OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID/GUATEMALA'S DEVELOPMENT CREDIT AUTHORITY

AUDIT REPORT NO. 1-520-06-002-P
January 11, 2006

SAN SALVADOR, EL SALVADOR

Office of Inspector General

January 11, 2006

MEMORANDUM

TO: USAID/Guatemala Director, Glenn E. Anders

FROM: RIG/San Salvador, Timothy E. Cox "/s/"

SUBJECT: Audit of USAID/Guatemala's Development Credit Authority (Report No. 1-520-06-002-P)

This memorandum transmits our final report on the subject audit. In finalizing our report, we considered your comments on our draft report and have included your response in its entirety in Appendix II.

This report contains two recommendations. For both recommendations, USAID/Guatemala has provided evidence that final action has been taken, including establishing performance indicators and targets in its Performance Monitoring Plan that are achievable and realistic and obtaining from Genesis an action plan that includes a timeline and steps needed to utilize its bond guarantee agreement. Based on this action plan, the Mission decided to extend the Genesis guarantee by one year to December 31, 2006.

I appreciate the cooperation and courtesy extended to my staff throughout the audit.

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SUMMARY OF RESULTS

The Development Credit Authority (DCA) is a broad financing authority that allows USAID to use credit to pursue any of the development purposes specified under the Foreign Assistance Act of 1961, as amended. USAID's DCA credit guarantees encourage commercial banks to finance targeted development projects that otherwise might not be funded and stimulate the development of local capital markets. (See page 2.)

This audit was performed by the Regional Inspector General/San Salvador as part of a worldwide audit of USAID's Development Credit Authority. The objective of the audit was to determine whether USAID/Guatemala managed its DCA guarantees to ensure that selected intended results were achieved. (See page 3.)

Except for not clearly establishing and tracking performance indicators for its DCA loan guarantees and not utilizing a bond guarantee with a non-profit organization, Genesis Empresarial, as was originally planned, USAID/Guatemala did manage its DCA guarantees to ensure that selected intended results were achieved. USAID/Guatemala was able to achieve important program objectives for its two loan guarantees which totaled $25 million, such as meeting its aggregate utilization projections ahead of schedule as well as targeting loans to microenterprises. (See page 4.)

However, USAID/Guatemala did not clearly establish and track performance indicators for its three Development Credit Authority (DCA) guarantees as required by USAID's DCA Operations Manual. In fact, its Performance Monitoring Plan (PMP) did not include indicators or targets for any of the guarantees. The Mission did not initially recognize the need to have separate results indicators specifically for its guarantees in its PMP because it believed that it was sufficient to report results for the entire Strategic Objective (SO), including results which would be influenced by the loan guarantees and also by other Mission activities under the SO. (See page 5.)

In addition, USAID/Guatemala has not been able to utilize a bond guarantee with a non-profit organization as was originally planned. USAID/Guatemala entered into an agreement with Genesis in September 2004 for the purpose of guaranteeing the issuance of up to $5 million in promissory notes which was going to be used to fund loans to microentrepreneurs. This agreement initially required that these notes be issued by no later than March 31, 2005, but new banking regulations prevented Genesis from issuing promissory notes with a consortium of commercial banks. Because of these new regulations, Genesis did not meet its September 30, 2005 utilization target of $2.5 million and the Mission must now decide whether to pursue or cancel this guarantee. (See page 7.)

The report includes two recommendations that USAID/Guatemala (1) establish performance indicators and targets in its Performance Monitoring Plan that are achievable and realistic for its Development Credit Authority bond guarantee and future guarantees, and (2) request from Genesis Empresarial an action plan that includes a timeline and steps needed to utilize its bond guarantee agreement. (See pages 6 and 8.) USAID/Guatemala agreed with the recommendations in its response to the draft report and already took action to address them. (See page 9.)

BACKGROUND

The Development Credit Authority (DCA) is a broad financing authority that allows USAID to use credit to pursue any of the development purposes specified under the Foreign Assistance Act of 1961, as amended. The DCA is designed to overcome lending obstacles encountered in the commercial banking sector, which is often unwilling to lend funds to microentrepreneurs because of misconceptions about the risks of lending to microentrepreneurs or because of burdensome collateral requirements that microentrepreneurs cannot easily meet. USAID's DCA credit guarantees encourage commercial banks to finance targeted development projects that otherwise might not be funded and stimulate the development of local capital markets.

Congress gave USAID the general authority to provide loan and bond guarantees in its Fiscal Year 1998 Appropriations Act. In April 1999, the Office of Management and Budget certified USAID's capacity to properly manage credit programs—to accurately assess risk and to operate viable financial management and accounting systems—and USAID subsequently began to exercise its DCA authority.

DCA credit guarantees are typically designed by USAID's overseas missions and managed jointly by the mission and USAID's Office of Development Credit (ODC) located in Washington, D.C. Missions are primarily responsible for developmental monitoring, while ODC is primarily responsible for financial monitoring. As of September 30, 2005, USAID had signed 143 DCA guarantees, making credit totaling over 1 billion available, with cumulative utilization amounting to nearly $317 million.[1]

USAID/Guatemala had the following guarantees as of September 30, 2005:

Name of Institution	Date Approved	Maximum Portfolio Amount	Cumulative Utilization 9-30-2005	Final Date for Placing New Loans
BanCafe	3/07/2000	5,000,000	7,147,302[2]	9/30/2004
BanCafe	9/30/2003	20,000,000	20,000,000	1/12/2008
Genesis	9/28/2004	5,000,000	0	11/30/2005[3]

USAID has agreed to guarantee 50 percent of the loan and bond portfolio amount. As of September 30, 2005, no claims for delinquent loans have been made by BanCafe.

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[1] These figures are unaudited.

[2] This was a revolving loan agreement and therefore the maximum amount of loans at any time could not exceed $5 million, however, the cumulative utilization amount can exceed $5 million.

[3] This is a bond guarantee and the agreement states that no promissory notes can be issued after this date. The guarantee applies only to the notes issued and not to the loans made from the proceeds of the promissory notes.

AUDIT OBJECTIVE

This audit was conducted as part of a planned series of audits of USAID's Development Credit Authority, as part of the Office of Inspector General's fiscal years 2005 and 2006 audit plan. The audit was conducted to answer the following question:

- Did USAID/Guatemala manage its Development Credit Authority guarantees to ensure that selected intended results were achieved?

Appendix I contains a discussion of the audit's scope and methodology.

AUDIT FINDINGS

Did USAID/Guatemala manage its Development Credit Authority guarantees to ensure that selected intended results were achieved?

Except for not clearly establishing and tracking performance indicators for its DCA loan guarantees and not utilizing a bond guarantee with a non-profit organization, Genesis Empresarial, as was originally planned, USAID/Guatemala did manage its DCA guarantees to ensure that selected intended results were achieved.

USAID/Guatemala was able to achieve important program objectives for its two loan guarantees such as meeting its aggregate utilization projections ahead of schedule as well as targeting new loans to microenterprises. As of September 30, 2005, USAID/Guatemala had two active loan portfolio guarantees with BanCafe. Over 9,600 cumulative loans worth over $27 million have been made under the two BanCafe loan guarantee agreements to microenterprises throughout the country. Based on 63 file reviews and 40 interviews with borrowers, we determined that the loans were made to qualified borrowers for qualified projects, and the borrowers used the loans for purposes reflecting the intended purpose of the loans. Almost all of the borrowers were satisfied with their loans and some borrowers who began with a group loan subsequently established sufficient credit to qualify for an individual loan. These loans provided funding to small and medium businesses to purchase inventories, expand into new markets, and develop a credit history with the bank that allowed for future credit.

Photo taken by an OIG auditor on October 21, 2005 of a loan recipient and a BanCafe official. The proceeds were used by the borrower to expand her taxi business.

The outstanding balance as of September 30, 2005 under both loan agreements was about $10 million. No new loans can be made under the terms of the agreements for both BanCafe guarantees because the final date for placing new loans has passed for the first guarantee and the second guarantee has met its utilization cap of $20 million in cumulative loans by September 30, 2005, three years ahead of schedule.

We found, though, that the Mission did not clearly establish and track performance goals and also was not able to utilize its bond guarantee, and as a consequence, did not meet its September 30, 2005 utilization target of $2.5 million as was originally planned. These issues are addressed in the following subsections.

Intended Results Not Clearly Stated and Tracked

Summary: USAID/Guatemala did not clearly establish and track performance indicators for its three Development Credit Authority (DCA) guarantees as required by USAID's DCA Operations Manual. In fact, its Performance Monitoring Plan (PMP) did not include indicators or targets for any of the guarantees. The Mission did not initially recognize the need to have separate results indicators specifically for its guarantees in its PMP because it believed that it was sufficient to report results for the entire Strategic Objective (SO), including results which would be influenced by the loan guarantees and also by other Mission activities under the SO. The use of performance indicators is important because they allow the Mission to monitor and track the status of the guarantees' progress towards meeting the stated objectives.

It was not clear if intended results were achieved because performance indicators for the three guarantees were not clearly established and tracked by the Mission. All three guarantees were initially established under SO 4, Increased Rural Household Income and Food Security, which expired on March 31, 2005. However, the Mission's PMP did not list indicators or targets for any of them. The Mission has since established a new strategy and the guarantees now fall under SO 2, Economic Freedom: Open, Diversified, Expanding Economies. The new PMP for SO 2 will be finalized by January 2006.

The DCA Operations Manual, dated April 2004, states that "The mission must insert a short description on how it plans to monitor the developmental aspects of this activity. This description should include the performance indicators related to SO reporting that this DCA guarantee will support." A prior version of the Operations Manual, dated May 2002, states that "the mission will review the expected development impacts of the project. A mission must detail how the activity and its expected outcomes will contribute to the SOs already being pursued or new SOs being developed by the mission."

The Mission did not list any performance indicators in its first agreement with BanCafe, and while it did have indicators for the second agreement with BanCafe, they were not clearly defined for the reasons described below. Mission and bank officials were unable to clearly define the meaning of these indicators.

Indicator	Reason Why Indicator Is Unclear
BanCafe's microenterprise customer base will more than double from 12,000 to 25,000 by 2005.	The targets can be interpreted to refer to cumulative numbers of customers, including those that have paid back their loans, or only to customers with outstanding loans at the end of 2005.

Indicator	Reason Why Indicator Is Unclear
BanCafe's loan portfolio for microenterprises will increase from $8 million to $20 million by 2005.	The term "loan portfolio" can refer to BanCafe's entire microenterprise portfolio, to the portfolio guaranteed under both agreements, or to only the portfolio guaranteed by the second agreement. In addition, the target can be interpreted to refer to the cumulative amount of loans made by the end of 2005 or to the amount of loans outstanding at the end of 2005.
BanCafe will offer financial services in all of its branches by the end of the project.	The term "financial services" is ambiguous. As BanCafe already offered loans in all of its 160 branches, the most reasonable way to interpret the indicator would be to suppose that BanCafe is to offer loans to microenterprises at all of its branches by the end of the project. But the intent cannot be clearly inferred from the wording of the indicator itself.

The Mission did not initially recognize the need to have separate results indicators specifically for its guarantees in its PMP because it believed that it was sufficient to report results for the entire SO, including results which would be influenced by the loan guarantees and also by other Mission activities under the SO. In addition, there has been frequent turnover in the management of these guarantees. The Mission's current Cognizant Technical Officer (CTO) has only managed this program since late April 2005. Without the use of indicators and targets, it is difficult for USAID/Guatemala to monitor and track the results of the guarantees to determine what development impact the guarantees have had.

The CTO responsible for monitoring the loan guarantees has established a draft PMP that, as of October 2005, included specific targets for the number of loans and the value of the loan portfolio for each guarantee. However, the draft indicators included targets that conflicted with the agreements and with data reported by USAID's Office of Development Credit (ODC). For example, the draft PMP projected additional loan activity under the first agreement after the final date for placing new loans in September 2004 had passed. Also, the draft PMP showed a target of $15 million in loans by September 30, 2006, while the same target was to be reached one year earlier according to the ODC. In fact, as stated earlier, the $20 million maximum portfolio amount was already reached by September 30, 2005.

The CTO has agreed to establish and track indicators for DCA guarantees that are clear, achievable and realistic. Although both loan guarantees with BanCafe have been fully utilized, the Mission intends to utilize its bond guarantee and other guarantees in the near future.

Recommendation No. 1: We recommend that USAID/Guatemala establish performance indicators and targets in its Performance Monitoring Plan that are achievable and realistic for its Development Credit Authority bond guarantee and future guarantees.

Bond Guarantee Not Utilized

Summary: USAID/Guatemala has not been able to utilize a bond guarantee with a non-profit organization as was originally planned. USAID/Guatemala entered into an agreement with Genesis in September 2004 for the purpose of guaranteeing the issuance of up to $5 million in promissory notes which was going to be used to fund loans to microentrepreneurs. This agreement initially required that these notes be issued by no later than March 31, 2005, but new banking regulations prevented Genesis from issuing promissory notes with a consortium of commercial banks. Because of these new regulations, Genesis did not meet its September 30, 2005 utilization target of $2.5 million and the Mission must now decide whether to pursue or cancel this guarantee.

USAID/Guatemala has not been able to utilize a bond guarantee approved for Guatemala by USAID's Credit Review Board. This agreement, a bond guarantee with a non-profit organization called Genesis, which makes micro financing loans, has been pending utilization since September 2004. Genesis intended to use the proceeds of this bond agreement to provide an additional $5 million in micro financing to microentrepreneurs and small businesses. Genesis believed that market conditions for issuing promissory notes would lower its cost of funds and Genesis then could pass some of the savings along to its borrowers, the target being 2 percent lower than current interest rates charged. The agreement established a utilization target of 50 percent or $2.5 million in new loans by September 30, 2005. Other planned performance indicators for this agreement are as follows:

- Number of Loans: 18,000 in 5 years
- Number of New Branches: 9
- Interest Rates: Lowered by 2 points (on average)

USAID/Guatemala entered into this agreement with Genesis in September 2004 for the purpose of facilitating the issuance of up to $5 million in promissory notes, the proceeds of which were going to be used to fund loans to microentrepreneurs. These notes could have a maturity of up to five years and would carry a guarantee of up to 50 percent. Both USAID/Guatemala and Genesis anticipated that the agreement would increase the access to credit for Guatemalan microentrepreneurs and small businesses located in rural areas. The agreement originally required that Genesis issue these notes by no later than March 31, 2005, but USAID/Guatemala's Director has extended this deadline to November 30, 2005, so that Genesis could pursue other alternatives for issuing the promissory notes.

The reason that the bond agreement has not been utilized to date is that new banking regulations were issued that prevented Genesis, a non-banking, non-profit organization, from issuing promissory notes with a consortium of commercial banks. This banking regulation was not in existence at the time the agreement with USAID was signed. The Genesis Director said that several studies and analyses were made to determine whether it was feasible to issue these promissory notes through Guatemalan financial institutions. At that time, their study revealed that a demand existed for the promissory notes and there were no regulations preventing them from doing so. However since then, new regulations were issued by Guatemala's Superintendent of Banks that prevented Genesis from issuing promissory notes. Only Guatemalan banks are permitted to issue promissory notes.

Because of these new regulations, Genesis did not meet its September 30, 2005 utilization target of $2.5 million and the Mission must now decide whether to pursue or cancel this guarantee. One method being investigated by Genesis would be to issue the promissory notes though banks with the proceeds utilized by Genesis. At the time of our audit, Genesis was optimistic that a solution was forthcoming. Still, both USAID/Guatemala and Genesis officials did not believe any solution could be reached by the November deadline. Meanwhile, $5 million in much needed micro financing (a financing demand that has increased recently due to the impact of a recent hurricane) is not being utilized as envisioned.

The Mission acknowledged that Genesis has had problems and will likely give another extension since promissory notes will not be issued by the current November 2005 deadline. The Mission believes that if Genesis is finally successful in its efforts to raise funding through its bond guarantee agreement, it will open up a new channel of financing to other NGOs working to provide micro financing in Guatemala. In addition, Genesis loans are made to a segment of borrowers not currently served by the banks, which in turn will enhance the Mission's ability to reach this underserved market. Therefore it is important that the Mission obtain a timeline from Genesis so that a decision can be made whether to pursue the agreement.

> *Recommendation No. 2: We recommend that USAID/Guatemala request from Genesis Empresarial an action plan that includes a timeline and steps needed to utilize its bond guarantee agreement with USAID/Guatemala.*

EVALUATION OF MANAGEMENT COMMENTS

In its response to our draft report, USAID/Guatemala concurred with both our recommendations. The Mission described the actions taken to address our concerns. The Mission's comments and our evaluation of those comments are summarized below.

In response to Recommendation No. 1, the Mission provided evidence that it has established performance indicators and targets in its Performance Monitoring Plan that are achievable and realistic. USAD/Guatemala has developed clear and appropriate indicators for the Genesis bond guarantee for Fiscal Years 2006 and 2007. Therefore, we consider final action to have been taken on this recommendation.

Concerning Recommendation No. 2, the Mission provided evidence that Genesis submitted an action plan with timeline and steps needed to implement the bond guarantee. The Mission accepted this action plan and will track progress made by Genesis by reviewing progress reports submitted every four months to USAID/Guatemala. The Mission stated that Genesis will pursue becoming a bank that is legally entitled to issue promissory notes under the supervision of the Guatemalan Bank Superintendent. In addition, USAID/Guatemala remains hopeful (based on information in the action plan received from Genesis) that regulatory changes will be passed to allow microfinance institutions to issue promissory notes. USAID/Guatemala has consulted informally with the Ministry of Economy and other government officials, and believes that regulatory changes are imminent. Based on the above information, we consider that final action has been taken on this recommendation.

SCOPE AND METHODOLOGY

Scope

The Office of Inspector General (OIG) conducted this audit in accordance with generally accepted government auditing standards. This audit is one in a planned series of worldwide audits to be conducted by the OIG. The audit was designed to answer this question: Did USAID/Guatemala manage its Development Credit Authority (DCA) guarantees to ensure that selected intended results were achieved?

In planning and performing the audit, we assessed the effectiveness of internal controls related to DCA guarantees. We identified pertinent internal controls regarding the Mission's procedures for managing and monitoring its DCA guarantees. These controls included Mission interaction with partner banks and borrowers, site visits, establishment of targets and indicators, and verification of loan schedules and aging reports. Relevant criteria included USAID's Automated Directives System 249 and USAID's Office of Development Credit's *DCA Operations Manual*.

The audit scope encompassed USAID/Guatemala's two DCA loan portfolio guarantees with BanCafe as of September 30, 2005. In addition, there was an agreement for a bond guarantee with Genesis Empresarial even though loans have not been made. We reviewed the status of all three guarantees.

Out of a total of 63 BanCafe branches that served small and medium businesses, we judgmentally selected four branches to visit.[4] We chose these branches based on a variety of factors including the following:

- Existence of relatively larger loans.
- Existence of some delinquent loans.
- Accessibility to the borrowers.[5]

The intended results related to USAID/Guatemala's DCA loan portfolio guarantees selected for review included determining for each of the selected loans whether:

- Loans supported the strategic objective(s) specified in the documentation submitted by the Mission and approved by USAID's Credit Review Board.
- Loans were made to qualified borrowers for qualified projects, as specified in the guarantee agreement between USAID and the partnering bank.

[4] We visited BanCafe branches 24, 30, 61, and 62, which are located in Sanarate, Jalapa, El Progreso Jutiapa, and Santa Catarina Mita, respectively.

[5] Dozens of branches were inaccessible at the time of our visit due to damages caused by Hurricane Stan.

- Activities funded by the loan guarantees represented the intended loan purpose stipulated in the partnering banks' loan files.

- USAID/Guatemala achieved its utilization projections for the dollar amount of loans generated by the guarantee portfolio, on an aggregate basis, as of September 30, 2005.

Our audit scope did not include DCA guarantee macro-level results, such as impact on unemployment, job creation, or other economic growth indicators.

Mission fieldwork was conducted from October 11 through October 28, 2005, at USAID/Guatemala and at BanCafe and Genesis headquarters in Guatemala City. In addition, we visited four BanCafe branches and 40 borrowers' homes and businesses within Guatemala.

Methodology

To answer the audit objective, we asked the Mission about its interaction with the Office of Development Credit, its partner banks, and the borrowers. We inquired about site visits and monitoring activities such as setting targets and indicators and reviewing and verifying loan schedules and aging reports. We interviewed officials from BanCafe headquarters and spoke to loan officers at four branch offices. We also interviewed officials at Genesis.

To test the progress of the BanCafe loan activities, we performed detailed reviews of BanCafe's two DCA loan guarantees as of September 30, 2005. The detailed loan file reviews at the bank's headquarters consisted primarily of verifying the borrower's name, the loan size, the date, and the purpose of the loan. From the two guarantees, we judgmentally selected 64 loans from four branches out of 9,692 cumulative loans and 63 branches that served small and medium sized clients. The loans were selected primarily to include relatively larger loans, but we also selected some delinquent loans and some smaller loans. From the original sample, we were able to review 57 files and interview 33 borrowers.

We performed site visits to interview the selected borrowers and to observe the activities funded by the selected loans. The interview questions were designed to verify information gathered from the loan file reviews. In addition, we asked about the borrower's opinion regarding the loan and the loan process.

We did not determine materiality thresholds for the audit objective.

MANAGEMENT COMMENTS

USAID | GUATEMALA
FROM THE AMERICAN PEOPLE

UNITED STATES GOVERNMENT

MEMORANDUM

Date: December 29, 2005

To: Timothy E. Cox, RIG/San Salvador

From: Glenn E. Anders, USAID/Guatemala Mission Director "/s/"

Subject: Guatemala DCA Audit

USAID/Guatemala appreciates the opportunity to respond to the draft audit report. USAID/Guatemala accepts the audit report's recommendations and took actions to implement the recommendations in their entirety. We request RIG/SS concurrence with our management decision and closure of these recommendations upon issuance of the final audit report.

USAID/Guatemala did manage its DCAs. USAID/Guatemala was in regular contact with bank officials from BanCafe and Genesis to resolve start-up ambiguities and administrative questions. The Mission conducted annual site visits with BanCafe and prepared the biennial review document for the first BanCafe DCA in September 2004 in coordination with USAID/Washington. The Mission supported EGAT/DC in the preparation of the biennial review document for the second BanCafe DCA, which was initiated in September 2005. The Mission also ensured that USAID/Washington obtained annual audited financial statements from BanCafe, as required for annual subsidy re-estimates completed in Washington. USAID/Guatemala included a description of how the BanCafe guarantees helped achieve the associated Strategic Objective in the performance narrative of its fiscal year 2004 annual report. The Mission also reported results from the BanCafe guarantees at the Strategic Objective level. As noted in the audit, both BanCafe guarantees have been fully utilized, and no new loans may be placed under the guarantees' coverage.

The issuance of promissory notes is a market-driven action and should not be a negative reflection of USAID/Guatemala's management of the Genesis DCA bond guarantee. Approximately 40 percent of USAID's bond and portable guarantees take between 1-3 years from the date of signature to issuance in the market. This is largely due to nascent bond markets, where trustees and bond agents are new concepts and ambiguous regulatory environments make issuance a lengthy process. Moreover in many cases, USAID is using the

bond guarantee to introduce the market to a new type of issuance, e.g. bonds for microfinance institutions in Guatemala. The delay of the Genesis promissory note issuance should not be compared to the utilization time of loan guarantees because generally banks are already in the business of making loans and the regulatory environment is stable. The delay of the Genesis issuance is not a negative reflection of USAID/Guatemala's management, but rather, a byproduct of deepening the local capital market through the introduction of a new product. As noted in the audit report, USAID/Guatemala has followed the progress of the issuance and already granted one extension.

USAID/Guatemala accepts the audit Recommendation No 1 and has established performance indicators and targets in its Performance Monitoring Plan that are achievable and realistic. USAD/Guatemala has developed clear and appropriate indicators for the Genesis bond guarantee for Fiscal Year 2006 and 2007, assuming that issuance will not take place until calendar-end 2006. This assumption is based on the action plan and timeline submitted by Genesis and accepted by USAID/Guatemala. Please find attached the updated Performance Monitoring Plan. USAID/Guatemala requests RIG/SS concurrence with the management decision and closure of Recommendation No 1 in the final audit report.

USAID/Guatemala accepts the audit Recommendation No 2 and has extended the Genesis guarantee by one year to December 31, 2006. USAID/Guatemala has accepted an action plan with timeline and steps needed to implement the bond guarantee from Genesis and will track progress toward issuance. Genesis will submit progress reports every four months to USAID/Guatemala. One of two roads toward fruition is possible. Genesis will pursue becoming a bank that is legally entitled to issue promissory notes under the supervision of the Bank Superintendent. In the meantime, Genesis and USAID/Guatemala remain hopeful that regulatory changes will be passed to allow microfinance institutions to issue promissory notes. USAID/Guatemala has consulted informally with the Ministry of Economy and other government officials, and believes that regulatory changes are imminent. Attached please find the action plan submitted by Genesis and accepted by USAID/Guatemala. Also, please find attached USAID's extension letter. USAID/Guatemala requests RIG/SS concurrence with the management decision and closure of Recommendation No 2 in the final audit report.

USAID/Guatemala thanks the RIG/SS in advance for considering the closure of recommendations in the final audit report. Please do not hesitate in asking for additional information. We thank you and your staff for your understanding and cooperation.