**Project: Good Governance for Local Development in the South Caucasus**

**PN:** **19.2204.6-002.00**

**Mission: Comprehensive analysis of the Internal Control System within LSGs in Armenia**

**Period: August 15 – November 10, 2020**

1. **Introduction**

The “Good Governance for Local Development in the South Caucasus” Programme (GGLD) aims at strengthening the capacities of public institutions in the South Caucasus to the effect that they are better able to provide citizen-oriented services. The Programme advises partner institutions at national, regional (sub-national) and local levels in Armenia, Azerbaijan and Georgia on designing and implementing national reform processes, improving framework conditions and developing standards and guidelines. It supports the capacity development of key actors for citizen-oriented service delivery, primarily at local level.

The Programme is commissioned by the German Federal Ministry of Economic Cooperation and Development (BMZ). In Armenia it is co-funded by the Swiss Development Cooperation (SDC) and carried out in close cooperation with the Ministry of Territorial Administration and Infrastructure (MTAI) as the main political partner.

The planned activity will be realised in the scope of activities aimed at reaching the following outcome: “Capacities of key actors of citizen-oriented service delivery in the South Caucasus and their funding are strengthened”. The outcome fulfilment will be measured among others also by following output: “In each country of the South Caucasus, 2 pilot-based guidelines for e.g. the planning, financing or management of public services or infrastructure are developed (AM) and/or applied in municipalities or districts”.

The services to be rendered by these TORs are deemed to contribute to the above-mentioned objectives and the indicator.

1. **Background**

In 2010 as part of the second-generation reforms, the Armenian Government approved the Public Internal Financial Control (PIFC) Strategy, which was envisaging the introduction of new public internal control system in both Central and Local governments, coherent with European Standards. In December 2011 the National Assembly adopted new Law on Internal Audit (IA), which has been stipulation establishment of Internal Audit Units in all public authorities (both central and local). By the end of 2012 in 52 Central Governmental entities and 48 Municipalities the IA Units were established, the Ministry of Finance as main policy responsible entity elaborated complete package of all regulations, including IA standards and Code of Ethics. Besides, relevant changes were made in secondary legislation. More than 300 Internal Auditors were trained and certified by the Ministry of Finance.

However, due to current developments in the Public Finance Management (PFM) reforms, including also introduction of programme budgeting on both Central and Local levels, there is a necessity to review the existing internal control mechanisms at local level, in order to be able to reveal the gaps and develop sets of relevant policy, legal and methodological changes, essential for establishment of modern Internal Control systems. The new systems should be coherent to the international/European practice and reflective to the current changes and needs of PFM reforms in Armenia (including full-fledge transition of PB on all levels of Governance).

1. **Purpose of the assignment**

The purpose of the assignment is the conduction of baseline analysis on current stance of the internal control (IC) system at municipal level focusing on enlarged municipalities, and revealing of gaps and deficiencies with regard to introduction of modern internal control principles and standards, coherent with best European and International practice and reflective to current PFM reforms in Armenia.

1. **Tasks**

Following tasks are envisaged to be implemented:

1. Review of current situation:

* Review of the existing legal and methodological framework
* Study of currently existing internal control systems within selected 25 municipalities (20 enlarged communities and 5 large urban communities)
* Review (desk-study) of currently existing international/European systems (including practice of Georgia and other Eastern Partnership (EaP) countries)
* Revealing of gaps between local and international/European systems.

1. Development of proposals and detailed roadmap for improvement of existing internal control system in Armenian Local Self-governments (LSGs) coherent to international/European standards

* Development of the draft package on proposals and roadmap,
* Circulation and discussion with all relevant stakeholders and finalisation of the package

1. **Reporting, Deliverables and Timeframe of assignment**

The assignment is envisaged to be conducted in the period of August 15 – November 10, 2020.

Following deliverables are expected:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Task** | **Deliverable** | **Expert days** | **Deadline** | **Language of reporting** |
| 1 | Analysis of existing internal control systems in LSGs in Armenia | 25 | 15.09.2020 | Arm and Eng |
| 2 | Draft Package of proposals and roadmap on introduction of modern IC in LSGs | 15 | 15.10.2020 | Arm and Eng |
| 3 | Final package of proposal and roadmap on introduction of modern IC in LSGs | 15 | 10.11.2020 | Arm and Eng |
|  | **TOTAL** | **55** |  |  |

All activities under current assignment will be coordinated jointly by GIZ, MTAI and the Ministry of Finance (MOF) (as responsible policy maker in PIFC). The potential contractor will report to GIZ. Each report and relevant deliverable will be discussed and agreed with MTAI and MOF.

In total the potential contractor should submit 4 reports (administrative reports + relevant deliverables:

* Inception (interim) Report 1 – August 25, 2020
* Interim Report 2 – September 20, 2020
* Interim Report 3 – October 15, 2020
* Final Report – November 10, 2020

1. **Submission of Technical and Financial proposal**

The present assignment is subject to an open tender for which only Armenia-based consultancy firms, consortium of consultancy firms or consortium of local experts represented by a Private Entrepreneur are eligible.

Bidders shall submit a Technical and Financial Proposal in English.

The Technical Proposal shall entail the following elements:

* Initial work plan for the overall assignment based on the timeframe indicated in the Terms of Reference;
* Proposed methodology and conceptual approach for each of the assignment’s Tasks as presented in the Chapter 4 of the Terms of Reference;
* Detailed information on following qualification of the propose team:
* Thorough knowledge of Governance system in Armenia both Local and Central, also from a perspective of public finance management on both levels
* Strong analytical skills and proven experience in support to policy development
* Proven experience of the field of Budgeting and PIFC reforms: strong knowledge of recent developments in the mentioned reform areas, experience in review and design of legal and methodological frameworks for public sector internal control, including public sector Financial Management and Control (FMC) and internal audit at central and/or local levels.
* Familiarity with international practice and developments in the field of PIFC in EaP countries, including Georgia;
* Experience in Public Administration Reforms (PAR) is an asset
* Detailed CVs of the consultants that to be engaged in the assignment;
* Detailed description of roles and responsibilities within the team of consultants.

The assessment grid used for the assessment of the Technical Proposal is part of the tender documentation and elaborates on the expected requirements of the bidders.

Field trips to municipalities are foreseen, however the municipalities are not yet identified. GIZ is compensating transport for field trips as follows: 70 AMD/km; and accommodation for overnight stay based on invoice. Logistical expenses (travel and accommodation costs) will be defined in the early stage of the assignment and supplemented in the consultancy contract.

Please note that the GIZ security regulations strictly frame and restrict operations in Tavush and Gegharkunik border areas.