

Terms of reference (ToR) for the procurement of services



Project title: Good Financial Governance in Georgia (GFG)

Project number/cost centre: 23.2128.9 -001.00/3900

Country: Georgia

Preparation of cost-benefit analyse (CBA) of investment/capital projects in municipalities (PIM)

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

The methodology and guideline for Public Investment Management (PIM) has been introduced within the Georgian legislation since 2016. In 2019, the abovementioned documents were refined within the framework of the technical assistance of the International Monetary Fund (IMF). The investment project management guideline and methodology applied to investment/capital projects valued at or exceeding 5.0 million GEL.

According to the Budget Code of Georgia, the Government of Georgia approves the Investment/Capital Project Methodology. Since 2023, all new capital projects should go through the project pre-selection and selection stages before inclusion in the budget.

Considering the abovementioned, in 2023, the Government of Georgia adopted the "Public Investment/capital Project Management Methodology" (N65, 16.02.2023), which applies to all new capital/investment projects, regardless of project cost and financial source (Government, Donor organization). The Methodology defines three categories of projects:

- Small project (<5 million GEL) – simplified cost-benefit analysis (financial) information should be prepared by the spending unit and submitted to MOF only if requested;
- Medium project (5 - <20 million GEL) – Project Concept Note (PCN) and Cost-benefit analysis (financial) should be prepared (economic analysis and feasibility study should also be prepared if requested);
- Major project (= > 20 million GEL) - Project Concept Note (PCN) and Cost-benefit analysis (financial and economic) should be prepared (feasibility study should also be prepared if requested).

The methodology also approves the Templates (3 separate annexes) for small, medium, and major projects.

The methodology envisages the whole cycle of the project: pre-selection, selection, budgeting, implementation, monitoring, and ex-post evaluation.

Even though the templates of simplified cost-benefit analysis are approved according to the methodology for small projects below 5 million GEL, there is a need to enhance the skills of employees in municipalities to prepare proper cost-benefit analyses of new capital projects.

Preparation of cost-benefit analysis (CBA) of investment/capital projects is essential in making decisions to ensure efficient usage of resources and determination of its economic expediency, as well as in assessing the project's alternatives. In particular, preparing a cost-benefit analysis (CBA) is essential to investment project management. It allows assessment of the estimated costs and benefits of potential investment projects and their comparison. The abovementioned will facilitate the pre-selection, selection, and implementation of the project/alternative project that might bring more benefits to achieve the specific goal. Ultimately, this is the basis for making the right decision and ensuring the efficient usage of financial resources.

Considering the abovementioned, the GIZ Good Financial Governance Program will support municipalities in preparing cost-benefit analysis (CBA) for projects that will be selected by MOF, MRDI and the respective municipality.

To this end, GFG will select the applicant that will perform the assignment presented below for the Ministry of Finance of Georgia.

2. Tasks to be performed by the contractor

- a. GIZ shall hire service provider for the anticipated contract term, from 26.07. to 30.10.2024
- b. The service provider shall conduct the following work/service:

Preparation of cost-benefit analyse (CBA) of investment/capital projects in municipalities by applying PEFA indicators:

The Ministry of Finance of Georgia, in consultation with the Ministry of Regional Development and Infrastructure of Georgia, will select one investment/capital project (project size of 5 million GEL) from each of the 8 municipalities, including GFG pilot municipalities. These municipalities are **Rustavi, Telavi, Akhaltsikhe, Khashuri, Kharagauli, Dusheti, Keda, Gori, Poti.**

The winner of tender shall ensure the preparation of a cost-benefit analysis (CBA). In order to collect the data necessary for the analysis, the winner shall ensure conduct of working meetings with the representatives of the relevant municipality.

Cost-benefit analyses (CBA) of investment/capital projects shall be prepared by the №65 Decree of the Government of Georgia 'On Approval of Investment/Capital Project Management Methodology' dated February 16, 2023 (hereinafter - the Methodology) and the relevant Annex (annex 2 for medium projects and annex 3 for small projects) of the Methodology, considering the following basic principles:

- **Determine the project duration with the purpose of assessing the major costs and benefits in accordance with the content of the Project** - the methodology determines the analysis periods of investment/capital projects per sector. Usually, the period for analysis coincides with the validity period of the key assets created within the project. To estimate the costs and benefits of the project, it is recommended to assess a 15-20 year period. However, the limit of the project analysis period can be changed in case of the appropriate justification.

- **Detailed analysis of the demand** - one of the prerequisites for a good project assessment is a detailed analysis of the demand and the project's main goal. This information is essential for an accurate estimate of costs and benefits. Along with the detailed demand analysis, it is vital to determine the demand growth prediction during the project life cycle. The extent of specific demand predictions can differ based on the size of projects or their innovativeness in terms of content. These predictions can vary based on the type of the project and may include the following indicators: school enrolment rate, hospital load, traffic intensity, water consumption, solid waste generation, etc
- **Determine the major types of costs and benefits** – it is essential to calculate all projected capital and current costs in monetary terms. Costs and benefits vary according to the projects' content, importance, and available data. **Costs and benefits are calculated throughout the project.**
 - o **Costs** - typical costs include - **capital costs** (purchase of land and buildings, infrastructure works, purchase of equipment, furniture, machinery, computers, and software), as well as installation and implementation expenses. Additionally, **current/operational costs** include expenses of staff and consulting, professional services, utility, rent and leasing, maintenance costs, and unforeseen costs. To ensure long-term benefits for the end user, it is also essential that the organization responsible for the operation and maintenance of the facility have sufficient managerial and financial resources for the efficient usage of the created assets so that the project's sustainability will be ensured.
 - o **Benefit** vary according to the content of the project. While determining the benefits, it is essential to analyze the project's impact on users and non-users and the possible external factors. For example, if the project concerns road construction/rehabilitation, the benefits could be reduced operating costs for transferring traffic to an alternative route and road maintenance costs. The benefits could also be social and political, as well as knowledge acquisition. Quantifying these benefits in monetary terms poses challenges. Hence, they can be described in the project's narrative section instead.
- ✓ **Economic Cost-Benefit Analysis (CBA) (if required)** – in this process, the economic implications of an investment project are evaluated within the broader economy. This analysis extends beyond the limited range of financial scope of the implementing agency, considering cost-benefit estimates in the context of the community, including the costs and benefits that cannot be directly monitored at market prices. The analysis includes identification, evaluation, analysis, and ranking of the prices and benefits according to net economic efficiency.
- **Calculation of Net Present Value (NPV) (if required)** – Calculation of the sum of the discounted annual values of the net benefit of the project (costs deducted from benefits). In the cost-benefit analysis (CBA), the preferred criterion for assessing the project is Net Present Value (NPV), used to evaluate the project to identify the lowest cost alternative. According to the methodology, the calculation method and unit cost of NPV and unit costs of other economic values are approved by the Ministry of Finance. For projects prepared during 2023, an NPV is recommended to equal 8%. However, considering the specifics of the particular project and relevant justification, the abovementioned rate could be changed.
- **Determine the Cost-Benefit ratio** – ratio of total discounted benefits over the total discounted costs throughout the entire project life cycle.
- **Determine the alternative costs of the project** – while assessing the project, alternatives to the project (if any) should be evaluated, in order to analyze costs and benefits of the project for cases when the project is implemented.



As a result of project activities, based on experience, recommendations will be developed for the management of investment projects, which will include generalized practical advice for other municipalities in this area.

In most municipalities of Georgia, taking into account the self-governing context, the connection of municipal priorities with **the goals and objectives of the UN sustainable development** is defined.

Working on an investment/capital project, the goal and task the project is intended to achieve should be determined. The report should provide information on how the investment/capital project will contribute to achieving UN SDGs.

3. Reporting and payments terms of contract

Interim payment will take place presumably until **01.09**, based on the submission of the interim report for the assignment.

The interim report should include the following information:

- Determine the project duration with the purpose of assessing the major costs and benefits in accordance with the content of the Project;
- Detailed analysis of the demand;

The final payment will be performed based on the submitted final report (estimated on **30.10.2023**). 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.

The reporting on the performance of the work should be made in Georgian language. While, the main summary of the assessment part should be also performed in English.

4. 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

Commented [TK1]: 1 თვე არის აქ გადახდებს შორის შუალედი და საბოლოო გადახდა რომ იყოს მხოლოდ „პრობლემა“?

1. Experience and competence of the organization's capabilities and assignment-related experience in executing similar projects. (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.

Assignment of personnel

In the period from 26.07.2024 to 30.10. 2024 for the implementation of the services described in these ToR up to 6 persons (in total up to 175 expert days) are planned:

Personell	Number of Experts (up to)	Expert days (up to)
Project Manager*	1	35 days
Senior Expert**	3	30 days
Expert***	2	25 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 10 years of professional experience in the PFM sector
- Specific professional experience (2.1.3): Experience in project investment management issues
- Leadership/management experience (2.1.4): Project manager of similar projects

**Senior expert 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 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

Commented [TK2]: 2.4 იც აქუნდა ეწეროს, რადგან senior expert არის

Commented [TK3]: აქ 2.5 და 2.6 გამოდის

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

5. Requirements on the format of the tender

5.1. 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.

5.2. 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.