

J.nr. 46.C/2.

## **Final Debriefing Note**

### **Inception review of The Global Green Growth Institute (GGGI)**

**Governments of Australia and Denmark**

**November 2011**

## LIST OF RECOMMENDATIONS

Recommendation 1: The Board of Directors (BoD) should, in close collaboration with the management committee, finalize a coherent strategic implementation plan for GGGI to stipulate its main strengths and opportunities. This strategic direction will inform the coming results-based management (RBM) process, support focus and prioritization within annual objectives-based work plans (and annual budgets) and provide a profile of GGGI for existing and potential partners and donors.

Recommendation 2: GGGI management should work with GGGI staff to ensure a common understanding of GGGI's vision, strategy and work program, and their respective roles and responsibilities in delivering these outcomes. A useful tool in this respect could be staff performance and development plans, linked to GGGI's work program and objectives. The management should further support engagement of GGGI staff in the RBM process to maximize the appropriateness and effectiveness of this process to the wide range of cultural contexts at GGGI.

Recommendation 3: If not already part of existing decision-making procedures, the BoD should have responsibility for approval of the country selection methodology and final approval of each country selection based on advice from the Executive Director (ED). Program management, including approval of new country programs and new phases of existing country programs, should be the responsibility of the GGGI ED.

Recommendation 4: GGGI should consider seeking Official Development Assistance (ODA) eligibility from the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee through donor nomination (note the OECD reviews nominations once a year. Nominations are due at the end of February). The Review Team recommend that Australia and Denmark explore the possibility of submitting a nomination by the February 2012 deadline.

Recommendation 5: GGGI should urgently develop a suite of internationally accepted environmental and social safeguards and consider no further additions to the country program pipeline until safeguards and the country selection methodology are incorporated into its operating process.

Recommendation 6: GGGI should prioritize recruitment of a research program director and finalization of its research plan for approval by the Board as this pillar is a key GGGI niche with the strong potential to attract additional donors.

Recommendation 7: GGGI should prepare a Governance Policy Manual in order to clarify the roles and responsibilities of the various actors in GGGI, primarily the BoD, the chairman and the ED. In light of this work GGGI should consider revising its Articles of Incorporation

in such a way that only the overall objective and mandate of GGGI and its institutional structure appears in the Articles, together with any other requirements under Korean law.

Recommendation 8: GGGI should create an independent internal auditor position, reporting to the newly established Internal Audit Committee, on GGGI's adherence to agreed rules and procedures, and with authority to review and make recommendations to the BoD on revisions to these rules and procedures to maintain their relevance to the GGGI over time.

Recommendation 9: GGGI should also fast-track the establishment of its Donor Consultative Group (DCG). The DCG would provide the primary conduit for joint interactions involving all donors – as the April 2011 Danida review noted, individual donor interaction is extremely time-consuming (and more significantly, has the potential to compromise GGGI's delivery of its strategy).

Recommendation 10: GGGI should fast-track the preparation of a work plan and budget for 2012 to be endorsed by the BoD before the end of 2011.

Recommendation 11: GGGI should increase the proportion of permanent staff, particularly with regard to core positions such as the ED, Deputy ED, Chief Financial Officer (CFO), and other key management positions, to build capacity and retain corporate knowledge. While recognizing the valuable contribution of short-term secondees to date, this practice is not sustainable as the GGGI transitions to an international organization (IO). Recruitment processes should be merit-based, open and competitive.

## Debriefing Note

### Inception review of Global Green Growth Institute

#### 1. INTRODUCTION

Founded in June 2010 in South Korea, the Global Green Growth Institute (GGGI) is a non-profit organization dedicated to addressing the impacts of global climate change in developing countries through the provision of politically neutral, world-class technical support and local capacity building for policy design and development of low-carbon green growth. The institute aims to grow into a leading global think-tank with the participation of renowned scientists, scholars and civil leaders and provide a fact-based, analytically sound foundation for policy making and political decision-making on green growth in a carbon-constrained world.

GGGI's website states that its activities are centred on three main aims: 1) supporting developing and emerging countries in the design and implementation of green growth economic development plans at the national or provincial level, 2) facilitating public-private cooperation to strengthen the enabling environment for resource-efficient investment, innovation and diffusion of best practice in the private sector and 3) pursuing research to advance the theory and practice of green growth, drawing particularly from the experience of the governments and industries with which we work.

GGGI has made significant progress in limited time to establish networks and explore research and policy opportunities within the green growth area. GGGI is currently accelerating its internal set-up and organization, with a view to become an international organization (IO).

In the Copenhagen Accord agreed at the UNFCCC COP15 meeting in Copenhagen December 2009 developed countries committed themselves to accelerate the financial support for climate change through Fast Start Financing approaching USD 30 billion in the period 2010-2012.

The Danish Government is supporting GGGI through the Danish Climate Change envelope with the purpose of assisting developing countries initiate activities to reduce carbon dioxide emissions and assist the most poor and vulnerable countries to implement climate change adaptation interventions.

The Danish contribution to the Fast Start Financing amounts to DKK 1.2 billion. The budget allocation for GGGI amounts to DKK 90 mill. from the 2011 Climate Change Fast Start

envelope to be disbursed in the period 2011-2013. The support was appraised in February 2011, approved by Danida in March, with a technical follow-up mission in April and a review of GGGI's financial and administrative systems carried out by the Danish Embassy in Seoul in September 2011.

When the Fast Start Climate funds for 2011 were presented to and approved by the Board of Danida in March 2011 it was agreed that activities to be funded in 2011, including the support for GGGI, should be subject to an inception review in autumn 2011. Further to the agreement between the Government of Denmark and GGGI the inception review would be conducted to enable the disbursement of the remaining instalments for 2011 under the Danish support (DKK 10 million).

In June 2010 the Australian Government committed to provide AUD 599 million in Fast Start financing. In April 2011, the Prime Minister of Australia announced in Seoul that Australia would contribute AUD 10 million of these funds to support the work of the GGGI over two years. The Australian Government is presently assessing the nature of its support for GGGI. In this context it was agreed that a team of representatives from the Australian government would participate in the mission as well.

The inception review was undertaken 14th-18th November 2011 by a team consisting of Mr. Henning Nøhr, Danida (team leader), Mr. Svend Kaare Jensen (external consultant to Danida), Ms. Tamara Curll, Department of Climate Change and Energy Efficiency, Government of Australia, Mr. Hugo Temby, Australian Agency for International Development (AusAID) and Ms. Katherine Vaughn, AusAID

The present debriefing note holds findings and recommendations by the Review Team (RT), not necessarily endorsed by the Danish nor the Australian Government.

The RT would like to thank staff at GGGI for their generosity in making themselves available, and candour in sharing their experiences. The RT would also like to thank the Danish and Australian Embassies in Seoul for support to the team which made possible the work of the mission.

## **2. FINDINGS**

### **Overall assessment**

GGGI is still a young institution. The RT appreciates it takes time to build an institution, not least one with the ambitious agenda and the setting that characterizes GGGI. The RT strongly believes that there remains good justification for setting up GGGI as a global, international organization (IO) to deal with research, networking, advocacy and country

level application of green growth and related climate change issues. GGGI has a clear niche and will be able to contribute significantly to promote the green growth agenda globally if the GGGI succeeds in its present mission.

Significant achievements by the GGGI to date include employment of permanent key staff, including the ED, continued implementation of its country programs, development of its research agenda and partnerships and implementation of several of the recommendations from the April 2011 Danida review, in particular the RBM process.

This said, GGGI is faced with significant challenges in the process of building the Institute and the capacity to provide the anticipated services. As GGGI is translated into an IO with multiple partners and donors it urgently needs to further define and clearly set out the strategic framework and the governance structure that will support this new position in a global context. This work can build on what GGGI has already achieved, and in this context the RT acknowledges the Republic of Korea's (ROK) existing and valuable role in GGGI's establishment and ongoing support.

A more explicit strategic framework and governance structure is fundamental for informing strategic decisions and prioritization within the three main pillars of GGGI. The RT learned that there are already numerous lessons learned within these three pillars that can inform this process, e.g. on the approach of country level interventions and the linkages and synergies between the three pillars. All this will contribute to sharpen the profile of GGGI and improve its readiness to act in an international arena, and make it more attractive to new partners and sponsors.

Building GGGI further into an IO is also a challenge with respect to bridging different approaches and thinking, and creating a common platform for many different partners and donors. It is a management challenge. Establishing an institute with due respect to a multicultural setting is a task that takes time and calls for investment in creating a common basis of values and strategic directions within the GGGI, from the Board of Directors (BoD) to all levels of employees and among core sponsors. It is the opinion of the RT that this transformation is possible, and it will need dialogue, patience, transparency and commitment to the common goals and values of GGGI by all stakeholders.

RT recommend that Australia and Denmark actively work with the ROK government, and the other members of the GGGI community of donors, to advance this transformation and development of GGGI into an IO that can serve the significant need for action on green growth globally.

## **GGGI's overall strategy**

There still seems to be some uncertainty as to the overall strategic framework for GGGI, especially in relation to its implementation. There is an overall vision and mission to turn GGGI into a global, political neutral institution providing a laboratory for world-leading research, technical support, and capacity development, including through innovative and transformative country interventions that strengthen the intellectual foundations of the green growth paradigm, but the institutional understanding and uptake of this strategic vision and mission, in particular its reflection in actual implementation and prioritization of GGGI activities, is less obvious. There is clearly a need to continue building a corporate vision and strategic framework for GGGI that guides prioritizations within the three main pillars of GGGI and guides actual interventions. This process has to involve all levels of the organization, from the BoD to project managers, and could be progressed by expanding the Terms of Reference of the external management consultant currently engaged to develop core operating procedures.

To further consolidate its niche as a knowledge-based, global institute, the BoD of GGGI, together with Executive Director (ED) and based on the initial experiences gained by GGGI, needs to finalize a strategy for GGGI to guide its operations and inform decision-taking. This strategic platform will be essential for producing an annual work plan and also to inform the RBM process presently being rolled out.

GGGI could develop an intermediate strategic implementation plan with a shorter time span (e.g. up to the time when GGGI aims to be an IO, by the end of 2012). The strategy process should be inclusive within GGGI and among key partners and should be communicated internally as well as to the global network to create a consistent and firm definition of the niche within aspects of green growth and climate change issues that GGGI will cover.

Recommendation 1: The Board of Directors (BoD) should, in close collaboration with the management committee, finalize a coherent strategic implementation plan for GGGI to stipulate its main strengths and opportunities. This strategic direction will inform the coming results-based management (RBM) process, support focus and prioritization within annual objectives-based work plans (and annual budgets) and provide a profile of GGGI for existing and potential partners and donors.

Recommendation 2: GGGI management should work with GGGI staff to ensure a common understanding of GGGI's vision, strategy and work program, and their respective roles and responsibilities in delivering these outcomes. A useful tool in this respect could be staff performance and development plans, linked to GGGI's work program and objectives. The management should further support engagement of GGGI staff in the RBM process to maximize the appropriateness and effectiveness of this process to the wide range of cultural contexts at GGGI.

## Country programming

The RT's view is that country selection and program design should be grounded in GGGI's strategy. From discussions with the GGGI program team there appears to be a lack of clarity as to how the current suite of country programs form a coherent whole. The current work to develop a methodology for country selection is essential to ensure a robust and transparent process consistent with the goal of developing green growth good practice/tools with broad applicability to a wide range of national circumstances (for e.g. Small Island Developing States (SIDS), Least Developing Countries (LDCs), emerging economies, resource rich/poor countries etc.).

The RT was pleased to hear of GGGI's success in securing high-level political buy-in from recipient countries. It was also pleased to learn more about its largely country-driven approach to programming in line with partner government priorities. However, this should not be the sole criteria for country selection and program design. To build the knowledge and expertise GGGI needs to further the green growth agenda, it is essential that final GGGI decisions on country selection and program design be consistent with GGGI strategy.

In support of, and consistent with, a transparent methodology for country selection, best practice program design and robust results-based management, Australia and Denmark strongly advocate the provision of core funding to GGGI (as opposed to earmarked funding). Core funding is firmly in GGGI's interests as it will allow it the flexibility to implement most effectively its strategy.

However, the GGGI's current status as a non-ODA eligible institution limits its ability to allocate ODA to non-ODA eligible expenses (for example, research and core operating expenses) though still being able to disburse ODA funds through dedicated ODA activities, e.g. country LDC country programs.

It is not clear that GGGI has a strategy for harmonizing its activities with those of other actors in recipient countries. This is of particular concern because part of GGGI's value proposition is its potential to leverage existing green growth activities. However, the RT was pleased to hear GGGI has commenced a stakeholder mapping exercise. This exercise should be undertaken for all prospective recipient countries (ideally before programming commences).

The April 2011 Danida review recommended GGGI to develop a simple agreement for recipient countries (and other partners). Implementing this recommendation - employing documentation of a contractual nature where appropriate - will be important to minimize risks to the GGGI, in particularly in relation to the use of Intellectual Property and misuse of funds by partners, and to install procedures to manage other risks, e.g. from changes to the political landscape. The documentation should also make clear recipient country reporting obligations to support M&E.



Also as recommended by the April Danida review, it is essential that GGGI develops as a matter of priority a set of international good practices for social and environmental safeguards/screening/assessments. Staff will also need to be trained in their use. In the absence of safeguards there are significant reputational (and potentially legal) risks to GGGI and its donors. GGGI should also ensure gender and disability considerations are built into country program design processes. GGGI should consult an appropriate range of stakeholders, including Civil Society Organisations, as part of country program design.

Recommendation 3: If not already part of existing decision-making procedures, the BoD should have responsibility for approval of the country selection methodology and final approval of each country selection based on advice from the Executive Director (ED). Program management, including approval of new country programs and new phases of existing country programs, should be the responsibility of the GGGI ED.

Recommendation 4: GGGI should consider seeking Official Development Assistance (ODA) eligibility from the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee through donor nomination (note the OECD reviews nominations once a year. Nominations are due at the end of February). The Review Team recommend that Australia and Denmark explore the possibility of submitting a nomination by the February 2012 deadline.

Recommendation 5: GGGI should urgently develop a suite of internationally accepted environmental and social safeguards and consider no further additions to the country program pipeline until safeguards and the country selection methodology are incorporated into its operating process.

## **Research**

Research is one of three strategic pillars of GGGI and will be a key ingredient in achieving the goal of developing the Institute into a global knowledge institution and think tank.

Through 2011 the GGGI has continuously built its research program. In securing the important role of secretariat to the Green Growth Knowledge Platform, involving close cooperation with organizations like UNEP, WB and OECD/DAC, the GGGI has illustrated its ability to create global partnerships.

Also collaboration with LSE and UNIDO on economic research programs on labour and employment reflect the acceptance and acknowledgement of GGGI's academic position and credentials.

There may be a need for GGGI to have a stronger focus on research within the country programs to ensure that, for example, the development of green growth plans do not just

meet an immediate need for technical services on green growth issues at country level, but also act as research pilots with feedback to development of good practices and paradigms on green growth. Potential research outcome should be an important parameter in the methodology for the selection and design of country programs.

The GGGI's current documentation does not do justice to the importance of its research role, which represents a clear niche in the green growth and climate change field; and has the potential to be an important selling tool to prospective donors. The GGGI's research plan should clearly articulate how the various research programs and projects are consistent with, and supportive of, the GGGI overarching strategy, including how the outcomes from country programs will feed back into the development of GGGI's green growth best practices and paradigms information and knowledge.

The RT suggests GGGI establish a formal peer review procedure for research activities. The existing Global Green Growth Knowledge Platform may be an appropriate mechanism in this regard.

Recommendation 6: GGGI should prioritize recruitment of a research program director and finalization of its research plan for approval by the Board as this pillar is a key GGGI niche with the strong potential to attract additional donors.

### **Public Private Partnerships**

The RT supports GGGI's decision to postpone development of this pillar until GGGI's other pillars and institutional development is matured.

GGGI could explore its potential value add in providing advice on regulatory reform and other methods for enabling/enhancing private sector engagement/investment in green growth.

### **Governance**

Building GGGI into an IO is a major task within the coming years and should be given the highest attention and priority internally in the institution as well as aiming its major partners and sponsors.

GGGI should more clearly articulate its governance arrangements. In this process GGGI needs to consider the standards and benchmarks that will be required as it transitions to an IO.

### *Redrafting of the Articles of Incorporation*

The Articles of Incorporation outline the governance arrangements of GGGI, including a description of the institutional structure of the Institute. The present organizational structure includes: the BoD, Facilitative Committee of the BoD, the Management Committee (MC), The Advisory Council, Auditors, and the Headquarters with Subsidiaries.

The Articles of Incorporation both describe governance arrangements, the functions of each of the organizational bodies, brief Rules of Procedure, and guidelines for financial arrangements. From an operational and governance point of view there is a need to separate detailed operational issues from the description of the structural arrangements. This would allow GGGI more flexibility to revise its operational procedures to accommodate changes in circumstances and allow the Articles of Incorporation to be a relatively static document.

### *The Board of Directors and Management Arrangements*

As described in the Articles of Incorporation, the BoD may consist of up to 20 Members, with some minimum requirements to representation. The size of the BoD may become a hindrance to the future directions for GGGI, and it appears that the BoD structure has been designed to meet stakeholder needs rather than management requirements. This issue should be considered as part of the GGGI transition into an IO. The Articles do not provide clear governance guidelines to GGGI in respect to the role and responsibilities of the BoD.

The Articles mention a MC as part of management arrangements without specifying the mandate of the Committee and the division of responsibilities between the MC Committee and the BoD and the ED, other than stating that the ED chairs the MC. The RT suggests that while a MC may constitute an appropriate mechanism in the day to day management of GGGI, there may not be a need per se to constitute a MC with a separate mandate outside normal management procedures. It should also be clear that the ED is solely accountable, and ultimately liable, to the BoD.

Since the BoD functions are not entirely clear to the RT, and the authority of the ED has to be clarified there seems to be an urgent need to develop governance guidelines to guide the GGGI, in particular when it comes to drafting strategies and preparing work plans and budgets. It is also important that Members of the BoD understand their role, and respect the responsibilities of the ED. Likewise it is important that the ED is given the mandate in the day to day management of GGGI to implement plans and budgets in accordance with the agreed strategy.

GGGI should also fast-track the establishment of its Donor Consultative Group (DCG). The DCG would provide the primary conduit for joint interactions involving all donors – as the April 2011 Danida review noted, individual donor interaction is extremely time-consuming.

## *Internal Audit*

It is understood that GGGI has established an Internal Audit Committee, but it is not clear how the internal audit function is structured in the organization, or its role. Obviously, the internal audit function should oversee the financial and administrative procedures, but it is also of the utmost importance that the function is mandated to oversee that the governance rules are applied by the ED as well as by the BoD. It should be the obligation of the internal audit function to ensure that the Institute is well managed and that all management procedures fully support the overall strategy of the GGGI. This is particularly important since it appears that there will be strong delegation to the ED (considering the embedded difficulty for the BoD to provide clear directions considering its diversity and size).

Recommendation 7: GGGI should prepare a Governance Policy Manual in order to clarify the roles and responsibilities of the various actors in GGGI, primarily the BoD, the chairman and the ED. In light of this work GGGI should consider revising its Articles of Incorporation in such a way that only the overall objective and mandate of GGGI and its institutional structure appears in the Articles, together with any other requirements under Korean law.

Recommendation 8: GGGI should create an independent internal auditor position, reporting to the newly established Internal Audit Committee, on GGGI's adherence to agreed rules and procedures, and with authority to review and make recommendations to the BoD on revisions to these rules and procedures to maintain their relevance to the GGGI over time.

Recommendation 9: GGGI should also fast-track the establishment of its Donor Consultative Group (DCG). The DCG would provide the primary conduit for joint interactions involving all donors – as the April 2011 Danida review noted, individual donor interaction is extremely time-consuming (and more significantly, has the potential to compromise GGGI's delivery of its strategy).

## **Operation and Administration**

### *Results Based Management (RBM) system*

GGGI has engaged an external management consultant to assist in developing Result Based Management. In essence this should be an attempt to introduce Logical Framework Approach (LFA) and similar instruments in the organization, to provide the ED and the BoD a structured view on activities, outputs and objectives, and a better linkage to the strategy of GGGI. However, in the absence of a clear strategy, the work to establish RBM will be difficult.

### *M&E and Reporting*

RBM in itself may not provide GGGI with systems to measure the aggregated impacts of GGGI efforts. In order for the GGGI to be guided in its work, clear targets for the interventions should be developed. In order to measure their impacts, GGGI should be considering introducing the DCED (Donor Community for Enterprise Development) standards for M&E (building upon the LFA). This methodology is particularly suitable to monitor impacts in areas where several stakeholders are involved. It is also an attempt to develop a standard format for the donor community in general, thus avoiding separate donor reporting requirements. Such reporting would also be a useful input to the BoD.

### *Work Plan and Budget*

Given the nature of GGGI, it will be difficult to prepare precise activity based work plans. As such the work plans should be objective based and prepared on the basis of targets. However, since the GGGI does not yet have a clear strategy with agreed targets and objectives that could guide the work planning process, establishing work plans and budgets remains difficult. As mentioned above, the strategy process should be finalized urgently.

### *Financial Management*

The financial management of GGGI has been outsourced to a external service provider, and the Institute has few in-house resources. This is not a sustainable situation for the GGGI and the RT is pleased to learn that steps have been taken to in-source its financial management (and legal advice), and recruitment of relevant staff has been initiated. A Treasury Manual and Internal Controls have been prepared and procurement of accounting software is underway. According to GGGI, the in-sourcing process can be finalized by April 2012.

It will be important for GGGI that its financial management system can interact with its M&E system, so the system can measure spending against progress at program level. This again argues for in-sourcing of the financial management system.

The RT understands that it has been decided to second a new CFO. Although secondments have been an important contributing factor in the GGGI's successes to date, they may not be the best solution in this specific case, and for core positions generally. For example, the CFO should be able to manage the financials for more than one budgetary period to ensure accountability and proper financial management in this position.

### *Operations manual*

The RT appreciates the GGGI 's efforts to formalize operational procedures in drafting an operations manual. The operations manual will include guidelines and instruction for staff in relation to management of the GGGI as well as its programs. As mentioned above, financial management issues, including procurement procedures, will be described

separately in the Treasury Manual and Internal Controls document. Human resource management, operational procedures, staff regulations and a code of conduct will be developed separately. The operation manuals should include (but not be limited to): risk management, fraud and corruption, knowledge management and M&E. Involving a range of GGGI staff in drafting the operations manual will be important to ensuring it is easily and commonly understood in a variety of cultural settings.

### *Communication*

Successful communication will be fundamental to GGGI's success in building its in-house expertise, growing its funding, and influencing the global green growth paradigm. GGGI must give appropriate attention to effective communication with internal/external stakeholders. Areas of focus should include:

- Research reports, including country program research series
- Ongoing board/donor reporting, including statistics and stories
- Other advocacy/outreach communication

Recommendation 10: GGGI should fast-track the preparation of a work plan and budget for 2012 to be endorsed by the BoD before the end of 2011.

Recommendation 11: GGGI should increase the proportion of permanent staff, particularly with regard to core positions such as the ED, Deputy ED, Chief Financial Officer (CFO), and other key management positions, to build capacity and retain corporate knowledge. While recognizing the valuable contribution of short-term secondees to date, this practice is not sustainable as the GGGI transitions to an international organization (IO). Recruitment processes should be merit-based, open and competitive.

### **Other issues**

#### *Disbursement of Danish Support for GGGI 2011*

Out of the total Danish support to GGGI 2011, amounting to DKK 30 million, a first instalment of DKK 20 million was made in October 2011 based upon a review of GGGI's financial and administrative procedures made by the Danish Embassy in Seoul. It was also confirmed that the Treasury Manual and Internal Controls has been approved by GGGI's management committee.

The rest of the funding for 2011 should depend on the outcome of the present inception review. Based upon the information given to the review team it is the assessment that GGGI is in good progress and that disbursement and programming of the Danish support is taken place. Based on these findings the RT concur that the rest of the funding for 2011

can be disbursed based on a request forwarded by GGGI with reference to the 2011 and 2012 work plans.

Disbursement of the Danish contributions for 2012 and 2013 shall follow the funding process as outlined in article 6 in the Agreement on Green Growth Cooperation between the Government of Denmark and the GGGI.

*Time table*

The Australian Government will finalize a high-level MoU in 2011, with a view to concluding a funding agreement with GGGI in early 2012.

Australia and Denmark will work towards a joint review in early 2013.

Seoul 18<sup>th</sup> November 2011

Tamara Curll, Hugo Temby, Katherine Vaughn, Svend K. Jensen & Henning Nøhr