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

**PN:** **16.2174.7-002.00**

**Mission: Baseline Study on the application of APSAS and use of APSAS Manual in Armenian enlarged municipalities**

**Period: 01.06.2020-07.09.2020**

1. **Introduction**

The “Good Governance for Local Development in South Caucasus” project (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 project 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 project 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.

To improve the quality of the financial management, efficiency in accounting and reporting in the public sector the project advises in making efficient and transparent the public accounting and reporting system and in compliance with the International Public Sector Accounting Standards (IPSAS). The project supports the introduction of new Armenian public sector accounting standards (APSAS), which were developed on the bases of IPSAS for the public sector of the Republic of Armenia to significantly ease the transformation to IPSAS. As a part of the German Caucasus Initiative, the project promotes professional exchange of knowledge and experiences between the countries of the South Caucasus.

Financial Management and Accounting as one component of the project is being implemented at the local government level in Armenia. The Financial Management and Accounting process is going in parallel with the Territorial and Administrative Reform in Armenia (TARA). To serve this end and support the enlarged municipalities in further transformation phase to APSAS in the country, the Programme seeks to engage local Financial Management and Accounting expertise to analyse the situation in enlarged municipalities regarding the accounting system and software use, with particular stress on APSAS and APSAS Manual use.

1. **Background**

One of the priorities of the Armenian Public Finance Management (PFM) Reform is the improvement of the quality of the financial management, efficiency in accounting and reporting in the public sector. Public accounting and reporting system should be made efficient and transparent and in compliance with the International Public Sector Accounting Standards (IPSAS). New Armenian public sector accounting standards (APSAS) were developed on the bases of IPSAS for the public sector of the Republic of Armenia to significantly ease the transformation to IPSAS.

APSAS was adopted by the Government of Armenia in 2014 and came into force in 2015. The Government sets a transitional time schedule for its adoption based on the Government Decree 463-N dated July 23, 2014. Based on the transitional time schedule, all the government entities and the municipalities shall prepare its financial statements based on the APSAS for the calendar year started on January 01, 2018.

However, the Government indicated in the Government Programme 2017–2022 its intention to implement the second phase of the introduction of APSAS and consider moving fully to IPSAS standards starting from 2019.

The third Public Finance Management System (PFMS) Strategy was adopted by the Government in 2019 for the period 2019-2023, with very clear vision, goal and activities, based on the results of the self-assessment of the PFM system done by the Ministry of Finance and commitments undertaken by the Government of Armenia. The PFMS Strategy sets clear objectives and measures for “Public Sector Accounting” area.

In 2018, GIZ provided introductory training for 52 accountants from 52 enlarged municipalities to understand the general principles and terminology of accounting.

Taking into consideration the huge volume of APSAS accounting regulations, a complex methodological framework, as well as the recommendation received from the training participants, the next assistance from GIZ in this transformation process was the elaboration of an “APSAS Accounting Manual” for municipalities, which aims making the public accounting and reporting system more efficient and transparent for municipalities.

In September 2019, the APSAS Accounting Manual was launched, and a very comprehensive presentation was made for financial specialists, accountants, municipality staff and Government representatives. The copy of the Manual was distributed in USB Flash drives to all participants and the municipalities were given a chance to call and ask questions related to APSAS Manual use and other related issues to the company who elaborated the Manual. Based on the nature of the questions given and the frequency of calls from the municipalities, it seemed that municipalities still needed assistance in APSAS Manual use and application.

In October 2019 the Ministry of Territorial Administration and Infrastructure (MTAI) launched a series of visits to consolidated municipalities of Armenia to understand the procedural, administrative, sector management, performance, and other challenges. During these meetings, Public Sector Accounting issues were also addressed, and questions related to Accounting, APSAS, its use and additional assistance were part of the feedback.

In consultations with the MTAI, for further support to municipalities in strengthening the Financial and Managerial accounting capacities and skills and supporting the transformation process to APSAS, the project intends to have a clear and comprehensive view on the situation through conducting an analysis of APSAS use and APSAS Manual use among local authorities of all 52 enlarged municipalities.

1. **Purpose of the assignment**

Purpose of the assignment is twofold:

1. Conduct a Baseline Study on use of APSAS system and the APSAS Manual among enlarged municipalities.
2. Based on the baseline study, provide recommendations for each of the sections of the baseline (see Tasks).
3. **Tasks**

The tasks of this assignment include:

**Task 1. Conduct of baseline Study**

The proposed content and structure of the baseline study should be outlined as part of the Technical Proposal in the application process for this consultancy and based on the following core questions:

* + 1. Is APSAS used in the given municipality?
       - If yes, to which degree and to which quality?
       - If not, what are the impediments encountered at local level? What parallel/other accounting systems are in use in the municipalities?
    2. Is the ASPAS Manual used in the given municipality?
       - If yes, to which degree?
       - If not, what are the reasons?
    3. Which accounting software(s) is/are used in the given municipality? Are there demands for change?
    4. Which capacity building and needs of municipality staff are arising from the use or non-use of APSAS?
    5. To which extend and in which areas the regulatory framework on APSAS should be improved/reviewed?

The methodology used should be outlined as part of the Technical Proposal in the application process for this consultancy and based on the following aspects:

* The results of the baseline study must be representative of the situation in 52 enlarged municipalities;
* Desk review of the current legal and procedural framework for managerial and financial accounting;
* Data can be collected through a combination of some of the following methods: field visits, exchange of documentation with municipal partners, phone interviews, focus group discussion;
* In the conditions of Quarantine, suggestions should be made on how to gather the data using as much as possible digital tools/remote consultations.

**Task 2. Development of Recommendations**

Based on the above findings, the consultant shall elaborate recommendations for the following topics:

* Measures for supporting in APSAS application at local level,
* Improvements in existing APSAS Methodology and APSAS Manual,
* Accounting Software use and change;
* Measures for capacity development for the target group of the study;
* Improvement on APSAS regulatory framework.

**Task 3. Presentation of results and finalisation of the assignment**

After the completion of Baseline Study and recommendations, the contractor is expected to:

* 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 current ***covid 19 situation*,** all above mentioned activities and interviews linked to and supporting the implementation of above-mentioned tasks should be conducted, reports submitted and presented on-line and on digital base (e.g. MS Teams, Skype for Business). Field visits should be used only for exceptional cases if none of the above mentioned means are not sufficient.

Particularly:

* + Task 1.
    - *Data can be collected through a combination of some of the following methods: exchange of documentation with municipal partners, phone interviews, focus group discussion;* as well as on-line and on digital base using e.g. MS Teams, Skype and other available digital means in case of group interview or meetings. For individual conversations and interviews telephone calls might be used.
  + Task 3.
    - Final Report and Presentation on the implementation of the assignment, results, lessons learned, and recommendations should be provided on-line; PP presentation conducted on digital base.

1. **Level of efforts, deliverables and schedule**

The assignment covers the period **01.06.2020- 07.09.2020**. The level of efforts estimated is 45 Expert Days for the whole completion of the assignment.

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| **Task** | **Deliverable** | **Expert days** | **Deadline** | **Language** |
| **Task 1** | Final Baseline Study concept and methodology | 2 | 01.06.2020 | ARM and ENG |
| Completed Baseline study | 40 | 20.08.2020 | ARM and ENG |
| **Task 2** | Development of recommendations | 27.08.2020 | ARM and ENG |
| **Task 3** | Presentation of results | 3 | 03.09.2020 | ARM and ENG |
| final report | 07.09.2020 | ARM and ENG |
| **Total** | | 45 |  |  |

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

The present assignment is subject to an open tender for which only Armenia-based consultancy firms are eligible.

Bidders shall submit a Technical and Financial Proposal in English language.

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 experience of the bidder regarding the support of local finances and accounting at local level;
* Detailed CVs of the consultants that the bidder plans to involve for 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.

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

The following logistical expenses shall be paid separately in case of providing conforming evidences.

* Transportation costs to partner municipalities;
* Overnight accommodation costs in the regions;
* Printing and related material costs for the trainings.

These expenses shall be settled directly by the incumbents and will be closely monitored by the Programme.