



FKEE

FONDI I KOSOVËS PËR EFIÇIENCË TË ENERGIJË
KOSOVSKI FOND ZA ENERGETSKU EFIKASNOST
KOSOVO ENERGY EFFICIENCY FUND

Terms of Reference (TOR)

Ref. no: KEEF/2.11/CQ/2020

(Consulting Services - Accounting Firm)

Accounting firm for assessing KEEF needs and develop FM policy (accounting methodology, financial reporting procedure, internal/external audit policy)

Kosovo Energy Efficiency Fund (KEEF) is looking for Finance and Management Consulting Company and Appraising Services in Pristina- Kosovo. The objective of this work is assessing Kosovo Energy Efficiency Fund (KEEF) needs and develop Financial Management (FM) policy such as accounting methodology, financial reporting procedure, and internal/external audit policies, identify suitable software, and provide initial training.

1. INTRODUCTION:

Kosovo Energy Efficiency Fund (KEEF) has been established as an independent, autonomous and sustainable non-profit legal entity, at the service of the public interest, pursuant to the Law No. 06/L-079 ON ENERGY EFFICIENCY (LoEE), to serve as the primary financier for municipal EE building renovations in Kosovo going forward. The KEEF is now developing its marketing strategy and investment plan to finance EE projects not served by commercial banks, starting with the municipal sector. The KEEF would allow its capital to revolve over time, and thus seek to become a sustainable financing and implementation agency. With the successful implementation of the Kosovo Energy Efficiency and Renewable Energy Project (KEEREP), government, EC, and World Bank funds have been used to capitalize KEEF. KEEF is planning to invest into and implement more than 100 municipal projects over the next 1-2 years to increase energy efficiency in buildings and street lighting and, more importantly, create a permanent institutional structure and financing mechanism that can continue to renovate public buildings and public lighting, and eventually expand to other markets.

KEEF's governance, organization and financing structure

KEEF's operations are overseen by the KEEF Board of Directors and Executives. KEEF has full operational and administrative autonomy and functions outside the framework of the Kosovo governmental structures and the Kosovo Civil Service, and is not considered as budget organization in terms of Law No. 03/L-048 on Public Finance Management and Accountability (OG No. 2008/27) and Law on Budget of Republic of Kosovo. (Art. 25/4) KEEF has the right to contract, sue and be sued in its own name, own assets, invest in energy efficiency projects and receive any return of investment, receive and provide grants and donations and other financial instruments to achieve its objectives as provided by the Law. (Art. 25/3). KEEF operates in accordance with Laws of Republic of Kosovo and, depending on the source of funds, and complies with the rules and conditions of international financing agreements that supersede the local legislation for the use of these funds.

Organizational structure of the KEEF comprises 2 sectors and 3 services units, that are day-to-day managed by "heads" (Director of Finance and Director of Operations, respectively in case of sectors), the General Services and two managers (Main Office and Secretariat, respectively), and they all report to the Managing Director

(MD). Currently the fund has in total seven employees, and one financial management staff. For more information on the KEEF's operations, law and regulations please refer to <https://fkee-rks.net>.

Initial capitalization of KEEF comprises (i) IDA financing of Euro 5 million Kosovo Energy Efficiency and Renewable Energy Project (KEEREP), (ii) Instrument for Pre-Accession Assistance (IPA) (2017), under action entitled "EU Support to the Energy Efficiency Fund", with a grant of €9.36 million; and (iii) annual allocation from the state budget as co-financing under IPA grant facility. Sources of financing are agreed annually based on an investment plan prepared by KEEF and approved by its Board. The plan would include an estimate of the annual investment requirements and proposed sources of financing for each subproject (i.e., IDA, EU-IPA grant, GOK contribution). All financial resources allocated to KEEF from Government of Kosovo, International Financing Institutions or other donors, will be the purpose of support to investments in energy efficiency.

KEEF objectives and operations

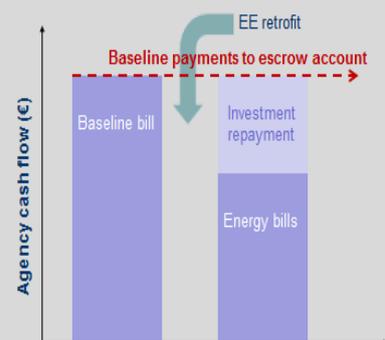
KEEF would seek to develop and test more innovative financing mechanisms, such as energy service agreements (ESAs), to finance agreed EE subprojects in municipal buildings, with ESAs not classified as municipal debt. KEEF would provide a full-service package—energy audit, technical design, contractor procurement and oversight, environmental and social safeguards, energy savings measurement and reporting. In return, the municipality would agree to repay the energy cost savings achieved for an agreed period (up to 15 years)¹. KEEF would need to charge reasonable fees to cover its financing, operational and subproject preparation costs (e.g., energy audits, technical designs) to be sustainable by the end of the Project.

The KEEF shall ensure the quality and accuracy of services and works performed by any of its contractors. In addition to outsourcing of technical assistance services by KEEF, the KEEF will provide project coordination, management, administration according to best international practices and ensure regular reporting to IFIs / donors providing financial resources to the Municipal Buildings EE projects, based on International Financial Reporting Standards.

As the first priority, the Fund shall focus on existing Municipal Public Buildings and Municipal Street Lighting Systems owned or occupied, operated / maintained and energy bills paid by the municipalities. It is expected that such projects will generate demonstrable energy cost savings and social co-benefits (e.g., improved indoor temperature and comfort, reduced occupant sick days, better indoor air quality, and reduced local/global pollution).

Box 1. Energy Service Agreements

Under an ESA, KEEF would offer a full package of services to identify, finance, implement and monitor EE projects for public clients. KEEF will then subcontract audits, design and implementation to local contractors. The municipality would be required to continue to make their 'baseline energy bill payments' or energy saving repayments into an escrow account, which are then used to pay their reduced bills and repay the investment and associated fees, until the contract period ends. The figure on the right illustrates the basic idea of the municipality's cash flow under the ESA, with payments equal to their baseline energy bill. Such a scheme only requires the agency to pay what it is paying today without taking on associated investment risks. In some cases, the contract duration is fixed; in other cases, the contract can be terminated after an agreed level of payment has been made, which can encourage the client to save more energy.



As defined in the LoEE, ESA will not be classified as municipal debt, since it is a long-term contractual commitment. Such a scheme provides major advantages to the client since it is relatively simple to carry out, does not require debt financing and poses little risk. However, public clients must show demonstrated energy bill payment discipline, have sufficient baseline data and have met basic internal levels of comfort.

The volume of returned resources in a year is subject of a payback period calculated on the basis of "projected

¹ Some municipalities may have repayment amounts slightly higher than the energy cost savings, if their buildings were previously overheated.

energy cost savings” against the initial investment cost (increased for lawful fees and charges in return to TA required and project management costs occurred on the side of the Fund). In any year, the working capital of the KEEF would thus be a combination of financial sources from (initial and possibly additional external) capitalization plus the returned repayments from the beneficiaries. With additional (re)capitalization after the initial capital is exhausted, the Fund would be better enabled to continue investments in subprojects and work toward self-sufficiency. Flow of funds between KEEF and other participants are shown in Figure 1 below:



KEEF will support the municipalities with two sources of financing under:

- Revolving component (in the form of Energy Service Agreements, see Box 1), and
- Non-revolving component (in the form of Non-Refundable Funds – Grants and any Other Instrument in accordance with the LoEE)

Rationale for the assignment

Under sub-component Part 3 “Project Implementation Support” provisions are made to support the newly established Fund to develop and implement financial management systems following best practice and international standards. This entails development of financial management policies, accounting methodology and financial management procedures, implementation of an accounting and financial management system appropriate for the KEEF operations and size of activities, and capacity building financial management staff as well as management on financial accountability. A consultant will be selected in accordance with World Bank’s Procurement Regulations for IPF Borrowers’ (the Regulations), issued July 2016, and revised November 2017, and Aug 2018 for the supply of goods, works, non-consulting and consulting services.

2. OBJECTIVE:

The objective of the assignment is to assist KEEF to develop and maintain financial management systems and reporting in fully compliance with IFRS standards. The assistance will be focused on:

- Establishing KEEF's financial management rules over the operations of KEEF, including general principles, budget, accounts and asset management, procurement, internal audit and external audit.
- Establishing unified IFRS-compliant accounting policies and standard procedures over financial reporting process.
- Enhancement of the knowledge base and skillset of KEEF board and management through specific training sessions built around financial monitoring, control environment, transparency and disclosure requirements; and staff tasked with financial management on IFRS standards and financial management discipline.

3. SCOPE OF SERVICES:

KEEF wants to obtain the assistance of a specialized financial management consultant to work alongside with its staff to address develop financial management capacity. The proposed activities under this consultancy will include:

I. Financial management rules.

- (a) Obtain an understanding of the KEEF's organization, operations and current governance, operations and administrative policies.
- (b) Design and formalize KEEF's financial management policies/rules over the operations of KEEF, including general principles, budget, accounts and asset management, procurement internal audit and external audit. Propose adjustments to current policies if areas of discrepancy are identified.

II. Accounting methodology.

- (c) Review the KEEF operations and design and formalize of suitable accounting policies and methods, including tools, formats and procedures on management judgments and key assumptions in accordance with IFRS;

III. Financial reporting procedures.

- (d) Review the functions and positions related to financial management and provide recommendation for improvement and propose adjustments to the job descriptions if necessary.
- (e) Develop improved internal controls procedures, including formats and tools, over financial reporting process, which comprise all relevant transaction cycles, journal entries, financial reporting closing activities and consolidation process.
- (f) Review the chart of account and propose adjustments to comply with IFRS requirements.
- (g) Based on the above, develop the required functionalities for an accounting and financial management system suitable for KEEF operations, and accounting and financial reporting requirements.
- (h) Identify accounting and financial management software solutions for suitable for KEEF operations, and its accounting and financial reporting requirements. The solutions should reflect organization's needs and designed to provide the financial information required by all interested parties and fulfill all the legal and regulatory requirements. Provide the strengths and weaknesses of each solution and cost estimates.

IV. Training. Training of staff on the financial accountability, accounting and financial procedures;

- (i) Assess training needs of KEEF's staff, including board and management, of financial accountability, accounting and financial procedures;
- (j) Develop comprehensive training material and deliver formal training (one day training session) to KEEF management and board members in the Albanian language on aspects of corporate governance, financial monitoring, control environment, transparency and disclosure requirements applicable to KEEF (taking into account the accounting policies and financial reporting procedures developed).
- (k) Provide on the job training on the accounting methodologies and standard procedures over financial reporting process along with all tools, templates and procedures to be used in the future by KEEF management and staff. The Consultant shall develop and deliver very specific training with hand-on materials and deliver such training to KEEF staff in the form of side-by-side coaching and on-the-job mentoring.

4. STAFF REQUIREMENTS

The implementation of this assignment requires the Consultant to establish a team including but not limited to the following expertise:

- Team leader with not less than 15 years of experience in auditing of financial reporting of which at least five years shall be experience in the energy efficiency sector and/or in similar organization as KEEF. The team leader shall be a certified accountant.
- An Accounting Expert with not less than ten years of progressive financial management experience and qualified as certified accountant.
- Accounting and FM expert specialized in capacity building and training discipline with not less than ten years of progressive work experience in capacity building discipline.

All experts shall preferably have previous experience in the Balkans, have good verbal and written communication skills in English and be proficient in MS Office programs.

The qualification of key staff (or their CVs) will not be taken into consideration for the shortlisting/evaluation criteria above. The first ranked/successful consulting firm will be required at contract negotiations to provide the required key staff with respective qualification requirements.

5. INPUTS/FACILITIES TO BE PROVIDED BY THE CLIENT

KEEF will provide to the Consultant all available documentation and data needed to compile the reports and complete the training and are related to the scope of assignment.

The Consultant will work closely with KEEF counterpart staff.

KEEF will provide the Consultant with office space during the Consultant's stay on site.

6. GENERAL REQUIREMENTS

The Consultant's Team Leader shall liaise with KEEF Authorized Representative stated in the Contract.

KEEF shall coordinate the work of the Consultant with other consultants working in other Rationale for the assignment.

A consultant will be selected in accordance with World Bank's Procurement Regulations for IPF Borrowers' (the Regulations), issued July 2016, and revised November 2017, and Aug 2018 for the supply of goods, works, non-consulting and consulting services.

The selection process will follow the selection based on Consultants Qualification (CQ) method, as defined in the mentioned Procurement Regulations.

7. SELECTION PROCES AND EVALUATION CRITERIA

Applications submitted by the firms will be first screened against minimum qualification requirements listed below:

Qualification requirements for the consulting firm:

- Minimum ten (10) years of practical experience and skills to provide cost efficient, accurate and timely Accounting, Assurance, Advising and Financial Outsourcing Services **60%**
- Relevant experience in working for governments and/or international organizations on consultancy assignments, especially in Management and Strategic, Apprising and Assurance, Accounting and Tax Advisory, and Finance and Consulting Services **40%**.
- Capability to deploy good communication expertise in English Language.

8. DELIVERABLES AND PAYMENT SCHEDULE

The deliverables for each task will be submitted to and approved by KEEF per contract condition. The firm must obtain approval for each deliverable before moving to subsequent tasks. All deliverables need to be in English language.

Task	Deliverable	Deadline (months after contract signing)	Payment (% of total payment)
1	FM rules/policy	2 months after signature	20%
2	Accounting methodology	3 months after signature	30%
3	Standard Procedures	3 months after signature	20%
4	Functionalities and requirements of the software and available solutions	3 months after signature	20%
5	Training	4 months after signature	10%

9. Timeline

The assignment is expected to start immediately following the contract signature and shall be completed within 6 months timeframe.