

TERMS OF REFERENCE FOR INTERIM PROCUREMENT AND PUBLIC FINANCIAL MANAGEMENT (PPFM) OVERSIGHT OF THE HEALTH SECTOR POOLED FUND.

Introduction

1. The National Health Sector Programme 3 (NHSP3) Business Case was approved at the end of March 2016). NHSP3 comprises of two main instruments- Financial Aid (FA) (£57m over 4.5 years, Jul 2016 to Dec 2020) and technical assistance.
2. As agreed with other pooled fund donors, DFID will take over responsibility for the procurement and public financial management oversight of the Nepal health sector pooled fund, which includes DFID's health sector FA to the Government of Nepal, from the World Bank. The procurement process for NHSP3 Technical Assistance (TA) includes the TA for the Procurement and Public Financial Management (PPFM) oversight of the pooled fund. After series of discussions with key stakeholders including conducting an Early Market Engagement and a Supplier Day, this procurement opportunity was launched on 20th August, with contracts planned to be awarded in Jan/Feb 2017 and mobilised by end March 2017.
3. In terms of envisaged forecast, DFID Nepal is planning to disburse £8m in health sector financial aid by 10th December 2016. As per the NHSP3 Risk Assurance Framework an assessment of progress against the key safeguards will be made prior to DFID disbursements of financial aid, this includes a signed Joint Financing Arrangement, approval of the annual workplan and budget (including the Ministry of Finance's allocation to the health budget) and review of the most recently released annual external audit by the Office of the Auditor General (OAG). As such, DFID Nepal proposes to contract expertise to support an objective assessment of the safeguards and of fiduciary and procurement risks related to the health sector pooled fund to cover the period November 2016- end March 2017 when the PPFM procurement should be complete and mobilised.
4. NHSP3 builds on a track record of success and irreversible gains in health from DFID Nepal's previous support to the sector. This track record also includes improvements to the management of public finances and procurement in the health sector. However, however despite mutual effort by the GoN and Development Partners (DPs) and some improvement GoN fiduciary systems continue to suffer from significant weaknesses. An assessment of fiduciary risk in 2015 reported that the overall level of fiduciary risk is 'high' with financial accounting, financial reporting, audit, financial control, scrutiny and procurement as key risk areas
5. DFID Nepal has a zero tolerance of corruption. Risk mitigation in this area has been robust and for NHSP3 DFID Nepal has strengthened its internal assurance framework for financial aid. Additional safeguards have been introduced based on the recommendations of DFID's Internal Audit Department, including third party monitoring of procurement and independent verification of results. A separate DFID-funded public financial management project provides independent support to the Office of the Auditor General to strengthen external finance, performance and IT auditing in the health sector.

Objectives

Objective of the assignment:

Scope of Services

The overall scope of services are to:

Provide financial oversight services – This includes the review of FMRs, assessment of FMIP progress and review of audit classifications; and

Provide independent quality assurance, of high risk and value procurement- this includes utilising a spread of oversight instruments to provide assurance and feedback on public procurement. Such instruments include pre-contract reviews and procurement audits. This should focus on high risk procurements. The level of effort will depend on progress on procurement the Ministry of Health. The scale, scope and timeliness of procurement has been very poor over the last two years. A flexible approach to this assignment will be required. Financial Oversight Agency Services.

Recipient

6. The core recipients of this programme will be DFID, the Pooled Fund DPs and the GoN, specifically the Ministry of Health.

Requirements

Technical requirements

7. The requirements and ToR's for these components will be finalised and agreed, in discussion with the DFID Health and PFM Advisers.
- A) *Regular, independent oversight on key NHSP3 financial management and reporting documentation to ensure accuracy and credibility and high quality analysis and advice on fiduciary and corruption risks. This includes:*
 - trimesterly reviews of Financial Management Report (FMRs);
 - analysis and classification of recurring audit observations;
 - spot checks (e.g. TABUCS financial data quality checks, matching physical and financial progress, third party monitoring) of key FM documentation and processes in NHSP3;
 - B) *Independent review of progress against the agreed PFM reforms and the FMIP:*
 - Assess and report on progress on trimesterly basis of FMIP and specific assignments
 - a review of progress against the PFM related Disbursement Linked Indicator targets.
 - C) *Independent quality assurance and pre-contract review function of high value or high risk procurements in MoH related to the pooled fund:*
 - review of key documentation and procedures for all high risk/high value procurements;
 - conduct post contract spot checks (physical checking, financial/documentation checks);
 - conduct procurement audits of key (material) procurements to ensure compliance with agreed laws/regulations;
 - monitor progress of Consolidation Annual Procurement Plan (CAPP); and
 - Conduct annual risk assessments of LMD procurement processes (to feed into procedural improvements). Note: approx. 30% of MoH's procurement is done outside LMD and is outside of the scope of this ToR given the timeframe of this assignment.

Approach

8. It is important that Supplier(s) are cognizant of the sensitivities of this programme and the MoH, and respond flexibly and responsively to risks and challenges. DFID will work closely with the Supplier, in coordination with the Pooled Fund DPs and the MoH, to agree and finalise the Workplan during the inception phase.
9. The Supplier(s) shall liaise with GoN/MoH staff with which they need to work in order to carry out the requirements outlined above in such a way i) that mutual respect between the GoN/MoH/DUDBC staff and the Supplier(s) is maintained; and ii) that aid effectiveness principles, especially Government ownership, are respected.
10. The Supplier(s) are expected to be familiar with GoN rules, regulations and procedures that are related to the scope and technical requirements outlined above.

Finance Mechanisms

11. Due to the nature of the work to be performed, the length of contract and the need to mobilise quickly, a pragmatic approach to finance mechanism is required. The Supplier should identify clear performance milestones/outputs in relation to the processes to be performed. .

Governance and Reporting

12. The main point of contact will be the SRO of this programme and liaison with the other Pooled Fund DPs will be through the SRO unless otherwise indicated and agreed by the SRO.
13. The key formal reports will be as follows although these may be amended by mutual agreement of DFID and the Supplier:
 - monthly Progress Update Meeting with the Programme Senior Responsible Office (SRO) which will review progress against planned implementation, outputs and a review of risks; and
 - quarterly Progress Reports in a succinct format that links directly to the results framework.

Dependencies and constraints

14. The Supplier will also need to liaise with DFID Nepal's embedded TA programme in the Ministry of Health who are providing capacity building support on financial management and procurement issues; and other External Development Partners, in particular the pooled donors.

Timeframe

1. A contract will be awarded for the period 28th November 2016 to 31st March 2017. A financial aid disbursement is planned by the 10th December, if safeguards and assurances are met. Consequently, DFID expects the supplier to mobilise immediately after the contract is awarded.

Logistics

2. The Supplier will be responsible for their logistical arrangements including in-country transport, office space, translation and other logistical support. The Supplier will also be required to cover the duty of care (see below for more details) for all members of the team. All relevant expenses should be covered by the contract budget.
3. The Supplier will be provided with the information detailed under 'existing information sources'. DFID will facilitate contacts for the Supplier with other stakeholders and provide support where appropriate.

Duty of Care

4. DFID Nepal will not take responsibility of personal security of suppliers. They have to be responsible by themselves. DFID Nepal has a Risk Management Office (RMO) available to provide security briefing and information to the supplier as per their request.
5. Regarding information security, suppliers are responsible for not sharing sensitive information with any parties other than DFID.
6. The supplier is responsible for the safety and well-being of their Personnel and Third Parties affected by their activities under this contract, including appropriate security arrangements. They will also be responsible for the provision of suitable security arrangements for their domestic and business property.
7. DFID will share available information with the supplier on security status and developments in country where appropriate. A security briefing by DFID Nepal is available to all supplier personnel on request. All such personnel must register with their respective Embassies to ensure that they are included in emergency procedures.
8. This assignment will require the supplier to operate in a seismically active zone which is at high risk of earthquakes. Following the earthquakes in April and May 2015 a number of aftershocks have been felt and continue to occur. Earthquakes are impossible to predict and can result in major devastation and loss of life. There are several websites focusing on earthquakes, including <http://geology.about.com/library/bl/maps/blworldindex.htm> the supplier(s) should be comfortable working in such an environment and should be capable of deploying to any areas required within the region in order to deliver the contract (subject to travel clearance being granted).

Key reference documents

- Financial Management Improvement Plan
- Procurement Improvement Plan
- Health Sector Fiduciary Risk Assessment 2014
- Health Sector Annual Statement of Progress 2015
- Public Expenditure and Financial Accountability Report- <http://www.pefa.gov.np/nepal-pefa/>