**PROJECT FIDUCIARY AGREEMENTS AND REQUIREMENTS**

**COUNTRY:** Guyana

**PROJECT Nº:** GY-L1058

**NAME:** Support to Improve Maternal and Child Health

**EXECUTING AGENCY:** Ministry of Public Health

1. **EXECUTIVE SUMMARY**
   1. The general objective of the program is to contribute to the reduction of maternal, perinatal and neonatal deaths in Guyana. The total estimated budget is US$8,000,000, all of which will be financed of the IDB from the OC/FSO resources.
   2. The Executing Agency (EA) is the Ministry of Public Health (hereafter MoPH). MoPH executed three Bank financed Loan – *Health Sector Program* 1548/SF-GY, *Basic Nutrition Program* 1120/SF-GY and the *Expansion and Integration of Basic Nutrition* 2270/BL-GY which was reformulated in December of 2015. The fiduciary aspects of the execution mechanism for the present Loan are analyzed accordingly.
   3. An institutional capacity assessment of MoPH was conducted in June 2016 using the Institutional Capacity Assessment System (ICAS) methodology. The ICAS assessment concluded that the fiduciary risk is considered as medium. A re-evaluation of the fiduciary risks will be conducted during execution as part of the regular fiduciary supervision to ensure efficient support to project execution.
   4. **Fiduciary Context of the country.** An Integrated Fiduciary Assessment (IFA) was conducted in 2012/2013. It provided an update to the 2007 combined Public Expenditure and Financial Assessment (PEFA) performance measurement framework and OECD-DAC procurement assessment. The results of the 2012/2013 IFA and the 2007 PEFA, concluded that Guyana’s overall budget planning, accounting and reporting systems worked well; IFMAS (Integrated Financial Management Accounting System)) operated consistently and reliably providing updated information about all elements of budget execution, and budget planning and reporting was being done in accordance with the cash basis of accounting and its standards. The Public Financial Management (PFM) indicator scores from the 2012/2013, continued to show encouraging results with slight improvements in areas such as Strengthened External Audit Function, Budget Preparation Process, Revenue Administration etc. Notwithstanding, the IFA highlighted that attention needed to be paid to the internal control environment, Internal Audit, Payroll Control and Procurement Control among others. To date, confirmations from the Borrower on the results of the 2012/2013 IFA as well as 2007 PEFA remain outstanding. The Bank’s Guide for the Use of Country Systems (GUS) Assessment was also conducted in 2013; it is also awaiting Government’s validation. The Auditor General’s Office (AOG) is currently eligible to audit all Bank‑financed TCs and loan operations deemed to be of low or medium complexity and risk. This was based on an assessment of the capacity of the AOG undertaken by the Bank in 2011 and the continued institutional strengthening support given by the Bank to the AOG. For this operation, the Bank is recommending: (i) the use of the national accounting system, IFMAS, or any other system acceptable to the Bank, for the financial administration of the project; and (ii) for external control, a firm of independent public accountants acceptable to the Bank or the Auditor General of Guyana.
   5. With regards to procurement, assessments of the national system (MAPS) have been performed in 2007 and 2013. The results are not yet endorsed by the Government of Guyana (GoG). Guyana has a dedicated legislation that governs public procurement, namely the *Procurement Act of 2003* and its associated regulations. It established the National Procurement and Tender Administration Board (NPTAB) which is responsible for exercising jurisdiction over the country’s tender processes, reporting to the Ministry of Finance with policy making, advisory oversight, and monitoring and information functions. In accordance with the existing legal framework, the NPTAB is a temporary entity while awaiting the creation of the Public Procurement Commission (PPC). The PPC is foreseen in the Consitution.and. Its members are appointed by the President and approved by the National Assembly. The country is in the process of strengthening its centralized website for publication of opportunities for requests for proposals, but to date, it is not regularly used across procurement entities or by the independent public corporations. Additionally, efforts are placed to strengthen capacity to retain records of procurement processes and related information, as well as a registry for protests, suspension and debarment and contractors’ performance. Statistics on public procurement awards is also an area of focus for GoG. Notwithstanding, to date, the Country Procurement System has not been approved and hence will not be used under the present Loan. Consequently, the Bank requires the use of its Procurement Policies GN-2349-9 and GN-2350-9 for all projects approved after 2011. The Bank will bring adequate support to the procurement function to ensure efficiency of the procurement activities and to provide support to the prompt execution of the operation in accordance with the Bank’s rules and procedures.
2. **FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**
   1. The Maternal and Child Health (MCH) Unit of the MoPH headed by the MCH Officer, will be responsible for the execution of the Loan and for carrying out all related fiduciary activities. In accordance with the existing structure at the MoPH, the MCH Unit of the Family Health Department will discharge its duties in coordination with the Office of the Permanent Secretary and the Office of the Chief Medical Officer”[[1]](#footnote-2). As per ICAS findings, the Office of the Permanent Secretary ensures “proper allocation of organizational, personnel and financial resources towards the attainment of the Ministry’s strategic and operational goals and broad sector objectives”[2]. All administrative responsibilities which include the fiduciary duties are placed under the direct responsibility of the Office of the Permanent Secretary. However, the Chief Medical Officer provides “technical leadership and guidance for the implementation of sector specific programs and actions”[3], hence creating a need for a dual reporting line to coordinate activities involving planning, execution and monitoring and evaluation of the fiduciary activities. This will have to be clearly described in the Operations Manual. To strengthen the execution capacity of the MCH Unit, loan resources will fund the dedicated human resources who will discharge all expected fiduciary duties for the duration of the Loan. Staff to be recruited will include a Financial Officer and a Procurement Officer. Their recruitment will be a condition prior to first disbursement.
   2. MoPH uses the country’s IFMAS. IFMAS was successfully piloted on previous IDB‑financed loans; and an operations manual for Bank funded operations using IFMAS as its accounting system was developed by the Ministry of Finance. It is recommended that this program use IFMAS for the financial management and accounting of the program.
   3. As far as the procurement function is concerned, findings of the ICAS indicate that, under the organizational scheme currently in force at MoPH, procurement activities are conducted by the Materials Management Unit (MMU), placed under the Office of the Permanent Secretary. The MMU has a total of 15 staff members, 10 of whom are responsible for the purchase of medical equipment and pharmaceuticals, while the remaining five are responsible for the other purchases. At present, the initial procurement plan for the Loan includes purchases of medical equipment. As mentioned in Section 2.1 above, this Loan will be implemented by the MCH Unit, and in particular the dedicated personnel within the MCH Unit who will be in charge of all procurement activities under the present Loan. This personnel is yet to be recruited. Once in place, the personnel will coordinate with the Office of the Permanent Secretary and the Office of the Chief Medical Officer and other applicable lines of authorities to ensure that the technical specifications and the terms of references are in accordance with the norms in force at the MoPH. Training to the new staff will be provided to ensure that procurement duties are discharged in the most efficient manner and in keeping with the Bank’s Procurement Policies.
3. **FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS**
   1. The Project Team and the MoPH developed a preliminary Risk Mitigation Matrix included in the package of project documents. Yearly assessments will be conducted to introduce additional mitigating actions as a result of such reviews and as deemed necessary.
   2. The Loan will be executed by the dedicated personnel embedded within the MCH of the MoPH. Consequently, it is reasonable to expect challenges in the execution of the expected activities due to human resource capacity and constraints. A dedicated Financial Officer and Procurement Officer assigned to MCH Unit are considered essential elements for the execution of the fiduciary activities under this Loan and to ensure the maintenance of a strong system of internal reporting and control mechanism. As a mitigation measure, the newly recruited Financial and Procurement Officers will be trained in Bank’s rules and procedures.
   3. Taking into consideration the ICAS assessment, the financial management arrangements revealed medium financial management risk.
   4. With regards to procurement activities, the ICAS identified a medium risk in terms of organizational structure. It also noted that the MMU discharges its procurement duties in accordance with the Procurement Act of 2003. The personnel who will be in charge of the project’s execution will have to discharge its duties in accordance with the Bank Policies. This will require coordination which will be set out in the Operation’s Manual. The latter will be considered a condition prior to eligibility and should include, among others: (i) norms tailored to the characteristics and administrative practices of the MoPH and in accordance with the Bank’s policies; (ii) identification of workflows and corresponding purchasing and contracting modalities addressing also issues of planning and levels of delegation of authority; (iii) definition of a filing system designed to ensure that all procurement related files will remain fully accessible for seven years in accordance with Bank’s policies. Additionally, given the nature of the expected procurement activities under this Loan as described in the attached procurement plan, the risk is identified as being medium provided that technical specifications and terms of references are in line with the MoPH’s requirements and the requirements of the Loan Agreement.
4. **SPECIAL CONDITIONS OF CONTRACT TO BE ADHERED TO**
   1. **Conditions prior to first disbursement:** The presentation of evidence that MoPH has recruited a designated Financial Officer for the program. Another condition prior will include the recruitment of a Procurement Officer. The last condition prior will be the validation of an Operation’s Manual which will capture all the necessary fiduciary arrangements, as well as all items as expected in such document.
   2. **Type of exchange rate to be used by EA.** The type of funds to be used are established in the following manner: (i) Reimbursement of actual expenses: the effective rate of exchange on the date of payment of each expenditure, as published by the Central Bank of Guyana; (ii) Reporting on accounts (Advance of Funds): the effective rate of exchange used in the conversion of the currency of the operation to the local currency. In cases of reimbursement of a guarantee of letter of credit, the equivalent of the currency of the operation will be fixed in accordance with the amount effectively disbursed by the IDB.
5. **FINANCIAL MANAGEMENT**
   1. **Financial Statements and Reports, audited or unaudited.** (i) semi-annual financial reports of the program are to be included in the semi-annual progress report which will be submitted by the MoPH to the Bank; (ii) annual financial statements of the project, audited by the Auditor General of Guyana are to be submitted to the Bank within 120 days at the end of each fiscal year, beginning with the fiscal year in which the first project expenditures are incurred; and (iii) a final financial audit report of the program is to be submitted by MoPH within 120 days after the date of the last disbursement.
   2. **Programming and Budget:** The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the Annual Operating Plan and the PP.
   3. **Accounting and Information Systems.** It is expected that IFMAS accounting system will facilitate the recording and classification of all financial transactions.
   4. **Disbursements and Cash Flow.** The Bank will supervise the creation of an Advance of Funds, using the Advance of Funds methodology. Whenever resources from the financing are requested through an Advance of Funds, it will be deposited into a Special Account, denominated in US$, established exclusively for the Project at the Central Bank of Guyana. Required resources from this Special Account will be transferred to another bank account, denominated in Guyana Dollars to be utilized for payment of expenditures in local currency.
   5. The project will provide adequate justification of the existing Advance of Funds balance, whenever **80%** of said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days. In order to request disbursements from the Bank, the EA will present the following forms and supporting documents:

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| **Type of Disbursement** | **Mandatory Forms** | **Optional forms/ information that can be requested by the IDB** |
| Advance | Disbursement Request/Financial Plan | List of Commitments  Physical/Financial Progress Reports |
| Reimbursements of Payments Made | Disbursement Request/Project Execution Status/Statement of Expenses | List of Commitments  Physical/Financial Progress Reports |
| Direct Payment to Supplier | Disbursement Request/Statement of Expenses/Acceptable Supporting Documentation | List of Commitments  Physical/Financial Progress Reports |

* 1. Generally, supporting documentation for Justification of Advances and Reimbursement of Payments Made will be kept at the office of the EA. Disbursements’ supporting documents may be reviewed by the Bank on an ex-post basis.
  2. **Internal Control and Internal Audit:** The management of the project will assume the responsibility for designing and implementing a sound system of internal controls for the project.
  3. **External Control and Reports.** For each fiscal year during project execution, MoPH will be responsible to produce semi-annual financial reports for the project, annual Audited Financial Reports of the Program and one final Audited Financial Report at the end of the Program, audited either by the Auditor General of Guyana or by a firm of independent public accountants acceptable to the Bank.
  4. **Financial Supervision Plan.** Financial Supervision will be developed based on the initial and subsequent risk assessments carried out for the project. Inspection visits will be performed based on the risk assessed, covering the following: (a) review of the bank reconciliation and supporting documentation for Advances and Justifications; (b) compliance with procedures; (c) review of compliance with the lending criteria; (d) ex‑post review of disbursements.
  5. **Execution Mechanism.** MoPH will be the EA and will be responsible for the financial administration of the program. MoPH’s responsibility will include: (i) preparation of required project reports; (ii) monitoring product, output and outcomes achievement using established indicators; (iii) preparation and submission of disbursement requests to the Bank and justification of expenses; (iv) preparation of financial reports; (v) ensure compliance with all aspects of the Operating Manual; and (vi) maintain adequate documentation filing system.

1. **REQUIREMENTS AND AGREEMENTS FOR EXECUTION OF PROCUREMENT**
   1. **Procurement Execution.** Procurements for this project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-9), of March 2011; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN‑2350‑9), of March 2011, and with the provisions established in the Loan contract. In addition, for all projects, the Borrower is required to prepare and submit to the Bank, a draft General Procurement Notice as well as an initial procurement plan which will be updated in accordance with the applicable sections of the Policies and the Loan Agreement.
   2. **Exception to Bank Procurement Policies.** None are requested for this Loan.
   3. **Procurement of Goods, Works, and Non-Consulting Services.** In accordance with Section 1.2 of GN-2349-9, “the responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the Borrower”. In accordance with the findings of the ICAS for this Loan and given the level of risk as identified above, all procurement activities will be carried out under ex-ante supervision as described in the following section of the present Annex III.
   4. **Procurement of Consulting Services.** In accordance with Section 1.4 of GN-2350-9. “The Borrower is responsible for preparing and implementing the project, and therefore for selecting the consultant, and awarding and subsequently administering the contract.” As such, the Borrower is responsible for preparing and implementing the scheduled activities, and therefore for preparing the TORs, short lists, selecting the consultants, awarding the contract and subsequently administering it. In accordance with the findings of the ICAS for this Loan and given the level of risk as identified above, all procurement activities will be carried out under ex-ante supervision as described in the following section of the present Annex III.
   5. **Sole Source Selection and/or Direct Contracting.** None foreseen under this Loan.
   6. **Selection of Individual Consultants.** Individual consultants are employed in accordance with Section V (Selection of Individual Consultants) of GN-2350-9.
   7. **Recurring Expenses.** Include payment of utilities and other office operating expenses of the Executing Unit, if any.
   8. **Advance Contracting/Retroactive Financing.** No advance contracting is foreseen under the present operation.
   9. **Domestic Preference.** Domestic Preference is not requested under this Loan.
   10. **Country Threshold.** Table (US$ Thousands) [www.iadb.org/procurement](http://www.iadb.org/procurement)

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| International Competitive Bidding Threshold\* | |  | National Competitive Bidding Range \*\* (complex works and non-common goods) | |  | Consulting Services |
| **Works** | **Goods** | **Works** | **Goods** | **International Short List** |
| >1,000,000 | >100,000 | <1,000,000 | <100,000 | >100,000 |

*\* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.*

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| **No.** | **PEP identification** | | **Category and Description of Procurement Contract** | **Method of Procurement** | | **Review** |
| **WORKS** | | | |  |  |  |
| 1 | 2.2.2 | | Remodeling of Nicholson Hospital | $500.00 | NCB | ex-ante |
| **GOODS** | | | |  |  |  |
| 1 | 2.2.1 | Medical equipment for the new building of Georgetown Hospital, the Nicholson Hospital and other health facilities in the sphere of influence of the project (ICB in several lots) | | $2,225.00 | ICB | ex-ante |
| 2 | 1.2.6.1.5 | Hardware and software purchased and distributed (several processes) | | $200.00 | NCB | ex-ante |
| **NON-CONSULTING SERVICES** | | | |  |  |  |
| 1 | 1.1.3.1 | | Materials for communication for behavior change strategy printed and distributed to 225 communities (several processes) | $125.00 | NCB | ex-ante |
| 2 | 1.1.3.1 | | Communication campaign implementing in 225 communities (several processes) | $125.00 | NCB | ex-ante |
| **CONSULTING SERVICES** | | | |  |  |  |
| 1 | 1.1.1.1 | | Technical assistance to design and support the implementation of interventions to strengthen reproductive, maternal, and neonatal health services and develop capacities and competencies at the central and local levels | $1.670.00 | QCBS | ex-ante |

*\*\* When procuring non-complex works or common goods with amounts under the NCB range, Shopping shall be used.*

* 1. **Procurement Plan.** The Procurement Plan for the operation covering the first 18 months of project execution can be accessed through the following [electronic link.](http://idbdocs.iadb.org/WSdocs/getDocument.aspx?DOCNUM=40456552) The on-line Electronic Procurement Execution System (known by its Spanish acronym as SEPA) will be used for the publication and updates of the Procurement Plan during execution. It is expected that the EA will use the SEPA program for management of its procurement activities. The Procurement Plan will be updated annually or whenever necessary, or as required by the Bank ([www.iadb.org/procurement](http://www.iadb.org/procurement); [http://www.iniciativasepa.org/bid/sitio/guyana/index-\_ing.htm](http://www.iniciativasepa.org/bid/sitio/guyana/index_ing.htm)). The initial procurement plan for the operation lists all procurement activities foreseen under this operation. The table below includes the list of the main procurement activities for this Loan.

**Main Procurement Activities:**

* 1. **Supervision.** The supervision modalities for this operation are tailored to keep with the most efficient execution mechanism while ensuring compliance with the applicable procurement rules and procedures. Under this Loan, procurement activities (i) are not expected to be complex in nature, nor will they involve the acquisition of medical of therapeutic equipment; (ii) will be subject to ex-ante review given the level of risk as identified above; (iii) will be explicitly listed in the approved and updated procurement plan in SEPA; (iv) will be launched once all technical specifications and/or terms of reference are validated by the Bank’s Sector Specialist; and (v) will be documented in accordance with the general filing guidelines that will be provided as part of the inception training of the fiduciary staff and in accordance with the applicable Bank Policies.
  2. All modifications to the present arrangement are subject to a prior written agreement between the EA and the Bank. The evaluation of capacity and the level of risk may vary during the project’s execution depending on the findings of the regular supervision activities that will be conducted during the project’s lifespan. As such, supervision modalities may vary as capacity increases.
  3. **Records and Files.** All records and files will be maintained by the EA, according to accepted best practices and to the general guidelines that will be provided by the Bank at the initial training of the fiduciary staff. All records must be kept for seven years beyond the end of the operation’s execution period. It is also recommended, and yet not mandatory, that the Executing Agencies developed electronic filing to avoid losing all paper files.

1. Support to improve MCH – GY-L1058; Institutional Evaluation; Andres Garrett, Institutional and Financial Consultant, June 2016. [↑](#footnote-ref-2)