



ANNUAL  
REPORT  
2021

# GREEN BONDS





## Message from the President of the Assembly and Chair of the Council

Dear Friends and Members of the Global Green Growth Institute,

The year 2021 was still heavily dominated by the COVID-19 pandemic that has affected billions of people worldwide through direct health impacts, as well as the lockdowns and economic slowdowns throughout the developing world. The economies of developed countries, by contrast, rebounded surprisingly quickly, and so did their greenhouse gas emissions, unfortunately.

GGGI supported 30 countries to update their Nationally Determined Contributions to the Paris Agreement. In many cases NDCs became more ambitious, in others more sectors were included, in more cases leading to a cabinet approval of the revised NDCs. As we now know, while some countries significantly strengthened their NDCs, on the whole the NDCs submitted to COP26 in Glasgow did not quite commit reductions sufficiently enough to achieve the Paris Climate Change Agreement goal of limiting global warming to well below 2°C. The increased prominence of the 1.5°C target was heartening to see, with many leaders making pledges for NetZero or carbon neutrality. If all those pledges are realized, global warming could be limited to 1.8°C, which would be the most positive result that could be derived from COP26.

That also means most of the hard work is still ahead of us because most of the NetZero pledges are not yet translated into solid plans and backed up by clear financing commitments. For GGGI, that means much of our work will be linked to exactly that challenge in the coming months and years, including developing more ambitious NDCs to submit to COP27 in Egypt later this year and translating NetZero pledges into Long Term Strategies and then medium-term action plans, supported by climate finance strategies.

Finance is clearly critical. Unfortunately, not enough countries used the opportunity to allocate COVID-19 recovery funds for a *green* recovery—or simply did not have the financial resources to allocate to a green recovery—as is the case for many least developed countries. GGGI did support 15 countries in 2021 with policy advice on how there are green growth opportunities and green jobs creation, in particular, linked to a recovery from the pandemic. In 2022, the G20 Chair, the Republic of Indonesia, has asked GGGI to prepare a background paper on green recovery opportunities for the G20 meetings.

Developing countries expressed their concern at COP26 that the USD100 billion in climate finance committed by developed countries to support developing countries has not fully materialized. In addition, all calculations of the financial needs to deal with both mitigation and adaptation in developing countries now show that the actual financial requirements are far in excess of the USD100 billion per annum.



Ban Ki-moon

It is clear that to mobilize sufficient financial resources will require a significant involvement of the private sector, as the needs are well beyond the ability of the public sector and ODA to mobilize climate finance. One important opportunity may arise from the international collaboration governed by Article 6 of the Paris Agreement, for which the rulebook was finished at COP26. Governments may agree to transfer emissions reductions, and buyers of such carbon credits (generally developed countries) may agree to pay sellers (generally developing countries). Once governments agree on the terms and conditions, private developers can develop projects in seller countries, and private companies in buying countries can agree to buy such credits to meet their national obligations.

GGGI believes that this new “carbon market” has the potential to be much more inclusive than the first “Carbon Development Mechanism” market that is coming to an end. To this end, I am pleased to share that GGGI—with strong support from donors—is actively building capacities in more than 10 developing countries to enable them to engage in such carbon trading at terms that are in the mutual interests of buyers and sellers among GGGI’s Members and partners.

In addition, there is growing interest to green the finance sector, including an exponential growth of green bonds in developed countries. GGGI has entered this new space with spectacular success in 2021 by supporting the government of Peru in issuing more than USD4 billion in green bonds. I hope this is indicative of future opportunities to scale up GGGI’s support to mobilize green and climate finance for the green transition that the world so desperately needs.

Despite the severe global challenges, GGGI had an excellent year of outstanding performance in 2021. I would like to extend my sincere thanks to Members, donors, partners and, above all, the diligent staff for all their efforts to fight the climate crisis and to make the future a little greener and more sustainable!

Ban Ki-moon

President of the Assembly and Chair of the Council

## Message from the Director-General

While 2020 was a very challenging year, GGGI did end up signing a record volume of new agreements for earmarked projects, at over USD60 million. That set the scene for a period of rapid growth for the organization. The budget for 2021 called for the recruitment of a hundred new staff members and an increase in the volume of our earmarked project work of 40%. That was a very ambitious plan under normal circumstances, let alone during the second year of a pandemic that still closed many borders and caused most of us to work from home for a very large part of the year.

As you will read in this Annual Report, to make a long story short, we ended up recruiting 110 new staff and 125 consultants and increased the volume of our earmarked project work by 57% year on year – and managed to generate a surplus of a little over USD3 million. And we signed another close to USD60 million in new earmarked project agreements. That already makes 2021 an exceptionally good year for GGGI as an organization, but I am pleased to report we also had extraordinary results in terms of our intermediate outcomes as well.

In 2021 GGGI helped mobilize USD5 billion in green and climate finance for GGGI Members, dominated by the green bonds issued by the government of Peru with GGGI’s support. Even outside this very large result in Peru, though, GGGI exceeded its USD700 million target for green finance mobilization in 2021. In addition, the overall pipeline of green investment projects GGGI works on has increased from USD 1 billion to USD5 billion last year, making it more likely GGGI will be able to meet or exceed its investment targets in 2022 as well. As scaling up our green investment mobilization is a critical step in our theory of change to generate impact in terms of GGGI’s Strategic Outcomes, this means our opportunity to deliver impact is improving as well.

We recognize that despite GGGI’s successes outlined above, the challenges we all face are daunting. While there was some solid progress made at COP26 to fight the climate crisis, most observers agreed that while the 1.5°C target could be considered “still alive” – it was also “on life support”. With the most recent IPCC reports it would appear we have to revise this position as it appears 1.5°C warming is no longer a realistic target, unfortunately.

Greenhouse gas emissions keep going up and the record high fossil fuel prices tempt many producers to step up their exploration and production. At the same time, fossil fuel importers struggle to pay for those expensive imports which only strengthens the argument to accelerate the clean energy transition.



Dr. Frank Rijsberman

The war in Ukraine, and the cost of supporting refugees, put pressure on international aid budgets, and the reduction of wheat exports threaten to cause famines in the most vulnerable countries. That would include particularly the most vulnerable, least developed countries already suffering from droughts and instability, not least in the Sahel and Horn of Africa.

This continuing challenging outlook only makes GGGI’s work going forward even more relevant and meaningful. For the 30 countries where we supported improved NDCs and the 15 countries where we worked on green recovery from the pandemic in 2021, the work continues and shifts gradually from planning to implementation. Countries that made NetZero pledges in 2021 now need roadmaps, implementation plans and finance strategies to turn these pledges into reality. As many developing countries face high levels of indebtedness, finding financial resources that do not increase sovereign debt is a priority for GGGI and we have several projects focusing on alternative sources of green finance, including innovative instruments such as debt for nature swaps.

The rapid growth of GGGI in 2021, that we expect to continue in 2022, was made possible by the confidence given to GGGI by our Members, donors, and partners, and through the hard work of our very dedicated GGGI staff. I am grateful to all GGGI’s stakeholders for your continued support and look forward to continuing our green growth journey together in 2022!

Dr. Frank Rijsberman

GGGI Director-General



# GREEN BONDS

## Key Takeaways

- In 2021, GGGI assisted its Member countries in issuing green, social, and sustainability bonds, mobilizing USD4.7 billion from domestic and international capital markets for climate change mitigation, adaptation, and green economic recovery.
  - 2021 highlights from GGGI's green bond activities include collaborating with the Government of Peru to issue the country's first sustainability bond for USD3.25 billion, and first social bond for EUR1 billion; and collaborating with NAFIN – Mexico's second largest development bank – to issue the bank's first sustainability bond for USD371 million.
  - A key contribution from GGGI is the development of Green Bond Frameworks, which define the issuer's processes, methodology, and governance framework that regulate: i) the use of the bond proceeds; ii) process for project identification, evaluation, and selection; iii) management of proceeds; and iv) monitoring and reporting.
  - All GGGI-led Green Bond Frameworks have received positive Second-Party Opinions from an external verifier, confirming their alignment with NDC targets, principles of the International Capital Market Association (ICMA), and international best practices.
- GGGI's 2021 achievements include:
    - Largest-ever sustainability bond issued by a sovereign government at the end of 2021
    - Largest-ever sustainability bond issued from Latin America at the end of 2021
    - First-ever EUR-denominated social bond issued from Latin America
    - First environmental, social, and governance (ESG) bond with digital focus in Mexico
  - GGGI's expertise in this field is highly valued and recognized by donors and Member governments, with the number of active green bond initiatives growing from 2 in 2019 to more than 10 in 2022.
  - The main beneficiaries of GGGI's technical assistance include national and subnational governments, national development banks, local financial institutions, and stock exchanges.
  - The main funders of GGGI's green bond technical assistance are the Green Climate Fund, the Government of the Republic of Korea, the Government of Luxembourg, and the Government of the UK.
  - GGGI-partner issuers report several financial and non-financial benefits of the issuance of green bonds, including reduced interest rates, increased investors diversification, enhanced coordination between finance and sustainability teams, improved visibility, increased flow of private sector finance to mitigation and adaptation projects, and many more.



# 2021 RESOURCE PARTNERS



# HIGHLIGHTS FROM GGGI | GGGI RESULTS OVERVIEW

**56** COMPLETED ADVISORY OUTPUTS that inform development of green growth investments

**USD5.1 billion** in green investments for its Members

**76** GREEN GROWTH POLICIES adopted by 18 Members with GGGI's support

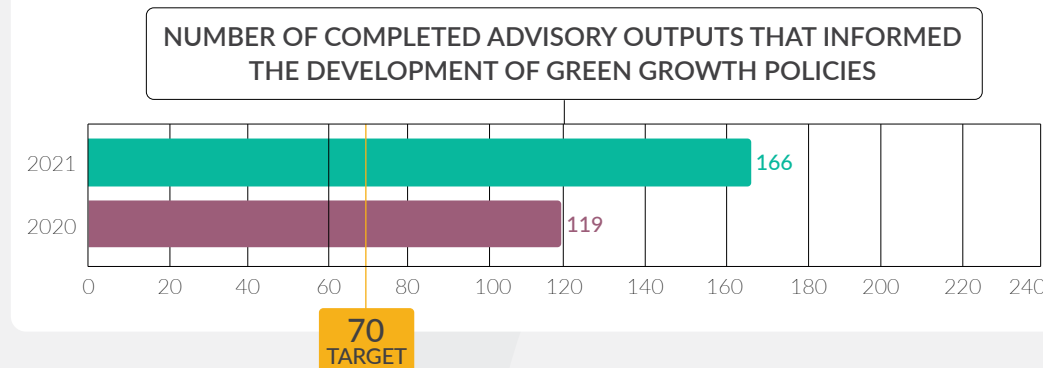
## 2021 ATTRIBUTED STRATEGIC OUTCOMES

**11.9 million** tCO<sub>2</sub>e emissions reduction

**50,000** new green jobs created

**13,000** hectares of forests protected

## 2021 ATTRIBUTED STRATEGIC OUTCOMES



IN 2021, GGGI delivered **166 COMPLETED ADVISORY OUTPUTS** that informed the development of green growth policies against **A TARGET OF 70**

## GGGI Intermediate Outcome 1 | Catalyzing green investments

**Colombia**  
**USD276 million**

The successful securing of **USD276 million for the deployment of 30,000 distributed PV systems across Bavaria's stores in rural Colombia.** GGGI will support the project developer, Colibri Energy, to advance technical and commercial structuring of the project with financial assistance from the UK PACT (Partnering for Accelerated Climate Transitions) program in Colombia.

**Mongolia**  
**EUR18 million**

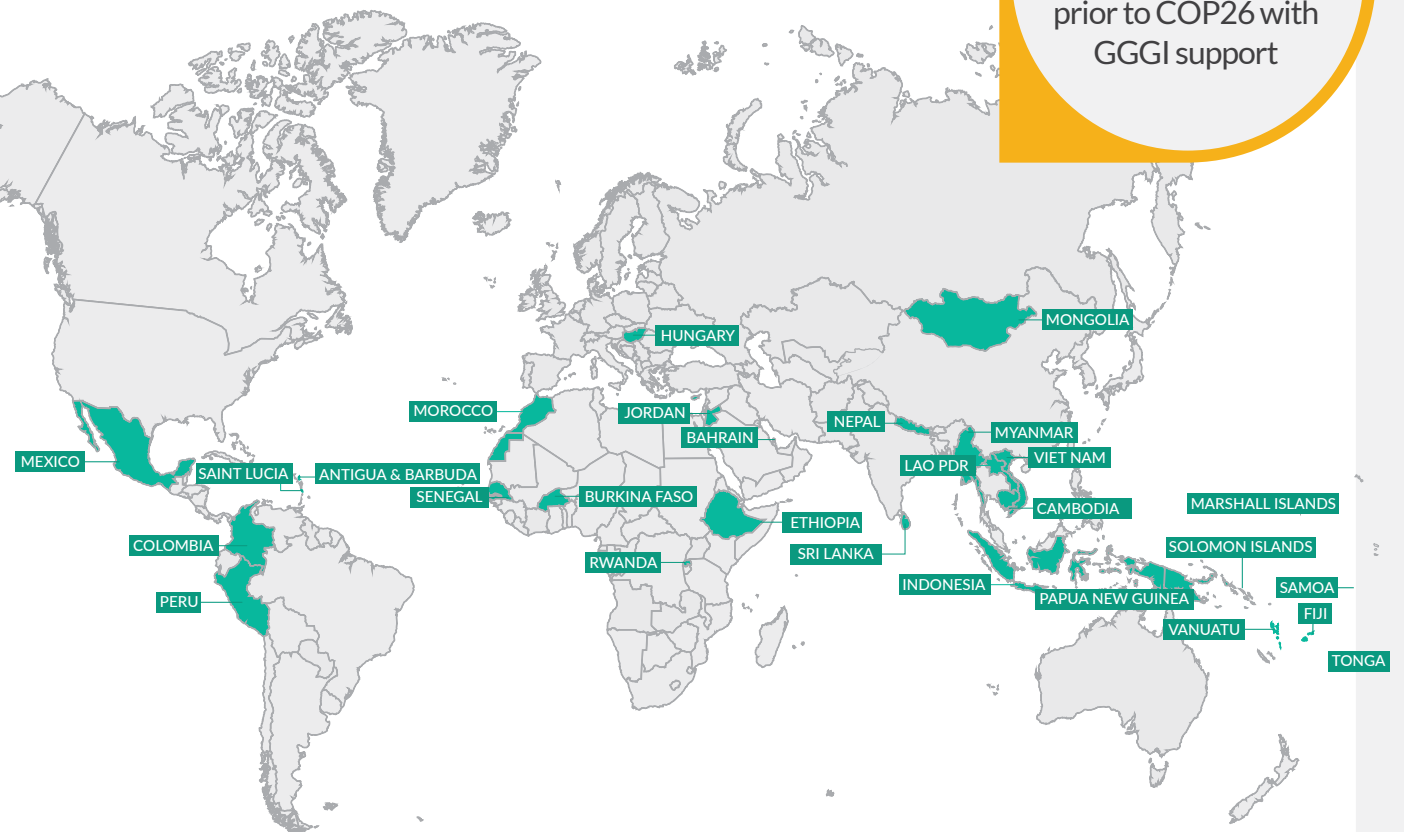
The GGGI Mongolia NAMA project will enable the scaling up of residential building retrofits that will save energy, reduce GHG emissions (**4 million tCO<sub>2</sub>e over the project lifetime**), and improve thermal comfort of apartments for **78,000 people.** The project mobilized EUR18 million from the NAMA Facility and is co-financed by the Ministry of Construction and Urban Development (USD9 million), and the Municipality of Ulaanbaatar (EUR6.5 million).

**Peru**  
**USD4.37 billion**

The Peru country program supported the development of a sustainable and social bonds framework, which led to the issuance of **Peru's first sovereign sustainability and social bonds for a total of USD4.37 billion.**

## GGGI Intermediate Outcome 2 | Developing green growth and national policy frameworks

**28 COUNTRIES** that submitted revised NDCs to the UNFCCC prior to COP26 with GGGI support



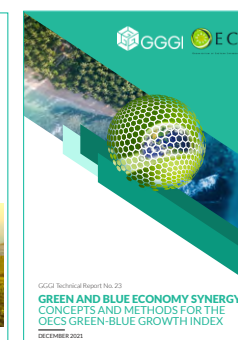
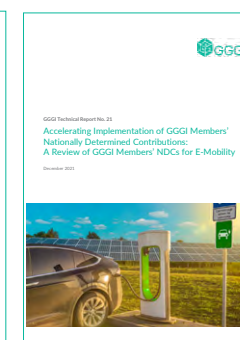
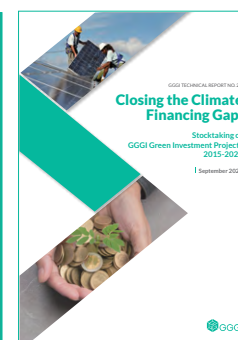
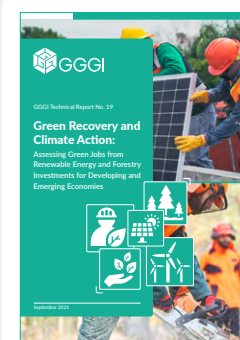
## GGGI Intermediate Outcome 3 | Knowledge sharing and capacity

**321** Capacity building activities

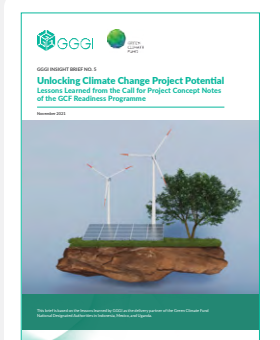
**15,865** Participants

**155** Knowledge products delivered

## GGGI Technical Reports



## GGGI Insight Brief





## HIGHLIGHTS FROM GGGI

## GGGI FINANCE OVERVIEW

**INCREASED TOTAL REVENUE**  
USD54.1 million

An increase of:

- USD12.8 million or 31% over 2020
- USD23.5 million or 77% over 2017

**INCREASED EARMARKED FUNDING**  
USD10.7 million or 45%

**OPERATING SURPLUS**

USD3.1 million

GGGI was able to maintain its reserves days at 144 days

**EARMARKED FUNDING INCREASED**

to **72%** of GGGI total 2021 revenue & funded **72%** of expenditures

This means that core funded 28% of activities down from 84% in 2017.

GGGI signed a total of **USD58.7 million** of new earmarked project commitments in 2021

As a result,

the forecast for 2022 is a **strong increase** in total revenues demonstrated by a total:

**OPERATING BUDGET**  
USD72 million

GGGI REMAINED IN A STRONG & STABLE FINANCIAL POSITION AT THE END OF 2021.

	2017 (USD)	2018 (USD)	2019 (USD)	2020 (USD)	2021 (USD)
Core contribution	23,157	24,151	32,724	17,051	17,187
Program Earmarked					2,584
Project Earmarked	6,864	11,529	14,850	23,475	34,155
Investment income/ finance costs	576	350	213	745	219
<b>Total income</b>	<b>30,597</b>	<b>36,030</b>	<b>47,787</b>	<b>41,271</b>	<b>54,145</b>
<b>Gross Expenditures</b>	<b>44,117</b>	<b>49,679</b>	<b>46,598</b>	<b>42,947</b>	<b>50,981</b>
<b>Total surplus/(deficit)</b>	<b>(13,520)</b>	<b>(13,649)</b>	<b>1,189</b>	<b>(1,676)</b>	<b>3,164</b>

### Audit opinion

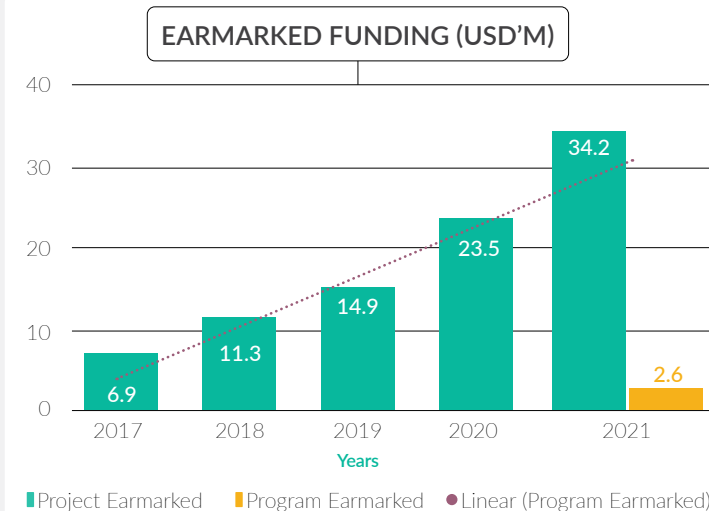
GGGI received an unqualified audit opinion on its 2021 Financial Statements from its external auditors PwC. The complete audited financial statements can be found on the 2021 Annual Report website: [report.gggi.org/2021](https://report.gggi.org/2021)

In 2021, GGGI had a new category of earmarked funding, namely program earmarked funding. Program earmarked funding differs from project earmarked funding in the degree of flexibility in its use, with the use of program earmarked being more flexible. Program earmarked funding usually refers to funds given for a specific program or region. Use of these funds within the attributed program or region is generally unconstrained. In 2021 program earmarked funding amounted to USD 2.6 million.

**PROGRAM EARMARKED FUNDING** of USD 2.6 million received for the 1<sup>st</sup> time.

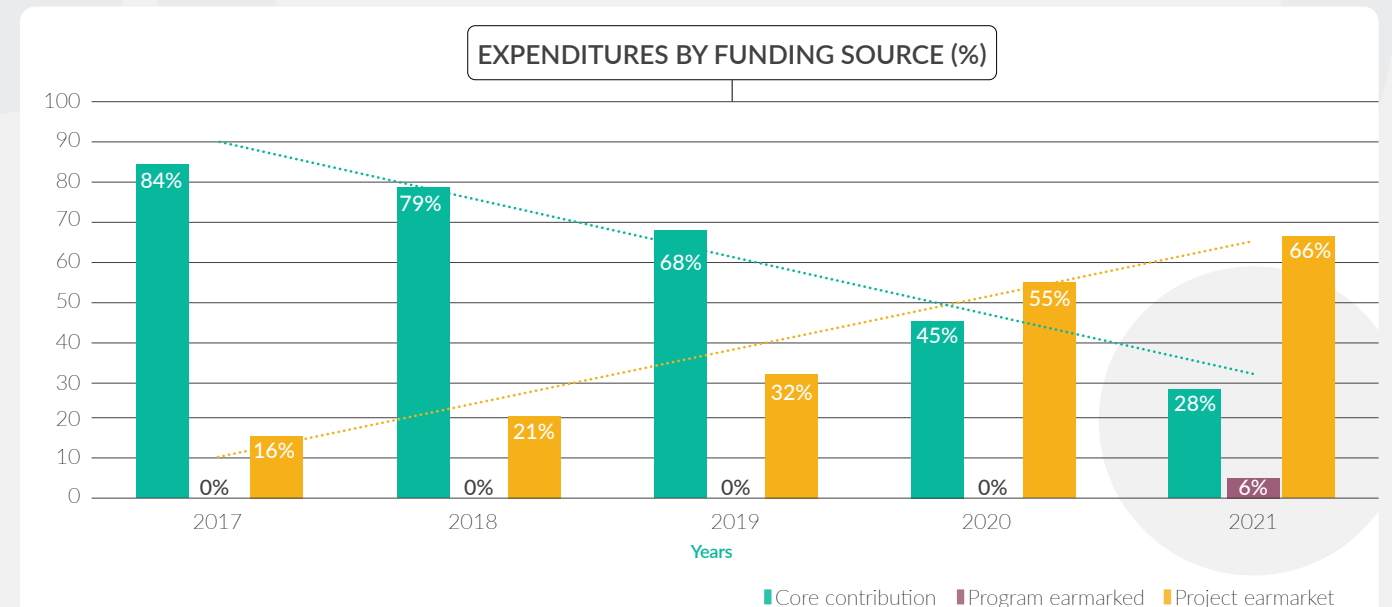
Evolution of Earmarked Funding at GGGI 2017-2021:

a 340% growth in 5 years and diversification from 3 to 25 donors.



GGGI Expenditures 2017-2021:

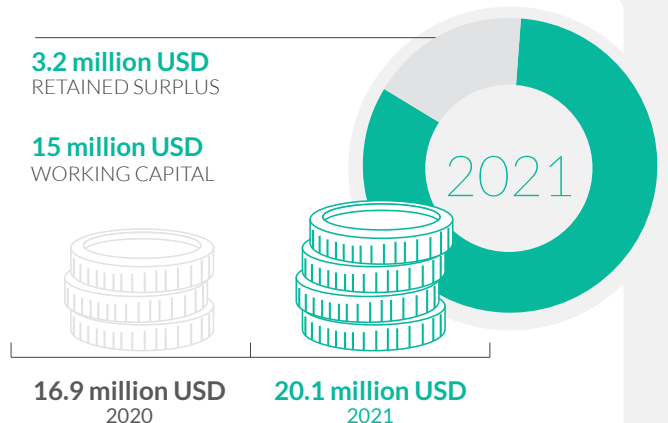
2021 expenditures funded 66% by project earmarked and 6% program earmarked funding with core funding 28%. This is a decrease from 84% in 2017.



### Reserves

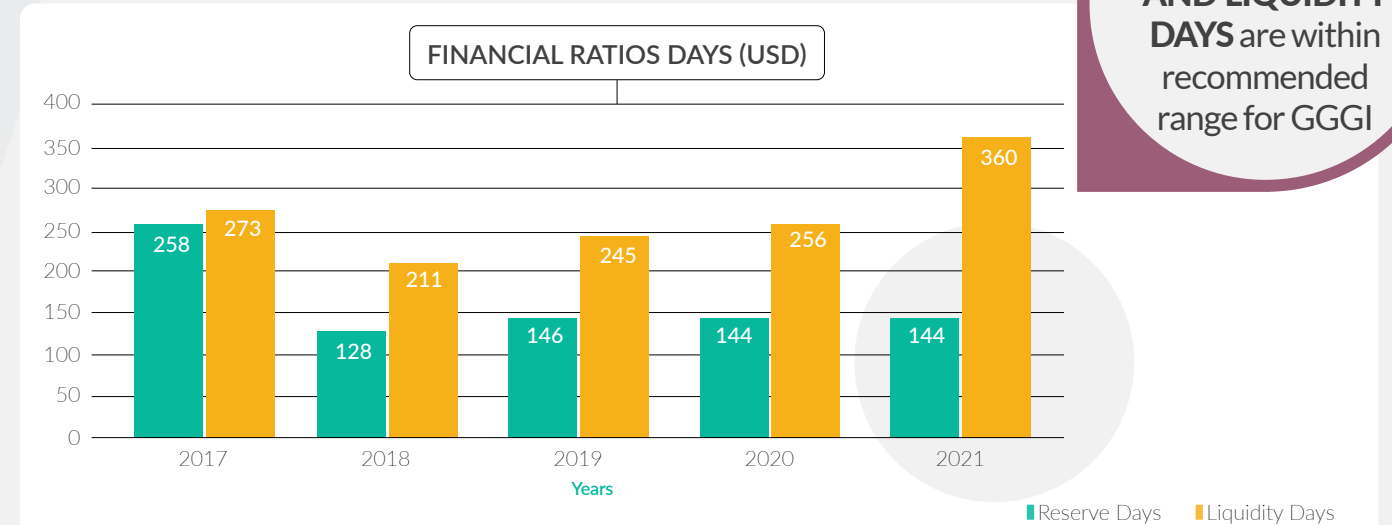
Total reserves at the end of 2021 were USD 20.1 million (2020: USD 16.9 million) comprising USD 15 million in working capital and USD 3.2 million in retained surplus.

GGGI's reserve days at the 31 December 2021 were 144 days (2020: 144 days). This is compared to a commonly used reserve day goal is 3-6 months of expenses i.e. 90 – 180 days of operating expenditures.



### Cash Balances/ Liquidity Ratio

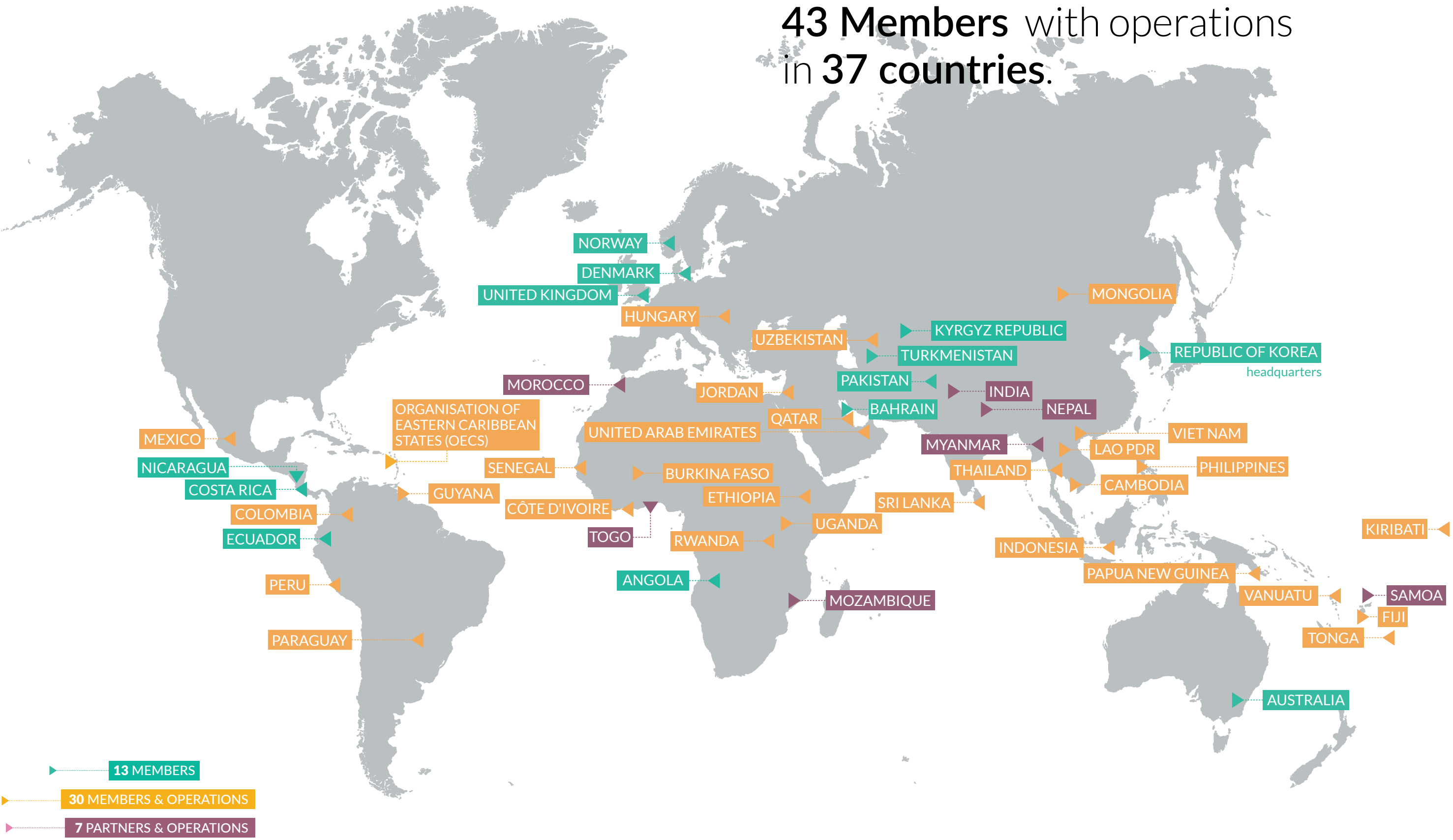
GGGI had a total of USD 50.3 million in cash and short term investments at 31 December 2021. GGGI's liquidity ratio at 31 December 2020 was 360 days (2020: 256 days). A liquidity ratio in the range of 120 – 180 days is considered to be adequate.



Both Financial Ratios, RESERVE DAYS AND LIQUIDITY DAYS are within recommended range for GGGI

# GGGI MEMBERS AND OPERATIONS

Headquartered in Seoul, Republic of Korea, GGGI has **43 Members** with operations in **37 countries**.





**The Global Green Growth Institute**

19F Jeongdong Building, 21-15, Jeongdong-gil,  
Jung-gu, Seoul, Korea 04518

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[www.GGGI.org](http://www.GGGI.org)

