ZADF with the GOZ and the Internal Revenue Service (IRS), developing operating procedures, and making small grants during the period before the income from the endowment is available (see Figure 2).

The U.S. Lead Organization will manage the US\$10 million in endowment funds in a separate account to be known as the Zimbabwe American Development Foundation Investment Fund. The U.S. Lead Organization will accept and hold the Zimbabwe American Development Foundation Investment Fund for the sole benefit of the charitable programs of the Zimbabwe American Development Foundation. The U.S. Lead Organization will be obligated to obtain a matching endowment of at least US\$10 million; it is estimated that matching funds could be raised incrementally with US\$5 million due by the end of 1999 and the remainder by 2002.

It is understood that USAID's contribution to the Zimbabwe American Development Foundation Investment Fund will be managed according to the investment guidelines and policies agreed to between the U.S. Lead Organization and USAID. USAID's initial position on the investment guidelines appears below (see General Criteria for Investment of Endowment Capital III.B.1.a.), but is subject to change by the USAID Mission Director if the

U.S. Lead Organization has a different policy or strategy which is reasonable and consistent with the objectives of the Zimbabwe American Development Foundation.

### 1. Legal and Regulatory Environment

Upon the advice of legal counsel in Zimbabwe, USAID/Zimbabwe proposes that the ZADF be established in Zimbabwe as a trust rather than a non-governmental organization in Zimbabwe. The legal requirements for a trust under Zimbabwean law are much simpler and are not subject to the jurisdiction of the Private Voluntary Organizations Act (Chapter 93), which has recently been amended to grant the Ministry of Labour, Public Service and Social Welfare broad powers to regulate private voluntary organizations including removal of boards of directors.

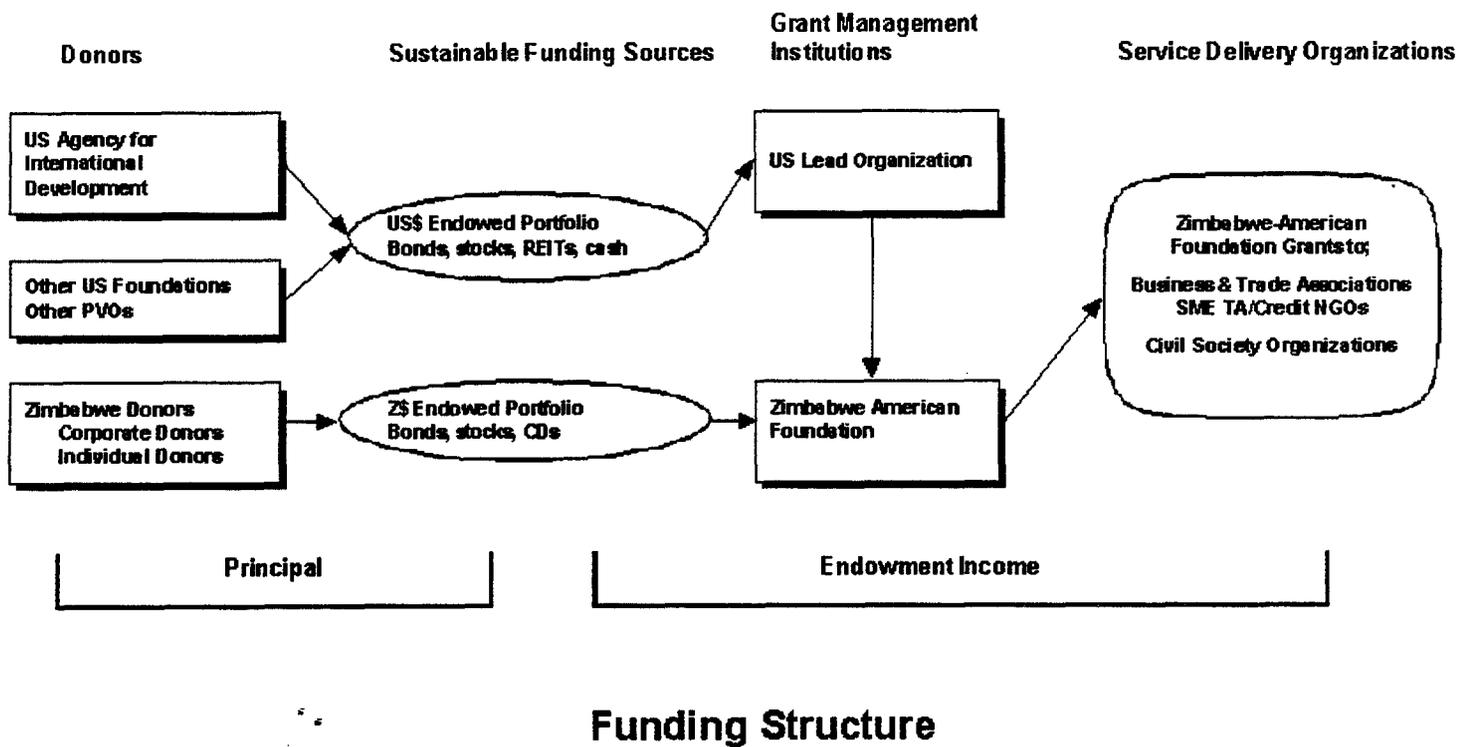
A trust, which is established under a Trust Deed and registered with the Registrar of Deeds and Companies has very little regulation. A trust is not subject to specific local statutes, but is governed by a generous common law tradition. A trust is not able to solicit funds from the general public, but USAID/Zimbabwe and the Regional Legal Advisor have determined that this prohibition will not be an impediment to the operation of the Zimbabwe American Development Foundation. In addition, the Regional Legal Advisor has found no conflict with receiving tax-exempt status in the United States and establishment as a trust in Zimbabwe.

### 2. Trust Deed & Board of Trustees

In Zimbabwe, trusts have the power to engage in any lawful activity related to their non-profit purposes as stated in their trust deed. A trust may be internal by-laws and procedural rules or not in accordance with the desires of the Board of Trustees and the trust's donor. It is anticipated that the Trust Deed and by-laws for the Zimbabwe American Development Foundation will include important considerations such as the objectives of the Zimbabwe American Development Foundation, how a managing committee (Board of Trustees) is constituted and in what manner vacancies on that committee shall be filled, how the assets are to be disposed of upon dissolution of the organization, the procedures for amending the constitution, and how to resolve conflicts within and without the organization.

For the Zimbabwe American Development Foundation, USAID will recommend that there be at least a nine member board of trustees. The board is to have enough members to ensure a wide basis of support with a good skill mix, and at the same time, be operationally efficient. If the U.S. Lead Organization wants to justify a larger board, USAID suggests 15 members as the maximum. For the initial board members, it is anticipated that the U.S. Ambassador to Zimbabwe and the Zimbabwean Minister of Finance will each nominate two members, none of whom will be government officials; the Lead Organization will select the remaining members of the initial board. The Lead Organization may utilize a local steering committee

**Figure 2  
Post Presence  
Zimbabwe American Development Foundation**



to select its nominations if it so chooses. The board members will either be Zimbabwean or

U.S. citizens, with a clear Zimbabwean majority. In accordance with USAID's Policy Determination 21 (PD 21), U.S. Government officials are precluded from being on the board in anything other than an ex-officio status.

Choosing the directors is one of the most important start-up decisions to be made. The selection process must screen candidates for practical qualifications, and community and public relations skills. In selecting the board, the Lead Organization will consider the following characteristics:

proven commitment to the goals of the foundation (sustainable economic development and democratic pluralism);

demonstrated experience in broad-based economic growth and democratic pluralism fund raising experience;

financial management and money management experience; and

prior participation on other Boards, either private sector or non-profit.

As a guideline for broad practical skills, the Lead Organization should consider the appropriate mix of members with expertise in finance/administration, fund raising, political science, legal or legislative matters, business and economic development; and representatives of the marginalized beneficiary groups. The initial and subsequent replacement of members should be sensitive to the need for representational balance of gender, ethnic group, socio-economic levels, and diversity of regions within Zimbabwe.

To avoid misunderstandings on the part of the board members, the Lead Organization, possibly through a steering committee, will prepare a job description for the board members that will specify the scope of the Zimbabwe American Development Foundation's proposed program and board member responsibilities and time commitments. The board is expected to meet a minimum of four times per annum.

Board member responsibilities are expected to include but not be limited to: the hiring of an Executive Director and Administrator; forming an investment advisory committee; forming a fund-raising committee; approval of by-laws; approval of personnel and operating policies manuals; approval of financial rules and procedures; approval of the accounting and audit firm; approval of grant-making and post-award administration policies; annual approval of the operating and program budget, and selection of a Zimbabwe Asset Manager. The most important board member function, of course, will be the consideration and approval/denial of grant requests for economic opportunities, development of a politically active civil society, and improved governance.

The Lead Organization will establish a system of staggered board terms to provide consistency in its operations. The Lead Organization will consider staggering the initial board with one-third serving for two years, one-third serving for three years, and one-third serving for four years. A majority of the board members, quorum, will be required to take action at meetings.

### 3. Tax Considerations

Tax considerations can determine not only the financial flows available to the Zimbabwe American Development Foundation, but also some of the program's limitations. The Lead Organization will be allowed to structure the management of endowment in the manner it finds appropriate to best accomplish the objectives of the Zimbabwe American Development Foundation.

The entity receiving the USAID endowment must, under U.S. tax codes, be either be a 501(c)3 public charity or 501(c)3 private foundation. As a 501(c)3 public charity, the USAID Grant Recipient avoids an excise tax liability on net investment income and several Internal Revenue Code limitations and restrictions that apply to 501(c)3 private foundations. These restrictions include a requirement that the foundation annually distribute its net income for charitable purposes or be subject to substantial excise taxes and penalties. Because the USAID endowment is public money and the purposes of the Zimbabwe American Development Foundation represent the broad interests of the public, the Lead Organization may wish to establish a separate legal entity to receive the USAID Grant, manage the endowment, and implement the Grant provisions as a 501(c)3 public charity, or select a legal entity which is already a 501(c)3 public charity to perform these functions.

A private organization's direct interaction with a foreign government does not necessarily create a problem with respect to 501(c)3 status. Cooperation with a foreign government as well as with the USG is acceptable as long as the foreign government serves as an agent through which the charity's exempt purpose is accomplished as opposed to supporting a foreign government. Support of a foreign government is not a recognized charitable purpose and will cause the donor to receive adverse treatment under IRC 501(c)3. Zimbabwe American Development Foundation grants to the GOZ or any of its entities is precluded by not only this prohibition, but also by USAID PD 21 which requires the organization to be non-governmental and remain totally independent from any government. USAID endowments are intended and authorized for only non-profit, charitable purposes.

The knowledge and expertise a U.S. Lead Organization can bring to the Zimbabwe American Development Foundation in the management of an endowment in accordance with U.S. tax laws, as well as Inspector General audit exposure, cannot be underestimated.

#### 4. Foundation Code of Ethics

In discussing the start-up and operations of a new foundation, several representatives of NGOs and CSOs mentioned the need for any new foundation to be "corruption and patronage free." Related party transactions and corruption can be extremely important to the Zimbabwe American Development Foundation because of public and donor reaction to unethical events and adverse publicity.

The Lead Organization will assist the Zimbabwe American Development Foundation in establishing policies and procedures to provide the Zimbabwe American Development Foundation, the Lead Organization, USAID, and the general public with reasonable assurances that Zimbabwe American Development Foundation board members and staff maintain independence (in fact and in appearance) in all circumstances related to the Zimbabwe-America Foundation's grant-making functions, perform all board and staff responsibilities with integrity, and maintain objectivity in discharging their responsibilities.

Board members and staff, or any related party of a board member or staff, will be precluded from any material interest, direct or indirect, in any of the transactions to which the Zimbabwe American Development Foundation is a party. These include but are not limited to:

Sale, purchase, exchange, or leasing of property;

Receiving or furnishing of goods, services, or facilities;

Transfer or receipt of income or assets; and

Maintenance of bank balances as compensating balances for the benefit of another.

Board members and staff or any related party of a board member or staff are precluded from being indebted to the Zimbabwe American Development Foundation at any time except for amounts which might be due as a result of an ordinary travel or expense advance.

When a board member or staff becomes aware that the potential exists for the occurrence of a related party transaction, he/she will make full disclosure to the board of the nature and extent of the potential conflict.

The number of candidates for the board involved in grant-seeking NGOs may be a problem. Many individuals of impeccable integrity and objectivity are already sitting on boards or actively volunteering services for the NGOs and CSOs expected to solicit grants from the Zimbabwe American Development Foundation. The Lead Organization needs to determine

how it will address the problem of considering a grant from an NGO to which a board member belongs in either an active or passive manner. It is anticipated that board members would recuse themselves on related party transactions.

Related parties in a nation with a long tradition of extended families is a difficult concept to define. Immediate family for independence in the U.S. context means family members whom a board member or a staff member might control or influence, or by whom they might be controlled or influenced because of the family relationship. The Lead Organization needs to assist the board in defining immediate family in the cultural context of Zimbabwe, taking into consideration that appearance of independence and objectivity is also important.

## B. Endowment Management

### 1. Country of Investment

USAID's US\$10 million contribution to the Lead Organization for the endowment will be invested in financial instruments offered in the United States through U.S.-based fund manager(s) pursuant to Policy Determination 21.

### 2. Fund Manager Selection/Replacement

The U.S. Lead Organization will select one or more U.S. Asset Manager(s) following agreed upon procedures. USAID will concur in the selection and replacement of the U.S. Asset Manager during the oversight period. In addition, the management agreement(s) with the fund manager and any amendments thereto, must be approved by USAID during its oversight period. When it considers it appropriate, the U.S. Lead Organization will incorporate the board and Investment Committee of the Zimbabwe American Development Foundation into the process of selecting and/or replacing the U.S. Asset Manager.

### 3. Separate Accounts

The US\$10 million USAID contribution to the endowment and the return on those funds will be held in an account that is separate from all other managed endowment funds to facilitate monitoring.

Funds in the Zimbabwe dollar accounts are expected to be invested in sound prudent financial instruments and securities of the Zimbabwe Government and of highly rated Zimbabwe banks and corporations, or other investments as recommended appropriate, prudent, and safe by the Investment Advisory Committee.

#### 4. General Criteria for Investment of Endowment Capital

The USAID endowment is to be a permanent endowment, expected to continue in perpetuity. Except by prior agreement between the Lead Organization, the Zimbabwe American Development Foundation, and USAID, the principal will not be invaded. In managing the endowment, the Lead Organization will exercise ordinary business care and prudence with respect to the endowment funds under the facts and circumstances prevailing at the time of making an investment. In the exercise of the requisite standard of care and prudence, the endowment's asset fund manager may take into account the expected return (including both income and appreciation of capital), the risks of rising and falling price levels, and the need for diversification within the investment portfolio (for example, with respect to type of security, type of industry, maturity of company, degree of risk and potential for return). The determination whether the investment meets the foregoing standards will be made on an investment-by-investment basis, in each case taking into account the endowment fund as a whole.

In the absence of acceptable criteria or investment strategy by the Lead Organization, the initial policy for selection of the appropriate investments shall be made from equity instruments and fixed income instruments. The policy will be to diversify the portfolio by industry, issue, and type of investment income.

Equity instruments will generally be of high quality, and will be readily marketable. The purpose of equity investments will be to provide current income, growth of income, and appreciation of principal over the longer term with the recognition that this requires the assumption of greater market variability and risk of loss.

Fixed income instruments will generally be of high quality and will be readily marketable. The purpose of fixed income investment is to provide a relatively high, predictable, stable stream of income and to reduce the variability of the Endowment's total portfolio value.

Credit quality of a security will be determined by standard rating services. Should the rating of an individual security fall below the minimum acceptable level while it is being held, immediate disposal is not mandated, but will be considered by the Lead Organization as market conditions and overall portfolio management warrant.

Market timing shall be avoided; however, allocations among asset classes shall be modified when such actions are expected to produce incremental return or reduce risk. The equity portion of the portfolio may range as high as 65 percent of the total market value portfolio. Equities may include both domestic and foreign issues. Equities will be diversified, with no more than five percent of the total market value of the portfolio, at the time of purchase, in any one sector. Up to 15 percent of the portfolio may be invested in equities issued by

corporations with capitalization below US\$600 million (small-capitalization companies).

Fixed income securities should generally be rated investment grade. No more than 10 percent of the value of the fixed income portfolio may be invested in issues rated below investment grade (BAA-by Moody's and BBB-by S&P), as long as the average quality of the portfolio is investment grade.

The following investment instruments will be authorized as indicated:

U.S. common stock in U.S. dollars issued by listed U.S. companies or listed foreign companies, or ADRs of foreign companies, or U.S. registered mutual funds which invest internationally;

Preferred stock issued by U.S. companies;

Corporate bonds issued by U.S. or foreign entities, denominated in U.S. dollars;

U.S. Government and Federal Agency fixed income obligations;

Collateralized mortgage obligations securitized by Federal Agency mortgage pass-through securities, or asset-backed securities, rated "AA" or better;

Money market funds and bank accounts; and

Mutual funds investing in authorized instruments, or otherwise approved by the Investment Committee. To the extent that Mutual Funds are used to effect investment policy, they should be chosen so that the overall investments remain within the above-stated investment parameters.

Under no circumstances, will the Lead Organization or the Zimbabwe American Development Foundation pledge, mortgage, or otherwise encumber, in any way, the endowment funds or any part thereof. Uncovered options, derivative instruments, margin investments, and commodities and futures are prohibited.

The general investment strategy for the Zimbabwe American Development Foundation endowment is prudential management which endeavors to preserve the capital base as well as ensuring a reasonable return. As noted below, an active Investment Advisory Committee will be used to ensure an appropriate investment strategy is pursued.

The Lead Organization will select the initial U.S. Asset Manager(s) to make all investment decisions regarding the USAID dollar-funded endowment. In selecting the Asset Manager(s),

the Lead Organization will examine asset managers for investment style and past performance. The Lead Organization will look for consistent, risk-adjusted performance. The Lead Organization will weigh the ability of an asset manager to perform consistently in both up and down markets. Ideally, the asset manager's style and past performance will demonstrate an ability to structure a portfolio to take advantage of rising prices in the equity markets but insulated in times of falling prices. The Lead Organization should review past performance of U.S. asset managers over a minimum five year period. The Lead Organization will also determine if the asset manager to be selected is capable of meeting specific foundation service and reporting needs.

During the USAID oversight period, the endowment's asset management agreement(s) will set forth investment guidelines, consistent with the investment strategy discussed above, and will specify USAID's rights to receive reports, approve modifications to the agreement and significant changes to the financial strategy, and to terminate the Endowment.

No member of the board of either the Lead Organization or the Zimbabwe American Development Foundation, any Committee or Subcommittee of either foundation, or the staff of either organization may hold any position, honorary or otherwise, on any board, committee, advisory group or staff of the Asset Manager(s) selected.

#### 5. Use of Endowment Income

Annually, the Lead Organization will make the endowment's net investment income, less an amount to be reinvested for inflation, available to the Zimbabwe American Development Foundation. The income will be transferred to the Zimbabwe American Development Foundation after the Lead Organization has reviewed and approved the Zimbabwe American Development Foundation's annual financial and operating plan which includes the anticipated percentage of expenses allocated for general operating and administrative expenses and overhead.

Invasion of the USAID endowment principal is not anticipated.

#### 6. Investment Advisory Committee

The Zimbabwe American Development Foundation will also establish an Investment Advisory Committee to establish the investment policies regarding any local currency (Zimbabwe dollar) endowment funds raised by the ZADF. Its responsibilities will include:

Establishing procedures and controls for the investment of the capital and for the oversight thereof;

Preparing a proposed investment policy to be presented for the approval of the board of Trustees, and to propose modifications of such policy when appropriate;

Negotiating the necessary contractual arrangements with the professional Asset Managers, approved by the board, who will invest the endowment funds;

Monitoring these investments in comparison with market indexes on at least a quarterly basis;

Overseeing the administrative expenditures of the Zimbabwe American Development Foundation as well as the budget allocated for NGO grants; and

To otherwise advise and assist the administrative personnel of the Zimbabwe American Development Foundation and the other Committees regarding the sound administration of the financial resources of the foundation.

At the appropriate time, the Lead Organization will integrate the selection and monitoring of the U.S. Asset Manager(s) into the Zimbabwe American Development Foundation's Investment Advisory Committee responsibilities. The Lead Organization will be responsible for determining when this should occur.

For purposes of oversight and management, the Zimbabwe American Development Foundation should strive to manage non-USG contributions in a manner as publicly accountable and open as required under the USAID guidelines for the dollar-appropriated endowment.

#### 7. USAID/U.S. Government Oversight Period and Approvals

The USAID oversight period for this endowment is seven years from the date of the signature of the grant agreement establishing the endowment. There are three distinct time periods associated with the establishment of this endowment, each of which carries different responsibilities for both the Lead Organization, the Zimbabwe American Development Foundation and USAID. The three periods are: (1) initial disbursement, during which time all conditions precedent to disbursement (as set forth in the assistance agreement and the endowment agreement) must be met; (2) a USAID oversight period of seven years, during which time USAID will exercise approval and monitoring functions (as described in the assistance agreement) and (3) a post-USAID oversight period during which time USAID's approval and monitoring functions will cease, and USAID will retain termination rights only in the event that the Zimbabwe American Development Foundation is dissolved (and for any other reasons as mutually agreed to by both parties in the endowment agreement). A description of the three phases and the recommended management considerations are

presented below followed by a description of anticipated reporting requirements.

- FY 1997-1999:** During this time frame USAID/Zimbabwe will employ a dedicated activity manager to assist in the start-up of ZADF operations, actively promote the ZADF and philanthropic philosophy within Zimbabwe, and liaise with the Lead U.S. Organization, ZADF Board members, USAID/Washington, and the U.S. Embassy. In addition, this individual will be responsible for all activity management, monitoring and oversight activities including ensuring timely obligation of tranches of USAID funding, compliance with conditions precedent, and covenants, review of ZADF workplans and reports, and ensuring adequate results reporting through normal USAID channels.
- FY 2000-2003:** After the departure of the ZADF activity manager, the remaining oversight and monitoring responsibilities will remain with the USAID Affairs Officer in Zimbabwe. It is anticipated that the start-up grant will be completed or in its final year at this time and will require only limited hands-on management from the USAID Affairs Officer. No further obligations are required during this time period. Major responsibilities will be a continuing liaison role with the ZADF Board, U.S. Embassy, limited interaction with grant recipients, and Government of Zimbabwe officials as required. In addition, the USAID Affairs Officer will be responsible for reviewing reports received from the U.S. Lead Organization, the ZADF, the Asset Manager, ZADF independent auditors and others to ensure continuing compliance with agreement covenants, and that funds are being managed in a responsible manner. The USAID Affairs Officer will also include a review of ZADF performance in the annual R4 documentation. Because it is anticipated that the final matching funds may be received by the ZADF during the 2000-2003 period, the USAID Affairs Officer will be responsible for monitoring these receipts and reporting to USAID/W when the final match has been completed. In addition, it is anticipated that there will be one evaluation of ZADF initial operations, efficiencies and impact during this time.
- Beyond 2003:** Once USAID/Zimbabwe has closed its doors in Harare, there will be residual monitoring responsibilities for another USAID entity. USAID/W will need to determine if this role is best played by the Regional Center for Southern Africa in Botswana or by the Office of Southern Africa Affairs in the Africa Bureau in Washington. Because the foundation will have five to six solid years of operating experience by this date, it is not anticipated that the monitoring and oversight responsibilities will be

excessive. It is anticipated that the U.S. Embassy in Harare will assume some of the on-the-ground liaison and monitoring responsibility. The USAID responsible operating unit will respond to issues or problems identified by the U.S. Embassy in Harare as well as undertake the following responsibilities: review of annual operating reports and annual audits; contract for and manage a retrospective evaluation of ZADF performance and impact; and approve any changes required to endowment agreement.

The reporting requirements during the first seven years of the endowment (corresponding to the periods of disbursement and oversight), will include the following reports, audits and information:

**Annually:**

Copies of the audited financial statements of the Asset Manager(s) holding the endowment

Copy of the proposed annual financial and operating plan for the Zimbabwe American Development Foundation. USAID review of such document will be for the purposes of verifying overall compliance with the guidelines of the Grant, and not for purposes of approving or disapproving specific Zimbabwe American Development Foundation activities;

Copies of the Annual Report of the Grantee, showing progress toward overall objectives, including a summary of audits or evaluations received. During the period of the endowment, USAID will receive copies of such items on request.

**Semi-annually:**

Reports from the Asset Manager(s) holding the endowment, showing overall portfolio value, investment holdings, earnings (or losses) to date, distributions to the Grantee, account fees and such other details as the Grantee and USAID may request.

**Other:**

A copy of the independent and USAID-approved outside evaluation of the Zimbabwe American Development Foundation to be performed at the Grantee's request and expense, at no less than two five year intervals from the signature of the Grant.

Copies of any other outside evaluations of the Grantee conducted by other donors or other organizations, whether or not contracted for by the Grantee.

Periodic project briefs, reports and papers on project findings, activities and results as the Grantee may deem appropriate.

During the specified oversight period, USAID shall retain a discretionary right to inspect the books and records of the Zimbabwe American Development Foundation and to perform or arrange any further audits at USG expense. The Lead Organization and the Zimbabwe American Development Foundation shall cooperate with USAID to allow any such audit.

During the period of the Grant, USAID may, at its own expense, conduct or arrange for the conduct of one or more evaluations of the Zimbabwe American Development Foundation's programs. The Lead Organization and the Zimbabwe American Development Foundation shall cooperate with USAID to allow any such evaluation.

During the post-oversight period, USAID may continue to passively receive reports but will no longer require that they be submitted. Documents available in this manner include: annual audits, annual reports, and project reports. The combination of these documents will provide a broad-based view of the Zimbabwe American Development Foundation's operations and are expected to leave donors, including USAID, with continued confidence that the investments in the foundation are producing results consistent with the foundation's principles.

## 8. Conditions Precedent and Covenants

### a. Condition Precedent to Initial Disbursement of Endowment

Prior to disbursement of the endowment corpus grant by USAID or issuance by USAID of documentation pursuant to which disbursement will be made, the Recipient shall submit to USAID, in form and substance satisfactory to USAID, evidence of the following matters:

That the Recipient has established a Trust Deed under Zimbabwean law and that the Zimbabwe American Development Foundation is a legal entity in Zimbabwe with a tax-exempt status, and is eligible to receive income from tax-exempt entities in the United States.

That the Zimbabwe American Development Foundation has adopted a corporate policy on personnel compensation, including salaries and fringe benefits, consistent with local practice and appropriate to a non-profit organization.

That the Zimbabwe American Development Foundation has adopted a corporate policy

on ethics, conflicts of interest, and standards of conduct for board and staff members.

That the Recipient has executed one or more Asset Management Agreement(s), with such Asset Manager(s) as USAID and the Recipient may mutually agree upon. The Agreement(s) shall set forth investment guidelines consistent herewith and specify USAID's rights to receive reports, to approve modifications of the Agreement or drawdown of capital, and to terminate the endowment.

That USAID has approved the initial financial and operating plan, including a realistic projection of income from the endowment, anticipated distributions to the Zimbabwe American Development Foundation and the annual rate of spending, broken down by line items, during the first year of operations of the endowment, including the anticipated percentage of expenses allocated for general administrative and overhead for such year.

That USAID has approved the environmental guidelines of the Zimbabwe American Development Foundation for evaluating the environmental impact of its grants, which preclude the award to any grants or activities which are deemed potentially harmful to the environment.

USAID will promptly notify the Recipient when it has determined that the above conditions precedent have been fulfilled.

Once the conditions precedent have been fulfilled, in order to request disbursement of the grant, the Recipient will submit to USAID an original and three copies of Standard Form SF 1034, "Public Voucher for Purchases and Services Other Than Personal." The voucher will instruct USAID to disburse the grant to the Asset Manager(s) for investment on Recipient's behalf pursuant to the Asset Manager Agreements(s) and the terms of the endowment agreement.

If the foregoing conditions precedent to disbursement have not been fulfilled within one year from the date of the agreement or such other date to which USAID may agree, USAID may, at its option, terminate the endowment agreement by written notice to the Recipient.

**b. Covenants Regarding the Endowment**

Under no circumstances is the Recipient to disburse principal or endowment income, or subject the principal to taxation by the Government of Zimbabwe.

**c. Refund and Termination Rights**

The standard Refund and Termination Rights will apply to the Grant to the Lead

Organization. These include: misuse of the endowment funds, adverse or material audit findings, fundamental change in the nature of the Zimbabwe American Development Foundation's structure or operations (e.g., cessation or dissolution), failure of the Zimbabwe American Development Foundation to comply with the terms of its constitution or by-laws, and failure to agree on the selection or replacement of an Asset Manager.

In addition to the standard Refund and Termination Rights, USAID will consider failure to attract a matching endowment contribution to be a circumstance under which USAID may terminate the endowment. It is anticipated that the Lead Organization will be responsible for raising US\$5 million between 1997-1999, and an additional US\$5 million by 2002.

#### 9. Audit of Foundation

The audit requirements, stated in detail in the Standard Provisions for an endowment with Non-U.S. Non-Governmental Recipient, are only summarized here. It is anticipated that these provisions will apply even though the endowment will be to a U.S. organization.

The Lead Organization will require the Asset Manager to provide it with a copy of its annual, audited, financial statement, or other annual financial audit, of its management of the endowment. The Lead Organization will submit to USAID an annual report of its financial statements and the financial statements of the Zimbabwe American Development Foundation. These audits will also include a determination of compliance if required by OMB Circular A-133.

Finally, the Zimbabwe American Development Foundation will demand annual audited financial statements of its grantees for the calendar or fiscal year in which the grantee received Zimbabwe American Development Foundation support.

### V. Planning Considerations

#### A. Implementation Plan

There are three distinct processes to actual implementation of this proposal: 1) USAID approval/contracting, 2) Lead Organization start-up, and 3) compliance with initial conditions precedent for disbursement of endowment funds. Figure 3 presents the approximate time required for each of the actions involved in these three processes. The time estimates are based on USAID/Zimbabwe's experience or best estimates.

Because the proposal involves an endowment and activities in a non-presence country, USAID/AFR, USAID/M and USAID/PPC approvals are necessary. In terms of critical USAID dates and deadlines, the selection of a U.S. Lead Organization is anticipated to be

completed by July 1997 for USAID to execute an endowment cooperative agreement by the end of the current fiscal year (FY 97).

The Lead Organization will need three to four months to locate a chief of party in Zimbabwe, establish a steering committee, retain legal counsel, identify the initial Board of Trustees, and arrange for the drafting of the ZADF by-laws with local Zimbabwe participation and input. Despite the time required for these initial start-up processes and anticipating a September 1997 assistance agreement (grant or cooperative agreement) signing, the Lead Organization should be able to establish the ZADF as a local trust under a Trust Deed rapidly.

1997

By Year with Approximate Dates

Task Name	Responsible	January	February	March	April	May	June	July	August	September	October	November	December
		01/07   01/22	02/06   02/21	03/08   03/23	04/07   04/22	05/07   05/22	06/06   06/21	07/06   07/21	08/05   08/20	09/04   09/19	10/04   10/19	11/03   11/18	12/03   12/18
Prepare Fndtn/endwmt proposal	RMIS												
USAID/Zim Final Review	RMIS												
Draft Request for Exp of Interest (pioft)	RMIS												
RCO Issues REI	RCO												
Fndtn/Endwmt proposal presented to USAID/W	RMIS												
Fndtn/Endwmt proposal approved by AFR	AFR/SA												
Tech proposals del to USAID/Z	RMIS												
Tech Eval Memo completed (initial selection)	RMIS												
Negotiation of Project Description	RMIS/RCO												
RCO eval cost proposal	RCO												
Assist with ZADF environmental guidelines	REDSO/ED												
Grant letter prepared and signed	RCO												
Notify that initial CPs have been met	MDIR												
Arrange for PVO pre-award survey	RMIS												
Advertise for Activity Manager	RMIS												
Review Candidates for Activity Manager	RMIS												
Contract for Project Management	RCO												
Project Manager on Board	RMIS												
Establish local steering committee (sc)	LO												
Nominate/name Trustees	LO/SC												
Board constituted & agreed upon	LO/USG												
Retain legal counsel	LO												
Draft Trust Deed	LO/ED												
Draft bylaws as necessary	LO/ED												
Interview and recommend Executive Director	LO/SC												
Register Trust Deed	Legal												
Seek Registration as US 501(c) (3) entity	LO												
Selection of US Asset Mgr	LO												
Deposit of Endowment in US account	USAID												
Review of annual financial & operating plans	LO												
Hire temp Exec Dir	LO												
Approve Permanent Executive Director	ZADF												
Approve by laws	ZADF												
Form finance committee	ZADF												
Form fundraising committee	ZADF												
Form investment committee	ZADF												
Draft personnel and operating procedures	ED												
Draft financial rules and procedures	ED												
Draft ethics/conflict of interest policies	ED												
Draft operating principles for grants	ED												
Draft environmental guidelines	ED												
Approve personnel & operating procedures	ZADF												
Approve financial rules and procedures	ZADF												
Approve ethics/conflict of interest policies	ZADF												
Approve operating principles for grants	ZADF												
Approve environmental guidelines	ZADF												
Approve accounting and audit firm	ZADF												
Prepare annual operating budget and finance plan	ED												
Approval of annual op budget & fin plan	ZADF												
Initiation of Zimbabwe fundraising	ZADF												
Selection of Zimbabwe Asset Manager	ZADF												
Solicitation: econ growth & dem gov gmt proposals	ED												
Review & award of grants	ZADF												
ZADF Board Meetings	ZADF												

1998

By Year with Approximate Dates

Task Name	Responsible	January	February	March	April	May	June	July	August	September	October	November	December
		01/02   01/17	02/01   02/16	03/03   03/18	04/02   04/17	05/02   05/17	06/01   06/16	07/01   07/16	07/31   08/15	08/30   09/14	09/29   10/14	10/29   11/13	11/28   12/13
Prepare Fndtn/endwmt proposal	RMIS												
USAID/Zim Final Review	RMIS												
Draft Request for Exp of Interest (pior)	RMIS												
RCO issues REI	RCO												
Fndtn/Endwmt proposal presented to USAID/DW	RMIS												
Fndtn/Endwmt proposal approved by AFR	AFR/SA												
Tech proposals del to USAID/Z	RMIS												
Tech Eval Memo completed (initial selection)	RMIS												
Negotiation of Project Description	RMIS/RCO												
RCO eval cost proposal	RCO												
Assist with ZADF environmental guidelines	REDSO/EO												
Grant letter prepared and signed	RCO												
Notify that Initial CPs have been met	MDIR												
Arrange for PVO pre-award survey	RMIS												
Advertise for Activity Manager	RMIS												
Review Candidates for Activity Manager	RMIS												
Contract for Project Management	RCO												
Project Manager on Board	RMIS												
Establish local steering committee (sc)	LO												
Nominate/name Trustees	LO/SC												
Board constituted & agreed upon	LO/USG												
Retain legal counsel	LO												
Draft Trust Deed	LO/ED												
Draft bylaws as necessary	LO/ED												
Interview and recommend Executive Director	LO/SC												
Register Trust Deed	Legal												
Seek Registration as US 501(c) (3) entity	LO												
Selection of US Asset Mgr	LO												
Deposit of Endowment in US account	USAID												
Review of annual financial & operating plans	LO												
Hire temp Exec Dir	LO												
Approve Permanent Executive Director	ZADF												
Approve by laws	ZADF												
Form finance committee	ZADF												
Form fundraising committee	ZADF												
Form investment committee	ZADF												
Draft personnel and operating procedures	ED												
Draft financial rules and procedures	ED												
Draft ethics/conflict of interest policies	ED												
Draft operating principles for grants	ED												
Draft environmental guidelines	ED												
Approve personnel & operating procedures	ZADF												
Approve financial rules and procedures	ZADF												
Approve ethics/conflict of interest policies	ZADF												
Approve operating principles for grants	ZADF												
Approve environmental guidelines	ZADF												
Approve accounting and audit firm	ZADF												
Prepare annual operating budget and finance plan	ED												
Approval of annual op budget & fin plan	ZADF												
Initiation of Zimbabwe fundraising	ZADF												
Selection of Zimbabwe Asset Manager	ZADF												
Solicitation: econ grwth & dem gov grnt proposals	ED												
Review & award of grants	ZADF												
ZADF Board Meetings	ZADF												

As noted above, establishment of a trust under Zimbabwean law is a fairly straight-forward process. Local legal counsel advises that a trust is established by a donor and may be established with as little as Z\$100. In addition, although current backlogs at the Registry of Companies and Deeds may delay public registration, a trust may begin to operate as soon as the Trust Deed is signed. It is anticipated that the Trust Deed will be drafted to include broad powers to undertake charitable work within the intent of the USAID activity and which meet the requirements for tax-exempt status in the United States. Neither Trusts or NGOs receive automatic tax-exempt status in Zimbabwe, and separate documentation requesting such status must be submitted to the Commissioner of Taxes once the trust has been established.

The U.S. Lead Organization is expected to have completed much of the fundamental paperwork for compliance with the Conditions Precedent (CPs) within six months of operation. Consequently, fulfillment with the initial CPs should occur within two months of the first board meeting.

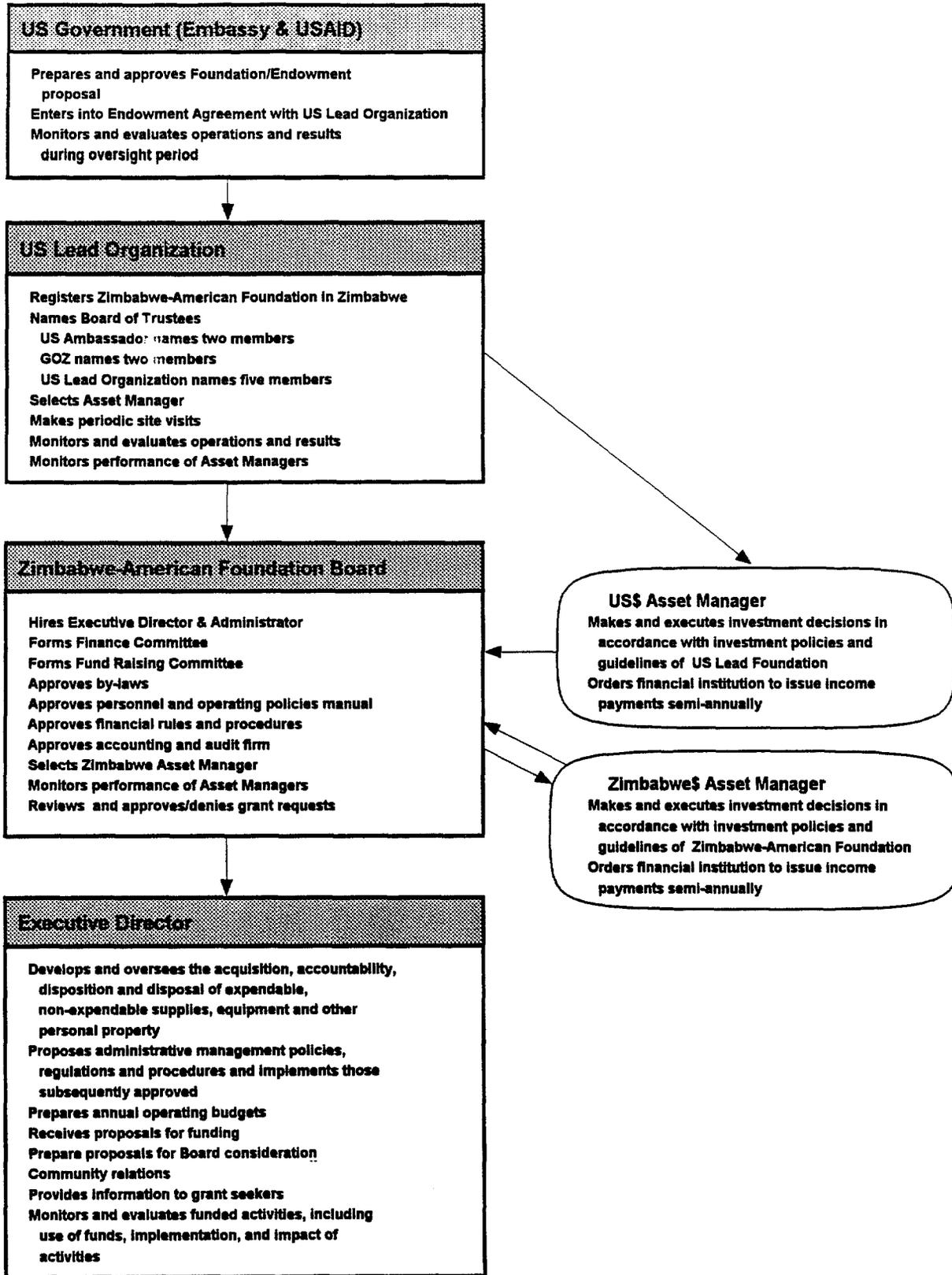
#### B. Management Plan

A detailed listing of management roles and responsibilities appears in Figure 4. The design of ZADF is expected to constitute a decreasing administrative burden for USAID/Zimbabwe. It is anticipated that USAID will require one full time activity manager for the first 2 years - the period corresponding to the establishment and initiation of activities of the ZADF. This position can be met within the current mission personnel ceilings for program funded staff. Funding for this position will be obligated through a direct contract. A draft statement of duties for this position is included as Annex B.

USAID/Zimbabwe's contracting and procurement responsibilities for the functional portion of the endowment have been limited to one procurement action and potentially two grant documents. Based on preliminary consultations with USAID/W, the Regional Contracting officer issued a Request for Expressions of Interest (REI) on March 5, 1997. Based on the response to this REI and the review of the mission's Country Strategic Plan, USAID/Zimbabwe anticipates entering into discussions with one or more potential partners in May 1997. The selected organization will be awarded either a grant or a cooperative agreement as the Lead Organization for approximately a three year period. The final determination on the specific instrument, grant or cooperative agreement, will be based on factors including experience of the selected organization in the development of local entities, familiarity with foundation operations, and familiarity with USAID rules and regulations. All activity-funded procurement of goods will be managed by a resident specialist of the Lead Organization.

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# Figure 4 Zimbabwe-American Foundation Management Roles and Responsibilities



There will be management and mentoring relationship between the Lead Organization and the ZADF. The ZADF will annually present an operating and financial plan to the Board of Trustees for the use of investment income, and in the initial years of operation the Lead Organization will be involved in the formulation and review of the operating plan at a minimum. As stated above, at first the financial management of the endowment will be the responsibility of the Investment Advisory Committee established by the Lead Organization. This committee will incorporate the ZADF into its decision-making process for the endowment and will delegate the investment management responsibilities to the ZADF investment committee when the Lead Organization feels it is appropriate.

The tasks or key elements of the job description for the Executive Director appear in Figure 4. The ZADF will establish the Executive Director's delegation of spending authority and responsibility for operations. ZADF will document the Executive Director's financial and management authorities in its personnel and operating policies manual and its financial rules and procedures manual, both of which will be approved by the Lead Organization and USAID.

### C. Financial Analysis/Pro Forma Cash Flows

Of the US\$12.5 million proposed for this activity, US\$2.5 million is budgeted for institution building of the ZADF. A detailed budget for the US\$2.5 million appears as Annex D. Implementation of the institution building component is expected to take approximately three years.

Pro-forma cash flow projections appear in Annex E for three scenarios using real rates of interest (adjusted for inflation): a worst case, three percent real rate; a likely case of five percent; and a best case of eight percent. While a real rate higher than eight percent is plausible given the recent activity in the public financial markets, USAID planning and presentation will adhere to the principle of conservatism.

With an annual three percent inflation rate, the market returns for the low scenario would be six percent which approximates a risk-free endowment placed in 30 year U.S. Treasury bonds. While there is always the possibility of a return to the high levels of inflation experienced in the late 1970s and early 1980s, it is not considered likely. There is also the possibility, again unlikely, that the Zimbabwe dollar would appreciate dramatically against the U.S. dollar, eroding the endowment's purchasing power. A real rate of three percent is conservatively presented as the worst case scenario.

The most likely scenario, with an inflation rate of three percent, reflects a nominal return of eight percent. An asset manager should be able to achieve this rate with a portfolio heavily

weighted towards fixed income securities and cash.

The best case scenario of an eight percent real return is the equivalent of an 11 percent nominal return. This will be achievable in up-markets with a heavier weighting in equities. In planning the financial feasibility of the Zimbabwe American Development Foundation, one should resist the temptation to apply the advertised returns of popular mutual funds, or even personal money management performance. As stated above, investment strategies for foundations are to be risk averse.

The two related conclusions emanating from the financial analysis are 1) the need for a matching endowment contribution, and 2) the requirement to keep the administrative costs low. Five percent will be the most likely real rate of return. With a five percent real return on principal, the ZADF can expect to have approximately US\$700,000 available for grants beginning in the fifth year. This is the amount remaining after portfolio management fees, U.S. administrative costs, and Zimbabwe operating costs. If the local administrative costs can be maintained at approximately \$150,000, the administrative to program cost ratio will be about 20 percent (see Figure 5). This is deemed acceptable. If the real rate of return on the portfolio is eight percent, the ratio of administration to program costs drops to approximately 10 percent. This is clearly preferred as a target for the foundation as it is a grant giving organization as opposed to a service delivery entity.

In the non-profit community, administrative costs as a percentage of program costs is closely monitored by donors and contributors. Most contributors expect a service delivery PVO to spend at least 60 percent of the annual expenses on program activities. Without the matching contribution, the administrative costs to program costs for the ZADF will double to 40 percent, a borderline for ratio for a service delivery PVO and high for a foundation. This highlights the need for a matching contribution. If the endowment were to be confined to US\$10 million, the ZADF would find itself spending about \$150,000 to make grants of around \$340,000. On the surface, this would not be acceptable.

Zimbabwe-American Development Foundation  
 Financial Plan & Budget Analysis  
 By fiscal years beginning at 9/1/97

Figure 5 - Page 1  
 (US\$000)

Estimated Real Rate of Return 3 percent	Total	1	2	3	4	5	6	7	8	9	10
USAID Cooperative Agreement (institutional assistance)	2,511	111	1,058	716	626	0					
USAID Endowment Funds	10,000	0	0	5,000	5,000	0					
<b>Total USAID Funding</b>	<b>12,511</b>	<b>111</b>	<b>1,058</b>	<b>5,716</b>	<b>5,626</b>	<b>0</b>					
Other Donor Endowment Funds	10,000	0	0	2,000	3,000	5,000					
ZADF Endowment Income	4,260	0	0	210	450	600	600	600	600	600	600
ZADF Endowment Expenses	2,100	0	0	53	266	297	297	297	297	297	297
Excess revenues over expenses	2,160	0	0	158	185	303	303	303	303	303	303
ZADF Endowment Grants											
Economic Growth Grants	1,033	0	0	79	42	152	152	152	152	152	152
Democracy/Governance Grants	1,033	0	0	79	42	152	152	152	152	152	152
<b>Total Endowment Grants</b>	<b>2,066</b>	<b>0</b>	<b>0</b>	<b>158</b>	<b>84</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>
USAID Cooperative Agreement (institutional grants)	414	0	339	75	0						
<b>Total Grants</b>	<b>2,480</b>	<b>0</b>	<b>339</b>	<b>233</b>	<b>84</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>	<b>304</b>
ZADF Grants	2,066	0	0	158	84	304	304	304	304	304	304
ZADF Operating Expenses	1,035	0	0	0	153	147	147	147	147	147	147
ZADF Expenses to Program Grant Ratio	50%			0%	182%	48%	48%	48%	48%	48%	48%

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Zimbabwe-American Development Foundation  
 Financial Plan & Budget Analysis  
 By fiscal years beginning at 9/1/97

Figure 5 - Page 2  
 (US\$000)

Estimated Real Rate of Return 5 percent	Total	1	2	3	4	5	6	7	8	9	10
USAID Cooperative Agreement (institutional assistance)	2,511	111	1,058	716	626	0					
USAID Endowment Funds	10,000	0	0	5,000	5,000	0					
<b>Total USAID Funding</b>	<b>12,511</b>	<b>111</b>	<b>1,058</b>	<b>5,716</b>	<b>5,826</b>	<b>0</b>					
Other Donor Endowment Funds	10,000	0	0	2,000	3,000	5,000					
ZADF Endowment Income	7,100	0	0	350	750	1,000	1,000	1,000	1,000	1,000	1,000
ZADF Endowment Expenses	2,100	0	0	53	266	297	297	297	297	297	297
Excess revenues over expenses	5,000	0	0	298	485	703	703	703	703	703	703
ZADF Endowment Grants											
Economic Growth Grants	2,453	0	0	149	192	352	352	352	352	352	352
Democracy/Governance Grants	2,453	0	0	149	192	352	352	352	352	352	352
<b>Total Endowment Grants</b>	<b>4,906</b>	<b>0</b>	<b>0</b>	<b>298</b>	<b>384</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>704</b>
USAID Cooperative Agreement (institutional grants)	414	0	339	75	0						
<b>Total Grants</b>	<b>5,320</b>	<b>0</b>	<b>339</b>	<b>373</b>	<b>384</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>704</b>	<b>704</b>
ZADF Grants	4,906	0	0	298	384	704	704	704	704	704	704
ZADF Operating Expenses	1,035	0	0	0	153	147	147	147	147	147	147
<b>ZADF Expenses to Program Grant Ratio</b>	<b>21%</b>			<b>0%</b>	<b>40%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>

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Zimbabwe-American Development Foundation  
 Financial Plan & Budget Analysis  
 By fiscal years beginning at 9/1/97

Figure 5 - Page 3  
 (US\$000)

<b>Estimated Real Rate of Return 8 percent</b>	Total	1	2	3	4	5	6	7	8	9	10
USAID Cooperative Agreement (institutional assistance)	2,511	111	1,058	716	626	0					
USAID Endowment Funds	10,000	0	0	5,000	5,000	0					
<b>Total USAID Funding</b>	<b>12,511</b>	<b>111</b>	<b>1,058</b>	<b>5,716</b>	<b>5,626</b>	<b>0</b>					
Other Donor Endowment Funds	10,000	0	0	2,000	3,000	5,000					
ZADF Endowment Income	11,360	0	0	560	1,200	1,600	1,600	1,600	1,600	1,600	1,600
ZADF Endowment Expenses	2,100	0	0	53	266	297	297	297	297	297	297
<b>Excess revenues over expenses</b>	<b>9,260</b>	<b>0</b>	<b>0</b>	<b>508</b>	<b>935</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>
ZADF Endowment Grants											
Economic Growth Grants	4,583	0	0	254	417	652	652	652	652	652	652
Democracy/Governance Grants	4,583	0	0	254	417	652	652	652	652	652	652
<b>Total Endowment Grants</b>	<b>9,166</b>	<b>0</b>	<b>0</b>	<b>508</b>	<b>834</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>
USAID Cooperative Agreement (institutional grants)	414	0	339	75	0						
<b>Total Grants</b>	<b>9,580</b>	<b>0</b>	<b>339</b>	<b>583</b>	<b>834</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>
ZADF Grants	9,166	0	0	508	834	1,304	1,304	1,304	1,304	1,304	1,304
ZADF Operating Expenses	1,035	0	0	0	153	147	147	147	147	147	147
<b>ZADF Expenses to Program Grant Ratio</b>	<b>11%</b>			<b>0%</b>	<b>18%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>11%</b>

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If the ratio of administrative to program costs is high after the first five years of operations, USAID and the Lead Organization would need to examine the program results to determine if the endowment should be terminated. It must be remembered that while a high ratio of administrative expenditures to program expenditures is discouraged, it is only a financial ratio and must be examined in light of program achievements.

#### D. Performance Monitoring Plan/Endowment Success

A critical component of USAID's new programming approach is measuring and reporting on achievement of results through tracking specific indicators of progress (quantitative and/or qualitative). Because the Zimbabwe American Development Foundation is part of the Special Objective, USAID will report on ZADF results and progress in its annual R4 document. In addition, it is anticipated that the U.S. Embassy will incorporate similar reporting in its annual MPP reporting. The Zimbabwe American Development Foundation will be responsible for establishing and monitoring intermediate results utilizing input from the grantees.

As noted in the Results Section, there are both programmatic and institutional results anticipated for the ZADF. These are repeated below in Table 1. However, once the ZADF is established, it is anticipated that additional input will be made solicited for determining appropriate lower level intermediate results.

To facilitate this process the Zimbabwe American Development Foundation will survey the Grantees for input on:

What indicators should be considered for measuring progress at the Intermediate Result level?

What is/are the best measure or measures of progress for evaluating impact of individual grant activities and how would the information be gathered?

How can replication of successful models be measured and monitored?

How do these proposed measures allow the Zimbabwe American Development Foundation to assess results achievement at the Intermediate Result level?

How and why do these desired results contribute towards the achievement of the objectives under increased economic opportunities, development of a politically active civil society and improved governance?

The Zimbabwe American Development Foundation will describe the results it achieves in its annual reports, which will be sent to USAID. The Zimbabwe American Development

Foundation is expected to include a description of program activities, major grants, goals, achievements, progress made and problems encountered in implementing the approved annual operating and financial plan.

Results and Indicator for the ZADF

1. Increased Economic Opportunities

- Proposed Indicators:
- a. Credit to USAID assisted groups
  - b. Production by targeted groups
  - c. Employment by targeted groups

2. Development of Politically Active Civil Society

- Proposed Indicators:
- a. Percent of population reporting participation in civil society
  - b. Number of independent sources of media
  - c. Freedom House index and report on human rights and civil society

3. Improved Public and Corporate Governance

- Proposed Indicators:
- a. Frequency of dissemination of information related to budget and procurement processes (annually, monthly, weekly, etc.)
  - b. Number/Percentage of legislators and cabinet members reporting CSO and/or NGO influence in policy and legislative decisions.

Institutional Results:

1. An institution, (the ZADF) capable of awarding and administering grants to Zimbabwean non-governmental institutions with appropriate:
  - legal status
  - financial management capability
  - technical analytical capacity
  - managerial capability
2. The ZADF will award grants ranging from Z\$25,000 (US\$2500) to Z\$1,000,000 (US\$100,000) for annual and multi-year programs to Zimbabwean NGOs, trusts and other organizations meeting award criteria..
3. The ZADF will have a demonstrated ability to leverage additional funds for program activities (e.g. through co-financing) and for augmentation of the endowment corpus.

Annexes

Annex A	Assistance Checklist
Annex B	Statement of Work for ZADF Manager
Annex C	Initial Environmental Examination
Annex D	Detailed Budget - Institutional Strengthening
Annex E	ZADF Endowment Cash Flow

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**II. ASSISTANCE CHECKLIST**

Listed below are criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance only; or (C) Economic Support Funds only. assistance.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE? Yes

**A. DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND**

**1. Congressional Notification**

a. **General Requirement** (FY 1996 Appropriations Act Sec. 515; FAA Sec. 634A): If money is to be obligated for an activity or strategic objective not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)?

1.a. Congress will be notified.

b. **Special Notification Requirement** (FY 1996 Appropriations Act Sec. 520): Are all activities proposed for obligation subject to prior congressional notification?

1.b. No.

c. **Notice of Account Transfer** (FY 1996 Appropriations Act Sec. 509): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular

1.c. N/A

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notification procedures?

- d. Cash Transfers and Nonproject Sector Assistance** (FY 1996 Appropriations Act Sec. 532(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? 1.d. N/A
- 2. Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? 2.a) Yes  
b) Yes
- 3. Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? 3. No legislative action required.
- 4. Water Resources** (FAA Sec. 611(b)): If the assistance is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? 4. N/A
- 5. Cash Transfer/Nonproject Sector Assistance Requirements** (FY 1996 Appropriations Act Sec. 532). If assistance is in the form of a cash transfer or nonproject sector assistance:

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- a. **Separate Account:** Are all such cash payments to be maintained by the country in a separate account and not commingled with any other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)? 5.a. N/A
- b. **Local Currencies:** If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies: 5.b.(1) N/A
- (1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?
- (2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? 5.b.(2) N/A
- (3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? 5.b.(3) N/A
- (4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for 5.b.(4) N/A

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purposes agreed to by the recipient government and the United States Government?

**6. Capital Assistance** (FAA Sec. 611(e)): If capital assistance is proposed (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the assistance effectively?

6. N/A - not for construction.

**7. Local Currencies**

**a. Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

7.a. The ZADF has a matching requirement for the \$10.0 million endowment. It is anticipated that funds will come from Zimbabwean and American sources.

**b. US-Owned Foreign Currencies**

**(1) Use of Currencies** (FAA Secs. 612(b), 636(h)): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

7.b. No U.S. owned foreign currencies.

7.b.(1) N/A

**(2) Release of Currencies** (FAA Sec. 612(d)): Does the U.S. own non-PL 480 excess foreign currency of the country and, if so, has the agency endeavored to obtain agreement for its release in an amount equivalent to the dollar amount of the assistance?

7.b.(2) No.

**8. Trade Restrictions - Surplus Commodities** (FY 1996 Appropriations Act Sec. 513(a)): If assistance is for the

8. N/A

production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

9. **Environmental Considerations** (FAA Sec. 117; USAID Regulation 16, 22 CFR Part 216): Have the environmental procedures of USAID Regulation 16 been met?

9. Yes. IEE completed with Categorical Exclusion and Negative Determination.

10. **PVO Assistance**

a. **Auditing** (FY 1996 Appropriations Act Sec. 551): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of USAID?

10.a.

b. **Funding Sources** (FY 1996 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? If not, has the requirement been waived?

10.b.

11. **Agreement Documentation** (Case-Zablocki Act, 1 U.S.C. Sec. 112b, 22 C.F.R. Part 181): For any bilateral agreement over \$25 million, has the date of signing and the amount involved been cabled to State L/T immediately upon signing and has the full text of the agreement been pouched to State/L within 20 days of signing?

11. N/A - agreement less than \$25 million.

12. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

12. Yes

13. **Abortions** (FAA Sec. 104(f); FY 1996 Appropriations Act, Title II, under heading " Development Assistance" and Sec. 518):

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? (Note that the term "motivate" does not include the provision, consistent with local law, of information or counseling about all pregnancy options .)

13.a. No

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide

13.b. No

any financial incentive to any person to undergo sterilizations?

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? 13.c. No

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to, a broad range of family planning methods and services? (As a legal matter, DA only.) 13.d. N/A

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? (As a legal matter, DA only.) 13.e. N/A

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? 13.f. No

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? 13.g. No

**14. Procurement**

a. **Source, Origin and Nationality** (FAA Sec. 604(a): Will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? 14.a. As determined by GC, funds will be available for Code 935 procurement.

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- b. **Marine Insurance** (FAA Sec. 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? 14.b. N/A
- c. **Insurance** (FY 1996 Appropriations Act Sec. 528A): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. insurance companies have a fair opportunity to bid for insurance when such insurance is necessary or appropriate? 14.c. Yes
- d. **Non-U.S. Agricultural Procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) 14.d. N/A
- e. **Construction or Engineering Services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) 14.e. N/A
- f. **Cargo Preference Shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine 14.f. No

Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

**g. Technical Assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? 14.g. Yes

**h. U.S. Air Carriers** (Fly America Act, 49 U.S.C. Sec. 1517): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? 14.h. Yes

**i. Consulting Services** (FY 1996 Appropriations Act Sec. 550): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? 14.i. Yes

**j. Notice Requirement** (FY 1996 Appropriations Act Sec. 565): Will agreements or contracts contain notice consistent with FAA section 604(a) and with the sense of Congress that to the greatest extent practicable equipment and products purchased with appropriated funds should be American-made? 14.j. Yes

**15. Construction**

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- a. **Capital Assistance** (FAA Sec. 601(d)): If capital (e.g., construction) assistance, will U.S. engineering and professional services be used? 15.a. N/A
- b. **Large projects, Congressional Approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? 15.b. N/A
16. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? 16. N/A
17. **Communist Assistance** (FAA Sec. 620(h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? 17. Yes
18. **Narcotics**
- a. **Cash Reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? 18.a. Yes
- b. **Assistance to Narcotics Traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of 18.b.(1) Yes  
(2) Yes

the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance?

19. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? 19. Yes
20. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? 20. Yes
21. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? 21. Yes
22. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? 22. Procurement of vehicle will be in accordance with USAID policy.
23. **Export of Nuclear Resources** (FY 1995 Appropriations Act Sec. 506): Will assistance preclude use of financing to finance, except for purposes of nuclear safety, the export of nuclear equipment, fuel, or technology? 23. Yes
24. **Publicity, Propaganda and Lobbying** (FY 1996 Appropriations Act Sec. 547; Anti-Lobbying Act, 18 U.S.C. § 1913; Sec. 109(1) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989, P.L. 100-204): Will assistance be used to support or defeat legislation 24. No

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pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propoganda purposes not authorized by Congress?

25. **Commitment of Funds** (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditure of funds during a period in excess of 5 years from the date of the contract or agreement? 25. No

26. **Impact on U.S. Jobs** (FY 1996 Appropriations Act, Sec. 539):

a. Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? 26.a) No

b. Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S.? 26.b) No

c. Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country, or will assistance be for the informal sector, micro or small-scale enterprise, or smallholder agriculture? 26.c) Assistance will not be for activities which contribute to the violation of internationally recognized workers rights, but it may assist in the development of informal sector and microenterprise.

**B. DEVELOPMENT ASSISTANCE ONLY**

1. **Agricultural Exports (Bumpers Amendment)** (FY 1996 Appropriations Act Sec. 513(b)), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers?
1. N/A
2. **Recipient Country Contribution** (FAA Secs. 110, 124(d)): Will the recipient country provide at least 25 percent of the costs of the activity with respect to which the assistance is to be furnished or is this cost-sharing requirement being waived for a "relatively least developed" country?
2. Yes. Matching costs will come from both other donors and the recipient country.
3. **Forest Degradation** (FAA Sec. 118):
- a. Will assistance be used for the procurement or use of logging equipment? If so, does the an environmental assessment indicate that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems?
- 3.a) No

b. Will assistance be used for:

(1) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas;	3.b.(1)	No
(2) activities which would result in the conversion of forest lands to the rearing of livestock;	(2)	No
(3) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands;	(3)	No
(4) the colonization of forest lands;	(4)	No
(5) the construction of dams or other water control structures which flood relatively undergraded forest lands? If so, does the environmental assessment indicate that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?	(5)	No

**4. Deobligation/Reobligation** (FY 1995 Appropriations Act Sec. 510): If deob/reob authority is sought to be exercised under section 510 in the provision of DA assistance, are the funds being obligated for the same general purpose and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? [Note: Compare to no-year authority under section 511.]

4. Yes

**5. Capital Assistance** (Jobs Through Export Act of 1992, Secs. 303 and 306(d)): If assistance is being provided for a capital activity, is the activity developmentally sound and will it measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level?

5. N/A

**6. Loans**

a. **Repayment capacity** (FAA Sec. 122(b)): Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest. 6.(a) N/A

b. **Long-range plans** (FAA Sec. 122(b)): Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? (b) N/A

c. **Interest rate** (FAA Sec. 122(b)): If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? (c) N/A

d. **Exports to United States** (FAA Sec. 620(d)): If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? (d) N/A

**7. Planning and Design Emphases.** Has agency guidance or the planning and design documentation for the specific assistance activity under consideration taken into account the following, if applicable?

a. **Economic Development.** FAA Sec. 101(a) requires that the activity give reasonable promise of contributing to the development of economic resources or to the increase of productive capacities and self-sustaining economic growth. 7.a) Yes

**b. Special Development Emphases.** FAA Secs. 102(b), 113, 281(a) require that assistance: (1) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (2) encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries.

7.b) Yes

**c. Development Objectives.** FAA Secs. 102(a), 111, 113, 281(a) require that assistance: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage

7.c) Yes

regional cooperation by developing countries?

- d. **Agriculture, Rural Development and Nutrition, and Agricultural Research.** FAA Secs. 103 and 103A require that: (1) **Rural poor and small farmers:** assistance for agriculture, rural development or nutrition be specifically designed to increase productivity and income of rural poor; and assistance for agricultural research take into account the needs of small farmers and make extensive use of field testing to adapt basic research to local conditions; (2) **Nutrition:** assistance be used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; (3) **Food security:** assistance increase national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.
- 7.d) N/A
- e. **Population and Health.** FAA Secs. 104(b) and (c) require that assistance for population or health activities emphasize low-cost, integrated delivery systems for health, nutrition and family planning for the
- 7.e) N/A

poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

**f. Education and Human Resources Development.** FAA Sec. 105 requires that assistance for education, public administration, or human resource development (1) strengthen nonformal education, make formal education more relevant, especially for rural families and urban poor, and strengthen management capability of institutions enabling the poor to participate in development; and (2) provide advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities.

7.f) N/A

**g. Energy, Private Voluntary Organizations, and Selected Development Activities.** FAA Sec. 106 requires that assistance for energy, private voluntary organizations, and selected development problems may be used for (1) data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; (2) technical cooperation and development, especially with U.S. private and voluntary, or regional and international development organizations; (3) research into, and evaluation of, economic development

7.g) Yes

processes and techniques; (4) reconstruction after natural or manmade disaster and programs of disaster preparedness; (5) special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; (6) urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

h. **Appropriate Technology.** FAA Sec. 107 requires that assistance emphasize use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.

7.h) Yes

i. **Tropical Forests.** FAA Sec. 118 and FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) require that:

7.i) N/A

(1) **Conservation:** assistance place a high priority on conservation and sustainable management of tropical forests and specifically: (i) stress the importance of conserving and sustainably managing forest resources; (ii) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (iii) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (iv) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices;

7.(1) N/A

(v) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (vi) conserve forested watersheds and rehabilitate those which have been deforested; (vii) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (viii) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (ix) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (x) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (xi) utilize the resources and abilities of all relevant U.S. government agencies; (xii) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (xiii) take full account of the environmental impacts of the proposed activities on biological diversity.

(2) **Sustainable forestry:**  
assistance relating to tropical forests assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry.

7.i(2) N/A

j. **Biological Diversity.** FAA Sec. 119(g) requires that assistance: (i) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (ii) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (iii) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (iv) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas. 7.j. N/A

k. **Benefit to Poor Majority.** FAA Sec. 128(b) requires that if the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, it be designed and monitored to ensure that the ultimate beneficiaries are the poor majority. 7.k. Yes

l. **Indigenous Needs and Resources.** FAA Sec. 281(b) requires that an activity recognize the particular needs, desires, and capacities of the people of the country; utilize the country's intellectual resources to encourage institutional development; and support civic education and training in skills required for effective participation in governmental and political processes essential to self-government. 7.l. Yes

m. **Energy.** FY 1991 Appropriations Act Sec. 533(c) as referenced in section 532(d) of the FY 1993 Appropriations Act) requires that assistance relating to energy focus on: (1) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (2) the key countries where assistance would 7.m. N/A

have the greatest impact on reducing emissions from greenhouse gases.

n. **Debt-for-Nature Exchange.** FAA Sec. 463 requires that assistance which will finance a debt-for-nature exchange (1) support protection of the world's oceans and atmosphere, animal and plant species, or parks and reserves; or (2) promote natural resource management, local conservation programs, conservation training programs, public commitment to conservation, land and ecosystem management, or regenerative approaches in farming, forestry, fishing, and watershed management.

7.n. N/A

**C. ECONOMIC SUPPORT FUND ONLY**

1. **Economic and Political Stability** (FAA Sec. 531(a)): Does the design and planning documentation demonstrate that the assistance will promote economic and political stability?  
To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

1. N/A

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes?

2. N/A

3. **Commodity Grants/Separate Accounts** (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1996, this provision is superseded by the separate account requirements of FY 1996 Appropriations Act Sec. 532(a), see Sec. 532(a)(5).)

3. N/A

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program

4. N/A

assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1996, this provision is superseded by the separate account requirements of FY 1996 Appropriations Act Sec. 532(a), see Sec. 532(a)(5).)

**5. Capital Activities** (Jobs Through Exports Act of 1992, Sec. 306): If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided.

5. N/A

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[U:\rmispub\csp\spo\annex\_a]

Zimbabwe American Development Foundation Activity Manager

Draft Statement of Duties

A. Background

After almost 20 years of assistance, the United States Agency for International Development in Zimbabwe (USAID/Zimbabwe) is phasing out its bilateral program. A key element of the USAID close-out or graduation strategy is to establish and endow a foundation as a hallmark of the evolving and mature relationship of official U.S. assistance in Zimbabwe. The foundation will be called the Zimbabwe American Development Foundation (ZADF) and will support Zimbabwean non-governmental organizations actively engaged in increasing opportunities for participation in the private sector and political processes in Zimbabwe.

It is expected that the ZADF will establish a long-term development relationship between Zimbabwe and the United States that engenders shared economic and political principles. It will have distinctive American ties through its founding and funding by the U.S. Government (USG), U.S. foundations, private voluntary organizations (PVOs) and other non-governmental organizations, and through its approaches to development problems which draw on U.S. values, technology, and collaboration. This mechanism for a continued relationship between Zimbabwe and the U.S. is expected to respond initially to the challenges of increasing economic opportunities and supporting the development of a politically active civil society in Zimbabwe.

Over the last several years, the Government of Zimbabwe (GOZ) has initiated the process of moving from a highly distorted, state-controlled economy to a liberalized market-driven economy. This is a welcome move, but the transition to a more open economy is far from complete. Access to economic opportunity and policy making needs to be more inclusive and include traditionally marginalized groups. Furthermore, Zimbabwe is a fragile democracy which needs to strengthen many of the fundamental aspects and institutions required for a free and strong civil society, thereby increasing economic opportunities.

USAID anticipates entering into an assistance arrangement (either a grant or a cooperative agreement) with a U.S. partner, probably a U.S. Foundation or U.S. Private Voluntary Organization (PVO), to be the Lead Organization in bringing this concept to life. The Lead Organization would be expected to manage the start-up tasks of the ZADF, and provide it the experience, training, and monitoring necessary for it to be deemed capable of managing the annual income from a US-based endowment.

USAID proposes to grant approximately US\$12.5 million in project assistance to a U.S. Lead Organization for the ZADF. It is anticipated that the Lead Organization will use approximately US\$2.5 million for technical assistance, start-up expenses for the ZADF, and seed grants over an initial 2-3 year period. USAID would provide the remaining US\$10 million over a three year period between 1997 and 1999 for a permanent endowment, expected to continue in perpetuity. The U.S. Lead Organization will be responsible for raising an additional US\$10 million for the permanent endowment over a specified period of time, currently estimated at three to five years. The ZADF will utilize the net investment income of the US\$20 million endowment for grants to entities organized for public benefit and involved in promoting economic growth and democratic pluralism.

USAID/Zimbabwe will require the services of a ZADF Activity Manager to oversee the implementation of the initial 2-3 year period of ZADF operations. It is anticipated that this position will be for approximately two years and will operate concurrently with the Grant or Cooperative Agreement awarded to the Lead Organization to establish, monitor and mentor the ZADF.

**B. Objective**

To contract for the services of a ZADF Activity Manager for a two year period.

**C. Programmatic Duties and Responsibilities**

1. The Contractor shall lead all aspects of oversight, programming, management, administration, monitoring, and evaluation, including oversight on timeliness in meeting commitments and scheduled completion dates for conditions precedent for the endowment agreement; grantee performance; quality, adequacy, and usefulness of technical assistance and operations of the ZADF, and other related management objectives.
2. The Contractor shall provide policy level input (see distinction in D.7. below on limitations for non-USDH personnel) as required for operations and direction for the ZADF. Policy direction will be provided in the general areas of private sector development and democracy and governance. This is anticipated to be an essential function in the first year of operation as the ZADF is being established and operating and grant-making procedures and policies are developed.
3. Liaise between USAID/Zimbabwe and 1) ZADF local implementors (Chief of Party or equivalent, ZADF Executive Director) and Grantee home office officials; 2) ZADF Trustees, 3) Government of Zimbabwe officials as

required, and 4) other U.S. Government officials including U.S. Embassy designated liaison.

4. Travel as required to assess impact of ZADF operations and sub-grants: to keep abreast of ZADF activities and developments, to establish and maintain effective communication and coordination between the parties of the project, to identify and seek rapid resolution to problems, and to collect technical and administrative information needed for activity monitoring and reporting purposes.
5. Maintain and supervise upkeep of activity support files, records and management tools, monitor and review financial disbursement requests by the Grantee and advise Mission management of action required beyond the scope of the ZADF Manager.
6. Provide technical input on Democracy and Human Rights Funds proposals as required and serve on Inter Agency Democracy Committee.

**D. Administrative Duties and Responsibilities**

1. Advise ZADF and Lead Organization on the proper administration of USAID funds in accordance with USAID regulations.
2. Project technical input to activity documentation including Project Implementation Orders (PIOs), Grant Implementation Letters (GILs), Activity Implementation Reports, Activity Evaluation Summaries as well as feasibility studies, environmental guidelines, procurement and other waivers, and other activity related documentation requirements. Documentation requirements for NMS are included by reference in this section.
3. Collect, collate and analyze data needed for ZADF management, administration, monitoring, impact and evaluation.
4. Prepare reports on ZADF activities and actions undertaken by or for the ZADF, on field trips, meeting and other events of significance to the activity and its participating partners and on opportunities and problems encountered by the ZADF.
5. Prepare drafts of official correspondence related to the administration of the activity.

6. Perform other duties and responsibilities as may be assigned from time to time.
7. The contractor shall not perform functions that are reserved for U.S. direct hire employees, including: supervisory, internal management, or administrative functions, voucher approval, and final decisions regarding the expenditure of U.S. Government funds and final review or approval of internal agency documents.

**E. Administrative Relationships**

The Zimbabwe American Development Foundation Activity Manager will be supervised and report to the USAID/Zimbabwe Supervisory Project Development Officer who has overall responsibility for implementation of USAID/Zimbabwe's Special Objective of : *increasing opportunities for participation in the private sector and political processes*. He or she will work closely with the Executive Director of the ZADF, the Board of Trustees and U.S. Embassy officials. In addition, the ZADF Activity Manager will receive guidance from the USAID/Zimbabwe Office of the Director regarding mission policies, development strategies, and development objectives that pertain to the Zimbabwe American Development Foundation.

**F. Qualifications and Criteria for Selection**

1. Advanced degree in Business Administration, Economics, Political Science, Political Economy, International Relations, Sociology, Administration of Justice or related fields.
2. Minimum of 10 years in of increasing responsibility in the management and administration of donor-supported programs in areas of either economic development (private sector) or democracy and governance.
3. Extensive knowledge of USAID procedures and regulations, USAID re-engineering precepts and grant administration are essential for this position. Advanced experience in contracts and grant administration would be a plus. In addition, experience in project and organization start-up processes and issues would be beneficial.
4. Experience or familiarity with foundation operations, fundraising, and operating procedures.

5. Demonstrated experience in diplomacy at the highest levels of government (ministerial and above) as well as with private sector participants (chairmen of major corporations and similar level contacts) is essential for successful fulfillment of the manager role for this politically sensitive activity.
6. Ability to combine management initiative in identifying and proceeding with critical implementation actions with political sensitivities and fundamental requirement to maintain continual contact and briefing status with Mission management and Embassy liaison as required.
7. Experience of five years or greater in Southern Africa with demonstrated sensitivities for cross-cultural operations is preferred.

INITIAL ENVIRONMENTAL EXAMINATION  
OR  
CATEGORICAL EXCLUSION

**PROGRAM/PROJECT DATA:**

Activity Number: 613-0245 (Project)  
Country Region: Zimbabwe  
Program/Project Title: Zimbabwe American Development Foundation (ZADF)  
Funding Begin: FY 97 Funding End: FY 98 LOP Amount: \$12,500,000  
IEE Prepared by: M. Williams, RMIS Date: 17 March 1997

**ENVIRONMENTAL ACTION RECOMMENDED:** (Place X where applicable)

Categorical Exclusion: XX Negative Determination: \_\_\_\_\_

Positive Determination: \_\_\_\_\_ Deferral: \_\_\_\_\_

**ADDITIONAL ELEMENTS:** (Place X where applicable)

EMEMP: \_\_\_\_\_ CONDITIONS: \_\_\_\_\_ PVO/NGO: XX

**SUMMARY OF FINDINGS:**

USAID/Zimbabwe is phasing out its bilateral program. A key element of the USAID close-out or graduation strategy is to establish and endow a foundation as a hallmark of the evolving and mature relationship of official U.S. assistance in Zimbabwe. The foundation will be called the Zimbabwe American Development Foundation (ZADF) and will support Zimbabwean non-governmental organizations actively engaged in increasing opportunities for participation in the private sector and political processes in Zimbabwe through the provision of modest strengthening and activity grants. Only activities which fully meet the conditions specified in Section 216.2(c) (2) of 22 CFR 216 will be considered for funding under the ZADF. Accordingly, a Categorical Exclusion from further environmental review is warranted for this activity.

**APPROVAL OF ENVIRONMENTAL ACTION RECOMMENDED:** (Type Name Under Signature Line)

**CLEARANCE:**

Mission Director \_\_\_\_\_ Date \_\_\_\_\_  
Carole Palma

**CONCURRENCE:**

Bureau Environmental Officer: \_\_\_\_\_ Date \_\_\_\_\_

**Clearance:**

General Counsel

(Africa Bureau) \_\_\_\_\_ Date \_\_\_\_\_

Mission Environmental  
Officer: \_\_\_\_\_ Date \_\_\_\_\_

## INITIAL ENVIRONMENTAL EXAMINATION

### PROGRAM/ACTIVITY DATA:

Program/Activity Number: 613 -0245 (Project)  
Country/Region: Zimbabwe  
Program/Activity: Zimbabwe American Development Foundation

### 1.0 BACKGROUND AND PROJECT DESCRIPTION

After almost 20 years of assistance, the United States Agency for International Development in Zimbabwe (USAID/Zimbabwe) is phasing out its bilateral program. A key element of the USAID close-out or graduation strategy is to establish and endow a foundation as a hallmark of the evolving and mature relationship of official U.S. assistance in Zimbabwe. The foundation will be called the Zimbabwe American Development Foundation (ZADF) and will support Zimbabwean non-governmental organizations actively engaged in increasing opportunities for participation in the private sector and political processes in Zimbabwe.

Over the last several years, the Government of Zimbabwe (GOZ) has initiated the process of moving from a highly distorted, state-controlled economy to a liberalized market-driven economy. This is a welcome move, but the transition to a more open economy is far from complete. Access to economic opportunity and policy making needs to be more inclusive and include traditionally marginalized groups. Furthermore, Zimbabwe is a fragile democracy which needs to strengthen many of the fundamental aspects and institutions required for a free and strong civil society, thereby increasing economic opportunities.

Because the ZADF is only a proposal at the moment, USAID anticipates entering into an assistance arrangement (either a grant or a cooperative agreement) with a U.S. partner, probably a U.S. Foundation or U.S. Private Voluntary Organization (PVO), to be the Lead Organization in bringing this concept to life. The Lead Organization would be expected to manage the start-up tasks of the ZADF, and provide it the experience, training, and monitoring necessary for it to be deemed capable of managing the annual income from a US-based endowment.

USAID proposes to grant approximately US\$12.5 million in project assistance to a U.S. Lead Organization for the ZADF. It is anticipated that the Lead Organization will use approximately US\$2.5 million for technical assistance, start-up expenses for the ZADF, and seed grants over an initial 2-3 year period. USAID would provide the remaining US\$10 million over a three year period between 1997 and 1999 for a permanent endowment, expected to continue in perpetuity. The U.S. Lead Organization will be responsible for raising an additional US\$10 million for the permanent endowment over a specified period of time, currently estimated at three to five years. The ZADF will utilize the net investment income of the US\$20 million endowment for grants to entities organized for public benefit and involved in promoting economic growth and democratic pluralism in

Zimbabwe.

## **2.0 COUNTRY AND ENVIRONMENTAL INFORMATION (BASELINE INFORMATION)**

Not relevant to this activity.

## **3.0 EVALUATION OF PROJECT/PROGRAM ISSUES WITH RESPECT TO ENVIRONMENTAL IMPACT POTENTIAL**

The agreements for the start-up grant and the endowment grant will contain provisions restricting eligible funding to activities which fully meet the conditions for a Categorical Exclusion as set forth in 22 CFR 216.2 (c) (2) of the Environmental Procedures. Accordingly, there will be no potential for any significant environmental impacts as a result of this activity.

## **4.0 RECOMMENDED MITIGATION ACTIONS (INCLUDING MONITORING AND EVALUATION)**

None required per Section 3.0 above.

## **5.0 SUMMARY OF FINDINGS**

USAID/Zimbabwe is phasing out its bilateral program. A key element of the USAID close-out or graduation strategy is to establish and endow a foundation as a hallmark of the evolving and mature relationship of official U.S. assistance in Zimbabwe. The foundation will be called the Zimbabwe American Development Foundation (ZADF), and will support Zimbabwean non-governmental organizations actively engaged in increasing opportunities for participation in the private sector and political processes in Zimbabwe through the provision of modest strengthening and activity grants. Only activities which fully meet the conditions specified in Section 216.2(c) (2) of 22 CFR 216 will be considered for funding under the ZADF. Accordingly, a Categorical Exclusion from further environmental review is warranted for this activity.

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Zimbabwe-American Development Foundation  
Institutional Assistance  
By fiscal years beginning at 9/1/97

Annex D  
Page 1 of 5

Budget Projections for Negotiation of Institutional Assistance  
(US\$000)  
Category

	Total	1	2	3	4
1 Field Personnel	480	0	160	160	160
2 Home Office Personnel	151	4	49	49	49
3 Consultants	195	66	60	45	24
4 Travel/Per Diem	110	14	32	32	32
5 Allowances	132	0	53	34	46
6 Other Direct Costs	439	0	161	139	139
7 Evaluation/Appraisal/Analysis	75	0	25	25	25
8 Subgrant Funds	414	0	339	75	0
Indirect on Direct	507	27	173	155	152
Indirect on USAID Grant Funds	9	0	7	2	0
Total Cost	2,511	111	1,058	716	626

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Zimbabwe-American Development Foundation  
 Institutional Assistance  
 By fiscal years beginning at 9/1/97  
 (US\$000)

		1	2	3	4
<b>1 Field Personnel</b>					
<b>A. Expatriate Staff</b>					
Chief of Party	annual COLA 0%		80	80	80
Subtotal A. Expatriate Salaries		0	80	80	80
Fringe benefits	23%	0	18	18	18
<b>Total A. Expatriate Salaries/Fringe</b>		<b>0</b>	<b>98</b>	<b>98</b>	<b>98</b>
<b>B. Local Hire</b>					
Temporary Executive Director			32	32	32
Administrator			16	16	16
Subtotal B. Local Hire Salaries			48	48	48
Fringe benefits	30%		14	14	14
<b>Total B. Local Hire Salaries/Fringe</b>			<b>62</b>	<b>62</b>	<b>62</b>
<b>Total Field Personnel</b>			<b>160</b>	<b>160</b>	<b>160</b>
<b>2 Home Office Personnel</b>					
Senior Management	10%	1	9	9	9
Director of Finance	15%	1	8	8	8
Regional Director	15%	1	7	7	7
Program Officer	15%	0	6	6	6
Deputy Dir for Programs	20%	0	5	5	5
Project Accountant	35%	0	5	5	5
Subtotal Home Office Personnel		3	40	40	40
Fringe	23%	1	9	9	9
<b>Total Home Office Personnel</b>		<b>4</b>	<b>49</b>	<b>49</b>	<b>49</b>

Zimbabwe-American Development Foundation  
 Institutional Assistance  
 By fiscal years beginning at 9/1/97  
 (US\$000)

Annex D  
 Page 3 of 5

		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
3 Consultants					
Zimbabwe Fin Consultants & Legal Counsel	500 per day	15	39	39	15
US Consultants	500 per day	15	3		
Consultants (general)	300 per day	36	18	6	9
Selection Committee					
Total Consultants		66	60	45	24
4 Travel/Per Diem					
A International Travel					
Expatriate		4	12		12
R&R				12	
Senior Management, DC-JB		4	4	4	4
Subtotal A. International Travel		8	16	16	16
B Local Travel					
Project Staff				3	3
Air Travel				5	5
Local transportation (15,000 kms/yr/veh)				5	5
Workshops					
Subtotal B. Local Travel		0	13	13	13
C Per Diem					
Expatriate		3			
Senior Management		3	3	3	3
Subtotal C. Per Diem		6	3	3	3
Total Travel/Per Diem		14	32	32	32
5 Allowances					
Settling In			1		
Housing Rental			18	18	18
Housing Furnishings			6		
HHE Surface/Storage			8		8
HHE Air			4		4
Education Allowance			16	16	16
Total Allowances		0	53	34	46

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Zimbabwe-American Development Foundation  
 Institutional Assistance  
 By fiscal years beginning at 9/1/97  
 (US\$000)

	1	2	3	4
6 Other Direct Costs				
A Office Equipment & Furniture				
Office Furnishings		5		
Office Equipment		5		
Computer Equipment w/shipping		12		
Subtotal A. Office Equipment & Furniture	0	22	0	0
B. Expatriate Expendables				
DBA Insurance	4%	3	3	3
Medevac/Medical Exams & Innoculations		1	1	1
War Risk Insurance		1	1	1
Subtotal B. Expatriate Expendables	0	5	5	5
C. Other				
Amortization expense				
Accounting & audit		15,000	15,000	15,000
Dues & publications		200	200	200
Depreciation expense		3,000	3,000	3,000
Insurance		2,400	2,400	2,400
Insurance - health		2,400	2,400	2,400
Janitorial & maintenance		360	360	360
Legal and professional		5,000	5,000	5,000
Maintenance & Repair		4,800	4,800	4,800
Meals & entertainment		500	500	500
Office expense		3,600	3,600	3,600
On-Line Network		360	360	360
Postage & courier		2,400	2,400	2,400
Rent		6,000	6,000	6,000
Salaries				
Subrecipient A-133 audits		50,000	50,000	50,000
Taxes - payroll		7,500	7,500	7,500
Telephone & fax		3,600	3,600	3,600
Travel		24,000	24,000	24,000
Utilities		2,400	2,400	2,400
	0	133,520	133,520	133,520
Rounded/1,000	0	134	134	134
Subtotal D. Other	0	134	134	134
Total Other Direct Costs	0	161	139	139

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Zimbabwe-American Development Foundation  
Institutional Assistance  
By fiscal years beginning at 9/1/97  
(US\$000)

Annex D  
Page 5 of 5

	1	2	3	4	
7 Evaluation/Appraisal/Analysis		25	25	25	
Total Evaluation/Appraisal/Analysis	0	25	25	25	
Subtotal 1-7 Direct Costs	84	539	484	474	
8. Subgrant Funds		339	75	0	
Total Subgrant Funds	0	339	75	0	
Indirect Costs					
Indirect on Direct	32%	27	173	155	152
Indirect on USAID Grant Funds	2%	0	7	2	0
Total Indirect Costs		27	180	157	152
Total Costs	111	1,058	716	626	

Zimbabwe-American Development Foundation  
 PRO FORMA BALANCE SHEET  
 By fiscal years beginning at 9/1/97

	1	2	3	4	5	6	7	8	9	10
<b>ASSETS</b>										
Cash	0	0	0	58	62	66	70	74	78	78
Investments, at cost				0	0	0	0	0	0	0
Short-term investments (cost approximates market)	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000
Marketable equity securities, quoted market of approximately	40%	0	0	2,800	6,000	8,000	8,000	8,000	8,000	8,000
US Government obligations, quoted market of approximately	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000
Corporate bonds, quoted market of approximately	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000
<b>Operating Assets, at cost</b>										
Furniture, fixtures and equipment less depreciation		0	0	0	22	26	30	34	38	42
		0	0	0	0	(4)	(8)	(12)	(16)	(20)
Intangible less amortization		0	0	0	20	20	20	20	20	20
		0	0	0	0	(4)	(8)	(12)	(16)	(20)
<b>Total assets</b>		<u>0</u>	<u>0</u>	<u>7,000</u>	<u>15,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>
<b>LIABILITIES &amp; FUND BALANCE</b>										
<b>Fund Balance</b>		<u>0</u>	<u>0</u>	<u>7,000</u>	<u>15,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>
<b>Total Liabilities &amp; Fund Balance</b>		<u>0</u>	<u>0</u>	<u>7,000</u>	<u>15,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>

OP

Zimbabwe-American Development Foundation  
 PRO FORMA REVENUE & EXPENSE  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND BALANCE  
 (US\$000)

Annex E  
 Page 2 of 12

	1	2	3	4	5	6	7	8	9	10
<b>Revenues</b>										
USAID Grant	0	0	5,000	5,000	0	0	0	0	0	0
Other Donor Grant	0	0	2,000	3,000	5,000					
Endowment Income	0	0	210	450	600	600	600	600	600	600
Miscellaneous										
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>7,210</b>	<b>8,450</b>	<b>5,600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>600</b>
<b>Expenses</b>										
Investment Advisory Fee	0	0	53	113	150	150	150	150	150	150
General and Administrative (see note 1)	0	0	0	153	147	147	147	147	147	147
Evaluations/Surveys	0	0	0	0	0	0	0	0	0	0
<b>Total expenses</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>266</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>
Federal excise taxes on net investment income	0%	0	0	0	0	0	0	0	0	0
<b>Excess Revenues Over Expenses Before Charitable Disbursements and Net Gain on Disposition of Investments</b>	<b>0</b>	<b>0</b>	<b>7,158</b>	<b>8,185</b>	<b>5,303</b>	<b>303</b>	<b>303</b>	<b>303</b>	<b>303</b>	<b>303</b>
<b>Charitable Disbursements</b>										
Grants Made (% of appropriated source)	0	0	158	85	303	303	303	303	303	303
(Increase) Decrease in Grants Authorized but Unpaid										
Net Gain on Disposition of Investments										
Net Increase (Decrease) in Fund Balance	0	0	7,000	8,100	5,000	0	0	0	0	0
Fund Balance beginning of year	0	0	0	7,000	15,100	20,100	20,100	20,100	20,100	20,100
<b>Fund Balance end of year</b>	<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
Beginning cash balance	0	0	0	0	58	62	66	70	74	78
Excess of Revenue over Expenses	0	0	7,158	8,185	5,303	303	303	303	303	303
Capital investments/replacement	0	0	0	(22)	(4)	(4)	(4)	(4)	(4)	(4)
Other Start-up Costs	0	0	0	(20)						
Non cash expenses	0	0	0	0	8	8	8	8	8	4
<b>Investments</b>										
Short-term investments (cost approximates market)	20%	0	(1,400)	(1,600)	(1,000)					
Marketable equity securities, quoted market of approximately	40%	0	(2,800)	(3,200)	(2,000)					
US Government obligations, quoted market of approximately	20%	0	(1,400)	(1,600)	(1,000)					
Corporate bonds, quoted market of approximately	20%	0	(1,400)	(1,600)	(1,000)					
Charitable Disbursements		0	0	(158)	(85)	(303)	(303)	(303)	(303)	(303)
<b>Ending cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>62</b>	<b>66</b>	<b>70</b>	<b>74</b>	<b>78</b>	<b>78</b>
<b>Basic Assumptions</b>										
Investment yield per year, net inflation (real rate)	3.00%									
Financial Management Fee on portfolio	0.75%									

Note 1

GENERAL AND ADMINISTRATIVE EXPENSES

	1	2	3	4	5	6	7	8	9	10
Amortization expense				4,000	4,000	4,000	4,000	4,000	4,000	4,000
Accounting & audit				15,000	15,000	15,000	15,000	15,000	15,000	15,000
Dues & publications				200	200	200	200	200	200	200
Depreciation expense				3,000	3,000	3,000	3,000	3,000	3,000	3,000
Insurance				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Insurance - health				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Janitorial & maintenance				360	360	360	360	360	360	360
Legal and professional				5,000	5,000	5,000	5,000	5,000	5,000	5,000
Maintenance & Repair				4,800						
Meals & entertainment				500	500	500	500	500	500	500
Office expense				3,600	3,600	3,600	3,600	3,600	3,600	3,600
On-Line Network				360						
Postage & courier				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Rent				6,000	6,000	6,000	6,000	6,000	6,000	6,000
Salaries				65,000	65,000	65,000	65,000	65,000	65,000	65,000
Subrecipient A-133 audits										
Taxes - payroll				7,500	7,500	7,500	7,500	7,500	7,500	7,500
Telephone & fax				3,600	3,600	3,600	3,600	3,600	3,600	3,600
Travel				24,000	24,000	24,000	24,000	24,000	24,000	24,000
Utilities				2,400	2,400	2,400	2,400	2,400	2,400	2,400
<b>TOTAL EXPENSES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>152,520</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>
<i>Rounded/1,000</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>153</i>	<i>147</i>	<i>147</i>	<i>147</i>	<i>147</i>	<i>147</i>	<i>147</i>

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STATEMENT OF REVENUES, EXPENSES, AND Proforma Statements

Note 2

GRANT CONTRIBUTIONS (US\$000)

	1	2	3	4	5
USAID Grant for start-up and operating costs	0	0			
USAID Endowment - Private Sector Development	0	0	4,000	4,000	0
USAID Endowment - Democracy & Governance	0	0	1,000	1,000	0
US Foundation(s) Matching Endowment	0	0	2,000	3,000	5,000
	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>8,000</u>	<u>5,000</u>
					USAID Endowment
USAID Grant for start-up and operating costs	0	0	0	0	0
USAID Endowment - Private Sector Development	0	0	4,000	4,000	8,000
USAID Endowment - Democracy & Governance	0	0	1,000	1,000	2,000
Total	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
	0	0	0	0	10,000

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Zimbabwe-American Development Foundation  
 PRO FORMA BALANCE SHEET  
 By fiscal years beginning at 9/1/97

		1	2	3	4	5	6	7	8	9	10
<b>ASSETS</b>											
Cash		0	0	0	58	62	66	70	74	78	78
Investments, at cost	100%				0	0	0	0	0	0	0
Short-term investments (cost approximates market)	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000	4,000
Marketable equity securities, quoted market of approximately	40%	0	0	2,800	6,000	8,000	8,000	8,000	8,000	8,000	8,000
US Government obligations, quoted market of approximately	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000	4,000
Corporate bonds, quoted market of approximately	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000	4,000
<b>Operating Assets, at cost</b>											
Furniture, fixtures and equipment less depreciation		0	0	0	22	26	30	34	38	42	46
		0	0	0	0	(4)	(8)	(12)	(16)	(20)	(24)
Intangible less amortization		0	0	0	20	20	20	20	20	20	20
		0	0	0	0	(4)	(8)	(12)	(16)	(20)	(20)
<b>Total assets</b>		<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
<b>LIABILITIES &amp; FUND BALANCE</b>											
<b>Fund Balance</b>		<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
<b>Total Liabilities &amp; Fund Balance</b>		<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>

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Zimbabwe-American Development Foundation  
 PRO FORMA REVENUE & EXPENSE  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND BALANCE  
 (US\$000)

	1	2	3	4	5	6	7	8	9	10
<b>Revenues</b>										
USAID Grant	0	0	5,000	5,000	0	0	0	0	0	0
Other Donor Grant	0	0	2,000	3,000	5,000					
Endowment Income	0	0	350	750	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous										
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>7,350</b>	<b>8,750</b>	<b>6,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Expenses</b>										
Investment Advisory Fee	0	0	53	113	150	150	150	150	150	150
General and Administrative (see note 1)	0	0	0	153	147	147	147	147	147	147
Evaluations/Surveys	0	0	0	0	0	0	0	0	0	0
<b>Total expenses</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>266</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>
Federal excise taxes on net investment income	0%									
Excess Revenues Over Expenses Before Charitable Disbursements and Net Gain on Disposition of Investments	0	0	7,298	8,485	5,703	703	703	703	703	703
<b>Charitable Disbursements</b>										
Grants Made (% of appropriated source)	0	0	298	385	703	703	703	703	703	703
(Increase) Decrease in Grants Authorized but Unpaid										
Net Gain on Disposition of Investments										
Net Increase (Decrease) in Fund Balance	0	0	7,000	8,100	5,000	0	0	0	0	0
Fund Balance beginning of year	0	0	0	7,000	15,100	20,100	20,100	20,100	20,100	20,100
<b>Fund Balance end of year</b>	<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
Beginning cash balance	0	0	0	0	58	62	66	70	74	78
Excess of Revenue over Expenses	0	0	7,298	8,485	5,703	703	703	703	703	703
Capital investments/replacement	0	0	0	(22)	(4)	(4)	(4)	(4)	(4)	(4)
Other Start-up Costs	0	0	0	(20)						
Non cash expenses	0	0	0	0	8	8	8	8	8	4
Investments										
Short-term investments (cost approximates market)	20%	0	0	(1,400)	(1,600)	(1,000)				
Marketable equity securities, quoted market of approximately	40%	0	0	(2,800)	(3,200)	(2,000)				
US Government obligations, quoted market of approximately	20%	0	0	(1,400)	(1,600)	(1,000)				
Corporate bonds, quoted market of approximately	20%	0	0	(1,400)	(1,600)	(1,000)				
Charitable Disbursements		0	0	(298)	(385)	(703)	(703)	(703)	(703)	(703)
<b>Ending cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>62</b>	<b>66</b>	<b>70</b>	<b>74</b>	<b>78</b>	<b>78</b>
<b>Basic Assumptions</b>										
Investment yield per year, net inflation (real rate)	5.00%									
Financial Management Fee on portfolio	0.75%									

Note 1

GENERAL AND ADMINISTRATIVE EXPENSES

	1	2	3	4	5	6	7	8	9	10
Amortization expense				4,000	4,000	4,000	4,000	4,000	4,000	4,000
Accounting & audit				15,000	15,000	15,000	15,000	15,000	15,000	15,000
Dues & publications				200	200	200	200	200	200	200
Depreciation expense				3,000	3,000	3,000	3,000	3,000	3,000	3,000
Insurance				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Insurance - health				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Janitorial & maintenance				360	360	360	360	360	360	360
Legal and professional				5,000	5,000	5,000	5,000	5,000	5,000	5,000
Maintenance & Repair				4,800						
Meals & entertainment				500	500	500	500	500	500	500
Office expense				3,600	3,600	3,600	3,600	3,600	3,600	3,600
On-Line Network				360						
Postage & courier				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Rent				6,000	6,000	6,000	6,000	6,000	6,000	6,000
Salaries				65,000	65,000	65,000	65,000	65,000	65,000	65,000
Subrecipient A-133 audits										
Taxes - payroll				7,500	7,500	7,500	7,500	7,500	7,500	7,500
Telephone & fax				3,600	3,600	3,600	3,600	3,600	3,600	3,600
Travel				24,000	24,000	24,000	24,000	24,000	24,000	24,000
Utilities				2,400	2,400	2,400	2,400	2,400	2,400	2,400
<b>TOTAL EXPENSES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>152,520</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>
Rounded/1,000	0	0	0	153	147	147	147	147	147	147

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STATEMENT OF REVENUES, EXPENSES, AND  
Proforma Statements

Note 2

GRANT CONTRIBUTIONS  
(US\$000)

	1	2	3	4	5	
USAID Grant for start-up and operating costs	0	0				
USAID Endowment - Private Sector Development	0	0	4,000	4,000	0	
USAID Endowment - Democracy & Governance	0	0	1,000	1,000	0	
US Foundation(s) Matching Endowment	0	0	2,000	3,000	5,000	
	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>8,000</u>	<u>5,000</u>	
						USAID Endowment
USAID Grant for start-up and operating costs	0	0	0	0	0	
USAID Endowment - Private Sector Development	0	0	4,000	4,000	0	6,000
USAID Endowment - Democracy & Governance	0	0	1,000	1,000	0	2,000
Total	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>10,000</u>
	0	0	0	0	0	

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Zimbabwe-American Development Foundation  
 PRO FORMA BALANCE SHEET  
 By fiscal years beginning at 9/1/97

Annex E  
 Page 9 of 12

		1	2	3	4	5	6	7	8	9	10
<b>ASSETS</b>											
Cash		0	0	0	58	62	66	70	74	78	78
Investments, at cost	100%				0	0	0	0	0	0	0
Short-term investments (cost approximates market)	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000	4,000
Marketable equity securities, quoted market of approximately	40%	0	0	2,800	6,000	8,000	8,000	8,000	8,000	8,000	8,000
US Government obligations, quoted market of approximately	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000	4,000
Corporate bonds, quoted market of approximately	20%	0	0	1,400	3,000	4,000	4,000	4,000	4,000	4,000	4,000
<b>Operating Assets, at cost</b>											
Furniture, fixtures and equipment less depreciation		0	0	0	22	26	30	34	38	42	46
		0	0	0	0	(4)	(8)	(12)	(16)	(20)	(24)
Intangible		0	0	0	20	20	20	20	20	20	20
less amortization		0	0	0	0	(4)	(8)	(12)	(16)	(20)	(20)
<b>Total assets</b>		<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
<b>LIABILITIES &amp; FUND BALANCE</b>											
<b>Fund Balance</b>		<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
<b>Total Liabilities &amp; Fund Balance</b>		<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>

Zimbabwe-American Development Foundation  
 PRO FORMA REVENUE & EXPENSE  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND BALANCE  
 (US\$000)

	1	2	3	4	5	6	7	8	9	10
<b>Revenues</b>										
USAID Grant	0	0	5,000	5,000	0	0	0	0	0	0
Other Donor Grant	0	0	2,000	3,000	5,000					
Endowment Income	0	0	560	1,200	1,600	1,600	1,600	1,600	1,600	1,600
Miscellaneous										
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>7,560</b>	<b>9,200</b>	<b>6,600</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>	<b>1,600</b>
<b>Expenses</b>										
Investment Advisory Fee	0	0	53	113	150	150	150	150	150	150
General and Administrative (see note 1)	0	0	0	153	147	147	147	147	147	147
Evaluations/Surveys	0	0	0	0	0	0	0	0	0	0
<b>Total expenses</b>	<b>0</b>	<b>0</b>	<b>53</b>	<b>266</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>	<b>297</b>
Federal excise taxes on net investment income	0%	0	0	0	0	0	0	0	0	0
<b>Excess Revenues Over Expenses Before Charitable Disbursements and Net Gain on Disposition of Investments</b>	<b>0</b>	<b>0</b>	<b>7,508</b>	<b>8,935</b>	<b>6,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>
<b>Charitable Disbursements</b>										
<b>Grants Made (% of appropriated source)</b>	<b>0</b>	<b>0</b>	<b>808</b>	<b>836</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>	<b>1,303</b>
(Increase) Decrease in Grants Authorized but Unpaid										
Net Gain on Disposition of Investments	0	0	7,000	8,100	5,000	0	0	0	0	0
<b>Net Increase (Decrease) in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
Fund Balance beginning of year										
<b>Fund Balance end of year</b>	<b>0</b>	<b>0</b>	<b>7,000</b>	<b>15,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>	<b>20,100</b>
Beginning cash balance	0	0	0	0	58	62	66	70	74	78
Excess of Revenue over Expenses	0	0	7,508	8,935	6,303	1,303	1,303	1,303	1,303	1,303
Capital investments/replacement	0	0	0	(22)	(4)	(4)	(4)	(4)	(4)	(4)
Other Start-up Costs	0	0	0	(20)						
Non cash expenses	0	0	0	0	8	8	8	8	8	4
<b>Investments</b>										
Short-term investments (cost approximates market)	20%	0	0	(1,400)	(1,600)	(1,000)				
Marketable equity securities, quoted market of approximately	40%	0	0	(2,800)	(3,200)	(2,000)				
US Government obligations, quoted market of approximately	20%	0	0	(1,400)	(1,600)	(1,000)				
Corporate bonds, quoted market of approximately	20%	0	0	(1,400)	(1,600)	(1,000)				
<b>Charitable Disbursements</b>		<b>0</b>	<b>0</b>	<b>(508)</b>	<b>(835)</b>	<b>(1,303)</b>	<b>(1,303)</b>	<b>(1,303)</b>	<b>(1,303)</b>	<b>(1,303)</b>
<b>Ending cash</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58</b>	<b>62</b>	<b>66</b>	<b>70</b>	<b>74</b>	<b>78</b>	<b>78</b>
<b>Basic Assumptions</b>										
Investment yield per year, net inflation (real rate)	8.00%									
Financial Management Fee on portfolio	0.75%									

Note 1

GENERAL AND ADMINISTRATIVE EXPENSES

	1	2	3	4	5	6	7	8	9	10
Amortization expense				4,000	4,000	4,000	4,000	4,000	4,000	4,000
Accounting & audit				15,000	15,000	15,000	15,000	15,000	15,000	15,000
Dues & publications				200	200	200	200	200	200	200
Depreciation expense				3,000	3,000	3,000	3,000	3,000	3,000	3,000
Insurance				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Insurance - health				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Janitorial & maintenance				360	360	360	360	360	360	360
Legal and professional				5,000	5,000	5,000	5,000	5,000	5,000	5,000
Maintenance & Repair				4,800						
Meals & entertainment				500	500	500	500	500	500	500
Office expense				3,600	3,600	3,600	3,600	3,600	3,600	3,600
On-Line Network				360						
Postage & courier				2,400	2,400	2,400	2,400	2,400	2,400	2,400
Rent				6,000	6,000	6,000	6,000	6,000	6,000	6,000
Salaries				65,000	65,000	65,000	65,000	65,000	65,000	65,000
Subrecipient A-133 audits										
Taxes - payroll				7,500	7,500	7,500	7,500	7,500	7,500	7,500
Telephone & fax				3,600	3,600	3,600	3,600	3,600	3,600	3,600
Travel				24,000	24,000	24,000	24,000	24,000	24,000	24,000
Utilities				2,400	2,400	2,400	2,400	2,400	2,400	2,400
<b>TOTAL EXPENSES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>152,520</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>	<b>147,360</b>
Rounded/1,000	0	0	0	153	147	147	147	147	147	147

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STATEMENT OF REVENUES, EXPENSES, AND  
Proforma Statements

Note 2

GRANT CONTRIBUTIONS  
(US\$000)

	1	2	3	4	5	
USAID Grant for start-up and operating costs	0	0				
USAID Endowment - Private Sector Development	0	0	4,000	4,000	0	
USAID Endowment - Democracy & Governance	0	0	1,000	1,000	0	
US Foundation(s) Matching Endowment	0	0	2,000	3,000	5,000	
	<u>0</u>	<u>0</u>	<u>7,000</u>	<u>8,000</u>	<u>5,000</u>	
						USAID Endowment
USAID Grant for start-up and operating costs	0	0	0	0	0	0
USAID Endowment - Private Sector Development	0	0	4,000	4,000	0	8,000
USAID Endowment - Democracy & Governance	0	0	1,000	1,000	0	2,000
Total	<u>0</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>10,000</u>
	0	0	0	0	0	