**Loan №3742-KGZ/Grant №0628-KGZ**

**ISSYK-KUL WASTEWATER MANAGEMENT PROJECT**

**TERMS OF REFFERRENCE**

**Consultant on improving the financial management of municipal enterprises "Vodokanal" in Karakol and Balykchy**

1. **Introductory**

The Issyk-Kul Wastewater Management Project supports the Government of the Kyrgyz Republic in improving wastewater services in two lakeshore cities of Issyk-Kul Lake, located in the eastern region of the country. The project will upgrade and expand existing systems of wastewater disposal and treatment, build institutional capacity, and strengthen the sustainability of the water supply and sanitation (WSS) utilities in Balykchy and Karakol.

The project is aligned with the following impact: improved living standards, health, and economy in the Issyk-Kul Region improved. The project outcome is an improved and expanded access to reliable, sustainable, and affordable wastewater services in Balykchy and Karakol.

The project outputs are: (i) rehabilitation and commissioning of wastewater disposal and treatment systems in the cities of Balykchy and Karakol, and (ii) strengthening of institutional and service-focused capacity for water supply and sanitation in the cities of Balykchy and Karakol, including improving the project implementation capacity:

**Output 1: Balykchy and Karakol wastewater systems improved**, including: (i) rehabilitation of wastewater treatment plants (WWTP) in Balykchy (capacity 4,200 m3/day) and Karakol (capacity 12,000 m3/day), (ii) construction of 21.6 km sewerage pipelines and 1.7 km effluent pipelines, (iii) construction of a new pumping station and pumping main in Karakol, (iv) desludging of the reservoir in Karakol and (v) provision of seven septage vacuum trucks.

**Output 2: Institutional capacity strengthened** and project implementation improved in Balykchy and Karakol through (i) a corporate capacity development program, (ii) targeted training modules in basic corporate knowledge, Operation & Maintenance, and financial management and billing systems, and (iii) twinning with an international water supply and sanitation knowledge-based facility.

**Output 3: Septage management improved and environmental awareness promoted** through programs to (i) strengthen the septage management regulatory framework, rationalize septage collection services, and improve septage disposal practices, and (ii) enhance sanitation best practice awareness, and encourage stakeholder support for the wastewater improvements.

1. **Task goals**

Assistance to municipal enterprises "Vodokanal" of the cities of Karakol and Balykchy in improving financial management and economic activities, its commercial situation, the provision of services and the achievement of financial indicators, as well as the covenants (in relation to accounting, accounting policy and planning of Enterprises) of the loan and grant agreement under the "Issyk-Kul Wastewater Management Project" between the Kyrgyz Republic and the Asian Development Bank.

## Scope of services

1. Conduct an assessment within the scope of the assignment and prepare a work plan for the entire period of the assignment;
2. Providing recommendations for improving the organizational structure, human resources, management information system and asset management;
3. Assessment of the current state of the financial systems established within the framework of the first “Issyk-Kul Sustainable Development Project" (ISDP), and development of a program for further development of financial activities;
4. Review of current billing system practices and development and / or modernization of an improved billing system;
5. Documentation of the tariff structure, the method of setting tariffs and the flexibility to change them, taking into account accessibility/feasibility for households;
6. Development of special training programs on financial management of the municipal enterprise "Vodokanals" in order to improve the skills of human resources in particular and the work of the office in general;
7. Conducting trainings on the preparation of financial statements using IFRS;
8. Support Vodokanals in addressing the comments and implementing recommendations given by the auditors in the audited entity financial statements;
9. Conduct periodic training sessions to address gaps in required performance standards;
10. Identify the need for additional equipment to support the overall operation of financial systems, if required, and prepare technical specifications for them;
11. Assist Vodokanal in improving through the development and implementation of a program to improve its financial and economic activities, its commercial position, the provision of services and the achievement of economic indicators by developing an accounting policy with step-by-step instructions and its implementation in the financial management of Vodokanal. The program must comply with the principles of IFRS, as well as the covenants of the loan and grant agreement for the Issyk-Kul Wastewater Management Project Grant #0628-KGZ (SF): Loan 3742 - KGZ(COL):
    1. Conduct an analysis of the state and organization of accounting;
    2. Conduct an analysis of internal control procedures. Identify the risks of insufficient control and accounting. Assist in establishing internal control.
    3. Assistance in the development of accounting policies for the finance department, which will include all new and amended IFRS standards and fully comply with and reflect all aspects of the Enterprise's activities and its sequential implementation.
    4. *The accounting policy should reflect* the schedule of document management, the technology of processing accounting information, the procedure and mechanism for preparing financial statements, as well as the method and rules of taxation.
    5. *Assistance in tax policy development*. The procedure for conducting tax accounting is established by the taxpayer in the accounting policy for tax purposes, approved by the relevant decree (order) of the head. Calculate deferred liabilities in accordance with IFRS 12 "Income tax"; The difference in approaches in determining the tax on accounting profit and taxable profit should be taken into account in the financial statements, while all temporary differences that arise should be identified, and any discrepancy between them with the amount of current income tax accrual and the calculated current amount of taxable profit/loss
    6. *Assistance in the Transformation of financial statements in accordance with IFRS standards.*
    7. *Conduct a procedure for analyzing fixed assets* (income, disposal, depreciation) for the need for their impairment and recognition in the financial statements, and accounting for commodity-material values. Determine the useful life for each unit of fixed assets. Recalculate the depreciation of fixed assets and reflect the data in the accounting. The results of the revaluation should be reflected in the accounting records. Make adjustments to the financial statements recommended by the auditors during the audit for 2019.
    8. *Develop a control system for accounting for receivables. Form an analysis of accounts receivable by the terms of formation.* Assistance and assessment of the recoverability of receivables, the probability of expected credit losses. In accordance with IFRS 9 "Financial Instruments", overdue receivables are depreciated by creating provisions for the impairment of receivables. Compare the names of major / debtors/suppliers and the amounts owed as of 31.12.2020 with the names and amounts in the balance sheet. Compare the total with the balance on the corresponding account of the financial statements. Study the reconciliation reports.
    9. *Train employees in the preparation of financial statements using IFRS.*
    10. *To assist the Karakol Vodokanal in making changes in settlements* with subscribers, since keeping records of settlements with subscribers requires finalizing the presentation of reliable information about settlements with subscribers, accrued volumes of water and wastewater consumption. Study and test the system of organization of accounting in the Enterprise and help in correcting errors.
    11. *To assist the Balykchy Vodokanal in developing a working plan of accounts,* taking into account the specifics of the Enterprise's activities, on the basis of the recommended "Plan of Accounts for accounting of financial and economic activities of entities" and "Methodological recommendations for its application", recommended by Resolution #28 of the State Commission under the Government of the Kyrgyz Republic on Financial Reporting Standards and Audit from November 18, 2002. Assistance in the correct reflection of economic activity operations in accounting.
    12. *Perform an analysis of the cost of water for the amount of excess losses "Reserves" and inventory of reserves*. Assistance in the development of internal regulations on the procedure for accounting for water and the formation of the cost of commercial products and regulations on the procedure for accounting for production losses.
    13. *Conduct an analysis of accounting for the cost of services and the practice of coordination; analysis of pricing procedures;*
    14. Assistance in generating data for the VAT report.
    15. Assistance and Control in the calculation of wages, calculation of vacation pay in accordance with the Labor Code of the Kyrgyz Republic.
    16. Conduct an analysis of the conduct of monetary settlements in the implementation of expenses of Enterprises. Compare the cash balances reflected in the current balance sheet and the financial statements. Conduct control for the presence of justification of operations, document management, supporting documents;
    17. Provide assistance and recommendations to improve procedures, policies, practices, and reporting.
12. Study of the Business process on the income of the revenue part of ENTERPRISES.
    1. Analyze the current state of the business process and bring it into compliance with the requirements of the legislation and reporting standards of the Kyrgyz Republic.
    2. Analyze the profitability and financial stability indicators; Establish the compliance of the interests of the stakeholders of the ENTERPRISES to which financial statements are provided: donor organizations, government agencies, commercial enterprises.
13. Study the opinions of the auditors and letters to the management and, on the basis of their opinions and recommendations, provide assistance to Vodokanals.

1. **Reporting and deliverables**
2. The Consultant should prepare reports deliverables in both English and Russian and conduct training sessions in both cities-Balykchy and Karakol. If it is included, employees of the enterprise "Vodokanal" of Cholpon-Ata will take part in training sessions in Balykchy.
3. Reports and deliverables must be submitted in a preliminary draft and in 3 copies. Consultant must include the comments of the PMO and provide 4 copies of the final version within 15 days.
4. The Consultant should make progress presentations showing milestones, goals, photos, etc. during the next stages of reporting the final materials:

* Inception Report within 2 weeks after the start of the work;
* Work Plan to help municipal enterprises "Vodokanal" of the cities of Karakol and Balykchy to improve their financial and economic activities;
* Program for further development of financial activities;
* Accounting and Tax Policies that include all new and amended IFRS standards;
* Training module for conducting trainings on the preparation of financial statements using IFRS;
* Training module for conducting trainings on financial management of the municipal enterprise "Vodokanal”;
* Training module for conducting periodic training sessions to address gaps in required performance standards;
* Report on the development and / or modernization of an improved billing system
* Technical specifications for the procurement of equipment to support the overall operation of financial systems (if required)
* Final Report.

1. **Team composition and consultants qualification requirements**
2. Availability of qualified personnel to perform the work in accordance with the terms of reference.
3. Work experience (at least 3 contracts in the last 10 years) to improve the financial performance of municipal enterprises that are comparable in nature, size and complexity to the organization where the services are provided. Provide a list of clients with an indication of the period of service provision.
4. Team for the assignment must consist of at least 3 employees with at least 5 years of experience in the provision of services and financial reporting, who are citizens of the Kyrgyz Republic, and one of whom will be the team leader.

The Consultant is free to allocate resources to meet the work plan. However, the staff contribution for key experts is evaluated as follows:

The team leader (national expert) must have the following qualifications:

* Bachelor's degree in Accounting, finance or related fields and / or professional qualification in accounting, such as the Association of Chartered Certified Accountants (ACCA)/Chartered Accountant-Auditor, CIPA/CAP certificate, from an IFAC member organization. Having a master's degree will be an advantage;
* Preferably at least 7 years of experience in the financial sector, including analysis of audit standards, annual project accounting, accounting policy, internal control system, documentation methodology;
* Experience as a team leader in the field of audit for at least 3 years;
* Experience in conducting consultations and trainings on IFRS issues.

Financial analysts (national experts) must have the following qualifications:

* Bachelor's degree in Accounting, finance or related fields and / or professional qualification in accounting, such as the Association of Chartered Certified Accountants (ACCA)/Chartered Accountant-Auditor, CIPA/CAP certificate, from an IFAC member organization. Having a master's degree will be an advantage;
* Preferably 5 years of experience, including analysis of audit standards, preparation of financial statements in accordance with IFRS; annual accounting, accounting policy, internal control system, documentation methodology.

**For participation in the tender, it is necessary to submit:**

1. Resumes of consultants.

2. Information on similar projects completed over the past ten years.

3. A combined technical and financial proposal with an indication of the cost, procedure and conditions for the provision of services, including a description of the methodology for conducting the agreed procedures.

1. **Venue**

The agreed activities under the Contract should be carried out in Balykchy and Karakol at the location of the Enterprises.

1. **Term of work completion.**

The task completion period is 18 months.

## Customer support

1. The IWMP PMO and the PIOs in the cities of Balykchy and Karakol will provide all available data, reports of previously conducted audits on the IWMP Project. Additional data, if required, should be collected by consultants from employees of Vodokanal enterprises in each city.
2. The IWMP PMO will assist in coordination with the relevant government agencies to obtain the necessary approvals and permits, if required.
3. The PIOs in the cities of Balykchy and Karakol will provide office space for the provision of consulting services in the cities of Balykchy and Karakol.