



REPUBLIC OF MOLDOVA

**SECOND SOCIAL INVESTMENT FUND
PROJECT**

**COMMUNITY
HANDBOOK**

(CDD PROJECTS)

DRAFT

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LIST OF ACRONYMS

CBO	Community-Based Organization
CDD	Community Driven Development
CQ	Selection Based on Consultant's Qualification
DC	Direct Contracting
DP	Direct Purchase
FBS	Fixed Budget Selection
GOM	Government of Moldova
GRN	Goods Received Note
IC	Selection of Individual Consultants
IDA	International Development Association
LCB	Local Competitive Bidding
LCS	Least-Cost Selection
LG	Local Government
MC	Management Committee
MDL	Moldovan Lei
MIS	Management Information System
MSIF	Moldova Social Investment Fund
NAS	National Accounting Standards
NGO	Non-Governmental Organization
NS	National Shopping
PO	Purchase Order
PRF	Purchase Requisition Form
RFA	Request for Advance
RFT	Request for Tranche
SAW	Statement of Accomplished Works
SSS	Single Source Selection
WB	World Bank
WCS	Works Completion Statement

INTRODUCTION

1. TITLE

This document shall be called “The Community Handbook” of the Community-Based Organization (hereinafter referred to as “the CBO”).

2. OBJECTIVE

The objective of this Handbook is to ensure that the Communities’ resources are collected, utilized and accounted for efficiently, economically and in a transparent manner for the benefit of the Community and to the satisfaction of the Community and its Development Partners.

3. DEFINITIONS

- (a) “Management Committee” (hereinafter referred to as “the MC”) means the Committee of members elected by the general members of the CBO to run the operations of the CBO.
- (b) “Member” means any individual who is recognized as a member of the CBO in accordance with the CBO’s by laws.
- (c) “Chairman, Treasurer and Secretary” mean the officials of the Management Committee.
- (d) “Sub-Grant” means the amount of money granted by MSIF to the Community under the terms and conditions of the Sub-Grant Agreement for the implementation of Community-Driven Development (hereinafter referred to as “the CDD”) Sub-Projects.
- (e) “Sub-Grant Agreement” means the agreement between MSIF and CBO for the implementation of CDD Sub-Projects.
- (f) “Sub-Projects” mean the Sub-Projects from the 5-year Strategic Plan, selected by the Community for funding, as specified in the Sub-Grant Agreement.
- (g) “Development Partner” means the Government of Moldova, the Moldova Social Investment Fund Agency (hereinafter referred to as “MSIF”), Financing Institutions (World Bank, International Donors), NGOs, Individuals, Foundations, etc., that donates to the CBO free of charge money and assist the CBO in its development efforts.
- (h) “Authorized Official (hereinafter referred to as “the AO”) means any member of MC, or person employed by the CBO and charged with the responsibility for executing activities of the CBO.

- (i) “Auditor” means a firm or individual appointed by MSIF to make regular financial reviews and audit the CBO’s financial transactions during the Sub-Grant implementation.

SUB-GRANT MANAGEMENT

1. THE SUB-GRANT AGREEMENT

MSIF enters into a Sub-Grant Agreement with the CBO representing the Community for the implementation of CDD Sub-Projects.

The Sub-Grant Agreement consists of:

- The Sub-Grant Amount
- Procurement and Sub-contracting
- Procedure for Payment
- Responsibilities and Obligations of the CBO
- Responsibilities and Obligations of the MSIF
- Financial and Administrative Closure of the Sub-Grant
- Variation to the Agreement
- Termination or Dissolution of Agreement
- Dispute Resolution
- Special Terms

The Sub-Grant Agreement has 3 Supplements:

- Supplement 1 (the Budget),
- Supplement 2 (Drawings and Technical Specifications), and
- Supplement 3 (the Schedule of Works)

The Sub-Grant Agreement is signed by the MSIF Executive Director and the CBO Chairman and represents the contract between MSIF and the Community (in the face of the CBO). The CBO ensures that the contents of the Sub-Grant Agreement are understood by the Community before Sub-Projects implementation.

2. THE COMMUNITY-BASED ORGANIZATION

The CBO as a legal entity is a community member organization managed by a Management Committee.

3. SUB-PROJECTS TYPOLOGY

In the framework of the Sub-Grant Application MSIF supports the following types of CDD Sub-Projects:

3.1 SOCIAL INFRASTRUCTURE

Rehabilitation of pre-school facilities, primary and general education schools, including hygiene, sewage facilities, cold and/or hot water supply systems,

preparation for the cold season (insulation), heating systems, ventilation, roof repairs, energy saving, rational use of space and provision of some instruments and materials.

3.2 SOCIAL ECONOMIC INFRASTRUCTURE

- (a) Rehabilitation and construction of local drinking water supply systems (community level): supply networks, distribution systems, construction of new artesian wells and pumping stations, rehabilitation of the dried public wells and measures to improve water quality (ex. cleaning wells, installing pumps, etc).
- (b) Rehabilitation of roads of local importance, access roads to isolated villages, access roads to agricultural land and farms (including bridges, basins, tubular bridges, dams, etc.).
- (c) Construction of gas-supply systems for poor rural Communities.

3.3 INFRASTRUCTURE OF SANITARY AND ENVIRONMENTAL PROTECTION SYSTEMS

- (a) Rehabilitation and extension at a local/community level of sewage systems and pumping stations.
- (b) Disposal and treatment of solid and liquid waste in Communities.
- (c) Improvement of environmental conditions and rehabilitation of degraded villages by planting trees and territory arrangement.
- (d) Activities to combat soil erosion (planting trees, organizing terraces on slopes, digging drainage channels) in public spaces.

3.4 EDUCATIONAL PROGRAMS IN THE AREA OF EDUCATION AND HEALTH CARE

- (a) Introduction of new educational programs for children in preschool facilities and primary schools (ex. step-by-step program, including teacher training).
- (b) Informative/educational programs in the area of health care, environment, including seminars in community on family planning, nutrition, water and sanitary aspects etc.

4. SUB-PROJECTS OBJECTIVES

- (a) To develop new/innovative types of social services in the Community.
- (b) To empower the Community by strengthening the capacity of CBO to make decisions, organize and manage funds.
- (c) To improve the quality of basic social and economic services for the Community.

5. EXPECTED SUB-PROJECTS OUTCOMES

- (a) Rehabilitated social infrastructure objects, such as schools, roads, gas and water supply systems.
- (b) Enhanced access to improved social services.
- (c) Partnership relations established between different Community actors in the development and implementation of the Strategic Plan of social economic development of the village.
- (d) Improved organizational capacity of CBO and Mayoralty Council in a participative approach to stringent Community problems.
- (e) Increased level of confidence in their own forces, in institutions and authorities, and among Community members.

6. PRINCIPLES IN SUB-PROJECTS IMPLEMENTATION

- (a) Targeting resources to satisfy Community demands.
- (b) Empowerment of the Community through the development of decision-making, organizational and financial management capacities of the CBO.
- (c) Orientation of the Community towards sustainable Community development by involving the population in the strategic planning process of the village social economic development.
- (d) Development of partnership between different Community actors by their involvement in the implementation process of the Strategic Plan of social economic development of the village.
- (e) Empowering the Community with management of the Sub-Grant.
- (f) Ensuring Community participation through requesting of Community share in investment.
- (g) Development of the social capital through promotion of certain norms and values in the Community, such as social solidarity and mutual support, trust, transparency and involvement in the Community life.
- (h) Ensuring the time-wise sustainability of the implemented Sub-Grant.

7. SUB-PROJECTS BENEFICIARIES

- (a) The people of the Community as the primary recipient of the Sub-Grant benefits from training and technical assistance.
- (b) The Local Government (Mayoralty Council).

- (c) The Local Supervisor benefits from training in procurement methods and acquires skills of organizational management in the conditions of transition to a market economy.
- (d) The Suppliers and Contractors benefit from having the opportunity to participate in open tenders and obtain contracts for goods and works.

8. RESPONSIBILITIES

8.1 CBO RESPONSIBILITIES

- (a) Organization of focus groups and discussion of priority problems.
- (b) Creation of Community Development Committee.
- (c) Development of a Strategic Plan of social economic development of the village for a period of 5 years.
- (d) Discussion of the Strategic Plan in focus groups and at the General Meeting or Representative Meeting of the village, and its approval by the LG.
- (e) Identification of CDD Sub-Projects included in the Sub-Grant Application, at the General Meeting or Representative Meeting of the village.
- (f) Preparation of the Sub-Grant Application and included CDD Sub-Projects' Budget.
- (g) Preparation of all the necessary documents and confirmations for passing CDD Sub-Projects in the evaluation process.
- (h) Development, with MSIF technical assistance, of estimates for the CDD Sub-Projects included in the Sub-Grant Application.
- (i) Procurement of design company's services and development of technical drawings as part of the Community contribution.
- (j) Participative evaluation of the developed technical design.
- (k) Defending the Sub-Grant Application at MSIF Evaluation Board.
- (l) Collection of Community contribution.
- (m) Procurement of goods, works and services included in the Sub-Grant Application in conformity with MSIF procedures.
- (n) Procurement of local supervisor services.
- (o) Permanent management and monitoring of unfolding implementation of CDD Sub-Projects included in the Sub-Grant Application.
- (p) Effecting the payments for goods, works and services.

- (q) Keeping accounting records in conformity with the Republic of Moldova legislation, donor countries' and World Bank requirements.
- (r) Ensuring transparency of Sub-Grant implementation.
- (s) Organization of preliminary and final handover of the renovated objects.
- (t) Reporting to Community about the implementation results of the Sub-Grant obtained from MSIF.
- (u) Ensuring sustainability of objects renovated with MSIF support.
- (v) Implementation of the Strategic Plan of social economic development of the village.

8.2 MSIF RESPONSIBILITIES

- (a) Community facilitation in developing the Strategic Plan of social economic development of the village for 5 years.
- (b) Community facilitation in identifying CDD Sub-Projects included in the Sub-Grant Application and preparing the Sub-Grant Application.
- (c) Social, technical and environmental impact evaluation of CDD Sub-Projects included in the Sub-Grant Application, at the office and field level.
- (d) Training the CBO that will implement the Sub-Grant in procurement of the local supervisor and design company.
- (e) Participative evaluation with the Community of the developed technical designs.
- (f) Training of CBO and LG representatives in issues related to procurement of goods, services and consultants, financial management, Sub-Projects implementation monitoring, ensuring Sub-Projects implementation transparency, ensuring renovated objects sustainability, etc.
- (g) Financing in installments (tranches), based on the CBO request, of the Sub-Grant.
- (h) Monitoring and evaluation of Sub-Grant implementation.

9. MANAGEMENT COMMITTEE

- (a) MC members are elected by the general membership of CBO.
- (b) The Chairman presides over all meetings but in his absence the Deputy Chairman presides at that particular meeting. No meetings are held in absence of the Chairman or Deputy Chairman.

- (c) The MC quorum necessary for the transaction of business is all members of the MC, inclusive of the person presiding.
- (d) The MC may from time to time co-opt in its meetings other persons as it may require for the proper discharge of its business.
- (e) The MC meets at least once a month.
- (f) All proceedings of the MC are recorded and the minutes are circulated to the MC members within 3 days. The Minutes of the MC meetings are available to any member of the Community who may wish to inspect them, however, at its option the MC may decide to keep confidential aspects of the Minutes that have to do with personal matters of employees of the CBO.
- (g) The confirmed and signed Minutes of the MC constitute evidence of the decisions and recommendations made thereby
- (h) The MC deliberates on matters appertaining to the running of the CBO's affairs including procurement and financial management. More specifically the MC:
 - (i) deals with general matters of CBO;
 - (ii) prepares Annual Work Plan and Annual Budget for approval of the General Meeting or Representative Meeting of the village;
 - (iii) considers any matter on procurement and finance referred to it, keeping in mind the need to seek the best value for money;
 - (iv) acts as Procurement and Evaluation Committee;
 - (v) deals with employee matters.

10. AUTHORIZED OFFICIAL

The AO exercises the powers or performs duties in respect of which the expression is used and as allowed in this Handbook. And performs more specifically the following duties:

- (a) Signs Purchase Orders (PO) to authorize purchase and ensures that procurement of goods, works and services is done in compliance with the procedures specified in this Handbook.
- (b) Ensures that all procurement transactions are efficiently done to fit the needs of the CBO.
- (c) Approves and signs all POs and contracts for purchases authorized in these procedures and as allowed in the approved budget.
- (d) Ensures that at all times, the POs are retained in safe custody and in the event of any loss, a report thereof is made to the MC. Upon such loss, causes immediately the serial numbers of lost purchase order forms to be published in the newspapers, accompanied by a statement of disclaimer of liability arising from the said lost documents.

- (e) Subject to the financial limits provided under these procedures, places orders upon requisition from the store for items necessary for the maintenance of stock at authorized levels and contracts placed for common user items.
- (f) Ensures that from each year's Work Plan and Budget, a list of common user items are prepared for procurement following appropriate methods and contracts are awarded in a timely manner prior to the beginning of the year.
- (g) Ensures the bookkeeping for all CBO's financial transactions; takes custody of the accountable documents and is responsible for their safety movements and register.
- (h) Provides the Minutes of MC meeting to authorized persons or agents for official purposes only, as reasonably required.

The detailed description of AO's duties is given in this Handbook under every type of procurement or financial management activity in relation to the Sub-Projects implementation.

PROCUREMENT

1. GENERAL

1.1 APPLICATION

These procedures shall govern and apply to procurement of goods, works and services for and on behalf of the CBO – community-based procurement.

The community-based procurement is governed by the Credit Agreement signed between the Government of Moldova (GOM) and the WB and the Sub-Grant Agreement signed between the MSIF and the CBO representing the Community.

The CBO carries out the procurement according to the provision for Community Participation in Procurement (paragraph 3.15 in the WB Procurement Guidelines), the procedures set out in the MSIF Operational Manual and MSIF CDD Manual, and using the standard procurement documents included in the MSIF Procurement Handbook, Part 2, and also attached to this Handbook.

The procurement procedures may be amended only after prior clearance of MSIF and in accordance with the Credit Agreement and the Sub-Grant Agreement.

The procurement is in accordance with the Annual Work Plan and CDD Sub-Projects Budget, approved by the General Meeting or Representative Meeting of the village.

1.2 PROCUREMENT PLANNING

The MC prepares Annual Work Plan for each year of operation. The Annual Work Plan indicates 2 CDD Sub-Projects to be implemented during the year and is the basis of the CDD Sub-Project Budget.

The MC supported by MSIF consultants in community development (technical and social issues) takes the following steps for the preparation of the Community Procurement Plan for the CDD Sub-Projects:

- (a) Prepares the list of goods, works and consulting services needed for the CDD Sub-Project.
- (b) Groups the items in the list in logical contract groups.
- (c) Prepares the cost estimates based on the MSIF Unit Price Data Base.
- (d) Determines the applicable procurement method.
- (e) Estimates the duration of each procurement process, its starting date and completion date, date of contract signing and contract end date.

Except as otherwise provided for in these procedures, supply of goods, works and of services to the CBO is procured on basis of open competitive bidding. The financial limits set out in these procedures strictly complies with and splitting of

transactions is not allowed except with the approval of MC i.e. procurement transactions of a similar nature shall not be made separately with the cumulative effect of exceeding the established ceiling without going through an open competitive bidding process.

The Community Procurement Plan is revised on a yearly basis to reflect the scheduling of procurement process, which could significantly affect the timing and successful implementation of the CDD Sub-Projects.

1.3 PROCUREMENT MANAGEMENT

The Sub-Grant Agreement outlines the agreed procurement procedures and specifies the terms and conditions under which the funds may be used. CBO executes all procurement activities in conformity with the Sub-Grant Agreement.

PROCUREMENT RESPONSIBILITIES

The MC operates as a Procurement and Bid Evaluation Committee and is in charge of:

- (a) Procurement of goods, works and consulting services included in the Sub-Grant Application in conformity with MSIF procedures.
- (b) Permanent management and monitoring of unfolding implementation of CDD Sub-Projects included in the Sub-Grant Application.
- (c) Organization of preliminary and final handover of the renovated facilities.

REQUISITION FOR PROCUREMENT

All requisites for procurement to be initiated are made on Purchase Requisition Forms (PRF) duly authorized by MC. The CBO procures all products and services having regard to economy, quality and transparency.

STANDARD SPECIFICATIONS

The MC ensures standard specifications are prepared for all commonly used items. If and when necessary, NGOs or consultants are hired to prepare these.

PROCUREMENT SAMPLES

Where appropriate and so required in the bidding documents, samples of goods to be supplied are made available to the MC for verification. The AO maintains a samples register.

TERMS OF REFERENCE

The MC prepares Terms of Reference clearly stating the scope of the assignments and the required qualifications and experience. Selected persons, NGOs or firms are requested to submit proposals and MC determines the most suitable firm or individual for contract award.

APPROVED SUPPLIER

The MC can competitively appoint approved suppliers for common user goods and services on an annual or other term basis at the discretion of the MC. The list of these approved suppliers is maintained and monitored by the AO. MC also uses MSIF Unit Price Data Base for direct purchase of common user items and services.

CONFLICT OF INTEREST

Enterprises of MC members and their immediate relatives and MC members themselves are not allowed to participate even in competitive bids.

SAMPLE DOCUMENTS

This Handbook provides sample forms of Bidding Documents/Invitation to Quote/ Request for Proposals that are followed by the MC when preparing the tender.

BID BOX

There is a bid box, which has locks, the keys to which are held by the AO, appointed by the MC.

BID EVALUATION COMMITTEES

MC constitutes a Bid Evaluation Committee to evaluate each bid. MC Chairman appoints the Bid Evaluation Committee.

The Bid Evaluation Committee consists of 5 persons:

- MC Chairman
- MC Secretary, in charge of managing the procurement process
- CBO Accountant
- CBO Engineer
- Member (the specialist who prepared the technical specifications for supply of goods or the civil works engineer or well-informed person in the domain for hiring consultants).

MSIF representative may present without any rights regarding decisions.

The Bid Evaluation Committee bears the responsibility for correctly carrying out the evaluation and selection process. The process takes place only in the presence of the members.

The Bid Evaluation Committee prepares Bid Evaluation Report using the forms for each procurement method, given in the second part of MSIF Procurement Handbook. The Bid Evaluation Report contains the recommendation for contract award.

AUTHORITY TO AWARD CONTRACTS

The MC has the authority to approve contract awards for procurement of goods, works or services whose value does not exceed the following contract amounts per single transaction without reference to the MSIF.

Goods contracts _____ *[insert amount]* MDL

Works contracts _____ *[insert amount]* MDL

Services contracts _____ *[insert amount]* MDL

All contract awards above those figures require prior approval by the MSIF.

CONTRACT NEGOTIATIONS

The MC authorizes the AO to negotiate the contract.

CONTRACT SIGNING

The contract is signed by the MC Chairman only:

- (i) after being approved by MSIF/WB (in case of prior approval);
- (ii) after being signed by the supplier/contractor/consultant.

FORMAL CONTRACT AGREEMENTS

The AO prepares the formal contract documents provided that clear letters of acceptance or other acceptable documents are issued on behalf of the MC.

All contract agreements are for definite duration.

Renewal or extension of contracts is not undertaken without the prior approval of the MSIF.

CUSTODY OF DOCUMENTS

All formal contract documents are in the custody of the AO.

AO maintains a Procurement File for each procurement keeping the originals of the following documents:

- (i) Advertising (newspapers).
- (ii) List of Goods/Bill of Quantities/Drawings/Technical Specifications/Terms of Reference.
- (iii) LCB Bidding Documents / NS Invitation to Quote / LCS and FBS Request for Proposals / CQ and IC Letter of Invitation.
- (iv) Bids/Quotations/Proposals received and their envelopes, any confirmations, clarifications, modifications to bids/quotations/proposals thereof.
- (v) Minutes of Opening.
- (vi) Evaluation Report and related documents, including each member's evaluation sheet.
- (vii) Notifications, complaints and responses.

- (viii) Minutes of Negotiations.
- (ix) Signed contracts.

CONTRACT IMPLEMENTATION

Prior to any acceptance and payment being made for contracted goods, works and services, AOs of the CBO inspect and certify that the goods, works and services are carried out properly in accordance with the terms and conditions of contract, specifications and terms of reference.

RESOLUTION OF DISPUTES

The arbitration proceedings, if any, shall be conducted in accordance with the rules of procedure of the Economic Court of Moldova and with the prior consent of MSIF.

STOREKEEPER

The MC must balance carefully the need to buy materials in advance so as not to disrupt project implementation but also take into account the need for proper storage for perishable items

The CBO has a store managed by the AO (a “Storekeeper”) who is responsible for receiving and issuing of all stores except accountable documents procured by either cash, credit, PO, bidding or donated and takes charge of each item in stores ledger. In order to ensure no conflict of interest, the Storekeeper is not be responsible for any procurement.

AMENDMENT OF THESE PROCEDURES

These procedures may be amended only by the MC, and with prior clearance of and in compliance with the Sub-Grant Agreement signed with MSIF.

2. DEVELOPMENT OF TECHNICAL DRAWINGS

2.1 TRAINING CBO IN PROCUREMENT ISSUES

MSIF organizes training for the representatives of the CBO regarding the procurement of services of a Design Company and a Local Supervisor. The training is focused on the issues: role and responsibilities of the Local Supervisor in the process of Sub-Projects’ implementation, MSIF procurement procedures of goods, works and services, partnership relations between the Local Supervisor and the Community etc.

The procurement procedures for Local Supervisor and Design Company are provided in this Handbook.

2.2 PARTICIPATORY TECHNICAL APPRAISAL

After the technical design is finalized, the CBO together with MSIF consultants in community development (for technical and social issues) organizes a participatory appraisal of the degree of compliance between the developed technical design and beneficiaries' needs.

In the process of participatory appraisal, there is an evaluation the quality of the executed technical design, size of works included in the cost estimates, correspondence of the works included in the estimates to the Community' needs, the expected social impact of the project on the Community. At the same time, the consultants in community development are providing the necessary technical assistance to the MC in MSIF procedures.

As a result of the participatory appraisal, the MC elaborates with MSIF technical assistance the estimated budget of the Sub-Grant Application.

3. PROCUREMENT ARRANGEMENTS

3.1 APPLICABLE PROCUREMENT METHOD

The CBO applies for each procurement only one method, depending on the type of procurement (goods, works, services) and estimated value of the contract, which is considered appropriate and specified in the Procurement Plan.

A detailed description of procurement methods is provided in MSIF Procurement Handbook, part 1. MC is responsible for ensuring the compliance of step-by-step procurement arrangements under every procurement method used by the CBO with the procedures outlined in the Procurement Handbook.

The applicable procurement methods under Sub-Grant Agreement are:

LOCAL COMPETITIVE BIDDING

LCB is the most preferred method and its procedures are used by CBO for

- (a) Procuring goods available from several sources or suppliers within the country, or imported by local suppliers, estimated to cost below US\$ 100,000 equivalent.
- (b) Contracting works for new constructions or their rehabilitation estimated to cost below US\$ 150,000 equivalent.

Advertising

The Invitation for Bids is issued as an advertisement in the "National Gazette" mandatory and additionally in the local newspaper, posting notices in strategic places in the district, radio announcements etc. Promotional meetings, and discussion at Community meetings are also carried out.

Bidding Documents

The bidding documents contain sufficient details and allows adequate time to enable prospective local bidders respond appropriately.

Bids for foreign goods offered by a local firm are allowed. Prices for goods (including previously imported items) are to be quoted EXW (ex works, ex factory, ex warehouse, ex showroom or off-the-shelf, as applicable), including all custom duties and sale and other taxes already paid or payable on the raw materials and components. Prices are quoted only in national currency – MDL. VAT is quoted separately.

The bidding documents spell out how bids will be evaluated and specify that the contract will be awarded to the bidder determined to be the responsive bid with lowest evaluated bid price.

Invitation for Bids

The AO is responsible for the invitation of all bids in liaison with the MC. Bidding documents (and additional copies) are purchased upon submission of written request and payment of 100 MDL for each set to cover the cost of the CBO.

Bidding Rules

All prospective bidders are required to comply with the following conditions:

- (i) all bids shall be forwarded to the MC in an outer and an inner sealed envelopes. The inner envelope shall contain the identification of bid and name and address of bidder to allow MC return late bids unopened. The inner envelope shall be put into the outer; plain sealed envelope bearing only such endorsements or labels as will be specified in the invitation notice. No name, mark or identity of the bidder shall appear on the outer envelope;
- (ii) all bids and inquiries shall be addressed to the MC Chairman or the AO;
- (iii) all bids must be delivered by post, by courier or by hand or by messenger or through the bid box within the time specified in the notice. Bids by telephone or telegram or fax will not be accepted; and
- (iv) the MC shall not be bound to accept the lowest or any bid.

Opening of Bids

- (i) All bids duly received are opened at the appointed place, date and time by a Bid Evaluation Committee, appointed by the MC Chairman.
- (ii) Bids are opened immediately after the time specified as the deadline for their submission.
- (iii) Any bidder may, if he so wishes, be present at the opening of bids either personally or by a duly authorized agent.

- (iv) Upon opening of bids, the Bid Evaluation Committee causes the same to be numbered, date-stamped, initialed and listed and the prices announced, but bidders are reminded that the MC is not bound to accept the lowest or any bid and the prices announced could not be an indication of who would be awarded the contract;
- (v) The AO has the complete confidential custody of bids received before they are opened and ensures that the same are secure and that they are not opened except as provided for in these procedures; and
- (vi) All bids received after the specified time are marked 'LATE' and endorsed with the time and date of receipt and returned to the bidder at the address given in the inner envelope.

Confidentiality of Bidding Documents

All the members of the Bid Evaluation Committee and other officers of the CBO who may handle bidding documents shall keep the contents thereof confidential and shall ensure that the documents are conveyed from office to office having due regard to secrecy and security.

Evaluation of Bids

If 3 bids cannot be obtained, Bid Evaluation Committee continues with evaluation provided that MSIF has no objection to a contract award after being evaluated less than 3 bids.

The Bid Evaluation Committee prepares Bid Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Bid Evaluation Report contains the recommendation for contract award.

Notification of Award

The AO, using the form for Letter of Acceptance provided in the second part of MSIF Procurement Handbook, notifies the successful bidder of the award after all the necessary approvals and formalities are complied with. The AO also ensures that the unsuccessful bidders are appropriately notified of the outcome of the bid after the contract is signed, using the form for Notification Letter provided in the second part of MSIF Procurement Handbook.

Award notification and contract signature are completed within the validity period of the bid.

NATIONAL SHOPPING

NS is used when contract values are small or when the civil works are fairly simple, or in instances when there are few contractors interested in the contract. NS procedures are used by CBO for

- (a) Procuring off-the-shelf items of goods or standard specification commodities available from several sources or suppliers within the country, or imported by local suppliers, estimated to cost less than US\$ 50,000 equivalent.

- (b) Contracting small works such as small repairs/accessories for construction or installation, estimated to cost below US\$ 30,000 equivalent.

Invitation to Quote

The AO is responsible for the invitation of quotations in liaison with the MC. To minimize the risk obtaining only one or two quotations, the AO invites more than three quotations by letter, or by fax (with proof of receipt and record keeping).

Bidding Documents

The bidding documents comprise the terms and conditions of supply of goods or instructions for preparation of quotations for works.

Quotations for foreign goods offered by a local firm are allowed. Prices for goods (including previously imported items) are to be quoted EXW, including all custom duties and sale and other taxes already paid or payable on the raw materials and components. Prices are quoted only in national currency – MDL.

The bidding documents spell out how quotations will be evaluated and specify that the contract will be awarded to the bidder determined to submit the lowest evaluated quotation (VAT not included) and that meets the required standards of technical and financial capability.

Bidding Rules

All invited bidders are required to comply with the following conditions:

- (i) quotations shall be addressed to the MC Chairman or the AO and shall be forwarded to the MC either by hand or by fax;
- (ii) unless there are already 3 or more quotations available, the AO will give a reasonable amount of additional time, say 3 more days, to get additional quotations, even from bidders that were initially invited.
- (iii) the MC shall not be bound to accept the lowest or any quotation.

Evaluation of Quotations

The Bid Evaluation Committee prepares Bid Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Bid Evaluation Report contains the recommendation for contract award.

Notification of Award

The AO, using the form for Letter of Acceptance provided in the second part of MSIF Procurement Handbook, notifies the successful bidder of the award after all the necessary approvals and formalities are complied with. The AO also ensures that the unsuccessful bidders are appropriately notified of the outcome of the invitation after the contract is signed, using the form for

Notification Letter provided in the second part of MSIF Procurement Handbook.

Award notification and contract signature are completed within the validity period of the quotation.

DIRECT PURCHASE

DP as procurement method for goods is used by CBO for contracts estimated to cost below US\$ 10,000 equivalent and by justification. DP procedures are used by CBO for purchase of proprietary items, licensed materials, items available from only one manufacturer, consumables; extension of an existing contract for additional supplies (estimated to cost no more than 20% of the original contract value); in case of emergencies. A request for DC is sent to MSIF for prior review. MSIF reviews all the documents and justifications, and if acceptable issues a no objection.

DIRECT CONTRACTING

DC as procurement method for works is used by CBO for contracts estimated to cost below US\$ 10,000 equivalent and by justification. DC procedures are used by CBO for extension of an existing contract for additional works (estimated to cost no more than 20% of the original contract value) and in case of emergencies. A request for DC is sent to MSIF for prior review. MSIF reviews all the documents and justifications, and if acceptable issues a no objection.

LEAST COST SELECTION

LCS method for hiring consulting firms applies for assignments of a standard routine nature (audit, engineering design, supervision of simple projects) where well-established practices and standards exist, and in which the contract amount is relatively small.

LCS procedures are used by CBO for contracting services estimated to cost below US\$ 60,000 equivalent.

Request for Proposals

The request for proposals package contain sufficient details and allows adequate time to enable prospective local consulting firms respond appropriately.

Prices are quoted only in national currency – MDL. VAT has to be quoted separately.

The package spells out how proposals will be evaluated and specify that the contract will be awarded to the consultant obtaining the minimum technical score and having the lowest evaluated price.

Short List

The AO is responsible for the invitation of proposals in liaison with the MC. The shortlist comprises 3 to 6 consulting firms and is prepared using the MSIF Database (List of Designers).

Bidding Rules

All invited consultants are required to comply with the following conditions:

- (i) shortlisted firms shall submit their proposals (technical and financial) in two separate envelopes;
- (ii) all proposals shall be forwarded to the MC in an outer and two inner sealed envelopes. The inner envelopes (one for technical proposal and one for financial proposal) shall contain the identification of tender and name and address of consulting firm to allow MC return unopened late proposals and/or financial proposals of consultants that have not passed the minimum technical score. The inner envelopes shall be put into the outer; plain sealed envelope bearing only such endorsements or labels as will be specified in the letter of invitation. No name, mark or identity of the consulting firm shall appear on the outer envelope;
- (iii) all proposals and inquiries shall be addressed to the MC Chairman or the AO;
- (iv) all proposals must be delivered by post, by courier or by hand or by messenger or through the bid box within the time specified in the letter of invitation. Proposals by telephone or telegram or fax will not be accepted; and
- (v) the MC shall not be bound to accept the lowest or any proposal.

Confidentiality of Request for Proposals

All the members of the Bid Evaluation Committee and other officers of the CBO who may handle request for proposals package shall keep the contents thereof confidential and shall ensure that the documents are conveyed from office to office having due regard to secrecy and security.

Receipt of Proposals

- (i) the AO has the complete confidential custody of proposals received before they are opened and ensures that the same are secure and that the financial proposals are not opened except as provided for in these procedures; and
- (ii) all proposals received after the specified time are marked 'LATE' and endorsed with the time and date of receipt and returned to the firm at the address given in the inner envelope.

Evaluation of Technical Proposals

If 3 proposals cannot be obtained, Bid Evaluation Committee continues with evaluation provided that MSIF has no objection to a contract award after being evaluated less than 3 proposals.

The Bid Evaluation Committee, appointed by the MC Chairman, prepares Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Evaluation Report contains the recommendation for inviting qualified consulting firms for opening the financial proposals.

Opening of Financial Proposals

- (i) Financial proposals of consulting firms that have obtained the minimum technical score (technically qualified) are opened at the appointed place, date and time by the Bid Evaluation Committee.
- (ii) Any consulting firm may, if so wishes, be present at the opening of financial proposals either personally or by a duly authorized agent.
- (iii) Upon opening of financial proposals, the Bid Evaluation Committee causes the same to be numbered, date-stamped, initialed and listed and the prices announced, but consulting firm are reminded that the MC is not bound to accept the lowest or any proposal and the prices announced could not be an indication of who would be awarded the contract.

Evaluation of Financial Proposals

After evaluating the financial proposals, the Bid Evaluation Committee prepares Final Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Final Evaluation Report contains the recommendation for contract award.

Notification of Award

The AO, using the form for Letter of Acceptance provided in the second part of MSIF Procurement Handbook, notifies the successful consulting firm of the award after all the necessary approvals and formalities are complied with. The AO also ensures that the unsuccessful consulting firms are appropriately notified of the outcome of the tender after the contract is signed, using the form for Notification Letter provided in the second part of MSIF Procurement Handbook.

Award notification and contract signature are completed within the validity period of the proposal.

FIXED BUDGET SELECTION

FBS method for hiring consulting firms shall apply when the TOR are precisely defined, and the time and staff-month effort required from the consultants can be assessed with precision.

LCS procedures are used by CBO for contracting services estimated to cost US\$ equivalent.

Request for Proposals

The request for proposals package contain sufficient details and allows adequate time to enable prospective local consulting firms respond appropriately.

Prices are quoted only in national currency – MDL. VAT has to be quoted separately.

The package spells out how proposals will be evaluated and specify that the contract will be awarded to the consultant with the highest-ranking technical proposal within the budget.

Short List

The AO is responsible for the invitation of proposals in liaison with the MC. The shortlist comprises 3 to 6 consulting firms and is prepared using the MSIF Database (List of Designers).

Bidding Rules

All invited consultants are required to comply with the following conditions:

- (i) shortlisted firms shall submit their proposals (technical and financial) in two separate envelopes;
- (ii) all proposals shall be forwarded to the MC in an outer and two inner sealed envelopes. The inner envelopes (one for technical proposal and one for financial proposal) shall contain the identification of tender and name and address of consulting firm to allow MC return unopened late proposals and/or financial proposals of consultants that have not passed the minimum technical score. The inner envelopes shall be put into the outer; plain sealed envelope bearing only such endorsements or labels as will be specified in the letter of invitation. No name, mark or identity of the consulting firm shall appear on the outer envelope;
- (iii) all proposals and inquiries shall be addressed to the MC Chairman or the AO;
- (iv) all proposals must be delivered by post, by courier or by hand or by messenger or through the bid box within the time specified in the letter of invitation. Proposals by telephone or telegram or fax will not be accepted; and
- (v) the MC shall not be bound to accept the lowest or any proposal.

Confidentiality of Request for Proposals

All the members of the Bid Evaluation Committee and other officers of the CBO who may handle request for proposals package shall keep the

contents thereof confidential and shall ensure that the documents are conveyed from office to office having due regard to secrecy and security.

Receipt of Proposals

- (i) the AO has the complete confidential custody of proposals received before they are opened and ensures that the same are secure and that the financial proposals are not opened except as provided for in these procedures; and
- (ii) all proposals received after the specified time are marked 'LATE' and endorsed with the time and date of receipt and returned to the firm at the address given in the inner envelope.

Evaluation of Technical Proposals

If 3 proposals cannot be obtained, Bid Evaluation Committee continues with evaluation provided that MSIF has no objection to a contract award after being evaluated less than 3 proposals.

The Bid Evaluation Committee, appointed by the MC Chairman, prepares Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Evaluation Report contains the recommendation for inviting qualified consulting firms for opening the financial proposals.

Opening of Financial Proposals

- (i) Financial proposals of consulting firms that have obtained the minimum technical score (technically qualified) are opened at the appointed place, date and time by the Bid Evaluation Committee.
- (ii) Any consulting firm may, if so wishes, be present at the opening of financial proposals either personally or by a duly authorized agent.
- (iii) Upon opening of financial proposals, the Bid Evaluation Committee causes the same to be numbered, date-stamped, initialed and listed and the prices announced, but consulting firm are reminded that the MC is not bound to accept the lowest or any proposal and the prices announced could not be an indication of who would be awarded the contract.

Evaluation of Financial Proposals

After evaluating the financial proposals, the Bid Evaluation Committee prepares Final Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Final Evaluation Report contains the recommendation for contract award.

Notification of Award

The AO, using the form for Letter of Acceptance provided in the second part of MSIF Procurement Handbook, notifies the successful consulting firm of the award after all the necessary approvals and formalities are complied

with. The AO also ensures that the unsuccessful consulting firms are appropriately notified of the outcome of the tender after the contract is signed, using the form for Notification Letter provided in the second part of MSIF Procurement Handbook.

Award notification and contract signature are completed within the validity period of the proposal.

SELECTION BASED ON CONSULTANT’S QUALIFICATION

CQ method applies for small assignments aiming at reducing the cost and time needed to hire a consulting firm with the best possible qualifications.

CQ procedures are used by CBO for contracting services estimated to cost less than US\$ 100,000 equivalent.

List of Candidates

The AO is responsible for the invitation of expression of interest in liaison with the MC. MC prepares the list of the potential candidates and the AO invites them to send expression of interest and information regarding their qualification and previous experience.

Evaluation of Expressions of Interest

If 3 expression of interest cannot be obtained, Bid Evaluation Committee continues with evaluation provided that MSIF has no objection to a contract award after being evaluated less than 3 expression of interest.

The Evaluation Committee, appointed by the MC Chairman, prepares Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Evaluation Report contains the recommendation for inviting the best qualified consulting firms to submit a combined technical-financial proposal.

Evaluation of Proposal

The Evaluation Committee examines the proposal and recommends the contract award if the technical proposal proves to be acceptable.

Notification of Award

The AO, using the form for Letter of Acceptance provided in the second part of MSIF Procurement Handbook, notifies the consulting firm of the award after all the necessary approvals and formalities are complied with.

SELECTION OF INDIVIDUAL CONSULTANTS

CBO selects ICs on the basis of references or through comparison of qualifications among those expressing interest in the assignment or approached directly by the CBO.

List of Candidates

The AO is responsible for the invitation of CVs in liaison with the MC. MC prepares the list of the potential candidates and the AO invites them to send CV and information regarding their qualification and previous experience.

Evaluation of CVs

If 3 CVs cannot be obtained, Bid Evaluation Committee continues with evaluation provided that MSIF has no objection to a contract award after being evaluated less than 3 CVs.

The Evaluation Committee, appointed by the MC Chairman, prepares Evaluation Report using the form provided in the second part of MSIF Procurement Handbook. The Evaluation Report contains the recommendation for inviting the best-qualified consultant for contract negotiations.

Notification of Award

The AO, using the form for Letter of Acceptance provided in the second part of MSIF Procurement Handbook, notifies the consultant of the award after all the necessary approvals and formalities are complied with.

SINGLE SOURCE SELECTION

SSS is used for hiring consulting firms/individual consultants only if it presents a clear advantage over competition. A request for SSS is sent to MSIF for prior review. MSIF reviews all the documents and justifications, and if acceptable issues a no objection.

3.2 SPECIFIC PROCUREMENT PROCEDURES

SELECTING A LOCAL SUPERVISOR

CBO procures Local Supervisor's services in conformity with IC procurement method described above.

The MC develops the terms of reference and requests expression of interest for the assignment, by publishing an advertisement in local newspapers. The best candidate is selected on the basis of references or through comparison of qualifications among those submitting CVs or approached directly by the MC.

The approval of the Local Supervisor by MSIF is done in compliance with the procedure outlined in MSIF Procurement Handbook.

SELECTING A DESIGN FIRM

CBO procures Design Firm's services in conformity with LCS procurement method described above.

The MC develops the terms of reference and prepares the short list comprising 3 to 6 firms, using the MSIF Database (List of Designers). Shortlisted firms submit their proposals in two envelopes. The technical proposals are opened first and evaluated. The firm obtaining the minimum technical score and having the lowest evaluated price is selected.

The approval of the Design Firm by MSIF is done in compliance with the procedure outlined in MSIF Procurement Handbook.

SELECTING A CIVIL WORK COMPANY

The CBO organizes a tender for the procurement of a Civil Work Company in conformity with procurement procedures described in this Handbook.

As a result of the tender, a Civil Work Company is selected to carry out the renovation or construction works. A contract is signed between the CBO and the contractor regarding the fulfillment of the construction works.

3.3 CONTRACT IMPLEMENTATION

The MC assigns a Contact Coordinator for each and every contract being signed.

All the payments are made observing the procedures described in this Handbook and in compliance with the procedures outlined in MSIF Financial Handbook.

An advance payment to a supplier/contractor/consultant is made only against a bank guarantee issued by a reputable bank in the country or abroad.

4. PROCUREMENT MONITORING AND EVALUATION

4.1 REVIEW OF PROCUREMENT ACTIVITIES

PRIOR REVIEW

The MC, after carrying out the first procurements of goods, works, and/or consulting services, submits for examination and approval to the MSIF Evaluation Board data on the results of these procurements.

MSIF shall prior review every contract for goods under DP procedures, for works under DC procedures and for consulting services under SSS procedures.

The WB prior reviews selected contracts as foreseen by the Credit Agreement:

- (i) first 3 contracts for goods and works under LCB procedures;
- (ii) first 3 contracts for goods and works under NS procedures;
- (iii) every contract for goods/works under DP/DC procedures;
- (iv) every contract for consulting services under LCS and FBS procedures;
- (v) every contract for consulting services above USD 50,000 equivalent under IC procedures;

- (vi) TORs and draft contracts for government owned training institutions.

POST REVIEW

Post review applies to every contract not governed by the paragraph above.

The WB post reviews selected contracts during the regular project supervision missions.

During the field visits, MSIF post reviews procurements carried out by MC to assess, gives advice and corrects mistakes and ensures that all procurement activities are carried out in conformity with the Sub-Grant Agreement and the procedures in this Handbook.

4.2 COMMUNITY DEVELOPMENT TECHNICAL CONSULTANT

The Community Development Technical Consultant, assigned by MSIF, supervises the CDD Sub-Projects, visiting the Sub-Project site before every new tranche to be disbursed against a Request for Tranche (RFT) submitted by the MC.

The purpose of the visits is to supervise, verify, provide technical assistance and establish remedy measures in matters concerning the following:

- (a) The stage of implementation of the CDD Sub-Projects included in the Sub-Grant Application from the physical point of view and regarding its objectives, in relation to the work schedule.
- (b) Quality of the executed works.
- (c) Execution of contracts signed by the CBO with different suppliers.
- (d) Sub-Grant management and observance of the procurement procedures for goods, services and works.

4.3 PROCUREMENT REPORTS

PROCUREMENT PROGRESS REPORT

The MC reports about the procurement progress before submitting RFT to MSIF.

The report is prepared in the format annexed to the MSIF Procurement Handbook and is certified by the Local Supervisor.

FINAL PROCUREMENT REPORT

After the CDD Sub-Projects are completed the MC reports to MSIF on final disbursements.

The report is prepared in the format annexed to the MSIF Procurement Handbook and is certified by the Local Supervisor and approved by the General Meeting or Representative Meeting of the village.

4.4 PARTICIPATORY MONITORING OF SUB-GRANT IMPLEMENTATION

The participatory monitoring of the CDD Sub-Projects is in conformity with MSIF Participatory Monitoring and Evaluation Manual.

The Local Supervisor, selected on a competitive basis by the CBO, coordinates the participatory monitoring done by Community's members.

The MC also manages and monitors the general progress of CDD Sub-Projects and requires from the Local Supervisor qualitative supervision of renovation works execution.

The MC organizes at least twice a month joint sessions with the contracted civil work company and evaluates the execution of the scheduled activities. The Local Supervisor reports to the MC about the progress of Sub-Project implementation and the problems that appear on the building site, and proposes solutions necessary to put things right.

4.5 MONITORING OF SUB-GRANT IMPLEMENTATION BY MSIF

The Sub-Grant implementation is supervised during execution by two community development consultants (technical and social issues) and a financial auditor, assigned by MSIF. The supervision trips of those three consultants take place on a monthly basis and mandatory before every new tranche disbursed from MSIF, based on a RFT from the MC.

The consultants verify to what extent, how and when the Sub-Grant objectives have been achieved and, at the same time, provide technical assistance to the CBO to improve the quality of activities and build local capacities.

The consultants supervise, verify, provide technical assistance and establish remedy measures in matters concerning the following:

- (a) Involvement of Community by the CBO in the Sub-Grant implementation.
- (b) The stage of implementation of the CDD Sub-Projects included in the Sub-Grant Application from the physical point of view and regarding its objectives, in relation to the work schedule.
- (c) Quality of the executed works.
- (d) Execution of contracts signed by the CBO with different suppliers.
- (e) Sub-Grant management and observance of the procurement procedures for goods, services and works.
- (f) Meeting the requirements of environmental protection.
- (g) Financial management and Sub-Grant's accounting.
- (h) Collection of the necessary funds for further maintenance of the renovated objects.
- (i) Local Supervisors' training.

- (j) Facilitation of Community in all issues pertaining to the Sub-Grant implementation.

5. RENOVATED FACILITIES

5.1 PRELIMINARY AND FINAL HANDOVER

The CBO is responsible to organize the process of preliminary and final handover of the renovated objects, according to MSIF procedures. The preliminary handover takes place with the participation of the contractor, Local Supervisor and MC, and the MSIF consultants in community development (technical and social issues). The contractor corrects the faults found in the period of time agreed between parties and specified in the minutes of handover. During the preliminary handover, the minutes of handover – reception, are signed, where the contractor's guarantees at the end of the contract are mentioned. The process of final handover is organized when the guarantee term expires.

After the preliminary handover, the CBO organizes the General Meeting or Representative Meeting of the village where it presents a report on the Sub-Grant implementation results.

5.2 SUSTAINABILITY

After the final handover of the renovated facilities and the financial closure of the Sub-Grant Application, the invested amounts are transferred from the CBO's balance on the LG's balance.

LG signs a Collaboration Agreement with the CBO regarding the maintenance of the renovated social infrastructure objects and the creation of a Sustainability Fund in this connection.

The steps conducted by CBO at the post-implementation stage are in compliance with MSIF Participatory Monitoring and Evaluation Manual.

FINANCIAL MANAGEMENT

1. GENERAL

1.1 APPLICATION

These procedures shall govern and apply to the financial management of the CBO – community-based financial management.

The community-based financial management is governed by the Credit Agreement signed between the GOM and the WB and the Sub-Grant Agreement signed between the MSIF and the CBO representing the Community.

The CBO carries out the financial management according to the procedures set out in the MSIF Operational Manual and MSIF CDD Manual.

The financial management procedures may be amended only after prior clearance of MSIF and in accordance with the Credit Agreement and the Sub-Grant Agreement.

1.2 CBO RESPONSIBILITIES

Financial management of the Sub-Projects included in the Sub-Grant Application is primary responsibility of the CBO representing the Community, and includes:

- (a) Preparation of Strategic Plan and Annual Work Plan as part of the Sub-Grant Application.
- (b) Development, with MSIF technical assistance, of estimates for CDD Sub-Projects included in the Sub-Grant Application.
- (c) Collection of the Community contribution.
- (d) Not allowing any changes or amendments to the Sub-Project implementation and its cost structure, technical and material specifications, without MSIF authorization.
- (e) Not using of the allocated means for the CDD Sub-Projects for other activities, not specified in the Sub-Grant Agreement, without MSIF authorization.
- (f) Operating and maintenance of bank accounts.
- (g) Effecting the payments under contracts for goods, works and consulting services.
- (h) Keeping the accounting records in conformity with the Republic of Moldova legislation, donor countries' and World Bank requirements.
- (i) Accounting of all expenditures under the CDD Sub-Projects and maintenance of documentary evidence to these expenditures.
- (j) Preparation of progress and completion financial reports.

- (k) Ensuring transparency of Sub-Grant implementation.
- (l) Reporting to Community about the implementation results of the Sub-Grant obtained from MSIF.

2. FINANCIAL MANAGEMENT

2.1 PLANNING

The Community develops a 5-year Strategic Plan for social economic development to be discussed in focus groups and at the General Meeting or Representative Meeting of the village and to be approved by the LG.

- (a) The Strategic Plan includes the following strategic directions: economic, social, cultural, ecologic. For each direction a number of activities in time are developed, as well as their preliminary estimated costs and possible financial sources.
- (b) The Strategic Plan is correlated to the possible extent with the LG's budget and is largely oriented towards the efficient use of financial, material resources and local human potential.

The Community selects at least 2 CDD Sub-Projects to be approved by the General Meeting or Representative Meeting of the village and to be included in the Sub-Grant Application.

CBO prepares Annual Work Plan for each year of operation.

- (a) The Annual Work Plan indicates the CDD Sub-Projects to be implemented in the year and serves as basis of the Sub-Project Budget approval by the General Meeting or Representative Meeting of the village.
- (b) The Annual Work Plan is the control and guiding tool in financial operations of the CBO.

The Sub-Grant Implementation Plan is the control and guiding tool in financial operations of the CBO.

2.2 BUDGETING

The Sub-Project Budget is approved by the General Meeting or Representative Meeting of the village and included in the Sub-Grant Application.

The AO prepares quarterly budgets. The quarterly budgets and expenditures of each previous quarter are approved by the MC.

The Sub-Project Budget shows sources of revenue and applications.

All financial transactions executed by CBO conform to the provisions of the Annual Work Plan and the Sub-Project Budget.

Activities are financed on the basis of available funds from the approved budget less expenditure incurred to date for each item. The CBO does not exceed the budgeted amount for any activity.

The costs by budget items may differ from the initial values but only if the deviation has no impact on the project major objective.

Any changes in the Sub-Project Budget are subject of the MSIF approval. The MC submits a written request to MSIF formulating the change as an annex to the Sub-Grant Agreement.

SOURCES OF FUNDING

Sub-Grant

All implementation activities under the CDD Sub-Projects are funded by the Sub-Grant awarded by MSIF under the terms and conditions of the Sub-Grant Agreement.

MSIF Funding

MSIF disburses financial means to the CBO in tranches. The first tranche is disbursed on the basis of the Sub-Grant implementation plan and the justification of the works included in the plan. The subsequent tranches are disbursed on the basis of RFT, taking into account the execution and finalization of certain works included in the Sub-Grant Application, and based on the report of the community development consultants and the financial auditor after their field trip.

The report of the MSIF consultants includes along with an analysis of the physical execution of works and the Sub-Grant's financial situation, made on the basis of payment documents verification, the consultants' recommendations on whether the next tranche should or should not be disbursed.

Asking for the next tranche, the MC justifies to the MSIF consultants the spending of at least 75% from previous tranche. The justification of the remaining 25% is done with the execution of the next RFT.

The methods of Sub-Grant funds transfers and the terms and conditions of funds disbursements are stipulated in the Sub-Grant Agreement and outlined in this Handbook.

Community Contribution

The Community contributes with an amount equal to 30% of the total cost of Sub-Projects under the terms and conditions of the Sub-Grant Agreement.

The remaining 70% of the total cost of Sub-Projects is financed by MSIF.

20% of the Community investment for social infrastructure objects and 50% of the Community investment for social-economic infrastructure objects is collected in money from the people of the Community themselves.

The Community contribution might be done also in the form of investments in kind.

ELIGIBILITY OF COSTS

The following costs are acknowledged as admissible:

- (a) Costs needed for the CDD Sub-Project implementation, provided for by the Sub-Grant Agreement and compatible with the principles of justification of invested funds and efficient expenses.
- (b) Costs made throughout the CDD Sub-Project implementation and after signing the Sub-Grant Agreement with MSIF.
- (c) Costs actually incurred, recorded in the financial documents, accountable and checked, supported by original documents proving the expenditure.

Admissible Investment Costs

95% of the Sub-Grant amount is for covering the following admissible investment costs:

- (i) Costs for goods, works, and services under contracts awarded on competitive basis.
- (ii) Costs directly related to the contract requirements (distribution of information, project specific assessment, audit, translation, reproducing, insurance, including costs for financial services (costs for bank transfers and guarantees in particular).

Admissible Administrative Costs

A fixed amount not exceeding 5% of the Sub-Grant amount is for covering the following admissible administrative costs:

- (i) Remuneration and statutory payments (income tax, social insurance, health insurance, etc.) for the CBO staff.
- (ii) Travel expenses.
- (iii) Operating costs (water, electricity, telephone, etc.).
- (iv) Costs for consumables and stationary.
- (v) Bank charges

Other Admissible Costs

Costs, related to the CDD Sub-Project, paid in kind are acknowledged as eligible costs:

- (i) Costs related to the preparation of the Sub-Project, such as development of technical documentation, issue of permits and coordination of different activities with the authorized bodies.
- (ii) Costs for activities directly related to the Sub-Project implementation, such as supervision of implementation.

2.3 ACCOUNTING SYSTEM

The AO keeps accounting records in conformity with the Republic of Moldova legislation, donor countries' and World Bank requirements.

2.4 FINANCIAL REPORTING

REPORTS TO MSIF

Monthly Reports to MSIF on:

- (i) Statement of Expenditures
- (ii) Summary report for the period
- (iii) CDD Sub-Project Progress Report

REPORTS TO MAYORALTY/PRIMARIA COUNCIL

Monthly Reports to LG of the village/small town in compliance with the Moldavian Law:

- (i) Statement of Expenditures
- (ii) CDD Sub-Project Progress Report

FINAL REPORT

After the total amount of the Sub-Grant is spent, the CBO calls the General Meeting or Representative Meeting of the village where it presents its Sub-Grant final financial report, which provides details of funds received from MSIF, expenditures incurred by category, and the balance of funds, as well and supporting documentation.

- (a) These are available for inspection by any interested member of the Community during the meeting.
- (b) Minutes and attendance records of these meetings are kept.

2.5 AUDITING

The financial review takes place before every new tranche disbursed from MSIF, based on RFT from the MC. The report of the MSIF financial auditor on Sub-Grant's financial situation is prepared on the basis of payment documents verification.

Before making the last tranche, the MSIF financial auditor conducts a revision of the financial resources allotted for the Sub-Grant to see if there are any unused financial resources and in order to do the transfer in strict conformity with the de

facto expenses. If during the implementation of the last tranche some financial means are saved they will be at the disposal of the CBO for further implementation of the Community Strategic Plan.

Before Sub-Grant closure, the MSIF financial auditor submits to MSIF a final report, which confirms that: (i) all the granted amounts have been used according to their destination stated in the Sub-Grant Agreement, and (ii) the unspent amounts after the last tranche remains on the CBO's bank account and are used for development or sustainability of the CDD Sub-Projects.

3. FINANCIAL PROCEDURES

3.1 SUB-GRANT AGREEMENT

The Sub-Grant Agreement outlines the agreed financial procedures and specifies the terms and conditions under which the Sub-Grant funds may be used.

3.2 TAXES

The Sub-Grant and the Community contribution are VAT exempt in accordance with the Credit Agreement between the Government of Moldova and the World Bank.

3.3 CURRENCY

In accordance with National Bank's regulations and instructions, all payments under the Sub-Grant implementation are carried out in MDL.

3.4 SUB-GRANT CLOSURE

The closure of the Sub-Grant is in three steps: a) preliminary and final handover of the renovated objects supported by MSIF, b) financial closure of the grant, c) transfer of the invested object from the balance of the CBO on the balance of the LG.

The financial-administrative closure of the Sub-Grant is done by re-allocating the remaining amounts after the disbursement of the last tranche; bringing to MSIF the copy of the extract from the CBO's bank account with a zero balance, and the current and final financial statement; bringing up to date the sustainability plan of the renovated facilities with an indication of concrete sources of funding the activities included in the plan.

4. ACCOUNTING POLICY

4.1 GENERAL

All accounting procedures followed by CBO are in compliance with the guidelines provided in the MSIF Operational Manual and are executed in conformity with the Sub-Grant Agreement.

To guarantee the Community commitment and accountability, MC keeps regular and precise record about the Sub-Grant implementation and maintains in a separate record a full financial and accounting report. The MC stores the project documents within a course of two years after the final payment is accomplished. Copies of all financial documentation under the Sub-Grant are sent to MSIF together with the every RFT.

The MC undertakes the following activities:

- (a) Open and work with bank accounts and bank statements.
- (b) Maintain a cashbox and a petty cashbook for cash expenditures.
- (c) Maintain payment orders, receipts, and other documentation such that all expenses have corresponding documentary evidence.
- (d) Maintain a stock register to record materials kept for more than one or two days before use.
- (e) Submit a written report to the MSIF on the current financial and physical status of the CDD Sub-Projects, and attach all documentary evidence of expenditures made, including the most recent bank statement when requesting disbursement of the next tranche of Sub-Grant funds;
- (f) Maintain a Community Contribution Register to record any contribution (cash, labor, materials etc.) from the Community in the course of CDD Sub-Projects implementation.

4.2 BANK ACCOUNTS

CBO maintains three types of bank accounts to ensure proper funding and disbursements during the Sub-Projects implementation. All three local currency accounts are opened in a Commercial Bank.

Sub-Grant Account

The Sub-Grant Account is maintained for Sub-Grant funds transfer to the CBO against RFT in MDL. The account is used to

- (a) Pay suppliers, contractors and consultants in MDL in proportion of eligible percent indicated in the Sub-Grant Agreement.
- (b) Pay income tax, social insurance, health insurance, etc. of CBO staff identified in this Handbook.
- (c) Pay for water, electricity, telephone, and other admissible operating costs.

Contribution Account

The Contribution Account is maintained to collect Community contributions in MDL. The account is used to pay suppliers, contractors and consultants in MDL in proportion indicated in the Sub-Grant Agreement.

Administrative Account

The Administrative Account is maintained to cover CBO's administrative (operating) costs in MDL, which are not recognized as admissible CDD Sub-Projects costs.

4.3 CASH WITHDRAW

Cash withdraws from the Sub-Grant Account are made for

- (a) Payments for goods to small suppliers against invoices.
- (b) Payments for consumables and stationary.
- (c) Salaries of CBO staff.
- (d) Advance payments for staff's business trips.

Cash withdraws from the Contribution Account are made proportionally.

The AO is responsible for keeping, using and accounting for cash.

In order to withdraw cash from a CBO's bank account the AO completes the receipt from the cashbook, indicating the purpose of carrying out that operation, the amount, and the date of completing the receipt.

The AO completes for payment of cash Payment Order indicating the number of the payment order, the date of the operation and of the petty cash receipt by the payee, payee's name, the basis for making the payment, and data from the beneficiary's invoice and/or identity card.

For all cash payments payees must sign a petty cash receipt.

4.4 BANK TRANSFERS

Bank transfers are made to

- (a) Pay suppliers, contractors and consultants contracted for CDD Sub-Projects implementation.
- (b) Pay for income tax, social insurance, health insurance, etc. of CBO staff identified in this Handbook.
- (c) Pay for water, electricity, telephone.

Banking transfers are performed based on payment orders, indicating the CBO's fiscal code, bank code number, beneficiary's bank account number, the transferred amount, purpose of the transfer, and supporting documents (contract, commercial invoice, etc) serving as a legal base for the transfer.

The payment order requires signatures of the two authorized staff – MC Chairman and the AO and CBO's seal.

4.5 PAYMENTS

SUB-GRANT PAYMENTS

Sub-Grant payment is made by a bank transfer of tranche against RFT submitted by CBO within 10 working days after the MSIF community development consultants and financial auditor verify the completed activities and the payments done to suppliers, contractors and consultants by CBO and approve them in whole.

The payments are made to CBO's Sub-Grant Account in MDL.

In case if some payments made by the CBO are not approved by the community development consultants and financial auditor because of: (i) poor quality of the works or services provided or (ii) expenditures or amounts not eligible pursuant to the budget or the Sub-Grant Agreement or (iii) are not justified by the evidence provided to the financial auditor, the MC promptly upon notice from MSIF

- (a) Requests the relevant contractor or consultant to redo the work or services at the satisfactory level and provide the evidence of new quality; or
- (b) Refunds to the Sub-Grant Account an amount equal to the amount of not eligible expenditures; or
- (c) Provides additional evidence to MSIF for justification of payments done.

Unless MSIF otherwise agrees, no further payments of tranches is made.

ADVANCE PAYMENTS

To Suppliers and Contractors

The advance payment does not exceed 20% of the value of the contract.

No advance payments are given for supply of goods or execution of civil works unless provided for in the contract and such advance has to be secured by a bank guarantee.

- (a) The form of bank guarantee for advance payment is annexed to the MSIF Procurement Handbook and is used in bidding documents for procurement of goods and works issued by CBO.
- (b) The bank guarantee has to be issued by a commercial bank with a stable rating, for a term of at least 10 days longer than the contract term.

To CBO Staff

Payments to staff for local trips are granted according to standards approved by the Ministry of Finance of Moldova.

Travel expense report showing the accounting and required documentation must be submitted three days upon return.

4.6 SUPPORTING DOCUMENTS FOR PAYMENTS

SUB-GRANT FIRST TRANCHE

The MSIF transfers the first tranche of an amount equal to 15% of the Sub-Grant to initiate activities according to the approved Sub-Budget, which is part of Sub-Grant Agreement, upon signing of the Sub-Grant Agreement and against:

- (a) RFT fully completed, sealed, and signed by MC Chairman and the AO, which contains the MIS generated CDD Sub-Project number assigned at proposal stage, date of the Sub-Grant Agreement, name of the CBO, CBO's bank account details, the amount requested for payment, date of completing the request form.
- (b) Copy of Sub-Grant Agreement.
- (c) Copy of Sub-Grant implementation plan.
- (d) Letter of Guarantee from the LG confirming that the Community contribution is collected and deposited in the CBO's Contribution Account.

SUB-GRANT TRANCHES

CBO request for payment of each tranche is made only after 75% of the previous payments have been spent, as evidenced by bank statements.

The MSIF transfers the tranche against:

- (a) RFT fully completed, sealed, and signed by MC Chairman and the AO, which contains the MIS generated CDD Sub-Project number assigned at proposal stage, date of the Sub-Grant Agreement, name of the CBO, CBO's bank account details, the amount requested for payment, date of completing the request form.
- (b) Copies of all financial documentation supporting the expenses claimed for the previous tranche amount (original statements of accomplished works; or in case of delivery of goods or materials, original receipts or invoices; or in case of consultancy, a short description of the work completed).
- (c) Report of MSIF Community Development Consultants verifying the completion of activities in compliance with the terms and conditions of Sub-Grant Agreement and approving the activities claimed.
- (d) Auditor's Report approving the payments done and confirming that 75% of the previous tranche amount is spent in accordance with the terms and conditions of the Sub-Grant Agreement.

PAYMENTS TO SUPPLIERS/CONTRACTORS/CONSULTANTS

CBO makes payments to Suppliers/ Contractors/Consultants against the following documents:

Civil Works

- (a) Advance Payment (based on bank guarantee)

- (i) Contract
 - (ii) Bank guarantee
 - (iii) Contract record showing terms of contract
 - (iv) Invoice.
- (b) Next Payments
- (i) Contract record showing terms of contract
 - (ii) Statement of Accomplished Works (SAW), which contains information concerning works carried out from the initial moment, or from the last payment before its elaboration, the volume of carried out works, materials spent, mechanisms used, and the amount of money to be paid. SAW contains also information about the volume of works, the amount of materials, and Community' contribution in kind.

SAW is checked and signed in the following order:
 - The Local Supervisor
 - The MC Chairman
 - The MC Accountant
 - The Mayor
 - (iii) CDD Invoice.
- (c) Final Payment
- (i) Contract record showing terms of contract
 - (ii) Works Completion Statement (WCS), issued by the Local Supervisor after checking the volume and quality of accomplished works and after the removal of all defects by the contractor

WCS must be checked and signed in the following order:
 - The MC Chairman
 - The MC Accountant
 - The Mayor
 - (iii) Invoice.

Goods

- (a) Contract – for first payment only
- (b) Contract record showing terms of contract
- (c) PO approved by the MC
- (d) Goods Received Note (GRN) checked and signed by the AO
- (e) Invoice.

Consulting Services

- (a) Contract and Terms of Reference – for first payment only

- (b) Contract record showing terms of contract
- (c) Consultant's report approved by the MC
- (d) Timesheets or invoice.

PAYMENTS TO STAFF

CBO makes payments to staff against the following documents:

- (a) Contract and Terms of Reference – for first payment only.
- (b) Remuneration journal showing calculation of amount payable.
- (c) Timesheets signed by staff and the AO.

PENSION, SOCIAL FUND AND MEDICAL INSURANCE

CBO makes payments for Pension, Social Fund and Medical Insurance of staff against the following documents:

- (a) Remuneration journal
- (b) Subsidiary ledger.

TRAVEL ADVANCE AND TRAVEL EXPENSES

CBO makes payments to staff against the following documents:

- (a) Travel order signed by CBO Chairman and the AO
- (b) Travel authorization
- (c) Hotel receipts
- (d) Fax and communication receipts.

OFFICE COSTS

CBO makes payments for office costs against the following documents:

- (a) Overhead (water, electricity, heating) and telecommunication costs – invoices from service providers
- (b) Transportation - driver's register, indicating the time and place when the driver worked for CBO, speedometer data at the beginning and at the end of working day, name of passenger(s), signed by staff and the AO.
- (c) Stationary and office maintenance – contract, commercial invoice, receipt.

4.7 BOOKKEEPING

Accountable documents contain pre-printed serial numbers; document name; date of issue; name and description of financial transaction; quantity, unit and total price; the AO and signature; CBO's seal.

The AO takes custody of these documents and is responsible for their safety movements and register.

These documents are, but not limited to:

- Ledgers
- Invoice books
- Receipt books
- Payment Order books
- Purchase Order books
- Goods Received Notes books
- Requisition Note Books
- Store Records

The AO is responsible for bookkeeping for all CBO financial transactions. The accounts are kept in accordance with Moldova National Accounting Standards (NAS). The accounts are presented to the MC and the MSIF auditor.

The AO ensures the entry of financial transactions during the fiscal year are supported by legal and other supporting documents.

CBO maintains double-entry accounting of its operations in conformity with Moldavian Accounting Law.

The AO maintains adequate information on all items in stores. The information includes:

- description of item
- date item was received
- quantity of the item
- stated condition of the item.

The AO updates the records regularly and reviews the records regularly to ensure that the records are up to date. On receipt of goods, The AO checks the goods to ensure that they conform to the PO in terms of quality and quantity and raises a GRN for stock records.

4.8 FIXED ASSETS

FIXED ASSETS POLICY

CBO's fixed assets policy is based on Moldova NASs.

The AO keeps a Fixed Assets Register, which is updated regularly to give a complete record of assets purchased or received. Each asset has an identification code, value and depreciation. All assets are insured to cover such contingencies as fire, theft, loss due accident and third party liabilities on injury/loss to property and persons.

Fixed assets are reflected in financial statements at their net value, which is historical cost less the accumulated depreciation.

DEPRECIATION

Fixed assets categories and the depreciation norm are as per the Fiscal Code. The method of residual value (decreasing balance), based on NAS 16 is used for calculating the depreciation. Depreciation is calculated once per year as of December 31.

MAINTENANCE OF FIXED ASSETS

All serviceable fixed assets are subject to regular maintenance and service. Proper records are kept showing the frequency and cost of maintenance service.

5. INTERNAL CONTROL

5.1 CONTROL ENVIRONMENT

CBO control environment covers the following areas:

- (a) Adequate organizational structure enabling the MC to monitor and control activities.
- (b) MC, which is involved in monitoring the decisions and activities of CBO thus reducing the likelihood of unauthorized acts.
- (c) Competent management/key staff providing sufficient coverage in all CBO key functions.
- (d) Realistic and based on reasonable assumptions CDD Sub-Projects budget.
- (e) Adequate Community Handbook used to control activities and to ensure staff accountability.
- (f) Effective and independent auditor familiar with Moldavian Accounting Law and WB financial requirements.

5.2 ACCOUNTING SYSTEM

CBO has adequate written statements and explanations of its accounting policies and procedures such as:

- (a) CDD Manual
- (b) Community Handbook.
- (c) Chart of Accounts.
- (d) Specification of accounting records, accounting procedures and the required supporting documentation.
- (e) Assignment of responsibilities and delegation of authority.
- (f) Documentation and approval requirements for recording transactions and making journal entries.

5.3 BANK AND CASH BALANCES

CBO has procedures for effective checks such as:

- (a) Comparison of payment orders with disbursement records.
- (b) Examination of actual signatures and endorsements with those authorized.
- (c) Numerical sequence of payment orders.
- (d) Reconciliation of general ledger and other accounts.
- (e) Comparison between bank statements and accounting records regarding amounts and dates of sums received.
- (f) Checking the calculations of the columns and rows of cashbooks, and reconciling the balances on the cashbook and bank statements at regular intervals.