

*CONSERVATION AND SUSTAINABLE
USE OF THE MESOAMERICAN
BARRIER REEF SYSTEMS PROJECT
Financial Statements
For the Ten Months Ended December 31, 2001 and
Independent Auditors' Report*

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
REEF SYSTEMS PROJECT (MBRS);
GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE
CENTRAL AMERICAN COMMISSION FOR ENVIRONMENT AND
DEVELOPMENT (CCAD)**

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**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK
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Introduction

The Mesoamerican Barrier Reef System (MBRS) includes the second longest barrier reef in the world. The MBRS is unique in the western hemisphere on account of its size, its array of reef types, and the luxuriance of corals it contains. The MBRS stabilizes and protects coastal landscapes, maintains coastal water quality, sustains species of commercial importance, serves as breeding and feeding grounds for marine mammals, reptiles, fish and invertebrates and offers employment alternatives and income to approximately one million people living in coastal zones adjacent to the reefs.

Recognizing the importance of the MBRS to the economy of the region and to the natural and cultural heritage of its people, and conscious of the increasing threats to its overall health, the leaders of the four countries (Mexico, Belize, Honduras and Guatemala) bordering the MBRS convened in Tulum, Mexico in June 1997 to pledge their commitment to protecting this outstanding resource. The Tulum Declaration called on the four littoral states of the MBRS and its partners in the region to join in developing an Action Plan for its Conservation and Sustainable Use. The Central American Commission on Environment and Development (CCAD), comprised of the Ministers of Environment of the seven Central American countries and Mexico (as an observer), approached the Global Environment Facility (GEF) through the World Bank to request support for the design of the Action Plan and a strategy for its implementation.

CCAD's request was granted through the Global Environment Facility Trust Fund Grant No. TF-027739 Agreement dated October 18, 2001 among Commission Centroamericana de Ambiente y Desarrollo (the Recipient), the Republic of Guatemala, Belize, the Republic of Honduras, the United Mexican States, and International Bank for Reconstruction and Development (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of GEF. The grant funds of SDR\$8,500,000 originally budgeted at US\$11,034,377 is valued at USD\$10,682,205 (SDR\$8,500,000 at the rate SDR=1.25673 at December 31, 2001) would be utilized to implement the Action Plan.

This Action Plan, which provides the basis for a comprehensive, 15-year program of regional and national level activities aimed at safeguarding the integrity and productivity of the MBRS was adopted in June 1999. In light of the long-term nature of the goals and objectives implied in the MBRS Action Plan and supported under this Project, a second strategic choice was made to design the initiative within the context of a long-term regional program, involving a range of potential partners and stakeholders in a phased approach. This Project, therefore, represents Phase I of a proposed 15 year Program, requiring long term commitment on the part of the countries, the donor community, and the many partner institutions currently involved in the region, to achieve the objectives of the MBRS Action Plan. The elements of follow on phases under this long term Program will be determined prior to the end of Phase I.

“The objectives of the Project are to enhance protection of the marine ecosystems that comprise the Mesoamerican Barrier Reef System Project (MBRS), as well as to assist the participating countries in strengthening and coordinating their national policies, regulations and institutional arrangements for the conservation and sustainable use of the MBRS.”

The Project's Executing Agency is the Central American Commission for Environment and Development (CCAD) on behalf of the four countries .

**INDEPENDENT AUDITORS' REPORT ON
SOURCES AND USES OF FUNDS STATEMENT
OF THE
CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
SYSTEMS PROJECT**

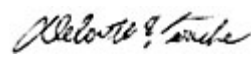
We have audited the accompanying sources and uses of funds statement from transactions of the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) for the ten months ended December 31, 2001. This financial statement is the responsibility of the Project's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial 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.

As described in Note 2, the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) reports on the cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, funds are recognized when received rather than when due and expenses are recognized when paid rather than when incurred. Accordingly, the financial statement is not intended to present results of operations in conformity with generally accepted accounting principles.

In our opinion, the statement referred to above present fairly, in all material respects, the sources and uses of funds of the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) for the ten months ended December 31, 2001, on the basis of accounting policies described in Note 2 to the statements.

In addition, with respect to the statement of uses of funds by project activities, adequate supporting documentation has been maintained (a) to support claims to the International Bank for Reconstruction and Development for reimbursements of expenditures incurred; and (b) to classify which expenditures are eligible for financing under the Project.


Deloitte & Touche
March 15, 2002

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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SOURCES AND USES OF FUNDS STATEMENT
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

2001


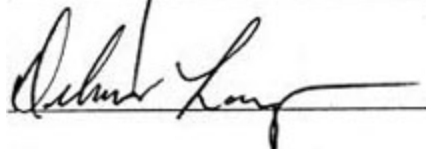
SOURCES OF FUNDS:

EXTERNAL FINANCING	
GEF Funds to UNDP	\$1,004,057
GEF Funds to PCU	<u>53,463</u>
 TOTAL	 <u>\$1,057,520</u>

USES OF FUNDS:

Consultancies	\$ (275,485)
Goods	(91,914)
Operating costs	(76,848)
Training	(58,380)
Works	<u>(13,939)</u>
 TOTAL	 <u>(516,566)</u>

Ending cash balance	\$ <u>540,954</u>
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	Project Director
	Finance Officer

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITIES
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

	<u>2001</u>
PROJECT ACTIVITIES:	
Marine protected areas	\$ (27,130)
Regional environmental information system	(98,593)
Promoting sustainable use of MBRS	(35,360)
Public awareness and environment education	(27,847)
Regional coordination and project management	<u>(327,636)</u>
Net cash used in project activities	<u>\$(516,566)</u>

The accompanying notes form an integral part of these financial statements.

**CONSERVATION AND SUSTAINABLE USE OF THE BARRIER REEF SYSTEMS
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**NOTES TO FINANCIAL STATEMENTS
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

1. PROJECT STATUS

Mesoamerican Barrier Reef System (MBRS) Project seeks to protect coral reef and related coastal ecosystems in the region by promoting their conservation and sustainable use. It is a regional project that unites and strengthens efforts in four countries bordering the world's second largest barrier reef. The Central American Commission on Environment and Development (CCAD), comprised of the Ministers of Environment of the seven Central American countries and Mexico (as an observer), approached the Global Environment Facility (GEF) through the World Bank to request support for the design of the Action Plan and a strategy for its implementation. CCAD's request was granted through the Global Environment Facility Trust Fund Grant No. TF-027739 Agreement dated October 18, 2001.

The estimated cost of the project was US \$15,190,000 to be financed up to US \$11,034,377 by the GEF Grant No. TF027739 and the governments of the four countries will be providing in-kind contributions up to US \$4,155,623 according to the budget presented in Annex 1 of the Grant Agreement.

The Project's Executing Agency is the Central American Commission for Environment and Development (CCAD).

2. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in United States dollars (USD) under the historical cost convention and conform with International Auditing Standards appropriate to the activity in which the project operates.

The Project's accounting and financial reporting system aims to enable users to assess the accountability of the funds available for its activities. In order to satisfy this objective, the following accounting policies have been adopted.

- (a) A "cash basis" which is a comprehensive basis of accounting other than generally accepted accounting principles used in preparation of the financial statements. Cash received from the Bank is recognized when effectively deposited in the Project's bank account. Disbursements are recognized when they are paid.
- (b) All costs related to the Project activities are classified, where appropriate, according to the work plan budget for the period.
- (c) No depreciation is charged on fixed assets acquired from Project funds.

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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NOTES TO FINANCIAL STATEMENTS

TEN MONTHS ENDED DECEMBER 31, 2001 (USD) (CONTINUED)

2. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) The Project's Sources and Uses of Fund Statement reflects receipts and disbursement relating to GEF grant funds.

(e) The Project's funds are deposited in United States dollars directly into the Project Coordination Unit (PCU) bank account and the UNDP bank account at the prevailing exchange rate on the date of deposits. Gains or losses on foreign exchange transactions are not recognized in the financial reports.

3. COMMITMENTS

The following expenses have been incurred (signed contractual agreements) but not paid as of December 31, 2001:

Commitments to general suppliers	\$18,321
Commitments to consultants	<u>33,541</u>
Total Commitments as at December 31, 2001	<u>\$51,862</u>

INDEPENDENT AUDITORS' REPORT ON THE SPECIAL ACCOUNT STATEMENT
FOR
CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
REEF SYSTEMS PROJECT

We have audited the accompanying Special Account Statement of the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) for the ten months ended December 31, 2001. Our responsibility is to express an opinion on the Special Account Statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the special account is free from material misstatements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Special Account Statement gives a true and fair view of the financial position of the Sources and Uses of Funds and of the Special Account of Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 for the ten months ended December 31, 2001, and the payments and replenishments to that date are in accordance with accounting policies described in Note 2 to the statements.



Deloitte & Touche
March 15, 2002

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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FOR RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE
CENTRAL AMERICAN COMMISSION FOR ENVIRONMENT AND
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SPECIAL ACCOUNT STATEMENT
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

	<u>Amount</u>
I BALANCE IN BANK ACCOUNT	
Bank Name : <u>Bank of Nova Scotia</u>	
Account # : <u>65218</u>	\$ 53,463
Cash Fund: <u>United Nations Development Programme</u>	<u>487,491</u>
	\$ 540,954
 II DISBURSEMENT REQUESTS NOT INCLUDED IN ACCOUNTING SUMMARY	
1 Gross Disbursement Request # :	\$ <u> -</u>
 III FUNDS ALREADY USED	
1 Expenditure for March to December 2001	\$ 516,566
2 Other Expenses Pending Justification	-
3 Deductions to Previous Disbursement	<u> -</u>
	\$ <u>516,566</u>
 IV DEPOSITS TO SPECIAL ACCOUNT DURING 2001	 \$(<u>1,057,520</u>)
 V DIFFERENCE	 \$ <u> -</u> *
 *(I+II+III-IV)	

REPORT ON STATEMENT OF EXPENDITURES

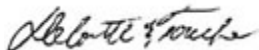
TO

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

During the course of our audit of the transactions resulting from the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) for the ten months ended December 31, 2001, we examined the supporting documents for the disbursement requests submitted to the Bank during that period in support of applications for replenishment from the grant account.

Our examination was done in accordance with International Standards on Auditing and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the Statements of Expenditures submitted and the supporting schedules and information submitted with them, together with the procedures involved in their preparation, can be relied on to support the validity of the applications for replenishment.



Deloitte & Touche

March 15, 2002

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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**STATEMENT OF EXPENDITURES (SOE) WITHDRAWAL SCHEDULE
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

	Consultancies	Goods	Operating Costs	Training	Works	Totals
APPLICATIONS						
REIMBURSED DURING						
2001						
No. 1	\$208,434	\$ 90,820	\$ 64,963	\$ 58,380	\$ 1,288	\$ 423,885
No. 2	403,459	80,313	53,463	96,400	-	633,635
TOTAL REIMBURSED						
DURING 2001	\$611,893	\$171,133	\$118,426	\$154,780	\$ 1,288	\$1,057,520
TOTAL SOE	\$275,485	\$ 91,914	\$ 76,848	\$ 58,380	\$13,939	\$ 516,566

Reconciliation of Funds Received to Investment for the year:

Total SOE	\$ 516,566
Add: Cash in Bank	<u>540,954</u>
	<u>\$1,057,520</u>

\$1,057,520

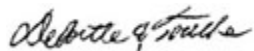
SPECIAL REPORT ON COMPLIANCE WITH CONTRACTUAL AGREEMENT

TO

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

We have examined the records of Sources and Uses of the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) for the ten months ended December 31, 2001 and have issued our report thereon dated March 15, 2002. Our examination was done in accordance with International Standards on Auditing and International Bank for Reconstruction and Development guidelines. Accordingly, we performed such tests of the accounting records and of compliance with terms of the agreement and such other procedures, as we considered necessary in the circumstances.

Based on our examination, the Conservation and Sustainable Use of the Mesoamerican Barrier Reef Systems Project (MBRS); GEF Trust Fund No. 027739 executed by the Central American Commission for Environment and Development (CCAD) for the ten months ended December 31, 2001 was generally in compliance with the financial and other covenants of GEF Trust Fund No. 027739 as detailed in the following compliance schedule.



Deloitte & Touche
March 15, 2002

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section		Compliance Status
	Financial Conditions	
4.01(a)	The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures for and in connection with the carrying out of the Project.	The Project received an evaluation of their FMS during Nov 15-16, 2001 from a World Bank financial consultant. It was noted that the FMS was not operating efficiently and Quick Book Pro was set up as the accounting module and the monitoring of procurements will be done using excel.
4.01(b)	The Recipient shall:	
	(i) have records, accounts, financial statement referred to in paragraph (a) of this Section for each recipient fiscal year audited, in accordance with auditing standards acceptable to the Bank, consistently applied, by independent auditors accepted to the Bank;	The Project has all financial records for this fiscal year. This year is its first year of operation.
	(ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of the fiscal year (A) certified copies of the financial statements (B) an opinion on such financial statements, records and accounts and a report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and	The financial audit is in progress and will be finalized by Mach 31, 2001 so the Project should have no difficulties in meeting this deadline
	(iii) furnish to the Bank such information concerning said records and accounts as well as the audit thereof as the Bank shall from time to time reasonably request	Available on request

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section		Compliance Status
	Financial Conditions	
4.01(c)	For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of Project Management Reports or statement of expenditures, the Recipient shall:	
	(i) maintain, in accordance with paragraph (a) of this section records and accounts reflecting such expenditures;	We found no material discrepancies in recording the Project's expenditures.
	(ii) retain until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account or payment of the Special Account was made, all records evidencing such expenditures;	This is not applicable since this is the Project's first year of operation.
	(iii) enable the Bank's representatives to examine such records; and	No inspection was done this year by the Bank.
	(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditures or Project Management Reports submitted during the fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.	This is being addressed by the 2001 Audit.
4.01(d)(i)	Without limitation upon the provisions of Section 4.01(a), (b) and (c) of this Agreement, the Recipient shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, not later than January 31, 2002 or such later date as the Bank shall agree to prepare quarterly Project Management Report, acceptable to the Bank, each of which:	This was accomplished through the World Bank monitoring visit Nov 15-16, 2001.

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section		Compliance Status
	Financial Conditions	
4.01(d)(i)	(A)(I) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (II) shows separately expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;	This is being reported in Project Management Report 1A through 1F.
	(B) (I) describes physical progress in Project Implementation, both cumulatively and for the period covered by said report; and (II) explains variances between the actual and previously forecast implementation targets; and	This is being reported in Project Management Report 2A.
	(C) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the GEF Trust Fund Grant, as at the end of the period covered by said report.	This is being reported in Project Management Report 3A through 3C.
4.01(d)(ii)	Upon the completion of the action plan referred to in paragraph (d)(i) of this Section, Recipient shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank no later than 45 days after the end of the calendar quarter, a Project Management Report for such period.	The first Project Management Reports was done for the quarter ending December 31, 2001.

**Schedule 1 Withdrawal of the Proceeds of the GEF
Trust Fund Grant**

B.	<u>Special Account</u>	
	1. The Recipient shall open and maintain in Dollars a special deposit account in a commercial bank satisfactory to the Bank, and on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment.	The PCU has opened an operating account with the Bank of Nova Scotia. However, all other funds are forwarded to the UNDP bank account.

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section		Compliance Status
	Schedule 1 Withdrawal of the Proceeds of the GEF Trust Fund Grant	
B.	3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.	Based on our audit procedures we noted that there was adequate support for disbursements from the UNDP bank account. However, as of year-end there were no transaction with the PCU Special Account.
	Schedule 3 Procurement and Consultants' Services	
I	Procurement of Goods and Works	
Part A	General	
	Goods and Works shall be procured in accordance with the provision of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.	
Part B	International Competitive Bidding	
	1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph of Appendix 1 thereto.	
	2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost more than \$100,000 equivalent each.	N/A

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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section	Procurement of Goods and Works	Compliance Status
Part C	Other Procurement Procedures	
	1. National Competitive Bidding: Goods estimated to cost \$100,000 equivalent or less per contract, to an aggregate amount not to exceed \$600,000 equivalent, may be procured under contracts awarded in accordance with competitive procedures, which procedure is both advertised within a Participating Country and carried out in a manner satisfactory to the Bank, using standard bidding documents acceptable by the Bank.	N/A
	2. National or International Shopping: Goods estimated to cost \$25,000 equivalent or less per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded on the basis of national (as applicable for a given Participating Country) or international shopping procedures in accordance with the provisions of paragraph 3.5 and 3.6 of the Guidelines.	This was the main method used in procurement during this fiscal year.
	3. Procurement of Small Works: Works shall be procured under lump-sum, fixed priced contracts awarded on the basis of quotation obtained from three (3) qualified contractors (from Participating Country in which works shall take place) in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully.	N/A

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AMERICAN COMMISSION FOR ENVIRONMENT AND DEVELOPMENT (CCAD)
SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section	Procurement of Goods and Works	Compliance Status
Part D	Review by the Bank of the Procurement Decisions	
	<ol style="list-style-type: none"> 1. Procurement Planning – Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph I of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph I. 2. Prior Review – (a) With respect to each contract procured under Part B of this Section as well as the first two contracts procured under Part C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 of the Guidelines shall apply. (b) With respect to the first two contracts procured under Part C.3 of this Section, the following procedures shall apply: <ol style="list-style-type: none"> (i) prior to the selection of any supplier or execution of any contract, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received; (ii) prior to the execution of any contract, the Recipient shall provide to the Bank a copy of the specifications and the draft contract; and (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply. 3. Post Review – With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply. 	<p>The procurement plan was noted in the work plan dated August 22, 2001.</p> <p>This was observed for the first two purchases undertaken by the PCU. We noted correspondences (including the quotations and draft contract) between the Bank and the PCU and the resulting “no objection” response to the items being procured.</p> <p>N/A</p>

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
SYSTEMS PROJECT (MBRS);
GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE CENTRAL
AMERICAN COMMISSION FOR ENVIRONMENT AND DEVELOPMENT (CCAD)
SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section		Compliance Status
II	Employment of Consultants	
Part A	General	
	<p>Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selections of Employment of Consultants by World Bank Borrowers" published by the Bank in January 1995 and revised in January 1997 and revised in September 1997 and January 1999 (the Consultants Guidelines) and the following provisions of Section II of this Schedule</p>	
Part B	Quality and Cost based Selection	
	<ol style="list-style-type: none"> 1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultants' Guidelines paragraph 3 of Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality and cost based selection of consultants. 	N/A
	<ol style="list-style-type: none"> 2. With respect to contracts awarded in accordance with the provisions of the preceding paragraph, the short list of consultants for services, estimated to cost less than \$200,000 equivalent per contract may comprise entirely Participating Country consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. 	N/A
Part C	Individual Consultants	
	<p>Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraph 5.1 through 5.3 of the Consultant Guidelines</p>	N/A

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AMERICAN COMMISSION FOR ENVIRONMENT AND DEVELOPMENT (CCAD)
SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section	Compliance Status
II	Employment of Consultants
Part D	Procurement/Disbursement Agent Services
	Procurement/disbursement agency services as referred to in Section 3.05(b)(i) of this Agreement, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.8 through 3.11 of the Consultant Guidelines.
	N/A
Part E	Review by the Bank of Selection of Consultants
	1. Selection Planning – Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank and with the provisions of said paragraph 1
	N/A
	2. Prior Review – (a) With respect to each contract procured under Part B of this Section and estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1,2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply. (b) With respect to each contract procured under Part C of this Section and estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall been given.
	N/A

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
SYSTEMS PROJECT (MBRS);
GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE CENTRAL
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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section	Compliance Status
II Employment of Consultants	
Part E 3. Post Review – (a) With respect to each contract not governed by paragraph 2 of this Part E, the procedures set forth in paragraph 4 of Appendix I to the Consultant Guidelines shall apply, except that each such contract shall be awarded only after the Bank has approved the relevant terms of reference of employment of the consultant firms or individuals. (b) With respect to all contracts covered by this Section II, the terms of paragraph 3 of Appendix I to the Consultant Guidelines shall apply.	N/A
Review by the Bank of Selection of Consultants	
1. Selection Planning – Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants’ services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank and with the provisions of said paragraph 1.	N/A

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
SYSTEMS PROJECT (MBRS);
GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE CENTRAL
AMERICAN COMMISSION FOR ENVIRONMENT AND DEVELOPMENT (CCAD)
SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

GEF Grant Agreement

Section	Compliance Status
II	Employment of Consultants
2. Prior Review – (a) With respect to each contract procured under Part B of this Section and estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1,2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply. (b) With respect to each contract procured under Part C of this Section and estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall been given.	N/A
3. Post Review – (a) With respect to each contract not governed by paragraph 2 of this Part E, the procedures set forth in paragraph 4 of Appendix I to the Consultant Guidelines shall apply, except that each such contract shall be awarded only after the Bank has approved the relevant terms of reference of employment of the consultant firms or individuals. (b) With respect to all contracts covered by this Section II, the terms of paragraph 3 of Appendix I to the Consultant Guidelines shall apply.	N/A

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
REEF SYSTEMS PROJECT (MBRS);
GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE
CENTRAL AMERICAN COMMISSION FOR ENVIRONMENT AND
DEVELOPMENT (CCAD)
BRIEF DISCLOSURE OF AUDITING PROCEDURES
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

Auditing procedures used in the examination and preparation of the financial statements included but were not limited to the following:

1. Verification of selected payments made from the loan source: GEF Grant No. TF0227739

Results of Verification:

Selected payments made from GEF funds were properly justified as legitimate expenditures.

2. Verification of Statements of Expenditures accompanying requests for disbursements or reimbursements of the Special Account from the International Bank for Reconstruction and Development.

Results of Verification:

Statement of Expenditures are properly justified. Reference Schedule of Statement of Expenditures on page 10.

3. Audit of the Special Account held with the Bank of Nova Scotia and United Nations Development Programme (UNDP), including verification of documents for completeness, reconciliation of receipts and disbursements, obtaining confirmations of period-end balances, verification of signatures on applications for payments with those authorized by the approval to withdraw SOE payments from the Special Account.

Results of Verification:

All necessary procedures were adequately carried out.

4. Verification of counterpart contributions to the Project.

Results of Verification:

Counterpart contributions are in-kind and are only budgetary estimates which are not recorded in the PCU's accounting records.

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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FOR RECONSTRUCTION AND DEVELOPMENT AND EXECUTED BY THE
CENTRAL AMERICAN COMMISSION FOR ENVIRONMENT AND
DEVELOPMENT (CCAD)
BRIEF DISCLOSURE OF AUDITING PROCEDURES (CONTINUED)
TEN MONTHS ENDED DECEMBER 31, 2001 (USD)**

5. Verification of compliance with significant terms of the GEF Grant agreement.

Results of Verification:

Executing Agency is in compliance with significant terms of the GEF Grant Agreement.

6. Verification of the four participating countries Governments compliance with commitments to the Project.

Results of Verification:

The four participating countries Governments so far are in compliance with their commitments to the Project.

March 15, 2002

Mr. Noel Jacobs
Central American Commission For
Environment and Development
Project Director
Project Coordination Unit
Coastal Resources Multi Complex
Fisheries Compound
Princess Margaret Drive
Belize City
BELIZE

Dear Mr. Jacobs,

We have recently completed our audit of the resources managed for the ten months ended December 31, 2001 by the Central American Commission for the Environment and Development (CCAD) under the Project: Conservation and Sustainable Used of Mesoamerican Barrier Reef System Project, financed partially by GEF Grant No.TF027739. During the course of our audit we examined the principal controls which the project has established to enable it to ensure, as far as possible, the accuracy and reliability of its records and safeguard its assets. We are writing to draw your attention to some important weaknesses which came to our attention and to suggest ways in which the system can be improved.

Kindly note, however, that the examination we carried out cannot be relied upon to disclose every weakness and as a result this does not necessarily mean that there are no other shortcomings which may exist in the system.

Accounting Records

Observation

We must commend the organization for the availability of supporting documentation for the MBRS Project's expenditures. However, we noted that for processing the payment for numerous invoices, specifically airfare invoices, there was no summary sheet which could easily identify the total disbursement request to the corresponding invoices.

Mr. Noel Jacobs

March 15, 2002

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Implication

This results in the person approving the payment to physically identify the existence of invoices, reperform the addition of all the attached invoices, and calculate the equivalent value in USD.

Recommendation

May we recommend a procedure that will further improve the payment of expenditures. A transaction summary sheet may be utilized for these payments which will aid a more efficient verification of individual invoices and amount. This will also give a clear audit trail of which invoices and amounts will be charged to specific components and subcomponents expenditure account.

Response

The recommendation will be adopted in our payment process.

Insurance

Observation

We noted that there is no insurance coverage for the Project's office furniture and equipment.

Implication

The occurrence of a disaster, namely fire or hurricane, normally results in the loss of property. Hence, it is a normal practice to purchase insurance on the equipment, supplies and other property of an office. This can minimize the loss of the Project in the event of a disaster.

Recommendations

We recommend that the issue of insurance coverage be revisited on the offices furniture and equipment.

Response

We have purchased insurance from Atlantic Insurance Limited effective April 1, 2002 for the office furniture and equipment.

General Comments

Procurement Procedures

Based on the results of our examination of the procurement of goods and works, we found no major deviations from the procurement guidelines, therefore we must commend the organization for its compliance to the procurement procedures.

Mr. Noel Jacobs

March 15, 2002

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Accounting System

We observed that the Financial Management System (FMS) for the PCU was not working effectively as required by the World Bank. The PCU had decided to set up the accounting module in QuickBooks Pro. As expressed in the World Bank Financial Management Consultant's Report, the QuickBooks Pro System, "...adequately records and reports budget and expenditures according to Bank requirements." Additionally, the recommendations of the World Bank Financial Management Consultant's Report have been implemented in the QuickBooks Pro System. The data contained in this system can therefore be used to generate the Project Management Reports (PMR's) in Excel. The PMR's that we tested for December 31, 2001 were generated in Excel, using the data from the QuickBooks Pro System. We found them to be accurate and in compliance with Bank requirements. In addition the QuickBooks Pro System was reviewed and recommended by the World Bank Financial Management Consultant during her monitoring visit from November 15-16, 2001 and approved by the World Bank Financial Management Specialist for Latin America and the Caribbean Region. We, therefore, recommend the continued use of this system.

We greatly appreciate the opportunity to serve as your auditors and would like to express our appreciation to the key personnel from various departments for their invaluable assistance during our audit. We are also interested in your business on a whole and would like to continue working closely with you.

Please feel free to contact us whenever you feel we might be of assistance to you.

Sincerely,



Deloitte & Touche