

ANNUAL REPORT 2012



Global
Green Growth
Institute

ANNUAL REPORT 2012

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Members States

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- Cambodia
- Costa Rica
- Denmark
- Ethiopia
- Guyana
- Indonesia
- Kiribati
- Mexico
- Norway
- Papua New Guinea
- Paraguay
- The Philippines
- Qatar
- Republic of Korea
- United Arab Emirates
- United Kingdom
- Vietnam

Project-specific donors

- Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit (BMU), Germany
- Government of Norway
- Swiss Agency for Development and Cooperation (SDC), Switzerland
- Department for International Development (DFID), United Kingdom

Partner Institutions

- Asian Development Bank
- ASEM SME Eco-Innovation Center
- Climate & Development Knowledge Network (CDKN)
- Climate Works
- Cheju Halla University
- Danfoss
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- Energy Research Institute of the National Development and Reform Commission of People's Republic of China (ERI)
- European Bank for Reconstruction and Development
- National Research Council for Economics, Humanities and Social Sciences
- Organisation for Economic Co-operation and Development (OECD)
- Oxford Economics
- Peterson Institute for International Economics
- POSCO
- Stockholm Environment Institute (SEI)
- United Nations Environment Programme (UNEP)
- United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
- United Nations Industrial Development Organization
- UNEP Risø Centre
- Vestas Wind Systems A/S
- World Bank
- World Economic Forum

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Letter from the Chair of the Council



Dear Members and Friends of the Global Green Growth Institute:

The year 2012 was a milestone in the history of GGGI. The organization entered the year as a non-profit foundation under Korean law and by October had transformed itself into a treaty-based international organization – the world’s only international organization dedicated solely to developing and diffusing green growth theory and practice.

For this enormous accomplishment, we owe thanks to the extraordinary leadership and momentum created by the founding member states, including the Republic of Korea along with Australia, Cambodia, Costa Rica, Denmark, Ethiopia, Guyana, Indonesia, Kiribati, Mexico, Norway, Papua New Guinea, Paraguay, the Philippines, Qatar, United Arab Emirates, the United Kingdom, and Vietnam.

The countries which signed the GGGI Establishment Agreement in Rio de Janeiro at the United Nations Conference on Sustainable Development (Rio+20) in June declared their commitment to environmentally sustainable development of developing and emerging countries, including the poorest and the least developed countries, through green growth strategies that deliver poverty reduction, job creation and social inclusion.

After the required number of countries ratified the Establishment Agreement on October 18, 2012 GGGI officially became an international organization.

As an international organization, GGGI has an important role in promoting sustainable development by supporting and diffusing green growth. GGGI targets key aspects of economic performance and resilience, poverty reduction, job creation and social inclusion. GGGI also targets aspects of environmental sustainability such as climate change mitigation and adaptation, biodiversity protection and securing access to affordable, clean energy, clean water and land. GGGI seeks to improve the economic, environmental and social conditions of developing countries through partnerships between

developed and developing countries and the public and private sectors.

In 2012, GGGI adhered to its mission and helped bring key aspects of green growth to more countries than ever. GGGI's core program activity – Green Growth Planning & Implementation, through which GGGI provides expert technical assistance and capacity building to developing countries – expanded in 2012 to include engagements in nearly every continent on the globe. GGGI's Research program scaled up to include multiple comprehensive projects, including two of the largest research initiatives in the field of green growth – the Green Growth Best Practices Initiative and the Green Growth Knowledge Platform. Additionally, GGGI's Public-Private Cooperation platform grew to become a more significant aspect of GGGI's green growth efforts, with further growth to come.

Although GGGI made progress in 2012, GGGI has not yet reached its potential. In order to help transform the paradigm of economic growth, GGGI must continue to expand its impact and presence in the world. GGGI must continue to actively increase the number of cooperative relationships it has with both developed and developing countries as well as continue to produce real, measureable results. GGGI's mission has been ambitious from the moment the organization was founded. However, with the progress made in 2012 and with the groundbreaking new work GGGI is currently engaged in, I am more confident than ever that GGGI is now well poised to shift the development paradigm toward green growth.

Thank you for your support and dedication to GGGI.



Lars Løkke Rasmussen

Chair of the Council of the Global Green Growth Institute

Conversion into an International Organization

Two-thousand twelve was a significant year for the Global Green Growth Institute. Over the course of just one year, the organization nearly doubled in size in terms of the number of programs it runs, the number of experts it employs, and the number of countries with which it has as partners. Perhaps most significantly, GGGI became a treaty-based international organization in 2012 – one of only a few in Asia and the world's only international organization focused exclusively on green growth.

GGGI grew out of the green growth experience of the Republic of Korea. Launched by President Lee Myung-bak on June 16, 2010, GGGI began as a non-for-profit foundation with the mission to create an international platform for evidence-based learning and policy innovation for the twin imperatives of economic development and environmental sustainability. Through its developing country, industry and research activities, GGGI was founded to serve as a bridge between developed and developing countries, the public and private sectors, and practitioners and scholars, respectively. From its inception the overall goal has been to channel GGGI's knowledge-base, networks and experience to provide the best technical assistance and support to developing countries promoting and implementing their own rigorous green growth economic development strategies.

GGGI was initially structured as a non-profit foundation under Article 32 of the Civil Code of the Republic of Korea. It converted into an international organization in accordance with an agreement among its major partner governments in October 2012 following the ratification of the organization's Establishment Agreement by several member country governments. On October 23, 2012, GGGI held inaugural meetings of its Assembly and Council in Seoul as part of the organization's new international governance structure. This came after a signing ceremony for the Establishment Agreement, held in

Rio de Janeiro at the United Nations Conference on Sustainable Development (Rio+20) in June 2012.

These events, attended by representatives of the organization's 18 founding member countries, were key milestones in GGGI's history and evolution to becoming an international organization. The 18 founding member countries includes 11 participating members: Australia, Cambodia, Costa Rica, Denmark, Ethiopia, Guyana, Indonesia, Kiribati, Mexico, Norway, Papua New Guinea, Paraguay, Republic of Korea, the Philippines, Qatar, United Arab Emirates, the United Kingdom and Vietnam.

The organization's objectives and activities are spelled out in the Establishment Agreement as supporting developing and emerging countries, including the poorest communities and least developed countries, in designing and implementing green growth plans, supporting and spearheading research initiatives that advance practical and theoretical aspects of green growth, and facilitating cooperation between the public and private sectors to help create an investment environment favorable to green growth. GGGI also seeks to raise global awareness of green growth through public outreach initiatives and other activities, such as conferences, seminars, and workshops.

Membership to GGGI is open to any member state of the United Nations that subscribes to the organizations goals and objectives. Regional integration organizations – bodies consisting of sovereign states of a given region – are also eligible for GGGI membership.

Upon converting into an international organization, GGGI adopted a new governance structure, which consists of an Assembly, a Council, an Advisory Committee, and a Secretariat.

The Assembly is composed of GGGI members and meets every two years. The functions of the Assembly include advising on the overall direction of GGGI and review 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 Council consists of no more than seventeen members, among which are contributing and participating members, non-state actors, the host country, as well as the Director-General without a voting right.

The Agreement calls for the Advisory Committee to be a consultative organ of GGGI, 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.

The Secretariat acts as the chief operational organ of the Institute and is headed by the Director-General, who, under the guidance of the Council and Assembly, represents GGGI externally and provides strategic leadership for the organization to carry out its objectives.

At GGGI's Inaugural meetings of the Assembly and Council on October 23-24, 2012, the Assembly convened to elect Australia, Costa Rica, Denmark, Ethiopia, Indonesia, Kiribati, Mexico, Norway, Qatar, Republic of Korea and the United Arab Emirates to the Council. The four non-state representatives elected were GGGI Chair and former Prime Minister of Denmark Lars Løkke Rasmussen and GGGI members Lord Nicholas Stern, Chairman of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics, Kim Sang-hyup, then-Senior Secretary for Green Growth of Korea, and Montek Ahluwalia, Deputy Chairman of the Planning Commission of the Government of India. The Assembly also elected the Honorable Bharrat Jagdeo, former President of Guyana, to be President of the Assembly.

Below is a list of members of the Assembly and the Council of the Global Green Growth Institute:

President of the Assembly

- Guyana – H.E. Mr. Bharrat Jagdeo

Members of the Assembly

- Australia
- Cambodia
- Costa Rica
- Denmark
- Ethiopia
- Guyana
- Indonesia
- Kiribati
- Mexico
- Norway
- Papua New Guinea
- Paraguay
- The Philippines
- Qatar
- Republic of Korea
- United Arab Emirates
- United Kingdom

Chair of the Council

- H.E. Mr. Lars Løkke Rasmussen

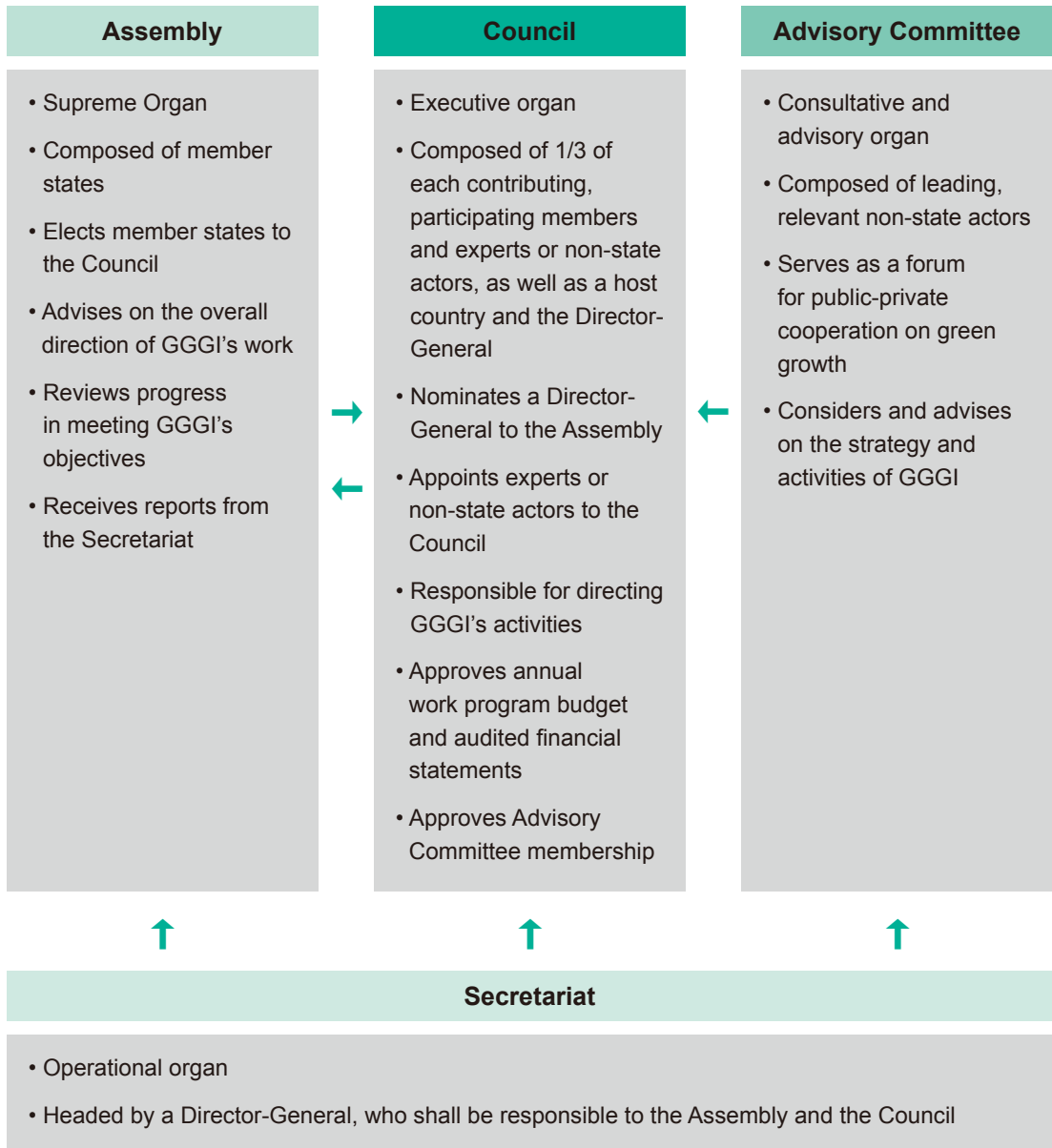
Members of the Council

- Australia
- Costa Rica
- Denmark
- Ethiopia
- Indonesia
- Kiribati
- Mexico
- Norway
- Qatar
- Republic of Korea
- United Arab Emirates

Non-state actor members of the Council

- H.E. Mr. Montek Singh Ahluwalia
- Mr. Kim Sang-hyup
- H.E. Mr. Lars Løkke Rasmussen
- Lord Nicholas Stern

Governance Structure of the GGGI





GGGI PROGRAMS

- Green Growth Planning & Implementation
- Research
- Public-Private Cooperation

The background of the page is a photograph of a sunset over a tropical landscape. The sky is a vibrant orange and yellow, with the sun low on the horizon. In the foreground, there is a field of tall, green grass. In the middle ground, there are silhouettes of palm trees and other tropical vegetation. In the background, there are rolling hills or mountains under the sunset sky. A vertical white bar is visible on the left side of the page, partially overlapping the sunset image.

GGGI PROGRAMS

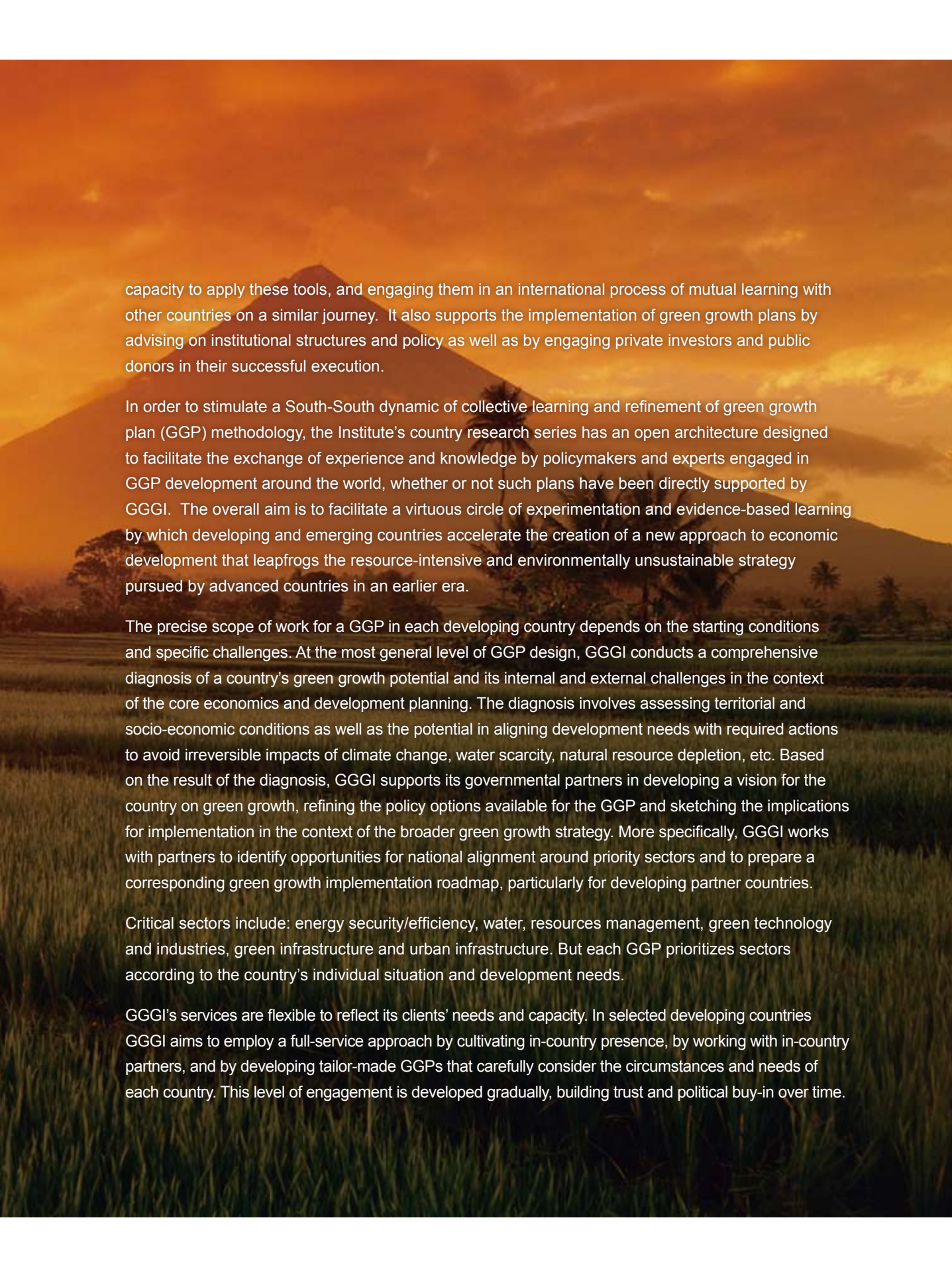
Green Growth Planning & Implementation

The largest component of GGGI's activities relates to its green growth planning and implementation platform. In 2012, the organization significantly grew its in-country green growth projects in both size and scope. At the end of 2011, GGGI was performing green growth planning work in nine countries. By the end of the 2012, the organization was actively involved or doing scoping in nearly twenty countries, spanning three continents and one subcontinent. GGGI also invested heavily in existing projects by significantly adding the number of directly employed in-country teams in places such as in Ethiopia, Indonesia, and the United Arab Emirates. Additionally, many of the programs begun in 2012, like those in Mongolia and Rwanda, were rapidly scaled up and have achieved tangible progress toward green growth implementation by year's end.

Presented in this section is a broad description of GGGI's green growth philosophy and brief summaries of the GGP&I work the organization performed in 2012.

Our Work

GGGI supports emerging and developing countries that seek to develop rigorous green growth economic development strategies in order to achieve their economic and development objectives. It does so by placing the best available analytical tools at their disposal, building their institutional



capacity to apply these tools, and engaging them in an international process of mutual learning with other countries on a similar journey. It also supports the implementation of green growth plans by advising on institutional structures and policy as well as by engaging private investors and public donors in their successful execution.

In order to stimulate a South-South dynamic of collective learning and refinement of green growth plan (GGP) methodology, the Institute's country research series has an open architecture designed to facilitate the exchange of experience and knowledge by policymakers and experts engaged in GGP development around the world, whether or not such plans have been directly supported by GGGI. The overall aim is to facilitate a virtuous circle of experimentation and evidence-based learning by which developing and emerging countries accelerate the creation of a new approach to economic development that leapfrogs the resource-intensive and environmentally unsustainable strategy pursued by advanced countries in an earlier era.

The precise scope of work for a GGP in each developing country depends on the starting conditions and specific challenges. At the most general level of GGP design, GGGI conducts a comprehensive diagnosis of a country's green growth potential and its internal and external challenges in the context of the core economics and development planning. The diagnosis involves assessing territorial and socio-economic conditions as well as the potential in aligning development needs with required actions to avoid irreversible impacts of climate change, water scarcity, natural resource depletion, etc. Based on the result of the diagnosis, GGGI supports its governmental partners in developing a vision for the country on green growth, refining the policy options available for the GGP and sketching the implications for implementation in the context of the broader green growth strategy. More specifically, GGGI works with partners to identify opportunities for national alignment around priority sectors and to prepare a corresponding green growth implementation roadmap, particularly for developing partner countries.

Critical sectors include: energy security/efficiency, water, resources management, green technology and industries, green infrastructure and urban infrastructure. But each GGP prioritizes sectors according to the country's individual situation and development needs.

GGGI's services are flexible to reflect its clients' needs and capacity. In selected developing countries GGGI aims to employ a full-service approach by cultivating in-country presence, by working with in-country partners, and by developing tailor-made GGPs that carefully consider the circumstances and needs of each country. This level of engagement is developed gradually, building trust and political buy-in over time.

Cambodia

Overall Program Goals

- Develop the National Green Growth Master Plan
- Support the establishment of a green growth legal framework
- Promote green job creation and increase green growth public awareness

Principal Partners

- National Council on Green Growth (NCGG), General Secretariat on Green Growth (GSGG) and Supreme National Economic Council (SNEC)
- UNESCAP, UNIDO and UNDP
- Korea Legislation Research Institute (KLRI) and Korea Institute for International Economic Policy (KIEP)
- ASEM SMEs Eco-Innovation Center (ASEIC) and Neighbor of Cambodia

In 2010, the Cambodian government worked with international organizations and experts to draw up a green growth roadmap. Drawing in part on the fundamentals of this roadmap, GGGI and its partners assisted the government in constructing the National Green Growth Master Plan (NGGMP), a set of comprehensive policy recommendations and strategic implementation plans for the government to adopt. Part of this process was producing detailed reports including a legal framework for green growth, a policy framework, and a green growth index. Based on consultations with GGGI, the Cambodian government established the National Council on Green Growth led by the Prime Minister in Oct 2012. In early 2013, the government will formally adopt the Master Plan as the National Policy on Green Growth and National Strategic Plan for Green Growth.

A key aspect of the Master Plan is facilitating private sector development for green growth. As an example of this, GGGI with its partners, including local NGOs and ASEIC ASEM SMEs Eco-Innovation Center, have piloted a solar cooker business project in Takeo Province, Southwest Cambodia.

Upon completion, the Master Plan and its full implementation is expected to help boost economic growth significantly and allocate both human and natural resources in more efficient and effective ways. In addition, Cambodia's legal and regulatory systems will be altered to be adaptive and receptive to future environmental and economic events and developments.

China (Yunnan Province)

Overall Program Goals

- Support the development of a five-year action plan on green growth policy
- Implementation of sectoral projects and capacity building programs that are tailored to Yunnan's imminent green growth needs

Principal Partners

- Korea Environment Institute (KEI)
- Korea National Diplomatic Academy (KNDA)
- Yunnan Academy of Economy (YAE)

Yunnan is a low-income province with a per capita GDP of roughly USD 2,500. The province was selected as one of the five pilot provinces for low carbon development by the central government. GGGI is assisting Yunnan in pursuing green growth in line with the province's 12th five-year development plan. GGGI's scoping work for identifying green growth needs for Yunnan province was carried out in the first half of 2012. In the scoping phase, three green growth related plans of Yunnan province were reviewed: 1) The 12th Five-Year Plan in Yunnan Province (2011 - 2015); 2) Low-Carbon Development Plans of Yunnan (2011 - 2020); and 3) Colorful Yunnan Ecological Civilization Construction Plans (2009 - 2020). Several sectoral green growth projects were proposed and prioritized from the scoping work. Based on this outcome and consultation with the local government and stakeholders, GGGI is planning to conduct the development of green growth five-year action plan as well as waste management and transport sector projects in 2013.

Ethiopia

Overall Program Goals

- Develop the Green Economy (GE) Strategy
- Develop the Climate Resilient (CR) Strategy
- Design and implementation of the Sector Reduction Mechanism (SRM)
- Build the capacity of the Ethiopian Government to design and implement a comprehensive measuring, reporting and verification system for monitoring climate results.
- Help put in place an effective system for leveraging and spending climate finance.

Principal Partners

- Environmental Protection Authority (EPA)
- Ethiopian Development Research Institute (EDRI)
- Climate Development Knowledge Network (CDKN)
- United Nations Development Program (UNDP)

Following the UNFCCC summit in Copenhagen in 2009, Ethiopia took substantive steps to tackle the challenge and seize the opportunity that climate change presents. To do this, the country established the Climate Resilient Green Economy (CRGE) Initiative. Underpinning the CRGE is the vision that Ethiopia will achieve a middle-income economy by 2025, one that is resilient to climatic shocks and produces no more emissions than Ethiopia's economy today. The CRGE Initiative is due to be completed in 2025. The vision was launched in late 2012. GGGI is supporting the Government of Ethiopia in both the Green Economy and Climate Resilient components of the CRGE as well as the designing and scoping of a Sector Reduction Mechanism, which will serve as the principal vehicle through which the CRGE, and therefore emissions reduction, will be put into action.

In 2012 when the Ethiopian Government launched the CRGE, it also unveiled the first building block in the initiative, the Green Economy Strategy. GGGI was closely involved with the drafting of the GE Strategy, which charts the scale and roadmap to boosting growth through low carbon solutions. Also in 2012, GGGI assisted in developing the Climate Resilient Strategy, which will be formally launched in mid 2013. The next major step in the CRGE Initiative is the Sector Reduction Mechanism (SRM) Process. The SRM will translate the high-level goals of the Strategies into action, through a comprehensive process of investment planning. Ultimately, the SRM will be integrated into the broader national economic growth plan – the Growth & Transformation Plan (GTP). The GTP is due to be completed in 2015. The CRGE Initiative will gradually be fully integrated into the GTP to create a green national economic growth plan.

By adopting green growth and climate resilient development, Ethiopia expects the following impacts. First, the country will be less vulnerable to climate shocks. This in turn will protect millions from hunger in the face of floods and droughts. Second, the country will accelerate growth, creating jobs and opportunities. This in turn will help lift millions out of poverty – through increased incomes, improved energy access and more productive agriculture. Third, through the CRGE Initiative the country expects to be able to attract additional investment to Ethiopia. The country aims to leverage up to \$500 million of additional investment a year by 2025.



India

Overall Program Goals

- Develop Karnataka Green Growth Plan

Principal Partners

- Bangalore Climate Change Initiative—Karnataka (BCCI-K) –a consortium of local and international institutions and organizations including: Indian Institute of Science (IISc), University of Agricultural Sciences (UAS), London School of Economics and Political Science (LSE), Institute for Social and Economic Change (ISEC), Indian Institute of Technology-Delhi (IIT-D), and Center for Study of Science, Technology and Policy (CSTEP).

GGGI is developing a comprehensive green growth strategy for the Indian state of Karnataka, the first major initiative in India to examine and prioritize green growth developmental options, including climate resilience and social inclusion strategies.

In 2012, GGGI performed scoping work. Beginning in 2013, GGGI will conduct comprehensive analysis in the following core areas:

- 1) Green economy strategy – focusing on development according to a low-emission pathway that optimizes the value of Karnataka’s environmental assets
- 2) Climate resilience strategy – analyzing current and future climate impacts and sector vulnerability
- 3) Financing strategy – assessing the financing needs of a green growth transition and identifying national and international sources of financing
- 4) Synthesis – drawing together all of the analysis to define an optimal green growth pathway

Indonesia

Deforestation has emerged as a top priority for the government of Indonesia whose economy is heavily dependent on extractive industries and exploiting natural resources. The government recognizes that in order to meet its growth targets without destroying one of its main growth engines, a new paradigm of growth is needed.

GGGI has been supporting green growth initiatives in Indonesia since 2010. By working closely with the central government and with the

Overall Program Goals

- Develop national green growth plan
- Develop provincial green growth plans
- Support REDD+ Readiness in East and Central Kalimantan
- Develop REDD+ Funding Mechanism

Principal Partners

- National Development Planning Agency (BAPPENAS)
- Provincial Development Planning Agencies (BAPPEDA)
- Coordinating Ministry for Economic Affairs
- Ministry of Finance
- Ministry of Energy and Mineral Resources
- President's Delivery Unit for Development Monitoring and Oversight
- REDD+ Taskforce

provincial governors of East and Central Kalimantan, GGGI has helped identify and prioritize green growth opportunities along a number of criteria related to both economic growth and greenhouse gas emission reduction potential. More specifically, GGGI has assisted with REDD+ Readiness, the development of provincial green growth strategies, and capacity building for local officials and others to implement and maintain green growth policies.

Since working in East Kalimantan, GGGI has helped develop detailed economic analysis for three of the highest priority abatement initiatives in the realm of REDD+ Readiness. GGGI also supported the development of the province's green growth strategy and supported the design, organizational structure, staffing, budgeting, and policy agenda of the DDPI – the Provincial Council on Climate Change. In Central Kalimantan GGGI supported the development of detailed economic analysis with the objective to use the results to identify and design GHG abatement pilot projects.

In 2013, GGGI will embark on a major expansion of work in the country in partnership with several government ministries at the national and local level. GGGI's principal partner is the Ministry of National Development Planning, which acts as the focal point for the Institute's green growth planning nationwide.

GGGI and the Ministry are forming a joint secretariat for oversight of the overall program, which consists of three major components:

- 1) Greening the Economic Master Plan – designed to mainstream the value of natural capital and inclusive growth in the economic planning and decision making process
- 2) REDD+ Policy and Finance – aimed at supporting the development of a funding mechanism that disburses REDD+ finance to catalyze green growth
- 3) Provincial Engagement – continued support for key provincial governments in prioritizing and implementing green growth

Jordan

Overall Program Goals

- Develop a comprehensive, cross-sector policy framework for green growth in the country
- Build capacity for Jordan's public sector to implement and sustain green growth policies

Principal Partners

- Ministry of Environment (MoENV)
- United Nations Economic and Social Commission for Western Africa (UN ESCAW)
- German International Development Agency (GIZ)

Jordan has significant economic growth potential but is also facing equally significant environmental challenges and climate change exposure. Among the most pressing challenges are water scarcity, limited energy access, and issues surrounding waste management. To this end, the Jordanian Ministry of Environment is exploring the benefits of a green growth project with GGGI and the German Federal Ministry for the Environment.

Extensive multilateral discussions were held in 2012 about the potential for GGGI to partner with Jordan and others for green growth planning. Scoping will continue into 2013.

Kazakhstan

In recent years, Kazakhstan has demonstrated strong macroeconomic performance, however it faces large long-term development imbalances due, in large part, to the country's dependence on oil as its primary industry and commodity export. Kazakhstan has also been identified as being highly vulnerable to the impacts of climate change. As such, the government launched the Astana Green Bridge Initiative (AGBI), which aims to promote green economic policies through knowledge sharing and green investment facilitation by bridging Europe and Asia. As part of this initiative, GGGI has partnered with the European Bank for Reconstruction and Development (EBRD) to

Overall Program Goals

- Identify potential key sectors for green growth in Kazakhstan and develop strategic policy directions for green growth implementation
- Draft a national water sector development program that seeks to facilitate private-public cooperation in the water sector
- Provide guidance on government policies related to energy efficiency and renewable energy

Principal Partners

- Ministry of Environment Protection (MEP)
- Ministry of Industry and New Technologies (MINT)
- Kazakhstan PPP (Public-Private Partnership) Center
- European Bank for Reconstruction and Development

help the government develop its Strategy for Kazakhstan's Transition to Green Economy (Strategy). Additionally, GGGI has teamed up with certain government ministries for work in the water and energy sectors.

GGGI contributed multiple components to the Strategy for Kazakhstan's Transition to Green Economy, including analyzing Kazakhstan's green growth potential in an array of sectors, such as agriculture, oil and gas, mining, manufacturing, power, water, and construction. Based on the findings, GGGI provided examples of strategic policy directions for green growth, which included greening existing assets, promoting new growth engines through industry restructuring, and building solid policy foundations for sustainable growth. GGGI's work on the Strategy finished at the end of 2012.

GGGI's water sector work in 2012 consisted of producing three comprehensive reports on the status of Kazakhstan's water sector, international case studies of water sector reform, and recommendations to improve the investment climate in the sector, particularly in relation to public-private cooperation potential. In 2013, GGGI will complete two more water sector reports – a feasibility study and an action plan.

Lastly, GGGI contributed to the Kazakhstan National Sustainable Energy Plan. The Institute offered technical guidance to assist the government in introducing the Voluntary Agreement, establishing the Energy Efficiency Institute, offering support for the development of secondary legislation on energy efficiency, and providing guidelines on performing energy audits in industrial sectors. GGGI also assisted with the development of a renewable energy action plan, which provided scenarios for the proper renewable energy mix to meet Kazakhstan's renewable energy targets by 2020 and examined policy options to meet the country's rural off-grid energy demand. This work concluded in 2012.

Mongolia

Overall Program Goals

- Support green growth strategies in the transport sector
- Support green growth strategies in the energy sector
- Assist the government in developing the National Strategy on Green Development and Action Plans

Principal Partners

- Ministry of Environment and Green Development (MEGD)
- Ministry of Energy
- Ministry of Roads and Transportation
- The Korea Transport Institute (KOTI)
- Stockholm Environment Institute US Center (SEI-US)
- DEBUHDE Co., Ltd.

Mongolia has a high per capita greenhouse gas emissions rate relative to other nations at its level of economic development, and its emissions intensity per unit of GDP is among the world's highest. This is in large part due to Mongolia's cold continental climate and long heating seasons, as well as its reliance on fossil fuels –particularly coal –for heating and electricity generation. Intense coal use has also made air pollution a significant problem in municipalities, including Ulaanbaatar, the capital and largest city, where the problem is especially acute. To help address these problems, the government created the National Green Development Committee, headed by the Prime Minister, which serves as a body to coordinate and manage green development and strategy in the country.

GGGI and the Ministry of Environment and Green Development (MEGD) of Mongolia signed a Memorandum of Understanding (MoU) in November 2011 to cooperate in programs and joint activities that foster the promotion of green growth. Sector-specific green growth projects in the transport and energy sectors were launched in 2012. GGGI further seeks to contribute in developing Mongolia's national green growth strategies in 2013 along with next stages of the sectoral green growth projects.

After initial scoping work and a Consultation Workshop in February 2012, the transport and energy sectors emerged as priority areas on which to focus green growth planning. As a result, the Strategies for Green Public Transport and Strategies for Green Energy Systems projects were launched.

The transport project is centered on the capital city, Ulaanbaatar, and will include recommendations to the government on effective and feasible clean energy technologies for the city's public transportation system and enhanced inspection rules and regulations for vehicle emissions. A weeklong Capacity building program was held, convening transport experts and officials to discuss and share technical knowledge on sustainable transport.

The energy project assesses the current status of the Mongolian energy sector, identifies and evaluates key energy scenarios for the country, and will propose green energy solutions to reduce GHG emissions. GGGI and the Stockholm Environment Institute (US Center) jointly organized a capacity building program in Ulaanbaatar in March 2013 to help provide Mongolian government officials and experts with training opportunities for energy scenarios planning tools.

Both the transport and energy projects are scheduled to conclude in 2013. GGGI aims to continue assist the Mongolian government in green growth activities, particularly with respect to its National Strategy on Green Development and Action Plans.



Peru

Overall Program Goals

- Support the government of Peru in the development of a National Green Growth Implementation Plan in the forest sector

Major Partners

- Ministry of Agriculture
- Ministry of Environment
- Ministry of Economy and Finance
- National Strategic Planning Center
- Regional government representatives

Deforestation continues to be an important environmental and socio-economic issue in Peru and a significant contributor to national greenhouse gas emissions. However, there is political recognition in the country of the importance of the forests and the need to improve their management and transition to a more sustainable economic model. GGGI's work in Peru aims to help implement green growth by fostering the development of an economically viable forestry sector that generates socially-inclusive benefits and optimal ecosystem services, while at the same time preserving natural capital.

Due to the importance of the forest sector in Peru, there are already several high-level national forest strategies and multiple forest-related policies in place. GGGI is focusing on aligning the various existing forest initiatives behind a single master plan, which will then serve as the basis for the legally mandated National Forestry Plan. Developing a master plan will entail estimating the economic importance of forest-based eco-system services and the potential for sustainable development in the forest sector; assessing development barriers; identifying and prioritizing effective government interventions to achieve this development potential, and laying out a realistic roadmap for implementation over the next 5 to 10 years. An additional key objective of the plan is to improve coordination and strengthen technical capabilities in the forest sector within the national government, regional governments, and society at large. The development of the Plan will be overseen by a Steering Committee composed of three ministries (Agriculture, Environment, and Economy and Finance), the National Strategic Planning Center (CEPLAN), and representation from regional governments.

The Philippines

Overall Program Goals

- Implementation of the Ecotown Framework Project in the Municipalities of Del Carmen, San Isidro, Pilar and San Benito in Surigao del Norte and in the Municipality of San Vicente in Palawan
- Develop and implement Local Ecotown Management Plan
- Build capacity integrated ecosystem-based management approach on project sites

Principal Partners

- Climate Change Commission – Climate Change Office (CCC – CCO)
- Ministry of Energy
- Local Government Units (LGUs)
- Korea Environment Institute (KEI)

The Philippines is one of the most vulnerable countries to climate change impacts due to its location and its status as an archipelago. In an ambitious effort to mitigate and adapt to climate change, the government has adopted the National Climate Change Action Plan. GGGI has teamed up with the Climate Change Commission – Climate Change Office (CCC – CCO), numerous local governments and experts, and the Korea Environment Institute to work on an aspect of this plan –the Ecotown Framework Project. The project is made up of municipalities located within and around boundaries of critical key biodiversity areas at high risk to the effects of climate change. The project is designed to help these at-risk communities be ecologically stable and economically resilient to climate change.

GGGI and its partners are developing a Local Ecotown Management Plan for the municipalities of Del Carmen, San Isidro, Pilar, and San Benito in the province of Surigao del Norte and for San Vicente in the province of Palawan, which will assess the vulnerabilities and risks of the ecosystems surrounding the municipalities, identify adaptation measures for them, conduct feasibility studies on adaptation measures, and assess methods to climate-proof existing local economic development plans. GGGI will also help the towns implement these Management Plans as well as conduct multiple activities to build local capacity.

In 2012, GGGI helped complete ground activities for all project components for the Siargao Island sites, including vulnerability assessments (VA) reports and geographical information systems (GIS) mapping. In addition an Environment and Natural Resources Accounting (ENRA) Inception and Assessment Report was developed for Palawan. In 2013, based on the results of various VA, GIS, and ENRA reports, GGGI will assist in identifying numerous climate change adaptation measures for the municipalities, such as developing micro-grids, installing small-scale renewable energy systems, and establishing rainwater management/harvesting facilities. Additionally, a National Conference on Ecotown Best Practices will be held in late 2013 presenting all of GGGI and CCC's project results.

Rwanda

Overall Program Goals

- Develop the National Territorial Vision and Strategy for Green Growth
- Develop and diffuse locally-constructed material for affordable housing
- Propose guidelines for the development of a Rwandan Building Code

Principal Partners

- Ministry of Infrastructure (MININFRA)
- Rwanda Housing Authority (RHA)
- Energy, Water and Sanitation Authority (EWSA)
- Rwanda Transport Development Agency (RTDA)
- Ministry of Natural Resources (MINIRENA)
- Rwanda Natural Resources Authority (RNRA)
- Rwanda Environment Management Authority (REMA)
- Ministry of Local Government (MINALOC), Kigali City, Provinces and Districts, Academia and private stakeholders
- Korea Research Institute for Human Settlements (KRIHS)
- Korea Institute of Construction Technology (KICT)
- Architecture and Urban Research Institute (AURI).

In recent years, Rwanda has become a leading country for Green Growth in Africa and has demonstrated a high degree of ambition and political support for sustainable urban and housing development.

As part of the country's foremost national development blueprint, the Economic Development and Poverty Reduction Strategy (EDPRS) 2013-2018, the Government of Rwanda is placing a high priority on issues surrounding urbanization. Rwanda seeks to transform its economic geography by managing urbanization and promoting secondary cities as poles of green growth and green economy.

Affordable housing is also a key issue in Kigali, the Capital, as well as in secondary cities, as the urban population in the country has been increasing at a rate of 9 percent per annum.

To assist with urban and housing policy in Rwanda, GGGI has been working with the Ministry of Infrastructure and numerous other entities, the Rwanda Housing Authority in particular, to develop a National Territorial Vision and Strategy for Green Growth (NTVSSG). The NTVSSG aims to develop strategic guidelines for a sustainable urban network across the country to be combined with principal infrastructure, such as transportation, energy, water, habitat and urban development.

GGGI is also working on an R&D project on resource efficient and climate resilient housing with a particular focus on the development of low cost construction material (non-burnt brick) as well as the design of climate resilient housing. GGGI is also supporting the development of a green building code designed to contribute to mainstream energy efficiency and climate resilience measures into housing policies and building practices.



United Arab Emirates



The government of the United Arab Emirates has set ambitious targets to diversify its energy sources, including placing an emphasis on renewable energy with a target of 30 percent of electrical power in Abu Dhabi coming from low carbon sources by 2020. As part of these economic diversification efforts, the UAE signed a Memorandum of Understanding (MoU) with GGGI in March 2011 with the aim to support the Institute's goals of disseminating Green Growth in the Middle East and North Africa (MENA) through a regional GGGI office in Abu Dhabi's Masdar City. The MoU also calls on both the UAE and GGGI to work together to develop a national strategy and policy framework for the

Overall Program Goals

- Develop a green growth plan that allows the UAE to grow in a competitive and sustainable manner.
- The Green Growth Plan will consist of four main areas of focus: 1) Policy and Governance; 2) Data Management; 3) Capacity Building; and 4) Renewable Energy based Micro-grids

Principal Partners

- Ministry of Environment and Water
- Ministry of Foreign Affairs
- Prime Minister's Office
- Korea Legislation Research Institute (KLRI),
- Greenhouse Gas Inventory and Research Centre of Korea (GIR)
- Korea Environment Institute (KEI)
- Research Institute of Industrial Science and Technology (RIST)
- UNEP Risoe Centre on Energy, Climate and Sustainable Development

introduction and implementation of Green Growth in the UAE.

The partnership between GGGI and the UAE has deepened since the regional office was established in July 2011. One of the major developments was elevating green growth onto the UAE's national agenda. H.H. Shaikh Mohammad Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai formally launched 'UAE Strategy for Green Development' — a national, nine-year initiative to develop a sustainable economy — in January 2012. The Prime Minister's initiative also incorporates a business plan jointly developed by GGGI and the UAE Ministry of Foreign Affairs in 2011. Backed by the Prime Minister's announcement, the project officially scaled up to a fully national initiative covering all the seven emirates in the UAE and led by Ministry of Environment and Water and collaborated by Prime Minister's Office and Ministry of Foreign Affairs.

Most of GGGI's work in the UAE in 2011 was focused on establishing an office in Abu Dhabi and developing a business plan that outlined phase-by-phase the programs required for green growth planning. Throughout 2012, the Institute and its partners held numerous knowledge sharing workshops and events to develop the governance structure for the National Green Growth Strategy (NGGS), which was formally launched at the World Future Energy Summit in Abu Dhabi in January 2013. In support of the NGGS, GGGI performed two initial studies in 2012, including a situation analysis that reviewed existing Emirate institutional mandates and policy approaches and supplied recommendations. GGGI also performed a benchmark study that detailed best practices for green growth on a global level. The NGGS will be further developed over the course of 2013 with the support of GGGI. It will identify low carbon green growth opportunities in key sectors of the UAE economy, such as oil and gas, water, transport, construction and waste. It will also cover land use and biodiversity. Implementation of the NGGS will begin in 2014.

Vietnam

Overall Program Goals

- Implement Vietnam Green Growth Strategy (VGGS)
- Develop Green Growth Investment Plan
- Develop Green Growth led City Development Strategy (GG-CDS)

Principal Partners

- Ministry of Planning and Investment (MPI)
- People's Committee of Da Nang
- Da Nang Institute for Socio-Economic Development (DISED)
- People's Committee of Quang Nam
- Vietnam Academy of Social Sciences (VASS)
- United Nations Human Settlements Program (UN-Habitat)

Like many Southeast Asian nations, Vietnam has experienced significant economic growth in recent years while at the same time recognizing the threat climate change poses to that growth. In response, the government of Vietnam is attempting to successfully transition to a more sustainable development path and cut GHG emissions while maintaining healthy economic growth. GGGI has been working with Vietnam to help establish and implement the Vietnam Green Growth Strategy (VGGS) of 2011 – 2020, which, among other things, seeks to achieve low carbon growth, implement clean or green industrialization policies, and promote sustainable consumption patterns among the populace.

In 2012, GGGI, with Vietnam's official editing board, conducted a comprehensive review of the draft VGGS and gave specific input on an array of sectors, including water resources, waste management, and transportation, as well as on VGGS implementation strategies. GGGI also held a series of workshops consisting of knowledge and experience sharing among policymakers and experts from Mekong countries and other international academic researchers. The Institute has also supported green growth training sessions on sustainable development strategies for cities in Da Nang and Ho Chi Minh City.

In 2013, GGGI will issue reports on Analytical Tools and Guidelines for Green Growth Investment and Green Growth Led City Development Strategy of Da Nang. GGGI will also organize the Green Growth Investment Forum in Quang Nam in June and a knowledge-sharing workshop on VGGS implementation strategies in November. Vietnam's green growth strategy is intended to roll out over the course of the next decade and GGGI intends to be a strong partner in this process.

Mekong River Project

Overall Program Goals

- Establish a green growth framework for sustainable water resources management in the Mekong River Basin
- Advise regional stakeholders to set up their regional and national green growth strategies and action plans/ priority activities for sustainable water resources management in the Mekong River Basin

Principal Partners

- Cambodia National Mekong Committee (CNMC)
- Viet Nam National Mekong Committee (VNMC)
- Lao National Mekong Committee (LNMC)

GGGI is working with Cambodia, Laos, and Vietnam to establish a Green Growth Framework for Sustainable Water Resources Management in the Mekong River Basin, based in large part on the vision and mission of the Mekong River Commission for Sustainable Development to promote an economically prosperous, socially just, and environmentally sound region.

The project began at the end of 2012 with the 1st GGGI-Mekong Water and Green Growth Consultation Workshop held in Seoul. There will be several additional workshops in 2013. Research is also being conducted in Vietnam, Cambodia and Laos. GGGI will release a report based on the preliminary findings from the research in 2013.

Aral Sea Basin Project

Overall Program Goals

- Establish a green growth framework for water security in the Aral Sea Basin based on the understanding of the region

Principal Partners

- Global Water Partnership for Central Asia and Caucasus (GWP-CACENA)
- Scientific-Information Center of the Interstate Coordination of Central Asia (SIC-ICWC)

GGGI is collaborating with multiple Central Asia regional organizations to establish the Green Growth Framework for Water Security in the Aral Sea Basin in an attempt to address the socioeconomic challenges caused by the shrinking of the Aral Sea. The project is in line with the larger Third Aral Sea Basin Program (ASBP-3) organized by the International Fund for Saving the Aral Sea (IFAS), an organization administered by the five basin countries – Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

This project formally began in early 2013 with the GGGI-Central Asia Water and Green Growth Consultation Workshop in Seoul. GGGI plans to further develop this project in 2013.

Capacity Building Programs

Capacity building or development is a process by which individuals, groups, organizations and institutions further improve their abilities to perform core functions, solve problems, define and achieve objectives while also dealing with their development needs in a broad context in a sustainable manner. It is a fundamental aspect of GGGI's Green Growth Planning and Implementation work. As such, GGGI has organized a number of capacity building programs designed to further integrate its green growth planning work. The main goal of the capacity building programs in GGGI is to tackle the problems related to the development and implementation of a green growth plan while considering the potential limits and needs of the people of the country concerned.

Presented is a list of capacity building programs organized by GGGI in 2012 across various country programs in chronological order.

Country	Date	Topic	Location
China (Yunnan)	February 16, 2012	The 1st GGGI-Yunnan Cooperation Workshop	Kunming, Yunnan Province, China
Mongolia	February 27- March 1, 2012	The 1st GGGI-Mongolia Consultation Workshop	Seoul, Republic of Korea
China (Yunnan)	April 10, 2012	The 2nd GGGI-Yunnan Cooperation Workshop	Seoul, Republic of Korea
The Philippines	April 15-18, 2012	Cross Visit : Philippines Ecotown Framework Project	Seoul, Republic of Korea
Cambodia	April 18-19, 2012	The 3rd GGGI-Cambodia Consultative Workshop on Building Green Growth Pathway for Cambodia: Sharing Knowledge and Shaping Policies for Cambodia's Green Future	Siem Reap, Cambodia
Indonesia	April 24-25, 2012	DDPI Kickoff meeting	DDPI, Indonesia
Rwanda	May 30-31, 2012	The 1st Knowledge Sharing Session: Energy Efficient Housing and Urban Planning Guideline for Green Growth in Rwanda	Kigali, Rwanda
Indonesia	May 31, 2013	LCGS Methodology Training Workshop	DDPI, East Kalimantan
Ethiopia	June 2012- March 2013	Defining Agri-Ecological Zones (AEZ), Gender, Vulnerability assessment using GIS mapping, Impact analysis for forestry, crop and livestock, appraising adaptation options	Addis Ababa, Ethiopia
Vietnam	July 24, 2012	Joint Capacity Building Conference on Green Growth in the Mekong Sub-region	Da Nang, Vietnam
The Philippines	August 14-16, 2012	Vulnerability Assessment Result Validation Workshop	Siargao Island, Surigao del Norte, The Philippines
Vietnam	August 22-24, 2012	Capacity Building to Develop Climate Change Response toward Green Growth/ Low Carbon Ho Chi Minh City (HCMC)	Ho Chi Minh City, Vietnam
Ethiopia	September 17-20, 2012	Resilience capacity building, covering: using climate data, vulnerability assessments, appraising adaptation options and drafting resilience strategies.	Addis Ababa, Ethiopia
Vietnam	September 25-26, 2012	Mekong as a Green Growth Hub in Asia-Pacific	Halong, Vietnam
Vietnam	October 14-17, 2012	Leadership training for Sustainable City Development Strategy of Da Nang	Da Nang, Vietnam
Rwanda	November 26-30 and December 3-7, 2012	The 2nd Knowledge Sharing Session: National Territorial Vision and Strategy for Green Growth & Energy Efficient and Affordable Housing in Rwanda	Seoul, Republic of Korea
Vietnam	December 5-8, 2012	Leadership training for Sustainable City Development Strategy of HCMC	Ho Chi Minh City, Vietnam



GGGI PROGRAMS

Research

GGGI's research platform, its second pillar of activity, grew dramatically in 2012. New projects and partnerships were launched, and many of the fledgling programs from the year prior gained momentum and began producing real results. With the launch of the Green Growth Knowledge Platform and the Green Growth Best Practice initiative, GGGI is now helping to lead two of the largest and most comprehensive cooperative research initiatives in the field of green growth. At this stage, most projects are in partnership with other major organizations, however as GGGI grows and attracts more experts, more resources will continue to be invested in this essential pillar of the organization and more of the Institute's research efforts will directly complement and reinforce its green growth planning country work.



Our Work

GGGI's research program focuses on exploring the nature of a new green growth paradigm in developing countries by conducting economic research into various aspects of green growth theory and practice, with a particular focus on the potential of key economic and development factors.

Currently, GGGI's research is primarily focused on knowledge sharing and efforts at further defining and refining real-world applications and practices of green growth. The Institute is also engaged in macro-level issues, such as green job creation and poverty, and micro-level solutions, such as green technology applications in developing countries. Further, we are looking at the issue of adaptation through a green growth lens.

Ultimately, the main targeted outcome from GGGI's Research Program is relevant, high-quality research that explores the potential of green growth and provides practical guidance to policymakers, especially in developing and emerging countries.

Green Growth Best Practice (GGBP)

The GGBP initiative was launched in October 2012 and is supported by Global Green Growth Institute (GGGI), Climate Development and Knowledge Network (CDKN), and European Climate Foundation (ECF). GGGI serves as the execution agency. The initial period of the initiative is 18 months, lasting until February 2014.

GGBP is an effort to assess green growth planning and implementation practices around the world and find what works best under what circumstances in order to assist policymakers and practitioners primarily in developing countries to improve the quality of green growth efforts.

In 2012 and into early 2013, the GGBP Project Team has outlined the priority topics through a consultation process with over 100 stakeholders, recruited over 70 authors from around the world to participate in the green growth best practice assessment, established partnerships with more than 20 major international organizations and institutes, and conducted policy dialogues in key international events such as at the eighteenth session of the Conference of the Parties to the UNFCCC (COP18) and the Global Green Growth Forum (3GF) in Copenhagen.

The assessment result will inform the content of a range of products including a synthesis report, a living handbook, briefing papers and other outputs tailored to users' needs to be made available from November 2013.

Topics for the assessment are determined in consultation with more than 100 green growth policy makers and practitioners from around the world and refined by GGBP experts. They include:

Work streams	Topics
Planning and Coordination	<ol style="list-style-type: none"> 1. Planning and Coordination Processes – What green growth planning approaches can best/have proven to achieve long-term transformation, government agency and stakeholder buy-in, and mainstreaming with development programs? 2. Monitoring and Evaluation – What are best practices with design and implementation of green growth monitoring and evaluation programs and feeding evaluation results into policy learning and implementation? 3. National and Sub-National Integration – What approaches have proven most effective for advancing green growth through coordinated programs at national and sub-national levels and across governments?
Analysis and Framing	<ol style="list-style-type: none"> 4. Benefits and Building Support- What approaches have been most/proven effective in building a case for a country or region to embark on a green growth plan and in evaluating and communicating development benefits to build decision-maker and stakeholder support? 5. Option Analysis – What methods and tools are available and have proven of greatest value in evaluating the costs and benefits of alternative green growth options, including the opportunities for enhanced economic competitiveness and other impacts? 6. Goals and Baselines – What are the most successful approaches that countries have used in establishing well defined GG goals and baselines and using these goals to drive design of green growth programs?
Policies and Programs	<ol style="list-style-type: none"> 7. Policy Design - What types of green growth policies and approaches to implementation have proven to be most effective at achieving concrete benefits through near-term wins and long-term social and economic transformation through green growth? 8. Public and Private Collaboration – what approaches have been most successfully used in green growth planning and implementation to engage with the private sector and to mobilize private sector leadership and action? 9. Financing Strategies - What measures are/proven most effective at mobilizing finance from domestic, international, and private sector sources for green growth?

Green Growth Knowledge Platform (GGKP)

GGGI has joined the World Bank, UNEP and the OECD to create a global network of researchers and development experts with the aim to identify and address major knowledge gaps in green growth theory and practice. The Platform will then use this to provide policymakers with the necessary tools to facilitate the transition to a model of green economic growth. GGKP hosted its inaugural conference in January 2012, in Mexico City, in partnership with the Instituto Nacional De Ecología Y Cambio Climático.

GGKP's mission is to enhance and expand efforts to identify and address major knowledge gaps in green growth theory and practice and to help countries design and implement policies to move towards a green economy.

At the inaugural conference in 2012 Mexico City, three research programs were identified for further development: Green Growth Metrics and Indicators, Innovation and the Adaptation and Diffusion of Green Technologies, and Green Growth, Trade, and Competitiveness.

Since then, two additional, affiliated programs have been brought under the GGKP umbrella: GGBP and Data + Decision-Making Tools for Green Growth, which is to be launched in 2013.

These five programs are hosted by partner institutions and can take advantage the resources provided by the network of green growth experts that GGKP is in the process of building.

GGKP's mission, philosophy, and structure took shape in 2012. In 2013, the network is poised to expand and the research projects will begin to produce results.

For more information about GGKP, see ggkp.org.



Green Growth and the New Industrial Revolution

This program, undertaken by GGGI and the Grantham Research Institute at the London School of Economics, is a two-year research project that sets out to better understand the link between environmental protection, growth, and development. It aims to strengthen the analytical and empirical underpinnings of green growth in both developed and developing countries. The program is broken down into four projects:

- 1) Macroeconomic issues: Jobs, Poverty and Green Growth;
- 2) Studies of the impact of innovation and other climate-change policies;
- 3) Evidence from economic history about the sources of growth and the role of policy; and
- 4) Growth and adaptation to climate change.

The program, which was launched in the third quarter of 2012, will produce a number of policy papers around the four topics listed above and will seek to publish its results in peer-reviewed scientific journals. It will also work closely with the GGGI teams to ensure that the research remains relevant to our country work and is shared with partners on the knowledge platforms that GGGI has helped establish. Finally, in 2012, the program commissioned a number of distinguished mainstream economists from around the developed and developing world a series of papers on green growth to explore the different views existing in the community on the nature and scope of the green growth agenda.

Papers from this project will be published as they become available on the GGGI website at ggi.org.

Green Growth Methodology

Green growth planning is still in its early stages. There is still a large gap between theory and practice. In an effort to close this gap, GGGI has undertaken a Green Growth Planning Methodology (GGM) Project, designed to develop a methodological framework for green growth planning and analysis as well as identify concrete methods for monitoring green growth performance and evaluating programs and projects in developing countries. The project will engage experts from leading research institutes to ensure best practices and optimal research results.

In 2012, GGGI began work on identifying a set of diagnostic indicators designed to manage data sets, clarify policy objectives, and set priorities in the green growth planning process. In 2013, the GGGI team aims to harmonize its work with existing environmental, sustainable and green growth indicators developed by other members of the Green Growth Knowledge Platform, of which GGGI is a founding member.

Sustainable Energy Trade Agreement

GGGI launched the Sustainable Energy Trade Agreement research project in cooperation with the Peterson Institute for International Economics and the International Centre for Trade and Sustainable Development. The aim of the project is to analyze the feasibility of a Sustainable Energy Trade Agreement and develop a detailed set of policy options, which could serve as the basis for such an agreement. The concept for the agreement involves creating a sectoral free trade arrangement where sustainable energy products and services are traded among country participants without tariff and non-tariff barriers. GGGI and its partners believe that a similar arrangement could help to stimulate the diffusion and innovation of energy efficient products and technologies. The process was launched with a symposium in Washington at the Peterson Institute for International Economics in November 2011.

Over the course of 2012 the project produced five research papers listed as follows:

- International Technology Diffusion in a Sustainable Energy Trade Agreement
- Trade Law Implications of Procurement Practices in Sustainable Energy Goods and Services
- Governing Clean Energy Subsidies: What, Why, and How Legal?
- Legal Options for a Sustainable Trade Agreement
- Issues and Considerations for Negotiating a Sustainable Energy Trade Agreement

All papers are available on the GGGI website at ggi.org

Green Technology

In 2012, GGGI partnered with the Brookings Institution for a project which seeks to examine international mechanisms for green technology innovation in developing countries and to help development an international architecture for the diffusion of technological innovation. The research project will:

- Survey and map ongoing initiatives and proposals to enhance research development and deployment (RD&D) capacity for green growth related technology in the developing world;
- Identify approaches to enhance developing country access to intellectual property;
- Identify stages of this process that are currently under-supported;
- Review precedents for international intellectual property development and sharing in other fields and assess how lessons can be deployed in green growth innovation;
- Outline the components of a potential international initiative. This proposal would consider the balance between international cooperation and funding in support of potential networks, technology development and/or acquisition of IP; and
- Outline a series of options with criteria for their assessment.

In November 2012, GGGI and Brookings released a report entitled *Green Growth Innovation: New Pathways for International Cooperation*, which is available at ggi.org.



GGGI PROGRAMS

Public-Private Cooperation

GGGI's third main pillar is Public-Private Cooperation. This type of work often overlaps or is contained within the organization's Green Growth Planning & Implementation work. In 2012, GGGI scaled up its PPC efforts by strengthening its primary global PPC vehicle, the Global Green Growth Forum (3GF) engaging other platforms, such as the Green Growth Alliance and the World Economic Forum, and began altogether new projects in the area. This part of GGGI is still in its infancy, but it is expected to grow significantly in the near future as more and more private sector interests see the necessity for incorporating green growth.

Our Work

GGGI's Public-Private Cooperation (PPC) program is designed to facilitate the engagement of the resources and expertise of the private sector, both domestically and internationally, in the implementation of green growth strategies in its developing partner countries. GGGI works to accelerate the world economy's transition to green growth by facilitating industry-government cooperation to scale resource efficient investment, innovation and management best practice within the private sector.

GGGI's PPC program facilitates such public-private cooperation at two levels:

- Linking companies to developing country governments that are seeking private sector finance, technology and expertise to accelerate implementation of their green growth economic development plans; and
- Building intra- and cross-industry programs of cooperation, and linking them to relevant intergovernmental processes, to expand markets in developing and emerging countries for resource-efficient products, services and industrial processes.

Global Public-Private Cooperation Initiatives

1. Global Green Growth Forum (3GF)

Initiated by the Danish government with the support of Korea and Mexico and developed with the Global Green Growth Institute, 3GF is an annual event centered on public-private cooperation in the field of green growth in developing countries. Its aim is to become the leading international venue for the demonstration of leadership and cooperation by top-level global decision-makers in the field of green growth.

In 2012 the Institute played a key role in the organization and development of the second annual Global Green Growth Forum (3GF). The theme for the second 3GF was Resource Efficiency and Growth. The Forum brought together over 250 business, public and civil society leaders committed to green growth.

At 3GF 2012, GGGI developed with international partners sessions on Energy Efficiency Indicators, Energy Efficiency Finance, and Power System Transformation. These sessions were designed to serve as a springboard for two GGGI-led Public-Private Cooperation Initiatives: Resource Efficiency Indicators and Energy Efficiency, Green Growth and Buildings, which will be further developed in 2013.

2. World Economic Forum

In 2012, GGGI partnered with the World Economic Forum on green growth and climate change initiatives, specifically for work on blending public and private funds to advance new models of green growth finance. Additionally, GGGI is broadening its green growth partnerships through the WEF's engagement with the Water Resources Group and Green Growth Action Alliance.

3. Green Growth Action Alliance (G2A2)

The Green Growth Action Alliance is an initiative aimed to address the shortfall in green infrastructure investment, estimated at up to \$1 trillion per year. The Alliance looks to deploy public money to unlock and utilize private sector investment, and identify innovative financing and de-risking structures, support pilots testing new models and market frameworks, and feed results into key international processes into clean energy, transport, agriculture and other green growth investments in developing countries. The Alliance, launched at the Business 20 (B20) Summit in Los Cabos, Mexico in June 2012, is comprised of nearly 50 of the world's largest energy companies, international financial institutions, and development finance institutions.*

In 2012, GGGI joined the Green Growth Action Alliance and has been particularly focusing on the promotion of free trade in green goods and services, green financing and innovation in end user financing for renewable energy.

4. Water Resources Group (WRG)

The Water Resources Group is a unique public-private-civil society partnership that helps government water officials and other water sector specialists accelerate reforms that will ensure sustainable water resource management for the long-term development and economic growth of their country. It does so by helping to change the “political economy” for water reform in the country through convening a wide range of actors and providing water resource analysis in ways that are digestible for politicians and business leaders. A cornerstone of WRG’s work in any country is an emphasis on coordination of effort. WRG is designed to work with and through existing national water programs, platforms or expert institutions already focusing on water resource management by providing extra assistance to help build and strengthen their capacity. WRG acts as an independent entity and offers no political, partisan or national nuance to its advice.**

In 2012, GGGI was invited to be a member of the Governing Council of the Water Resources Group, and GGGI will collaborate with WRG on creating synergies in green growth in the water sector by engaging private sector actors.

5. Clean Energy Ministerial (CEM)

GGGI has joined the US National Renewable Energy Laboratories (NREL) to advance the Public-Private Leadership Forum (PPLF), a component of the overall 21st Century Power Partnership (21CPP), which aims to accelerate the transition to clean, efficient, reliable and cost-effective power systems. The 21CPP is a multilateral effort of the Clean Energy Ministerial (CEM) and serves as a platform for multilateral collaboration to advance integrated policy, regulatory, financial, and technical solutions for the large-scale deployment of renewable energy in combination with deep energy efficiency and smart grid solutions.

* Source - Fact Sheet: The Green Growth Action Alliance

** Source - The Water Resources Group: Background, Impact and the Way Forward

Corporate Engagement

GGGI is building a corporate community of industry champions in green growth.

Facilitating cooperation between the public and private sectors to strengthen the enabling environment for innovation, investment and diffusion of resource-efficient corporate practice constitutes one of the Institute's three main pillars of activity. To that end, GGGI welcomes companies of various industries and regions to engage in its industry-led and public-private work through specific projects. The Institute invites a select number of companies to help steer and resource these and other activities through membership in its Corporate Council.

GGGI's Corporate Council is an invitation-only, geographically diverse group of up to 20 the world's leading green growth corporations from different economic sectors. These are companies that share GGGI's vision and wish to help shape its ambitious strategy to advance the practice and theory of green growth through the creation of sound policy in individual countries and provinces (i.e. rigorous green growth economic development plans), a stronger foundation of empirical, policy and theoretical economic research; and bottom-up frameworks of public-private cooperation that remove impediments to the scaling of resource-efficient investment, innovation and commerce.

1. Danfoss

Danfoss, one of the biggest industry companies in Denmark is playing an active and leading role in GGGI's public-private cooperation work, including with respect to energy efficiency initiatives.

2. Vestas

Vestas Wind Systems A/S, one of the biggest Danish industrial companies as well as a global leader in the renewable energy industry has been active in discussions with policymakers regarding the need to create a more conducive enabling environment for the scaling of investment in clean energy solutions.

In this context, Vestas is contributing GGGI's Sustainable Energy Trade Agreement (SETA) research projects to support for the creation of a sectoral free trade arrangement for sustainable energy products and services that would eliminate tariffs, coordinate standards and perhaps begin to discipline domestic fossil fuel subsidies. The purpose of SETA project would be to create a tangible, positive incentive within the international trading system for the development and proliferation of low-carbon goods and services, thereby helping to accelerate progress on the mitigation of greenhouse gas emissions while promoting economic growth. Among the project partners are the Peterson Institute for International Economics (PIIE), International Center for Trade and Sustainable Development (ICTSD) and POSCO Research Institute.

3. POSCO

POSCO, one the biggest steelmakers in the world, has built an environmental management system based on ISO 14001 and announced the vision of "Global Green Growth Leader" and CO2 reduction. POSCO wishes to play an active and leading role in a sustainable global development and developing country where social responsibility, environmental climate and green growth considerations go hand in hand with sound business developments.

GGGI and POSCO aim to cooperate in promoting a transformation toward green growth economy and business in both developing and developed countries. GGGI the company advises in the areas of renewable energy development, smart grid solution development and integration, and green infrastructure.

In 2012, POSCO and GGGI began working with the Masdar Institute of Science and Technology to build a viable model of a micro-grid system in U.A.E.

International Public-Private Network

GGGI is broadening its Public-Private Cooperation partnerships with like-minded international institutions.

Japan Renewable Energy Foundation / Softbank

Japan Renewable Energy Foundation (JREF) is a public interest foundation established in Tokyo, Japan to contribute to the large-scale, urgent and efficient deployment of renewable energy technologies in Japan, Asia and the World with the support of Chairman and CEO of SoftBank, Mr. Masayoshi Son. The mission of JREF is to contribute to an economically efficient deployment of renewable energy, allowing public participation in the development and implementation of energy policies in order to improve environmental and economic performance of the energy system.

GGGI and JREF are to cooperate in joint works on policies and business models for utilization of renewable energy, and on international trade in sustainable energy, in particular the infrastructure for trade in sustainable renewable electricity in order to realize a long-term regional integration of Asian grid networks.



FINANCIAL STATEMENTS (IO-GGGI)

December 31, 2012

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Members of the Council
Global Green Growth Institute:

We have audited the accompanying statement of financial position of the Global Green Growth Institute ("IO-GGGI") as of December 31, 2012, and the related statement of comprehensive income, changes in equity and cash flows for the period from October 18, 2012 (inception) to December 31, 2012. The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IO-GGGI as of December 31, 2012 and its financial performance and its cash flows for the period from October 18, 2012 (inception) to December 31, 2012 in accordance with International Financial Reporting Standards.

KPMG Samjong Accounting Corp.

Seoul, Korea
April 24, 2013

This report is effective as of April 24, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Global Green Growth Institute
Statement of Financial Position

As of December 31, 2012

(In USD)

	Note	2012
Assets		
Cash and cash equivalents	4,5	\$ 13,665,673
Short-term financial instruments	5	700,215
Accounts receivable	5	8,197
Accrued income	5	684,399
Other current assets	12	138,420
Total current assets		15,196,904
Property and equipment, net	6	564,731
Intangible assets	7	113,691
Leasehold deposits	5	510,075
Total non-current assets		1,188,497
Total assets		16,385,401
Liabilities		
Accounts payable	5	3,311,017
Other current liabilities	12	2,337,570
Total current liabilities		5,648,587
Employee benefits	8	36,929
Total non-current liabilities		36,929
Total liabilities		5,685,516
Equity		
Retained earnings		10,699,885
Total equity		10,699,885
Total liabilities and equity	\$	16,385,401

See accompanying notes to the financial statements.

Global Green Growth Institute
Statement of Comprehensive Income

For the period from October 18, 2012 (inception) to December 31, 2012

(In USD)

	<u>Note</u>	<u>2012</u>
Revenue		
Contributions	9,10	\$ 10,724,131
Expenses		
Research and operation expenses	11	<u>18,861</u>
Operating income		<u>10,705,270</u>
Finance income	5	2,597
Finance costs	5	<u>(7,982)</u>
Profit for the period		<u><u>10,699,885</u></u>
Other comprehensive income	8	<u>-</u>
Total comprehensive income for the period		<u><u>\$ 10,699,885</u></u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statement of Changes in Equity

For the period from October 18, 2012 (inception) to December 31, 2012

<i>(In USD)</i>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at October 18, 2012	\$ -	-
Profit for the period	<u>10,699,885</u>	<u>10,699,885</u>
Total comprehensive income	<u>10,699,885</u>	<u>10,699,885</u>
Balance at December 31, 2012	\$ <u><u>10,699,885</u></u>	<u><u>10,699,885</u></u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statement of Cash Flow

For the period from October 18, 2012 (inception) to December 31, 2012

(In USD)

	2012
Cash flows from operating activities	
Profit for the period	\$ 10,699,885
Adjustments for:	
Gains on foreign currency translation, net	(5,385)
Contributions for non-profit business from devolvement	(10,307,736)
Changes in assets and liabilities:	
Accounts payable	(525,773)
Net cash used in operating activities	<u>(139,009)</u>
Cash flows from investing activities	
Net cash flows from devolvement	<u>13,749,802</u>
Net cash provided by investing activities	<u>13,749,802</u>
Cash flows from financing activities	<u>-</u>
Effects of exchange rate changes on cash and cash equivalents	<u>54,880</u>
Net increase in cash and cash equivalents	<u>13,665,673</u>
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u>\$ <u>13,665,673</u></u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

1. Reporting Entity

As the conditions provided for in Article 22 “Entry into Force” of the Agreement of the Establishment of the Global Green Growth Institute (“Agreement”) have been met with the deposit of the third instrument of ratification, acceptance, approval or accession on September 19, 2012, IO-GGGI successfully transitioned into an international treaty-based organization on October 18, 2012. The IO-GGGI is dedicated to supporting and diffusing green growth as a means to achieve the sustainable development of the international community based on partnerships between developed and developing countries, and the public and private sectors.

The National Assembly of the Republic of Korea submitted the instrument of ratification for the Agreement on November 22, 2012 and has entrusted the instrument of ratification to the IO-GGGI on November 29, 2012. IO-GGGI is located in Seoul, Korea.

As described in note 13 to the financial statements, the rights, obligations, undertaking, existing regional offices, assets and liabilities of Korean Organization GGGI (“K-GGGI”) devolved to the IO-GGGI without consideration in accordance with the Agreement on the Establishment of the Global Green Growth Institute on December 29, 2012.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(c) Functional and Presentation currencies

These financial statements are presented in US dollar, which is IO-GGGI’s functional currency of the primary economic environment in which IO-GGGI operates.

(d) Use of Estimates and Judgments

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 8 – Employee benefits
- Note 10 – Commitments and contingencies

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

3. Significant Accounting Policies

The significant accounting policies applied by IO-GGGI in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by IO-GGGI in management of its short-term commitments.

(b) Non-derivative financial assets

IO-GGGI classifies the non-derivative financial assets which are fixed or determinable payments that are not quoted in an active market as loans and receivables. IO-GGGI recognizes financial assets in the statement of financial position when IO-GGGI becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, transaction costs that are directly attributable to the asset's acquisition or issuance.

IO-GGGI derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by IO-GGGI is recognized as a separate asset or liability.

If IO-GGGI retains substantially all the risks and rewards of ownership of the transferred financial assets, IO-GGGI continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when IO-GGGI currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

3. Significant Accounting Policies, Continued

(d) Impairment of financial assets, continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. IO-GGGI can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(e) Property and Equipment

Property and equipment are measured initially at cost and after initial recognition. The cost of property and equipment includes expenditure arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which they are located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to IO-GGGI and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (years)</u>
Other property and equipment	3~5
Leasehold improvements	2

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

3. Significant Accounting Policies, Continued

(f) Intangible assets

Cost of intangible assets includes expenditure that is directly attributable to the acquisition of the assets. Intangible assets are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is assumed to be zero.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (years)</u>
Software	3

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. Changes are accounted for as changes in accounting estimates.

(g) Non-derivative financial liabilities

IO-GGGI recognizes financial liabilities in the statement of financial position when IO-GGGI becomes a party to the contractual provisions of the financial liability.

At the date of initial recognition, financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

(h) Non-derivative financial liabilities, continued

IO-GGGI derecognizes a financial liability from the statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(i) Employee benefits

The IO-GGGI's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the IO-GGGI's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The IO-GGGI recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, IO-GGGI recognizes the past service cost immediately.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

3. Significant Accounting Policies, Continued

(j) Foreign currency translation

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period are recognized in profit or loss in the period in which they arise.

(k) Revenue

IO-GGGI receives contributions and donations from the Ministry of Foreign Affairs and Trade of the Republic of Korea, Korean International Cooperation Agency, foreign government and other domestic and foreign organizations to raise funds for conducting non-profit business. Contributions and donations are recorded as revenue when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. However, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognized that are recoverable.

(l) Finance income and finance costs

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(m) Financial risk management

IO-GGGI has exposure to the currency risk from foreign currency transactions and it is equipped with policies and procedures to control financial risk.

(n) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

3. Significant Accounting Policies, Continued

(o) Income taxes, continued

Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which IO-GGGI expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

4. Cash and Cash Equivalents

(a) Cash and cash equivalents as of December 31, 2012 are summarized as follows:

<i>(In USD)</i>	2012
Checking accounts	\$ 13,665,673

(b) Cash and cash equivalents denominated in foreign currencies as of December 31, 2012 are as follows:

<i>(In thousands of won)</i>		2012	
	Foreign currency	Foreign currency	Translation into USD
Cash and cash equivalents	AED	423,730	115,363
	DKK	20,895,190	3,703,234
	EUR	154,444	204,214
	KRW	261,550,000	244,253
	USD	9,398,609	9,398,609
			<u>13,665,673</u>

5. Financial Instruments

5.1 Financial Assets and Liabilities

(a) The carrying amount and the fair value of financial instruments as of December 31, 2012 are summarized as follows:

<i>(In USD)</i>		2012	
		Carrying amount	Fair value
Financial assets:			
Cash and cash equivalents	\$	13,665,673	13,665,673
Short-term financial instruments		700,215	700,215
Accounts receivable		8,197	8,197
Accrued income		684,399	684,399
Leasehold deposits		<u>510,075</u>	<u>510,075</u>
Total financial assets	\$	<u>15,568,559</u>	<u>15,568,559</u>
Financial liabilities:			
Accounts payable	\$	<u>3,311,017</u>	<u>3,311,017</u>

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

5. Financial Instruments, Continued

- (b) Certain amounts included in short-term financial assets which are restricted in use mainly due to being provided as collateral for performance guarantees as of December 31, 2012 are as follows:

(In USD)

<u>Accounts</u>	<u>Financial instruments</u>	<u>Bank</u>	<u>Restriction</u>	<u>Amount</u>
Short-term financial assets	Fixed deposits	Shinhan Bank	Collateral for performance guarantees	\$ 700,215

- (c) Finance income

Details of finance income for the period from October 18, 2012 to December 31, 2012 are summarized as follows:

(In USD)

	<u>2012</u>
Gains on foreign currency translation	\$ 2,597

- (d) Finance costs

Details of finance costs for the period from October 18, 2012 to December 31, 2012 are summarized as follows:

(In USD)

	<u>2012</u>
Losses on foreign currency translation	\$ 7,982

6. Property and Equipment

Details of property and equipment as of December 31, 2012 are as follows:

(In USD)

	<u>2012</u>
Office equipment	\$ 466,406
Leasehold improvements	46,368
Vehicle	51,957
	<u>\$ 564,731</u>

(*) There is no change in property and equipment.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

7. Intangible Assets

Details of intangible assets as of December 31, 2012 are as follows:

<i>(In USD)</i>	<u>2012</u>
Software	\$ 113,691

(*) There is no change in intangible assets.

8. Employee Benefits

IO-GGGI operates defined benefit plans.

(a) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2012</u>
Discount rate (*)	3.58%
Rate of future salary increases	3.33%

(*) For the purpose of calculating present value of the defined benefit obligations, IO-GGGI uses the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds consistent with the currency and estimated term of the defined benefit obligations.

(b) Details of defined benefit liabilities as of December 31, 2012 are summarized as follows:

<i>(In USD)</i>	<u>2012</u>
Defined benefit obligations	
Present value of defined benefit obligations	\$ 36,929

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

9. Contributions for Non-profit Business

(a) The amounts of contributions IO-GGGI received for the period from October 18, 2012 to December 31, 2012 are as follows:

<i>(In USD)</i>	<u>2012</u>
Contributions for non-profit business	\$ 241,307
Contributions for operation	<u>10,482,824</u>
	<u>\$ 10,724,131</u>

(b) Details of contributions for non-profit business for the year ended December 31, 2012 are as follows:

<i>(In USD)</i>	<u>2012</u>
The Ministry of Foreign Affairs and Trade of the Republic of Korea	\$ 416,394
Retained Earnings from KO GGGI	<u>10,307,737</u>
	<u>\$ 10,724,131</u>

(c) On December 29, 2012, the rights, obligations, undertaking, existing regional offices and property of K-GGGI devolved to the IO-GGGI without consideration in accordance with Agreement on the Establishment of the Global Green Growth Institute which ratified by the National Assembly of the Republic of Korea on November 22, 2012. In results, the following contribution agreements had also transferred to IO-GGGI.

- i. The government of Australia represented by the Australian Agency for International Development will contribute a total amount of up to AUD 10,000,000 to support the operations until no later than March 31, 2014 in compliance with Grant Agreement number 62023 unless otherwise mutually determined by the parties in writing.
- ii. In 2011, Danfoss has signed an agreement with K-GGGI, it will make an annual financial contribution of \$200,000 for 3 years and the contributions of Danfoss are to be core funding to K-GGGI's activities as defined by its Board.
- iii. In 2011, the government of Denmark has signed an agreement to provide DKK 90,000,000 grant to K-GGGI during the period from 2011 to 2013.
- iv. In 2011, K-GGGI and POSCO have signed a Memorandum of Understanding on Green Growth Cooperation to formalize a framework of cooperation and to facilitate collaboration between K-GGGI and POSCO to promote programs, research and joint activities in areas of green growth. POSCO shall make an annual financial contribution of \$500,000 for 3 years from signing date (November 28, 2011) of MOU to contribute core funding to K-GGGI's activities as defined by its Board.
- v. In 2012, K-GGGI and Swiss Agency for Development and Cooperation ("SDC") have signed the agreement to formalize a framework of cooperation. SDC shall provide a grant of \$875,000 to K-GGGI during the period from October 1, 2012 to June 30, 2014.
- vi. K-GGGI and the United Arab Emirates Ministry of Foreign Affairs have signed a Memorandum of Understanding for Cooperation which affirms the financial support of \$5,000,000 each year to K-GGGI during the period from 2011 to 2013.
- vii. Vestas Wind System A/S will make a financial contribution of \$125,000 to K-GGGI to support the work of its Sustainable Energy Trade Agreement research project in the agreement signed on 27 October, 2011.

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

10. Commitments and Contingencies

- (a) IO-GGGI has signed a service agreement related to 'Kazakhstan National Green Growth Plan (KNGGP)' with 'European Bank for Reconstruction and Development (EBRD)'. Related to the agreement of the above, Guarantees provided by financial institute on behalf of the IO-GGGI as of December 31, 2012 are summarized as follows:

(In USD)

	Guarantor		Amount
Advance payment guarantee	Shinhan Bank	\$	262,500

- (b) IO-GGGI has received a request from KOICA on 6 February 2013 to return to KOICA the unused East Asia Climate Partnership (EACP) funds from the budget rendered from 2010 to 2012.
- (c) IO-GGGI and European Bank for Reconstruction and Development have signed a contract related to establishing a green growth plan in Kazakhstan. This service is expected to be provided from July 2011 to April 2013. Total contract fee amounts to EUR 1,500,000.
- (d) For Ethiopia and three other countries, IO-GGGI signed a contract with the Federal Minister for the Environment and Nature Conservation and Nuclear Safety located in Germany regarding the development of national green development plans. The corresponding contractual services are expected to be provided from August 2011 to June 2013. Total contract fee amounts to EUR 4,987,500.
- (e) In 2012, IO-GGGI has signed a service agreement related to 'Accountable Grant Arrangement for Climate Resilient Economy Strategy' with the Department for International Development (DFID) located in the United Kingdom. This service is expected to be provided from January 2012 to March 2013, total contract fee amounts to GBP 900,000.
- (f) In 2012, IO-GGGI has signed a service agreement related to 'Indonesia Country Program' with the Norwegian Ministry of Foreign Affairs (the Ministry) located in Norway. The planned project period is from October 2012 to December 2014 and this service is expected to be provided from December 2012 to December 2014. Total contract fee amounts to NOK 35,600,000.

11. Research and Operating Expenses

Details of research and operation expense for the period from October 18, 2012 to December 31, 2012 are as follows:

(In USD)

	2012
Retirement benefit costs	\$ 2,055
Outsourcing cost	12,152
Transportation	66
Commissions and fees	3,889
Communication expenses	390
Repairs and maintenance expenses	309
	\$ 18,861

Global Green Growth Institute
Notes to the Financial Statements

Period from October 18, 2012 (inception) to December 31, 2012

12. Other current assets and other current liabilities

(a) Other current assets as of December 31, 2012 are summarized as follows:

<i>(In USD)</i>	<u>2012</u>
Advance payments	\$ 66,918
Prepaid expenses	59,043
Prepaid income taxes	12,459
	<u>\$ 138,420</u>

(b) Other current liabilities as of December 31, 2012 are summarized as follows:

<i>(In USD)</i>	<u>2012</u>
Prepaid income	\$ 2,278,672
Withholdings	58,898
	<u>\$ 2,337,570</u>

13. Comprehensive acquisition

The rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI devolved to the IO-GGGI without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute" on December 29, 2012. However, K-GGGI is required to retain basic properties until K-GGGI is dissolved in accordance with the Articles of Corporation. Therefore, the basic properties amounts to ₩500 million will be devolved to IO-GGGI upon K-GGGI's dissolution.

Transferred assets and liabilities to IO-GGGI at fair value as of December 29, 2012 is as follows:

<i>(In USD)</i>	<u>Amount</u>
Assets	
Current assets	\$ 15,325,895
Non-current assets	1,187,903
	<u>\$ 16,513,798</u>
Liabilities	
Current liabilities	\$ 5,810,291
Non-current liabilities	395,771
	<u>\$ 6,206,062</u>



FINANCIAL STATEMENTS (K-GGGI)

December 31, 2012 and 2011

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors
Global Green Growth Institute:

We have audited the accompanying statements of financial position of the Global Green Growth Institute ("K-GGGI") as of December 31, 2012 and 2011, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended. The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of K-GGGI as of December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The accompanying financial statements as of and for the years ended December 31, 2012 and 2011 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the financial statements expressed in Korean won have been translated into dollars on the basis set forth in note 2 to the financial statements.

Without qualifying our opinion, we draw attention to the following:

As described in note 14 to the the financial statements, the rights, obligations, undertakings, existing regional offices, assets and liabilities of the K-GGGI devolved to the International Organization GGGI ("IO-GGGI") without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute."



Seoul, Korea
April 24, 2013

This report is effective as of April 24, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Global Green Growth Institute
Statements of Financial Position

As of December 31, 2012 and 2011

(In Korean won and USD)

	Note	2012	2011	2012	2011
Assets					
Cash and cash equivalents	4,5 ₩	261,550,000	13,225,942,457	\$ 244,188	12,348,000
Short-term financial instruments	5	-	750,000,000	-	700,215
Accounts receivable	5	-	1,650,000	-	1,540
Accrued income		-	420,117,635	-	392,230
Advance payments		-	49,685,000	-	46,387
Prepaid expenses		-	90,929,658	-	84,894
Prepaid value added tax		-	1,343,543	-	1,254
Total current assets		<u>261,550,000</u>	<u>14,539,668,293</u>	<u>244,188</u>	<u>13,574,520</u>
Property and equipment, net	6	-	1,570,462,227	-	1,466,214
Intangible assets	7	-	13,765,662	-	12,852
Leasehold deposits	5	238,450,000	827,885,410	222,622	772,930
Total non-current assets		<u>238,450,000</u>	<u>2,412,113,299</u>	<u>222,622</u>	<u>2,251,996</u>
Total assets		<u>500,000,000</u>	<u>16,951,781,592</u>	<u>466,810</u>	<u>15,826,516</u>
Liabilities					
Accounts payable	5	-	6,659,129,979	-	6,217,095
Withholdings		-	72,064,271	-	67,280
Total current liabilities		<u>-</u>	<u>6,731,194,250</u>	<u>-</u>	<u>6,284,375</u>
Employee benefits	8	-	179,788,512	-	167,854
Total non-current liabilities		<u>-</u>	<u>179,788,512</u>	<u>-</u>	<u>167,854</u>
Total liabilities		<u>-</u>	<u>6,910,982,762</u>	<u>-</u>	<u>6,452,229</u>
Equity					
Basic properties	1	500,000,000	500,000,000	466,810	466,810
Retained earnings		-	9,540,798,830	-	8,907,477
Total equity		<u>500,000,000</u>	<u>10,040,798,830</u>	<u>466,810</u>	<u>9,374,287</u>
Total liabilities and equity	₩	<u>500,000,000</u>	<u>16,951,781,592</u>	\$ <u>466,810</u>	<u>15,826,516</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

(In Korean won and USD)

	Note	2012	2011	2012	2011
Revenue					
Contributions	9	₩ 26,851,086,023	20,818,200,000	\$ 25,068,701	19,436,280
Other revenue	11	2,311,696,601	420,117,635	2,158,245	392,230
		<u>29,162,782,624</u>	<u>21,238,317,635</u>	<u>27,226,946</u>	<u>19,828,510</u>
Expenses					
Research and operation expenses	12, 13	24,627,438,904	14,868,889,933	22,992,661	13,881,888
Other expenses	13	2,311,696,601	420,117,635	2,158,245	392,230
		<u>26,939,135,505</u>	<u>15,289,007,568</u>	<u>25,150,906</u>	<u>14,274,118</u>
Operating income		<u>2,223,647,119</u>	<u>5,949,310,067</u>	<u>2,076,040</u>	<u>5,554,392</u>
Finance income	5	203,228,660	549,899,511	189,738	513,397
Finance costs	5	(944,111,774)	(147,113,793)	(881,441)	(137,348)
Donations from devolvement		(11,055,048,168)	-	(10,321,210)	-
Other non-operating income (loss)		31,485,333	54,476	29,396	51
Profit for the year		<u>(9,540,798,830)</u>	<u>6,352,150,261</u>	<u>(8,907,477)</u>	<u>5,930,492</u>
Other comprehensive income	8	-	(242,295)	-	(226)
Total comprehensive income (loss) for the year		<u>₩ (9,540,798,830)</u>	<u>6,351,907,966</u>	<u>\$ (8,907,477)</u>	<u>5,930,266</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

(In Korean won)

	<u>Basic properties</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at January 1, 2011	₩ 500,000,000	3,188,890,864	3,688,890,864
Profit for the year	-	6,352,150,261	6,352,150,261
Defined benefit plan actuarial loss	-	(242,295)	(242,295)
Total comprehensive income	-	6,351,907,966	6,351,907,966
Balance at December 31, 2011	₩ <u>500,000,000</u>	<u>9,540,798,830</u>	<u>10,040,798,830</u>
Balance at January 1, 2012	₩ 500,000,000	9,540,798,830	10,040,798,830
Loss for the year	-	(9,540,798,830)	(9,540,798,830)
Total comprehensive loss	-	(9,540,798,830)	(9,540,798,830)
Balance at December 31, 2012	₩ <u>500,000,000</u>	<u>-</u>	<u>500,000,000</u>

(In USD)

	<u>Basic properties</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at January 1, 2011	\$ 466,810	2,977,211	3,444,021
Profit for the year	-	5,930,492	5,930,492
Defined benefit plan actuarial loss	-	(226)	(226)
Total comprehensive income	-	5,930,266	5,930,266
Balance at December 31, 2011	\$ <u>466,810</u>	<u>8,907,477</u>	<u>9,374,287</u>
Balance at January 1, 2012	\$ 466,810	8,907,477	9,374,287
Loss for the year	-	(8,907,477)	(8,907,477)
Total comprehensive loss	-	(8,907,477)	(8,907,477)
Balance at December 31, 2012	\$ <u>466,810</u>	<u>-</u>	<u>466,810</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Statements of Cash Flow

For the years ended December 31, 2012 and 2011

(In Korean won and USD)

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities				
Profit (loss) for the year	₩ (9,540,798,830)	6,352,150,261	\$ (8,907,477)	5,930,492
Adjustments for:				
Retirement benefit costs	265,639,836	152,620,681	248,007	142,490
Losses (gains) on foreign currency translation, net	604,082,892	(119,988,124)	563,984	(112,023)
Rental expenses	40,523,885	30,351,336	37,834	28,337
Depreciation	1,102,915,808	1,032,589,769	1,029,704	964,046
Amortization	30,990,155	3,318,713	28,933	3,098
Interest income	(135,917,537)	(131,266,431)	(126,895)	(122,553)
Donations from devolvement	11,055,048,168	-	10,321,211	-
Others	957,600	-	892	-
Changes in assets and liabilities:				
Accounts receivable	(7,130,120)	43,824,390	(6,657)	40,915
Accrued income	(312,942,038)	(420,117,635)	(292,169)	(392,230)
Advance payments	(71,149,597)	(49,685,000)	(66,427)	(46,387)
Prepaid expenses	29,302,704	(38,426,132)	27,358	(35,875)
Prepaid income	2,443,876,017	-	2,281,650	-
Prepaid value added tax	2,122,473	(1,343,543)	1,982	(1,254)
Accounts payable	(2,925,765,917)	882,697,824	(2,731,553)	824,104
Withholdings	(8,995,821)	(22,036,419)	(8,399)	(20,574)
Payment of retirement and severance benefits	(20,964,849)	(5,503,561)	(19,573)	(5,138)
Interest received	95,448,019	101,009,158	89,112	94,304
Net cash provided by operating activities	<u>2,647,242,848</u>	<u>7,810,195,287</u>	<u>2,471,517</u>	<u>7,291,752</u>
Cash flows from investing activities				
Decrease in leasehold deposits	80,000,000	1,411,280	74,690	1,318
Proceeds from sale of property and equipment	600,000	-	560	-
Increase in short-term financial instruments	-	(750,000,000)	-	(700,215)
Increases in leasehold deposits	(56,730,955)	(355,346,751)	(52,965)	(331,759)
Acquisition of property and equipment	(139,685,378)	(1,000,307,005)	(130,413)	(933,906)
Acquisition of intangible assets	(139,158,180)	(13,345,200)	(129,921)	(12,459)
Payment for devolvement of assets and liabilities	(14,746,663,121)	-	(13,767,774)	-
Net cash used in investing activities	<u>(15,001,637,634)</u>	<u>(2,117,587,676)</u>	<u>(14,005,823)</u>	<u>(1,977,021)</u>
Cash flows from financing activities	-	-	-	-
Effects of exchange rate changes on cash and cash equivalents	<u>(609,997,671)</u>	<u>133,279,989</u>	<u>(569,506)</u>	<u>124,432</u>
Net increase (decrease) in cash and cash equivalents	<u>(12,964,392,457)</u>	<u>5,825,887,600</u>	<u>(12,103,812)</u>	<u>5,439,163</u>
Cash and cash equivalents at beginning of year	<u>13,225,942,457</u>	<u>7,400,054,857</u>	<u>12,348,000</u>	<u>6,908,837</u>
Cash and cash equivalents at end of year	<u>₩ 261,550,000</u>	<u>13,225,942,457</u>	<u>\$ 244,188</u>	<u>12,348,000</u>

See accompanying notes to the financial statements.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

1. Reporting Entity

Founded in May 14, 2010 with the approval of the Ministry of Foreign Affairs and Trade of the Republic of Korea, the Global Green Growth institute ("K-GGGI") aims to assist developing countries in the design and implementation of green growth strategies, and to disseminate green growth globally.

K-GGGI was officially launched on June 16, 2010, as a non-profit foundation with ₩500 million contributed by the Korea International Cooperation Agency (KOICA).

As described in note 14 to the financial statements, the rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI devolved to the IO-GGGI without consideration in accordance with the Agreement on the Establishment of the Global Green Growth Institute on December 29, 2012.

2. Basis of Preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(c) Functional and presentation currencies

These financial statements are presented in Korean won, which is K-GGGI's functional currency of the primary economic environment in which K-GGGI operates.

(d) Use of estimates and judgments

The preparation of the financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 8 – Employee benefits
- Note 10 – Income tax
- Note 11 – Other revenue

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies

The significant accounting policies applied by K-GGGI in preparation of its financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are used by K-GGGI in management of its short-term commitments.

(b) Non-derivative financial assets

GGGI classifies the non-derivative financial assets which are fixed or determinable payments that are not quoted in an active market as loans and receivables. K-GGGI recognizes financial assets in the statement of financial position when K-GGGI becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, transaction costs that are directly attributable to the asset's acquisition or issuance.

K-GGGI derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by K-GGGI is recognized as a separate asset or liability.

If K-GGGI retains substantially all the risks and rewards of ownership of the transferred financial assets, K-GGGI continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when K-GGGI currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(d) Impairment of financial assets, continued

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. K-GGGI can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(e) Property and equipment

Property and equipment are measured initially at cost and after initial recognition. The cost of property and equipment includes expenditure arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for them to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which they are located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to K-GGGI and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (years)</u>
Other property and equipment	3~5
Leasehold improvements	2

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(f) Intangible assets

Cost of intangible assets includes expenditure that is directly attributable to the acquisition of the assets. Intangible assets are amortized on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is assumed to be zero.

The estimated useful lives for the current period are as follows:

	<u>Useful lives (years)</u>
Software	3

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. Changes are accounted for as changes in accounting estimates.

(g) Non-derivative financial liabilities

K-GGGI recognizes financial liabilities in the statement of financial position when K-GGGI becomes a party to the contractual provisions of the financial liability.

At the date of initial recognition, financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

K-GGGI derecognizes a financial liability from the statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(h) Employee benefits

The K-GGGI's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method.

The discount rate is the yield at the reporting date on high-quality corporate bonds that have maturity dates approximating the terms of the K-GGGI's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The K-GGGI recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, K-GGGI recognizes the past service cost immediately.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(i) Foreign currency translation

Foreign currency transactions are initially recorded using the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of each reporting period, foreign currency monetary items are translated using the closing rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period are recognized in profit or loss in the period in which they arise.

(j) Revenue

K-GGGI receives contributions and donations from the Ministry of Foreign Affairs and Trade of the Republic of Korea, Korean International Cooperation Agency, foreign government and other domestic and foreign organizations to raise funds for conducting non-profit business. Contributions and donations are recorded as revenue when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. However, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognized that are recoverable.

(k) Finance income and finance costs

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(l) Reserve fund for essential business

In Korea, non-profit organizations are not subject to income taxes when they operate their business. For tax purposes, however, K-GGGI is required to appropriate from retained earnings an amount equal to interest income recognized on a cash basis. The appropriation of retained earnings is reversed when the amount is used for the specified business purposes designated by laws and regulations.

(m) Financial risk management

K-GGGI has exposure to the currency risk from foreign currency transactions and it is equipped with policies and procedures to control financial risk.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(n) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which K-GGGI expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

4. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2012 and 2011 are summarized as follows:

(In Korean won and USD)

		2012	2011		2012	2011
Checking accounts	₩	261,550,000	13,225,942,457	\$	244,188	12,348,000

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

5. Financial Instruments

- (a) The carrying amount and the fair value of financial instruments as of December 31, 2012 are summarized as follows:

(In Korean won and USD)

	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount(*)</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	₩ 261,550,000	261,550,000	\$ 244,188	244,188
Leasehold deposits (*)	<u>238,450,000</u>	<u>238,450,000</u>	<u>222,622</u>	<u>222,622</u>
Total financial assets	₩ 500,000,000	500,000,000	\$ 466,810	466,810

(*)Interest rate used to discount estimated cash flows to calculate initial carrying amount of leasehold deposits are 5.87%.

- (b) The carrying amount and the fair value of financial instruments as of December 31, 2011 are summarized as follows:

(In Korean won and USD)

	<u>Carrying amount(*)</u>	<u>Fair value</u>	<u>Carrying amount(*)</u>	<u>Fair value</u>
Financial assets:				
Cash and cash equivalents	₩ 13,225,942,457	13,225,942,457	\$ 12,348,000	12,348,000
Short-term financial instruments	750,000,000	750,000,000	700,215	700,215
Accounts receivable	1,650,000	1,650,000	1,540	1,540
Accrued income	420,117,635	420,117,635	392,230	392,230
Leasehold deposits (*)	<u>827,885,410</u>	<u>827,885,410</u>	<u>772,930</u>	<u>772,930</u>
Total financial assets	₩ 15,225,595,502	15,225,595,502	\$ 14,214,915	14,214,915
Financial liabilities:				
Accounts payable	<u>₩ 6,659,129,979</u>	<u>6,659,129,979</u>	<u>6,217,095</u>	<u>6,217,095</u>

(*) Interest rate used to discount estimated cash flows to calculate initial carrying amount of leasehold deposits are 5.87% in 2012 and 6.00% in 2011, respectively.

- (c) Finance income

Details of finance income for the years ended December 31, 2012 and 2011 are summarized as follows:

(In Korean won and USD)

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Interest income	₩ 135,917,537	131,266,431	\$ 126,895	122,553
Gains on foreign currency translation	17,139,718	163,954,111	16,002	153,071
Gains on foreign currency transaction	<u>50,171,405</u>	<u>254,678,969</u>	<u>46,841</u>	<u>237,773</u>
Total financial assets	₩ 203,228,660	549,899,511	\$ 189,738	513,397

(*) Interest income, recognized as a result of a change in the present value of financial assets is ₩40,470 thousand (\$37,784) and ₩30,257 thousand (\$28,249), respectively, for the years ended December 31, 2012 and 2011.

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

5. Financial Instruments, Continued

(d) Finance costs

Details of finance costs for the years ended December 31, 2012 and 2011 are summarized as follows:

<i>(In Korean won and USD)</i>		2012	2011		2012	2011
Losses on foreign currency translation	₩	621,222,610	43,965,987	\$	579,986	41,048
Losses on foreign currency transaction		<u>322,889,164</u>	<u>103,147,806</u>		<u>301,455</u>	<u>96,300</u>
Total financial assets	₩	<u>944,111,774</u>	<u>147,113,793</u>	\$	<u>881,441</u>	<u>137,348</u>

6. Property and Equipment

(a) Changes in property and equipment for the year ended December 31, 2012 are as follows:

<i>(In Korean won)</i>		January 1, 2012	Acquisition	Disposals	Depreciation	Decreased by develvement	December 31, 2012
Office equipment	₩	645,594,401	78,156,011	(1,557,600)	(221,972,554)	(500,220,258)	-
Leasehold improvements		924,867,826	1,243,000	-	(876,380,704)	(49,730,122)	-
Vehicle		<u>-</u>	<u>60,286,367</u>	<u>-</u>	<u>(4,562,550)</u>	<u>(55,723,817)</u>	<u>-</u>
	₩	<u>1,570,462,227</u>	<u>139,685,378</u>	<u>(1,557,600)</u>	<u>(1,102,915,808)</u>	<u>(605,674,197)</u>	<u>-</u>

<i>(In USD)</i>		January 1, 2012	Acquisition	Disposals	Depreciation	Decreased by develvement	December 31, 2012
Office equipment	\$	602,739	72,968	(1,454)	(207,238)	(467,015)	-
Leasehold improvements		863,475	1,160	-	(818,206)	(46,429)	-
Vehicle		<u>-</u>	<u>56,285</u>	<u>-</u>	<u>(4,260)</u>	<u>(52,025)</u>	<u>-</u>
	\$	<u>1,466,214</u>	<u>130,413</u>	<u>(1,454)</u>	<u>(1,029,704)</u>	<u>(565,469)</u>	<u>-</u>

Global Green Growth Institute
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For the years ended December 31, 2012 and 2011

6. Property and Equipment, Continued

(b) Changes in property and equipment for the year ended December 31, 2011 are as follows:

<i>(In Korean won)</i>		January 1, 2011	Acquisition	Depreciation	December 31, 2011
Office equipment	₩	286,038,116	508,549,155	(148,992,870)	645,594,401
Leasehold improvements		<u>1,316,706,875</u>	<u>491,757,850</u>	<u>(883,596,899)</u>	<u>924,867,826</u>
	₩	<u>1,602,744,991</u>	<u>1,000,307,005</u>	<u>(1,032,589,769)</u>	<u>1,570,462,227</u>

<i>(In USD)</i>		January 1, 2011	Acquisition	Depreciation	December 31, 2011
Office equipment	\$	267,051	474,791	(139,103)	602,739
Leasehold improvements		<u>1,229,303</u>	<u>459,115</u>	<u>(824,943)</u>	<u>863,475</u>
	\$	<u>1,496,354</u>	<u>933,906</u>	<u>(964,046)</u>	<u>1,466,214</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

7. Intangible Assets

(a) Changes in intangible assets for the year ended December 31, 2012 are as follows:

<i>(In Korean won and USD)</i>		<u>Software</u>	<u>Software</u>
Balance at January 1, 2012	₩	13,765,662	\$ 12,852
Acquisition		139,158,180	129,921
Amortization		(30,990,155)	(28,933)
Decrease by devolvement		(121,933,687)	(113,840)
Balance as of December 31, 2012	₩	<u>-</u>	<u>\$ -</u>

(b) Changes in intangible assets for the year ended December 31, 2011 are as follows:

<i>(In Korean won and USD)</i>		<u>Software</u>	<u>Software</u>
Balance at January 1, 2011	₩	3,739,175	\$ 3,491
Acquisition		13,345,200	12,459
Amortization		(3,318,713)	(3,098)
Balance as of December 31, 2011	₩	<u>13,765,662</u>	<u>\$ 12,852</u>

8. Employee Benefits

K-GGGI operates defined benefit plans.

(a) Actuarial assumptions
 Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2012</u>	<u>2011</u>
Discount rate (*)	3.58%	4.39%
Rate of future salary increases	3.33%	3.27%

(*) For the purpose of calculating present value of the defined benefit obligations, K-GGGI uses the discount rate determined by reference to market yields at the end of the reporting period on high quality corporate bonds consistent with the currency and estimated term of the defined benefit obligations.

(b) Details of defined benefit liabilities as of December 31, 2012 and 2011 are summarized as follows:

<i>(In Korean won and USD)</i>		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Defined benefit obligations					
Present value of defined benefit obligations	₩	-	179,788,512	\$	- 167,854

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

8. Employee Benefits, Continued

(c) Changes in defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Beginning balance	₩ 179,788,512	32,429,097	\$ 167,854	30,276
Current service costs	261,326,297	150,142,381	243,979	140,176
Interest costs	4,313,539	2,478,300	4,028	2,314
Benefit paid	(20,964,849)	(5,503,561)	(19,573)	(5,138)
Actuarial loss	-	242,295	-	226
Decrease by devolvement	<u>(424,463,499)</u>	<u>-</u>	<u>(396,288)</u>	<u>-</u>
Ending balance	₩ <u>-</u>	<u>179,788,512</u>	\$ <u>-</u>	<u>167,854</u>

(d) The components of retirement benefit costs for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current service costs	₩ 261,326,297	150,142,381	\$ 243,979	140,176
Interest costs	<u>4,313,539</u>	<u>2,478,300</u>	<u>4,028</u>	<u>2,314</u>
Total	₩ <u>265,639,836</u>	<u>152,620,681</u>	\$ <u>248,007</u>	<u>142,490</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

9. Contributions for Non-profit Business

- (a) The amounts of contributions K-GGGI received for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Contributions for non-profit business	₩ 9,889,596,250	6,000,000,000	\$ 9,233,121	5,601,718
Contributions for operation	<u>16,961,489,773</u>	<u>14,818,200,000</u>	<u>15,835,580</u>	<u>13,834,562</u>
	<u>₩ 26,851,086,023</u>	<u>20,818,200,000</u>	<u>\$ 25,068,701</u>	<u>19,436,280</u>

- (b) Details of contributions for non-profit business for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
The Government of Australia	₩ 5,801,877,531	-	\$ 5,416,747	-
Danfoss	224,540,000	-	209,635	-
The Government of Denmark	5,648,700,000	6,311,000,000	5,273,737	5,892,074
The Government of Japan	-	1,128,300,000	-	1,053,403
The Ministry of Foreign Affairs and Trade of The Republic of Korea	9,942,000,000	11,800,000,000	9,282,046	11,016,712
POSCO	588,600,000	-	549,529	-
Swiss Agency for Development and Cooperation SDC	468,912,242	-	437,786	-
The United Arab Emirates Ministry of Foreign Affairs	4,105,500,000	1,578,900,000	3,832,975	1,474,091
VESTAS Wind System A/S	<u>70,956,250</u>	<u>-</u>	<u>66,246</u>	<u>-</u>
	<u>₩ 26,851,086,023</u>	<u>20,818,200,000</u>	<u>\$ 25,068,701</u>	<u>19,436,280</u>

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

9. Contributions for Non-profit Business, Continued

- i. The government of Australia represented by the Australian Agency for International Development ("AusAID") will contribute a total amount of up to AUD 10,000,000 in compliance with Grant Agreement number 62023 in 2012 to support the operations until no later than March 31, 2014 unless otherwise mutually determined by the parties in writing. AusAID has paid the first tranche amounts to ₩5,801,878 thousand (AUD 5,416,747) in 2012.
- ii. In 2011, Danfoss has signed an agreement with K-GGGI, it will make an annual financial contribution of \$200,000 for 3 years and the contributions of Danfoss are to be core funding to K-GGGI's activities as defined by its Board. The first contribution amounts to ₩224,540 thousand (\$209,635) was disbursed in 2012.
- iii. In 2011, the government of Denmark has signed an agreement to provide DKK 90,000,000 grant to K-GGGI during the period from 2011 to 2013. The first installment amounts to ₩6,311,000 thousand (\$5,892,074) was disbursed in 2011 and the second disbursement of ₩5,648,700 thousand (\$5,273,737) was disbursed in 2012.
- iv. The Embassy of Japan has paid ₩1,128,300,000 (\$1,053,403) to K-GGGI for the execution of K-GGGI's country projects pursuant to the Note Verbale No. E-20, dated February 21, 2011 between K-GGGI and the Embassy of Japan in Korea.
- v. The Ministry of Foreign Affairs and Trade ("MOFAT") of the Republic of Korea has provided ₩9,942,000 thousand (\$9,282,046) in 2012 and ₩11,800,000 thousand (\$11,016,712) in 2011 for the operation of the K-GGGI in compliance with Memorandum of Understanding on Cooperation between K-GGGI and MOFAT of the Republic of Korea.
- vi. In 2011, K-GGGI and POSCO have signed a Memorandum of Understanding on Green Growth Cooperation to formalize a framework of cooperation and to facilitate collaboration between K-GGGI and POSCO to promote programs, research and joint activities in areas of green growth. POSCO shall make an annual financial contribution of \$500,000 for 3 years from signing date (November 28, 2011) of MOU to contribute core funding to K-GGGI's activities as defined by its Board. The first tranche amounts to ₩588,600 thousand (\$549,529) was disbursed in 2012.
- vii. In 2012, K-GGGI and Swiss Agency for Development and Cooperation ("SDC") have signed the agreement to formalize a framework of cooperation. SDC shall provide a grant of \$875,000 to K-GGGI during the period from October 1, 2012 to June 30, 2014. The first tranche amounts to ₩468,912 thousand (\$437,786) was disbursed in 2012.
- viii. In 2011, K-GGGI and the United Arab Emirates Ministry of Foreign Affairs have signed a Memorandum of Understanding for Cooperation which affirms the financial support of \$5,000,000 each year to K-GGGI during the period from 2011 to 2013. The United Arab Emirates Ministry of Foreign Affairs has granted ₩4,105,500 thousand (\$3,832,975) in 2012 and ₩1,578,900 thousand (\$1,474,091) in 2011 to K-GGGI.
- ix. Vestas Wind System A/S will make a financial contribution of \$125,000 to K-GGGI to support the work of its Sustainable Energy Trade Agreement research project in the agreement signed on 27 October, 2011. Vestas Wind System A/S has disbursed ₩70,956 thousand (\$66,246) in 2012 in compliance with the agreement between K-GGGI and Vestas Wind Systems A/S.

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For the years ended December 31, 2012 and 2011

10. Income Tax

The provision for income taxes calculated using the nominal tax rates differs from the actual provision for the years ended December 31, 2012 and 2011 for the following reasons:

<i>(In Korean won and USD)</i>	2012	2011	2012	2011
Profit (loss) before income tax	₩ (9,540,798,830)	6,352,150,261	\$ (8,907,477)	5,930,492
Addition (deduction) of income from non-profit business (*)	9,676,716,367	(6,220,883,830)	9,034,372	(5,807,939)
Income from profit making business before income taxes	135,917,537	131,266,431	126,895	122,553
Normal tax rate	11%	11%	11.0%	11.0%
Expense for income taxes at normal tax rate	14,950,929	14,439,307	13,958	13,481
Adjustment:				
Tax effects of permanent differences	<u>(14,950,929)</u>	<u>(14,439,307)</u>	<u>(13,958)</u>	<u>(13,481)</u>
Income tax expense	₩ <u>-</u>	-	\$ <u>-</u>	-

(*) Income from non-profit business is not subject to income taxes under Korean Tax Law.

11. Other Revenue

- (a) K-GGGI and European Bank for Reconstruction and Development have signed a contract related to establishing a green growth plan in Kazakhstan. This service is expected to be provided from July 2011 to April 2013. Total contract fee amounts to ₩2,241,150 thousand (EUR 1,500,000), and K-GGGI recognized ₩905,185 thousand (\$ 845,098) as revenue in 2012.
- (b) For Ethiopia and three other countries, K-GGGI signed a contract with the Federal Minister for the Environment and Nature Conservation and Nuclear Safety located in Germany regarding the development of national green development plans. The corresponding contractual services are expected to be provided from August 2011 to June 2013. Total contract fee amounts to ₩7,451,823 thousand (EUR 4,987,500), and K-GGGI recognized ₩552,473 thousand (\$515,800) as revenue in 2012.
- (c) In 2012, K-GGGI has signed a service agreement related to 'Accountable Grant Arrangement for Climate Resilient Economy Strategy' with The Department for International Development (DFID) located in the United Kingdom. This service is expected to be provided from January 2012 to March 2013, total contract fee amounts to ₩1,554,390 thousand (GBP 900,000), and K-GGGI recognized ₩854,038 thousand (\$ 545,270) as revenue in 2012.
- (d) In 2012, K-GGGI has signed a service agreement related to 'Indonesia Country Program' with the Norwegian Ministry of Foreign Affairs (the Ministry) located in Norway. The planned project period is from October 2012 to December 2014 and this service is expected to be provided from December 2012 to December 2014. Total contract fee amounts to ₩ 6,825,232 thousand (NOK 35,600,000), and no revenue was recognized in 2012.

Global Green Growth Institute
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For the years ended December 31, 2012 and 2011

12. Research and Operating Expenses

Details of research and operation expense for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	2012	2011	2012	2011
Salaries	₩ 4,387,508,134	2,774,599,753	\$ 4,096,264	2,590,421
Retirement benefit costs	265,639,836	155,820,681	248,007	145,477
Other employee benefit	56,752,076	141,647,062	52,985	132,244
Travel expenses	1,617,231,673	1,029,032,516	1,509,879	960,725
Rental expenses	1,987,828,864	1,228,526,383	1,855,876	1,146,976
Outsourcing cost	11,939,010,282	7,099,043,011	11,146,494	6,627,807
Public expenses and taxes	15,226,556	2,797,703	14,216	2,612
Commissions and fees	413,516,083	543,370,297	386,067	507,301
Depreciation	1,102,915,808	1,032,589,769	1,029,704	964,046
Amortization of intangible assets	30,990,155	3,318,713	28,933	3,098
Training expenses	37,338,085	701,880	34,860	655
Communication expenses	173,462,849	141,617,360	161,948	132,217
Repairs and maintenance expenses	13,620,000	20,719,380	12,716	19,344
Vehicles maintenance expenses	14,401,515	29,145,746	13,446	27,211
Supplies expenses	86,314,787	68,611,081	80,585	64,057
Insurance fee	265,132,944	11,986,661	247,533	11,191
Advertising and publication expense	212,208,485	172,326,524	198,122	160,887
Membership fee	1,526,930	94,946,075	1,426	88,644
Conference expenses	2,006,813,842	318,089,338	1,873,600	296,975
Total	₩ 24,627,438,904	14,868,889,933	\$ 22,992,661	13,881,888

Global Green Growth Institute
Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

13. Classification of Expenses by Nature

Details of expenses by nature for the years ended December 31, 2012 and 2011 are as follows:

<i>(In Korean won and USD)</i>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Employee benefits	₩ 5,275,771,025	3,139,286,382	\$ 4,925,563	2,930,899
Depreciation & amortization	1,133,905,963	1,035,908,482	1,058,637	967,145
Advertising and publication expense	212,208,485	172,326,524	198,122	160,887
Travel expenses	1,900,966,584	1,113,716,112	1,774,780	1,039,787
Outsourcing cost, etc	13,783,286,148	7,048,147,392	12,868,347	6,580,289
Rental expenses	1,990,344,426	1,228,526,383	1,858,225	1,146,976
Conference expenses	2,018,086,612	318,089,338	1,884,125	296,974
Other	<u>624,566,262</u>	<u>1,233,006,955</u>	<u>583,107</u>	<u>1,151,161</u>
Total	₩ <u>26,939,135,505</u>	<u>15,289,007,568</u>	\$ <u>25,150,906</u>	<u>14,274,118</u>

14. Devolvement

On December 29, 2012, the rights, obligations, undertaking, existing regional offices, assets and liabilities of K-GGGI devolved to the IO-GGGI without consideration in accordance with "Agreement on the Establishment of the Global Green Growth Institute" which ratified by the National Assembly of the Republic of Korea on November 22, 2012. However, K-GGGI is required to retain basic properties until K-GGGI is dissolved in accordance with the Articles of Corporation. Therefore, the basic properties amounting to ₩500 million (\$466,810) will be devolved to IO-GGGI upon K-GGGI's dissolution.

Devolvement of assets and liabilities as of December 29, 2012 is as follows:

<i>(In Korean won and USD)</i>	<u>Amount</u>	<u>Amount</u>
Assets		
Current assets	₩ 16,437,022,341	\$ 15,325,895
Non-current assets	<u>1,274,026,867</u>	<u>1,187,903</u>
Total	<u>17,711,049,208</u>	<u>16,513,798</u>
Liabilities		
Current liabilities	6,231,537,541	5,810,291
Non-current liabilities	<u>424,463,499</u>	<u>395,771</u>
Total	₩ <u>6,656,001,040</u>	\$ <u>6,206,062</u>



Global
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