



პროფესიული განათლება
ეკონომიკის განვითარებისთვის
INDUSTRY-LED SKILLS AND
WORKFORCE DEVELOPMENT



Preliminary Finance and Procurement Due Diligence Findings for ISWD PICG Grant Scheme

April 25, 2016

General Information

- Application review process lasted in February.
- After documentation review, feedbacks and main findings in budget and financial aspects were sent to the applicants.
- DD Site visits to applicants were launched on March 11, 2016.
- Finance Expert with other experts and PEM staff visited all 19 selected applicants who had passed administrative and TEP compliance check.
- Main purpose of the visits was to discuss all the issues and misunderstandings occurring in the budget and in CBA. Also, during DD visits there were lots of questions from applicants and during the meeting many financial issues were raised, some of them were solved immediately and some required more detail consideration. More precise clarification will be sent to us by 13th of May.
- During DD meeting the applicants were given recommendations for improving budget and finance related issues. One of the main recommendations was to add narrative part of the budget in order to explain and clarify the questions and remarks given from our side.

Documentation review

- Most of the applicants submitted budget break down and deliverables budget completely. Some of them submitted budgets in PDF format.
- Deliverable budget wasn't provided in two cases.
- Budget break down wasn't provided only by an applicant
- 11 applicants submitted annex 9-1. The majority of applicants left BoQ and refurbishment sheets blank in annex 9-1.
- Asset sheets in annex 9-1 wasn't clear in some cases.
- Very few applicants submitted Cost-Benefit analyses. It should be mentioned once again that ERR will be one of the key indicators during decision making process.

Financial Documentation	Number of applicants
Annex 9	19
Annex 9-1	11
CBA	5

Objectives of DD Site Visits

- To obtain information about issues identified from documentation review
- To check eligibility and cost reasonableness for equipment to be procured
- To check the market prices and origin of the assets presented in the budget
- To check classroom spaces to be acceptable for cohort sizes provided in CBA
- To check the fairness of the indicators provided in CBA
- To provide early informal feedback to applicants

Main issues in budgets and recommendations

Common issues in budget

- Salaries for the administrative and program staff vary significantly, in some cases it seems to be inflated amounts. Applicants have to provide authentic proof of monthly/daily rates. In some cases, salaries are derived from the market price and in other cases from employees' previously paid salary rates. In some cases, foreigners high salaries are determined by high taxation rates in their countries. Sometimes the salary rates are high as it includes salaries for a group of people or employees, so rate becomes quite large amount.
- Per Diem rates need some clarifications. Most of them include accommodation fees, in some cases even flight costs, our recommendation was to split them up. Also it is reasonable to use the rates which are usually used by applicants. It is necessary to indicate destination places in their business trips.
- Some of the budgets include purchasing of a second hand car which isn't allowed by MCC principles. In this case it was recommended either its removal from the budget or rental a proper one.
- In some cases, "other" and "contingency" costs are included. We need more detailed information about these costs otherwise they will not be considered as they aren't allowed by MCC cost principles

General Recommendations

- During DD meetings we revealed that some budgets needed to be changed. For example, due to the infrastructure issues applicant needs to build a new facility. Also amendments in the budget can be caused by exchange rate differences.
- Till 13th of May we allow applicants to decrease/increase budget amounts, but:
 1. If you are going to increase budget amount, Applicant's average annual turnover for the last two audited financial years should be equal or above the requested grant contribution;
 2. Contribution should amount as minimum as 10% for grants between US \$ 300,000 and up to US \$ 1,000,000 and minimum 15% for grants of US \$ 1,000,001 to US \$ 3,000,000 of the grant amount;
 3. Grant amount can't be more than US \$ 3,000,000.
- We are waiting for salary and Per Diem clarifications in the narrative part of the budgets.

General Recommendations

- Units and unit rates should be defined clearly, lump sums aren't accepted.
- Equipment costs should be proved by invoices/offers from suppliers.
- Regarding to office rent costs – usually these costs are covered from applicants' co-financing. In some cases clarification of the costs are market prices, but in other cases there are audit reports and both are accepted.
- In some cases there weren't any reasonable clarification about salary rates, in these cases it is better to decrease the rates.
- BoQ and other sheets in annex 9-1 should be completed despite the fact that costs are covered from MCA amount or applicant's contribution.

General Recommendations

- In most cases conference/work meeting/seminar amounts seem to be inflated – usually it is caused by adding speaker persons' salaries/per diems/travel costs to them. It is recommended to split them up.
- Some of the assets don't have specifications, there are brand names in annex 9-1, we need only specifications, units and unit rates.
- In some cases there are simple indication of “set of furniture”- it should be included in details with units and unit rates.
- Per Diem cant be paid to the conference participants – it is only for staff assigned to the project and company employees.

Main procurement findings from documentation review

General procurement issues

- Most of applicants did not submit specifications of equipment.
- Most applicants used brand names in case of procurement of computer equipment. No specifications or partial specifications were submitted.
- Most applicants did not submit specifications for furniture. In some cases even list of furniture was not submitted.
- Most of the applicants did not submit specifications for printing
- In some cases technical specifications, drawings and BoQs were not submitted for construction works.
- One of the applicants even stated that the specifications are not applicable!
- Most of applicants requested translation services. But no Terms of Reference were submitted.

Main procurement findings from documentation review

Particular issues

- Four applicants proposed purchase of laboratories.
 - One of them submitted full list and specifications which are OK
 - Two of them did not submit specifications at all.
 - One of them proposed purchase of labs using own funds, but did not submit specifications. As this is case of in-kind contribution, it should be well defined and clear.
 - One of the applicants requested materials for laboratories stating one lump sum without any list or specifications.
- Three applicants proposed purchase of simulators
 - One of them provided specifications but used brand names and particular models
 - Two of them proposed purchase of simulator and no characteristics or specifications are provided.

Main procurement findings from documentation review

Particular issues

- Three applicants requested purchase of vehicles and all of them considered used ones.

According to MCC Standard Bidding Document (Procurement of Goods) – General Conditions of Contract, Clause 25.1 - “All Goods are new, unused and of the most recent or current models”.

Therefore, purchase of used vehicles is not recommended.

- One of the applicants even indicated particular brand and model, which is not acceptable and should be corrected.

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