

**Technical assignment for Introduction IPSAS on Local Government Level  
II Phase: IPSASs based Accounting and Financial Reporting for Representatives  
of Municipalities**

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ is implementing the Good Governance for Local Development Programme (GGLD) and invites interested parties to submit their proposals for the consultancy services described below.

**Terms of Reference**

**General information**

Programme Name: Good Governance for Local Development in South Caucasus (GGLD)  
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.

Programme duration: 01/04/2020 – 31/03/2023

**1. Background**

GIZ Good Governance for Local Development GGLD, South Caucasus actively cooperates with the Ministry of Finance (MoF) of Georgia. In recent years GIZ supported MoF to train municipal administration financial department employees in application of programme budgeting methodology as well as e-treasury software to streamline the public finance Management reform processes. At this stage MoF State Treasury Service implements the accounting methodology reforms according to the Decree of Ministry of Finance N 701, 3 November 2009, which is in compliance of the implementation action plan of International Public Sector Accounting Standard. To ensure the full coverage of all public institutions starting from January 1, 2015 autonomous republics and self-

governments were incorporated in the integrated information system of public financial management. It conditioned the fact that accounting reform is covers not only central level budgetary institutions but autonomous republics and self-governments as well. In 2017 changes were made in the initial decree of the ministerial decree on implementation of IPSAS introduction plan and based on the decree #485 main directions and frequency of the reform was set, thereby incorporating local government units in the plan. GIZ will support MoF in implementation of this plan.

Since January 1, 2021 accrual based IPSASs compliant accounting and reporting instructions are used by local budget entities. First IPSASs compliant financial statements are planned to be prepared for 2021 year by local budget entities, including Municipalities, Autonomous Republics and their subordinating entities. According to the existing legislation Municipalities and Autonomous Republics are required to submit their IPSASs compliant consolidated financial statements to the Treasury. This exercise requires accountants to acquire a solid understanding of accrual accounting and reporting concepts for preparing IPSASs compliant financial statements. In this regard, it is necessary to train the representatives/accountants of municipalities and autonomous republics as well as representatives of organizations that are funded by municipalities and autonomous republics (LEPLs and N(N)LPs) in IPSASs based accounting and reporting methodology.

## **2. Objective of the assignment and scope of work**

The objective of this assignment is to adapt the methodology developed by Treasury service on IPSAS and trainings for the local government representatives to be carried out. This should be delivered accordingly for the financial staff (accountants/financial managers) of the municipalities.

Introduction of International Public Sector Accounting Standards (IPSAS) and achievement of full compliance with International Standards of Accounting and Reporting based on full accrual method represent the guarantee of improvement of reliability of financial reporting of public sector from the side of society, as well as investors.

**Within the framework of consulting services, the contractor is obliged to perform the following tasks:**

**Design the training curriculum, that will cover:**

- General principles for preparing Financial reporting according to IPSAS standards and achievement of full compliance with the standards; a consolidated financial statements of public agencies should be prepared in accordance with the standards (for resource allocation decisions).

- Practical aspects of the financial reporting based on IPSAS standards;

### **Conducting trainings:**

The trainings must be held in Georgian and Russian and cover the following topics:

- Use of accrual IPSASs based Chart of Accounts (CoA) in practice: accrual-based accounting entries according to the IPSASs;
- Main requirements of IPSASs regarding recognition and disclosures of assets, liabilities, net assets/equity, revenue and expenses;
- IPSASs compliant consolidated financial statements prepared by Municipalities and Autonomous Republics: reporting frameworks and usage manual;
- The practical aspects of IPSASs compliant individual financial statements prepared by LEPLs and N(N)LPs which are funded by Municipalities and Autonomous Republics: reporting frameworks and usage manual.
- Especially consider the following standards:
  - IPSAS 10 governs financial statements of public sector entities whose functional currency is the currency of a hyperinflationary economy. In a hyperinflationary economy, financial reporting in the local currency without restatement is not useful. Money loses purchasing power at such a rate that comparison of amounts from transactions and other events that have occurred at different times, even within the same reporting period, is misleading.
  - The objective of IPSAS 17 is to prescribe the accounting treatment for property, plant and equipment so that users of financial statements can discern information about an entity's investment in its property, plant and equipment and any changes in such investment.
  - The objective of IPSAS 20 is to require the disclosure of the existence of related party relationships where control exists. The disclosure of information about transactions between the entity and its related parties is also required in certain circumstances. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are identifying which parties control or significantly influence the reporting entity and determining what information should be disclosed about transactions with those parties.
- Consulting and advising on accounting matters related to IPSAS implementation process.

Support by comprehensive IPSAS implementation:

- Assist with identifying the accounting policies and other necessary measures for implementing accrual approach;
  - Assist with development for property, plant and equipment accounting procedures to comply it with IPSAS 17, inventory and public sector non-financial assets valuation;
  - Assist with application of all other IPSAS, the requirement to consolidates SOEs and General Government Sector etc;
  - Assist to submit consolidated modified cash basis IPSAS financial statements to Government.
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- Determine the participants of the training together with the treasury service;
  - Informing the participants that the training will be held from distance;
  - Receive the information form the participants of the distant training about their readiness for technical involvement.
  - Technical preparation of the participants for the distant participation
  - Provision of technical and/or other kind of help during the training;
  - Preparation and handing of the certificates of participation to the participants;
  - After the completion of the training cycle, prepare the final report, including the list of attendees and respective photo material.

Training should be conducted for approx. 640 participants: 20 participants each in 32 groups.

GIZ contract responsible officer is entitled to oversee the training delivery process.

### **3. Deliverables and Timeframe**

Service provider shall deliver required material for trainings and share provide it to the participants. The service provider shall produce participant lists and share with GIZ.

Trainings has to be delivered in the period of April – November 2021.

### **4. Reporting**

4.1. Submit mid-term and final reports on project implementation. Reports should also include the assessment and analysis of strength and weaknesses

and respective recommendations regarding the changes to be made for the next fiscal year.

4.2. Reporting shall be made in English. Executive summary of the mid-term and final reports shall be also submitted in English. Final report shall be submitted in one document according to the structure and content defined by the terms of reference.

## **5. Other Terms**

5.1. Service provider shall regularly provide information on results and perform all the assignments listed in the ToR in a close coordination and agreement with GIZ.

5.2. During the performance of the assignment, service provider shall meet the personal data protection standards envisaged by the legislation.

## **6. 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), NGOs/CSOs 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.

## **7. Selection criteria**

1. The technical proposal shall provide evidence of the organization's capabilities and assignment-related experience in executing similar projects and must submit an ISO 9001:2015 certificate of international quality management system (quality management system);
2. More than five years of experience in designing and delivering of training services in the area of public financial management;
3. Experience in conducting of training in the field of IPSAS and other PFM topics, for the last five years;
4. Experience in implementation of accredited training courses;

5. Letter of recommendation regarding conducting training services from Treasury service in the area of public financial management will be an advantage;
6. The Service providers staff shall have experience of conducting ISPAS trainings for public servants and should be involved in the ongoing processes of public sector accounting reform, as well as experience in working with financial accounting / reporting methodologies in budget organizations. Reference to similar work / projects completed shall be included in his/her CV to be attached to the offer;
7. Experience in conducting online trainings;
8. A work plan, including implementation schedule of number of workdays per tasks to be performed by the contractor for completion of this assignment;
9. Budget cost efficiency.

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

#### **8. Project Duration and payments.**

Tentative contract period for the service will be 22.04.2021 –29.11.2021. Within the frames of the contract the payments will be made gradually.

#### **9. Submission of Application.**

Application should be submitted in English.

**Technical proposal shall contain the following information** (*recommended structure of the proposal*):

##### *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 name and implementation period (month/year-month/year)*

###### 2. 1. Project Description

2.2. Project goals and objectives and implementation methodology (shall be in compliance with the terms of reference under this tender announcement);

2.3 Activities defined by the project and implementation schedule

#	Activity	Sept	Oct	Nov.	Comment
1	X				<i>[Indicate if needed]</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.

2.5 Annex

Respective Resumes (CV) of the staff involved in the implementation of the project should be attached to the application. Applicant may attach any additional relevant information to the application

**Financial offer shall contain the following information:**

*Budget in GEL (excl. VAT)*

#	Category	Unit	Unit quantity	Unit price (GEL)	Total Price (GEL)	Definition
<b>1</b>	<b>Fee**</b>					
1.1		[Per man-day]				
1.2						
1.3						
	...					
	<b>Total</b>					
<b>2</b>	<b>Other costs</b>					
2.1						
<b>2.2</b>	...					
	<b>Total</b>					
	<b>Grand total</b>					

*\*\*indicated 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).

Budget should not contain the costs that are not relevant for the activities envisaged under the project. Neither ongoing costs of the organization nor any kind of debt will be covered from the budget.