

# Terms of reference (ToR) for the procurement of services

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**Project title: Good Financial Governance in Georgia (GFG)**

**Project number/cost centre: 23.2128.9 -001.00/3900**

**Country: Georgia**

**Services specified in the tender: Assessment of public financial management system in 7 Georgian municipalities by applying PEFA indicators**

## 1. Brief information on the project

Title: Good Financial Governance in Georgia (GFG)  
GFG is implemented by *Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH* on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

Programme Objective: Selected Georgian municipalities plan and implement their budgets in a more result – oriented, gender - sensitive and participatory way.

Fields of Action:

- a) The municipal budget planning system is geared towards cost efficiency and result orientation
- b) Selected municipalities are fully accountable for implementing their budgets
- c) Citizen participation in local budget planning and implementation processes
- d) The majority of Georgian municipalities align their budgets with the goals of the 2030 Agenda.

Commissioning period: 01/04/2023 – 31/03/2027

## 2. Context

Being the most effective tools of public expenditure and financial accountability assessment, PEFA objectively assesses the quality of the state (municipal) financial management.

The Public Expenditure and Financial Accountability (PEFA) program provides a framework for assessing and reporting on the strengths and weaknesses of public financial management (PFM) using quantitative indicators to measure performance. PEFA is designed to provide a snapshot of PFM performance at specific points in time using a methodology that can be replicated in successive assessments, giving a summary of changes over time. The PEFA framework includes a report that provides an overview of the PFM system and evidence-based measurement against 32 performance indicators for Sub National level Government (SNG). In 2022, the PEFA Secretariat updated the Guidance for Subnational Government PEFA Assessments<sup>1</sup>. The assessment of the municipalities' PFM system should be carried out according to this guidance.

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<sup>1</sup> <https://www.pefa.org/resources/guidance-subnational-government-pefa-assessments>

Also, in addition to the standard indicators, the PEFA assessment takes into account the assessment of public finances from a gender perspective (Supplementary Framework for Assessing Gender Responsive Public Financial Management<sup>2</sup>). The evaluation takes into account 9 additional indicators. The assessment of the municipality's PFM system should also be carried out using gender indicators.

The objective of the following assignment is to assess the public financial management system in 7 Georgian municipalities by applying PEFA Indicators.

### **3. Tasks to be performed by the contractor**

- a. GIZ shall hire service provider for the anticipated contract term, from 20.02. to 31.05.2024
- b. The service provider shall conduct the following work/service:
  - Analyze fulfillment of the previous obligations stipulated in the memorandums between MoF and municipalities
  - Recommendation on the content of the new memorandums for within this assignment selected 7 municipalities
  - Assessment of public financial management (PFM) system with the application of PEFA indicators;
  - Provide specific recommendations and measures for the upcoming three years to fill the shortcomings identified in the assessment process. Define the target indicators that enables assessment of fulfillment of recommendations/activities;
  - Municipal public financial management should be assessed in gender perspective (Gender responsive financial management) with the consideration gender indicators.

Within the frames of an assignment, assessment of the past three-year period should be carried out in each municipality, that includes the years 2021-2023. In the course of the assessment, coverage, time period and measurement guidance defined by the PEFA methodology should be considered for each indicator.

PEFA assessment structure consists of the following 7 main and one additional SNG pillars:

SNG, intergovernmental fiscal relations:

1. Budget reliability
2. Transparency of public finances
3. Management of assets and liabilities
4. Policy-based fiscal strategy and budgeting
5. Predictability and control in budget execution
6. Accounting and reporting
7. External scrutiny and audit

Within the frames of the assignment, service provider should only assess the municipalities but not the central government. Furthermore, assignment does not include the assessment of external audit.

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<sup>2</sup> <https://www.pefa.org/gender>

Service provider should assess public financial management system of the municipalities through the application of SNG PEFA methodology indicators. Mentioned assessment does not envisage undergoing all formal procedures and phases defined by the methodology, including adoption of the PEFA checks. Additionally, the assessment reports should clearly present the state of play regarding the public financial management (PFM) system of the municipalities. The applicant should present the ways and means to achieve the abovementioned objective within the tender proposal.

During the final assessment of each indicator, weakest link method (M1 (WL)) and averaging method (M2 (AV)) should be applied.

Service provider should follow the below given definitions of the dimensions identified by the methodology:

- ✓ All refers to 90 percent or more (by value).
- ✓ Most refers to 75 percent or more (by value).
- ✓ Majority refers to 50 percent or more (by value).
- ✓ Some refers to 25 percent or more (by value).
- ✓ A Few refers to less than 25 percent and more than 10 percent (by value)

Along with the assessment of municipal public financial management (PFM) with the application of standard PEFA indicators, PFM should be assessed with the application of additionally elaborated gender indicators (Gender Responsive Public Finance Management). Service provider should assess the public financial management system in the following municipalities with the Guidance for Subnational Government PEFA Assessments and the Supplementary Framework for Assessing Gender Responsive Public Financial Management:

1. Telavi Municipality;
2. Akhaltsikhe Municipality;
3. Kvareli Municipality;
4. Borjomi Municipality;
5. Dedoplistskaro Municipality;
6. Sagaredjo Municipality.
7. Lanchkhuti Municipality

Forms of the assessment report should be in compliance with the samples defined by the relevant methodology.

The final report shall contain definition of baseline and target indicators for the following four key objectives:

- I. Mid-term planning and program budgeting;**
- II. Accounting and reporting;**
- III. Accountability and transparency;**
- IV. Investment project management.**

Each objective should be accompanied by the relevant indicators. Indicators should be based on the assessment of public financial management in each municipality. Presented indicator should combine several indicators from PEFA assessment and the report should show the link between them.

Baseline and target indicators should be defined for the presented indicator. Target indicator should be defined for the next three years (for the years 2025-2027). Specific and clear

objective should be set for each year. Service provider should define verification means for each objective for the respective years.

The tasks, indicators, as well as the basic and target indicators of the indicator presented in the final report should be in line with the goals defined by the Public Finance Management Strategy of Georgia for 2023-2026.

Above given objectives with the relevant indicators, as well as baseline and target indicators should be defined separately for each municipality.

Practical experience in PEFA assessment or relevant certified theoretical knowledge (course organized by international financial institutions; training).

During the assessment, the service provider shall actively cooperate with the relevant municipal divisions and obtain all necessary information. In case of need, service provider should request for information to the state treasury. The information needed for the assessment should be obtained at the work in the municipalities. In other cases, it is advisable, if it is possible, to obtain information remotely, for this it is possible to use online interviews, interviews, etc.

#### **4. Terms of contract and reporting**

Interim payment will take place presumably until 01.04.2024 based on the submission of the interim report for the assignment.

The interim report should include the following information:

- Conduct field work for PEFA assessment –communication with all municipalities.
- Agreed detailed work plan with high level managers of municipalities.
- Conducting field work in municipalities, which provides for obtaining information necessary for assessment

The final payment will be made presumably until 31.05.2024, based on the submission of the final report for the assignment. The final report should include the information defined by the application for procurement of consulting services, as well as the information on accomplishing all tasks envisaged under the work plan.

Reports shall be produced in Georgian. Executive summary shall be delivered in English as well.

#### **5. Submission and Selection of Proposal**

Partner for the consultancy service will be selected based on a competition.

Entrepreneurial (LLC) and non-entrepreneurial legal entities (NLE, NPO) organizations are eligible to participate in the competition.

GIZ is entitled not to consider and disqualify the proposal where the duties of the members of the executing team are directly or indirectly related to the work presented in these assignments.

GIZ reserves the right to check the information indicated in the application. Application will be cancelled in case of inaccurate information.

### Selection criteria

1. Minimum last 5 years of experience and competence of the organization in public financial management (*excellent knowledge of Georgian PFM system and environment*);
2. Adequacy of technical proposal and project implementation methodology;
3. Experience/ability of the organization's team to carry out an assessment of public financial management system with *the application of PEFA indicators (will be defined according to the implemented similar project(s) by the organization's team; this shall be indicated in the CVs of the presented experts)*;
4. Budget cost efficiency.

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

### Assignment of personnel

In the period from 20.02.2024 to 31.05.2024 for the implementation of the services described in these ToR up to 7 persons (in total up to 221 expert days) are planned:

Personell	Number of Experts (up to)	Expert days (up to)
Project Manager*	1	40 days
Senior Expert**	3	35 days
Expert***	2	28 days
Project Assistant****	1	20 days

### Qualifications of personnel

#### \*Project Manager

Qualifications of the project manager (with assessment grid number)

- Education (2.1.1): University degree in Economics, Finance and Business or related field
- General professional experience (2.1.2): At least 7 years of professional experience in the PFM sector
- Specific professional experience (2.1.3): Participation in at least 5 PEFA assessments or similar projects
- Leadership/management experience (2.1.4): Project manager of at least 3 PEFA assessments or similar projects

#### \*\*Senior experts 3 members

Qualifications of senior expert (with assessment grid number)

- Education (2.2.1; 2.3.1; 2.4.1): University degree in Economics, Finance and Business, Management or related field
- General professional experience (2.2.2; 2.3.2; 2.4.2): At least 5 years professional experience in the PFM Sector
- Specific professional experience (2.2.3; 2.3.3; 2.4.3): Participation in at least 2 PEFA assessments or similar projects

#### \*\*\*Experts 2 members

Qualifications of senior expert (with assessment grid number)

- Education (2.5.1; 2.6.1): University degree in Economics, Finance and Business or related field
- General professional experience (2.5.2; 2.6.2: At least 3 years professional experience in the PFM Sector

**\*\*\*\*Project assistant**

Qualifications of project assistant (with assessment grid number)

- General experience (2.7.1): Experience in the project assistant

The tenderer must provide CV-s and a clear overview of all proposed short-term experts and their individual qualifications.

**6. Requirements on the format of the tender**

**6.1. Technical proposal shall include the following information:**

*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 Description*

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

*2.2. project goals and objectives*

*2.3 Activities defined by the project and implementation schedule*

#	Activity	April	May	June	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. Resumes of the respective persons should be attached to the application.

*2.5 Annex*

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

Applicant may attach any additional relevant information to the application.

**6.2. The Financial offer**

Please calculate your price bid based exactly on the costing requirements. The specifications for pricing are defined in the attached price schedule which is required to be used for the preparation of the financial offer.

Budget should not contain the costs that are not relevant for the activities envisaged under the project. Ongoing costs of the organisation won't be covered by budget.