



# Global Environment Facility

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Second Meeting for the Fifth Replenishment of the GEF Trust Fund  
June 25-26, 2009  
Washington, D.C.

**DRAFT TERMS OF REFERENCE:  
INDEPENDENT REVIEW OF THE GEF SYSTEMS  
(PREPARED BY TRUSTEE)**

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## **I. Background**

1. Since its inception, the Global Environment Facility (“the GEF”) has consistently expanded its operations and processes, increasing its scope and moving from the use of three to ten Agencies. Its operations and policies, and the related business procedures and financial transactions have become more complex and detailed, and correspondingly more difficult to monitor and track. At the same time, the structure requires the Trustee, the GEF Secretariat (“the Secretariat”), and the Agencies to share with each other, in a timely fashion, a high volume of operational and financial information. Over the last several years, efforts have been made to develop and implement efficient means to share this information, but there is strong evidence that more efficiencies and streamlining can be attained.

2. Further increasing the number of Agencies may open new doors for the GEF to be more effective – and it would also increase the number of GEF processes, transactions, supporting systems, and communication requirements. As well, increasing the number of forms in which the GEF extends its financing may generate additional revenues and help the GEF to be more innovative, flexible and responsive, but it will most likely require expansion of the Trustee’s financial system for the GEF Trust Fund, the program management system of the Secretariat, and the financial systems of the Agencies.

3. The Trustee is in the third and final year of a major systems development project to restructure and overhaul the ten-year old financial system for the GEF Trust Fund. New applications reflect the evolution of the GEF business, processes and procedures over time and enable the Trustee to provide better reporting to the Council, Secretariat, and the Agencies. A key part of the new system design required the development of new data tables for tracking and storing all Council and CEO funding decisions and the subsequent transactions as they move through Agency approval to financial closure. This in turn required conversion of the data from old tables to new. Upon conversion of the data, a comprehensive reconciliation with the Agencies and the Secretariat was carried out to ensure that financial and business data were not corrupted during the conversion process. While the new system has proven to be a success in its own right, the effort it took to reconcile the volume of data across ten Agencies and the Secretariat was very substantial as well as inefficient, especially in light of the fact that it was a manual exercise. The length and complexity of the reconciliation process and the number and nature of the iterations between GEF partners point to needed improvements for the future.

## **II. Objective of the Independent GEF Systems Review**

4. The overall objective of the independent GEF Systems Review is to ensure that the Trustee, the Secretariat and the Agencies have robust systems in place to track and manage GEF operations, processes and transactions, share operational and financial information with each other, and provide timely information to donors, the GEF Council and other stakeholders such as the GEF Evaluation Office and Scientific and Technical Advisory Panel (STAP).

5. The GEF Systems Review would assess the overall performance of the financial and program management systems supporting the operations and monitoring efforts of the GEF, comparing performance with best practices used in similar operations where multiple and independent entities must share data in a timely fashion. It would also assess the role played

by each of the Agencies, the Secretariat, and the Trustee in the life cycle of a GEF transaction identifying the principal owner of the transaction.

6. In particular, the assessment should focus on: (i) the efficiency, controls, and audit trails of the systems; and (ii) the appropriate staffing levels and skills needed by the Trustee, the Agencies, and the Secretariat to manage the processes and transactions that flow through the GEF's inter-related systems.

7. The review would provide recommendations on:

- i. Possible improvements, including in terms of efficiency, controls and audit trail, in each of the independent systems and their inter-related workflows;
- ii. The required staff resources and skill sets to ensure quality and accuracy of the operational and financial data maintained in the systems supporting the GEF; and
- iii. The design and development of an electronic means of transferring financial and operational data between respective Enterprise Resource Planning (ERP) systems of the Trustee and the Agencies, as well as the Secretariat's program management system.

8. The GEF Systems Review would need to take into account possible changes to the GEF structure, such as the addition of more agencies and different governance arrangements, changes in the procedures for managing programmatic approaches as well as other factors that are likely to drive change in the GEF's financial and program management systems over time, all of which could have implications for the financial management of the GEF.

9. Consideration must be given to the following:

- i. The independence of the financial and supporting systems of the Agencies to respect their privileges, archival immunities, and the security protocols bounding their systems;
- ii. The Financial Procedures Agreements (FPAs) between the Agencies and the Trustee; and
- iii. The potential impact on the recipients of GEF funds.

### **III. Methods, Process and Timeframe**

10. The GEF System Review would be an independent, open and transparent process and it would be performed by a Consultant hired by the Trustee in consultation with the Secretariat. The Agencies, the Secretariat, and the Trustee would discuss and agree on review methods to be undertaken by the Consultant; it is expected that one such review method would include extensive one on one interviews with each.

11. The GEF Systems Review will include three phases:

**Phase 1: Scope of work and Request for Proposal (RFP).** Under this phase, the final Terms of Reference would be agreed by the Trustee, Secretariat and Agencies, and a consultant would be selected under the World Bank's normal procurement policies.

**Phase 2: Detailed analysis and in-depth reviews.** Work during this phase will focus on three main areas: (a) processes and transactions conducted through the project cycle; (b) flow of information across the inter-related systems; and (c) data ownership.

Specific areas of the project cycle<sup>1</sup> to be covered include the following:

- a. Documenting the review and approval of Project Identification Forms;
- b. Recording Council and CEO funding decisions;
- c. Recording data related to Programmatic approaches;
- d. Recording CEO endorsed amounts;
- e. Recording the project approval dates of Agency governing bodies;
- f. Recording on disbursement of funds by the Agencies;
- g. Recording extensions, cancellations, and operational and financial closures;
- h. Reporting final amounts disbursed by the Agencies;
- i. Reallocations of amounts from one Agency to another; and
- j. The appropriateness of the functional design of each of the transactions in the relevant systems that support the above areas.

**Phase 3: Specific recommendations** will be developed to further strengthen the performance of the GEF systems. The recommendations will focus on, in each of the three main areas of the review, the following: (a) possible improvements to the Trustee's financial system for the GEF Trust Fund and to supporting systems in the Secretariat and the Agencies, to ensure an appropriate and robust platform exists to perform complex transactions in the most efficient way throughout the GEF project cycle; (b) recommended improvements to the interconnectedness of the financial systems of the Trustee, the financial systems of the Agencies, and the program management system of the Secretariat, with the goal of reducing manual interventions and multiple re-keying of same data; and (c) identifying data ownership and coordination opportunities between the Agencies, the Secretariat, and the Trustee to ensure seamless delivery of data without duplication of data entry, to reduce the need for manual reconciliation in the future.

12. The GEF Systems Review needs to be carried out under a well-defined timeframe. The following completion dates for the proposed activities and outputs are envisaged:

Phase 1:	August 30, 2009
Phase 2:	November 30, 2009
Phase 3:	January 31, 2010

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<sup>1</sup> The project cycle differs depending on the type of project, i.e., Full-Size, Medium-Size, etc. The complete cycle by type of project is expected to be mapped during the review itself.

#### **IV. Output/Deliverables**

13. The final report would provide recommendations on strengthening (i) the financial, program management and other supporting GEF systems to ensure robust and auditable processes and transactions throughout the project cycle, taking into account any weaknesses found, (ii) coordination and data ownership identification across the GEF Agencies, Secretariat, and the Trustee, and (iii) reporting and notification in a timely manner in a secure environment, using electronic means including the internet.

14. The recommendations should take into account:

- i. Best practice used in similar operations where multiple and independent entities must share data in a timely fashion and where the system end users are not limited to those of the immediate parties;
- ii. The independence of the financial and supporting systems of the Agencies to respect their privileges, archival immunities, and the security protocols bounding their systems;
- iii. Whether any recommended improvements would require a change in any of the institutional systems of the Agencies and whether such recommendations are implementable; and
- iv. Plans by an Agency to procure new ERP systems in the near future.

#### **V. Reporting Arrangements**

15. The Consultant will report to Ms. Pamela Crivelli, Lead Financial Officer, Multilateral Trusteeship and Innovative Finance.