

**GUIDELINES FOR THE IMPLEMENTATION OF**  
**THE DISBURSEMENT METHODS OF THE**  
**INTER-AMERICAN DEVELOPMENT BANK (IDB)**

*This document should be read in conjunction with the Inter- American Development Bank's (IDB): Project Disbursement Handbook; and the Financial Management Policy and Guidelines.*

*The primary focus of this document is to identify the internal arrangements for the Government of Barbados with regard to methods of disbursement of the IDB.*

Inter-American Development Bank and the  
Public Investment Unit  
Ministry of Finance and Economic Affairs  
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**1. Background**

- 1.1 Disbursement methods are used to disburse funds for any type of financing.
- 1.2 A project may use one or more disbursement methods, depending on the liquidity needs for its execution, with a combination of methods considered acceptable and generally necessary.

**2. Basic Documents for IDB funded programmes**

- 2.1 The basic documents required for the IDB funded programmes are:
  - (i) Proposals for Operation Development;
  - (ii) Loan Contract or Technical Cooperation Agreement, which includes the Special Clauses; General Conditions; and Annex, which outlines the Programme or Project Description.
  - (iii) Project Procurement Policies; and
  - (iv) Guides including Financial Management Policy; Project Disbursement Guide; and Guide for Financial Reports and External Audits for Operations Financed by the IDB.

**3. Conditions Prior to First Disbursement:**

- 3.1 The IDB will process disbursements once the conditions prior to the first disbursement have been met. The clauses are usually as follows and should be in place as necessary:
  - (i) Well-founded legal opinion, which establishes that the obligations undertaken by the Borrower are valid and enforceable;

- (ii) Demonstration to the Bank that sufficient resources have been allocated to cover, at least during the first calendar/fiscal year, the execution of the Project;
- (iii) List of Authorised Officers and their Signatures;
- (iv) Initial report, which includes an implementation plan, calendar/schedule of works and table of annual use and source of funds;
- (v) Bank name and account number;
- (vi) Executing Agency established; and
- (vii) Adequate project financial and accounting systems are in place with adequate internal controls.

#### **4. Reporting During Project Execution**

4.1 Reports that are contractually required during project execution include:

- (i) Annual Operations Plan, which includes the procurement plan and financial plan;
- (ii) Semiannual Progress Report;
- (iii) Annual Audited Financial Statements;
- (iv) Final Audited Financial Statements, and
- (v) Final Evaluation.

#### **5. Bank Account for Disbursements**

5.1 Once the loan contract or technical cooperation agreement is signed, the Project Execution Unit (PEU) should make a request to the Central Bank of Barbados through the Accountant General for an account to be opened on behalf of the Project.

When the Central Bank of Barbados has opened the account and has notified the Accountant General, he/she will open the relevant accounts in the SmartStream system. The relevant ledger accounts would be the designated project account and the project loan account or relevant grant income account.

There should be communication with the Accountant General in relation to project account activities. These include:

- (i) transfer of funds by the financial institutions into project fund accounts at the Central Bank; (The IDB will send notifications to the

Accountant General by e mail to address: accountantgeneral@gob.bb regarding the disbursements made); and

- (ii) When payments are to be made using the resources of the loan or grant funding which has been deposited in the account at the Central Bank of Barbados, the Project Execution Unit should process the payment in the normal manner (using SmartStream) but must inform the Accountant General that the payments are to be effected from the funds at the Central Bank of Barbados.

You are reminded that all transfers from the project fund accounts at the Central Bank of Barbados to the Treasury Account at the Central Bank of Barbados are processed by the Treasury Department.

## **6. Bank Charges**

- 6.1 The Government of Barbados is responsible for payment of any charges or commission applied to the bank accounts for the projects.

## **7. Application of Exchange Rate**

- 7.1 The IDB's Financial Management Policy at Section 3.19 with regard to Project Currency, Conversion Criteria and Application of Exchange Rates states as follows:

*The Bank shall account for disbursements made to the borrower and/or the Executing Agency in the currency specified in the agreement associated with the project (i.e., project currency). For purposes of justification of expenses to the Bank (including reimbursements), if the project expenses have been incurred in local currency, the equivalent amount to be reported in the project currency, shall be determined using: (i) the effective exchange rate used to convert the funds denominated in the project's currency to the local currency; or (ii) the effective exchange rate of the payment date, without regard to the sourcing of the financing used.*

- 7.2 The source of the exchange rate is the Central Bank of Barbados webpage, [www.centralbank.org.bb](http://www.centralbank.org.bb). The exchange rate of US \$1.00=BDS\$2.00 is used in the conversion of US dollars received in the designated project bank account at the

Central Bank of Barbados. The bank accounts are denominated in Barbados dollars.

The exchange rate to be used when making foreign currency payments is the maximum selling rate to commercial banks, using the telegraphic transfer option.

## **8. Disbursement Methodologies:**

8.1 The IDB has four (4) disbursement methods:

- Advance of Funds
- Reimbursement of payments made
- Direct Payment to Suppliers/Consultants
- Reimbursement against a Letter of Credit

It should be noted that all expenditures related to the various projects should be voted in the Estimates and the relevant payments would be made from the Consolidated Fund either using the SmartStream system or by way of adjustment vouchers if the IDB was asked to make the payment directly.(See paragraph 10 herein)

### 8.1.1 Advance of Funds Method;

This method is used to facilitate timely payments for eligible expenses attributed to the loan.

Advance of Funds are based on the project's true liquidity needs and should be coordinated with the project's Annual Operating Plan (AOP), which includes the procurement plan and the financial plan.

Requests for advance of funds should be supported by signed commitments (contracts) and/or anticipated cash flow needs that are based on a high level of certainty, for a predetermined time period (usually six (6) months), agreed upon between the IDB and the Government of Barbados through the Executing Agency.

An amount is advanced to the Government of Barbados based on the financial plan and commitments made.

The justification of eligible expenses related to advances received should be submitted when at least 80% of the advanced amount was used.

**This method is the preferred method to be used since it reduces the cash flow needs of the Government.**

Where funds have been transferred into a designated project account at the Central Bank under the advance of funds method and the project executing agency is desirous of accessing these funds to make payments, this should be communicated to the Accountant General. The necessary arrangements would then be made to have the required amount of funds transferred to the Treasury Account from which all payments would be made. (See paragraph 5 herein)

Step I – First Advance

The Borrower presents an initial advance request. The IDB approves the transfer of funds to the bank account in the Central Bank.

Step II – Payments

When the Executing Agency enters the invoice or payment request into SmartStream, the Accountant General should be notified that funds are in the account in the Central Bank to make the payment.

Step III– Subsequent Advance Request

The Borrower presents (justifies) expenses made to show that at least 80% of the amount advanced was used. Once 80% of the advance has been justified, the Borrower/Executing Agency may request another advance of funds. The Borrower receives the funds in the Central Bank of Barbados.

8.1.2 Reimbursement of Payments made:

The Government of Barbados makes payments for eligible expenses from its own resources and requests reimbursement of funds from the IDB.

The IDB approves the eligible expenses and reimburses the Government of Barbados. Once the IDB deposits the funds in the Central Bank of Barbados, the funds will go directly to the Treasury Account/Consolidated Fund. The Executing Agency does not have to request a transfer.

#### 8.1.3 Direct Payment to Suppliers/Contractors:

The Government of Barbados requests the IDB to make a payment on its (the Government's) behalf, directly to a supplier or contractor for eligible goods and services.

**Before the request is made to the IDB for a direct payment, Project Execution Units must confirm that sufficient funds have been voted in the Estimates of Expenditure to make the payment, and further, that sufficient funds are available in the Finance Warrant to make the payment. If sufficient funds are not available in the Warrant, a Supplementary Warrant should be requested.**

**When the documentation is received from the IDB confirming that the payment has been made, the relevant adjustment voucher(s) must be prepared to bring to account the transaction in the books of the Government.**

This method should be used for large payments (US \$50 000) or greater) and should not be employed as a method for small day to day payments.

The direct payment to supplier methodology is not to be used to effect payments in local currency for loan projects, unless in exceptional cases that have been agreed to with the Public Investment Unit and the Accountant General.

As the IDB is unable to disburse loan funds in local currency, differences may arise between the amount in local currency used to estimate the equivalent disbursement in the currency of the operation and the amount in local currency received by the beneficiary, as a result of the conversion made by the commercial bank. Such differences are the sole exclusive responsibility of the Government of Barbados.

#### 8.1.4 Reimbursement against a Letter of Credit:

Reimbursements made by the IDB to a commercial bank for payments made to a supplier or contractor for goods and services (of foreign origin) within the framework of a letter of credit guaranteed in advance by the IDB.

The IDB only issues reimbursement guarantees in amounts greater than or equal to US \$100 000 and this process is applicable only to loan projects.

When the IDB confirms that the payment has been made the relevant adjustment voucher(s) must be prepared to bring to account the transaction in the books of the Government.

## 9. Reminders

- 9.1 Once the loan contract or technical cooperation agreement is signed, the Project Execution Unit (PEU) should make a request to the Central Bank of Barbados for an account to be opened on behalf of the Project.
- 9.2 The Project Executing Unit prepares its Financial Plan for the Financial Year which is approved by the IDB.
- 9.3 A copy of the Financial Plan, once approved by the IDB as part of the Annual Operating Plan, should be sent to the Accountant General and the Budget Section and Public Investment Unit, Ministry of Finance and Economic Affairs.
- 9.4 Regardless of the disbursement method used it is important for the Project Execution Unit to ensure that contracts are finalized in a timely manner since the absence of finalized contracts will prevent the disbursement of funds by the IDB under whatever method is used.
- 9.5 Where contracts have not been finalized, but Memoranda of Understanding have been signed with the relevant IDB Mandatory Clauses included, disbursements may be processed. The mandatory clauses as per Annex 1 relates to Eligibility, Confidentiality, Conflict of Interest and Prohibited Practices. The finalization of the contract is however critical and must be completed as soon as possible. Once contracts are finalized, copies should be sent to the IDB.
- 9.6 Payment requests and requests for reimbursement must not be submitted to the IDB with expired contracts. Project Execution Units must take the necessary steps to have extensions to the contracts completed as soon as possible.

## 10. Adjustment Vouchers/Journal Entries

10.1 All Adjustment Vouchers/ Journal Entries affecting bank accounts are processed by the Treasury Department. The following are examples of journal entries which would be recorded in SmartStream:

(a) To record funds transferred to the designated project fund account at Central Bank.

Debit: Designated Project Fund Account at Central Bank of Barbados

Credit: Project loan account (liability if loan funded); or

Credit: Grant Income (if grant funded)

(b) To record funds transferred from the Designated Project Fund Account at Central Bank of Barbados to the Treasury's Bank Account (Consolidated Fund).

Debit: Treasury's Bank Account

Credit: Designated Project Fund Account at the Central Bank of  
Barbados

(c) To record direct payments made by the IDB

Debit: The Expenditure Head related to the Project

Credit: Project Loan Account (Liability if Loan funded); or

Credit: Grant Income (if Grant is funded)

(d) To record the reimbursement of funds transferred directly by the IDB

Debit: Treasury's Bank Account

Credit: Special Receipts (Revenue) APPENDIX 1

### Eligibility

Funds from the Bank loans can be used only for the payment of goods, works, and services contracted with firms or individuals from Bank member countries. In the case of goods, their origin shall be from Bank member countries. Individuals or firms from other countries shall not be eligible to participate in contracts to be financed in whole or in part from Bank loans. Any other conditions for participation shall be limited to those that are essential to ensure the firm's capability to fulfill the contract in question.

In connection with any contract to be financed in whole or in part from a Bank loan, the Bank does not permit a Borrower to deny pre- or postqualification to a firm for reasons unrelated to its capability and resources to successfully perform the contract; nor does it permit a Borrower to disqualify any bidder for such reasons. Consequently, Borrowers should carryout diligence on the technical and financial qualification of bidders to be assured of their capabilities in relation to the specific contract.

As exceptions to the foregoing:

(a) Firms of a country or goods manufactured in a country may be excluded if (i) as a matter of law or official regulation, the Borrower's country prohibits commercial relations with that country, provided that the Bank is satisfied that such exclusion does not preclude effective competition for the supply of goods or works required, or (ii) by an act of compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations, the Borrower's country prohibits any import of goods from, or payments to, a particular country, person, or entity. Where the Borrower's country prohibits payments to a particular firm or for particular goods by such an act of compliance, that firm may be excluded.

(b) A firm which has been engaged by the Borrower to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods and works or services (see footnote 3) resulting from or directly related to the firm's consulting services for such preparation or implementation. This provision does not apply to the various firms (consultants, contractors, or suppliers) which together are performing the contractor's obligations under a turnkey or design and build contract.<sup>8</sup>

(c) Government-owned enterprises in the Borrower's country may participate only if they can establish that they (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the Borrower or Sub-Borrower.<sup>9</sup>

(d) Any firm, individual, parent company, subsidiary, or previous form of organization constituted by or with any of the same individual(s) as principal(s) declared ineligible by the

Bank in accordance with subparagraph (b) (v) and subparagraph (e) of paragraph 1.14 of these Policies concerning Prohibited Practices (as defined in paragraph 1.14) or declared ineligible by another International Financial Institution (IFI) and subject to agreements that the Bank may have for the mutual enforcement of sanctions shall be ineligible to be awarded a Bank-financed contract or to benefit from a Bank-financed contract, financially or in any other manner, during the period of time determined by the Bank.

### **Confidentiality**

From the time the Proposals are opened to the time the Contract is awarded, the Consultant should not contact the Client on any matter related to its Technical and/or Financial Proposal. Information relating to the evaluation of Proposals and award recommendations shall not be disclosed to the Consultants who submitted the Proposals or to any other party not officially concerned with the process, until the publication of the Contract award information.

Any attempt by shortlisted Consultants or anyone on behalf of the Consultant to influence improperly the Client in the evaluation of the Proposals or Contract award decisions may result in the rejection of its Proposal, and may be subject to the application of prevailing Bank's sanctions procedures.

Notwithstanding the above provisions, from the time of the Proposals' opening to the time of Contract award publication, if a Consultant wishes to contact the Client or the Bank on any matter related to the selection process, it should do so only in writing.

### **Conflict of Interest**

1.9 Bank policy requires that consultants provide professional, objective, and impartial advice and at all times hold the client's interests paramount, without any consideration for future work, and that in providing advice they avoid conflicts with other assignments and their own corporate interests. Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of being unable to carry out the assignment in the best interest of the Borrower. Without limitation to the generality of the forgoing, consultants shall not be hired under the circumstances set forth below:

(a) Conflict between consulting activities and procurement of goods, works, or services (other than consulting services covered by these Policies ): A firm that has been engaged by the Borrower to provide goods, works, or services (other than consulting services covered by these Policies) for a project, and each of its affiliates, shall be disqualified from providing consulting services related to those goods, works, or services. Conversely, a firm hired to provide consulting services for the preparation or implementation of a project, and each of its affiliates, shall be disqualified from subsequently providing goods, works, or services (other than consulting

services covered by these Policies) resulting from or directly related to the firm's consulting services for such preparation or implementation.

(b) Conflict among consulting assignments: Neither consultants (including their personnel and sub-consultants) nor any of their affiliates shall be hired for any assignment that, by its nature, may be in conflict with another assignment of the consultants. As an example, consultants hired to prepare engineering designs for an infrastructure project shall not be engaged to prepare an independent environmental assessment for the same project, and consultants assisting a client in the privatization of public assets shall neither purchase, nor advise purchasers of, such assets. Similarly, consultants hired to prepare Terms of Reference (TOR) for an assignment shall not be hired for the assignment in question.

(c) Relationship with Borrower's staff: Consultants (including their personnel and sub-consultants) that have a business or family relationship with a member of the Borrower's staff (or of the project implementing agency's staff, or of a beneficiary of the loan) who are directly or indirectly involved in any part of: (i) the preparation of the TOR of the contract, (ii) the selection process for such contract, or (iii) supervision of such contract, may not be awarded a contract, unless the conflict stemming from this relationship has been resolved in a manner acceptable to the Bank throughout the selection process and the execution of the contract.

### **Prohibited Practices**

The Bank requires that all Borrowers (including grant Beneficiaries), the Executing Agencies and Contracting Agencies, as well as all firms, entities, and individuals bidding for or participating in a Bank-financed activity including, inter alia, applicants, bidders, contractors, consulting firms and individual consultants, personnel, sub-contractors, sub-consultants, service providers or suppliers (including their respective officers, employees and agents irrespective of whether the agency is express or implied) adhere to the highest ethical standards, and report to the Bank all suspected acts of Prohibited Practices of which it has knowledge or becomes aware, during the selection process and throughout the negotiation or execution of a contract. Prohibited Practices include acts of (a) corrupt practices, (b) fraudulent practices, (c) coercive practices, (d) collusive practices, and (v) obstructive practices. The Bank has established mechanisms to report allegations of Prohibited Practices. Any allegation shall be submitted to the Bank's Office of Institutional Integrity (OII) for the appropriate investigation. The Bank has also adopted Sanctions Procedures to adjudicate cases. The Bank has also entered into agreements with other IFIs to mutually recognize sanctions imposed by their respective sanctioning bodies. In pursuance of this policy:

(a) The Bank defines, for the purposes of this provision, the following terms:

- (i) A “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
- (ii) A “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- (iii) A “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
- (iv) A “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party; and
- (v) An “obstructive practice” is:
  - (aa) deliberately destroying, falsifying, altering or concealing evidence material to the investigation or making false statements to investigators in order to materially impede a Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; or
  - (bb) acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for under paragraph 1.21 (f) below.
- (b) If, in accordance with the Sanctions Procedures of the Bank, it is determined that at any stage of the procurement or implementation of a contract any firm, entity or individual bidding for or participating in a Bank-financed activity including, inter alia, applicants, bidders, contractors, consulting firms and individual consultants, personnel, sub-contractors, sub-consultants, service providers or suppliers, borrowers (including grant Beneficiaries), Executing Agencies and Contracting Agencies (including their respective officers, employees and agents irrespective of whether the agency is express or implied) engaged in a Prohibited Practice, the Bank may:
  - (i) not finance any proposal to award a contract for consultant services financed by the Bank;
  - (ii) suspend disbursement of the operation if it is determined at any stage that an employee, agent or representative of the Borrower, Executing Agency, or Contracting Agency has engaged in an act of Prohibited Practices;
  - (iii) declare Misprocurement and cancel, and/or accelerate the payment of, the portion of a loan or grant earmarked for a contract, when there is evidence that the representative of the Borrower, or grant Beneficiary, has not taken the adequate remedial measures (including, inter

alia, providing adequate notice to the Bank upon learning of the Prohibited Practice) within a time period which the Bank considers reasonable;

(iv) issue the firm, entity or individual a reprimand in the form of a formal letter of censure for its behavior;

(v) declare that a firm, entity or individual is ineligible, either permanently or for a stated period of time, to: (i) be awarded or participate in activities financed by the Bank; and (ii) be a nominated sub-consultant, sub-contractor, supplier or service provider of an otherwise eligible firm being awarded a Bank-financed contract;

(vi) refer the matter to appropriate law enforcement authorities; and/or

(vii) impose other sanctions that it deems to be appropriate under the circumstances, including the imposition of fines representing reimbursement of the Bank for costs associated with investigations and proceedings. Such other sanctions may be imposed in addition to or in lieu of the sanctions referred to above.

(c) The provisions of sub-paragraphs 1.21 (b) (i) and (ii) shall also be applicable when such parties have been temporarily suspended from eligibility to be awarded additional contracts pending a final outcome of a sanction proceeding, or otherwise.

(d) Any action taken by the Bank pursuant to the provisions referred to above will be public.

(e) In addition, any firm, entity or individual bidding for or participating in a Bank-financed activity including, inter alia, applicants, bidders, contractors, consulting firms and individual consultants, personnel, sub-contractors, sub-consultants, service providers or suppliers, Borrowers (including grant Beneficiaries), Executing Agencies or Contracting Agencies (including their respective officers, employees, and agents, irrespective of whether the agency is express or implied) may be subject to sanctions pursuant to agreements that the Bank may have with other IFIs regarding the mutual enforcement of debarment decisions. For purposes of this subparagraph, the term “sanction” shall include any debarment, conditions on future contracting or any publicly-disclosed action taken in response to a violation of an IFI’s applicable framework for addressing allegations of Prohibited Practices.

(f) The Bank requires that, a provision be included in the RFP and in contracts financed with a Bank loan or grant, requiring consultants, their applicants, bidders, contractors, agents, personnel, sub-consultants, sub-contractors, service providers or suppliers to permit the Bank to inspect any and all accounts, records and other documents relating to the submission of proposals and contract performance, as well as to have them audited by auditors appointed by the Bank. Under this policy, the consultants and their agents, personnel, sub-consultants, sub-contractors, service providers or suppliers shall fully assist the Bank with its investigation. The Bank will also have the right to require that, in contracts financed with a Bank loan or grant, a provision be

included requiring consultants and their agents, personnel, sub-consultants, sub-contractors, service providers or suppliers to: (i) maintain all documents and records related to the Bank-financed activities for seven (7) years after completion of the work contemplated in the relevant contract; (ii) require the delivery of any document necessary for the investigation of allegations of Prohibited Practices; and make available employees or agents of the consultant with knowledge of the Bank-financed activities to respond to questions from Bank personnel or any properly designated investigator, agent, auditor or consultant relating to the investigation. If the consultant, its agent, personnel, sub-consultant, sub-contractor, service provider or supplier fails to cooperate and/or comply with the Bank's requests, or otherwise obstructs the Bank's investigation, the Bank, in its sole discretion, may take appropriate action against the consultant, its agent, personnel, sub-consultant, sub-contractor, service provider or supplier.

(g) The Bank will require that, when a Borrower selects a specialized agency to provide technical assistance services in accordance with paragraph 3.15, under an agreement between the Borrower and such specialized agency, all provisions under paragraph 1.21 regarding sanctions and Prohibited Practices shall apply in their entirety to the applicants, bidders, contractors, consulting firms and individual consultants, personnel, sub-contractors, sub-consultants, service providers or suppliers (including their respective officers, employees and agents, irrespective of whether the agency is express or implied) or any other entities that signed contracts with such specialized agency to supply such goods or provide related services in connection with the Bank-financed activities. The Bank retains the right to require the Borrower to invoke remedies such as suspension or termination. Specialized agencies shall consult the Bank's list of firms and individuals suspended or debarred. In the event a specialized agency signs a contract or purchase order with a firm or an individual suspended or debarred by the Bank, the Bank will not finance the related expenditures and will apply other remedies as appropriate

1.22 With the specific agreement of the Bank, a Borrower may introduce into the RFP for large contracts financed by the Bank, a requirement that the consultant include in the proposal an undertaking of the consultant to observe, in competing for and executing a contract, the country's laws against Prohibited Practices (including bribery), as listed in the RFP. The Bank will accept the introduction of such a requirement at the request of the Borrowing country, provided the arrangements governing such undertaking are satisfactory to the Bank.