



# VfM Evaluation of GGGI

2013-2014 v.7

April 03 2015

KPMG

Risk Consulting Service Group





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**April, 03, 2015**

This report is prepared solely for the Global Green Growth Institute (GGGI) under the terms of the engagement contract dated February 06 2015 and cannot be copied or circulated, either in whole or in part, to any other parties or for other purposes other than those stated in the Engagement Letter, without KPMG Samjong Accounting Corp.'s prior written consent.

The data included in this report was obtained from GGGI, by April 03 2015. We have no obligation to update our report or to revise the information contained therein to reflect events and transactions occurring subsequent to April 03 2015

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## Contents

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<b>List of acronyms and abbreviations</b>		2
<b>Executive Summary</b>		4
<b>I. Objective, Scope &amp; Methodology</b>		12
	1. Objective	
	2. Scope and General Approach	
	3. Professional Standard Used	
	4. Procedures Taken	
<b>II. Limitations</b>		16
<b>III. GGGI's Governance</b>		18
	1. Institutional Systems	
	2. Staffing	
	3. Facilities	
<b>IV. GGGI's Core Fund Project Management</b>		23
	1. Strategy and Planning	
	2. Mongolia Program	
	3. Rwanda Program	
<b>V. GGGI's Operations Management</b>		53
	1. Procurement Management	
	2. Human Resource Management	
	3. Finance Management	
<b>VI. Enterprise Resource Planning</b>		75
	1. ERP	
	2. General IT	
<b>VII. Conclusion</b>		93
<b>Appendix</b>		95
	1. List of Document Required	
	2. Interviews	
	3. Simplified Process Maps	

## List of Acronyms and Abbreviations

No.	Abbreviation	Meaning
1	3Es	Efficiency, Economy and Effectiveness
2	AFSC	Audit and Finance Sub-Committee
3	BPG	Business Process Group
4	BPM	Business Process Management
5	COBIT	Control Objectives for Information and Related Technology
6	COP	Core Operating Process
7	COSO	Committee of Sponsoring Organizations of the Treadway Commission
8	CPF	Country Planning Framework
9	CSU	Corporate Service Unit
10	CV	Curriculum Vitae
11	DDG M&A or DDG	Deputy Director-General Management & Administration
12	DG	Director-General
13	DoA	Delegation of Authority
14	DP	Direct Contract
15	EAC	East African Community
16	EDPRS2	Second Economic Development and Poverty Reduction Strategy
17	ERP	Enterprise Resource Planning
18	FCPA	Foreign Corrupt Practices Act
19	GGGI	Global Green Growth Institute
20	GGP&I	Green Growth Planning and Implementation
21	GIS	Green Investment Services
22	GL	General Ledger
23	GTC-K	Green Technology Center Korea
24	HCA	Host Country Agreement
25	HOL	Honorarium
26	HQ	Headquarter
27	HR	Human Resource
28	INTOSAI	International Organization of Supreme Audit Institutions
29	IWG	Informal Working Group
30	KDM	Knowledge Development and Management
31	KSD	Knowledge Solutions Division
32	LDC	Least Developed Countries
33	LE	Limited Evaluation
34	M&E	Monitoring and Evaluation
35	Mgt	Management
36	MNET	Ministry of Nature, Environment and Tourism of Mongolia
37	MOU	Memorandum of Understanding
38	NGDP	National Green Development Policy
39	ODU	Organization and Delivery Unit
40	PAI	Open Competition, \$200,000-500,000
41	PAL	Process Asset Library
42	PH	Open Competition, \$500,000>
43	PO	Purchase Order
44	PPC	Public-Private Cooperation

## List of Acronyms and Abbreviations

No.	Abbreviation	Meaning
45	PR	Procurement request
46	QIR	Quarterly Implementation Report
47	QPR	Quarterly Portfolio Report
48	R&R	Roles and Responsibilities
49	RBM	Results Based Management
50	SPC	Strategy, Policy and Communications
51	UAE	United Arab Emirates,
52	UB	Ulaanbaatar
53	UNEP	United Nations Environment Programme
54	VfM	Value for money
55	WPB	Work Plan and Budget
56	YTD	Year To Date

Under Review

## Executive Summary

GGGI is a relatively new international organization, gaining its status as an international organization in October 2012. Therefore, in early 2014 GGGI experienced problems in cash flow due to the timing of replenishments by the donors. Although previously issued appraisal and / or evaluation reports of GGGI mention that GGGI lacks internal control structures such as relevant policies and procedures, GGGI has implemented necessary revisions to follow up on the comments so far.

### Evaluation Criteria

Even though the project evaluation covers the period 2013 – 2014, evaluation ratings based on the sampling tests heavily focused on results from the second half of 2014, because GGGI is a relatively new international organization, and many changes and improvements have been observed during the fieldwork. For example, if deficiencies previously noted in the Danish Appraisal Report were noted again in the test results, we considered whether remedies and improvements have been implemented. If properly remedied, more value and weight was put on the current operation and transactions status; therefore, if equal value and weight is applied to the evaluation period, evaluation ratings would be lower than the ratings provided in this report.

Only the procurement, human resources, and finance management functions relevant to the Mongolia and Rwanda programs were evaluated; we did not evaluate the entire procurement, HR, and finance management performed in Seoul HQ. Furthermore, the transactions relevant to Mongolia and Rwanda were tested on a sampling basis, and not all transactions were tested. For HR management, only one sample was selected and tested due to the confidential nature of HR information. Although only one sample was tested the deficiency indicated in the results was deemed to be very serious and thus HR management was rated as “PARTIALLY SATISFACTORY”. Please note that a very conservative approach was used to evaluate the functions of GGGI.

The definition of evaluation rating is described below:

**Satisfactory** - Internal controls, governance and procedures/processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the evaluated entity.

**Partially Satisfactory** - Internal controls, governance and procedures/processes were adequately established and functioning well. One or several issues were identified that may negatively affect the achievement of the objectives of the evaluated entity.

**Not Satisfactory** - Internal controls, governance and procedures/processes were either not established or functioning well. The issues were such that the achievement of the objectives of the evaluated entity could be seriously compromised.

<b>I. Strategy and Planning Management</b>	<b>Satisfactory</b>
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Overall, 2013 and 2014 was a transformative phase for GGGI, which resulted in different planning document requirements during the two year periods. GGGI’s Strategic Plan 2015-2020 and Biennium Work Program and Budget (WPB) 2015-2016 reflect a shift in organizational thinking and priorities, built on a common recognition amongst donors and in-country stakeholders to demonstrate the case for green growth and deliver results on the ground.

A clear set of guiding principles, strategic priorities, and an integrated delivery model emerged from an intensive strategic planning process through consultative platforms and intensive discussions, which included six country visits, two Informal Working Group meetings, informal Donor Consultative Group meeting, and the joint Audit and Finance Sub-Committee and Project Sub-Committee, and staff surveys – in order to reflect lessons learned and build on bottom-up input.

The WPB is the operational tool for the Strategic Plan. The shift to a biennium timeframe allows for the anchoring of project planning in a longer term horizon.

The launch of the Country Planning Framework, the derivative planning document for in-country programming and any new project design, is aimed at delivering in-country results aligned to national priorities, and GGGI's corporate strategy and Results Framework. Going forward, the draft GGGI Results Framework will require further refinement of outcomes/outputs (based on the aggregation of biennium project-level results), inclusion of baseline, indicators, and target. At the project level, all project-level logical frameworks should be completed, finalized, and nested within the corporate Results Framework. A methodology will have to be developed to ensure nesting between project logical frameworks and corporate results framework for meaningful aggregation of results

## II. Project Management

### A. Mongolia Project Management

**Not Satisfactory**

In general, the Mongolia Project achieved its main objectives. In line with GGGI's value proposition as the only international organization exclusively focused on green growth, GGGI provides integrated demand driven support for Mongolia's pro-poor green growth initiatives. Mongolia became a full member of GGGI in June 2014, indicating the value they place on GGGI's services. Mongolia was identified in the Strategic Framework as the first country to proceed with the Country Planning Framework, and commitments were made to donors to move the process forward vigorously. During a time of uncertainty with a change of government, GGGI was still able to convene a key meeting that provided critical country driven content to both the CPF and a government policy paper on green growth. It is because this meeting was convened that the CPF is still on track.

However, even though the Mongolia project achieved its core big picture objectives, project management process was not performed in a satisfactory manner throughout the project. During 2013 and first half of 2014, issues existed but were unclear. However, review of Mongolia project management in the second half of 2014 indicated significant issues, as two abnormal transactions were noted from the Mongolia programs.

First, the Procurement and Recruitment process of the Mongolia Country Representative showed irregularities. By tracing all relevant documents, the procurement process was shown to use both the procurement and the HR processes. Violations also occurred in the budget check and approval process.

Second, 52 consultant contracts formed during the Mongolia program in December 2014 (34 consultants for the Green Development Roadmap Project and 18 consultants for the Green Indicators Development Project) showed deficiency in their effectiveness and efficiency. All of the 52 transactions violated the proper Procurement sequence, as the final approval by the Head of Procurement was given right before the ending date of the contract. Causal analysis did show that the issue was due to the Mongolia Program Country Representative's poor preparation of the Procurement Request; the Head of Procurement attempted to ensure that all required request documents were of proper quality. Furthermore, 83% of consultants procured were related to the Mongolian Government, and were counterparties of the Mongolia program. Even so, payments of USD 200 – 500 were provided to the consultants for participating in GGGI workshops without maintaining

detailed record of the reason for doing so. Providing payments is especially significant when dealing with a government/government related party. Lastly, the regional director was found to have given Mongolia Country Representatives permission to work during the weekends without documenting the reason first countries to proceed s, which might be seen as a preferential treatment.

(Note: According to GGGI, the 52 consultant procurement contracts are related to two projects: 1) Green Development Roadmap Project and 2) Green Indicators Development Project. The descriptions of services for the Green Development Project was as follows:

- Written contributions to the review and/or development of green development implementation plans (i.e. roadmap)
- Participation in working group sessions

These services will make up a critical component of the Government of Mongolia’s ability to implement its National Green Development Policy. These services will also assist in the formulation and multi-stakeholder commitment to GGGI’s 2015-2020 strategic country framework for Mongolia.)

In conclusion, despite the overall satisfaction of the project by the client, definite room for improvements in the Mongolia Project Management process were identified during the VfM procedure. Accurate and thorough internal documentation that depicts the activities and the reasons behind the decisions made in country team, including the changes in the budget, should be maintained in order to achieve effective project management. The internal procedure should also be followed to ensure that project’s risk is being managed effectively. Therefore, it is hard to conclude that the Mongolia project management was performed in an effective manner.

<b>B. Rwanda Project Management</b>	<b>Satisfactory</b>
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In Rwanda GGGI provides policy advice and technical support to the government to implement its Economic Development and Poverty Reduction Strategy (EDPRS2), which is currently in the second phase of implementation (2013-2018). Rwanda’s Cabinet in April 2015 approved GGGI’s Establishment Agreement to show its commitment to work together with GGGI to achieve the development of secondary cities as green cities with green economic opportunities.

The Government of Rwanda (GoR) has decided to strengthen six secondary cities as poles of growth through EDPRS 2. This is to transform the economic geography of Rwanda by facilitating and managing urbanization and promoting secondary cities as poles of economic growth. At the same time, EDPRS2 incorporates a ‘green economy’ approach to economic transformation, with two interventions related to the promotion of green urbanization as well as green innovation in the industrial and private sectors.

In line with GGGI’s value proposition and strategy to move closer to implementation, GGGI as part of its 2015 and 2016 work is currently in discussion with the GoR to develop the institutional structures and capacity needed to develop a Green City Investment Strategy and pipeline of bankable projects.

We found some delay of the project schedule and deliverables. This was neither due to lack of project management skills nor due to the incompetency of the consulting firm. It was due to a combination of reasons: the considerable time associated with consultation, and the lack of the presence of a permanent Rwanda team.

Even though we found some minor exceptions, the overall evaluation result of the Rwanda program management is satisfactory. However, the Rwanda team needs to improve internal document management skills and be cautious not to violate procurement procedure.

<b>III. Procurement Management (For Mongolia and Rwanda Programs)</b>	<b>Partially Satisfactory</b>
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To safeguard best Value for Money, the procurement for GGGI has constantly been managed by the Procurement Unit, including early involvement in the TOR's and specifications, to enhance competition, secure clear criteria that are possible to evaluate, chair and coordinate evaluation meetings, and perform quality assurance on the contracts. Contract management has been introduced, to ascertain quality performance with the suppliers, including requiring improved performance or contract termination, if necessary. Terminating the Rwanda contract is a good example of such effective contract management.

## FINDINGS

Procurement management was decentralized until September 2013, with each division independently managing procurement functions since procurement unit did not exist as part of GGGI's Management and Administration division.

The main function of the procurement unit is to acquire goods and services at the best possible cost to meet the needs of the acquirer in terms of quality, quantity, time, and location. Individual Consultants are procured by the procurement unit and not the Human Resources unit.

Internal Controls of the procurement process were verified to be well designed with respect to authorization, review, and segregation of duties. However, some exceptions were identified in following these controls during the practical implementation of procurement processes. The procurement team has taken remedial actions in the past by notifying staff of the needed compliance measures.

## RECOMMENDATION

There is definite room for improvements for the procurement management of GGGI. First and foremost, it is highly recommended to explicitly state the standard language to be used for the deliverables in the procurement contract. Furthermore, the procurement procedure's compliance status for each country should be used as one of the standards of measuring Project and individual performance. Lastly, considering the inherent high risk of the procurement function, it is strongly recommended that the number of procurement staff be increased to ensure that work is performed in a more stable manner.

## CONCLUSION

Overall the performance of the Procurement Management related to the Mongolia and Rwanda programs is partially satisfactory. Although the Head of Procurement and the procurement staff appropriately followed the organizational policies, exceptions in procurement processes were found in practice. However, this was due to the procurement request itself and not due to a fault by the procurement staff. The efficiency of procurement management was affected because procurement requests were often submitted very near the deadline by the end users. Consequently the quality of procurement requests and the relevant supporting documents were poor, forcing the procurement staff to repeat the same requests to the end user. On the other hand, procurement management function was effective in accomplishing its main objective of acquiring the goods, services, and outsourcing at the best possible price in order to meet the needs of the acquirer in terms of quality, quantity, time, and location, despite the frequent sequence violations by the end user and the lack of manpower in the Procurement Unit.

<b>IV. Human Resource Management (For Mongolia and Rwanda Programs)</b>	<b>Partially Satisfactory</b>
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The main objective of evaluating Human Resource (HR) Management is to assess the economy, efficiency, and effectiveness by reviewing the Design of Process and the quality of deliverables in each step. The scope of the HR process evaluation is limited to supporting processes related to the Mongolia and Rwanda Country programs which happened in 2013 and 2014.

As of now, the Human Resources Unit is entrusted with matters relating to staff members. Matters relating to consultants are entrusted to the Procurement Unit.

During 2013, the HR work focused on implementation of the April 2013 approved Staff Regulations and Rules, and the recruitment of a significant number of positions created for the new organization. At the same time the HR function adapted to the change in the culture of the organization, moving from K-GGGI (a Korean organization) to an international organization. In January 2014, responding to expected future needs GGGI provided four positions for the Human Resource Unit, and recruited two international staff, the Head of HR and the Compensation and Benefits Specialist.

The HR Team functions under four pillars: Talent Acquisition; Talent Management; Rewards and Recognition; and Good Governance. The impact in bringing these skills and clarifying its accountability resulted in significant cost savings for GGGI and its staff, hence Value for Money; and enhancing recruitment and performance management modality, hence contributing to workforce effectiveness. The examples of cost savings include: elimination of Payroll administration fee, restructuring benefit schemes in a legally proven tax effective manner, clarifying GGGI obligations to participate in national social security programs for expatriates, and negotiating lower premiums with service providers. More rigor and due process was brought into staff recruitment, which resulted in wider outreach to the talent pool and better match of skills to the requirements of the position. Quality of performance management mechanisms improved significantly by bringing in the discipline to evaluate against annually agreed individual targets. Further, the discipline to cascade Departmental and Organizational goals in the Biannual Work Program Budget, approved by the Council, to individual goals was introduced in late 2014, to enhance organizational effectiveness.

### **FINDINGS**

The Human Resources Unit currently does not manage the manpower in project management processes. HR neither provides guidance nor enforces strict directions on the consultant progress report, and does not make enough effort to ensure that the hours worked and the tasks performed by the consultant are accurate. Furthermore, we observed that the role of the Procurement Unit becomes very similar to that of HR's for procurement of consultants with a total amount over 80,000 USD. In addition, the number of procurement staff was found to be very low considering the number of procurement contracts processed.

### **RECOMMENDATION**

As suggested from the findings, there is definite room for improvements for the human resources function of GGGI.

HR needs to engage more actively when dealing with manpower in the project management process. The timesheets of time-based consultants are not being managed properly; lo delivery-based consultants, which requires expertise of the reviewer, was made more difficult because the final output was in the local language. Since the quality assurance procedure is ineffective, procurement contracts almost always lead to payment which indicates high risk. With consultants constituting 40% of GGGI's workforce, if HR fails to enforce strict directions and guidelines on consultants' working hours and progress reports efficiency and effectiveness could be critically affected, which could possibly lead to the risk of fictitious employment.

Furthermore, considering the number of members in the Procurement team and the number of procurement contracts, some roles performed by the Procurement team should be transferred to the Human Resources Unit to improve overall efficiency. For example, when the contract amount for an individual consultant is above USD 80,000, the hiring process of a consultant becomes similar to that of a general staff member. The combination of roles will reduce the burden of workload felt by the Procurement team.

### **CONCLUSION**

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We have selected and evaluated one sample because the Human Resources Unit deals with confidential personal information. The Mongolia country program hired an Ulaanbaatar (UB) -based, national senior program officer in September 2013. In May 2014, the half-time Seoul-based country program manager transitioned from GGP&I to KDM at which point, the regional director was officially assigned the role of Acting Country Program Manager in addition to her other duties. The recruitment process—as approved by GGGI’s Council in December 2013—for GGGI’s first UB-based Mongolia country representative began in Q1 of 2014, but suspended due to the freezing of new hires related to austerity budgets. A second recruitment process began in Q2, after confirmation that sufficient funds were available into the future for the full-time, in-country representative.

The test result indicated that GGGI’s Human Resources Unit was not acquiring the appropriate number and quality of staff at the appropriate cost. Even though procurement of a consultant’s service is done by the Procurement Unit, managing the consultant should have been HR’s responsibility; however, HR failed to provide guidance to consultants on the periodic submission of timesheets and progress reports, and also did not monitor the reporting process effectively when consultants compose 40% of GGGI’s workforce, which raises doubts on the quality of their final deliverables. On the other hand, improvements have been made in the area of payroll and compensation management. Despite the improvements, it was still hard to conclude that the recruiting function operated efficiently because the function was divided between Procurement and HR. Even though large international organizations divide the HR and procurement function, doing so at GGGI – as a relatively new and small international organization - does not necessarily lead to a better result. In conclusion, GGGI’s HR function is not operating efficiently or effectively.

<b>V. Finance Management (For Mongolia and Rwanda Programs)</b>	<b>Satisfactory</b>
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The main objectives of evaluating the finance procedure is to assess its economy, efficiency and effectiveness by reviewing the process design and the quality of deliverables in each step. The scope of finance process evaluation is limited to the supporting processes related to Mongolia and Rwanda Country programs in 2013 and 2014.

#### FINDINGS

No deficiency or flaws were found in the budget policy. The overall internal control of the budget process was well designed with respect to Authorization, Review and Segregation of Duties. However, we observed that exceptions to the process were made in actual practice in some cases.

GGGI’s travel policy requires staff and Consultants to submit a mission report within seven days from the completion of the journey in order to apply for expenses reimbursement. However, there were delays in submission of mission reports in some instances. Furthermore, the budget check process is unclear.

#### CONCLUSION AND RECOMMENDATION

Overall, performance of the Finance department related to the Mongolia and Rwanda programs is satisfactory. GGGI has put in considerable effort to improve the efficiency and effectiveness of the Finance department. Updating details of the travel expense management policies, improving the quality of work plan and budget, and practicing of prudent cash planning are some of the examples of GGGI’s accomplishments. However, room for improvement still exists. The budget check function can be improved by ensuring that only transactions with sufficient documental evidence are processed, and recording the budget check process in more detail to facilitate completeness and effectiveness and to prevent miscommunications between departments.

**VI. Enterprise Resource Planning (ERP)****Satisfactory**

The main objective of evaluating the ERP development project and the general Information Technology (IT) is to assess whether the project execution and IT management were executed according to the 3Es' (economy, efficiency and effectiveness) by reviewing the development of progress, project management and general IT management in 2013 and 2014.

Professional Standards such as COSO – internal control framework and COBIT-5-IT management framework were used as references to determine whether GGGI is following the appropriate operating and procurement procedures.

**FINDINGS**

The findings on GGGI's ERP project are as follows:

- The extension of the project schedule is a result of the phased roll out of the ERP system
- Approximately 90% of the total expenditure disbursed consists of capitalized assets in accordance with International Finance Standards (IFS)
- The change of the project manager was factored into the rescheduling as a risk mitigation measure

**CONCLUSION AND RECOMMENDATION**

Regarding overall project management, there is a need to continuously ensure that appropriate review has been conducted on project details (ex. Project leader, budget estimate vs available resources – including HR and Equipment, procurement plans for required resources, and overall schedule for developing the systems) during the planning phase in order to factor in the economy, efficiency and effectiveness of the overall project.

Immediate follow up measures based on analysis of potential risk should be implemented when a change is made, to increase effectiveness.

Assurance is also needed to confirm whether resources invested in the project are being managed appropriately. Resource management should include both HR management (such as change of project manager or team member) and asset management (capitalization), to increase the overall efficiency of the project.

According to the result of analysis of documents and interviews and evaluation based on the international standard, COBIT-5, it is noted that GGGI's ERP development project has been meeting the 3 Es notwithstanding minor issues such as rescheduling and project manager change. It is expected that the ERP system will contribute to enhance the 3 Es of the entire organization once finalized in June 2015.

# I. VfM Objectives, Scope & Methodology

Under Review

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## VfM Objectives, Scope, and Methodology

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**Objective** We performed the procedures that were agreed with Global Green Growth Institute (“GGGI”) with regards to Value for Money (“VfM”) evaluation to review the Economy, Efficiency, and Effectiveness of GGGI in regards to the agreed-upon sectors during the period of two years (from January 1 2013 to December 31 2014), in accordance with the terms of the contract between us dated February 06 2015.

As a result of the VfM evaluation, findings and recommendations have been made which may be considered to improve on the efficient and effective green development program performance in this area.

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**Scope and General Approach** This VfM evaluation covered the period of two years from January 1, 2013 to December 31, 2014. The VfM evaluation method included interviewing various stakeholders, reviewing documents, and analysis of the financial data provided by GGGI as considered necessary in the circumstances, to obtain reasonable assurance with regards to:

- Appropriateness and effectiveness of operating and procurement procedures;
- Efficiency and effectiveness of internal management, institutional systems, policies and procedures in regards to delivery of GGGI’s objective;
- Economy and efficiency of GGGI’s resources such as staff, equipment and facilities;
- Effectiveness of GGGI’s green development programs;

To fulfill the requirements stated in terms of reference, the VfM evaluation was conducted with focus on the Economy, Efficiency, and Effectiveness of the following management functions of GGGI

- GGP&I: Mongolia program and Rwanda program
- Strategy development
- Finance,
- Procurement
- Human resource
- IT & facilities
- Business process

GGGI selected the Mongolia and Rwanda programs for review based on the following criteria: 1) The programs are funded by core support, which is the support modality used by Denmark; 2) One program conducted in a country geographically far apart from GGGI headquarters, and one program conducted in a country situated closer to Seoul; 3) The programs selected should have activities at country level on-going since 2012; 4) Country activities should have a certain volume; and 5) In-country staff are available for meetings.

Relevant documents necessary to evaluate the sectors above were requested, reviewed, and analyzed (refer to Appendix 1 for the list of documents requested and reviewed). Interviews were conducted in addition to analysis of the documents; the process owners and related employees were interviewed to obtain a better understanding of GGGI’s procedures (refer to Appendix 2 for list of GGGI interviewees). Lastly, several counterparts in Mongolia were also interviewed in order to obtain the comments, suggestions, and overall project satisfaction with regards to GGGI’s green development program; due to the limited time in Mongolia (two days), it was not possible to meet with all program counterparts.

## I. VfM Objectives, Scope, and Methodology

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**Professional Standard Used**

The VfM Evaluation was conducted in accordance with ISSAI300 (Standards and Guidelines for Performance Auditing based on INTOSAI's Auditing Standards and Practical Experience), an audit standard issued by the International Organization of Supreme Audit Institution (INTOSAI). The Performance Audit standard mainly focuses on examining the economy, efficiency and effectiveness of the functions and activities performance of the audited entity, but also includes the verification of the audited entity's compliance with established legislation and regulations in its scope. The standards require that auditors plan the VfM evaluation and report on the economy and efficiency with which resources are acquired and used, and the effectiveness with which the objectives are met.

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**Tasks in the Terms of Reference**

The VfM Evaluation was conducted to achieve the objectives stated in the terms of reference; the procedures taken to evaluate performance of each sector are described below:

1. Review GGGI's procedures and manuals to determine whether GGGI is using the appropriate operating and procurement procedures;
  2. Perform tests to ascertain whether documented procedures are operating effectively in practice;
  3. Review the internal management, institutional systems, policies and procedures to determine the efficiency and effectiveness of delivering the organization's objective;
  4. Examine whether GGGI is acquiring the appropriate type, quality and amount of resources (staff, equipment and facilities) at an appropriate cost (economy);
  5. Examine whether GGGI is using the resources (staff, equipment and facilities) optimally in delivering the appropriate quantity and quality of services in a timely manner (efficiency);
  6. Examine if the organization is avoiding issues overstaffing, idleness, duplication of effort by employees and work that serves little or no purpose (efficiency);
  7. Examine GGGI's achievements (effectiveness);
  8. Examine the systems and processes that were placed during 2014 to improve the efficiency, effectiveness and economy of GGGI's operations; including, Enterprise Resource Planning (ERP) system and new policies (human resources and procurement); and Examine the above aspects with regards to the two country programs funded by GGGI's Core Funds (Rwanda and Mongolia).
  9. Examine the above aspects with regards to the two country programs funded by GGGI's Core Funds (Rwanda and Mongolia).
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**Evaluation  
Methodology**

Many publicly available external reports were reviewed. Most of the report covered the periods of 2013 and early 2014; the latest report was the 'Appraisal of Danish core contribution to Global Green Growth Institute 2014-2016', which was issued on April 28 2014, approximately one year ahead of the current External Value for Money Evaluation project.

Both interviews with the Head of Department and review of documents have been used as methods to conduct the evaluation. We only conducted interviews with selected Head of Departments necessary to conduct the evaluation. Furthermore, most of the interviewees have joined GGGI as of the second half of 2013. The purpose of the interview was to obtain a thorough understanding of the GGGI processes and procedures and GGGI's achievements in 2013 to 2014. Interviews also covered follow-up questions on the Danish Report. Each interview was summarized and the contents were confirmed by the interviewees.

Policies, procedures, and manuals provided by GGGI has been reviewed thoroughly. Sample documents were requested and reviewed to be used as supporting evidence for the Management level interviewee's assertions, and to obtain information from the period before the interviewees joined GGGI.

Samples were selected from transactions conducted in the second half of 2014 in order to check the improvements implemented by GGGI. After reviewing the transaction samples and the relevant documents, a Findings Report was produced and confirmed by GGGI. A simplified process map which depicts our understanding of GGGI's internal procedures (from reviewing the input & output document and conducting interview) has been drafted and included in the Annex section 3.

Lastly, we included in our report the improvements implemented by GGGI in 2014 to follow up on the deficiencies noted in the Danish Appraisal Report, even if the actual impact of the revision showed after 2015. Doing so would impose additional weight on the interview summary confirmed by the GGGI personnel, since we did not check the quality of documents produced during 2015.



# II. Limitations

Under Review

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## Limitations

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### Basis of information

The procedures performed are limited in nature and extend to those that GGGI determined best fit GGGI's informational needs. As such, the report may not necessarily disclose all significant matters about the review or reveal errors and irregularities, if any, in the underlying information. These procedures do not constitute an audit of the specific elements, accounts, or items, for which the objective would be the expression of an audit opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to GGGI. Furthermore, the sufficiency of the procedures performed is solely GGGI's responsibility. Consequently, we make no representation regarding the sufficiency of the procedures described in the contract dated Feb 6 2015 for the purposes for which this report has been requested and for any other purposes.

### Reliance on information

The information gathered or contained in the report was not independently verified; accordingly, we do not express any opinions or make any representations concerning the accuracy or completeness of the report. The data included in this report has been obtained from the information provided to us during the VfM evaluation.

### Restriction on circulation

This report is intended solely for the use of GGGI and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Additionally, our report reflects events and circumstances as they currently exist. We have no obligation to update our report, or to revise the information contained herein because of events and transactions occurring subsequent to April 3, 2015.

### Other restriction of the VfM evaluation

- The document forms and required information in many documents were modified between year 2013 and 2014; thus, our analysis and review are limited by this factor.
- As most process owners joined GGGI in the second half of 2013, and some joined GGGI in 2014, information regarding activities which took place before their GGGI joining date are limited.
- As the scope of the review was from the period 2013 to 2014, GGGI's activities and the relevant documents in 2015 that were mentioned, commented, or stated through the interview were not reviewed.
- The VfM evaluation mainly focuses on reviewing the finance functions relevant to two of GGGI's 22 country programs, and does not necessarily review all of GGGI's finance functions.
- Government counterparty interviews regarding cooperation with GGGI in 2013 and 2014 for the Mongolia program were not fully available due to the government reconstruction of Mongolia.

# III. GGGI's Governance

Under Review

#### **Institutional Systems**

The Global Green Growth Institute (GGGI) was first established in 2010 as a Korean non-profit organization, and was converted into an international organization at the Rio+20 United Nations Conference on Sustainable Development. Since its establishment, GGGI has been dedicated to supporting the transition of developing countries and emerging economies towards a green growth model by developing and implementing strategies that simultaneously achieve poverty reduction, social inclusion, environmental sustainability and economic growth. As of 2014, GGGI has launched 35 projects in 22 countries.

GGGI originally operated based on three 'pillars' composed of Green Growth Planning & Implementation, Research, and Public-Private Cooperation (PPC; PPC has been replaced by Green Investment Service). In late 2013, the three 'pillars' were converted to work streams of GGP&I, PPC and Knowledge Development & Management (KDM). The system was further converted into GGP&I and the Knowledge Solutions Division (KSD) following Council's approval in November 2014. Currently GGGI supports stakeholders through the two complementary and integrated workstreams of GGP&I and KSD that deliver comprehensive products and services designed to assist in developing, financing and mainstreaming green growth in national economic development plans.

GGGI's objectives and activities that support developing countries and emerging economies are described in detail in the Establishment Agreement ratified by Member countries in 2012. GGGI's governance structure, as outlined in the Agreement, includes the Assembly, Council, Advisory Committee, and Secretariat. The Assembly, composed of all GGGI members, meets every two years and advises on the overall direction of GGGI and reviews the organization's progress in meeting its stated objectives. The Assembly also elects Council members, appoints a Director-General, and reviews the organization's progress in meeting its stated objectives. The Council serves as the executive organ of GGGI and thus approves the organization's strategy, budget, admission of new members, and criteria for green growth planning and implementation programs. The Advisory Committee is a consultative body consisting of leading, relevant experts and non-state actors. It is responsible for advising on the strategy and activities of GGGI and serves as a Public-Private Cooperation forum for green growth. In November 2014, GGGI's Assembly and Council approved the merger of the leadership of the Assembly and that of the Council into one, thus creating office of the President of the Assembly and Chair of the Council. The Secretariat acts as the chief operational organ of the Institute and is headed by the Director-General, who represents GGGI externally and provides strategic leadership for the organization to carry out its objectives.

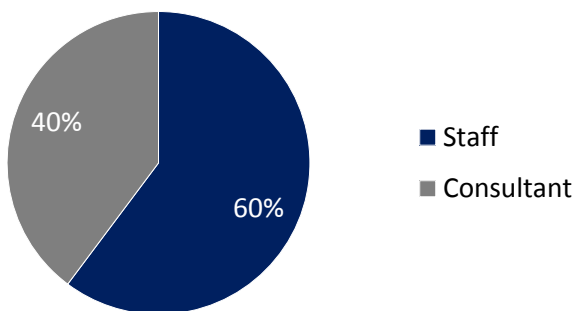
**Staff**

In-country staff have slightly increased since 2013.

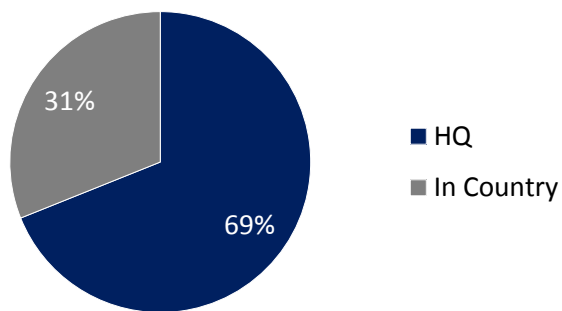
	as of December, 2013	as of December, 2014	as of March, 2015
Location	# Staff	# Staff	# Staff
Korea	72	69	71
<b># of In country staff</b>	28	29	29
Mongolia	1	1	2
Rwanda	0	1	1
China	1	1	1
Colombia	1	1	1
Ethiopia	4	10	10
India	3	3	3
Indonesia	3	5	5
Mexico	2	1	1
Philippines	0	1	1
Denmark	3	1	1
UK	7	0	0
South Africa	0	1	1
UAE	4	4	4
Vietnam	0	1	1
<b>Grand Total</b>	101	100	103

The pie charts are prepared with Headcount data as of March 2015.

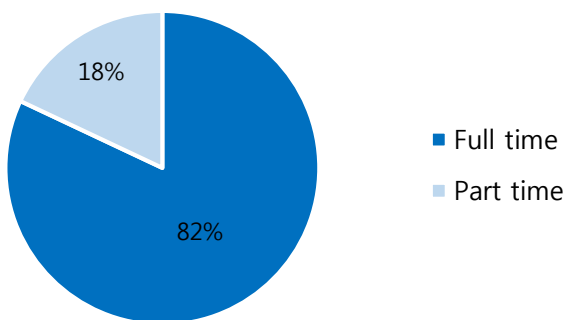
**Staff vs Consultant**



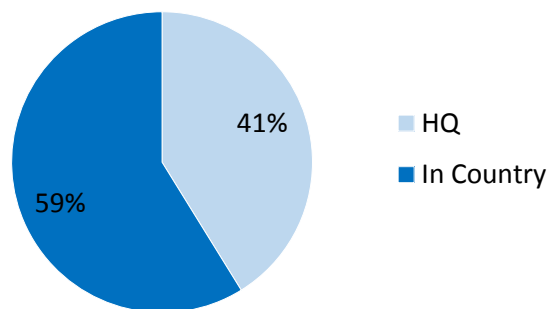
**Ratio of Staffs by Working Location**



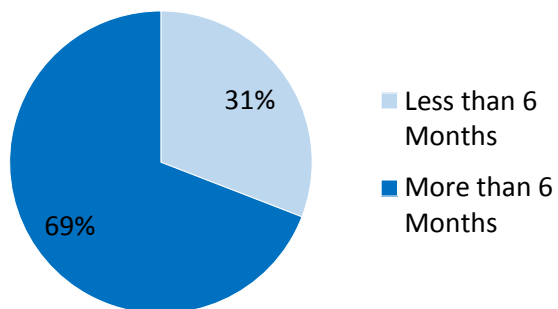
**Consultant Part time vs Full time**



**Ratio of Consultants by Working Location**



**Consultant Contract Length**



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**Facilities**

According to the Danish Appraisal Report issued in April 2014, GGGI had 3 satellite offices during 2013-2014 in Abu Dhabi, London, and Copenhagen. In 2014, the GGGI Council decided to close down two offices (London and Copenhagen) but to open a European Focal Point with a focus on private sector engagement on green growth, finance related issues, and donor relations. The pre-existing GGGI London Office's research function was transferred to the Seoul HQ, and the European Focal Point will concentrate on the private sector and donor relationships in order to make the European presence cost effective.

With a target opening date of March 2015, the new London office's function will be different from the function of the previous office. In order to reduce unnecessary costs, GGGI's European Presence will be located in a multi-used service office, and hire four desks (3 staffs and one contractor) instead of using its former office with up to 18 people, which constitutes both staff and research consultants. The newly opened European Focal Point resulted in reduction of GGGI's yearly operational cost from USD 550,000 to USD 120,000.

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**Business Process Management Program**

According to the GGGI Head of Corporate Services, GGGI initiated the Business Process Management Program (BPM) with the approval from the DDG of GGGI on December 2013. The HR Management Process Map which was established in May 2014 will be ready for use after ERP launch. Another business process map was put on hold due to GGGI's priority with the ERP system; however it is expected to be completed by the end of 2016. Once the BPM program is in place, it will be updated on annual basis to check any omissions in the process steps and linkage among processes.

# IV • Core Fund Project Management

Under Review

## 1. Strategy and Planning

## 2. Mongolia Program

## 3. Rwanda Program



## 1. Strategy and Planning

### Overview

First established in 2010 as a Korean non-profit organization, GGGI undertook an array of institutional developmental processes and procedures in response to donor and Council recommendations following the 2nd Joint Donor Review and other insight documents.. Some of the improvements in the strategy and planning process made during the review period in regard to GGGI's strategy and planning procedure are as follows:

- **2015-2020 Strategy:** GGGI's 2012-2014 Strategic Plan did not obtain approval from the Council; GGGI explained that it was due to the fact that the plan was not prepared in consultation with the member countries. However, GGGI has taken various procedures such as obtaining internal and external consultations, meeting with member countries, and attending country team meetings for its 2015-2020 Strategy Plan. In case of Mongolia, GGGI conducted an intensive consultation session which included a 2-day multi-sector stakeholder workshop with 100 representatives from the public and private sectors and civil society.
- **Workstream integration:** The Appraisal report of GGGI issued by the Technical Advisory Services of Ministry of Foreign Affairs of Denmark (Danish Appraisal report) in April 2014 noted that there is weak integration among the three workstreams (GGP&I, KDM, and PPC) in GGGI. One such example is the unclear contribution to GGP&I by KDM and PPC. However, PPC had coordinated efforts in Mongolia with the country team and the Ministry of Economic Development (MEGD) since January 2014. For example, KDM supported the May study tour of MEGD and National Statistics Office staff to Korea to explore green growth indicator identification and definitions. Since 2013, KDM (then Research) has supported the Mongolia program's use of the Long-range Alternative Energy Planning (LEAP) software tool. In 2014, KDM and the country team also coordinated Mongolia's partnership with the Green Technology Center of Korea (GTC-K), which also had a strategic MoU with GGGI. This engagement resulted in the design of a highly energy efficient kindergarten building and is an ongoing component of GGGI work in Mongolia for both KS and GIS coordination. Also in 2014m GGGI issued a Planning Direction to develop the 2015-2016 work plans and budgets which addressed such issues. Evidence of integration such as cooperation or plans for cooperation among the workstreams is captured in the QIR since 2014
- **Work Plan and Budget:** GGGI first implemented the Work Plan and Budget template (WPB) in 2014, and moved from a one-year to a biennium work and budget plan.
- **"Result-based":** GGGI shifted towards "result-based" programs in 2013, which initially considers wanted outputs to plan the inputs necessary such as budget, program, and ratio between in house staff and consultants.
- **Program Proposal:** In 2014, Preparation of Program Proposal was conducted by each country team, and the budget and work plan was connected to a single document. Previously, the plans were not connected in a single document, and proposals and directions came from the upper management.
- **Program initiation:** Prior to 2014, GGGI did not have a systematic WPB review process; it relied only on the division heads. The program manager submitted the WPB template to the division heads, who submitted the templates to the Strategy,

Policy and Communication department (SPC). Ever since the Planning Direction was issued in 2014, each program team fills out a WPB template; a challenge session is also held to ensure that GGGI sets its strategy and budget appropriately.

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### **Strategy and Planning Process**

In comparison to the previous strategy, which was outsourced to Dalberg Global Development, the Strategic Plan 2015-2020 was developed in-house within GGGI in 2014.

The Strategic Plan 2015-2020 is the output of the strategic planning process that took place over the course of 2014. This output is essentially the overarching strategy document that provides guidance to align GGGI's operations – both programmatic and non-programmatic – with the organizational vision and objectives over the next 6 years. Prior to 2012, there was no organizational strategy. In 2012, the development of the strategy was outsourced to an external firm. In 2014, GGGI developed the strategy in-house in order to enhance relevance and buy-in. Strategic planning is a fundamental process for any organization that is targeting effective delivery of organizational objectives in the long run.

The effectiveness of the strategy and planning process is also evident in the Council's approval of Strategic Plan, as well as the announcement of the Government of the United Kingdom's decision to join GGGI as a Contributing member at the November 2014 Council Session.

The Strategic Plan articulates the strategic priorities, delivery model, and the 2020 high-level targets, and forms the basis of the GGGI Results Framework 2015-2020 and the Country Planning Framework (CPF) 2015-2019:

- (i) The Results Framework - indicating impact, outcomes and corporate outputs aggregating program/project outputs - cascades down to program/project-level logical frameworks and anchors the divisional targets and individual performance work targets throughout the organization. GGGI's Organization Delivery Unit will monitor these targets and report against the Results Framework and project Logical Frameworks. These targets are also linked to the work program of the Human Resources Unit.
- (ii) The Country Planning Framework is the guiding strategy for in-country delivery to be driven by national priorities aligned with GGGI's strategic goals.

These two aspects are core to an integrated results-based management framework/process to achieve an organization's intended outcomes in the long term.

The arrival of the current Director General in April 2014, and the submission of the Work Program and Budget and the Strategic Plan at the GGGI Council meeting in November 2014, necessitated efficiency in the strategic planning process to

ensure adequate consideration of diverse views in a relatively short period of time, and the formulation of an overarching strategy that would be acknowledged by Members for GGGI's future.

The inputs of the planning process and the finalized strategy were as follows: the process was initiated based on an approved concept note, a clear roadmap of the intended objectives, and an analysis of GGGI's existing structure, governance, programs and service mix, staff, partnerships and resources. The resulting Strategic Framework was further developed and shaped through numerous intensive internal and external consultations: five country visits, surveys with GGGI donors, two informal working group meetings, and two staff retreats. These consultative platforms ensured representation from GGGI Member countries - both developed and developing – as well as staff representation through the opportunity to submit opinions anonymously.

The strategic planning process also required a mechanism to operationalize the objectives of the corporate strategy – the Work Program and Budget (WPB). The WPB process in 2014 reflected efficiency by establishing a biennium timeframe as opposed to the one-year timeframe of 2013. This reduces the administrative pressures on project teams in conducting an annual budgeting exercise and widens the planning horizon for development outcomes,

Considering the need to address donor demands and GGGI's financial situation given the time-specific circumstances, the strategic planning and budgeting process had to be executed in an efficient manner and run in parallel, in view of the November deadline: the Strategic Framework provided the basis of the Planning Directions which was issued to the programmatic divisions for the preparation of the WPB. The WPB process had to be results-focused: (i) budget ceilings and evaluation criteria aligned with the Planning Directions were communicated to divisional heads; (ii) budgets prepared by project teams and consolidated by each division; (iii) the submissions were evaluated by both SPC and ODU and analysis provided to the Director General; (iv) budget challenge sessions amongst divisional heads and the Director General; (v) revision and or refinement of budgets; and (vi) analysis and preparation of the WPB for the Council.

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### Conclusion

Overall, 2013 and 2014 was a transformative phase for GGGI and resulted in different planning document requirements during the two year period. GGGI's Strategic Plan 2015-2020 and biennium WPB 2015-2016 reflect a shift in organizational thinking and priorities, built on a common recognition amongst donors and in-country stakeholder to demonstrate the case for green growth and deliver results on the ground.

A clear set of guiding principles, strategic priorities, and an integrated delivery model emerged from an intensive strategic planning process through consultative platforms and intensive discussions which included six country visits, two IWG meetings, an informal Donor Consultative Group meeting, and the joint Audit and Finance Sub-Committee and Project Sub-Committee, and staff surveys – in order to reflect lessons learned and build upon bottom-up input.

The WPB is the operational tool for the Strategic Plan. The shift to a biennium timeframe allows for the anchoring of project planning in a longer term horizon. The launch of the Country Planning Framework, the derivative planning document for in-country programming and any new project design, is aimed at delivering in-country results aligned to national priorities, GGGI's corporate strategy and Results Framework. Going forward, the draft GGGI Results Framework will require further refinement of outcomes/outputs (based on the aggregation of biennium project-level results), inclusion of baseline, indicators, and target. At the project level, all project-level logical frameworks should be completed, finalized, and nested within the corporate Results Framework. A methodology will have to be developed to ensure nesting between project logical frameworks and corporate results framework for meaningful aggregation of results

Under Review

## 2. Mongolia Program

### Overview of the program

GGGI first engaged Mongolia at a time when the national economy seemed to be going from strength to strength fueled by extractive industries and a booming southern neighbor. At the same time, it was clear that business-as-usual approaches were unsustainable and that climate change was affecting the landscape more rapidly in Mongolia and Central Asia than nearly any other part of the world. Since the first Consultative Workshop held in 2012, the Government of Mongolia (GoM) and GGGI have worked collaboratively on specific priority sectors, including green growth policy planning, energy, transport and construction. GGGI's programmatic engagement has responded strategically with the GoM's evolving priorities and government architecture.

Through effective and inclusive programming, GGGI has built the trust of a range of government partners and stakeholders in the private sector, civil society, and international development partners. Mongolia is a Member country of GGGI, and GGGI has a growing presence in country, hosted by the Ministry of Environment, Green Development and Tourism. Since deploying staff in Mongolia in September 2013, GGGI's engagement and collaboration with ministerial counterparts has expanded, and now includes four ministries and two agencies as well as participation in important coordinating bodies, such as the Business Council of Mongolia and the Green Building Council of Mongolia.

During the government restructuring that began in October 2014, GGGI retained important institutional and policy memory which enabled current government counterparts to fast-track sustained green growth priorities, such as the National Green Development Policy, and redefine new ones. In 2013-2014, through substantial internal changes, GGGI and the GoM maintained a true-north focus that has created and delivered green growth policies, methods, and projects -- key elements of the evidence-based foundation of Mongolia's green growth transition.

**Staffs:** Two GGGI staff members and one consultant are based in Mongolia as of March 2015 with plans to recruit additional staff and one consultant. Because GGGI does not have legal status in Mongolia, issues such as absence of visa for employees and bank accounts can limit GGGI's activities in Mongolia. Since Mongolia became a member of GGGI in June 20 2014, GGGI has been in discussion about a Host Country Agreement (HCA) with the government. It is expected that the HCA will be finalized soon; however, the reconstruction of the GoM from October 2014 extended into the 1<sup>st</sup> quarter of 2015 and may cause delay in the HCA process. Of the 22 countries in which GGGI conducts programs, only two have granted HCA to GGGI. The challenge is a systemic one that is being addressed by in-country teams, HQ units, and Council members alike. The restructuring of the GoM in late 2014/early 2015 has served to delay the process in Mongolia, although discussions are now back on track and under review at the Ministry of Foreign Affairs.

**Budget:** The total budget of the Mongolia program increased by USD 215,660 in 2014 from USD 681,091 in 2013 as the program extended to the general environmental protection sector along with transportation and energy sector. In 2013, the Mongolia program's budget was composed mostly of salary expenses, with percentages as high

as 44%; however, outsourcing expenses increased from USD 28,440 in 2013 to USD 454,276 in 2014, which covered approximately 51% of the total annual budget.

**Workstream integration:** The Appraisal Report by the Ministry of Foreign affairs of Denmark drafted and submitted to the Danish Parliament in April 2014 pointed out that the integration between the workstreams GGP&I, KDM, and PPC were limited.

However, according to GGGI, the Mongolia program has been well integrated with other workstreams. For example, PPC has coordinated efforts in Mongolia with the country team and the Ministry of Economic Development since Jan 2014. KDM supported the May study tour of MEGD and National Statistics Office staff to Korea to explore green growth indicator identification and definitions. Since 2013, KDM supported the Mongolia program's use of the Long-range Alternative Energy Planning (LEAP) software tool. In 2014, KDM and the country team also coordinated the partnership with the Green Technology Center of Korea (GTC-K), with which GGGI has a strategic MoU. This engagement resulted in the design of a highly energy efficient kindergarten building and is an ongoing component in GGGI work in Mongolia for both KS and GIS coordination. Since the 3rd quarter of 2013, the Mongolia country team has been documenting the way in which the workstreams have cooperated or integrated during the quarter; they have also recorded program opportunities or requests for future support from the other work streams.

GGGI noted that the Mongolia country team is continuously well connected with the workstreams. Currently, when the country team receives a request from the GoM for development in the transportation sector, the work scope is sent to HQ to inquire whether it is possible for GGGI to conduct the work with internal staff. Pending a request from the country team, the former half-time country program manager and now member of the KSD would consider provision of transportation sector-related knowledge to the Mongolian program and government counterparts. In addition, KSD has plans to support the country team in the facilitation of high-level knowledge exchange with other government bodies in the upcoming GGGI-UNEP South-South capacity building session. KSD also supports the country team in the screening of program documents related to the water sector and in green indicator development efforts. In case of integration with the Green Investment Services (GIS) department, which took responsibility for PPC work, the country team has a person from GIS who is dedicated to the Mongolia program for program design and launch. GIS has also participated in liaising with the Ministry of Education and the Ministry of Industry and Trade in Mongolia. Furthermore, GGGI prepared the preliminary design of GIS programming for Mongolia in consultation with key stakeholders in 2014.

**Team leader:** There have been changes in the Mongolia program team leadership between 2013 and 2014. The former part time country program manager led the Mongolian country program from Seoul on a fly-in, fly-out basis from 3<sup>rd</sup> quarter 2013 through the 1<sup>st</sup> quarter of 2014 at which point he transitioned to KDM. The current country representative – GGGI's first in Mongolia, took up his full time duties in the 4<sup>th</sup> quarter of 2014. During the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2014, the Regional Director held that role and was acting country program manager until the recruitment for the new

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role of country representative was finalized. According to GGGI, the reason for the delay of Country Representative Recruitment was due to the GoM's austerity budget, which froze new hires. When asked whether the Mongolia program was affected by the absence of a program leader, GGGI answered that the program was slow-moving at the time due to austerity budget restrictions and was therefore not affected. Despite the absence of a program leader, the Mongolia program conducted a green building technology assessment with the GTC-K, initiate negotiationd for HCA, and conduct a Consultative Workshop for Aimag (provincial) Government representatives.

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### **Program Management**

In 2013, GGGI's risk assessment was conducted by the program manager based on his knowledge of the program and included in the COP document. GGGI first conducted the country program risk identification in 2014 to capture the risk status in the logical framework that contains information such as descriptions of the activities and outcomes linked with the related risk identification and risk management strategy.

According to the country team, program risk is assessed through desktop study, field data collection, and identification of possible risks via QIR document while the HQ provides recommendations and comments related to risk mitigation. As an example of risk assessment, GGGI noted that some risk, such as political change, can be predicted from the voting cycle. However, sudden risks such as abrupt government restructuring cannot always be predicted. Such political risk is a risk faced by some of the GGGI country teams and cannot always be predicted beforehand. However, in this case the Mongolia country team has mitigated the risk by maintaining good relations with the new government bodies. As a proof of sustained good relations, GGGI received a request from the new Ministry of Transportation for green transportation development in January 2015. The Mongolia Country Team is considering the design of a transport sector activity in 2015. In addition to this proof is an unqualified endorsements from senior level government officials also bear witness to effective and sustained good relations, such as those coming from former Vice Minister of the Environment and Green Development and now current Vice Minister for Education, Culture and Science, Mr. B. Tulga, who notes: "With its resources for Mongolia programming, GGGI has provided timely and cost-effective assistance in close collaboration with the government. Our collaboration has helped strengthen the government's commitment to green development."

The Appraisal Report by the Ministry of Foreign Affairs of Denmark drafted in April 2014 stated that the country team felt detached from the HQ and that there was a lack of communication, strategic guidance, professional and administrative support. There has been improvement in project management since the Regional Director joined GGGI in the end of 2013, as a result of daily communications with the country team, weekly country team meetings, and a portfolio meeting every month. Finally, GGGI added that the Country Representative can always communicate with the HQ on at least a weekly basis through email, phone, or Skype.

Overall, the Mongolia program management by HQ has been well established to increase efficiency and effectiveness of the country team's activities. Over the course of the two years that are subject to this VfM audit, the management of the Mongolian

country program has shifted from Seoul to Mongolia, with a sustained and growing reputation of impact, relevance, and collaboration. However, there are still remaining factors to be improved to enhance effective work between the country teams and the HQ.

Urgent request for procurement approval at the end of the year: During the review of procurement approval emails for the Mongolia program, it was noted that an urgent approval request was sent to the procurement department on December 12, 2014, requesting approval of 3 pending procurement request. The procurement request was related to 52 Individual Consultant procurement contracts (34 consultants for the Green Development Roadmap Project and 18 consultants for the Green Indicators Development Project) with a total contract value of approximately USD 17,900 for the green indicator development project and the green development roadmap project. The urgency of the request was based on the GoM's need to have insights and feedback into conferences and decision-making related to the National Green Development Policy by the end of December 2014. While the start date of all the contracts are December 15, 2014, one of the required documents to finalize the contracts, consultant CVs, were only fully submitted to the procurement department on December 31 2014. Furthermore, the review of the procurement list for the Mongolia program showed that GGGI obtained the receipt of the majority of signed contracts from the consultants on December 30 2014 (Please refer to "Procurement of 52 Individual consultants procurement contracts [34 consultants for the Green Development Roadmap Project and 18 consultants for the Green Indicators Development Project]" in the Procurement section). In this case, procurement was related to numerous contract approvals, which the procurement unit had to approve without sufficient time to thoroughly review the details of the procurement. Whether this procurement was economical and or efficient or whether there were other options that GGGI could have taken is not shown in this request. In order for GGGI to ensure that 3Es are followed in the procurement process, procurement approval request should not be sent as an urgent matter, in order to give the procurement unit time to review the appropriateness of the procured service or product. The Country team at all times should ensure that the procurement schedule is planned in advance and consider whether it fits the 3E.

### **Budget Management**

The Mongolia program had a budget reduction during the 4<sup>th</sup> quarter from USD 713,527 to USD 163,013.

The reason for changes in the total 4Q budget amount was not documented in the QIR. However, according to GGGI, in Q4 of 2013, GGGI Council passed the 2014 budget, but insisted on a 10% reduction across the board, which became known as the "Delayed" budget. These figures were communicated to GGP&I staff by the then Deputy Director General who was also the division head of GGP&I. In Q2 of 2014 when the new DG arrived, the first round of austerity budgets were announced, along with hiring freezes which suspended, among others, the first recruitment effort for the country representative in Mongolia. Regional directors were instructed by the DDG and GGP&I to manage budgets within their portfolios, rather than at a project level. ODU continued to issue QIRs with the original budget allocations, and country teams were



instructed by the DDG and GGP&I to live within austerity budgets even as teams reported to ODU with the original budget allocations. In September, GGP&I teams learned that austerity budgets were extended for the remainder of 2014 even though they had been told that austerity limits would be lifted for Q4 of 2014 and program would return to their original “delayed” budget allocations. Again, ODU issued QIRs with the delayed budget sums, even though the austerity budgets remained in place until December 2014. With specific regards to the North and Central Asia region, the regional director kept her teams informed of the changes throughout, during the weekly regional meetings, and regular communications and interactions with each team. During most of the austerity period, she was also acting country program manager for Mongolia, and was, therefore, highly informed of budget limits and program targets..

Due to the austerity budgets imposed in April 2014, the Mongolia country team suspended the transportation sector activities and, at the request of the GoM focused on energy sector efforts.

**QIR:** In 2013, the DDG for GGP&I created the Project Monitoring Team to collect information related to GGP&I work stream projects. QIRs were developed as a management tool to allow the DDG to have an overall view of projects’ progress toward the achievement of the planned results as well as a general understating of the disbursement level over the year. Based on the information provided in the QIRs, the DDG for GGP&I was able to report on project results to GGGI executives and to the Program Sub-Committee.

According to GGGI, QIRs were never meant to serve as detailed financial reports for external use, but merely to allow the GGP&I DDG to have a general understating of the disbursement trend. At the end of 2013, the Organization and Delivery Unit was created within the M&A division to monitor all GGGI’s projects, not only GGP&I ones. In Q1 2014, the role of QIRs was revised and the financial report section was definitively discontinued. Since then information about budget execution was provided only by the Finance Unit via monthly project dashboards. Since Q1 2014 QIRs have been collected by ODU with the primary objective to inform GGGI executives and the Council’s sub-committees about GGGI projects’ portfolio performance. We were able to review GGGI’s activities, budget, and disbursement in regards to the QIR and QPR. From our review of the QIR it was noted that the QIR does not document detailed information with regards to budget re-allocation and high variance between the budget amount and the actual disbursement.

### 1. Re-allocation of budget with no explanation in the QIR

In the 2<sup>nd</sup> quarter 2013, the QIR showed changes in the budget in ‘Sectoral Action Plans for Green development of Mongolia’ and ‘2nd Phase of Transport Sector Program’ as shown in the below table:

(Currency: USD)

Reporting Quarter	Q1		2Q	
	3Q	4Q	3Q	4Q
Sectoral Action Plans for Green Development of Mongolia	150,000	150,000		300,000
2nd Phase of Transport Sector Program	150,000	150,000	100,000	200,000

While the total amount of budget did not change, no explanations regarding the reason for budget re-allocation were provided in the QIR.

According to GGGI, budget shift can occur during the year from one category to another without changes in the total budget amount. Budget re-allocations were considered under the full responsibility of project managers and the ADG following their internal decisions. However, during the period of budget austerity, budgets were allocated on a regional basis from the ADG with Regional Directors finalizing the allocations across their regions. While Regional directors were requested to revise and comment on the QIRs for quality assurance and to confirm information correctness they were not requested to explain why there were changes in budget allocation. Documentation of the details of the budget re-allocation such as purpose, cause, and effect can help GGGI monitor and compare how the increase/decrease in input can affect the efficiency and effectiveness of the program. Tailor-made reports will be generated through the GGGI's ERP Project Module (scheduled to be functional by end June 2015) by taking information from different Modules including procurement, finance, and grant module.

## 2. High variance between budget and actual disbursement during 2013 and 2014

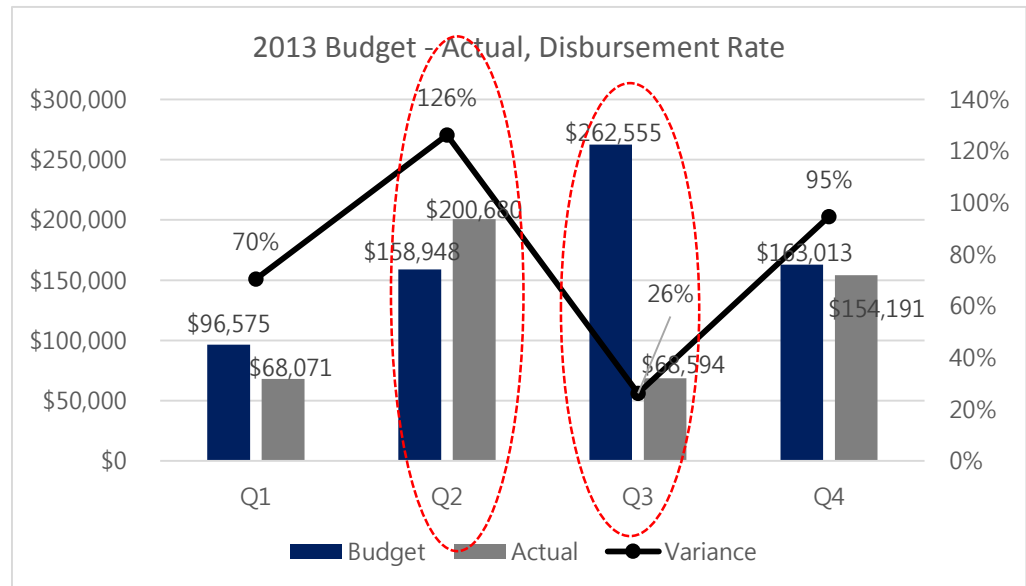
GGGI implemented the Budget vs Actual Report only about a year ago. In the absence of an ERP system, ODU had to manually collect information from the project teams and Finance Unit on 40+ projects with the sole objective to facilitate internal communication flow and track financial performance at the projects portfolio level (QPR).

According to GGGI, since ODU was not the primary source of financial data, it was not in a position to spot and correct errors unless there were clearly evident abnormalities.

## IV. Core Fund Project Management

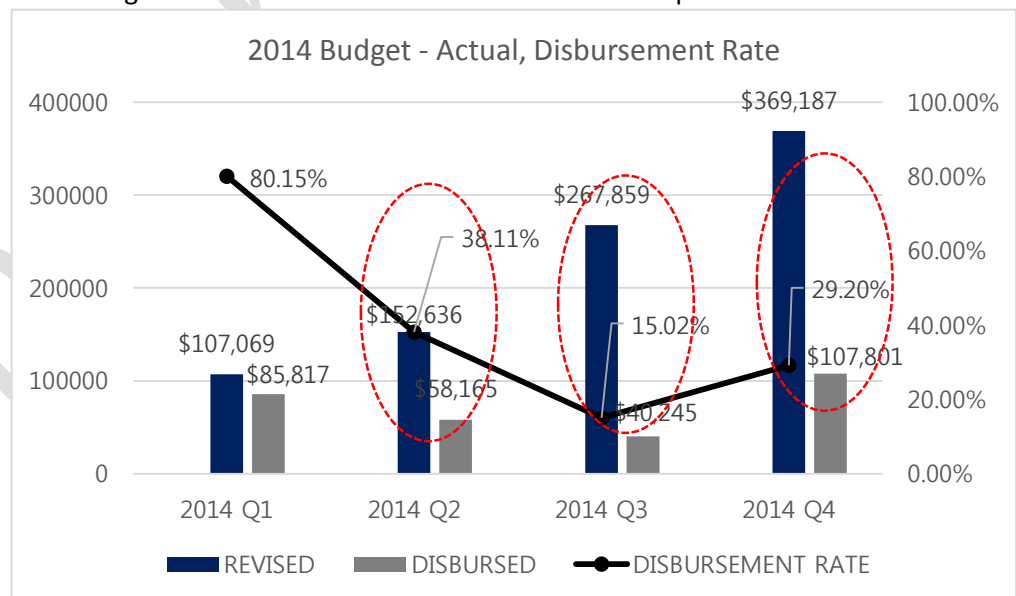
The review of 2013 QIRs and Budget vs Actual Report shows high variance between the planned budget amount and the actual disbursement amount as below:

2013 Budget VS Actual Disbursement on QIRs



The above graph shows the Mongolia Program recorded high variance between budget and actual in 2013 2Q and 3Q disbursement. Due to the absence of detailed disbursement data for 2013, identification of which planned expenses were not disbursed or over disbursed was limited.

2014 Budget VS Actual Disbursement on the variance report



The above graph shows the Mongolia program recorded high variances between the budget and actual disbursement in 2Q, 3Q, and 4Q of 2014. The issue in year 2014 was that the actual disbursement was significantly lower than the planned budget. The analysis of the variance report showed that the Mongolia program disbursed less than 50% of its planned budget in all categories as shown below; in some cases,

the team even disbursed 0% of the budget.

However according to GGGI, the actual disbursement was in compliance with the austerity budget totals set by the Accounting and Finance Sub-Committee of the GGGI Council, and the Mongolia country team disbursed austerity allocations in a way that still met revised targets and government expectations.

2014 budget variance from variance report (Currency: USD)

Category	Budget (Annual)	Actual (YTD)	Variance amount (YTD)	Disbursement rate
Salary and Wages	221,775.48	109,126.74	-112,648.74	49%
Supply expenses	3,500.00	1,290.45	-2,209.55	37%
Travel expenses	62,500.00	20,402.43	-42,097.57	33%
Conference expenses	97,000.00	28,768.37	-68,231.63	30%
Outsourcing cost	454,276.00	104,009.92	-350,266.08	23%
Freight expenses	2,000.04	91.73	-1,908.31	5%
Communication expenses	18,200.00	164.86	-18,035.14	1%
Overhead	37,500.00	0.00	-37,500.00	0%

High variances between budget and actual may indicate that 1) The budget planning was not conducted with full consideration of the program process, or that 2) The program has not performed efficiently as initially planned, or that 3) There has been an unexpected event. During the interview the Regional Director indicated that she communicates with the country team when variances between the budget and actual disbursement are present. However, explanations for variance were not documented on the variance report or the QIR. Although GGGI stated that the DDG, Head of GGP&I Division, instructed regional directors of austerity allotments, the country team and GGGI should record and document the analyzed cause of the variance to help the country programs plan appropriate budget amounts in the future.

**Procurement Request**

In regard to the Mongolia program, we reviewed two procurements related to procuring consultants and noted the followings:

**1. Evaluation method for work performed by consultant**

In October 2014, the current country team leader first joined GGGI as a consultant for the country representative position; his status changed to staff member in March 2015. According to GGGI regulation, consultants procurement by GGGI are required to submit a progress report for hours worked (timesheet) and work performed in order to receive payments from GGGI.

1. Information such as date, number of days, number of hours, start time, finish time, duty station, and a short brief of activities performed can be submitted in the timesheet. GGGI determines and approves the hours worked by consultants only through the monthly timesheet submitted by the consultant at the end on the month. Because the hours of work and activities are used for the basis of consultant payment, GGGI relies on the consultant’s own report.

On the timesheet submitted by the then-consultant on December 2014, the time submitted included time spent on lunch or dinner. For example, the timesheet indicates that the consultant worked for 12 hours, from 9:00 AM to 21:00 PM on December 11th, 2014. However, although it is reasonable to assume that time was spent on lunch and dinner breaks, such meal time seem to be included along with the hours worked. Similar cases (inclusion of lunch or dinner hours in the number of hours worked) can be found throughout the consultant's submitted timesheets from November to January. Due to the absence of an evaluation method for the working hours in GGGI, such hours were approved based on weekly discussions with the Regional Director, and the deliverables and actions were also discussed and agreed to. Invoices were approved if it abided the agreed upon requirements.

According to GGGI, HR instructed the then-consultant to complete his timesheet in a manner consistent with staff, rather than as a procured consultant. However, because the consultant was initially procured as a consultant, GGGI should follow the procurement process instead of utilizing both the procurement and the HR (staff recruitment) processes. It should be noted that if regulations can be bypassed with exceptions, effectiveness of GGGI's regulations and internal control can decrease as the number of exceptions increase.

### 2. Procurement request details

The rationale for forming 52 consultant procurement contracts (34 consultants for the Green Development Roadmap Project and 18 consultants for the Green Indicators Development Project) with individuals related to the Government of Mongolia is not described on the procurement request document - 82.5% (Number confirmed by the Mongolia Country Representative) of the 52 procurements relate to government personnel.

According to GGGI, these individual consultants were procured based on relevant skills and experience required for the task; the 52 consulting contracts are related to the Green Development Roadmap Project which included the following:

- Written contributions to the review and/or development of green development implementation plans (i.e. roadmap)
- Participation in working group sessions

GGGI added that the services provided will make up a critical component of the Government of Mongolia's ability to implement its National Green Development Policy. These services will also assist in the formulation and multi-stakeholder commitment to GGGI's 2015-2020 strategic country framework for Mongolia. Furthermore, GGGI also emphasized Vice Minister Tulga's letter to GGGI (5 May 2015) which confirms the benefit and impact of this intervention by noting: "The consultative workshops that took place in 2013 and 2014, particularly those in December 2014 in Ulaanbaatar, helped to ensure broad input into the government's green growth planning and begin the process of applying national strategy to the needs of local communities."

Without the rationale, it is difficult to determine whether the procurement is economical, efficient, nor effective for GGGI's activity purposes. To determine whether GGGI is utilizing its resources in accordance to the 3Es, GGGI should

**Consultant Management**

document the rationale for procurement on the procurement request form in order for any reviewers to monitor the appropriateness of the procurement. In addition, procuring services from government-related individuals must document in detail purpose, outputs of the service, and how GGGI benefited from the outputs for the transparency purpose of the interaction.

**Issues in the Progress report by the consultant**

Although GGGI has flexible working hours, it is important to monitor the real working hours put in by the consultant if the consultant is paid in a lump sum each month. Furthermore, the consultant works in a different country and often works from a remote location, making it difficult to supervise the working hours.

**Findings from the sample of consultant's progress report**

The consultant prepared a Monthly Timesheet and Activities Log from October 11, 2014 which was before the contract start date of October 13, 2014. Expense reimbursement of USD 693.03 was also requested prior to the contract start date based on the timesheet. Furthermore, the consultant treated Saturday and Sunday as working days in December 2014 and January 2015, and billed based on these timesheets.

(Currency: USD)

Month	October		November	
<b>GGGI Paid</b>	2,844.20	= 5day * 568.84	13,083.40	= 20day * 654.17
<b>KPMG's assertion</b>	2,275.36	= 4day * 568.84	13,083.40	= 20day * 654.17
	The contract start date was Oct 13, Not Oct 12		Agreed	
Month	December		January, 2015	
<b>GGGI Paid</b>	13,083.40	= 22day * 594.70	13,083.42	= 21day * 623.02
<b>KPMG's assertion</b>	7,136.40	= 12day * 594.70	10,591.34	= 17day * 623.02
	3 Annual leaves has been provided to the consultant in monetary form (component 2 of the salary according to Procurement No.PAI-2014-358); as a consultant he should not be applicable to GGGI's benefits. Also, overtime work should not be included in the working hours. Included 3 Saturday and 1 Sundays as working days; weekends should not be included in the calculation		Included 1 Saturday and 4 Sundays as working days; weekends should not be included in the calculation	
Month	February, 2015			
<b>GGGI Paid</b>				
<b>KPMG's assertion</b>				
	One of two pages is missing so could not check the amount			

**Counter-party  
Interview**

Prior to the Mongolia trip, GGGI organized the meetings and interviewees to be met in Ulaanbaatar for VfM evaluation; however, some of the counterparts who cooperated with GGGI on green development program in 2013 and 2014 could not be interviewed due to the restructuring of the Mongolia government.

Three of the seven public sector representatives (i.e. Enkhtaivan (Energy), Tumenjargal (Energy), Batbold (Transportation), and Mr. Gerel-Od (Climate Change)) had been involved in the GGGI program during 2013-2014. In addition, one of the five representatives of Clean Energy LLC (Sukhbaatar (Energy)) had been involved in GGGI programming during 2013-2014. The new ministry personnel currently cooperating with GGGI were interviewed instead for the public sector. The people on the list below were interviewed to evaluate the effectiveness of GGGI's green development programs in Mongolia:

**Mongolia program – Public Sector**

Department/office	Name	Title
Ministry of Environment, Green Development and Tourism	Ms. Saranchimeg Batsukh	Member of UB City Council and Advisor to the Minister of Environment
Department of Strategic Policy and Planning, Ministry of Energy	Mr. Enkhtaivan G.	Deputy-Director General
	Mr. Tumenjargal M.	Senior Officer
Strategic Policy and Planning Department, Ministry of Roads and Transportation	Mr. Batbold S.	Senior Officer
	Mr. Batbayar Ch.	Officer
Ministry of Roads and Transportation	Dr. Jae-Hong Kang	NIPA Advisor
International Relations Division, Ministry of Environment, Green Development and Tourism	Mr. Gerelt-Od Ts.	Officer, International Cooperation Division (Formerly Officer in Climate Change Coordination Office)

**Mongolia Program - Private Sector**

Department/office	Name	Title
Clean energy (One example of a private sector entity with which GGGI has had programming)	Mr. Sukhbaatar Ts.	CEO
	Mr. Jamiyandorj P.	Chief Technical Officer
	Mr. Amar	HSE Officer
	Mr. Enkhsaikhan	Senior Electrical Engineer
	Ms. Dashmaa D.	Admin and Document Control Officer

According to the interviews, the majority of the counterparts first encountered GGGI through consultative workshops or group activities held by GGGI, such as the first aimag and multi stakeholder consultations on green development organized and by GGGI and MEGDT. GGGI worked together with the public sector to identify the key objectives of green development, and issued a report on green public transportation. In addition, GGGI also supported the Government of Mongolia in the development of the Mongolia National Green Development Policy. Clean Energy LLC, the private sector counterpart, indicated that they were able to gain valuable information through the GGGI workshops. As evidence of GGGI's support to the government in developing its

National Green Development Policy, the analysis of long-term energy scenarios are directly reflected in the NGDP's target of achieving 30% renewable energy generation by 2030.

The counterparts in the public sector felt that GGGI had valuable information, expertise, and knowledge on green growth development, but indicated the need for specific information on green growth in Mongolia. Clean Energy commented that GGGI's program is for both public and private sectors and that one of the accomplishments of GGGI is that GGGI was able to break barriers between ministries and GGGI. Lastly, Clean Energy added GGGI enabled them to cooperate with Mongolia's Ministry of Economic Development.

The overall level of satisfaction for GGGI's green development program provided to both public and private sector is high. The Department of Strategic Policy and Planning of Ministry of Energy noted that GGGI's knowledge and commitment to Mongolia's green development is acknowledged. Both the public and private sector interviewees commented on future plans to cooperate with GGGI for green development of Mongolia.

Below are suggestions provided to GGGI by the counterparts in Mongolia:

- Provide GGGI reports in Mongolian language in addition to the English version
- Organize capacity building sessions and cooperate in the implementation phase of the green development
- One of the counterparts interviewed commented that although GGGI provided strong study and research, they are hoping for tangible, real-life results which can be used by the end user. The counterpart also commented that GGGI's long term support is needed for Project Pipelining and technical support.
- Provide specific design of the development programs and provide more hands-on support in the implementation phase. In addition, Department of Strategic Policy and Planning of Ministry of Energy suggested that a Mongolian personnel be hired to work with GGGI to obtain GGGI's knowledge and expertise on the job.

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### Recommendations

The followings are recommendations for improvements and changes that can be made by GGGI to enhance its 3Es in its activities:

#### **Program Management**

##### Urgent request for procurement approval at the end of the year

All of the 52 transactions (34 for the Green Development Roadmap Project and 18 for the Green Indicators Development Project) related to this urgent request violated the proper procurement sequence; the final approval by the Head of Procurement was given right before the ending date of the contract. Causal analysis showed that the issue was due to the Mongolia Program Country Representative's poor preparation of the Procurement Request; the Head of Procurement attempted to ensure that all required request documents were of proper quality.

Whether this procurement was economical and or efficient or whether there were other options that GGGI could have taken were not shown in this request. In order for



GGGI to ensure that 3Es are followed in the procurement process, procurement approval request should not be sent as an urgent matter, and time should be given to the procurement unit to review the appropriateness of the procured service or product. Country teams at all times should ensure that the procurement schedule is planned in advance and consider whether it fits the 3E.

### **Budget Management**

#### Re-allocation of budget with no explanation in the QIR and High variance between budget and actual disbursement during 2013 and 2014

Documentation details of the budget re-allocation such as purpose, cause, and effect can help GGGI monitor and compare how the increase/decrease in input can affect the efficiency and effectiveness of the program. GGGI's ERP Project Module that will be functional by end of May 2015, is built to factor in efficiency and effectiveness in project management. GGGI will no longer use QIRs, as such processes would be recorded through the ERP so that the program performance can be monitored and evaluated along with the total input by the organization to determine whether 3Es are being followed throughout the project.

### **Procurement Request**

Absent an evaluation method for work performed by consultants based on the timesheet and contract reviewed during the VfM evaluation, a need for GGGI to implement a clear and objective consultant management system was identified. The Mongolian program consultant contract should have included details such as whether the contract is time-based or output-based or if there are any benefits to be provided by GGGI. In addition, it is unclear as to whether the working hours submitted in timesheets were actually used for GGGI related work. The direct supervisor should have monitored and confirmed the consultant's efficient and effective use of time and contribution throughout the project.

In addition, GGGI should follow the procurement process instead of utilizing both the procurement and the HR (staff recruitment) processes. It should be noted that if regulations can be bypassed with exceptions, effectiveness of GGGI's regulations and internal control can decrease as the number of exceptions increase.

#### Procurement request details

To determine whether GGGI is utilizing its resources in accordance to the 3Es, GGGI should document the rationale for procurement on the procurement request form in order for any reviewers to monitor the appropriateness of the procurement. In

addition, procuring services from government-related individuals must document in detail the purpose and outputs of the service, and how GGGI benefited from the outputs for the transparency purpose of the interaction.

In addition, GGGI should acknowledge the risk associated with hiring 43 out of 52 consultants (34 consultants for the Green Development Roadmap Project and 18 consultants for the Green Indicators Development Project) related to the government during the time of government restructuring and that this lacks the rationale in the procurement request. Engaging individual consultants who undertake some form of government service should clearly demonstrate the absence of overlap in the consulting service and the individual's other duties.

### **Consultant Management**

Since the person who has the responsibility and authority to confirm a consultant's working hours is the Country Representative (CR), the CR should refrain from granting preferential treatment to consultants without consulting with HR and Procurement first. Furthermore, the CR or the Regional Director should openly express their opinion on the timesheets to HR and Procurement if the format or the contents seem to be of insufficient quality.

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### **Conclusions**

In general, the Mongolia Project achieved its main objectives. Despite the austerity budget which brought significant internal limitations, the Mongolia program has managed to support ratification of National Green Development Policy (NGDP) in Mongolia. The instability of the Government of Mongolia in 2014, which resulted in the replacement of the entire government, came to GGGI as both risk and opportunity. Although the restructuring of the Government of Mongolia poses certain limitations in the Mongolia country project, relationships are now re-established and productive, as confirmed in statements by public sector counterparts. The country team also extended partnerships into the private sector and civil society.

However, despite these achievements, definite room for improvements were identified during the VfM procedure. As scope of the Mongolia program expands and cooperation with the Government of Mongolia increases, it is crucial that GGGI maintain an accurate and thorough internal documentation that depicts the activities of the country team in detail in the ERP Project Module (to be launched by end of May 2015) including changes in the budget (whether the change is a mere re-allocation or modification in the total budget amount) in order to achieve effective budget management.

Furthermore, the most significant of the deficiencies noted is the recruitment of the Country Representative which occurred during the second half of 2014. Review of the consultant progress report suggested that consultant management was not being performed appropriately, which damages both effectiveness and efficiency. Furthermore, too much preferential treatment was provided to the consultant without discussing with HR and Procurement in advance. Lastly, although payments were provided to participants of GGGI workshops - of which 83% were government related - there were no clear explanations as to why the payments were provided. Therefore, it is hard to

conclude that the Mongolia project management was performed in an effective and efficient manner.

Under Review

### 3. Rwanda Program

#### Overview of Program

The primary objective of the Rwanda program is to directly support the implementation of the Second Economic Development and Poverty Reduction Strategy (EDPRS2) 2013-2018 and the National Strategy for Green Growth and Climate Resilience of Rwanda. The project started on September 2012, and consists of two different phases: Resource Efficient and Affordable Housing and National Urban Policy for Green Growth as Phase 1, and Develop Rwandan Secondary Cities as Model Green Cities with Green Economic Opportunities as Phase 2. The project scoping (for phase 1) was conducted from January to August of 2012, and actual implementation of Phase 1 started on September 2012. The MOU was signed between GGGI, the Ministry of Infrastructure, and the Rwanda Housing Authority on September 2012. Due to completion of Phase 1, GGGI was able to provide strategic and technical advice to the Government of Rwanda (GoR) through the National Territorial Vision, and also provide the Strategy for Green Growth towards 2030. In addition, GGGI provided analysis on the Local Construction Material for Resource Efficient & Affordable Housing in Rwanda, and finally, provided the Policy and Legal Framework for Energy Efficient Housing in Rwanda. GGGI initiated Phase 2 in January 2014 to develop six secondary cities as model green cities with green economic opportunities, as inscribed in EDPRS2.

The work activities of the Program, discussed and confirmed by the GoR and GGGI are as follows:

- Component I: Conduct preliminary analysis on the potential for green growth of Kigali and secondary cities;
- Component II: Develop a 'Green City' framework and guideline fitting into the Rwandan secondary city context;
- Component III: Develop a National Roadmap on secondary city development; and
- Component IV: Enhance capacity of government employees and GGGI staffs by co-developing appropriate tools

In April 2015, Rwanda's Cabinet approved GGGI's Establishment Agreement to show its commitment to cooperating with GGGI to achieve the development of secondary cities as green cities with green economic opportunities.

The GoR has decided to strengthen six secondary cities as centers of growth through EDPRS 2. This is to transform the economic geography of Rwanda by facilitating and managing urbanization and promoting secondary cities as poles of economic growth. At the same time, EDPRS2 incorporates a 'green economy' approach to economic transformation with two interventions related to the promotion of green urbanization as well as green innovation in the industrial and private sectors.

In line with GGGI's value proposition and strategy to move closer to implementation, GGGI as part of its 2015 and 2016 work is currently in discussion with the GoR to develop the institutional structures and capacity needed to develop a Green City Investment Strategy and pipeline of bankable projects.

**Program team:** The governance aspect of the project has been stable as the team leader has not changed since the 1<sup>st</sup> quarter of 2013. The Regional Director became involved in the program at the start of the 4<sup>th</sup> quarter of 2013. In January 2015, GGGI appointed a Country Portfolio Director who manages 5 other countries in addition to

Rwanda. The Country Portfolio Director will relocate to HQ on June 2015. The Rwanda Country Representative (CR) is based in Kigali.

**Workstream integration:** The 2014 Danish Appraisal Report pointed out that GGGI lacked integration amongst the three workstreams. GGGI noted that during the period of the Appraisal, the role of KDM and PPC was to conduct research and studies relevant to green growth at the HQ and did not integrate with country team in regard to the country program.

Improvements in integration of the workstreams have been made now; country team members are able to cooperate among workstreams based on their needs. For example, KSD obtains data and information from the country teams to establish the strategy and plans. The data is then sent to the country team, where the data is utilized to work with the government.

Furthermore, PPC and KDM were merged in Q4 2014 to form the Knowledge Solutions Division which has Knowledge Solutions (KS) and Green Investment Services (GIS). GIS has replaced PPC.

As for integration with PPC, PPC plans to establish an investment strategy after the completion of the roadmap according to the 2015 Rwanda Program strategy, which documents how the investment plan should be made during each action phase.

**Private sector integration:** Another issue noted in the Danish Report was the insufficient level of integration with the Private Sector. According to GGGI, the Danish report was issued when the Rwanda Program was in a phase where government related personnel were frequently met to conduct research on the basic status and to obtain 'project needs' for building the project program. Although private sector entities, such as the Rwanda Energy Group, were contacted, formal relationship were still at the exploratory stage.

Since the issue of membership was GGGI's top priority, activities were focused on the GoR rather than the private sector; the private sector played minimal role at this stage of engagement with the government.

GGGI noted that part of the plan for drafting the roadmap in 2015 is to include the comments from the private sector as well as the public sector. On September 02-03, 2014, the Rwanda project conducted a large-scale joint consultation with PPC (now KSD) in Kigali. The joint team organized 13 meetings with public and private sector entities, international and national stakeholders, including Crystal Ventures, Private Sector Federation of Rwanda, Rwanda Development Bank.

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### Program Management

The 2014 Danish Appraisal Report drafted in April 2014 stated that the country team felt detached from HQ and that there was a lack of communication, strategic guidance, professional and administrative support. According to the Country Portfolio Director, detailed guidelines from the HQ were lacking in 2013 and 2014. Many improvements have been made to date and the Director General holds conference calls on a regular basis and moving forward the plan is for the country team leader to visit Rwanda each month to meet related personnel.

During the VfM evaluation, the following findings were noted with respect to the program management of the Rwanda program:

### 1. Delay in Project schedule and deliverables

The Rwanda program consists of two phases, and each phase consists of scope and implementation steps. The scope step of Phase 1 was performed in 2012, and the implementation step commenced in September 2012. During the QIR review, it was noted that both the closing date of the phase 1 implementation step and the launching date as well as Phase 2 scoping step had been delayed multiple times. Specifically, the closing date of phase 1, recorded as March 2013 on the 2013 1<sup>st</sup> quarter QIR, had been changed to April 2013 on the 2<sup>nd</sup> quarter, and changed once again to December 2013 on the 3<sup>rd</sup> quarter.

In the case of Phase 2, the original closing date of December 2014 was extended to March 2015 on the 2013 4<sup>th</sup> quarter QIR. Furthermore, review of QIRs indicated multiple delays in publication issuance and consultant reports. For instance, although the National Territorial Vision and Strategy for Green Growth towards 2030 was originally planned to be delivered in August 2013, the actual delivery was made in December 2013. The reason for the delay and extension of the deadline was not stated in the QIR reports.

Please refer to the table below for the details of the delayed schedule.

Program phase	(Original closing date) Actual closing date	Extended
Phase 1	(Mar 2013) (Apr 2013) Dec 2013	9 months
Phase 2	(Dec 2014) Mar 2015	3 months

Consulting firm	Deliverable	Original delivery date	Revised delivery date
KICT	Local Construction Material for Energy Efficient & Affordable Housing in Rwanda	Aug 2013	Dec 2013
KRIHS	National Territorial Vision and Strategy for Green Growth towards 2030	Aug 2013	Dec 2013
AURI	Institutional and Legal Framework for Energy Efficient and Affordable Housing in Rwanda	Aug 2013	Dec 2013
AJOU UNIVERSITY	Energy Status of Rwanda and the Strategy for Green Growth	-	Dec 2013
GGGI	Preliminary analysis on the potential for green growth of Kigali and secondary cities	Aug 2014	Aug 2014
GGGI	Green city framework and guideline		March 2014-

<Project phases and deliverables>

It was not evident in the QIRs whether the delays in the project phase and deliverables were communicated to the related counterparts and documented in GGGI's records. However, after conducting an interview with the Rwanda CR, we found that the delay in project schedule and deliverables was neither due to a lack of project management skills nor due to incompetency of the consulting firm. It was due to a combination of reasons including the considerable time that consultation takes and the lack of a permanent Rwanda team. Furthermore, counterparties made many requests – as GGGI tried to reflect each request in its output, the schedule was delayed and so was the final output. Even though it was not explained in the QIR, the Rwanda team had internal briefing session.

### **2. Project performance evaluation**

The Rwanda country team did not have a performance evaluation method during the review period of 2013 and 2014. According to GGGI, work performed during 2013 and 2014 consisted mostly of research and stakeholder engagement, which was difficult to establish a specific timeline for. Currently, the project team uses a result matrix and established a logical framework. The logical framework describes all activities by stage, which is reviewed afterwards to check whether the activities are performed and/or completed appropriately.

### **3. Quality Assurance for deliverables based consultant**

The Rwanda CR stated that the deliverables of the Rwanda projects have all been in English up to now, and also commented that if a client requires final deliverables in the local language, an English version will be published along to ensure effective quality review.

### **4. Quality Assurance for time based consultants**

Three new time-based consultants were hired in 2015 for the Rwanda Project. When the CR is in Rwanda, she ensures the working hours of the consultants in person. When she is away, the responsibility of consultant management is delegated to another personnel. However, the Rwanda Country Representative is hoping to devise a more effective method of confirming consultant working hours even from a remote location. Lastly, the Rwanda CR stated that standard working hours of consultants are 8:00 AM to 5:00 PM, and that hours worked on weekends are not recognized.

### **5. Compliance**

The Rwanda CR also ensured that no payments are provided to Rwanda governors or the private sector in return for participating in GGGI programs.

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#### **Budget Management**

According to the 2013 QIRs and 2014 variance reports, the Rwanda Program's budget was USD 414,305 in 2013 and increased to USD 934,933 in 2014. In 2013, over 50% of the budget was allocated to GGGI personnel expenses, including a Senior Program Manager, Program Manager, and Program Assistant/Officer. Budget for travel expenses of USD 74,128 was the second largest. As the phase in 2013 was to scope the project and communicate with the government, budget for consulting services occupied a relatively small amount, USD 23,529, for individual consultants.

The Rwanda team requested a budget revision in the 4<sup>th</sup> quarter of 2013. As a result,

the USD 135,000 originally budgeted for phase 2 of the Rwanda program was reduced to zero, while the budgets for salaries, wages, and travel expenses were doubled. Furthermore, according to 2013 4<sup>th</sup> quarter QIR, the team requested for increase in the 2014 budget to purchase services from external outsourcing service provider.

Comparing the budget for 2013 and 2014, salaries and wages have increased by 62%, which is the largest increase excluding budget for outsourcing (consulting) services which began in 2014. On the other hand, the number of employees and manpower input did not change very much, averaging 3 persons during 2013 and 3.5 persons during 2014. However, after conducting an interview with the Rwanda CR, we found that this was due to a change in allocation rate resulting from cancellation of the ENC project.

During the review of the QIR and variance report, high variance between the budget and the actual disbursement was noted.

Although the average disbursement rate for the 2013 and 2014 budgets is approximately 80%, the rate has fluctuated significantly in the 2<sup>nd</sup> quarter of 2013. In 2<sup>nd</sup> quarter 2013, the Rwanda team disbursed more than 180%; however, a quarter later the disbursement rate dropped to 31%. In the 2<sup>nd</sup> quarter 2014, the disbursement rate marked its lowest of 18% due to the outsourcing payment of USD 163,000 not being made as scheduled. The reason for non-execution of payment was not documented in the QIR. According to GGGI, in the absence of an ERP system, ODU had to manually collect information from the project teams and Finance Unit on 40+ projects with the sole objective to facilitate internal communication flow and track financial performance at the projects portfolio level (QPR). According to GGGI, since ODU was not the primary source of financial data, it was not in the position to spot and correct errors unless they were clearly evident.

The review of 2013 QIRs and Budget vs Actual Report shows high variance between the planned budget amount and the actual disbursement amount as below: (Currency: USD)

Period	Budget	Revised	Actual	Rate
2013 Q1	43,989	43,989	43,161	98.12%
2013 Q2	77,407	77,407	143,525	185.42%
2013 Q3	162,842	162,842	51,421	31.58%
2013 Q4	255,762	130,067	84,375	32.99%
2013 Total	540,000	414,305	322,482	77.84%
2014 Q1	50,235	50,235	31,838	63.38%
2014 Q2	230,458	230,458	43,487	18.87%
2014 Q3	450,254	450,254	185,154	41.12%
2014 Q4	203,986	203,986	159,445	78.16%
2014 Total	934,933	934,933	419,924	44.91%

<2013-14 Budget Revision and Disbursement>

One of the reasons for such variance was due to the low disbursement rate of salaries and wages as shown on the table below. According to the variance report of 2014, the disbursement of salaries and wages for the first five months was 70% on average, and



## IV. Core Fund Project Management

the rate decreased to 31% in June and July; the rate fluctuated from 141.15% to 17.42% in August and September.

In 2014, payment of salaries and wages of full time staff did not follow the initial plan as the average disbursement rate approximated about 58%. Only about half of the budget was processed, and the disbursement rates also fluctuated highly with standard deviation of 32%. (Currency: USD)

### <2014 Monthly Disbursement of Salaries and Wages>

Period	Jan	Feb	Mar	Apr	May	Jun
Budget	11,195	11,195	11,195	11,831	11,831	25,666
Actual	8,050	8,050	8,050	8,050	8,050	8,050
<b>Disbursement Rate</b>	<b>71.91%</b>	<b>71.91%</b>	<b>71.91%</b>	<b>68.04%</b>	<b>68.04%</b>	<b>31.36%</b>
Period	Jul	Aug	Sep	Oct	Nov	Dec
Budget	25,666	25,666	93,582	37,582	37,582	37,582
Actual	8,050	36,227	16,298	16,298	16,298	16,298
<b>Disbursement Rate</b>	<b>31.36%</b>	<b>141.15%</b>	<b>17.42%</b>	<b>43.37%</b>	<b>43.37%</b>	<b>43.37%</b>

High variances between budget and actual may indicate that 1) The budget planning was not conducted with full consideration of the program process, or that 2) The program did not perform as efficiently as initially planned, or that 3) There has been an unexpected event. The explanation for variance was not documented on the variance report or the QIR. However, after conducting an interview with the Rwanda CR, we found that it was also related to the changes in allocation rates resulting from the cancellation of the ENC project.

### Outsourcing Management

During the performance of the Rwanda program, GGGI contracted a consulting firm during the 1<sup>st</sup> quarter of 2014 for the purpose of the Developing Rwanda Secondary Cities as Model Green Growth Cities with Green Economic Opportunities project. The total budget for this consulting contract was USD 380,000 in 2014. The total actual expenses for outsourcing services in 2014 was USD 164,560 which is less than 50% of the total budgeted amount as shown in the table below.

(Currency: USD)

Period	Jan	Feb	Mar	Apr	May	Jun
Budgeted	0	0	0	0	0	160,000
Actual	0	0	0	0	0	0
Period	Jul	Aug	Sep	Oct	Nov	Dec
Budgeted	0	0	220,000	0	0	0
Actual	96,000	0	0	64,000	0	0

### <2014 Outsourcing Budget and Actual>

The budget amount of USD 160,000 out of USD 380,000 was scheduled to be executed in June, but zero dollars were paid that month; a month later, only USD 96,000 (60% of the original amount) was processed due to low quality output by the consultancy firm. Furthermore, of the USD 220,000 scheduled to be executed in September, only USD 64,000 (30% of the original amount) was processed, again one month later. Therefore, it can be concluded that the execution of the contract was postponed, and that the payment was not processed as originally planned.

According to GGGI, the delay in project payment was due to the following reasons:

- Consultation itself takes up a lot of time, and the lack of the presence of permanent Rwanda team was challenging. Further, counterparties made many requests and as GGGI tried to reflect each request to its output, the schedule was delayed and so was the final output.
- The Project schedule was delayed from July 2014 to February 2015 with 3 amendments to the contract. The contract required the consulting firm to submit two reports, with payment being made based on the submission of reports.
- The report for Component 1 should have been delivered by March 2014; however the contract was amended, and the report was submitted in July 2014. The consulting firm did not deliver the report on time. Due to restraints in budget at the time, GGGI decided to delay the project schedule and process the payment at a later time than to force the consulting firm to meet the project schedule.

The submission date for report on Component 2 was shifted from December 2014 to February 2015, due to the GoR's delayed review; the GoR reviewed and provided feedback on the report submitted by the consulting firm. The consulting firm would then edit the report based on the government feedback.

### Counterpart Interview

Prior to the Rwanda Trip, GGGI organized meetings for interviewees to be met in Kigali for VfM evaluation. KPMG was able to interview the key person for the Rwanda project. However, some of the counterparts previously interviewed for the Danish Appraisal Report could not be interviewed due to scheduling conflicts. Therefore, interview was conducted instead with their delegators who had an understanding of and participated in GGGI's Rwanda program.

The Rwanda Energy Group limited is one of the agencies under the Ministry of Infrastructure, entrusted with expanding, operating and maintaining the energy infrastructure in the country. REG was a product of the GoR's recent reform that led to the dissolution of the former Energy Water and Sanitation Agency (EWSA). REG has two subsidiaries, the Energy Utility Corporation Limited (EUCL) and the Energy Development Corporation Limited (EDCL). The people on the list below were interviewed to evaluate the effectiveness of GGGI's support for the implementation of the Second Economic Development and Poverty Reduction Strategy (EDPRS2) in Rwanda:

#### Rwanda program – Public Sector

Department/office	Name	Title
Rwanda Energy Group(REG)	Mr. Jean Bosco Mugiraneza	CEO, Rwanda Energy Group
	Mr. Patrick Mwesige	Technical Advisor, Energy & Water Sector Reform
Rwanda Housing Authority(RHA)	Mr. Edward Kyazze	Head of Housing, Urban Planning & Development Division
Ministry of Infrastructure	Mr. Ir David Niyonsenga	Division Manager, Urbanization, Human Settlements, and Housing Development Division
Rwanda Environment Management Authority(REMA)	Dr. Rose Mukankomeje,	Director General
	Mr. Alex Mulisa	Coordinator - FONERWA

**Rwanda Program - Private Sector**

Department/office	Name	Title
Crystal Ventures	Mr. Elias Baingana	Chief Operating Officer

GGGI has worked very closely with them to support EDPRS2. In the case of REG, GGGI is in discussion to hire a senior level consultant to provide direct support for working in the REG office. Since there are fewer senior level staff who has experience and knowledge of infrastructure economy in different countries, this consultant is expected to transfer the knowledge/skill by training other staff in REG.

The counterparts in the public sector have considered the last two years as a preliminary stage to cooperate with GGGI and are very eager to see the roadmap which will be delivered by GGGI this June. They have a strong desire for rapid economic development and a green growth approach but felt that they have a lack of knowledge, skills, experiences and information. They have a very high expectation that GGGI can support them in the manner of transferring skills/knowledge, helping to recruit the relevant experts, perform pre-studies, facilitate introduction to the relevant parties who are their role models and adopting new and feasible technologies. More importantly they wish to develop a more stable and reliable partnership with GGGI; therefore they are very satisfied that GGGI is working out of the Ministry of Infrastructure building. GGGI's presence in-country has given the GoR the expectation that they can receive GGGI's support more often through face to face meetings.

The counterparts in the private sector also have high expectations from cooperation with GGGI, especially in regard to implementing bankable project after the roadmap is delivered. Besides the feasibility test, they hope that GGGI can introduce and negotiate with the funding company on behalf of the private sector.

Overall, counterparties' satisfaction with working with GGGI is very high. The interviewee from the Rwanda Housing Authority rated GGGI's service 10 out of 10.

Below are suggestions provided to GGGI by the counterparts in Rwanda:

- Need to have tangible results, at least some pilot testing results or a visual demonstration so the stakeholders can easily understand GGGI's deliverables
- Boost program awareness by arranging workshops and introducing stakeholders' engagement program
- Provide progress status notifications including rescheduling/challenge/obstacles so enhance ministry engagement with the project

**Recommendations**

The followings are recommendations for improvements and changes that can be made by GGGI to enhance its 3Es in its activities:

**Program Management**Delayed project schedule and deliverables

Project delay is understandable, but there is a need to analyze the cause and result

in order to prepare remedial action plans. Also, the analysis should be recorded into QIRs for recording purposes and Knowledge Management. Without it, preparing the QIR has not accomplish its fundamental purpose.

### Project performance evaluation

Project performance evaluation is necessary to evaluate the 3Es of GGGI activities. In order to determine how the input has resulted in an efficient and effective output, GGGI should establish an evaluation method that not only reviews whether actions are performed, but other aspects as well.

GGGI also needs to establish an organization-wide or regional wide KPI to enable comparison between programs. If government implementation of outputs is set as the KPI, some countries with high country-level-risk may show as a failure no matter how great the program management and outputs were.

### **Budget Management**

It is understandable that high variances between budget and actual may incur but the lack of detailed explanation or analysis brings unnecessary attention.

### **Outsourcing Management**

It is understandable that an outsourcing service contract has delays but the lack of detailed explanation or analysis brings unnecessary attention.

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## **Conclusions**

Overall, the performance of the Rwanda program is satisfactory.

There were some project and deliverable delays in the period of 2013 and 2014. However, it as this happens in the course of general business there is no significant exception or abnormality drawing our attention. The project is well managed and operating efficiently and effectively.

However, this does not mean that there are no improvements needed. As the Rwanda program progresses, it is crucial that GGGI maintain an accurate and thorough internal documentation that depicts the activities of the country team in detail.

# V • GGGI's Operations Management

Under Review

- 1. Procurement**
- 2. Human Resource**
- 3. Finance**

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## 1. Procurement Management

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### Overview

The role and objective for Procurement is to achieve Value for Money, by means of obtaining the best terms and conditions for fulfilling the GGGI needs, and by making use of a competitive market. In 2013 GGGI decided that one of the most effective ways to obtain Value for Money was to establish a Procurement Unit. This was effectuated by hiring a Head of Procurement, who joined GGGI in September 2013.

We have performed tests on the samples selected to examine whether GGGI is acquiring the appropriate type, quality and amount of resources (staff, equipment and facilities) at an appropriate cost for the Mongolia and Rwanda programs. We have also checked whether the resources acquired are being used optimally in delivering the appropriate quantity and quality of services in a timely manner, and whether the documented procedures are operating effectively in practice. Professional Standards such as COSO – an internal control framework - and Sarbanes Oxley regulations were used as references to determine whether GGGI is following the appropriate operating and procurement procedures.

As part of the test procedure, relevant documents were reviewed and an interview was conducted with the Head of Procurement. The details of the interview are as follows:

- Total number of Interviews: 3
- Total interview time: 115 minutes
- Interview Purpose: To gain a thorough understanding of the procurement process

Lastly, a simplified process map of the procurement function was created after reviewing the relevant documents and confirming the interview summary. The process map focuses mainly on the activities that produce the output of each procedure; a copy of the process map can be found in Appendix 3, and the findings are also listed with the process map as a reference.

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### History of Procurement Management

The main function of the GGGI Procurement team is to acquire the goods, services, and outsourcing at the best possible price in order to meet the needs of the acquirer in terms of quality, quantity, time, and location.

Prior to September 2013, GGGI's procurement management function was decentralized, and procurement affairs were managed by each division due to the lack of the procurement team. These deficiencies, which were pointed out in the Danish Report, were remedied starting in mid-2013. To obtain Value for Money, GGGI introduced a new procurement rule in June 2013, and in order to strengthen the procurement function appointed a Head of Procurement in September 2013. Furthermore, a standardized procurement request template has been introduced as of early 2014, and the Head of Procurement reviewed and approved all procurement requests. As a result, an official, centralized Procurement Unit was created in the Seoul headquarter.

Furthermore, the Head of Procurement emphasized that even though the heavy workload and the lack of workforce (composed of one department head and one staff member) has imposed a burden upon the procurement team, over 600 contracts (representing some of 65% of GGGI's budget) were processed without delay despite the heavy workload.

The percentage of consultant related contracts out of all procurement contracts is as follows:

		Mongolia	Rwanda
<b>2013</b>		No data available	100%
<b>2014</b>	By number of contract	85%	25%
	By contract amount	89%	1%

**Findings**

**[Policies]** After reviewing the procurement rules, Delegation of Authority (DoA) manuals, and the changes to DoA, we have noted that the procurement approval procedure appropriately changed depending on the contract type and the amount. However, although the policy is well established, some deficiencies were found in practice. Secondly, although the DoA mentions vendor management, the procurement rules do not include contents related to “Due Diligence” or “vendor Management”. According to the Head of Procurement, GGGI’s vendor due diligence procedure lacks an objective criteria as it consists of only the Head of Procurement’s independent review. Furthermore, the professional liability insurance’s contract guarantee percentage level is decided based only on the Head of Procurement’s opinion. Prior to forming a contract with the vendor, the vendor should be evaluated upon clear and objective criteria such as the vendor’s financial status. The documents required from the Vendor should also vary depending on the result of evaluation.

**[Procedures & Process]** We noted that the internal controls of the procurement process are well designed with respect to authorization, review, and segregation of duties, as seen on the procurement process map. However, some user made exceptions were identified in practice.

**The Compliance Status of the Internal Procurement Procedure: Mongolia Program**

- The Annual Procurement Plan for the Mongolia program was only submitted for 2014; a procurement plan was not submitted for the year 2013.
- Procurement requests (PR) were not processed in a systematic manner prior to September 2013; instead, requests were handled by the teams (requesting procurement) themselves. Hence, the current procurement team does not have the custody of the relevant PR document; the documents are kept by the each team.
- A certain percentage of the procurement contracts created after September 2013 were not processed appropriately, and only the disbursement requests were submitted.
- 55 out of 66 contracts (83%) for the Mongolia program in 2014 did not comply with the proper procurement procedures. The project had started before the final approval was given, and the request for contract approval was submitted immediately before the project’s final date in most cases. Furthermore, 2 contracts were approved by the Head of Procurement past the project end date.

### ※ Procurement of Individual Consultants for the Mongolia Country Representative

One procurement contract was made during the fourth quarter of 2014 for the Mongolia Country Representative (CR). This procurement contract has adapted rules from both the Human resources and the procurement department.

- Supporting documents necessary to prove that the procurement was either budgeted in advance or had gone through budget reallocation could not be found.
- The consultant is subject to annual leaves & compensation.
- The consultant procurement contract was created to prepare for future possible transfer to a permanent employment agreement. After the transfer, the salary component corresponding to the benefits the consultant receives would be deleted, as the consultant would be applicable for GGGI benefits after the transfer. The Head of Procurement explained that GGGI is not able to execute employment agreements due to lack of legal status in some countries; consultant contracts are therefore the only options to perform duties in such countries.
- To recruit the Mongolia CR, the HR process was applied instead of the Procurement process. According to Head of Procurement, interviews and selection of the best candidate is done by the end users under supervision from HR. This was a special case because the candidate was hired as a consultant only because employment as a staff was not allowed.

**(Please refer to the Human Resource Management section to see whether GGGI is acquiring the appropriate type, quality and amount of resources at an appropriate cost.)**

- The consultant contract did not comply with the Delegation of Authority Manual. When the amount of a consultant contract is over USD 80,001, the Director General, not the Deputy Director General, should select the consultant.

GGGI has explained that it is due to the fact that the decision was in accordance with the HR rules for staff hiring, whereas the decision on selection was made by HR. To manage the fact that GGGI were not able to hire the person as staff, a temporary consultant contract was executed. It was not deemed feasible to undergo a new procurement process for this, i.e. start all over. The HR procedures are in essence identical with the procurement procedures.

- By reviewing the relevant procurement documents, we noted that the consultant's Monthly Timesheet and Activities Log (called Progress Report) had abnormal contents. During November and December 2014, the consultant worked 56 hours during 17 business days from a remote location (specific detail of the location is not mentioned). On some days the consultant worked only one or two hours per day.

**(Please refer to the Human Resource Management section for more explanation.)**

### ※ Procurement of 52 Mongolian governors for the Green Development Roadmap Project (34 for the Green Development Roadmap Project and 18 for the Green Indicators Development Project)

- 79% of the contracts were made on December of 2014.
- 94% of the contracts were signed with Mongolian program counterparties. The proper procurement sequence was not followed as the contract was signed after the project start date. The contract date is the same as the project ending date.
- Although we could not find any supporting documents on the decision to hire Mongolian governors for the Green Development Roadmap Project (the consultant is an officer of the Ministry of Industry and therefore, participating in



the project should have been one of his tasks as the Mongolian officer), GGP&I provided an explanation. Please refer to 2. Mongolia program in chapter IV. GGGI's Core Fund Project Management.

### **Compliance status of internal procurement procedure: Rwanda Program**

- An Annual Procurement Plan was not created in 2013 and 2014.
- Procurement requests (PR) were not processed systematically before September 2013. Such issues were handled individually by the teams requesting procurement.
- Therefore, the procurement team does not have relevant PR documents regarding the PR; the documents are kept by the teams.

3 out of 10 contracts (30%) did not comply with the proper procurement procedures: For the Danish Appraisal Preparation Project, EAC Scoping Project, and Rwanda Programs, the project commenced before the final approval was made.

Under Review

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## 2. Human Resource Management

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### Overview

The main objective of evaluating Human Resource (HR) Management is to assess the economy, efficiency, and effectiveness by reviewing the Design of Process and the quality of deliverables in each step. The scope of the HR process evaluation is limited to supporting processes related to the Mongolia and Rwanda country programs which happened in 2013 and 2014.

To examine the HR procedure, interviews were conducted with Head of HR and the Compensation and Benefits Specialist, and documents were reviewed.

- The total number of Interview: 2 times with Head of HR and 2 times with the Compensation and Benefits Specialist
- The total interview time: 120 minutes
- Interview purpose : To gain a thorough understanding of the HR process

We have performed sampling tests to examine whether GGGI is acquiring the appropriate type, quality and amount of resources (staff) at an appropriate cost for the Mongolia and Rwanda programs, and whether GGGI has been using such resources optimally in delivering the appropriate quantity and quality of services in a timely manner. Additionally, whether the documented procedures are operating effectively in practice was also reviewed.

The simplified process map of the Human Resource function drafted after the interview summary was confirmed and the relevant documents that were reviewed can be found in Appendix 3. This simplified process map focuses mainly on the activity which produces the output of each procedure. The findings are also listed with the process map.

Since most HR data includes sensitive personal information, HR performance was evaluated by interview and its confirmation unless there was points to be clarified. For this reason, HR function evaluation heavily relies on the interview summary, rather than the sampling tests.

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### Progress of Human Resources Unit in 2013 and 2014

Although, centralized management and official documentation standards existed even in 2013, the system was standardized and made more efficient in 2014. GGGI implemented Staff Regulations and Rules, a Learning-Development-Policy, a Policy on GGGI's Representation Expenses, and a Policy on Opportunities for Visiting Persons to and from GGGI. GGGI recruited two HR professionals from January 2014 (the Senior Compensation & Benefit Specialist, and the Head of Human Resources), responding to the previous audit comments. The impact of bringing these skills in HR areas resulted in significant cost savings for GGGI and its staff, hence Value for Money. The examples of cost savings include, but are not limited to: elimination of Payroll administration fee, restructuring benefit schemes in a legally proven tax effective manner, clarifying GGGI obligations to participate in national social security programs for expatriates, and negotiating lower premiums with service providers. More rigor and due process was brought in to staff recruitment. The quality of performance management mechanism

improved significantly by bringing in the discipline to evaluate against annually agreed individual targets. Further, the linkage of individual work targets to the Departmental and Organizational goals in the Bi-annual Work Program Budget approved by the Council, was established, to ensure organizational effectiveness.

Each division head managed personal leave and vacations in 2013; in 2014, a personal leave coordinator in each division began to support division's vacations management. The role of this coordinator is to help managers follow up on personal leave requests. The personal leave system itself has been automated through use of ERP. Since ERP provides automated checking functions, risks that a staff uses more personal leave than she/he is allowed can be prevented. In 2013, allowance payment was processed through the IS system, therefore requestors could ask for allowance payment at any times. However, starting in 2014, the allowance system has been consolidated into payroll and began to be paid on a monthly basis.

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Under Review

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**Interview  
summary for  
Human Resource  
Unit**

### 1. Human Resource Function

GGGI's Human Resources Recruiting function is divided among the entire organization, with HR sharing its role and responsibilities with the procurement function. HR oversees staff recruitment and procurement oversees consultant recruitment; the differences between staff and consultants are as follows:

- 1) GGGI staff is under a fixed-term contract (1-year minimum, 3-year maximum) Furthermore, staff are entitled to compensation and benefits such as annual leaves, health insurance, and retirement funds.\*
- 2) Consultants' employment terms are short and definite, often less than 1 year; duties are project-oriented and ad hoc based. Staff are usually employed for longer term, and their duties are not specifically project-oriented.

Consultant recruitment is controlled solely by the Procurement Unit, though HR provides advisory services. Such division of roles and responsibility (R&R) is common for international organizations, such as World Bank, Asian Development Bank and United Nations. The reason consultant procurement is managed by Procurement and not HR is that Consultants are normally individuals or organizations who are hired to manage the short term or specific workforce needs of the organization and therefore have a different set of internal processes of acquiring, contracting, invoicing and managing them. In most countries the regulatory framework for contracting consultant is also different from contracting employees/staff, which could have been another reason to keep the two under separate departments. GGGI expects all its workforce (consultants/staff/contractors/interns) to uphold the similar work ethics and code of conduct.

#### 1.1 Staffing Plan

In order to avoid overstaffing, idleness, duplication of effort, and work with little or no purpose, GGGI performs a chain of controls in each country program and division which are then reported to the Council. By the chain of controls, an approver or a requestor should ensure that the above inefficiencies do not take place.

It is each division's responsibility to ensure the consistency and relevancy of staff requests with work program's objectives. Eventually, all staff requests will be reviewed by the Council and those within the resources pledged by the donors will be approved.

A Staffing plan, driven by the biannual work program derived from the 2015-2020 strategy, is prepared by each division. The plan is then internally reviewed at different levels and at the Council, which then is approved as the Work Program and Budget 2015-2016. HR's role in the planning phase is to provide advisory services, data, and technical comments.

HR provides a platform and ensures due process is followed for staff recruitment;

eventually, a qualified staff for each position should be recruited according to Staff Regulations and Rules, and job descriptions.

Staffing is an activity that is interconnected between relevant divisions including Human Resources.

A clear alignment among GGGI's 5 year strategy plan, biennial work program and the budget of each division, and the staff plan of each division was created to ensure that all staff requests share the common purpose of strategic objective achievement.

### 1.2 Follow up on the Danish Appraisal Report

The Danish Report pointed out that although GGGI recognized the ideal allocation of manpower between HQ and country to be 50:50, the process of allocation adjustment was slow partially due to financial distress. On this issue, the Head of Human Resources confirmed that the current manpower allocation for GGGI is 69% HQ and 31% country, and 58% business and 42% administration as of end of February 2015.

The delay to ratify Host Country Agreements is another reason for the slow deployment of staff in-country. However, headcount limits imposed by Council and hiring freezes linked to austerity budgets had the largest impact in how and when staff were hired.

## 2. Payroll & Compensation Function

### 2.1 Payroll

GGGI's payroll process was partially outsourced in 2013 to Ernst & Young, specifically in tax calculation. From 2014, GGGI started managing all of its own payroll to achieve cost saving (economy) and efficiency. To ensure efficiency, GGGI operates the process in compliance with DoA, and the full implementation of the ERP system is expected to strengthen the efficiency by automating the controls. For instance, to validate a monthly payroll GGGI reconciles the current months' payroll with payroll from the previous month. The result of reconciliation is approved by DoA. The reconciliation for Employee Benefits, Pension, and Medical Insurance is performed via reliable external resources

### 2.2 Compensation

GGGI has improved its leave and allowance benefits gradually and has been ensuring efficiency by following proper DoA and control measures. In 2013, with manual leave processes and forms, all leave or allowance request were submitted via email or memorandum. GGGI designed and implemented standardized forms in August 2014. Thanks to ERP, an automated checkbox was introduced and implemented. ERP's personal leave module was implemented in Nov 2014 and all approvals and calculations have been automated.

## 3. Performance Measurement for staff

Performance management is performed to determine whether GGGI's staff has adequate skills required to conduct assigned tasks, link the individual annual goals to the organizational business goals (2015-2016 Work Program and Budget), and ensure the effectiveness of staff's performance, output and outcome against the annual i

individual goals. GGGI's performance management system consists of a 5-tier performance rating, from unsatisfactory to excellent. The performance level of a staffmember shall be appraised once per year, in accordance with procedures and guidelines established by the Director-General. The process starts with setting an annual goal, and each division head evaluates staff's achievement in comparison with the goal and gives a proper rating. If a staff gets a rating below satisfactory, he or she would not be granted annual salary increment.

GGGI's management decided to differentiate the pay increase only for those who do not meet the 'satisfactory' rating. GGGI may not be ready to differentiate the incentives further yet based on performance because GGGI is a relatively newly established organization, and only has 2 years' experience of performance management. Further, concern and feeling of unfairness may arise if a differentiated incentive system is implemented before employee perception adjusts to accept performance management. Therefore, the differentiated incentive system should be implemented once the employee culture evolves to accept performance management. Employees (both those being evaluated and those that evaluate) understand the key principles of Performance management, and Performance culture matures at GGGI. The HR manager also commented that some donors are not receptive to more than inflationary salary increase.

GGGI started to set a more rigorous performance target for each staff at the beginning this year. Furthermore, according to GGGI all three CPDs have aligned their KPIs and that of their teams with organizational, DG, and divisional performance targets for 2015. By the end of 2015, one full circle of efficient performance management will have occurred. GGGI recognizes that a link between performance and rewards is needed. In the 2015 work plan GGGI decided to design both monetary and non-monetary rewards for performance. The current system already utilizes a result-based approach, as each staff sets a goal (linked to the Departmental goal) at the beginning of the year, and their performance is evaluated against the goals at the end of the year. An incentive mechanism for 2016 could either be monetary or non-monetary.

### Findings

#### **[Procedures & Process] HR related Findings from Procurement of the Country Representative – Mongolia**

The contract sample was examined to determine whether GGGI was acquiring the appropriate type, quality and amount of resources (quasi staff) at an appropriate cost. The reason this contract was selected as a test sample is that the contract was found to have taken irregular procedures which GGGI had not taken in the past, even after considering the fact that GGGI is a new organization. Secondly, the amount of the contract is relatively high, and the contract was created about 6 months after GGGI's

passing of the Cash Flow Drainage in 2014. Lastly, it is a relatively new transaction and made after issuance of the Danish Appraisal Report. For these reasons, relevant email records among the relevant stakeholders such as the DDG, HR, GGP&I and Procurement was reviewed.

Although budget was not allocated for this transaction, a document noted that budget was checked by the Senior Strategy & Planning Specialist and Budget Officer in May and October 2014.

The Human Resources Unit currently does not manage the manpower in the project management process. HR neither provides guidance nor enforces strict directions on the consultant progress report, and does not make enough effort to ensure that the hours worked and the tasks performed by the consultant are accurate.

According to GGGI, enforcing the activity of consultant progress reports is not part of HR responsibilities. Monitoring progress and time sheet is part of consultant's manager's responsibility. However, as all workforce in GGGI are supposed to follow the highest standards of work ethics and excellence in their office, HR uses all opportunities to educate/support the managers to drive the performance orientation in their teams.

Furthermore, we observed that the role of the Procurement Unit becomes very similar to that of HR's for procurement of consultants with a total amount over 80,000 USD. In addition, the number of staff on the procurement team was found to be very low considering the number of procurement contracts processed.

The Job Description and Qualifications required for the Country Representative position noted in HR Requisition Form was compared and analyzed. Candidate A declined an interview offer. The awarded consultant had received higher

interview scores than Candidate B.

**Testing appropriate type, quality of Resources acquired by comparing candidates' CV**

Qualifications	Awarded Consultant	Candidate A	Candidate B
Masters or PhD level or equivalent, preferably in Engineering, Economics, or Business and Finance	<b>MBA, and B.A. in Physics and Anthropology</b>	MPA and B.A. in Geography	<b>Masters of Science, Agricultural Economics</b> B.A. in Business Administration
<b>10 years of relevant experience.</b>	Not all experiences are relevant, and months of the career start and end date are not shown.	Very strong record of relevant Experience, over 20 years	Very strong record of relevant experience, over 20 years
Multi-cultural literacy and easily adaptable	Yes	Yes	Yes
Strong oral and written English essential	Yes	Yes	Yes
Fluency in Mongolian an advantage	Conversational	None	Basic

**Resources were acquired at an appropriate cost by comparing the salary for Previous and current Country Representatives.**

Both the previous Country Program manager and current Country Representative are grade C3 level staff. However, only the current CR resides in Mongolia; the previous Country Program Manager resided in Seoul. Furthermore, the previous Country Program Manager had about 10 more years of experience, but the base annual salary is slightly higher for the current CR.



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### Recommendation

#### **[Recommendation 1]**

HR needs to engage more actively when dealing with manpower in the project management process. Currently, consultants constitute about 40% of GGGI's overall workforce. If HR does not enforce strict directions and guidelines on how consultants calculate and prove working hours and improve the progress report template, the risk of fictitious contracts being made would increase. The media in Korea has already accused K-GGGI of being used as a money laundering route by Korean Government by making contracts with multiple individual consultants in the past.<sup>1</sup>

#### **[Recommendation 2]**

For performance evaluation of individuals, we recommend introducing the 360-degree feedback (multi dimension evaluation) to produce fair results. The supervisor has power to evaluate his or her staff's performance; therefore, there exists a risk that the evaluation result is biased due to personal relationships between staff.

**[Status in 2015 as Confirmed by GGGI]** GGGI is already introducing the 360. The DG committed to this at the beginning of the year, and it is in the approved 2015 HR Work Program to roll out.

#### **[Recommendation 3]**

More evaluators and appraisers need to be involved in the assessment procedure, such as colleagues and clients. Furthermore, staff should also be evaluating their supervisors.

**[Status in 2015 as Confirmed by GGGI]** GGGI contemplated to introduce a multi-rater feedback mechanism for the 2014 evaluations, but after rigorous discussion, the Management Team decided it is premature to do so given the small size of GGGI and the early stage of instigating performance culture.

#### **[Recommendation 4]**

Even though procurement of consultants is managed by the Procurement Unit, managing and providing guidance and oversight to these consultants should be HR's responsibility. HR should at least provide consultation service to procurement or cooperate with the Procurement Unit.

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1

<http://www.wkh.kr/khnm.html?mode=view&artid=201402251610121&code=115>

### **[Recommendation 5]**

Considering the number of Procurement team staff members and the number of procurement contracts, some roles performed by the Procurement team should be transferred to the Human Resources unit. When the contract amount for an individual consultant is above USD 80,000, the hiring process of a consultant becomes similar to that of a staff member. We believe that combination of roles will reduce the workload burden felt by the Procurement team. We have considered the fact that other international organizations also differentiate between recruiting consultants and staff. However, compared to the other organizations, GGGI is a relatively new organization with a different organizational size, and is still establishing and developing its internal procedures; therefore, direct benchmarking of other international organizations may not be the most efficient method.

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### **Conclusion**

The payroll and compensation management sectors seem to have improved. However, it is hard to conclude that the recruiting function is being operated in an efficient way because the function is divided between Procurement and the Human Resources unit. In particular, for Procurement Contract No.PAI-2014-358, the division of roles between two departments involved is vague; the rules and policies of both the Procurement and Human Resources unit were applied as a result, leading to ineffectiveness. Even after considering the fact that GGGI is an international organization, HR should still be more actively involved in relevant processes, such as providing feedback and opinions and working towards improving management tools such as document formats.

Though we evaluated only ONE sample test, the result of the test is quite unsatisfactory. GGGI is not acquiring the appropriate type, quality and amount of staff at an appropriate cost based on the test result.

Also, the lack of guidance and monitoring of the consultant's timesheet and progress report raises our concerns about the quality of their deliverables in the Mongolia program, and so the HR function in GGGI is not operating efficiently and effectively.

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### 3. Finance Management

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#### Overview

The main objectives of evaluating the finance procedure is to assess the economy, efficiency and effectiveness by reviewing the Design of Process and the quality of deliverables in each step. The scope of finance process evaluation is limited to the supporting processes related to the Mongolia and Rwanda country programs in 2013 and 2014.

To assess the finance procedure, interviews were conducted with the Head of Finance, and the Head of Corporate, and documents were reviewed.

- The total number of Interview: 3 times with the Head of Finance and 2 times with Head of Corporate
- The total interview time: 125 minutes
- Interview purpose: To gain a thorough understanding of the process

We performed sampling tests for the Mongolia and Rwanda programs to determine whether GGGI is using the appropriate operating and procurement procedures, and to ascertain whether documented procedures are operating effectively in practice.

The simplified process map of the finance function drafted after the interview summary was confirmed and the relevant documents reviewed can be found in Appendix 3. This simplified process map focuses mainly on the activity which produces the output of each procedure. The findings are also listed with the process map.

Professional Standards such as COSO – an internal control framework - and Sarbanes Oxley regulations were used as references to determine whether GGGI is following the appropriate operating and procurement procedures.

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#### History of Budget/Travel

##### [Budget Management]

GGGI's budget process changed from 2013 to 2014. In 2013, GGGI did not operate a systematic review process; the review process relied on division heads. From 2014, various divisions joined for a challenging session and the necessity and validity of budgets were reviewed. GGGI also shifted from one a year work and budget plan to a multi-year plan in 2014.

Implementation of an accounting software called EMAX in 2014 has improved the budget monitoring function and enabled the creation of a monthly budget variance report. Furthermore, the currency used in the previous budget system was KRW, so the currency had to be converted into USD which caused inefficiency. Finally, Actual budget execution of each program can only be monitored via a Quarterly Implementation Report (QIR – prepared on a quarterly basis) in 2013.

##### [Travel & Expense Management]

The role of Corporate Service Unit's Travel Team is to serve as the focal point for Travel by GGGI staff. They provide advisory and guidance to GGGI staff in understanding the travel policy and guidelines which became effective on January 1 of 2014, and ensure that the travel policy and guidelines are up-to-date (by managing and communicating the approved changes) and are readily accessible to all GGGI staffs.

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The unique feature of GGGI's travel expense management system is that a mission travel report, which allows the project team to monitor the project status, must be submitted within seven days of journey completion in order for expenses incurred during the mission trip to be reimbursed.

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**Follow up on  
Danish appraisal  
report**

[Budget Management]

According to the Danish appraisal report, it is important that GGGI, as part of the strategy process, develop the concept, size, and plan for the accumulation of a working capital (reserve) to ensure that priority activities can always be undertaken when cash flow is challenged. Finance regulations adopted in January of 2014 also requires that GGGI maintain a working capital fund. However, GGGI was not able to set-aside the working capital fund for 2014, because the budget process for 2014 had already started in 2013. GGGI practiced prudent cash planning, and therefore no longer has problems in cash deficiency. Therefore, GGGI is able to retain working capital fund of USD 5 million for each of 2015 and 2016. We have noted that the amounts stated in the work program have been submitted to and approved by the council.

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**Findings**

1.1 Findings from Evaluating Budget Management

**[Policies]** We did not find any deficiencies or flaws in budgeting policy.

**[Procedures & Process]** The overall internal control of the budget process was well designed with respect to Authorization, Review and Segregation of Duties as seen the budgeting process map. However, we observed that exceptions to the process were made by users in practice.

The Procurement report noted that the budget for the Procurement of the Country Representative – Mongolia has been checked with the Senior Strategy & Planning Specialist and Budget officer on May and October 2014.

However, we could not find any mention of the Procurement of the Country Representative – Mongolia on other budget documents.

### **Compliance status of internal budgeting procedure by the Mongolia Program**

- Budget reallocation had not occurred for the unplanned procurements.

### **Procurement of Individual Consultants for the Green Development Roadmap Project and the Green Indicators Development Project.**

- One procurement contract (hiring the Mongolia Country Representative) was created in the fourth quarter of 2014. However, the procurement process included rules adapted from both the Procurement and Human Resources units. As a result, the contract had impact on the Budget Management.
- We were unable to find documental evidence that showed the procurement contract was either planned / budgeted or had reallocated budgets for 2014.

According to the detailed project proposal, procurement plan, and variance report of 2014, the initial budget for outsourcing in 2014 was USD 340,000; the budget was solely for procurement of a consulting firm, and not for an individual consultant. According to this data, the procurement contracts for the Individual Consultants were neither planned nor budgeted during the planning and budgeting step.

## V. GGGI's Operations Management

Even if the budget had not been allocated in advance, a request for reallocation of budget should have been made in order to execute the contract. However, evidence that such a request was made could not be found on any of the related documents.

		Jan	Feb	Mar	Apr	May	Jun
Outsourcing (consulting)	Budgeted	47,276	0	0	102,000	0	0
	Actual	0	0	47,276	0	0	0
Outsourcing (Honorarium)	Budgeted	0	0	0	0	0	0
	Actual	0	0	0	1,000	0	0
Outsourcing (Consultant)	Budgeted	0	0	0	0	0	0
	Actual	0	0	0	0	0	2,274
Outsourcing (Others)	Budgeted	0	0	0	0	0	0
	Actual	0	0	0	0	0	0
		Jul	Aug	Sep	Oct	Nov	Dec
Outsourcing (consulting)	Budgeted	0	102,000	33,000	0	0	161,000
	Actual	0	0	0	0	0	0
Outsourcing (Honorarium)	Budgeted	1,000	1,000	2,000	2,000	2,000	1,000
	Actual	0	0	0	0	0	0
Outsourcing (Consultant)	Budgeted	0	0	0	0	0	0
	Actual	0	0	0	2,844	13,083	33,583
Outsourcing (Others)	Budgeted	0	0	0	0	0	0
	Actual	0	0	0	0	0	3,950

\*figures in Red: Payments executed without budget

### 1.2 Findings from Evaluating Travel Expense Management

**[Procedures & Process]** Mission request forms, a written approval received prior to business trips, has changed from 2013 to 2014. Mission request forms in year 2013 was mixed with the disbursement request (and the invoice attached) incurred prior to travel; therefore, the Delegation of Authority (DoA) was up to a financial level. In 2014, the mission request form was separated from the disbursement request, and therefore the DoA was changed from a financial level to only the requestor's supervisor for faster internal approval.

Overall, the internal control process for the travel expense management procedure was designed well with respect to Authorization, Review and Segregation of Duties as seen the Travel expense process map. However, we found that exceptions to the process were made by users in practice.

#### Compliance status of internal travel expense procedure by the Mongolian Program

- 3 out of 5 sample mission travel reports did not follow the proper document procedures. Mission travel reports from the periods of March 11 2013~March 16 2013, March 04 2013~March 08 2013, and June 16 2013~June 25 2013 were not submitted within 7 days of journey completion.

#### Compliance status of internal travel expense procedure by the Rwanda Program

- According to testing of the samples selected, internal procedures on travel expense operated well during the Rwanda program of 2013~2014.

**Per Person Expenses of Mongolia and Rwanda Programs**

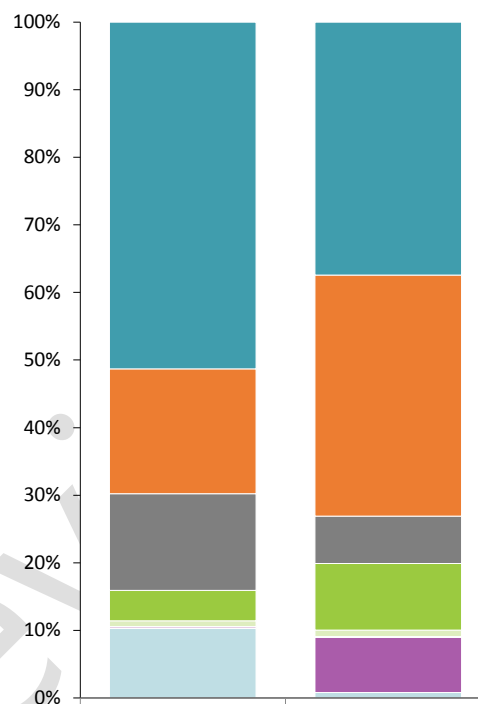
1. The reason behind the 40% decrease in salary and wages and the 60% increase in outsourcing cost (amount in 2014 compared to the amount in 2013) is not due to changes in the number of personnel in the Mongolia team, but due to hiring the Country Representative as a Consultant.

2. Payment disbursed under the category of Allowance decreased by 94%; welfare payment started to be distributed in 2014.

3. Travel Expense decreased by 60% from 2013 to 2014, because the number of business trips decreased from 10 times in 2013 to 8 times in 2014.

4. Payment disbursed under the category of Conference Expenses increased by 80%.

**Mongolia Program Expense Report 2013-2014**

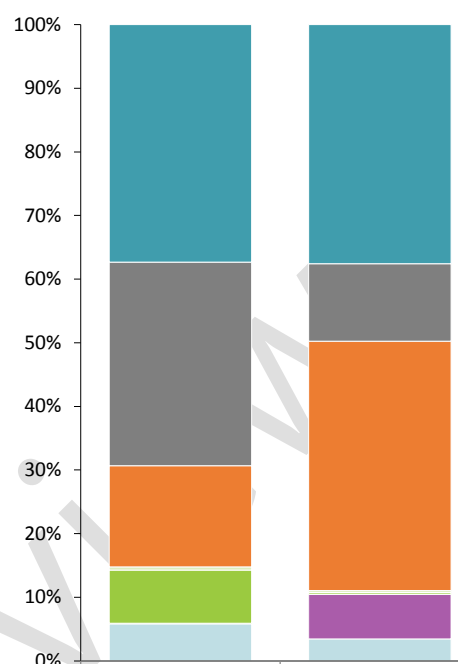


	2013	2014
Salary and Wages	182,032.91	109,126.74
Outsourcing cost	65,639.18	104,009.92
Travel expenses	50,723.37	20,402.43
Conference expenses	15,999.30	28,768.37
Others	3,143.72	2,710.52
Employee benefits	861.15	401.54
Welfares	-	23,731.27
Allowances	36,504.00	2,365.49

Mongolia	2013			2014		
	US\$	Per person	%	US\$	Per person	%
<b>2.Expenses</b>	<b>355,257.75</b>	<b>83,590.06</b>	<b>1.000</b>	<b>292,028.28</b>	<b>50,787.53</b>	<b>1.000</b>
2.1.Operation expenses	354,903.63	83,506.74	0.999	291,516.28	50,698.48	0.998
Salary and Wages	182,032.91	42,831.27	0.512	109,126.74	18,978.56	0.374
Sal.&wages(Full time)	182,032.91	42,831.27	0.512	109,126.74	18,978.56	0.374
Sal.&wages(Temporary)	-	-	-	-	-	-
Allowances	36,504.00	8,589.18	0.103	2,365.49	411.39	0.008
Welfares	-	-	-	23,731.27	4,127.18	0.081
Employee benefits	861.15	202.62	0.002	401.54	69.83	0.001
Outsourcing cost	65,639.18	15,444.51	0.185	104,009.92	18,088.68	0.356
Outsourcing(consulting)	37,500.00	8,823.53	0.106	47,276.00	8,221.91	0.162
Outsourcing(Consultant)	911.63	214.50	0.003	51,783.92	9,005.90	0.177
Travel expenses	50,723.37	11,934.91	0.143	20,402.43	3,548.25	0.070
Travel(Air ticket)	17,526.36	4,123.85	0.049	9,192.71	1,598.73	0.031
Travel(Accomodation)	20,911.12	4,920.26	0.059	7,164.79	1,246.05	0.025
Travel(Meals&Incidentals)	10,427.12	2,453.44	0.029	1,479.25	257.26	0.005
Travel(Interview)	-	-	-	-	-	-
Travel(Non GGGI Staff)	-	-	-	910.06	158.27	0.003
Travel(Others)	1,858.77	437.36	0.005	1,655.62	287.93	0.006
Conference expenses	15,999.30	3,764.54	0.045	28,768.37	5,003.19	0.099
Others	3,143.72	739.70	0.009	2,710.52	471.39	0.009
2.2.Other expenses	354.12	83.32	0.001	512.00	89.04	0.002

1. Salary & Wages increased by 30%.
2. Outsourcing cost increased by 200% in 2014 compared to 2013 due to the first payment of USD 160,000 on the contract with a consulting firm created on January 2014.
3. Payment disbursed under the category of Allowance decreased by 25%; welfare payment started to be distributed in 2014.
4. Travel Expense decreased by 50% compared to 2013.
5. Conference Expenses decreased by 96% in 2014, because most of the conference expenses spent in 2013 were a one-time expense incurred from EEBCEA Workshop.

**Rwanda Program Expense Report 2013-2014**



	2013	2014
Salary and Wages	121,138.49	157,769.58
Travel expenses	104,067.66	51,088.37
Outsourcing cost	51,600.66	164,560.00
Others	1,577.28	1,189.53
Conference expenses	27,067.89	1,142.69
Employee benefits	382.03	192.11
Welfares	-	29,420.14
Allowances	18,924.61	14,470.84

Rwanda	2013			2014		
	US\$	Per person	%	US\$	Per person	%
<b>2.Expenses</b>	<b>325,106.25</b>	<b>65,021.25</b>	<b>1.000</b>	<b>419,924.79</b>	<b>83,984.96</b>	<b>1.000</b>
2.1.Operation expenses	324,758.62	64,951.72	0.999	419,833.26	83,966.65	1.000
Salary and Wages	121,138.49	24,227.70	0.373	157,769.58	31,553.92	0.376
Sal.&wages(Full time)	115,933.90	23,186.78	0.357	157,769.58	31,553.92	0.376
Sal.&wages(Temporary)	-	-	-	-	-	-
Allowances	18,924.61	3,784.92	0.058	14,470.84	2,894.17	0.034
Welfares	-	-	-	29,420.14	5,884.03	0.070
Employee benefits	382.03	76.41	0.001	192.11	38.42	0.000
Outsourcing cost	51,600.66	10,320.13	0.159	164,560.00	32,912.00	0.392
Outsourcing(consulting)	30,129.16	6,025.83	0.093	160,000.00	32,000.00	0.381
Outsourcing(Consultant)	4,389.95	877.99	0.014	3,200.00	640.00	0.008
Travel expenses	104,067.66	20,813.53	0.320	51,088.37	10,217.67	0.122
Travel(Air ticket)	74,648.04	14,929.61	0.230	25,795.51	5,159.10	0.061
Travel(Accommodation)	18,311.68	3,662.34	0.056	16,592.12	3,318.42	0.040
Travel(Meals&Incidentals)	8,352.82	1,670.56	0.026	4,342.36	868.47	0.010
Travel(Interview)	-	-	-	-	-	-
Travel(Non GGGI Staff)	-	-	-	-	-	-
Travel(Others)	2,755.12	551.02	0.008	4,358.38	871.68	0.010
Conference expenses	27,067.89	5,413.58	0.083	1,142.69	228.54	0.003
Others	1,577.28	315.46	0.005	1,189.53	237.91	0.003
2.2.Other expenses	347.63	69.53	0.001	91.53	18.31	0.000



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**Recommendation**

**[Recommendation 1]**

The budget check function in budget management should be strengthened to ensure that transactions are conducted only if sufficient documental evidence of prior budget allocation is available. The budget check process should also be documented in detail to ensure completeness and effectiveness of the check process and to prevent miscommunication between departments.

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**Conclusions**

In conclusion, GGGI put in effort to improve the efficiency and effectiveness to deliver on the organization's objective.

As for the budgeting process, consistency has been checked through challenge sessions to improve the quality of work plan and budget from 2014. Furthermore, for the 2015 budget, GGGI started to practice prudent cash planning based on anticipated cash flow scenarios. The cash planning enabled GGGI to set aside a working capital fund of USD 5 million in 2015 and 2016.

The details of the travel expense management policies were improved during 2014. Testing the travel expenses selected as samples confirmed that the documented procedures were operating effectively.

# VI. Enterprise Resource Planning

Under Review

**1. ERP Development**

**2. IT General**

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## 1. ERP

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**Overall**

The main objective of evaluating the ERP development project and general IT is to assess whether the project execution and IT management were executed according to the 3Es' (economy, efficiency, and effectiveness) by reviewing the development progress, project management and general IT management in 2013 and 2014.

Professional Standards such as COSO – an internal control framework - and COBIT-5 – an IT management framework - were used as references to determine whether GGGI is following the appropriate operating and procurement procedures

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**Development Objectives**

Enterprise resource planning (ERP) is a business tool that integrates business applications to enable organizations to collect, store, process, and extract information that can be used as a reference in management's decision making process. Generally, the business applications are used to aid processes such as planning, manufacturing or service delivery management, sales and marketing, inventory management, human resource management, procurement and such. The key objective of ERP implementation is providing high-level and integrated point of view on core business processes on a real time basis.

According to GGGI's ERP Status Report, the primary reason behind GGGI's ERP development and implementation was the need for innovation in business processes to meet organizational strategic objectives. These needs increased expectations of the IT department, and expanded the responsibilities of GGGI's IT department to include roles as business enabler and cost optimizer in addition to technological aspects. Therefore, the ERP system currently being developed is to be one of the critical solutions to realize and deliver GGGI's strategic objectives on time.

GGGI is currently using a system called 'IS', which consists of different independent parts that do not operate cross functionally; therefore, the system lacks uniformity in control over business process and integrated management of data. ERP is expected to consolidate all core business processes into one database, thus providing an improved business process management as well as enhanced data integrity; both critical to achieving organizational efficiency and effectiveness.

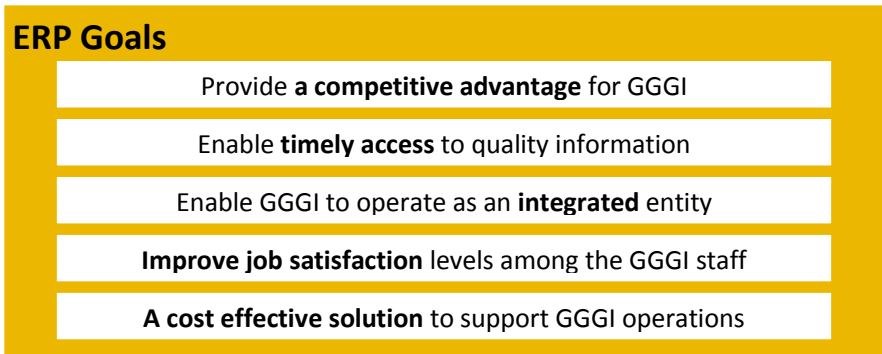
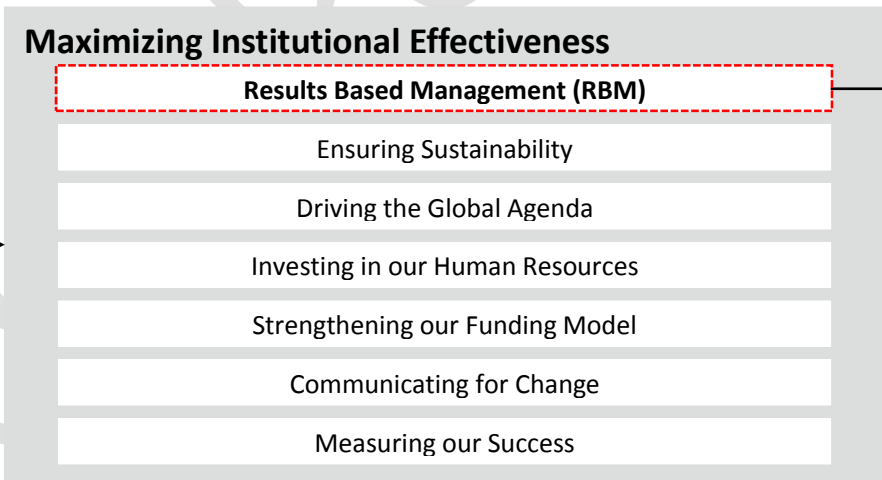
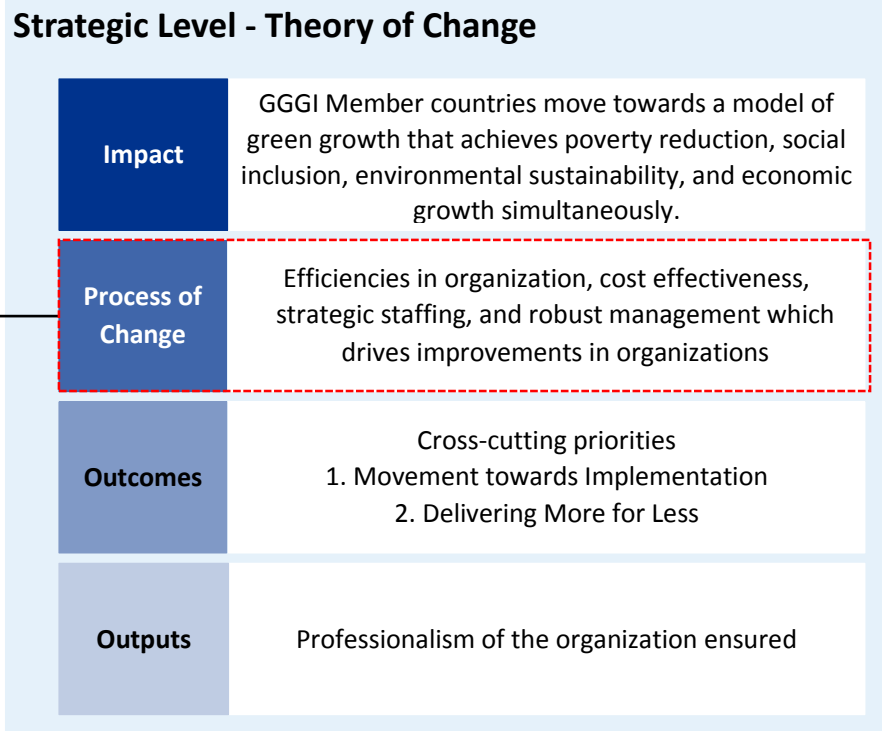
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**Alignment with Organizational Strategy**

According to GGGI's Strategic Plan of 2015 - 2020, GGGI is expected to ensure organizational efficiencies, cost effectiveness, strategic staffing, and robust management which drives improvements in organizations by cross-cutting operations, and ERP is to take a part in the process.

GGGI will maximize efficiencies in information usage and communications technology solutions in order to enhance business analytics, increase productivity, reduce transaction costs, and enhance program and project support. The ERP system will automate business modules in Finance, budget, procurement, grants and projects, human resources, asset management, travel, and expense claims.

According to GGGI's Strategic Plan of 2015-2020, GGGI selected organizational efficiencies and cost effectiveness, strategic staffing and robust management which creates conditions to drive change as the major processes of change. Seven tasks were identified to accomplish the above major processes of change, including: managing for results, ensuring sustainability, driving the global agenda, investing in HR, strengthening the funding model, communicating for change, and measuring success. ERP development is part of the 'result based management' under 'managing for results'.



<Alignment ERP within Strategic Objectives>

**Managing for Results**

GGGI’s efforts to improve institutional capacity in Results Based Management (RBM), which provides a framework for strategic planning and management based on learning and accountability, will continue. RBM will be applied across the organization via articulation of SMART performance indicators, defined standards, minimum quality criteria for projects, and strengthened quality management processes at all stages of the project cycle. The M&E system will also be equipped to collect and assess data and report on performance in achieving wanted results. Furthermore, GGGI’s organizational goals will be matched with the goals of individual staff as part of the corporate accountability framework, and risk management practices will be institutionalized to recognize and address potential obstacles in achieving corporate objectives. Lastly, methods to reduce the impact and probability or to prevent the risks entirely will be established, along with a contingency plan in case the risk should occur.

Implementation and rollout of the ERP system will maximize efficiency in the use of information and communications technology, which will enhance business analytics, productivity, transaction cost savings, and support in program and project. The ERP system will also automate modules such as Finance, Budget, procurement, Grants and Projects, Human Resources, Asset Management, Travel, and Expense Claims.

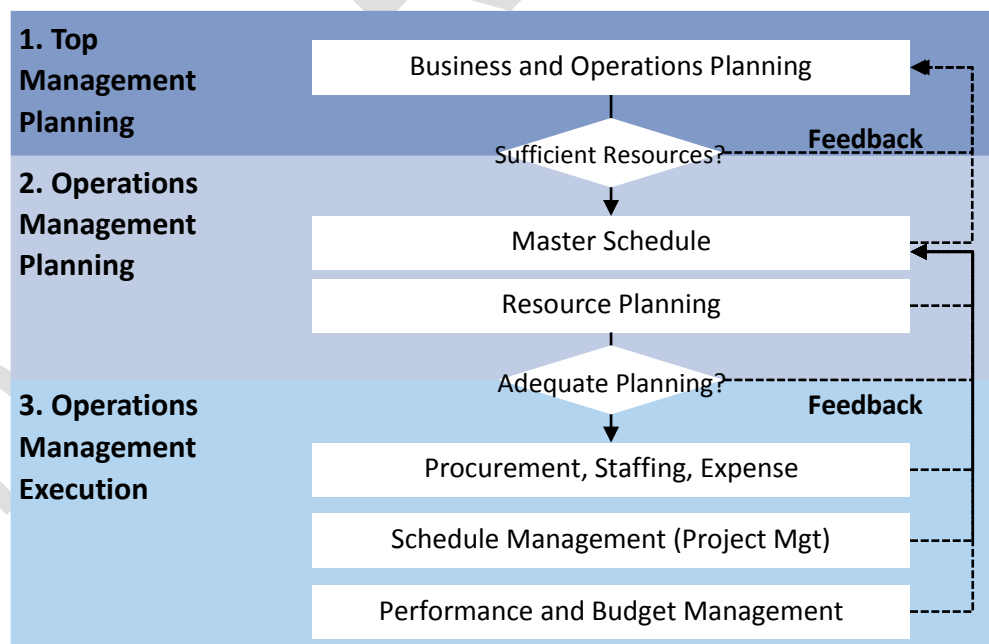
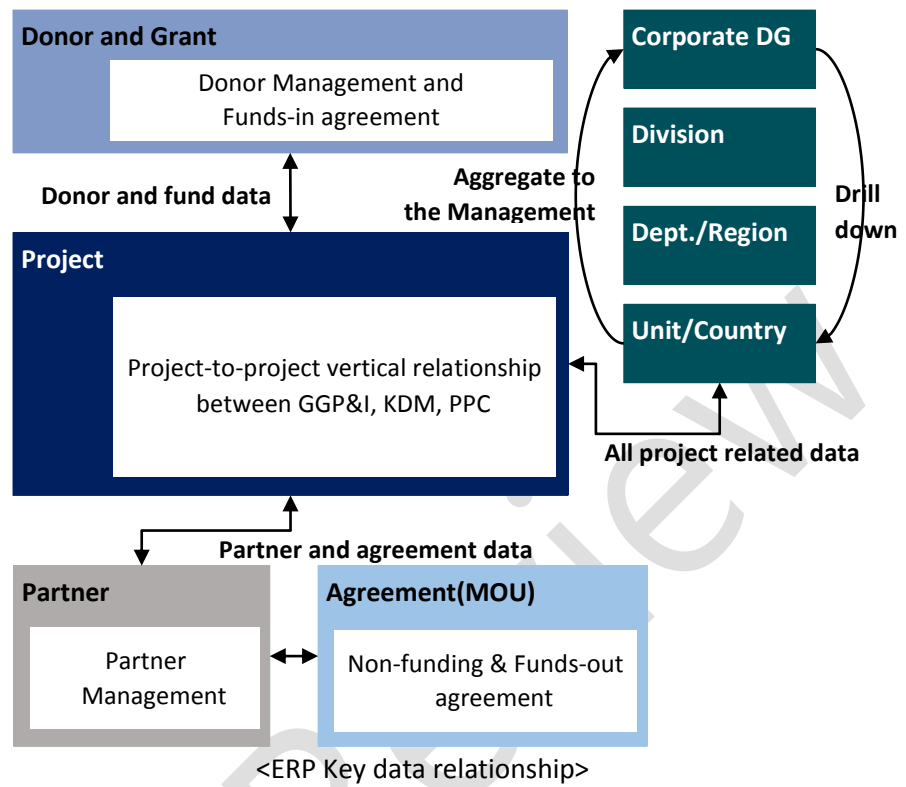
What is notable from the above figure is that GGGI has been introducing and implementing a results-based management structure, and applying lessons learned from achievements and challenges to date, as following the 2015-2020 strategic plan. Furthermore, the learned-from-lesson principle will also be implemented into the ERP system.

According to GGGI’s ERP status report, the key data relationships indicate that the ERP system will function bi-directionally through all core steps, from donor profiling, grants, and funds-in to decision making in top management level; refer the figures below that illustrate the key data relationships and the implementation of learned-from-lesson principle to ERP system.

According to COBIT-5 Process Assessment Model, an organization’s IT strategy shall satisfy the business requirement of sustaining or extending the business strategy and governance requirements while being transparent about benefits, costs and risks. To achieve this objective, certain practices such as the following are needed:

- Link business goals to IT goals
- Identify critical dependencies and current performance
- Build an IT strategic plan and tactical plan

Practices	GGGI’s Status
Link business goals to IT goals	Confirmed (link with 2015-20 strategy)
Identify critical dependencies and current performance	Confirmed (by work plan of 2015)
Build an IT strategic plan and tactical plan	Confirmed (by work plan of 2015)



<Learned-from-lesson chain in ERP>

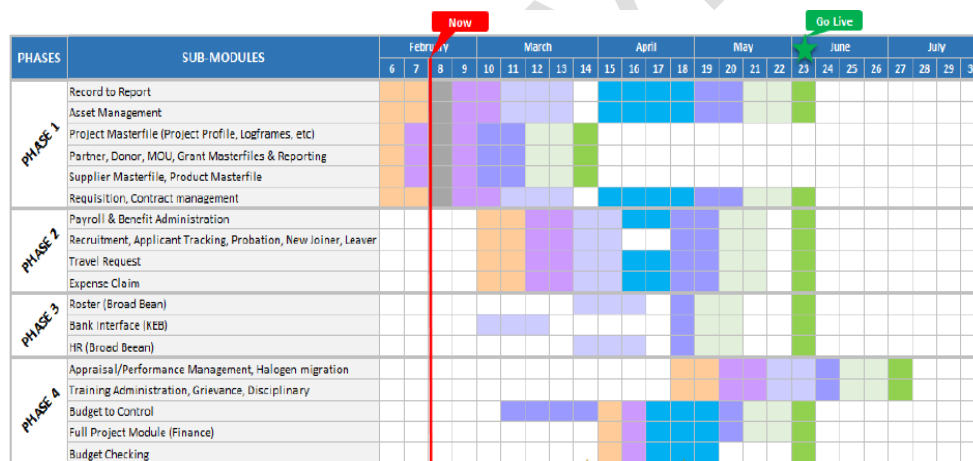
**Project Management**

1. Project Schedule

According to the Danish Appraisal Report released in April 2014, the ERP development project was to be completed by the end of 2014. Therefore, the original scope of Value for Money evaluation was to evaluate the completed and operational ERP system.

However, although several parts of the HR module, Staff Record, Absence/Leaves, Position Administration, Right to Work and Competency have been operational since soft-launch in November 2014, other major modules of the ERP system are still to be launched due to the revision of the work schedule.

Regarding the project schedule, GGI confirmed that ERP Deployment Strategy is a continuous roll-out approach of ERP modules. As shown in the schedule, the majority of sub-modules are planned to be released in June, followed by a couple of sub-modules in July and a couple of sub-modules in the future (to be planned out). Continuous Process Improvement (introducing improvements to the ERP system) is one of the key drivers to realize the ERP Goal of competitive advantage and cost effective solutions to support GGI operations.



<2015 ERP Development Schedule>



Modules (work-streams)	Scope of Work and Update	Status in 2014
HR	<ul style="list-style-type: none"> <li>Scheduled to release remaining 8 parts; Pay &amp; Reward/Compensation, Benefit Administration and Performance Appraisal, Recruitment/Applicant Tracking, New Starters, Probation, Leavers, Grievances, Disciplinary and Training Administration</li> </ul>	Partially launched
Finance	<ul style="list-style-type: none"> <li>8 parts covered at the requirements gathering and solution designs discussions; Fund Accounting, Journal Posting Processes, Currency &amp; Exchange Rates, Period End Processes, Financial Reporting, Cashbook Maintenance and Bank Reconciliation Process</li> </ul>	Not launched (To-Be launched in 2015)
Budget	<ul style="list-style-type: none"> <li>3 parts covered at the requirements gathering and solution designs discussions; Grant Budgets, Project Budgets, Project Forecasts and Budget Reporting.</li> </ul>	
Procurement	<ul style="list-style-type: none"> <li>6 parts covered at the requirements gathering and solution designs discussions; Maintain Suppliers, Product Maintenance, Funds Checking and Commitment Tracking, Requisition Processing, Purchase Order/Contract Processing, Invoice Registration and Payment Processing</li> </ul>	
Grants & Projects	<ul style="list-style-type: none"> <li>4 parts covered at the requirements gathering and solution designs discussions; Maintain Partner and Donors, Grant Maintenance, Project Maintenance, Request for Funds and Donor Reporting.</li> </ul>	
Asset MGT	<ul style="list-style-type: none"> <li>5 parts covered at the requirements gathering and solution designs discussions; Fixed Asset Master File, Acquisitions, Depreciation, Disposals/Adjustments, Transfers and Re-classes and Warranty Expiration.</li> </ul>	
T&E Claims	<ul style="list-style-type: none"> <li>3 parts covered at the requirements gathering and solution designs discussions; Travel Request &amp; Advances, Making Expense Claims, Unused Travel Advance Notifications and Travel Expense Reporting.</li> </ul>	
ERP Deployment Strategy	<ul style="list-style-type: none"> <li>Continuous roll out approach of modules as per Project Schedule.</li> </ul>	
Data Migration Strategy	<ul style="list-style-type: none"> <li>Finance Data –Opening Balance of 2015, keeping previous data in EMAX system</li> <li>Budget Data -Approved Budget for 2015</li> <li>Grant/Project Data –Currently open Grants and Projects</li> <li>Migration of previous Data (2013-2014, Closed Projects, etc.) will be revisited in Q1 2015.</li> </ul>	On-going
Change Control & Training	<ul style="list-style-type: none"> <li>Project Change Control process in placed to cover any scope changes or additional services.</li> <li>Training for Trainer sessions will be conducted. Through this training, the workstream Leads (Process Owners) will have a better understanding on how the ERP system works then Test Plan, Data Migration Plan and Deployment Plan will be refined.</li> </ul>	On-going

&lt;Scope of Work and Updates&gt;

Originally, the project was to be completed by the end of 2014; however, the completion date was extended to June 2015. This is partly because the process of developing the ERP followed a continuous roll-out approach, and during the process the project faced resource constraints (especially manpower) before launching the HR module in November 2014. Currently, GGGI is reviewing the work scope and updates in the work scope have been reported through the ERP status report.

Regarding the resource constraints, GGGI confirmed that remaining resources focused on the November 2014 launch and the rest of the modules were put on hold temporarily. A re-planning of schedule and resources was conducted. In December, a revised schedule was finalized and approved by the ERP Project Steering Committee.

It cannot be overlooked that even after the go-live of the newly developed ERP system, there still exist plans to progressively implement other modules as a part of the continuous roll-out approach and continuous process improvement. The progress schedule is expected to allow the ERP system to maximize its utilization, and therefore allow the ERP system to operate at maximum effectiveness and efficiency.

According to COBIT-5, project management aims to satisfy the business requirement of ensuring the delivery of project results within agreed-upon time frames, budget and quality. Therefore, the required practices related to the project schedule are as follows:

- Establish and maintain an IT project monitoring, measurement and management system
- Build project charters, schedules, quality plans, budgets, and communication and risk management plans
- Assure the effective control of projects and project changes
- Define and implement project assurance and review methods

Practices	GGGI's Status
Establish and maintain an IT project monitoring, measurement and management system	Confirmed (by project status report, 2014)
Build project charters, schedules, quality plans, budgets, and communication and risk management plans	Confirmed (by project status report and budget variance report, 2014)
Define and implement project assurance and review methods	Confirmed (by ERP Project Steering Committee's review)

### 2. Project Manager

GGGI Management changed the ERP Project Manager in response to his resignation. Changing the project manager during such a project is uncommon and could be risky, and GGGI confirmed that the Management Team made this decision to change project manager change with enough consideration and mitigation of potential risk.

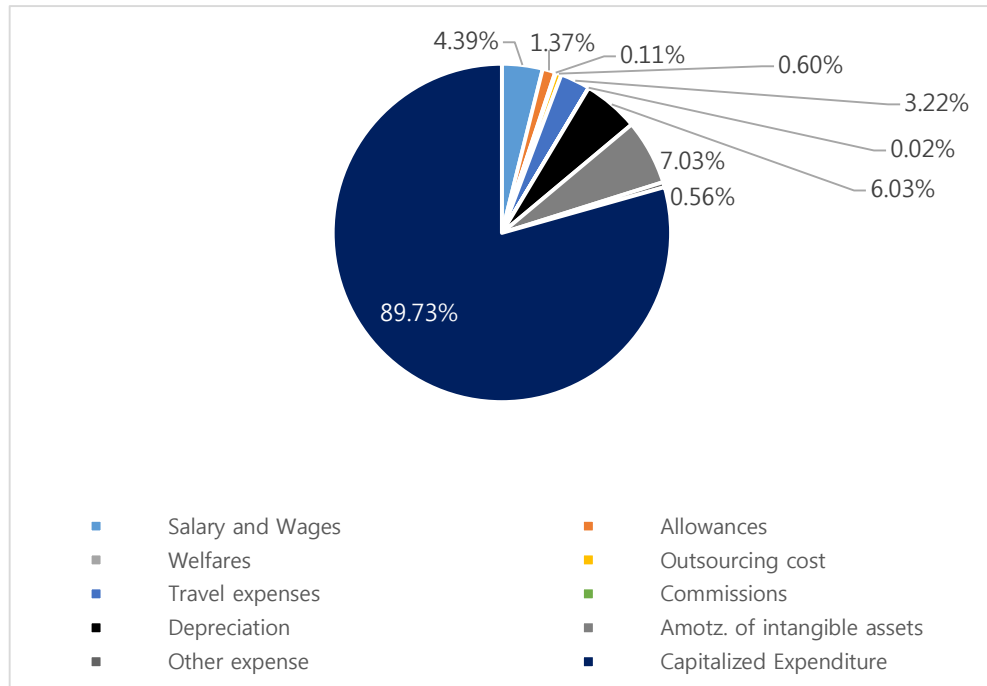
## VI. Enterprise Resource Planning

(Currency: USD)

1Q 2014	Jan	Feb	Mar
<b>Budget</b>	19,764	219,764	219,764
Total Expenses	13,886	10,472	12,806
Capitalized expenditure	0	0	0
Depreciation/Amortization	0	0	0
<b>Total Expenditure</b>	13,886	10,472	12,806
2Q 2014	Apr	May	Jun
<b>Budget</b>	123,921	123,921	223,921
a. Total Expenses	22,965	23,149	27,601
b. Capitalized expenditure	365,000	0	57,075
c. Depreciation/Amortization	-10,139	-10,139	-11,724
<b>Expenditure (a+b+c)</b>	377,826	13,010	72,952
3Q 2014	Jul	Aug	Sep
<b>Budget</b>	123,921	223,921	123,921
a. Total Expenses	531,814	-418,748	-14,299
b. Capitalized expenditure	490,590	47,443	0
c. Depreciation/Amortization	-11,724	-40,116	-26,489
<b>Expenditure (a+b+c)</b>	1,010,680	-411,421	-40,787
4Q 2014	Oct	Nov	Dec
<b>Budget</b>	123,921	21,803	21,803
a. Total Expenses	35,256	34,644	38,877
b. Capitalized expenditure	156,400	68,112	40,425
c. Depreciation/Amortization	-30,833	-33,087	-4,016
<b>Expenditure (a+b+c)</b>	160,823	69,668	75,285
<b>Total Budget</b>	<b>1,570,345</b>		
<b>Total Expenditure</b>	<b>1,365,200</b>		
<b>Disbursement Rate</b>	<b>86.9%</b>		

<2014 ERP Budget Variance>

**Budget Management**



<Percentage of Project Expenditures>

According to the ERP budget variance report 2014, GGGI originally estimated a budget of USD 1,570,345 for the ERP development project. With the disbursement, major expenditures of the ERP were capitalized according to IFS. In 2014, ERP disbursement was USD 1,365,200.23 and the disbursement rate was 87% accordingly. This has been separately monitored by the Finance Team and discussed with the ERP Project Manager.

**1. Amortization and Depreciation**

The amortization and depreciation cost of purchased software and office-equipment were capitalized first in accordance with IFRS requirements, and were depreciated/amortized in compliance to the Financial Policy.

**2. Salaries and Wages**

Irregular patterns in salary expense - salary payment of USD 10,000 was being made each month during the first half of 2014; however, the payment stopped in August. GGGI Management decided to reallocate the salary in response to the evolving role and responsibilities of the ERP Specialist to start covering the outgoing IT & Facilities Manager.

**3. Travel Expenses**

Regarding travel expense, GGGI has spent USD 44,000 on travel expense for non-GGGI staff members, contractors from a consulting firm that started work after signing a contract, and field trips to HQ to conduct ERP Requirements Gathering & Solution Design sessions. This was expensed in August, October and December, however, invoices are for the period of 2014. The Project Manager took some time to validate the invoices, and those invoices are accepted and posted after clearance.

## 4. Equipment and Software Purchasing

According to the budget variance report, GGGI spent USD 727,937 on purchasing software and USD 497,108 on purchasing office equipment, including a server machine. It is noted that all purchased equipment and software are capitalized in accordance with GGGI's finance policy.

(Currency: USD)

Asset	Amount
Software	727,937.00
Office equip.etc	497,108.40
<b>Total</b>	<b>1,225,045.40</b>

<Capitalized Amount of Purchased Assets>

According to COBIT-5, project management aims to satisfy the business requirement of ensuring the delivery of project results within agreed-upon time frames, budget and quality. IT investment management aims to satisfy the business requirement of continuously and demonstrably improving cost-efficiency and its contribution to business profitability with integrated and standardized services that satisfy end-user expectations. The required practices related to project budget management and investment management are as follows:

- Establish and maintain an IT project monitoring, measurement and management system
- Build project charters, schedules, quality plans, budgets, and communication and risk management plans
- Identify, communicate IT investment, cost and value to the business
- Monitor IT investment, cost and value to the business

Practices	GGGI's Status
Establish and maintain an IT project monitoring, measurement and management system	Confirmed (by project status report and budget variance report, 2014)
Build project charters, schedules, quality plans, budgets, and communication and risk management plans	Confirmed (by budget variance report, 2014)
Identify, communicate IT investment, cost and value to the business	Confirmed (by reporting to ERP Project Steering Committee and participation of super-users, 2014)
Monitor IT investment, cost and value to the business	Confirmed (by strategic goals and key performance indicators related to the project, 2015)

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### Findings

The findings on GGGI's ERP project are as following: first, the extension of the project schedule was due to a continuous roll-out approach; second, the project budget variance of a disbursement rate averaging 87% and approximately 90% of total expenditure consists of capitalized assets in accordance with IFS; and third, the risk associated with the change of project manager due to resignation was mitigated through consideration by GGGI's management.

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### Recommendation

Regarding overall project management, continuous review of project (ex. project leader, estimated budget and available resources - including HR and Equipment, purchasing plans for required resources, and overall development schedule) needs to be assured during the planning phase in order to prevent risks of damaging the economy, efficiency, and effectiveness of overall project.

When a change is made on the project plan, immediate follow up measures based on analysis of potential risk should be implemented to increase the effectiveness.

Continuous assure that resources invested in the project are being managed in an organized way. Resource management should include both HR management (such as changing the project manager or team member) and asset management (capitalization), and by doing so resource management will increase the overall efficiency of the project.

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### Conclusion

According to the analysis of documents, interviews and evaluation based on the international standard, COBIT-5, GGGI's ERP development project has been meeting the 3Es even if there has been minor issues such as a change to the roll-out approach and project manager.

Specifically, GGGI has conducted a validation of system development and outsourcing for economy, performed progress reporting and resource management, include budget monitoring for efficiency, and conducted tests (user acceptance test, cross-module test) and end-user training for effectiveness.

Regarding efficiency, although there has been issues such as project manager change and system roll-out approach change, proper measures for managing efficiency issues have been conducted. Therefore we conclude that overall efficiency of ERP development has been improved.

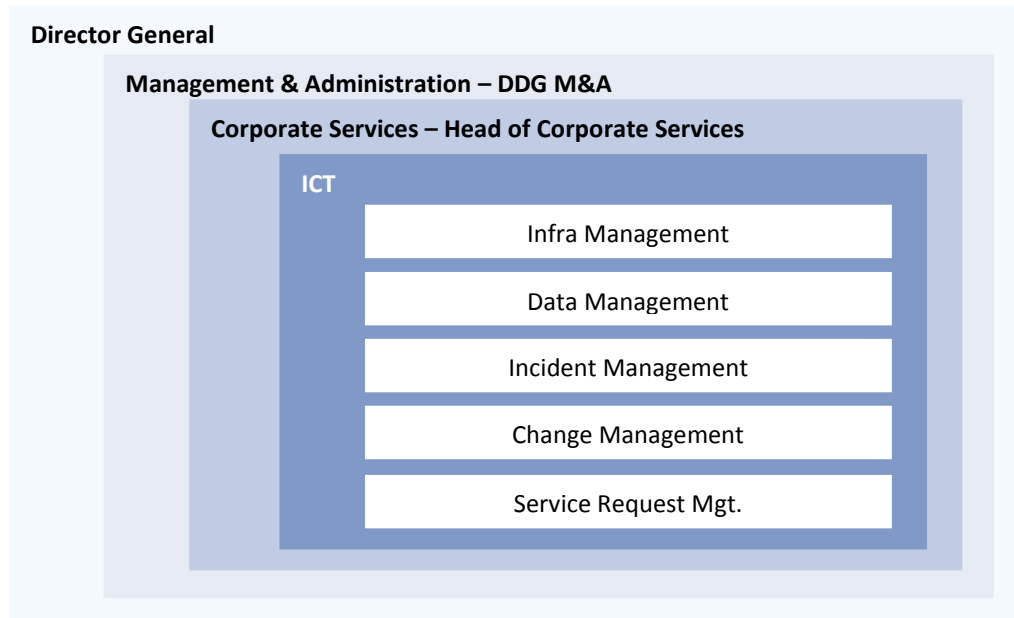
As the system will go live in June 2015, it is expected that the ERP will contribute to enhance the 3Es of GGGI's operations. First, the system will provide a single source for information and integrated information management in real time which will enhance efficiency in GGGI's decision making. Second, the system is going to be working as an integrated monitoring and reporting platform, thus enhancing the management efficiency of each country program. Third, project achievements and outputs will be updated in the ERP and the management can review and ensure the effectiveness of project achievements and outputs in a more efficient way.

## 2. IT General

### IT General

#### 1. IT Governance

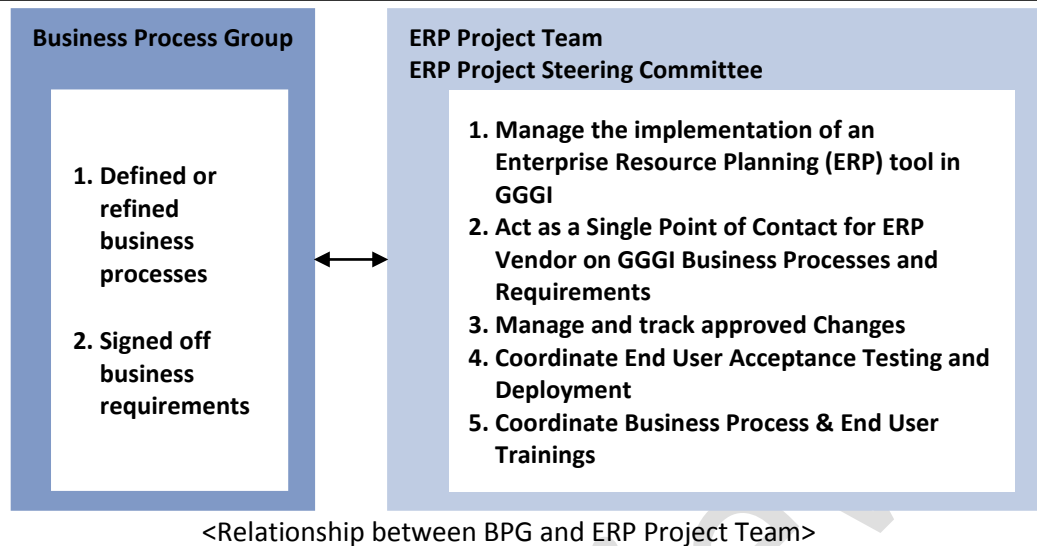
GGGI's IT is under the management of the Corporate Services Unit. The Corporate Services Unit manages not only IT, but also other corporate affairs such as organizational events and travels.



<GGGI IT Governance>

The ERP project team is in charge of the development process, and the ERP Project Steering Committee oversees and makes decisions based on issues that arise. On ERP implementation, ERP Project Team and the Business Process Group (BPG: in charge of defining and refining GGGI's business processes) have some interconnected activities. Due to this connection, GGGI is expected to operate by standardized processes defined by BPG; all data generated from activities going through processes will be handled by and stored by ERP. In other words, improved standardized processing and centralized management are expected to enhance organizational efficiency and effectiveness simultaneously.

The General IT Policy is currently being revised, and it is expected that the finalized version of the General IT Policy is going to define all GGGI's IT affairs and processes in an integrated way.



**2. Overall IT Management**

GGGI's IT team is managed by a centralized and structured plan called the CSU Work Plan 2015. The work plan covers areas from strategic goals and key performance indicators to weekly objectives of staff and responsibility assignment matrix. The Head of Corporate Services has been able to manage all of GGGI's IT related activities and inputs / outputs in a centralized way by managing the work plan. The strategic goals and key performance indicators allow the head of corporate services to monitor and set up directions towards achieving the goals. The responsibility assignment matrix allows for efficient allocation of IT tasks and prevents duplications in task execution. Staff schedule management enables monitoring of all planned tasks, and therefore management can see in advance whether all planned tasks will be completed in a timely manner, or inquire about the reasons if not.

**3. Infra Management**

ICT does not directly manage GGGI's IT infrastructure as it is outsourced. Rather, ICT's primary role is to ensure the efficiency and effectiveness of IT infrastructure by monitoring the performance of outsourcing contractors.

**4. Outsourcing Management**

GGGI has implemented multiple monitoring measures to ensure efficiency and effectiveness in outsourcing. First, a monthly inspection report that reviews the infrastructure management conducted by contractors is issued. Second, a weekly helpdesk report and dashboard report that demonstrates how many service requests are made and processed is issued.

**5. Cyber Security**

GGGI has implemented a proper level of IT security measures. For instance, it is mandatory of every staff's passwords to be changed regularly, and GGGI's network infrastructure has implemented multi-level firewalls in order to block external attacks. Finally, all events that arise in GGGI's system and network are recorded and reviewed periodically.



According to COBIT-5, project management aims to satisfy the business requirement of ensuring the delivery of project results within agreed-upon time frames, budget and quality. IT investment management aims to satisfy the business requirement of continuously and demonstrably improving cost-efficiency and its contribution to business profitability with integrated and standardized services that satisfy end-user expectations. The required practices related to project budget management and investment management are as follows:

- Establish and implement IT roles and responsibilities, including supervision and segregation of duties
- Establish IT organizational structure, including committees
- Design an IT process framework
- Identify system and data owners
- Establish and maintain an IT control environment and framework
- Develop and maintain IT policies
- Build and manage the quality plan for continuous improvement
- Ensure system security
- Maintain service desk for incident management
- Acquire and maintain technology infrastructure

Practices	GGGI's Status
Establish and implement IT roles and responsibilities, including supervision and segregation of duties	Confirmed (by responsibility allocation matrix)
Establish IT organizational structure, including committees	Confirmed (No specific committee for general IT affairs, but for ERP project and Business Process Management)
Design an IT process framework	Confirmed (By process management)
Identify system and data owners	Confirmed (By defining owners of each modules in the ERP system)
Develop and maintain IT policies	Confirmed (currently drafting the general IT policies)
Build and manage the quality plan for continuous improvement	Confirmed (continuous roll-out approach for ERP project and continuous process improvement)
Ensure system security	Confirmed (general IT policies and internal procedures cover security figures)
Maintain service desk for incident management	Confirmed (service desk and incident management operational)
Acquire and maintain technology infrastructure	Confirmed (infrastructure outsourced)

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**Findings**

GGGI's general IT management is currently being enhanced. GGGI's 3E aspects of IT processes (composed of IT performance rate measurement, responsibility allocation of IT manpower, monitoring expenditures on IT management, etc.) are reviewed by the Head of Corporate services according to the COBIT-5 Process Assessment Model, an international standard established for IT process assessment. The IT processes, policies, procedures, and manuals are currently in a first draft phase of development; an integrated IT package which includes all IT processes, policies, procedures, and manuals will be provided through completion of the BPM project.

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**Recommendation**

Regarding IT governance and overall IT management, currently drafting general IT policy should cover all of GGGI's IT processes and activities, and the Integrity of data and efficiency of the ERP system should be ensured by integrated IT governance framework and management. As new systems and modules are implemented, all end users should be provided enough training in order to enhance overall IT effectiveness.

As GGGI's IT infrastructure is managed by contractors, GGGI needs to assure that contractors are consistently performing as expected.

As the importance of cyber security continues to grow, GGGI should continuously prepare and apply appropriate measures for cyber security.

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**Conclusion**

According to the analysis and interviews, although it is still progressing, it is noted that there have been attempts to enhance the 3Es of GGGI's general IT management and process. Specifically, GGGI has implemented and been operating necessity and cost validation for infrastructure and outsourcing for economy, established work plan, outsourcing management and automated controls through system for efficiency, and monitoring performance indicators and setting up IT strategic goals for effectiveness.

Although some required processes such as a Business Continuity Plan and backup policies have yet to be implemented, GGGI's IT management and process match with the required practices defined by the international standard, COBIT-5. In regard to the maturity of IT process, it is noted that GGGI's general IT management is currently at the established level due to the fact that GGGI is a young organization; improvement is still on-going. As the ERP and BPM are fully implemented, the maturity and capability will be enhanced to a predictable and optimal level; in other words, the efficiency and effectiveness of general IT management is going to be enhanced.

Level	Maturity/ Capability	Description	GGGI's Status
0	Incomplete	Not implemented or little/no evidence of any systematic achievement of the process purpose	<b>Achieved</b>
1	Performed	Achieves its process purpose	
2	Managed	Implemented in a managed fashion (planned, monitored and adjusted) with appropriately established, controlled and maintained work products	
3	Established	Implemented using a defined process that is capable of achieving its process outcomes	<b>Expected to achieve (by ERP and BPM)</b>
4	Predictable	Operates within defined limits to achieve its process outcomes	
5	Optimizing	Continuously improved to meet relevant current and projected enterprise goals	

<GGGI's General IT Management Capability Level>

Under Review

# VII. Conclusion

Under Review

GGGI is a relatively new international organization, gaining its status as an international organization only in October 2012. Therefore, it is natural that GGGI has room for improvements and that deficiencies may be interpreted as risk. However, from a different perspective it is also an opportunity to build a strong and sound organization and promote a sustainable green growth development model.

The overall evaluation result of the Value for Money in GGGI for the period of 2013 and 2014 is partially satisfactory.

Although the internal management, institutional systems, policies, and procedures are well designed to achieve the organization's objective, the systems and standards are not fully implemented in practice. For example, monitoring for program/project management and cross checking between processes need to be strengthened to increase efficiency and effectiveness and enhance transparency of Business Management. However, we also observed process owners contributing considerable effort to introduce and enhance the appropriate business practice to GGGI by providing guidance and training to end users. Therefore, although it is too early to conclude that the practice is fully implemented, it is possible that the Operations Management will be operating efficiently and effectively in the near future.

In each chapter, we noted findings, exceptions, and recommendations for the exceptions. However, some of the recommendations are already in the process of being implemented. This is because previously issued GGGI appraisals and evaluation reports mention that GGGI lacks internal control structures such as relevant policies and procedures. GGGI has implemented necessary revisions to follow up on the comments made in the past.

Our project evaluation scope covered the period from year 2013 to 2014; therefore, the improvements currently being implemented or the improvements implemented by GGGI that became effective since 2015 are not well reflected in this report. However, we have observed the improvements and efforts made by GGGI. GGGI is an evolving organization, learning from its past errors and actively developing its operations. GGGI has evolved day by day to achieve its vision of "A resilient world of strong, inclusive, and sustainable growth".

## Appendix

### 1. List of Document Requested

#### 1. Entity level

Category	Task in ToR	Document
Entity level	A ~ I	Policy documents in the public domain
		Approved Delegation of Authority (updated version)
		(Final Report) Appraisal – 2014 Danish Appraisal of GGGI (Mongolia and Rwanda)
		GGGI appraisal master with GGGI Comments 23042014
		Travel and Travel Expenses Policy
		Risk & Mitigation Matrix in QIR
		GGGI Business Process Management Update 20150213.pdf
		Access to Process-Asset Library*

#### 2. Strategic&Planning

Category	Task in ToR	Document
Strategies & Planning	C, D, E, G, I	<b>Mongolia &amp; Rwanda</b>
		1. 8.a. MPSC.1.7.Annex1. Country planning framework
		2. Annex 1_Planning Directions and Budgeting Framework 2015-2016
		3. Annex 3-Work Program and Budget Forms
		4. GGGI strategic plan 2015_final_web1
		1. Document(s) that was used for council approval for the year 2013-2014
		1. Budget re-evaluation document for the year 2013-2014
		<b>Mongolia</b>
		1. Outcome of the project (if any) for the year 2013-2014
		<b>Rwanda</b>
1. GGGI strategic plan for FY' 2013 - 2014		
2. Final Draft PP1-B-F2 - Detailed project proposal_Rwanda_May 16_UPDATED VERSION		
3. Outcome of the project (if any) for the year 2013-2014		
Component 1 Report and Appendix		
Component 2 Report and Appendix		

## 3. Project

Category	Task in ToR	Document
Project Mgmt	C, E, G, I	<b>Mongolia &amp; Rwanda</b>
		<ol style="list-style-type: none"> <li>1. QPRs 2013-14</li> <li>2. Internal evaluation performance sheet 30092014</li> </ol>
		<b>Mongolia</b>
		<ol style="list-style-type: none"> <li>1. Mongolia 2015-16 Logframe</li> <li>2. Mongolia QIRs 2013-14</li> <li>3. MOU (Mongolia) - Hard copy</li> </ol>
		<ol style="list-style-type: none"> <li>1. Detailed project proposal_Mongolia 2014</li> <li>2. Procurement plan_Mongolia 2014</li> <li>3. GGGI MONGOLIA PORTFOLIO (updated Aug 2013)</li> <li>4. COUNTRY STRATEGY 2014-2016 (Mongolia)</li> </ol>
		<b>Rwanda</b>
		<ol style="list-style-type: none"> <li>1. Rwanda 2015-16 Logframe</li> <li>2. Rwanda QIRs 2013-14</li> <li>3. MOU (Rwanda)- Hard copy</li> </ol>
		<ol style="list-style-type: none"> <li>1. Documents that show all the projects that are conducted in Rwanda</li> </ol>
		<ol style="list-style-type: none"> <li>1. Logical framework related to the year 2013-2014</li> </ol>
		<ol style="list-style-type: none"> <li>1. Energy Status of Rwanda &amp; Strategy for Green Growth</li> <li>2. National Territorial Vision &amp; Strategy for Green Growth in Rwanda</li> <li>3. Resource Efficient Housing-Rwanda-RHA</li> <li>4. Rwanda_Housing_Final-Construction Material</li> <li>5. Rwanda_PPR_Aug_Master Document_final</li> </ol>

**4. Finance**

Category	Task in ToR	Document
Finance Mgmt	A ~ E, G, H	General ledger only related to Mongo & Rwanda Project code in the period for 2013 and 2014
		Monthly budget variance report for Mongolia project & Rwanda project & IT(ERP related) for <b>2014</b>
		Travel reports 2013,2014(Mongolia, Rwanda)
		Written approval(Official travel request) of travels in the attached file
		Relevant supporting document for travel expenses(Receipt/Invoice)

**5. Procurement**

Category	Task in ToR	Document
Procurement Mgmt	A ~ E, G, H	Procurement list for 2013~14(Mongolia, Rwanda)
		Annual procurement plans for 2013~14(HQ, Rwanda)
		PAI-2014-358 / Country Representative – Mongolia
		PO-2014-103 / Interpretation and facilitation services for workshop – Mongolia
		DP-2014-557 / GDRP Mongolia
		PH-2014-010 / Developing Rwandan Secondary Cities as Model Green Growth Cities with Green Economic Opportunities
		LE-2013-045 / EAC scoping project consultant – Rwanda
		DP-2013-046 / Rwanda Program Consultant



## 6. Human Resource

Category	Task in ToR	Document
HR Mgmt	D,E,F,G, H	Divisions/departments headcounts
		Job Descriptions Template Performance Rating
		Specific definitions of tasks and activities in GGGI's Job Profile or Job Descriptions
		Standardized time per each task and activity
		Workforce demand driver per each department and function
		Timesheets and analysis data of human resource and time input for output of each function
		Human resource productivity index of each department
		Panel Recommendation
		Procedures and guidelines established by Director General for staff performance evaluation
		Plans for training sessions_2013, 2014
		Documented Segregation of Duties_2013, 2014
		Payroll Diagram(to be requested by Gazal)

## 7. IT








Category	Task in ToR	Document
IT Mgmt	A, C ~ E, G, H	Components of IT System & Architecture
		General IT Policy Draft 20130915
		ERP Status reporting
		IT system(include both IS and ERP) performance indicators and performance reports for 2013~14
		Evaluation criteria for system performance or list of Key Performance Indicators
		Control checklist(user checklists)
		IT Strategy map for 2013~14
		IS and ERP system structure chart
		ERP system education materials for Champions
		Rules/procedures for managing outsourcing service provider(for internal control purposes)
		System module guidelines(procurement, finance, HR etc.)
		CSU Work Plan 2015

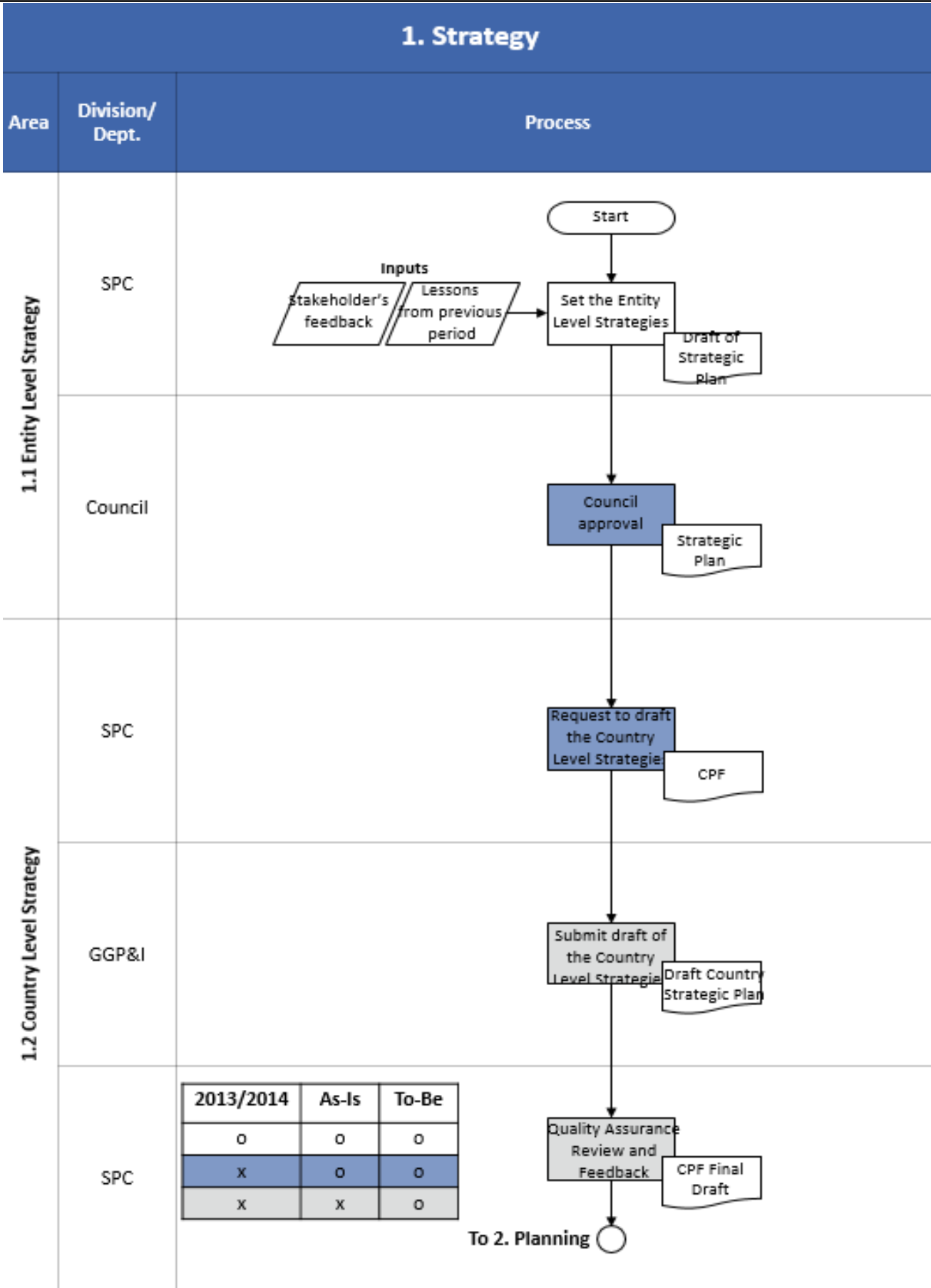
## 2. Interviews

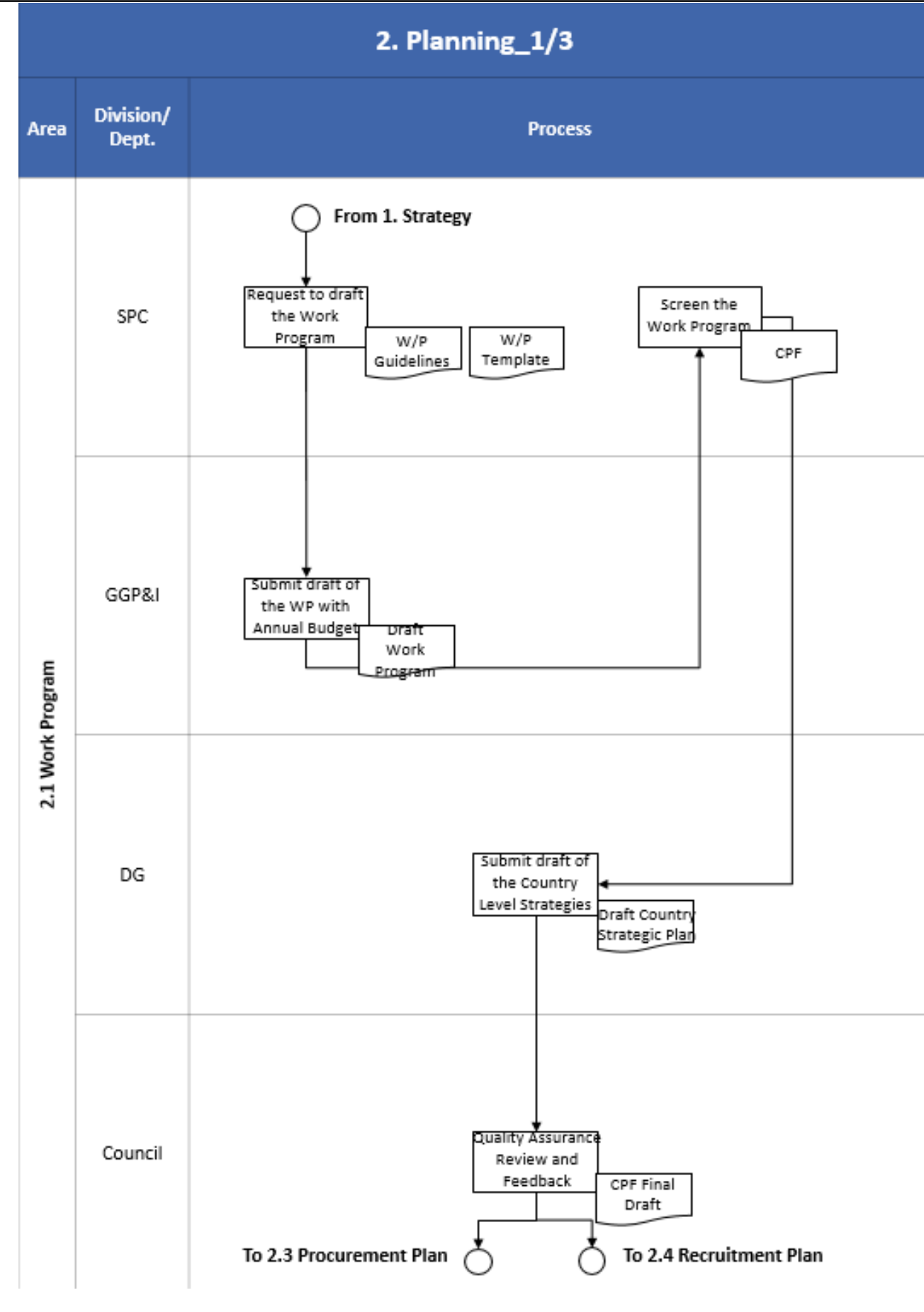
Topic	Date	Time	Name	Title	Department/office
3 Satellite Offices	Mar.23.2015	13:45 - 14:00	Robert Dawson	Deputy Director General	Management & Administration
BPM	Mar.12.2015	15:00 - 16:30	Edward Mallari	Head of Corporate Services	Corporate Services Unit
Strategy and Planning	Feb.23.2015	16:30 - 17:00	Jahan Chowdhury	Lead of Dept	Strategy and Planning Department
	Mar.16.2015	15:00 - 15:30			
ODU	Feb.24.2015	16:30 - 17:00	Bradford Philips	Head of Unit	Organization and Delivery Unit
Mongolia Program	Feb.27.2015	11:30 - 12:15	Jennifer Butz	Director	North & Central Asia and Latin America
	Mar.18.2015	14:00 - 15:00			
	Mar.24.2015	15:00 - 14:00	Jon Lyons	Team Leader	GGP&I
GGGI in Mongolia	Mar.25.2015	09:00 - 10:00	Mr. Saranchimeg Batsukh	Member of UB City Council and Advisor to the Minister of Environment	Green Development and Tourism
	Mar.25.2015	10:30 - 12:00	Mr. Enkhtaivan G.	Deputy-Director General	Department of Strategic Policy and Planning, Ministry of Energy
			Mr. Tumenjargal M.	Senior Officer	Department of Strategic Policy and Planning, Ministry of Energy
	Mar.25.2015	13:30 - 15:00	Mr. Batbold S.	Senior Officer	Strategic Policy and Planning Department, Ministry of Roads and Transportation
			Mr. Batbayar Ch.	Officer	Strategic Policy and Planning Department, Ministry of Roads and Transportation
			Dr. Jae-Hong Kang	NIPA Advisor	Ministry of Roads and Transportation
	Mar.25.2015	15:30 - 16:00	Mr. Gerelt-Od Ts.	Officer (Formerly known as, Change Coordination Office )	International Relations Division, Ministry of Environment, Green Development and Tourism
	Mar.25.2015	16:30 - 18:00	Mr. Sukhbaatar Ts.	CEO	Clean energy
			Mr. Jamiyandorj P.	Chief Technical Officer	
			Mr. Amar	HSE Officer	
Ms. Dashmaa D.			Admin and Document Control Officer		
Procurement Management	Feb.26.2015	11:00 - 11:40			
	Mar.12.2015	10:30 - 11:15	Sven Erik Hargeskog	Head of Procurement	Management & Administration
	Mar.16.2015	15:40 - 16:10			
HR	Mar.06.2015	13:30 - 14:30	Akiko Murai	Deputy Director	HR Services Unit
	Mar.20.2015	11:00 - 12:00			
Compensation and Benefits	Mar.06.2015	15:55 - 16:15	Gazal Srivastava	Compensation and Benefits Specialist	HR Services Unit
	Mar.12.2015	16:30 - 17:15			
Rwanda Program	Mar.05.2015	13:30 - 14:30	Chanho Park	Director	Abu Dhabi Office
	Mar.20.2015	16:00 - 17:00			
Budget Management	Feb.25.2015	09:00 - 09:30	Sivabalan Muthusamy	Head of Finance	Finance Services Unit
	Mar.13.2015	17:00 - 17:45			
	Mar.20.2015	09:30 - 10:05			
Travel	Mar.20.2015	10:40 - 10:55	Edward Mallari	Head of Corporate Services	Corporate Services Unit
ERP/IT	Mar.04.2015	14:30 - 15:30	Edward Mallari	Head of Corporate Services	Corporate Services Unit
	Mar.19.2015	10:30 - 11:00			

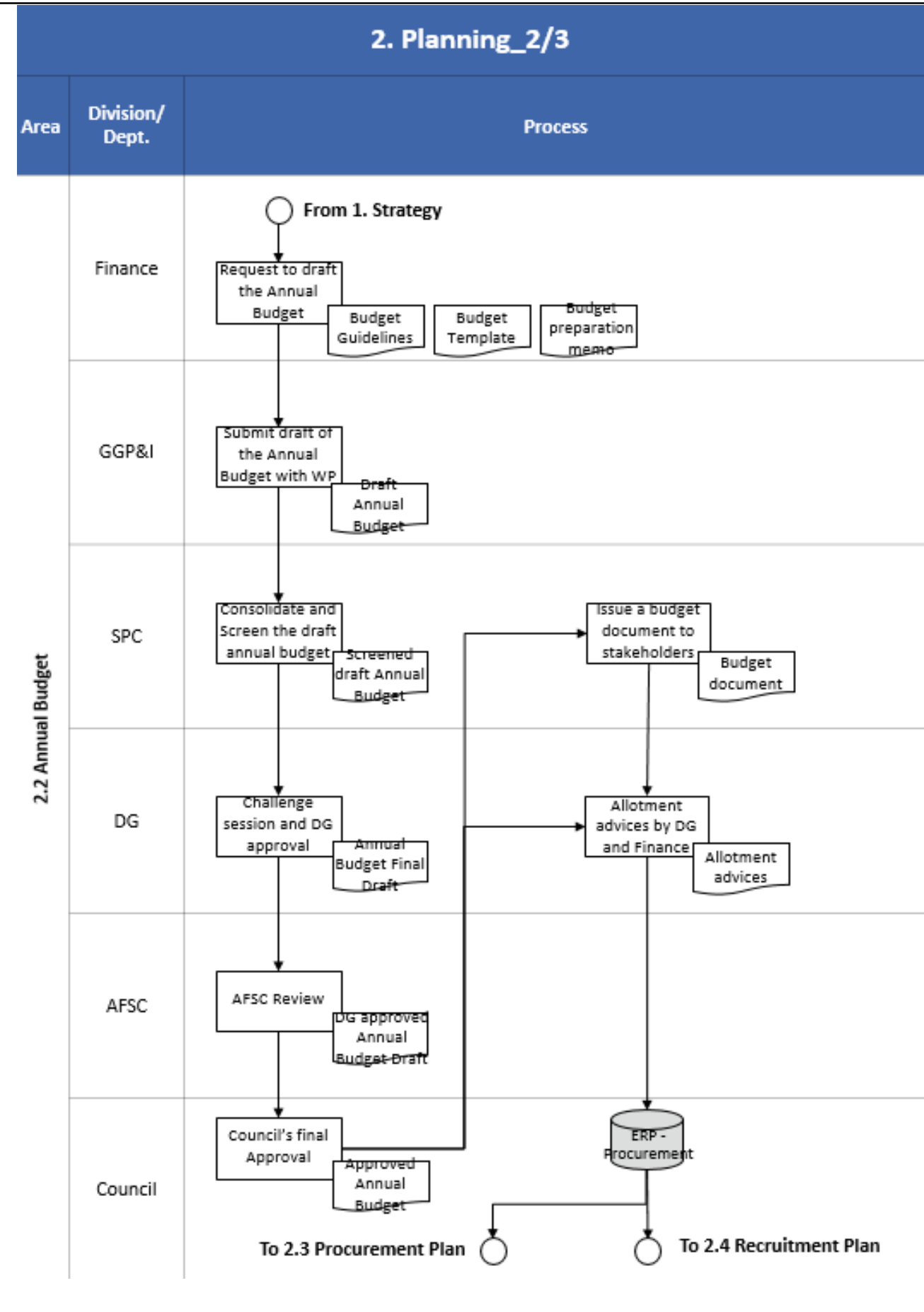
### 3. Simplified Process Maps

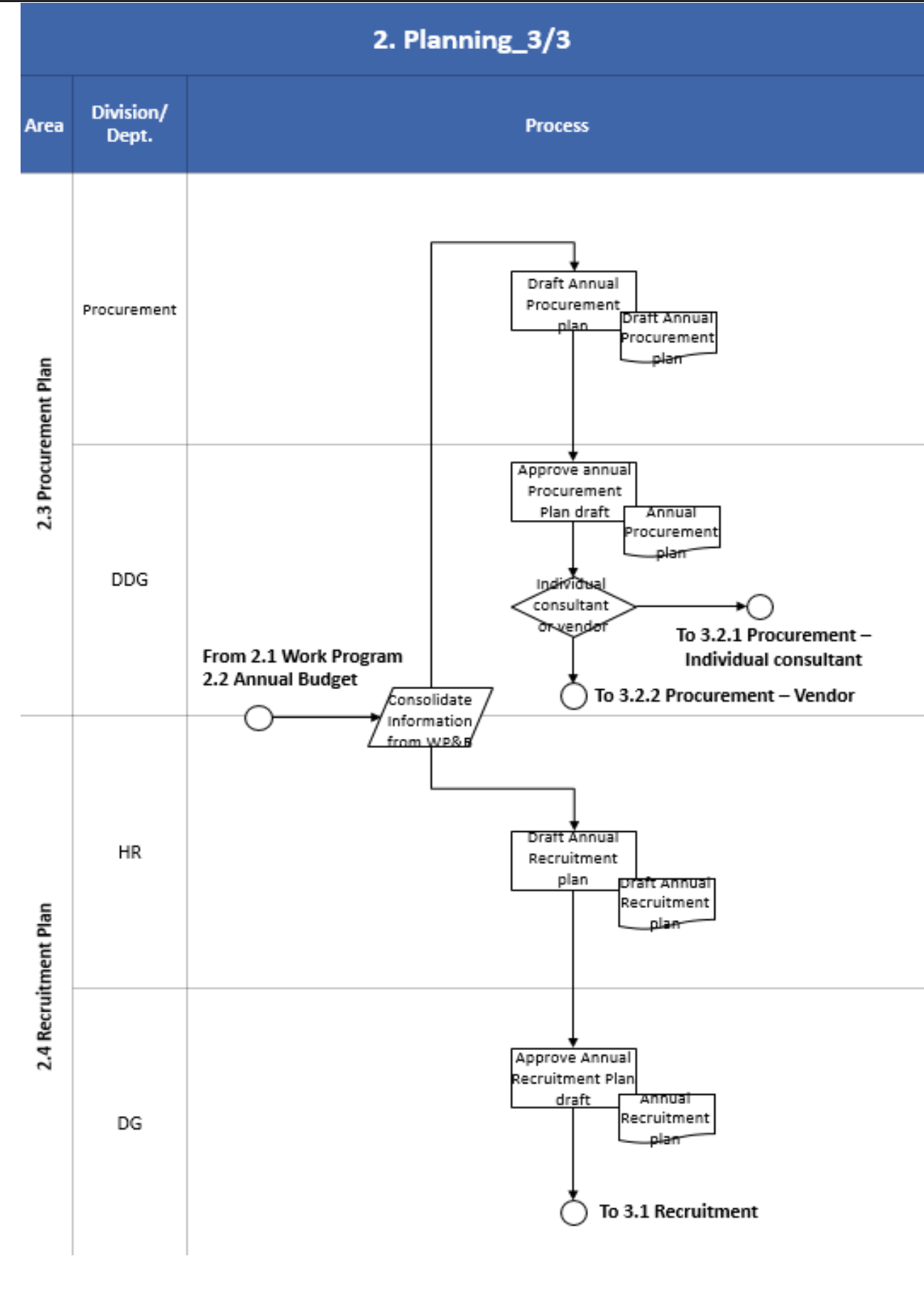
#### Definitions

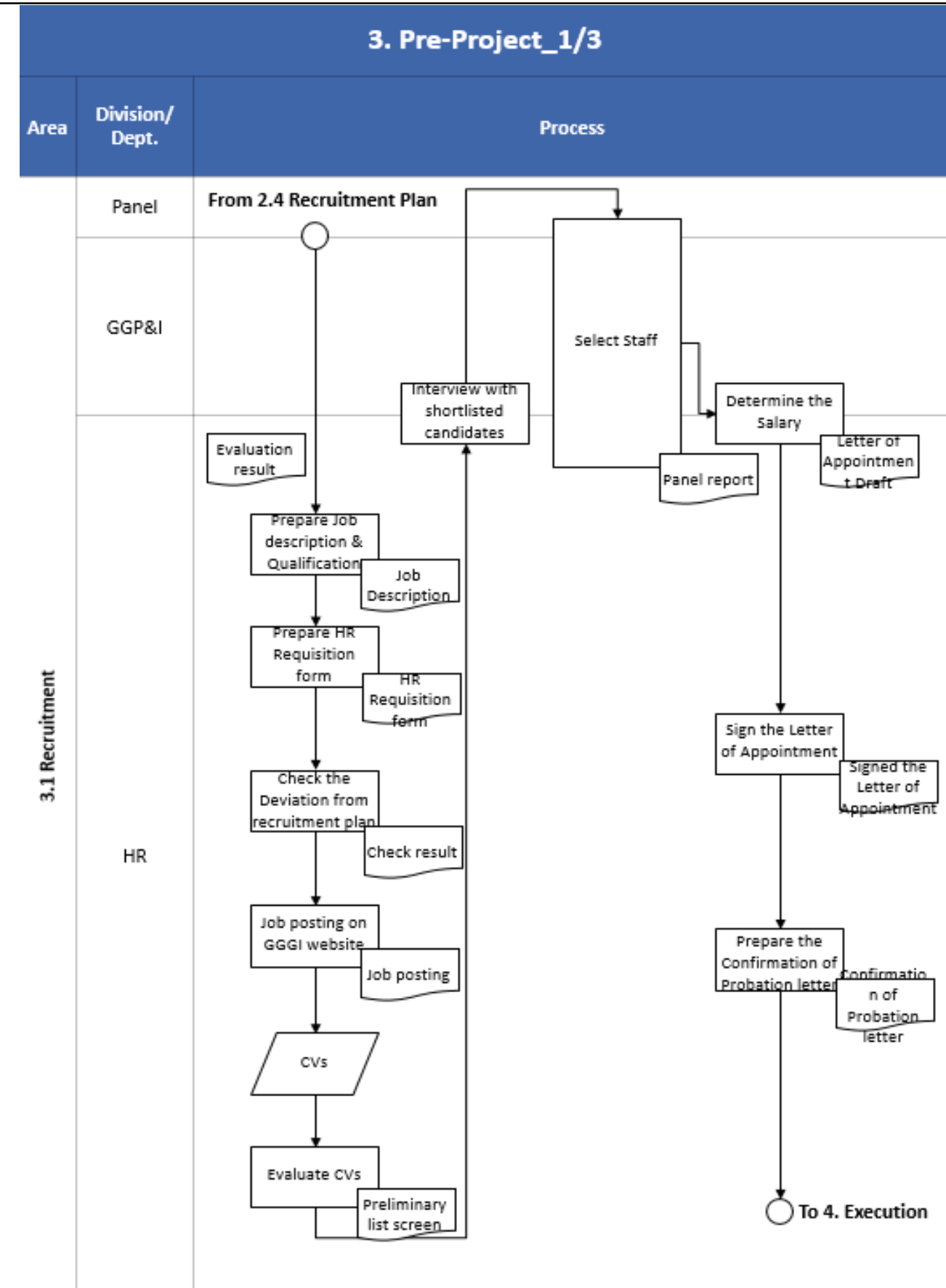
Symbol	Name	Description
	Terminator	Indicates the beginning or end of a process flow
	Process	Indicates any processing function
	Decision	Indicates a decision point between two or more paths in a flowchart
	Data	Can represent any type of data in a flowchart
	Document	Indicates data that can be read by people, such as printed output
	Connector	Indicates an inspection point
	Database	Indicates a list of information with a standard structure that allows for searching and sorting



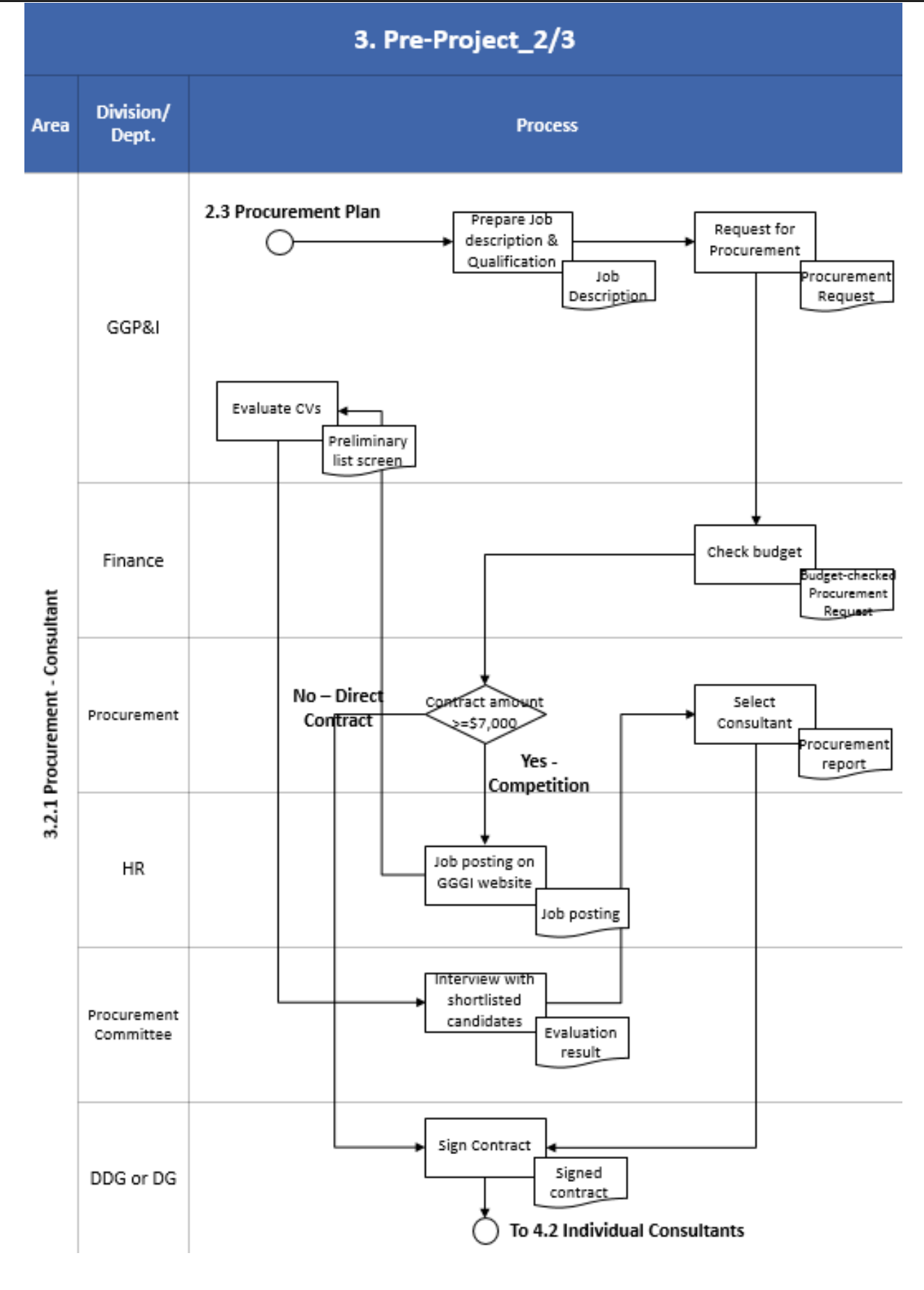


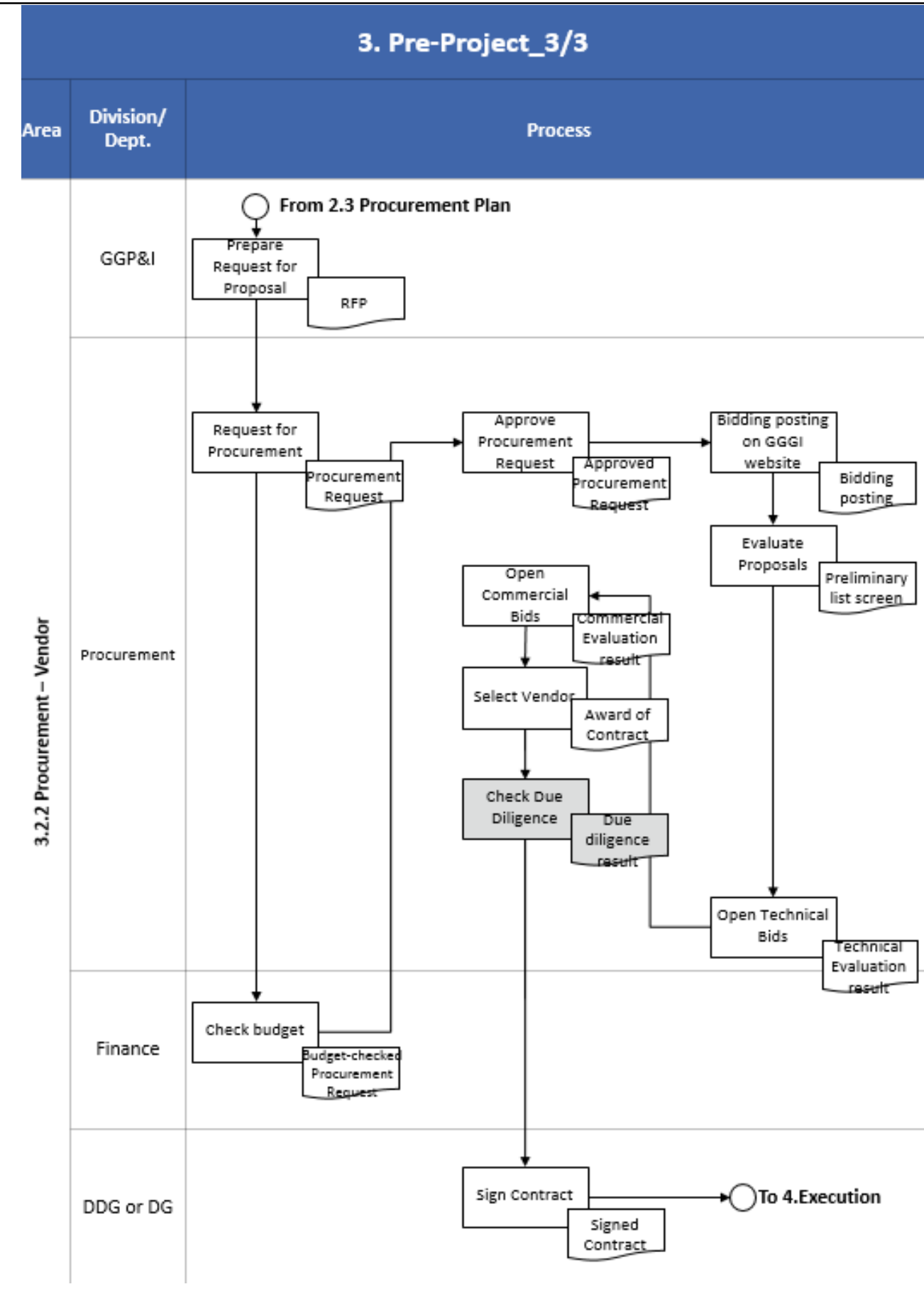


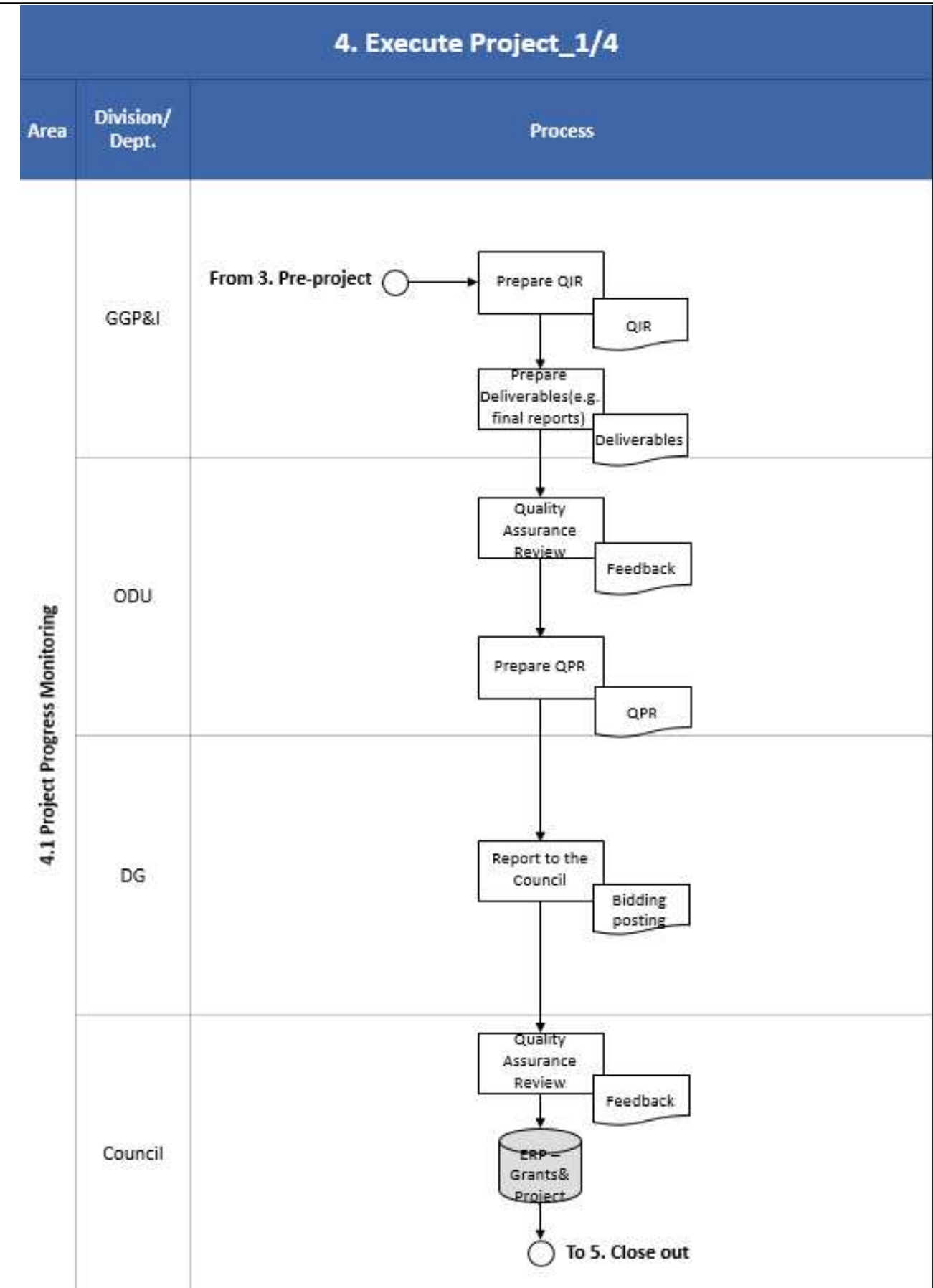


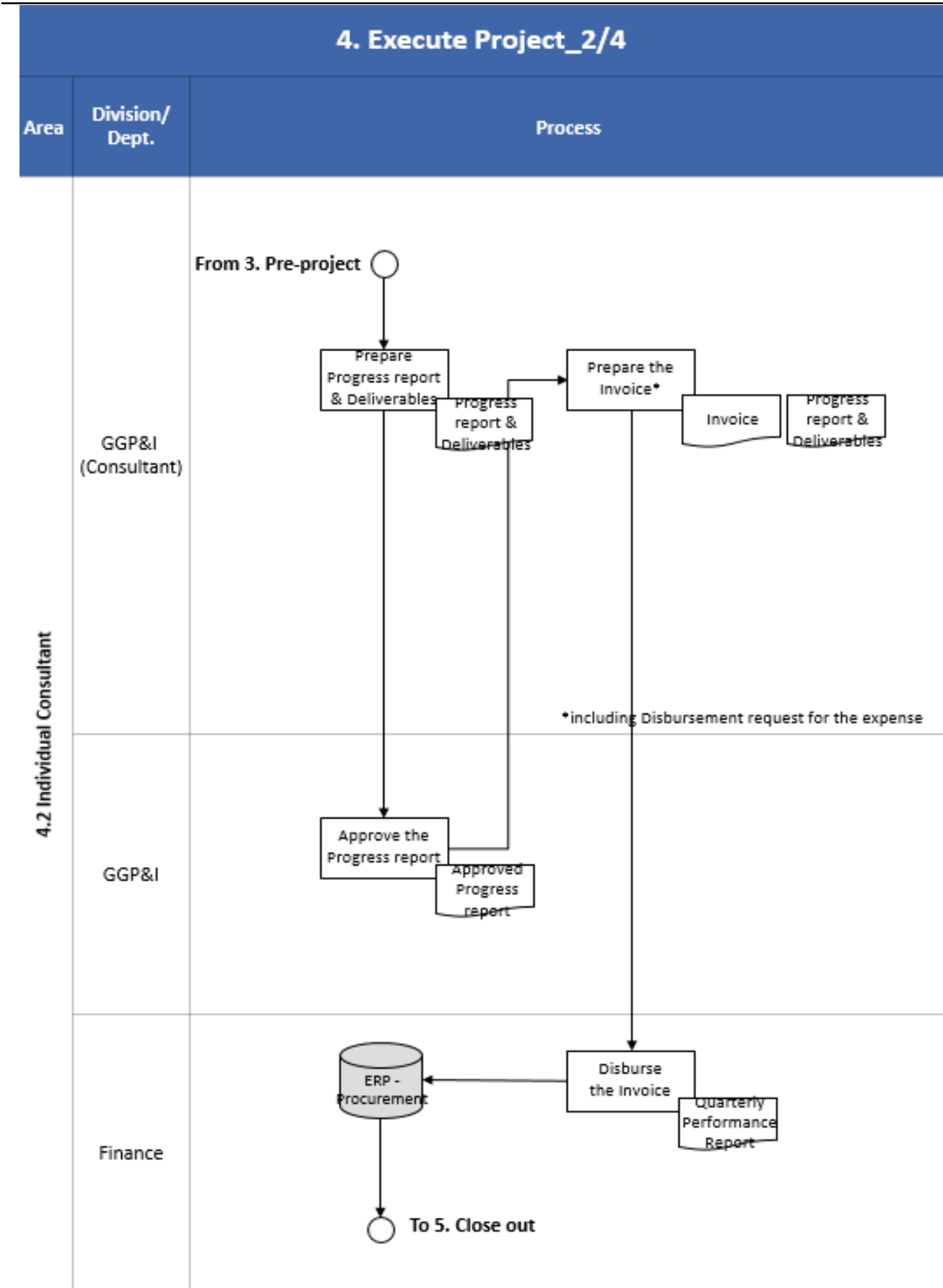


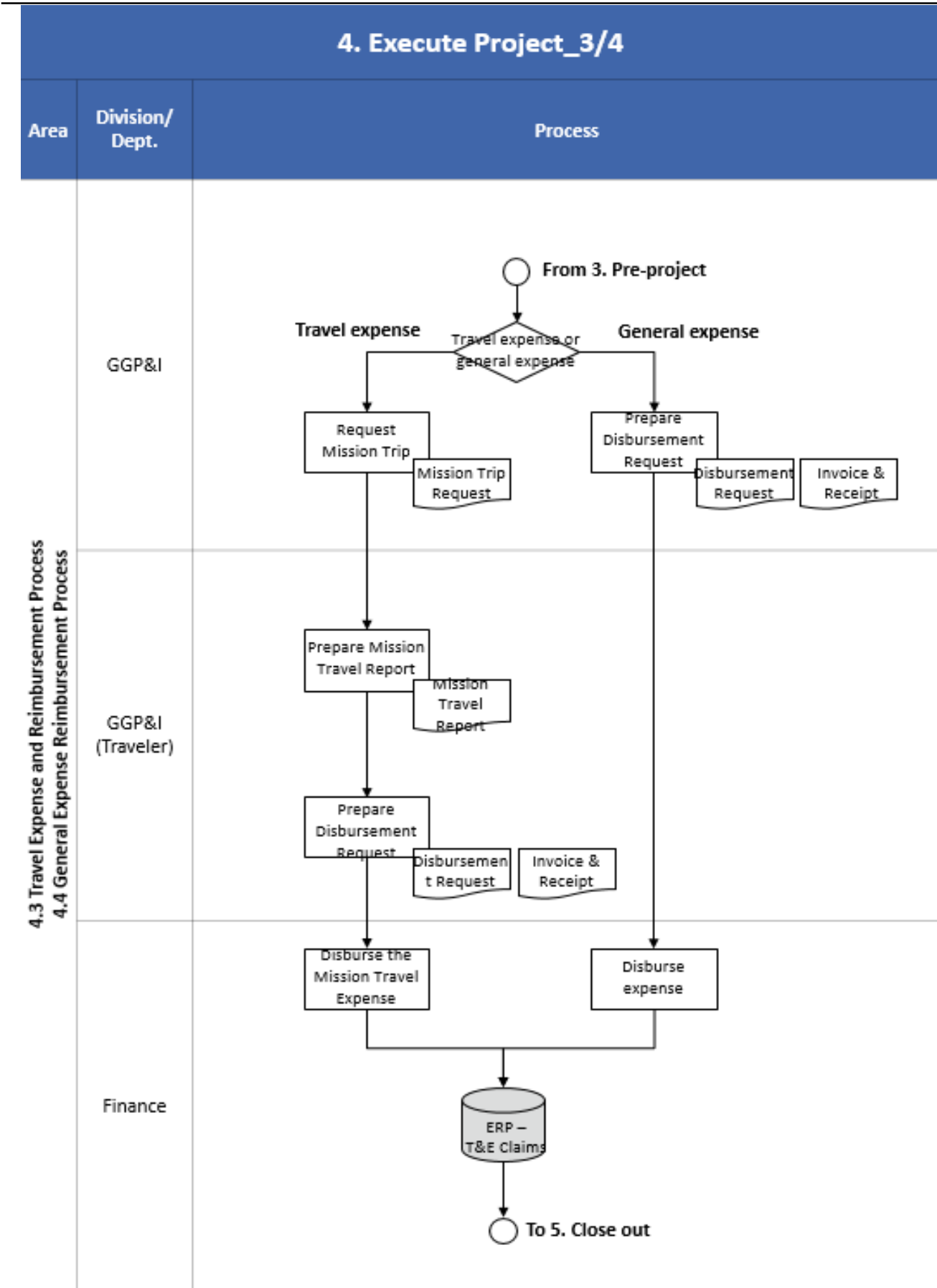


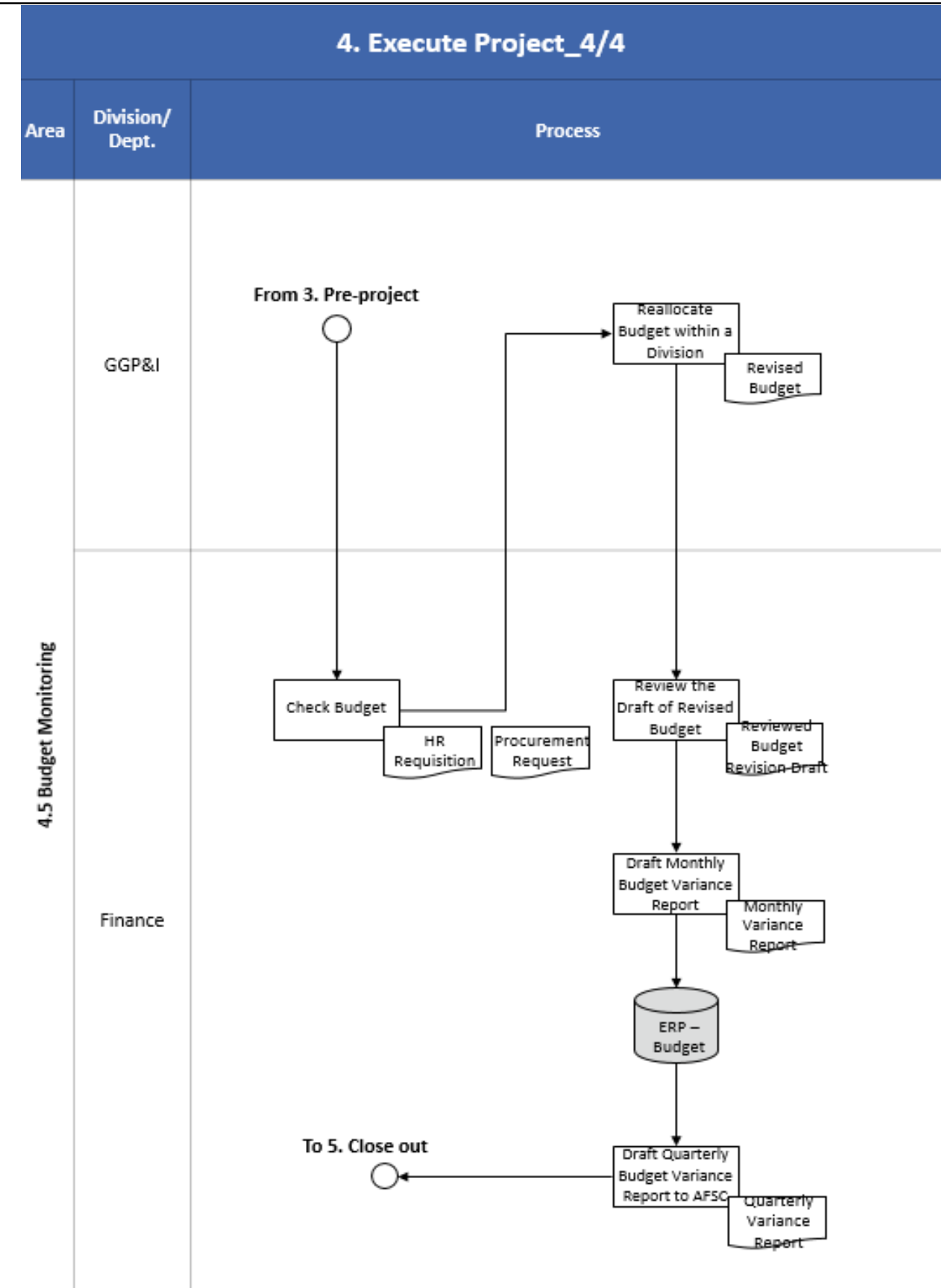


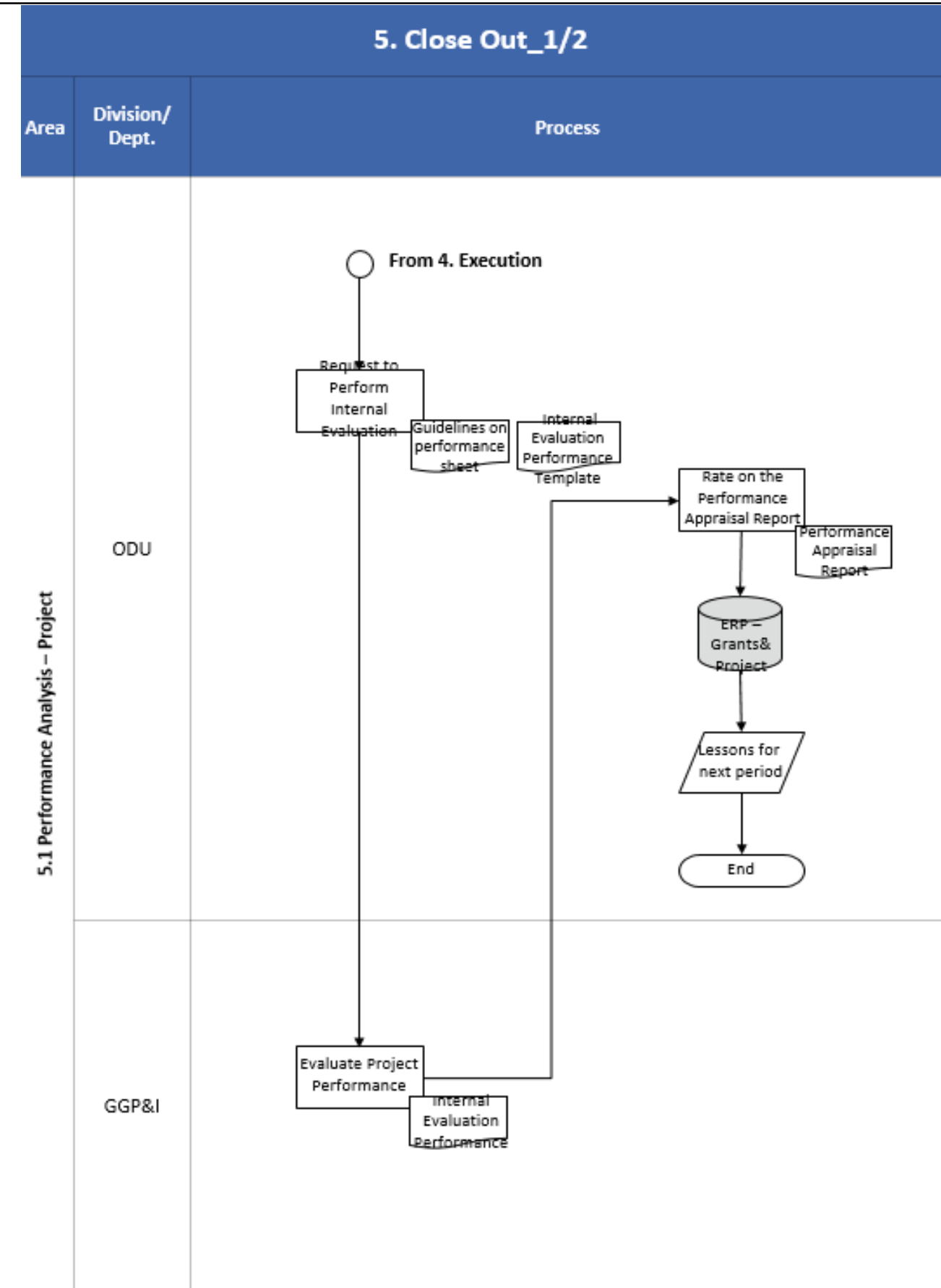


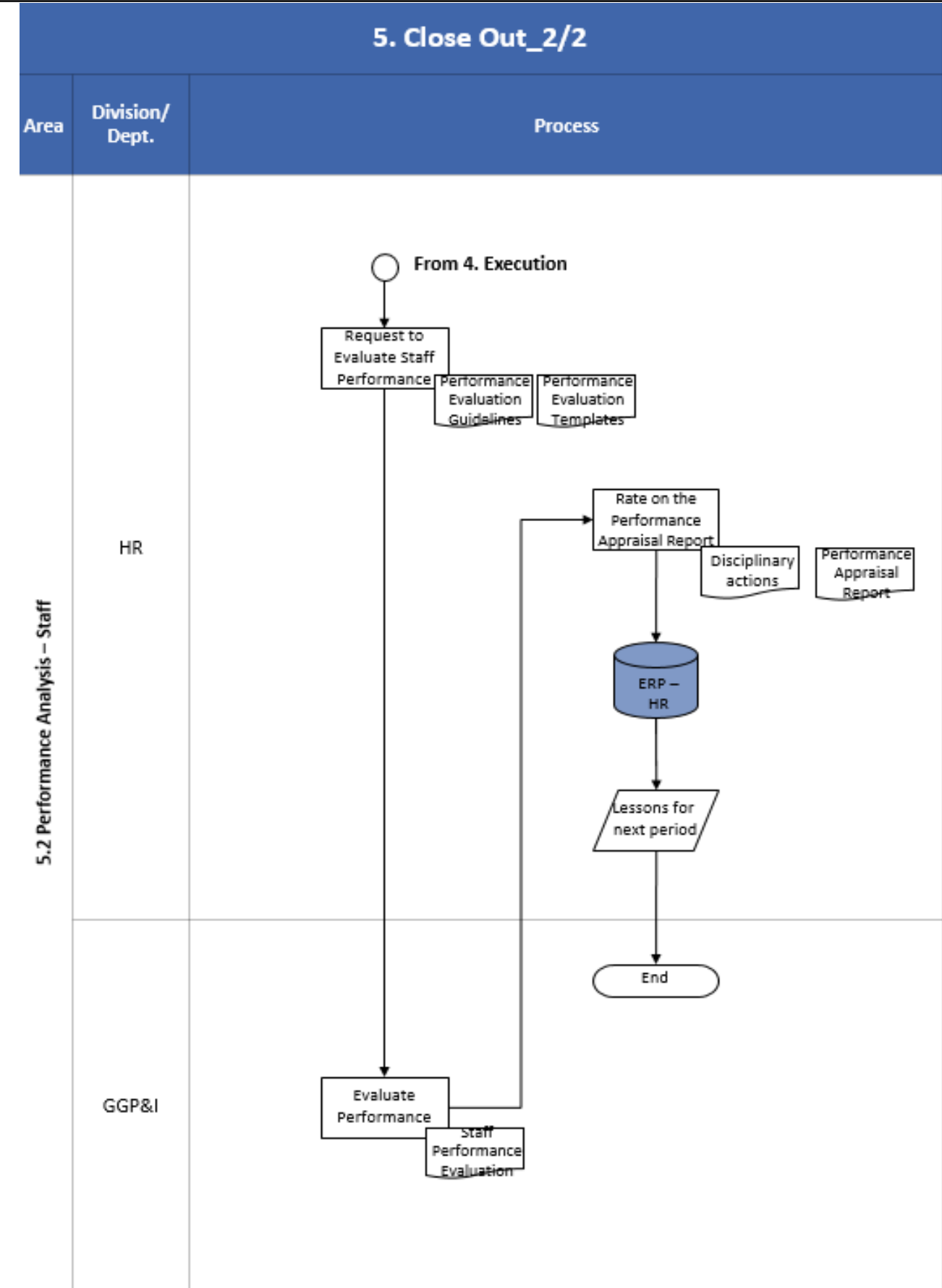
















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