



Global Green Growth Institute

Seventh Meeting of the Management and Program Sub-Committee (MPSC)

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Update on Risk Management

Background

1. Since 2015, Global Green Growth Institute (GGGI) has managed its risks related to the organization and reputation, operational program and portfolio, finance, legal, information technology and data, human resources, and work environment. The Article 9.1 of the Revised GGGI Financial Regulations¹ requires GGGI to establish a risk management process as an internal oversight and control measure that includes the identification, evaluation, and measurement of possible impacts on GGGI and the selection and maintenance of risk mitigation solutions.
2. In October 2017, GGGI adopted a Risk Management Framework (RMF)², which consolidated GGGI's risk awareness and risk management culture, established a risk registry and mitigation measures, and provided a monitoring framework for risk management. In accordance with the Agreement of Establishment, under the guidance of the Assembly of GGGI's members, the Council of GGGI, as the executive organ of GGGI, is responsible for directing the activities of GGGI, including risk management. The Director General oversees implementation of the risk management framework and reports biannually on risk management to the Management and Program Sub-Committee (MPSC) of the Council and publicly to the Council in the Annual Report. This involves Council's review and provision of advice on the appropriateness of the risk assessment, effectiveness, and adequacy of risk mitigation and management.
3. Risk management framework is monitored by the Management Team by using the Risk Management Matrix.³ This provides a tool for internal consultation and assessment of risks with indications of the rating and ranking system. It includes risk mitigation measures, which, in turn, are implemented through daily operations of GGGI by assigned accountable staff.
4. In a situation, where the risks escalate to a high likelihood of occurrence with a high impact on GGGI, the Management Team would support the Director-General, who is responsible for risk management

¹ <http://gggi.org/site/assets/uploads/2017/11/Revised-Financial-Regulations--Approved-19-November-2015-1.pdf>

² <http://gggi.org/risk-management-framework/>

³ Provided in Appendix 2, for internal use only.

together with GGGI's Council and Assembly, to identify options for reducing the probability of risk from occurring and the impact on the organization.

Risk Management Update

5. In March 2018, GGGI Management Team reviewed both the RMF and the Matrix, six months after they were reported to the Council. With most of the risks, headings, their occurrence likelihood and impacts were assessed unchanged, the Management Team noted the following:

a. Risk Appetite

The Management Team amplified the need for a robust corporate risk management framework for GGGI, particularly as it recognized the operational call on GGGI to develop business models for that are conventionally considered risky and impacted by changes in technology, market and political conditions that affect their successful applications. GGGI works in sub-commercial sectors where private finance is yet to enter that need de-risking, which is central to GGGI's mandate. It also needs to take forerunning positions where possible or engage in the design of high-risk yet innovative models of green growth. In light of such a progressive business model, the Council and GGGI are aware that its project failure rate may exceed that of conventional development agencies and therefore, the risk appetite of GGGI and the Council of Members is higher. Consequently, such a heightened risk appetite places additional emphasis on strong corporate risk management practices, with prudent business processes, and efficient and effective resource management.

b. Organizational Structure and Governance

A strong and growing demand for green growth planning and investments has led to an increase in interest in membership in GGGI among the developing and emerging countries. As a mission-driven organization GGGI welcomes this trend. However, its resource management has lacked flexibility and remain limited and thus have curtailed GGGI's capacity to respond effectively. The Management Team is pursuing changes to GGGI's funding model by generating additional financing for operations from earmarked funding to expand its opportunities to respond to arising calls for its services; and similarly, the Management Team is adjusting GGGI's operating model to enable more flexible allocation of resources and to enhance its in-house capacity to implement green growth advisory and development of bankable projects. The Management Team has also carried out a business process review of its project cycle management, which has resulted in an enhanced quality assurance, while improving GGGI's agility in responding to opportunities.

c. Operational Program and Portfolio Management

The Management Team is aware of the challenges governments and their development counterparts face in adopting and implementing visionary and far-reaching policy reform to move to green economy from the entrenched conventional production value chains. The Management Team has elevated GGGI's own expectations regarding its results by anchoring these to its partner countries' Nationally Determined Contribution commitments to reduce greenhouse gas emissions and to their

Sustainable Development Goals through the adoption of six new strategic outcomes that guide all GGGI's operations. Opportunities for dialogue with the government counterparts have also been increased through the preparation of country business plans for all partner countries, in which the partner governments and their agencies and donors agree on forward planning for GGGI's implementation. In case of bankable projects, the Government's ownership is harnessed in mandate letters that explicitly acknowledge GGGI's role in their development. Finally, in implementing projects, GGGI is upgrading its results management system to enable real time accountability and rapid mid-course adjustment, where warranted.

d. Financial Management & Operations

Acknowledging the paramount importance of its core contribution resources, GGGI is making efforts to expand membership among the potential core contributing countries and, importantly, to balance its financing model, GGGI is making changes to shift its predominate reliance on core contributions toward earmarked resources. In addition, GGGI has reduced its core resource allocations to middle income countries in favor of the least developed countries, noting that these have greater internal resources to support green growth projects. These efforts to adjust its financial model will enable GGGI address calls for expanding and deepening its response to the increasing demand for its services. GGGI has expanded its resource mobilization efforts by engaging the entire organization in development of such opportunities, by harnessing strategic partnerships with key partners, such as the Green Climate Fund, by deploying a client relationship management system that enables automation of records on these valued relationships, and by reactivating the donor consultation group. GGGI is also adjusting its operating model to enhance its in-house capacity to implement its projects, optimizing the use of its staff and talent and, subsequently, reducing reliance on external consultants.

6. During the March 2018 risk review, the Management Team took note of following risk headings seeing a reduction in their likelihood of occurrence.

a. Human Resources Management: As a result of the benchmark analysis of GGGI's remuneration comparability with its peer agencies, the Management Team acknowledged a reduced likelihood of the compensation package falling below benchmarked and a failure to maintain attractive compensation package. The Management Team has also implemented new and more flexible staff rules, enhanced the performance management system, and is implementing rotation and talent management schemes. Finally, the Management Team has engaged with the culture circles, voluntary staff-led discussion groups, with an objective to mainstream GGGI's values adopted in the Refreshed Strategic Plan 2015-2020 and observed the risk of GGGI staff not owning common values reduce to low level of occurrence.

b. IT, Data and Asset Management: Resulting from moving its intellectual assets to cloud-based services on duplicate off-site and off-shore hosts has brought the risk of asset loss, namely the risk of GGGI's IT systems and data being subject to hacking, system failure, or slow data recover, from high to low level of likelihood of occurrence.

Conclusion

7. It has been critical for GGGI to foster a robust culture of risk awareness and risk management in its corporate management. Relating to risk management in its internal governance, GGGI has adopted various policies to ensure robust administrative and corporate management, through the RMF. GGGI also implements a zero-tolerance policy with respect to fraud, corruption, coercion, and collusion; and assures staff rights to a work environment free of discrimination and harassment.

8. GGGI will continue monitoring the RMF and the Matrix semiannually and report key updates to the MPSC as well as to the Council annually through the Annual Report.

Annex 1. Risk Management Framework *(updated 6 April 2018)*

Annex 2. Risk Management Matrix *(updated 26 March 2018)*

Annex 1. Risk Management Framework

GGGI Risk Management Framework

Version Control

Current Version:	2.0
Authorized by:	Frank Rijsberman, Director-General
Date:	April 6, 2018

Summary: The Global Green Growth Institute (GGGI) has managed risks under 6 risk headings since 2015. Risks faced by GGGI include risks related to the organization and its reputation, operational program and portfolio, finance, legal, information technology and data, human resources, and work environment. Adoption of a Risk Management Framework consolidates GGGI's risk awareness and risk management culture, establishes a registry of risk mitigation measures and a risk management architecture. In accordance with the Agreement of Establishment, under guidance of the Assembly of GGGI's members, the Council of GGGI as the executive organ of GGGI, is responsible for directing the activities of GGGI, including risk management. The Assembly appoints a Director General, who is responsible for implementation of the Council's directions, given in GGGI's Strategy and Work Plan and Budget. The Director General oversees implementation of the risk management framework and reports biannually on risk management to the Management and Program Sub-Committee of the Council, and publicly to the Council in the Annual Report.

I. Introduction

1. The Global Green Growth Institute's (GGGI's) risk management framework harnesses GGGI's institutional culture of risk awareness, assessment of risks, and active risk management. This risk management framework (RMF) consolidates the existing guidance on risk mitigation and provides a monitoring framework for risk management. Its Establishment Agreement empowers GGGI with a mandate to instigate bold steps by the developing and emerging countries to integrate green growth models into their development plans and investment proposals. This operational mandate is compatible with a value proposition that inherently requires appetite for calculated risks. It has been, therefore, critical for GGGI to foster a robust culture of risk awareness and risk management in its corporate management.

2. The purpose of the RMF is to register risks faced by GGGI. It provides a statement of its risk appetite, i.e. the extent to which risks are acceptable to GGGI. It consolidates risk mitigation measures, which, in turn, are implemented through daily operations of GGGI, and it assigns accountabilities for carrying out the specific risk mitigation measures.

II. Purpose of Risk Management Framework

3. GGGI's Revised Financial Regulations⁴ require GGGI to establish a risk management process as an internal oversight and control measure in its Article 9.1, as follows:

“The Director-General shall maintain a risk-management system to manage and control financial and other types of risks, including the identification, evaluation, and measurement of possible impact on the GGGI, and the selection and maintenance of various solutions to mitigate risk.”

4. The RMF provides a vehicle for a risk management system, a guide for managing corporate and operational risk identification, evaluation, and impact measurement. The RMF defines the risks and risk categories in detail, which have been identified in GGGI's regulations

⁴ <http://gggi.org/wp-content/uploads/2015/12/Revised-Financial-Regulations-Approved-19-November-2015.pdf>

and policies⁵ under each category of risks, e.g. operational risks have been identified in the project and program logical frameworks in GGGI's Enterprise Resource Management System, financial risks are set out in the Revised Financial Regulations, human resources risks in the Staff Rules and Regulations. Risk owners and accountabilities have been determined by assessing the staff positions and units with most control of the factors that impact on the potential of the risk materializing. In a situation, where the risks escalate to a high likelihood of occurrence with a high impact on GGGI, the Management Team would support the Director General to identify options for reducing the probability of risk from occurring and the impact on the organization, and act upon these risk mitigation measures, in consultation with MPSC and the Council.

III. Risk Appetite: Likelihood and Impact

5. The Council of Members is responsible for setting GGGI's risk appetite. By approving the Strategic Plan 2017-2018, the Council recognizes that GGGI mandate calls for it to take calculated risk in its operational program as GGGI strives to identify and champion novel green growth models and pioneer applications of new technologies. This requires GGGI to develop business models for areas that are conventionally considered risky or under-developed and keep abreast with changes in technology, market and political conditions that affect their successful applications. In its work on making projects bankable, GGGI works in sub-commercial sectors where private finance is yet to enter. The need for their de-risking is central to GGGI's mandate in order to enhance the flow of commercial capital at scale to countries. To maintain relevance and respond to the sometimes rapidly emerging demands of partner countries, GGGI needs to be nimble. It also needs to take forerunning positions where possible or engage in the design of high-risk yet innovative models of green growth. In light of such a progressive business model, the Council and GGGI are aware that its project failure rate may exceed that of conventional development agencies and therefore, the risk appetite of GGGI and the Council of Members must be higher.³ However, in corporate management, GGGI applies strong risk management practices, with prudent business processes, and efficient and effective resource management. GGGI has adopted various policies to ensure robust administrative and corporate management, including through this RMF. GGGI practices zero tolerance with respect to fraud, corruption, coercion, and collusion;⁶ and assures staff rights to work environment free of discrimination and harassment.⁷

6. The Management rates specific risks by the degree to which these are likely to become a reality. These translate to traffic light terminology (see Table 1) of high, medium, and low, depicted with colors red, amber, and green:

Table 1. Risk Likelihood – Likelihood of occurrence

Risk Likelihood

⁵ <http://gggi.org/gggi-regulations-policies-guidance-notes/>

⁶ <http://gggi.org/wp-content/uploads/2013/12/Anti-Corruption-Policy.pdf>

⁷ http://gggi.org/wp-content/uploads/2017/02/Staff-Regulations-and-Rules-_-Effective-February-17-2017.pdf

High – H (red)	The risk is highly likely to materialize beyond the risk tolerance level identified for the risk in the next 12 months, and additional risk mitigation action is required immediately.
Medium – M (amber)	The risk is managed only partly and may breach of tolerance level identified for the risk in the next 24 months, and thus requires additional measures to reduce the risk rating to green.
Low – L (green)	The risk is managed well and is unlikely to materialize in the next 36 months. Ongoing risk management and monitoring will be continued.

7. Risks are also assessed by the potential impact of the risks disrupting the operations of GGGI in case they materialize (see Table 2). Risk impact assesses risks by priority and the relative importance to GGGI's operations.

Table 2. Risk Impact – Capacity of the Risk to Disrupt GGGI Operations

Risk Impact	
High – H (high)	Risk has high potential to disrupt operations of GGGI.
Medium – M (medium)	Risk has the medium potential to disrupt or hinder achievement the objectives of the Institute in a timely and efficient manner.
Low - L (green)	Risk is low in terms of its impact on operations, but may cause delay and inefficiencies.

IV. Risk Management Process and Architecture

8. Council is responsible for setting GGGI’s risk appetite. Risk management process at GGGI involves the Management and Program Sub-Committee (MPSC),⁸ as the Council sub-committee charged with an advisory role for reviewing and guiding GGGI’s internal oversight, including risk management through its 6-monthly meetings. This involves a review and provision of advice on the appropriateness of the risk assessment, effectiveness, and adequacy of risk mitigation and management. The Director-General is responsible for executing the Council’s directions as given in the Strategic Plan and the Work Plan and Budget, as advised by the MPSC.

9. Management of risks is an institutional responsibility. The Deputy Director General serves as a champion of risk management awareness and culture a risk champion with a responsibility to foster risk awareness culture in GGGI. Each risk category involves a specific risk manager responsible for mitigation of the risk. Directors and Deputy Division Heads execute risk mitigation measures and risk assessments. Staff of GGGI implement risk mitigation measures in their daily work. Risk management framework is monitored by the Management Team. The Director General is responsible for overall risk management and reports on risk management semiannually to MPSC and publicly to the Council through the Annual Report. GGGI’s Audit Unit reviews the adequacy of internal controls for risk management and the risk management framework.

V. Risk Registry, Mitigation and Accountability

⁸ C/2016/DC/10. Decision on the Terms of Reference of the Management and Program Sub-Committee: The MPSC has been established by the Council to “advise the Council in carrying out its responsibilities in overseeing the Global Green Growth Institute” in the areas of financial reporting and audit, programmatic activity, and partnerships, and internal oversight.

10. This section describes GGGI's risk registry and risk management. Risks faced by GGGI include risks related to its organization and reputation, operational program and portfolio management, finance, information technology (IT) and data, legal, human resources, and work environment. These risks outlined in this section of the RMF are registered in detail in Annex 1, which also provides risk accountabilities.

1. Organizational Risk

11. GGGI is an Agreement-based organization established in 2012 as an international organization under an Assembly of Members, comprising of signatory member countries and regional organizations, and an executive supervision of a Council, responsible for directing the activities of GGGI. The Assembly has appointed a Director-General, who executes GGGI's strategy, annual work program and budget; administers admission of members; and manages the Institute's use of resources to generate the results mandated by the Council for GGGI through its activities in the areas agreed in the Establishment Agreement. The organizational risks are identified as follows:

Organizational Governance: GGGI's Director-General is supported by 3 executives, namely Deputy Director General, 2 Assistant Director Generals, and 5 departmental directors. Risk of loss of executives is mitigated by a published delegation of authority,⁹ involving the management team and the extended management team, with 9 and 25 of members, respectively; and risks to GGGI from overlapping absence of executives is mitigated through the published Guidelines on the Continuation of Management Functions during Absences of Incumbents and for Vacant Positions.¹⁰

Membership Expansion: Accepting new participating members is ingrained in the Establishment Agreement of GGGI, as a new organization with a demand-based mandate. Concurrently, however, this poses an expansion risk with respect to the GGGI's capacity to respond to the demand for green growth services through its financial and human resources capacity. In addressing this risk, GGGI takes a prudent position by carefully programming operations in new partner countries based on its value chain approach that commences a new partner relationship through a thorough assessment of needs and identification of commitment of the new partner to green growth objectives. In addition, GGGI alleviates this risk with an objective to increase the number of contributing members in tandem with expansion in participating (non-contributing) members.

Strategic alignment: Institutional overstretch risk is manifested in the potential for program diffusion and spreading of resources too thinly to generate the desired corporate results, identified in GGGI's corporate results framework (CRF). This risk is mitigated by a clear definition of its operational scope in its Refreshed Strategic Plan 2015-2020, which aligns its operations with 6 strategic outcomes that connect GGGI's operations to its partner countries' commitments for the Nationally Determined Contributions and Sustainable Development Goals.¹¹

⁹ 2016. GGGI. Delegation of Authority. Version 02 –15April 2016. <http://gggi.org/wp-content/uploads/2013/12/Delegation-Of-Authority.pdf>

¹⁰2017. GGGI. Guidelines for Continuation of Management Functions. http://gggi.org/wp-content/uploads/2017/01/Guidelines-Continuation-of-Management-Functions-OIC_102416.pdf

¹¹ See the Refreshed Strategic Plan 2015-2020.

Policy compliance: GGGI is governed under a policy framework that consists of Assembly and Council approved regulations. These are supported by rules, procedures, and guidelines approved by the Director-General. Staff training is provided on a recurrent basis for staff to remain current and capable of undertaking their functions in compliance with the prevailing policy framework. Policy compliance is an accountability of the all staff under supervision of the unit heads and the Management Team as defined in the policy documents publicly posted in the GGGI website.¹² Audit oversees policy compliance through its annual program of work.

Review of Audit. GGGI undertakes a review of its audit function periodically to ensure that the scope and rigor of audits conforms with international standard and audit functions of its peer agencies. This process ascertains that GGGI benefits from neutral and incisive audits capable of reviewing and investigating all areas of GGGI's operations and resource utilization.

2. Operational Program and Portfolio Risk

12. GGGI implements country specific and global projects in developing and emerging countries. These are funded from its core (unrestricted) and earmarked (restricted) resources awarded to GGGI by co-financing partners and member governments, respectively. GGGI signs Country Planning Frameworks (CPFs) with its government counterpart agencies, which outline conclusions of substantive assessments in accordance with its green growth value chain approach and agreements of government counterpart agencies, and thus, setting out the rationale and content for GGGI's program in the country context. GGGI projects are managed through output-based budgets and CRF that links project outputs and intermediate outcomes with GGGI's strategic outcomes. The following risks are identified in its country operations.

Political commitment. CPFs, project logical frameworks, and risk assessments identify political commitment of GGGI participating member countries. This underpins the Government counterpart participation in GGGI's programs and projects, including counterpart funding commitments. The Country Representatives constantly monitor the materialization of country commitments and propose actions to strengthen these.

Funding commitment. Funding for GGGI programs and projects is sourced from core, earmarked, and counterpart funds. The availability of funds under each source is subject to risks. These risks are identified at country and project level for earmarked and counterpart funding, and for core funding, at by GGGI resource mobilization and financial units. These risks are mitigated in the annual planning for funding scenarios, captured through in the Work Plan and Budget process for discussion with MPSC and the Council.

Program design and implementation. An operational risk that GGGI programs fail to yield results due to weak design or implementation in addition to other intervening developments may compromise GGGI's reputation and funding. A reputational risk may also arise from working with diverse partners and their capacity to achieve outcomes. GGGI's Project Cycle Management (PCM) manual serves as a quality control system for program design and implementation, which relies on substantive and robust project level logical frameworks that register individual project specific risks and mitigation measures.

¹² <http://gggi.org/gggi-regulations-policies-guidance-notes>.

This mitigation is strengthened with a robust management of the PCM, regular staff training, filling skills gaps, regular oversight of program implementation, annual portfolio reviews, compliance auditing and implementation of the Auditor's recommendations as well as those of the independent evaluations commissioned by the Impact Evaluation Unit.

Results reporting. Shortcomings in efforts to communicate GGGI's results and strategic outcomes effectively to key stakeholders, particularly to members and donors, may compromise GGGI's reputation and funding. Comprehensive public annual reporting includes a report of results at the corporate level against the CRF and at project level against project log frames, through GGGI's website, and the International Aid Transparency Initiative. The independent evaluation of impacts of GGGI's programs, managed by the Impact Evaluation Unit, to is a key mitigation measure to enhance credibility of result reporting.

3. Financial Risks

13. GGGI was established in 2012 with unrestricted core funding from contributing members. Use of GGGI's core resources is approved by the Council in biannual work plans and budgets. GGGI's financial accounts are annual and are audited annually by external auditors, selected for a 5-year term by the Council. Since its establishment, GGGI has augmented its core resources with projects financed by donors' earmarked funding restricted to finance project activities agreed under the specific grant agreements.

Funding model: Green growth model and technology application is in high and rapidly growing demand. GGGI's capacity, however, is constrained by its funding, organizational development, and small staff. GGGI is taking steps to strengthen its operations with additional staff, which has seen rapid growth and received intensive training. With the voluntary core contributions and competitive access to earmarked funding, volatility is introduced to its funding model. GGGI reviews its financial capacity with MPSC in 6-monthly meetings and is preparing a partnership and resource mobilization action plan to take steps toward a more sustainable funding mechanism and management of operational and administrative resources. To safeguard its finances, it has built financial reserves for working capital to mitigate irregularities and volatility in contributions. In addition, through active human and financial resource management, GGGI is able to expand and reduce its operations to its funding possibilities as opportunities arise.

Fraud, Corruption, and Unethical Behavior: GGGI has approved policies to safeguard its operations from fraud, misuse of funds, and corruption. However, GGGI management acknowledges need for active lookout for these risks in all areas of operations. Staff receive frequent training and are competent to control and foresee such risks. In addition, GGGI has established a whistle-blower mechanism to facilitate staff reporting of malfeasance. Periodic audits and incorporation of auditor's comments into operations aim to provide for continuous strengthening of its fiscal and resource management. Establishment of an ethics process and officer in the Office of the Deputy-Director General facilitates a due process to address inadvertent interaction among staff.

4. Information Technology, Data Risks and Asset Management

14. GGGI aims to ensure cost effective connectivity and collaboration among staff and creation of virtual knowledge networks. The foremost IT and data risks are the following:

Data Security and Protection. Compliance of core information systems with security and data protection standards is critical for business continuity. All GGGI's information systems are in Cloud Technology Platforms and Enterprise Mobility and Security has been installed in all GGGI's computers. Third party reviews are carried out to ensure compliance.

Data Recovery and System Availability. Availability of the core systems and network services are also a significant element in GGGI's business continuity strategy. A service level agreement has been established with a service provider to ensure best practice cloud services and appropriate network redundancy, which enables a disaster recovery procedure of GGGI's data anywhere in the world. Disaster recovery mitigating measures are tested annually.

5. Legal Risks

15. The Agreement on the Establishment of the GGGI is the basis of the Institute's legal framework. It is complemented by the Headquarters Agreement with the Government of Korea and the Host Country Agreements in GGGI's countries of operation, which confirm GGGI's legal personality and set out the privileges and immunities for GGGI and its staff. In addition, there are legal arrangements relating, among others, to financial contributions, GGGI's programs and projects, staff, and procurement.

Legal arrangements in GGGI's countries of operation A rapid expansion of membership and operations has led to GGGI operating in countries without appropriate legal arrangements in the form of HCAs or similar in place, which would, inter alia, confirm GGGI's legal personality and provide privileges and immunities for the organization and its staff. Lack of basic legal arrangements create a number of risks, such as inability to operate efficiently in a country, risk of legal sanctions and reputational damage. GGGI's priority is to conclude HCAs in each country, where GGGI operates; and where this is not feasible in the immediate future, to conclude memorandums of understanding to establish GGGI's position in the country with respect to the country authorities.

The lack of fully implemented HCAs leaves risks in relation to eg employment, visas and contractual arrangements. These risks can be mitigated by identifying and assessing the legal environment and connected regulatory risks in each country GGGI operates or will operate in, followed by appropriate measures; e.g. through UN Office of Project Services (UNOPS).

Contractual obligations. Non-compliance with contractual obligations either by GGGI or a counterparty, can lead to financial loss and litigation risk. The lack of appropriate legal documentation may lead to GGGI's rights not being sufficiently protected. This risk is mitigated by internal procedures and policies that ensure adequate legal documentation and monitoring.

Legal compliance. Any failure by the organization or individual staff members to comply with applicable rules, regulations and procedures may have legal, financial and/or reputational implications. Staff are provided training to understand the applicable rules and regulations and GGGI's fiduciary duties to ensure compliance, complemented by appropriate mechanisms and procedures to monitor and support compliance. In addition, close cooperation between Legal Unit and other units in the organization will further support compliance in all aspects of operations and administration.

6. Human Resources Risks

16. Its headquarters and in 25 offices, GGGI currently employs some 300 staff. All staff sign a Code of Conduct that obligates staff to perform their responsibilities as described in their respective terms of reference and work plans with utmost regard to professional conduct in a manner appropriate for international civil servants, implying discretion, diplomacy, and high degree of integrity and respect for diversity. At the Headquarters and in several country locations, GGGI has signed HCAs, in which cases GGGI staff are awarded diplomatic immunities. All staff are included in a comprehensive life insurance coverage, mitigating health risk liabilities of GGGI. Security risks to staff are mitigated through security and evacuation plans of GGGI. However, the human resources management faces the following risks:

Vacancies and Staff Retention: As a recently established organization, GGGI still experiences relatively high turnover of staff at about 20%, which implies need for effective recruitment campaigns by GGGI. GGGI is also implementing comprehensive talent management and continuous training of staff to safeguard its capacity to deliver its program and maintain highly motivated workforce. GGGI is conducting a remuneration benchmarking exercise to ensure alignment of its compensation package with comparable peer agencies.

Competency risk: Competency gaps pose a risk to GGGI's capacity to deliver its services. Ensuring pertinent staff competencies requires high levels of training and exposure to international best practices, technology, and concept application as GGGI's mandate is rapidly advancing in terms of the substance knowledge and as research is uncovering new avenues for green growth models. In addition to training, staffing gaps are mitigated through allocation of budget resources to individual consultancy, where staff resources are not yet in place for short term and specific needs.

Values and Culture: GGGI aims to become a premier and sought-after employer in the global green growth segment by ensuring collegial and innovative work environment and culture, in which individual and team excellence is awarded in the effort to achieve well-defined and aspirational strategic outcomes and corporate results, championed by high caliber management team.

7. Work Environment Risk

17. GGGI's headquarters are located in Seoul, Republic of Korea, with offices in 25 countries embedded in partner government offices. Dedicated to green growth objectives, GGGI administers its offices and operations with respect for efficiency and green resource management. GGGI champions diversity, gender balance, training and comprehensive talent management. Most recently, GGGI has adopted culture values of integrity, inclusiveness, transformational, boldness, and strive for excellence, which are anchored in its client-orientation and the spirit of its mandate to foster a resilient world with strong, inclusive and sustainable growth.

Environmentally Sustainable Office Operations: GGGI is in the business of ensuring environmental and social sustainability, while achieving economic growth in our partner countries. As such, failure to implement environmentally sustainable operations across all GGGI offices can pose a risk to the organizational reputation. This risk is mitigated by securing leadership commitment for promoting green office practices; and planning and conducting internal awareness campaigns and providing guidelines to all GGGI offices (e.g. Green Office Guide and Green Event Guide).

Potential Business Disruptions: GGGI is exposed to potential business disruptions if a large disaster were to occur in Seoul, where most of its core and support functions are located. Particularly, GGGI is vulnerable to disruptions caused by the increasing tensions on the Korean Peninsula and natural disasters, including large storms, flooding and heavy rainy season. This risk is mitigated by an emergency management plan and training provided to staff in addition to emergency notifications via International SOS (I-SOS) services and a business continuity plan.

VI. Conclusion

18. This risk management framework was first approved by the Director-General on 9 October 2017 and was shared with all Member Countries for information. Both the risk management framework as well as the matrix will be monitored semiannually internally and reported to the MPSC.

Annex 2. Risk Management Matrix

Risk Management Matrix for 2018					<i>Confidential</i>	
Category	Description	Likelihood	Impact	Mitigation Measures	Residual Risk	Lead
1. Organizational Structure and Governance	1.1 Departures and absences of Executives	L	M	1. Delegation of Authority process identified in Delegation of Authority, Version 02 –15 April, 2016. 2. Measures to ensure leadership and governance is mitigated in Guidelines for Continuation of Management, 2017.		Chair/Council (for DG), DG (for Executives)
	1.2 Membership expansion: Increase in recipient members beyond GGGI’s capacity to respond to the demand for green growth services on timely basis	M	M	1. Gradual engagement with each new member through the value chain, commencing with assessment of needs. 2. Restructuring of GGGI's business model in which country programs are only partially financed by core resources. 3. Council's function to approve country core funding envelopes within the WPB (under revised Financial Regulations). 4. Strengthening of partnership and resource mobilization across GGGI's programmatic divisions, coordinated by Partnerships Unit. 5. Financial planning under scenarios of funding with corresponding level of operations.		Director, SPC
	1.3 Strategic Alignment: Diffusion of activities beyond strategic outcomes and mandate	L	M	1. Strategic outcomes support to meeting our partner countries' NDCs and SDGs targets through the Work Program and Budget 2019-2020, in which country programs align with the strategic outcomes and, concurrently, Country Planning Frameworks (CPFs) are aligned with strategic outcomes. 2. Programs outside of the 6 strategic outcomes will be reduced to nil in WPB 2019-2020, through winding these down during 2017-2018. 3. Project outputs and outcomes are aligned with strategic outcomes in the Enterprise Resource Planning (ERP) system. 4. Business Plans for all countries will be monitored for operations. 5. SPC will be involved in all project proposal reviews (Resource Mobilization).		Director, SPC
2. Operational Program and Portfolio Management	2.1 Political commitment of the country authorities to integrate green growth into the development and investment planning, encompassed through signed Host Country Agreements with GGGI, signed Country Planning Frameworks, and signed business plans and project documents.	L	M	Timelines for signatures are monitored with a detailed monitoring plan step by step for government approval processes and flags are escalated to Country Program, Green Growth Planning and Implementation Division (GGPI), and Management Team (MT), where delays occur.		ADG, GGPI
	2.2 Country commitment expressed in CPFs, country business plans and project documents in terms of counterpart funding and facilities	M	M	CPFs clearly identify the facilities for programs and projects; and Country Representatives register these in the country business plans and project documents; and conduct ongoing dialogue with the government counterparts on the availability of these commitments.		ADG, GGPI
	2.3 GGGI programs fail to yield results due to reduced counterpart commitment, reduced funding, weak designs or weak implementation, thereby compromising the reputation of GGGI to current and potential resource partners.	M	H	1. CPFs provide a clear statement of country commitment to green growth. 2. Clear business plans demonstrate alignment with government and ensure mandate letters are provided. 3. Project Cycle Management (PCM) Manual has been revised for effective management and quality of programs as part of iGROW business process reforms. 4. Conduct training and on-demand support on project proposal development and resource mobilization. 5. Continue regular internal auditing of GGGI's programs and operations 6. Periodic reviews of all projects and programs through log frames and annual performance reviews for all programs, to ensure accountability for performance and link this to forward programming / budgeting decisions. Over time, this should ensure limited GGGI resources are being prioritized towards programs that show better performance	Political circumstances in partner countries. GGGI mandate engages the Institute in high risk operations with the green growth objectives.	ADG, GGPI
	2.4 GGGI fails to adequately communicate the results of its programs and work to key stakeholders, particularly members and donors.	L	M	1. Continue to implement clear and transparent reporting process for GGGI's results via the Annual Report process, at both the corporate level against Corporate Results Framework (CRF) and project level against approved logframes. 2. Implement the proposed recommendations on results reporting.		DG
	2.5 Results reported by GGGI perceived as not credible, due to a lack of evidence of impact	M	H	1. Establish and build up an independent evaluation function from 2017. 2. Further strengthen results-based management system and results reporting system.		Head, IEU Director, Strategy

3. Legal	3.1 Implications from/of the lack of legal arrangements whereby the governments of GGGI's countries of operation confirm GGGI's legal personality and status as an international organization. Implications include inability to operate efficiently in a country, risk of legal sanctions and reputational damage.	M	H	<ol style="list-style-type: none"> 1. Increase efforts of GGGI Headquarters and country offices to reach agreement with governments in countries of operation on bilateral agreements creating a legal framework for GGGI activities in the countries, recognizing GGGI's legal status and granting some measure of exemptions, privileges and immunities, through enhanced follow-up with government representations and GGGI country offices. 2. Conclude Memorandums of Understanding and Project Agreements with governments to establish GGGI's position in country , including, where appropriate, of language relating to exemptions and privileges and immunities in the country 3. Cease or minimize in-country presence in non-member countries where no legal framework has been agreed with government. 		DDG
	3.2 Lack of clarity on how to operate within the local legal environment of the duty stations, including aspects relating to e.g. taxation, visas, contractual arrangements	M	M	<ol style="list-style-type: none"> 1. Assess, with the assistance of local counsel, the legal questions to address in countries of operations and find pragmatic solutions to these. 2. Work through UNOPS where relevant and appropriate to mitigate risk to GGGI. 		DDG
	3.3 Non-compliance with contractual obligations or insufficient contractual documentation, may lead to financial loss, litigation or lack of protection of GGGI's rights.	L	M	<ol style="list-style-type: none"> 1. Legal to review and advise on all contracts deviating from agreed standard contract templates. 2. Ensure that appropriate internal policies and procedures are in place for consultations on, clearance and monitoring of contracts. 3. Use of external Counsel when deemed needed by Legal to assess and mitigate legal risk in specific jurisdictions and/or subject areas 4. Appropriate provisions on dispute resolution in the contracts. 5. Ensure that policies are implemented and complied with. 		DDG
	3.4 Document retention	L	L	Implement rules and mechanisms for document retention, including monitoring of such rules and mechanisms.		Head, Legal
	3.5 Failure by the organization or individual staff members to comply with applicable rules, regulations and procedures (internal and external), causing a reputational risk	M	M	Training of staff to understand the applicable rules and regulations, appropriate mechanisms to monitor compliance.		DDG
	3.6 Risk of staff appeals due to the transition to new policies and rules (keep for another 6 months)	L	M	<ol style="list-style-type: none"> 1. Ensure meaningful consultations with staff and Staff Associations on an on-going basis, but especially in connection with any changes affecting staff. 2. Ensure robust communications/change management plans shared with staff and proactive management by supervisors in order to identify, mitigate and solve possible disputes early on. 3. Ensure non-infringement of acquired rights by grandfathering changes in fundamental terms. 		Head, HR

4. Financial Management & Operations	4.1 Reduction in core and earmarked funding; and core contributions not maintained/ increased.	M	H	<ol style="list-style-type: none"> 1. Maintain, and where possible, increase existing core funding and increase the avenues for earmarked funding (set targets). 2. Changes in business model by fostering a mix of core and earmarked resources in co-funding projects. 3. Countries developing proposals to source earmarked funding. 4. Provide high-quality and timely information necessary to support the formal evaluations/appraisals and/or requests for information. 5. Clear focal points for managing the relations with resources partners that provide core and earmarked contributions, as well as prospective donors. 6. Monitoring and tracking of compliance with obligations under core funding agreements by Partnerships Unit. 7. Regular dialogue with resources partners that provide core contributions to ensure early identification of concerns and manage expectations. 	Global economic developments.	DG
	4.2 Targets for earmarked contributions not achieved.	M	M	<ol style="list-style-type: none"> 1. Earmarked projects finance implementation using GGGI resources and overheads. Standardized staff costs to support proposal development developed and updated by Finance. 2. Earmarked proposal pipeline developed to identify and track proposals being pursued, to prioritize staff time to review and develop proposals, and to escalate matters to the attention of the Heads of Divisions and Departments. 3. Structured intelligence on current and prospective resource partners developed to inform and support Heads of Divisions and Departments development of earmarked funding proposals. 4. Changes in business model by fostering a mix of core and earmarked resources in co-funding projects - including 100% financing from HIC and majority co-financing from UMICs. 5. Reactivation of Donor Consultative Group to facilitate more strategic dialogue with prospective donors between the Institute and its current contributing members. Dedicated resources for mapping donor priorities and identifying opportunities for funding to guide the efforts of country and thematic teams. 6. Refreshed business process for earmarked funding to enable programmatic (country and thematic) teams to be more responsive to earmarked funding opportunities. Re-articulation of Head of Program, and Country Representative job descriptions placing resource mobilization as a key function - together with clear resource mobilization targets by country program. 7. Training program conducted on results-based management and project preparation. 8. Constituent Relation Management (CRM) system rolled out to support effective relations and timely follow up of leads with current and prospective resource partners. 		Director, SPC
	4.3 Foreign exchange risk from donor contributions.	H	M	<ol style="list-style-type: none"> 1. Negotiate funding agreements in USD, where possible. 2. Where possible and necessary, maintain various currencies. 3. Engage into forward contracts by accepting the risks/costs forgone for establishing such contracts. 4. Maintain working capital 5. Vigilantly monitoring payments 		Head, Finance
	4.4 Timing irregularity in donor contributions and working capital fund not replenished before the end of the fiscal year, following use to close funding gap and mismatch between receipt of resources and expenditures	M	H	<ol style="list-style-type: none"> 1. Negotiate firm timing in contributions. 2. Establish adequate working capital reserves. 3. Dialogue with governments to identify when funding will be received by GGGI necessary to support finance's treasury function. 4. Periodic reporting to Council and Management and Program Sub-Committee on contributions received to create accountability among Members that provide contributions. 5. Implementation of partnership and resource mobilization strategy to increase core and earmarked contributions. 		DDG

5. Human Resource Management	5.1 Inability to retain top-performers - Talent management process not implemented	M	M	1. Plan, initiate sessions/trainings. 2. Promote established GGGI's values and vision on daily basis. Make it visible.		Head, HR
	5.2 Failure to maintain attractive compensation package	L	L	1. Involve Staff Council in process including consultation, 2. 2017 remuneration benchmarking study implemented to keep renewed package attractive		Head, HR
	5.3 Lack of commonly owned GGGI values and culture	M	M	1. Promote established GGGI's values and vision on daily basis 2. 12 Action Items on culture change have been selected and divisional action plans are being implemented.		DDG
6. IT, Data and Asset Management	6.1 Noncompliance of core systems to security and data protection standards (Compliance to ISO 27001); Getting hacked	L	M	1. Configure Single Sign On with Multifactor Authentication 2. Implement device protection and automatic update of security patches 3. Set up a separate guest and staff network connection 4. Implement password renewal policy and logging of suspicious detection 5. Conduct 3rd party compliance audit		Head, TSU
	6.2 Unavailability of core systems and network services (SLA: 95% system availability); System down	L	M	1. Leverage best practices of Cloud service providers 2. Monitor Service Level Agreement 3. Establish network redundancy		Head, TSU
	6.3 Weak disaster recovery procedure for Enterprise Resource Planning System (Recovery Point Objective: 2 hours; Recovery Time Objective: 48 hours)	L	M	1. Conduct annual testing of Disaster Recovery services		Head, TSU
	6.4 Loss or damage of GGGI assets	L	L	1. Purchase of critical equipment with extended warranty 2. Recording of all Assets & conducting Physical Count twice a year		Head, TSU
7. Working Environment	7.1 Failure to implement environmentally sustainable ("green") office operations	L	L	1. Secure leadership commitment and support for promoting green office practices 2. Plan and conduct internal awareness campaigns and provide guidelines to all GGGI offices (e.g. Green Office Guide and Green Event Guide) 3. Roll out greener practices to country offices		Head, ASU
	7.2 Physical emergency as well as potential business disruptions caused by natural disasters and political risks impacting country conditions.	M	H	1. Implement emergency management plan and provide training sessions via I-SOS services 2. Establish the business continuity plan 3. Provide IOS information to staff 4. Coordinate with UN Group		Head, ASU

ADG: Assistant Director-General	ERP: Enterprise Resource Planning Sys	MT: Management Team	High	
ASU: Administrative Services Unit	GIS: Green Investment Service	OED: Operations Enabling Division	Medium	
CPD: Country Portfolio Director	GGPI: Green Growth Planning and Imp	PCM: Project Cycle Manual	Low	
CPF: Country Planning Frameworks	HCA: Host country agreement	SPC: Strategy, Partnership and Communications Division		
CRF: Corporate Results Framework	ICT: Information and Communication T	TSU: Technical Services Unit		
CSU: Corporate Service Unit	IPSD Investment Projects and Services	USD: United States Dollar		
DDG: Deputy Director-General	IEU: Impact & Evaluation Unit	WPB: Work Program and Budget		
DG: Director-General	KEB: Korea Exchange Bank			