

***CONSERVATION AND SUSTAINABLE
USE OF THE MESOAMERICAN
BARRIER REEF SYSTEMS PROJECT
Financial Statements For the Years
Ended December 31, 2003 and 2002 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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AMERICAN COMMISSION FOR ENVIRONMENT AND DEVELOPMENT (CCAD)**

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 USD\$12,630,745 at December 31, 2003 (SDR\$8,500,000 at the rate SDR=1.48597) compared to USD\$11,555,920 at December 31, 2002 (SDR\$8,500,000 at the rate SDR=1.35952) 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 statements 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 years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Project's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits 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 statements are 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 audits provide 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 years ended December 31, 2003 and 2002, 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 at the Project Coordination Unit (PCU) in Belize City (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.



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February 27, 2004

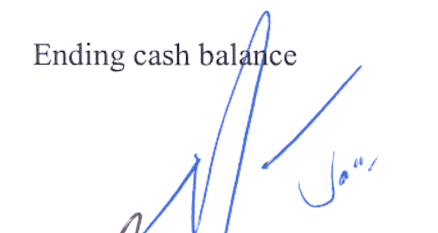
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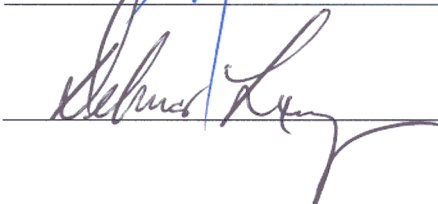
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DEVELOPMENT (CCAD)
SOURCES AND USES OF FUNDS STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002 (USD)**

	<u>2003</u>	<u>2002</u>
<u>SOURCES OF FUNDS:</u>		
EXTERNAL FINANCING		
Opening cash balance	\$ 102,165	\$ 540,954
GEF Funds to UNDP	2,664,540	493,990
GEF Funds to PCU	<u>182,383</u>	<u>64,467</u>
 TOTAL	 <u>\$2,949,088</u>	 <u>\$1,099,411</u>
<u>USES OF FUNDS:</u>		
Consultancies	\$ (747,905)	\$ (595,550)
Goods	(1,113,976)	(21,436)
Operating costs	(122,711)	(117,089)
Training	(454,146)	(263,171)
Works	<u>(319,633)</u>	
 TOTAL	 <u>(2,758,371)</u>	 <u>(997,246)</u>
 Ending cash balance	 <u>\$ 190,717</u>	 <u>\$ 102,165</u>



 _____ Project Director



 _____ Finance Officer

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

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER
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CENTRAL AMERICAN COMMISSION FOR ENVIRONMENT AND
DEVELOPMENT (CCAD)
STATEMENTS OF USES OF FUNDS BY PROJECT ACTIVITIES
YEARS ENDED DECEMBER 31, 2003 AND 2002 (USD)**

	<u>2003</u>	<u>2002</u>
PROJECT ACTIVITIES:		
Marine protected areas	\$ (920,858)	\$(128,712)
Regional environmental information system	(686,038)	(278,112)
Promoting sustainable use of MBRS	(389,869)	(139,949)
Public awareness and environment education	(284,946)	(80,589)
Regional coordination and project management	<u>(476,660)</u>	<u>(369,884)</u>
Net cash used in project activities	<u>\$(2,758,371)</u>	<u>\$(997,246)</u>

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

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002 (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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2003 AND 2002 (USD)**

2. STATEMENT OF ACCOUNTING POLICIES (continued)

(d) The Project's Sources and Uses of Fund Statement reflect 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:

	<u>2003</u>	<u>2002</u>
Commitments to general suppliers	\$ 26,829	\$ 11,114
Commitments to consultants	<u>163,907</u>	<u>206,285</u>
Total Commitments as of December 31,	<u>\$190,736</u>	<u>\$217,399</u>

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

We have audited the accompanying Special Account Statements 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 years ended December 31, 2003 and 2002. Our responsibility is to express an opinion on the Special Account Statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the Special Account Statements give 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 years ended December 31, 2003 and 2002, and the payments and replenishments to that date are in accordance with accounting policies described in Note 2 to the statements.



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February 27, 2004

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SPECIAL ACCOUNT STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002 (USD)**

I	BALANCE IN BANK ACCOUNT	<u>Amount</u>	
		<u>2003</u>	<u>2002</u>
	Bank Name: <u>Scotiabank (Belize) Ltd.</u>		
	Account #: <u>65218</u>	\$ 60,602	\$ 931
	Cash Fund: <u>United Nations Development Programme</u>	<u>130,115</u>	<u>101,234</u>
		<u>\$ 190,717</u>	<u>\$ 102,165</u>
II	DISBURSEMENT REQUESTS NOT INCLUDED IN ACCOUNTING SUMMARY		
	1 Gross Disbursement Request #:	\$ <u>-</u>	\$ <u>-</u>
III	FUNDS ALREADY USED		
	1 Expenditure for January to December	\$ 2,758,371	\$ 997,246
	2 Other Expenses Pending Justification	-	-
	3 Deductions to Previous Disbursement	\$ <u>-</u>	<u>-</u>
		<u>\$ 2,758,371</u>	<u>\$ 997,246</u>
IV	BEGINNING CASH BALANCE	\$ <u>102,165</u>	\$ <u>540,954</u>
V	DEPOSITS TO SPECIAL ACCOUNT DURING JANUARY TO DECEMBER	\$(<u>2,846,923</u>)	\$(<u>558,457</u>)
VI	TOTAL GRANT FUNDS AVAILABLE	\$ <u>2,949,088</u>	\$ <u>1,099,411</u>
	DIFFERENCE	\$ <u>-</u>	\$ <u>-</u>

*(I+II+III-IV-V)

REPORT ON STATEMENTS OF EXPENDITURES

TO

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

During the course of our audits 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 years ended December 31, 2003 and 2002, we examined the supporting documents held at the PCU in Belize City 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 by the PCU in Belize City, can be relied on to support the validity of the applications for replenishment.



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February 27, 2004

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STATEMENTS OF EXPENDITURES (SOE) WITHDRAWAL SCHEDULE
YEARS ENDED DECEMBER 31, 2003 AND 2002 (USD)**

	Consultancies	Goods	Operating Costs	Training	Works	Totals
APPLICATIONS REIMBURSED DURING 2003						
No. MBRS-PCU 006	\$ -	\$ -	\$49,314	\$ -	\$ -	\$ 49,314
No. MBRS-PCU 008	-	-	38,457	-	-	38,457
No. MBRS-PCU 010	-	-	44,888	-	-	44,888
No. MBRS-PCU 012	-	-	49,724	-	-	49,724
No. MBRS-UNDP 005	899,545	1,022,911	-	509,963	232,121	2,664,540
TOTAL REIMBURSED DURING 2003	\$899,545	\$1,022,911	\$182,383	\$509,963	\$232,121	\$2,846,923
TOTAL SOE	\$747,905	\$1,113,976	\$122,711	\$454,146	\$319,633	\$2,758,371
Opening cash balance						\$ 102,165
Deposits to special account						<u>2,846,923</u>
						<u>\$2,949,088</u>
Reconciliation of Funds Received to Investment for the year:						
Total SOE				\$2,758,371		
Add: Cash in Bank				<u>190,717</u>		
				<u>\$2,949,088</u>		
APPLICATIONS REIMBURSED DURING 2002						
No. MBRS-PCU 003	\$ -	\$ -	\$ 34,304	\$ -	\$ -	\$ 34,304
No. MBRS-PCU 004	-	-	30,163	-	-	30,163
No. MBRS-UNDP 005	356,232	7,706	11,976	105,424	12,652	493,990
TOTAL REIMBURSED DURING 2002	\$356,232	\$ 7,706	\$ 76,443	\$105,424	\$12,652	\$ 558,457
TOTAL SOE	\$595,550	\$21,436	\$117,089	\$263,171	\$ -	\$ 997,246
Opening cash balance						\$ 540,954
Deposits to special account						<u>558,457</u>
Reconciliation of Funds Received to Investment for the year:						<u>\$1,099,411</u>
Total SOE				\$ 997,246		
Add: Cash in Bank				<u>102,165</u>		
				<u>\$1,099,411</u>		

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 years ended December 31, 2003 and 2002 and has issued our report thereon dated February 27, 2004. 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 years ended December 31, 2003 and 2002 was generally in compliance with the financial and other covenants of GEF Trust Fund No. 027739 as detailed in the following compliance schedule.



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February 27, 2004

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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT
YEARS ENDED DECEMBER 31, 2003 AND 2002 (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 PCU 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 is being done. We found that the financial and procurement systems at the PCU are performing properly and are in accordance with the Bank guidelines
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 PCU in Belize City has all financial records for years ended December 31, 2003, 2002 and 2001.
	(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 for the year ended December 2003 is in progress and will be finalized by March 31, 2004. The PCU does not anticipate 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 upon request

**CONSERVATION AND SUSTAINABLE USE OF THE MESOAMERICAN BARRIER REEF
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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
YEARS ENDED DECEMBER 31, 2003 AND 2002 (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;	All records evidencing expenditures for the current and last fiscal year are kept at the PCU, the official accounting and financial management station of the Project, and available for inspection.
	(iii) enable the Bank's representatives to examine such records; and	The Bank did no inspection during 2003.
	(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 has been addressed by the current year's Audit and can be seen on page 9 of this report. Last fiscal year's audit report included an audit opinion on the statement of expenditures, audit report on sources and uses of funds and report on the special account statements.
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 semi-annual Project Management Report, acceptable to the Bank, each of which:	This was accomplished through the World Bank monitoring visit Nov 15-16, 2001 by the World Bank Financial Consultant.

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SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
YEARS ENDED DECEMBER 31, 2003 AND 2002 (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 by the PCU in Project Management Report 1A through 1F2.
	(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 by the PCU in Project Management Report 3A.
	(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 by the PCU in Project Management Report 2A through 2D.
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 last Project Management Reports was done for the quarter ending December 31, 2003.
	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 Scotiabank (Belize) Ltd. All other funds are forwarded to the UNDP bank account for disbursement upon request by the PCU.

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GEF TRUST FUND NO. 027739 IMPLEMENTED BY THE INTERNATIONAL BANK FOR
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AMERICAN COMMISSION FOR ENVIRONMENT AND DEVELOPMENT (CCAD)
SUMMARY OF COMPLIANCE WITH CONTRACTUAL AGREEMENT (CONTINUED)
YEARS ENDED DECEMBER 31, 2003 AND 2002 (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 and our review of the supporting documentation held at the PCU, we noted that there were adequate support for disbursements from the UNDP bank account and the PCU's operating account held at the Scotia Bank (Belize) Ltd.
	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.	N/A
	2. To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost more than \$100,000 equivalent each.	

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Section	Procurement of Goods and Works	Compliance Status
Part C	Other Procurement Procedures	
	<ol style="list-style-type: none"> 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
	<ol style="list-style-type: none"> 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 by the PCU in procurement during this fiscal year.
	<ol style="list-style-type: none"> 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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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. This was accomplished by the World Bank monitoring visit in November 2002. The next visit is scheduled in April of 2004.</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>

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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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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
	Review by the Bank of Selection of Consultants	
Part E	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

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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

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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

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BRIEF DISCLOSURE OF AUDITING PROCEDURES
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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:

Statements 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.

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BRIEF DISCLOSURE OF AUDITING PROCEDURES (CONTINUED)
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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.

February 27, 2004

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 year ended December 31, 2003 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.

Accounting Records

Observation

We must commend the organization for the availability of supporting documentation for the MBRS Project's expenditures and its compliance with the project's financial conditions.

Interest Income

Observation

We noted that there is no recording of interest income since the inception of the project to date on monies held in the UNDP bank account. The agreement states that interest income should be earned on monies deposited to UNDP's bank account on behalf of MBRS.

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Mr. Noel Jacobs
February 27, 2004
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Implication

The interest earned on these funds can definitely be used by the project to increase and enhance their objectives and possibly offset the potential loss on fluctuation of the Special Drawing Rights (SDR) to USD when funds are received from the World Bank.

Recommendation

May we recommend that communication and agreement be on going with UNDP to issue interest at a specific time within the year and at the agreed rate of interest for monies kept in their bank account on the project's behalf. A possible alternative in respect of interest income from UNDP maybe to communicate that future fees may be withheld until payment of interest earned on monies held by UNDP is paid to the PCU.

Response

The PCU agrees, and will continue to pursue this issue.

Procurement Procedures

Based on the results of our examination of the procurement of consultants, 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.

Conclusion

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.