**Implementation of a Financial Management and Control System in Georgia**

**Support to the Public Internal Control Department / Central Harmonisation Unit in the Ministry of Finance to establish a Risk Management System in line ministries of the Government of Georgia**

**Project:** Public Financial Management in the South Caucasus

**PN:** 17.2023.4-001.00

1. **Background of the Project:**

Georgia is currently undertaking a comprehensive reform process to implement the financial management and control (FMC) function throughout the public sector as part of the Public Internal Financial Control System (PIFC). The development and enhancement of the PIFC system (FMC, Internal Audit, Central Harmonisation Unit) is embedded in a broader reform of the country’s Public Financial Management (PFM) system. A strategic concept for the reforms of Internal Financial Control within the Public Sector of Georgia was developed in 2009. Particularly the implementation of a FMC system follows a close orientation towards international standards and the PIFC concept developed by the European Commission. The aim of the PIFC reform is to improve efficiency, effectiveness and accountability in the public administration. EU approximation is a strong driver of the reform process (cf. Association Agreement EU-Georgia, ENP Georgian AP).

The responsibility for steering and harmonizing the reform process lies within the Public Internal Control Department (PICD, former CHU) of the Ministry of Finance. Among PICD’s central tasks are organizing and facilitating trainings, pilot audits, on-job trainings, providing methodological guidelines and documents and supporting exchange dialogue between the reform stakeholders.

Ministry of Finance asked to support the establishment of an effective risk management system through the implementation of risk identification, risk management and risk mitigation system in the line ministries. According to the new Financial Management and Control guideline, Risk Management is mandatory for all public institutions at stage II describing managerial control of implementation of FMC. It is obligatory to have a managerial control system; it is required to evaluate risks. This approach is based on the COSO definition of FMC.

One pillar of COSO is risk management. The overall risk management sets the tone of an organization. The aim of risk management is to make more likely that objectives can be delivered to time to standard and within budget by causing managers to consider what might prevent or make it difficult for them to be achieved so that they can take steps to moderate or mitigate the possible effects. The objective is not to eliminate risk because it is only by taking risks that change and improvements in the delivery of services and activities can occur. The purpose is to identify and assess the risks (the ‘inherent risks’) and then respond to them by managing or mitigating the risks, so that objectives can be achieved and adverse consequences can be avoided. Risk management includes ensuring that the risk of fraud, corruption and waste of public resources are identified and managed with appropriate governance and control arrangements being put in place. Some of its elements are the following:

* establishment of control environment;
* determination of strategic risks facing the ministries;
* determination of degree of risks, that would be accepted, risk tolerance;
* Identifying and creating risk register;
* establishing of risk management reporting process;
* A well-defined, planned and effectively managed risk management system is a necessary precondition for the achievement of goals by a governmental institution.

Risk Assessment and Risk Management, to be fully implemented, require that relevant objectives and KPI are established at all levels of the organisation. It is internationally recognised that setting SMART objectives and KPI are fundamental to improving transparency and accountability of Public Finance Management and improving the quality and timeliness of public service delivery. In the absence of these essential principles, it becomes problematic for any organisation to know where it is currently and where it wants to be in the future and how success or failure will be measured.

1. **Objectives**

The mission aims at the establishment of an effective risk management system in Georgia, especially in chosen line ministries. This should be achieved by reviewing and analysing existing European good practice, creating understanding of SMART objective settings, KPIs, improving Control Environment and at the end creating ground for effective Risk management System. Goals, Indicators, targets of program based budgeting, BDD, Agenda 2030 and partner strategies should be incorporated into the system.

1. **Results to be achieved and performance indicators:**

**Result to be achieved:**

* Design and implementation of a risk management system for the line Ministries. This covers defining the most appropriate tools of the RM system and the desired process based on an As-is Analysis, benchmarking, creating Risk management (RM) framework (guidelines, risk register, forms, etc.) and guideline for administering the risk management system.
* Identifying, describing, reviewing the existing risk management practices of ministries and elaborating recommendations for the improvement and implementation of the new RM system.
* Improve risk management system in the Ministries through development and enhancement of the competencies of an internal team (by transferring the knowledge during working process) which could later lead the further training and implementation process.
* Improve the transparency and accountability of PFM and improving the quality and timeliness of public service delivery

**Performance Indicators:**

The mission aims to establish a framework for the formation and functioning of a stable, unified risk management system with all required FMC standards based on transparency, accountability, fairness, integrity and risk elimination:

* RM framework for administering the appraisal system of the Ministry is identified and described (As is)
* Improved and renewed risk management framework and guidelines for its administering are created
* Recommendations for implementation of improved and renewed RM framework are developed

1. **Description of main tasks and processes**

The consulting group should deliver European best practice, recommendations and trainings. It is foreseen to conduct

* 3 day trainings for 5 ministries (in total 15 day trainings)
* To create a risk management guideline a risk register for ministries.

**The tasks of a consultant:**

* 1. Review existing risk management guideline and identify needs for improvement.
  2. Create risk management guideline and risk register in cooperation with Public Internal Financial Control Department of Ministry of Finance.
  3. Conduct training sessions for public servants to train risk identification, risk management, risk mitigation and risk tolerance as well as showing them ways how to manage risk.
  4. Support PICD/CHU in initial implementation process, especially:
* Conduct training sessions for line ministries and IA unit staff
* Communicate finalized RM framework and guideline to the PICD/CHU employees
* conduct additional activities based on the needs

After the end of the project, tentatively within 10 days a final report in English with up to 10 pages is to be provided which will include recommendations for the Partners. The deliverables described above, information about the process and outcome of the mission should be annexed to it.

1. **Location and period of engagement:**

The project will be held in the Ministry of Finance of Georgia (MoF, Tbilisi, Georgia). The duration of the contract lasts from 10.10.– 05.12.2018.

1. **Requirements towards consulting group applying for Risk Management experts:**

**Education and qualification**

* Experience of development of policy and/or guiding documents;
* Knowledge of best international standards and experience in Risk Management
* At least 4 years of professional experience in RM consulting projects (including consulting projects on risk management system in governmental institutions)
* Minimum 5 years working experience in organizational management and/or Risk Management ;
* University degree (minimum Master’s degree) in Business Administration, Finance Management, Economy or Public Policy areas;
* Organized, sociable, punctual, disciplined.