



Addis Ababa University
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SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY!



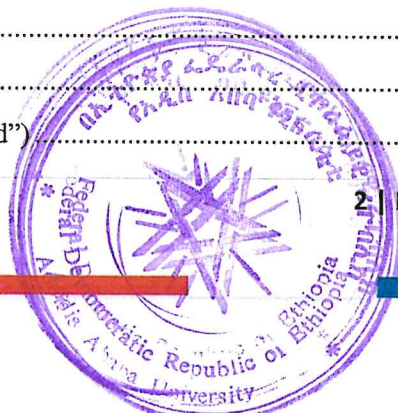
ENDOWMENT POLICY

Approved by:	AAU Governing Board
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Document Review and Approval History

The Endowment Policy at Addis Ababa University (AAU) was initiated for reform purposes by the Executive Management and the Board of Directors. This policy was drafted by relevant experts from the Colleges and Research Institutes, ensuring that it reflected the diverse expertise within the institution. To further enhance its quality, the document was enriched with comments and feedback from various Work Units, fostering a collaborative approach to policy development.

In addition, the policy was disseminated through a dedicated survey portal at transform@aau.edu.et , allowing for broader input from the university community. Following a comprehensive review process, the policy received endorsement from the University Council, Senate, and Executive Management. Ultimately, it was approved by the University Governing Board, signifying a unified commitment to the reform objectives outlined in the policy.



1. Introduction

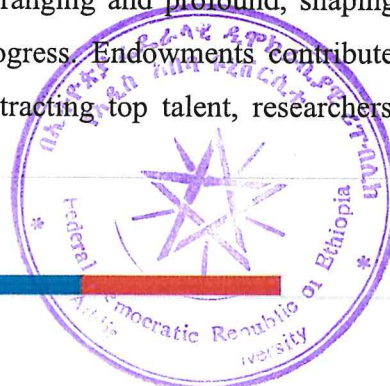
1.1.Preamble

Addis Ababa University (AAU) Endowment Fund plays a pivotal role in the financial stability, growth, and sustainability of the University. AAU Endowment advances the institution's vision, mission, and values supporting its various programs, initiatives, and operations. Endowments embody the collective vision and aspirations of donors, alumni, and supporters who seek to invest in the future of education and advancement of knowledge. Through the AAU Endowment, individuals and organizations contribute to the long-term financial health and sustainability of the University, ensuring that future generations of students and scholars have access to resources and opportunities for intellectual growth and innovation.

The essence of AAU Endowment lies in its ability to provide a stable and reliable source of funding for a wide range of academic activities and initiatives. Endowments support scholarships and fellowships, enabling talented and deserving students to pursue higher education regardless of financial constraints. They also fund faculty positions, research, and academic programs, fostering excellence in teaching, learning, and scholarly inquiry. Moreover, endowments contribute to the maintenance and enhancement of campus infrastructure, facilities, and resources, creating an environment conducive to academic achievement and personal development. Endowments provide a stable source of revenue that is insulated from fluctuations in government funding, economic cycles, and other external factors, allowing universities to plan and invest for the long term with confidence and foresight.

The AAU Endowment is a testament to the enduring legacy and impact of philanthropy in higher education. It also plays a crucial role in enhancing institutional autonomy and academic freedom. By diversifying revenue streams and reducing reliance on tuition fees and government subsidies, endowments empower universities to chart their own course and pursue their educational and research priorities with greater flexibility and creativity.

The implications of AAU Endowments are wide-ranging and profound, shaping the academic landscape, economic development, and social progress. Endowments contribute to the global competitiveness and reputation of universities, attracting top talent, researchers, and students



from around the world. They also play a critical role in promoting diversity, equity, and inclusion in higher education by providing resources and opportunities to underrepresented groups and disadvantaged communities. By investing in the future through endowments, donors and supporters ensure that future generations have access to the opportunities and resources that their generations have lacked. Endowments create a legacy of educational excellence and societal impact that transcends individual lifetimes, leaving a lasting imprint on the fabric of society and the advancement of human knowledge.

In conclusion, university endowment is not merely a financial asset; it is a cornerstone of academic excellence, innovation, and social progress. Endowments embody the collective commitment of donors, alumni, and supporters to invest in the future of education and advancing knowledge. They provide a stable and reliable source of funding for scholarships, faculty positions, research, and academic programs, enabling universities to pursue their mission of advancing knowledge, discovery, and service to society. As we navigate the complexities of the 21st century, the importance of university endowment in shaping the future of higher education and society at large cannot be overstated.

1.2. Policy Statement

AAU was founded and established with an endowment from His Imperial Majesty Haile Selassie I, when he bequeathed the “*Genete Leuel*” Palace and the associated land to the University. Establishing an Endowment Fund is, therefore, a continuation of its history of receiving and using gifts to advance quality education, research, and community service.

The Public University Autonomy Proclamation No.1294/2023 and the AAU Establishment Council of Ministers Regulations No.537/2023 grant AAU operational autonomy and self-governance to fulfil its vision of becoming a flagship university in Ethiopia and the region, and to enhance its academic, research and community service endeavours.

Towards exercising its autonomy and its core mission, AAU embarks on several initiatives, including strategies to mobilize and diversify resources to support the various activities consistent with its mission. Article 6(2), Article 8(4), Article 8(14), Article 26(1), and Article 37 (1)(a) of the Public University Autonomy Proclamation No.1294/2023 authorizes AAU to



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generate revenue; perform income generating activities; determine its internal administrative structures; use charities in the form of donations, inheritance, trusteeship, and endowment as a source of income for the university. Slated under its Strategic Theme 7: Resource Mobilization and Diversification, one of the major imperatives of AAU’s latest Strategic Plan of 2024 – 2028, is establishing “AAU Endowment Fund.”

The AAU Endowment Fund enables the University to accept, manage, invest, and distribute gifts and donations. The Fund creates a single or combined pool of funds and assets bestowed upon the University, with a fiduciary obligation to the donor to manage the assets in line with the donor's intentions and wishes and commonly accepted financial standards.

The AAU Endowment Fund is an aggregation of funds and assets from gifts and donations – representing a compact between a donor and AAU – to support its educational, research and community engagement missions in perpetuity or, in specific cases, for limited, but long, duration of time. The Fund provides donors with the opportunity to transfer their personal wealth and assets to AAU for AAU’s discretion to use for its mission accomplishment or for specified purposes ensuring that their contributions are utilized for those purposes for as long as AAU remains in existence. Therefore, AAU Endowment Fund represents an intergenerational agreement: a commitment from donors to future students and faculty, guaranteeing that AAU upholds its commitments for the long haul.

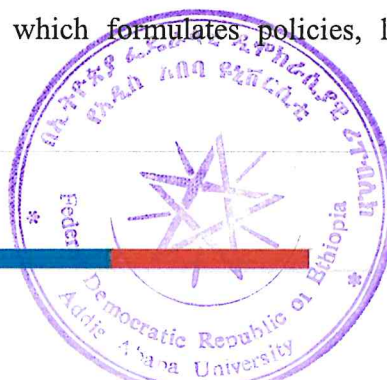
Through this policy, AAU establishes an Endowment Fund to mobilize and diversify revenue sources towards enhancing its educational, research and community engagement goals. The AAU Endowment Fund shall be led and guided by an Endowment Board and an operational and management entity – the Endowment Office. The policy provides a course or principle of action on its applicability and scope, establishment and governance structure, types and sources of the fund, and investment and utilization of the funds.

1.3. Definitions

AAU Board of Endowment Fund (“*Endowment Board*”) is the governing body responsible for the oversight of the AAU Endowment Fund which formulates policies, leads fundraising



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initiatives, and oversees operations, investment strategies, financial management, and compliance.

AAU Endowment Fund (“*Fund*”) is a single or combined pool of resources, such as money, assets, patent rights, intellectual property rights, among others, gifted to AAU to provide resources for various activities consistent with the intentions and wishes of the donors and the mission of AAU. The Fund lasts in perpetuity with the principal invested to generate income or returns and where only a specific percentage of the generated income (investment returns) is utilized or spent from year to year. The principal is meant to be preserved to generate growth and long-term funding to support activities per the agreement with the donor. However, a quasi-endowment, may allow principal withdrawals under specific conditions. Depending on the agreement, the donor may authorize the University that a portion of the corpus or principal could be used to launch a new program or improve an existing one.

AAU Endowment Office (“*Office*”) is an entity of AAU, organized per the Public University Autonomy Proclamation No.1294/2023, which serves as a dedicated steward of the AAU Endowment Fund with fiduciary responsibilities to the donor and AAU in administering the assets consistent with the donor's wishes, intentions and generally accepted financial regimes.

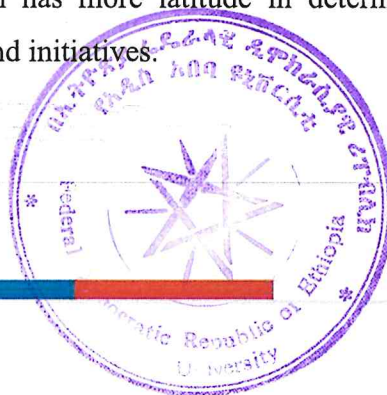
A Gift is an unconditional donation (money, other financial assets, patent rights, intellectual property rights, among others) to AAU for which no reciprocal benefit is expected by the donor.

Permanent Restricted Endowment is an endowment established by a donor to last in perpetuity with the principal invested to generate income or returns and where only a specific percentage of the generated income is utilized periodically, while the principal, as financially projected, remains intact.

Quasi Unrestricted Endowment is a flexible endowment with no specific limitations on its usage but limited or no conditions or restrictions imposed by the donor allowing the institution some discretion in the utilization of the funds. While there may be some guidelines or preferences outlined by the donor, the institution has more latitude in determining how to allocate the funds to support its various programs and initiatives.



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Term Restricted Endowment is an endowment created by a donor for a specific period or until the occurrence of a specified event, as in a situation where the donor may authorize the University to allow a portion of the corpus or principal to launch a new program or improve an existing one.

Unrestricted Endowment is an endowment from donor with no specific limitations on its usage for university mission.

2. Purpose and Scope of Applicability of the Policy

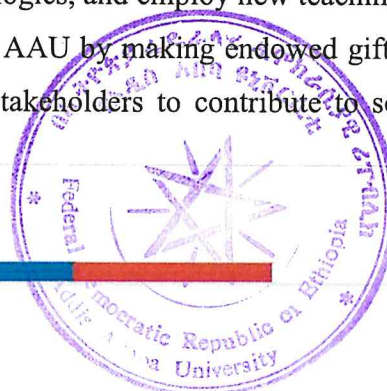
- i. The purpose of this Policy is to ensure a transparent scheme for the management, receipt, investment, and use of the AAU Endowment Fund, which is created through a compact between a donor and AAU.
- ii. The Policy provides guidelines for the receipt and acceptance of donations by AAU, as well as the establishment, management, investment, and utilization of these funds for the long-term benefit of the University.
- iii. The Policy applies to all the AAU community, including administrators, fundraisers, academic and professional units, and donors giving to AAU Endowment.

3. Objectives of the AAU Endowment Fund

3.1. The objective of the AAU Endowment Fund is to create a sustainable financial source to support the University to advance excellence in research and innovation, education, and community engagement in a sustained manner.

3.2. AAU Endowment Fund serves the University by:

- 3.2.1 contributing to financial stability through support to institutional priorities year after year, attenuating revenue fluctuations;
- 3.2.2 providing financial aid to attract and support needy, vulnerable, underrepresented, and meritorious students;
- 3.2.3 enabling faculty and students to conduct innovative research, explore new academic ventures, apply new technologies, and employ new teaching methods;
- 3.2.4 ensuring the long-term well-being of AAU by making endowed gifts and creating opportunities for alumni and other stakeholders to contribute to society thereby



fostering a culture of giving back and increased responsibility for supporting academic institutions in the interest of national development; and

- 3.2.5 allowing to engage in long-term planning with certainty to complete key institutional projects.

4. Types of Endowment Funds

Endowment funds may be categorized as “*Permanent Restricted*,” “*Term Restricted*,” “*Quasi Unrestricted*” or “*Unrestricted*”

4.1. General

4.1.1. Restricted funds have their principal held in perpetuity, while the earnings from the investment are expended per the donor’s specifications.

4.1.2. Restricted funds are established for a more specific purpose, such as a specific department or programmatic activity, for example:

- i. Endowed professorships (payment for a holder of a chair);
- ii. Endowed scholarships (tuition for students based on merit or need);
- iii. Endowed fellowships (stipend and /or tuition for graduate or doctoral studies); and
- iv. Others (promotion of athletics or the arts, etc.).

4.2. Permanent Restricted Endowment Funds

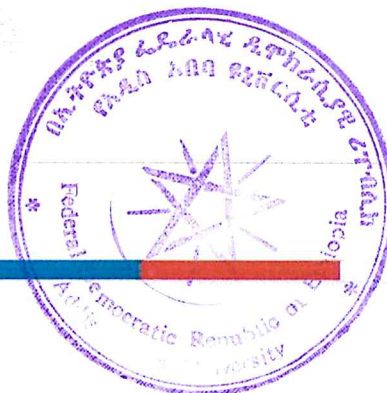
4.2.1. Since Permanent Restricted Endowment Funds continue in perpetuity, the Office maintains, in all permanent records, a clear understanding of any donor restrictions. Generally, when there are donor restrictions, a separate account to track the expenses is established.

4.2.2. If a donor deposits restricted funds at the Office and these funds are later transferred to AAU, the University fiduciary responsibilities follow the funds.

4.2.3. Special care must be taken to ensure that the donor’s wishes and intentions are fulfilled; this includes establishing a separate account, if needed, to comply with donor restrictions.



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4.3. Term Restricted Endowment Funds

- 4.3.1. Term Endowment funds are like permanent endowment funds except after the expiration of a stated period or on occurrence of a specified event, all or part of the principal may be expended depending on the donor's wishes and intentions.
- 4.3.2. Term Endowment setup usually stipulates the expenditure of the principal after a period of time or a certain event.

4.4. Quasi Unrestricted Endowment Funds

- 4.4.1. Quasi Unrestricted Endowment funds are gifts or donations made by an individual or institution with the intent of flexibility in terms of purpose and use of the principal.
- 4.4.2. The principal may be spent down, but the University chooses to invest in the endowed gift making only the annual distribution available for current use purposes.
- 4.4.3. The unit holding the fund may from time to time decide to spend some of the principal in which case, the unit must submit a request to the Endowment Board to decapitalize a portion of the principal.
- 4.4.4. The quasi endowment must maintain the purpose and intent as specified by the donor or source of the original funds with the income being expended solely for those designated purposes.
- 4.4.5. The Endowment Board may decide to retain the principal, while the earnings are expended or distributed per specifications of the donor.

4.5. Unrestricted Endowment Funds

- 4.5.1. Unrestricted Endowment funds are gifts or donations made by an individual or institution with the intent of giving discretion to management of university in terms of purpose and use of the principal and earnings

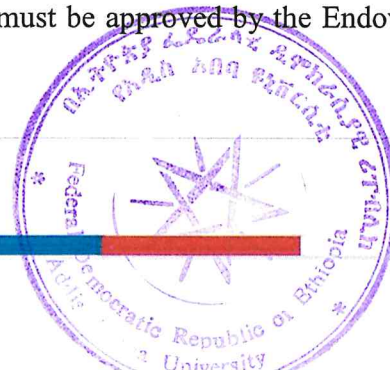
5. Establishing Endowments

5.1. General

- 5.1.1. Any establishment of an endowment must be approved by the Endowment Board of the Endowment Fund.



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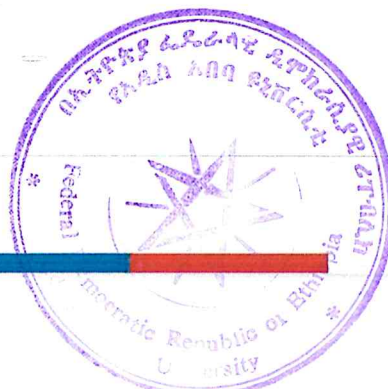
- 5.1.2. Acceptance and receipt of Endowment Funds is determined by the AAU Endowment Funds' policy on acceptance of donations and gifts.
- 5.1.3. An agreement on donations or a gift must be officially sanctioned prior to establishing an Endowment Fund, per templates approved by the Endowment Board.

5.2. Procedures for Creating New Endowed Accounts

- 5.2.1. The Endowment Board shall develop guidelines and procedures for donations and gifts.
- 5.2.2. A donor
 - 5.2.2.1. reaches out the Office to express interest in endowing or giving to AAU.
 - 5.2.2.2. works with the Office to explore existing donation options and identify its area of interest and support.
- 5.2.3. All gift/endowed funds
 - 5.2.3.1. must have terms before they can be created.
 - 5.2.3.2. can be created upon receiving a signed pledge or the first gift from the donor.
- 5.2.4. The Office shall
 - 5.2.4.1. determine the nature of the gift or donation (e.g., for a new purpose, a new donor, or towards an existing account).
 - 5.2.4.2. ensure that the gift or donation is not related to a sponsored project.
 - 5.2.4.3. schedule meetings with a donor or donor's representative(s) expressing interest in giving to AAU.
 - 5.2.4.4. work with donors to offer a variety of options that meet the donor's preferences.
 - 5.2.4.5. draft an agreement that provides specific direction to administer the endowment fund.
 - 5.2.4.6. initiate the establishment of the new fund and draft terms of the agreement with the donor. The draft includes information on:
 - a) the name of the endowment;
 - b) the fund's purpose;
 - c) amounts provided annually or as a one-time gift; and
 - d) the type of fund.



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5.2.5. Once approved by the Endowment Board and an account is created, the fund shall become an active entity within the University's general ledger and may be transacted.

5.2.6. In cases of monetary donations, donors shall direct checks or wire gifts to Endowment Office with the following details:

- i. donor name;
- ii. contact phone number and email address;
- iii. amount of the donation;
- iv. date donation is sent, and
- v. name of the originating bank.

5.2.7. In cases of non-monetary donations such as property and bequest, donor(s):

5.2.7.1. Indicate the type of donation—such as property, real estate and/or bequests.

5.2.7.2. In case of a property or real estate donation—such as a home, vacation property, undeveloped land, farmland, ranch, or commercial property, a donor

- a) agrees to give the property to AAU by signing a deed for transferring ownership.
- b) as applicable, a donor may agree to a deed for all or part of his/her real property.
- c) indicate whether the property has a debt or a mortgage at present.
- d) must provide an appraisal on the property and inspection before acceptance.

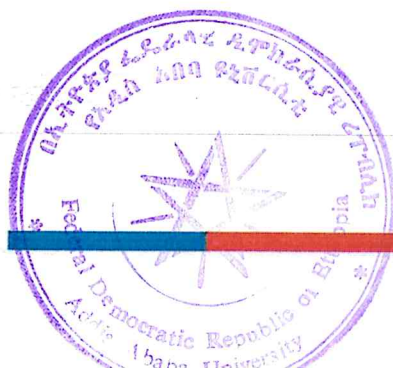
5.2.7.3. In case of a bequest donation—of real estate, personal property, business interests, and cash;

- a) make the donation by way of a will, revocable trust, or even a simple codicil to his/her current estate plan.
- b) indicate that the donor is only making a gift after death to maintain access to his/her assets throughout his/her lifetime; and
- c) can change his/her decision at any time unless irrevocable estate gifts with offer by the university to name facilities and/or programs.

5.2.8. The Office of the Endowment shall maintain appropriate records and accounts related to the Endowment Fund.



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- 5.2.9. The Office of the Endowment shall secure legal advice on all gifts or endowments, on behalf of the Endowment Board.
- 5.2.10. Prepare agreement for naming of facility based on Endowment Agreement, if required.

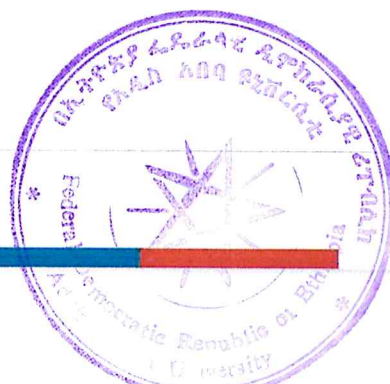
5.3. Minimum Amount to Establish an Endowment

- 5.3.1. The minimum endowment amount required to establish a donor endowed fund shall be determined by the Endowment Board.
- 5.3.2. The minimum amount required to establish an endowed fund must be attained within three years of the initial contribution.
- 5.3.3. An endowment shall be classified as “pending” until the minimum amount required to establish the endowment is reached within the agreed timeframe.
- 5.3.4. All donations received for the specified endowment account shall be transferred to the AAU Endowment Fund account or to an annual award account for disbursement over a period of time in the name of the donor.
- 5.3.5. An amount less than the minimum may be accepted under the following conditions:
 - 5.3.5.1. a date is determined and agreed upon with the donor (typically a year from the initial acceptance) to secure funds to meet the minimum requirement; or
 - 5.3.5.2. a donor may choose to establish a flexible endowment with an initial gift and contribute additional funds overtime to reach the minimum required level for the principal; or
 - 5.3.5.3. a donor shall make annual contributions to provide spendable cash equivalent to the amount the endowment would have generated if fully established.

6. Sources of Endowment Funds

6.1. Principles for Solicitation

- 6.1.1. The Office of the Endowment Fund is responsible, with guidance and leadership of the Endowment Board, to identify, and solicit donations for the AAU Endowment Fund.



- 6.1.2. The Office shall prepare a mapping and solicitation plan of donors each year and submit to the Endowment Board for approval.
- 6.1.3. The Office shall take reasonable steps and a comprehensive appraisal (Customer Due Diligence) of donors, particularly with respect to money laundering.
- 6.1.4. The Office can organize fund solicitation events, fund-raising campaigns, and make in-person contacts with potential givers/donors.
- 6.1.5. The Office can use effective mechanisms to solicit donations, including use of official AAU social media, Endowment fund website, public forums, workshops, and professional events, and mainstream media.
- 6.1.6. AAU staff, faculty, and administrators are responsible for recognizing and adhering to guidelines and principles on solicitation and receipt of gifts and donations, among others to avoid perceived conflicts, nepotism, favoritism, corruption, and risk to the University.
- 6.1.7. AAU shall decline proposed donations that are inconsistent with the considerations outlined in this guide, and, more so in conflict with the mission and value of the University.
- 6.1.8. No official or University officer shall raise funds in their individual capacity.
- 6.1.9. The University reserves the right to cancel an endowment/donation agreement attributed to a donor if the entity is found convicted of serious crime or found to be unsavory as perceived by the University Community, University Boards, and the Endowment Board.

6.2. Giving

Donors could donate to AAU Endowment Fund in any one or more of the following ways, including:

- i. wire transfers on credit or debit card;
- ii. a digital wallet or other electronic fund transfer (EFT);
- iii. cash deposited at AAU account or checks made payable to AAU;
- iv. naming AAU as beneficiary of a will or trust; or
- v. other legal means.



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6.3. Major Sources

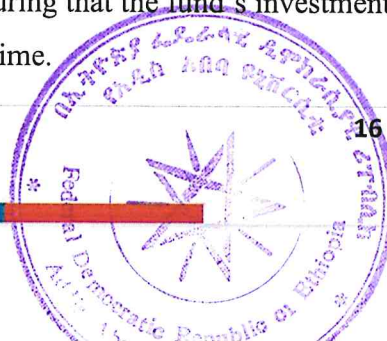
The sources of AAU Endowment Fund include, but is not limited to:

- i. Charitable donations such as giving, inheritance, and trusteeship;
- ii. Irrevocable estate gifts with offer by the university to name facilities and/or programs;
- iii. Donations by AAU Alumni, and the Ethiopian Diaspora and Friends of AAU;
- iv. Grants and donations from government agencies and public entities;
- v. Donations by corporations, businesses, foundations, charities, and international organizations;
- vi. Fundraising campaigns organized by the Office for the purpose of the Endowment; and
- vii. Other legally permitted sources.

7. Investment and Utilization of Endowment Funds

7.1. Investment Guide

- 7.1.1. The AAU Endowment Fund shall be invested in accordance with the Endowment Investment Guide.
- 7.1.2. Endowment earnings shall be spent in accordance with the Endowment Spending Guideline developed by the Endowment Board.
- 7.1.3. The Endowment Board is obligated to exercise prudence in the management of the Endowment Fund's investments and should strive to achieve a substantial return within the bounds of prudence.
- 7.1.4. The Endowment Board shall develop and implement an endowment investment guide outlining the types of investments permitted for managers and specifying the level of aggressiveness permitted in pursuing return targets.
- 7.1.5. Each Endowment Fund may incorporate a specific investment guide within its legal framework, ensuring the pool of funds is managed with a long-term perspective.
- 7.1.6. Endowment Funds typically invest in various securities or asset classes.
- 7.1.7. The funds typically focus on long-term investment goals, aiming for a specific rate of return or yield; consequently, the asset allocation within the fund is structured to align with these long-term goals and objectives ensuring that the fund's investment strategy is tailored to achieve the desired returns over time.



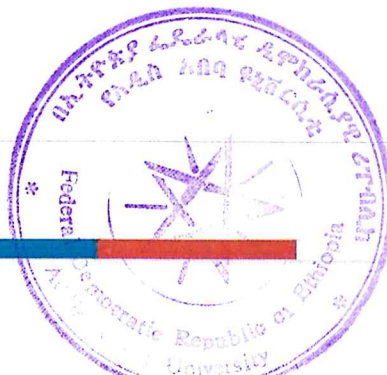
- 7.1.8. AAU Endowment Fund should be well diversified to ensure long-term stability in returns and manage risks.
- 7.1.9. The Endowment Board shall safeguard the fund against the inherent volatility associated with certain investments.

7.2. Potential Investment Areas

- 7.2.1. Endowment Funds, based on their type, may be invested in accordance with the investment guidelines set forth by the Endowment Board.
- 7.2.2. Both the Endowment Board and the Office shall exercise prudent judgment and care, equivalent to that of a reasonable person managing their own business affairs.
- 7.2.3. Investments of the Endowment Funds shall aim to maximize returns adjusted for risk while also prioritizing investments in companies demonstrating responsible corporate behavior with respect to environmental, social, cultural, and legal requirements or conventions.
- 7.2.4. Potential investment areas include, but not limited to:
 - 7.2.4.1. Government bonds, treasury bills, or other short-term financial instruments.
 - 7.2.4.2. Shares from established and profitable companies, enterprises, and real estate.
 - 7.2.4.3. Term deposits in financial institutions.
 - 7.2.4.4. AAU Business Enterprise Inc. when it becomes established and profitable.
 - 7.2.4.5. Other profitable and secure investments, as judged by the Endowment Board, which include but not limited to:
 - a) Agriculture: food crops, beverage crops, cotton, livestock, horticulture, fishery, forestry, and agricultural services;
 - b) Mining and Manufacturing (...food and beverages, tannery, textile, glass and ceramics, chemicals and chemical products, drug and pharmaceuticals, paper, and paper products, building materials, electrical and electronic products, metallurgy, structural products, machinery, and equipment);
 - c) Construction and infrastructure development; and
 - d) Health, education, tourism, and financial services.



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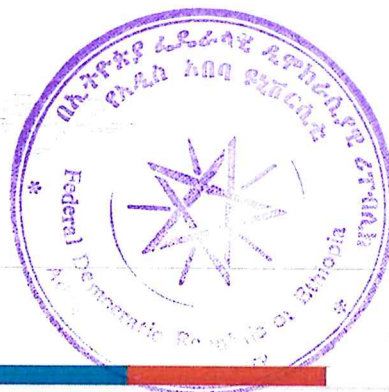


7.3. Use Policy and Guidelines

- 7.3.1. Disbursement of the income and principal for designated activities from Endowment Funds, as relevant, is subject to the approval of the Endowment Board.
- 7.3.2. The utilization of Endowment Funds should prioritize sustaining AAU's educational, research and community service functions.
- 7.3.3. An Endowment Fund shall be utilized in accordance with the purposes and conditions for which it was established.
- 7.3.4. Endowments, whether set up by AAU or bestowed as a gift by donors, serve multiple purposes that encompass, ensuring the financial stability of specific departments, granting scholarships or fellowships based on merit to students, aiding students from economically disadvantaged backgrounds, and establishing prestigious endowed professorships or Chair positions reserved for senior faculty.
- 7.3.5. The Endowment Board shall develop and implement a withdrawal guideline specifying the permissible amount AAU can withdraw from the endowment fund per period or installment. These guidelines may be tailored to meet the needs of AAU's requirements and the funds' balance.
- 7.3.6. The Endowment Board determines an annual withdrawal limit, expressed as a percentage of the total amount. Withdrawal percentages should be conservative to ensure longevity and perpetuity as endowments are intended to last indefinitely necessitating annual spending limits.
- 7.3.7. Endowment spending should be governed by a well-designed guideline that considers both long-term and short-term needs. The policy should prioritize preserving the endowment's value to ensure funding for future generations.
- 7.3.8. Establishing endowed funds, for professorships, scholarships, or other purposes, shall be approved by the president of AAU.



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8. Fiduciary Responsibilities and Accountability

8.1. Responsibilities and Accountability

- 8.1.1. AAU manages its Endowment Fund through the Office of the Endowment Fund and its dedicated staff to support both current spending and future needs.
- 8.1.2. AAU Endowment Fund shall have formal spending rules approved by the Endowment Board that seek to:
- i. ensure a growing stream of revenues from the endowment to support each year's expenditures;
 - ii. ensure sufficient reinvestment so that the value of the endowment is maintained relative to inflation and rising costs over time; and
 - iii. permit greater predictability in budgeting by smoothing out year-by-year fluctuations in earnings.
- 8.1.3. A legally binding agreement with a donor (or group of donors), executed upon approval by the Endowment Board, defines the nature of the Endowment and how it can be invested, dispersed, or used.

8.2. Fund Management

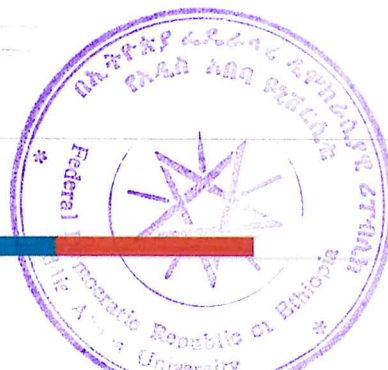
- 8.2.1. The financial management system of the Endowment Fund should be lean and efficient but subject to the AAU financial management and compliance policies.
- 8.2.2. The Office shall perform periodic analytical reviews of the funds to ensure compliance.
- 8.2.3. Fund managers shall have a fiduciary responsibility to ensure that spending from gift funds is done in accordance with the donor's terms.

8.3. Transferring Funds

- 8.3.1. Funds deposited into a restricted fund shall never be transferred to another fund via journal entry to ensure adequate audit trail, track compliance of the terms of the fund and avoid possible mix up in reports.
- 8.3.2. On occasion, it may be necessary to allow spending by a specific university unit/department; in these cases, funds may be transferred to a department's coding within the same restricted fund.



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9. Governance Structure

9.1. General

9.1.1. The governing structure of the AAU Endowment Fund consists of (i) a Board of Endowment Fund, and (ii) an Endowment Office.

9.2. AAU Board of Endowment Fund (“Endowment Board”)

9.2.1. The Endowment Board shall be accountable to AAU Board of Governance.

9.2.2. The Endowment Board shall be established to maximize the financial standing of the AAU by cultivating robust and sustainable relationships with key stakeholders as it provides leadership for fundraising efforts for campuses and units across the University.

9.2.3. The Endowment Board shall govern and oversee the affairs of the Endowment Fund including, but not limited to, operations, investment and expenditure decisions, financial management and auditing.

9.2.4. Membership of the Endowment Board

i. The Endowment Board will consist of 11 (eleven) eminent individuals from industry and private sector (2 representatives), the alumni (2 representatives), academia and the University community (2 representatives), NGO/think tank (1 representative), government ministry/agency (1 representative), state owned enterprises (2), AAU President. The Chief Executive Officer (CEO) of the Endowment Office serves as a non-voting member and the secretary of the Endowment Board.

ii. The chairperson of the Endowment Board shall be the President of AAU.

iii. The term of an Endowment Board member shall be five years. Any member whose term has come to an end may be eligible for re-nomination; however, no member may serve for more than two (2) consecutive terms.

9.2.5. Duties and responsibilities of the Endowment Board include:

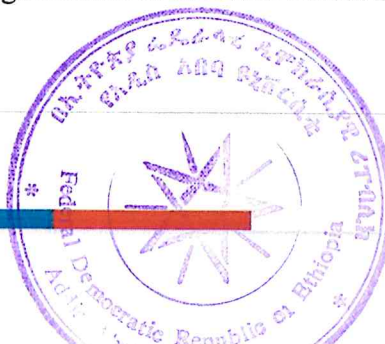
i. oversee and manage the endowment fund;

ii. formulate policies and guidelines and ensure compliance with relevant laws, regulations and accounting standards governing the endowment fund;

iii. establish and articulate internal rules and guidelines of the Endowment Fund Policy.



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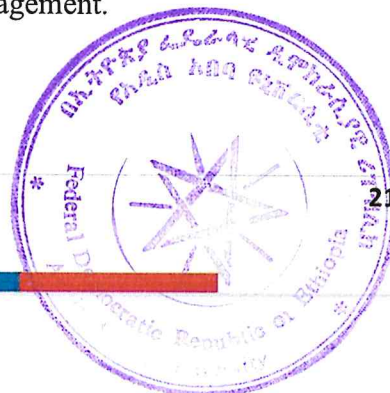
- iv. establish spending policies and procedures and determine how the fund is utilized and how it may terminate;
- v. establish an Endowments Advisory Group which periodically review the endowments policy and its guidelines and make recommendations to the AAU Board of Governance;
- vi. establish other support units, such as a Management Committee, a Fundraising Team, Finance Committee and other possible schemes and structures within the Office;
- vii. recruit and appoint the CEO to run the Endowment Fund and the Office;
- viii. monitor the operational progress of the Endowment Fund;
- ix. review and approve the Endowment Fund's annual budget plan, and annual financial and annual investment plan;
- x. appoint an external auditor annually; and
- xi. produce and submit an annual report to the AAU Board of Governance.

9.3. AAU Endowment Office (“Office”)

- 9.3.1. The Office shall be an entity of the University, organized per the AAU Autonomy Proclamation No.1294/2023, to serve as a dedicated steward of the AAU Endowment Fund.
- 9.3.2. The Office shall be accountable to the Endowment Board.
- 9.3.3. The Office shall be responsible for managing the funds that donors have entrusted to AAU.
- 9.3.4. The Office shall be established as an entity of AAU to maximize its private support by fostering strong and sustainable relationships with key stakeholders.
- 9.3.5. The Office shall be responsible for the strategic investment direction of the Endowment Fund assets and serve as a liaison to both internal and external investment planning parties with responsibilities that include oversight of investment management firms, building relations with investment consultants, and general monitoring of all aspects of endowment management.



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- 9.3.6. The Office assumes a fiduciary responsibility to the donor and AAU to manage the assets / funds of the Endowment consistent with the donor's intentions and wishes and AAU's mission, and generally accepted financial standards.
- 9.3.7. The Office shall work with any donor (or group of donors) who intends to make any form of donations to AAU that support the donor's chosen program or purpose.
- 9.3.8. The Office shall create a legally binding donor agreement, which spells out how funds from that endowed account can be managed.
- 9.3.9. The Office may pool all the individual endowed accounts into one portfolio and manage them in accordance with the Endowment Investment Policy set by the Endowment Board.
- 9.3.10. The Office shall ensure that the Endowment Fund will be utilized for the intended benefits of AAU students, faculty, community, research, and programs in perpetuity.
- 9.3.11. The Office shall be led by a Chief Executive Officer (CEO), who will be responsible for managing all operations of the Office, including:
- i. develop and secure Endowment Board approval for the organizational structure of the Office, including proposing specific units such as a Management Team, an Endowment Development and Fund-Raising unit, a Public Relations unit, and a Finance and Investment unit;
 - ii. develop, secure Endowment Board approval, and implement the long-term investment strategy for the Endowment Fund, ensuring its sustainability;
 - iii. manage and monitor the investment of Endowment Funds, which may include asset allocation, portfolio development, and risk management;
 - iv. manage, with qualified professionals, the Endowment, and donations to the Endowment on a day-to-day basis;
 - v. develop strategies for fundraising and engagement with donors and cultivate relationships to attract contributions to the endowment;
 - vi. lead the fundraising team either in fundraising drives specifically for the endowment, or through donations which may be allocated to the endowment, or through surplus funds being raised for specific activities which may be channeled into the relevant fund within the endowment;



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- vii. ensure investment returns from the Endowment Fund are properly utilized according to the disbursement policy of the endowment;
- viii. ensure monies and assets donated to the Endowment Fund are invested and managed prudently;
- ix. ensure that the management of the endowment complies with relevant laws, regulations, and ethical standards;
- x. ensure transparency and professional communication with stakeholders, including the Endowment Board and donors to ensure integrity and appropriate oversight;
- xi. participate in Endowment Board meetings as ex-officio and secretary;
- xii. submit regular reports to the Endowment Board, donors, and other appropriate stakeholders; and
- xiii. other functions as stipulated in other sections of this Policy, and as directed by the Endowment Board.

10. Other Provisions

10.1. Dissolution and Merger of an Endowment Fund

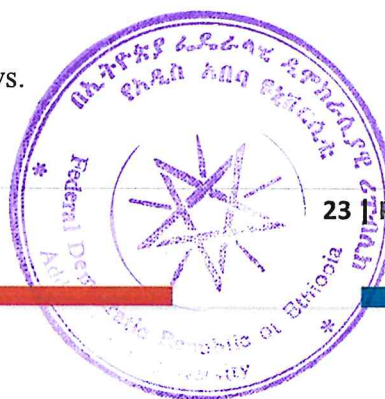
- 10.1.1. A fund shall be perpetual in nature and shall not be dissolved unless three-fourth ($\frac{3}{4}$) of the Endowment Board recommends such dissolution to AAU Board of Governance for its approval and recommendations.
- 10.1.2. In case of any dispute, controversy or claim relating to the Endowment Fund Agreement, the donor and AAU shall seek to settle through good faith negotiation before dissolution.
- 10.1.3. If a fund is created but fails to meet the minimum requirement within three years, the funds will be un-endowed or dissolved and transferred to AAU accounts.
- 10.1.4. Upon dissolution, any remaining asset of an Endowment Fund shall be transferred to AAU unless agreed to differently.

10.2. Internal Rules

- 10.2.1. The Endowment Board shall enact its own bylaws.



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10.2.2. The Endowment Board shall develop, approve, and implement guidelines and rules for investment, expenditure or use, financial administration, staffing of the Office and human resources, and others as relevant.

11. Amendment

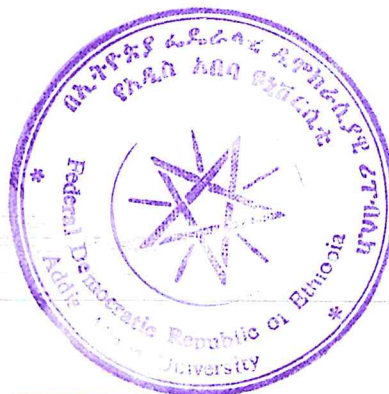
This AAU Endowment Policy may be amended or repealed by a majority of the Endowment Board members present at any regular meeting subject to its approval by the AAU Board of Governance.

12. Effective Date

This AAU Endowment Policy shall come into effect as of December 25, 2024.

Frehiwot Tamru
28 Jan 2025
Frehiwot Tamru

Chairperson of the Governing Board of Addis Ababa University



Annex 1. Sample Template “A”: Addis Ababa University (AAU) Standard Endowment Agreement

I. Preamble

I/We, _____, (“Donor(s)”) hereby pledge to give \$ _____ to the Endowment Fund (“Endowment”) to establish an endowment for the use and benefit of Addis Ababa University (“AAU”).

Donor(s) intend(s) to pay \$ _____ over [*number of years*] years, with the first payment to be made on or before [*Date*], and the remainder in annual installments of [*\$Amount of payments*], until the pledge is paid in full by [*Due Date*].

If, as of the date specified above, there are sufficient funds held in the endowment to reach the required minimum funding level for an endowment, but insufficient funds to reach the required funding level for the endowment as originally established, Donor(s) recognize (s) that the endowment may be redesignated by the Endowment Board to a different endowment category possible based upon the book value of funds held and the original intent.

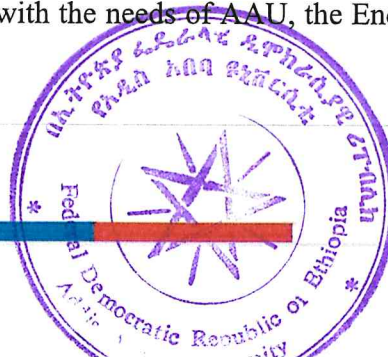
II. Purpose

The [*Endowment Name*] shall be held in perpetuity and used for the benefit of (*if applicable, department/school/college/unit*) at AAU. Funds distributed from the endowment shall be used to [*Statement of Use*].

III. Administration

The endowment shall not become a part of the regular AAU budget and shall never be subject to appropriation by the Federal Government of Ethiopia. These funds and all future gift additions to the endowment, reinvestments, and required matching funds referenced in this agreement (including those made by the Endowment Board or AAU), shall be subject to the provisions of this agreement and shall be classified as [*permanent/quasi*] endowment funds.

Changes to the terms of this agreement require a written amendment, signed by the same Donor(s) or its/their legal representative(s) who sign this agreement, so long as they are living and competent to act, and agreed to by the Donor(s), AAU, and the Endowment Board. Individuals and entities who make additional gifts to the endowment, but who are not signatories to this agreement, shall have no authority to consent to changes, nor shall the Endowment Board or AAU be required to provide notice or obtain consent from additional donors to the endowment. If unforeseen circumstances alter or remove the subject area or the purpose of this endowment from AAU’s mission or if the purposes for which the endowment was established become impracticable, irrelevant, or are no longer aligned with the needs of AAU, the Endowment Board



may assign an alternative endowment to further the objectives of AAU in the spirit of the original purpose.

IV. Investment, Payout and Reinvestment

The endowment fund may be combined or pooled with other funds held by the AAU Endowment Fund for investment purposes in accordance with the policies set forth by the Endowment Board. The Board may authorize allocations from the endowment, to support initiatives aimed at enhancing the institution’s philanthropic endeavors, Funds distributed from the endowment in a year may be retained and expended for the purposes of the endowment in subsequent years, or may be reinvested, at the discretion of the Endowment Board or AAU, as a ??permanent addition?? to the principal of the endowment.

It is resolved that this Endowment is officially established upon approval of the Endowment Board. Further the Office of the Endowment has sought the advice from AAU Counsel regarding this gift to AAU.

Donor(s) Signature

AAU Signature

Date

Date



Annex 2. Sample Template “B”: Addis Ababa University (AAU) Request to Establish a Quasi-Endowment Fund

Name of Quasi-Endowment: _____

Initial Amount of Funding: _____

Source of Funding: _____

Purpose or Need: _____

Position Responsible for Decisions on Use of Income: _____

ACKNOWLEDGEMENT

I/We acknowledge that no AAU ordinary funds have been used to fund this quasi-endowment.

I/We acknowledge that the requested fund will be invested, and income allocated according to the policies and guidelines of the Board of the Endowment Fund which allocates income for the purpose stated in this agreement. Endowment growth is assured by the income allocation rule adopted by the Board of the Endowment Fund.

The income allocation rule allows that part of the total income (interest, dividends, realized and unrealized gains/losses) is used for the purpose of the endowment and the remainder be reinvested in the endowment fund.

As a Quasi-Endowment, withdrawals of principal may be permissible only upon the approval of the Board.

Requested By:

_____ Date: _____

Title/Department

Approval:

_____ Date: _____

Director/CEO, Endowment Fund Office

_____ Date: _____

President, AAU

This resolution is hereby adopted by the Board of the AAU Endowment Fund

Chair/Secretary of AAU Endowment Board
Date: _____



Annex 3. Sample Template “C”: Addis Ababa University (AAU) Endowed Scholarship Gift Agreement

The [*Donor Name(s)*] Scholarship in [*Discipline*]

I. Purpose

[*Donor Name (s)*] Scholarship in [*Discipline Name*] is hereby created as a named endowment fund within the Endowment Fund of the Addis Ababa University (AAU). The scholarship is being created by [*Donor Name*] to support students interested in pursuing a [*BA, Masters, PhD/undergraduate/graduate*] degree offered by [*School, College, or Department*].

II. Criteria and Award Amount

The [*School, College, or Department*] shall select a deserving recipient who demonstrates academic ability and special achievement, using an approved guidelines sanctioned by the Dean/head of the [*School, College, or Department*]. The recipient must have received admission to AAU with an interest in pursuing a [*type*] degree offered by the [*School, College, or Department*].

The scholarship may be awarded to undergraduate or graduate students. The scholarship may be renewed for beneficiary students at the discretion of the award authority, provided they continue to meet the award criteria.

The Dean, Chair, or Director retains ultimate discretion in selecting the awardee in accordance with the award criteria. If no applicant meets the minimum criteria, the scholarship will be awarded, aligning with the donors’ intentions as closely as feasible.

The scholarship award amount will correspond to the full available earnings generated from this fund, in accordance with the spending rate approved by the university Board of Trustees. The award may be divided among deserving students at the discretion of the awarding authority and in accordance with the minimum scholarship award amount set by the Office of Scholarships. Disbursements will be made in equal installments in the First and Second semesters. It is understood that the first endowment award will be available in the First semester following 12 months from the date of meeting the minimum requirements to establish an endowment at AAU.

III. Schedule of Donor Contributions

It is the intent of the donor to endow this scholarship with a gift of [*\$xx,xxx*] payable over a period of [*X*] years, with immediate effect.

IV. Recognition

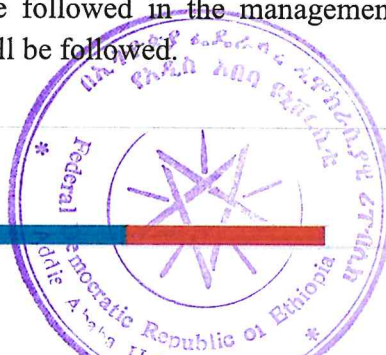
The donor and recipient shall be invited to the annual AAU recognition event of the scholarship where it will be listed in appropriate publications, including the AAU catalogue. Statements of the endowment fund will be provided to the donor on an annual basis.

V. Administration

All policies and procedures of AAU shall be followed in the management of this fund. In addition, any governing state or federal laws will be followed.



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- a) Endowment gifts may be pooled with the general investment assets of AAU for investment purposes. The account shall be known as [*Donor(s) Name*] Scholarship in [*Discipline(s)*].
- b) Endowment funds are invested, and earnings allocated according to the policies and guidelines of the Board of the Endowment Fund.
- c) The Board allocates earnings for the purpose stated in this agreement. Endowment growth is assured by the income allocation rule adopted by the Board of the Endowment Fund. The Board chooses to spend only a portion of the net earnings each year. The remaining amount, if any, is reinvested in the Endowment Fund and retained for use in future years when the amount computed using the spending guideline exceeds annual net investment earnings.
- d) Unforeseen and unanticipated circumstances can occasionally unsettle the ability of the institution to comply with the express terms of a gift. In the unlikely event when a gift's restrictions become impractical, unlawful, impossible or wasteful, and the terms and conditions associated with the award of this scholarship cannot be met for any given period, the Board of the Endowment Fund of AAU may at its discretion to use the funds in a manner consistent with the research, teaching, and public service missions of the university in keeping with the original intention of the donor(s).
- e) Any individual, organization, corporation, or foundation may make additional contributions to the Fund at any time and such additions shall be made subject to the provision of this instrument. All gifts to the Fund are irredeemable.
- f) If the minimum endowment amount (**\$xx,xxx**) is not attained in accordance with this agreement, the University may spend the funds based on the award criteria or apply the funds to another scholarship scheme at AAU at its discretion while the intention of the donors will be adhered to as closely as possible.
- g) After all funds are exhausted, the account will be deemed inactive.

Reviewed and Recommended:

[*Name*], COO/Director of Endowment Office:

Name

Approved:

[*Donor Name*], Donor

Date:

[*Name*], Board Chair, AAU Endowment

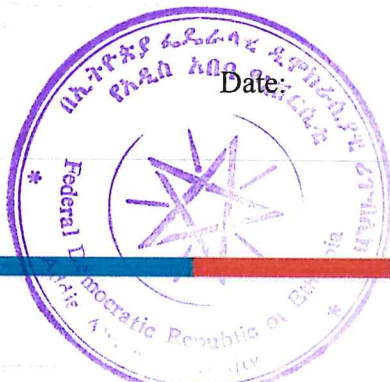
Date:

Dean or Director, Title
School, College, or Department

Date:



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Annex 4. Sample Template “D”: Addis Ababa University (AAU) Bequest Endowment Agreement

Bequest for an Endowment

I, _____, give, devise, and bequeath to Addis Ababa University (AAU) Endowment Fund, in Addis Ababa, Ethiopia, _____ percent of all the rest, residue, and remainder of my estate (or _____ dollars, property, securities, etc. described below) wheresoever located. The AAU Endowment Fund shall transfer the principal amount received hereunder to Addis Ababa University for the endowment fund in the Department/School/ and or College of _____ known as the _____ (name of endowment), which has been previously established.

Unrestricted/Restricted Bequest

I, _____, give, devise, and bequeath to AAU Endowment Fund, in Addis Ababa, Ethiopia, _____ percent of all the rest, residue, and remainder of my estate (or _____ dollars, property, securities, etc. described below) wheresoever located. The AAU Endowment Fund shall transfer the principal amount received hereunder to Addis Ababa University for (scholarships, professorships, student support, etc. or “the unrestricted use and benefit of”) in the Department/School/ and or College of _____. In the unlikely event the purpose of this bequest is no longer necessary or desirable for the furtherance of the charitable and educational purposes of AAU at the time of my estate’s maturity or at any time thereafter, then I expressly authorize the President of AAU to utilize the funds for any purpose that may be deemed proper in his/her discretion, keeping in mind, however, the above described purpose. This fund for the purpose of investment may be combined with other funds of AAU.



Annex 5. Sample Template “E”: Addis Ababa University (AAU) Endowment Based Naming Agreement

THIS NAMING AGREEMENT (this “Agreement”) is made by and among [*Donor Name(s)*] (the “Donor”) and Addis Ababa University (the “University”) in recognition of Donor’s charitable contribution and/or commitment as more particularly set forth below, the parties agree as follows:

The Donor has executed the Gift Form(s)/Agreement attached hereto as [*Annex A*] and incorporated herein by reference, whereby Donor committed to make pledge payment(s) in the total amount of [*\$xxx*] or endow a facility described hereto in [*Annex B*].

In grateful recognition for the Gift, the University will seek the appropriate approvals to name the building or facility (the “Facility”) on the [*Campus Name*] of Addis Ababa University as the [*Name of the Facility*]. Recognition is subject to prior approval by the Endowment Board and AAU Governing Board and any applicable policies of the University.

The naming shall remain in effect until the Facility is relocated or substantially renovated, provided Donor fulfills his/her obligations under this Agreement. The naming recognition may be subject to subsequent reconsideration by the Endowment Board in extraordinary circumstances if, in the sole discretion of the Endowment Board,

- (i) the prior approved naming may be damaging to the reputation of the University,
- (ii) the Donor does not fulfill the future commitment,
- (iii) the Donor has come into disrepute in the University or in the general community so as to reflect negatively or adversely upon the University, or
- (iv) the prior approved naming violates the policies or procedures of the Nation or the University.

The parties agree that the types of signage, including logos and images if applicable, that will be used by the University in connection with the naming of the Facility must be consistent with University guidelines on branding and signage of the University and the Donor.

This Agreement shall be governed by and construed in accordance with the laws of the Federal Democratic Republic of Ethiopia (FDRE). This Agreement shall not be changed or modified except in writing and signed by all parties to be bound. This Agreement shall inure to the benefit of and the Gift contemplated herein shall be binding upon the parties hereto and their respective successors and assigns.

The effective date of this Agreement shall be the date this Agreement is fully executed.

Donor(s) Signature

AAU Signature

Date

Date

