

**APPENDIX A:  
INVESTMENT DESCRIPTION  
Zambia Youth Empowerment Fund  
Zambia**

**I. Introduction**

This appendix describes the activities to be undertaken and the results to be achieved with the funds obligated under this Agreement. Nothing in this Appendix A shall be construed as amending any of the definitions, conditions, or terms of the Agreement.

**II. Background**

Data from the Republic of Zambia's Central Statistical Office indicate that two of every five urban youths and four of every five rural youths cannot find formal sector employment. Each year approximately 250,000 young people enter Zambia's labor market with little or no hope of finding formal employment and starting their own enterprises. It is not surprising that a national survey revealed the main concern of Zambian youth is lack of employment.

The Zambia Youth Empowerment Fund (ZYEF) was created in 2006 to respond to Zambia's youth unemployment crisis. ZYEF is dedicated to supporting the economic empowerment of youth by undertaking a large-scale jobs and income opportunities program for Zambians aged 16 to 30. However, ZYEF needs a major infusion of financial and non-financial resources to make the program a success.

**III. Funding**

**A. ADF Contribution**

The financial plan for ADF's contribution is set forth in Appendix A-1 to this Agreement. The Parties may make changes to the financial plan without formal amendment, if such changes are made in accordance with Article 7 of the Agreement and do not cause ADF's contribution to exceed the obligated amount specified in Article 3, Section 3.1 of the Agreement.

**B. ZYEF Contribution**

ZYEF will provide the services of its Board of Directors to raise funds for expansion of the program.

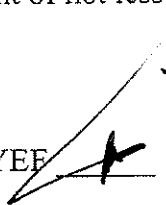
**C. Others**

The Nike Foundation, Omidyar Network, and other donors will contribute the equivalent of not less than US\$500,000 to the program.

ADF



ZYEF



#### IV. Investment Goal

The goal of this investment is to reduce the unemployment rate among youths in Zambia.

#### V. Investment Purpose

The purpose of the investment is to increase the incomes of the direct beneficiaries of ZYEF's assistance, as measured by changes in their annual incomes.

#### VI. Outputs

The major outputs of the investment are increased access by youths to job and entrepreneurial opportunities. By the end of the project the investment will achieve the following:

- A. at least one young person placed in a permanent job for each \$US 2,000 equivalent invested (disaggregated by gender)
- B. viable and sustainable enterprises created
  - at least 50 percent of businesses are operating at the breakeven or better three years after ZYEF's assistance ends,
  - baseline sales and revenues and the increase in sales for SMEs and agricultural entities,
  - net income of enterprises before income taxes and depreciation and the increase in net income, and
  - follow-on financing received from non-ADF sources; and
- C. viable and sustainable revolving credit facility for youth enterprises created as indicated by an overall repayment of at least 90 percent on loans extended by ZYEF.

#### VII. Activities

- A. Management of ZYEF's Investment Program

Provision of financial and technical assistance to youth enterprises is the major activity of the Project. ZYEF will adopt guidelines and policies for administering the program.

1. Purposes of Loans and Grants

ZYEF will extend loans and grants in accordance with established Fund policies and for authorized purposes. It will not lend money for prohibited purposes as stipulated below.

The following are authorized purposes:

- agricultural production and value-added processing – develop and implement innovative rural based program strategies to support agricultural production and processing projects and commercial activities designed to employ significant numbers of young people in Zambia;
- formal sector small and medium-sized enterprises – develop and implement innovative indigenous business development programs and strategies specifically targeted at empowering youth to establish, capitalize, own and operate sound, profitable and commercially competitive enterprises;
- social enterprises – increase the number and effectiveness of sustainability of community-based organizations and activities led by youths and employing youths to provide critically needed community-based infrastructure, social services, and community-based solutions to social and economic needs of marginalized communities and peoples;
- microfinance activities - increase the availability of micro-credit funds, services, and products for youths in Zambia; stimulate demand among youth for micro-credit funds; improve the capacity of youths to use and account for credit; and improve the efficiency, competitiveness and profitability of youth-managed micro-enterprises;
- on-the-job youth training programs – develop and implement, in cooperation with Zambia-based corporations, small and medium-sized enterprises, and civil society organizations, programs and strategies that engage Zambian youths in service programs, internships, and apprenticeships that will prepare them for formal employment and/or prepare and position them to start their own enterprises; and
- capacity building for youth groups and organizations – develop and implement programs and strategies to help youth organizations establish critical organizational capacities and enhance prospects for their long-term sustainability and growth. Program activities will include assisting youth organizations to establish appropriate structures, policies and procedures, systems, and staff capabilities related to: establishing their legal status, organizational structures, governance infrastructure and policies, executive management and leadership, strategic planning, program management, technical operations, human resource management, financial management, resource mobilization, communications infrastructure, and public relations.

The following are prohibited purposes:

- the creation or dissemination of political propaganda, or any attempt to influence legislation or any government act or decision;
- the participation in any political campaign on behalf of, or in opposition to, any candidate for public office;
- any application of funds received under a loan that constitutes, or could reasonably be expected to constitute, a conflict of interest;
- any application for a loan for an amount greater than the equivalent of \$US 250,000;
- any application for a loan to finance commodities that do not, or could reasonably not be expected to make a positive contribution to development, including the following--
  - (a) unsafe or ineffective products, such as certain pesticides, food products, or pharmaceuticals,
  - (b) certain luxury goods such as alcoholic beverages and equipment or products for their production or use, equipment or supplies for gambling facilities, and firearms, and
  - (c) surveillance equipment of micro-miniature design for audio surveillance activities;
- any application of funds received under a loan that violates, or could reasonably be expected to violate, the provisions of and enforcement of any Zambian laws; or
- any other purpose that is not an authorized purpose.

## 2. Project Selection Criteria

The Board of Trustees will approve projects for funding. The Board shall determine the number of voting members. A representative of ADF shall participate as a non-voting member. In the event the ADF representative formally objects to a decision by the Board to fund a project, no ADF funds shall be used to finance such project.

The Project will support initiatives that demonstrate the following:

- compatibility with the Government of Zambia's poverty reduction strategy;
- significant involvement of youth in the leadership and management of the activity;
- ability to generate significant numbers of jobs for youths;
- ability to promote youth entrepreneurship;
- potential for long-term sustainability and/or commercial viability;
- socio-economic benefits responding to critical needs of marginalized groups and communities; and
- potential for significant expansion or replication in Zambia and as a model for other developing countries.

### 3. Distribution of Funds

ZYEF will disburse funds in accordance with established policies and procedures. In addition, ZYEF will ensure that the following funding targets are met:

- (a) youth agricultural projects
  - at least eight youth led or youth focused agricultural production have received funding by the end of year one; and
  - at least two youth led or youth focused agricultural processing enterprises will have received funding by the end of year one; and
  
- (b) youth focused micro, small and medium-sized enterprises
  - at least five youth led or youth focused small or medium-sized non-agricultural enterprises receive funding by the end of year one; and
  - at least five intermediary organizations receive funding and in turn invest in youth micro or small enterprises by the end of year one.

#### B. Mobilization of Resources

ZYEF will seek to increase the capital of the fund through various fundraising efforts including, but not limited to, the following:

- brokering ideas to form new partnerships;
- advocating and mobilizing national interest in youths and youth employment; and
- mobilizing domestic and international resources.

#### C. Best Practice Models

ZYEF will document and disseminate best practice information on the following:

- strategies for implementing large-scale youth employment and enterprise development initiatives; and
- strategies for implementing transparent, accountable, and cost-effective campaigns for mobilizing resources and broad-based support for youth initiatives.

## VIII. Roles and Responsibilities of the Parties

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ZYEF has the primary responsibility for ensuring that the project activities are properly implemented. Within ZYEF, the Board of Directors will be the highest decision making body. It will set strategies, policies and direction of the entire business. The Board will

hire the CEO who will put in place the management team according to the implementation plan.


#### **IX. Monitoring and Evaluation**

Within sixty days of the effective date of this Agreement, ZYEF, working with the ADF Partner, will form a monitoring and assessment committee. The committee will provide the Partner input for the Project monitoring plan. In addition, during implementation, the committee will have responsibility for ensuring that the Project follows the implementation plan, and that problems identified through monitoring and evaluation are properly addressed in a timely manner.


#### **X. Other Implementation Issues**

ZYEF will establish in addition to its current bank account a) an account to receive ADF funds, b) an operations account to manage the grant funds. ZYEF will use the operations account to receive regular deposits and expend as per the funded activities under this project.

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