

CONFIDENTIAL

Terms of reference (ToR) for the procurement of services



Project title:

Good Financial Governance in Georgia (GFG)

Project number/cost center: 23.2128.9 -001.00/3900

Country: Georgia

Services specified in the tender: Assessment of Public Financial Management Systems in Five Georgian Municipalities using PEFA Indicators

Terms of Reference

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

The Public Expenditure and Financial Accountability (PEFA) framework is one of the most effective tools for assessing the quality of public financial management (PFM), including at the municipal level. It provides an objective and comprehensive evaluation of how public funds are planned, allocated, and managed.

PEFA offers a standardized methodology that enables governments and stakeholders to assess the strengths and weaknesses of their PFM systems through quantitative performance indicators. These indicators deliver a snapshot of performance at a specific point in time and allow for comparative analysis across periods, thus supporting the monitoring of progress and the design of evidence-based reforms.

The PEFA framework for Subnational Governments (SNG) consists of 32 core indicators that measure key dimensions such as budget credibility, transparency, policy-based budgeting, predictability and control in budget execution, accounting and reporting, and external audit and scrutiny.

In 2022, the PEFA Secretariat released an updated Guidance for Subnational Government PEFA Assessments¹, which serves as the methodological foundation for evaluating public financial management (PFM) systems at the municipal level. In addition to the standard PEFA indicators, the framework also allows for the assessment of public finances from a gender perspective through the Supplementary Framework for Assessing Gender Responsive Public Financial Management². This supplementary module introduces nine additional indicators that enable evaluators to analyze the extent to which gender considerations are integrated into budget planning, execution, and oversight processes. Together, these tools provide a more comprehensive and inclusive view of fiscal governance at the subnational level.

3. Objectives of the assignment

The objectives of the assignment are as follows:

- Assess the Public Financial Management (PFM) systems of the Gardabani, Kareli, Terjola, Khobi, and Kaspi municipalities using the PEFA Subnational Government (SNG) Indicators.
- Assess Public Financial Management system of Gardabani, Terjola, Khobi, Kaspi and Kareli municipalities by applying PEFA gender indicators.
- Analyze progress and changes in each municipality's PFM system since the previous PEFA assessment, identifying areas of improvement and ongoing challenges.
- Develop tailored three-year action plans for each municipality to guide the improvement of their PFM systems.

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

² <https://www.pefa.org/gender>

4. Scope of the Assignment

4.1. To fulfill the objective of the assignment, the service provider shall conduct the following work/service for each municipality:

- Assess the Public Financial Management (PFM) systems of the municipalities using the PEFA Subnational Government (SNG) indicators, in line with the updated 2022 PEFA guidance.
- Conduct an assessment of municipal public financial management from a gender perspective by applying the PEFA Supplementary Framework for Gender Responsive Public Financial Management, which includes gender-specific indicators.
- Identify progress or regression in the PFM systems of the municipalities since the previous PEFA assessment.
- Develop a three-year Action Plan for improving PFM systems, based on the findings of the assessment. The Action Plan should include specific, actionable recommendations and measures to address identified shortcomings. It should also define target indicators to enable monitoring and evaluation of the implementation and effectiveness of the proposed activities.
- Develop recommendations for the content of new Memorandums of Understanding (MoUs) based of PEFA Assessment results.

4.1.1. As part of the assignment, an assessment covering the past three-year period (2022–2024) should be conducted in each municipality. The assessment should follow the coverage, time period, and measurement guidance defined by the PEFA methodology for each indicator.

The structure of the PEFA assessment consists of the following seven main pillars, along with one additional pillar for subnational governments (SNG):

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 scope of the assignment, the service provider is expected to assess only the municipalities, excluding the central government. Moreover, the assignment does not include the assessment of external audit functions.
- The service provider should assess the public financial management (PFM) systems of the municipalities using the SNG PEFA methodology indicators. The assessment will not require the full implementation of all formal procedures and phases outlined in the methodology, including the adoption of PEFA checks.
- Additionally, the assessment reports should clearly reflect the current state of the municipalities' PFM systems. The applicant is expected to outline the approach and methods for achieving the above objective in their tender proposal.

4.1.2. During the final assessment of each indicator, both the Weakest Link method (M1 (WL)) and the Averaging method (M2 (AV)) should be applied. The service provider should adhere to the following definitions of the dimension terms as specified 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 more than 10 percent but less than 25 percent (by value).

4.1.3. In addition to assessing municipal public financial management (PFM) using the standard PEFA indicators, the assessment should also incorporate gender-responsive public finance management by applying the specially developed gender indicators.

The service provider should assess the public financial management (PFM) systems of the following municipalities using the Guidance for Subnational Government PEFA Assessments and the Supplementary Framework for Assessing Gender-Responsive Public Financial Management.

1. Gardabani Municipality;
2. Kareli Municipality;
3. Terjola Municipality;
4. Khobi Municipality;
5. Kaspi Municipality.

4.1.4. The format of the assessment reports should comply with the templates provided in the relevant methodology.

The final report must include the 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.

4.1.5. Each objective should be accompanied by relevant indicators, which must be derived from the assessment of public financial management in each municipality. The proposed indicators should be composite in nature, combining several PEFA assessment indicators and the report should clearly demonstrate the linkage between them.

4.1.6. Baseline and target indicators should be defined for each proposed indicator. The target indicators must be set for the next three years (2026–2028), with a specific and clearly defined objective for each year. The service provider should also identify appropriate means of verification for each objective for the respective years.

4.1.7. 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.

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

4.2. During the assessment, the service provider shall actively cooperate with the relevant municipal departments at the technical level and obtain all necessary information. Information necessary for the assessment should be collected on-site within the municipalities. However, when feasible, gather information remotely through online interviews, questionnaires, or other appropriate means.

4 Timeframe and acceptance procedures

Indicative start of the assignment	○ July 01, 2025
Indicative end of the assignment	○ August 31, 2025

5. Terms of contract and reporting

Interim payment will take place presumably until 10.08.2025 based on the submission of the interim report for the assignment.

The interim report should include the following information:

- Detailed work plan.
- Analysis of the implementation of existing (or already completed) memoranda with the MOF; as well as a brief overview of the previous PEFA assessment;
- Conducting field work in municipalities, which provides for obtaining information necessary for assessment.

The final payment will be made presumably until 31.08. 2025, 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.

6. Submission and Selection of Proposal

- Service provider will be selected based on a competition.
- Non-entrepreneurial (non-commercial) legal entities (NNLE, NPO) and Entrepreneurial (LLC) organizations are eligible to participate in the competition.

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

6.1. Selection criteria

1. Experience and competence of the organization's capabilities and assignment-related experience in executing similar projects on PEFA assessment of local self - government. (Proposal should demonstrate specific experience on conducting similar assignments);
2. Adequacy of technical proposal and project implementation methodology;
3. Experience/ability of the organization's team to carry out an assessment outlined in the ToR (*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.

6.2 Assignment of personnel

In the period from 10.06.2025 to 10.08. 2025 for the implementation of the services described in these ToR up to 6 persons (in total up to 175 expert days) are planned:

Personnel	Number of Experts (up to)	Expert days (up to)
Project Manager*	1	35 days
PFM Expert**	4	30 days
Project Assistant***	1	20 days

6.3 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 10 years of professional experience in the PFM sector
- Specific professional experience (2.1.3): At least 7 years of Experience in municipal budget preparation and reporting
- Leadership/management experience (2.1.4): Project manager of similar projects

** PFM Expert (4 members)

Qualifications of senior expert (with assessment grid number)

- Education (2.2.1, 2.3.1, 2.4.1, 2.5.1): University degree in Economics, Finance and Business, Management or related field
- General professional experience (2.2.2, 2.3.2, 2.4.2, 2.5.2): At least 5 years' professional experience in the PFM Sector
- Specific professional experience (2.2.3, 2.3.3, 2.4.3, 2.5.3): Participation in similar projects

*** Project Assistant

- Education (2.6.1): University degree in Economics, Finance
- General professional experience (2.6.2) Participation in similar projects

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

7. Requirements on the format of the tender

7.1 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	May	June	July	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.

7.2 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.