

Organisation Strategy for Denmark's engagement with the Global Green Growth Institute (GGGI) 2017-2019

15 September 2017

1. Objective

This Strategy for the cooperation between Denmark and Global Green Growth Institute (GGGI) forms the basis for the Danish contributions to GGGI of 60 million DKK (2017 to 2019), and it is the central platform for Denmark's dialogue and partnership with GGGI. It sets up Danish priorities for GGGI's performance within the overall framework established by GGGI's own strategy. In addition, it outlines specific goals and results vis-à-vis GGGI that Denmark will pursue. Denmark will work closely with like-minded countries towards the achievement of results through its efforts to pursue specific goals and priorities. Denmark has supported GGGI since its inception in 2011.

As part of the appropriation process, an appraisal was conducted in May/June 2017 with visits to Seoul, Philippines, Rwanda and Cambodia. Also a joint donor review lead by Denmark was conducted in 2015.

2. The organization - the Global Green Growth Institute (GGGI)

Organisation/governance

GGGI is a relatively young International Organisation, based in South Korea, dedicated to a global transformation to "green growth". Denmark has supported GGGI since 2011 under the Climate Envelope.

Denmark was one of the founders of GGGI as it transformed from a Korean non-profit foundation to a fully-fledged international organisation.

GGGI has a governance structure consisting of an Assembly, Council and a Secretariat with headquarters in Seoul. Part of GGGI's strength lies with its unique governance structure where all members, not only donors, decide in consensus. Given that Korea has developed from LDC-status and emerged from the middle-income trap adds to GGGI's value proposition.

| Global Green Growth Institute | |
|---|--|
| Established | 2010 (as a Korean foundation) 2012 (as an international organisation) |
| HQ | Seoul, Republic of Korea |
| Director General | Frank Rijsbermann (NL) |
| Council Chair/ Pres. of Assembly | Ethiopia as Acting Chair/President |
| Human resources | Ca. 200 staff (half in Seoul, half in country offices) |
| Financial resources (annual budget): | 2017: USD 45 million (core contributions) |
| Denmark's contributions | DKK 60 million 2017-19 DKK 90 million 2014-16 DKK 90 million 2011-13 |
| Denmark's membership | Member since 2012 Council member in 2012-13, 2014-15, 2016-17 |

Denmark has influenced the development of GGGI through the GGGI Council and Assembly and as a very active participant in sub-committees.

Denmark has been a member of the Council (Bestyrelsen) in three consecutive periods and one of the most active members of the organization. Normally, members would only be members of the Council in two consecutive periods and a contributing member should contribute minimum 5 Mio. USD annually to be eligible for election to the Council. Thus Denmark will not be in a position seek reelection to the Council in 2018-19. However, there will de-facto still be an opportunity to participate in the work of the Council and associated sub-committees. UK is likely to seek election to the Council in lieu of Denmark.

GGGI has 27 member countries with operations in the following member countries and potential members: Cambodia, China, Columbia, Ethiopia, Fiji, India, Indonesia, Jordan, Kiribati, Lao PDR, Mexico, Mongolia, Morocco, Mozambique, Myanmar, Nepal, Peru, Philippines, Rwanda, Senegal, Thailand, Uganda, United Arab Emirates, Vanuatu, Viet Nam. Underlined countries are not (yet) members. About half of GGGI's funds are spend in LDCs.

Major donors are the Rep. of Korea, Norway, UK, Australia, UAE, Indonesia and Denmark. EU is currently discussing membership.

Objectives

According GGGI's founding document the organisation's objectives are to:

“promote sustainable development of developing and emerging countries, including the least developed countries, by:

- Supporting and diffusing a new paradigm of economic growth: green growth, which is a balanced advance of economic growth and environmental sustainability;
- Targeting key aspects of economic performance and resilience, poverty reduction, job creation and social inclusion, and those of environmental sustainability such as climate change mitigation and adaptation, biodiversity protection and securing access to affordable, clean energy, clean water and land; and
- Creating and improving the economic, environmental and social conditions of developing and emerging countries through partnerships between developed and developing countries and the public and private sectors.”

Working across the thematic priorities of sustainable energy, green cities, sustainable landscapes, and water & sanitation, GGGI aims to achieve these objectives through the realization of six strategic outcomes: 1. GHG emission reduction, 2. Creation of green jobs, 3. Increased access to sustainable services (eg. Clean affordable energy, sustainable public transport, improved sanitation and sustainable waste management), 4. Improved air quality, 5. Adequate supply of ecosystem services, & 6. Enhanced adaption to climate change

Staff

GGGI has seen strong growth in staff, with a doubling of the numbers over the last couple of years. By the end of the year GGGI plans reach 313 staff members (133 in Seoul and 180 in country offices).

3. Key strategic challenges and opportunities.

Relevance for Danish strategy for development cooperation

Denmark's Strategy for Development Cooperation and Humanitarian Action (January 2017) identifies sustainable development as one of the four priority areas for Denmark's international development cooperation. According to the strategy Denmark will invest in inclusive, sustainable growth and development in the developing countries, focusing on energy, water, agriculture, food and other areas where Denmark has special knowledge, resources and interests. This will contribute to creating sustainable societies with economic freedom, opportunities and jobs – especially for young people.

The concept of green growth supports the Danish priority of creating market based economic growth. There are potential synergies with other forms of Danish development collaboration within the areas of green growth, climate and environment.

Danish support to GGGI is part of the Danish Climate Envelope. The global climate agreement from Paris in 2015 marked a breakthrough for the global regime on climate change mitigation and adaptation. Together with the Sustainable Development Goals the Paris agreement constitutes a regime for the much needed actions to combat climate change. Focus now needs to be on implementation where GGGI can play an important role by helping to create transformational green growth both in LDC and in partnership with transition and growth economies. The latter economies will have an important role in fulfilling the SDGs and finding solutions for their continued growth without depletion of the Earth's resources. This is an important part of GGGI's partnership with middle-income countries and other GGGI partner countries.

GGGI's unique strength is that its country offices are embedded in ministries (finance, planning, energy, etc.) of their member countries from where it can help countries identify their green growth potential that are translated into concrete strategies, planning and budgeting for green growth. GGGI also assists in policy design and preparation of bankable projects. For example, GGGI facilitated Mongolia's National Action Plan for Green Development. GGGI has as part of its engagement assisted with the development of alternative heating sources (a major source of air pollution and GHGE) in low-income areas and in designing energy efficient public infrastructure.

GGGI's work is firmly rooted in the international development goals, including the SDGs and the Paris Agreement. GGGI works closely with partner countries in implementing the NDCs (National Determined Contributions) and links directly up with particularly the following SDGs 1. No poverty, 6. Clean water & sanitation, 7. Affordable and Clean Energy, 8. Decent work and economic growth, 11. Sustainable cities and communities, 12 Responsible consumption and production, 13. Climate action, 15. Life on Land and 17. Partnership goals.

Challenges for GGGI

A recent evaluation conducted by independent consultants, a DFID annual review, as well as the Danida appraisal agree on GGGI's main challenges. They also agree that GGGI's Strategic Plan 2015-2020 is providing relevant guidance for GGGI, taking note of the latest global agreements on Finance, Sustainable Development Goals and Climate. GGGI has delivered results at output level but needs to demonstrate tangible outcomes for green growth, ensure systematic knowledge generation, consolidate its organisation and more strongly embed all new initiatives. It is expected that GGGI's members will encourage GGGI to pursue these goals during the annual meeting in October 2017.

GGGI should give high priority to **consolidating** its activities and organisation. This includes establishing a strong corporate culture, consolidating and embedding tools and procedures, and consolidating, unifying and focusing of global activities at headquarters and programs at country level. GGGI must create an organisation that delivers as one. The quick expansion of staff is a key managerial challenge for the organisation to ensure quality and coherence in all corners of the organization. This includes ensuring integration between headquarters and country deliverables as well as between deliverables from different divisions as well as ensuring synergy between country programmes and bankable projects.

A key challenge for GGGI is to demonstrate its value and potential in facilitating transformational change, create **bankable projects** and green growth investments. GGGI's Green Investment Services have been strengthened. Different types of bankable projects and financial mechanisms have been formulated. However, the analyses and descriptions of the transformative nature and scalability of the existing projects are still of varying quality and the relevance for transformative green growth is not always clear. GGGI will need to develop this area further and create concrete transformational change. GGGI has in the past years achieved its goals of leveraging Green investments but this sector needs to grow significantly.

GGGI has developed a significant partnership with **GCF** (Green Climate Fund) and will need to develop further its partnership with esp. development banks and private investors in order to leverage its bankable projects. In particular, the envisaged private sector cooperation remains a challenge.

Half of GGGI's portfolio is upon insistence from Denmark and other donors focused on LDCs and GGGI has in the last year continued to **focus on pro-poor growth and social inclusion**. A gender strategy was finalized in 2016. However, these aspects still need to be translated into actual impacts on the ground. With the increased number of Least Developed Countries, there has been an increased focus on adaptation aspects.

GGGI's **communication** is making progress and becoming more focused but there are still quite a number of initiatives to be taken to ensure more effective communication. A draft communication strategy has been prepared. It would be critical to give priority specifically to the planned upgrade of the webpage, enabling partners to seek information and knowledge products, increase capacity at country level and ensure a systematic monitoring of the uptake of communication activities and products.

As is recognized by GGGI the output level monitored does not provide much information about actual results in relation to green growth change and higher-level outcomes.

4. Danish priority areas and results.

- GGGI needs to improve its **documentation of results**, not just its activities and processes, in order to demonstrate its value. GGGI aims to assist countries to identify the aspects of green economic change and work with them to understand how they can translate this into policies, programmes and projects that will eventually **lead to real change on the ground**; and by this generate examples which other countries would want to follow. Moreover, GGGI needs to fully implement a **Result Based Management** system, which enables the institution to make informed management decisions regarding the effective use of resources to deliver on the envisaged results,
- GGGI has continued to enhance the **effectiveness and value for money** required in a young developing organisation. GGGI has given priority to and allocated relevant resources to maintain focus on developing a sound financial management set-up. Denmark should continue focussing on the organisation's internal efficiency and budget flexibility. GGGI's anti-corruption policy and zero tolerance towards corruption is well described and communicated. GGGI has upon suggestion from Denmark agreed to develop a policy for communication with donors about detection and reporting of irregularities.
- Increasing GGGI's focus on **poverty reduction and social inclusion** was previously one of the main Danish priorities. These issues have now to a large extent been integrated into the work of GGGI. While poverty reduction and social inclusion remains a priority for Denmark, it is expected to require less attention.
- Finally, increasing collaboration between **GGGI and Danish stakeholders'** should be priority. Denmark will encourage further collaboration with Growth Advisors, Danida Country Programmes and the Danish Energy Agency Programme, possibly with Danish earmarked funding, where it makes sense. A Danish secondee could also help to develop this. GGGI and its Director General is actively involved in P4G.

5. Budget

In 2017-18, GGGI is in a sound financial position, provided that all the expected funding materialises; however, some of the expected funding is still not firmly committed. GGGI has been unable to use the funding envelope in the start-up phase and expenditure execution against budget has been low in previous years. However, improvements were seen in 2016, with an execution rate of 75%, up from 68 % in 2015 and 63 % in 2014 (see figure). The low execution rate has resulted in funds being carried forward. This has allowed GGGI to budget for an expenditure level of around USD 50 million for 2017/18. For 2019/20, however,

funding is expected to be at around USD 40 million per year rather than previous planning figures of around USD 80 million per year. There is now agreement among donors that GGGI should in the coming years remain on a budgetary level of USD 40-50 million.

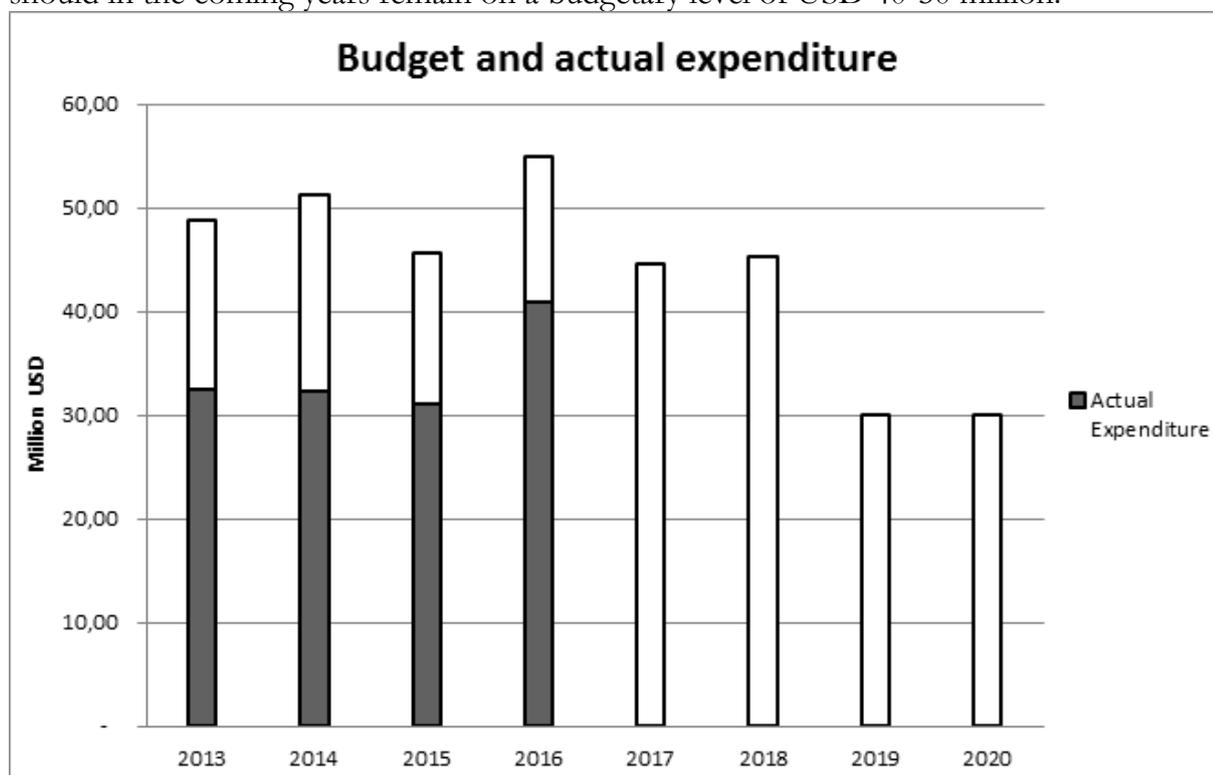


Figure 2 GGGI budget and actual expenditure

Only part of the future funding has been secured. Changes in donor contributions could have a significant impact on GGGI's financial position. The organisation is therefore carefully seeking to address the issue through a range of resource mobilisation initiatives. A likely outcome will be that more funding will become earmarked.

The Danish contribution to GGGI will be 60 Mio. DKK for the period 2017-19. Denmark will as part of the contribution second a person that should be strategically placed in GGGI. The two prior Danish contributions have been 90 Mio. DKK for a three-year period. It is important that Denmark continues to give core funding to enable GGGI to do its strategic work.

| Budget, Mio. DKK | 2017 | 2018 | 2019 |
|------------------|------|------|------|
| Core Funding | 20 | 19 | 18.5 |
| Secondment* | | 1 | 1 |
| Reviews | | | 0.5 |

*Additional funding for the Danish secondment will be paid by 680.000 DKK remaining on the 2014-16 contribution and GGGI core funds.

6. Risk assessment and mitigation

GGGI is a young organisation and in a build-up and change process, therefore a great deal of uncertainty exists as to the future financial sustainability, effectiveness, efficiency and impact of the organisation. Medium to high risk with high impact exists in relation to fast achievement of concrete results and making the new financial mechanisms work, consolidating the organisation and its financial future. The risks are recognised by GGGI and relevant initiatives are taken to reduce these risks. A relatively high-risk level is to be expected in a young and rapidly expanding organisation. It is envisaged that the risk level will be reduced as the organisation, programmes and new tools are consolidated. It should, given the history of the organisation, be noted that no risk has been identified in relation to financial management.

Contextual risks

| Risk Factor | Likelihood | Impact | Risk response | Background to assessment |
|--|------------|--------|--|--|
| Long lead time for green growth investments, and later than expected results on the ground | Medium | Medium | GGGI convey to partners and donors, what will be delivered by GGGI and the realistic timeframe for their realisation GGGI secure efficient and uniform planning processes and resources use. Strengthen capacity of country teams | Several of the bankable projects are complex and require long lead times and this can be a problem in relation to Partner and donor expectations on rapid results on the ground. Further, GGGI does only facilitate and are not controlling actual investments |
| Lack of capacity and ownership among country level partners for mainstreaming green growth | Low | High | GGGI continues a participatory and demand based approach, embedded in national institutions and priorities. Continues to strengthen in-country presence | Green growth is a contested area, and although there are key stakeholders in countries promoting it, there are also a number of stakeholders against it |

Programmatic risks

| Risk Factor | Likelihood | Impact | Risk response | Background to assessment |
|--|------------|--------|--|--|
| Consolidation of GGGI is not managed properly. GGGI do not ensure consistency between priorities and available resources and do not give attention to development of a uniform corporate culture | Medium | High | GGGI is aware of the importance of consolidation. Implementation of initiatives for planning and working as one-GGGI will, if implemented, reduce risks. New major initiatives and expansions should be avoided. | This risk relates to the organisation's management of multiple level and multi-faceted change processes. If managed well, it will have important positive impacts on the organisation's ability to deliver results |
| Challenges over time in GGGI's financial | Medium | High | Continued strong efforts to secure | This risk is related to GGGI's ability to continue to attract |

| | | | | |
|---|--------|--------|--|---|
| sustainability and shift in balance between core and earmarked funding are having negative impact on GGGI's stability and ability to fully decide on priorities | | | additional funding also at country level. Planning for operation under different budget scenarios including how to address the balance between core and earmarked funding. Further keep management organs (MPSC) fully informed about and involved in discussion of budget scenarios | funding and sufficient core funding, which is based on how GGGI is able to deliver results. It is also related to how GGGI is able to respond to a changing donor landscape |
| Inadequate identification of barriers of a political economic nature and change areas for green growth implementation | Medium | Medium | GGGI is working on ensuring better and more practical analytical work and tool development work. Integrate more context analysis and identify change areas | GGGI has produced a number of too comprehensive/complicated guidance documents on green growth with little consideration of context/political economy |
| Inadequate ability to achieve transformational change. | Medium | High | Continued focus on innovation and improved management. Continued focus on recruiting and keeping the right talent. Focus on consolidation and not spread resources too thin (both geographic and thematic focus) | One of GGGI's key strengths is to be flexible and innovative. This is required to achieve transformational change. |

Institutional risks

| Risk Factor | Likelihood | Impact | Risk response | Background to assessment |
|--|------------|--------|---|--|
| Major mismanagement of funds or corrupt practises in GGGI will have serious negative impact on the reputation of GGGI and its donors | Low | High | GGGI has good financial management systems, controls and staff in place | Given the history of Denmark/GGGI and the implications on GGGI operations and delivery of results, it is very important that good financial management is maintained |