

AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES OF AMERICA A. I. D. MISSION  
TO EL SALVADOR  
C/O AMERICAN EMBASSY.  
SAN SALVADOR, EL SALVADOR, C. A.

P15-ABC-268  
69820

Mr. John K. Hatch  
President  
Foundation for International Community  
Assistance (FINCA)  
901 King Street  
Alexandria VA 22314

Subject: Cooperative Agreement No. 519-0318-A-00-0352-00  
(Microenterprise Development Project)

Dear Mr. Hatch:

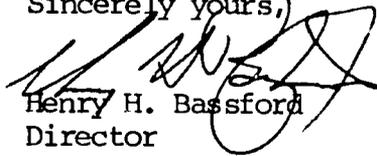
Pursuant to the authority contained in the Foreign Assistance Act of 1961, as amended, and the Federal Grant and Cooperative Agreement Act 1977 (P.L. 95-224), the Agency for International Development (hereinafter referred to as "A.I.D." or Grantor") hereby enters into and grants under the subject Cooperative Agreement to the Foundation for International Community Assistance (hereinafter referred to as "FINCA" or "Recipient"), the sum of four million United States dollars (U.S.\$4,000,000) for the design and implementation of the Microenterprise Development Project.

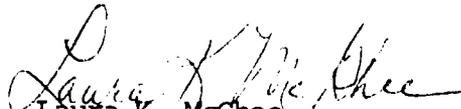
This Cooperative Agreement is effective and obligation is made as of the date of this letter, and shall apply to commitments made by the Recipient in furtherance of program objectives during the period beginning with the effective date and ending August 31, 1997. In addition, the Recipient may be reimbursed for costs applicable to design activities incurred prior to the effective date as set forth in Attachment 1 to this Agreement. The total cost of this program is estimated to be ten million United States dollars (U.S.\$10,000,000), subject to the availability funds, of which only U.S.\$4,000,000 is obligated at this time.

This obligation of funds is made on the condition that the funds will be administered in accordance with the terms and conditions set forth in Attachment 1, entitled "Schedule"; Attachment 2, entitled "Program Description"; and Attachment 3, entitled "Standard Provisions"; all of which have been agreed to by your organization.

Please sign the original and six (6) copies of this letter to acknowledge receipt of this award, and return the original and five (5) copies to USAID/El Salvador, Office of Projects.

Sincerely yours,

  
Henry H. Bassford  
Director

  
Laura K. McGhee  
Agreement Officer

Attachments:

1. Schedule
2. Program Description
3. Standard Provisions

ACKNOWLEDGED:

Foundation for International Community Assistance

By : Mark K. Hatch

Title: President, FINCA

Date : Aug 31, 1990

FISCAL DATA

Appropriation	:	72-1101021
Budget Plan Code	:	LDSA-90-25519-KG13
Project Number	:	519-0318
Total Estimated Amount	:	\$10,000,000
Total Amount Obligated	:	\$4,000,000
Funding Source	:	USAID/El Salvador - (PSEE)

## SCHEDULE

### I. Authority, Purpose and Project Description

The purpose of this Cooperative Agreement is to establish a new, viable, sustainable Salvadoran institution for providing microentrepreneurs with increased access to financial and non-financial services. The program is more fully described in Attachment No. 2, entitled "Program Description." The Cooperative Agreement is intended to cover both the design and implementation of the described Project. The Recipient's application provided the PID-equivalent document and the Recipient has provided additional analyses, discussions, etc., required to develop a Project Paper-like document in accordance with guidance set forth in A.I.D. Handbook 3.

### II. Funds Obligated, Payment, Estimated Cost and Cost Sharing

1. A.I.D. hereby obligates the amount of \$4,000,000 for purposes of this Agreement. Funds obligated hereunder are available during the period of the Agreement for program expenditures as set forth in the Financial Plan contained herein. Costs associated with the preparation of additional data to develop a Project Paper-like document are allowable costs under this Agreement.

2. Payment shall be made to the Recipient in accordance with the procedures set forth in the Standard Provision entitled "Payment - Periodic Advance" contained in Attachment No. 4, Standard Provisions for U.S. Non-Governmental Grantees and subject to the conditions set forth in Section VIII, Special Provisions.

3. Total estimated cost of the program described herein is \$10.0 million. It is anticipated that A.I.D. will provide funds in the amount of \$10.0 million during the estimated period of this Agreement, subject to availability of funds and the recommendations of the mid-term evaluation as described below. However, the Recipient is not entitled to be reimbursed for costs incurred in excess of the current amount obligated hereunder.

### III. Substantial Involvement Understandings

A.I.D., through the USAID/El Salvador Private Sector Office (PRE), will participate under this Agreement in the following manner:

1. A.I.D. will approve the proposed design of the microenterprise institution prior to initiation of lending or other assistance activities.

2. A.I.D. will approve key personnel of the microenterprise institution, and any subsequent changes thereto, over the life of the Project.

3. A.I.D. will assist the Recipient in coordinating activities with the Government of El Salvador and with relevant private organizations providing assistance to the microenterprise sector in El Salvador.

4. A.I.D. will approve the geographic coverage of the Recipient's program in El Salvador.

5. Annual Action Plans describing all activities to be financed by A.I.D. and Project counterpart funds under this Cooperative Agreement will be approved in writing by A.I.D. through Project Implementation Letters (PILs) prior to any disbursement of funds for those activities, unless A.I.D. otherwise agrees in writing. The Annual Action Plans will consist of: a) a description of activities and goals by component; b) an annual training plan; and c) a budget detailing estimated expenditures by month for each activity and component.

6. The Recipient will obtain the written approval of A.I.D. prior to initiating any procurement in excess of \$25,000.

7. The Recipient will provide to A.I.D. copies of all reports financed by funds obligated under this Cooperative Agreement, including reports prepared by consultants.

#### IV. Period of Agreement

The effective date of this Agreement is the date of the covering letter. The expiration date is estimated to be eighty-four months (84) thereafter.

#### V. Reports and Evaluation

##### 1. Financial Reports

Financial monitoring of the revenues and expenditures of the program shall be performed on a monthly basis through a series of reports developed jointly by the Recipient and A.I.D. as

H

defined by A.I.D. in Project Implementation Letters (PILs). Two copies of these reports shall be submitted monthly to the Mission Controller within ten (10) days after the end of each month.

## 2. Program Progress Reports

The Recipient shall monitor performance under the Agreement and ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. Based upon this monitoring, the Recipient will maintain monthly records and shall submit quarterly technical performance reports to USAID/El Salvador that briefly present the following information for each activity under the Agreement:

- a) A comparison of actual accomplishments with the targets established for the period in the implementation plan, including a breakdown by gender of beneficiary, type of assistance, terms of assistance, etc.;
- b) Reasons why established targets were not met;
- c) Adequacy of remaining funds to reach targets;
- d) Information of changes and movements of personnel;
- e) Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

The Recipient shall submit the quarterly technical performance reports to the USAID/El Salvador Private Sector Office within 30 days of the completion of the quarter. The last day of each quarter is defined as the last day of the month of March, June, September and December. If any performance review conducted by the Recipient discloses the need for change in the financial plan in accordance with the criteria established in the Standard Provision entitled "Revision of Grant Budget", the Recipient shall submit a request for revision to the financial plan.

## 3. Evaluation

A mid-term evaluation of Project activities will be undertaken during the third year of the Project. The results of the evaluation will be utilized to determine whether A.I.D. should continue funding activities under the Agreement and make revisions, if necessary, to Project activities to facilitate accomplishment of Project objectives. In addition, a final evaluation will be done

during the last quarter of the Project. Both evaluations will be funded under the Cooperative Agreement and will be directly contracted by USAID/El Salvador charging associated cost to the Cooperative Agreement. The Mission will collaborate with the Recipient on scopes of work. A.I.D. reserves the right to accelerate the evaluation schedule or undertake additional evaluations, if deemed necessary.

4. Additional guidelines for Project monitoring and evaluation are addressed in Attachment No. 2, "Project Description."

VI. Negotiated Overhead Rates

Pursuant to the Standard Provision entitled "Negotiated Indirect Cost Rates-Provisional," a rate or rates shall be established for each of the Recipient's accounting periods during the term of the Cooperative Agreement. Payments for allowable indirect costs shall be made on the basis of the following negotiated provisional rates applied to the base(s) set forth below:

<u>Type</u>	<u>Rate</u>	<u>Period</u>	<u>Base</u>
Provisional Overhead	8.6%	From date of award until amended	Total direct cost less loan capital and A.I.D. special activities

VII. Financial Plan

1. The Financial Plan for the Project is set forth below. Revisions to this plan shall be made in accordance with the Standard Provision entitled "Revision of the Grant Budget (May 1984)." A.I.D. hereby grants approval for variations up to 15% to amounts shown in line items in this Financial Plan provided that the amount of total obligated funds is not exceeded. Any variations in excess of 15% must have prior written approval from A.I.D.

2. The Recipient agrees to contribute, from non-Federal funds, an amount at least equal to 25% of the total estimated program cost, as set forth in the Financial Plan below. The Standard Provision entitled "Cost Sharing (Matching)" sets forth the eligibility of non-Federal funds applied to satisfy cost-sharing requirements under this Cooperative Agreement.

6'

MICROENTERPRISE DEVELOPMENT PROJECT  
No. 519-0318  
ILLUSTRATIVE FINANCIAL PLAN  
(U.S. \$000's)

<u>Component</u>	<u>A.I.D.</u>		<u>FINCA*</u>		<u>TOTAL</u>
	<u>Current</u> <u>Obligation</u>	<u>LOP</u>	<u>Current</u> <u>Period</u>	<u>LOP</u>	<u>LOP</u>
(1) Institutional Development	875	2,018	48	1,119	3,137
(2) Financial Services	1,570	3,382	249	3,800	7,182
(3) Non-Financial Services	230	860	-	-	860
(4) Administrative Expenses	990	2,740	-	-	2,740
(5) USAID Project Management**	167	500	-	-	500
(6) Evaluation and Audit**	<u>168</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>500</u>
T O T A L	4,000	10,000	297	4,919	14,919
	=====	=====	=====	=====	=====

\* FINCA counterpart will be local currency equivalent of these amounts.

\*\* USAID/El Salvador will do direct procurement for all activities budgeted under this line item.

VIII. Special Provisions

1. Conditions Precedent to Initial Disbursement of Funds:

Prior to disbursement of any funds under this Agreement, the Recipient shall provide to A.I.D.: (i) a statement containing the name(s) of the person(s) empowered to act on behalf of the Recipient on matters related to funds provided under this Agreement and of any additional representatives, together with a specimen signature of each person so designated; (ii) evidence that the Recipient has established a separate bank account to control the receipt and disbursement of Agreement funds (including the complete bank account number and name), (iii) evidence that the Recipient has engaged a U.S. CPA firm and/or its local affiliate acceptable to A.I.D. to carry out annual audits of the Project and provide the certification required in paragraph 2(a) below; and (iv) an Action Plan for the first year activities.

2. Conditions Precedent to Disbursement for Non-Program Activities

(a) Disbursement under this Cooperative Agreement is conditioned upon review and approval by the Mission Controller of a certification by a U.S. CPA firm, that the financial management system of the Recipient (i) meets all GAO and A.I.D. accounting and reporting requirements; (ii) provides for adequate internal control procedures in general and specifically in relation to operations within El Salvador; (iii) includes well defined systems and procedures for use by organizations which receive funds from the Recipient to account for and report use of funds to the Recipient; and (iv) provides for adequate staffing to satisfactorily implement the system on a timely basis. In addition, the Recipient will engage a U.S. CPA firm to conduct an annual audit of activities under the Cooperative Agreement in accordance with GAO Standards, with such interim testing and fieldwork performed as deemed necessary by generally accepted auditing standards.

(b) Concurrent with accomplishment of subparagraph (a) above, funds may be advanced by USAID for activities required to establish a base for operations in El Salvador, to carry out those activities related to the legal establishment of the microenterprise institution and to implement the requirements of subparagraph (a) above.

3. Conditions Precedent to Disbursement for Program Activities:

(a) Prior to the first disbursement of funds for financial or non-financial services to microenterprises, the Recipient will present for A.I.D. approval: (i) evidence that the microenterprise institution has been legally established in El Salvador; (ii) the organizational plan of the microenterprise institution, including a staffing pattern identifying key staff and their responsibilities; (iii) the operating procedures of the microenterprise institution, including its conflict of interest policy; (iv) technical assistance and training plans, for both the microenterprise institution and for microenterprises; and (v) the institution's credit policies and procedures, including definition of eligibility of borrowers, interest rates, terms of credit, eligible uses, savings requirements for group and individual loans and for working capital and investment loans; (vi) the first annual action plan which conforms to the requirements of section III.5. above.

(b) Prior to disbursement for each subsequent program year, the Recipient shall submit for A.I.D. approval: (i) an annual action plan which conforms to the requirements of Section III.5. above; and (ii) a summary financial report of A.I.D. funds received and disbursed by the Recipient and expenditures made in compliance with the counterpart requirements of this Agreement.

6

4. Condition Precedent to Subsequent Obligation of Funds:

Prior to the obligation of additional A.I.D. resources beyond the initial obligation of \$4,000,000, the Recipient will present for A.I.D. approval, an evaluation of program activity and a plan for reaching self-sufficiency by the end of the Project.

5. Audits and Inspections - The Recipient agrees to require its audit firm to provide directly to the Mission Controller: (i) a copy of the firm's audit work plan for review and approval by the Mission Controller and/or the A.I.D. Regional Inspector General; (ii) periodic reports noting fieldwork completed and/or any financial operating deficiencies identified by the firm; and (iii) a copy of the annual audit report.

6. Authorized Geographic Code - Except as A.I.D. otherwise agrees in writing, the authorized Geographic Code for procurement of goods and services under this Agreement is 000 (U.S.).

7. Local Cost Financing with U.S. Dollars as required for this Project must be approved in writing by A.I.D. on a transaction by transaction basis in accordance with the A.I.D. Administrator's policy directive.

8. Drug-Free Workplace Requirements - The Recipient shall maintain a drug-free workplace in compliance with the certification provided to A.I.D. This certification will be provided to A.I.D. prior to the signing of this Agreement. Violations of the requirements to maintain a drug-free workplace may render the Recipient of this Cooperative Agreement ineligible to receive further grant assistance and such other remedies as A.I.D. may consider appropriate. Violations include the failure to comply with the certification, presentation of a false certification, or evidence that such a number of employees have been convicted of violation of criminal drug statutes for acts occurring in the workplace as to indicate that the Recipient has failed to make a good faith effort to provide a drug-free workplace.

9. Uses of Program Income - Income received as a result of activities carried out under this Cooperative Agreement shall: (i) be retained by the Recipient and added to funds committed to the Project for use in furthering eligible program objectives; (ii) be deducted from the net costs on which the A.I.D. share of costs are based; or (iii) be used, with the prior approval of A.I.D., to finance the non-A.I.D. share of the Project.

9

10. Commissary Privileges - U.S. citizen employees of the Recipient, as well as the U.S. citizen employees of its sub-recipients and subcontractors, who are in El Salvador solely for the purpose of working under this Cooperative Agreement, may be granted access to the commissary operated by the American Employee Association in El Salvador (AEAES) in accordance with the policies of the Department of State and the U.S. Embassy to El Salvador.

11. Title to Property - Title to all property financed under this Agreement shall be vested as follows:

(a) Property purchased for the use of the Recipient in the management of this Project will be vested in the U.S. Government at the conclusion of the Project, unless otherwise agreed in writing by A.I.D.

(b) Property purchased for the use of MSC as a sub-recipient shall be vested in that institution at the conclusion of the Project. The requirements of the Standard Provision entitled "Title to and Use of Property (Grantee Title) are applicable to this property and shall be incorporated, as appropriate, in any sub-agreements.

12. Language of Agreement - This Agreement is prepared in English. It is anticipated that a Spanish translation of the Agreement will be provided by A.I.D. after award to facilitate Project implementation. In the event of any conflict or ambiguity between the two versions, the English language version will control.

#### IX. Exceptions to Standard Provisions

The Mandatory and Optional Standard Provisions for U.S. Nongovernmental Grantees, contained at Attachment 3 hereof, are applicable to this Cooperative Agreement, with the exception of the provisions listed below:

- (a) Payment - Letter of Credit
- (b) Payment - Cost Reimbursement
- (c) Patent Rights
- (d) Publications
- (e) Negotiated Indirect Costs Rates - Predetermined
- (f) Voluntary Population Planning
- (g) Protection of the Individual as a Research Subject
- (h) Care of Laboratory Animals
- (i) Title to and Care of Property (U.S. Government Title)
- (j) Title to and Care of Property (Cooperative Country Title)

10

## PROGRAM DESCRIPTION

### I. TITLE

Microenterprise Development Project No. 519-0318

### II. GOAL

The goal of the Project is to increase incomes and productive employment opportunities for microenterprises, thereby enabling them to better contribute to and share in the benefits of economic growth.

### III. PURPOSE

The purpose of the Project is to establish a new, viable, sustainable Salvadoran institution for providing microentrepreneurs with increased access to financial and non-financial services. Under this Project, the Recipient will develop a Salvadoran institution, entitled the Microenterprise Support Center (MSC), which will provide financial and non-financial services to rural and urban microenterprises in El Salvador. For the purposes of this Project, a microenterprise is defined as an enterprise or group with one to ten employees and assets up to 150,000 colones (currently approximately \$21,000). It is expected, however, that this definition will vary over the seven year Project.

### VI. PROJECT TIMETABLE

The Recipient shall commence Project activities within 30 days of the effective date of this Agreement. Estimated completion of activities is eighty-four (84) months following the award of this Agreement.

### V. PROGRAM OF ACTIVITIES

The Project consists of three components to be financed under this Cooperative Agreement: the establishment of a microenterprise institution, the provision of financial services and the provision of selected non-financial services to microentrepreneurs. Following is a brief description of the activities anticipated under each line item in the Illustrative Financial Plan of this Cooperative Agreement:

1. INSTITUTIONAL DEVELOPMENT

The Project strategy is to develop a new institution, entitled the Microenterprise Support Center, which will provide financial and non-financial services to microentrepreneurs around the country. The decision to establish a new institution was based on analysis which indicated that none of the existing PVO's, institutions, and groups currently engaged in promoting microenterprise development in El Salvador fully possessed the mandate or required capability to undertake the program described herein. However, to take maximum advantage of other microenterprise assistance efforts, the Recipient will collaborate with other relevant organizations throughout the Project.

Under this line item, the Project will finance the start-up and operating costs of the microenterprise institution, technical assistance and training for the staff of the new institution, and such items as office facilities and equipment, and two Project vehicles (to be replaced in year four of the Project) and maintenance thereof.

2. FINANCIAL SERVICES

To support the goal of increasing incomes and productive employment opportunities for microentrepreneurs, the Project will provide working capital and investment credit to microentrepreneurs. The Project will promote the democratization of credit by making resources for productive investment available to a large number of microentrepreneurs with limited access to formal financial markets. Credit will be lent and repaid in colones. The following description of the terms and conditions of the credit activity will be amplified in the documentation submitted by the Recipient in fulfillment of Section VIII.3. of the Schedule, Attachment 1 of this Cooperative Agreement and, with the prior written approval of A.I.D., may be modified as conditions in El Salvador warrant over the life of the Project.

A. The Microenterprise Institution

Working with the new institution, the Recipient will be responsible for the oversight of the credit facility, certifying that any Salvadoran private voluntary organization (PVO), or other groups utilized as intermediaries, comply with the Project requisites, the lending criteria, and the terms and conditions established under the Project.

It is anticipated that the Recipient will utilize Salvadoran intermediaries to reach microentrepreneurs around the

10

country. In this case, the participating institutions will be responsible for the credit analysis, forwarding a request for funding to the microenterprise institution which outlines the basic characteristics of the proposed lending. The microenterprise institution will verify that the proposed lending fits within the Project's eligibility criteria and approve or disapprove the loan.

The microenterprise institution will then work with local Salvadoran bank(s) to effect disbursements and to obtain repayments. A.I.D. and the Recipient reserve the right to disqualify any intermediary which over time does not comply with the terms of financing and other provisions of this Agreement.

B. Credit

(i) Eligible Sub-borrowers

Both individual Salvadoran microentrepreneurs and groups of microentrepreneurs will be eligible for credit under the Project. For the purposes of this Project, a microenterprise is defined as an enterprise or group with one to ten employees and assets up to 150,000 colones. With the prior written approval of A.I.D., the Recipient may revise this definition over the life of the Project as conditions in El Salvador warrant.

(ii) Eligible Uses

Working capital and investment credit for both enterprise formation and enterprise expansion will be made available to microentrepreneurs. Loans for agricultural activity will not be provided under the Project.

(iii) Reflows

One of the objectives of the Project is to institutionalize the program as a continuing source of assistance to microenterprises. Accordingly, repayment of principal on loans made under the Project will be placed in a separate account in a Salvadoran bank and will be made available for further lending to microentrepreneurs.

Interest paid on loans made under the Project will be used to finance the operating costs and credit programs of the microenterprise institution during and following completion of this A.I.D. Project.

(iv) Interest Rates

Interest rates will cover inflation, administrative costs of credit delivery and recuperation, and a reserve for losses. Rates will not be lower than the minimum established lending rates set by the BCR.

13

(v) Terms of Subloans

In general terms, the terms of lending under the Project are as follows. The specific terms of each loan will be based on sound lending practices, taking into account the analysis of each loan request.

It is contemplated that working capital loans will range from \$50 to \$300. Initial loans will be made for the minimum amount (\$50), with increasing amount for subsequent loans commensurate with the savings rates (see section C below). All loans for less than \$300 will require a group affiliation. Working capital loans will be repaid in four month cycles.

Investment credit will be made available to any productive activity which can generate sufficient income to repay the loan. Anticipated activities include commerce, cottage industry, and small scale services such as vehicle, shoe, and clothing repair. Investment loans will range from \$500 to \$3,000. This ceiling may be raised over the life of the Project, depending upon demand and availability of funds. Repayments of principal and interest of investment loans will be made on a tri-annual basis.

(vi) Other Conditions

A prerequisite for obtaining any subsequent loan is the full repayment of previous loans. Groups may elect to forgive a member or to allow late payments, but must cover the default of the delinquent member(s) out of group savings or from a special assessment of group members. This rule may only be waived in the case of natural disaster.

Another condition of lending will be a full report to the microenterprise support center of the results (impact) of the loans. A simple form will be devised by the Recipient and will be filled out by borrowers at the time of repayment.

C. Savings

Because it is recognized that a significant source of financing for microenterprises is proprietor savings, and given the absence of formal sector collateral/guarantee requirements, and the desire to mobilize domestic resources, the Project will provide incentives for microentrepreneurs to save. Borrowers of working capital will be required to save a minimum of 20% of the amount lent per cycle. Borrowers of investment credit will be required to save the equivalent of 10% of the amount borrowed. In the case of group lending, the savings required for working capital loans may be kept in the group. In the case of individual borrowers and investment credit borrowers, the required savings will be kept in the microenterprise support center.

14/

### 3. NON-FINANCIAL SERVICES

Many microentrepreneurs, as well as the intermediaries serving them, may require some technical assistance or training in order to effectively participate in Project activities. Training in credit administration will be a service provided to all borrowers and intermediaries. Representatives of participating intermediaries will also be trained in the credit philosophy and methodology.

As a general policy, the microenterprise institution will not provide technical assistance in production or marketing. However, Credit Officers will assist microentrepreneurs in accessing assistance from available sources in El Salvador. Notwithstanding this general policy, in certain cases, where the number of clients may justify it, the institution may, on a cost recovery basis, provide technical assistance, specialized training, or marketing services directly. Given the high cost of such assistance, the heterogenous nature of the sector, and the self-sufficiency objective, the feasibility and advisability of providing such services will be carefully assessed.

### 4. ADMINISTRATIVE EXPENSES

All expenses, other than program expenses described above, which the Recipient will incur in administration of activities under this Project shall be paid from funds allocated to the line item entitled, "Administrative Expenses." Among these expenses will be costs for salaries and allowances of long-term personnel assigned to Project activities, short-term personnel and consultants working directly on Project activities, other direct costs, such as travel, transportation, communications, etc., which can be directly attributed to Project activities, and a portion of the Recipient's indirect costs allocated to this Project in accordance with the Standard Provision of Attachment 3 entitled, "Negotiated Indirect Cost Rate - Provisional."

### 5. SPECIAL ACTIVITIES

USAID/El Salvador will contract for the activities to be financed under this line item.

#### A. Project Management

To assist the Recipient in its efforts to effectively implement the activities contemplated under this Agreement, the Project will finance within USAID/El Salvador a Salvadoran Project Manager, a Salvadoran Assistant to the Project Manager, and related expenses. These positions, which will be located in the Private

15

Sector Office, are essential due to the magnitude of the Project and the various activities contemplated herein. This line item includes salary and fringe benefits for the Project Manager and Assistant, microenterprise-related international travel and training, office equipment, and a Project vehicle (to be replaced in year four of the Project) and maintenance thereof.

B. Evaluation and Audit

The evaluation program for the Project will include: (i) evaluation of progress toward attainment of Project objectives; (ii) identification and evaluation of problem areas or constraints which may inhibit such attainment; (iii) assessment of how such information may be used to overcome said problems; (iv) progress toward and recommendations on self-sufficiency; and (v) evaluation, to the degree feasible, of the overall impact of the Project. Any Project-funded evaluation of the Project will be financed under this line item. A.I.D. will collaborate on the scopes of work for evaluations with the Recipient.

Engagement of an audit firm and the audit and related activities described in Attachment 1 will be financed under this line item. Any additional audit work required under this Project may also be financed under this line item.

5516B

16