

PD-BAS-269

A.I.D. Grant Number 613-K-606

Project Number 613-0208

THE GOVERNMENT OF ZIMBABWE

and the

UNITED STATES OF AMERICA

for the

BASIC EDUCATION AND SKILLS TRAINING

SECTOR ASSISTANCE PROGRAM

Dated: August 31, 1983

Certified to be a True Copy of the original Grant Agreement executed by the above Parties on August 31, 1983.

  
Gary B. Bisson  
Regional Legal Advisor/SA

September 8, 1983

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A.I.D. Grant No. 613-K-606

Project Number 613-0208

Program Grant Agreement

Dated: August 31, 1983

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 will provide budgetary support to programs and activities of the Grantee to implement its planned reforms in its primary, secondary, and teacher education and technical/vocational skills training systems. These reforms are directed at the development of an effective and affordable system which has the capacity to meet Zimbabwe's education and skills training requirements within the nation's financial and other resource constraints. Annex 1, attached, amplifies the above definition of the Program. Within the limits of the above definition, 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 eight million seven hundred thousand United States ("U.S.") Dollars (\$8,700,000) ("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).

Unless the parties otherwise agree in writing, the Zimbabwe Dollars required to support other local costs of the Program as defined in Section 7.2. will be generated through the standard commodity import mechanism as detailed in Annex 2, Section 4.4. and be placed into a Special Account to be used in support of the program.

SECTION 3.2. Program Assistance Completion Date

(A) The "Program Assistance Completion Date" (PACD), which is December 31, 1988, 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, Section 3.3.

(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. First Disbursement. Prior to the first disbursement under 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.:

(A) An opinion of the Deputy Director of the Civil Division of the Attorney General's 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.

(C) A list of proposed activities or items within the Grantee's Annual Estimates of Expenditure to be supported under the Grant in its first year.

SECTION 4.2. Additional Disbursement. Prior to any disbursement of funds, or the issuance by A.I.D. of documentation pursuant to which disbursement will be made, of an additional increment of Grant funding, the Grantee shall furnish in form and substance satisfactory to A.I.D., an evaluation report indicating progress toward attainment of grant's objectives as defined in Section 2.1. and Annex 1 of this Agreement and a statement of any proposed revision to the list of activities or items contained in the Grantee's Annual Estimates of Expenditures to be supported under the Grant.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1. for the first disbursement and 4.2. for additional disbursements 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) If all the conditions specified in Section 4.2. have not been met within the date specified by A.I.D. in an Implementation Letter issued under Section 8.3. of this Agreement, or such later

date as A.I.D. may agree to in writing, A.I.D., having given 30 days written notice to Grantee to rectify any failure to comply with the said conditions, may cancel the undisbursed balance of the Grant not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Grantee.

#### ARTICLE 5. Special Covenants

SECTION 5.1. Program Evaluation. The Parties agree to an annual evaluation of the Program. Except as the Parties otherwise agree in writing, the evaluations will include: (a) assessment of progress towards attainment of the objectives of the Program; (b) identification and analysis of problems or constraints which may inhibit attainment of Grant's objectives; and (c) proposal to correct such problems or obstacles.

SECTION 5.2. Cooperation in Budget Planning. The Parties agree to cooperate throughout the budget cycle and in budgeting activities to be financed under the Grant, 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 Annual Estimates of Expenditure will contain Grantee and A.I.D. funding, in the amounts and areas agreed upon to support the Program's objectives.

SECTION 5.4. Additionality of A.I.D. Funds. The Grantee agrees that the funds provided by A.I.D. under the Grant will be additional to, and not a substitute for, the Grantee's own budgetary resources.

SECTION 5.5. 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.

ARTICLE 6. Procurement Source

(A) Disbursements pursuant to the commodity imports mechanism will be used exclusively to finance the costs of goods 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), except as A.I.D. may otherwise agree in writing.

(B) Disbursements pursuant to Section 7.1. for other than those through the commodity import mechanism will be used exclusively to finance the costs of goods or 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), except as A.I.D. may otherwise agree in writing.

ARTICLE 7. Disbursement

SECTION 7.1. Disbursement for Foreign Exchange

(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 (90) days for purchase of goods or services for the program; 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 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.

(A) Except as provided in paragraph (B) below, disbursements for local currency costs will be made only from the special account in accordance with the procedures set out in Annex 1.

(B) With respect to technical assistance contracts financed by A.I.D. with foreign exchange under Section 7.1. above, the Grantee may obtain disbursements of funds under the grant for related local currency costs required for the contract, by submitting to A.I.D., with necessary supporting documentation as prescribed in project implementation letters, requests to finance such costs.

#### 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  
Causeway  
Harare, Zimbabwe

**Alternate Address for telex:** ZW 2141

**Cables:** MINFIN

Causeway  
Harare, Zimbabwe.

**To A.I.D.:**

**Mail Address:** Director  
USAID/Zimbabwe  
P. O. Box 3340  
Harare, Zimbabwe

**Alternate Address for telex:** ZW USAID 4428

**Cables:** AmEmbassy

Harare, Zimbabwe.

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

**SECTION 8.2. Representatives** For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of Secretary, Ministry of Finance, Economic Planning and Development, and A.I.D. will be represented by the individual holding or acting in the Office of Director, 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, 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 public sector commodity procurement transaction financed under the Grant, are 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.

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 as 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.

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. Any unencumbered balances of funds which remain in the Special Account upon termination of assistance hereunder shall be disposed of for such purposes as may be agreed upon by the Representatives referred to in Section 8.2. above.

(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. Thirty 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 by 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

(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 (60) 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 (60) 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) 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.

(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

Signature: Robert V. Keeley

Signature: B. Chidzero

Typed Name: Robert V. Keeley

Typed Name: Bernard Chidzero

Title: Ambassador

Title: Minister of Finance,  
Economic Planning and  
Development

Date: August 31, 1983

Date: August 31, 1983

Signature: John F. Hicks

Signature: Dzingai B. Mutumbuka

Typed Name: John F. Hicks

Typed Name: Dzingai B. Mutumbuka

Title: Acting Director  
U.S. Agency for International  
Development/Zimbabwe

Title: Minister of Education and  
Culture

Date: August 31, 1983

Date: August 31, 1983

Signature: Frederick M. Shava

Typed Name: Frederick M. Shava

Title: Minister of Manpower  
Planning and  
Development

Date: August 31, 1983

APPROPRIATION: 721131037

BUDGET PLAN CODE: GESA-83-31613-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 this 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 this Agreement without formal amendment of this Agreement.

ARTICLE 1. Summary Description of Program

SECTION 1.1. Goal. The basic goal of the Basic Education and Skills Training Sector Assistance Program (BEST) is to contribute to Zimbabwe's economic and social development by providing additional budgetary resources to assist the Government of Zimbabwe implement its planned program to expand its educational and employment skills training system with special emphasis on improving cost-effectiveness and equity within the overall system. The program's resources will be utilized to support those items and activities contained in the Grantee's Annual Estimates of Expenditure including the Public Sector Investment Program which are expected to contribute to the reduction of the key constraints inhibiting the attainment of the Grantee's goal to expand its education and skills training system. These constraints are limited resources, insufficient numbers of trained teachers/instructors, inappropriate instructional curriculum, inefficient/inequitable spatial allocation of educational/training facilities, and insufficient planning capacity. Under this BEST Program Grant, and subject to the conditions in Section 2.2. of this Agreement, a total of forty-five million United States Dollars is expected to be granted over a three-year period, with disbursements to be made over five years in support of the program's goal.

SECTION 1.2. Expected Achievements. Over the life of the Grant a number of tangible accomplishments are expected. These include:

1. A more efficient use of educational resources that will allow increases in the numbers of children enrolled in school and will increase the availability of relevant vocational/technical training;

2. Substantial increases in the numbers of fully qualified elementary, secondary and vocational/technical teachers and the institutionalized means of providing qualified teachers on a continuing and cost-effective basis;

3. Demonstrable improvement in the quality, relevance, and instructional effectiveness of the curricula of both elementary and secondary education and in vocational/technical training programs;

4. A more equitable distribution of teaching and vocational/technical training to rural areas and other geographically dispersed regions of Zimbabwe and efficient mechanisms in place to assure the maintenance of equity; and

5. A strengthened administrative, planning, and management capacity at various critical levels of the education and vocational/technical training system, leading to a more cost-effective use of resources and the moderation of recurrent financial burdens.

SECTION 1.3. Criteria for Allocation of Program's Resources.

Items or activities in the Grantee's Annual Estimates of Expenditure including the Public Sector Investment Program which may be partially or fully supported using the various resources provided through this Program Grant will be selected by applying the following criteria:

1. Address one or more of the key constraints identified in Article 1, Section 1.1. of this Annex.

2. Be cost-effective and operationally efficient in the use of scarce resources, such as trained teachers or vocational/technical instructors.

3. Contribute to long-term improvement in institutional capacities and administrative practices of the education and vocational/technical training system.

4. Be complementary to and co-ordinated with other activities of the Grantee.

5. Have a high probability of success, with specified criteria for evaluating progress and determining the success of the activity.

6. Have a multiplier effect on the education and vocational/technical training system.

7. Be implementable within the disbursement period of the Grant and have adequate provision for finance and other required resources to assure completion, maintenance, and continuation of the activity.

SECTION 1.4. Types of Resources Provided. The Program Grant will provide financial, technical, and training resources in support of those activities or items in the Grantee's Annual Estimates of Expenditure including the Public Sector Investment Program which have been selected for inclusion under the Grant using the criteria defined in Article 1, Section 1.3. of this Annex.

SECTION 1.5. Implementation Procedures. The Program Grant will be implemented using the following general procedures.

1. The implementing Grantee Ministries develop annually their budgets for inclusion in the Annual Estimates of Expenditure including the Public Sector Investment Program. These budget estimates define the items and activities which the implementing Ministries propose to carry out during the course of the next fiscal year in support of the objectives of the Government of Zimbabwe's development plans. These estimates will be inclusive of those items and activities to receive support from the resources provided through this Grant.

2. The proposed budgets are submitted to the Ministry of Finance, Economic Planning and Development where they are reviewed and revised. The Ministry of Finance, Economic Planning and Development will ensure that the activities and items proposed for support using the Grant's resources are consistent with the criteria defined in Article 1, Section 1.3. of this Annex. The implementing Ministries in consultation with the Ministry of Finance, Economic Planning and Development arrive at their respective budget levels for inclusion in the Annual Estimates of Expenditure including the Public Sector Investment Program to be submitted to the Parliament of the Republic of Zimbabwe.

3. The Ministry of Finance, Economic Planning and Development discusses the proposed items and activities to be supported with the Grant's resources with A.I.D. A.I.D. reviews the items and activities to ensure their consistency with the criteria and Program's objectives. In addition, the Ministry of Finance, Economic Planning and Development confirms to A.I.D. that the items and activities to be supported under the Grant are receiving additive resources through the Grant and that the Grant's resources are not being used to substitute for the Grantee's resources which might have been otherwise available in the absence of the Grant.

4. Following these discussions with A.I.D., the Ministry of Finance, Economic Planning and Development seeks the concurrence of A.I.D. in the proposed activities or items through the exchange of implementation letters.

5. During the course of the implementation of the program, the Ministry of Finance, Economic Planning and Development may adjust the allocation of the Grant's resources as necessary to ensure the attainment of the objectives of the Grant. An exchange of implementation letters will be used for each adjustment.

6. Plans for the use of technical assistance and training in support of the items and activities supported through the Grant will be developed and implemented by the implementing Ministries in consultation with the Ministry of Finance, Economic Planning and Development and A.I.D.

7. The Ministry of Finance, Economic Planning and Development, the implementing Ministries, and A.I.D. will meet quarterly and annually to assess progress in the attainment of the Grant's objectives.

The implementation procedures described above are repeated annually.

## ARTICLE 2. Financing and Disbursement Mechanisms

Of the total anticipated forty-five million United States Dollars (US\$45,000,000) provided by A.I.D. for the BEST program, approximately eight million dollars (US\$8,000,000) will finance foreign exchange costs associated with the procurement of technical services and training. The remaining estimated thirty-seven million dollars (US\$37,000,000) will be used to finance private sector procurement generating local currency, and public sector procurement of program related commodities, through the commodity import mechanism described in Annex 2 of this Agreement.

Local currency generations will be transferred by the Ministry of Finance, Economic Planning and Development from the Special Account to the implementing Ministries for disbursement to support those items and activities to finance using the Grant's resources. Disbursement of the foreign exchange for overseas training may be made by A.I.D. through an existing direct A.I.D. contract. Disbursement of the foreign exchange for technical services or miscellaneous goods not procured

under the commodity import mechanism will be made directly by A.I.D. on behalf of the Grantee, through Bank Letters of Credit established by the Grantee supported by Letters of Commitment issued by the A.I.D., or by such other means as the parties may agree to in writing. The documentation and procedures required for disbursement will be explained by an Implementation Letter.

ARTICLE 3. Implementation Responsibilities.

SECTION 3.1. Program Coordination. The Ministry of Finance, Economic Planning and Development will have responsibility for coordination and ensuring that the Grant's resources are allocated in support of items and activities in the Annual Estimates of Expenditure which address the problems and constraints which arise from the five constraints. This Ministry will also convene and chair quarterly meetings and annual evaluations to assess progress in the attainment of the Grant's objectives. This Ministry will also be the principal point of liaison between the Grantee and A.I.D. on matters pertaining to the implementation of the Grant.

SECTION 3.2. Program Development. Primary responsibility for the planning and development of those items and activities which address the five key constraints will rest with the Grantee, particularly the Ministry of Education and Culture and the Ministry of Manpower Planning and Development.

SECTION 3.3. Summary of Grantee's Implementation Responsibilities. The implementation of this Grant will involve five Ministries. The five Ministries are Finance, Economic Planning and Development (MFEPD); Education and Culture (MOEC); Manpower Planning and Development (MMPD); Construction (MC); and Trade and Commerce (MTC). The first three Ministries (MFEPD, MOEC and MMPD) will have responsibility for the attainment of the Program's objectives. In addition, the MC will handle any public sector construction. The primary function of the MTC is to ensure

efficient and rapid disbursement of the foreign exchange under the CIP component to the private sector to generate local currency required by the program. The responsibilities of each of these various Ministries are outlined below:

A. Ministry of Finance, Economic Planning and Development

1. Economic Planning and Development Section

Advising implementing Ministries of the terms and conditions of the Grant Agreement.

Meeting conditions precedent to disbursement.

Evaluation and determination of priority activities to be financed using resources provided through the Grant.

Advising implementing Ministries as well as Treasury

of the activities in the Annual Estimates of Expenditure to be financed under Grant.

Approval of any modifications in activities to be financed.

Allocation of foreign exchange to MOEC and MMPD for procurement of commodities.

Monitoring and reporting to A.I.D. on progress toward attainment of the Grant's objectives.

Ensuring that recommendations of the quarterly review meetings and annual formative evaluations are

implemented.

Evaluations are carried out as required.

2. Finance Section (Treasury)

Authorizes implementing Ministries to incur expenditures against items covered in the Annual

Estimates of Expenditures under the Grant.

Transfers new activities to be covered from the Vote

of Credit to the Appropriation Vote of the

implementing Ministries.

Manages deposits and disbursements from the Special

Account in the Reserve Bank of Zimbabwe.

Obtains reimbursement from A.I.D. for foreign exchange expended on technical assistance or training.  
Transfers funds to the Exchequer from the National Development Fund based on monthly Forecast of Expenditures submitted by implementing Ministries.  
Receives and reviews monthly Returns of Expenditures from the implementing Ministries.  
Accounts to Grantee and A.I.D. on financial matters.

B. Ministry of Education and Culture

Preparation of justification and supporting documentation by planning section for activities to be financed under Grant.

Various sections such as teacher education, examinations, curriculum, etc., responsible for implementation of activities financed by Grant (Includes identification and procurement of commodities and technical assistance as well as development of staff training programs).

Preparation of monthly Forecasts of Expenditures and Returns on Expenditures by the Finance section for submission to the Treasury.

Preparation by the planning section of monthly, quarterly, and annual progress reports for submission to MFEPD.

Preparation and justification of Annual Estimate of Expenditure including terms to be financed under Grant for MFEPD approval and inclusions in final submission to Parliament.

Planning and analysis required to indicate progress in removing adverse impact of five constraints.

C. Ministry of Manpower Planning and Development

Preparation of justification and supporting documentation by planning section for activities to be financed under Grant.

Various sections of Ministries such as vocational training, apprenticeship, research, etc., responsible for implementation of activities financed by Grant (Includes identification and procurement of commodities and technical assistance as well as development of staff training programs).

Preparation of monthly Forecasts of Expenditures and Returns on Expenditures by the finance section for submission to Treasury.

Preparation by the planning section of monthly, quarterly, and annual progress reports for submission to MFEPD.

Preparation and justification of Annual Estimate of Expenditure including items to be financed under Grant for MFEPD approval and inclusion in final submission to Parliament.

Planning and analysis as required to indicate progress in removing adverse impact of five constraints.

D. Ministry of Construction

Construction requirements of MOEC and MMPD.

Development of architectural plans for construction.

Prepares bills of quantity and other detailed documentation required by Grantee's tendering procedures.

Tenders for contractor to handle construction.

Submits results of tendering process to Tender Board for approval and award of contract.

Oversees construction activities.

Preparation of monthly Forecasts of Expenditures and Returns on Expenditure for submission to Treasury.

Preparation of monthly, quarterly, and annual progress reports for submission to MFEPD.

(Note: Program justification is handled by either MOEC or MMPD).

E. Ministry of Trade and Commerce

Allocation of the foreign exchange under the CIP to the private sector.

Coordination in the allocation process with Ministry of Industry and Energy Development.

Issuance of import licenses for private and public sector transactions.

Submission of appropriate progress reports on the allocations to Treasury and Economic Planning sections of MFEPD.

SECTION 3.4. Summary of A.I.D.'s Implementation Responsibilities.

A program committee will be established within A.I.D. to monitor and evaluate the Grant. The committee will be chaired by the Human Resources Development Officer. Members of the committee will be the Deputy Director, the Controller and the Supply Management Officer. The Committee will meet quarterly with the GOZ to review progress. Reports on these meetings will be submitted to the USAID/Director. The USAID/Director will participate in the annual formative evaluations convened and chaired by the MFEPD.

The primary role of A.I.D. will be to monitor and evaluate progress in the attainment of the Grant's objectives which are to reduce the five key constraints on the expansion of the education and vocational/technical training system. This role will be performed through quarterly meetings with the Grantee and annual formative evaluations. A.I.D. staff will also make periodic site visits and hold discussions with individuals directly responsible for the activities supported under the Grant.

A.I.D. will concur in the allocation, or any future reallocation, of funds to specific line items or activities identified in the Annual Estimates of Expenditures to be financed under the Grant. This concurrence will be based on the extent to which the proposed list of activities conform to the agreed criteria for the allocation of the Grant's resources and are consistent with the attainment of the Grant's objectives.

SECTION 3.5. Disbursement Approval. Final concurrence prior to release of any funds by the Grantee to the items and activities in the Grantee's Annual Estimates of Expenditure to be supported through the Grant will rest with A.I.D. This concurrence will be evidenced by the exchange of Implementation Letters. Grantee will be able to shift resources between and among these items and activities with the prior written concurrence of A.I.D.

SECTION 3.6. Monitoring and Reporting. The implementing Ministries will submit monthly narrative program implementation and financial reports to the Ministry of Finance, Economic Planning and Development. This Ministry will consolidate these monthly reports into quarterly reports which will be forwarded to A.I.D. within 45 days from the end of the preceding quarter. The format for these quarterly reports will be specified in an Implementation Letter. At a minimum, the quarterly reports will be expected to follow the format outlined in the Grantee's Treasury Circular Minute M20 of 1981, entitled Accounting for Development Projects Funded by Foreign Aid.

In addition, the Ministry of Finance, Economic Planning and Development will submit quarterly progress and disbursement reports to A.I.D. containing the following information: (a) cumulative and current quarter's deposits to and transfers from the Special Account for local currency generated pursuant to Section 4.4. of 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, the Ministry of Finance, Economic Planning and Development will coordinate 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 periodic site visits. These site visits will be timed to occur close to the regularly scheduled quarterly review meetings with the GOZ. During these visits, discussions will be held with relevant individuals directly involved in the implementation of the activity. At the conclusion of these visits, a report will be prepared by A.I.D. to be transmitted to the Ministry of Economic Planning and Development by the USAID/Director prior to the quarterly meetings.

The quarterly meetings will be called by the MFEPD and chaired by either the Deputy Secretary for Economic Planning and Development or the Deputy Secretary for Finance. The implementing Ministries will be represented at these meetings at the level of at least Chief Education Officer, Assistant Secretary, or their equivalent and will include representation from the technical or planning division as well as the financial division.

The working documents which will be reviewed at these meetings will be (1) the monthly Returns on Expenditures, (2) the narrative report from the implementing Ministries, and (3) the site visit report by the A.I.D. Program Committee. The quarterly meeting will discuss progress toward implementation of the grant and will attempt to resolve any procedural or implementation issues. A report will be prepared by MFEPD following each quarterly meeting giving the status of progress under the grant and noting any necessary corrective actions to be taken the next quarter.

Annual formative evaluations will be held. The emphasis in these formative evaluations will be the extent to which the GOZ is making progress in ameliorating the five key constraints. A summative evaluation will be conducted within a year of the end of the Grant. It is expected that the Grantee and A.I.D. will undertake an impact evaluation at least five years following the end of the Grant to determine the extent to which the Grant's goal and objectives were achieved. A.I.D. agrees to finance the summative and impact evaluation from resources outside the Grant.

ARTICLE 4. Procedures for Procurement of Commodities and Services

SECTION 4.1. Procurement of Commodities. Most commodities either for the purpose of generating local currency or in direct support of the program will be procured under the CIP mechanism following procedures set forth in Annex 2. However, the Grantee may use its own procedures supplemented by A.I.D. Handbook 11, Chapter 3, to procure commodities outside this mechanism. In this event, the exact procedures to be utilized and the method for provision of foreign exchange for such procurement shall be as agreed upon by A.I.D. and Grantee in Implementation Letters.

SECTION 4.2. Procurement of Services. It is anticipated that outside technical assistance may be needed in support of the Program as described in this Annex. These technical assistance requirements, to be defined more specifically by the Grantee during the course of implementing the Program, may be provided under direct A.I.D. contracts with U.S. universities or consulting firms that have good performance records in areas supported by this Program. The Grantee will play a major role in contractor selection if this 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. However, the Grantee may use its own procedures supplemented in A.I.D. Handbook 11, Chapter 1 to procure technical assistance outside the direct A.I.D. contract mechanism. The exact procedures to be utilized and the method of provision of foreign exchange for such procurement shall be as agreed upon by A.I.D. and the Grantee in Implementation Letters.

ARTICLE 5. Training

Any Grantee requirements for long-term and short-term training outside Zimbabwe in support of the Program may be handled through an existing direct A.I.D. contract. Requirements for training within

Zimbabwe will be handled by the Grantee and paid for from the local currency generations.

ARTICLE 6. Illustrative Implementation Schedule

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

<u>Actions</u>	<u>Program Month</u>		
Grant Agreement signed between GOZ and A.I.D.		1	
Conditions Precedent to initial disbursement met		2	
Bank Letters of Commitment for CIP Issued by A.I.D.	2	14	26
Transfer of activities by Treasury to the implementing Ministries		3	
RFP for technical services issued		3	
Allocations of foreign exchange by Ministry of Trade and Commerce	3	15	27
Importers commence placing orders under CIP	4	16	28
Importers commence establishing Letters of Credit	4	16	28
Quarterly field site visits by USAID begin		4	
Quarterly Review Meetings begin		4	
Proposals from contractors for technical services received and reviewed		6	
First shipments of commodities under CIP arrive		7	
Contract for technical services awarded		7	

Deposit of local currency into Special Account begin					7
Annual Formative Evaluations	13	25	37	49	
Grant agreement amended with second and third tranches of funds		13	25		
Any reallocations of funds made by MFEPD based upon formative evaluation	13	25	37	49	61
Additional conditions precedent met			13		
Terminal date for requesting disbursing authorization under first, second and third CIP tranches		3	25	37	
Long-term participants begin leaving for USA		13	or	16	
Final shipment of goods from USA under first, second and third CIP tranches respectively		18	30	42	
Foreign exchange under first, second, and third CIP tranches fully disbursed		19	31	43	
Work on summative evaluation commences					63
Program Grant Funds all expanded					67
Summative Evaluation					68 or 73

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 BEST Program will be generated in accordance with the procedures and requirements contained in Section 4.4. of this Annex 2. These procedures and requirements closely follow those of the Zimbabwe Commodity Import Program, A.I.D. Grant No. 613-K-605. As specified herein Zimbabwe counterpart dollars will be deposited into a Special Account specifically designated pursuant to mutual agreement for BEST purposes. (See Annex 1). The provisions of this Annex 2 apply to general private sector commodity imports for the purpose of generating local currency and public sector commodity procurement in support of the Program as outlined in Annex 1. With respect to these procurement 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 judgement 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 the 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 on which an irrevocable Letter of Credit is confirmed by a U.S. bank in favour 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 2 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 this Annex 2 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. With respect to procurement under this Annex 2 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.

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 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 purpose 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 2 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 charter which has not received prior A.I.D. approval.

(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.

(D) Transportation by air, financed under this Annex 2 will be on carriers holding United States Certification, to the extent service by such carriers is available. Details on this requirement will be described in a Program Implementation Letter.

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 means 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 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 public sector 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 require-

ments 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 Transaction. No foreign exchange allocations or Letter of Credit issued pursuant to this Annex shall be in amount less than Ten Thousand United States Dollars (US\$10,000), except as A.I.D. may otherwise agree in writing.

SECTION 4.4. Generation and Use of Local Currency.

(A) The generation of local currency under the Grant shall result only from the disbursement of funds allocated for use by the private sector unless a Public Sector Import should result in accruals of proceeds to Grantee or any authorized Agency as a result of the sale of the Eligible Items.

(B) The Grantee will establish a Special Account in the Reserve Bank of Zimbabwe and will deposit therein currency 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 Eligible Items. Funds in the Special Account shall be utilized for mutually agreed purposes as set forth in Annex 1.

(C) Except as A.I.D. may otherwise agree in writing, deposits to the Special Account shall be made within thirty (30) days after disbursement by the U.S. bank. Such deposits shall be based upon the exchange rate in effect on the day of disbursement by the U.S. bank, which provides the largest number of Zimbabwe dollars per U.S. dollar that is not unlawful in Zimbabwe.