

**VILLAGE DEVELOPMENT FUND (VDF)****Agreement for Small Scale Business and Employment Promotion**

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**INTEGRATED FOOD SECURITY PROGRAMME TRINCOMALEE**

**Please indicate on all  
correspondence and invoices  
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**represented by**

Rohini Singarayer, Project Director IFSP  
Dr. Dedo Geinitz, Team Leader IFSP-GTZ

**Agreement Number: .... /2002**hereinafter referred to as the **"IFSP"**

**Project Number:  
PN 97.3653.9-001.00**

**and**

The **group of selected families** who are members of the Rural Development Society (RDS) Karukkamunai, Eachchilampattai DS Division as **Implementing Partner**

hereinafter referred to as the **"Action Group"****through**

RDS Karukkamunai, in Karukkamunai, Eachchilampattai DS Division, representing the above **Action Group** as **"Supporting Partner"**

hereinafter referred to as the **"CBO"****represented by:****Bank:** Peoples Bank

1. All members of the Action Group (names are enclosed)
2. Office bearers of the CBO:  
President: K. Selvarasa  
Secretary: K. Gopalapillai  
Treasurer: M. Ilamsooriyan

**Branch:** Serunuwara  
Seruvila DS Division

**Account:** 0233-2-003036-6for **"Small Scale Business and Employment Promotion"**under the IFSP **Village Development Fund (VDF)** for Karukkamunia

## Form 4.5

### 1. Declaration of the Action Group and the CBO

The **Action Group** as implementing partner of **IFSP** shall implement the small scale business and employment promotion activities amongst the selected and participating families in the village of Karukkamunai in a participatory manner. The **CBO** as supporting partner of the **Action Group** and as contracting partner of **IFSP** shall organise, assist and help the **Action Group** throughout the implementation of this project by making services required as defined in the project description and by recovering the loan as stated in the loan recovery schedule. The **CBO** and **IFSP** shall be jointly responsible for managing the **Village Development Fund (VDF)**.

The **Action Group** and the **CBO** shall closely cooperate with the Community Mobilisers of **IFSP** and the participating officers from government departments and banks, involved in technical planning, support and monitoring.

No sub-contracting is permitted.

### 2. Subject of the Agreement

The **Action Group** with the support of the **CBO** and **IFSP** shall effect the small scale business and employment promotion project for developing the capacity of the participating families and the local village economy as defined in the project description and governed by the rules and regulations of the **VDF**, which form an integral part of this agreement. **Action Group** and **CBO** shall be responsible for efficiently channelling and handling the loan to the selected and participation families provided by **IFSP** under the **VDF**.

### 3. Duration of Agreement

In order to fulfil this agreement **IFSP** shall effect a loan, including advise and guidance for its efficient implementation and recovery in closest cooperation with the **Action Group** and **CBO** from 1<sup>st</sup> January to 31<sup>st</sup> December 2002.

This period shall be considered a **test period**. Any further support from **IFSP** will be subject to:

- i) Successful implementation of the project through the **Action Group** and its members,
- ii) Full recovery of the loan,
- iii) Capacity of the **CBO** to support the **Action Group**,
- iv) Availability of funds for replenishing the **VDF**.

### 4. Reporting

The **CBO** shall prepare brief reports, summarising the results, experiences and recommendations of the project until 31<sup>st</sup> July and 31<sup>st</sup> December 2002 to **IFSP**. The **CBO** has to submit all particulars of the loan recovery at the end of each month or on request to **IFSP**. The **CBO** shall report to **IFSP** any occurrence which would jeopardise the project and the loan recovery in particular.

The **Action Group** and **CBO** shall keep a **Project Book** where all documents (agreement, project description, business plans, receipt, original vouchers and invoices, bank statements, correspondence) shall be kept.

### 5. Village Development Fund

#### 5.1 Allocation of Loan from VDF

A total amount of Rs. 50,000.00 (Sri Lankan Rs. Fifty Thousand) is established by **IFSP** as village development fund to be channelled under a collective loan arrangement through the **CBO** to the members of the **Action Group**. The loans channelled to individual families/ members of the **Action Group** shall be exclusively used for small scale business and employment promotion. **IFSP** shall cover transport to the field and, as far as possible provide logistic and administrative support.

Obligations of **CBO**:

- i) Fullest support to the **Action Group** in terms of channelling and recovery of the loan provided to the members,
- ii) Guaranteeing the loan vis-à-vis **IFSP**, motivating the members of the **Action Group** to properly run the businesses,
- iii) Supervision of records, recovery of loan from individual families.

Obligations of **Action Group**: High commitment and fullest cooperation with the **CBO** and **IFSP**, according to the rules and regulations of the **VDF**.

**5.2 Repayment of Loan under the VDF**

The loan provided through the **CBO** to the members of the **Action Group** either in cash or in kind shall be recovered from the individual families through their **Action Group** in regular instalments as per **loan recovery schedule**. The **CBO** is responsible for the full recovery of the individual loans.

The recovered funds shall be credited to the VDF account of the **CBO**. This money is fully owned by IFSP-GTZ. Its further use shall be exclusively authorised by **IFSP**.

**5.3 Community Mobilisation**

IFSP is prepared to assist **CBO** and **Action Group** and members through their PNA teams and Community Mobilisers.

**5.4 Monitoring and Evaluation**

Regular monitoring of progress and evaluation of impacts will be carried out by **IFSP** and the **CBO**. This would include audit of the records kept by the members of the **Action Group** and by the **CBO**, review of the business performance and the impact at the level individual families/households as well as the local economy.

**5.5 Default and Mishandling**

In case of a **loan default** of a member of the **Action Group** or any **mishandling** and **misuse** of loans, improper recording or any other actions, which are considered contrary to the rules and regulations of the VDS, **IFSP** reserves the right, to immediately cancel the loan and the VDS and request immediate full repayment.

**6. Maintenance**

In case **IFSP** makes available equipment to the **CBO** and **Action Group**, both agree to ensure proper maintenance.

**7. Taxes**

All claims under this agreement are discharged. The **CBO** and the **Action Group** are obliged to pay all public levies, such as taxes, statutory, accident and social insurance themselves.

**8. Confidentiality**

Both during and after the end of the agreement **CBO** and **Action Group** must not disclose any matters, which have come to their knowledge during the course of effecting the project. This shall not apply to communications made in the normal discharge of his duties or to facts, which are manifest to public or which by their nature or importance, do not require to be treated as confidential.

**9. Copies**

This agreement is drawn up in six originals. The **Action group** and the **CBO** shall receive one original.

**Date and Place:** Trincomalee, January 2002

For **IFSP-GTZ**

Rohini Singarayer

Dr. Dedo Geinitz

**Witnessed by**

Dr. Reinhard Bolz, GTZ Director Sri Lanka

For **CBO and Action Group**

President:

Secretary:

Treasurer:

Action Group: acc. to enclosed list

DS Eachchilampattai:

IFSP Community Mobiliser:

**Annex:** Project description; List of members of Action Group and signature of members.