

## **Support of Elaboration of the draft municipal budgets 2023 in accordance with the programme budget methodology**

### **Brief description of the Programme**

Programme Name: Good Governance for Local Development in South Caucasus (GGLD)

Objective: public institutions in the South Caucasus region are better able to provide citizen-oriented public services at the local level in a sustainable and environment friendly manner in accordance with the principles of democracy, rule of law and transparency that improves the living conditions of local population.

Basic fields of action:

- a) Improving the legal and institutional framework for providing citizen-oriented public services;
- b) Strengthening the capacities of key stakeholders to deliver citizen-oriented services and to finance them;
- c) Introducing public participation mechanisms for the engagement of citizens in service delivery;
- d) Strengthening the procedures, institutions and instruments of regional and local economic development;
- e) Promoting exchange of experience and cross-border learning.

Programme duration: 01/04/2020 – 31/03/2023

### **Background Information**

Reforms in the field of public finance management have been actively implemented in Georgia during the last decade. Full introduction of result-oriented so called program budget has occupied a special place in this regard. Back in 2010, the Budget Code of Georgia defined that the elaboration of draft municipal budgets in accordance with program format would become mandatory from 2013. Therefore, by the decree # 385 of the Minister of Finance of Georgia of July 8, 2011, the methodology of elaboration of the program budget was approved. The methodology defined the basic principles of program budget elaboration, approval and implementation for the state budget as well as for the autonomous republics and local governments.

Municipalities in Georgia have been actively working on the program budgeting in the preceding period. Significant changes have been made in this direction in all

municipalities. The Ministry of Finances of Georgia and international donor organizations, including Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), have been actively involved in this process.

Despite the achieved progress in the area of program budgeting, further improvement of the existing program format and introduction of the best internationally acknowledged practices are on the agenda. In 2015, changes have been made in the approved methodology of program budgeting by the Ministry of Finances of Georgia, in particular, in the part which regulates program format of the state budget. Therefore, since 2016, programs of the state budget have been elaborated in accordance with the updated format.

Similar changes have been made for autonomous republics and local governments in 2018. Particularly, by the decree #283 of the Ministry of Finances of Georgia of July 28, 2018, changes have been made in the basic document. According to the changes, municipalities became obliged to elaborate, approve and implement the budgets in accordance with the updated program format from 2019.

Changes made to the methodology foresee many novelties. The changes impacted budget as well as its' accompanying documents; Furthermore, in the process of budget elaboration the methodology established obligation of additional documents; the major updates could be defined as follows:

- More emphasis are made on the correct elaboration of document of priorities;
- Elaboration of the medium-term plans for municipalities have become mandatory;
- The format and structure of the budget are described in details;
- Budget accompanying documents and the format of their elaboration - program and capital budgets, non-entrepreneurial (non-commercial) legal entity (NNLE) budgets - became more specified;
- The phases and schedule of drafting the budget became more specified and clearly described;
- The forms of programs/sub-programs/measures have been defined;
- Estimations methodology for the types of programs such as management and regulation have been separated and defined;
- The structure of budget fulfillment report has been defined.

Public finance management assessment by applying PEFA indicators has been actively carried out in Georgian municipalities over the recent years. By this stage, the assessment has been made in many municipalities. On the basis of the Government Decree # 2735 of December 30, 2019, the Ministry of Finance of Georgia and municipalities signed a "Memorandum of Cooperation on Supporting the Improvement of Finance Management by Municipalities under the Framework of Public Finance Management Reform Strategy 2018-2022" in order to encourage the measures to be taken by the municipalities to eliminate the gaps identified in the assessment process. Medium-term planning and program budgeting represents the first and one of the main directions of memorandum.

## **Objective of the Assignment**

The objective of the assignment is to support Terjola, Khashuri and Akhalkalaki municipalities in the process of fulfilling their obligations under the memorandum signed with the Ministry of Finance of Georgia. For the purposes of this assignment the municipalities were selected in an agreement with the Ministry of Finance of Georgia.

The contractor will assist municipalities to elaborate the document of priorities for 2023-2026, medium-term action plan for 2023-2026, draft budget of 2023 and its accompanying documents. Consultations will be carried out for civil servants and the relevant forms (instructions) will be provided to them about the following issues:

- Elaboration of the document of priorities and existing programs in them;
- Elaboration of the medium-term action plan;
- Elaboration of the annual budget in accordance with new structure;
- Elaboration of the budget programs and sub-programs with the new format;
- Elaboration of program and capital appendices;
- Definition of the basic and target indicators of the program and sub-program measures;
- Other novelties related to the methodology.

The contractor should provide draft if citizen guide for the municipalities to the draft budget of 2023 along with the completion of the above mentioned assignments. The Citizen Guide will briefly and easily describe the main priorities and programs of the draft budget. Revenues and expenditures of the municipality will be analyzed in accordance with past, current and planned years

In the implementation process of the project, local government officials will be provided with an information about the importance of program budgeting, the need of the involvement of the municipal officials in drafting the budget in a program format, and all the target indicators which will make their future decisions even more reasonable and substantiated.

For the project objectives to be successfully achieved, the service provider/contractor should have active, almost daily contact with the head of the municipal financial department and the staff. In addition, the service provider should actively collaborate with the municipal mayor, deputy mayors, heads of various departments and GIZ. Frequent face to face meetings with various municipal officials are expected. In addition, they should focus on the responsibilities of the sectorial service, to provide the necessary information to the financial division in a timely and competent manner. The objective of the assignment is also to gather experience gained during the process and to highlight the future topics in the field of training for regional actors.

## **Project objective and outcome**

### **The project objective:**

Under the objective of the project, the service provider should support municipalities to elaborate the document of priorities for 2023/2026, medium-term action plan of municipalities for 2023-2026, draft budget of 2023 (including accompanying documents) and the citizen guide to the draft budget of 2023. Assistance is provided by carrying out proper consultations to the civil servants of municipality, providing with appropriate forms and instructions, and defining the relevance of information prepared by the Financial Division to the new methodology.

### **The project outcome:**

Municipalities possess the budget documents relevant to the updated methodology of program budgeting approved by the Minister of Finance of Georgia. The documents include:

- Document of priorities for 2023-2026 - along with corresponding format and structure;
- Medium-term action plan for 2023-2026 - along with corresponding format and structure;
- Programs introduced in the document of priorities and medium-term action plan for 2023-2026 - along with basic and target indicators;
- Draft budget of 2023 - along with relevant format and structure;
- 2023 Appendix of the draft program budget of 2023 - including programs and sub-programs introduced in them along with basic and target indicators;
- The capital appendix of the draft budget of 2023
- The citizen guide to the draft budget of 2023.

Municipalities possess all the aforementioned documents, except the citizen guide, no later than November 25,2022; and the citizen guide no later than December 5 , 2022.

**The conclusions and challenges related to the budgeting process should be submitted to the GIZ no later than December 23, 2022.**

## **The phases and duration of the project implementation**

The project will be implemented from 10.10.2022 to 23.12.2022.

### **The Project Phases:**

The project consists of 2 major phases:

Phase 1 - Determination of the basic indicators for existing programs and sub-programs and adjusting them to the new format; Elaboration of the medium-term action plan;

Phase 2 – Drafting the document of priorities, draft budget and its accompanying documents (program and capital budgets appendices); drafting of the citizen guide.

### **Implementation periods of the project phases:**

Phase 1 will be implemented from 10.10. to 05.12 periods.

Phase 2 will be implemented from 05.12. to 23.12 periods

During the implementation process, the service provider closely cooperates with GIZ (contact person - Ketevan Vardiashvili).

Within the framework of close cooperation with GIZ, the service provider collaborates and provides information to the Budgeting Department of the Ministry of Finance of Georgia.

### **Involvement**

The service provider will hold meetings in municipalities. The service provider will frequently work locally in municipalities, with corresponding local government's officials and civil servants.

During the project phase, the service provider will have communication with the mayor of municipality (Deputy Budget Curator), with the head of Financial Division and the staff.

In case of needs, the service provider will hold the meetings with the representatives of municipal council.

The service provider will collaborate with the Budgeting Department and Treasury Division of the Ministry of Finance of Georgia.

### **Reporting**

Reporting for GIZ will be done upon request of GIZ, also according to the following schedule:

- Initial report: no later than November, 15, 2022
- Final report: no later than December 23, 2022

Reports should include the following information:

- Initial report (phase 1) Terjola, Khashuri and Akhalkalaki medium-term action plan for 2023-2026, basic indicators of the relevant programs and sub-programs;
- Final report (phase 2) Terjola, Khashuri and Akhalkalaki the document of priorities of municipalities for 2023-2026, draft budget of 2023 and its accompanying documents (budgets of NNLE, program and capital appendices), the citizen guide to the draft budget of 2023.

The initial and final reports should include information about the meetings held by the service provider, indicating the dates and meeting participants. Also, challenges of municipalities working with the new methodology.

### **Selection and submission of a proposal**

The provider for this consultancy service will be selected based on a competition.

Eligible to participate in the competition are: Entrepreneurial (LLC) and non-entrepreneurial legal entities (NLC, NPO), legal entities under public law (LEPL), non-governmental organizations (NGOs) as well as further civil society organizations.

GIZ reserves the right to verify the information indicated in the application. In case of inaccurate information, the application will be cancelled.

### **Selection criteria**

The service provider for the consultancy service will be selected based on the following criteria:

1. Experience of the organisation: Minimum 5 years of experience in executing similar projects in the area of local self – governance in the fields of municipal finances, municipal budget planning and implementation. The experience of the organization on implementing similar assignments should be verified within the application.
2. The quality and compliance of the technical offer for achieving the specific objectives and regulations listed in the Terms of Reference (ToR) (including description of the assignment, the intended goals, the implementation plan, activities to complete the assignment and implementation schedule).
3. Qualification of the respective experts assigned to the tasks outlined in the ToR: The expert(s) are required to have at least 5 years of proven experience in developing and implementing similar projects as listed in ToR (such as municipal finances, municipal budget planning and implementation). References to such work/projects shall be included in respective CVs.
4. Activities and implementation schedule (that lists number of workdays per tasks).
5. Efficiency of budget allocation/calculation.

More detailed information on assessment criteria is provided in the annexed assessment grid.

### Assignment of personnel

In the period from 10.10. 2022 to 23.12.2022 for the implementation of the services described in these ToR up to 6 experts (in total up to 131 expert days) are planned:

Personnel	Expert days (max)
Project manager	<b>25 days</b>
PFM Exper 1	<b>25 days</b>
PFM Expert 2	<b>25 days</b>
PFM Expert 3	<b>22 days</b>
PFM Expert 4	<b>22 days</b>
Project Assistant	<b>12 days</b>

### Submission of Application

Application should be submitted in English and Georgian.

**Technical proposal should contain the following information** (*recommended structure of the proposal*):

1. *Title page*

Name and registration number of organization; legal address, telephone number, e-mail address, director of organization - signature and stamp of a director.

2. *Project name and implementation period (month/year-month/year)*

2.1 *Project Description*

2.2. *project goals and objectives and implementation methodology (shall be in compliance with the terms of reference under this tender announcement);*

2.3 *Activities defined by the project and implementation schedule*

#	Activity	May	June	July	August	September	...	Comment
1	X							<i>[If Relevant]</i>
2	Y							
3	Z							
...	...							

#### 2.4 Persons involved in the project and their functions

Please, indicate the list and functions of persons, who will be involved in the implementation of the project and will be respectively indicated in the budget.

#### 2.5 Annex

Respective Resumes (CV) of the staff involved in the implementation of the project should be attached to the application.

Applicant may attach any additional relevant information to the application.

#### Financial offer shall contain the following information:

*Budget in GEL (excl. VAT)*

*\*\* indicated fees shall include income tax and pension fund costs.*

#	Category	Unit	Number of unit	Unit price (GEL)	Total value (GEL)	Comment
<b>1</b>	<b>Salary/expert fee**</b>					
1.1		[month or man-day]				
1.2						
1.3						
	...					
	<b>sum</b>					
<b>2</b>	<b>Other costs</b>					
2.1	Perdiem Georgia					
2.2	Overnight expenses					
2.3	Transport					
2.4	...					
2.5	...					
	<b>Sum</b>					
	<b>Total sum</b>					

Budget should not contain the costs that are not relevant for the activities envisaged under the project. Neither ongoing costs of the organization nor any kind of debt will be covered from the budget.