

## CARE USA Program Related Investment Policy Guidelines

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### Objectives

**TOGETHER** with the Program Related Investment Policy, these guidelines are intended to provide a directive and framework for developing and managing program related investments.

### What is a PRI

A Program Related Investment (PRI) represents a financial investment or substantial governance role in a partner enterprise. In most instances this will be an entity created by CARE USA that allows CARE USA to further its vision and mission of overcoming poverty. For the purposes of a PRI, CARE USA can have a debt or an equity position in the PRI; however, if CARE USA has a debt position with the investment it must also exert the majority of influence in the institutions governance to be included as a PRI. A defining factor of a PRI is that it will remain a consolidated asset on the Country Office Balance Sheet, and therefore on the CARE USA Balance Sheet. A PRI may take any legally allowed institutional form, including a non-profit NGO or a for profit company.<sup>1</sup>

By its nature, a PRI is designed to create and sustain an enterprise that generates a surplus, or a profit. This policy is intended to cover those investments whose primary purpose **will not be** generating income for CARE USA.

These enterprises are likely to be microfinance institutions, but will also include other institutions that promote small enterprises, employment or other services for poor communities, such as agricultural export ventures or health clinics.

<sup>1</sup> Because in most cases a PRI will be the result of a "spin-off" of an existing CARE program, it is not subject to the Corporate Due Diligence guidelines. If a CO is interested in investing in an existing company or NGO, they should refer to the Corporate Due Diligence Guidelines.



As a point of clarification, entities that CARE USA does not play a substantial role in governing are not included in this policy.

### Purpose of the Policy and Guidelines

Many CARE USA Country Offices have developed, or expressed an interest in developing, a Program Related Investment (PRI). The following guidelines will help to mitigate some of the uncertainties and risks Country Offices might face in getting involved in PRIs.

**BY ITS NATURE, A PRI IS DESIGNED TO CREATE AND SUSTAIN AN ENTERPRISE THAT GENERATES A SURPLUS, OR A PROFIT. THIS POLICY IS INTENDED TO COVER THOSE INVESTMENTS WHOSE PRIMARY PURPOSE WILL NOT BE GENERATING INCOME FOR CARE USA**

This policy is to be implemented at the time of the establishment of a PRI. Once a PRI is approved, on-going relationships such as continued fundraising by COs, loans from EOF, etc., do not require additional approval from the Investment Committee.<sup>2</sup>

PRIs in existence prior to the establishment of the PRI Policy will not be required to receive retroactive approval. However, they will be required to adhere to the new PRI reporting requirements.

In addition to encouraging the development of PRIs, this policy is intended to help CARE USA track and monitor PRIs.

### The Program Related Investment Committee

CARE USA will establish a Program Related Investment Committee, chaired by the Director of the Economic Development Unit. The Investment Committee will include the General Counsel, Finance Controller and a representative of the relevant Regional Management Unit. The purpose of the Investment Committee will be to review, approve and monitor Program Related Investments. The Investment Committee will also periodically review and change the Program Related Investments Policy and Guidelines as necessary.

The Investment Committee will meet on an as needed basis to respond to requests to approve PRIs. On an annual basis the Investment Committee will provide an overview of all Program Related Investments to the Executive Team.

The Economic Development unit will serve as the point of contact for the Investment Committee. When Investment Committee notification or approval is required, contact should be initiated through the Economic Development Unit.

<sup>2</sup> While they do not require approval, on-going activities should be described in semiannual reports to the Investment Committee. (See Policy Guidelines)

## PRI Approval Process

The Investment Committee will ensure due diligence in investment and disinvestment decisions, and will have the responsibility to approve of all Program Related Investments. All Program Related Investments, ***no matter the size***, will require approval by the Investment Committee. Depending on the size of the investment, PRIs will fall into one of two categories: ***"No Contest" Approval*** (For PRIs where CARE USA's total investment is less than \$20,000) and ***Written Approval*** (For PRIs in which CARE USA will invest more than \$20,000).

In order to receive approval for a PRI, a Country Office should submit a PRI Proposal to the Investment Committee. The PRI Proposal will be deemed submitted when the Country Office receives E-mail confirmation that the plan was received.

## Reporting

Country Offices with Program Related Investments will be required to submit semi-annual financial and narrative reports to the Investment Committee, after those reports have been accepted by their Regional Management Unit. These will be due June 30th, and December 31st.

## Ownership of Program Related Investments and Consolidation of Records

It is critical that everyone understand any such investment are the resources of CARE USA, and not of any individual Country Office. These investments can also represent a liability for CARE USA. When structuring PRIs, COs should be aware of the liability risks for CARE USA and try to structure the entity to limit that liability.

## Income and Expenses

Unless otherwise decided by the CARE USA Executive Team, the Country Office that holds a Program Related Investments will be responsible for income and expenses related to that investment.

Income from PRIs will be available for use at the discretion of the Country Office with concurrence from the RMU and in some case the EDU. In principle, income should first be allocated to meet the Country Offices costs in managing the PRI. All dividends and other cash net reflows which accrue to CARE USA as a result of a PRI are (1) subject to



donor restrictions or regulations and, when donor restrictions are satisfied, (2) are to be made available to the Country Office as 'Miscellaneous Income'.

Given that the purpose of a PRI is to establish a sustainable enterprise, it is anticipated that income received from PRIs will be used to cover management costs and reinvest in the PRI. Country Offices are required to receive approval from the Economic Development Unit and their Regional Management Unit if they will use PRI income for other Country Office programs. When CARE USA's involvement in a PRI ends, in most cases any income from the transfer of the investment will be made available for the use of the Country Office with concurrence from the RMU. If the Country Office anticipates an extraordinary return on their investment, it should be identified at the time that the Investment Committee reviews the termination plan.

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