

PJ BAS 368

613-K-604

613-0209

A.I.D. Grant Number 613-K-604

PROGRAM

GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF ZIMBABWE

and the

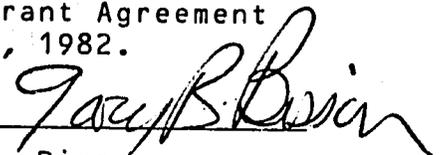
UNITED STATES OF AMERICA

for the

ZIMBABWE AGRICULTURAL SECTOR ASSISTANCE PROGRAM

Dated: September 29, 1982

Certified to be a True Copy of the original Grant Agreement
executed by the above parties on September 29, 1982.



Gary B. Bisson
Regional Legal Advisor/SA

Table of Contents
Program Grant Agreement

	Page
Article 1: The Agreement	1
Article 2: The Program	1
SECTION 2.1. Definition of Program	1
SECTION 2.2. Incremental Nature of Program	1
Article 3: Financing	2
SECTION 3.1. The Grant	2
SECTION 3.2. Program Assistance Completion Date	2
Article 4: Conditions Precedent to Disbursement	2
SECTION 4.1. First Disbursement	2
SECTION 4.2. Disbursements Generally	3
SECTION 4.3. Notification	3
SECTION 4.4. Terminal Dates for Conditions Precedent	3
Article 5: Special Covenants	3
SECTION 5.1. Program Evaluation	3
SECTION 5.2. Cooperation in Budget Planning	4
SECTION 5.3. Adequacy of Grantee Funding	4
SECTION 5.4. Allocation of Foreign Exchange	4
Article 6: Procurement Source	4
Article 7: Disbursements	4
SECTION 7.1. Disbursement of Foreign Exchange Costs	4
SECTION 7.2. Disbursement for Local Currency Costs	5
SECTION 7.3. Other Forms of Disbursement	5

Table of Contents

		<u>Page</u>
Article 8:	Miscellaneous	5
SECTION 8.1.	Communications	5
SECTION 8.2.	Representatives	6
SECTION 8.3.	Implementation Letters	6
SECTION 8.4.	Taxation	6
SECTION 8.5.	Reports, Records, Inspections, Audit	7
SECTION 8.6.	Publicity	7
SECTION 8.7.	Completeness of Information	7
SECTION 8.8.	Other Payments	8
SECTION 8.9.	Termination, Remedies	8
ANNEX 1	Amplified Program Description	11
ANNEX 2	Local Currency Generation - Commodity Import Procedures	18

Program Grant Agreement

Dated September 29, 1982

Between

The Government of Zimbabwe ("Grantee")

And

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

Article 1: The Agreement

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

Article 2: The Program

SECTION 2.1. Definition of Program. The Program, which is further described in Annex 1, will provide budgetary support to programs and activities of the Grantee in several constraint areas that directly affect smallholder productivity. These areas include agricultural research, extension, manpower development, credit, input supply and marketing, land and water use, and planning. Unless the Parties otherwise agree in writing, the Zimbabwe dollars required to support local costs of the Program will be generated through a standard commodity import mechanism, as detailed in Annex 2 and placed in a Special Account to be used for Program support. Annex 1, attached, amplifies the above definition of the Program. Elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2. without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Program Funding

(a) A.I.D.'s contribution to the Program will be provided in increments, the initial one being made available in accordance with Section 3.1. of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed. It is anticipated that, subject to the above, A.I.D.'s total contribution to the Program will be forty-five million United States Dollars (\$45,000,000).

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

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Program, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed fifteen million United States ("U.S.") Dollars (\$15,000,000) ("Grant"). The Grant may be used to finance foreign exchange costs as defined in Section 7.1.

SECTION 3.2. Program Assistance Completion Date.

(a) The "Program Assistance Completion Date" (PACD), which is September 30, 1987, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Program as contemplated in this Agreement. Separate terminal dates for the commodity import mechanism are set out in Annex 2.

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

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

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. Disbursement under Commodity Import Mechanism. Prior to the first disbursement under the commodity import mechanism of the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

Article 4: Conditions Precedent to Disbursement (Continued)

(a) An opinion of the Deputy Director of the Civil Division of the Attorney Generals Office of Zimbabwe that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.

(b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Disbursement for Budgetary Support in Constraint Areas. Prior to disbursement of funds for annual budgetary support, the Grantee must have:

(a) Met the conditions precedent specified in Section 4.1.

(b) Concurred with A.I.D. on a firm annual budgetary plan in writing, except as the Parties may otherwise agree in writing.

(c) Furnished evidence in form and substance satisfactory to A.I.D. that the ZASA Working Group described in Section 3.2. of Annex 1 has been established.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1. and 4.2. have been met, it will promptly notify the Grantee by Implementation Letter.

SECTION 4.4. Terminal Dates for Conditions Precedent.

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

(b) With respect to the conditions specified in Section 4.2. above, A.I.D. reserves the right, having given 30 days written notice to Grantee to rectify an alleged failure to comply with the said conditions; to forthwith cancel the undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and to terminate this Agreement, in the event that mutually satisfactory progress is not maintained in the planning of programs hereunder and in the disbursement of the Program funds.

Article 5: Special Covenants

SECTION 5.1. Program Evaluation. The Parties agree to establish an annual evaluation plan as part of the Program. Except as the Parties otherwise agree in writing, the evaluation plan will include, during the implementation of the Program and at one or more points thereafter: (a) evaluation of progress towards attainment of the objectives of the Program; (b) identification and evaluation

6

Article 5: Special Covenants.(Continued)

of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Program.

SECTION 5.2. Cooperation in Budget Planning. The Parties agree to cooperate in the planning/budget cycle, including the free exchange of relevant information, so that jointly acceptable programs can be developed in a timely manner.

SECTION 5.3. Adequacy of Grantee Funding. The Grantee agrees to take such steps as are necessary to ensure that the approved fiscal year budget will contain Grantee and A.I.D. funding, in the amounts and areas agreed upon in the budget plan, to support the Program in the constraint areas.

SECTION 5.4. Allocation of Foreign Exchange. The Grantee covenants to take all necessary steps to make available to the private sector no less than eighty (80) percent of the funds provided under the commodity import mechanism of the Grant. Additionally, all allocations of funds under the commodity import mechanism shall be for the importation of items related to the agricultural sector.

Article 6: Procurement Source.

Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Program having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services), except as A.I.D. may otherwise agree in writing.

Article 7: Disbursement.

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D. in the form and with the support to be specified in Implementation Letters, an estimate of the foreign exchange required during the next ninety days for purchase of goods or services in the agreed budgetary support areas; or

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

(3) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments

Article 7: Disbursement. (Continued)

made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services; or

(4) by such other means as the Parties may agree in writing.

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

SECTION 7.2. Disbursement for Local Currency Costs. Disbursements for local currency costs will be made only from the Special Account in accordance with the procedures set out in Annex 1.

Article 8: Miscellaneous.

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

To the Grantee:

Mail Address: Secretary for Finance, Economic Planning
and Development
Ministry of Finance, Economic Planning
and Development
Private Bag 7752
Harare, Zimbabwe

Alternate address for telex: ZW 2141

cables: MINFIN
Causeway
Harare, Zimbabwe

To A.I.D.:

Mail Address: Director
USAID/Zimbabwe
c/o American Embassy
Post Office Box HG 81
Harare, Zimbabwe

Alternate address for cables: AmEmbassy
Harare, Zimbabwe

4

Article 8: Miscellaneous (Continued)

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

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

SECTION 8.3. Implementation Letters. To assist Grantee in the implementation of the Program, A.I.D., from time to time, will issue Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Program in Annex 1.

SECTION 8.4. Taxation.

(a) This Agreement and the Grant will be exempt from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, and not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will pay or reimburse the same with funds other than those provided under the Grant.

9

SECTION 8.5. Reports, Records, Inspections, Audit.

The Grantee will:

(a) furnish A.I.D. such information and reports relating to the Program and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Program and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Program toward completion; and

(c) afford authorized representatives of A.I.D. the opportunity at all reasonable times to observe programs and activities, the utilization of goods and services financed by A.I.D. and books, records, and other documents relating to the Program and the Grant.

SECTION 8.6. Publicity. The Grantee will give appropriate publicity to this Grant and the Program and activities carried out hereunder as a program to which the United States has contributed. Representative of Grantee and A.I.D. will confer from time to time to make specific arrangements for such publicity.

SECTION 8.7. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Grant and the discharge of responsibilities under this Grant; and

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Grant or the discharge of responsibilities under this Grant.

Article 8: Miscellaneous (Continued)

SECTION 8.8. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION 8.9. Termination; Remedies.

(a) Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Program pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

(b) Suspension. If at any time:

(1) Grantee shall fail to comply with any provision of Annex 2; or

(2) Any representation or warranty made by or on behalf of Grantee with respect to obtaining this Grant or made or required to be made under this Agreement is incorrect in any material respect; or

(3) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purposes of the Grant will be attained or that the Grantee will be able to perform its obligations under this Agreement. 30 days written notice giving details of the reasons for the suspension shall be given before this suspension becomes operative;

(4) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.;

Then, in addition to remedies provided in A.I.D. Regulation 1, for Annex 2 transactions A.I.D. may:

(A) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through irrevocable commitments to the third parties or otherwise, or to the extent that A.I.D. has not made direct reimbursement to the Grantee thereunder, giving prompt notice to Grantee thereafter;

(B) Decline to issue additional commitment documents to make disbursements other than under existing ones; and

Article 8: Miscellaneous (Continued)

(C) At A.I.D.'s expense, direct that title to goods financed under Annex 2 be vested in A.I.D. if the goods are in a deliverable state and have not been offloaded at points of entry in Zimbabwe.

(c) Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to the Grant the cause or causes thereof have not been corrected, or are not reasonably being corrected, A.I.D. may cancel any part of the Grant that is not then disbursed or irrevocably committed to third parties.

(d) Refunds.

(1) In addition to any refund otherwise required by A.I.D. pursuant to A.I.D. Regulation 1, in the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(2) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(3) The right under subsection (1) or (2) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(4) (A) Any refund under subsection (1) or (2), or (B) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (i) to be made available first for the cost of goods and services required for the Program, to the extent justified, and (ii) the remainder, if any, will be applied to reduce the amount of the Grant.

(5) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Program will be returned to A.I.D. in U.S. Dollars by the Grantee.

12

Article 8: Miscellaneous (Continued)

(e) Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

(f) Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement. Upon such assignment, A.I.D. shall be responsible for any additional expenses resulting therefrom.

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

UNITED STATES OF AMERICA

GOVERNMENT OF ZIMBABWE

Typed Name: Robert V. Keeley

Typed Name: C. E. Sanyangare

Signature:

Robert V. Keeley

Signature:

C. E. Sanyangare

Title: Ambassador

Title: Deputy Minister of Economic Planning and Development

Date:

Date:

Typed Name: Roy A. Stacy

Signature:

Roy A. Stacy

Title: Director
USAID/Zimbabwe

Date: *Sept. 29, 1982*

APPROPRIATION: 72-1121037

ALLOTMENT: 237-61-613-00-53-21

BUDGET PLAN CODE: GESA-82-31613-KG39

ANNEX 1

Amplified Program Description

Except as specifically provided herein and within the limits of the definition of the Program set forth in Section 2.1. of the Agreement, elements of this Amplified Program Description may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2. of the Agreement without formal amendment of this Agreement.

Article 1. Basic Goal and Summary Description of the Program

The basic goal of the Zimbabwe Agricultural Sector Assistance (ZASA) Program is to provide support for the implementation of the Grantee policies which will improve the economic status of the smallholder farmer. Achievement of this goal will be assisted through the provision of budgetary resources enabling the Grantee to strengthen its institutional capacity to provide services and access to resources needed to improve smallholder productivity and production. Under this ZASA Program Grant, and subject to the conditions in Section 2.2. of this Agreement, a total of forty-five million US dollars is expected to be obligated over a three-year period, with disbursements to be made over five years. The resources provided to the Grantee will be targeted to seven constraint areas identified during the 1982 Agricultural Sector Assessment that directly impact upon the Zimbabwean small farmer. These constraint areas are agricultural research, extension, credit, marketing, input supply, land and water use, agricultural manpower development and planning. The planning, identification and design of specific activities and programs within the constraint areas will be undertaken independently of A.I.D. by the Grantee ministries and agencies operating within the agricultural sector, using the Grantee's normal procedures. These ministries include: Agriculture (research, extension, credit, planning and manpower development, marketing); Lands, Resettlement and Rural Development (land and water use planning, cooperatives and marketing); Water Resources and Development (irrigation); Education and Culture (University of Zimbabwe); and Finance, Economic Planning and Development (coordination and central monitoring.)

Article 1: Basic Goal and Summary Description (Continued)

Implementation of the Program will be closely tied to the Grantee's annual budget/planning cycle. It is anticipated that the following steps will occur:

(A) implementing Grantee ministries and organizations operating within the identified constraint areas annually develop their programs, activities and related budgets, including new and expanded programs to assist the small farmer, and submit these budgets (along with all other ministries) to the Ministry of Finance, Economic Planning and Development;

(B) the ministries are then advised by the Ministry of Finance, Economic Planning and Development of funds likely to be available and are advised to make appropriate "cuts";

(C) the relevant ministries will then request A.I.D. consideration of priority areas which would ordinarily be threatened by the above funding "gap";

(D) as the various ministerial budgets become more firm, these proposals are submitted to an inter-ministerial ZASA working group which coordinates proposals, sets priorities and submits them to A.I.D. for funding concurrence;

(E) A.I.D., possibly with the help of a contract advisory team funded from non-grant resources, determines which priority areas to support based on the following criteria:

(1) that the GOZ priority area addresses one of the seven constraint areas identified in the 1982 Agricultural Sector Assessment;

(2) that small holders be the principal beneficiary of the proposal and that they benefit within a reasonable time frame;

(3) that the GOZ's budgetary shortfall be of a magnitude that it could not adequately fund the priority area;

(4) that the priority area, as part of the complete portfolio of ZASA funded constraint areas, contribute towards the achievement of overall macro-economic objectives; and

(5) that the recurrent cost implications beyond the life of the ZASA program be adequately analyzed;

(F) A.I.D. will then advise the Grantee of its decision; these

Article 1. Based Goal and Summary Description (Continued)

areas are then included in the GOZ budget as areas financed from donor funds;

(G) A.I.D. monitors Grantee disbursements to assure the constraint areas are funded to the agreed-upon levels;

(H) the cycle repeats each year, with A.I.D. assessing Grantee planning and implementing capabilities (upon which this assistance mode is premised) as part of the annual review process.

Article 2. Financing and Disbursement Mechanisms

Of the total anticipated United States dollars forty-five million (\$45,000,000) provided by A.I.D. for the ZASA program, approximately fifteen million dollars (\$15,000,000) will finance foreign exchange costs associated with procurement of specialized commodities, technical services and provision of overseas training. The estimated thirty million US dollars (\$30,000,000) which will generate local currency (Zimbabwe dollars) through the commodity import mechanism will finance local costs in mutually agreed-upon constraint areas.

Disbursement of the local currency will be made by implementing agencies from funds in the Special Account.

Disbursement of the foreign exchange costs for budgetary support will be made by A.I.D. or the Grantee depending on the Grantee's preference. If the Grantee is to make the disbursements, the Grantee will submit to A.I.D. a request for estimated foreign exchange needs for the quarter. The documentation required for the request will be explained by an Implementation Letter and will include a list of goods and services to be procured, estimated costs, countries of origin and the constraint areas which will benefit. After approval of the proposed list, A.I.D. will provide the funds to the Grantee in the form of a US dollar check.

Article 3. Implementation of Responsibilities

SECTION 3.1. Program Development. As stated above, primary responsibility for developing constraint area budgets and related programs and activities will rest with the Grantee, particularly the Ministry of Agriculture; the Ministry of Lands, Resettlement and Rural Development; and the University of Zimbabwe's Faculty of Agriculture.

Article 3. Implementation of Responsibilities (Continued)

SECTION 3.2. Program Coordination. Coordination between Grantee entities and A.I.D. will be assured by a ZASA Working Group. Membership in the Group will include deputy secretaries or their designees from the operating ministries and a deputy secretary of the Ministry of Finance, Economic Planning and Development or his designee. This Working Group will assign priorities to the proposed programs, establish liaison with the Ministry of Finance, Economic Planning and Development to finalize budget levels and address implementation issues and problems should they arise. The USAID/Zimbabwe Agricultural Development Officer or his designee will serve as an ex-officio member of the group.

SECTION 3.3. Disbursement Approval. As stated in Article 1, above, final concurrence prior to release of any local currency Grant funds will rest with A.I.D. This concurrence will be evidenced in a counter-signed Implementation Letter, which will describe the Grantee budgets and the related programs that have been agreed upon for support. Grantee will be able to shift funds between and amongst Grantee-supported constraint areas with the prior written concurrence of A.I.D. The provision of foreign exchange by A.I.D. in response to a Grantee request will constitute A.I.D. concurrence in the use of such foreign exchange for the agreed-upon purposes.

SECTION 3.4. Implementation. ZASA program implementation will rest entirely with the operating Grantee entities which receive budgetary support under the Grant. However, where appropriate and feasible, A.I.D. may undertake certain tasks at the request of the Grantee, including but not limited to contracting for technical assistance and overseas participant placement and training.

SECTION 3.5. Monitoring and Reporting. The implementing ministries will submit quarterly progress reports to the Ministry of Finance, Economic Planning and Development for consolidation and forwarding to A.I.D. within 45 days from the end of the proceeding quarter. The format for these quarterly reports will be specified in an Implementation Letter. At a minimum, the quarterly reports from the ministries should include (a) actual disbursements and commitments in the approved budgetary support areas during the quarter, and (b) cumulative disbursements and commitments to date versus the total Grantee and A.I.D. allocation for each approved area.

In addition, the Ministry of Finance, Economic Planning and Development will submit quarterly progress and disbursement reports to A.I.D. containing the following:

Article 3. Implementation of Responsibilities (Continued)

information: (a) cumulative deposits to and transfers from the Special Account of local currency generated pursuant to Annex 2 of this Agreement; and (b) for each implementing ministry receiving funds under this Agreement, the amount of transfers to the ministry for the quarter and cumulative amounts.

For foreign exchange costs advanced to the Grantee pursuant to Article 2, the Ministry of Finance, Economic Planning and Development will co-ordinate quarterly reports to A.I.D. showing, for all implementing ministries, the total foreign exchange advanced by A.I.D. and the actual foreign exchange disbursed by approved item.

A.I.D. will make ad hoc site visits to assure itself that the various Grant-supported constraint areas are receiving agreed-upon funding. In addition, the ZASA Working Group will meet on a quarterly basis to review the above-described reports and actual progress. Finally, evaluations of Grantee's general performance and ongoing implementation capabilities will be conducted annually by A.I.D. and the Grantee. In particular, the commodity import mechanism will be evaluated at the end of the first program year to determine its appropriateness for subsequent years.

Article 4. Procedures for Procurement of Commodities & Services

SECTION 4.1. Commodity Procurement

(a) Direct Procurement by Grantee. It is expected that Grantee will handle all program procurement (versus the general CIP-type procurement to generate local currency) utilizing its own procedures. Foreign exchange for such procurement will be made available quarterly through such mechanism as may be agreed upon by A.I.D. and the Grantee in Implementation Letters.

(b) CIP Procurement. All other commodities will be procured under the CIP mechanism following the procedures set out in Annex 2.

SECTION 4.2. Procurement of Services. It is anticipated that outside technical assistance may be needed in one or more of the constraint areas expected to receive funding under the Grant. These short- and long-term technical assistance requirements, to be defined more specifically by the Grantee during its budget cycle, may be provided under direct A.I.D. contracts with U.S. universities or consulting firms that have good performance records in Africa. The Grantee will play a major role in contractor selection if the direct A.I.D. contract method is selected. Once acceptable technical

18

Article 4. Procedures for Procurement of Commodities and Services (Continued)

assistance contracts have been negotiated, grant funds will be provided directly to the contractor by A.I.D. as explained in Implementation Letters.

Article 5. Training

Any Grantee requirements for long- and short-term training outside Zimbabwe in constraint areas may be handled directly by the Grantee or through A.I.D., whichever the Grantee prefers. Requirements for training within Zimbabwe as well as the placement arrangements will be handled by the Grantee and paid for from the local currency.

Article 6: Illustrative Implementation Schedule

The following is an illustrative schedule for major implementation actions under this Grant.

Article 6. Illustrative Implementation Schedule (Continued)

<u>ACTION</u>	<u>PROGRAM MONTH</u>
Grant Agreement obligation FY 1982 funds signed	1
Conditions Precedent satisfied	2
L/Com(s) for general sector procurement to begin L/C generations issued	2
Agreement reached on first-year fund allocations to constraint areas	3
Specific constraint area commodity procurement commences	3
Short-term technical assistance begins	6
Constraint area proposals for ZFY 1983-84 developed	5-7
USAID review of ZFY 1983-84 constraint area proposals	8-9
First long-term technical advisor arrives	9
Short-term training funded	9-60
USAID concurs with 1983-84 constraint areas to receive funding	10
Long-term training provided	12-60
Agreement reached on allocations and funds released for ZFY 1983-84	14
Constraint area proposals finalized	19,31,43
USAID concurs with constraint areas to receive funding	22,34,46
Agreement reached on allocations and funds released	26,38,50
Mid-term evaluations	28
Final L/Com(s) issued for general sector procurement	36
Final evaluation	61

ANNEX 2

Local Currency Generation - Commodity Import Procedures

Article 1. General

Except as A.I.D. and the Grantee may otherwise agree in writing, Zimbabwe dollars required to support the ZASA Program will be generated in accordance with the procedures and requirements contained in this Annex 2. These procedures and requirements closely follow those of the Zimbabwe Commodity Import Program, A.I.D. Grant No. 613-K-603, signed April 7, 1982. As specified herein Zimbabwe counterpart dollars will be deposited into a Special Account specifically designated pursuant to mutual agreement for ZASA purposes. (See Annex 1.) The provisions of this Annex 2 apply only to general commodity imports for the purpose of generating local currency. With respect to these import transactions the provisions of this Annex are controlling.

Article 2. Procurement, Eligibility, and Utilization of Commodities

SECTION 2.1. A.I.D. Regulation 1. The procurement and utilization of commodities and commodity-related services financed under this portion of the Grant are subject to the terms and conditions of A.I.D. Regulation 1 as from time to time amended and in effect, except as A.I.D. may otherwise specify in writing. If any provision of A.I.D. Regulation 1 is inconsistent with a provision of this Annex, the provision of this Annex shall govern.

SECTION 2.2. Eligible Items.

(a) The commodities eligible for financing under this Annex shall be those specified in the A.I.D. Commodity Eligibility Listing as set forth in the Implementation Letters and Commodity Procurement Instructions issued to Grantee. Commodity-related services as defined in A.I.D. Regulation 1 are eligible for financing under this Annex. Other items shall become eligible for financing only with the written agreement of A.I.D. A.I.D. may decline to finance any specific commodity or commodity-related service when in its judgment such financing would be inconsistent with the purpose of the Grant or of the Foreign Assistance Act of 1961, as amended.

(b) A.I.D. reserves the right in exceptional situations to delete commodity categories or items within commodity categories described by United States Department of Commerce Schedule B codes on the Commodity Eligibility Listing. Such right will be exercised at a point in time no later than commodity prevalidation by A.I.D. (Form 11 approval) or, if no commodity prevalidation is required, no later than the date

Article 2. Procurement, Eligibility, and Utilization of Commodities (Continued)

on which an irrevocable Letter of Credit is confirmed by a U.S. bank in favor of the supplier.

(c) If no prevalidation is required and payment is not by Letter of Credit, A.I.D. will exercise this right no later than the date on which it expends funds made available to the Grantee under this Annex for the financing of the commodity. In any event, however, the Grantee will be notified through the A.I.D. Mission in its country of any decision by A.I.D. to exercise this right pursuant to a determination that financing the commodity would adversely affect A.I.D. or foreign policy objectives of the United States or could jeopardize the safety or health of people in the importing country.

SECTION 2.3. Procurement Source. All Eligible Items shall have their source and origin in the United States of America (Code 000 of the A.I.D. Geographic Code Book), except as A.I.D. may specify in Implementation Letters or as it may otherwise agree in writing.

SECTION 2.4. Eligibility Date. No commodities or commodity-related services may be financed under the Annex if they were procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as A.I.D. may otherwise agree in writing.

SECTION 2.5. Procurement for Public Sector.

(a) With respect to procurement under this Annex by or for Grantee, its departments and instrumentalities, the provisions of Section 201.22 of A.I.D. Regulation 1 regarding formal competitive bid procedures will apply unless A.I.D. otherwise agrees in writing.

(b) Grantee will undertake to assure that any public sector end-users under this Grant establish adequate logistic management facilities and, with respect to commodities imported by public sector end-users, that sufficient funds are made available to meet local currency deposit requirements, and to pay banking charges, customs duties, and other commodity-related charges. All public sector imports under this Annex are expected to generate local currency for purposes described in Annex 1.

SECTION 2.6. Procurement for Private Sector. Except as A.I.D. may otherwise agree in writing, procurement by private importers will be subject to the negotiated procurement procedures of Section 201.23 of A.I.D. Regulation 1 unless the importer

Article 2. Procurement, Eligibility, and Utilization of Commodities (Continued)

elects procurement through the formal competitive procedures of Section 201.22 of A.I.D. Regulation 1.

SECTION 2.7. Motor Vehicles. Except as A.I.D. may otherwise agree in writing, none of the proceeds of this Grant may be used to finance the purchase, sale, long-term lease, exchange or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States.

SECTION 2.8. Utilization of Commodities.

(a) Grantee will assure that commodities financed under this Annex will be effectively used for the purposes for which the assistance is made available. To this end, the Grantee will use its best efforts to assure that the following procedures are followed:

(1) Accurate arrival and clearance records are maintained by customs authorities; commodity imports are promptly processed through customs at points of entry; such commodities are removed from customs and/or bonded warehouses within ninety (90) calendar days from the date the commodities are unloaded at the point of entry, unless the importer is hindered by force majeure or A.I.D. otherwise agrees in writing; and

(2) The commodities are consumed or used by the importer not later than one (1) year from the date the commodities are removed from customs, unless a longer period can be justified to the satisfaction of A.I.D. by reason of force majeure or special market conditions or other circumstances.

(b) Grantee will assure that commodities financed under this Annex will not be re-exported in the same or substantially the same form, unless specifically authorized by A.I.D.

SECTION 2.9. Shipping.

(a) Commodities may not be financed under this Annex if transported either:

(1) on an ocean vessel or aircraft under flag registry of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or

(2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible, or

(3) under an ocean or air charger which has not received prior A.I.D. approval.

Article 2. Procurement, Eligibility, and Utilization of Commodities. (Continued)

(b) Unless otherwise authorized, A.I.D. will finance only those transportation costs incurred on aircraft or ocean vessels under flag registry of a country included in the Geographic Code authorized in Section 2.3. of this Annex.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately-owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported on dry cargo liners shall be paid to or for the benefit of privately-owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both cargo transported from U.S. ports and cargo transported from non-U.S. ports, computed separately.

SECTION 2.10. Insurance. Marine insurance on commodities financed by A.I.D. under this Annex may also be financed under this Grant provided that such insurance is placed in a country included in the Geographic Code authorized in Section 2.3 of this Annex, in accordance with the application provisions of A.I.D. Regulation 1, Subparts B and C.

Article 3. Disbursement

SECTION 3.1. Letters of Commitment to United States Banks. After satisfaction of the conditions precedent, the Grantee may obtain disbursements of funds under this Grant by submitting Financing Requests to A.I.D. for the issuance of Letters of Commitment for specified amounts to one or more banking institutions in the United States designated by Grantee and satisfactory to A.I.D. Such letters will commit A.I.D. to reimburse the bank or banks on behalf of the Grantee for payments made by the banks to suppliers or contractors, under Letters of Credit or otherwise, pursuant to such documentation requirements as A.I.D. may prescribe. Banking charges incurred in connection with Letters of Commitment and disbursements shall be for the account of Grantee and may be financed by this Grant.

SECTION 3.2. Other Forms of Disbursement Authorizations. Disbursements of the Grant may also be made through such other names as the Parties may agree to in writing.

SECTION 3.3. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other commitment documents which may be called for by another

24

Article 3. Disbursement (Continued)

form of disbursement under Section 3.2. shall be issued in response to a request received by A.I.D. after twelve (12) months, and no disbursement of grant funds shall be made against documentation received by A.I.D. or any bank described in Section 3.1. after eighteen (18) months, from the date of this Agreement or any amendments providing additional funds pursuant to Article 3.1. of this Agreement.

Article 4. Covenants

SECTION 4.1. Taxation. As set forth in Section 8.4 of this Agreement, this Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in Zimbabwe. To the extent that any commodity procurement transaction financed under this Annex is not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect within Zimbabwe, the same shall not be paid with funds provided or directly generated under this Grant.

SECTION 4.2. Reports and Records. In addition to the requirements in A.I.D. Regulation 1, the Grantee will:

(a) Furnish A.I.D. such reports and information relating to the goods and services financed by this Grant and the performance of Grantee's obligations under this Annex as A.I.D. may reasonably request;

(b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such books and records relating to this Grant as may be described in Implementation Letters. Such books and records may be inspected by A.I.D. or any of its authorized representatives at all times as A.I.D. may reasonably require, and shall be maintained for three years after the date of last disbursement by A.I.D. under this Annex; and

(c) Permit A.I.D. or any of its authorized representatives at all reasonable times during the three-year period to inspect the commodities financed under this Annex at any point, including the point of use.

SECTION 4.3. Minimum Size of Transactions. No foreign exchange allocation of Letter of Credit issued pursuant to this Annex shall be in amount less than Ten Thousand United States Dollars (\$10,000), except as A.I.D. may otherwise agree in writing.

SECTION 4.4. Generation and Use of Local Currency.

(a) The Grantee will establish a Special Account in the Reserve Bank of Zimbabwe and will deposit therein currency

25

Article 4. Covenants (Continued)

of the Government of Zimbabwe in amounts equal to proceeds accruing to the Grantee or any authorized agency thereof as a result of the sale of the Eligible Items. Funds in the Special Account shall be utilized for mutually agreed purposes as set forth in Annex 1.

(b) In the event that Eligible Items financed under the Grant are not to be sold and the proceeds thereof deposited in accordance with paragraph (a) of this Section 4.4., Grantee will, except as A.I.D. may otherwise agree in writing, deposit into the Special Account amounts equivalent to the U.S. dollar allocation for such Eligible Items; such deposits will be based upon the exchange rate which provides the largest number of Zimbabwe dollars per U.S. dollar that is not unlawful in Zimbabwe.

(c) Except as A.I.D. may otherwise agree in writing, deposits to the Special Account shall be made quarterly, within five (5) working days after receipt of written advice from A.I.D. as to the amount due and payable. A.I.D. may elect to specify that such local currency deposits shall be equivalent to U.S. dollar disbursements under this Agreement, aggregated quarterly. Such deposits shall be based upon the exchange rate which, on the date of A.I.D.'s advice to Grantee as to the amount to be deposited, provides the largest number of Zimbabwe dollars per U.S. dollar that is not unlawful in Zimbabwe.