

1-517-96-01-N

**Regional Inspector General for Audit  
San Salvador, El Salvador**

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**Audit of USAID/Dominican Republic's  
Loan Component of the  
Agribusiness Promotion Project Managed by the  
Fondo de Inversiones para el Desarrollo Economico  
For the Period July 1, 1989 to June 30, 1991**

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**Audit Report No. 1-517-96-01-N  
November 15, 1995**



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Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

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INSPECTOR  
GENERAL

AGENCY FOR INTERNATIONAL DEVELOPMENT  
UNITED STATES OF AMERICA A.I.D. MISSION  
TO EL SALVADOR  
C/O AMERICAN EMBASSY  
SAN SALVADOR, EL SALVADOR, C. A.

**Office of the Regional Inspector General**

November 15, 1995

**MEMORANDUM**

TO: Director USAID/Dominican Republic, Marilyn Zak

FROM: RIG/A/San Salvador, Wayne J. Watson

SUBJECT: Audit of USAID/Dominican Republic's Loan Component of the Agribusiness Promotion Project Managed by the Fondo de Inversiones para el Desarrollo Economico, for the Period July 1, 1989 to June 30, 1991

This report presents the results of a financial audit of the Loan Component of the Agribusiness Promotion Project, USAID/Dominican Republic Project No. 517-0186, managed by the Fondo de Inversiones para el Desarrollo Economico (Fund), for the period July 1, 1989 to June 30, 1991. The accounting firm of Horwath, Sotero Peralta & Associates prepared the report dated March 24, 1994.

The purpose of the project was: 1) to establish a credit fund and provide technical advice to private agribusiness firms and their supporting industries that produce commodities for export and domestic markets, and 2) to improve the mechanisms and policy framework for promoting and financing agribusiness projects.

The project consisted of a loan-funded component and a grant-funded component. The loan-funded component was to promote the country's development by making loans through commercial banks to agribusiness sub-borrowers. The grant-funded component was to support the Joint Agricultural Consultative Committee. These two components were intended to complement each other in promoting new or expanded agribusiness under the management of private firms devoted to production of raw or processed agricultural products for sale in foreign and domestic markets, and to improve the mechanisms for agribusiness promotion and financing.

The objectives of the audit were to determine whether: (1) the fund accountability statement presents fairly, in all material respects, the financial situation of the project activities managed by the Fund for the period July 1, 1989 through June 30, 1991, and disbursements reported as incurred and reimbursed by USAID/Dominican Republic were allowable, allocable, and reasonable in

accordance with agreement terms, and applicable laws and regulations, (2) the internal control structure of the Fund was adequate to manage its project activities, (3) the Fund complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs, and (4) the Fund has taken adequate corrective action on prior audit report recommendations or any other evaluations. The scope of the audit included an examination of the Fund's activities and transactions to the extent considered necessary to issue a report thereon for the period audited. The audit included coverage of \$5,560,647 of USAID/Dominican Republic disbursements to the project during the audited period.

Horwath, Sotero Peralta Associates was of the opinion that the fund accountability statement presents fairly, in all material respects, the cash received, and loans disbursed and reimbursed under the loan component of the project, during the period audited.

With respect to the Fund's internal control structure, the auditors identified no material weaknesses. The auditors further reported that, with respect to the items tested, the Fund complied, in all material respects, with the terms of the loan agreement and applicable laws and regulations. Regarding items not tested, the auditors stated that nothing came to their attention that caused them to believe that the Fund had not complied, in all material respects, with those terms. The auditors' follow-up tests of previous financial audit recommendations disclosed that adequate corrective action had been taken in all cases.

The report was discussed with representatives of the Fund who expressed general agreement with this final report.

Since the Horwath, Sotero Peralta & Associates report does not disclose any unresolved issues requiring USAID/Dominican Republic action, RIG/A/San Salvador is not making any recommendation. This final report is being transmitted to you solely for your information.

**Regional Inspector General for Audit  
San Salvador, El Salvador**

**Audit of USAID/Dominican Republic's  
Loan Component of the  
Agribusiness Promotion Project Managed by the  
Fondo de Inversiones para el Desarrollo Economico  
For the Period July 1, 1989 to June 30, 1991**

**Audit Report No. 1-517-96-01-N  
November 15, 1995**

**OFFICE OF INSPECTOR GENERAL**

**FINANCIAL AUDIT  
OF THE LOAN COMPONENT OF THE AGRIBUSINESS  
PROMOTION PROJECT USAID/DOMINICAN REPUBLIC  
PROJECT NO. 517-0186  
MANAGED BY THE FONDO DE INVERSIONES  
PARA EL DESARROLLO ECONOMICO (FIDE)  
FOR THE PERIOD JULY 1, 1989  
THROUGH JUNE 30, 1991**

**APRIL 1994**

**FINANCIAL AUDIT OF THE LOAN  
COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT USAID/DOMINICAN REPUBLIC  
PROJECT NO. 517-0186, MANAGED BY THE  
FONDO DE INVERSIONES PARA EL DESARROLLO  
ECONOMICO (FIDE)**

**FOR THE PERIOD JULY 1, 1989, THROUGH JUNE 30, 1991**

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August 21, 1995

Mr. Coinage N. Gothard  
Regional Inspector General for Audit  
U.S. Agency for International Development (USAID)  
800 Metros al Norte de la Embajada Americana  
Rohrmoser  
San José, Costa Rica

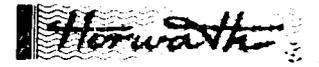
**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

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**RE: Financial Audit of the loan Component of the Agribusiness  
Promotion Project, USAID/Dominican Republic Project  
No. 517-0186.**



Dear Mr. Gothard:

**T**HIS REPORT PRESENTS the results of our financial audit of the Loan Component of the Agribusiness Promotion Project, USAID/Dominican Republic Project No. 517-0186, managed by the Fondo de Inversiones para el Desarrollo Economico (FIDE) for the period July 1, 1989, through June 30, 1991.

## **I. BACKGROUND**

In 1985 USAID\Dominican Republic (USAID/DR) concluded that the Government of the Dominican Republic (GODR) could not sustain economic growth through export of traditional crops. Consequently, the Mission developed a new strategy to assist the country to stimulate new instruments and diversify the agricultural base. The agribusiness promotion project was designed to implement this new strategy by encouraging the expansion of the agribusiness sector. The project consisted of a loan and a grant component.

The Fondo de Inversiones para el Desarrollo Económico (FIDE), was created as a unit of the Central Bank in 1966, primarily to provide financing for industrial development. The creation of FIDE also received support from USAID/DR, the Inter-American Development Bank, and the World Bank. Within the context and for the purposes it was created, FIDE plays an important role in the agriculture sector. FIDE has made over 7,000 loans since it was created.

The Agribusiness Promotion Loan to the Central Bank was authorized by USAID/DR on August 22, 1985. It established a US\$17.3 million fund in FIDE to be lent over a period of three years for the country's development through commercial banks to agribusiness sub-borrowers. RD\$91 million in counterpart funding was to be provided by the GODR. This loan and a US\$2.5 million grant (same project) to fund the Joint Agricultural Consultative Committee

(JACC), were intended to complement each other in promoting new or expanded agribusiness under the management of private firms devoted to production of raw or processed agricultural products for sale in foreign and domestic markets, and to improve the mechanisms for agribusiness promotion and financing.

The purpose of the project was: a) to establish a credit fund and provide technical advice to private agribusiness and firms and their supporting industries that produce fresh or processed commodities for export and domestic markets; and b) to improve the mechanisms and policy framework for promoting and financing agribusiness projects.

In 1986, FIDE disbursed US\$8.09 million of the US\$17.3 million loan. Disbursements were suspended during 1987-1989 pending resolution of audit issues raised by USAID/DR regarding interest rates and FIDE and its intermediary's management of the loan fund. The loan fund was reactivated in March, 1990, after operational issues raised by the audit were cleared up, with a contribution of RD\$30 million by the GORD. The Project Assistance Completion Date (PACD) was extended to June 30, 1991. The loan financed 244 sub-loans for a total of US\$16,735,839, and was disbursed in five tranches, the first in 1986 and the rest between May, 1990 and June, 1991. The US\$564,161 undisbursed balance at the PACD was deobligated by USAID/DR in 1992.

## **II. TITLE**

Financial Audit of the Loan Component of the Agribusiness Promotion Project USAID/DR Project No.517-0186, managed by The Fondo de Inversiones para el Desarrollo Economico (FIDE), for the period July 1, 1989 to June 30, 1991.

## **III. AUDIT OBJECTIVES AND SCOPE**

The objective of this engagement is to conduct a financial close-out audit of the Loan Component of the Agribusiness Promotion Project, managed by the Fondo de Inversiones para el Desarrollo Economico (FIDE) for the period July 1, 1989, through June 30, 1991.

We performed the audit in accordance with generally accepted auditing standards and the *Government Auditing Standards* of the U.S. Comptroller General. Consequently, before commencing the field work, we evaluated FIDE's accounting records and documentation in order to determine if those accounting records and documentation are adequate to conduct an audit.

The audit work included such tests of the accounting records as we found necessary to determine whether:

- ▶ The fund accountability statement presents fairly, in all material respects, the financial situation of the project's activities managed by FIDE for the period July 1, 1989, through June 30, 1991, and disbursements reported as incurred and reimbursed by USAID/DR during the period are allowable, allocable, and reasonable in accordance with agreement terms, and applicable laws and regulations.
- ▶ The internal control structure of FIDE is adequate to manage the project's operations.
- ▶ FIDE complied with agreement terms, and applicable laws and regulations which may affect the project's goals and incurred costs.
- ▶ FIDE has taken adequate corrective action on prior audit report recommendations or any other evaluations as stated in chapter 3 of the "Government Auditing Standard".

We have prepared the audit programs in light of the possibility of errors and irregularities having taken place. In this regard, we have followed the guidance contained in the Statements on Auditing Standards (SAS) 53 and 54 of the American Institute of Certified Public Accountants (AICPA); and during the audit's field work, we were alert to situations or transactions that could be indicative of fraud, abuse, mismanagement and illegal expenditures and acts as a result of inadequate controls.

We have taken the following steps in formulating the basis for our audit program. These steps are not meant to be all inclusive or restrictive in nature, and we do not consider them as relief from the necessity of exercising due professional care and judgment. As the audit progresses, the steps were modified as necessary to fit local conditions and specific project design, implementation procedures, and agreement provisions.

During field work, we examined the fund accountability statement, including the budgeted amounts by category and major items; the loans reported by FIDE as incurred during the period covered by the audit; and the revenues received from USAID/DR for the period July 1, 1989, through June 30, 1991.

The fund accountability statement presented in the report includes separate identification of revenues and disbursements applicable to the loan and the grant. The audit included steps and procedures to ascertain whether required counterpart contributions were provided in accordance with the agreement and to verify that direct USAID/DR procurement was accounted for and control procedures existed to safeguard such assets adequately.

The audit included evaluations of project implementation actions and accomplishments to determine that disbursements incurred are allowable, allocable, and reasonable under the agreement terms. Additionally, we were alert to the possibility of errors, irregularities and illegal acts, and to identify areas where fraud, waste, abuse and mismanagement exist or could exist as a result of inadequate controls.

The scope of the engagements consisted of the following:

**A. Fund Accountability Statement**

1. To review direct and indirect disbursements reimbursed by USAID/DR, identifying and quantifying questionable costs; any costs which are not supported with adequate documentation or not in accordance with applicable agreement terms are questioned and included as findings in the report on internal control and compliance.
2. To review general ledgers and project ledgers to determine whether disbursements incurred were properly recorded and reconciled, direct disbursements were reimbursed by USAID/DR to the project ledgers and to general ledgers.
3. To review the procedures used to control the funds, including their transfer to contracted financial institutions or other implementing units; and to ensure that all project funding provided by USAID/DR and STP have been received by FIDE, appropriately recorded in its accounting records, and periodically reconciled with information provided by such funding sources.
4. To determine whether advances of funds were justifiable in terms of the project and supported by proper documentation, including reconciliations of funds advanced, disbursed, and available.
5. To determine whether income and/or reimbursements representing recoveries of project disbursements, have been recorded as income or as credit to project disbursement accounts.

6. To review direct payments and purchases made by USAID/DR on behalf of the project to evaluate procedures used by FIDE, as applicable, to record and control the assets, commodities, and technical assistance received.
7. To assure that any cash remaining after the close of the project has been returned to USAID/Dominican Republic; and to review the status of any unliquidated advances to FIDE and/or reimbursements owed by USAID/Dominican Republic to FIDE.
8. To assure that at the close of the project all assets (inventories, fixed assets, commodities, etc.) procured with project funds have been disposed of in accordance with the terms of the agreement.
9. To include in the report a fund accountability statement which presents project disbursements incurred over the life of the project.

## **B. Internal Control Structure**

The major internal controls evaluated included the adequacy of the accounting and information systems, procurement procedures and practices, bank accounts, fixed assets, counterpart contributions, and that charges to the project were reasonable and properly supported.

The evaluation of internal control structure addressed the following:

1. The policies and procedures that pertain to FIDE's ability to record, process, summarize, and report financial data consistent with the fund accountability statement, and that ensure compliance with agreement terms and applicable laws and regulations;
2. FIDE procurement system as it relates to project operations; and a determination whether the system follows sound commercial practices and meets USAID regulations (USAID Handbook 13);
3. Whether FIDE maintains separate bank accounts for project activities, and whether the controls on those bank accounts are adequate for project purposes;
4. Whether FIDE has established policies for planning and evaluating project activities and accomplishments;
5. The input and output procedures for the electronic data processing system, if such a system is in place;

6. Whether FIDE has taken adequate corrective action on prior audit report recommendations or any other evaluations as stated in Chapter 3 of the *Government Auditing Standards*.

**C. Compliance with Agreement Terms and Applicable Laws and Regulations.**

In order to determine whether FIDE complied with agreement terms, project implementation letters, and applicable laws and regulations, we designed steps to:

1. Identify the agreement terms and applicable laws and regulations, and determine which of those not observed could have a direct and material effect on the fund accountability statement;
2. Assess the internal controls in place to assure compliance with agreement terms and laws and regulations;
3. Design steps and procedures to test compliance with agreement terms and laws and regulations to provide reasonable assurance of detecting both intentional and unintentional instances of noncompliance that could have a material effect on the fund accountability statement;
4. Determine if project funds have been expended for purposes not authorized or not in accordance with agreement terms. If so, we have identified these costs as questionable;
5. Determine if the counterpart contribution and technical assistance as applicable, were obtained opportunely according to the agreement and to the project's needs. Quantify any shortcomings in this area.

## **IV. RESULTS OF THE AUDIT**

### **1. Auditor's Opinion**

We have audited the fund accountability statement of the Loan Component of the Agribusiness Promotion Project, managed by FIDE, for the period July 1, 1989, through June 30, 1991. We have issued an unqualified opinion on the fund accountability statement. During the audit development, we observed costs amounting to RD\$1,765,000 (US\$141,200) used from the loan fund, and RD\$2,786,569 (US\$222,926) from the counterpart contribution, corresponding to loans for tobacco projects which were originally questioned in our first draft submitted to the Central Bank of the Dominican Republic. Further, the technical report of the Central Bank of the Dominican Republic dated November 22, 1994, and USAID/DR's letter dated April 11, 1995, express that the loans related to these costs correspond to the projects for "Tobacco Rubio" and "Piloto Cubano", which were previously considered by a Credit Committee with responsibility for reviewing every credit application under the project and where the USAID/DR was represented by a qualified official in this Committee. Accordingly, we are not presenting these costs as questioned in the report.

### **2. Internal Control Structure**

Our testing indicates that FIDE had sufficient capacity to capture accounting data accurately under the loan agreement.

### **3. Compliance with Agreement Terms and Applicable Laws and Regulations**

The results of our test, indicates that with respect to the items tested, FIDE complied, in all material respects, with the loan agreement terms and with laws and regulations applicable under the audit. With respect to items not tested, nothing came to our attention that caused us to believe that FIDE had not complied, in all material, respect with those terms.

### **4. Follow up on previous audit report recommendations:**

As part of our audit, we reviewed whether FIDE had taken the necessary corrective actions regarding the recommendations of prior external auditors that reviewed the project executions on 1987. In this regard, we found that FIDE has taken the adequate corrective actions about those recommendations.

**V. FIDE'S MANAGEMENT COMMENTS:**

This report was provided to FIDE and discussed in an exit conference held on November 22, 1994. On September 14, 1995, FIDE expressed agreement with the opinions on the fund accountability statement, on internal control structure and compliance with agreement terms and applicable laws and regulations contained herein.

Sincerely,



José Francisco Montás  
Partner

**INDEPENDENT AUDITORS' REPORT  
FUND ACCOUNTABILITY STATEMENT**

**Loan Component of the  
Agribusiness Promotion Project  
USAID/DR Project No. 517-0186**

**Managed by The Fondo de Inversiones para el Desarrollo  
Economico (FIDE)**

**For the period July 1, 1989, through June 30, 1991**

**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

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**WE** HAVE AUDITED the fund accountability statement of the Agribusiness Promotion Project, managed by the Fondo de Inversiones para el Desarrollo Economico (FIDE), for the period July 1, 1989, through June 30, 1991. The fund accountability statement is the responsibility of the management of FIDE. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as discussed in the next paragraph, we conducted our audit in accordance with "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 46 of chapter 3 of *Government Auditing Standards*, since no such quality review program is required by professional accounting organizations in the Dominican Republic. We believe that the effect of this departure from the financial audit requirements of "Government Auditing Standards" is not material because we participate in the Horwath International worldwide quality control program, which requires each Horwath International firm (including Horwath, Sotero Peralta & Associates) to submit every three years to an extensive quality control review by partners and managers from other Horwath International firms. The last quality review for Horwath, Sotero Peralta & Associates was conducted in October 1993 by Canepa, Nazer, Kopeck & Asociados from Buenos Aires, Argentina.

## INDEPENDENT AUDITORS' REPORT FUND ACCOUNTABILITY STATEMENT

As set forth more fully in Note 1a, the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than a basis in accordance with generally accepted accounting principles.

In our opinion, the fund accountability statement of the Loan Component of the Agribusiness Promotion Project, managed by the Fondo de Inversiones para el Desarrollo Economico (FIDE) presents fairly, in all material respects, cash received, loans disbursed and reimbursed, for the period July 1, 1989, through June 30, 1991, in accordance with the terms of the loan agreements and in conformity with the basis of accounting described in Note 1(a) to the fund accountability statement.

During the audit development, we observed costs amounting to RD\$1,765,000 (US\$141,200) used from the loan fund, and RD\$2,786,569 (US\$222,926) from the counterpart contribution, corresponding to loans for tobacco projects which were originally questioned in our first draft submitted to the Central Bank of the Dominican Republic. However, the technical report of the Central Bank of the Dominican Republic dated November 22, 1994 and USAID/DR letter dated April 11, 1995, express that the loans related to these costs correspond to the projects for "Tobacco Rubio" and "Piloto Cubano", which were previously considered by a Credit Committee with responsibility to review every credit application under the project and that the USAID/DR was represented by a qualified official in this Committee.

This report is intended for the information of the Fondo de Inversiones para el Desarrollo Economico (FIDE) and the United States Agency for International Development (USAID). However upon acceptance by the USAID Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

March 24, 1994



**AGRIBUSINESS PROMOTION PROJECT  
 MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)  
 USAID/DOMINICAN REPUBLIC PROJECT NO.517-0186**

**FUND ACCOUNTABILITY STATEMENT  
 FOR THE PERIOD JULY 1, 1989, THROUGH JUNE 30, 1991  
 LOAN COMPONENT  
 (Expressed in RD\$)**

Income:	Budget	ACTUAL			Questionable Costs		
		PERIODS			Questioned	Unsupported	Reference to notes
		Not audited August 23, 1985 to June 30, 1989	Audited July 1, 1989 to June 30, 1991	Total			
Funds provided by USAID	RD\$115,812,720	23,000,000	59,000,014	82,000,014	-	-	2
Disbursements:							
Loans	RD\$115,812,720	23,000,000	92,769,349	115,769,349	-	-	3
Deficit	-	-	(33,769,335)	(33,769,335)	-	-	3 and 4

See notes to the fund accountability statement.

LOAN COMPONENT OF THE  
 AGRIBUSINESS PROMOTION PROJECT  
 MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)  
 USAID/DOMINICAN REPUBLIC PROJECT NO.517-0186

SCHEDULE OF COUNTERPART CONTRIBUTIONS  
 FOR THE PERIOD JULY 1, 1989, THROUGH JUNE 30, 1991  
 (Expressed in RD\$)

Income:	Budget	ACTUAL			Questionable Costs		
		PERIODS			Questioned	Unsupported	Reference to notes
		Not audited August 23, 1985 to June 30, 1989	Audited July 1, 1989 to June 30, 1991	Total			
Funds provided by STP	RD\$121,000,000	RD\$ 90,942,457	RD\$30,000,000	RD\$ 120,942,457			

See notes to the fund accountability statement.

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**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

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**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

1. Summation of the Fondo de Inversiones para el Desarrollo Economico (FIDE) significant accounting policies for the Loan Component of the Agribusiness Promotion Project is as follows:

a) The fund accountability statement has been prepared on the cash basis of accounting. Funding provided is recognized when received rather than when earned, and expenditures are recognized when paid rather than when obligations are incurred.

b) **Currency:**

The following is a summary of the prevailing exchange rates of the US\$ (dollar) during the life of the project:

Years	Exchange Rate	
	RD\$	US\$
1986	2.85	1.00
1987	3.51	1.00
1988	6.00	1.00
1989	6.28	1.00
1990	8.53	1.00
1991	12.50	1.00

The Loan Component of the Agribusiness Promotion Project's accounting records are maintained and the fund accountability statement are expressed in Dominican pesos (RD\$).

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**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

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**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

**c) Loan Agreement:**

Interest- The borrower will pay to USAID interest which will be accrued at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of principal and on any due and unpaid interest on the outstanding balance will be accrued from the date of each respective disbursement and will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by USAID.

Repayment- The borrower will repay to USAID the principal within twenty five (25) years from the date of the first disbursement of the loan in thirty one (31) approximately equal semi-annual installments of principal and interest. The first installment of principal will be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. USAID will provide the borrower with an amortization schedule in accordance with this section after final disbursement under the loan.

**LOAN COMPONENT OF THE  
 AGRIBUSINESS PROMOTION PROJECT  
 MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
 FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

2. Funds provided by USAID:

For the period August 23, 1985 through June 30, 1991, the funds provided by USAID are as follows:

Year	Month	Amount US\$	Exchange rate (RD\$)	Amount RD\$
1986 (Not audited)	September	\$8,070,175	2.85	\$23,000,000
<b>Audited</b>				
1990	May	3,076,608	7.30	22,459,238
1991	April	1,300,000	12.67	16,471,000
1991	May	330,430	12.67	4,186,548
1991	June	1,253,609	12.67	15,883,228
<b>Sub-total audited period</b>		5,560,647		59,000,014
<b>Total</b>		14,030,822	-	\$82,000,014

USAID did not make any disbursement during 1985.

**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

**3. Reconciliation between income received from USAID and loan disbursements made during the life of the project.**

Detail	Not audited period 8\23\85 to 6\30\89	Audited period 7\1\89\ to 6\30\91	Received from USAID Subsequent to 6\30\91 (Note 5)	Total
Received from USAID	RD\$23,000,000	RD\$59,000,014	RD\$33,812,706	RD\$115,812,720
Less, loans through:				
Commercial banks	10,020,477	16,922,912 (a)	-	26,943,389
Development banks	14,607,523	75,846,437 (b)	-	90,453,960
<b>Total loans</b>	<b>24,628,000</b>	<b>92,769,349</b>	<b>-</b>	<b>117,397,349</b>
Less, loan disbursements with FIDE funds during the period not audited	*(1,628,000)	-	-	(1,628,000)
Net loans	23,000,000	33,769,335	33,812,706	115,769,349
<b>Deficit</b>	<b>RD\$ -</b>	<b>RD\$33,769,335</b>	<b>RD\$(33,812,706 )</b>	<b>RD\$43,371</b>

(\*) The above difference of RD\$1,628,000 between the funds provided by USAID and project loans during the period not audited, corresponds to resources contributed by FIDE.

**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

\*\* The difference of RD\$43,371 was originated due to the FIDE request in the amount of US\$2,705,017, at an exchange rate of RD\$12.48 equal to US\$1.00, while the exchange rate used by USAID/DR was RD\$12.50 equal to US\$1.00.

A detail of the financial institutions participating as intermediaries that received funds from the Central Bank during the life of the project, is presented in Note 3(a) and (b).

a) Loans made through commercial banks were disbursed as follows:

Intermediary	Not audited period 8\23\85 to 6\30\89	Audited period 7\1\89 to 6\30\91	Interest rate
Banco Cibao, S. A.	RD\$815,276	RD\$ -	12%
Banco Comercial BHD, S. A.	-	200,000	10%
Banco de Reservas de la República Dominicana	581,463	5,667,500	10%
Banco del Comercio, S. A.	429,600	6,065,505	10%
Banco Dominicano del Progreso, S. A.	1,465,850	475,000	10%
Banco Español S. A.	350,000	-	10%
Banco Metropolitano, S. A.	1,157,627	760,000	10%
Banco Nacional de Crédito, S. A.	1,375,000	-	10%
Banco Regional, S. A.	2,500,000	-	10%
The Chase Manhattan Bank, S. A.	1,300,000	-	10%
Banco Popular, S. A.	45,661	-	10%
Banco Gerencial y Fiduciario, S.A.	-	3,551,357	10%
Banco Panamericano, S. A.	-	203,550	10%
<b>Total</b>	<b>RD\$10,020,477</b>	<b>RD\$16,922,912</b>	-

**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

b) Loans made through development banks were as follows:

Intermediary	Not audited period 8/23/85 to 6/30/89	Audited period 7/1/89 to 6/30/91	Interest Rate
Banco Continental de Desarrollo, S. A.	RD\$1,250,000	RD\$350,000	10%
Banco de Desarrollo Bancomercio, S. A.	-	18,036,369	10%
Banco de Desarrollo BHD, S. A.	2,829,014	1,404,757	10%
Banco Cofinasa, S. A.	141,455	-	10%
Banco de Desarrollo de Exportación, S. A.	303,360	-	10%
Banco de Desarrollo Dominicano, S. A.	1,131,307	-	10%
Banco de Desarrollo Finagro, S. A.	238,294	6,515,000	10%
Banco de Desarrollo Industrial, S. A.	4,791,608	856,000	10%
Banco de Desarrollo Interamerica, S. A.	706,785	-	17%
Banco de Desarrollo Nacional, S. A.	1,701,100	-	10%
Finempresa Banco de Desarrollo, S. A.	1,514,600	4,847,635	10%
Banco de Desarrollo Agropecuario, S. A.	-	13,343,491	10%
Banco de Desarrollo Cooperativo, S. A.	-	1,506,010	10%
Banco Industrial de Desarrollo e Inversión, S. A.	-	1,262,500	10%
Banco de Desarrollo y Fomento Industrial, S.A.	-	12,525,995	10%
Banco de Desarrollo y Capitalización	-	3,707,213	10%
Banco de Desarrollo del Valle, S. A.	-	2,876,467	10%
Banco de Desarrollo Agropecuario, S. A.	-	1,640,000	10%
Banco de Desarrollo del Arroz, S. A.	-	4,495,000	10%
Banco de Desarrollo Peravia, S. A.	-	980,000	10%
Banco de Desarrollo Credibanca, S. A.	-	1,500,000	10%
<b>Total</b>	<b>RD\$14,607,523</b>	<b>RD\$75,846,437</b>	

**LOAN COMPONENT OF THE  
 AGRIBUSINESS PROMOTION PROJECT  
 MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
 FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

**4. Subsequent event:**

In November 1991, USAID/DR reimbursed to FIDE the amount of RD\$43,371 in excess of the amount requested by FIDE, as follow:

Amount reimbursed by USAID\DR to FIDE on November 19, 1991	RD\$33,812,706
Loans made through FIDE funds (deficit)	33,769,335
Difference in of exchange rate	RD\$43,371

**5. The counterpart contribution funds were disbursed as follows:**

Intermediary	Not audited 8\23\85 to 6\30\89	Audited period from 7\1\89 to 6\30\91	Total
Commercial banks	(a) RD\$33,576,731	RD\$7,051,477	RD\$40,628,208
Development banks	(b) 53,002,366	22,031,238	75,033,804
Technical assistance	(c) 878,475	-	878,475
<b>Total</b>	<b>RD\$87,457,572</b>	<b>RD\$29,082,715</b>	<b>RD\$116,540,487</b>

**LOAN COMPONENT OF THE  
 AGRIBUSINESS PROMOTION PROJECT  
 MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
 FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

**a) Loans through commercial banks:**

Intermediary	Not audited period 8/23/85 to 30/6/89	Audited period 7/1/89 to 6/30/91	Exchange rate
Banco Dominicano Hispano, S. A.	RD\$350,000	RD\$ -	12%
Banco Cibao, S. A.	36,724	-	10%
Banco Comercial BHD, S. A.	1,150,000	-	10%
Banco de Reservas, S. A.	11,112,948	3,107,500	10%
Banco del Comercio, S. A.	8,064,606	2,788,379	10%
Banco Dominicano del Progreso, S. A.	1,942,435	-	10%
Banco Español, S. A.	265,000	-	10%
Banco Metropolitano, S. A.	2,088,239	500,000	10%
Banco Nacional de Crédito, S. A.	483,360	-	10%
Banco Regional, S. A.	2,500,000	-	17%
The Chase Manhattan Bank, S. A.	3,054,990	-	10%
Banco Popular, S. A.	1,454,339	-	10%
Banco Panamericano, S. A.	-	203,550	10%
Banco Mercantil, S. A.	-	452,048	10%
The Bank of Nova Scotia, S. A.	356,090	-	10%
Banco Regional Dominicano, S. A.	718,000	-	10%
<b>Total</b>	<b>RD\$33,576,731</b>	<b>RD\$7,051,477</b>	

**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

**b) Loans through development bank:**

<b>Intermediary</b>	<b>Not audited period 23\8\85 to 30\6\91</b>	<b>Audited period 1\7\89 to 30\6\91</b>	<b>Interest rate</b>
Banco Continental de Desarrollo, S. A.	RD\$2,965,000	RD\$ -	10%
Banco de Desarrollo Bancomercio, S. A.	1,963,900	6,852,189	10%
Banco de Desarrollo BHD, S. A.	8,461,853	888,757	10%
Banco de Desarrollo Cofinasa, S. A.	2,722,645	-	10%
Banco de Desarrollo de Exportación, S. A.	3,113,102	-	10%
Banco de Desarrollo Americano, S. A.	10,282,946	-	10%
Banco de Desarrollo Finagro, S. A.	761,707	1,080,300	10%
Banco de Desarrollo Industrial, S. A.	7,650,060	-	10%
Banco de Desarrollo Interamérica, S. A.	692,215	605,000	17%
Banco de Desarrollo Nacional, S. A.	5,737,082	-	10%
Finempresa, Banco de Desarrollo, S. A.	5,306,649	612,500	10%
Banco de Desarrollo La Moneda, S. A.	745,207	-	9%
Banco de Desarrollo Agropecuario, S. A.	-	9,075,122	10%
Banco de Desarrollo Corporativo, S. A.	-	908,370	10%
Banco de Desarrollo e Inversión, S. A.	-	1,725,000	10%
Banco de Desarrollo del Valle, S. A.	-	284,000	10%
Financiera Empresarial, S. A.	2,000,000	-	
Banco de Desarrollo Finade, S. A.	600,000	-	
<b>Total</b>	<b>RD\$53,002,366</b>	<b>RD\$22,031,238</b>	

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**LOAN COMPONENT OF THE  
AGRIBUSINESS PROMOTION PROJECT  
MANAGED BY THE FONDO DE INVERSIONES PARA EL DESARROLLO ECONOMICO (FIDE)**

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**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
FOR THE PERIOD JULY 1, 1989 THROUGH JUNE 30, 1991**

**c) Technical assistance:**

The costs incurred for technical assistance were as follows:

I T E M	A M O U N T
Vehicles	RD\$574,813
Computers	186,375
Fees	117,287
<b>Total</b>	<b>RD\$878,475</b>

**INDEPENDENT AUDITORS' REPORT  
ON THE INTERNAL CONTROL STRUCTURE**

**Loan Component of the  
Agribusiness Promotion Project  
USAID/DR Project No.517-0186**

**Managed by  
Fondo de Inversiones para el Desarrollo Economico (FIDE)**

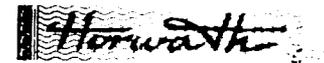
**For the Period July 1, 1989  
through June 30, 1991**

**HORWATH, SOTERO  
PERALTA & ASOCIADOS**

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**WE** HAVE AUDITED the fund accountability statement of the Loan Component of the Agribusiness Promotion Project, managed by the Fondo de Inversiones para el Desarrollo Económico (FIDE), USAID/Dominican Republic Project No.517-0186 for the period July 1, 1989, through June 30, 1991; and have issued our report thereon dated March 24, 1994.

Except for not conducting an external quality review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

In planning and performing our audit of the Agribusiness Promotion Project, managed by the Economic Development Investment Fund, for the period July 1, 1989, through June 30, 1991, we have given consideration to the effectiveness of FIDE internal control structure as it relates to the loan agreement, in order to establish our auditing procedures for the purpose of obtaining sufficient, competent evidential matter on which to base an opinion on the fund accountability statement of the FIDE loan, and not for the purpose of testing controls for their effectiveness alone.

## **INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE**

*(Continued)*

The management of FIDE's is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the terms of the agreements and transactions recorded properly to permit the preparation of the fund accountability statements in accordance with the basis of accounting described in Note (1a) to the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories:

- ▶ Loan disbursement procedures.
- ▶ Use of funds received from USAID.
- ▶ Interest payment to USAID.
- ▶ The accounting system and procedures related to planning and execution of project activities.
- ▶ Management of project bank accounts.
- ▶ Electronic data processing system.
- ▶ Disbursement process for equipment purchases.
- ▶ Use of equipment.

**INDEPENDENT AUDITORS' REPORT  
ON THE INTERNAL CONTROL STRUCTURE**  
*(Concluded)*

For all internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures, and whether these policies and procedures had been placed into operation; and we assessed the control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to management of Fondo de Inversiones para el Desarrollo Economico (FIDE) in a separate letter dated April 4, 1994.

This report is intended for the use of the Fondo de Inversiones para el Desarrollo Economico (FIDE) and the United States Agency for International Development (USAID). However, upon acceptance by the USAID Office of the Inspector General, this report is a matter of public record and its distribution is not limited.

March 24, 1994



**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS**

**Agribusiness Promotion Project  
USAID/DR Project No. 517-0186**

**Loan Component of the Agribusiness Promotion Project  
USAID/DR Project No. 517-0186**

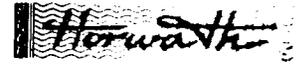
**For the Period July 1, 1989,  
through June 30, 1991**

**HORWATH, SOTERO  
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**WE** HAVE AUDITED the fund accountability statements of the Loan Component of the Agribusiness Promotion Project, managed by Fondo de Inversiones para el Desarrollo Economico (FIDE) for the period July 1, 1989, through June 30, 1991; and have issued our report thereon dated March 24, 1994.

Except for not conducting an external quality review by an unaffiliated audit organization as described further in our opinion on the fund accountability statement, we conducted our audit in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the fund accountability statement is free from material misstatement.

Compliance with agreement terms and laws and regulations applicable to the Agribusiness Promotion Project is the responsibility of FIDE management. As part of obtaining reasonable assurance about whether the fund accountability statements is free of material misstatement, we performed tests of compliance with the terms of the contractual agreement and applicable laws and regulations. However, our objectives were not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. We also performed tests of FIDE compliance with certain provisions of agreement terms and laws and regulations applicable to the provision of counterpart contributions.

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH AGREEMENT TERMS  
AND APPLICABLE LAWS AND REGULATIONS**

*(Concluded)*

The results of our tests of compliance indicate that with respect to the items tested, FIDE complied in all material respects the provisions referred to in the third paragraph of this report, and with respects to items not tested, nothing came to our attention that caused us to believe that FIDE had not complied in all material respects, with those provisions.

This report is intended for the information of the Fondo de Inversiones para el Desarrollo Economico (FIDE) and the United States Agency for International Development in the Dominican Republic. However upon acceptance by USAID Office of the Inspector General this report, is a matter of public record and its distribution is not limited.

March 24, 1994

*Horwath, Sotero Peralta & Associates*