

PDBBN 548

A.I.D. GRANT NUMBER 613-T-607

613-0209

PROGRAM

GRANT AGREEMENT

BETWEEN

THE GOVERNMENT OF ZIMBABWE

and the

UNITED STATES OF AMERICA

for the

ZIMBABWE AGRICULTURAL SECTOR ASSISTANCE PROGRAM

AMENDMENT NUMBER 6

Dated August 31, 1988

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PROGRAM AGREEMENT AMENDMENT

AMENDMENT Number 6, dated August 31, 1988, between the United States of America, acting through the Agency for International Development ("A.I.D."), and the Government of Zimbabwe ("Grantee") for the Zimbabwe Agricultural Sector Assistance Program (Number 613-T-607):

WHEREAS, the Grantee and A.I.D. entered into a Program Grant Agreement (No. 613-K-604), dated September 29, 1982, which was amended on July 29, 1983, on August 31, 1983, on April 13, 1984, on July 30, 1984 and on January 16, 1985 (The "Agreement"), and

WHEREAS, the Grantee and A.I.D. desire to amend the Agreement to reflect a further increment of funding in the amount of five million United States Dollars (US\$5,000,000), to provide for possible future increments of funding, to implement agreed upon modifications within the program and to specify further uses of local currency generations;

NOW, THEREFORE, the parties hereto hereby agree that:

1. Article 2, Section 2.2. of the Agreement shall be amended to read as follows:

"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 the 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 project will be sixty-two million United States Dollars (US\$62,000,000).

2. Article 3, Section 3.1 of the Agreement shall be amended to read as follows:

"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 an amount not to exceed fifty million United States Dollars (U.S.\$50,000,000) ("Grant"). The Grant may be used to finance foreign exchange costs as defined in Section 7.1 and related local currency costs as defined in Section 7.2.(b)."

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3. Article 3 Section 3.2 a. of the Agreement shall be amended to read as follows:

"SECTION 3.2. Program Assistance Completion Date:

(a) The "Program Assistance Completion Date" (PACD), which is June 30, 1992, 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."

4. ANNEX 1, Amplified Program Description, is replaced with the new Amplified Program Description attached to this Amendment No. 6.

5. ANNEX 2, Article 4, Section 4.4. Generation and Use of Local Currency, paragraph (a), is amended to read as follows:

"(a) The Grantee will establish a special account in the Reserve Bank of Zimbabwe and will deposit therein currency of the Government of Zimbabwe in an amount 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 of this Agreement, provided that such portion of the funds in the Special Account as may be designated by A.I.D. shall be made available to meet the requirements of the United States, which for purposes of this Agreement shall be deemed to be ten (10) percent of total local currency generations."

6. ANNEX 2, Article 4, Covenants, is further amended by the addition of the following new section:

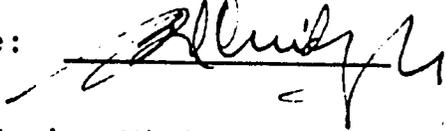
"SECTION 4.5. Future Use of Foreign Exchange. Notwithstanding any other provision of this Grant, foreign exchange provided through funding amendments to this Grant executed in 1988 and thereafter for use under the Grant's commodity import mechanism will be available only for private sector procurement and will not be limited to procurement related to the agriculture sector."

7. Except as amended herein, the Agreement between the Grantee and A.I.D., remains in full force and effect.

IN WITNESS WHEREOF, The Government of Zimbabwe and the United States of America, each acting through its respective duly authorized representative, have caused this amendment to be signed in their names and delivered as of the date first written above.

FOR THE GOVERNMENT OF ZIMBABWE

Typed Name: Bernard Chidzero

Signature: 

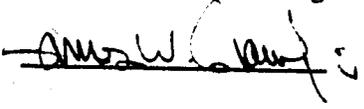
Title: Senior Minister

Ministry of Finance  
Economic Planning and  
Development

Date: August 31, 1988

FOR THE GOVERNMENT OF THE  
UNITED STATES OF AMERICA

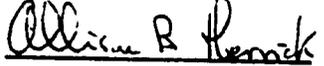
Typed Name: James W. Rawlings

Signature: 

Title: U.S. Ambassador

Date: August 31, 1988

Typed Name: Allison B. Herrick

Signature: 

Title: U.S.A.I.D. Director

Date: August 30, 1988



A.I.D. PROJECT NUMBER 613-0209  
A.I.D. GRANT NUMBER 613-T-607  
APPROPRIATION: 72-1181014  
BUDGET PLAN CODE: GSSA-88-31613-KG39

Draft: RLA:ESpriggs *ES* (2 August, 1988)

Clearances: ADO:ENWitt *ENWitt*  
PRM:LTaylor *LTaylor*  
CONT:MBaer *MBaer*  
DD:PHussey *PHussey*

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## ANNEX I

### Amplified Program Description

Except as specifically provided herein and within the limits of the definition of 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 8.3. 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. Under the initial ZASA Program Grant a total of forty-five million US dollars (\$45,000,000) was obligated over a three-year period. The amendment to the ZASA Program Grant will add seventeen million US dollars (\$17,000,000) and will be obligated over a three year period, subject to availability of funds. This will bring the total funding for the ZASA Program Grant to sixty-two million U.S. dollars (\$62,000,000), subject to the conditions in Section 2.2. of this Agreement. The additional 17,000,000 U.S. dollars will be provided through a commodity import mechanism which will fund equipment, spare parts and raw materials for the private sector. These dollars will be allocated according to established procedures of the Ministry of Trade and Commerce. Local currency counter value will address seven constraint areas identified during the 1982 Agricultural Sector Assessment that directly impact upon the Zimbabwe small farmer. These constraint areas which were validated in the September, 1986 evaluation 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: Land, Agriculture and Rural Resettlement (research, extension, credit, planning and manpower development, education, marketing, land and water use planning, cooperatives and marketing); Water Resources and Development (irrigation); University of Zimbabwe (higher level education); Natural Resources and Tourism (land use); and Finance, Economic Planning and Development (coordination and central monitoring).

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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 develop their programs, activities and related budgets, including new and expanded programs to assist the small farmer, and submit these budgets 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) AID concurrence in the priority areas to be supported is based on the following criteria:

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

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

(3) that the budgetary shortfall be of a magnitude that it could not adequately fund the priority areas;

(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. then advises the Grantee of its decision; these selected areas are then included in the national budget as projects financed from donor funds;

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

(H) the cycle is repeated 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 sixty-two million (\$62,000,000) provided by A.I.D. for the ZASA program, as amended, approximately twelve million two hundred and fifty thousand dollars (\$12,250,000) will finance foreign exchange costs associated with procurement of specialized commodities, technical services and provision of overseas training. The estimated forty-nine million seven hundred and fifty thousand U.S. dollars (\$49,750,000) which will generate local currency (Zimbabwe dollars) through the commodity import mechanism will finance local costs in mutually agreed-upon constraint areas.

Allocations of foreign exchange for commodity imports will be done in accordance with the procedures of the Ministry of Trade and Commerce.

Disbursement of the local currency will be made by implementing agencies from funds transferred by Treasury from the Special Account No. 255 (established to receive funds generated under USAID Grant 613-K-604) to the Vote of Credit of the implementing ministry or agency.

## Article 3. Implementation Responsibilities

SECTION 3.1. Program Development. Primary responsibility for developing constraint area budgets and related programs and activities will rest with the Grantee, particularly the Ministry of Lands, Agriculture and Rural Resettlement; the University of Zimbabwe's Faculty of Agriculture; the Ministry of Natural Resources and Tourism; and the Ministry of Water Resources and Development.

SECTION 3.2. Program Coordination. Coordination between Grantee entities and A.I.D. will be assured by the ZASA Working Group. Membership in the Group includes representatives from the operating ministries and the Ministry of Finance, Economic Planning and Development. This Working Group assigns priorities to the proposed programs, establishes 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.

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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 an exchange or Implementation Letters, which will describe the Grantee budgets and the related programs that have been agreed upon for support. The Grantee will be able to shift funds between and among 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 purpose.

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 annual progress reports to the Ministry of Finance, Economic Planning and Development for consolidation and forwarding to A.I.D. no later than 45 days from the end of the reporting year. At a minimum, the reports from the ministries should include (a) actual disbursements and commitments in the approved budgetary support areas during the period, (b) narrative reports on accomplishments since previous reports, including problems encountered and overcome, and continuing problems, (c) description of work to be done in the next year, and d) projected expenditures.

A final narrative report is required for each activity.

The Ministry of Finance, Economic Planning and Development also will submit quarterly disbursement reports to A.I.D. containing the following information: (a) cumulative deposits to and transfers from the Special Account of local currency generated pursuant to Annex 2 of this Agreement and (b) a detailed report by implementing agency activity, showing funds allocated, funds transferred by MFEPD and disbursements as reported by the implementing agency. Funds transferred and disbursements should be shown for the current quarter and cumulative to date.

These reports are due within forty-five days of the end of each calendar quarter.

A.I.D. will make ad hoc visits to assure itself that the various Grant-supported constraint areas are receiving agreed-upon funding. In addition, the ZASA Working Group will review the above-described reports and actual progress. Evaluations of Grantee's general performance and ongoing implementation capabilities will be conducted by A.I.D. and the Grantee.

A.I.D. will verify that commodities imported through the CIP mechanism are received, consumed and used through end-use checks of selected imports.

Article 4. Procedures for Procurement of Commodities & Services

SECTION 4. Commodity Procurement

(a) Direct Procurement by Grantee. It is expected that Grantee will handle all procurement in support of technical services utilizing its own procedures except for those actions that A.I.D. may be requested to undertake. Foreign exchange for such procurement will be made available 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, provided that funding is available for such costs. The Grantee will play a major role in contractor selection if the direct A.I.D. contract method is selected. Once acceptable technical 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, if funding is available for offshore training. Requirements for training within Zimbabwe as well as the placement arrangements will be handled by the Grantee and paid for from the local currency.

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Article 6. Illustrative Implementation Schedule for 1988 - 1992

<u>DATE</u>	<u>ACTION</u>
1988 August	Grant Agreement Amendment signed. Obligation of \$5.0 million.
September	L/Comm issued for commodity procurement.
October	Initial foreign exchange allocations to private sector importers.
1989 January	First shipments from the U.S. commence arriving in Zimbabwe.
March	New local currency generations begin to flow into special account.
August	ZASA evaluation/review.
1991 January	Obligation of second tranche of \$12.0 million.
February	Initial foreign exchange allocations from January funds.
May	First shipments from February allocations arrive in Zimbabwe.
June	New local currency generations. ZASA evaluation/review.
September	Foreign exchange under commodity import mechanism fully allocated.
1992 June 30	Project Assistance Completion Date. Final Evaluation.