

For internal use

REVISED PROJECT OPERATIONAL MANUAL

Sustainable Rural Water Supply and Sanitation Development Project (SRWSSDP)

Updated version inclusive of Additional Financing

16 February 2023

ABBREVIATIONS

ADB	Asian Development Bank
AA	Aiyl Aimak (Territorial Unit)
AK	Ayil Kenesh (Village Council)
AO	Ayil Okmotu (Village Administration – Local Self-Government Body)
ARIS	Community Development and Investment Agency of the Kyrgyz Republic
BoQ	Bill of Quantities
CDWUU	Community Drinking Water Users Union
DA	Designated Account
DDPSES	
(and/or SES)	Department of Disease Prevention and Sanitary Epidemiological Surveillance
DDWSWD	Department for Drinking Water Supply and Waste Water Disposal
DDE	Detailed Design and Estimates
DFID	Department for International Development (United Kingdom)
ED	Executive Director
EMP	Environmental Management Plan
FD	Final Design
FPG	Family Physicians Group
FSID	Field Staff for Institutional Development
FSF	Field Sanitation Facilitators
GoKR	Government of the Kyrgyz Republic
GRM	Grievance redress mechanisms
IDA	International Development Association
IFI	International Finance Institutions
IFR	Interim Unaudited Financial Reports
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
IVA	Independent Verification Agent
KR	Kyrgyz Republic
LDF	Local Design Firm
LSGB	Local Self-Government Body
MIS	Management Information System
MoF	Ministry of Finance of the Kyrgyz Republic
MoH	Ministry of Health of the Kyrgyz Republic
MoES	Ministry of Education and Science of the Kyrgyz Republic
MWU	Municipal Water Utility
NGO	Non-Governmental Organization
OM	Operational Manual
O&M	Operations and Maintenance
PHAST	Participatory Hygienic and Sanitary Transformations
PIAP	Performance improvement action plan
RFP	Resettlement Framework Policy
RAP	Resettlement Action Plan
RWSSP	Rural Water Supply and Sanitation Project
RWSSIP	Rural Water Supply and Sanitation Improvement Project
RCHP	Republican Center for Health Promotion
RHC	Rural Health Clinic
SAW	Statement of Acceptance of Works
SAACCS	State Agency for Architecture, Construction and Communal Services
SAEPF	State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic

SIT	Sub-component 2.3 Implementation Team
SERD	State Expert Review Department at SAACCS
SOE	Statement of Expenditures
SRWSSDP	Sustainable Water Supply and Sanitation Development Project
TA	Technical assistance
WB	World Bank
WA	Withdrawal Application
WASH	Water, sanitation and hygiene
WSS	Water supply and sanitation
VWC	Village Water Committee
VHC	Village Health Committee

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Table 1: Summary of Revisions to the Project Operations Manual (November 25, 2018)

Comments of the Bank	This Revised POM, dated November 2018	Revision Section
<p>The revisions to this POM have been made to address the requirements of the World Bank Legal Notice on the Threat of Suspension dated October 26, 2018.</p>	The Project Governance Framework	POM document: page 9, Paragraph 1.2
	Employee recruitment procedure	POM document: page 65, Paragraph 4.1.6
	Provisions of the procurement unit	POM document: page 77, Paragraph 4.11
	Conflict of Interests statements/ Declaration of Impartiality and Confidentiality	POM document: page 96, Attachment B of Provision of the procurement unit
<p>The following revisions have been duly made to the POM dated November 25, 2018, and are highlighted throughout in yellow for ease of reference.</p>	<p>Project Implementation Action Plan revised:</p> <p>SRWSSDP Implementation Timeline in accordance with revised POM including hiring plan:</p> <p>Now includes the hiring arrangements for:</p> <p>1). The Key Project Staff: Project Coordinator, Sr. Finance Specialist, Sr. Procurement Specialist, Sr. Institutional Development Specialist, Supervision Engineer (2 person).</p> <p>2). The Staff funded by the Admin Pool. These include: Executive Director ARIS, Financial Manager, Chief Procurement Specialist, and Lawyer.</p>	Annexes Section 2. Annex 1.2.1
	<p>Revised Terms of Reference for SRWSSDP Project Coordinator /</p> <p>Added Terms of Reference for:</p> <p>Terms of Reference for SRWSSDP Sr. Finance Specialist</p> <p>Terms of Reference for SRWSSDP Sr. Institutional Development Specialist</p> <p>Terms of Reference for SRWSSDP Sr. Procurement Specialist</p> <p>Included Terms of Reference for:</p> <p>Terms of Reference for ARIS Director</p> <p>Terms of Reference for ARIS Finance Manager</p> <p>Terms of Reference for ARIS Chief Procurement Department</p> <p>Terms of Reference for ARIS Lawyer Specialist</p>	Annexes Section 2. Annex 2.1
	Stakeholders Code of Conduct SRWSSDP	Annexes Section 2. Annex 2.5

BACKGROUND

The Kyrgyz Republic and the International Development Association (IDA) have engaged in a long-term cooperation on alleviation of poverty and facilitation of sustainable development and economic growth in the Kyrgyz Republic.

With the aim of reconstructing/retrofitting rural water supply systems in the Kyrgyz Republic, in 2002 the World Bank provided funding for the Rural Water Supply and Sanitation Project (RWSSP-1) and the Asian Development Bank (ADB) supported the Community-Based Infrastructure Services Project. RWSSP-1 covered water systems in 509 villages with total rural population of about 1 million people, including 169 subprojects of the World Bank and DFID covering 207 villages, and 118 subprojects of the Asian Development Bank with 302 villages involved.

After completion of the RWSSP-1, the Kyrgyz Government requested the World Bank and the Asian Development Bank to consider the implementation of a second phase of the rural water supply and sanitation investment project.

In response to the above, the World Bank (WB) provided credit and grant funding to improve water supply sectors in Issyk-Kul, Naryn and Talas oblasts of the Kyrgyz Republic as part of the Second Rural Water Supply and Sanitation Project (RWSSP-2). RWSSP-2, which was completed on October 31, 2014, demonstrated positive outcomes in terms of achieving its objectives and planned indicators.

One of the factors that contributed to the success of RWSSP-2 was that in July 2011 the implementation responsibility was transferred to the Community Development and Investment Agency (ARIS), as a result of which the implementation progress and quality improved significantly: firstly, ARIS as a new executive agency took a lead role in prompting and improving daily project implementation; secondly, ARIS managed community expectations effectively and established robust contacts with non-government organizations (NGOs); thirdly, ARIS completed construction/rehabilitation of water systems in all 55 villages covered by the project, including those under new subprojects and 26 unsuccessful RWSSP-1 subprojects; and a draft national water supply and sanitation development Strategy was developed under the project support and endorsed by the Government of the Kyrgyz Republic.

One of the priority objectives for the Government of the Kyrgyz Republic is to build reliable and sustainable service delivery models for the rural water supply and sanitation (WSS) sector. Based on this and taking into consideration that about 40% of villages¹ across the country still did not have access to water supply, the Government of the Kyrgyz Republic requested the World Bank to consider financing for a new water supply and sanitation project namely the Sustainable Rural Water Supply and Sanitation Development Project (SRWSSDP), which was subsequently prepared and approved by the World Bank board of directors on September 30, 2016.

The SRWSSDP was designed as part of a programmatic framework supporting the Government's vision laid out in the Water Supply and Sanitation Development Strategy until 2026 approved by Government Decree #155 of March 28, 2016. By covering strategic infrastructure and providing institutional support, SRWSSDP has a stronger focus on assisting the Government in the development and implementation of institutional models to improve service delivery in the WSS sector. This will increase the capacity of community-based groups

¹ The strategy for the development of water supply systems and sanitation in the Kyrgyz Republic until 2026

and local authorities and, if applicable, facilitate the development/piloting of other potential operational models (e.g. Raion-level communal services). The project will also assist in such issues as oversight, planning, policy and strategic development, and advisory capacity of government bodies in the WSS sector.

The project development objectives (PDO) are to assist the Kyrgyz Republic (i) to improve access to and quality of water supply and sanitation services in the Participating Rural Communities; and (ii) to strengthen capacity of the Recipient's institutions in the water supply and sanitation sector.

Total budget of the SRWSSDP with additional financing is USD 71.2 million, out of which USD 32.7 million will be IDA credit, USD 26.8 million as IDA Grant while the share of Kyrgyz Republic Government co-financing of is USD 11.7 million.

Project	Description	#	Amount
Sustainable Rural Water Supply and Sanitation Development Project (original)	Credit	IDA # 5907-KG	10 580 000 USD
	Grant	IDA # D138-KG	12 920 000 USD
	GoK co-financing		4 500 000 USD
Sustainable Rural Water Supply and Sanitation Development Project (Additional Financing)	Credit	IDA # 60880-KG	19 780 000 USD
	Grant	IDA # D2040-KG	16 220 000 USD
	GoK co-financing		7 200 000 USD
Total:			71 200 000 USD

The design of SRWSSDP is built on the experience of the recently completed RWSSP-2, and takes into account lessons learned from previous projects and the experience of other donors such as ADB, EBRD, etc. The Project also has the following key points of difference from the previous RWSSP-1 and RWSSP-2:

- Firstly, a new name was defined as the Sustainable Rural Water Supply and Sanitation Development Project which is the part of a new programme informally named as “Ala-Too Bulagy”. This is due to the fact that at the date of transfer of the Taza-Suu Programme (RWSSP-2 and CBISSP-AF) to ARIS, there was a number of issues and consequences resulted from poor management by the previous executors of the project (before transfer to ARIS in the middle of 2011), which caused negative image of the Taza-Suu projects in communities. ARIS had to do a tremendous outreach to population, public authorities, NGOs and communities, and mass media to improve the image of the Taza-Suu, but negative connotations still exist. Thus the new name of the project and beginning of the new “Ala-Too Bulagy” programme, was introduced as a means to help change negative attitude and dis-associate such consequences of the Taza-Suu programme.
- Secondly, the Project has a stronger focus on achievement of particular, reliable and sustainable outcome in improvement of WSS services for participating rural communities, as well as on delivery of support to state and local authorities to strengthen their abilities to develop and improve WSS policy and institutions in future, strengthening their capacity to efficiently implement projects and, as a result, ensure sustainable technical and financial management of operation of systems.
- Thirdly, with commencement of the Project, the Government of KR represented by DDWSWD integrates a programmatic approach in implementation of the investment projects in WSS sector. The programmatic approach envisages development of the

activities ready for implementation in a wide scale and multiplication to scale-up development impact and create opportunities for additional financing of the Project both from IDA and other donors. At this stage the Islamic Development Bank has entered to this programme with financing of the “Rural Water Supply and Sanitation Improvement Project (RWSSIP)” with total amount 23 million USD (IsDB – 20 million USD, GoK – 3 million USD), which covers the rural areas of Jalal-Abad oblast. Hence two projects of IDA and IDB compose a single programme under the name “Ala-Too Bulagy”.

This Operational Manual provides guidance and procedures for SRWSSDP management and implementation including the Additional Financing.

1. PROJECT DESCRIPTION

1.1. General description

The proposed project is designed to scale-up water supply and sanitation investments and service delivery models, to new project areas, and to support the implementation (and enhance where necessary) of the government's sector strategy for the rural water sector. The project builds-upon analytical outputs and lessons derived from previous project in rural WSS (including RWSSP-2) and seeks to harness the momentum and demand for change generated through the successful implementation experience over the last 2-3 years of the RWSSP-2 project.

The project will support the Government to implement strategic actions already identified and to create a programmatic framework which will guide the investment planning and implementation process. In addition, the project will take full advantage of opportunities to reduce poverty by working in rural areas and extending piped water services to predominantly low-income households. This will be supported by specific activities, including developing and mainstreaming citizen engagement and gender-inclusive policies and procedures.

A list of priority sub-projects, covering village clusters, for water supply investments was proposed by the Government during project preparation. This list was presented by the DDWSWD, the lead sector agency, and was discussed and agreed with ARIS (the project implementing entity). Furthermore, due to practical considerations and to enable a concentrated level of effort for increased efficiency and development impact, it was decided to restrict the project interventions predominantly to three Oblasts – Issyk-Kul, Chui and Osh. The first phase of the Program under the Original Project covers 14 subprojects that will bring direct benefits to over 100,000 residents of 38 target villages in Chui, Issyk-Kul, and Osh oblasts. It is expected that, as part of Additional Financing, the Program second phase will cover an additional 42 subprojects targeting 53 villages in the three Oblasts with total population over 108,000 residents. The list of priority subprojects was approved by the Director of SAACCS as advised by the Supervisory Board of SAACCS. Detail description of project areas is presented in the Annex 1.1A and the map of subproject locations is attached in the Annex 1.1B.

The Programme also envisages support for improvements to the investment planning and prioritization process for future stages of the project. This would involve the application of a multi-criteria assessment, including (amongst other issues) consideration of the following:

- Current state of existing system (for example age, level of deterioration, coverage etc.);
- Public health issues (incidents of water borne diseases); and
- Readiness of the local Government authorities and community organizations to participate in the project and to adopt modern systems for water supply operations (including installation of meters and introduction of cost reflective tariffs – based on consumption).

1.2. Project Governance Framework

This project governance framework provides a summary of the activities and instruments included in this Project Operations Manual to improve project governance.

Governance approach	Action
1. Transparency	Introductory information materials include information on code of conduct and BFM
	Local governments participate in all stages of subproject implementation (approval of designs, membership in tender committees, acceptance of works etc.)
	Project decisions are passed upon the local government/community consent only.

	<p>Independent monitoring is conducted at the grassroots level by:</p> <p>1). Village Water Committee during the works for construction of water supply systems and sanitation facilities in villages.</p> <p>2). Village Health Committees engaged in implementation of Component 2 Sanitation and Hygiene. VHCs participate in assessment of the current status of water supply, sanitation and hygiene in households. They are also involved in delivery of project information to HHs and use PHAST methodology.</p> <p>3). Members of Aiyl Kenesh and Aiyl Okmotu technical supervisor are engaged in the process of works supervision and control. They also have mandate for signing off statements of accomplished works.</p>
2. Code of Conduct	<p>ARIS management and Central Office staff sign code of conduct annually</p> <p>The Code of Conduct is signed by all actors prior to their engagement in the SRWSSDP activities. Actors are field officers for institutional development, field sanitation officers, subproject site engineers (technical supervisors), all those involved at the local level in water supply and sanitation (Aiyl Okmotu, Aiyl Kenesh, Municipal Water Utility, Water Committee, school WASH committee) and all members of tender committees.</p>
3. Conflict of Interest	<p>ARIS staff, field officers for institutional development, field sanitation officers, site engineers are not involved in the selection and approval of villages for the Project. Villages for project activities are identified and approved by the Department for Drinking Water Supply and Wastewater Disposal (DDWSWD).</p>
4. Procurement provisions	<p>Competitive selection of staff (project and admin pool)</p> <p>Conflict of interest declarations on all procurements and by ED</p>
5. Financial Management provisions	<p>Introduction of travel controls (agreed with the Bank)</p> <p>Role of ED defined in ToR</p>
6. Social accountability	<p>Community members participate in all project-related awareness campaigns.</p> <p>The BFM to be advertised through public awareness campaigns</p> <p>BFM to be monitored for effectiveness, and BFM data will be published.</p>
7. Capacity building	<p>Strengthening the sector institutional capacity at the national and local level. At the national level this will be technical assistance in the development of legal acts and regulations, creation of new institutional models for sustainable water supply services, sustainability of water disinfection systems, investment planning, strengthening and institutionalizing the overall sector monitoring and evaluation system (SIASAR).</p> <p>At the local level: capacity building of local governance institutions such as AO, MWU/CDWUU, training and support in setting tariffs, billing and fee collection systems, training in operation and maintenance, (e.g. water disinfection), water quality testing, customer services, grievance mechanisms, human resources, commercial management. This also includes strengthening of the DDWSWD capacity at the Rayon level.</p>

1.3. Summary of Project components

The SRWSSDP including Additional Financing is structured in four components. A summary of activities to be financed under each component is provided below. The activities under each component are designed to be implemented as a comprehensive package of interventions, which target both local institutional and infrastructure issues and the creation of an enabling environment at the national level, to support sustainable water service delivery in rural areas. Additional details are provided in the subsequent sub-sections. The SRWSSDP including Additional Financing is structured in the following four components:

Component 1: Water Supply Investments (US\$51.1 million). This component will address the needs for rehabilitation of existing and/or construction of new water supply systems in the target sub-projects, benefitting up to 208,000 people. The component will finance goods, works and services (including engineering design and construction supervision) and will include civil and electrical/mechanical installations for water supply production (boreholes, well-fields, intakes, etc., as well as disinfection, and pumping as required), and transmission and distribution (networks, storage, meters, etc.) to households in the project areas. This component will also finance preparatory activities including detailed engineering designs. Complementary institutional support activities are defined under component 3. These activities together with the infrastructure investments will support water system operations to enable sustainable service delivery.

The project-financed water supply systems will reflect careful consideration of a number of important design philosophy and implementation principles, including the objective of achieving equitable access and quality of services within the project areas; individual metering for each connection (and the introduction of consumption-based billing), consideration of full life-cycle costs, including assessment of water source options, consideration of climatic factors and resilience, and the capacity support requirements of the operator. Furthermore, it is important to note that villagers and local governments will be involved in identifying priority investments in their respective areas, through public consultations and meetings. Female beneficiaries and women's groups will be encouraged to participate in order to reflect women's voices in identifying investments of significance to them. The communities will also be involved in monitoring the quality of civil works through community monitoring processes and establishing village water committees. Costs associated with implementation of resettlement activities (as per RPF procedures) will be financed under component 1, through the central Government's contribution to the project.

Component 2: Sanitation Development (US\$7.1 million). This component will finance goods, works and services to provide strategic support for improved sanitation within the target rural communities and to enhance the Government's strategy for improved sanitation in rural areas. The technical assistance included under component 2 focuses on behavior change and demand creation – as a first step in the process. In addition, however other strategic issues associated with the enabling environment, markets and industry, to accelerate access and sustainability will be addressed through the preparation of a national rural sanitation strategy. Other specific activities are described below and will be complemented through on-going trust funded analytical work and technical assistance. Activities within this component are organized in three sub-components:

- Sub-component 2.1: Rehabilitation and/or construction of Sanitation Facilities (US\$3.0 million). This component will finance retrofitting / upgrading of existing sanitary facilities in selected responsive schools within 91 villages. In addition, support is envisaged for national authorities such as Raion SES where renovation of laboratories is planned to reach required

accreditation. Standard designs will be prepared in consultation with the Ministry of Education as part of the Project and applied (and adapted as required) where possible to selected public schools within project areas. The project investments will cover 93 schools, servicing around 36,000 students in the project areas. This subcomponent also includes the sanitation and hygiene promotion and educational program in schools. The rehabilitation and/or construction of sanitation facilities will complement the water supply investments and, together with the hygiene education and promotion program, will contribute to improved development outcomes (including public health).

- Sub-component 2.2: Enabling Environment, Capacity Development and Communications (US\$3.0 million). This sub-component will support the development of National Rural Sanitation Strategy, development and implementation of a communication strategy and Water, Sanitation and Hygiene (WASH) educational campaigns to promote improved health and hygiene practices, including specific information, education and communication (IEC) materials related to water quality, disinfection, safety, and hygiene. The sanitation and hygiene education programs will be introduced through the school system, within the communities and through public campaigns to support improved knowledge, attitudes, and practices within the subproject areas and will include relevant capacity development measures for effective implementation. The technical assistance will also include support for capacity development of local contractors and masons, as well as capacity building for Ayil Okmotus and WASH committees to be established under their authority in the communication, planning, documentation and monitoring of the sanitation development component (including results-based incentives for households). Assistance for regulatory modifications to support enabling conditions at the local and central levels is also included, as well as equipment for Raion labs of SES for water quality testing and monitoring in the in the project areas.
- Sub-component 2.3: Results-Based Incentives for Household Sanitation Development (US\$ 1.1 million). This sub-component will pilot the introduction of results-based incentive grants for households to upgrade their sanitation facilities to a hygienic level. This incentives scheme will be implemented as a pilot and follow an adaptive learning approach. Implementation will start in 1-2 sub-projects and an evaluation will be carried out to inform and adjust procedures for wider scale-up to other original and AF sub-projects. The incentives are expected to benefit at least 1'350 households. Through activities under sub-component 2.2, effective demand for upgrading of household facilities will be created and households are expected to self-invest in improving their sanitation situation. To address affordability constraints and behavioral barriers, results-based incentive grants will be offered to households, covering a part of the cost incurred by each household, and paid once independent verification of the upgraded/constructed facility has taken place. A separate Manual for Results-Based Household Sanitation Incentives provides further details of roles and responsibilities for all parties involved including AOs, WASH committees, households and ARIS.

Component 3: Institutional Strengthening (US\$9.5 million). Component 3 will finance goods and services to strengthen sector institutional capacity at the national and local levels. This component has been designed to build upon substantial outputs prepared under RWSSP-2, and to complement technical assistance financed by the Asian Development Bank, which includes the analysis and design of institutional structures and mechanism to support sustainable service delivery in rural areas. As such, activities under component 3, specifically at the national level, will remain flexible in order to assist the Government to respond to emerging needs, fill analytical and knowledge gaps and provide additional technical assistance for implementation of the reforms. Activities under this component are further organized under three separate sub-components as follows:

- **Sub-component 3.1: National Level (US\$ 1.4 million)** activities will include technical assistance for drafting legal/normative acts to clarify and define roles and responsibilities (including asset transfer and ownership issues) under a delegated management framework, improved sector financing mechanisms, and technical assistance for the establishment of new institutional models for sustainable water service delivery (for example piloting of an aggregated approach). This sub-component will also finance other targeted studies and TA to support other areas of need (for example, the sustainability of treatment systems investment planning, augmentation and institutionalization of sector-wide monitoring and evaluation systems (e.g SIASAR), and institutional support plan for DDWSWD including capacity assessments and preparation of implementation plan (“road map”) for strengthening institutional and staff capacity.
- **Sub-component 3.2: Local Level (US\$ 4.3 million)** activities will include capacity building for local authorities (Ayil Okmotus), Municipal Water Utilities (MWU) and/or CDWUUs responsible for water service delivery in the project areas. A support package will be provided including amongst others, training and support for tariff setting, billing and collection systems, operations and maintenance training (for example, disinfection), water quality testing, customer relations, complaints mechanisms, human resources, and commercial management. Adapting and building upon the experience of RWSSP-2, the project will also support the preparation of service contract agreements, to clarify and formalize respective responsibilities of the service operator (MWUs/CDWUUs) and asset owner (Ayil Okmotus) and to support governance of service performance, tariffs and financing mechanisms. This sub-component will also finance beneficiary satisfaction surveys and evaluations and support mechanisms to improve citizen engagement, feedback, and consumer recourse. It will include training and knowledge exchange visits with RWSSP-2 participants, and will finance start-up support packages for the operator (for example, spare connection materials, water meters, testing equipment, and tools) to assist with the transition to operations (post construction). Local level institutional support will also seek to strengthen DDWSWD capacity at the Raion level, focusing on enhancing their function for sector monitoring and technical support to operators for complex operational and maintenance issues.
- **Sub-component 3.3: Sector Professional and Vocational Development Program (US\$3.8 million).** This sub-component was designed in response to the need for developing and creating a pipeline of professional staff and skilled workers in the water sector – including engineering consultants, financial specialists, utility managers, contractors, water operators and technicians. Specifically, the sub-component will finance the execution of an institutional capacity and training needs assessment and the development and implementation of a certificate-oriented, long-term capacity development program. The Professional and Vocational Development Program will support knowledge, competency and skills development targeted to the following groups: (i) policy makers within relevant government agencies; (ii) service authorities (municipalities and Ayil Okmotus) and providers (Vodokanals, MWUs and CDWUUs), (iii) private and public sector professionals (water and wastewater engineers, design consultants, contractors, and engineers in state investment and design agencies at national and regional level); and (iv) post-graduate students. The program will be coordinated and implemented through ARIS, under technical coordination of the ARIS Training Institute, and in close collaboration with several partners, including international centers of excellence, national academic institutes, higher education institutions, vocational schools and other potential training hubs.

Institutional strengthening activities at both the national and local level, will also consider the potential role of private sector, and where appropriate seek to promote and enhance private sector participation for efficient and sustainable service delivery.

Component 4: Project Management (US\$ 3.5 million). This component will finance the project management costs of the PIU related to staffing, consultancies, and equipment costs, the M&E program, safeguards specialists, and financial management, including internal and external financial audits.

The overall aggregated implementation plan of SRWSSDP including its Additional Financing is provided in Annex 1.2. Below is a detailed description of the Project components.

1.4. Detailed Description of Project Components

Component 1: Water Supply Investments

The water supply systems proposed to be financed under the project reflect careful consideration of several important design philosophy and implementation principals, including the objective of achieving equitable access and quality of services within the project areas; individual metering for each connection as much as possible (and introduction of consumption-based billing), consideration of full life-cycle costs including assessment of water sources, consideration of climatic factors and resilience, and the capacity support requirements of the operator. Community and local governments will be involved in identifying priority technical solutions for investments in their respective areas through public consultations and meetings. Female beneficiaries and women's groups will be encouraged to participate in order to reflect women's voices in identifying technical solutions of significance to them. The communities will continue to be involved in monitoring the quality of civil works through establishment of water committees in each village as part of the community monitoring processes. The village water committees (VWC) will be established in sub-projects with aiming to include at least 30% women as the members of this entity.

While the project is required to follow regulatory design standards for the water supply systems (e.g. technical regulations, SNIps and addendum to SNIps – as appropriate), a number of key design philosophy and implementation principles have been defined during preparation. These include:

- **Equitable Access and Quality of Services within the Project Areas.** Where technically and economically feasible, the project will seek to cover all project areas through individual metered connections as far as possible. The use of public standpipes will be minimized due to operational difficulties and challenges in maintenance. Furthermore, the system design will include zoning with bulk meters, pressure and flow control valves (where applicable, especially for gravity systems) to ensure equitable distribution of water between up- and down-stream village clusters.
- **Technology Choices and Life-Cycle Costs.** The system design will consider a range of materials, equipment and technology options available and associated costs to ensure that the infrastructure and equipment can be adequately serviced and maintained and are resilient and robust. The capital and operating/maintenance costs will be reviewed in the process to ensure that solutions offered consider the full life cycle costs and are, therefore, cost effective to operate and maintain.
- **Water Source Options Assessment.** The design process should review and assess water source alternatives and not just seek to simply replicate existing systems. This review should consider the costs and benefits associated with water source alternatives, including potential water security constraints (e.g. variable seasonal flows), water quality requirements, operating costs, and associated capital infrastructure costs for production, transmission and distribution.

- **Engineering Design and Construction Supervision.** Due to the scale of some of the infrastructure works and considering lessons from previous projects in water and sanitation sector, international expertise will be engaged through the project to support design review, construction supervision and contract management.

Two other important elements related to the technical designs and implementation of activities under this component are as follows:

- **Operating Models.** Usually in most villages a water service operator is the CDWUU, with whom the AOs will enter into a contract for service provision. However, different alternatives of institutional models will be assessed, including the potential to create aggregated service delivery models that include more than one municipality, where viable, which will be piloted and demonstrated through the project. Institutional support activities will be defined under Component 3 to provide backstopping and support for rural water supply operators to help enable sustainable service delivery.
- **Community Contributions.** The SRWSSDP will not have a mechanism for mandatory community contribution (in previous projects, communities were expected to contribute 5 percent of the capital investment costs). However, community members will be responsible for the cost of the household connections (cost of pipes and labor from manhole to yard tap, while costs of water meters will be financed through the Project). Community members may also consider allocating any already collected contributions to a fund for future maintenance or towards the costs of connections. The matter will be addressed through the community consultation process and support under Component 3.

Preparation of detailed design estimates

Detailed design estimates (DDE) will be prepared for all water supply sub-projects. DDE will be prepared by design firms selected in accordance with Bank procedures. A copy of the standard TOR developed for the DDE services is included in Annex 1.3.

Notwithstanding the above principles, costs are to be strictly controlled through the DDE process, such that – to the extent possible – design solutions keep within budget allocation (defined at appraisal) for each sub-project. Throughout the lifetime of the project ARIS is to carefully monitor global project budgets with respect to projections for meeting PDO / beneficiary targets to ensure satisfactory project outcomes. In such cases where cost estimates for water supply infrastructure substantially exceed budget allocations, alternative solutions / options shall be developed in consultation with DDWSWD and the World Bank (this may include implementation of partial works, cancelation of sub-project interventions, etc).

Preparation of a vital detailed DDE for each subproject will include the following stages:

- Analysis of the existing situation including collection of data, hydro geological surveys, topographic survey, geochemical surveys depending on needs;
- Preparation of draft design with minimum two options for design solutions for review;
- Selection of an optimum option including consultations with stakeholders;
- Preparation of final detailed DDEs and technical materials for tender documents.

The terms of reference and scope of services for selection of a consultant for DDE are attached in the Annex 1.3.

Also at the designing stage international consultants for design review will be engaged in order to bring in the best international practice in water supply sphere and to render assistance and consulting support to ARIS through review and providing recommendation on the technical and design solutions, drawings, specifications, BOQ, calculations and others received from the

design institutes. International consultants will be engaged on as-needed basis depending on the amount of works. Roles and responsibilities of international consultants for design review are as follows:

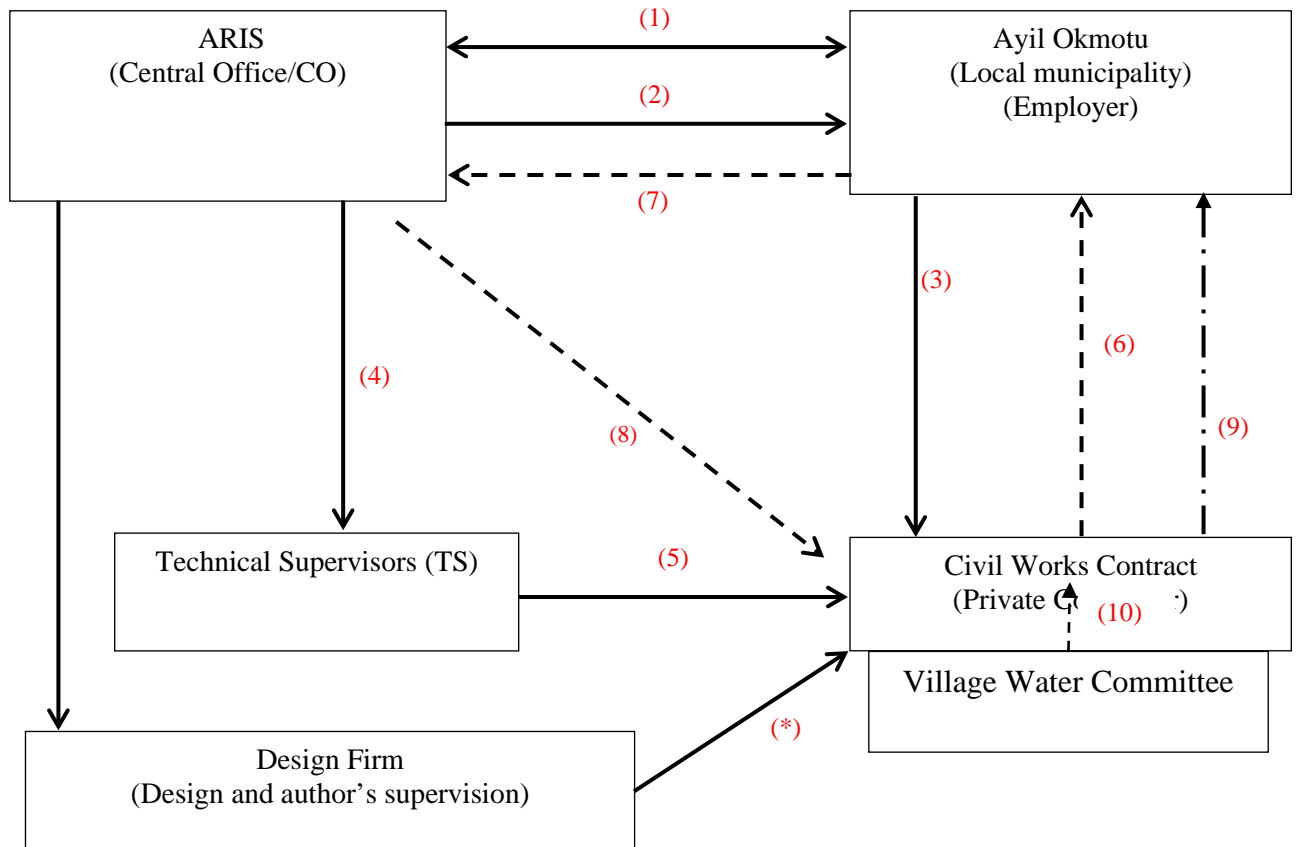
Provide overall advisory support to ARIS to strengthen their capacity to review, comment in the preparation of design estimates for priority subprojects in Chui, Osh and Issyk-Kul oblasts, including the following:

- a. Familiarize with local conditions, design norms and approval processes for rural water supply and sanitation systems in Kyrgyzstan;
- b. Provide relevant recommendations for application of international standards and innovations at each design stage;
- c. When appropriate, make site visits, consultations and field investigations etc. to assess current status including existing infrastructure, coverage, water sources (quality and quantity), and current level of service;
- d. Review the reports, designs and all associated submissions (e.g. specifications, BoQ, estimates etc.), make comments and recommendations to ARIS for improvement/modifications (when considered appropriate and as approved by ARIS, the international design review consultant shall directly liaise with the design firm during the process);
- e. Assess all necessary technical constituents, which will be used for preparation of bidding documents for civil works;
- f. Propose methods and potential solutions for addressing challenges arising during design;
- g. Review and advise about comparison of alternatives and provide recommendations about the best options (considering local context and international best practice);
- h. Review technical assessments and consider, financial/commercial viability, suitability of organizational and managerial arrangements as well as social / environmental impacts of the detailed design estimates (DDE) under preparation;
- i. Work pro-actively with ARIS and the design firm to support timely delivery of the outputs (in accordance with the contractual scope of works).
- j. Act as an advisor to ARIS in their capacity of a Customer, to ensure all technical aspects of the local consulting firms tasks as adequately delivered. This shall include advising ARIS regarding the acceptance of technical / engineering deliverables.
- k. Make other recommendations for the project, as necessary.

Contract administration and technical supervision of water supply construction

ARIS, prior to commencement of design development will enter into a Cooperation Agreement with each participating Ayil Okmotu, under which roles and responsibilities of both parties will be defined. This agreement will govern the cooperation arrangements during project implementation – addressing relevant arrangements for activities including procurement, contract administration, supervision, payments under contracts and others etc. A template for the Cooperation Agreement is included in Annex 2.3. Figure 1 below sets out the conceptual arrangements for procurement and implementation of civil works.

Fig.1. Civil works implementation arrangements



Process Flow:

Step-1: ARIS enters into an agreement with Ayil Okmotu (AO - Local municipality), where ARIS will assume the role of Project Manager to do procurement, contract management, funds flow/payments and act as Construction Supervision Engineer. The AO will be the Employer.

Step-2: ARIS Central Office undertakes the procurement of civil works contract on behalf of the Employer. During tender, AO is engaged as a full member of the tender Committee.

Step-3: The Employer signs the civil works contract with private contracting firms (whom the contract is awarded to)

Step-4: ARIS shall recruit local technical supervisors on full time basis to do the Technical Supervision. International Supervision Engineers will also be involved to assist ARIS in technical supervision. (International consultants will be engaged on as-needed basis depending on the amount of works;); a total number of three int'l technical supervision engineers are foreseen as per the demand of the supervision requirements).

Step-5: Technical supervisor conducts the day-to-day supervision of the construction works, to provide oversight on construction activities including quality, cost and time assurances. Including verification of quantities, and quality of works as per contract, including technical specification.

Step-6: Contractor submits Interim Completion Certificates (ICC) and certificates of tests, hidden works and executive drawings to Employer which entitles it for payment subject to prior review and verification by technical supervisor.

Step-7: Employer approves the ICC and instructs ARIS to process the payment as per the contract terms.

Step-8: ARIS process the payment to Contractor (through Project Designated Account or Direct payment from IDA)

Step-9: Contractor completes the works, ARIS issues acceptance certificate and Employer accepts the asset/facility as a municipal property.

Step-10: Communities participate in constructions works monitoring process through the Village Water Committees (VWC). VWC shall have a right to request reports of AO/MWU/CDWUU on sub-project implementation inviting a contractor.

(*) Note: ARIS also recruits the Design Firm (that prepared detailed design) to do the Design Compliance Supervision (*Avtorskiy nadzor*). The Firm visits the sites on a regular basis and checks the compliance of actual works to the design. The Firm does not approve the Payment Certificates.

The responsibility for contract administration and technical supervision of construction works will rest with the ARIS Central Office Engineer, who as an institution will appoint an Engineer as the Project Manager for each contract.

ARIS will also engage international engineers to support the technical supervision and contract administration processes. On behalf of ARIS, the international engineers will be responsible for establishing/assisting in improvement and overseeing systems of quality, time and cost controls to ensure civil works are appropriately supervised and managed in accordance with the conditions of contract and drawing from best international practice. In addition, the international supervision engineers will support ARIS's engineering / supervision team through training and capacity building activities. They will also be responsible for preparing monthly progress reports, copied to the World Bank.

Full time, national senior infrastructure engineers will also be engaged by ARIS to work with site supervisors for each of the sub-project areas. The project engineers will work under support from the international supervision engineers. The roles and responsibilities of the national senior infrastructure engineers (who will be certified registered professionals within Kyrgyz Republic) will be formalized through an official delegation of authorities for each contract

Their authorization shall be based but not limited to the following responsibilities:

Functions of national engineers:

- Prepare terms of references for development of detailed design estimates (DDEs), and, if needed, for technical surveys;
- Administrate contracts for development of DDEs including discussion and approval of designing matters, potentially needed changes or adjustments to detailed designs, acceptance of final version of DDEs and approval by Ayil Okmotu;
- In conjunction with ARIS procurement officers, prepare technical part of tender documents;
- Participate in selection of contractors to implement construction and installation works and/or supply of goods under subproject;
- Coordinate the activity of field engineers for technical supervision;
- Administrate contracts for civil works including verification and approval of SWAs, preparation and issuance of variation orders as well as ensure compliance with all contract procedures;
- Arrange and maintain a system for expertise of subproject according to the WB and KR requirements to ensure compliance with environmental requirements related to subprojects;
- Prepare subproject progress quarterly reports;

Functions of international technical supervision engineers:

- General consultative support in development of DDE;
- Consultancy support in establishing of a methodical system for technical supervision, quality, time and cost controls, according to contract provisions;
- Develop a manual for contract management, quality assurance, and technical supervision;
- Monitor the activity of field engineers and render them consultative support;
- Consultations for efficient document management in contract administration and technical supervision;
- Consultancy assistance in reviewing and studying of Payment Certificates provided by contractors and, if needed, provide recommendations for compliance with contract provisions and technical standards;
- Support to the ARIS team responsible for technical supervision through training activities, including development of correspondent training modules and materials;
- Prepare monthly progress reports.

The proposed activities composed of both local and international inputs shall be satisfactory according to national normative acts and internal project requirements in terms of quality guarantee.

Moreover, to ensure site supervision and technical support, the specialists in relevant fields will be hired depending on need, including (1) electric engineering, (2) topographer, (3) quality control, (4) hydrogeology, (5) mechanical engineer, (6) drilling engineer and/or other areas of specialization as needed. Their activities will be coordinated by senior infrastructure engineer. All team members responsible for technical supervision will be familiarized with the requirements to high quality standards. Each member of TS team will be given ToR indicating the responsibilities and reporting requirements. Their work will be regularly evaluated by the Project Manager.

Component 2: Sanitation Development

This component will finance procurement of goods, works, and services, training and household subsidies for improvement of sanitary conditions in target rural communities. Moreover, other strategic issues associated with favorable environment, markets and industry will be addressed by preparing national rural sanitation development strategy to ensure access and sustainability. Under the project implementation, the funds for construction and rehabilitation of social facilities are budgeted for and estimated 93 regular schools to be complemented with educational and training programs in hygiene including menstrual hygiene for girls. Water will be connected to all social facilities, including schools, kindergartens, clinics, and hospitals in the target villages. The Project will also carry out activities for improvement of sanitary conditions in targeted villages through behavior change communication programs/campaigns combined with sanitation marketing activities and enhancement of household sanitation. through promotion, and in pilot areas the introduction of result-based household incentive grants (or subsidies). Activities planned for this component are organized in three sub-components below:

Sub-component 2.1: Rehabilitation and/or construction of Sanitation Facilities in public buildings. This component will finance retrofitting of existing sanitary and handwashing facilities in selected schools within the project villages. These works will complement the water supply investments and be supported by WASH education and promotion activities for teachers and students. The improved WASH facilities together with the WASH in school promotion and education program (including Menstrual Hygiene Management) will contribute to improved development outcomes, including public health and a more conducive learning environment within school settings, especially for girls. This sub-component will finance goods, services and workshops in support of the following activities:

Construction and rehabilitation of sanitary facilities for schools

- Assess and evaluate sanitation facilities in conjunction with AO, school management and local SES officers. The decision on construction or rehabilitation of sanitation facilities will be based on the assessment;
- Prepare detailed designs for various types of outdoor latrines;
- Prepare BoQ for rehabilitation of existing indoor toilets;
- Conclude tripartite agreements between AO, pilot schools and ARIS whereby parties undertake certain obligations for rehabilitation/construction of indoor and/or outdoor sanitary facilities for schools;
- Select works contractors for rehabilitation or construction of sanitation facilities;
- Design, clearance, bidding, contract signature, financing, implementation and supervision of works shall be the same as for Component 1;
- Technical supervision of construction/rehabilitation of facilities;
- Author's Supervision of works;
- Operation and maintenance shall be coordinated with schools, kindergartens and other public buildings after construction/rehabilitation and prior to their handover to AO² (Template of Agreement in Annex 1.4.).

To the extent possible, the construction activities at the schools will be scheduled to take place during the extended summer school break, to avoid temporary impacts on school activities.

² AOs are the asset owners of school properties; O&M of sanitary facilities are covered by tripartite agreements between AO, pilot schools and ARIS.

Promotion of sanitation and hygiene for schools in target villages

Training events for improved knowledge, attitude and behavioral changes will be conducted through school by extra-curricular classes which in addition to standard curricula will include series of participatory exercises developed specially for enhanced participation of students. For example, establishment of School WASH Committees and engagement of senior students (“young leaders”) in training of junior students; celebration of international events on water, sanitation and hygiene, involvement of students in the school sanitation and hygiene improvement process.

Activities at the school level by introducing School WASH

- Training for teachers of schools to promote WASH, including menstrual hygiene management,);
- Strengthening the capacity for all teachers in WASH by trainings for colleagues. Field sanitation facilitators will provide methodological and organizational assistance;
- Organize and implement WASH monitoring system. A group of teachers and students will be set up for conducting regular internal monitoring of WASH facilities;
- WASH training for students. WASH training will be conducted in extra-curricular lessons. Each school will receive a Manual on WASH for teachers;
- Organize activities to control handwashing with soap before meal among students. These activities will be carried out by teachers and senior students;
- Assist to positive changes in schools for integration of WASH. As part of the event, financial model will be presented to calculate the cost of WASH per student per year. Participatory calculations will be made to determine the cost for each individual school. Social support will aim to create a demand for adequate WASH conditions in schools, as well as the involvement of parents in the process of adoption and implementation of solutions to ensure stable functioning of WASH facilities;
- Develop the capacity of the school WASH committee. Training will be held for the members of the WASH committee. The project will help to develop and approve the position WASH committee; develop and approve SOPs and MoU. They will discuss various mechanisms to enhance accountability and increase funding for WASH in schools and mobilizing additional resources costs (parent-teacher conferences, meetings WASH committee, WASH Cost, Standard Operating Procedures (SOP) (Annex 1.4.), instructions, memos, memoranda);
- Establish and organization activities of the WASH clubs. The WASH Club is an internal catalytic source of changes and promotion of sanitation and hygiene in schools. It will develop and engage students in a variety of activities to help the school to inculcate proper hygiene skills among the students of elementary school;
- Revive “sanitary facilitators” teams who will monitor the cleanliness and neatness of class students (check the cleanliness of hands, nails, and appearance). As members of the club, they will extensively promote development of hand-washing skills among peers. The WASH club members will take part in monitoring of sanitary condition of school facilities (cleanliness of toilets, school grounds, garbage collection, availability of water, soap, etc.);
- Campaigns for the World Water Day, World Handwashing Day and World Toilet Day. The WASH clubs and committees will take an active part in organizing the celebration of the event days;
- Certification of schools by 3-star category. Evaluation and certification of schools will be held at the local level engaging the WASH committee. The results of school certification will be announced at the teacher- parent meeting upon completion of the Project. During this event, a memorandum of cooperation will be signed between the school, the parent Committee / Board of Trustees, VHC, MWU/CDWUUs, local self-government bodies

regarding co- financing of operation and maintenance of the school WASH facilities (Annex 1.4.).

The three-star approach in schools is aimed at changing sanitary and hygienic behavior. According to the approach, schools are recommended to use the constant practice of washing hands with soap, provide access to drinking water, and clean sanitation units, where the principle of separation of sexes is observed.

For the development of the three-star approach, the school assumes the obligation and begins to make the necessary changes in improving sanitary and hygienic conditions.

With a three-star approach, both the support of the local community and the support of the institutions of the national education system and other government bodies are important. Most importantly, the schools themselves must be actively involved in the process, so that the approach gets a results. Active participation means that teachers and the school director take on the additional responsibilities necessary to achieve and maintain "one star" status. This will require involvement at the initial stage and regular follow-up of the schools by the educational institutions and other public authorities. The stars are awarded with the implementation and maintenance of activities aimed at changing habits, observing sanitary standards, improving the sanitary condition of school facilities.

"One star" school must meet three criteria: hygiene, sanitation, and drinking water:

- All children participate in a daily supervised group session on hand washing with soap, preferably before meals.
- There are bathrooms in the school, in which the principle of separation of the sexes is observed; they are functional, clean and used by all children (no open defecation).
- Each child has and uses a personal bottle of drinking water.

In the "two-star" school will continue to pay special attention to all the group daily activities that were held in the "one-star" school. In addition, the focus will be on washing hands after going to the toilet, improving hygienic conditions and organizing menstrual hygiene, as well as ensuring the safety of drinking water. "Two-star" schools will take steps to achieve hygiene, sanitation and water standards in accordance with the three new criteria of this stage:

1. Children wash their hands with soap after going to the toilet.

"Two-star" schools regularly practice the skill of washing hands with soap after going to the toilet. To do this, schools have installed devices for washing hands next to the toilet. Sanitary and hygienic education among students is conducted. The cost of soap and other necessary hygiene means is determined by the school itself together with the board of trustees. In order to improve the hygiene of the girls, the school administration organizes the rooms and creates conditions for the observance of personal hygiene for the girls during the menstrual cycle.

2. There are improved sanitary conditions and convenience for menstrual hygiene.

"Two-star" schools gradually increase the availability of sanitation facilities, i.e. the number of bathrooms should correspond to the number of students. When upgrading toilets, it is necessary to take into account the standard of 1 point for 20 girls, 1 washbasin for 30 girls. A separate sanitary unit should be provided for staff. Responsibility for all work on the modernization of WASH facilities lays primarily on schools and local communities, with some support, as necessary. Funds for modernization can also come from the parent committee or the Board of Trustees.

3. Drinking water is available in the school.

"Two-star" schools guarantee students the provision of safe drinking water in the school. As a rule, students continue to bring bottles of water from home, but a safe source of water in the school allows them to refill their bottles during the school day. In most cases, existing sources of water are used at or near the school, but the water is purified by boiling. To modernize the sources of water available in schools, they can also raise funds in the local community or seek appropriate assistance.

The "Three-Star" schools have improved sanitary and hygienic conditions, which comply with national standards. The standards include national standards for WASH facilities, including design requirements, the number of facilities depending on school size and accessibility for children with disabilities.

Procedures for internal control and external control for 3-star certification:

- Internal control: once in the first half of the year, the school itself (self-assessment), which includes (1) the school administration), (2) WASH club or school parliament and (3) parent committee or board of trustees.
- External control by the SES, by the end of the school year to confirm the status of compliance with one of the Stars.

Evaluation procedures for assigning a 3-star approach:

- At the local level, establish the composition of the tender commission and include representatives of the parent committee or the board of trustees, doctors of the group of family doctors or FAP, AOs, CDWU or village water committee, local NGOs.

Implementation arrangements for WASH at the school level

Provide pilot schools with a School WASH Manual (including MHM and three-star approach) and deliver training using this manual. At the first stage, training will be delivered to the deputy principal and one teacher; at the second stage, these two trained people from each school will train all the teachers, class managers, and elementary school teachers.

- WASH health stands are installed at each school and classroom;
- WASH activities are carried out. WASH club and WASH committee are established;
- WASH activities are carried out: class meetings, open lessons;
- Facilitate contest on WASH among classes and schools.

As part of the implementation of the WASH approach, a Council of Girls will be established in each pilot school, which will consist of active girl-students in the upper grades. The establishment of the Council of Girls is agreed with the school administration, the parent committee or the school's Board of Trustees, and the school parliament. The establishment of the Council of Girls will strengthen the participation of girl-students in the decision-making process in the school, including the solution of problems related to the improvement of sanitation and hygiene in the school, and issues related to the management of menstrual hygiene.

Monitoring and Evaluation of WASH facilities

- Internal control is carried out once at the first-half year by school itself (self-assessment), including (1) school administration, (2) WASH club or school parliament, (3) Board of Trustees.
- External control is carried out by SES by the end of academic year to confirm the compliance with standards;

Additional impact assessments on the results of WASH in school activities may be implemented as part of broader M&E activities of the Program under component 4.

Institutional arrangements

- Conclude a Memorandum on the terms of interaction between MoE, MoH, and AOs for implementation of a wide-scale campaign for integration of the WASH Manual and three-star approach, whereby a Cooperation Agreement should be signed
- Conduct a wide-scale awareness campaign for students and population on the need in integration of the WASH program;
- Assist in integration of the WASH activities in the curriculum of the class.

Sub-component 2.2: Enabling Environment, Communications, and Capacity Development.

This sub-component will include a range of activities that will improve the enabling environment for sanitation development, build the capacity of a wide range of stakeholders, and support communications campaigns to change WASH behaviors of households in order to create demand for improved sanitation and hygiene and increase awareness among national and local actors. The sub-component will finance goods, services, and workshops in support of the following activities:

Enabling environment: This includes the institutional strengthening, equipment provision and capacity development for the Department on Prevention of Diseases and State Sanitary Epidemiology Surveillance (SES department) for water quality testing, certification and monitoring for the Raions associated with the project areas. It includes technical assistance for regulatory modifications to support enabling conditions at the local and central levels, such as the development and dissemination of technical guidelines for household sanitation to Ayil Okmotus and other stakeholders, or other guidelines needed under the rural sanitation strategy. It also includes the preparation of a national rural sanitation strategy, as follows:

Preparation of Rural Sanitation Development Strategy

- This component will develop an integrated and comprehensive Strategy of the Kyrgyz Republic for sanitation development in rural areas. The objective of the Strategy is to assist in fulfillment of strategic tasks to provide favorable environment for changing behavior and ensuring demand, developing market and production to improve access to sanitation facilities. Technical assistance activities will include development of a Sanitation Development Strategy in rural areas with (1) involvement of stakeholders (2) consideration for international experience in improvement of sanitation in rural areas.

Activities for preparation of Rural Sanitation Development Strategy

- Establish a working group of stakeholder ministries / agencies to prepare volume of work and Terms of Reference for development of rural sanitation strategy;
- Develop draft Strategy and recommendations involving international consultants;
- Organize and conduct meetings, round tables and conferences;
- Organize international study tour on rural sanitation;
- Assist Working Group in proposing the Strategy to the Government for review.

Capacity building and institutional strengthening activities

- As part of the Project, MoU will be signed between the SES Department and ARIS Assess the needs of the Department to fulfill its mandate as the authority responsible for testing and certification of the quality of drinking water at the Raion level;
- Draw up and approve the list of laboratory equipment, together with SES in pilot areas;
- Provide support in terms of supply of equipment (for example, equipment for sampling and laboratory testing, computers, software, etc.);

- Support to the SES Department in installation, training, and use the equipment for analysis of water quality, which will be purchased through ARIS. SES will be assisted in updating the database to control the quality of water (and diseases associated with water quality) developed under the previous phase;
- Assist with assessment and further renovation of Raion SES offices for installation of laboratory equipment and reaching required accreditation level, and ensuring that rehabilitated and equipped labs will achieve accredited status.;
- Under the Project, contracts will be signed between Raion SES and MWUs/CDWUUs for water quality control (as an external supervising body). Financing for the water quality tests will be included in tariffs or allocated from the AO's budget.

Communications: This includes support to the implementation of a program-wide “Ala-Too Bulagy” social and behavior change communication strategy and related campaigns to promote improved WASH practices in all target villages. Considering the expanded implementation period of the AF, it allows for updating/refreshing and expansion of specific information, education and communication (IEC) materials related to a range of WASH-related behaviors, such as the regular payment of tariffs, wise water consumption, upgrading and maintenance of hygienic sanitation facilities, handwashing with soap, disposal of child feces, and menstrual hygiene management. The WASH communications program will be introduced through several means. Educational programs will be introduced through the school system, parent groups (see sub-component 2.1) and wider community activities. This sub-component will finance goods, services, workshops/conferences to support following activities:

Communication campaign

- Develop a concept of umbrella brand for Ala-Too Bulagy (ATB);
- Develop an overall communication strategy for ATB including implementation plan;
- Develop information materials for social media, TV, radio, newspapers, cyberspace and other media;
- Design, print and disseminate information and educational materials under the Project (videos, radio spots, posters, leaflets, banners, etc.) at the national and local levels;
- Implement the communication strategy at both the national and local levels
- Implement awareness campaign covering TV/radio programs and social media at the national and local levels. The local level communications campaign will include events at village level, as well as interpersonal communications through household visits/small group meetings
- Monitor implementation of the ATB communication strategy.

1. Sanitation marketing and behavior change activities will be introduced within project communities, modifying already existing methodologies and materials, including the development of user-friendly materials for promotion of standard designs, cost information and construction guidance. In coordination with the AO and the water committee, promotion activities will be closely guided by ARIS facilitators and carried out through interpersonal communication guided by village health volunteers and through various village and group meetings and community events, encouraging the participation of trained local businesses/masons. Broader public campaigns (mass media and social media) to support improved knowledge, attitudes, and practices within the project areas are also covered, as well as advocacy, documentation and dissemination of the achievements of the “Ala-Too Bulagy” Program to sustain program momentum.

Analysis of methodologies and approaches of the component

- Review and update the existing methodologies and training materials/manuals, including School WASH, Household Sanitation Improvement or other approaches such as messages and materials for the communication campaign to be integrated in the

campaign (all the materials will be tested in the initial subprojects and communities prior to public dissemination) with extensive involvement of communities, including the topics in menstrual hygiene for girls;

- Prepare and print full package of training sets and tools.

2. *Capacity development*: To ensure effective implementation of the component, technical assistance and capacity development activities will be targeted to AOs and water committees to carry out their roles in planning, coordination, implementation support and monitoring of the results of sanitation development, including the administration, documentation and monitoring of the result-based incentives (see sub-component 2.3). This sub-component will facilitate the exchange of lessons and learning across AOs and knowledge exchange for local and national stakeholders.

Trainings measures for promotion of sanitation and hygiene in communities will be implemented by updated methodology for Household Sanitation Improvement. The methodology on behavior change for Household Sanitation Improvement envisages wider public engagement in the learning process, change of attitude to sanitation and hygiene at the community level. It will be supplemented by messages not relating to healthcare but will be utilized to promote availability and use of hygienic comfortable toilets and combined with activities for promoting various options for suitable toilets. The sub-component will finance goods, services and workshops in support of the following activities:

Key activities for promotion of sanitation and hygiene in target communities

- Organize a village meeting on Component 2 commencement;
- Organize and conduct trainings on Household Sanitation Improvement for VHC. Village Health Committee is a group of local activists that are mainly promoting health and disease prevention. VHC is elected by villagers of high confidence and authority. VHC shall assist / support the ARIS field sanitation facilitator in the outreaching households. VHC will be provided with assistance by various tools such as methodological guidelines, training, brochures, pamphlets and other necessary materials;
- Facilitate planning of the activity of VHC for WASH;
- As part of the training methodology “Household Sanitation Improvement”, data on sanitation facilities in households will be collected. To this end, before and after the communities training, a household survey for the availability of washbasins and water in it, soap, toilet cleanliness and availability of toilet paper will be conducted;
- Arrange and deliver training for households using Household Sanitation Improvement Manual engaging VHC;
- Arrange and deliver contest for Best VHC at the community level resulting from WASH activities;
- At the final village gathering, communities will be informed about further actions in the communities to ensure sustainability of WASH and about the results of the contest for the best VHC.

Sub-component 2.3: Results-Based Incentives for Household Sanitation Development (US\$ 1.1 million).

Subsidy implementation team will be comprised for this sub-component, which will include subsidy delivery specialist with engineering background, accountant (part-time) and M&E assistant.

This sub-component will pilot the introduction of results-based incentive grants to households to upgrade their household sanitation facilities to a hygienic level. Through activities under sub-

component 2.2, effective demand for upgrading of household facilities will be increased, and households are expected to self-invest in improving their sanitation facilities. To address affordability constraints and behavioral barriers, an incentive grant will be offered to households covering a part of the cost incurred by households, and paid once independent verification of the upgraded facility has taken place (results-based). A differentiated incentive grant for indoor flush systems (septic tanks, soak pits) and outdoor improved latrine types will be available for all eligible households in the project areas using a demand-based approach. This component will follow an adaptive learning approach, reflecting its pilot character. The incentive grant scheme will be piloted in one sub-project in Chui, followed by one sub-project in Osh, after which a rapid evaluation will be carried out to adjust the approach, fine-tune the implementation processes and inform further scale-up³.

This incentive grant scheme will be applied in the original and the AF project areas and is expected to benefit 1350 or more households.⁴ This sub-component covers the costs of the sub-grants to households as well as costs of the independent verification agent hired by ARIS to verify that households have upgraded their sanitation facilities to a hygienic level as per the stipulated requirements.

Implementation arrangements and process steps for sub-component 2.3: The results-based incentives will broadly follow the implementation arrangements outlined below and are further detailed in a separate “Manual for Result-Based Sanitation Incentives”. A condition for disbursement of the results-based incentive grants to households (classified as category 3 expenditures) is that the Recipient had adopted the Manual for Household Results-Based Sanitation Incentive in form and substance acceptable to the Association. To implement component 2.3, the Memorandum of Understanding between ARIS and the AOs will include a section on the roles and responsibilities of the AOs and the sanitation committee in the implementation of the sanitation development component. AOs – supported by the sanitation committees – will be responsible for adequate communication, documentation, construction monitoring, and progress reporting to ARIS on the results-based sanitation incentive scheme.

The subsidy implementation team will ensure that essential upfront capacity building activities will have taken place (under sub-component 2.2) before the introduction of the incentive scheme including i) training of AOs and sanitation committees on procedures, mechanisms and conditions and documentation requirements of the incentive schemes, ii) technical guidelines for suitable household sanitation options and their installation requirements, iii) training of village facilitators and other volunteers on behavior communications and sanitation product promotion , and iv) training of local contractors and village masons on construction and installation of sanitation facilities and customer relations. The Project will provide technical support to AOs and their sanitation committees through regular implementation support activities. The Project will procure the Independent Verification Agent (IVA) and will be responsible for the transfer of the sub-grants to households’ bank accounts upon satisfactory verification of the sanitation facilities by the IVA.

Sub-component 2.3 implementation steps:

- a) Public announcement and community meetings to explain the results-based incentive scheme and conditions for participation (by AO and sanitation committee). Information regarding the sanitation options and trained masons/contractors will be communicated.

³ Due to the pilot nature of the project the target in the results Framework is set at 1,350 households only, while the allocated budget may be able to reach 3,500-4,500 households. depending on the level of the subsidy that will be set

⁴ Depending on the relative demand for in-door flush-toilets or outdoor VIPs

- b) Application form submission, including necessary information and documentation on existing and planned sanitation facilities (by households).
- c) Application review and documentation of baseline situation (by AO/sanitation committee); upon acceptance of the list by ARIS, AOs confirm eligibility to interested households and publicize the list.
- d) Signing of the user agreement between households and AOs, indicating criteria for verification, minimum technical quality requirements and other conditions for disbursement (e.g. opening bank account).
- e) Household organizes construction of the facility and financing⁵.
- f) During construction AOs/sanitation committees will monitor and guide households on adequate installation, document (e.g. through video/picture) the adequate construction of the underground part of the facility, and the full completion of the facility.
- g) AO/sanitation committees monitor and publicize progress on the completion of the facilities and report to ARIS.
- h) ARIS mobilizes the IVA to carry out (monthly or quarterly) verification; this includes both the inspection of the documentation process by the AOs as well as on-site verification⁶.
- i) IVA reports and makes recommendations to ARIS for payments
- j) ARIS reviews recommendations and makes payments to household bank accounts.

Targeting, level and features of results-based incentives: the level of the incentive grants will be set in the Results-Based Incentive Manual and can be changed after the evaluation of early piloting. A recent supply chain and costing analysis indicates however that the level of incentive grants for flush-systems (septic tanks, soak pits) may be in the order of US\$275 equivalent KGS (including a 10 percent income tax), and US\$99 equivalent KGS (including a 10 percent income tax) for ventilated improved latrines⁷. The exact amounts in KGS will be defined in the Manual for Household Result-Based Sanitation Incentives and can be revised during implementation. Since the allocation for household sanitation incentive grants is capped for the pilot (at US\$1 million) and a demand-responsive approach will be used, the exact number of beneficiaries will depend on consumer choices for the type of facility. It is expected that over 1350 households will be able to benefit from the results-based incentive grants, with further increased coverage. This is expected to leverage at least US\$ 1.5 million in household self-investment.

Since the incentive grant will be paid upon installation and verification, households will need to be given sufficient time to mobilize the necessary resources. The period to participate in the incentive grant program will be time-bound, determined in the manual, e.g. twelve months after public announcement of the incentive grant scheme in a respective AO. This will help to manage expenditure under this demand-driven scheme and encourage faster uptake. The program will be introduced in target communities once water supply systems are constructed and will be accompanied by intensive promotion and capacity building activities under sub-component 2.2. The targeting of the results-based incentive grants is geographic and all households in the selected sub-projects will be eligible for the scheme (unless households already have an indoor flush toilet). Sub-projects have already gone through a prioritization in terms of lack of WASH services and overall poverty rates.

⁵ Households may opt to self-construct the sanitation facilities or co-construct hiring skilled labor (trained masons or contractors). Households are responsible to pre-finance the facility through savings or micro-loans. The need and potential to include micro-lending in the Project will be assessed at MTR stage.

⁶ All households will be verified through on-site visits.

⁷ Kyrgyz regulations require a 10 percent income tax to be paid by households. To facilitate this income tax payment, the Project will automatically deduct this from the amounts transferred to the household bank account, and centrally transfer this to the relevant tax authority.

Verification. Household incentive grants will be paid upon independent verification of upgraded sanitation facilities. For this purpose the Project will recruit an IVA in each Oblast that will carry out verification of facilities on a quarterly (or monthly) basis, using a verification checklist⁸ to be included in the user agreement. and for every household. Checklists will be part of the Result-based Sanitation Incentive Manual. The IVA will also inspect the adequacy of the household selection and quality of the construction process, as documented by the AOs.

⁸ The verification checklist will be prepared for different sanitation options and will include features related to the conditions of the user interface (slab, squatting hole, water seal), the elevation of the slab, other functional features (like ventilation), the siting and conditions of the pit or tank and its accessibility (for emptying), robustness and privacy of the superstructure.

Component 3: Institutional Development

Component 3 will finance goods and services, training and workshops aimed at strengthening the institutional potential of the water supply and sanitation sector at both national and local levels, and to design and implement a sector-wide Professional and Vocational Development Program. The component provides for a set of specific measures to assist the Government in making informed policy decisions for the development, modernization and reforming of the WSS sector, including implementation of the Government's Strategy for the water supply and sanitation sector. The component is divided into three separate subcomponents as follows:

Subcomponent 3.1. National level

National-level efforts will include technical assistance in capacity building of the water supply and sanitation sector. During developing of the component, the experience and lessons learned from the previous projects (particularly the RWSSP2) were taken into account. Some activities are a continuation and complement of the work that was initiated under the institutional development component of the RWSSP2. Activities to be financed under this sub-component will ensure continuity of support for the extended period of the program (additional 3 years), building upon and complementing activities financed under the original project. Sub-component 3.1. includes but not limited to the following key activities:

Sub-component 3.1 consists of the following main activities but not limited to:

1. Improvement of the sector legal framework

Review of legislation was initiated under RWSSP-2, the results of which a matrix of the recommendations and required changes in the sector legislation was prepared. It is necessary to continue this work developing regulations that will enable clearer division of roles and responsibilities (including transfer of assets and ownership issues) as part of delegated management frameworks, financial arrangements and operational policies, and also support in the implementation of new institutional models in the water supply sector. Apart from the legislative review, the subcomponent aims to produce legal guidelines for LSGB and WSS service providers that will be supported by trainings and consultations at the community level.

2. Sector wide monitoring and evaluation

This activity is also a continuation of work on the creation of a national database system, which was formed for DDWSWD within RWSSP-2 in 2014. This database includes information on all settlements and key performance indicators to be used as a tool for DDWSWD in policy development, generating reports and information for submission to a variety of stakeholders, including government bodies and donor organizations. However, due to the limited capabilities of the Department, the database is not yet updated and its use is not fully institutionalized. In addition, extension and improvement of some functions of the database are required. Therefore, the Project will update/upgrade to a more comprehensive sector wide monitoring and evaluation system, focusing on regular data collection and updating system, monitoring of water system infrastructure status, service provider's performance including, and sanitation indicators. It will include activities for preparation and introduction of general sectoral monitoring and evaluation system on the basis of SIASAR, an international rural water and sanitation information system developed with Bank assistance in Latin America. Following activities will be implemented as part of SIASAR introduction:

- Prepare and adjust public information platform designed for monitoring of factors relating to water infrastructure status, level of services, service providers, sanitation and

hygiene level, water and sanitation at schools and hospitals, and sustainability of WSS services in the communities;

- Likewise, a roadmap will be prepared which, inter alia, will include stakeholder mapping and establishing interagency working group that will be engaged in the introduction of the tool, ensure data collection and verification and monitor implementation process;
- In developing the tool, Web-site and mobile application will be translated and connected to data source in order to simplify the data entry/ exchange and generation of reports ensuring transparency and accountability in the open digital space;
- The component will also compare external data sources which can be integrated in SIASAR for participatory monitoring of WSS by various users and partners;
- At the earlier stage, the tool will be introduced and used on a pilot basis, training prepared and delivered for the data collectors, data validators, with separate training for users and observers. This will be followed by further adjustment of the information platform as per the sector context.

Over the duration of the Program SIASAR will be gradually rolled out nationwide in all villages.

3. Development of new service delivery models

In order to improve the efficiency, quality and level of services, various service delivery models will be assessed, piloted and further developed under the program, including aggregation models where appropriate. The development of service models shall include assessment of current status identifying key problems and constraints. Potential service models would be analyzed and identified determining necessary arrangements for institutional support including management and financing mechanisms for their sustainable utilization. In conjunction with DDWSWD, pilot areas would be identified for detailed socio- and technical economic assessments followed by review and adjustment of new approaches. Lessons learned shall be formulated and reflected in key recommendations and guiding documents, which could further be replicated for scaling up to the national level.

4. Institutional support for the DDWSWD

The subcomponent will finance special studies, development of new models of WSS services, financial and sector investment planning, and DDWSWD institutional support plan, including capacity assessment and preparation of proposals for both organizational development of DDWWD and improvement of overall sector management, The institutional support plan will formulate recommendations for human and financial resources and training needs for DDWSWD development, including its representation at regional and Raion level.

5. Training and awareness activities.

This subcomponent also includes capacity building and training activities and awareness raising campaigns to improve knowledge and motivation of each stakeholder to implement their role in improving service delivery, reducing waterborne diseases and protecting water resources, and to explain the difference between the new project and its predecessors to citizens. Moreover, an overall campaign for the new program “Ala-Too Bulagy” will be developed, under which various desired behaviors will be addressed (e.g. on payment for tariffs, rational use of water/acceptance of water meters, hygiene and sanitation behaviors). (see component 2).

Component 3 activities, particularly at the national level will remain quite flexible to assist the Government of the Kyrgyz Republic to meet their needs and fill in the gaps in analysis and knowledge gain as well as render additional technical support for implementation of reforms. The TA may be focused on professionalizing CDWUUs/MWU and/or aggregated service models and institutionalized support to service providers to promote sustainability

Subcomponent 3.2. Local level

Local-level investments will be directed to capacity building of LSGB and WSS service operators (CDWUUs and others) responsible for water supply services in areas covered by the project. Additional Financing has enabled these activities to be expanded to a total of 91 villages included in ATB, under Bank-financed support and given the IsDB support the ATB will cover 115 villages in total. Key activities in each subproject will start upon conclusion and effectiveness of Cooperation Agreements between ARIS and Ayil Okmotus. The main activities of the project in each subproject will be started after the signing of the Cooperation Agreement between ARIS and LSGB and its entry into force. The template of the cooperation agreement is attached in Annex 2.3.

Following activities will be implemented under sub-component 3.2:

1. Capacity building of the LSGBs and service operators (MWU/CDWUU)

The project provides trainings, seminars and consultations for LSGB and MWU/CDWUU staff and representatives in tariff system, billing and payment collection, operation and maintenance, water quality testing, interaction with consumers, grievance redress mechanisms, human resources and commercial management. Under RWSSP-2 based on CDWUUs needs assessment there were developed the training modules which will be also used under the SRWSSDP. These training modules include the following topics and areas:

- 1) Part 1. Operation and maintenance of rural water supply systems
 - a. Water supply intake constructions types
 - b. Pumps and operation thereof
 - c. Drinking water disinfection methods
 - d. Operation and maintenance of water networks, reservoirs and pressure towers
 - e. Finding and rectification of leaks in water networks
 - f. Rules for the use of water supply system
 - g. Safety engineering and labor protection.
- 2) Part 2. Economically justified tariff and organization of work with customers
 - h. Agreements with customers.
 - i. Tariff calculation methodology
 - j. Analysis of the cost of water services. Analysis of operational programme
 - k. Methodology for calculation of other paid services tariffs
 - l. Work with customers of water services.

Under the Original Project the training modules have been updated and additional topics are being prepared, such as:

- Organization of work on household connections, including the design and technical requirements for the connection of water networks, installation and maintenance of water meters;
- Outreach and public awareness for customers of water supply services;
- Water quality testing;
- Preparation of business plans for water services. Financial planning;
- Commercial management;
- Management and economic viability of MWU;
- Developing plans of communication campaigns;
- Basic accounting and taxation for water utilities; and
- Other.

The Aiyi okmotus and MWUs/CDWUU's (and other operators) staff, and representatives of Raion structure of DDWSWD, deputies of Aiyi Kenesh (local councils), community leaders including women, youth and other stakeholders will participate in the trainings.

Exchange visits are a good tool to enhance the capacities of communities, therefore, there will be organized visits to the municipalities and communities where is successful experience and examples, including subprojects completed earlier under RWSSP-2, as well as exchanges between sub-projects under ATB

2. Community mobilization

With the aim of introducing individual household connections with water meters, promotion of importance of payment of tariffs and water conservation measures in each subproject the following activities will be carried out among others:

- introductory workshop, where will be a presentation about the project, objectives and scope of work under the subproject, and discussion of further steps, the expected contribution of the community (for household connections) and other issues;
- creation of water committees in the villages that will be involved in all major activities and stages of the project. A more detailed description of VWC is given in Annex 1.5.
- public hearings on technical solutions during the design development
- the work of mobilization experts with a population: meetings at the level of villages, streets, neighborhoods; outreach activities and consultations; dissemination of information materials and other activities;
- render support for AO and MWU/CDWUU to develop and implement public awareness action plan, which includes information needs assessment, stakeholder analysis, and measures to improve transparency and accountability of AO and CDWUU;
- public consultation in tariff development process.

3. Technical support for improvement of MWU/CDWUU operation

The sub-component will finance “start-up” support packages (for example, spare connection materials, meters, testing equipment, and tools) and special machineries (excavators, tankers for cleaning septic tanks, utility trucks etc.) for the operators to assist with the transition to operations (post construction). The list of equipment and machinery with technical specifications will be developed and agreed upfront. Purchased equipment will be transferred to the balance of local government bodies and to the operation of MWU/CDWUU on the right of economic management.

4. Support for MWU/CDWUU in improving their financial performance and introducing billing system

Under the subcomponent the activities also include procurement of computer equipment with development of billing system and software installation, as well as with training and technical follow-up support for MWUs/CDWUUs.

There will be also training for mobilization experts and MWU/CDWUU staff on financial planning and tariff development. Then the mobilization experts will work on rendering support to MWU/CDWUUs in financial planning and developing new tariffs.

For the purpose of social safety and optimum level of services, the project will support the development of a connection subsidy strategy and tariff mechanisms to address the needs of poorest and most vulnerable groups.

5. Organizational development and increasing efficiency of MWU/CDWUU (and other service operators)

Along with activities at the national level on development of the new models of management of WSS services, at the local level selected model of WSS management will be piloted on the example of specific municipalities and Raions. For instance, one of such models can be establishment of unified enterprises servicing several municipalities depending on the geographic location, availability of shared water sources and water supply systems and other aspects.

The subcomponent includes integration of service contracts clearly defining and disaggregating the responsibilities of utilities (MWU/CDWUUs) and asset owners (Aiyl Okmotu) which will regulate the key performance indicators (KPI) and mechanisms of tariffs and financing. At the stage of project preparation, a sample of such contract between AO and MWU/CDWUU was developed, which is attached in the Annex 1.5. Service contracts between AOs and MWU/CDWUUs will be signed during construction activities, and service providers will be tasked with the development of connection plans for the population in their service area.

To enhance the operational capacity of targeted MWU/CDWUUs the Performance Improvement Action Plans (PIAPs) will be introduced, rendering support to operators in improvement of working with customers, conclusion of agreements with customers, developing paperwork, organizational and staffing structure, job descriptions and other issues.

6. Conducting a competition among the LSGB and MWU/CDWUUs on service performance improvement

In order to facilitate performance improvement across the entire Oblasts a competition will be conducted in Chui and Osh Oblasts among those AOs and WSS service providers that are not included in the list of sub-projects for financing by the Project⁹.

Aiyl Okmotu (AO) and CDWUU participating in the contest and fulfilling its requirements shall be provided with water supply operation and maintenance (O&M) equipment/toolkits. The list and technical specifications of equipment and tools will be further developed.

The procedures and activities on implementing Performance Improvement Action Plan (PIAP) and conducting the contest are described in the Annex 1.5.

7. Beneficiary satisfaction surveys

Under the project an assessment of the level of satisfaction of beneficiaries will be carried out together with support to mechanisms of improved involvement of citizens, feedback of consumers.

The planned project surveys will be extended to obtain feedback from community members on their satisfaction with: (i) access to project information and awareness of decisions taken, (ii) their opportunities to provide feedback and participate in the dialogue, and (iii) the responsiveness of the implementing entity and AOs to feedback provided. These criteria will be rated on a 1-5 scale and will be equally weighted to compile a composite indicator on beneficiary satisfaction, as reported in the results framework.

⁹ All CDWUU or Municipal Enterprises in the project sub-projects will be provided with O&M equipment.

The local project team will conduct annually surveys of beneficiaries using a prepared questionnaire (and of necessary with support of an external agency). The data collected will be processed by M&E specialist.

Other activities

During the implementation of the project if necessary, some of the above activities can be revised, adapted and expanded depending on the situation and circumstances on the project areas. Also depending on arising needs and purposes new activities can be developed and proposed.

During SRWSSDP preparation, ARIS team has developed standard documents and forms that will be proposed for use during project implementation. The documents are listed below and included in Annexes 1.5. as following:

- Training programme and manual for trainers (which shall be updated during project implementation).
- Provisions on the contest for improvement of MWU/CDWUU performance including the standard form of MWU/CDWUU Performance Improvement Action Plan (PIAP);
- Standard service delivery contract between AO and MWU/ CDWUU;
- Standard agreement between MWU CDWUU and service users/customers;
- Standard MWU/CDWUU Charter;
- Standard regulations governing the issue of technical specs for individual household water connections;
- Standard Regulation of Village Water Committee.

During the project implementation the above mentioned documents will be discussed with AO, MWU/CDWUU and other stakeholders and could be revised and updated as necessary.

Sub-component 3.3: Sector Professional and Vocational Development Program (US\$ 3.8 million).

This sub-component was introduced through the AF, designed to support the development of industry-wide capacities of professionals and local-level actors in the water sector, building the pipeline of a future workforce in the sector. Industry requirements and current capacity constraints will be carefully considered, and a comprehensive Program will be developed to respond to medium and long-term priorities. The Program will aim to support already existing professional qualification levels and certification processes for vocational knowledge and skills development, and for this purpose will forge partnerships with relevant national educational organizations (e.g., universities and vocational schools/centers). Support in this area will strengthen the sector sustainability agenda in line with the project development objectives.

The recent ADB Capacity Development TA (CDTA)¹⁰ indicated the growing industry demand for higher-level water sector professionals and skilled vocational workers. The shortage of professionals and lack of managers and technicians able to make competent management and engineering decisions was identified as one of the biggest challenges in the sector, both for WSS utility operators (vodokanals), as well as MWU/CDWUUs. The CDTA provided recommendations—to be validated in the Institutional Capacity and Training Needs Assessment under the project—for a curriculum to address the following themes: i) sector reform and the regulatory, institutional and legal framework, ii) tariff policy, tariff setting methodologies and sector financing, iii) technical aspects (e.g. disinfection, technical structures), iv) O&M of water

¹⁰ Report: Capacity Development Issues, ADB Capacity Development Technical Assistance, July 2016

systems, including asset management and commercial aspects, and v) contract management, technical design and supervision (FIDIC, etc.).

The sub-component will support the development and customization of certificate-oriented, long-term courses based on the Institutional Capacity and Training Needs Assessments. The project will provide resources for equipment, operating expenses, training and technical assistance to enable the delivery of the Sector Professional and Vocational Development Program. To deliver the sub-component, ARIS—as implementing agency—will hire a consultant/firm with adequate capacity and shall act as overall technical coordinator for component 3.3. A consultant/firm will further develop partnership with national and international academic institutions and centers of excellence to support curriculum development, design, and delivery of the program, as well as with vocational schools/centers, in close coordination with ARIS and the HR development unit of DDWSWD.

All knowledge products developed under the sub-component will be available through a public website. The Institutional Capacity and Training Needs Assessment will be accompanied by a scoping of potential national educational and vocational institutions and other platforms/hubs that can be leveraged to reach the target audiences, fill existing capacity-development gaps, and ensure high-quality and effective delivery the program. This Program will be delivered through a wide-spectrum of methods and channels, such as skills training (in vocational schools), on-the-job learning in other training hubs (such as Vodokanals), e-learning, and various forms of peer-to-peer learning.

The Program will be offered to various segments of the industry, and Program components will be designed around various job profiles and educational levels of the expected participants: (i) policy makers within relevant government agencies; (ii) service authorities (municipalities and Ayil Okmotus) and service providers (vodokanals and MWU/CDWUUs), (iii) private sector professionals (water and wastewater engineers, design consultants, contractors) and design/supervision engineers within government entities¹¹; and (iv) post-graduate students.

At the outset of implementation of this sub-component, consultant/firm will be recruited to undertake an Institutional Capacity and Training Needs Assessment in consultation with key stakeholders from the central and local level to i) determine capacity building and human resources needs of different target groups, ii) identify the partners for implementation of the Program, and iii) design the overall Program content. The Consultant/Firm will help develop the Year 1 Program Plan, which will describe in detail the implementation arrangements, course offerings/training for the first Program cycle, partnership arrangements, monitoring framework, and estimated budget. Further, based on the experience gained during the Year 1 Program, plans will be developed for the consecutive Year 2, Year 3 and Year 4 Program plans¹².

ARIS and Consultant/Firm shall implement the following set of activities:

- *Training Needs Assessment and Institutional Capacity Assessment:* Review and analysis of existing academic/learning materials to define the set of knowledge and skills of the different competences needed by each target group, as well as identification of partners.

¹¹ This includes the regional state departments of capital investments (under GOSSTROY) as well as the State Construction Expertise entity.

¹² A so-called Program plan will contain offers for various target groups, some may be a multi-year certificate oriented program, while other offerings may be shorter term without formal certification.

- *Design of the overall Program:* Develop the outline and curriculum for the Program (including various target groups) in accordance with the national academic program rules and procedures and/or other vocational requirements when relevant. This includes design of implementation and delivery mechanisms (channels) and partnerships.
- *Development of Year 1 Program Plan, including all Courses and learning activities and estimated budget:* Develop tailored training modules with theory, practical assignments, exams, presentations, case studies, and exercises; in addition to training modules, develop other capacity-building instruments to reinforce knowledge, skills and learning in the work environment. This includes a detailed Year 1 Program plan and estimated budget.
- *Implementation of Year 1 Program plan, through delivery of the Courses and learning activities:* Organize the relevant course (logistic arrangements, communication, etc.); organize other learning activities.
- *Evaluation of the Year 1 Program:* Monitor the satisfaction of the participants and the effectivity of the learning trajectory for various target groups, program courses and learning activities.
- *Preparation of the consecutive year Program plan (Year 2, year 3 and year 4), with adjustments based on evaluation and emerging sector demands.*

The implementation mechanisms of the Program for the various target groups will be further detailed, but is expected to include the following:

- *Policy Makers:* A team of the international and national consultants will be recruited to support the delivery of the program for sector officials, with involvement of suitable national academic institutes.
- *Local Authorities and Service Providers:* Outreach of training provision to these two groups across the country will be essential for its success and cost-effectiveness. Hence, a Training of Trainers (ToT) model will be pursued and partnerships with vocational schools and/or leading Vodokanals as training hubs will be established. Consultants will be recruited to develop a suitable curriculum for each target group, with clear learning goals, and tailored delivery method and courses, who will support the training and coaching of Master Trainers who will subsequently deliver the Program to the target groups at regional and district level (vocational schools etc.).
- *Private Sector Professionals:* The training program will be provided by a team of international and national consultants in partnership with national academic institutions. Training will take place at the vocational schools located in Bishkek and Osh and training modules will be endorsed by the Kyrgyz Academy of Education. Participants from the private sector may be charged a fee to attend the training to foster commitment, but barriers will be kept low. Engineers from public institutions will also be targeted to enhance their design, supervision and contract management capabilities.
- *Post-graduate students:* The Program will foster good relationships with all relevant postgraduate diploma programs in the country and will carry out necessary marketing of the Program's professional courses to students in their final years. This cross-fertilization will enhance knowledge and skills-development of the next generation of sector professionals and will improve students' prospects in the job-market through enhanced networks within private sector or public institutions (government, vodokanals, etc.).

Activities under sub-component 3.3 will be implemented by ARIS as technical coordinator that would recruit a Consultant/Firm, which will further work in partnership with relevant national academic institutions, vocational schools, and other training hubs (e.g. Vodokanals, academy for local governments). ARIS, through the Consultant/Firm will recruit necessary international and local consultants, in particular in areas where national expertise is not available, as well as for the Training Needs Assessment and Program design to enhance the quality and effectiveness of the Program.

Component 4: Project Management

This component will support the project implementation and finance the following activities:

- Salaries of the Administrative Pool members and project staff including taxes and social security contributions payable by the employer;
- Monitoring and evaluation, including regular site visits/project performance assessments and annual audits;
- Baseline and Endline Survey and other instruments for Impact Assessment;
- Training of staff and other persons involved in SRWSSDP implementation, as per the agreed annual training plans;
- Annual financial audit of the project accounts;
- Operating costs incurred in connection with the project activities.
- Procurement of office equipment and vehicles;
- Utilities and other expenses in connection to office maintenance;
- PMU capacity building measures, as well as activities related to national and internal knowledge exchange on topics related to SRWSSDP

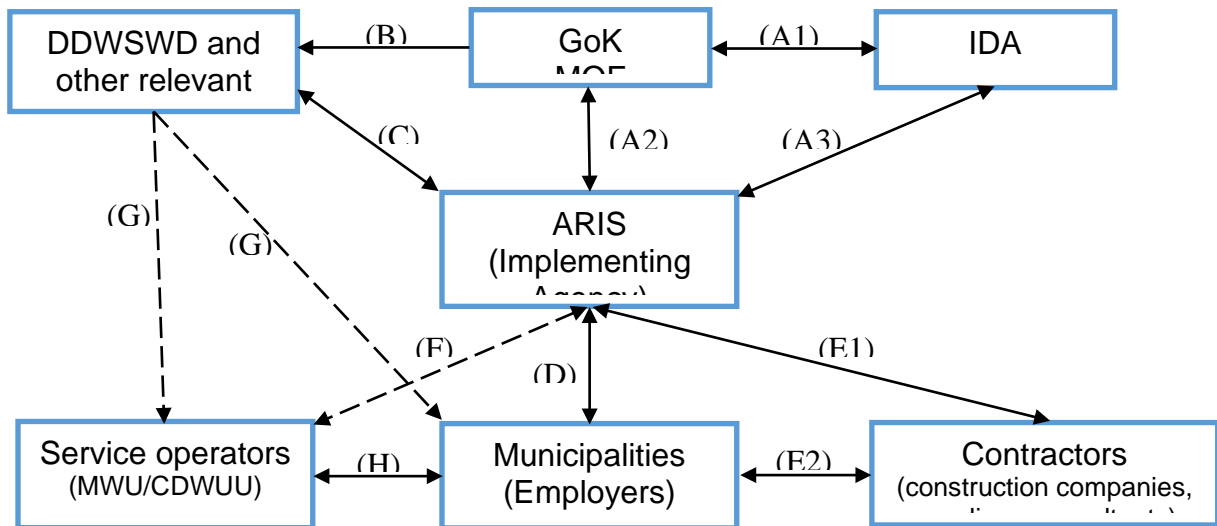
This component will also finance annual beneficiary satisfaction surveys, impact assessments, and support mechanisms to improve citizen engagement and customer feedback.

2. INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS

2.1. Institutional arrangements

Institutional and implementation arrangements have been established for the original Program (including both the Original Project and the Additional Financing). The key institutions involved in the management, coordination and implementation of SRWSSDP are the Ministry of Finance (MoF), the Department of Drinking Water Supply and Wastewater Disposal (DDWSWS) within the State Agency for Architecture, Construction and Communal Services (SAACCS), or GOSSTROY)), Department for Disease Prevention and State Sanitary Epidemiological Surveillance (SES), Ministry of Education and Science, the Community Development and Investment Agency (ARIS), local governments (as represented by Ayil Okmotus) and Municipal Water Utilities/Community Drinking Water Users Unions (MWU/CDWUU). Institutional arrangements for SRWSSDP are outlined in a chart below.

SRWSSDP overall management chart



- (A1) - Financing Agreement between Kyrgyz Republic and IDA;
- (A2) - Subsidiary Agreement between Ministry of Finance and ARIS;
- (A3) - Project Agreement between IDA and ARIS;
- (B) - Implementation of the policy for water sector development through the authorized entities. The DDWSWD will be engaged in the project with the policy support and coordination in water supply issues, the DDPSES is responsible for sanitation issues and the MoE will be engaged with support for activities in schools. Likewise, upon the Government (or any authorized body) decision dedicated interagency working groups will be set up to facilitate implementation of specific project measures (e.g. SIASAR, rural sanitation development strategy etc.);
- (C) - Memorandum of Cooperation between DDWSWD and ARIS under SRWSSDP (Annex 2.2). DDWSWD shall provide political support in preparation and implementation of investments, assist with addressing issues that require involvement and/or contribution of national authorities for promotion of investments;
- (D) - Cooperation Agreement between ARIS and Municipalities (Annex 2.3.);
- (E) - Contractual obligations for implementations of project activities;
- (F) - ARIS will provide training, consulting and technical support to the municipalities and water operators;
- (G) - DDWSWD will be responsible for general coordination and political support to the municipalities and water operators;
- (H) - Municipality will transfer WSS assets to MWU/CDWUU for operating management as identified by the legislation. The relationship between AO and MWU/CDWUU will be regulated by the Service Contract (Annex 1.5.).

Ministry of Finance (MoF) of the Kyrgyz Republic

The borrower will be the Kyrgyz Republic, represented by the Ministry of Finance (MoF) of the Kyrgyz Republic. As the Borrower's representative, MoF's key responsibilities under the project will be to provide timely co-financing for the project in accordance with the Financing Agreement, and also to ensure that the DDWSWD and ARIS carry out their responsibilities in accordance with the terms of the Financing Agreement.

Department for Drinking Water Supply and Waste Water Disposal (DDWSWD) under the State Agency for Architecture, Construction and Communal Services (SAACCS / Gosstroy)

The Department was established by Decree #578 of the Kyrgyz Government on September 19, 2000. DDWSWD is responsible for the development of the rural and urban water supply and sanitation sector, including policy guidance, planning and coordination. The role of DDWSWD under SRWSSDP is to provide overall coordination in the sector, promote WSS sector development policy implementation, liaise and work with the Government of the Kyrgyz Republic and donors, and identify priority sector investments (including infrastructure investments and institutional support). It will also report to the Kyrgyz Government and will assist ARIS in project implementation (if required). Through its respective units and/or officers, DDWSWD will join bid evaluation panels. DDWSWD will be responsible for the national-level support to institutional arrangements and will be the main beneficiary of the sub-component outcomes. As such, DDWSWD will help to establish and set-up Inter-Agency Working groups or Committees to address sector-wide development matters, for example the development of the sector-wide Monitoring and Evaluation System (SIASAR)

Ministry of Health and its Department of Disease Prevention and Public Sanitary Epidemiological Surveillance (DDPSES) and Republican Centre for Health Promotion (RCHP) are state entities which are authorized on sanitary, health and disease prevention issues. The DDPSES will be engaged in the project as main partner for the activities under Component 2. At the local level, the Raion units of the DDPSES are responsible for water quality control and testing. MoH, DDPSES and RCHP will also provide methodical and administrative support for AO, CDWUU, schools, health centers and VHC at the local level.

Ministry of Education will be another main partner under Component 2, which will be engaged in the project implementation with rendering political and methodological support for activities at schools and other educational organizations.

Community Development and Investment Agency (ARIS)

ARIS is an autonomous non-commercial agency with a charter. ARIS will implement SRWSSDP under the oversight and guidance of its Supervisory Board that monitors all ARIS-implemented projects and acts in accordance with the ARIS Charter.

In its position as the Project Implementing Agency, ARIS will be responsible for and carry out all aspects of implementing the Project as well as other investments under Ala-Too Bulagy Program. This will include procurement, financial management functions (such as project accounting, financial reporting, funds flow and disbursement, internal controls, planning and budgeting and auditing) social and environmental safeguards, citizen communication as well as routine communications with the World Bank.

Ayil Okmotus in the participating municipalities will be closely associated with all decisions regarding procurement, contract execution, site supervision, and authorization of payments to contractors. Relations between ARIS and AOs including project implementation responsibilities will be governed by a Cooperation Agreement into which ARIS will enter with each participating AO prior to signing contracts with contractors, in order to ensure that municipalities are aware of their rights and responsibilities in advance (see Annex 2.3). A breach of this Cooperation Agreement by AOs may be a reason for the Project to discontinue its engagement.

Participating municipalities (Ayil Keneshes and Ayil Okmotus)

Under the *Local Self-Government Act* of the Kyrgyz Republic, local self-government bodies (LSGB) at the Aiyil Aimak level are the Ayil Kenesh (AK) and Ayil Okmotu (AO). AK and AO are responsible for addressing local issues, including provision of drinking water supply services. LSGBs will be the owners of water supply systems/ assets and MWU/CDWUUs are typically the operators (service providers) in the project areas. The relations between AO and

MWU/CDWU will be governed by a Water Supply Services Delivery Agreement. A template agreement was developed during the project preparation and will be updated, if required, when being introduced under SRWSSDP Component 3 (see Annex 1.5.)

Municipal Water Utilities (MWU) and/or Community Drinking Water Users Union (CDWU) are the main organization that, as decided by LSGB, will be responsible for management and operation of water supply systems. MWU/CDWU will provide water supply services and collect fees under a Water Supply Services Delivery Agreement between MWU/CDWU and Ayil Okmotu (see the Annex 1.5.). MWU/CDWU will be responsible for planning, financing and management of water supply operations. In cooperation with rural health clinics (RHC) and Village Health Committees (VHC), MWU/CDWU may also carry out awareness raising activities in sanitation and hygiene areas. Under SRWSSDP, a standard MWU/CDWU charter (a template charter is attached in the Annex 1.5.) and proposals for MWU/CDWU's performance improvement will be developed.

Communities of participating villages will be involved in the process of selecting priority project activities through consultation with different stakeholder groups and collecting opinions from direct and indirect beneficiaries regarding proposed project activities. In addition, each participating municipality communities will create formal community organizations, which will be called "Village Water Committee" (VWC). These committees will be formed from among the community leaders, women, youth, activists of the streets and neighborhoods, and other residents of the villages. They will be involved in all major activities of the project: detailed design, monitoring and evaluation/ learning the lessons, the process of generating and transmitting information, collecting the opinions of consumers regarding the quality of service and other project activities. More detailed description of VWC is given in Annex 1.5.

WASH committees at school: At the school-level School WASH committees will be established that will be responsible for the implementation of the WASH promotion activities.

2.2. Implementation arrangements

The SRWSSDP and Additional Financing as well as other investments under Ala-Too Bulagy Programme will be implemented under overall guidance of the Department of Water Supply and Wastewater Disposal (DDWSWD) at the State Agency for Architecture, Construction and Communal Services (Gosstroy). The implementing entity will be the Community Development and Investment Agency (ARIS) of the Kyrgyz Republic, which has built a reputation of a reliable and effective implementer, not only under RWSSP-2, but also other WB-financed projects.

For the purpose of SRWSSDP implementation, at its head office ARIS will maintain Project Coordinator, senior infrastructure engineers, specialists on sanitation development, institutional development specialists, procurement specialists, financial management/disbursement specialists, safeguards specialists, GIS specialist, monitoring and evaluation (M&E) specialist, interpreter/translator, engineer assistant, safeguards assistant and Project Assistant (TORs for all key staff are attached). Other ARIS staff (e.g. administrative personnel) will be engaged as required. ARIS will regularly furnish a staffing plan indicating all recruited staff and consultants, as well as vacant position, and take measures to fill those to meet project implementation requirements.

To implement the SIASAR, a core team of specialists will be engaged including team leader, M&E, Web-engineer and IT (TORs are attached in Annex 1.5).

To implement Sub-component 2.3, a core team of (part-time) specialists will be recruited including subsidy delivery specialist, accountant, technical supervisor and M&E specialist.

Hiring and dismissal of the project implementation personnel

The selection of project implementation personnel (paid through the IDA resources, IOC category) should be carried out by comparing of the relevant overall capacity of at least three eligible candidates from those who expressed an interest in completing the assignment in response to the announcement, or among those directly contacted by ARIS. Employees, who are selected for recruitment by ARIS, should be the most experienced and best qualified, and shall be fully capable for carrying out the assignment.

Prior agreement with Project TTL is required for hiring and dismissal of the following key personnel: Project Coordinator, Sr. Infrastructure Engineer(s), (Sr) Institutional Development Specialist(s), (Sr.) Sanitation Development Specialist, (Sr.) Procurement Specialist(s), (Sr.) Financial Management/Disbursement Specialist, (Sr.) Safeguard Specialist(s), (Sr.) M&E Specialist.

The SRWSSDP project implementing structure is part of an overall programmatic implementation arrangements for the Ala Too Bulagy program (see Annex 2.4.).

ARIS will work in close cooperation with DDWSWDS, participating Ayil Okmotus and other key stakeholders and partners. The relations and cooperation between ARIS and DDWSWD under the Ala-Too Bulagy Program will be governed by the Memorandum of Cooperation, which DDWSWD and ARIS entered into on January 19, 2018. The Memorandum is attached hereto as Annex 2.2.

The main document that will govern the relations between ARIS and participating municipalities will be the Cooperation Agreement between ARIS and Ayil Okmotu. Under the Cooperation Agreement, Ayil Okmotu agree to support project development objectives and make every effort to ensure these objectives are achieved. Ayil Okmotu also agree that ARIS will implement project activities on behalf of the municipalities, including procurement, contract administration, supervision and others. Financing of the subproject activities in each municipality will be subject to the Cooperation Agreement to be signed and become effective. A template of the Cooperation Agreement between ARIS and AO is provided in Annex 2.3.

3. FINANCIAL MANAGEMENT

3.1. Financial management and disbursement arrangements

ARIS shall be responsible for overall financial management function, including preparation of Financial reports for the International Development Association (IDA) and the Ministry of Finance of the Kyrgyz Republic (MoF) according to consistently applied accounting standards, adequately reflecting the operations, resources and expenditure under the Project.

The Project financial management includes:

- Budgeting and planning
- Accounting and records
- Financial reporting
- Internal control
- Funds flow and disbursement arrangements
- Audit

Proper control over accounting information; timely and adequate entrance of information in the accounting system; as well as the flows of funds; control and audit of the fund flows. The specific financial management arrangements (including funds flow and controls over it) for Result-Based incentive sub-grants for eligible households are described in a separate Manual for Household Results-Based Sanitation Incentive, the adoption of which by the Recipient (in form and substance acceptable to the World Bank), is a disbursement condition for sub-grants.

3.2. Budgeting and planning

Financial plans for SRWSSDP include:

- Financial plan for the project implementation period,
- Annual budgets

The Project Coordinator shall be responsible for coordination of all planning activities under the Project. Financial planning covers all the key project staff. All the parties participating in SRWSSDP and AF preparation and implementation shall contribute to the financial planning processes.

The Project Financial Plan is reflected in the Project Expenditure Tables and Legal Agreements. These documents are fundamental for understanding of the Project Operational Plan, which puts the financial plan into the context. The Financial Plan sets forth, in monetary terms, ARIS' action plans, activities, outcomes, effects, goals, objectives, etc. in selected measurements over the project life cycle.

The first step in annual budget planning is to study the Project Financial Plan. Therefore, prior to the beginning of each financial year, the project staff study and, if required, revise the Project Financial Plan in terms of changes resulting from delays in expenditure, assumptions, item variations, activities, etc. Thus, the Annual Budget for the next year will reflect changes over the project lifetime. This will help avoid variances in reporting and analysis that have not been yet reflected in the revised Project Financial Plan. It will also help ensure that the planned figures are realistic and the variance analysis is meaningful. All major and important changes (as compared to minor revisions) to the Project Financial Plan are subject to approval by the Kyrgyz Ministry of Finance (MoF) and IDA. Respective amendments can be also made to the Legal Agreements and Project Expenditure Tables. This will allow ARIS to proceed with annual budget planning for the next year with clear understanding of the Project's Financial Plan, which the annual budget must be in line with.

The Annual Budget is divided into quarters in order to account for the seasonal nature of cash flows. The Annual Budget shall be cleared by the MoF and the Executive Director of ARIS and agreed with IDA. The budget must be closely linked with procurement plans and physical objectives.

Goods, works and services (consulting services, technical services, training, etc.) procured for SRWSSDP and AF during the financial year shall be detailed in the Project Annual Procurement Plan. The Procurement Plan will specify each procurement item, including the estimated cost, procurement process, and terms. The Procurement Plan as well as any changes thereto shall be subject to review and prior written approval by IDA. For the Original Project and AF one integrated procurement plan is prepared.

Before the start of each fiscal year, ARIS should prepare and implement the project Annual Work Plan and Budget for the year agreed with IDA, covering Original project and AF activities in an integrated manner.

The Project Annual Budget includes the annual budget for incremental operational costs (IOC), that should be agreed with IDA. Given that ARIS implements a number of projects with several donors, the nature of some IOC (such as administrative management staff costs [also called as “admin pool”]) is such that those costs are born by all projects and are proportionated by projects. The admin pool costs are distributed between projects/donors based on a certain logical basis (such as annual projects budgets, or other reasonable basis acceptable to the donors), and agreed with donors. The annual budget for the rest of IOC that are directly attributable to projects are agreed separately with each donor.

Similarly, ARIS will prepare and agree with IDA the budget for training on an annual basis through submission of an annual training plan.

The annual budgets should be prepared and approved before the start of the fiscal year for which the budgets are prepared for.

The Project IOC and training expenditures are defined in Item 10 and Item 21 of Definitions section in the Appendix of the project’s Financing Agreement.

As the Recipient of the project funds is the government, as well as that within the project there is a provision of the government co-financing for Category 1 of the Project, ARIS therefore will be responsible for properly following the standard policies and procedures for the state budget approval cycle and ensure timely availability funds for co-financing.

3.3. Accounting policies, procedures and system

For the Project accounting cash basis will be applied, and the Project financial reporting will be based on IPSAS “Financial Reporting Under the Cash Basis of Accounting” issued by the International Public Sector Accounting Standards Board (the IPSASB) of the International Federation of Accountants (IFAC). For the project accounting historical cost basis will be applied.

Under cash basis of accounting, revenue is recognized when cash is received and expense is recognized when cash is paid.

Kyrgyz Som (KGS) is the national currency of the Kyrgyz Republic. The presentation currency for the financial reporting to IDA is US dollar. Government co-financing amounts in KGS are converted into US dollar, applying the exchange rate set by a financial institution, where the account is held, on the date of the transaction. Payments made from the IDA funds expenditures in KGS are converted into US dollar applying the exchange rate set by a financial institution, at

which the Designated Account is held, on the date when the conversion of US dollars from the Designated Account into KGS, was made.

In preparing the financial statements, the transactions in currencies other than US dollar are recorded at exchange rates set by the financial institution on the date of the transaction.

No depreciation will be charged on the fixed assets procured from the Project funds for the project reporting purposes.

For accounting purposes SRWSSDP and AF use the 1C Enterprise software, Version 8.3. The ARIS accounting system is a fully computerized system of financial data processing, capable of producing Interim Un-Audited Financial Reports (IFRs), Statements of Expenditure (SOEs) in accordance with the requirements of IDA, as well as entrance of the data obtained from the engineering subsystem on Statements of Accomplished Works (SAWs) under Components A, B. All financial documents (such as bank statements, checks, payment orders, invoices, reports, confirmations, receipts, etc.) received from banks, contractors, suppliers and other parties shall be promptly entered into the accounting system once. The electronic scanned versions of the financial documents as well as contracts are also maintained in the accounting software as attachments.

The Accounting System ensures the following:

- Reporting on receipt of funds and payments (by categories, components and funding sources);
- Expenditures are shown under disbursement categories, which are further subdivided into sub-categories;
- Reliability in information storage and fast processing of information;
- Simple and transparent methods of information input and output including the rule of single entry of the IT system;
- The necessary level of protection from unauthorized access;
- Generation of reports for IDA, MoF and other control institutions, namely the Tax Service, Social Fund and the National Statistics Committee
- Dual currency accounting: KGS and USD;
- Dual language: Russian and English;
- Accounting of staff time input, entrance or orders for employment and dismissal of staff, on business trips, vacations, sick leaves with subsequent execution of Time sheets to be electronically approved by the ARIS Executive Director of his/her Deputy for payroll accounting;
- Track disbursements under contracts by funding sources to keep within the threshold amount, accounting of advance payments by the amounts and terms of bank guarantees;
- Accounting by projects by operational expenses;
- Accounting of fixed assets by projects, accountable officers, dates, and inventory numbers.

The 1C Enterprise Version 8.3 database is backed up to the backup server automatically twice a day: in the afternoon and in the evening. Database copies are recorded onto a DVD every month and locked in a safe for storage.

The specialist in entrance and backup of 1C accounting system shall additionally copy information on a flash stick to be kept by the Financial Manager beyond the office.

3.4. Financial reporting

ARIS will produce full sets of Interim un-audited Financial Reports (IFRs) every quarter and submit to the IDA. The IFRs will include:

- a) a Project Sources and Uses of Funds,

- b) Uses of Funds by Project Activities,
- c) Designated Account (DA) Statement,
- d) A statement of the Project Financial Position
- e) SOE Withdrawal schedule.

The IFRs shall be presented in US\$ and shall be submitted to IDA within 45 (forty five) days from the end of each calendar quarter. Separate sets of IFRs will be prepared and submitted for the original project and the Additional Financing. Sample IFR is attached in Annexes of Section 3. In addition, ARIS will prepare and submit to IDA, no later than 6 months after the end of the reporting period, audited annual financial statements of the Project.

On a monthly and quarterly basis, MoF KR shall receive the reports reflecting the source and use of funds by the categories of expenditure, and payment currency.

The State Tax Service and the Social Fund of the Kyrgyz Republic shall monthly receive the reports on the retained and transferred amounts of the income tax for residents and non-residents, social transfers from individuals and from enterprise.

3.5. Funds Flow and Disbursement Arrangements

All Project related transactions/payments will be made by ARIS, without Project funds flowing through the beneficiary Aiyl Okmotus, which however could have their role in the approval of contract deliverables procedures, if it is relevant. The Executive Director of ARIS shall be authorized for management of project bank/treasury accounts. The Executive Director may in writing delegate this responsibility to the Project Coordinator or the Deputy Executive Director. ARIS shall in writing request the MoF to open separate accounts with a commercial bank under the Project. The Bank that will open the project accounts must be acceptable for IDA and GoK. A Tripartite Agreement shall be signed for opening the accounts between the MoF, ARIS, and a commercial bank. Accounts shall be separately opened for each source as follows:

- Designated account A for Grant in USD;
- Designated account B for Credit in USD;
- Transit account for Grant in KGS;
- Transit account for Credit in KGS;
- Interest Account for Grant and Credit in USD;
- Tender Account in USD and KGS;
- Government co-financing account in KGS

The Executive Director, Deputy Executive Director or the Project Coordinator shall act as primary signatories to the project accounts, while the Financial Manager and Disbursement Specialist shall have a right of countersignature. The cards with signatures and stamp of the authorized persons shall be notarized and original shall be submitted to a commercial bank, where the Project accounts are opened, as per Tripartite Agreement for Opening and Maintenance of SRWSSDP Account between MoF, ARIS and a commercial bank.

Designated Accounts

The project will have two separate Designated Accounts (DA): one for the proceeds of the IDA Grant, another one for the IDA Credit. The projects both DAs will be opened in a commercial bank acceptable to IDA. Both DAs will be managed by ARIS.

Disbursements from the IDA Grant and Credit Accounts will follow the transaction-based method, i.e., traditional Bank procedures, including advances to designated accounts, direct payments and special commitments as outlined in the project Disbursement Letter dated October 26, 2016 and the *World Bank Disbursement Guidelines for Projects* dated May 1, 2006. the project's disbursement arrangement are detailed in the Disbursement Letter. Applications for withdrawal will be filled in through the World Bank's Client Connection

(clientconnection.worldbank.org) using electronic tokens and endorsed by the MoF and ARIS. IDA shall receive a list of authorized signatories on the letter head of the GoK on behalf of MoF (Deputy Minister, head of Department of Public Investment and Technical Assistance) and ARIS (Executive Director, Deputy Executive Director, Project Coordinator) with the authorized signatures for Applications.

The filled and signed withdrawal applications with supporting documents, applications for receipt of special commitments with a copy of a letter of credit of a commercial bank shall be sent to IDA (through a system site) in electronic form. All the applications shall be numbered in ascending manner, separately and subsequently indicating Grant and Credit, once applications are drawn. Instructions for filling of withdrawal applications and disbursement procedures are provided in the manual “WB Disbursements”.

The Ceilings for the designated Accounts, the disbursement methods allowed as well as the supporting documentation required for Grant and Credit are detailed in the Disbursement Letter.

Government Co-Financing Account

According to the terms specified in the Legal Agreement, the MoF provides co-financing for the Project. ARIS opens an account for GoF co-financing in the Kyrgyz Som with the Pervomai Regional Subdivision of the Central Treasury of the MoF.

The co-financing account is envisaged for disbursement of the share of the Government of the Kyrgyz Republic under Component 1: Water Supply Investments and Component 2: Sanitation Development. Co-financing is made by the Central Treasury of MoF in the Kyrgyz Som on a monthly/quarterly basis based on the signed Cost estimates for budget funds, and based on the Project budget approved by MoF.

Transit account

Transit Accounts shall be opened separately for each Designated Account and used solely for currency exchange purposes (US dollars from the designated accounts into Kyrgyz Som). Transfers from the Designated Accounts to the Transit Accounts shall be used for disbursements in the national currency only. The Transit Accounts shall have a zero balance at all times. The need for local currency funds shall be estimated based on transactions entered into the accounting system for the current day. The transit accounts will be opened and maintained in the commercial bank, where the DAs are held.

Interest account

An interest account shall be opened for Grant/Credit DAs for accrual of interest for the DA’s undisbursed balance. The funds of the interest account shall be used solely for justified expenses under the categories of eligible expenses under the Project Credit and Grant. The interest account will be opened and maintained in the commercial bank, where the DAs are held.

Tender Accounts

Tender account shall be opened in USD and KGS. The account shall be used for accumulation of funds provided by bidders. Tender funds shall be used for the activities associated with arrangement of tender processes, including announcements, multiplication of tender documents, purchase of paper, toner, cartridge and cabinet or accessories for storage of tender documents.

All disbursements under the Project shall be made according to the supporting documents, invoices, receipts, bills, statement of accomplished works attached to the signed contracts. The tender accounts will be opened and maintained in the commercial bank, where the DAs are held.

3.6. Disbursements under Component 1: Water Supply Investments

All payments shall be made by ARIS to the contractors as per invoices (bills) signed by contractors and endorsed by a technical supervision specialist of ARIS, authorized representatives of participating Aiyl Okmotu and Infrastructure Engineer of ARIS, and also by the Grant/Credit Administrator. The invoices will be submitted to ARIS together with a cover letter signed by the head of Aiyl Okmotu, or his/her authorized representative (ARIS will provide the Aiyl Okmotu with authorized signatures template and disbursement cover letter template as appropriate) (Annex 3.1 and Annex 3.3.). The Aiyl Okmotu will keep the copies of invoices along with all supporting documents as may be required under the Kyrgyz law for further audits.

Advance payments

To obtain an advance payment under the Project, a Contractor shall provide a Bank Guarantee under Components 1 and 2, not exceeding 20% of the contract amount. For due diligence purposes ARIS shall send to the Bank a written request to the issuing commercial bank for confirmation of the submitted Bank Guarantee with indication of the name of the Supplier, works and amount. If the Bank Guarantee is provided by a branch of a commercial bank, the confirmation request letter shall be also sent to the Head Bank. After receipt of the confirmation of the Bank Guarantee by the head and branch offices of the bank, an advance payment under Components A and B shall be made after submission of:

1. Cover Letter (Annex 3.3.)
2. Invoice (for advance) (Annex 3.4.)
3. Bank Guarantee for Advance Payment (no more than 20% of the total contract amount).

The Advance payment amounts shall be solely used for mobilization activities under a signed contract. The advance payment shall be recovered proportionally as per the contract and/or bank guarantee terms from each subsequent payment, and to be recovered fully no later than the end of the bank guarantee validity period.

Subsequent payments are made on the basis of:

1. Cover letter (Annex 3.2)
2. Invoices (Annex 3.4.).
3. Statement of Accomplished Works (SAWs) (Annex 3.5.)

The amount of each subsequent invoices shall be obtained by reducing the amount of SAWs by 5% or another percentage as specified by the contract (retention of the amount for liquidation of damages), and repayment of advance payment. Refund of the amount withheld shall be in accordance with the terms of the contracts, including the first half of withheld retention money paid on the basis of the Act provided by the State Committee or Statement of Accomplished Works and invoice, and the second half of withheld money liquidation of damages shall be paid after the warranty period of liquidation of damages and the provision of after provision of a letter from the Client regarding claims addressed to the supplier and an invoice.

3.7. Disbursements under components 2, 3 and 4.

Payments under the project components 2 and 3 shall be subject to general rules and in accordance with the payment schedule, invoice, acceptance certificate signed by contractor and responsible ARIS specialists as specified in the contract.

The payment/funds flow arrangements specific for Result-Based incentive for eligible households are described in a separate Manual for Household Results-Based Sanitation Incentive.

Payments under the project component 4 shall be subject to general rules and in accordance with the payment schedule, invoice, acceptance certificate signed by contractor and responsible ARIS specialists as specified in the contract, as well as employment of field staff, M&E, all project operational expenses, including expenses on premises, operation and maintenance of vehicles, logistics for office, communication, information systems support, bank fees, translation services, remuneration of staff, business travels, per diems, transportation, social corporate charges, documents binding, and other justified expenses associated with Project implementation as well as salary for Administrative staff and project implementation support.

3.8. Internal Control

ARIS internal control system allows for timely delivery of information and reporting under the Project.

Internal control is a process designed to enhance accountability and provide reasonable assurance that ARIS achieves certain objectives. These objectives include ensuring effectiveness and efficiency of operations, reliability of financial and operational reporting, and compliance with applicable laws, regulations, covenants, and internal policies and procedures. Internal controls, which include internal audit, are important aspects of effective financial management. While internal control is the responsibility of ARIS, everyone in the organization has responsibility for internal control to some extent. Internal control can be classified into several components:

- **Control environment.** It includes integrity, ethical values, and competence of ARIS management and staff; management's philosophy and management's style; management's organizational methods; employee career development programs; and processes for delegating power and responsibilities. Control environment is the foundation for the other four components of internal control.
- **Risk assessment.** Risk assessment includes defining, identifying, analyzing, and determining how to manage risks.
- **Information and communication.** Information should be appropriate, timely, and current, as well as accurate, complete, and accessible. Information must be communicated so that individuals can do their jobs properly. Management should clarify to all personnel his/her role in the control structure. Also, effective communications should be maintained with donors, government supervisory agencies, suppliers, and project beneficiaries.
- **Control activities.** ARIS developed policies and procedures to ensure that directives are followed and that necessary actions are taken to address risks that could affect the project. Such policies and procedures would include suitable authorization procedures, for example award of contracts by authorized personnel; segregation of duties, which includes segregating authorization, custody, record-keeping, and accounting; safeguarding of assets, which covers restricting access to cash, checks, systems; reconciliation; and monitoring.
- **Monitoring.** ARIS management must monitor the internal control systems thoroughly. This should include ongoing monitoring such as control reports and reconciliations, evaluations such as control self-assessment, internal and external audits. Internal control deficiencies must be reported promptly to the project management.

Practical details of internal controls for the project are further elaborated below.

✓ Control Environment

The Supervisory Board comprises of representatives of state bodies of the Kyrgyz Republic (a representative of the President, a representative of the Prime Minister, and representatives of ministries and regional administration), representatives of Local Self-Government Bodies, and representatives of civil society. The responsibilities of the Supervisory Board include supervising

the ARIS activity, appointing or dismissing the Executive Director, approving ARIS policies, Charter and changes thereto, the annual budget and working plans of ARIS, annual reports of the ARIS, reports on special studies, and independent auditors' reports. The Supervisory Board has no right to interfere in the operational activities of ARIS.

ARIS management has rigorous authorization and control procedures in place. The financial management and internal control arrangements are specified in the financial management section of the project operations manual (POM) and is agreed with IDA ARIS employs adequate accounting staff with sufficient experience and qualification. ARIS organizational chart is presented in Annex 3.20.

Risk assessment. Risk assessment includes defining, identifying, analyzing, and determining how to manage risks. ARIS accounting staff consistently monitors the risks associated with contract implementation and payments, as well as the risks resulting from foreign exchange movement that could adversely affect the implementation of the Project.

✓ *The Information System*

ARIS information system gives management the ability to properly and accurately record the results of the project's activities. The system allows the comparison of actual performance results with planned targets in order to enable ARIS management to make corrective actions, if required. Accounting is conducted according to cash basis IPSAS. The management information system (MIS) at ARIS ensures reliable and complete recording of accounting data. All transactions are supported by appropriate documentation that provides objective and verifiable data. The process of collecting the supporting documents is the first step for record keeping and providing an audit trail. Support documents are normally received from external source but are in some cases prepared internally.

✓ *Control Activities*

ARIS internal control system ensures:

- Proper segregation of duties
- Proper Authorization
- Proper recording, accounting reconciliation and arithmetic controls
- Physical safeguards of the assets and resources

The system enables the FM/accounting staff of ARIS to:

- Verify documents submitted for payment,
- Disaggregation of information among specialists:
- Regarding preparation of draft Withdrawal Application with attachment of all required documents,
- Viewing documents by the Executive Director or his deputy or the Project Coordinator,
- Viewing Withdrawal Application by the Financial Manager (name of the project, category of expenses, donor and disaggregation by project for operational expenses),
- Breaking down of transactions by accounts, crosschecking: one specialist carries out transactions in 1C system, another one- verifies payments and signs payment orders, conversion by the bank's countersignature;
- Verification of completeness of accounting records and documents when entering in 1 C system (project, category, component, share, terms, threshold, payment schedules under the Contract, confirming documents, signatures),
- Daily verification of accounts by transactions in 1C system with the i-bank system of the Bank online,
- Regular verification of mutual settlement of accounts with debtors and creditors regarding accountable and advance amounts;

- Regular reconciliation of the project accounting records with SOEs, bank account balances and the World Bank Client Connection data
- Verification of accounting data:
- Monthly receipt of the statements from the bank accounts shall be verified with documents, followed by the Analysis of the accounts; executor shall prepare and sign those; the Financial Manager shall view and approve,
- Control over compliance with the budget under the project categories and expenditure components,
- Ensure integrity and confidentiality of information:
- Control over the access to computerized 1C system (passwords); everyone shall have a permitted access level. Coordinator and an M&E specialist have an access to certain reports for reading; procurement specialist shall have an access for entrance the data on contracts with disclosure of scanned copies of contracts; engineers shall enter Statements of accomplished works as per Bills of Quantities (BoQs); a human resources specialist shall be authorized for registration of employees with password, login and e-mail, orders, table sheets; internal auditors shall have their own manual with project audits (project audit schedules shall be approved a year in advance); IT specialist shall enter the documents with sequential numbers; while the accounting system shall automatically generate serial numbers according to the type of equipment. After inventory numbering, the IT specialist shall enter a sequential number of equipment. Administrative officer shall enter a document with sequential numbers, while the system shall automatically generate serial numbers according to the type of furniture and enters the state numbers of vehicles;
- Establishment of fixed assets register in 1C software, listing the assets description, technical specification, inventory number as well as unique identification number (serial number) for those assets that have such numbers.
- Conducting annual stock-taking of fixed assets of ARIS
- Establishment of reserve copies of the bank data subject to computerized management;
- Duplicated electric charge in case of network disconnection; uninterrupted power supply is provided to all the equipment;
- Prevention of misuses resulting from collusion among employees:
- Disaggregation of responsibilities,
- Allowing for annual vacation leaves for all the employees according to the schedules;
- Financial Manager and disbursement specialist shall regularly carry out tabular analysis of use of the allocated and available funds of Grant and credit by categories by XDR/USD/KGS with analysis of tracking of the available funds taking into account the reserved amounts as per the contracts signed.

For USD/XDR reconciliation purposes the Financial Manager will monitor the movement of the exchange rate and its affecting the funding available under the Project categories. Such monitoring will be conducted regularly, at least quarterly, and more frequent closer to the end of the project. This will help to timely identify the need for relocation between the project categories, or the overall need in additional financial sources for the project in case significant adverse movement of the exchange rate. The sample monitoring table is presented below:

SRWSSDP / AF budget by the categories of expenditure:

Exchange rate as of
xx.xx.20XX, 1XDR=

Category No.	Category Description	Allocated Amount in XDR	Disbursed Amount in XDR	Undisbursed Amount in XDR	Undisbursed Amount in USD	Committed Amounts in USD	Uncommitted Amounts in USD
1	Works for the project						
2	Goods, non-consulting services, consulting services, training and operating expenses under Part 1(b) of the Project						
3	Sub-grants under Part 2(g)						
	Designated Account A						
	Designated Account B						

Cash transactions

Procedure for payment of advance amounts to cover expenses

Cash receipts are:

- Replenishment of funds from bank/treasury accounts withdrawn based on receipt,
- Return to staff of undisbursed share of advance payments for travel expenses and small purchases. For all cash receipts, a 1C specialist shall fill in the deposit form, which prescribes the data on employee, project, date, amount, reason; the specialist shall print it and send for signature by the Financial Manager. Cashier (specialist responsible for cash balances according to a liability contract) shall receive the return cash from the employee and put his/her signature and seal for financial document. The detachable stub of the deposit form shall be given to the employee. The funds received from the employee shall be transferred to the project bank/treasury account. For recognition of the funds withdrawn from the bank account, the specialist shall enter the name of bank, account number, project, amount, and reason, attaching a debit memo confirming the withdrawal of funds from the bank, as well as sign the detached stub and fold those in the file of the corresponding bank account.

All transactions for Project costs shall be made via bank/treasury transfer to the staff personal bank accounts; it is only emergent travel expenses that cannot be planned well before as well as other costs that cannot be paid via bank transfers are paid from petty cash box. The Cash Receipt Voucher form is provided in Annex 3.9. Payment voucher is provided in Annex 3.10. Those shall be also filled in 1C system with the data as deposit form and signed by the managers authorized for first and second signatures, and responsible for the cash.

All documents in 1C system shall be automatically numbered in ascending order.

Withdrawal receipts

Checks on withdrawals from the account shall always be stored in the safe, check; and filled in by disbursement specialist, signed by the manager authorized for the first and second signature.

In case of cancellation of the receipt, the specialist responsible for cash shall put mark «canceled" across the front of the check with ink.

Cash store

Cash withdrawn from the bank account shall be stored separately in a safe, not allowing for use of those for the expenses of other donors; and disbursement shall be made in the day of withdrawal. It is only a person only responsible for cash shall have a right of access to the safe, where the cash is stores; the safe shall locked safe when the person leaves the office. Inventory of cash shall be carried out monthly as well as in case of change of accountable persons and in the case of external audits.

The inventory of cash shall be carried out by the Commission. The Commission shall check the accuracy of the accounting data and the actual availability of funds in cash through a complete recalculation. The results of inventory shall be documented as a statement in two copies and signed by all the members of the Commission and the persons responsible for the safety of property, and brought to the attention of the head. The financial manager will also conduct ad hoc checks of the petty cash balances.

In any case the monthly petty cash turnover cannot exceed USD 2000 equivalent, with daily cash balance not exceeding USD 100 equivalent. Exceptional cases should be properly documented by exception reports and be approved by ARIS Executive Director.

Travel expenses

A "business travel" means a trip upon the order of the ARIS Management for a certain period to fulfill assignments beyond the office.

The basis for sending employees on business trips is the order of the Executive Director or

Deputy Executive Director, on the basis of the travel schedule signed by the Project Coordinator.

Human Resources Specialist shall prepare an order for an employee to go on a business trip direction; the scanned copies shall be posted in 1C system, and the data shall be entered in the table.

A travel certificate shall be provided (Annex 3.11) in one copy and signed and stamped by the organization upon departure.

The amount of travel expenses is determined on the basis of:

-approximate cost of travel in both directions, or, if an air ticket is requested, per diem and accommodation.

Advance report shall be provided (Annex 3.14) for use of funds by the accountable person within 10 (ten) business days after returning from a business trip. The report shall be accompanied by all the supporting documents - receipts, invoices, statements, contract for the provision of transport services, receipt and statement of accomplished works (in case of rental of vehicle, Annex 3.12), a copy of the patent and the insurance policy with the date and scope of services; in the absence of supporting documents, travel shall be compensated as of the fixed tariff according to the GoK's Decree No. 471 dated 28.08.2008 and so on. The balance of undisbursed funds shall be returned to the cashier or transferred to the transit account of the Project.

The rate for accommodation and per diem

Daily expenses shall be provided in the amount of KGS 600 (Bishkek), and KGS 500 in the regions according to the GoK's Decree No. 241 dated May 11, 2016, coming effective on 1 January 2017.

The costs for hotel accommodation shall be paid according to the documents provided and as per the GoK's Decree No. 241 dated May 11, 2016. The receipt/invoice shall indicate the name, date, amount and stamp of the State Tax Service.

International business trip

The size of the costs (per diem, accommodation) shall be paid according to the GoK's Decree No. 471 dated August 26, 2008. Travel budget shall be approved at the MoF on the basis of the approval of a donor's letter of invitation, with articles of expenses for visa, travel expenses within the host country, air ticket, accommodation and subsistence costs.

International business trips associated with the Project and be paid from the Project funds should be agreed with IDA. Particularly ARIS should agree the purpose and/or agenda of the trip, participants and cost estimate for such trips.

In case a business trip involves some boarding costs (for example some of the meals: breakfast or lunch are provided during trainings) for participants that officially are covered by the event inviting party, ARIS will proportionally deduct the per diem amount for provided costs, or provide full per diem if respective supporting documents for actual costs incurred are submitted.

Fixed Assets Accounting

Fixed assets include tangible assets with the operation life of more than one year, and which are used for administrative purposes.

All fixed assets purchased in project implementation shall fully be managed by ARIS. The records for the acquired tangible assets shall be kept in 1C system with the registry of inventory and serial number for each item of fixed assets by classifications.

Operations for accounting of fixed assets (delivery, acceptance for accounting, transfer, cancellation) shall be registered in the relevant documents.

Depreciation

As a basis, ARIS uses the cost of acquisition, which allows the Project to evaluate any purchase of fixed assets at original cost until the end of the project. This method allows the project to not change the depreciation costs of fixed assets for the duration of the project. ARIS uses a straight depreciation method while for Project reporting purposes no depreciation/amortization will be applied. Accrual of depreciation on all fixed assets of the project shall be carried out once at the end of a year in 1C system through depreciation accrual operation.

Writing-off of fixed assets

Assets, the actual service life of which is longer than the period used for calculation of depreciation, shall remain on the balance sheet until expiration of physical operation of the asset, or until its loss due stealing or actual loss. To write-off the fixed assets, a commission shall be established, a deficiency act shall be provided to confirm the inadequacy of the fixed asset accompanied with the corresponding order.

In case of stealing or loss, an employee's application, a written consent of the Director of ARIS and a certificate from the police authorities shall be provided.

Inventory process

Inventory is a comparison of the actual amount of assets purchased under the project irrespective of its location with the accounting data.

The inventory of fixed assets of the project is carried out every year, as well as in case of change of accountable persons, when the fact of stealing, abuse and damage to property is established, as well as in the event of natural disaster, fire or other emergencies, or in other cases envisaged by legislation of the Kyrgyz Republic.

Annually inventory shall be carried out in order to monitor effective, intended use, as well as the physical availability of equipment. An order shall be issued to conduct an inventory of the property with the establishment of the commission and responsible persons and dates.

Maintenance of vehicles and fuel

Twice a month, a waybill (Annex 3.15) and route sheets (Annex 3.16) shall be provided for each driver of the vehicle. The waybill shall indicate the reading of odometer at the beginning and end of the period, i.e. the mileage of the car, as well as fuel consumption. This process shall be checked by an administrative officer based on GPS system ("Teltonika FM 4200") in the data server of Ltd "Realcom" which is set in each vehicle of ARIS. Using the device, one can track the route, stop time, kilometers traveled, etc. The data shall be entered into 1C version 8.3., which distributes fuel by projects, depending on whether one or the other trip

was made on any project. If the route sheet includes an employee receiving a salary from the Administrative pool, the travel costs shall be allocated for projects in the same way as payroll. Each driver shall provide a report on a waybill and route sheet every 2 (two) weeks, where they mark every trip with indication kilometers signed by the employee initiating the trip and confirmed by the manager of the Project or department.

Every driver is provided with a fuel card to fuel his vehicle (gasoline A-92), which should be used by fueling stations of the selected fuel supply company contracted by ARIS.

The company shall provide a monthly electronic report on fueling and an invoice to ARIS. The administrative offices shall, based on details and drivers' reports, enter in 1C version 8.3., the vehicles' route indicating kilometers. The officer shall write off gasoline and lubricants and withdraws according to consumption by each vehicle in compliance with the norms specified in the data sheet, which is entered in the system. The system shows the fuel balance in the tank at the end of the month, the balance of fuel shall be used next month. Provision of fuel and lubricants shall be strictly limited per each vehicle per month in accordance with the order signed by the ARIS Management. The data on the limit shall be transferred to the fuel supply company to prevent overuse of fuel in a month. Fuel shall be replenished over the limit, if necessary, in the event of business trips using a vehicle, and the driver shall be seconded in accordance with the order signed by the ARIS Management.

Sustainable safety of vehicles shall be the responsibility of the drivers responsible for their according to the agreement on material liability signed between the driver and ARIS. Each driver shall park his vehicle in a safe place when it is not in use and during off-hours. Drivers shall monitor the technical condition and keep the vehicle clean. Drivers shall notify ARIS on the need in technical maintenance. Administrative officer shall maintain records on the maintenance and repair of vehicle.

Insurance of ARIS' property and vehicles

ARIS insured property and vehicles with the insurance company according to the signed contract:

- Non-residential premises (Office) located at the address: 102, Bokonbaeva street, Bishkek;
- Non-residential premises (Office) located at the address: 2, Erkindik Blvd, Bishkek;
- Insurance of the drivers and passengers in case of car accidents;
- Vehicles;

The main risk group to be covered by the insurance contract shall be the following types of:

- Fire, lightning, explosion of gas used for domestic purposes;
- Natural disasters: earthquakes, volcano eruption, storm, hurricane, flood;
- Exposure to water: flooding from nearby objects or ground water, water and heating pipes breakthroughs, fire protection systems,
- Theft, robbery, hooliganism with trespassing;
- Breaking windows and other glass structures;
- Fall of objects: trees, light poles, aircraft and their parts;
- Car accidents;
- Hijacking;
- Malicious acts.

Payroll

Timesheets shall be filled monthly by a human resources specialist. The timesheet shall be signed by the Human Resources specialist, Project Coordinator, and by the Executive Director or Deputy (hard and soft copies).

The timesheets shall be used as a basis for payroll.

Wages, salaries, sick leave, deductions from wages, income tax and contributions for social insurance shall be carried out in the payroll to be signed by a disbursement specialist and by an authorized signatory of the first signature. Electronic version of the payroll shall be sent by e-mail to the commercial bank for further crediting the salary to the employees' personal bank accounts. Besides, the employees shall receive payslips showing the amount of calculation and deductions made.

Remuneration during the period of temporary disability shall be made on the basis of sick leave issued by medical institutions, in accordance with the current legislation of the Kyrgyz Republic.

Remuneration for the admin pool specialists shall be made based on agreed amounts and proportions agreed with donors based on regular approval of proposed budgets and staffing positions (6 monthly).

Payment for training

When planning a training, there is a need on preparation of the training budget indicating the title, date, venue of the training by expenditure articles and the amounts to be signed by the executor, approved by the manager/ ARIS Coordinator and agreed with IDA annually training plan;

- a) Title of training, venue, date or terms,
- b) List of participants, name, position and signature (Annex 3.17)
- c) Travel expenses of participants: in the case of rental of vehicles, the trainees shall be provided with a contract for transport services, receipt and Statement of accomplished works (Annex 3.12), a copy of the patent; in the absence of supporting documents, the travel shall be reimbursed based on the fixed tariff according to the GoK's Decree No. 471 dated 28.08. 2008, the funds shall be provided based on the sheet (Annex 3.18).
- d) Expenditures for stationery/reproduction of handouts shall be financed through invoice and transfer of funds to the service provider.

The Project training expenditures are defined in Item 21 of Definitions section in the Appendix of the project's Financing Agreement.

These stationery or materials shall be distributed among participants of the training, who shall put their signatures on the statements confirming the fact of receiving of the stationary. This serves as the basis for the write-off of office supplies (with an indication of the participant's name, stationery items, quantity, amount and signature of the participant (beneficiary) (Annex 3.19).

e) For the organization of coffee breaks, lunch for trainees, there is a need to provide a invoice specifying the number and the name, contract for services, receive /Statement of rendered services,

f) Costs for accommodation of participants of the training shall be financed based on an invoice indicating the name of participants, accommodation date, the name of the hotel, contract, Statement of rendered services.

Following the training, budget shall be executed by all expenditures.

ARIS should minimize providing cash advances for the training needs. In cases when it is not possible, those amounts could be provided to a responsible staff in installments after receiving the proof of the eligible use of the previous tranche (e.g. after receiving the scanned copies of documents proving occurrence of eligible expenditures at the end of each training day or two).

The confirmation of the participants' list and actual presence of the trainees as recorded in the participants' list, as well as correctness and actual occurrence of expenditures in petty cash distribution sheets for reimbursement of trainees' expenditures (such as transportation, accommodation cost and per diems) will be approved by the trainer and another responsible staff of ARIS. The participation and cash distribution lists should include trainees contact details (such as mobile phone numbers), which would enable ARIS to conduct ad hoc verification of participants lists and distributed cash amounts.

Project operating costs

Project operating costs include the costs incurred by ARIS on account of the project coordination, implementation, and monitoring, including expenditures for vehicle operation and maintenance, office supplies and consumables, utilities, communications, translation and interpretation, payment of bank charges, Project related travel, including per diem and accommodation, staff salaries and social charges (but excluding salaries of the Recipient's civil servants) and other miscellaneous costs directly associated with the Project implementation, all based on annual budget acceptable to the Association.

For each project, in preparing the budget for the year, an analysis of available resources shall be carried out by category of expenditure and currencies SDR/USD/KGS and EUR/KGS. Based on the data, the analysis shall be carried out; at the beginning, the funds shall be calculated on the duration of the project and allocated for the year (quarter, month), all the expenditure items shall be carefully analyzed before budget planning. As a result, we see a picture of each project: the purpose and timeline of the expenditures for all the projects.

Project operating costs relating to all projects, in particular communal costs (electricity, heat, water, waste), Internet, communication services, office security and others shall be allocated to projects in proportions/amounts agreed with donors.

Controls over bank guarantees

The disbursement specialist will be responsible for the due diligence process for and monitoring of the bank guarantees received during the Project implementation. The disbursement specialist will register the bank guarantees, verify its compliance to the sample formats acceptable to IDA, constantly monitor approaching the bank guaranty expiring date, and inform the financial manager on the need to take respective actions: 14 days before expiration of the bank guarantee, the supplier/contractor/consultant should be requested to provide the extension of the guarantee, otherwise, if there is a need (for example, in case the advance was not fully recovered), to submit to the issuing commercial bank a request for encashment of the guarantee.

The disbursement specialist will also be responsible for timely and proportional recovery of advance paid from subsequent payments to suppliers/contractors/consultants in accordance with the contract and bank guarantee terms.

Filing and Archiving Procedures

ARIS stipulates the filing procedures with the aim of ensuring proper tracking and safe keeping of the overall documentation, internal distribution of data and information, tracking of assignments and performance.

Responsible staff is assigned to keep certain types of documents, particularly the documents covering ARIS establishment, such as Charter and registration license. The original copies of

contracts should be kept with ARIS's procurement department in safe locked places. The project's financial and disbursement documents, and payment supporting documents should be kept with Accounting department. The Procurement Specialist shall be responsible for keeping all procurement related documents and shall be responsible for preserving the original copies of the overall correspondence, translated copies, internal acts as well as copies of all newspaper articles and press releases relating to the Project.

Letters accepted in ARIS are registered, numbered, the date of the acceptance marked by Receptionists, as well as notes stating to which department it is addressed.

For project implementation, the supporting documentation for each payment (invoice and attached statements of work, a copy of the signed payment order, and the copy of instruments delegating signature authority, if appropriate) shall be filed using a chronological numbering system. A file of supporting documentation shall be kept and regularly updated. It will ensure that document can be selected according to the following criteria (cross-referenced or not):

- (1) category;
- (2) name of the contracted company;
- (3) date;
- (4) number of replenishment requests supported by the pertinent documentation.

Archiving procedures: According to the legislation the authorized person archives the documents. Project documents must be archived within 3 years after the end of the project.

Conflict of Interest and Fraud Reporting

Conflict of interest shall be interpreted but in no way limited to the following: any past, present or prospective economic, financial and private direct and/or indirect (through relatives or partners) interest, as well as ownership or other links with the ARIS staff or companies, project developers and individuals involved in projects financed directly by ARIS. It is expected that all officers, trustees, and staff of ARIS will at all times adhere to the highest ethical standards in all matters.

Where any officer, trustee, or staff member, or any spouse (or other person with whom one cohabits), or lineal descendant or ascendant of same respectively, is an officer, director, or staff member of, or has a financial interest in, any other association or other organization (including any vendor of goods or services) with which ARIS has entered into, or is considering entering into, any contract or other transaction, such officer, trustee, or staff member shall disclose in writing to the ARIS director all material facts as to the relationship or interest. Individuals with conflicts of interest must reclude themselves from participating in any part of the decisions related to the transaction giving rise to the conflict.

No officer, trustee, or staff member shall use, for financial or other advantage, confidential or proprietary information accessed by virtue of his or her position with ARIS. Information does not need to be marked as "proprietary" or "confidential" before this policy applies. Types of information ARIS considers proprietary or confidential include, for example, computer programs and databases, such other information as personnel files, research and development information, strategic plans, technical information, financial information, and advice of accountants and legal counsel. Only individuals to whom proprietary and confidential information must be disclosed in the performance of duties have a need to know this information.

Each case of fraud, waste or misuse of project resources or property identified by ARIS employee shall be reported in writing to its direct supervisor or to the ARIS director if the issue is neglected or unsettled by the supervisor. Should the ARIS director fail to undertake any action for suspending such fraud, waste or misuse, the issue shall be submitted to the

ARIS Supervisory Board in writing by the same employee with sending a copy of such notification to the person having committed an act of fraud, waste or misuse.

Functional responsibilities of Financial Manager:

- Maintain the project records and accounts according to generally accepted accounting principles and practices and local legislation; Ensure that all project accounts are maintained in accordance with the World Bank relevant regulations and guidelines as well as local legislation;
- Establish and operate adequate and reliable financial management system for the project, including financial planning and accounting system/software;
- Maintain contract management/monitoring system for the project in order to prevent payments against ineligible expenditures as well as overpayments under contracts,
- Coordinate, control, monitor and evaluate financial performance;
- Manage and control activity of accounting and disbursement specialists;
- Assist ARIS management with planning, budgeting and management of project budgets. Plan, budget and manage ARIS financial resources and assets;
- Prepare the project annual budget and implementing financial/disbursement planning in co-operation with the procurement specialist, project coordinator and other relevant project staff.
- Review and verify requests for payment in accordance with procedures set forth by the World Bank and other partners/donors of ARIS and in compliance with Financing/Grant/Loan Agreements, Project Operations Manual and Manual for Household Results-Based Sanitation Incentive;
- Prepare regular written statements as per format and conditions established by donors;
- Carry out activities as required for meeting all obligations in accordance with the World Bank Disbursement Guidelines and other donors including preparation of financing plans, charts of accounts, budget planning and oversight, managing the Designated Account and other bank accounts;
- Prepare, in a timely manner, disbursement statements and reconcile with statements of external financial specialists (WB etc.);
- Prepare financial statements to be submitted to the Supervisory Board, departments of state control and monitoring, IDA and other donors;
- ensure that the project accounting system is reliable for preparation of regular (quarterly or semi-annual) Interim Unaudited Financial Reports (IFRs). Prepare and submit to the World Bank the IFRs in time and manner indicated in the Legal Agreement(s);
- Prepare the project financial statements to be audited and coordinating the audit arrangements of the project and cooperate with auditors; ensuring that all project accounts are maintained in accordance with the World Bank regulations for auditing by independent auditors acceptable to the World Bank and on terms of reference acceptable to the World Bank.
- Develop, maintain and update written procedures for the project's financial management arrangements for current and future operation of the project FM/accounting system;
- Provide necessary support to the Procurement Unit in the preparation of all contract amendment documents;
- Establish and manage the Project Designated Accounts; prepare requests for Special Commitments, opening LCs (if required for the project implementation);
- Keep up-to-date and accurate project accounts; maintain fixed asset register for the equipment brought from funds of previous, current or future projects;

- Liaise with the Ministry of Finance, state treasury, and other state agencies, such as taxation, customs, etc. in issues relating to the project implementation, estimating and making timely tax payments to the state budget;
- Cooperate with the World Bank missions in conducting regular financial management supervisions of the project and properly addressing the observations and recommendations provided;
- Provide training for communities and ARIS in financial procedures and technical assistance;
- Prepare technical specifications and other documents for financial and procurement audits;
- Any other duties as may be reasonably assigned by the ARIS Executive Director and / or ARIS Deputy Executive Director.

Functional responsibilities of disbursement specialists:

- Review and satisfy requests for payment in accordance with procedures set forth by the World Bank and other partners/donors of ARIS and in compliance with Financing Agreements;
- maintain procedures for collecting, checking and preparing documentation required for verifying Suppliers/Contractors/Consultants invoices. Record and post to the accounting software all payment supporting documentation and payments to Suppliers/Contractors/Consultants; prepare invoices for payment by verifying the invoice against contract terms and conditions and comparing against contract ceiling values; ensuring that all payments are made on timely basis and according to contract terms and conditions as well as the World Bank relevant guidelines, regulations, legal agreements and other applicable documents;
- Ensure the safety, accuracy and validity of bank guarantee letters, insurance certificates (or other warranty securities), verify the accuracy, reliability and acceptability of the bank guarantee letters, insurance certificates (or other warranty securities), reconcile with the respective terms and conditions in contracts, and ensure that those documents are kept in a safe place. Register the bank guarantee letters, insurance certificates (or other warranty securities) in a register and keep track of the validity date in order to take appropriate action, if needed, before the validity date expiration.
- Perform project administrative duties as required to ensure that all contract files and procurement actions are complete and accurately reflect the financial status of each contract; performing filing and archiving of the accounting and financial documentation.
- prepare disbursement applications (WAs) according to the World Bank and MOF (Treasury) procedures; prepare all necessary documentation (SOEs/Summary Sheets, supporting documentation, records, etc.) for submission to the World Bank for replenishment/recovery of the Designated Accounts on timely basis;
- Conduct regular reconciliations of bank/treasury account balances to the project accounts, as well as to the World Bank Client Connection System.
- Maintain accounting and financial reporting of projects being implemented by ARIS according to the accounting procedures, budgeting, financial control and audit acceptable to ARIS and the Government of the Kyrgyz Republic;
- Carry out activities as required for meeting all obligations in accordance with the World Bank Disbursement Guidelines and other donors including preparation of financing plans, charts of accounts, budget planning and oversight, managing the Designated Account and other bank accounts;

- Prepare, in a timely manner, disbursement statements and reconcile with statements of external donors (WB etc.);
- Prepare regular written statements as per format and conditions established by donors;
- Provide regular standard reports on use of investment funds within timeframes set forth by the National Statistics Committee;
- Drafting balance sheet and attachments to monthly, quarterly and annual reports for all ARIS donors, Ministry of Finance. Submit quarterly and monthly statements to tax Office and Social FGund, MoF, Pervomaisky District Treasury, National Treasury and National Statistics Committee;
- Any other duties as may be reasonably delegated by the ARIS Executive Director and / or Financial Manager.

3.9. Auditing Arrangements

The Project's Financial Statements, consolidated for the parent (SRWSSDP) project and the Additional Financing (AF SRWSSDP), will be audited in accordance with the provisions of Section II.B.3 of Schedule 2 of the Financing Agreement, Section II.B.3 of Schedule of the Project Agreement and Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, and the annual audited Project's Financial Statements will be submitted by ARIS to the Bank within six months after the end of each fiscal year; also at the closing of the Project.

The audit of the Project's consolidated Financial Statements will be conducted annually (i) by independent private auditors acceptable to the IDA, on terms of reference (TOR) acceptable to the IDA, and selected by the ARIS, and (ii) according to the International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC).

The annual audits of the Project financial statements shall be provided to the IDA within six months after the end of each fiscal year and at the Project closing. The sample audit Terms of Reference (Annex 3.19.) agreed with IDA will be used for the Project's audits.

ARIS shall publicly disclose the audited financial statements within one month after receipt thereof from auditors, and acceptance by IDA, at the ARIS web-site www.aris.kg. Following the IDA's formal receipt of these reports from the Borrower, IDA will make them publicly available according to World Bank Policy on Access to Information.

ARIS will provide the auditor with free access to all project documents and records and all other information that may be required for the auditing purposes.

Internal Audit of ARIS

There is Internal Audit Unit (IAU) in ARIS which is an autonomous unit of ARIS. IAU is free from activity subject to audit and does not perform any responsibilities other than internal audit.

The IAU autonomy is achieved through its functional accountability to the Supervisory Board while administratively it is accountable to the Executive Director.

The IAU organizes its work based on responsibilities and tasks/work plans.

Responsibilities of IAU:

- Assess the efficiency of internal control system and its conformity with the agency's objectives;

- Assess reliability and adequacy of financial, accounting and management information etc.;
- Assess the conformity of activities of ARIS' units with legal acts, responsibilities and action plans;
- Assist managers of ARIS units to be audited in developing actions (corrective measures) following the audit findings and follow up on the progress of such actions;
- Provide advice to agency's staff on risk management and control;
- Support and cooperate with ARIS' units on issues covered by internal audit;
- Assist in investigating fraud and inform the management (Executive Director) on the results thereof;
- Perform other tasks and engage in other activities as requested by Executive Director in terms of internal audit responsibilities.

4. PROCUREMENT MANAGEMENT

4.1. Introduction

4.1. Procurement of works, goods and non-consulting services under the Sustainable Rural Water Supply and Sanitation Development Project (SRWSSDP) and its Additional Financing is carried out according to the “Guidelines: procurement of goods, works and non-consulting services under IBRD loans and IDA credits and grants by World Bank borrowers” published in January, 2011 and revised in July, 2014.

4.1.2 Procurement of consulting services under the Project is carried out according to the “Guidelines: selection and employment of consultants under IBRD loans and IDA credits and grants by World Bank borrowers” published in January, 2011 and revised in July, 2014.

4.1.3 Procurement of all goods, civil works and non-consulting services under the parent Project and AF shall be carried out at ARIS level.

Procurement of civil works for rehabilitation of water supply systems, rehabilitation of sanitary facilities at schools under the Project will be carried out at ARIS level with direct participation of LSGB representatives.

4.1.4 The Procedures scheduled in the above guidelines shall be applicable to all the types of activity fully or partially financed by the IDA Grant.

4.1.5 Procurement Goods, Works, Non-Consulting Services and Consulting Services (including recruitment of project personnel) through Project operating costs shall be governed by the Provision on Procurement Unit, which is subject to prior no-objection by the donor. The Project staffing list is determined in Procurement Plan for the parent Project and AF.

4.1.6 **Employee Recruitment Procedure.** Consistent with the World Bank Procurement Manual dated January 2011, (revised July 2014) and given that ARIS implements several projects (including World Bank projects), a Procurement Unit has been established in ARIS. The role of this unit is to implement procurement principles and procedures, with staff ensuring they meet the rules/code of conduct and the integrity requirements of procurement duties. In order to carry out their tasks effectively, a unified “Provisions of the Procurement Unit” document has been developed. This document sets out the mechanisms, rules and procedures for hiring employees/consultants; it is an integral part of the Project Operations Manual (and is included in Section [4.11] below).

All types of procurement are carried out based on the following principles; and all the efforts are made to ensure optimal price for procurement:

Goods and works and non-consulting services

- a) the need for economy and efficiency in the implementation of the project, including the procurement of the goods and works involved;
- (b) the Bank’s interest in giving all eligible bidders from developed and developing countries the same information and equal opportunity to compete in providing goods and works financed by the Bank;
- (c) the Bank’s interest in encouraging the development of domestic contracting and manufacturing industries in the borrowing country; and
- (d) the importance of transparency in the procurement process.

Consulting services

- (a) the need for high-quality services,

- (b) the need for economy and efficiency,
- (c) the need to give all eligible consultants an opportunity to compete in providing the services financed by the Bank,
- (d) the Bank's interest in encouraging the development and use of national consultants in its developing member countries, and
- (e) the need for transparency in the selection process.

4.2. Conflict of Interest

4.2.1. Goods, Works and Non-Consulting Services

The World Bank policy requires that a firm participating in a procurement process under Bank-financed projects shall not have a conflict of interest. Any firm found to have a conflict of interest shall be ineligible for award of a contract.

A firm shall be considered to have a conflict of interest in a procurement process if:

- (a) such firm is providing goods, works, or non-consulting services resulting from or directly related to consulting services for the preparation or implementation of a project that it provided or were provided by any affiliate that directly or indirectly controls, is controlled by, or is under common control with that firm. 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 built contract; or
- (b) such firm submits more than one bid, either individually or as a joint venture partner in another bid, except for permitted alternative bids. This will result in the disqualification of all bids in which the Bidder is involved. However, this does not limit the inclusion of a firm as a subcontractor in more than one bid. Only for-certain types of procurement, the participation of a Bidder as a subcontractor in another bid may be permitted subject to the Banks' no objection and as allowed by the Bank's Standard Bidding Documents applicable to such types of procurement; or
- (c) such firm (including its personnel) has a close business or family relationship with a professional staff of the Borrower (or of the project Implementing agency, or of a recipient of a part of the Grant) who: (i) are directly or indirectly involved in the preparation of the bidding documents or specifications of the contract, and/or the bid evaluation process of such contract; or (ii) would be involved in the implementation or supervision of such contract unless the conflict stemming from such relationship has been resolved in a manner acceptable to the Bank throughout the procurement process and execution of the contract; or
- (d) such firm does not comply with any other conflict of interest situation as specified in the Bank's Standard Bidding Documents relevant to the specific procurement process.

4.2.2 Consultants

- (a) The Consultant is required to provide professional, objective, and impartial advice, at all times holding the Client's interests paramount, strictly avoiding conflicts with other assignments or its own corporate interests, and acting without any consideration for future work.
- (b) The Consultant has an obligation to disclose to the Client any situation of actual or potential conflict that impacts its capacity to serve the best interest of its Client. Failure to disclose such situations may lead to the disqualification of the Consultant or the termination of its Contract and/or sanctions by the Bank.
- (c) Without limitation on the generality of the foregoing, and unless stated otherwise in the **Data Sheet**, the Consultant shall not be hired under the circumstances set forth below:

Conflicting activities

- (i) Conflict between consulting activities and procurement of goods, works or non-consulting services: a firm that has been engaged by the Client to provide goods, works, or non-consulting services for a project, or any of its Affiliates, shall be disqualified from providing consulting services resulting from or directly related to those goods, works, or non-consulting services. Conversely, a firm hired to provide consulting services for the preparation or implementation of a project, or any of its Affiliates, shall be disqualified from subsequently providing goods or works or non-consulting services resulting from or directly related to the consulting services for such preparation or implementation.

Conflicting assignments

- (ii) Conflict among consulting assignments: a Consultant (including its Experts and Sub-consultants) or any of its Affiliates shall not be hired for any assignment that, by its nature, may be in conflict with another assignment of the Consultant for the same or for another Client.

Conflicting relationships

- (iii) Relationship with the Client's staff: a Consultant (including its Experts and Sub-consultants) that has a close business or family relationship with a professional staff of the Borrower (or of the Client, or of implementing agency, or of a recipient of a part of the Bank's financing) who are directly or indirectly involved in any part of (i) the preparation of the Terms of Reference for the assignment, (ii) the selection process for the Contract, or (iii) the supervision of the 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.

4.3. Procurement-related obligations

4.3.1. The overall responsibility for management and coordination of procurement activity under the Project shall be undertaken by the ARIS Head Office according to the approved Procurement Plan under the following components:

- Component 1: Water Supply Investments;
- Component 2: Sanitation Development;
- Component 3: Institutional Development;
- Component 4: Project Management.

4.3.2. Aiyl Okmotus

Component 1. Water Supply Investments

Aiyl Okmotus delegate to ARIS the responsibility for selection of consultants and contractors in compliance with the World Bank procedures and for payment to consultants, contractors and suppliers.

In their turns, the Aiyl Okmotus have the following obligations:

- Participate, acting through representatives of AOs of selected villages in selection of suppliers of some packages of goods, selection of contractors, for performing civil works though:
 - (a) participation in development of technical specifications;

(b) participation of representatives of AO as full - fledged members in tender commissions;

- Sign contracts with contractors and/or suppliers with further submission of one copy of the original or copy of the contract to the ARIS.

Component 2. Sanitation Development

Aiyl Okmotus delegate to ARIS the responsibility for organizing and holding competitive selection of consultants, contractors and suppliers in line with the WB procedures and payment to consultants, contractors and suppliers.

Component 3. Institutional Development

Aiyl Okmotus delegate to ARIS the responsibility for organizing and holding competitive selection of consultants, contractors and suppliers in line with the WB procedures and payment to consultants, contractors and suppliers.

4.3.3. Department of Drinking Water Supply and Waste Water Disposal (DDWSWD)

Component 1 “Water Supply Investments”:

DDWSWD shall have a right to participate in procurement procedures as follows:

- Participate, acting through representatives of DDWSWD in selection of contractors, for civil works though:
 - (a) participation in development of technical specifications;
 - (b) review of design solutions; and
 - (c) participation of representatives as full - fledged members in tender commissions.

Component 2. Sanitation Development:

DDWSWD shall have a right to participate in procurement procedures as follows:

- Participate, acting through representatives of DDWSWD in selection of laboratory equipment suppliers, selection of contractors for civil works though:
 - (a) participation in development of technical specifications;
 - (b) participation of representatives as full - fledged members in tender commissions.

Component 3: “Institutional Development”:

DDWSWDD shall have a right to participate in procurement procedures as follows:

- Participate, acting through representatives of DDWSWD in selection of suppliers of some packages of goods, selection of some consultants through:
 - (a) participation in development of technical specifications;
 - (b) participation of representatives as full - fledged members in tender commissions.

For those activities under Component 3 and Component 2 that are directly related to the mandates of DDWSWD, its involvement in the selection process of consultants and goods will be pursued. ToRs for specific consultant contracts will stipulate the required for deliverables to be consulted and cleared by DDWSWD, prior to ARIS approval.

4.4. Procurement planning

4.4.1 A Procurement Plan shall be developed for project implementation. The Procurement Plan will be updated at least once a year and each update is subject to prior review by the Bank. The initial Procurement Plan and subsequent updates will be published on the public web-site of the World Bank according to requirements of the WB Guidelines and on the official website of the ARIS. The Procurement Plan is to be implemented as it was approved by the World Bank.

4.5. Procurement methods

4.5.1. Procurement of goods, works and non-consulting services follows the World Bank Procurement Guidelines “Procurement of Goods, Works and Non-Consulting Services under IBRD loans and IDA Credits & Grants by World Bank Borrowers” published in January 2011 and revised in July 2014 by using standard bidding documents.

Procurement of goods

Shopping will be used for goods contracts estimated to cost less than US\$ 100,000 per contract. When this method is applied, detailed technical specifications and Invitation to Quote (ITQ) are to be prepared for each procurement package. The announcement shall be published on the ARIS website www.aris.kg, and in the local newspaper if necessary. The evaluation report is prepared based on at least three received quotations. The contract shall be awarded to the bidder who meets the appropriate standards of technical specifications and qualification criteria and offered the lowest evaluated cost. Following the contract award, the results of the tender should be published on the official ARIS’ website www.aris.kg.

National Competitive Bidding shall be used for procurement of contracts of value less than US\$ 1 000 000. When this method is applied, detailed technical specifications and Standard bidding documents for NCB shall be prepared for each procurement package. The bid announcement should be published on the ARIS' website www.aris.kg and in the local newspaper. Bidders should be provided with sufficient time for development and submission of the bid. This period should be at least four weeks. The evaluation should be carried out regardless of the number of bids received. An evaluation report will be prepared based on the quotations received. The contract shall be awarded to the bidder who meets the appropriate standards of technical specifications and qualification criteria and offered the lowest evaluated cost. Following the contract award, the results of the tender should be published on the official ARIS’ website www.aris.kg.

Procurement of works

Shopping will be used for civil works contracts estimated to cost less than US\$ 200,000 per contract. When this method is applied, detailed technical specifications with Bill of Quantities and Invitation to Quote (ITQ) are to be prepared for each procurement package. The announcement shall be published on the ARIS website www.aris.kg, and in the local newspaper if necessary. The evaluation report is prepared based on at least three received quotations. The contract shall be awarded to the bidder who meets the appropriate standards of technical specifications and qualification criteria and offered the lowest evaluated cost. Following the contract award, the results of the tender shall be published on the official ARIS’ website www.aris.kg.

National Competitive Bidding shall be used for procurement of contracts of value less than US\$ 5 000 000. When this method is applied, detailed technical specifications, detailed drawings, Bill of Quantities and Standard bidding documents for NCB shall be prepared for each procurement package. The bid announcement shall be published on the ARIS' website www.aris.kg and in the local newspaper. Bidders should be provided with sufficient time for development and submission

of the bid. This period should be at least four weeks. The evaluation should be carried out regardless of the number of bids received. An evaluation report will be prepared based on the bids received. The contract shall be awarded to the bidder who meets the appropriate standards of technical specifications and qualification criteria and offered the lowest evaluated cost. Following the contract award, the results of the tender shall be published on the official ARIS' website www.aris.kg.

All relevant standard bidding documents for procurement of works and goods are outlined below.

Direct Contracting

Direct contracting is contracting without competition (single source) and may be an appropriate method under the following circumstances upon prior no-objection from the donor:

- (a) An existing contract for goods or works, awarded in accordance with procedures acceptable to the Bank, may be extended for additional goods or works of a similar nature. The Bank shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract;
- (b) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to the Bank;
- (c) The required equipment is proprietary and obtainable only from one source;
- (d) Procurement of specific items from a particular Supplier is critical to secure proper functioning or performance guarantee for equipment, installation or works;
- (e) In exceptional cases, such as, inter alia, in response to natural disasters.

Additional Provisions for National Competitive Bidding

The standard NCB provisions for the Kyrgyz Republic, as included in the Grant Agreement, will be applied to all the NCB contracts in the country.

4.5.1.2 Procurement of consulting services.

Procurement of consulting services is carried out according to the "Guidelines for Selection and Employment of Consultants by World Bank Borrower under IBRD loans and IDA credits and grants" published in January, 2011 and revised in July, 2014. QCBS, LCS, CQS, and IC methods are mainly used for selection of consultants, not excluding other procurement methods. ARIS uses standard requests for proposals and forms of consulting contracts of the World Bank for procurement of consulting services.

Particular Methods of Procurement of Consultants' Services

- (a) Quality- and Cost-based Selection. Except as otherwise provided in paragraphs below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
- (b) Other Methods of Procurement of Consultants' Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan specifies the circumstances under which such methods may be used.

Procurement Method
(a) Quality and Cost Selection
(b) Least Cost Selection
(c) Selection Based on the Consultants' Qualifications
(d) Single Source Selection
(e) Selection of Individual Consultants
(f) Quality-Based Selection
(g) Fixed-Budget Selection

Least Cost Selection

This method is only appropriate for selection of consultants to carry out audit. A "minimum" passing score is set for "quality" under this method. Firms included in the short list of the World Bank are invited to submit proposals in two envelopes. Technical proposals are opened and evaluated first. Proposals that did not get the passing score are rejected and the financial proposals of the rest are opened afterwards. Financial proposals are to be opened publicly with invitation of firms that got the minimum passing score. The firm that proposed the lowest cost is selected. When setting the minimum passing score under this method, it should be kept in mind that all bids that pass this minimum shall compete further only by their "cost". The minimum passing score shall be indicated in the RFP. Results of the tender shall be posted on the official websites of the World Bank and the ARIS.

Selection Based on the Consultants' Qualifications

Selection based on the quality is used for procurement of services included in the Procurement Plan. Under this method, the advertisement should be published on the ARIS' website and the Request for Expression of Interest can be sent directly to potential bidders from the ARIS' database. The advertisement should indicate the deadline for submission of EOI of bidders along with the technical proposal.

Following the evaluation of technical proposals, ARIS requests the consultant whose technical proposal was ranked the highest to submit detailed financial proposal. The Consultant should be provided sufficient time to submit the financial proposal. After this the ARIS and the Consultant negotiate the financial proposal and the contract. If negotiations are successful, a contract is signed with the Consultant. Results of the tender shall be posted on the official websites of the World Bank and the ARIS.

Single Source Selection

Single source selection can be used under the Project upon submission of justification to the World Bank and receiving World Bank's no-objection to application of this method on case by case.

Selection of Individual Consultants

Individual consultants are to be engaged in the project to provide technical assistance to the project in performing technical supervision and contract administration over implementation of civil works. Individual consultants are also to be hired for technical assistance, strengthening the capacity of Aiyl Okmotus, MWU/CDWUUs and support in project management. ARIS with support of relevant experts shall develop Terms of References for each consultant. The TOR shall be agreed with the IDA. After that, the advertisement shall be published on the ARIS website and/or in the

local newspaper. Nonetheless, publishing of the announcement may not be required in every case; it will not be applied to contracts with minor cost. In case of minor contracts, selection can be done out of three qualified candidates from the database. All Requests for expression of interest should clearly specify selection criteria based exclusively on the consultant's qualification and experience.

Selection of individual consultants is done based on their relevant experience, qualification and capacity to perform the subject assignment. Selection shall be done by comparison of the overall relevant capacity of at least three candidates that meet the qualification requirements among the candidates that expressed their interest in performing the assignment either directly or through a firm, or among those potential consultants that ARIS appealed to directly. Individual consultants selected for employment by the ARIS should be the most experienced and qualified and have every opportunity to perform the assignment. ARIS shall hold contract negotiations with the selected individual consultant depending of the circumstances to agree upon satisfactory provisions and terms of the contract, including justified unit rates and other costs.

Selection of individual consultants, as a rule, is not subject to prior review, except for those specified in the Procurement Plan as the ones subject to prior review by the World Bank.

Consultants/personnel under Project management component shall be recruited in accordance with the "Provision on procurement unit", which is subject to the Bank's prior no-objection.

Recruitment of senior staff of ARIS units and project coordinators shall be subject to the Bank's prior no-objection.

In certain cases, individual consultants can be selected through single source selection if solid justifications for doing so are in place and upon no-objection from the World Bank.

The staff included in preparation of the project, under the Project preparation grant, will be transferred to the team of the main project upon prior agreement with the World Bank.

4.5.3 Debriefing

In the publication of Contract Award the ARIS shall specify that any bidder or consultant who wishes to ascertain the grounds on which its bid or proposal was not selected, should request an explanation from ARIS. The latest shall promptly provide an explanation of why such bid was not selected, either in writing and/or in a debriefing meeting, at the option of the Procuring Entity. The requesting bidder or consultant shall bear all the costs of attending such a debriefing.

4.5.4 Notification, publication of announcements of the procurement and selection

General Procurement Notice

ARIS will prepare and submit to the Bank the General Procurement Notice for publication in the electronic newsletter of the United Nations Development Business online (UNDB online), and also publish it on its website www.aris.kg and in a local newspaper. General Procurement Notice shall contain information about the project, the amount and purposes of the project, a list of procurement according to the Procurement Plan, the name, phone numbers, address and contact details, and a link to the official website of ARIS where all subsequent procurement notices will be posted.

Procurement announcements

When procuring goods, works and services, the ARIS shall publish procurement notices on the official website of ARIS at www.aris.kg and / or local media, depending on the procurement method. All bidding results shall be published on the ARIS website.

4.6. Awarding of contracts, Tender Commission

4.6.1 The role and functions of the Tender Commission are to review and evaluate bids and make decision of the contract award.

Component 1: Water Supply Investments

Procurement of civil works and goods

Tender commissions shall be established by the ARIS' Executive Director. A separate Tender Commission shall be set up by the ARIS' order for every procurement. The Tender commission shall include representatives of AOs from participating municipalities and DDWSWD.

Notification of contract award is made on behalf of the ARIS Executive Director or the Project Coordinator. Contracts are signed by AOs or a person delegated with these authorities or the ARIS Executive Director. The Tender Commissions shall include a representative of DDWSWD, project staff members, experts in the field relating to the works, and others.

Component 2: Sanitation Development

Procurement of civil works and goods

Tender commissions shall be established by the ARIS' Executive Director. A separate Tender Commission shall be set up by the ARIS' order for every procurement. The Tender Commission for selection of civil works for rehabilitation of sanitary facilities shall include the representatives of AO.

Notification of contract award is made on behalf of the ARIS Executive Director or the Project Coordinator. Aiyl Okmotu or a person delegated with these powers shall sign the contracts; for renovations of SES laboratories, contracts will be signed by chief medical officer of Raion SES or ARIS Executive Director. The Tender Commissions shall include a representative of DWSSD, project staff members, experts in the field relating to the goods, works, consulting services being procured and others.

Component 3: Institutional Development

Procurement of works, goods and consulting services

Tender Committees shall be established by the ARIS Executive Director. A separate Tender Commission shall be set up by the ARIS' order for every procurement. Notification of contract award is made on behalf of the ARIS Executive Director or the Project Coordinator. Contracts shall be signed by the ARIS Executive Director or a person delegated with these powers. The Tender Commission for selection of some consulting services shall include a representative of DWSSD, project staff members, experts in the field relating to the goods, works, consulting services being procured and others.

4.7. Monitoring of procurement by the International Development Association

4.7.1. Prior Review The following contracts concluded by the ARIS are subject to the prior review by the IDA:

Expenditure Category	Contract Value	Procurement Method	Contracts Subjects to Prior Review (Threshold in US\$)
Goods and non-consultancy services	>=1,000,000	ICB	Contracts >=2,000,000
	<1,000,000	NCB	Not applicable
	<100,000	SH	Not applicable
	N/A	DC	Contracts >=2,000,000
Works	>=5,000,000	ICB	Contracts >= 10,000,000
	<5,000,000	NCB	Contracts >=10,000,000
	<200,000	SH	Not applicable
	N/A	DC	Contracts >=\$10,000,000
Consultant Services* (including	>=300,000	QCBS/QBS/LCS/FBS	Contracts >= 1,000,000; all TORs
	NA	SSS	
	NA	IC	
Notes: ICB – International Competitive Bidding NCB – National Competitive Bidding DC – Direct Contracting QCBS – Quality and Cost Based Selection QBS – Quality Based Selection FBS – Fixed Budget Selection LCS – Least Cost Selection *CQS – Selection Based on Consultants’ Qualification below \$300,000 depending on the nature of assignment SSS – Single (or Sole) Source Selection IC – Individual Consultant selection procedure NA – Not Applicable			

4.7.2. Post Review All contracts not subject to the prior review are subject to the post-review by the IDA. The IDA performs periodic post review during regular supervision missions or during special procurement audits. Procurement documents such as tender documents, bid, bid evaluation reports and correspondence related to bids and contracts are stored for post review by the IDA during supervision missions or at any other time.

4.8. Storage of procurement documents

4.8.1 ARIS ensures adequate storage of documents of each procurement activity for all procurements. This system includes all the documentation on procurement, such as tender documents, bids, bid evaluation reports, related correspondence and contracts.

4.9. Complaints during the procurement procedures

During the competitive selection / bids, the bidders (including potential bidders / consultants) may submit complaints regarding the selection / bidding process. A bidder (or a potential bidder / consultant) may file a complaint with the ARIS" Central Office.

Complaints received by the ARIS prior to the deadline for submission of proposals / bids from the consultants or from a short list of bidders that received tender documents, should be considered together with the comments and recommendations for taking appropriate measures to introduce any necessary changes, additions and preparation of an adequate response.

If the complaint is related to the technical specifications or the Terms of Reference, the answer to the complaint should be prepared by the experts who participated in the preparation of those documents. ARIS is obliged to prepare and provide a detailed response to the claim. If the complaint involves allegations of fraud and corruption, the above procedure may be modified in connection with the issue of confidentiality until complete investigation circumstances.

If after the conclusion of the contract, the consultant wishes to ascertain the reasons why his/her proposal was not selected, he/she may request the ARIS to explain the selection results. The purpose of this meeting should be only to discuss the proposal of that specific consultant, and not the proposals of the other candidates.

4.10. Contract Management

The contract management is decision-making activities on technical and administrative issues from the contract award until its completion as well as control of payments and dispute settlement.

The contract management includes planning of interrelations between all parties, control of interrelation development, establishment of milestones of contract implementation, problems and risks identification as well as solving of such problems and minimizing of risks in order to fulfill the contract in time, within the budget and in accordance with quality requirements.

The management process starts from contract preparation when both parties shall agree on the contract conditions on the basis of equality and mutual benefit. The following issues shall be considered at this stage:

- (a) *confusions and legal gaps shall be avoided by adhering to model documents attached to the Manual;*
- (b) *person(s) in charge shall know the contract;*
- (c) *contract awards shall be issued in time;*
- (d) *securities and other valuable documents shall be properly checked for their validity;*
- (e) *the contract documents shall clearly define:*
 - (i) the scope of work or services to be performed and/or goods to be supplied;
 - (ii) the rights and obligations of both parties;
 - (iii) the functions and authority of a person assigned by the Procuring Entity to supervise and administer the contract.

The next stage of contract administration is follow-up on contract performance. At this stage all the activities depending on their nature can be divided into several groups. The issues to be taken into consideration at this stage are the following:

- (a) *Responsible persons. For the administration of small simple contracts, it is not necessary to designate the Project Manager, the ARIS Specialist can administer such contracts by himself. Since the administration of large complex contracts requires some special activities, the Contract Manager, technical supervisors and a person responsible for work with documents circulation should be appointed.*
- (b) *Communications. The system of communications between all related parties shall be established between the contract parties.*

- (c) *Time Control*
- (i) Submission by the suppliers, contractors or consultants of a Program or Implementation schedule and periodical their updates are crucial for the successful implementation of a contract. For small contracts network diagrams, indicating the main milestones of contract implementation, could be sufficient. For complex contracts Program with milestones, responsible persons and documents to be prepared at each stage may be required.
 - (ii) Extension of Contract completion date shall be done by an authorized person.
 - (iii) Any kind of delays in contract implementation and ways of their treatment shall be described.
 - (iv) Early warning. A supplier/contractor/consultant shall warn the Project manager or an Implementing Entity authorized person at the earliest opportunity of likely future events that may adversely affect the implementation of the contract.
 - (v) Management meeting. The parties shall agree on how such meetings (to review the plans for remaining work and to deal with matters raised in accordance with the early warning procedure) shall be held.
- (d) *Quality Control.*
- (i) ARIS shall follow the procedure established for quality control of works, goods or services, including registration of goods or getting licenses by the contractors, suppliers or consultants, when necessary.
 - (ii) Procedures for carrying out tests shall be established in the contract, showing what tests and how shall be done and at whose expenses.
 - (iii) Procedures of claims established in contract shall be followed and persons in charge (including end users) shall be aware of it. They shall be instructed on their actions if any deficiencies are found, including the case when contractor/supplier/consultant has not corrected defects within the agreed time.
- (e) *Cost Control*
- (i) Payment shall strictly follow the contract conditions, identifying how and when payments to be done and against which documents, what deductions from invoiced amounts shall be made (for advance payments, retention, etc), what currencies apply and taxes imposed.
 - (ii) Adjustments in rates and Contract Price, if any, shall apply in compliance with the contract conditions and persons in charge shall be aware about them.
 - (iii) The rates and conditions of using liquidated damages shall apply as per the contract.
 - (iv) Securities (performance and others) and other valuable documents shall be properly checked for their validity and timely updates.
- (f) *Settlement of disputes. The applicable law and arbitration procedures for settlement disputes between the Implementing Entity and Contractor/ Supplier/ Consultant shall be defined in the contract.*

Settlement of disputes provisions are seen by bidders and consultants as a major risk factor or risk mitigation factor depending on how the provision is drafted.

At the time bids are invited, it is not possible to determine if disputes shall be settled in accordance with national law (domestic suppliers, contractors or consultants) or international commercial arbitration (foreign suppliers, contractors or consultants).

Disputes between Implementing Entity and a contractor, supplier or consultant from the Kyrgyz Republic should be settled in accordance with mechanism indicated in the contract mandated by the national Laws.

The Procurement and Consultant Guidelines recommend international commercial arbitration when the winning bidder or consultant is a foreign supplier, contractor or consultant. There are two main possible approaches to international commercial arbitration: either the arbitration will be administered by an institute following its own rules (ICC, Institute of Stockholm Chamber of Commerce, etc.), or the arbitral procedure will be defined by reference to a well-recognized set of procedures such as the UNCITRAL Arbitration Rules. When the UNCITRAL rules are selected, it is critical that a credible appointing authority be also identified in the contract terms (it could be an institution such as ICC) for the administration provision to be perceived as fair and impartial by the contractor, supplier or consultant. Furthermore, the place of arbitration is important and usually contractors, suppliers or consultant will request it be not in the country of the Procuring Entity.

(g) *Contract completion.*

- (i) Taking over of the goods/completed works/deliverables shall be done in accordance with procedures established within a Procuring Entity.
- (ii) If “as built” drawings and/or operating and maintenance manuals are required, the contractor/supplier/consultant shall provide them in time.
- (iii) Conditions of Termination of the Contract and its consequences shall be described in the contract and followed during the contract implementation.

Ensure supervision of performance by the Suppliers/contractors/consultants of warranty obligations and timely release of performance security.

4.11. Provisions of the procurement unit

(This provision was prepared by ARIS Procurement Unit employees and coordinated with donors, 2018. It is still to be finalized in the English version and will be completed in agreement with TTLs).

This section on the Procurement Department Provisions includes the following::

1. General provisions of ARIS Procurement unit

2. Principles, aims and objectives of the procurement unit

3. Structure of work of employees of the procurement unit

4. Procurement planning within the projects implemented by ARIS

5. General rules of procurement within the projects implemented by ARIS

6. The procedure for selection of consultation services (firms/individual consultants) from the operating expenses and trainings

7. The procedure for recruitment of project staff and personnel (including management) within the operating expenses

8. The procedure for selection of companies to deliver goods and accomplishment of works and providing non-consultation services within the operating expenses and trainings

9. The procedure for selection of trainers and training venues with all related services within the projects implemented by ARIS

10. Filing of documents

11. Contract administration

Attachment 1. Sample contract

1. General provisions of the ARIS Procurement Unit

Given that ARIS implements a number of World Bank-funded and other donor-funded projects it was agreed that a Procurement Department would be established in ARIS as a standing (central) structural unit. to optimize and organize the work of ARIS' procurement specialists..

The task of this unit is to ensure compliance with procurement principles and procedures, conduct timely, planned, consistent steps to develop and implement the project procurement plans agreed with the donors; and to work with the members of tender committees, market actors (contractors, suppliers, consultants) to organize and hold fair, transparent procurement and prevent fraudulence and corruption.

2. Principles, aims and objectives of the ARIS Procurement Unit

The main principles for the Procurement Unit are to:

- Ensure cost effectiveness and efficiency of procurement
- Allow all eligible bidders to compete
- Promote market development
- Ensure transparency and integrity of procurement.

The **aim of this Provision** is to provide a description of rules which must be followed in the purchasing of goods, works and appropriate services required for the performance of projects implemented by ARIS; to establish the policies and procedures for the selection and finalization of contracts with consultants needed for such projects; and to control the work undertaken in this regard.

The **aim of the Procurement Unit** is to follow the policies and procedures of donors described in the project agreements of each project implemented by ARIS in the field of selection, hiring consultants as well as selection of suppliers of goods and contractors of works as per the principles of procurement.

The **objectives of the Procurement Unit** are the planning and conducting of procurements and the administration of contracts within projects implemented by ARIS according to the relevant procurement procedures, the laws of the Kyrgyz Republic and Donor Guidelines. Should there be discrepancies, the rules and Procurement Guidelines included in the relevant Donor Financing Agreements will prevail. Other subobjectives are to:

- Participate in the development of project design documents, project procurement strategies, reviewing project designs, and generally contributing to the preparation of projects;
- Prepare operational manuals for community procurements within projects, where relevant, and/or prepare procurement sections in the Project Operational Manuals (POMs) for all projects;
- Carry out the planning of procurements within each project;

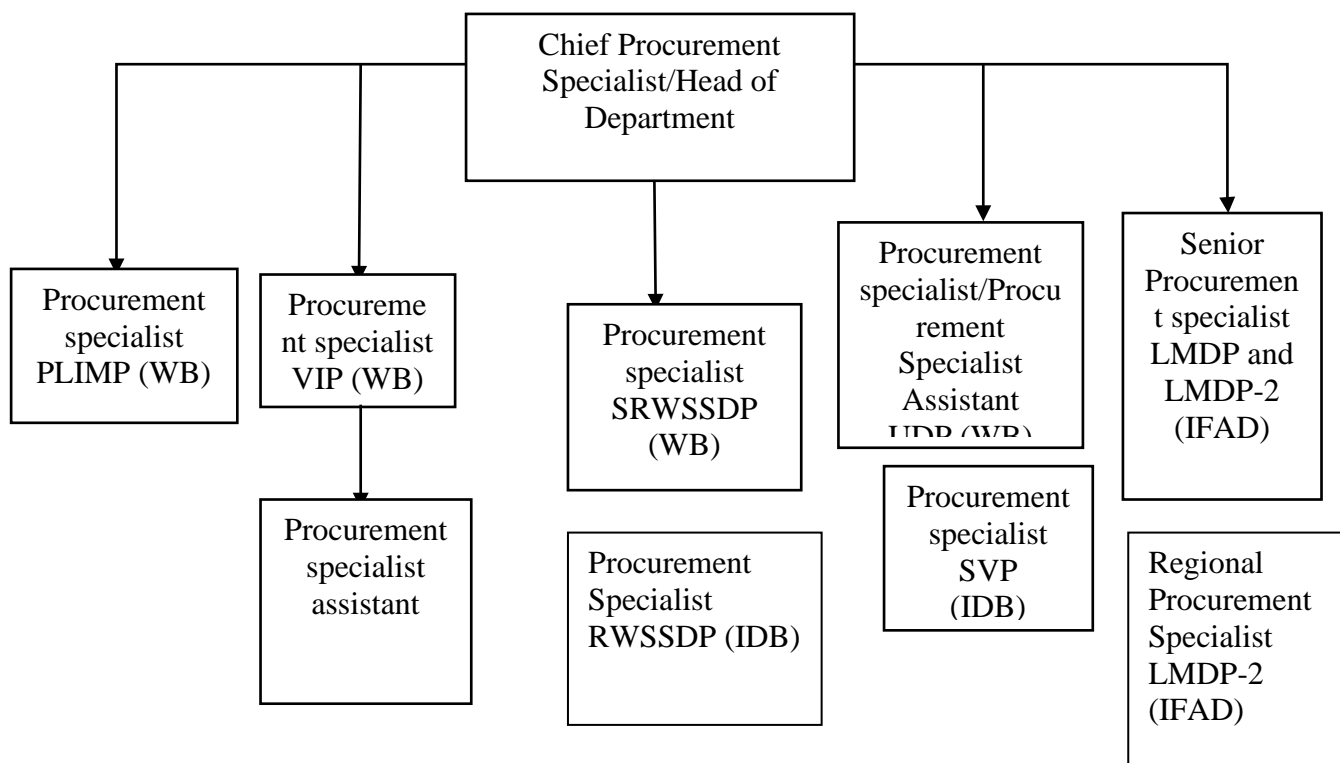
- Determine the need for goods, works and services for project;
- Carry out the market analysis for individual procurements;
- Prepare the Procurement strategy (PPSD) as required for World Bank financed projects if required;
- Prepare the Procurement plan within the projects implemented by ARIS (update procurement plan annually or upon necessity during the implementation of projects);
- Enter all packages of procurement into the electronic system STEP, and enter into 1C system, if required;
- Prepare bidding documents, including assistance in the preparation of technical specifications;
- Create, maintain and update the database of suppliers, contractors and consultants;
- Preparation and publication of announcements for existing vacant positions or tenders in the media and on the website and other tools of dissemination of information;
- Send and issue bidding documents to suppliers, contractors and consultants;
- Conduct bid opening, if required;
- Conduct evaluation of bids;
- Prepare requests and distribute them to bidders;
- Plan and conduct tender committee meetings;
- Prepare evaluation reports as the result of tender committee meetings;
- Prepare contract with the winning bidder, followup on signing of the contract by both parties;
- Enter the contract into the electronic system of ARIS, and into the electronic system of donors, if required;
- Contract administration, including the tracking of acceptance of goods and accomplishment of works;
- Prepare amendments to the contracts, if required;
- Prepare the results of bidding and publish them on the website of ARIS and other websites required by the Donors;
- Prepare bidding progress reports within the projects implemented by ARIS;
- Participation of the procurement specialist in the donor missions providing a status of procurement within the projects implemented by ARIS;
- Filing (record keeping) all procurement documents. The following procurement documents such as bidding documents, bids, evaluation reports, correspondences associated with bids and contracts are kept available for subsequent review by IDA in the course of supervision missions or any other time;
- Provide access to procurement documents for subsequent review by ARIS and for independent annual audits;
- Submit reports to the Ministry of Finance and Monitoring and Evaluation unit;
- Conduct procurement trainings for communities and other beneficiaries within some projects implemented by ARIS;
- Conduct revision of procurement of communities within some projects implemented by ARIS;
- Conduct community-level tenders, if required;

3. Structure of the Procurement Unit work and reporting

The Procurement Unit includes a Chief Procurement Specialist/Head of Unit (currently funded by the Central Administrative Pool), a Senior Procurement Specialist, Procurement Specialists and their assistants within each project. Duties and responsibilities are as follows:

- *The Chief Procurement Specialist/Head of Unit* shall be responsible for, the following, inter alia: overall coordination of work of the procurement unit. He/she prepares the annual work plan of the Procurement Unit with the approval of all scheduled procurement activities within all projects implemented by ARIS. He/she participates in the preparation of project documents for new projects, including the preparation of Procurement Strategy for new projects. He/she assists the Procurement Specialists with preparation of a procurement section in the operational manuals of projects. He/she also delegates the responsibilities to conduct various small tenders for the necessity of projects and representative offices of ARIS between the project-level procurement specialists and assistants.
- *Chief Procurement Specialist hired at the project level* shall perform all responsibilities specified in the procurement specialist's contract. Key tasks are to: 1) conduct all procurements in compliance with procurement principles described in each individual's project's documents; 2) plan procurements in a timely manner within each individual project; 3) filing/record keeping of all tenders completed and submit reports.
- *The procurement specialist hired at the project level* fulfills all functional duties specified in the contract of the procurement specialist. The main tasks of the procurement specialist are: 1) to conduct all procurement procedures according to the procurement principles described in the project documents of each separate project; 2) timely plan procurements within each project; 3) documentation of all conducted tenders and submit reports on works done.
- *The procurement assistant* assists the procurement specialist to conduct tenders, plan and file reports, as well as conduct logistics within the conducted tenders;

The Procurement Unit will report to the Executive Director and ARIS management.



4. Procurement planning within all projects implemented by ARIS

Within each project implemented by ARIS, the Procurement Specialist, jointly with the Project Specialists, must determine, at the stage of preparing (designing) the project, the basic proposed packages of procurement (goods, works and services).

Within some projects the Procurement Specialist jointly with the Project Specialists prepares the Project Procurement Strategy for Development (PPSD), if required. The Project Procurement Strategy for Development (PPSD) is a methodology that is used to determine the optimum Procurement Approach to deliver the right procurement results.

The PPSD requires Projects to consider, among other things, the market situation, the operational context, previous experience and the risks present – then from this, determine the right Procurement Approach that will yield the right type of response from the market. By designing the right Procurement Approach, there is far more likelihood of the right suppliers participating, better bids being received, and an overall increased chance of achieving value for money (VfM). Therefore, determining the right Procurement Approach, informed by appropriate analysis is a critical activity that subsequently impacts every following step of the Procurement Process, and onwards into Project implementation.

This Guidance provides a structured approach for Projects to use a modern set of procurement tools and techniques to achieve VfM in Projects financed through Investment Project Financing (IPF).

As with the overall preparation of the PPSD, the use and application of these tools needs to be proportionate to the level of market research and information required to develop a “fit for purpose” Procurement Approach. There is not an expectation that all the tools detailed will be used, but only those most appropriate to the individual Project circumstances.

The project level Procurement Specialist prepares a sample Procurement plan on projects based on the objectives of projects, as well as he/she prepares the Procurement strategy within the project, as required. When preparing the Procurement plan, the procurement specialist should also sign all scheduled/expected procurements within the funds of operating expenses.

All Procurement plans and all revisions by the projects must be agreed with donors, as required. Any revisions at all to approved Procurement Plans require agreement with the donors.

5. General rules of procurement within projects implemented by ARIS

All tenders in the projects implemented by ARIS are conducted according to the established, approved procurement procedures and rules in the project documents (Guidelines for Procurement of Goods, Works and Non-Consultation Services for World Bank Borrowers of IBRD Loans and Credits and IDA Grants; Guidelines for selection and hiring of consultants by World Bank Borrowers of IBRD Loans and Credits and IDA Grants).

For each project, the general rules and provisions of procurement are written in the project documents.

The project group (relevant narrowly focused specialists) prepares technical specifications for goods and works with the estimates and terms of references for consultation services. According to the approved Procurement Plan these technical specifications and terms of references should be agreed with donors, if required. After that the final technical specifications and terms of references are handed over to the procurement specialist. The procurement specialist prepares tender documents (for goods and works) according to the standard forms of tender documents issued by donors.

5.1 Advertisement

The Project Procurement specialist considers technical specifications and terms of reference and, through analyzing the relevant market, should define more efficient sites for announcement (newspapers, websites, direct mailing etc.) in order to get maximum amount of interest on the part of market.

Advertisement for goods and construction works are published also on the web portal of public procurements.

5.2 Tender Committee

The Procurement Unit, represented by the Procurement Specialist prepares an order on forming commission for each separate tender of the project based on the tender committee formed by the executive director. All members of the Tender committee will first sign a code of integrity (Annex 2) which states their commitment to procurement rules and that they have no conflict of interest in the said procurement.

The main tasks of the Tender Committee are (to):

- 1) review technical specifications and terms of references;
- 2) review qualification, technical criteria and selection criteria;
- 3) conduct assessment of submitted proposals/bids, expressions of interest as per provisions of the Procurement Guidelines/Regulations and POM;
- 4) nominating to award the contract through signing a decision to award the contract in the assessment report by all tender committee members;
- 5) letter of acceptance/notification of contract award shall be signed by the Executive Director or Project Coordinator.

5.3 Opening procedure

At the deadline for the submission of tender proposals/bids/expressions of interest there will be an opening procedure by the Procurement Specialist, as required. (NCB, LCB, shopping, expressions of interest).

As for the contracts to be reviewed by donors preliminary, in the cases of some projects determined in the Procurement plan, the protocols of opening of proposals/expressions of interest are sent to the donors for information.

5.4 Evaluation

The Procurement Specialist hands over the received bids/expressions of interest to relevant project specialists to get technical assessment/assessment of strong/weak points of the companies. The procurement specialist in his turn prepares preliminary qualification assessment and arranges a meeting of the tender committee. The Procurement Specialist based on the missing information prepares requests and forwards them to bidders providing enough time for reply. However, the requested information should not change the meaning of the tender proposal.

During the meeting of the Tender Committee, the Procurement Specialist should familiarize all members of the commission with the following:

- Inform about the rights and obligations of all members of the commission, including the regulation on confidentiality, impartiality, conflict of interest, fraud and corruption.
- General information about the tender (project name, name of the procurement, date of issuance of the announcement, deadline for submission, number of submitted proposals, date of opening etc.).
- Give explanation of how the tender committee should evaluate proposals.
- Give preliminary qualification assessment explaining each qualification criteria given in the tender documents.
- Also the relevant procurement specialist should present to the members of the tender committee the prepared technical assessment as per the given technical criteria.
- At the result of assessment, the tender committee makes decision and signs evaluation report.

As for the contracts to be prior reviewed by donors, in the cases of some projects determined in the Procurement plan, the assessment report with the decision of tender committee is sent to the donor for prior - approval.

If necessary, the Procurement Specialist prepares and sends a Letter of acceptance to the winning bidder.

If necessary, according to the provisions of tender documents when providing a Bank guarantee by the supplier of goods/by the contractor of works for the performance of the contract, the procurement specialist should check the form of the provided bank guarantee and send official request to the bank to confirm the given guarantee.

Assessment of the tender proposals as well as signing of a contract should be done within the period of validity of the tender proposals.

5.5 Signing of the Contract

The Procurement Specialist prepares contract for each conducted tender and ensures the signing of the contract by both parties. In the preparation of contract, the form of standard tender documents is used. After the signing of contract, the procurement specialist prepares information on the results of tender and publishes it on the website of ARIS.

The Procurement Specialist after the signing of contract sends its scanned version to the relevant project specialist and enters it into the electronic system of ARIS and donor's (STEP), if required. The project specialist, indicated in the contract as a contract manager bears full responsibility for the contract administration. Project Specialist responsible for contract administration must be competent in a relevant field. However, the procurement specialist provides full support and assistance to this manager in proper administration of the contract. Invoices for payment/certificates of work performed / acts of acceptance of goods are formed and provided by the relevant managers of the contract to the finance department. Procurement specialist will provide complete information on tender process in strict compliance with the established rules. With that the tender committee members will be notified on the responsibility and consequences in case of any mistaken actions.

Procedure and rules of conducting procurement within the funds of operating expenses (IOC) and trainings

Procedure and rules for procurement within the funds of operating expenses and trainings in the framework of implemented projects is regulated by this Provision on Procurement unit as follows:

6. The procedure for selecting consulting services (firm/individuals) from the operating expenses and trainings

The project procurement specialist receives a final Terms of reference for certain consulting services from the project specialists.

The procurement specialist reviews the Terms of reference and through the analysis of the relevant market should determine the most effective sites for announcement (newspaper, ARIS website, Internet websites, direct mail, etc.) to obtain the maximum amount of interest from the market.

The announcement should indicate the name of the consulting services, selection criteria, the deadline for the submission of expressions of interest. At the same time, the deadline for the submission of expressions of interest should be at least 14 calendar days.

The procurement specialist prepares an order on the composition of the tender committee, to be signed by the executive director.

After the expiry of the deadline for the submission of expressions of interest, the procurement specialist sends all expressions of interest to the project specialist to prepare strong and weak points and reviews them in parallel.

The Procurement Specialist invites all members of the commission to evaluate the proposals received. During the tender committee meeting, the procurement specialist should familiarize the commission members with the selection criteria set out, as well as with the evaluation procedures. To this meeting of the tender committee, the procurement specialist prepares evaluation sheets to fill out by the members of the tender committee. During the meeting of the tender committee, the project specialist, who prepared the strong and weak points of the companies should make a presentation for the members of the commission. The members of the tender committee consider the expressions of interest obtained and evaluate them on a score system in individual scorecards. After that, the Procurement Specialist consolidates all individual evaluation sheets and enters the results to the evaluation report. Based on the results of the evaluation reflected in the evaluation report, the Request for technical and financial proposal is directed to the company that received the highest score. A Request for technical and financial proposals is prepared by a procurement specialist. At the same time, the deadline for submitting a proposal should be acceptable for the preparation of the company's proposal. After receiving the technical and financial proposal, the specialist arranges the next meeting of the tender committee to evaluate the submitted technical and financial proposals. Based on

the results of this evaluation, the procurement specialist prepares a protocol to review technical and financial proposals with the results on awarding or not awarding a contract.

Subsequently, the specialist prepares a contract with the consultant to implement these consulting services. The results of the tender are published on the ARIS website.

7. The procedure for hiring project implementation staff and staff (including management) funded in the framework of operating expenses (IOC) of projects.

ARIS in recruiting any staff funded in the framework of IOC relies on the general procurement principles defined above.

The selection of project implementation personnel (paid through the IDA resources, IOC category) should be carried out by comparing at least three eligible candidates from those who have expressed an interest in competing for the assignment in response to the announcement, or among those directly contracted by ARIS. Candidates who are selected for recruitment by ARIS should be the most experienced and best qualified and fully capable for carrying out the assignment.

The selection of any central managerial position, the heads of ARIS units, project coordinators and Executive Director should be agreed with relevant project Task Team Leaders. TTLs may also conduct technical review of the evaluations for other key personnel, when required.

TORs for staff are developed by the relevant departments of ARIS/project team. When required, the Terms of reference are approved with donors within each project.

ARIS Procurement unit arranges hiring process as follows:

- 1) , as a best practice the procurement unit publishes the announcement on the information site from where it can collect the maximum amount of interest. After the deadline for the submission of expressions of interest (CV), the procurement unit hands over all received CVs of candidates to the members of the commission to examine and evaluate according to the qualification criteria described in the Terms of reference. Based on the results of review of the submitted CVs, the tender committee fills out individual evaluation sheets, which are consolidated into a single evaluation report by the procurement specialist and the nominee for signing the contract is determined. If necessary, the tender committee conducts an interview, check references or testing of candidates. During the evaluation, the members of the tender committee should come to a common opinion to define the candidate to award the contract. A contract with a nominated participant is prepared on the basis of a standard form of the labor contract previously agreed with donors. The payment of staff is governed by a Government Resolution and regulation on payment for ARIS staff;

Detailed steps to follow:

- ◆ Prepare draft terms of reference, and submit the draft terms of reference to the Bank for review and no objection,
- ◆ Establish a small evaluation committee comprising at least three members;
- ◆ Establish evaluation criteria;
- ◆ Seek expression of interest preferably through advertisement in a national newspaper and/or in an appropriate website, and, if feasible, disseminate information to professional associations, etc);
- ◆ Request further information/clarification on references and qualifications where required and useful to determine if a candidate is qualified;
- ◆ Based on the expression of interests (and additional information/clarification) received, prepare a list of a minimum of three candidates, based on their relevant experience in the field of assignment (i.e. the list should not include candidates who don't have experience/qualifications in the relevant field of assignment, or who may not fulfill any minimum experience/qualifications, etc.);

- ◆ Evaluate the CVs based on the criteria set up beforehand;
- ◆ If needed, interview the first three candidates, and document the results properly in the evaluation report (i.e., how many candidates were interviewed, what were the results, etc?);
- ◆ Prepare evaluation report;
- ◆ Submit the evaluation report to the Bank, when required;
- ◆ After Bank's agreement, sign the contract;
- ◆ Keep the process confidential until contract is awarded;

- 2) In certain cases, ARIS personnel may be selected on an out-of-competition basis if there are reasonable grounds, such as (a) the assignment is a continuation of the previous work performed by the staff to which he was hired on a competitive basis (in case of switching from one project to another to the same position); (b) occurrence of emergency situations; and (c) the employee is the only qualified to perform this task.

Selection of ARIS department heads and project coordinators should be agreed with the relevant donors.

8. The procedure for selecting companies for the supply of goods and works and the provision of non-consulting services within the framework of operating expenses (IOC) and training.

Goods and works within the framework of operating expenses can be purchased in the following ways:

- 1) Selection of companies for the supply of goods or work for more than 5,000 (five thousand USD) should be conducted on the basis of the Shopping method:**

Procurement of goods and works by the method of "Shopping"

Purchase of goods by the method of "Shopping" is a method of procurement based on the comparison of price quotations submitted by several suppliers (for the procurement of goods), several contractors (in the procurement of construction works) or service providers (in the case of non-consulting services); while there should be minimum of three to ensure competitive prices. This method is useful when purchasing a limited number of goods that are available for free sale, commodities with standard specifications or simple construction works in small quantities when other competitive methods of procurement are not justified because of the cost and efficiency. Requests for the submission of price quotes should indicate the technical characteristics and quantity of goods or specifications for work, as well as the desired time and point of delivery of goods (or the time and place of work). Price quotes can be presented in the form of letters, by fax or by e-mail. When evaluating the price quotations, it is necessary to observe the principle: the contract must be awarded to the corresponding to all parameters of the bids with the lowest price. Conducting an assessment of price quotations and awarding a contract must be conducted during the validity period of price quotes.

In case of submission of an improper form of price quotation (the quotation period does not meet the requirements, the bill of quantities of work/price table is filled not in the form, there is no signature on the price quotation), these price quotes are not subject to further consideration and evaluation.

Stages of procurement procedures to be carried out using this method:

- ◆ Create a tender committee;
- ◆ Determine the type, quantity, technical specification and delivery time of the required goods. This information is provided by the specialists of the project or the relevant department;
- ◆ Prepare technical specifications, drawings, BoQs, etc. This information is provided by the specialists of the project or the relevant department;
- ◆ Prepare Invitations for Quotations (ITQ) based on the sample;

- ◆ Publish an announcement on the ARIS website, send ITQ to the suppliers from the ARIS database or those who applied according to the published announcement, if necessary, publish the announcement in local print media;
- ◆ Determine the date of submission of quotations (at least 2 weeks from the date of the initial request);
- ◆ Fulfill the established requirement, having received at least three price offers;
- ◆ Get quotes before the expiry of the deadline, carry out the opening of bids and fill out the protocol of opening bids;
- ◆ Conduct a technical evaluation of proposals with the help of relevant experts and conduct financial/qualification evaluation of the proposals submitted;
- ◆ Prepare a sample report on the basis of a sample and submit recommendations for the award of the contract;
- ◆ Ensure the confidentiality of the process until the award of the contract;
- ◆ Sign the contract and enter this contract into the system;
- ◆ Acceptance of goods. The procurement specialist administers the contract as a whole by consulting the supplier/contractor regarding the terms of the contract. The Project Specialist as determined by the Contract Manager directly manages the contract by preparing certificate of acceptance of goods/work, providing invoices for payment, submitting an order for the issuance of additional work for the procurement specialist;
- ◆ Store all documents in the folder.

At the same time, if there is a need to purchase the same goods or perform similar works within the framework of this project or another project within 3 months after the tender (the deadline for submission of applications), ARIS has the right to conclude a direct contract with this supplier for the same types of goods or works on the declared unit prices without holding a repeated tender.

2) Selection of companies for the supply of goods or performance of works less than 5 000 (five thousand USD) can be carried out on the basis of the “price comparison” method:

Price comparison is used in the case of purchases of finished goods that do not require special manufacture, works and services with a specific description for less than 5,000 (five thousand US dollars).

When comparing the prices to ensure the competition and effective selection, the procurement unit fills out the list of prices declared by the participants. When comparing the prices there must be at least two participants. Each supplier (contractor) is allowed to submit only one bid and is not allowed to change it. The winning competitive bid is an acceptable competitive bid with the lowest price, satisfying the needs of ARIS.

3) ARIS in cases of purchasing repetitive goods or performing work, can conduct one tender for the selection of the company by the method of Shopping and conclude a framework contract for a certain necessary period with fixing single quotations.

A framework contract will be concluded without determining the specific cost. If there is a need for each project in these goods/works or non-consulting services, the project staff will prepare an application with the determination of the number of necessary goods / work and non-consulting services based on the unit costs specified in the framework contract and provide it to the procurement specialist. The procurement specialist, on the basis of the application received prepares Supplement to the Framework Contract and signs it by both parties. After signing such Supplement, the supplier/contractor can proceed with the execution of this order (delivery of goods/performance of work and non-consulting services). The framework contract and Supplements to it are entered into the electronic system. Within each framework contract, the Contract manager is appointed who performs full supervision of the contract, including the acceptance of goods/works and non-consulting services and provides an invoice to the finance department.

4) Goods or works with price less than 1,000 (one thousand USD) can be purchased without conducting a formal tender but based on the comparison of prices. If necessary, each project within its operating expenses can purchase goods/works and non-consulting services for the needs of a project with a cost of less than 1,000 USD without a formal tender selection announcement but through comparison of prices.

9. The procedure for selecting trainers and training venues with all related services, within the framework of projects implemented by ARIS

ARIS within the implemented contracts has a lot of activities to conduct trainings. These activities include: selection of trainers, reimbursable expenses of coaches, training venue, handouts, in some cases, accommodation and participants' food.

Taking into account that trainings are conducted in different territorial areas of the Kyrgyz Republic, and the potential of services to provide training venues, tenders for trainings should be conducted as follows:

- 1) Taking into account the expanded database of trainers in the context of regions of the Kyrgyz Republic, the selection of trainers can be carried out of three qualified CVs from the ARIS database. Selection should be carried out by tender committee out of three qualified CVs.
- 2) Expenses for trainings, the budget of which is less than **1000 (one thousand USD)**, must be confirmed by appropriate financial documents. Wherever possible, comparison of process shall be conducted.
- 3) The tender process should be conducted for the purchase of goods and services, in the case of a training budget more than **1,000 (one thousand USD)**.
- 4) Training services for ARIS staff or ARIS partners in order to improve the skills and potential of employees can be submitted without conducting tender for the selection of educational institutions (training centers, exchange visits, etc.).

10. Filing of all documents

Storage of documents. The Procurement unit should make a hard copy of all documents relating to the tender processes, file documents in STEP. To ensure the integrity and safety of documentations, the department must maintain and store all documents related to the tender process, contracts and contract administration. At the same time, the procurement unit keeps these documents in its archive within 5 years after the tender.

11. Contract administration

Contract administration is the action to resolve technical and administrative issues from the signing to the completion of a contract, as well as controlling the payments and resolving contract disputes, also this process is aimed at systematic and efficient management in order to maximize financial and operational activities and minimize the risks of the customer and supplier/contractor.

Contract administration includes the planning of relationships between all parties, regulating the development of relationships, establishing intermediate stages in the implementation of the project, finding problems and risks, as well as addressing such problems and minimizing the risks for contract performance on time within the budget and in accordance with the quality requirements.

The procurement unit deals with general administration, concluded on the results of tender, contracts:

1. Preparation of the contract in accordance with the standard forms. In each contract, the Contract manager, who is the head contract administrator is determined;
2. Entering the copy of the contract to the electronic system and, if necessary, to STEP;
3. Checking the validity period of Bank guarantees for the execution of the contract, as well as insurance policies under the contract;
4. Upon reasonable application of the Contract manager, preparation and signing of additional agreements to the contract;
5. Checking the validity of delivery/performance of work and the time of implementation under the contract;
6. Advising the parties on the contract, the Contract manager on the terms of contract;
7. File a copy of the certificate of completion of work/certificate of delivery of goods to the folder.

Obligations of people responsible for the contract management (Contract Manager, Project manager or coordinator indicated in the contract) in the administration of contracts:

1. Review all contract terms and follow them when administering the contract;
2. If necessary, prepare Orders for changes to the contract or an application for making changes to the contract, justifying and providing them to the procurement specialist to prepare Supplement to the contract;
3. Supervision of proper execution of works and acceptance of goods in accordance with the terms of contract;
4. Preparation of certificate of acceptance/completion of works performed, and submission of invoices for payment to the finance department. Certificate of acceptance/completion of work performed are signed by the Managers under the contract;
5. Providing copies of certificates of works performed to the procurement specialist.

LIST OF ANNEXES

- Attachment A:** Labor agreement applicable to employees of ARIS
Attachment B: Declaration of Impartiality and Confidentiality

Attachment A: Labor agreement applicable to employees of ARIS

LABOR AGREEMENT №

Project _____

Job title _____

THIS AGREEMENT ("Agreement") is entered into this Month XX____, 201_, by and between

- the Kyrgyz Republic's Community Development and Investment Agency ("ARIS") established by the President's Edict No. 330 dated October 15, 2003 and having its principal place of business at 102 Bokonbaev street, Bishkek, Kyrgyz Republic ("the Employer"), and represented by the ARIS Executive Director, Mr.Kubanychbek Ismailov acting on the basis of Charter, on one part and
- Mr/Mrs _____ ("the Employee"), _____, passport № _____, dated xx/xx/xxxx, issued by MIA xx- having her/his address at _____(address) on the other part.

WHEREAS, the Employer wishes to have the Employee performing the services hereinafter referred to, and

WHEREAS, the Employee is willing to perform these services,

NOW THEREFORE THE EMPLOYER AND THE EMPLOYEE ("the parties") hereby agree as follows:

1. Services

- (i) The Employee shall perform the services ("the Services") specified in Annex A, "Terms of Reference" which is an integral part of this Agreement.
- (ii) The Employee shall personally perform the specified services.
- (iii) The Employee shall furnish reports specified in Annex B "Employee's Reporting Obligations" on dates specified in the same Annex.

2. Term

The Employee shall perform the Services during the period commencing from XX (commencing date) and continuing through XX (completion date). with probation period during XX months starting from the contract signing date.

The term of the Agreement can be extended upon agreement by the Parties in writing.

Signing of this Agreement for the specified period is conditioned by the nature of the project activity, developed for a predetermined period of time or for implementation of predetermined tasks.

3. Compensation

The compensation provided by the Employer to the Employee under the Agreement consists of the Employee's salary as defined in sub-paragraph A below

and of the reimbursable expenditures as defined in sub-paragraph B below.

A. Salary

For the Services rendered pursuant to Annex A, the Employer shall pay the Employee a monthly salary in accordance with the provisions set forth in Section 1 of Annex C ("Remuneration, Reimbursable Expenses, Leave and Temporary Incapacity") to this Agreement, which is an integral part of this Agreement. This salary has been established based on the understanding that it includes all costs and profits of the Employee and any tax and other obligations that may be imposed on the Employee following the legislation of the Kyrgyz Republic.

B. Reimbursable Expenses

The Employer shall compensate the Employee for reimbursable expenses in accordance with the provisions set forth in Section 2 of Annex C. The reimbursable expenses shall consist and be limited to normal and customary expenditures for official travel, accommodation, per diem and costs related to hiring motor transport.

C. Ceiling

For Services rendered pursuant to Annex A of this Agreement, the Employer shall pay the Employee an amount not to exceed a ceiling of XXX Kyrgyz Som for the whole employment period.

This ceiling includes the following payments: salary, Chiefity pay, payments for services rendered under irregular conditions, payments for services rendered under special climatic conditions, other compensation and social payments.

4. Leave

A. Paid Leave

The Employee is entitled to paid annual leave in accordance with the provisions set forth in Section 3 of Annex C ("Remuneration, Reimbursable Expenses, Leave and Temporary Incapacity") to this Agreement, which is an integral part of this Agreement.

Unused days of the leave cannot be added or transferred to other periods beyond the term of this Agreement.

B. Unpaid Leave

The Employer may grant unpaid leave to the Employee upon his/her written request for family and other valid reasons for a period agreed upon by the Parties. During the period of the Employee's unpaid leave, the Employee retains his/her place of work (position).

5. Project Administration

A. Employee's Coordinator

The Employer designates _____ (full name and job title) as the Employee's Coordinator; the Coordinator shall be responsible for the coordination of activities under the Agreement, for receiving and approving reports and other deliverables.

B. Timesheets

The timesheets are kept in compliance with labor legislation of the Kyrgyz Republic.

C. Records and Accounts

The Employee shall keep accurate and systematic records and accounts in respect of the Services, which shall clearly identify whole amount of services rendered. The Employer reserves the right as part of audit carried out by ARIS,

to request from the Employee additional information and documentary evidences of expenses relating to amounts claimed under this Agreement during its term and any extension, and for a period of twelve months thereafter.

D. Work Schedule

The work schedule is set out in accordance with the ARIS procedures.

E. Liability for Damages

The Employee shall bear liability for direct actual damage according to the labor legislation of the Kyrgyz Republic. Amount of damage incurred by the Employer as a result of property loss or damage shall be determined by actual losses calculated on the basis of the current local market prices as of the day of damage but not less than the value of property recorded in accounts taking into account its depreciation.

6. Performance Standard

The Employee undertakes to perform the Services with the highest standards of professional and ethical competence and integrity.

7. Training

The Employer in case of need provides the Employee with training, and covers all per diem, transportation and other costs associated with training.

The Employee must successfully complete the full course of study in accordance with the program and following the training provide the Employer with copies of certificates/diplomas and other documents to be provided upon completion of the study. The Employee shall share the knowledge gained in the training upon the Employer's request with other employees through various forms of training.

When the Employer assigns an Employee to training, the Employee's position is retained.

If the Employee

- (1) does not pass the full course of training under the program,
- (2) fails to resume performance of his/her professional obligations under this Agreement upon completion of training without valid reason;
- (3) decides to terminate the Contract prior to its expiration, the Employee shall be obliged to reimburse the training costs incurred by the Employer in full upon the request of the Employer.

8. Confidentiality

The Employee shall not, during the term of this Agreement and within two years after its expiration, disclose any proprietary or confidential information, including information that forms commercial and business secret relating to the Services, this Agreement or the Employer's business or operations without the prior written consent of the Employer.

9. Ownership of Material

Any studies, reports or other material, graphic, software or otherwise, prepared by the Employee for the Employer under the Agreement shall belong to and remain the property of the Employer. The Employee may retain a copy of such documents and software and use them in routine work upon the Employer's consent.

10. Employee Not to be Engaged in Certain Activities

During the term of this Agreement the Employee agrees not to establish, participate or promote in any form the activities of political parties and not to participate in election campaigns, including advocacy activities.

The Employee agrees that, during the term of this Agreement and after its

termination, the Employee and any entity affiliated with the Employee shall be disqualified from providing goods, works or services (other than the Services or any continuation thereof) for any project resulting from or closely related to the Services. The Employee must pursue the interests of the Employer and strictly avoid conflict of interest situations defined in the current Procurement and Consultant Guidelines of the international financing institutions.

The Employee confirms that at present he/she does not hold any other part time/full time parallel employment elsewhere in parallel with this Agreement. Further if the Employee during the contract period will be proposed to take up any part time/full time parallel employment elsewhere in parallel with this contract, then the Employee shall submit a written request to the Employer and on Employer's no-objection only, the Employee can enter into another parallel contract.

11. Conflict of Interest

The Employee must pursue the interests of the Employer and strictly avoid conflict of interest situations as defined in the current Procurement and Consultant Guidelines of the international financing institutions.

The Employee is required to provide professional, objective, and impartial advice, at all times holding the Employer's interests paramount, strictly avoiding conflicts with other assignments or its own corporate interests, and acting without any consideration for future work.

The Employee has an obligation to disclose to the Employer any situation of actual or potential conflict that impacts his/her capacity to serve the best interest of the Employer. Intentional failure to disclose such situations will be taken as basis for termination of the Agreement.

12. Restrictions for public employees

The Employee confirms that at present he/she is not engaged in government service. Further if the Employee during the contract period will be proposed to take up public service, then the Employee shall submit to the Employer a written request for early termination of this Agreement.

13. Corrupt and Fraudulent Practices

The Employee obliges not to engage in any activities aimed at distortion, omission, misleading the Employer deliberately or by negligence to gain financial or other benefits or to avoid performance of his/her obligations.

The Employee obliges not to commit actions involving establishment of illegal steady relations between one or several officials and individuals or groups to gain illegally material any other benefits and advantages, and not to prevent provision of these benefits and advantages to individuals and legal entities, thus threatening the interests of the Employer.

The Employee shall not accept proposal of or participate in giving (delivery), accepting or extortion (direct or indirect) of any valuables in order to influence actions of another party.

Any action taken by the Employee to influence the competitive selection or contracting processes to gain inappropriate benefits for himself/herself or third parties is wrongful.

The Employee commits to rigorously and strictly comply with the requirements of the legislation of the Kyrgyz Republic and the Donors' Guidelines on prevention of corrupt and fraudulent practices and to abide by the ethical norms in competitive selection and contracting of third parties by the Employer.

14. Insurance	The Employee is responsible for any appropriate insurance coverage.
15. Assignment	The Employee shall not assign this Agreement or any part thereof without the Employer's prior written consent.
16. Taxation	The taxation of the Employee for any remuneration received from the Employer under this Agreement will be done in accordance with the legislation of the Kyrgyz Republic.
17. Law Governing Agreement and Language	<p>The Agreement shall be governed by the labor legislation of the Kyrgyz Republic.</p> <p>This Agreement is signed in Russian in two copies, one is retained by the Employer, and the other is given to the Employee.</p> <p>This Agreement shall come into force upon its signature by the two parties.</p>
18. Dispute Resolution	<p>Any dispute arising out of this Agreement shall be referred to adjudication/arbitration in accordance with the laws of the Kyrgyz Republic.</p> <p>The parties can terminate this Agreement at any time upon mutual consent in writing.</p>
19. Termination	<p>This Agreement can be terminated by the Employer before its expiry date in following cases:</p> <ol style="list-style-type: none"> 1. Failure to perform or inappropriate performance of conditions of this Agreement by the Employee; 2. Reduction in the number or staff list of employees including reorganization of the Agency; 3. Significant reduction in budget or early closure of the project; 4. Completion of the project; 5. Repeated failure to perform duties by the Employee without good reasons if the Employee had a disciplinary fine; 6. A gross neglect of duties (absenteeism, coming to work under the influence of alcohol, drugs or intoxicating substances, willful damage to or theft of the Employer's property, violation of labor protection requirements that lead to severe adverse consequences, including trauma and accidents); 7. If it will be established that during participation in the bidding processing under the Project or implementation of the Agreement, the Employee was engaged in fraud, collusion, misuse and other corrupt activities; 8. Other cases stipulated by this Agreement and the Labor Code of the Kyrgyz Republic and other laws. <p>The procedures for termination of this Agreement should comply with the requirements of the labor legislation.</p>
20. List of Annexes	<p>Annex A: Terms of Reference</p> <p>Annex B: Employee's Reporting Obligations</p> <p>Annex C: Remuneration, Reimbursable Expenses, Leave and Temporary</p>

Incapacity.

FOR THE EMPLOYER

FOR THE EMPLOYEE

Signed by _____

Signed by _____

ARIS Executive Director _____

Agreed with:

Project Coordinator _____

Attachment B

Declaration of Impartiality and Confidentiality

As a member of the Tender Committee I herewith agree to participate in the evaluation for selection of contractor for «...» under the «...» implemented by ARIS.

I herewith confirm that I have reviewed the bids for works. Likewise, I declare that I will perform and an honest and fair manner

To the best of my knowledge there are no facts or circumstances, which could be considered as conflict of interest during evaluation. Should such event occur, I shall notify the Tender Committee thereof immediately and terminate by membership.

During evaluation I will not disclose to any third party any confidential information or documents that I have.

Member of Tender Committee _____

5. MONITORING, EVALUATION AND REPORTING SYSTEM

The Project Monitoring & Evaluation systems are designed for and focus on: (i) ensuring the project activity compliance with procedures set forth in the POM and other official documents; (ii) delivery of information on project physical and financial progress (iii) monitoring of project progress against its results Framework: (iv) informing national authorities and the Bank of actual and/or potential issues of implementation in order to enable them to take adequate actions in a timely manner; and (v) enabling a mechanism for continuous evaluation by ARIS of its performance and opportunities for improvement.

The *aim of M&E* is to ensure successful implementation of project activities, transparency, regular monitoring of implementation for its evaluation, supervision and forecasting.

Monitoring and evaluation objectives

- On a regular basis, collect and assess data on the project progress and results and their correspondence with the plan;
- Timely identify inconsistencies against target results, problems / constraints and develop recommendations for addressing;
- Monitor project indicators;
- Identify the percentage of beneficiaries satisfied with the level of participation and engagement in the project;
- Regular reporting and information delivery.

5.1. Level of monitoring

- **Central office level: Project M&E specialists;**
- **Local level:** Monitoring in sub-projects is carried out by (1) Water Committees during the works being constructed within the locality; (2) field staff for institutional development as

part of identification of the percentage of beneficiaries satisfied with participatory process and the level of engagement; (3) field sanitation facilitators and VHC as part of assessment of current water supply/sanitation and hygiene status.

5.2. Monitoring and evaluation tools

The following monitoring and evaluation tools will be used:

- Monitoring of performance indicators, as per RF indicators and other key performance indicator lists as developed by ARIS;
- Microsoft Project, MIS, MS;
- Implementation completion and WSS service improvement reports for each subproject;
- Data collection on status of WSS services, beneficiary satisfaction with services, and improvements through projects activities implemented (Baseline Survey, Impact Assessment);
- Beneficiary Feedback/Grievance Redress Mechanisms;
- Percentage of beneficiaries satisfied with participatory process and level of engagement in the project;
- Assessment of current water supply/sanitation and hygiene status by field sanitation facilitators and VHC.

5.2.1. Monitoring of project performance indicators

Monitoring of projects results indicators shall be conducted every six months as per Project Results Framework and Monitoring (see annex 4.1.).

Indicators include PDO and intermediate output indicators.

Data on project indicators excepting “Percentage of beneficiaries satisfied with participatory process and level of engagement in the project” shall be collected from MIS, project staff reports and special reports (Annex 2). “Percentage of beneficiaries satisfied with participatory process and level of engagement in the project” will be measured by survey of at least 1% of beneficiaries in subprojects (Paragraph 5.3. describes methodology of survey).

5.2.1.1. Results indicators at the PDO level

1. Indicator 1 Number of people in rural areas provided with access to an improved water source under the project. This core sector indicator captures the cumulative number of people benefiting from access to new piped water supply system financed by the project. The project will support the installation of around 28 950 new connections to a household yard stand pipe, which will cover around 70 percent of project beneficiaries. The average household size is 5.0 persons (as per to recent data provided by the Ayil-Okmotu’s). It is estimated, that remaining 30 percent of the project beneficiaries will receive water through public standpipes to be installed in cases where it is not technically or economically viable to provide services through individual connections. Population estimates at design are based on figures provided by DDWSWD through official correspondence to the Bank, which makes reference to National Statistics Committee data, 2015. Data will be collected at the subproject locations in terms of the number of actual households connected under the project after the investment, which will be used as a basis to calculate this indicator.

2. Indicator 2A Number of people in rural areas provided with access to improved sanitation facilities through social institutions. This indicator captures the cumulative number of people benefiting from access to improved sanitation facilities in schools, kindergartens and other eligible social facilities, financed under Component 2 of the project.

3. Indicator 2.B (new) – Number of people in project areas provided with access to improved sanitation, through partial incentive grant. It measures cumulative number of people benefiting from access to improved sanitation facilities through an incentive grant described in Component 2.3.

4. Indicator 3 Operating Cost Coverage Ratio (OCCR) in Project areas. This PDO indicator relates to efficiency and financial sustainability of water services in project areas. It captures, outcomes related to the physical investments under Component 1 and the institutional support activities, at the national and local level, financed under Component 3 – and for this project it is a proxy indicator to measure strengthened capacity of sector institutions. Specifically, the indicator reflects the financial performance of the service provider as a ratio of total revenues and total operating expenses. The baseline values will be determined during year one of implementation and will be measured by the service providers, thereafter as part of their operating procedures and will be regularly compiled and monitored by ARIS. Average values will be reported to the Bank annually. To facilitate achievement of this indicator and ensure sustainability of investments, ARIS will enter in an agreement with the participating AO's at the early phases of implementation (prior to commencing works). This agreement will outline conditions for the AO's related to tariff increases, metering, billing and collection, and other necessary preconditions (including collection of connection fees from community members) to enable household connections to the new schemes.

5. Indicator 4 Average hours of water supply per day in Project areas. This quality-of-service indicator tracks progress of outcomes associated with the infrastructure investments under Component 1, including activities that focus on increasing production, improving network distribution, and reducing NRW. To a lesser extent it will also be influenced by institutional support activities implemented through Component 3. Baseline values reflect actual hours of supply at the time of appraisal. These values are expected to increase throughout the project duration, as availability of water improves with support of project-financed investments. This indicator will progressively measure the average of supply based on the sub-project where interventions occurred

6. Indicator 5 Institutional Support Plan for DDWSWD developed and approved. This indicator relates specifically to the objective of strengthening sector institutional capacity. It measures progress of the institutional support plan for DDWSWD with defined actions to support capacity improvement towards providing institutional support for sustainable water service delivery in rural areas.

5.2.1.2. Intermediate results indicators

Component 1

7. Indicator 6 New piped household water connections resulting from the project intervention. This intermediary indicator measures the number of new connections to be installed under the project – an important input into the estimate of project beneficiaries. The project will support the installation of around 28 950 new connections to a household yard stand pipe, which will cover around 70 percent of project beneficiaries.

8. Indicator 7 Number of social institutions in project areas connected to the water supply network. This intermediary indicator measures the number of schools, kindergartens, health clinics and other eligible social facilities, connected to the water supply network in the project areas.

9. Indicator 8 Number of MWU/CDWUU with signed agreements with SES Department. This intermediary indicator captures progress towards ensuring improved systems for water quality monitoring. As part of the quality assurance and operating procedures, water quality sampling and testing procedures will be introduced and agreements will be signed with SES Department for laboratory testing and certification.

Component 2

10. Indicator 9 Number of social institutions in project areas benefiting from improved sanitation facilities. This intermediate indicator determines the number of schools where the Project completed renovation/rehabilitation works on sanitation facilities.

11. Indicator 10 Number of Households using partial incentive grant to upgrade to sanitation facilities. This indicator measures the number of HHs deciding to apply for incentive grants for upgrading their sanitation facilities. It is linked to PDO Indicator 2A.

12. Indicator 11 Number of people trained to improve hygiene behavior and sanitation practices (% of whom are women). This gender disaggregated indicator measures outcomes from educational activities aimed to improved sanitation behaviors for students, teachers, volunteers and activists (social mobilizers) in project area. Educational programs for local communities are conducted during development activities and consultations with VHC and Water Committee members. Training of Trainers is delivered for VHC members who implement further education and promotion activities among households in the sub-projects.

13. Indicator 12 Preparation of standard designs and guidelines for improved on-site household sanitation. This intermediary indicator tracks the progress of outputs related to preparation of standard designs, including guidelines for construction and operations, for household latrines and septic systems for rural areas, this together with related education and social mobilization programs (to stimulate demand), will facilitate private household investments for these facilities.

Component 3

14. Indicator 13 Number of service contracts signed. This intermediary indicator tracks the progress of outputs related to institutional support activities provided under sub-component 3.1. Specifically, the project will also support the preparation of service contract agreements, to clarify and formalize respective responsibilities of the operator (MWU/CDWUUs) and asset owner (Ayil-Okmotus) and to support governance of service performance, tariffs and financing mechanisms.

15. Indicator 14 Commercial Systems Operating in project areas. This intermediary indicator tracks progress on the customization and installation of new commercial systems for each service provider. The commercial systems include activities that focus on billing and commercial management, customer-service policies and procedures, and citizen engagement and complaints handling/redress mechanisms.

16. Indicator 15 Connection Plan for low-income households in project areas. Component 3 activities will support the Ayil-Okmotu's and service providers, to develop a connection plans and tariff mechanisms to address the needs of poorest and most vulnerable groups with the project areas. This intermediary indicator will track the progress of this important output.

17. Indicator 16 Legal creation of aggregated water service provider (pilot). As part of the institutional strengthening activities under Component 3, the project will support the piloting of an

aggregated service delivery model, which includes water service provision in more than one Aiyi Okmotu. This activity is designed to enable more efficient and sustainable service delivery models. This intermediary indicator will track progress of this output.

18. Indicator 17 Number of villages with updated information on the water supply and sanitation national data base. The project will support augmentation and institutionalization of the sector management information system/data base, building upon the work carried out under RWSSP-2. This system will be used to strengthen sector monitoring, evidence based policy development and investment planning. This intermediary indicator will track progress of this output.

19. Indicator 18 Percentage of beneficiaries satisfied with the participatory process and level of engagement in the project. This indicator aims to report on the effectiveness of citizen engagement processes in the project. It will measure the level of satisfaction of project beneficiaries to the activities intended to engage them in project design, implementation and monitoring. The planned project surveys will be extended to obtain feedback from community members on their satisfaction with: (i) access to project information and awareness of decisions taken, (ii) their opportunities to provide feedback and participate in the dialogue, and (iii) the responsiveness of the implementing entity and AOs to feedback provided. These criteria will be rated on a 1-5 scale and will be equally weighted. ARIS will oversee this survey and report annually. Results will be gender disaggregated. The methodology for this survey has been developed by ARIS with the Bank support. (Annex 4.3.).

20. Indicator 19 (new) Professional training programs delivered (at national and local level; and for private sector. This indicator will measure the progress of new activity as part of AF Component3. Details are communicated to the Bank by each of the target areas.

i. Information Technologies

Information technologies are used by the project to achieve the M&E objectives:

5.2.2.1 MS Project is a set of software tools for project management. Microsoft Project tracks the changes and events in project activities including delays. It will help plan and monitor project budget, and serve as a project progress monitoring tool.

The project implementation plan in MS Project consists of activities detailed by components. Detailed plans are prepared by core staff of each component.

5.2.2.2. Management Information System (1C) - MIS will be generated by **1C software** which is used by specialists, namely engineers and procurement and finance officers. The information system is designed to store, search for and process entered data and serves as a tool for monitoring the actual project implementation.

The information system is used to provide proper data to relevant staff in a timely manner to meet project-specific information needs. MIS outputs are information-based products, such as reports, files, databases, information services, and other documents

MIS database will be utilized to collect, analyze and produce data:

- (i) Procurement contracts
- (ii) Disbursements
- (iii) Engineering data (BOQ and completion certificates)
- (iv) Information on:
 - Component 1 (Subproject database: technical, social and administrative aspects)

- (v) Beneficiary Feedback / grievance redress mechanism.

MIS will consist of two sub-systems:

- (i) Project Monitoring and Management System (PMMS), and
- (ii) Procurement Plan and Financial Accounting System (FAS).

Management Information System (MIS) Routine:

- The data is directly input at central and local levels by staff responsible for specific activities.
- Senior staff of vertical chain of command shall control and be responsible for data input.
- Specialists will have an access to MIS within the limits of their competence.
- Senior staff of units also have an access to financial section and procurement section.
- Project coordinators and M&E specialist will have full access to MIS without authorization for changes.

The data will be processed and consolidated in different reports. The project indicators are calculated by means of data summary.

5.2.2.3. MS Outlook

Microsoft Outlook is an e-mail and information manager for personal and work groups. Apart from the e-mail function, the program is a full-fledge organizer that provides task planning function and calendar. Due to such program it is easy to track current tasks performance by project's workers.

MS Outlook application routine:

- The tasks are ordered to project members as and when necessary.
- Every Friday each member gives an account of his/her task sprogress status.
- Every Monday each member's tasks are monitored.
- Results of tasks accomplishment are brought up for discussion on a weekly meeting.

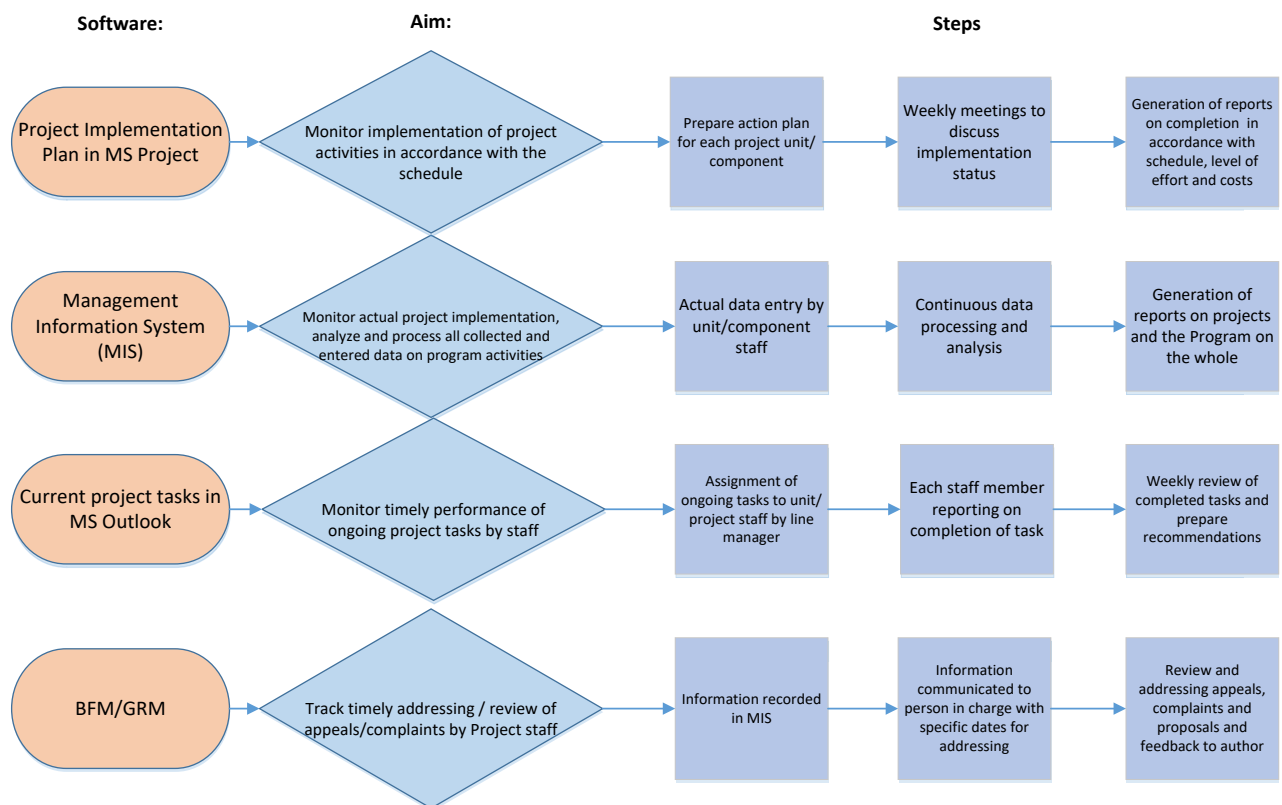
The ongoing project tasks creation steps in MS Outlook are illustrated in Annex 3.

5.2.2.4. Beneficiary Feedback Mechanism/Grievance Redress Mechanism(BFM/GRM)

The BFM/GRM established at ARIS will document all information in electronic form. The Project-related information shall be entered in MIS and communicated to the relevant person for addressing specifying the timeframe thereof. Results of addressing grievances/proposals will also be recorded in MIS.

The BFM/GRM unit at ARIS shall furnish regular information on Project-related appeals.

IT software used for monitoring and evaluation



5.2.3.1. *Baseline Survey*

The objective of baseline survey is to collect and produce reliable data on rural access to safe drinking water, current condition of water supply and sanitation (WSS) systems, quality of water supply and sanitation services, hygiene, including relevant health indicators, and social and economic conditions in target villages under the Project.

The baseline survey will aim to collect data through (i) in-depth interviews; (ii) focus group discussions; and (iii) household survey.

Under the Project, Terms of Reference (ToR) for Baseline Survey in target villages have been prepared to select a consulting company (see Annex 4.2.).

The baseline survey data will reflect initial or pre-project conditions, based on which the impacts of SRWSSDP and AF activities can be further assessed in villages where the Project was implemented. The evaluation will help measure the achievement of project goals and objectives.

A consultant / firm will be hired to conduct the baseline survey. The consultant will review the initial (baseline) data and reports that are relevant to the project goals and objectives, including the Results Framework, will collect data in accordance with the requirements set out in the Logical Results Framework and provide report as per TOR.

5.2.3.2 *Impact Assessment*

The TOR for Impact Assessment is similar to BLS. The BLS tools will be utilized for impact assessment with the only difference that IA will demonstrate changes in indicators and outcomes and may include specific focus/instruments to monitor outcomes that are not directly included in the results framework.

A follow-up assessment will be conducted prior to project closure to assess project outcomes. This assessment will provide information of the project impact on access to drinking water and sanitation services for villagers in target areas of Chui, Osh and Issyk-Kul oblasts.

The survey will be directed to achieve at least the following objectives:

1. Assess quality, quantity and reliability of drinking water supply as reported by water users;
2. Assess beneficiary satisfaction with water supply;
3. Assess the project's potential effect on beneficiary's welfare and livelihood, including health;
4. Assess beneficiary perceptions of CDWUU (or other water operator) operations and local water management issues;
5. Assess CDWUU (or other water operator) management efficiency (including fee collection, maintenance of water supply system staff turnover, support from Aiyl Okmotu/local kenesh, capacity) of CDWUU in supplying safe water;
6. Assess willingness of people to pay for quality and regular water supply;
7. Assess level of O&M cost recovery by CDWUU.
8. Impact assessment may include specific element to evaluate impact of the WASH I school program on the attitudes, practices and knowledge of students, specifically girls, and the observation of the status of School WASH facilities.

A consultant / firm will be hired to conduct the impact assessment. The consultant / firm will review the relevant initial (baseline) data and reports that are relevant to the stated project goals and objectives, including the Results Framework; will collect data in accordance with the requirements set out in the Results Framework and provide report as per TOR.

5.2.4. Percentage of beneficiaries satisfied with participatory process and level of engagement in the project (Annex 4.3. the Methodology on assessment of the percentage of beneficiary satisfaction)

The monitoring object is the beneficiaries (villagers in subproject area).

The monitoring subjects is:

Satisfaction of beneficiaries with participatory process and the level of engagement in the project.

The method of monitoring implementation is a survey for quantitative data collection by means of questionnaires to be completed by beneficiaries.

The Monitoring is aimed at receiving feedback from the beneficiaries regarding their satisfaction with the: (i) access to the information on the project and awareness of the decisions made, (ii) their capabilities to provide back-reaction and participate in the dialogue, and (iii) Executive body and Aiyl Okmotu responsiveness to the comments/feedback received.

The percentage of beneficiaries satisfied with the participatory process is the 18th indicator of the project. The indicator is measured on a scale of 1 to 5 points and is considered to be equally balanced. The results of the survey are differentiated by gender.

The monitoring is carried out once in a year during the subproject implementation period, but not earlier than six months from the beginning of the project, and will cover all sub-projects with active ongoing preparation, implementation of works or other project activities (such as community campaigns on sanitation that may be conducted after the water system is operational)

The general totality for the selection of the respondents are beneficiaries representing households in the project area. The sample size is 1% of the general totality for population in villages with over

5 000 people, and 50 respondents for village with less than 5 000 people. Random selection of respondents is binding.

The field staff for institutional development will carry out the survey of beneficiaries under the supervision of the Project M&E specialist. In order to achieve the credibility of data, the field officers in subprojects will rotate.

Collected data will be processed by the Project M&E specialist based on which analytical report will be prepared.

5.3. M&E data sources

- Official project documentation
- Monitoring visits to the sub-projects
- Beneficiary feedback surveys
- Other surveys

5.3.1. Official documentation is an important source of information for tracking the project progress to check its compliance with the official documents, key performance indicator etc. Official documentation is represented by the project documents and information of the state authority including statistics.

5.3.2. Monitoring visits to subprojects

Project specialists will visit sub-projects on a regular basis to investigate the situation on-site; observe; collect information etc.

5.3.3. Beneficiaries

Project beneficiaries are used as a source of information for tracking project progress through BFM/GRM, studying their satisfaction by the participatory process in the project, discussions during monitoring visits.

5.4. Information flow management and Project MIS

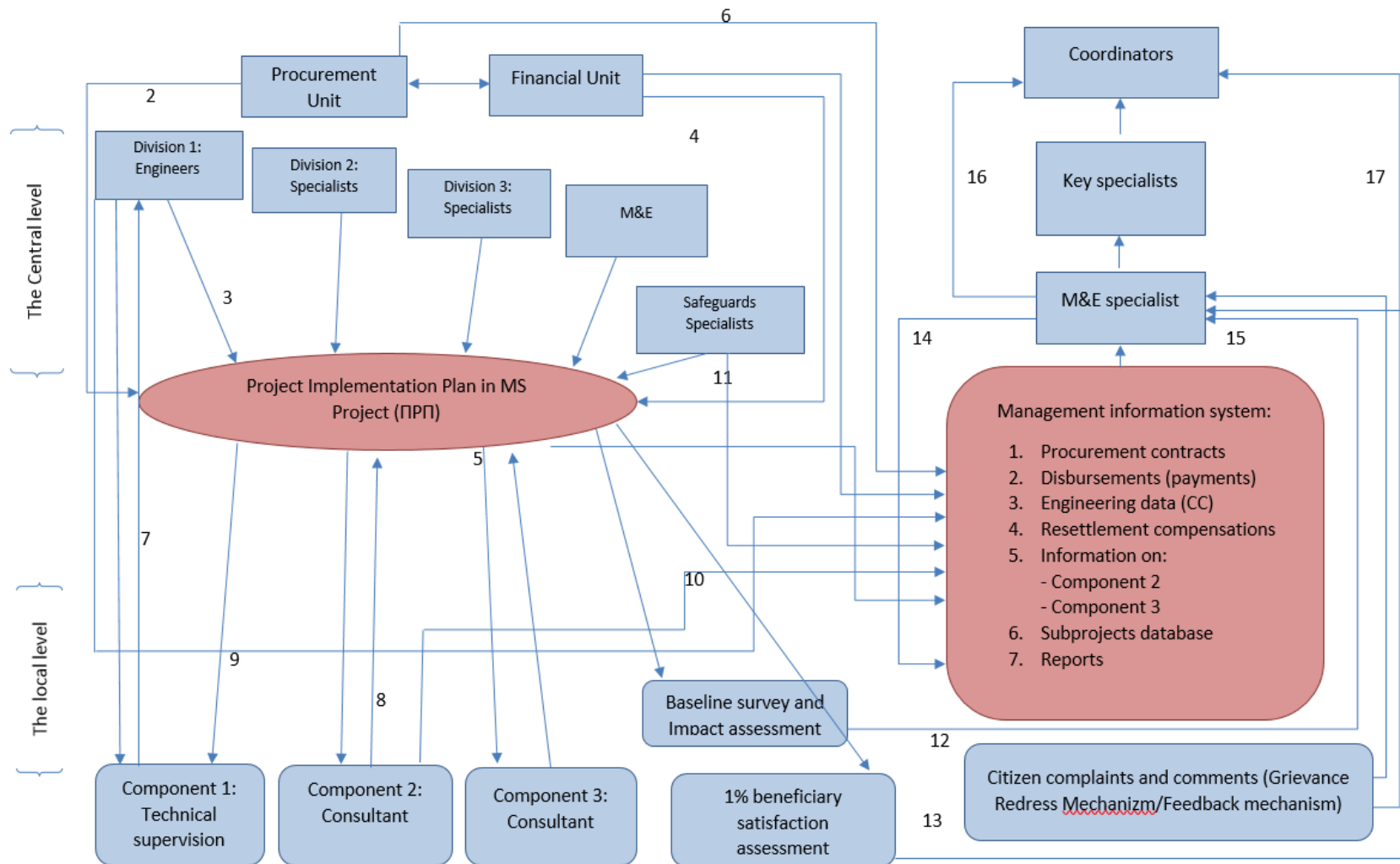
Information management system is a results-oriented flow of information from project implementation plan to MS Project in MIS.

First level of information flow is formed at the central level.

Second level of information flow is formed in MIS by entering information from the central and local levels depending on level of access to MIS.

Third level of information flow is aggregated MIS reports at the central level by the M&E specialist which is developed on the basis of information analysis by comparing planned/baseline performance indicators with actual data.

SRWSSDP Information Flow Chart



Information flows in SRWSSDP

1. Component members develop component Plans and budgets that are transferred to procurement department.
2. On the basis of the approved project procurement plan and budget the procurement department develops project implementation plan in MS Project (PIP).
3. On the basis of plan developed by the procurement unit the engineers and component members develop implementation plan in MS Project (PIP) each for their own component including the budget.
4. Financial department also develop planned disbursements for PIP activities.
5. Local-level project staff plan their work on the basis of the developed PIP at the central level. Baseline surveys and impact assessments are also planned on PIP basis.
6. The procurement department enters all contracts into MIS which are used as a basis for the work of project engineers and specialists.
7. CO engineers responsible for specific sphere control the work at the central and local levels based on PIP.
8. CO engineers responsible for the specific sphere enter work completion certificates to MIS based on which the financial department makes disbursements.
9. Field officers under component 2 and 3 provide information on actual work performance to central level specialists for their relevant areas.
10. Safeguard specialist enters information on disbursed payments for resettlement to MIS.
11. Project M&E specialist develops ToR for Baseline survey, questionnaire for sociologic survey.
12. Project M&E specialist conducts questionnaire survey of beneficiaries' satisfaction and enters processes information into MIS.
13. Beneficiary Feedback Mechanism and relevant unit have been created at ARIS.

5.5. Internal control and reporting

5.5.1. SRWSSDP internal control will be implemented top down from the project coordinator and one key staff to the other, within its competence under direct chain of command of such key staff.

The following are subject to control:

1. Project implementation progress
2. Analysis of actual and planned indicators
3. Correlation of different data
4. Checking activity results

Software programs (MS Outlook, MS Project, MIS) and inspection will be the means of control. Processing of the information by the means of control will be conducted on a regular basis or if required by M&E specialists.

Inspection will be conducted both by the project coordinator and key staff within their competence.

Reporting will be top down, from the project coordinator and one specialist to the key staff or from one key staff to the other.

The delivery methods and forms of reporting are specific for each component and/or activity. Reports can be provided in oral, electronic or paper form. By the type of submission, the internal reports are compiled in table, graphic or text form.

Depending on the objectives and designation the reporting will be conducted on monthly, quarterly, annual basis. Reporting on project indicators will be conducted according to the Results Framework. All key project specialists/consultants will submit their personal six-month and annual reports. Project specialists not included into Central office staff will submit the report every month according to their contracts. All report will be stored in MIS.

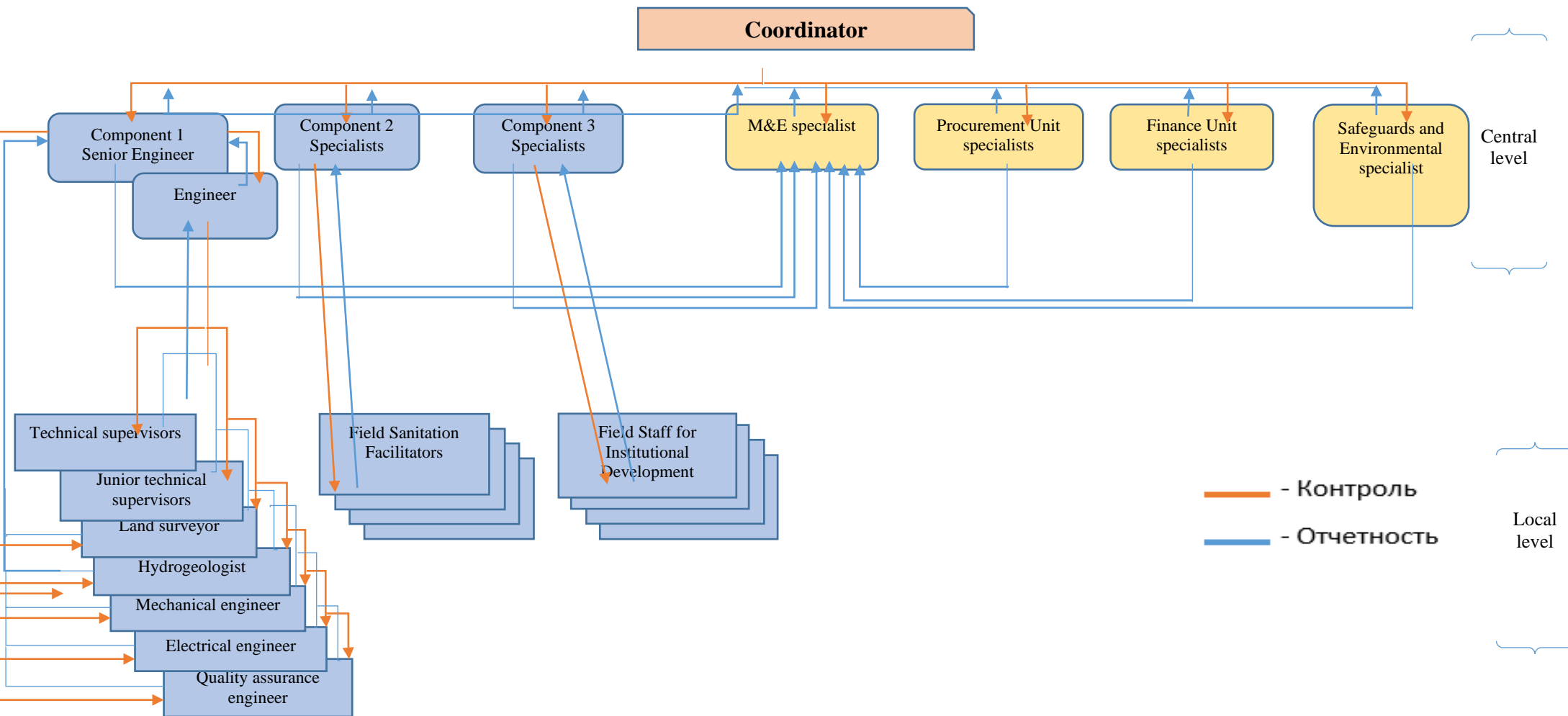
In accordance with the key project documents M&E specialist will also prepare and submit the following report to the World Bank:

- Semi-annual report;
- Reports on 1% beneficiaries' satisfaction;
- Reports upon request.

Tentative contents of the semi-annual reports submitted by M&E specialists to the World Bank:

1. Scope, goals and tasks of the project
2. Project implementation progress by components
3. Comparison of actual expenses with the planned.
4. Review of difficulties and risks
5. Updated results framework of the project
6. Conclusion and recommendations.

Internal control and reporting of SRWSSDP



5.6. Gender aspects of projects implementation monitoring

Monitoring system shall reflect gender aspects of project implementation including but not limited to gender ratio of project beneficiaries:

- monitoring participation of women in MWU/CDWUU (or municipal enterprise) and their respective roles;
- participation of women in the training program:
- gender-disaggregated information from other evaluation data (such as beneficiary survey and baseline and impact assessments).

6. ENVIRONMENTAL AND SOCIAL SAFEGUARDS

6.1. Safeguards measures

Overview

The purpose of an environmental assessment is to evaluate potential positive or negative impacts of any proposed subproject; to specify measures that must be taken to prevent or minimize the potential negative impacts that could damage the human and natural environment; and to provide the basis for the supervision of these measures during subproject implementation.

At the same time, since the anticipated impacts of the subprojects to be implemented under the Project are not significant or irreversible and can be prevented or reduced through appropriate preventive measures, they can be classified as World Bank Category B projects and therefore are eligible for financing by the World Bank in line with World Bank requirements and instructions for such Category B projects.

Under the Kyrgyz law, all subprojects under SRWSSDP are subject to review by the State Agency for Environmental Protection and Forestry (SAEPF). According to the Financing Agreement, all subprojects should be implemented in accordance with the World Bank safeguards policies. ARIS will be responsible for ensuring compliance with the Kyrgyz environmental legislation and World Bank Policy 4.01 Environmental Assessment.

All requirements for environmental and social safeguards are described in details in Environmental and social management framework (attached as Annex 5.1.), which is an integral part of the POM. This ESMF prepared for the Project covers procedures and mechanisms that will be triggered by the Project to comply with the World Bank Policy 4.01 Environmental Assessment, legislation and normative and legal acts of the Kyrgyz Republic governing preparation and implementation of environmental protection requirements.

ESMF will allow ensuring environmental and social sustainability of activities throughout their implementation cycle and to provide the ARIS' engineering and technical staff (ETS) and consultants with adequate institutional, normative and technical framework for future processes and procedures that should be observed. If any particular requirements of the ESMF need to be revised as a result of the project experience gained since the ESMF disclosure, then the relevant changes will be reflected in POM.

In order to increase the capacity of ARIS partners and staff, for successful implementation of subprojects according to all requirements, regular trainings will be conducted for partners: project institutes, contractors and ARIS staff.

The key elements involved in the EA process to be used in the Project are listed below and subsequently described in full detail.

6.2 Preparation and construction phase

6.2.1 Environmental assessment documentation

ARIS will be responsible for preparation of all EA documentation. The World Bank EA policies and guidelines require the preparation of an Environmental and Social Management Framework (ESMF) for all Category B projects.

In accordance with ESMF an individual (site-specific) Environmental and Social Management Plan (ESMP) will be produced for each water supply subproject, integrating the complex of social and environmental impact mitigation measures, environmental monitoring and institutional responsibility. An individual ESMP will be included into the bidding documents.

Depending on the scope of work and the complexity of the project, ESMP or checklist EMP will be filled out for social infrastructure facilities.

Category B subprojects have moderate environmental impacts that are limited in duration and coverage and can be readily mitigated through standard methods and procedures of good housekeeping and good engineering practice. Most of the adverse impacts occur during project construction. The project ESMF is attached as Annex 5.1., which provides a list of impacts and mitigation measures normally associated with several types of subprojects that will be considered under the Project. For each individual subproject, actual impacts may include additional site-specific issues, or such issues can be raised during public consultations. Alternatively, for a particular subproject, fewer issues than those indicated in Annex 5.1. may need to be addressed in the ESMP.

6.2.2 Public consultation

ARIS will be responsible for organizing and conducting at least *one* public consultation with community groups affected by the subproject prior to completion of the site-specific ESMP. Usually, these groups consist of people living near the subproject site and any local NGOs. The purpose of the public consultation is to inform affected community groups about the subproject and offer them the opportunity to voice their views of any adverse environmental issues they feel may develop during subproject implementation. Any *legitimate issue raised through the public consultation* should be included in the ESMP. In this way, “the voice of the people” will be heard and reflected in subproject implementation.

Public consultations are normally conducted as a meeting. However, there are other methods of holding public consultations. Under previous World Bank projects, public consultations used questionnaires and live TV programs with local communities calling and asking their questions in real time.

The key characteristic of public consultation is that it is a *two-way flow of information*: subproject originators describe their activities to local communities, and local communities ask questions or raise their concerns in return.

It is very important to document public consultation results properly and include them in the ESMP. The ESMF forms in Annex 5.1. outline requirements to information that must be included in public consultation documents.

6.2.3 Related conditions and responsibilities

ARIS is responsible for including all construction related ESMP measures in bidding documents that will be distributed to bidders for construction contracts.

6.3 Implementation phase

6.3.1 Organizational arrangements for environmental management

During subproject implementation, ARIS will be fully responsible for overall supervision to ensure that all measures listed in the ESMF are complied with as required. In cooperation with Ayil Okmotus, as well as territorial branches of the State Inspection for Environmental and Technical Safety (SIETS) under the Kyrgyz Government, ARIS will conduct environmental monitoring during both construction and operational phases in accordance with the Monitoring Plan, which is part of the ESMP.

- Field technical supervision engineer of ARIS is responsible to monitor and supervise the activities, including monitoring of potential environmental risks, he will maintain all relevant documentation in the field.
- Representative of contractor is responsible to execute the mitigation measure.

- Safeguard specialist and infrastructure engineer of ARIS are responsible for overall oversight.
- State inspectors of Architecture and construction supervision department (ACSD) will supervise fulfillment of design solutions in construction and installation works or reconstruction of facilities, quality of construction materials, structures, and participate in commissioning of completed construction facilities.
- State inspectors ACSD carrying out state environmental supervision have a right to supervise in established procedure on presentation of official identification papers in compliance with environmental provisions, normative quality, environmental protection activities in project implementation.

6.3.2 Supervision and reporting

During subproject implementation, ARIS is expected to visit construction sites at least once a month to monitor compliance with ESMF requirements. More visits may be required if any issues are identified. If there are any significant environmental issues associated with subproject operation, ARISAIS will continue supervision during the operation phase as well. Initially, monthly visits should be conducted, and if no problems arise, supervision frequency can be reduced to quarterly, semiannual and eventually annual site visits.

Regular subproject progress reports should include information about fulfillment of the Environmental Management and Social Plan which shall be as brief as possible, providing a short description of monitoring activities, issues identified and plans and measures taken to address those issues.

In order to monitor the impact of construction works on the environment and to take appropriate measures Chapter 5 has been developed, which specifies the parameters and methods of monitoring of the state of environment. ARIS will carry out monitoring using the checklist "Construction Sites Monitoring Checklist ", which is the part of ESMP.

6.4 Social safeguards

6.4.1 General:

The main document providing guidelines for development of appropriate mitigation and compensation measures for land acquisition and resettlement impacts caused by future project activities whose exact locations are not known yet is the Resettlement Policy Framework (RPF) (see Annex 5.2.), which was developed in accordance with Operational Policy (OP) 4.12, publicly consulted and cleared by the World Bank, disclosed in-country [March 14,15,16, 2018 in Osh, Bishkek and Karakol, respectively].

This Resettlement Policy Framework (RPF) will inform all activities involving land acquisition, restriction of access to land, or loss of assets. The RPF identifies the possible impacts from project activities, describes the range of potential impacts (temporary and permanent) to land use/access and structures and specifies the compensation and resettlement assistance/procedures for the same.

6.4.2 Resettlement documentation

ARIS will be responsible for preparation of all documentation related to resettlement procedures.

When required, site-specific Resettlement Action Plans (RAP) will be developed for each subproject based on recommendations and guidelines outlined in the RPF.

6.4.3 RAP preparation

RAP will be prepared in consultation with affected parties in accordance with the RPF. RAP(s) will be circulated to local authorities, concerned NGOs and project affected persons (PAPs) for review and comment. After all comments from stakeholders are incorporated and approved by

ARIS, RAPs will be formally forwarded to the World Bank for review as required under the RPF to comply with OP 4.12 and other applicable policies and guidelines. After public hearing will be held, the document will be posted on ARIS' official website.

6.4.4 Assessment of affected assets

The assessment of assets to be affected by the Project will be performed as described in the RPF.

6.4.5 Implementation schedule

The implementation schedule must be agreed between ARIS and participating municipalities (Mayor's Offices and/or Ayil Okmotus, if required). In particular, the parties will discuss the start and completion dates of construction activities, a schedule for the handover of completed facilities to PAPs, and ownership of land/assets/services used by PAPs. Prior to commencement of any civil works, the RAP should be implemented in full to the satisfaction of the WB.

6.4.6 Gender sensitive approach.

The project will include series of activities aimed to engage women in project activities. First of all, women should constitute at least 30% of participants of any meetings and consultations held within the framework of the Project. Meetings and consultations will be held at a time of the day convenient to women. Women will be invited to such events beforehand through women's councils, territorial municipal bodies (housing block committees) and local NGOs. To facilitate wider participation of women, field meetings will be held with participation of territorial municipal bodies (housing block committees). Second, through active support of women's councils, consultation meetings will be held with women's self-help groups (SHG) functioning throughout the country. SHG are informal unions of citizens set up to address common problems. Third, local women's NGOs (regional branches of such NGOs as Congress of Women, "Ayalzat" Fund (Women's Fund) will be actively engaged to facilitate exchange of information about the project activities and collection of appeals from citizens.

Under component 2, women will be specifically targeted as care givers and custodians of water use within the home, and behavior change communications and channels will be designed to both target men and women in appropriate ways. Under the school sanitation component, teachers, girl students and mothers will be targeted to discuss adequate menstrual hygiene management practices to build self-efficacy for adolescent girls to handle their periods within a school setting and reduce absenteeism.

6.4.7 Grievance redress mechanisms

ARIS has a corporate system for managing grievances and appeals from citizens. Guidelines (Regulations) were developed to set procedures for managing grievances and appeals, delineate responsibilities between ARIS officials and specify follow-up measures. This Guideline covers all programs and projects implemented by ARIS, and all ARIS' staff and consultants without exception are to adhere by the requirements of this Guideline.

All appeals and complaints from citizens received under the SRWSSDP will be supplied to the corporate system for further processing and follow-up. People can use GRM/BFM to submit complaints, suggestions and recommendations in regard to the ARIS activities in writing or orally, meanwhile ARIS and its staff are obliged to accept and register this document in accordance with the provisions of this Guideline. Thus, citizens' complaints can be sent by regular mail, e-mail or handed personally during an appointment. One of the additional feedback channels in ARIS is a helpline.

Grievance redress mechanism will be available for project stakeholders to submit questions, comments, suggestions and/or complaints, or provide any form of feedback on all project-funded activities.

Project beneficiaries, project affected people (i.e. those who will be and/or are likely to be directly or indirectly affected, positively or negatively, by the project), as well as the broader citizenry can use the GRM/BFM for the purposes of making complaints or providing complaints. Project affected people include those who will be affected in resettlement issues.

6.4.8 RPF implementation budget

The project will prepare a resettlement budget and will finance this budget through the administrative and financial management rules and manuals like any other activity eligible for payment under the program. The responsibility for payment of compensations and provision of other assistance will reside with Government of the Kyrgyz Republic.

6.4.9 Monitoring and evaluation

Monitoring arrangements will fit the overall project monitoring plan that will be implemented through ARIS. All RAPs will set objectives by which their successes can be measured. To measure the achievement of such objectives, RAPs will define the parameters to be monitored, establish monitoring milestones and describe necessary resources, and also grievance redress mechanisms. The monitoring and evaluation arrangements are detailed in the RPF attached hereto.

7. ANNEXES

Below is the list of all annexes to the POM.

Annexes of Section 1. Project description

Annex 1.1. List of subprojects under the Sustainable Rural Water Supply and Sanitation Development Project (SRWSSDP)

Annex 1.1A. Description of project areas

Annex 1.1B. The Map of the subprojects

Annex 1.2. SRWSSDP Implementation Plan

Annex 1.2.1 SRWSSDP Implementation Timeline in accordance with revised POM including hiring plan

Annex 1.3. TORs under Component 1. Water Supply Investments

- Terms of Reference and Scope of Services for Consultant for Review of Detailed Design and
- Estimates (DDE) for Water Supply Infrastructure
- Terms of Reference for Senior Site Engineer
- Terms of Reference for Junior Site Engineer
- Terms of Reference for SRWSSDP infrastructure Engineer Assistant
- Terms of Reference for Supervision Engineer/Hydrogeologist
- Terms of Reference and Scope of Services for the Consultant assisting in implementation of technical supervision of reconstruction works in water supply rehabilitation subprojects

Annex 1.4. Standard documents and instructions on Component 2. Sanitation Development

- Memorandum of Cooperation between Aiyl Okmotu, pilot school, Community Drinking Water Users Union, Parent committee / Board of trustees and Village Health Committee,
- Standard Operating Procedures (SOP)
- Cooperation Agreement between ARIS, Aiyl Okmotu and pilot school
- Terms of Reference for Consultant on promoting ISH in communities (Improving Sanitation in the Household)
- Terms of Reference for Consultant on promoting WASH in schools
- Terms of Reference for Field sanitation officer in communities
- Terms of Reference for Field sanitation officer in schools

Annex 1.5. Standard documents on Component 3. Institutional Development

- Charter of Municipal Water Supply Enterprise
- Regulation on Village Water Committee
- Agreement on Delivery of Water Supply Services in Villages
- Water Service Contract with an individual household owner
- Regulations for the provision of technical specifications for connection of households, buildings and facilities to the village water supply system in Ayil Aymak
- Performance Improvement Action Plan
- Terms of Reference for Local Institutional Expert – Deputy Leader of the Team of Consultants
- Terms of Reference for Local Technical Expert on Water Supply and Sanitation
- Terms of Reference for Local Financial Expert
- Terms of Reference for Local Expert on Legislation and Legal Issues

- Terms of Reference for Leader of the Team of Consultants
- Manual for Trainers on training the staff of the local self-government bodies (LSGBs) and Community Drinking Water Users Unions (CDWUUs).

Annexes of Section 2. Institutional and Implementation Arrangements

Annex 2.1. TORs for the Project staff

- Terms of Reference for SRWSSDP Project Coordinator (Changed)
- Terms of Reference for SRWSSDP Disbursement Specialist
- Terms of Reference for SRWSSDP Sr. finance Specialist (new addition)
- Terms of Reference for SRWSSDP Engineer
- Terms of Reference for SRWSSDP Institutional Development Specialist
- Terms of Reference for SRWSSDP Sr. Institutional Development Specialist (new addition)
- Terms of Reference for SRWSSDP Monitoring and Evolutional Specialist
- Terms of Reference for SRWSSDP Safeguard Specialist
- Terms of Reference for SRWSSDP Sanitation and Hygiene Specialist
- Terms of Reference for SRWSSDP Procurement Specialist
- Terms of Reference for SRWSSDP Sr. Procurement Specialist (new addition)
- Terms of Reference for ARIS Director (new addition)
- Terms of Reference for ARIS Finance Manager (new addition)
- Terms of Reference for ARIS Chief Procurement Department (new addition)

Annex 2.2. Memorandum of cooperation between DDWSWD and ARIS

Annex 2.3. Standard Cooperation Agreement between ARIS and LSGB

Annex 2.4. Ala Too Bulagy Program Organigram

Annexes of Section 3. Financial Management

Annex 3.1. A letter with authorized signatures

Annex 3.2. Template of a Supporting Letter

Annex 3.3. Sample of supporting letter for advance payment

Annex 3.4. Sample Invoice for payment

Annex 3.5. Statement of Accomplished Works

Annex 3.6. Sample of Invoice for warranty reimbursement

Annex 3.7. Sample SOE

Annex 3.8. DESIGNATED ACCOUNT RECONCILIATION STATEMENT

Annex 3.9. Cash receipt voucher

Annex 3.10. Payment voucher

Annex 3.11. Business travel certificate

Annex 3.12. A contract for the provision of transport services

Annex 3.13. Itinerary

Annex 3.14. Form of expense report

Annex No. 3.15. The list of participants

Annex No. 3.16. Statement of transportation costs

Annex No. 3.17. Statement of receipt of handouts or stationery

Annex 3.18. The format of the IFR Reports

Annex 3.19. TOR for the audit

Annex 3.20. ARIS Charter

Annexes of Section 4. Monitoring and evaluation

Annex 4.1. Additional project implementation indicators

Annex 4.2. Terms of Reference and Scope of Services on Baseline Survey

Annex 4.3. Methodology on assessment of the percentage of beneficiary satisfaction

Annexes of Section 5. Environmental and Social Safeguards

Annex 5.1. Environmental and Social Management Framework

Annex 5.2. Resettlement Policy Framework