

**COOPERATIVE AGREEMENT
ZAMBIA YOUTH EMPOWERMENT FUND (ZYEF)
APPENDIX A**

PROGRAM DESCRIPTION

1.0 INTRODUCTION

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

2.0 BACKGROUND

The most recently available data from the Republic of Zambia's Central Statistical Office reveals 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 2002 national survey revealed the main concern of Zambian youth is lack of employment.

Youth entities in Zambia are engaged in a diverse range of activities that hold significant potential for benefiting their communities. Viewed in the aggregate, these activities can play a critical role in fostering sustained economic and social development of the country. However, for the most part youth entities are constrained in exploiting these opportunities and participating actively in the social and economic development of their country by lack of access to financial, technical, and other resources.

ADF in partnership with international businesses and foundations is supporting a major program to address the youth unemployment problem in Zambia. The program calls for providing several million dollars over a number of years to the Zambia Youth Enterprise Fund (ZYEF) for the purpose of promoting entrepreneurship and enterprise among Zambia's youth. As a start-up organization, ZYEF needs to build its capacity to program

large sums of money in ways significantly expand the opportunities for young adults to participate in profitable enterprises as owners, employees, and members. Through this Cooperative Agreement, ADF will help ZYEF acquire the capacity to administer a large scale youth enterprise program.

3.0 FUNDING

The financial plan for the Program is set forth in Annex A-1. The Parties may make changes to the financial plan without formal amendment to the Agreement, if such changes do not cause ADF's contribution to exceed the amount specified Article 3 of the Agreement.

4.0 GOAL

The Goal of the Program is to expand local capacity to promote and support youth economic development in Zambia.

5.0 PROGRAM PURPOSES

5.1 Build self-supporting sustainable local community development agencies that provide technical assistance and support to organizations focused on youth issues and grassroots youth groups. Drawing on the ADF participatory development model, ZYEF will become an "anchor" for ensuring that competent local leadership and technical capacity are institutionalized and continue to be available to youth groups, even in the absence of external assistance. The long-term vision is the establishment of ZYEF as a premier public trust that administers funds from a variety of sources (including external donors, private sector, community groups, and government) for the purpose of promoting grassroots youth development.

5.2 Develop and replicate new models for community investment. ZYEF will take a leadership role in formulating innovative approaches to mobilizing resources for grassroots development. This may include implementing a revolving fund for commercial projects, similar to the ADF Reinvestment Commitment (RIC) vehicle.

5.3 Establish strategic partnerships with national and local governments, other donor agencies, and the local private sector to support sustainable youth development. These entities are often important stakeholders in grassroots projects. Their support or lack thereof can be a determinant in the success of a project. ZYEF will establish relationships with such stakeholders in order to promote youth development.

5.4 Encourage African governments and donors to increase utilization of participatory development "best practices" for youth economic development. Wider use of participatory development "best practices" is essential to empowering youth groups and helping them to find viable solutions to their problems. ZYEF will take on a leadership role in promoting such practices.

6 RESULTS TO BE ACHIEVED AND INDICATORS OF ACHIEVEMENT

6.1 Institutional Capacity of ZYEF

- 6.1.1 capacity to plan and utilize organizational resources, as indicated by the development of a corporate strategy;
- 6.1.2 operational capacity to execute stated objectives, as indicated by (a) clear and understood bylaws or similar rules, (b) clear and consistent personnel system, (c) development of standard operating procedures in all aspects of the organization, and (d) the devolution of decision-making to appropriate levels;

- 6.1.3 development and implementation of operational systems including an objective project identification, screening and approval process parallel to the ADF model;
- 6.1.4 operational capacity including hiring of staff and implementation of day to day activities including project identification development, project approval, project monitoring and project remediation;
- 6.1.5 sound financial management, including in house financial and accounting systems, as indicated by compliance with generally accepted accounting and auditing standards and a comprehensive financial manual;
- 6.1.6 operational capacity to produce quarterly financial reports acceptable to ADF for ZYEF as an organization;
- 6.1.7 operational capacity to produce (or working with the client/grantee, cause to be produced) quarterly program and financial reports for the youth clients/grantees that are adequate for ADF reporting purposes;
- 6.1.8 effective use of participatory management approaches, as indicated by the ZYEF's organizational decision-making processes;
- 6.1.9 effective use of participatory development methodologies in assistance to clients, as indicated by approaches to project planning, design, implementation, monitoring, and evaluation and the planning and execution of research activities;
- 6.1.10 ability to counsel, mentor and nurture local youth organizations and youth focused organizations in the development and execution of their projects, as indicated by the effectiveness of support strategies used by ZYEF;
- 6.1.11 enhanced knowledge and expertise in youth project development, youth agricultural development, youth focused small and medium enterprise (SME) development, youth focused micro-finance (MFI), youth focused internship and apprenticeship programs as indicated by the quality of proposals for funding for which ZYEF assists applicants in developing and the technical advice it provides to its grantees;
- 6.1.12 ability to identify and assess the capabilities of local consultants, local partners and experts to provide technical assistance and training to youth

entities, as indicated by the timeliness in proposing consultants and experts and the quality of their advice and other work;

6.1.13 strong governance capacity as evidenced by regular board meetings, appropriate committees and demonstrated board understanding and leadership in the activities of ZYEF; and

6.1.14 ability to manage a loan program as indicated by –

- value of loans disbursed by ZYEF
- repayment rate on ZYEF loans
- portfolio at risk (loan capital outstanding on loans that are thirty days or more in arrears)
- gross income of ZYEF on loan interest and fees.
- net income of ZYEF on loan interest and fees.
- value of loans written off or rescheduled
- sustainability – whether entity is operating for three years after period of ZYEF support.

6.2 Strategic Partnerships

Increased awareness by government, donors, and private sector entities of the economic development opportunities in youth focuses entities and youth organizations, as indicated by increased investments in ADF assisted youth organizations communities, improvement in policies and practices toward youth organizations, and greater support in general for youth economic development activities.

6.3 PROGRAM ACTIVITIES

The Parties will develop an annual work plan and detailed scopes of work for the key personnel under this Program to guide implementation of these activities. The major activities of ZYEF will include the following.

7.0 Organizational Development

7.1 The Partner will engage in initial start up activities for the organization. This will include contracting with an organization to begin the initial start up activities of ZYEF.

7.1.2 Hiring of staff. ZYEF is to contract with an organization to initiate the start up activities of the organization. They will hire an executive director and other key staff of the organization, including a financial officer and other staff.

7.1.3 Procurement of office, vehicle and equipment

- ZYEF will procure office space suitable for the organization, and procure office equipment including desks, chairs, computers, telephone and internet systems and initial supplies.
- ZYEF will procure a vehicle to be used for project development and monitoring activities.

7.2 Planning

ZYEF will undertake a one year business planning exercise to fully integrate the requirements of this Agreement into its operations and clearly establish priorities within the organization. In addition to program priorities and approaches, the plan will address management and operating strategies and long-term strategies for promoting financial sustainability of ZYEF.

7.3 Project Development

7.3.1 Design project activities. Applying and promoting participatory development methodologies (PDM), ZYEF will work together with applicants to assist them in transforming their proposals into sustainable youth development projects. ZYEF will assist applicants to: (a) develop a long-term vision and strategy for sustaining and advancing their projects;

(b) conduct the necessary analyses and feasibility studies to assess the viability of their projects; (c) design technical components, budgets, management plans, implementation plans, and other project elements; (d) form participatory monitoring and evaluation (PM&E) committees and develop PM&E plans in accordance with guidelines provided by ADF; (e) gather project baseline data; and (f) develop skills inventory, training needs assessments, and training plans. ZYEF may provide the required expertise directly or through the use of outside technical assistance providers (TAPs).

7.3.2 Prepare project proposals. Following on the results of the PDM process used to design project activities, ZYEF will draft project documents for review by the applicant. Based on the applicant's approval, the ZYEF will submit to its own internal review process for review and approval. ZYEF may engage TAPs to assist in proposal preparation.

7.4 Project Implementation and Monitoring

7.4.1 Training. At a minimum, ZYEF will provide or arrange the following training for designated grantees: (a) project monitoring and evaluation (PM&E) committees in evaluation of project progress, identification of sources of data needed to respond to resolves issues impending on the achievement of project objectives; (b) establishment and maintenance of project information systems; (c) ADF financial management and reporting requirements; and (d) where appropriate, ZYEF will facilitate the mentoring of the youth organizations, either directly with their own personnel or by supervising mentors paid for by the clients grants. ZYEF will also assist grantees with the implementation of their training plans.

7.4.2 Program remediation. Using a monitoring plan developed in collaboration with project grantees, ZYEF will visit projects regularly to help grantees assess and document progress, identify problems or issues hindering

achievement of project objectives, and consult with grantees to resolve these problems. ZYEF will also assist grantees in resolving administrative and logistical problems with banks, vendors, and local government authorities.

- 7.4.3 Financial management. ZYEF will: (a) assist grantees with submission of financial reports and disbursement requests to ensure that they are prepared in accordance with the terms and conditions of their grant agreements; (b) visit project sites to assist grantees in maintaining sound financial management practices, and providing on-site training to address minor deficiencies or to make recommendations concerning appropriate interventions to correct more serious problems.

7.5 Community Investment Models

ZYEF will take a leadership role in formulating innovative approaches to mobilizing resources for grassroots development.

7.6 Strategic Partnerships and Promotion of Youth Development

ZYEF will engage in a variety of activities (e.g., consultations, participation in conferences and trade fairs, participation on panels) aimed at facilitating linkages between grassroots groups and governments, donors, and the private sector and promoting youth development "best practices". The Parties will specify these activities in the work plan.

8. Roles and Responsibilities

Regarding all aspects of the ADF funding, ZYEF will report to the ADF Country Representative, who in turn reports to the appropriate Regional Program Coordinator (RPC). The ADF Country Partner, Zambia Agribusiness Technical Assistance Center (ZATAC), will collaborate with ZYEF on various activities including monitoring progress and conducting reviews of the Program, reviewing

ZYEF's financial and progress reports prior to submitting them to the Country Representative for submission to Washington, assessing staff training needs, providing or coordinating ADF required training for ZYEF.

ZYEF will ensure that the clients get the necessary technical support and advice they need to (a) submit proposals that comply with ADF requirements and (b) implement their projects successfully.

9.0 Implementation

ZYEF and ADF Representative along with the Regional Program Coordinator will agree on a work plan that will guide the ZYEF's activities for the duration of the Agreement. At a minimum, this plan will specify implementation targets and timing, monitoring and evaluation mechanisms, and staffing and training needs.