

PD-APM-530 PPC/CDIE

65048

UNITED STATES GOVERNMENT

# memorandum

FILE: 677-0051 ADM-8

DATE: November 29, 1989

REPLY TO  
ATTN OF: Bernard D. Wilder, AID Representative *ZW*

SUBJECT: Audit of Private and Voluntary Organization Activities in Chad,  
Audit Report No. 7-677-89-11

TO: Paul E. Armstrong, RIG/A/Dakar

USAID/Chad received the subject audit report the end of October 1989. Due to the auditors continued reliance on less than the full range of data available the following comments are offered. Pages 6 and 7 of the audit report address the subject of VITA's credit program, implying an invitation to further Mission comment on the topic with the statement that RIG/A is,

"...reluctant to accept the figures cited by the Mission without examination of the specific support."

That specific support is provided in the documents referenced below and attached to this memorandum. Our comments address two related issues.

1. The data utilized by USAID/Chad regarding the VITA loan portfolio were obtained from VITA via their letter of July 27. Annex 3 of that letter contains two lists of VITA's loan portfolio, which are appended hereto as Attachment A. Those lists clearly substantiate the figure of 91 total loans (64 of which were for agricultural activities, and 52 of which were in the Bongor area) as quoted in the mission response to the draft audit. Attachment B is a copy of the mission's subsequent query to VITA to verify the accuracy of those figures. Attachment C is VITA's response that the auditors and USAID were provided with the same data, i.e., those provided in USAID's reply to the draft audit.

Therefore, the audit claim that 27 loans were contracted by VITA, only 6 of which were in the agriculture sector, is in error and should be corrected.

2. In a related matter, page 7 of the final audit report maintains that there is a "minimum admissible number of agricultural loans", but does not quantify that target. The audit claims that USAID failed to guide VITA to meet that unspecified target. In fact, in the context of VITA's accomplishments VITA exceeded the designated share of loans to be contracted in the agriculture sector.

For example, the audit report refers to the target of 340 new loans for the VITA project, as specified on page 11 of the Cooperative Agreement between AID and VITA (No. AFR-0051-A-00-7058-00 of September 8, 1987). Why then would the auditors miss using the authorized breakdown of that loan total (same page 11) into " three basic categories:

226 new loans for traditional rural activities

100 new small business loans within a 60 kilometer radius of N'Djamena

14 new non-traditional industrial loans"?

That distribution of the VITA loan portfolio indicates that 66 percent of the loans were targetted to the agriculture sector, if we limit "traditional rural activities" to mean only the agriculture sector. In fact, VITA's 64 loans in agriculture constituted 70 percent of their existing portfolio.

This direct quotation from the AID/VITA Cooperative Agreement plainly shows the wide variety of loans permissible for the VITA portfolio. (The document is not appended to this letter as it should already be available in the auditors reference materials.) The data demonstrate that the VITA loan portfolio is consistent with the Cooperative Agreement distribution target for agriculture.

The auditors may criticize VITA's total loan-quantity performance, but they are incorrect in their comments regarding the portfolio distribution between the agriculture and non-agriculture sectors.

Attachments:

- A. Annex 3 list of VITA loan portfolio, from VITA letter to USAID, July 27, 1989
- B. USAID/Chad letter to VITA, November 20, 1989
- C. VITA letter to USAID/Chad, November 21, 1989

Distribution:

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LISTE DE PRETS ACCORDES PAR SECTEURS: PHASE II

(Ng. Aron)

ATTACHMENT A

N° du Contrat	Secteur	FCFA	N° du Contrat	Secteur	PCFA
01 0687 094	FAB	700.000	01 0287 087	SERV	2.750.000
01 0588 102	FAB	1.000.000	01 0487 088	SERV	1.800.000
01 0588 103	FAB	1.500.000	01 0487 090	SERV	2.600.000
01 0688 105	FAB	750.000	01 0687 095	SERV	2.800.000
01 1068 109	FAB	500.000	01 0488 099	SERV	300.000
01 1288 115	FAB	464.000	01 0588 101	SERV	1.000.000
01 1288 117	FAB	2.200.000	01 0588 104	SERV	3.000.000
01 0389 125	FAB	1.600.000	01 0988 107	SERV	1.580.000
01 0489 126	FAB	2.000.000	01 1088 110	SERV	1.500.000
01 0589 130	FAB	578.830	01 1088 111	SERV	1.000.000
01 0589 132	FAB	1.500.000	01 1088 112	SERV	6.000.000
01 0589 134	FAB	2.500.000	01 1088 113	SERV	400.000
01 0589 135	FAB	3.000.000	01 1188 114	SERV	1.635.000
			01 1288 118	SERV	3.000.000
Sous-Total (13 Prets)		18.392.830	01 0189 119	SERV	544.000
			01 0189 120	SERV	395.000
			01 0389 123	SERV	1.861.460
01R 0487 089	PA	319.000	01 0389 124	SERV	960.000
01R 0487 091	PA	700.000	01 0489 128	SERV	7.000.000
01R 0587 092	PA	1.745.000	01 0489 129	SERV	750.000
01R 0587 093	PA	1.920.000	01 0589 131	SERV	2.040.000
01R 0787 096	PA	1.607.000	01 0589 136	SERV	2.000.000
01R 0787 097	PA	500.000	01 0689 137	SERV	1.500.000
01R 0288 098	PA	1.120.000	01 0689 138	SERV	3.500.000
01R 0488 100	PA	7.500.000	01 0689 139	SERV	4.530.000
01R 0988 106	PA	248.000	01 0789 141	SERV	3.061.253
01R 1088 108	PA	1.431.000			
01R 1288 116	PA	450.000	Sous-Total (26 Prets)		57.506.713
01R 0189 121	PA	285.000			
Sous-Total (12 Prets)		17.825.000	01 0289 122	COM	2.700.000
			01 0489 127	COM	5.000.000
			01 0589 133	COM	7.000.000
			01 0689 140	COM	6.580.000
			Sous-Total (4 Prets)		21.280.000
FAB = Fabrication					
PA = Production Alimentaire					
SERV = Service					
COM = Commerce					
			TOTAL (55 Prets)		115.004.543

39 loans before April 1, 1989  
 52 Bongor Loans  
91

ROMGOR LOANS: Phase II

N° of Contract =====	Sector =====	FCFA =====	N° of Contract =====	Sector =====	FCFA =====
02T1286 016	PA	80.000	02T0587 031	PA	25.000
02T1286 017	PA	80.000	02T0587 032	PA	25.000
02T1286 018	PA	80.000	02T0587 033	PA	25.000
02T1286 019	PA	60.000	02T0587 034	PA	25.000
02T1286 020	PA	80.000	02T0587 035	PA	25.000
02T1286 021	PA	80.000	02T0587 036	PA	25.000
02T1286 022	PA	80.000	02T0587 037	PA	25.000
02T1286 023	PA	80.000	02T0587 038	PA	25.000
02T1286 024	PA	80.000	02T0587 039	PA	25.000
02T1286 025	PA	80.000	02T0587 040	PA	25.000
02T1286 026	PA	80.000	02T0587 041	PA	25.000
02T1286 027	PA	80.000	02T0587 042	PA	25.000
02T1286 028	PA	80.000	02T0587 043	PA	25.000
02T1286 029	PA	80.000	02T0587 044	PA	25.000
			02T0587 045	PA	25.000
02 1286 006	PA	60.000	02T0587 046	PA	25.000
02 1286 007	PA	80.000	02T0587 047	PA	25.000
02 1286 008	PA	80.000	02T0587 048	PA	25.000
02 1286 009	PA	80.000	02T0587 049	PA	25.000
02 1286 010	PA	80.000	02T0587 050	PA	25.000

The above 19 loans, although dated 12/86, were not issued until May, 1987 due to difficulties with the supplier.

02T0287 030	PA	80.000			
02 0587 011	PA	25.000			
02 0587 012	PA	25.000			
02 0587 013	PA	25.000			
02 0587 014	PA	25.000			
02 0587 015	PA	25.000			
02 0587 016	PA	25.000			
02 0587 017	PA	25.000			
02 0587 018	PA	25.000			
02 0587 019	PA	25.000			
02 0587 020	PA	25.000			
02 0587 021	PA	72.000			
02 0687 022	PA	85.347	TOTAL: (52 Loans)	2.507.347	

677.0051 VITA

ATTACHMENT B

November 20, 1989

Mr. Robert J. Reitemeier  
Project Director  
VITA Private Enterprise Promotion  
N'Djamena

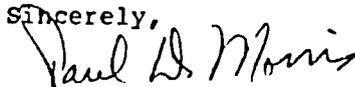
Dear Bob:

Your letter of July 27, 1989 provided data on the VITA loan portfolio, along with comments regarding various issues raised by the AID auditors in their draft report of the PVO Initiatives Project. Annex 3 of your letter provided two lists of the VITA loans contracted during Phase II of the project, that is, from February 1987.

The loan portfolio data for February 1987 to March 1989 were used as a source for USAID/Chad's reply to the auditors. In that reply we claimed that during phase II VITA has made 91 loans, 52 of which were in Bongor, and 64 of which were for the agriculture sector. We now have a reply from the auditors in which they say the facts we have supplied to them differ significantly from the facts that VITA supplied to them during their visits to your office.

I have enclosed a copy of each of the two tables received with your July 27 letter. Will you review and compare them to (1) whatever information you supplied directly to the auditors, and (2) my use of that data as reported in the paragraph above. Did I interpret your basic data correctly? Please let me know if there are any differences between the data supplied to USAID and to the auditors. It would also be helpful to have an explanation of the differences, if they exist.

Sincerely,

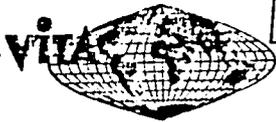


Paul D. Morris  
Acting Program Officer

Drafter:A/PRG:PMorris

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DATE NOV 24 1989

677-0051 (VITA)

# PROJET D'ENTREPRISES PRIVÉES

ATTACHMENT C

## INFO COPY

Mr. Paul Morris  
Program Economist  
USAID/N'Djamena  
N'Djamena, Chad

ACTION: PE: MORRIS  
DATE: 11/24 DUE: 12/6  
INFO:  
ACTION TAKEN:

November 21, 1989

Dear Paul:

In reply to your letter of 20 November, 1989 concerning the auditors' reply to the mission's response to the audit's recommendations, we confirm that the loan figures given to you in our correspondence of 27 July, 1989 are correct. During the period from February, 1987 through March, 1989 VITA issued ninety-one (91) loans, consisting of thirty-nine (39) N'Djamena-based loans and fifty-two (52) Bongor-based loans.

To the best of my recollection, we supplied the auditors with the same data as we provided the USAID mission. The only possible difference that I can think of is perhaps the manner in which the auditors interpreted the data concerning the Bongor-based loans. Loan contracts 02T 1286 016 through 02T 1286 029 and 02 1286 006 through 02 1286 010 (19 total loans) were written up in December 1986, but were not issued until May, 1987 due to difficulties with the delivery of the ox-carts (all 19 loans were for the purchase of ox-carts) to Bongor. The loan fund monies were debited from our loan fund account in May, 1987 and therefore are considered Phase II loans. Perhaps the auditors classified these loans as Phase I loans due to their contract numbers which date back to December, 1986.

If you have any further questions concerning the audit, please let us know.

Sincerely,

Robert J. Reitemeier  
VITA/PEP Project Director

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