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AGENCY FOR INTERNATIONAL DEVELOPMENT

UNITED STATES A.I.D. MISSION TO

PERU

LOAN COMPLETION REPORT

OF

LOAN No. 527-L-051

FOR

PRIVATE INVESTMENT FUND

Approved by: Donald R. Finberg

Donald R. Finberg
Director

LOAN COMPLETION REPORT

USAID/Peru
August, 1976

A.I.D. Loan No.527-L-051
Private Investment Fund

I. LOAN INFORMATION

A. Basic Data:

1.	Borrower	:	Government of Peru
2.	Implementing Agency	:	Development Finance Corporation ("COFIDE)
3.	Date Authorized	:	June 19, 1967
	Amendment No.1	:	May 15, 1970
	Amendment No.2	:	October 8, 1971
4.	Date Signed	:	April 25, 1968
	Amendment No.1	:	April 15, 1974
5.	First Disbursement	:	November 19, 1969
6.	Final Disbursement	:	April 15, 1976

B. Financial Information:

1.	Amount Originally Authorized	:	$7,500,000.00
2.	Amount Disbursed	:	$1,325,854.26
3.	Amount Pending Disbursement	:	$ 195,771.64
4.	Amount Deobligated	:	$4,953,069.61
5.	Amount Remaining to be Deobligated	:	$1,025,304.39*

*Will be deobligated by AID/W upon reconciliation of L/COMM's with First National City Bank.

6. Application of Funds:

	Allocation	Disbursed or Pending Disbursement
A.I.D. Loan		
Technical Assistance	$ 200,000.00	$ 2,839.00
Feasibility Studies	750,000.00	7,705.20
Sub-loans	6,550,000.00	1,511,081.80
	$7,500,000.00	$1,521,626.00
GOP Contribution		
Feasibility Studies	-.-	$ 30,775.00*
Sub-loans	$7,500,000.00	1,822,710.30*
	$7,500,000.00	$1,853,485.30*

C. Terms and Conditions: 10 year grace period at 1% interest; 2 1/2% thereafter; 40 years repayment period.

II. LOAN DESCRIPTION

A. Project Purpose:

The purpose of the Project was to capitalize with the proceeds of the Loan and the funds provided by the GOP a Private Investment Fund ("PIF") originally administered by the Central Reserve Bank and later by COFIDE under which dollar and local cost financing would be made available through various intermediate credit institutions to private enterprises in Peru. PIF resources were to be used exclusively for the establishment or expansion or modernization of business operations which engage in: (a) the transformation, processing, packing or preservation of agricultural products (both food and non-food); (b) the production or leasing of goods or the furnishing of services for use in increasing agricultural production; and (c) production primarily for export from Peru. The Capital Assistance Paper prepared in 1967 noted the following as specific objectives of the PIF:

1. To provide medium to long-term financing without exchange risk for priority agro-industry activities;

*Exchange rate used to calculate GOP contribution is highest legal rate which was in effect at time disbursements were made. For most sub-loans this was S/.43.38 to U.S.$1.00 except for one which was made at S/.45.00 to U.S.$1.00.

2. To provide medium to long-term financing without exchange risk to encourage the expansion of the Peruvian export sector (in areas related to agriculture);

3. To stimulate U.S. exports and expand markets for U.S. equipment,

4. To ensure that priority industrial activities are accommodated during periods of tight credit;

5. To assist the GOP balance of payments; and

6. To encourage commercial banks and support financieras in meeting credit needs in the above areas.

Pre-feasibility studies for projects which would meet PIF lending criteria could also be financed, pursuant to Implementation Letter No.13, up to a total cost of $750,000. Up to $200,000 of loan funds were also available to finance technical assistance to COFIDE in sub-project preparation, promotion, and implementation.

B. Brief Project Background

The Loan was developed and the Agreement signed during the last part of the Belaunde government which had shown a strong commitment towards development and reinforcement of the private sector. The Loan was developed largely at the behest of the Central Bank, which was originally designated the primary executing agency with the Industrial Bank and Agricultural Development Bank acting as the principal financial intermediaries. There was a clear-cut understanding among the GOP entities as to goals and purposes of the PIF, and it was felt that GOP development banks, private banks and financieras could generate sufficient sub-projects to fully disburse the Loan's funds within the original execution period.

In October, 1968, less than six months after the signature of the Loan Agreement, a military government came to power, and from the outset perceived and pursued development strategies and priorities in a substantially different manner than the Belaunde government. Rather than reinforce the private sector, which the military government saw as a principal reason for the economic inequities in the Peruvian system (i.e. fostering the concentration of capital and resources in a small percentage of the total population), the new government sought to create new economic policies which would stimulate popular participation and a redistribution of wealth, principally towards the lower income strata. It also sought to increase the role of the State as entrepreneur, reserving for the State the control and management of basic industries. The new economic order is to be composed of four basic economic sectors: (a) the State sector of basic industries and major extractive industries; (b) the "reformed private sector" consisting of all industries employing more than six employees, where workers acquire progressive shares, up to 50%, in company equity and management; (c) Social Property, a worker-owned and managed sector; and (d) the strictly private sector, comprised of small businesses and industries. The strictly private sector, which the subject Loan was designed to strengthen, was given the lowest priority among these.

As a result of industrial reform legislation and general uncertainty over the ultimate course of the government, the investment climate in Peru deteriorated significantly in the post-1968 period. Almost no new private investment in the agricultural sector occurred during the 1968 to 1971 period, and existing commercial and industrial enterprises showed little interest in expansion until the GOP clarified its economic position. Only a limited number of sub-projects (5) were financed by the PIF during this period.

In March, 1971, COFIDE, the State Development Finance Corporation, was created and the GOP announced its intention to transfer the resources of the PIF and operational responsibility to the new institution. Sub-lending activity came to a complete halt pending a formal redefinition of roles and responsibilities. The second amendment to the Loan Authorization was signed on October 8, 1971 to permit the inclusion of COFIDE under the Project (the first Loan Authorization Amendment of May 15, 1970 had untied the Loan to finance goods and services from Code 940 sources). However, it was not until April 15, 1974 that a Loan Agreement amendment satisfactory to all concerned parties was executed which formally incorporated COFIDE as the primary executing agency and restructured the Project to allow a resumption of sub-lending. Implementation Letter No.13, also issued on April 15, 1974, established a trial period to measure sub-lending progress with a TCD and TDD of October 15, 1975 and April 15, 1976 respectively.

After COFIDE failed to commit sufficient funds to approved sub-projects to trigger an extension of the terminal commitment date, 1/ USAID negotiated with the GOP the deobligation of $4.6 million of the Loan. Additional Loan deobligations were made necessary when one of the large sub-projects approved prior to the TCD experienced implementation difficulties and was cancelled.

1/By Implementation Letter No.13, USAID had indicated that the terminal date would be extended only if 50% of the Fund was committed to approved sub-projects by October 15, 1975, the TCD.

III. LOAN EVALUATION[1/]

A. Inputs

As is evident from the above brief Project history, the Project broke down at the lowest level of the logical framework hierarchy, the input level of the matrix. Due to a change in fundamental Project assumptions and implementation difficulties, it was necessary to deobligate the bulk of the Loan (approximately 80%), and with that action the GOP likewise ceased its contributions to the Project. The nature of these difficulties and the principal reasons for this failure are itemized below:

1. A basic deterent was the change of government priorities shortly after loan execution from emphasis on the private sector as an "engine of change" to a situation where the private sector was seen as a threat to changes in the economy which the military government has been trying to create. Accordingly, the Private Investment Fund was never afforded a very high priority by the GOP and necessary support (e.g. in the processing of the Loan Agreement Amendment and in the promotion and analysis of sub-projects) was not forthcoming.

2. As previously stated, given economic uncertainties during the first years of the military government, private investment fell drastically. The GOP kept changing the rules of the investment game, and private enterprise was not very interested in expansion or investment until all the rules became fully known. During Project implementation, the Industrial Community system was established (July 1970) and the Social Property law promulgated (April 1974). Private sector businessmen felt that they would soon be unable to compete, given GOP priorities toward the Industrial Community and Social Property. Despite this, however, a study prepared for USAID by a private consulting firm in April 1972 showed that there existed ample demand for PIF funds, and a decision was made not to deobligate the Loan but rather to attempt to restructure the Project.

3. During the early years of the Project's life (1968-1971), one problem which contributed to the slow movement of the Loan was the internal reorganization of the Central Bank, which had been designated

1/ The Capital Assistance Paper prepared in 1967 did not conceptualize the Project in current logical framework terminology. However, in the evaluation that follows, the Project is discussed in terms of inputs, outputs, and purposes, three of the matrix levels of the log frame.

the original primary executing agency. Substantial personnel changes occurred in the post-1968 period, and before Loan execution authority was finally passed to COFIDE, some eight different Central Bank officials headed the PIF. The lack of continuity in Bank management was obviously a factor in delays which resulted in processing even the few sub-loan applications received.

4. The Project as originally designed assumed that private commercial banks and private financieras would have an interest in generating sub-projects, would perform necessary feasibility studies, and would be willing to accept the credit risk on the sub-projects financed under the PIF. This turned out not to be the case, as only one commercial bank ever participated under the PIF. Two related and likely explanations for this lack of enthusiasm on the part of private financial intermediaries are as follows:

a) Lack of adequate incentives.- The original PIF directives allowed participating financial intermediaries an interest spread on any given sub-loan of only 4% on project financing and 2% on the financing of capital goods imports for an already operating enterprise. Interest rates to sub-borrowers generally totalled 14% with the balance of the interest spread accruing to the Central Bank. The interest spreads to the intermediaries were supposed to be adequate to cover the administrative costs of the financial intermediary in processing sub-loan applications and the credit risk of customer default, as well as to provide a profit for the intermediary. In fact, the interest spreads to the banks were not adequate to induce them to enter higher risk, longer-term, agro-industrial sub-lending, since the cost of "staffing-up" to evaluate such projects and the credit risk exceeded the maximum of 4% allowed by the PIF.

b) Overly complex and rigid operating procedures.- When queried on the Project's lack of success, commercial banks point to the complex operating criteria of the PIF as a basic impediment. The Loan Agreement imposed extensive regulations on sub-lending, which, given the ICI nature of the Project, had to be communicated across the AID-Central Bank-financial intermediary - ultimate sub-borrower chain. For example, in addition to the basic private ownership and project eligibility criteria, the Loan Agreement included a long list of ineligible sub-projects, required complex financial and economic analyses of sub-projects, necessitated 30% equity contributions of sub-borrowers, required a minimum amount of off-shore procurement ($10,000) under all sub-projects, required that at least 50% of every loan be used for eligible off-shore procurement, required that at least 30% of the total cost of sub-projects be utilized for in-country procurement, and restricted working capital financing under the loan for periods not to exceed three months. Few sub-projects upon first presentation met all of the formulae, and most banks concluded that, coupled with the lack of financial incentives, participating under the PIF was not worth the effort.

By the early 1970's the above two factors were recognized as bottlenecks to greater banking system participation. Upon completion of the previously mentioned demand study and the decision not to deobligate the Loan, efforts began in late 1972 to amend the Loan Agreement to broaden the scope of lending to accommodate the reality of the Government's development strategy. The resulting Amendment to the Loan Agreement on April 15, 1974 and companion Implementation Letter No.13 did somewhat simplify the operating eligibility criteria. However, in restructuring the Project the decision apparently was made to reduce the role of banks rather than attempt to build in greater incentives for their participation. The refinancing element of the PIF was diluted, as COFIDE became not only the primary implementing agency, but also the financial agent responsible for sub-project promotion, develop, and appraisal. While financial intermediaries were not excluded from PIF participation, in fact COFIDE never sought to encourage or stimulate such use. The PIF became a line of credit to COFIDE. With the benefit of hindsight and the fact that COFIDE was unable to utilize the bulk of the PIF resources in a timely manner, perhaps better results would have been attained by increasing the financial incentives for banking system participation. The banking system with its large number of branch offices throughout the country might then have been able to alleviate a basic Project bottleneck - the capacity to promote, develop, and appraise viable sub-projects.

5. The formal transfer of implementation responsibility from the Central Reserve Bank to COFIDE was a process beset with incredible bureaucratic delays, perhaps indicative of the lack of priority attached to the private sector by the GOP. As previously stated, in late 1972 USAID began efforts to restructure the Project and AID/W forwarded to the Mission a draft Loan Agreement Amendment. By March 1973 the Amendment had been satisfactorily negotiated between USAID and COFIDE. All that remained to be accomplished before signature was the formal agreement of COFIDE's board, the concurrence of the Central Reserve Bank, Agricultural Bank, and Industrial Bank, and the issuance of a Supreme Decree authorizing signature. Despite USAID's repeated pushing, that process required over one year to complete.

6. Once the Project formally was transferred to COFIDE the processing bottleneck became increasingly apparent. At quarterly intervals, COFIDE forwarded to USAID a listing of sub-projects being considered for PIF financing. The lists and discussions with potential sub-borrowers confirmed the existence of demand for the type of

sub-projects eligible for financing. Each quarter, however, slippage in the development of sub-projects (e.g. performance of feasibility studies, submission to COFIDE's Board of Directors, final approval) became more pronounced. Moreover, the GOP's desire to see the Social Property Sector become the dominant economic power reached its height during late 1974 and 1975 and many sub-projects on COFIDE's early lists for financing under the PIF were redesigned for development as Social Property. In September 1975 USAID determined that Social Property enterprises did not meet the ownership eligibility requirements specified in Implementation Letter No.13 and were thus not eligible for PIF financing.

7. In addition, COFIDE was unable to come to a decision as to how to use the technical assistance funds. USAID on several occasions suggested that part of these funds be used to hire a full-time promotor for the Fund -- but it was felt that this would step on the toes of COFIDE's own Promotion Department. This Promotion Department, however, did not have the human resources to handle both its regular duties and the PIF on top of that.

8. For most of the Project's life, COFIDE's top management did not seem to focus on the problems of the PIF, despite repeated letter exchanges and conversations with USAID over the need to step up project implementation and the consequences of a failure to do so. Only at the last minute, during the month or two immediately preceding the expiration of the TCD, did COFIDE devote considerable high level attention and concern to the PIF. By then, it was too late to take the necessary steps to meet the established targets.

9. Finally, unexpected delays in sub-project implementation resulted in a smaller than anticipated utilization of the Fund resources. Shortly before the Loan's TCD, COFIDE's Board of Directors approved 4 large sub-projects for PIF financing, one of which was subsequently rejected by USAID. Of the three approved sub-projects, only two (SASA and Iquitos Plywood) were implemented. The third (Tradimex-Cayetano Cogorno) experienced legal delays in the merger of the two concerned companies which precluded the opening of letters of credit in time to permit equipment delivery prior to the TDD.

B. Outputs

A total of nine sub-loans were made from the Private Investment Fund as follows:

SUB-PROJECTS	A.I.D.	GOP*	TOTAL
1. Alimentos Vitasa S.A.	$ 211,338.19	$ 268,549.70	$ 479,887.89
2. Servicios Agricolas S.A.	38,966.39	45,919.80	84,886.19
3. Sanivet	74,262.26	210,374.60	284,636.86
4. Conservera Amazonica	91,377.52	188,190.20	279,567.72
5. Papeles Peruanos Pucallpa	116,082.23	216,524.80	332,607.03
6. Cía. Aerea Comercial S.A. (CACSA)	221,967.61	-.-	221,967.61
7. Maderas del Oriente	131,791.00	696,173.40	827,964.40
8. Servicios Agricolas S.A.	399,937.00	-.-	399,937.00
9. Iquitos Plywood	224,450.00	196,977.80	421,427.80
SUB-TOTAL	1,510,172.20	1,822,710.30	3,332,882.50
Additional Banking Changes	909.60	-.-	909.60
TOTAL	$1,511,081.80	$1,822,710.30	$3,333,792.10

In addition to the above sub-projects, the PIF financed a feasibility study for soya processing (the sub-project itself was not, however, financed).

During the course of the preparation of the Loan Completion Report, USAID personnel visited with four of the above companies, to determine the impact which the sub-loans had had, problems encountered by the sub-borrowers, and whether the sub-loans were consistent with the original objectives of the Loan.

Servicios Agricolas S.A. (SASA) received two sub-loans under the PIF to purchase small aircraft for use in transporting passengers and cargo (mostly beef) within the central high and low jungle areas of Peru. At the present time, SASA owns and operates seven single-engine airplanes and three bi-motor aircraft, which are the sole source of rapid transportation within the area. The company is currently expanding its routes to include a daily San Ramon - Lima - San Ramon flight, using one of the two bi-motor airplanes purchased with the second PIF sub-loan.

USAID personnel visited SASA headquarters in San Ramon, and travelled to two outlying areas, Puerto Bermudez and Rami, which are serviced by the company.

*Exchange rate S/.43.38 to U.S.$1.00 for all sub-projects except #9, Iquitos Plywood, for which S/.45.00 to U.S. $1.00 was in effect.

SASA was formed as a cooperative among the livestock producers of the zone who had no reliable way to market production. Since no roads connect the livestock producing areas with the markets (San Ramon, Lima, Huancayo), prior to SASA's formation there was little incentive to increase beef production, and colonization of the zone was proceeding at a slow pace. At present approximately 200 livestock producers, located within an approximately 100 square kilometer area of the jungle, are shareholders of the company. The 45 persons who work at company headquarters in San Ramon and another 25 to 30 persons working at the various SASA agencies in such areas as Puerto Bermudez, Pucallpa, Iscosasin and Puerto Inca are also shareholders. At the present time SASA operates with approximately half cargo and half passenger service. The company has plans to expand to cover the entire jungle, if financing is available. An estimated 10,000 farm families are dependent upon the company for marketing their production and transportation of needed inputs and supplies.

The company has proved to be a positive development aid to the area, opening up new areas for livestock development and providing a regular source of communications within this part of the Peruvian jungle.

SASA is repaying its sub-loan on time.

Cia. Area Comercial S.A. (CACSA) received a sub-loan for the purchase of nine single-engine Cessna aircraft, assembled in Bogota, for use in a fumigation service which currently extends from Piura in the north to Nazca in the south. The company currently performs about 65% of the total fumigation market on the coast, and 95% of its clients are Agricultural Production Cooperatives (CAPs) created as a result of the Agrarian Reform. In total, the company owns 16 airplanes, and employs 12 pilots and 32 mechanics, as well as seven full-time administration employees. The company's main operations office is in Piura and its main administration office is in Lima.

CACSA has plans to expand in the next few years, as new valleys are brought into production as a result of high priority GOP irrigation programs -- i.e. Chira-Piura, Viru, Tinajones, etc. The GOP has declared fumigation as a "first priority" industry, and the CACSA general manager noted the high level of cooperation that the company is currently receiving from the government.

CACSA is repaying its PIF sub-loan on time.

Vitasa S.A., a balanced feed mill located near Lima, was the first sub-loan made under the PIF. The sub-loan was used to construct the factory, which currently produces approximately 12% of the balanced animal feed consumed in the country. Approximately half of its input requirements are purchased locally and the other half -- primarily soya cake, corn, vitamins and medicines -- are imported. The factory employs approximately 70 employees, and is 100% Peruvian owned. It has received technical assistance under a contract with the Red Rose Co. of Lancaster, Pennsylvania, but lack of foreign exchange has caused Vitasa to break this relationship

The General Manager of Vitasa noted that from the beginning there were onerous administrative problems in participating under the PIF. In Vitasa's case, the loan was made through both the Industrial Bank and the Agrarian Bank; since each charged an additional 2% to the standard 10% interest rate, the total interest was 14%, which was really not an attractive interest rate at that time. Additionally, each of the financial parties -- the Industrial Bank, Agrarian Bank and Central Reserve Bank -- had its own criteria to consider, which made the signing of a contract extremely difficult, since each party had to be accommodated, and at times the criteria were conflicting. The Manager noted that Vitasa went through 16 different drafts of a loan contract before all parties were satisfied. Since neither the administrative set-up nor the interest rate was satisfactory, Vitasa sought a solution to its PIF problem, and finally reached a solution with the Industrial Bank. The Bank gave Vitasa a second loan, at 11%, which Vitasa used to pay back the PIF in its entirety. The current situation then is that Vitasa has only one financial agent to deal with and pays less interest than under the PIF.

Sanivet S.A. is a producer of veterinarian products, chiefly for cattle and chickens, and marketing outlet for imported veterinarian products. Located some 10 miles from Lima, the factory employs approximately 55 persons, mostly laboratory technicians. The PIF sub-loan was used to expand the product line of the factory, and sub-loan funds were used to import machinery and basic inputs. Sanivet has been unable to meet its repayment schedules, and is currently negotiating with COFIDE for a new repayment schedule. The Manager reported that production at the factory has dropped drastically with the recent GOP restrictions on imports, some of which affect the import of veterinarian supplies. At present the elaboration of veterinarian products accounts for only about a third of the company's business, with marketing of stockpiled products accounting for two-thirds of the operation. Formerly manufacturing of products accounted for three-quarters of their business.

Regarding the four sub-projects not visited at the time of the final evaluation (Conservera Amazonica, Papeles Peruanos Pucallpa, Maderas del Oriente, and Iquitos Plywood), the first two sub-borrowers are currently in arrears on both principal and interest payments. Since a guarantee program was used however, repayments to the Fund are being made on schedule by the participating intermediate credit institutions.

C. Achievement of Project Purpose and Conclusions

It is clear that the Project's purpose of capitalizing a Private Investment Fund with the objectives outlined in Section II.A above was not attained. At present, the PIF is capitalized at a level less than 25% of the amount originally planned. At this level, the PIF will not represent a significant source of credit for agricultural and agro-industrial sub-projects.

A limited number of sub-projects were carried-out under the Project consistent with the PIF objectives of providing medium to long-term financing for agricultural-related, agro-industrial, and export activities. Results among these sub-projects have been mixed, ranging from the successful and beneficial SASA sub-loans to the Sanivet sub-project which is experiencing serious financial difficulties. The PIF did enable a total of 9 sub-projects to be implemented during periods of tight credit availabilities. Concerning the other PIF objectives, the effect of the Project in stimulating U.S. exports, expanding markets for U.S. equipment, and assisting the GOP balance of payments has been inconsequential. In addition, the PIF failed to encourage commercial banks and financieras to participate in providing credit to the desired sectors.

In summary, the major factors contributing to the Project's lack of success were changing governmental priorities vis-a-vis the private sector; administrative reorganizations and changes in agency roles and responsibilities; lack of adequate incentives for banking system participation; overly complex operating criteria; processing bottlenecks; and unanticipated excessive bureaucratic delays. The experience of the Project clearly demonstrates the difficulties in achieving anticipated results when fundamental assumptions pertinent to success are radically altered during the course of Project implementation.

IV. FUTURE LOAN MONITORING

A. Eliminated Covenants

With the termination of Loan-financed activities, certain Loan Agreement covenants are no longer necessary and will be eliminated from USAID's monitoring scope. These are:

1. Under Article IV General Covenants and Warranties, the following sections:

   a. Section 4.01 - Execution of the Project;

   b. Section 4.02 - Funds and Resources to be Provided by the Borrower and COFIDE;

   c. Section 4.05 - Utilization of Goods and Services;

   d. Section 4.07 - Commissions, Fees and Other Payments;

   e. Section 4.09 - Reports;

2. Under Article VI Procurement, all sections.

B. <u>Covenants to be Eliminated Upon Agreement Regarding Disposition of the Resources Comprising the Private Investment Fund</u>

It was originally anticipated that the PIF would continue to operate for 40 years, the repayment period of the A.I.D. Loan. By Implementation Letter No.13, A.I.D. agreed to consult with COFIDE on the disposition of the PIF's resources 10 years from the date of first Loan disbursement, or November 1979. With the deobligation of most of the Project resources, earlier consultation would appear to be appropriate. Once agreement on the dissolution of the PIF is reached, the following sections of Article V will no longer be monitored by the Mission:

1. Section 5.01 - Criteria for Lending from the PIF;

2. Section 5.02 - Terms of Lending from the PIF;

3. Section 5.03 - Financial Intermediaries;

4. Section 5.04 - Administration of the PIF;

5. Section 5.05 - Use of Principal Repayments and Interest Payment to COFIDE; and

6. Section 5.06 - Duration of Portion of the PIF Capitalized with Project Funds.

C. <u>Covenants to be Retained:</u>

The following covenants from Article IV will be retained and monitored by the Mission:

1. Section 4.03 - Continuing Cooperation. This section is retained for any future discussions we may wish to have with the Borrower in regard to the results of the Project;

2. Section 4.04 - Taxation. Monitoring will be limited to a check by the Office of the Controller that no taxes or fees have been applied;

3. Section 4.06 - Disclosure of Materials Facts and Circumstances. Reports generated in response to the covenant will be monitored when received by the Mission;

4. Section 4.08 - Maintenance and Audit of Records. Will be retained for five years following the last Loan Disbursement, or through April, 1981; and

5. Section 4.10 - Inspections. This will be invoked on an as-needed basis to permit inspections of books and records.