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Program file
ISN-26044
PO-APP 787

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE AREA AUDITOR GENERAL
LATIN AMERICA (SOUTH)

791,890
unclassified

REPORT ON EXAMINATION
OF
FINANCIADORA DE ESTUDOS DE PROJETOS, S.A. (FINEP) - BRAZIL
LOAN AGREEMENT No. 512-L.054
FOR THE PERIOD
AUGUST 27, 1965 THROUGH DECEMBER 31, 1969

512-0237

AUDIT REPORT No. 42/70 - Copy No. 5

DATE ISSUED: FEBRUARY 17, 1970



DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
OFFICE OF THE AREA AUDITOR GENERAL
LATIN AMERICA (SOUTH)

February 17, 1970

To The Director of Mission
Minister William A. Ellis

The Office of the Area Auditor General Latin America (South) has completed an examination of the project "Financiadora de Estudos de Projetos, S.A. (FINEP)" for the period from August 27, 1965 through December 31, 1969.

FINEP was created on March 8, 1965 to promote and finance feasibility studies. This examination, however, indicates that it has not evolved into an effective organization. The review cites two causal factors: (1) over-emphasis on the private sector, which has demonstrated little interest in such financing, and (2) lack of full-time management.

The report states that \$9 million of the \$11 million loan proceeds have been committed. But, at the same time, the report indicates that the outlook for committing the \$2 million balance is not encouraging. The review therefore underlined the need for a Mission determination; that is, whether the uncommitted balance should be deobligated or a reorientation made of FINEP's part in development activities. Subsequent to our examination such a determination was made. It now appears that FINEP will be more effectively integrated into the Ministry of Planning. This action, if properly implemented, will give it a more meaningful development role and result in a quicker commitment rate of AID funds.

The report contains one recommendation that is designed to assist FINEP hedge its cruzeiros resources against loss of value. Please note that the recommendation has not been addressed to a specific Division within this Mission. Would you, therefore, advise us whom you have assigned to implement the corrective action within 90 days.


Robert B. Curtis,

Area Auditor General

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REPORT ON EXAMINATION
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FINANCIADORA DE ESTUDOS DE PROJETOS, S.A. (FINEP)
LOAN AGREEMENT No. 512-L-054

SECTION I - GENERAL

A. PURPOSE AND SCOPE

At the request of the Mission, we have examined the project "Financiadora de Estudos de Projetos, S.A. (FINEP)". This was the initial examination of the project and covered the period from August 27, 1965 through December 31, 1969.

The principal objective of our examination was to review actual and potential areas of financial and administrative weaknesses that have delayed this project. Other purposes were to determine the propriety of funds expended and the degree of compliance with A.I.D. policies, regulations, and procedures.

Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of financial records, inspections, and discussions with the Borrower, Banco Nacional do Desenvolvimento Economico (BNDE), and USAID/B as we considered necessary in the circumstances.

Before issuance, this report was reviewed with the Office of Capital Development and Industry (ADCI), Engineering and Natural Resources (ENRO), and Controller (CONT), whose comment have been considered prior to its publication.

B. BACKGROUND

On March 8, 1965, and pursuant to Federal Decree (Law 55.820) FINEP was established as a fund within the Ministry of Planning. Among its cited purposes, the following are aptly descriptive:

1. "... a fund of an accounting nature intended to provide resources for financing the formulation of economic development projects and programs; and
2. Concede short or medium term financing to national private or public legal entities in order to underwrite or collaborate in financing studies that will promote the economic development of Brazil."

FINEP was therefore created as a mechanism to promote and finance feasibility studies. And in this regard, it was intended to bridge the gap between identifiable investment opportunities and available international financing. At the same time it reflected that analytical planning had been elevated as a tool in the GOB's economic development strategy, this having been a historical weak area.

FINEP was formulated to operate as a fund offering low cost loans (and grants) for feasibility studies. It was anticipated that its resources would be channelled to borrowers through such financial agents as the BNDE, Banco do Brasil, and other official economic development banks. Accordingly, a large part of the technical and administrative activity would be performed by the banks. Within this framework, a small, specialized administrative structure was established within the Ministry of Planning to regulate and administer the fund.

When FINEP was created it had no funds. Nor were the immediate prospects such that it would receive adequate GOB funding. At the same time, it was recognized that a large part of the specialized consulting services would necessarily be U.S. and this required foreign exchange financing at a time when such resources were inadequate. In view of this

situation, it was empowered to receive loans and grants from international or foreign entities. Thus, shortly after its inception, FINEP formally requested the Mission and Inter-American Development Bank (IDB) to lend it the initial seed capital. A \$5 million loan was sought from each institution.

On August 27, 1965 the Mission extended FINEP a NCr\$1 million grant (from P.L. 480, Title I, Section 104 (e) funds) to get the program underway. This was an interim gesture pending review and subsequent approval of FINEP's \$5 million loan application. Not long thereafter, October 1, 1965, the IDB and FINEP also entered into a \$5 million loan agreement. In the meanwhile, however, the Mission started to view FINEP as a convenient vehicle for putting certain historically grant funded technical assistance on a loan basis. Subsequent discussions thus resulted in an additional \$6 million to fund natural resource surveys. Therefore, on June 3, 1966, FINEP and the Mission entered into an \$11 million program. The Capital Assistance Paper states that:

"Of the \$11 million, \$5 million have been earmarked for the Feasibility studies program and \$6 million for the Natural Resource Survey Program. However, it is the intention that these funds can be shifted from program to program as necessary to meet the needs of the separate programs."

For all practical purposes, the \$6 million Natural Resource Survey Program had been pre-determined by the GOB and Mission. Hence, the focus of this report is on the Feasibility Studies Program.

SECTION II - FINDINGS AND RECOMMENDATIONS

A. PROJECT PROGRESS

FINEP was created to serve a vital segment of the capital market. Accordingly, the conceptual scheme projected that such funds would flow quickly into

this market. First, it was anticipated that a large part of the funds would flow through financial agents. Since these agents were already established development banks, FINEP funds could stimulate the effective movement of their own resources for later stage financing. And secondly, FINEP was in a unique position to support the GOB's own development plans.

In a figurative sense, few borrowers have knocked on FINEP's door for financing. And the immediate outlook is such that a slow commitment rate still confronts it. Not surprisingly, therefore, the figures below indicate that FINEP has only committed 60 per cent of total loan funds in the last four years; and of the \$10 million programmed for the Feasibility Studies Program (A.I.D. and IDB) less than 45 per cent have been obligated.

<u>Sources</u>	<u>Availability</u>	<u>Committed</u>
A.I.D. (Feasibility Program)	\$ 5,000,000	\$3,724,105
IDB " "	<u>5,000,000</u>	<u>536,515</u>
TOTAL	\$10,000,000	\$4,260,620
A.I.D. (Natural Resource Survey)	<u>6,000,000</u>	<u>5,283,000</u>
GRAND-TOTAL	<u>\$16,000,000</u>	<u>\$9,543,620</u>

Lack of coordination certainly seems to account for much of FINEP's difficulty in moving its funds. As stated, the original thought was that FINEP would establish a wide geographic structure through contractual association with development banks. For one reason or another, only the BNDE was contracted. Even then, it is questionable whether an effective relationship was established. For example, the BNDE recently found it necessary to likewise establish a fund for feasibility studies ^{1/}. In-

^{1/} On May 23, 1969 the BNDE established the Technical Research Financing Fund (FUNESPE). We may note that the fund recently received foreign exchange from French sources.

portantly, and at an early stage in its existence, FINEP also determined that its resources should not be subservient to the needs of the Ministry of Planning. This rationale was predicated on two factors: (1) it would be awkward to make loans to its own federal department, and (2) granting funds to the Ministry of Planning (or any other federal department) was not the intended purpose of its creation. FINEP was primarily interested in making loans, particularly to the private sector. Yet, without financial agents, it found itself with funds and no bridges to this sector of the market.

In 1967 the decision was made to transform FINEP from a fund into a public corporation. The thinking seems to have been that it would then have legal flexibility and operational control to actively push itself into the market. That is, it would have the guise of a development institution which could promote and deal directly with the market. However, FINEP's management was hardly in a position to lead the way. Both the President and General Secretary had accumulated a multitude of other functions in the GOB. And the U.S. technical consultant, who had been engaged, departed prematurely ^{2/}. Hence, there was no apparent leadership. As a result, the organizational change did not significantly alter FINEP's position in the market. It continued to be marginal.

Time seems to be moving FINEP into action. It realizes that unless it can cogently demonstrate it serves a useful purpose, a large part of its resources may be lost through deobligation (A.I.D. and IDB loans).

^{2/} The U.S. Technical Advisor was engaged under a two year contract from September 1, 1965 to August 31, 1967. However, FINEP did not extend the contract as was expected. It was stated that the advisor's costs were too expensive for services rendered.

Accordingly, it has undertaken a more active effort to reach its market. As an example, the Development Bank of the Extreme South has recently been engaged as a financial agent. And it is currently endeavoring to engage other state and federal development banks in a similar capacity. But the success of this effort will largely depend on FINEP's initiative in developing effective and imaginative relationships.

1. Institutional Development

The Capital Assistance Paper describes the primary purpose of the A.I.D. loan as follows:

"To strengthen the institutional capability of FINEP and related Brazilian Agencies to compile and evaluate basic development data and to identify and formulate specific capital projects. It is further anticipated that as a consequence of the loan, a pipeline of projects appropriate for international financing will be forthcoming in the course of the next two years."

Much of FINEP's problems, as stated, are attributable to its own lack of management. But, at the same time (and in retrospect), we question if the A.I.D. loan may not have placed too much emphasis on the institutional aspect. First, some of the development banks seem to have been apathetic to the need for FINEP. BNDE officials, for example, readily stated their objection to the creation of FINEP - there was no need for another institution. Accordingly, it appears that as FINEP attempted to propel itself into the market, it was rebuffed by the established institutions. And secondly, FINEP, itself, seems to have been carried away with the institutional idea. Its management, we found, feels that it has a mandate to establish itself in the private sector of the market. In this regard, we may note that FINEP's operational staff (centralized in Rio de Janeiro) consists of 26 employees who perform the following functions:

<u>Function</u>	<u>Number of Employees</u>
Technical Department	8
Accounting Department	15
Legal	3
Total	<u>26</u>

Thus, on its own, this staff is hardly in a position to serve a wide and scattered market. In summary, FINEP's experience seems to suggest that it would be more effective as a fund. And, as such, the GOB and others should draw on its resources to serve immediate dollar needs.

FINEP's internal procedures likewise tend to reflect a sense of disorganization. Before A.I.D. funds can be committed, the project must be technically certified as eligible and feasible by the ENDE. Initially, and with the assistance of a technical advisor, FINEP was designated to perform this function. But, as stated, the U.S. advisor's contract was not extended. As an alternative, and at FINEP's suggestion, the ENDE assumed the responsibility on a provisional basis. That is, it agreed to technically review five projects. From an operational point of view, this was untenable. To illustrate, if the Superintendency for Northeast Development (SUDENE) were involved in a project with FINEP funds, the ENDE would have to make the technical review. Not only would this procedure entail administrative delay, but it puts one development institution in an awkward relationship to another. As events developed, however, this situation never evolved.

ENDE officials stated that in April 1968 a decision was made to perform no further technical reviews. Yet, only recently did FINEP request Mission authorization to perform the technical review. The Mission now intends to make such a determination as soon as FINEP submits its tech.

nical qualifications. But the pertinency of granting this request largely depends on whether the \$2 million uncommitted A.I.D. funds should be extended beyond the elapsed June 30, 1969 terminal date.

B. MARKET FOR FINANCING PRE-INVESTMENT STUDIES

According to the Capital Assistance Paper, FINEP made:

"a survey of the development banks and government agencies to develop an inventory of possible studies for which financing will be required. This survey revealed a multitude of projects for which additional feasibility data is needed, and a substantial number of program studies; from this FINEP has developed an illustrative list ...of studies estimated to cost in excess of \$72 million."

It is therefore apparent that the perspective of the market appeared adequate to justify the A.I.D. loan.

There is no evidence to indicate that the market situation was not otherwise. This accordingly raises a fundamental question: why were FINEP funds not utilized quickly? It has already been cited that FINEP did not establish a structure of outlets to move its funds. Hence, it was isolated from the private market it largely chose to serve. This, however, is not the full explanation. In a deeper sense, we feel that FINEP focused on the wrong sector of the market for the flow of its dollar funds. This is illustrated in Exhibit I, which gives a detailed presentation of the composition and growth of FINEP's portfolio. It should be noted that practically all the loans to the private sector are less than NCr\$100,000. More significantly, these loans do not require dollars. On the other hand, the few public loans are large and entail a substantial dollar component. Within this framework, FNDE officials characterized the private market as follows:

- a. Large private firms that need dollar financing do not bother with FINEP. They will either obtain such funds as a part of a total loan package or finance the study themselves; and
- b. There are adequate cruzeiro funds around the development banks to support the smaller studies. Moreover, the borrower usually does not want to deal with one institution for the pre-investment study and another for the capital investment.

Whether sufficient cruzeiro financing is available, we are unable to say. But the fact that FINEP resources are not being used does suggest that other sources are available.

FINEP realizes the characteristics of the private market. But it does not fully seem to appreciate the uniqueness of its resources: the dollars. Therefore, it does not appear logical that it should concentrate its dollar resources in a sector of the market that requires cruzeiros. Particularly, when such cruzeiro financing is apparently available. Or, where the need could, perhaps, best be served by counterpart allocations to established institutions, e.g., BNDE. Accordingly, it is our opinion that more emphasis should be focused on the public sector, where an immediate need for dollars exists. And that such dollars should be made available as grants, if necessary. The loan would then serve a vital purpose. If FINEP continues to adhere to its present philosophy (exclusion of the public sector), it will continue to exhibit a slow commitment rate.

Exhibit I indicates that the last feasibility loan FINEP made with A.I.D. funds was in April 1968. Yet it was only about this time that IDB funds started to move. The explanation for this situation underlines a significant point: IDB funds were expanded to include engineering design.

And in this regard, BNDE officials through whom the IDB loans were effected, stated that engineering design was an important financing element. Exhibit I is thus subject to qualification in that it over-inflates FINEP's role in the feasibility studies market. At the same time, the exhibit also suggests that there is little need for dollar financing in the engineering design market that FINEP serves.

IDB's action provokes an interesting question: should the Mission authorize FINEP to use its funds for engineering design work? Were the Mission to consider doing so, it is certain that its funds would have more opportunity to move. Both such financing would then service a cruzeiro need that development banks can largely accommodate. More importantly, it would remove FINEP's dollar funds from the vital area it was intended to serve.

1. Extension of the A.I.D. Loan

According to the loan agreement (Section 4.4) FINEP had until June 30, 1969 to commit the A.I.D. loan funds. Therefore, the Mission must decide whether to re-extend the elapsed terminal date or deobligate the \$2 million uncommitted balance.

Recognizing this, FINEP has requested a one year extension. And in support of the extension, it submitted a list of several studies under consideration. The list was designed to demonstrate that it could commit the \$2 million within the year. But a brief analysis of this list indicates that FINEP's future use of A.I.D. funds is not particularly promising.

FINEP categorizes studies under review into two stages: (1) Preliminary Requests, and (2) Formal Requests. Preliminary Requests are simply

expressions of interest in FINEP funds, e.g., terms, eligible projects, and so on. The formal request is the subsequent stage when the investor submits an application for funds. Approval of the application would be the commitment stage. Within the framework of these two former categories, we can make the following classification of the current studies in progress (figures expressed in 000's):

<u>Funding Source</u>	<u>Preliminary Requests</u>		<u>Formal Requests</u>	
	<u>NCr\$</u>	<u>+ US\$</u>	<u>NCr\$</u>	<u>+ US\$</u>
FIBEP	944.0	-	3,658.0	-
IDB	-	800.0	5,899.5	-
A.I.D.	1,826.0	410.0	1,930.0	-
TOTAL	2,770.0	1,210.0	11,487.5	-

Of the formal requests, the NCr\$5,899.500 utilization of IDB funds seems to be reasonably certain, this entailing design work for the National Highway Department (DNER). Possibly NCr\$3 million will be committed from FINEP funds. And about NCr\$1.7 million of A.I.D. funds could eventually reach the commitment stage. Therefore, about NCr\$10.6 million are expected to reach the commitment stage in the next six months ^{3/}. In the preliminary request category something like 25 to 40 per cent of the studies are anticipated to drop out before they reach the formal request stage. A similar attrition could occur between the formal and commitment stage. This leaves only NCr\$2 million (including \$400,000) to be committed at a later date. The foregoing situation, of course, could dramatically change if FINEP establishes effective relationships with other financial agents and its own promotional efforts pay off. But the market situation and FINEP's historical lassitude weight heavily against it.

^{3/} From the perspective of time, it requires 3 to 6 months for a formal request to reach the commitment stage, and 6 to 12 months from the preliminary stage.

It is highly questionable whether FINEP requires A.I.D. funds to meet these potential obligations. That is, FINEP had a cruzeiro balance of NCr\$5.8 million at the end of September 1969, and these funds are expected to reach NCr\$10.6 million in the next year as the figures below show:

FINEP Resources:

Capital			NCr\$ 1,000,000
1968 Budgetary Funds		NCr\$3,000,000	
1969 " "		3,565,000	
(Est.) 1970 " "		3,500,000	10,065,000
Revolving Fund (thru 9/30/69)		247,900	
(Est.) " " (10/1/69-12/31/69)		83,100	
(Est.) " " (1970)		984,000	<u>1,315,000 *</u>
Total Estimated Resources (thru 12/31/70)			NCr\$12,380,000
Less Funds Committed (As of 9/30/69)			<u>1,739,593</u>
Estimated Funds Available			<u>NCr\$10,640,407</u>

* Does not include provision for monetary correction.

By excluding the NCr\$5.9 million commitment to be made with IDB funds, FINEP will have sufficient resources of its own to meet the remaining NCr\$6.7 million commitment. Additionally, the IDB funds could be used to defray the dollar requirements. Under these circumstances, we foresee no immediate need in the year ahead for A.I.D. dollar funds.

This does not necessarily mean that the uncommitted A.I.D. funds should be deobligated. Rather, it indicates that A.I.D. funds are superfluous insofar as FINEP is utilizing them. Accordingly, we suggest that the Mission and the Ministry of Planning determine whether there are any projects that can effectively utilize the A.I.D. dollars. If it should be determined otherwise, then the A.I.D. dollars should be deobligated. In so

doing, we realize that there may be some negative reaction from FINEP. However, there appears to be little economic justification for FINEP, as it is presently operating. Thus one of the consequent benefits will either be its demise or a more realistic definition of its role in Brazil's economic development activities.

In our draft report (circulated November 20, 1969 to the interested USAID/B offices) we recommended that the uncommitted \$2 million A.I.D. loan funds be deobligated if no projects are available for financing. Since that time the Mission has discussed this project with Ministry of Planning officials. This discussion disclosed that the Minister of Planning had decided that:

"IPEA ^{4/} should become active in Project and Program development and should use feasibility study loan as a development tool, with IPEA evaluating the priority and scope of proposed projects, and FINEP acting as a contracting agency."

Later, on January 14, 1970, the Mission issued Implementation Letter No. 23 extending the terminal date for commitments until December 31, 1970. This extension was predicated on the understanding that (1) commitments of A.I.D. loan funds will be made to finance the dollar cost component of the feasibility studies only; and (2) FINEP will study means of promoting the increased use of its own and loan resources to finance feasibility studies.

As a result of this Mission action, we believe that the preliminary groundwork has been effected to resolve FINEP's orientation and operational problems. We have therefore deleted our earlier recommendation.

^{4/} Institute of Applied Economic Research (located in Ministry of Planning).

C. UTILIZATION OF FUNDS

Under FINEP's procedures, funds are committed at the time it and the borrower enter into a contract. The funds are then usually disbursed within a twelve month period. The exception is the Natural Resources Survey Grants, these disbursements being originally programmed over a three year period. And excluding these latter grants, it will be noted that all other such funds are sub-loaned. Below we present the most recent status of such disbursements as compared with commitments under the A.I.D. and IDB loan agreements (as of September 30, 1969):

	<u>Commitments</u>	<u>Disbursements</u> *
A.I.D. :		
Loans	\$3,724,105	\$3,234,861
Grants	<u>5,283,000</u>	<u>899,562</u>
Total	<u>\$9,007,105</u>	<u>\$4,134,423</u>
IDB :		
Loans	\$536,515	\$396,693
Grants	<u>-</u>	<u>-</u>
Total	<u>\$536,515</u>	<u>\$396,693</u>

* Cruzeiro converted at exchange rate in effect at date of commitment.

The commitments and disbursements status of the cruzeiro funding sources is summarized as follows (September 30, 1969):

	<u>Commitments</u>	<u>Disbursements</u>
<u>AID Grant:</u>		
Loan	NCr\$ 588,677	NCr\$ 588,677
Grant	180,199	180,199
Operation and Administrative Expenses	<u>231,124</u>	<u>231,124</u>
Total	<u>NCr\$1,000,000</u>	<u>NCr\$1,000,000</u>

(Cont'd)

	<u>Commitments</u>	<u>Disbursements</u>
<u>FINEP (GOB Receipts):</u>		
Loan	NCr\$1,739,593	NCr\$1,226,569
Grant	-	-
Total	<u>NCr\$1,739,593</u>	<u>NCr\$1,226,569</u>
<u>Revolving Fund (Repayments):</u>		
Loan	-	-
Grant	-	-

On a selective basis we reviewed certain projects financed with both A.I.D. loan and cruzeiro grant funds. This examination disclosed that the applicable commitments had been made in accordance with pre-established criteria and procedures. And the expenditures under these commitments were found to be allowable under the applicable provisions of the loan and grant agreements.

We noted that A.I.D. dollars are currently being sold for cruzeiros to meet FINEP's cruzeiro obligations under certain loans and grants ^{5/}. Yet, FINEP has NCr\$5.8 million of its own resources on deposit at the Bank of Brazil. The apparent reason for not utilizing its own resources is that the commitments were made under the A.I.D. loan. This practice, however, needlessly exposes its own funds to loss of value in an environment that presently experiences an annual inflation rate of roughly 20 per cent. We see no reason, for example, why it should not temporarily use its own funds to meet the immediate cruzeiro requirements of loans and grants partially disbursed. Its own cruzeiros could then be refunded later through reimbursement under the A.I.D. loan. This would conserve

^{5/} The cruzeiros are obtained by Special Letter of Credit procedures under an SLC Implementation Agreement with the GOB. The dollars that are sold for cruzeiros under this agreement are subject to the same conditions of the prevailing program loan.

the dollars and give it the benefit of exchange gains on the periodic devaluations. In summary, there is no justification for keeping a large cruzeiro balance on deposit when the demand for such cruzeiros is minimal; and, more importantly, when it can hedge such funds against loss of value. We therefore feel that FINEP should be advised how certain financial techniques could save it money.

RECOMMENDATION No. 1

That the USAID/B advise FINEP how it can hedge its cruzeiros against loss of value under the A.I.D. loan and thereby conserve dollars.

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PORTFOLIO OF FINEP'S LOANS AND GRANTS
AS OF SEPTEMBER 30, 1969

EXHIBIT I

Page 1.

Contract No.	Date	Sub-Borrower/Grantee	Loan or Grant	Public or Private	A.I.D. FINANCING		IDB FINANCING	FINEP	TOTAL COMMITTED	
					1.0 Million NCF\$ Grant	411.0 Million N\$ 05% Loan	\$5.0 Million NCF\$	NCF\$	NCF\$	\$
<u>1966</u>										
D/01	3/23	Banco Desenv.M.Gerais	Loan	Public	24,990.00					24,990.00
D/02	3/23	Planej.e Adm.SERVITEC	"	Private	32,000.00					32,000.00
D/03	4/24	Ind.Goiânia de Sacaria DAIPAN S.A.	"	"	9,450.00					9,450.00
D/04	4/15	Comp.Alagoana de Piauço e Tecidos S.A.	"	"	25,880.00					25,880.00
D/05	4/25	Fab.Vaselina Bahia S/A	"	"	25,200.00					25,200.00
D/06	6/13	Co.Aços Exp. ITABITA	"	"	99,750.00					99,750.00
D/07	6/13	Comp.Bahiana de Miné- rios - COBAN	"	"	9,000.00					9,000.00
D/08	8/10	Comp.Agricola Cotia	"	"	18,000.00					18,000.00
D/09	8/10	Co.Bras.Usinas Metalurg.	"	"	14,630.00					14,630.00
D/10	-	Cancelled			-					-
D/11	-	Cancelled			-					-
D/12	9/23	CONSERVIT S.A.	"	"	12,375.00					12,375.00
D/13	12/27	Policarbono Ind.Quin.S/A	"	"	20,000.00					20,000.00
D/14	11/4	Ind.Arame Cleide S/A	"	"	9,600.00					9,600.00
D/15	11/10	COPEC	"	Public	74,901.92					74,901.92
D/16	11/24	DAL Trevo Avicola Ltda.	"	Private	13,600.00					13,600.00
No 89	5/17	FINEP (Borr Allen Hm.)	Grant	Public	45,000.00				22,000.00	45,000.00 22,000.00
SUB-TOTAL					434,376.92				22,000.00	434,376.92 22,000.00
<u>1967</u>										
D/17	6/28	Mineração da Amazonia C.I.S.A. "MACISA"	Loan	Private	158,000.00					158,000.00
D/18	7/20	Inst.Açucar e Alcool	"	Public	20,300.00					20,300.00

**PORTFOLIO OF FINEP'S LOANS AND GRANTS
AS OF SEPTEMBER 30, 1969**

**EXHIBIT I
Page 2.**

Contract No.	Date	Sub-Borrower/Grantee	Loan or Grant	Public or Private	A.I.D. FINANCING		IDB FINANCING		FINEP	TOTAL COMMITTED		
					1.0 Million Grant	11.0 Million 7% 05 1/2 Loan	5.0 Million					
					US\$	US\$	US\$	US\$	US\$	US\$	US\$	
1967 (Cont'd)												
E/01	10/18	ENBR-Rio/Pitangui Bridge	Loan	Public		837,000.00	410,000.00				837,000.00	410,000.00
GR/01	6/28	FINEP/ASPLAN (Minc.) Min. of Agriculture (Meteorology)	Grant	"	135,199.00						135,199.00	
			Grant	"		2,669,760.00	1,231,700.00				2,669,760.00	1,231,700.00
SUB-TOTAL						313,499.00	3,506,760.00	1,641,700.00			3,820,259.00	1,641,700.00
1968												
D/19	2/23	Arata Estaleiros Navais da Bahia S.A.	Loan	Private	21,000.00						21,000.00	
E/01	3/6	TUPENGA	"	"				16,800.00			16,800.00	
E/02	4/10	CASIBA	"	"				235,000.00			235,000.00	
E/02	2/5	Gov.State of Bahia (Rural Credit)	"	Public		600,000.00					600,000.00	
E/03	3/28	Municipality City of São Paulo	"	"		2,966,241.46	878,807.00				2,966,241.46	878,807.00
E/04	4/22	Gov.State R.G. Sal	"	"		2,811,417.00	132,280.00				2,811,417.00	132,280.00
F/02	6/11	Gov.State of Bahia	"	"					142,000.00		142,000.00	
F/03	7/12	Arthur Donato C.I.S.A.	"	Private					65,000.00		65,000.00	
F/04	6/11	INDUFESCA	"	"					30,400.00		30,400.00	
F/05	11/21	Ministry of Agriculture (Seed Selection)	"	Public					180,000.00		180,000.00	
F/06	11/29	Fundação Coa. Plan. Econ. Bahia	"	"					267,192.75		267,192.75	
E/05	7/25	OSASA	"	Private				42,600.00			42,600.00	

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**PORTFOLIO OF FINEP'S LOANS AND GRANTS
AS OF SEPTEMBER 30, 1969**

**EXHIBIT I
Page 3.**

Contract No.	Date	Sub-Borrower/Grantee	Loan or Grant	Public or Private	A.I.D. FINANCING			IBRD FINANCING		FINEP	TOTAL COMMITTED	
					1.0 Million Grant	\$11.0 Million N9054 Loan	NCFR	\$5.0 Million	NCFR	NCFR	NCFR	\$
1968 (Cont'd)												
B/02	5/20	SOVALE	Grant	Public		3,040,500.00						3,040,500.00
B/04	10/28	MOGIAMA	Loan	Private				66,000.00			66,000.00	
B/05	10/8	Centro Ind.Araru	"	"				156,000.00			156,000.00	
B/06	10/8	POBUNAS	"	"				334,848.00	76,000.00		334,848.00	76,000.00
B/07	10/22	TERIAL	"	"					178,500.00			178,500.00
B/08	11/21	Min. of Agriculture	"	Public				120,395.00			120,395.00	
No 87	-	Op.& Adm. Expenses	-	-	231,124.08						231,124.08	
SUB-TOTAL					252,124.08	6,377,658.46	4,051,587.00	971,643.00	254,500.00	684,592.75	8,286,018.29	4,306,087.00
1969												
P/07	1/24	ODIFESCA	Loan	Private						130,000.00		130,000.00
P/08	4/7	Comp. Espiritocantense de Saneamento	"	Public						390,000.00		390,000.00
P/09	6/3	IDESP	"	"						360,000.00		360,000.00
P/10	6/20	COFESA	"	Private						70,000.00		70,000.00
P/11	6/20	IER/Espirito Santo	"	Public						55,000.00		55,000.00
P/12	9/10	ODIFESCA	"	Private						50,000.00		50,000.00
SUB-TOTAL										1,055,000.00		1,055,000.00
T O T A L					1,000,000.00	9,834,418.45	5,715,287.00	971,643.00	254,500.00	1,739,592.75	13,595,654.21	5,969,787.00

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SUMMARY OF RECOMMENDATIONS

<u>Number</u>		<u>Page</u>
1	That the USAID/B advise FINEP how it can hedge its cruzeiros against loss of value under the A.I.D. loan and thereby conserve dollars.	16

**DISTRIBUTION OF
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No. 42/90**

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NOTE: All audit work papers are attached to Copy No. 21 which is on file
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