
Global Green Growth Institute
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Resource mobilization plan

Background: Why mobilize resources?

Despite support from the host country and various government and non-government donors, there is instability and unpredictability in the funding of the organization. This continues to be the single most pressing challenge for GGGI. The Establishment Agreement does not provide for a replenishment mechanism. Nearly 80 percent of contributions come from a small group of government donors. With no alternative financing or reserves to fall back on, increasing the predictability of funding is set as a high priority for GGGI at this point of time as addressed in the recently completed 2nd Joint Donor Review (JDR).¹

Building a long-term viable financing model is imperative and this requires GGGI to come up with a resource mobilization strategy which addresses both existing and new complementary funding partners and sources to reduce cash flow risks and bring together a critical mass of resources to reach more ambitious goals of GGGI.

This paper provides a quick overview and introduction to resource mobilization by discussing different options, ranging from short-term to long-term, and addressing some basic questions for further analysis of the opportunities and forward-looking identification of resource mobilization priorities.

Resource mobilization options: Opportunities and risks

The Establishment Agreement allows GGGI to tap different funding sources as long as contributions are voluntary and it is in line with the Financial Regulations.²

A more comprehensive approach is now needed to identify both short-term and long-term options to mobilize resources for GGGI's pressing needs but also long-term financing planning purposes. This requires involving member states in resource mobilization more decisively, but at the same time going beyond traditional contributions to explore various options and innovative sources.

¹ "GGGI is under severe financial stress. ... GGGI is in need of sustainable financial model, which brings more predictability and stability into its operations. The solution should not only address the immediate challenges but also support the establishment of a long-term viable financing model." (Source: Main conclusions and recommendations presented at the 2nd Joint Donor Review meeting in Seoul on 12 September 2013).

² The Establishment Agreement (Article 12) says that the GGGI shall obtain its financial resources through (a) voluntary contributions by Members, (b) voluntary contributions by non-governmental sources, (c) sale of publications and other revenues, (d) interest income from trusts, and (d) any other sources allowed under the Financial Regulations.

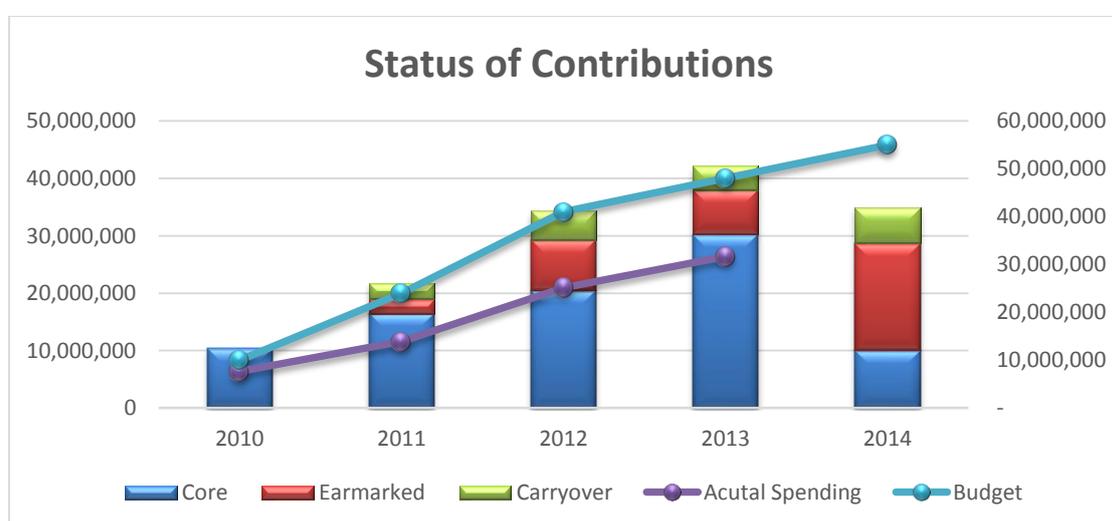
Mobilizing support from member states

The main resources of GGGI derive from core donors' voluntary contributions. As shown in Chart 1 below, this amount is estimated at USD 30.1 million for core and USD 9.1 million for earmarked in 2013. The funding level for 2014 is pending the development of new MOUs.³

Now that lots of uncertainty is lingering around payment timing of contributions, liquidity will become a great concern during the first half of 2014. Assuming timely payment of outstanding contributions for 2013 (\$5 million each from Korea and Norway), GGGI's liquidity for core activities will go down from \$11 million to \$ 1.5 million during Q1 2014.⁴ This level is barely enough to cover staff's salaries, benefits and office rent only for the month of April. Without any subsequent funding, GGGI's operations is likely to face a risk of suspension. Liquidity outlook for earmarked activities seems even grimmer and additional funding must come before end of 2013.⁵

As for increasing core funds, several measures can be taken simultaneously, i.e., (a) to increase the amount provided by the current donors; (b) to increase the number of donors providing core funds; and (c) establishing different types of core funding mechanisms, such as facilities that core funders can contribute to for special purposes (trust funds). These options are not necessarily mutually exclusive and the last one may be open to non-core funders, including those countries where GGGI has field operations. Across all funding sources, GGGI should ensure that they can qualify, where appropriate, as developed countries' commitments to support climate action, under current and future regimes regulating the nature of developed countries' contribution to climate finance⁶.

Chart 1



³ Korea, Denmark, Australia and UK.

⁴ An average monthly expenditure for core activities from Q4 2013 to Q1 2014 is \$3.3 million. This is made of average operational costs of \$2.3 million and an extra \$1 million to cover office expansion, ERP and other high value outsourcing commitments concentrated towards the annual financial closing. After Q1 2014, an average monthly operational cost will be \$2.5 million with a headcount increasing from 102 in Q4 2013 to 120.

⁵ An average monthly expenditure for earmarked activities in Q4 2013 is \$2.5 million due to concentration of high value outsourcing commitments amounting to \$6.5 million. \$4.3 million of this total is for UAE projects which cannot be covered without immediate additional funding.

⁶ For example, as part of the post fast-start climate finance regime.

The second source of potential funding is from participating members. This reflects the Council Strategy Workshop discussion on all member states as investors in the organization. Middle-income countries can play a new role, i.e., they are increasingly becoming contributors to a number of other international organizations. Even low-income countries already contribute to a shared goal of resource mobilization for Global Fund, International Development Association (World Bank's concessionary fund), International Fund for Agricultural Development and UNITAID.⁷ GGGI can create ad-hoc vehicles to utilize contributions from participating members, perhaps focusing on the more concessional support activities (i.e. GGP&I projects in the lowest income countries).

Coordinated efforts⁸ amongst the Assembly, the Council and the Secretariat will be essential to encourage increasing funding in the suggested areas.

In-kind contributions

In addition to financial resources, a wide range of in-kind contributions from the donor group should be explored.⁹ Many government and non-government donors are already providing in-kind contributions such as human resources, volunteer time, goods and services, equipment, premises for office, technical assistance, sponsorships, joint promotions and cause-related marketing and communication. These contributions, which are common across international organizations, should be encouraged and better monitored and structured in the organization.

Medium term funding measures

In the medium term, we need to establish more sustainable financing mechanisms such as trust funds or other facilities to which members and non-members can contribute. Mobilized resources can include grants, guarantees and other financing commitments that will collectively enhance both current and future funding for GGGI's operations. Funds raised should be managed wisely and transparently, to ensure that they can help cover the administrative cost of managing those vehicles while retaining the highest standards of accountability. Council members should have an active role in approaching bilateral, multilateral and even private donors such as KSP (Knowledge Sharing Program in Korea), SIDA (Sweden), CIDA (Canada), GIZ (Germany), JICA (Japan), Asian Development Bank, IFAD, Inter-American Development Bank, Islamic Development Bank, ITTO¹⁰, OPEC Fund, Gates Foundation, etc.¹¹

⁷ UNITAID has raised over half of its funds in the last five years through the air ticket levy. Nine countries including low income countries in Africa have implemented the air ticket levy to contribute to financing international development.

⁸ This includes improving timeliness of contribution payments through written pledges with a clearly stated encashment schedule and reporting delayed payments as arrears to raise donors' awareness.

⁹ For example, UNHCR raised \$11.6 million worth of in kind-contributions in 2012 in addition to 26 junior professional officers sponsored by its member states.

¹⁰ ITTO (International Tropical Timber Organization) has funded more than 1,000 project, pre-projects and activities valued at over \$400 million. Recently funded projects include REDD+ Feasibility Study 2012 carried out in Indonesia. ITTO is also active in Amazon Cooperation Treaty Organization countries, i.e., Brazil, Columbia, Guyana and Peru where GGP&I work stream is ongoing.

¹¹ Approaching new donors can be combined with marketing activities using research publications, soliciting sponsors for GGP&I or research projects, or hosting training workshops and conferences. These activities do not have immediate financial impact but can be effective to make GGGI's cause known, raise awareness of a thematic issue, introduce a new program, create a positive image of the organization, outreach to new donor community, enhance stakeholder cohesiveness and mobilize new constituency.

Private sector partnership

The private sector is a key driver of Green Growth and therefore outreach to the private sector will be pursued around issues and themes where the private sector is key in providing a solution to concrete circumstances. GGGI also engages with the financial sector in order to address the mobilization of private capital for green growth related activity. While earlier visions for GGGI saw private contributions as a substantial component of the organization's funding base, this now seems unlikely to be the case. Private capital requires returns that GGGI cannot generate without risk of compromise to its independence. This would undermine the capacity for GGGI to be accepted as a trusted adviser to partner governments, a critical element of our business model. This is not to suggest that support from business will be ruled out. From time to time circumstances may favor such collaboration, especially for conferences and knowledge sharing.

Climate financing mechanism

GGGI should also explore and integrate the existing and emerging climate financing mechanisms such as existing fast-start resources pledged by developed countries and post-fast start financing sources that are likely to emerge over the next year.¹² In the context of the architecture taking shape for global climate finance, close collaboration with the Green Climate Fund (GCF) is an important opportunity for GGGI. GGGI can play an important role in assessing and validating the preparedness and readiness of recipient countries to receive funds for various climate change interventions. Activities carried out in this area with the GCF and others can also become a potential source of funding for GGGI in the long run.

Way forward: Where does GGGI resource mobilization start and end?

Resource mobilization is indeed a challenging professional exercise, demanding a mix of knowledge, experience and skills. Additionally liquidity outlook makes resource mobilization indeed a pressing need at this point of time. This means that resource mobilization requires a swift team effort and its responsibility needs to be shared by the Chairman and the Council, the management and the resource mobilization team or task force.

GGGI's offices and in-country teams have close relationships with donors and other partners and will be required to take a greater role in resource mobilization by liaising directly with donors. However, care must be taken that donors are not approached by several parts of the organization at the same time or are overlooked. Therefore, the roles of the Council, the management, the resource mobilization team need to be clearly defined and communicated internally.

Resource mobilization is a fundamental component to project and program delivery and impact and needs to be firmly linked with the project and program cycle. Furthermore, as raised by the JDR, it is imperative to put in place internal systems and processes that enable resource mobilization efforts. This is essential for opportunities, risks and contingency analysis of different resource mobilization options, prioritization and setting funding targets by donor and funding source category.

¹² Developed countries have pledged fast-start resources of \$30 billion from 2010 to 2012, with a further target approaching \$100 billion by 2020.

The recruitment of a Resource Mobilization Specialist will enhance GGGI's capacity in this area. Notwithstanding this imminent appointment, the Secretariat proposes, with the active involvement and support of the Council, that the following Prioritization of Resource Mobilization Actions be undertaken immediately:

- ✓ Confirm donors' commitments to providing 2014 contributions to GGGI before end of April
- ✓ Commence discussions with current contributing members to ensure scheduled funding in 2014
- ✓ Confirm with contributing countries, present and prospective, the expected flow of funds, both core and earmarked, with the possibility of increasing
- ✓ Open up dialogue with participating countries to establish a multi-country, specific fund to provide sustained funding from each
- ✓ Commence high-level conversation with the GCF about potential collaboration around the work program.
- ✓ Create a small task force made of member state representatives, including the Chairman, and the Secretariat to approach a shortlist of potential new contributing members
- ✓ Consider a more systematized resource mobilization mechanism which would be organized like a multi-year replenishment and whose modus operandi will be recommended by the Secretariat in 2014

There is no quick or overnight fix in resource mobilization. This paper is a first attempt to give an overview of the challenge and the range of potential solutions, but requires more extensive work. We would welcome the active participation of the Council in the further development of this critical area for GGGI's future.