

Ministry of Foreign Affairs/Danida

GLOBAL GREEN GROWTH INSTITUTE
Progress Report
April 2015

1. Introduction

The Global Green Growth Institute (GGGI) was established in South Korea in June 2010. Denmark has made financial contributions to GGGI since 2011. In March 2011, an appropriation of DKK 90 million was endorsed by the Board of Danida and approved by the Finance Committee of the Danish Parliament. The appropriation covered the Danish contribution to GGGI during the 3-year period 2011-2013. In May 2014, a second appropriation of DKK 90 million was endorsed by the Danida Grant Committee and approved by the Finance Committee. This appropriation covers the 3-year period 2014-2016. The first instalment of the appropriation was paid on 9 July 2014. The 2 subsequent disbursements are due by mid-year 2015 and 2016, respectively.

In the spring of 2014, various measures were taken as part of preparing the second grant proposal. The measures included a consultation meeting on 2 April in the Parliament's Foreign Affairs Committee, an appraisal exercise carried out in April, and a discussion in the Council for Development Policy on 28 April regarding the concept note for an Organisation Strategy on Danish cooperation with GGGI.

In addition, during the preparatory process and the approval process in the Grant Committee and the Finance Committee, a number of principles were established as basis for disbursing the annual instalments of the Danish contribution to GGGI, including the 2015 disbursement. The aim of this report is to provide a status on progress in GGGI's work since spring 2014 and to give a presentation on the way in which GGGI has responded to the principles guiding the Danish appropriation. An overview of the principles is included in Annex I.

2. GGGI's Strategic Plan

GGGI's Strategic Plan for 2015-2020 was approved at a meeting of the GGGI Council on 18 November 2014. Prior to approval of the Plan, an extensive round of consultations took place involving relevant GGGI stakeholders such as donors, partner countries, civil society, and the private sector. In addition, Denmark provided technical assistance to the process by seconding a short-term advisor from Danida's Technical Advisory Services to GGGI during 6 weeks in the autumn of 2014.

The result of the process is a Strategic Plan which is in line with Danish priorities for the organisations. The Plan has a clear objective of supporting countries in moving *"towards a model of green growth"* by means of strategies that *"simultaneously achieve poverty reduction, social inclusion, environmental sustainability and economic growth"*. The Plan includes a Theory of Change along with outcomes, outputs, and assumptions.

The 3 strategic outcomes defined in the Plan are: 1) strengthened national, sub-national, local green growth planning, financing, and institutional frameworks; 2) increased green investment flows, and 3) improved multi-directional knowledge-sharing and learning between South-South, and South-North-South countries. There are 6 key outputs: i) demand-driven pro-poor, green growth interventions, ii) inclusive green growth, and implementable investment plans, iii) stimulating an enabling environment for public-private investment in green growth, iv) pursuing global partnerships and knowledge networks, v) expand the GGGI membership, and vi) professionalize the organization.

The Plan lays out a holistic approach, where green growth facilitation, services in national resource management, innovative technologies, removal of market failures, and inclusive participatory approaches are combined. With the Plan, a balance will be established between allocating resources to Least Developed Countries and to Middle Income Countries. This aspect and other features of the Plan are reflected in sections below.

The quality of the Strategic Plan will be tested only through implementation. The general impression of the Plan, however, is that it sets a clear direction for GGGI, that it is fairly ambitious, that it is well aligned with Danish priorities, and that it demonstrates that GGGI is on the right track towards delivering added value in the area of contributing to pro-poor and inclusive green growth.

3. Work Program and Budget

GGGI's Work Program and Budget for 2015-2016 was also approved at the November 2014 Council meeting. With a total budget envelope of USD 29,825,000 in 2015 and 28,965,000 in 2016, GGGI will focus on delivering its services along 2 main tracks: 1) In-country services to facilitate public and private investments in green, bankable projects, thereby responding to national priorities and specific country needs, and 2) global services, which aim at sharing and managing activities which build a strong theoretical and empirical basis for green growth while providing concrete options and guidance for policy makers. In managing the 2 tracks, GGGI will make context specific knowledge and green investment advisory services available for in-country programs, while ensuring that GGGI's offices at national and regional level have the right staff composition vis á vis the GGGI Headquarters in Seoul.

The Work Program primarily focuses on GGGI's member countries to which the total portfolio will increase from 57 percent in 2014 to 88 percent in 2016 of total in-country spending. Engagement with non-member countries will be made where GGGI has a comparative advantage and likelihood that the country may join GGGI as a member. Engagement in non-member countries will primarily be based on earmarked funding, which by February 2015 was estimated at around USD 12 million in 2015 and 3.5 million in 2016. GGGI's portfolio will be spread on GGGI's 4 thematic areas: energy; green city development; land-use; and water. Within these areas, GGGI expects to engage in around 30 projects. Over the last 4 years, the number of engagement countries was 22. According to the Work Program, the number may be reduced to 19 in 2015, while, however, there are also plans to expand into more Least Developed Countries (ref. next section).

The Work Program includes a list of all planned projects for the 2015-2016 period, including those to be conducted by the Knowledge Solutions Division, whether aimed at global services or being country-specific. All projects, either financed from the core budget or from earmarked contributions, come with a delivery strategy and a results matrix. In addition, the work program includes a risk management matrix, specifying major risks and mitigation measures.

With the Work Program and Budget, steps are taken to reduce overhead costs¹ from 43 percent in 2014 to 36 and 34 percent in 2015 and 2016 respectively.

¹ Overhead costs include financing of Management & Administration; Strategy, Policy & Communications; the Office of the Director General. With earmarked contributions included, the percentage is lower.

In 2014, GGGI underspent considerably. Of the approved 2014 budget, USD 14.06 million was unspent (compared to the so-called “austerity budget”, USD 10.03 million was unspent). This has allowed GGGI to allocate USD 5 million from its 2014 budget to its reserves, while carrying over the remaining balance to 2015. In February, GGGI requested a supplementary budget of USD 1.4 million for 5 activities. While the activities were justifiable, Denmark and other donors have made it clear that in the future GGGI should manage its finances with less underspending, while being cautious, and avoiding the need for supplementary budgets to be approved within months after approval of the regular budget.

4. Poverty focus and social inclusion

As mentioned above, GGGI’s Strategic Plan for 2015-2020 clearly reflects the way in which the poverty focus has become an integral part of GGGI’s efforts to pursue green growth. In the Plan, the poverty orientation is underlined by the fact, that *“the poorest communities are ... more reliant on environmental capital for their livelihoods... more vulnerable to droughts and floods... environmental degradation,... [and] benefit more when natural resources are available, well managed and used more productively”*. One of the guiding principles in the Plan, therefore, is to achieve *“poverty reduction, social inclusion, environmental sustainability, and resource security”*.

At the inaugural meeting of GGGI’s Management and Program Sub-Committee (ref. below) in February 2015, a plan was presented on the integration of “Poverty Reduction and Social Inclusion (PRSI)” across the GGGI programmatic portfolio. A key element in these efforts is GGGI’s Country Planning Framework (CPF). The CPF is a parallel to Danida’s Guidelines for Country Programmes. It lays out principles for situation analysis, options analysis, priority setting, stakeholder analysis, thematic areas, etc., while building on key aid effectiveness principles, relating GGGI’s programs to international development goals², and by stipulating how to prepare risk analysis and results frameworks with indicators, baselines, targets, assumptions, etc.

Another key feature of GGGI’s poverty focus is its “LDC Expansion Plan”. Against the principle of GGGI’s Strategic Plan to achieve a balanced country portfolio between Middle Income Countries and Least Developed Countries, it is GGGI’s ambition to increase its core funded portfolio in LDCs from the present level of 29 percent to 50 percent by 2020. This is in line with the Danish appraisal report of April 2014 which recommends *“shifting the balance towards LDCs and African countries in GGGI’s country mix”*. As of April 2015, 6 LDCs are members of GGGI of which GGGI is presently engaged in 4 and preparing engagements in the 2 others³.

To achieve a balanced portfolio, it is estimated that GGGI needs to engage in an average of 2 new LDCs annually during the 2015-2020 period. This is the purpose of the “LDC Expansion Plan”. It lays out a systematic approach, taking departure in a long-list of 12 LDCs (plus Kenya), moving on to shortlisting 5-6 LDCs based on a set of selection criteria, and eventually identifying 2 LDCs for initial engagement in 2015. Denmark and other members have emphasized that engagement should be demand-driven, and cautioned about GGGI being too ambitious, stressing that a more balanced portfolio can also be achieved by concentrating on fewer LDCs with more substantial portfolios. In 2015, one African and one Asian LDC are likely to be se-

² Programs must be related to the partner country’s plans to achieve the Millennium Development Goals, and their successors, the Sustainable Development Goals, using green growth targets and indicators that may be linked to the goals.

³ Engagements are ongoing in Rwanda, Ethiopia, Cambodia, and Vanuatu, while being planned in Kiribati and Senegal.

lected. The candidate countries largely overlap with Danish priority countries. Therefore, possible synergies with Danish country programs will be explored. There has already been contact in Myanmar, and expressed interest by the Danish embassy in Kathmandu.

5. Social safeguards

At the meeting of the GGGI Council in November 2014, GGGI's Sustainability and Safeguards Policy (SSP) was adopted. The SSP has 3 components: 1) environmental and social safeguards, 2) corporate social responsibility, and 3) corporate risk management. It is GGGI's intention to prepare specific guidelines on the components. So far, guidelines have been developed on the first component. This work was undertaken in the autumn of 2014 with support from the Danish short-term advisor (ref. above). The environmental and social safeguards aim to mainstream environmental and social standards, including gender equality, into GGGI's programs and project cycle management and into its business processes and operations as reflected in the Country Planning Framework. In addition to gender equality, the safeguard policy addresses issues such as negative impacts on marginalized and vulnerable groups, indigenous peoples, involuntary resettlement, pollution prevention, and respecting global corporate social responsibility standards in line with the UN Global Compact. The standards not only aim at 'doing no harm', but also seek to identify opportunities for 'doing good' with regards to achieving poverty reduction, social inclusion, environmental sustainability and resource security. Plans are underway to pilot safeguard reviews on country programs in 2015.

6. Results

According to the Strategic Plan 2015-2020, GGGI will – on an on-going basis – build institutional capacity for improved Results Based Management (RBM). RBM will be imbedded across the organisation through the articulation of SMART⁴ performance indicators combined with strengthened quality assurance processes at all stages of the project cycle.

As mentioned above, all projects presented in the Work Program and Budget come with a results matrix, including output and outcome indicators, baselines and targets. At the project level, some baselines are not fully determined, while some targets are not yet developed or not quantifiable. Therefore, part of this is work in progress, including determining indicators to track progress towards poverty reduction and social inclusion.

Still, GGGI has achieved substantial results of which 3 examples can be mentioned⁵. In Rwanda, GGGI has provided strategic and technical advice to a Green City Framework through which Rwanda is adopting a new approach to urban planning, transport infrastructure, energy, water, sanitation, and housing. In Mongolia, GGGI support has resulted in green growth plans and macro-economic assessments for the energy and transport sectors, including plans for Green Energy Action and Energy Efficient Public Buildings. In the Philippines, GGGI has successfully assisted implementation of an Eco-Town Framework Project in the municipality of San Vicente at the Palawan Island⁶.

⁴ SMART = specific, measurable, achievable, relevant, and timebound.

⁵ The examples are from country programs funded by core contributions, thus also by Danish funds.

⁶ In March 2015, the Presidium of the Danish Parliament got a first-hand impression of the results during a visit to the project, ref.: <http://ggi.org/danish-members-of-parliament-visit-project-site-in-philippines>

Regarding results at the corporate level, GGGI has defined 3 major strategic outcomes. Along with these, an overall results matrix has been developed, which includes indicators at outcome and output level, including in relation to GGGI's 4 thematic areas: energy; green city development; land-use; and water. In addition, GGGI has set up goals and targets in areas such as reducing overhead costs, increasing core and earmarked funding, unqualified annual audit reports, and the rolling out of environmental and social safeguards.

A new Enterprise Resource Planning system is being rolled out to help document and report on data from results monitoring. In addition, a Connect Enterprise Resource Planning System is established to allow management to track progress against the targets set in the Work Program and Budget. While these systems are sophisticated and promising, it remains to be seen to what extent they will serve their purpose. The responsibility for making use of these systems rests with GGGI's Organization and Delivery Unit (ODU)⁷, which is handling monitoring & evaluation. While ODU is not organizationally located within GGGI's line functions, it is also not reporting independently to GGGI's top management. Still, ODU works very professionally, including by building staff capacity through training materials and training courses.

7. Strategy Advisor

As stated in the Finance Act and the Grant Document of the present 3-year appropriation to GGGI, a Danish strategy advisor has been seconded to GGGI. Recruitment of the advisor took place late 2014, and the advisor took up his one-year assignment by 9 January 2015. The advisor works within the GGGI, supporting GGGI on the implementation of the new Strategic Plan. The advisor plays a key role in the "Poverty Reduction and Social Inclusion" work stream in GGGI's 2015-2016 Work Program and Budget to ensure the introduction of poverty and social inclusion across GGGI's programmatic portfolio.

The primary task of the advisor is to focus on operationalization of the poverty focus in green growth programming and strategy development at the country level. The plans in this area, presented at the meeting of the Management and Program Sub-Committee in February 2015, clearly illustrated that the advisor, after a few weeks of work, had already made noticeable contributions towards integrating poverty and social inclusion in GGGI's approach to country programming. In addition to the strategy advisor, Denmark has seconded a long-term senior advisor to GGGI whose contract terminates in August 2015. The senior adviser has made valuable contributions in areas such as ensuring GGGI's ODA eligibility, developing country programs, South-South cooperation, and managing GGGI's Donor Consultative Group.

8. Governance, management and administration

During the last year, several steps have been taken to streamline and improve GGGI's governance, management and administrative structures and procedures.

In April 2014, the former Executive Secretary of UNFCCC, Yvo de Boer, was assigned as Director General of GGGI. At the Council meeting in November 2014, it was decided that the Council Chair should also be President of GGGI's Assembly, thereby creating efficiencies in GGGI's political leadership. At that occasion, the former Danish Prime Minister was replaced as chair of the Council by the former Indonesian president, Susilo Bambang Yudhoyono.

⁷ Organigram of GGGI is included as Annex II.

On 1 April 2015, a Swedish national, Per Bertilsson, was appointed as Assistant Director-General in charge of the Green Growth Planning & Implementation division, which is responsible for GGGI's country programs. With one management position presently being vacant, GGGI's executive management team presently has four committed and experienced members.

At GGGI's Council meeting in November 2014, a decision was taken to merge 3 sub-committees (Audit and Finance Sub-Committee, Program Sub-Committee, and Facilitative Sub-Committee) into the Management and Program Sub-Committee. Through this merger, considerable efficiency gains have been achieved. During the first half of 2015, Denmark serves as chair of the Management and Program Sub-Committee.

In addition to this governance reform, a major organizational restructuring has taken place by merging the division for Knowledge Development and Management with the Public-Private Corporation division. Thereby, GGGI now has only 2 divisions: the Knowledge Solution division, and the Green Growth Planning & Implementation division.

Together, these reforms have helped transform GGGI into "One GGGI" in line with recommendations from the Danish appraisal report, and in line with GGGI's new Strategic Plan. Furthermore, the reforms have contributed to making GGGI more fit for purpose in ensuring effective fulfilment of GGGI's mandate.

In the area of financial management, GGGI's new Enterprise Resource Planning system will automate a number of functions such as the administration of finance, budget, procurement, travel, and asset management⁸. Audited financial statements were available on 9 April 2015. The external auditors, in their comments, found that GGGI's "*financial statements ... present fairly, in all material respects, the financial position of GGGI as of December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards*"⁹. Furthermore, GGGI's Office of Internal Audit and Integrity carried out 6 internal audits in 2014, resulting in 17 recommendations. Of the recommendations, none were rated "high risk", 6 were rated "medium risk" and 11 were rated "low risk". Apart from one, all recommendations have been followed-up or are being followed up. Generally, as illustrated by the external and internal audits, the GGGI has established sound procedures for effective financial management and administration.

9. European presence

At the time of approval of the present 3-year appropriation in May 2014, GGGI had 3 satellite offices, in addition to its Headquarters in Seoul. The satellite offices were in London, Abu Dhabi (financed by United Arab Emirates), and a minor office in the UN City in Copenhagen. Denmark's view on satellite offices has been that a European presence can only be justified if it adds value to the way in which GGGI fulfils its mandate, and implements its strategy and work program. In particular, Denmark has been sceptical to the London office, which has been costly and with an unclear mandate.

⁸ On this and other matters regarding management and administration, see also section 11 below.

⁹ Independent Auditors' Report of 9 April, 2015, p. 1. The report covers both calendar years 2013 and 2014.

At the GGGI Council meeting in November 2014, Denmark was the only country with reservations on a European presence. Consequently, a proposal was adopted to maintain a focal point in London. However, Denmark succeeded in ensuring that the role of London office is linked to the implementation of the Strategic Plan and that it is staffed with maximum 3 professional staff, which will work on private sector involvement, investment opportunities, and donor liaison, respectively. The decision was based on a cost-benefit analysis, by which 7 locations in Europe were compared, including Copenhagen. Following the decision, Denmark and GGGI agreed to terminate the GGGI office in Copenhagen, which was closed early 2015. Compared to the previous London office, there will be considerable savings in running the new focal point, which is expected to be operational later in 2015.

10. GGGI's funding base

With its 2015-2020 Strategic Plan, GGGI has set the goal of mobilizing USD 40 million per year in core contributions and a similar amount in earmarked contributions by 2020. This will require an expansion of GGGI's membership, based on a shared understanding with more donors of the relevance of pro-poor green growth. Donors can contribute to GGGI by making core contributions or earmarked contributions.

In November 2014, GGGI signed an agreement with the UK on a contribution to the order of £14.8 million in core funding over the next 3 years, and with an additional £1 million for each engagement being initiated in up to 4 Least Developed Countries. In addition, Indonesia has decided to become a core contributor. In 2015, the following countries are expected to give core contributions: Australia, Denmark, Korea, Indonesia, Mexico¹⁰, Norway, United Arab Emirates, and United Kingdom. Some of the core contributors also provide earmarked funding, which other donors such as Germany and Switzerland also do.

With UK and Indonesia as new core contributors, GGGI's financial situation has improved significantly. So far, earlier cash flow problems, therefore, have been eliminated. This new situation allows GGGI to expand its portfolio, including by engaging in more Least Developed Countries, partly driven by the performance-based funding provided by the UK (ref. above).

11. Value-for-Money

At a consultation meeting in the Parliament's Foreign Affairs Committee on 2 April 2014, the Minister for Trade and Development Cooperation stated that, in addition to audited accounts prepared by GGGI's external auditor, a value-for-money study would be prepared as basis for disbursing the Danish 2015 instalment to GGGI. At the consultation meeting, the Minister also referred to a similar study by United Kingdom's Department for International Development (DFID). The UK study was prepared as background for UK's decision in November 2014 to make a core contribution to GGGI. Generally, the UK study gave a positive assessment of how to get value for money from UK's contribution, stating that "*GGGI offers the best value for money option for DFID, outperforming alternative delivery options*". In January 2015, the UK study was made public and forwarded to the Parliamentary Foreign Affairs Committee for information.

¹⁰ Given the small size of Mexico's core contribution, Mexico does not meet the requirement of providing USD 5 million annually to be eligible for membership of GGGI's Council (ref. article 3a in GGGI's establishment agreement).

In autumn 2014, steps were taken to conduct the value-for-money study for which funds had been provided as part of the Danish DKK 90 million appropriation. The study was initiated in February 2015, and carried out for GGGI following an open tender procedure, through which KPMG was tasked with the exercise. While the study will not be finalized until May 2015¹¹, draft summary extracts of Key Findings and Conclusions were confidentially made available to Denmark on 13 April 2015 for the purpose of reflecting them in this report.

The study covers January 2013 to December 2014 and assesses aspects of: i) economy (spending less); ii) efficiency (spending well); and iii) effectiveness (spending wisely). The study addresses: i) GGGI's Enterprise Resource Planning system, ii) Strategy Planning Process, iii) Procurement Management, iv) Human Resource Management, v) Finance Management, and vi) selected country programs. The draft summary appears to reflect a satisfactory value-for-money assessment of GGGI which in key areas such as business process management, strategy and planning could represent "*best practice of the industry*" and which has "*established a 'to be' model for GGGI's overall country level strategy framework*". Furthermore, efforts are taken to "*implement proper procurement procedure*", "*internal control is well designed*", and "*no deficiency or flaws were found in the budget policy*". In some areas systems do, however, not always function as intended. Thus, exceptions were identified in "*following [internal controls] during the practical implementation of procurement processes*", where 2 abnormal transactions were noted in GGGI's Mongolia programs. In financial management, exceptions were noted on "*[the requirement of] staff and consultants to submit mission reports within 7 days from the completion of the journey*". On GGGI's results framework, the summary notes that "*further refinement of outcomes/outputs (based on the aggregation of biennium project-level results) [is required]*".

The draft summary indicates that GGGI still needs to address control compliance issues in processes such as procurement and financial management. According to the draft summary, it is, however, "*expected that the Enterprise Resource Planning system would contribute to enhance the economy, efficiency, and effectiveness of the entire organisation once finalized in June 2015*". In addition, GGGI has made substantial progress regarding its guiding principles, strategic priorities, and its integrated delivery model, which has the potential of being best practice.

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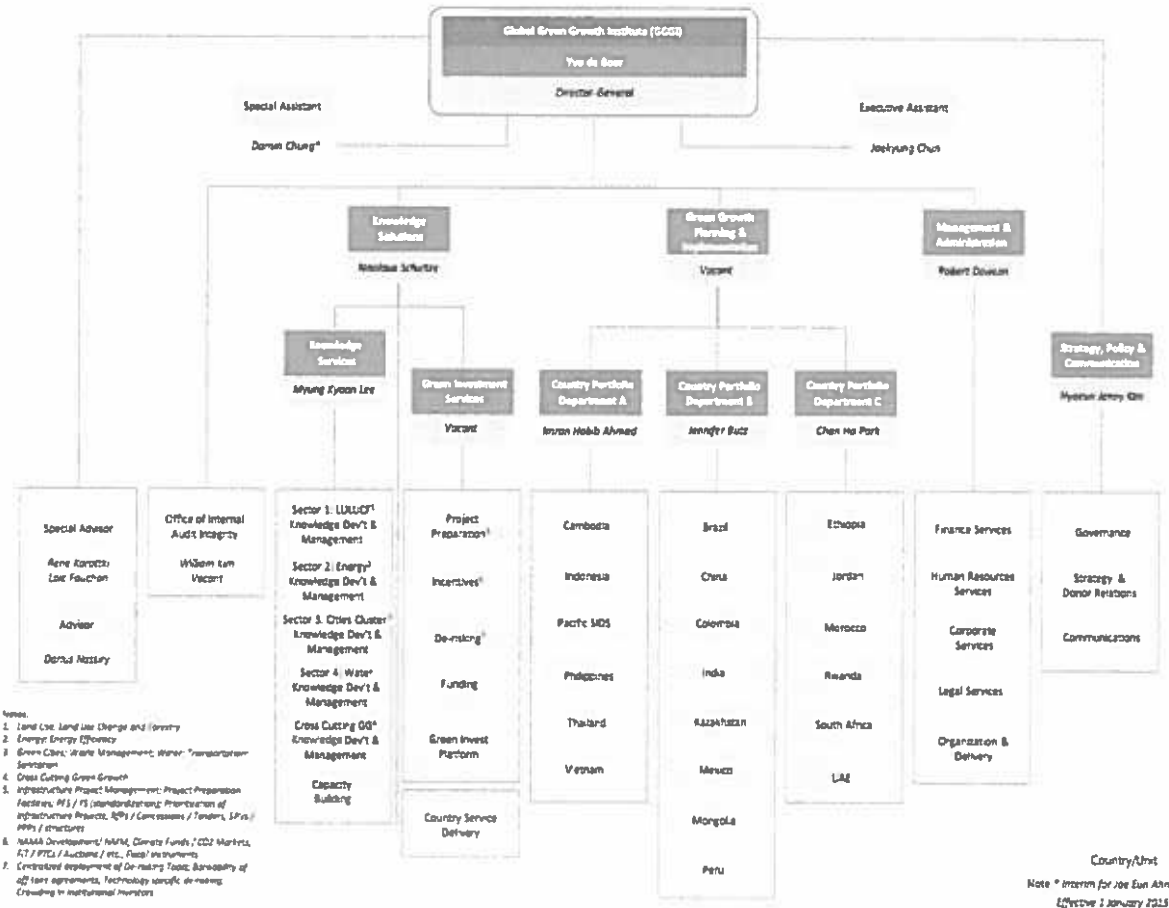
¹¹ The final study along with a response from GGGI's management is expected around mid-May 2015.

Annex I**Guiding principles for disbursing the 2015 instalment**

| Conditions set by... | Nature of condition |
|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consultation meeting in the Parliament's Foreign Affairs Committee, 2 April 2014 | - Availability of satisfactory value-for-money audit |
| Appraisal report, April 2014 | Follow up to 8 recommendations: i) enhance a common identity/vision ii) poverty-orientation, incl. expanding into more LDCs iii) consolidation and focus iv) integration of the three work streams v) building on achievements so far at country level vi) strengthen country presence vii) staffing the secretariat according to GGGI's strategic orientation viii) strengthen knowledge-sharing between Headquarters and country level |
| Council for Development Policy, 28 April 2014 | - Close monitoring of performance - Demonstration of added value - Re-establishing trust |
| External Grant Committee, 13 May 2014 | - Progress against clear benchmarks and red lines regarding i) poverty focus, ii) social inclusion, iii) follow-up on appraisal recommendations, and iv) secondment of a Danish strategy advisor - Progress on the new Strategic Plan |
| Finance Committee / Finance Act, 19 May 2014 | - Availability of satisfactory audited accounts on 2014 by external auditors - Satisfactory delivery of results (progress reporting) - Assessment of how GGGI's 2015-2020 Strategic Plan responds to GGGI's mandate and Danish priorities |

Annex II

Organigram of the Global Green Growth Institute



Annex III

Key documents referred to in the report

The documents are available from GGGI's website: www.gggi.org

- GGGI's Strategic Plan 2015-2020
- GGGI's Work Program and Budget 2015-2016
- GGGI's Country Planning Framework
- The LDC Expansion Plan
- Environmental and Social Safeguards
- Decision on Governance Reform
- Decision on GGGI Focal Point in Europe
- Audited Financial Statements for 2013 and 2014

Other document

- Value-for-money audit (confidential, draft summary)