
Project: Good Governance for Local Development South Caucasus
PN: 19.2204.6-002.00
Activity: Supporting enlarged municipalities in Armenia in their transformation process to APSAS
Period: 01.06.2021 – 28.02.2023

1. Information on the Programme

The “Good Governance for Local Development South Caucasus” (GGLD) Programme advises and supports respective partner organisations at national, regional (sub-national) and local levels in Armenia, Georgia, and Azerbaijan in the implementation of cooperation initiatives towards improved local governance. It supports the improvement of frame conditions, addresses regional (sub-national) governance issues and works towards the improvement of municipal services and citizens’ participation at municipal level. In the context of the German international cooperation approach, the Programme’s objectives are oriented within the framework of the Caucasus Initiative; thus, the improved professional exchange among the countries of the South Caucasus and their increasing cooperation are also objectives at regional South Caucasus level.

The Programme is implemented on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ) and in Armenia co-financed by the Swiss Agency for Development and Cooperation (SDC). It is carried out in close cooperation with the Ministry of Territorial Administration and Infrastructure (MTAI) as the main political partner.

2. Background Information on the Activity

The Armenian Public Finance Management (PFM) Reform aims at better quality of the financial management at national and local level. The public accounting and reporting system should become more efficient and transparent and comply with the International Public Sector Accounting Standards (IPSAS). To ease the transformation to IPSAS, the Armenian Government in 2015 introduced Armenian Public Sector Accounting Standards (APSAS), which are based on IPSAS and adjusted to the public sector of the Republic of Armenia. Following a transitional period, as of 2018 all government entities and municipalities are obliged to prepare their financial statements based on APSAS.

In 2019, the third Public Finance Management System (PFMS) Strategy was adopted by the Armenian Government for the period 2019-2023, with very clear vision, goal and activities based on the results of the self-assessment of the PFM system conducted by the Ministry of Finance. The PFMS Strategy sets clear objectives and measures for the public sector accounting area.

GIZ, via the GGLD programme, has been supporting the introduction and implementation of APSAS at the local level in Armenia. The Financial Management and Accounting process is going in parallel with the Territorial and Administrative Reform in Armenia (TARA), the latter of which has so far resulted in the consolidation (“enlargement”) of 52 municipalities. In 2018, GIZ provided introductory training for accountants from 52 enlarged municipalities to understand the general principles and terminology of accounting. Taking into consideration the huge volume of APSAS accounting regulations, its complex methodological framework, as well as the recommendation received from the training participants, GIZ also supported through the elaboration of an “APSAS

Accounting Manual” for municipalities, which aims at making the public accounting and reporting system more efficient and transparent for municipalities. The manual was introduced in 2019. The application of APSAS in all 52 enlarged municipalities and the use of the APSAS manual were subjected to an analysis carried out in 2020, whose recommendations are, among others:

- Methodological support with periodic review of accounting records of municipalities, Practical intervention and performance of APSAS implementation steps not yet undertaken by the municipalities,
- Training on APSAS Manual and methodological support with onsite visits.
- Development, piloting and implementation of consolidation methodology;
- Development of service cost calculation methodology including set up of management accounting system, calculation and input in accounting system.

To further support enlarged municipalities in implementing APSAS, the Programme is seeking expertise on strengthening the capacities and skills of municipal staff in the areas of Financial Management and Accounting.

3. Objective

Against this background, the overall objective of the assignment is twofold: a) provide methodological and practical assistance to municipalities (10), that have performed some steps towards implementation of APSAS accounting system but lack thorough knowledge for full initiation and management of APSAS implementation works; b) develop and pilot consolidation methodology, prepare consolidated financial statements in line with APSAS for 2 advance enlarged municipalities (Jermuk and Stepanavan), and develop service cost calculation methodology including set up of management accounting system, calculation and input in accounting system.

These interventions will contribute to strengthening the Financial and Managerial accounting capacities and skills of enlarged municipalities and supporting the transformation process to APSAS.

4. Tasks and Deliverables

The following **tasks** are expected to be fulfilled in the context of this assignment:

Task 1: Provide methodological and practical assistance to municipalities of the Groups B and C¹ (10), that have performed some steps towards implementation of APSAS accounting system but lack thorough knowledge for full initiation and management of APSAS implementation works.

- I. Set up a team of specialists (professionals in the field) that performs both methodological support and practical intervention (usually in terms of registration of accounting records in the accounting system for the works not performed by the municipality),
- II. Preparation of APSAS implementation work plan that includes transition to APSAS for each municipality under the Group and recovery of accounting records in line with

¹ Based on the grades provided as a result of the Survey, the municipalities are grouped under the following groups: **Group A:** Municipalities that *in substance did not perform* any steps towards implementation of APSAS accounting system; **Group A+:** Municipalities that started some *minor* steps towards implementation of APSAS accounting system; **Group B:** Municipalities that have performed *some* steps towards implementation of APSAS accounting system; **Group C:** Municipalities that have performed *major* steps towards implementation of APSAS accounting system; **Group D:** Municipalities that fully maintained accounting in line with APSAS system and prepared its annual financial statements in line with APSAS.

APSAS for one year (year will be selected together with the municipality and contracting Company),

- III. Online APSAS Training Module consideration in the work plan for the municipalities,
- IV. Practical intervention and performance of APSAS implementation steps not yet undertaken by the municipality,
- V. On job training on APSAS Manual and works to be undertaken for municipalities (online or offline),
- VI. Online/offline methodological support with onsite visits,
- VII. Raising points not yet fully implemented in line with APSAS that constitute a global issue for the municipality and public accounting system,
- VIII. Preparation of financial statements in line with APSAS derived from the accounting system of the municipalities under this Group.

Task 2: Development of consolidation methodology.

- I. Development of consolidation methodology enabling consolidation of entities under control of municipalities such as non-commercial organisations, staff of municipality and other in line with APSAS,
- II. Design of sample documentation for consolidation.

Task 3: Piloting and implementation of consolidation methodology in two municipalities of Group D.

- I. Preparation of documents enabling consolidation of the entities under common control of municipality,
- II. Preparation of annual consolidated financial statements for 2021 in line with developed methodology for two municipalities under Group D.

Task 4. Development of service cost calculation methodology including set up of management accounting system, calculation and input in accounting system in two municipalities.

- I. Development and piloting of service calculation model,
- II. Instalment of the model in the accounting software,
- III. Calculation of cost of services provided by the municipality i.e., kinder garden services provided to the citizens, community services etc.

Task 5. Presentation of results and finalisation of the assignment

Prior to completion of the assignment, the contractor is expected to fulfil the following:

- Presentation of results (online or offline) of the assignment to the target groups of municipalities: 10 for Task 1,
- Presentation of results (online or offline) for the Task 2 and 3 to all 52 enlarged municipalities,
- Presentation of results of Task 4, including the piloting results in the example of kinder garden services,
- Prepare a final presentation on the implementation of the assignment, results, lessons learned and recommendations on the future support to be provided, to MTAI, Ministry of Finance and GIZ,
- Develop a final summary report on the implementation of the assignment in English.

In the conditions of the **COVID-19 pandemic**, all above mentioned activities and interviews linked to and supporting the implementation of above-mentioned tasks can be conducted, reports submitted and presented online and on digital base. Particularly:

- Tasks 1, 2, 3 & 4: Trainings, consultancies, discussions and workshops, as well as data collection should be done through a combination of some of the following methods: field visits, exchange of documentation with municipal partners, phone interviews, focus group discussion; as well as online and on digital base. For Individual conversations and interviews telephone calls might be used.
- Task 5: Final Report and Presentation on the implementation of the assignment, results, lessons learned, and recommendations should be provided online; PP presentation conducted on digital base.

Any further task arising during the implementation of the assignment needs prior agreement between the Contractor and GIZ.

The Contractor shall provide the following **deliverables**:

- Financial statements in line with APSAS derived from the accounting system of the municipalities under Group B and C,
- Consolidated methodology,
- Preparation of consolidated financial statements of 2 municipalities under Group D,
- Cost calculation methodology and calculation of cost of services of 2 municipalities under Group D,
- Presentation of results.

5. Schedule and Implementation Details

The assignment covers the period **01.06.2021 – 28.02.2023**. The level of efforts estimated is 234 expert days for the completion of the assignment.

Task	Deliverable	Expert days	Deadline	Language
Task 1	Financial statements in line with APSAS derived from the accounting system of the municipalities under Group B and C.	10x17 = 170	May 2022	ARM
	Summary of performed works and open points	1	June 2022	ARM and ENG
Task 2	Consolidated methodology	28	September 2022	ARM and ENG
Task 3	Preparation of consolidated financial statements of 2 municipalities under Group D.	2x7 = 14	October 2022	ARM
Task 4	Cost calculation methodology and calculation of cost of services of 2 municipalities under Group D.	2x10 = 20	December 2022	ARM and ENG
Task 5	Presentation of results	1	February 2023	ARM and ENG
Total		234		

Please note, that within the assignment **up to 20 one-day field visits** to municipalities can be organized, overnight stays can take place based on the itinerary of travels. Partner municipalities should not be farther than 180km away from Yerevan.

6. Company and Expert Profile

The Companies proposed for this assignment shall meet the following criteria:

- Experience in conducting projects/programs in IPSAS/APSAS,
- Experience in working on Managerial Accounting issues at the local level.

The experts shall, collectively, meet the following criteria:

- Educational background in Economics, Mathematics, Financial Management, and other related fields,
- Professional experience in Financial Management, in research and development, and in designing public finance management policies and strategies,
- Experience and deep understanding of IPSAS and APSAS,
- Experience and deep understanding of APSAS installation at the local level,
- Professional experience in conducting public accounting and reporting system trainings and capacity building activities (online and offline) at the local level.

7. Submission of Technical and Financial proposal

The present assignment is subject to an open tender for which only Armenia-based consultancy firms are eligible. The Contractor is required to provide a Technical and Financial Proposal. The **Technical Proposal** shall outline in detail how the contractor is planning on providing the services requested through these ToR. The proposal must at least contain the following elements:

- Presentation of a strategy on how to implement the assignment,
- Description of methodology,
- Presentation of work plan,
- Foreseen transportation and accommodation modalities,
- Presentation of the suggested expert(s), including allocation of working days, description envisaged of role and tasks for the assignment, and CV.

The **Financial Proposal**, which must be submitted separately, needs to contain the following information:

- Expert fee(s), per working day and in total,
- Foreseen transportation and accommodation costs, based on the following guidance:
Travel costs are reimbursed by 70 AMD per km as a lump sum or upon provision of evidence based on market price of transportation service, and accommodation by 14.000 AMD per night as a lump sum or upon provision of evidence based on market prices for overnight accommodation,
- Any other expenses essential for implementing the assignment, e.g., costs for materials. Evidence of these expenses must be submitted.