

Annex 1

Assessment of public financial management system in Georgian municipalities by applying PEFA indicators

The GIZ Programme Good Governance for Local Development South Caucasus (GGLD) invites organisations to submit proposals for consultancy services.

1. Brief information about GIZ Programme

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

- ➔ GGLD is implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

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.

Commissioning period: 01/04/2020 – 31/03/2023

2. Terms of Reference:

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 31 performance indicators.

Apart from the standard indicators, additional methodology (Supplementary Framework for Assessing Gender Responsive Public Financial Management) was published in 2020. The methodology refers to the 31 indicators and enables to assess public financial management in gender perspective.

The purpose of the assignment is to provide the following service in 7 Georgian 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 of additionally elaborated gender indicators.

Assessment of the PFM should be carried out through the application of the GUIDANCE FOR SNG PEFA ASSESSMENT methodology 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 2018-2020. 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.

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 application of GUIDANCE FOR SNG PEFA ASSESSMENTS indicators:

1. Bagdati Municipality;
2. Kharagauli Municipality;
3. Chkhorotsku Municipality;
4. Tetrtskaro Municipality;
5. Ambrolauri Municipality;
6. Keda Municipality;
7. Akhmeta 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 2022-2024). Specific and clear objective should be set for each year. Service provider should define verification means for each objective for the respective years.

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

Key requirements for the service provider:

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. Service provider shall perform the assignment in a distance mode. In other cases, online interviews should be conducted.

Tentative contract period:

Start date: 10.04.2021

End date: 20.06.2021

Interim payment will be made as of 10.05.2021, based on the submitted interim report.

Interim report should include the following information:

Conduct field work for PEFA assessment – online communication with all municipalities. Agreed detailed work plan with high level managers of municipalities.

The final payment will be performed based on the submitted final report (estimated on 20.06.2021). 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.

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 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 2 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.

Content of the 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.

The Financial offer shall contain the following information:

Budget in GEL (excl. VAT)

#	Category	Unit	Number of unit	Unit price (GEL)	Total value (GEL)	Comment
1	Expert Fee**					
1.1		[month or man-day]				
1.2						
1.3						
	...					
	sum					
2	Other costs (if relevant)					
2.1	Transportation					
2.2	Accommodation					
2.3	Hotel costs					
2.4	Per-diem	15 GEL				
2.5	...					
	Sum					
	Total sum					

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 .

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

Fee rate of experts shall include all personnel costs, including ancillary personnel costs; backstopping, communication and reporting costs; and all overheads, profit, interest, risks, etc. .(As indicated in the article 10.2 of the General Terms of Contract /Annex 4).