

# memorandum

DATE: December 13, 1990

REPLY TO: Mary June, PDS/PS and Lynn Dunn, TI/CMT

SUBJECT: Private Enterprise Credit Project 263-0201: Project Paper Supplement

THRU: Christopher Crowley, AD/PDS

TO: Marshall Brown, DIR

The attached PP Supplement for the Private Enterprise Credit Project Paper has been prepared for your review and approval. Approval of the Supplement will enable continued funding of the Private Sector CIP, for which funds are now nearly exhausted.

The Project Committee and Officers named below have reviewed the document and agree with the format, analysis and presentations. There are no outstanding concerns or issues that need resolution.

<u>Reviewing Officer</u>	<u>Clearance</u>	<u>Date</u>
1. Robert Jordan, OD/PDS/PS	<u>[Signature]</u>	<u>12/16/90</u>
2. Mokhtar El Shaarani, FM/FA	<u>[Signature]</u>	<u>12/17/90</u>
3. Jack Moore, LEG	<u>[Signature]</u>	<u>12/18/90</u>
4. Beth Cypser, TI/F1	<u>[Signature]</u>	<u>12/18/90</u>
5. Sam Skogstad, ECON	<u>[Signature]</u>	<u>12/18/90</u>
6. Gregory Huger, AD/TI	<u>[Signature]</u>	<u>12/18/90</u>

11

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1 TRANSACTION CODE

A A = Add  
C = Change  
D = Delete

Amendment Number

2

DOCUMENT CODE

3

2. COUNTRY/ENTITY

Arab Republic of Egypt

3 BUREAU/OFFICE

Europe and Near East (ENE)

03

4. PROJECT NUMBER

263-0201

5. PROJECT TITLE (maximum 60 characters)

Private Enterprise Credit

6. PROJECT ASSISTANCE COMPLETION DATE (PACD)

MM DD YY  
08 2 09 16

7 ESTIMATED DATE OF OBLIGATION  
(Under "B" below, enter 1, 2, 3, or 4)

A. Initial FY: 9 0

B. Quarter:

C. Final FY: 9 4

8 COSTS (\$000 OR EQUIVALENT \$1 = LE 5.0)

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
ADD Appropriated Total						
(Grant)	(80,000)	( )	(80,000)	(1,385,000)	( )	(1,385,000)
(Loan)	( )	( )	( )	( )	( )	( )
Other						
U.S.						
Host Country		3676	3676		20,000	20,000
Other Donor(s)					234,000	234,000
<b>TOTALS</b>	<b>80,000</b>	<b>3676</b>	<b>83,676</b>		<b>254,000</b>	<b>1,639,000</b>

9 SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECIL CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1 Grant	2 Loan	1 Grant	2 Loan	1 Grant	2 Loan	1 Grant	2 Loan
1)				660,000		725,000		1,385,000	
2)									
3)									
4)									
<b>TOTALS</b>				<b>660,000</b>		<b>725,000</b>		<b>1,385,000</b>	

10 SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CODES

12 SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code

B. Amount

13 PROJECT PURPOSE (maximum 480 characters)

To expand investment of productive private sector enterprises, including a broad range of activities in manufacturing, agribusiness and service industries such as tourism and health.

14 SCHEDULED EVALUATIONS

Interim MM YY MM YY Final MM YY  
09 9 4

15. SOURCE/ORIGIN OF GOODS AND SERVICES

000  941  Local  Other (Specify)

AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a \_\_\_\_\_ page PP Amendment.)

This is Project Paper Supplement.  
USAID/Egypt Controller concurs in the proposed methods of implementation and financing.

Loc Eckersley, Controller

17. APPROVED BY

Signature *Marshall Brown*

Title Marshall Brown  
DIR

Date Signed

MM DD YY  
11 2 10 10

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION

MM DD YY

FOURTH AMENDMENT  
TO PROJECT AUTHORIZATION

Name of Country: Arab  
Republic of  
Egypt

Name of Project: Private  
Enterprise  
Credit

Number of Project: 263-0201

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Project was authorized on July 30, 1986. Paragraph One of the authorization is hereby amended by (a) deleting the amount "Six Hundred Sixty Million United States Dollars (\$660,000,000)" and substituting therefor "One Billion Three Hundred Eighty Five Million United States Dollars (\$1,385,000,000)"; and (b) deleting the last sentence thereof and substituting therefor "the planned life of project is approximately ten years from the date of initial obligation."
  
2. The authorization cited above remains in force except as hereby amended.

  
\_\_\_\_\_  
Marshall D. Brown  
Director, USAID/Egypt  
12/20/89  
\_\_\_\_\_  
Date

Clearances:

AD/PDS, CCrowley	<u>CDC</u>
AD/FM, LEckersly	<u>[Signature]</u>
AD/TI, GHuger	<u>[Signature]</u>
OD/TI/CMT, ALaemmerzahel	<u>(in draft)</u>
OD/TI/FI, LBrown	<u>[Signature]</u>
PDS/PS, MJune	<u>[Signature]</u>
LEG, VMoore	<u>[Signature]</u>

Drafted: LEG:VMoore:mf: (12/6/90):PATH0201

**PRIVATE ENTERPRISE CREDIT**

**263-0201**

**Project Paper Supplement**

**Table of Contents**

	<u>Page</u>
I. PURPOSE OF PROPOSED SUPPLEMENT	1
II. RATIONALE FOR THE SUPPLEMENT	1
III. SUPPLEMENT DESCRIPTION	3
IV. FINANCIAL PLAN	4
 <b><u>ANNEX</u></b>	
1. Background	7
2. Project Activities	7
a. Small and Medium Enterprise <del>Small Business</del> Fund	7
b. MIC Coordination Unit	8
3. Implementation Arrangements	9
a. Operating Procedures	9
b. Local Currency Program	10
c. Methods of Implementation and Financing	10
d. Evaluation and Audit	11

PRIVATE ENTERPRISE CREDIT PROJECT (NO. 263-0201)

PROJECT PAPER SUPPLEMENT

I. PURPOSE OF PROPOSED SUPPLEMENT

The purpose of this supplement is to capitalize on the very substantial success experienced in the Private Enterprise Credit Project since its inception four years ago, and augment the level of support for the program. The program is the flagship of the Mission's private sector initiative and has received high praise throughout AID, the GOF, the Egyptian and American private sector business communities. IOP funding will be increased from the present level of \$660 million to \$1.385 billion, and the PACD extended from September 30, 1993 to August 20, 1996. The purpose of the project remains the same, that is, to expand investment in productive private enterprises.

II. RATIONALE FOR PROPOSED SUPPLEMENT

The Private Enterprise Credit Project addresses a variety of credit constraints facing the private sector. The project expands investment in productive private sector enterprises, including a broad range of activities in industry, agri-business and commerce. The Private Sector Commodity Import Program (PRCIP) provides foreign exchange and credit to finance US imports of raw materials and capital equipment, and it promotes Egypt's overall development in terms of providing capital structure, inputs, employment and enhanced export potential. According to the most recent data available, the private sector imports approximately 25% (at least \$2.7 billion) of all commodities imported into Egypt.

Since the onset of the Gulf Crisis in August 1990, the Mission has provided an average of \$8 million per week in financing to procure goods and equipment for the private sector. This is an unsustainable flow given the current pipeline of less than \$20 million spread among 26 participating banks. Banks are now working aggressively to consolidate sufficient funds to keep the Private Sector CIP working, but time is critical. It is estimated that PRCIP funds will be fully allocated to users by participating banks by December 30, 1990. The additional funds authorized by this Supplement are required immediately if the program is to avoid shutting down.

5

The private sector in Egypt views the PRCIP as one of its most dependable sources of support. It has certainly been one of the few reliable sources of foreign exchange available since the onset of the Gulf Crisis. The depletion of funds brought on by the crisis has been especially difficult for commercial banks left with insufficient foreign exchange to handle their clients' needs. The crisis has further exacerbated the burden on the private sector as the flow of private remittances and tourism dollars into Egypt has slowed substantially.

Furthermore, unless funds are received quickly, many US supplier-Egyptian importer relationships fostered by the program may be jeopardized as importers are forced to return to traditional European suppliers in the absence of PRCIP resources. Several Egyptian manufacturers who depend on PRCIP funds for raw materials are now faced with inventory shortages, which may affect their ability to remain in operation.

Significant progress has been made since the PRCIP's inception to encourage private initiatives in Egypt. In particular, one design feature which offsets the high costs of 50/50 shipping with an innovative Special Account set-aside mechanism, successfully shifted bulk grain imports from public to private importers and obviated AID financing for grain under the Public Sector CIP.

In addition, the Trade and Investment Directorate of USAID has recently completed an agreement with a major Egyptian bank to establish a small scale enterprise support unit with PRCIP funds. This is viewed as a key building block in the Mission's small scale enterprise development program, and considerable staff time has been used to develop the activity and to solicit the bank's involvement. Project support is especially critical to this activity in its first year of operation.

In July 1990, an IQC firm was contracted to carry out a study assessing the relative performance of private sector firms and banks participating in the PRCIP\*. Of the 631 total participants, 122 firms were surveyed along with 10 bulk commodity traders and 21 participating banks. The results show the extent to which the project has had a positive impact on participating firms:

- Banking officials involved with the program indicated that the PRCIP had a direct and significant impact on the stabilization of Egypt's foreign exchange rate. One-third of the participants stated that their total demand for foreign exchange and credit needs were met by the PRCIP.
- Nearly 20% of the surveyed Egyptian firms have established dealer/representative agreements with U.S. suppliers as a result of the PRCIP and many of the remaining firms indicated that they are now contemplating similar agreements.

\* "Repeat Profile of User Firms," Environmental Quality International, July 1990.

- A cross-sectoral analysis of firms established prior to 1986 revealed that the average growth in employment during the period extending from 1986 to 1989 among the firms surveyed was in excess of 30% and the average growth in investments was an impressive 114%.
- 90% of the agricultural participants indicated they experienced increases in employment and sales as a direct result of the program.
- 90% of the bulk commodity traders surveyed indicated that the program has had a positive impact on the development of their country through liberalization of feed grain prices from the traditionally controlled public sector.
- 56% of the participants attribute increased sales in their businesses to the availability of funds provided by the PRCIP.
- 68% said that the program had allowed them to create vital trade links with new sources of supply. Because of the PRCIP they have now begun to import high quality U.S. raw materials and capital equipment in place of their traditional European, Asian, and Middle Eastern goods.

To date, nearly \$660 million has been obligated for the PRCIP. As of November 1990, the PRCIP has financed nearly 2400 transactions, more than half of which involved small firms (50 employees or less). The average transaction size was \$247,000 and approximately half of the transactions financed the purchase of capital equipment. Some 600 importers have now participated in the program.

### III. SUPPLEMENT DESCRIPTION

The proposed Supplement will continue the present program of providing foreign exchange and short to medium term credit to the private sector to finance the importation of goods and equipment from the United States. An obligation of \$150 million for the PRCIP is planned for FY 91. Over the life of the Supplement, \$724,750,000 will be added to finance the Private Sector CIP, bringing the IOP total for this component to \$1,383,374,000. Although it is expected that these funds will be fully obligated by FY 94, the Project PACD will be extended to August 20, 1996 to enable orderly and final reconciliation of letters of credit between participating U.S. and Egyptian banks and with the U.S. Treasury.

The Banking Credit Guarantee Corporation (BOGC) will receive an additional \$250,000 in FY 92 in AID grant funds. It is also planned that the BOGC will be provided with up to \$10 million from the Cost

11

during FY 91. This amount would be used specifically to guarantee loans to private health care professionals. An additional IE 40 million in loan funds will be provided by the GOE to the BOGC over the life of project.

The MIC Monitoring and Coordination Unit will receive an additional \$200,000 (which is included in the amount budgeted for the PRCIP component).

A full project evaluation has been scheduled for September, 1994. Funds for the evaluation, as well as for audit expenses, were included in the original project budget (\$326,000).

(An overview of the Private Enterprise Credit Project, including an update on component activities and implementation arrangements, is contained in the Annex.)

#### IV. FINANCIAL PLAN

The attached tables present an update of the financial plan and projected schedule of expenditures. To date the project has fully obligated the total authorized amount of \$660 million. This includes \$659,024,000 for PRCIP activities, \$650,000 for the BOGC and \$326,000 for audit/evaluation.

As of 12/5/90 all PRCIP funds have been fully committed to participating banks, and all but \$20 million applied to financing applications.

The Supplement authorizes an additional \$725 million for the Private Enterprise Credit Project: \$724,750,000 for PRCIP and \$250,000 for BOGC. This will bring the LOP total to \$1.385 billion. It is anticipated that additional funds authorized under the Supplement will be fully obligated by FY 1994.

Host country contributions include the GOE loan of IE 60 million to the BOGC, and IE 2.2 million in capital already provided by the ten shareholders (7 banks and one insurance company) in the BOGC. The cumulative guaranteed amount loaned by participating banks may increase over the LOP to as much as IE 700 million.

18'

Table 1

ILLUSTRATIVE FINANCIAL PLAN

	AID Grant (\$000)					Host Country LOP (LE 000)		
	<u>FY 86-FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>FY 94</u>	<u>LOP</u>	<u>Participating Banks</u>	<u>GOE</u>
PRCIP	\$659,024 <sup>1</sup>	\$150,000	\$174,750	\$200,000	\$200,000	\$1,383,774	0	0
BCGC	650	0	250	0	0	900	LE 702,200 <sup>2</sup>	LE 60,000 <sup>3</sup>
Evaluation/Audits	<u>326</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>326</u>	<u>0</u>	<u>0</u>
TOTAL	\$660,000	\$150,000	\$175,000	\$200,000	\$200,000	\$1,385,000	LE 702,200	LE 60,000

<sup>1</sup>The original Grant Agreement and Amendment 3 provided funds for the PFF element of the project. This element was cancelled by mutual agreement of the GOE and AID and these funds were transferred to the CIP element

<sup>2</sup>Shareholder banks have contributed LE 2.2 million as share capital to establish the BCGC. Over a 10-year period it is estimated that the cumulative amount of guarantees provided by the BCGC will be LE 350 million enabling participating banks to provide loans totalling LE 700 million to qualifying borrowers

<sup>3</sup>To date the GOE has provided the first tranche of LE 20 million from the Special Account to the BCGC to use as investment capital for the Small Enterprise Credit Guarantee Fund. An additional two tranches of loan funds totalling LE 40 million are expected.

9

Table 2

ACTUAL AID EXPENDITURES FY 86 - FY 90 (ROUNDED)  
PROJECTED SCHEDULE OF EXPENDITURES FY 91 - FY 94

(\$ 000)

	PRCIP	BOGC	Eval/Audit/ Coordination/ Monitoring	Total
FY86	21,000	0	0	21,000
FY87	29,000	0	0	29,000
FY88	47,000	0	0	47,000
FY89	232,000	450	200*	232,650
FY90	277,000	200	0	277,200
FY91	204,000	0	200*	204,200
FY92	173,374	250	0	173,624
FY93	200,000	0	0	200,000
FY94	<u>200,000</u>	<u>0</u>	<u>326</u>	<u>200,326</u>
<b>TOTAL</b>	<b>1,383,374</b>	<b>900</b>	<b>726</b>	<b>1,385,000</b>

---

\*Note: These are grants funds provided to the Ministry of International Cooperation under the PRCIP component. The funds are used for local cost expenditures of the MIC Monitoring and Coordination Unit.

10

ANNEX

1. BACKGROUND

The Private Enterprise Credit Project was initiated in 1986 as part of the Mission's Commodity Import Program to address a variety of credit constraints facing the private sector. Expansion of investment in productive private sector enterprises, including a broad range of activities in manufacturing, agri-business and service industries, would support the broader goal of increasing national productive output.

The Private Enterprise Credit Project, as currently amended, encompasses two basic elements: the Private Sector Commodity Import Program (PRCIP) and the Small Scale Credit Guarantee Fund. The PRCIP component, which utilizes more than 99% of Private Enterprise Credit Project funds, provides foreign exchange and short to medium-term credit to the private sector to finance raw materials, intermediate goods and capital equipment from the U.S. This is consistent with Mission strategy to increase the productivity of Egyptian private sector investments, and assist in the development of appropriate financial systems to meet the needs of private sector enterprises. The PRCIP is designed to encourage transactions supportive of increasing private sector productivity and to distribute funds to a broad range of potential clients.

The Small and Medium Enterprise Credit Guarantee Fund is designed to provide participating commercial banks with an insurance mechanism against default in order to encourage their use of excess liquidity for loans to small scale businesses. This component is administered by the Banking Credit Guarantee Corporation for Small Scale Enterprises (BOGC).

(A third component in the original project paper, the Project Financing Facility, was terminated in July 1990 by mutual agreement between USAID and the GOE. The funds for this component, approximately \$80 million, were transferred to the PRCIP.)

2. PROJECT ACTIVITIES

a. Small and Medium Enterprise Credit Guarantee Fund

The Banking Credit Guarantee Corporation for Small Scale Enterprises, which was incorporated to administer this fund, was officially opened on November 26, 1990. It is established as an independent, private sector, joint-stock corporation (Law 159). The BOGC has LE 2.2 million in paid-in capital from ten shareholders; it is authorized at LE 5 million. The program is designed to provide loan guarantees to commercial banks on loans to small and medium sized business entrepreneurs and health care professionals. Both of these groups lack access to commercial finance because of the high collateral requirements of Egyptian lending institutions. Loans to be guaranteed

will range from LE 50,000 to 700,000 (\$17,000 - \$250,000), although the loan range may be modified based on experience. Borrowers will borrow through their bank and the bank will forward the request for guarantee to the Corporation. To qualify for a guarantee under the BOGC program, a small enterprise project is being defined as one with invested capital between LE 100,000 and LE 1,500,000, including the loan principal.

The MIC released the first LE 20 million loan tranche (of a planned LE 60 million) to the BOGC in September 1990. The second tranche is scheduled for November 1991 with the final tranche expected by November 1993, or earlier, if performance of the Small and Medium Enterprise Credit Guarantee Fund warrants it. The BOGC will use these three tranches of LE 60 million as investment capital in order to provide a 50% guarantee for qualifying loans identified by participating banks and will charge a fee of 2% per annum of the guaranteed amount. This level of funding will allow the BOGC to provide guarantees totalling at least LE 350 million over a ten year period, i.e. participating banks will receive 50% guarantees for at least LE 700 million that they provide in loans to qualifying borrowers.

In addition, AID and the Ministry of International Cooperation (MIC) agreed on an LE 1.5 Million grant (from the FT-800 Account) to the BOGC for purchase of office space, computer hardware and software, office equipment, and furnishings.

The planned LOP amount for this component is \$900,000. Through a core grant buy-in with the National Cooperative Business Association (NCBA) and a subcontract with the local firm of Arab International Consultants (ARICON), a range of technical assistance and training has been delivered over the last two years. As of November 30, 1990, about \$450,000 of the \$650,000 obligated for these activities has been expended. The remaining \$200,000 will be used to continue promotional efforts, primarily seminars for training bankers, branch managers and end users, in the use of the credit guarantee fund.

b. MIC Coordination Unit.

In 1988, a Private Sector Coordination Unit was established within the Ministry of International Cooperation (MIC) to develop and monitor all activities concerning the private sector. Among the functions of the Coordination Unit are a number of CIP related responsibilities, such as developing selection criteria for participating banks, issuing operating circulars, printing and distributing program information, etc. The PRCIP provides a small amount of funds for local cost procurement of equipment, office furnishings, training materials and consulting services for the MIC Coordination Unit. Approximately \$400,000 in Project funds have

been budgeted for this element over the IOP, of which \$200,000 have already been committed by Project Implementation Letter (PIL) to the GOE. This activity is funded from money obligated under the PRCIP component and is not treated as a separate project element. PIL No. 8, dated September 26, 1988, sets forth the responsibilities and guidance for the use of these grant funds.

### 3. IMPLEMENTATION ARRANGEMENTS

#### a. Operating Procedures.

In May 1987, a major devaluation in official exchange rates significantly affected the program's rate of disbursement. The sudden movement had a predictable and adverse affect on demand for CIP funds. The program no longer contained the financial incentive derived from official and parallel exchange rate differentials, yet importers still had to comply with all of A.I.D.'s normal procedural requirements for source/origin, competition, shipping, etc. Only the scarcity of foreign exchange resources within the banking sector created demand for program funds. In response, USAID and the GOE jointly negotiated a revision in the Operating Circular governing the rules and procedures for accessing the PRCIP. The modified Circular was issued on March 29, 1989, and contained more advantageous operating and credit terms for potential users.

The changes to the Circular were designed to remove various constraints to demand and to expand the scope of the PRCIP into long-term credit. These changes included:

- extended grace periods, giving end users 180 days and trading companies 90 days interest free grace periods for payment of local currency. Capital goods transactions valued at more than \$1.0 million receive up to 365 days;
- decreased down payment requirements from 25% to 20%;
- admission of imports for resale;
- increased transaction size limits to \$2 million per year for end users; \$1.5 million for trading companies, \$5 million for bulk commodity importers and unlimited access for official dealers or agents of US suppliers, up from \$1 million;
- increased number of Participating Banks from 14 to 26, including the admission of seven Alexandria branch banks;
- introduced a new financing facility for projects to fund the equipment element of new projects, offering 8 year repayment terms, 36 month grace periods on principal, and a \$15 million ceiling; and,

- creation of a set-aside program to compensate for differences between US and non US shipping costs of bulk cargo consignments to Egypt.

The program currently operates under the guidelines of the Circular negotiated in 1989. However, USAID and the GOE will retain the flexibility to further modify the operating procedures through amendment to the Circular at any time upon mutual agreement of the parties.

b. Local Currency Generations.

As per Section 575 requirements of the FY 91 Foreign Appropriations Act, local currency generated under the Private Sector CIP is deposited by participating banks into a Special Account (at the Central Bank of Egypt) established solely for PRCIP generations. The uses of the Special Account are programmed jointly by USAID and the GOE.

Participating banks are indebted to the Central Bank of Egypt for the local currency equivalent of each Letter of Credit opened under this program, calculated at the official market rate of exchange on the date the Letter of Credit is opened. Repayment terms range from cash transactions, collected immediately, to repayment schedules of principal and interest extending up to eight years. Egyptian importers are not required to pay U.S. banking charges or freight differential, which are treated as set asides to the Special Account.

Local currency reporting requirements are set forth in General Operating Circular No. 1, issued by MIC. Participating banks are required to submit monthly status reports to USAID as well as copies of all letters of credit issued.

c. Methods of Implementation and Financing

Provided below are the methods of implementation and financing proposed in the Private Enterprise Project.

<u>Activity</u>	<u>of Imp</u>	<u>Method of Fin.</u>	<u>Method Cost \$000</u>	<u>Approx</u>
CIP Transactions	AID Reg.1	Bank L/Com	1,383,374	
MIC Coordination Unit	PIL	Dir. Reimb	400	
BOGC	AID Dir	Dir. Pay	900	
Evaluation/Audit	AID Dir	Dir. Pay	326	

- 14 -

Since all financing methods under this project are AID-preferred, justifications are not required.

An assessment of the accounting and internal control procedures was made to determine the MIC Private Sector Coordination Unit's ability to control and report on the receipt of the local currency from USAID. This assessment was made in accordance with the requirements of the Payment Verification Policy Statement. It was determined that the overall accounting system and internal control procedures were satisfactory. Areas identified during the assessment which required strengthening were expenditure reporting and bank account reconciliation. These areas have been reported to the Unit's management staff and will be reviewed by USAID to insure conformity.

d. Evaluation and Audit.

Covenant 5.1 of the Grant Agreement calls for an evaluation program to be established. Although a formal comprehensive evaluation of the Private Enterprise Credit Project has not yet been carried out, one study and a pre-audit survey of the PRCIP have been completed.

In 1989, RIG/A conducted a pre-audit survey of the Project and determined that, based upon positive findings, a comprehensive program audit was not necessary. The issues raised in the Audit Related Memorandum were not major and have been successfully addressed.

The audit findings indicate a record of efficient funds management and, as described in Section III above, the end user study shows laudatory progress towards achievement of project objectives. In order to satisfy the provisions of the covenant, however, a full project evaluation has been scheduled for September 1994. Funding was included in the original budget for the task.

Payment policy verification Statement 6 requires that PPs include an evaluation of the need for audit coverage and describe planned contract and audit coverage. Funds have been included under the evaluation/audit line item of the budget for audits by any independent local CPA firms.

151