

**Danish Ministry of Foreign Affairs  
Technical Advisory Services**

**Support to Global Green Growth Institute  
Appraisal Note**

**February 2011**

# 1. Background

Green economy and green growth has emerged over the past couple of years as an important global concept in relation to the coinciding economic crisis (and food and oil crisis) and climate changes. The crisis made it evident that the current global business-as-usual economic development needed an overhaul. The calls for a greener economy and growth, which provides economic, as well as social and environmental benefits, has been voiced from the traditional environmental think tanks, NGOs, and international organizations, but also from OECD, G20 governments, and from the private sector.

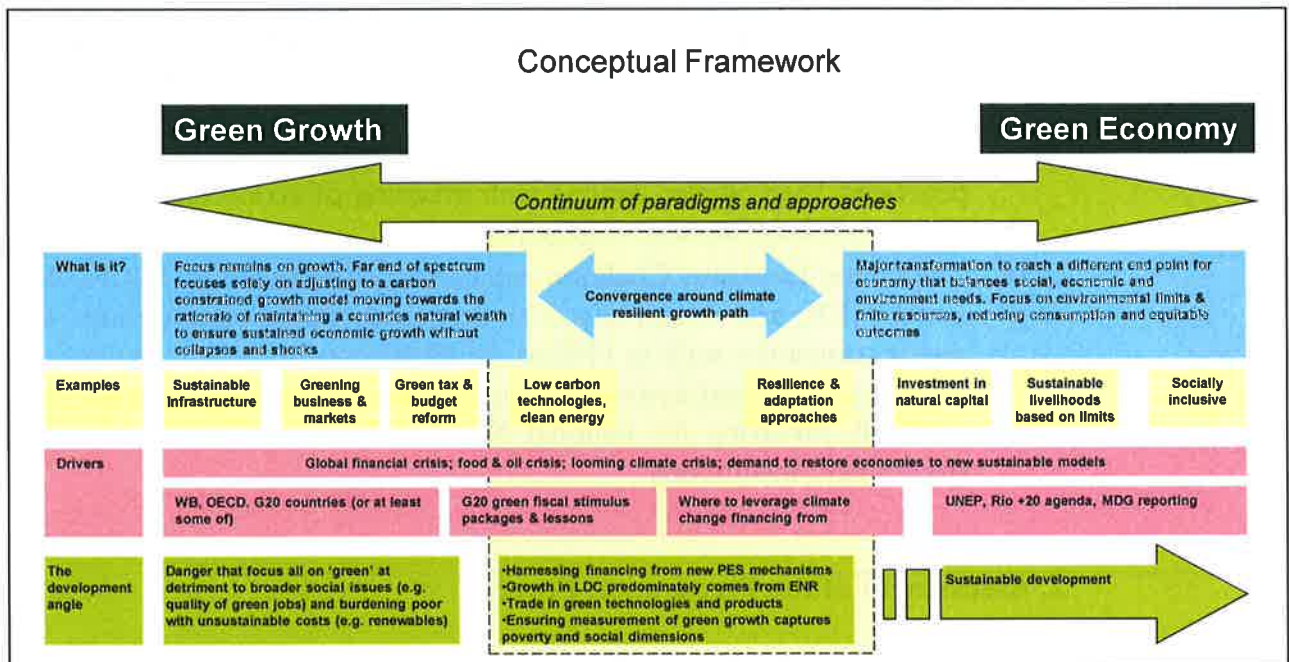


Figure 1: Overview developed in the context of Poverty Environment Partnership

The concept of green economy and growth builds to a large degree upon the earlier paradigms of sustainable development, however, the concept can be interpreted in various directions, from involving a comprehensive transformative change of the economy to a greening of specific parts of the growth model e.g. introducing new greener technologies, as can be seen from the figure 1, above.

The application of the concept within the development agenda is furthermore much debated. A traditional “south” point of view interprets green growth as setting limits to their economic development and as a protectionism of the “north”. The question for them is: What’s in it (green growth) for the poor (people and countries)? However, “south” includes both emerging economies/middle income countries which are already substantial green house gas emitters, as well as the least developed countries, many of them located in Africa. Thus, interest in green economy and growth varies even among countries in the “south”.

- Using green technologies as a growth engine by investing in green technology R&D, promoting green industries and by establishing a domestic carbon market.

With 97% of South Korean energy supplies being imported, this initiative builds on earlier initiatives to reduce the country's energy dependence, but more ambitiously puts the Republic of Korea on the international agenda as an example of a country voluntarily introducing ambitious targets for greenhouse gas emissions and promoting green technology as a growth strategy both at national and international level.

The idea of establishing GGGI was launched internationally by South Korea under the COP 15 in Copenhagen in December 2009 and GGGI was subsequently established as an NGO under Korean law in June 2010, initially with Korean funding of USD 10 million per year for three years. A part from South Korea's own green growth thinking, inspiration to the GGGI concept has been sought from amongst others, the ClimateWorks Foundation and McKinsey & Company.

Some activities have already been initiated in Ethiopia, Brazil and Indonesia, but the institute is still in the process of being established. According to the plans, three regional offices will be opened in 2011 and GGGI will be established as an international organisation in 2012. More funding is required to establish GGGI as an effective organisation, and a minimum of three countries is required to establish GGGI as an international organisation. Although this is not secured at the time of the appraisal, it seems likely that it will be possible to include at least one additional partner in 2011 (cf. section 3.4).

## 2.2 Preparation of the Danish Support

The Component Document has been prepared by staff of the Global Green Growth Institute in an open and intense dialogue with the Danish Embassy in Seoul over a few months. There is no record of target countries of GGGI or other stakeholders having been involved in the strategy preparation, nor is there any reference to communication with other agencies considering support for GGGI. The Component Document is not a detailed project document, but rather a framework for cooperation on the basis of which concrete programmes will be developed with the partner countries in alignment with national initiatives and national political aspirations. As the GGGI strategy is not yet available, it has not been possible to verify whether the outline strategy in the Component Document actually reflects the overall strategy, but the Component Document has been approved by GGGI which provides some reassurance to that effect.

As part of the appraisal process, the appraisal team has requested additional GGGI documentation regarding GGGI strategy, organisation, staffing, budget, administrative procedures, etc. These documents have not been submitted, because they have not yet been developed and/or adopted by the Board. With the GGGI Director starting up his

GGGI in research is not clearly spelt out. Should GGGI undertake research as indicated in some text of the document, or should GGGI rather fund research and serve as a knowledge hub putting research into practice and collecting and disseminating good experience in relation to Green Growth? It is therefore impossible to appraise the Research and Knowledge Component as well as the Network Mobilization Component in detail at this stage. More is known about the experience and intentions with regard to the country programmes.

### 3.2 Country Programmes

Based upon its experience, GGGI has identified four elements which are crucial for successful implementation of Green Growth Plans at country level, namely an institutional building process, development of factual evidence for green growth, capacity building of local stakeholders, and financing. The last element will not be GGGI's competence - the institute may facilitate a readiness for funding from other sources, but according to its proposed country approach, the GGGI engagement at the point of implementation of the green growth plans is reduced and eventually phased out.

The four elements and the four phased approach indicate a good understanding of the challenges for a transition to green growth, but it seems to lack an understanding of the political realities and controversy around green growth. In the risk section, the need to "de-politize" green growth is mentioned, though not explained in detail. It suggests a reluctance to recognize that the concept is subject to political choices and prioritization. With the four phased approach, GGGI focuses mainly on evidence and capacity (and partly finance), assuming that if these aspects are addressed green growth will be ensured, but seems to ignore the political challenges stemming from various interests and stakeholders (especially outside governments/public sector). The entry point is rightly the governments, and while it is positive that GGGI clearly states that it will only engage in countries where governments show an interest, this seems to be insufficient, as many more stakeholders will need to be engaged and accommodated in order to achieve a success. Some of the other global institutions and initiatives, such as Green Economy Coalition, may have more focus on other stakeholders and on the political economy aspects in their country processes, and may be engaged in the same countries, and it would therefore be relevant to look into the complementarity and division of labour with the other global institutions. In any case, it is likely that national green growth processes will be a crowded field in the years to come, considering the upcoming Rio+20, etc.

#### *Recommendation 2:*

*It is recommended that Denmark emphasize the aid effectiveness agenda within the field of green growth/economy country programmes and processes, incl. eliminate overlaps and enhance complementarities between GGGI and others. It also recommended that the inclusion of other*

light presence in the countries in the phase of drafting the green growth plans. The quality of the plans is key, also to ensure a buy-in and eventual financing.

*Recommendation 3:*

*It is recommended that Denmark promotes the view that GGGI should consider the need for a stronger country level presence throughout the period of the country programmes, and not least in the phase of finalization and quality assurance of the national green growth plans.*

A set of criteria for country selection has been developed by GGGI, though these should rather be seen as initial assessment questions, than inclusion/exclusion criteria<sup>2</sup>. As the focus is largely on the green house gas emission-angle of green growth, this aspect features as a separate issue in the criteria list. GGGI states that it will prioritize resources to the parts of the world where its effect can be the largest. However, this objective of having most effect on emissions may conflict with the poverty reduction objective. Should the country selection focus on the potential large emitters of green house gas or the poor country in need of growth and development? Considering that the institute and its models, tools and approaches derive from a South Korean experience of moving towards a green growth model, some may question the relevance for poor countries. According to the document, Africa does not feature high compared to Asia - one African country has been targeted so far, two more are being initiated now, and only in 2012 will more be added.

Denmark can, as a member of the board, influence the choice of countries, which is positive. Nevertheless, it is a concern that the number and the choice of countries is not clearer at this stage, meaning that it is unclear where a substantial part of the Danida support will be spent.

*Recommendation 4:*

*It is recommended that Denmark as a board member and otherwise actively promote further GGGI engagement in African countries.*

### 3.3. Poverty Reduction and Cross Cutting Issues

GGGI has described how it will address the cross-cutting issues of Danida, which is very positive.

With regard to poverty orientation, GGGI states that the development of green growth plans improves the countries' ability to respond to climate change and reduce the vulnerability, which will lead to improvements for the poor. This logic may be true in some cases, but the poverty reduction aspect is rather indirect and circumstantial. Furthermore, the focus on reduction of green house gas emissions indicates a focus on potential large emitters, as mentioned above, which are not the poor/poorest countries. Likewise, a focus on the energy sector may have positive impacts for poor people's

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<sup>2</sup> They are not yes/no questions and it is not clear how an answer will determine inclusion/exclusion.

what the Danida funds will be spend on. In the risk section a step-by-step approach to fundraising and prioritization of available funds is indicated. This makes sense, but it does not eliminate concerns entirely. Even with full funding it will be difficult to predict what Danida funds will be spent on. For instance some donors may want to earmark to certain aspects (e.g. countries), which means that the un-earmarked funds, such as the Danish, may go to counterbalance this in the overall budget. All in all it makes a proper assessment of the budget impossible. A more detailed budget will be elaborated and presented to the Board of GGGI, but the timing is uncertain. Reference is made to recommendation no. 8.

## **4. Organisational Assessment of GGGI**

### 4.1 Institutional Capacity of GGGI

The political momentum for GGGI described above is perhaps its most important asset. The continued political pressure for performance and for delivering results in relation to green growth is likely to continue as a strong external driver for the organisation in the years to come. The high profile of GGGI also increases the stakes and may entail some risk as GGGI may become stalled if political disagreement should occur among GGGI partners when putting ideas into practice. The appealing headlines of green growth have attracted a diverse set of partners and donors to GGGI, and the success of the initiative depends on their continued alliance towards achieving the objectives of GGGI.

The Global Green Growth Institute is established as a non-profit organisation under Korean civil code and has an adequate legal framework in this respect. According to these Articles of Incorporation, an Advisory Council should be established, but this body is not mentioned in the Component Document and has probably not yet been established. The Advisory Council represents a good opportunity to establish alliances with other important organisations or individuals in this field and use the existing experience.

#### *Recommendation 6:*

*It is recommended that Denmark promotes the establishment of a GGGI the advisory council to be used actively for strategic guidance in order for GGGI to profit from existing experience in this crucial start-up phase.*

Eight members of the Board of Directors have been identified and are reportedly playing an active role. Most of the appointed Board members are internationally well known and recognized for their work related to climate, sustainable development and growth. Donors to GGGI who contribute with a minimum of UAD 5 million annually will also become members of the Board. This seems to constitute a solid basis for the further development of the organisation.

*Recommendation 8:*

*The Danish Embassy in Seoul should assess the financial and administrative procedures of GGGI before disbursing any funds. Subsequently, a first installment of an inception period of six – eight months can be disbursed based on an approved budget and work-plan for that period. The rest of the funding should depend on the outcome of the inception review where the overall strategy, workplan and budget will be assessed. The staff policy of GGGI could be assessed as part of an inception review.*

#### 4.4 Monitoring and Reporting

As a funding partner, Denmark has the right to appoint a member to the GGGI Board. During this period of establishment of the organisation, Danish presence on Board level is obviously crucial.

*Recommendation 9:*

*It is recommended that Denmark appoint a GGGI Board member as quickly as possible.*

It is indicated that the country programmes will submit mid-term and final reports to the Board and that the final reports shall include financial reporting. This seems to be on the lower side and against Danida regulations that require at least annual reporting. Furthermore, a monitoring and reporting system of the research and networking activities does not seem to be included.

More work seems to be required in relation to indicators for the programme. The indicators listed in the document (e.g. “Carry out country programmes” and “establish GGPs”) are rather outputs or activities than actual indicators. It could be considered to use a logical framework approach when developing the GGGI strategy whereby indicators and means of verification are established at output and objective levels. Indicators should be quantified and time-bound. A baseline should be established for each indicator before setting the target.

*Recommendation 10:*

*It is recommended to promote the establishment of quantified and time-bound indicators as part of the GGGI strategy and to request submit six-monthly reporting to the Board from the country programmes and other activity areas of GGGI.*

## **5. Risks and Assumptions**

The three key assumptions, 1) continued interest in green growth, 2) GGGI secure fund for regional offices, and 3) national green growth plans in place and implemented, are all relevant. Still they seem preliminary and insufficient. These assumptions are to some degree depending on GGGI own performance and not assumptions entirely outside the control of GGGI. For instance, the implementation of national plans depends on the quality of the plans and the process of development of these plans, and

No.	Recommendation	Follow-up
4.	<i>It is recommended that Denmark as a board member and otherwise actively promote further GGGI engagement in African countries.</i>	
5.	<i>It is recommended that cross-cutting issues are mainstreamed in the GGGI strategy and that Denmark pays close attention to the growth, poverty reduction and human rights aspects of the GGGI work .</i>	
6.	<i>It is recommended that Denmark promotes the establishment of a GGGI the advisory council to be used actively for strategic guidance in order for GGGI to profit from existing experience in this crucial start-up phase.</i>	
7.	<i>It is recommended that Denmark works towards lowering the ambitions of GGGI in terms of number of partner countries in the first years, and consider selecting cluster of countries where economies of scale and cross-fertilization of experience can be obtained.</i>	
8.	<i>The Danish Embassy in Seoul should assess the financial and administrative procedures of GGGI before disbursing any funds. Subsequently, a first installment of an inception period of six – eight months can be disbursed based on an approved budget and work-plan for that period. The rest of the funding should depend on the outcome of the inception review where the overall strategy, workplan and budget will be assessed. The staff policy of GGGI could be assessed as part of an inception review.</i>	
9.	<i>It is recommended that Denmark appoint a GGGI Board member as quickly as possible.</i>	
10.	<i>It is recommended to promote the establishment of quantified and time-bound indicators as part of the GGGI strategy and to request submit six-monthly reporting to the Board from the country programmes and other activity areas of GGGI.</i>	
11.	<i>It is recommended that Denmark requests an annual update through the Board on developments with regard to the assumptions and risks, and that additional or adjusted assumptions and risks are added.</i>	