



Global Green Growth Institute

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Proposed reforms to GGGI's Work Program & Budget process

Summary

1. This paper summarises reforms proposed to the Work Program and Budget (WPB) process of the Global Green Growth Institute (GGGI). These reforms will be implemented in the context of the next WPB 2019-2020. The Institute invites members of the Council to note the proposed reforms and welcomes any feedback on them.

Preamble

2. The proposals contained in this paper are consistent with authorities of the Council and Director-General, as provided in GGGI's existing governance instruments.
3. Under these provisions, the Council has the responsibility to approve the WPB prepared by the Institute.¹ The Director-General is responsible for developing the WPB, including the preparation of estimated budget allocations by the organizational units and programs.² Within the overall WPB budget appropriations for each financial cycle, the Director-General has the flexibility to redeploy resources to existing or new programs aligned with the scope of the WPB and Strategic Plan, and for unforeseen contingencies.³
4. Amendments to GGGI's *Financial Regulations* and *Financial Policies and Procedures* may be required to operationalize some reforms in this paper. The Council shall be consulted on the proposed amendments before they are approved by the Director-General.⁴

¹ GGGI Establishment Agreement - Article 8, Section 5(c)

² GGGI Financial Regulations - Article 3, Regulation 3.2(c)

³ GGGI Financial Regulations - Article 3, Regulation 3.3 and Article 5, Regulation 5.6(c)

⁴ Articles/clauses 3.2, 3.3, 3.5 -3.7, and 5.6 of the Financial Regulations, and Articles/ clauses 3.1 – 3.5 of the Financial Policies and Procedures are impacted and will be adjusted accordingly. In addition, brief provisions for timesheet management, cost center management and the chargeback mechanism will need to be made.

Background

5. The WPB is a key mechanism, through which GGGI allocates resources and operationalizes its priorities given in the *GGGI Refreshed Strategic Plan 2015-2020 [MPSC/2017/28/REV2]*. Since 2015, GGGI has prepared and submitted two biennial WPBs to the Council for approval, covering the periods 2015-2016 and 2017-2018.
6. The design of the current WPB process dates back to 2014. Since then, the WPB has reflected a number of elements intended to meet the Council's desire for a high level of visibility and supervision of GGGI's programmatic and financial activities. The subsequent reforms of the WPB process have reinforced this original objective.
7. Key examples of such design elements include:
 - merging the process of design and approval of new projects with the WPB preparation process to strengthen strategic planning, integration, and quality;
 - providing high levels of specificity regarding project implementation, such as details of all project outputs and estimated budgets for specific cost items, including travel and outsourcing; and
 - adopting an output-level budgeting system to enhance budgeting accuracy and transparency and to improve disbursement levels.
8. The net result has been WPB documents that were lengthy and highly detailed, resulting from a resource intensive and complex internal preparation process. This approach has provided members and donors with visibility and confidence about how budgets are being allocated, stabilizing GGGI following the challenges it faced in the early years after its establishment (2012-2014).
9. At the same time, the Institute has observed that some features of the WPB process are beginning to constrain GGGI's ability to respond flexibly to demand in the changing country and global contexts and its ability to take advantage of opportunities for supporting its members plan and implement green growth actions that lead to tangible outcomes. This view has been echoed by the recent external evaluations of GGGI.⁵
10. GGGI, therefore, proposes to implement a number of reforms to the WPB process as outlined below. These reforms would take effect in preparation and implementation of

⁵ Including the 3rd GGGI Joint Donor Review (2015), the Independent Evaluation of GGGI's Progress against the Strategic Plan (2017) and Danish Appraisal of GGGI (2017).

the next WPB for 2019-2020 period.

Proposed reforms and their objectives

11. The objectives of the proposed WPB reforms are to:
 - a) produce a concise and a more strategic WPB document to enhance resource allocation and provide a compelling view to planning of GGGI's activities and its business model;
 - b) increase the WPB's results-focus by concentrating on the medium-term green growth outcomes to be achieved, and less on the short-term implementation details, which are concurrently provided in project documentation;
 - c) enhance attention to planning, design, efficiency and quality assurance of new projects for 2019-2020;
 - d) improve the ability to allocate resources in a more flexible and timely manner, and capacity to respond to changing circumstances and emerging opportunities;
 - e) further strengthen integration among the various organisational units of GGGI in the design and delivery of programs; and
 - f) improve the level of transparency and accountability regarding programming decisions and results.

12. To achieve these objectives, GGGI proposes to implement reforms in the following four areas.

Reform Area 1: Approach to allocating program budgets in the WPB document

13. The current practice in WPB is to provide budget allocations for country and global programs based on fully developed and costed proposals. For the next WPB 2019-2020, GGGI will instead allocate an indicative planning figure - a budget envelope - for each country program, which may encompass one or more results-oriented projects involving both the Green Growth Planning and Implementation and Investment and Policy Solutions Divisions. Global projects include policy and capacity building services along the priority thematic areas and global thought leadership projects. Actual allocation of funds from these envelopes to specific projects will be approved through an internal appraisal process separate from the WPB preparation (see Reform Area 2 below).

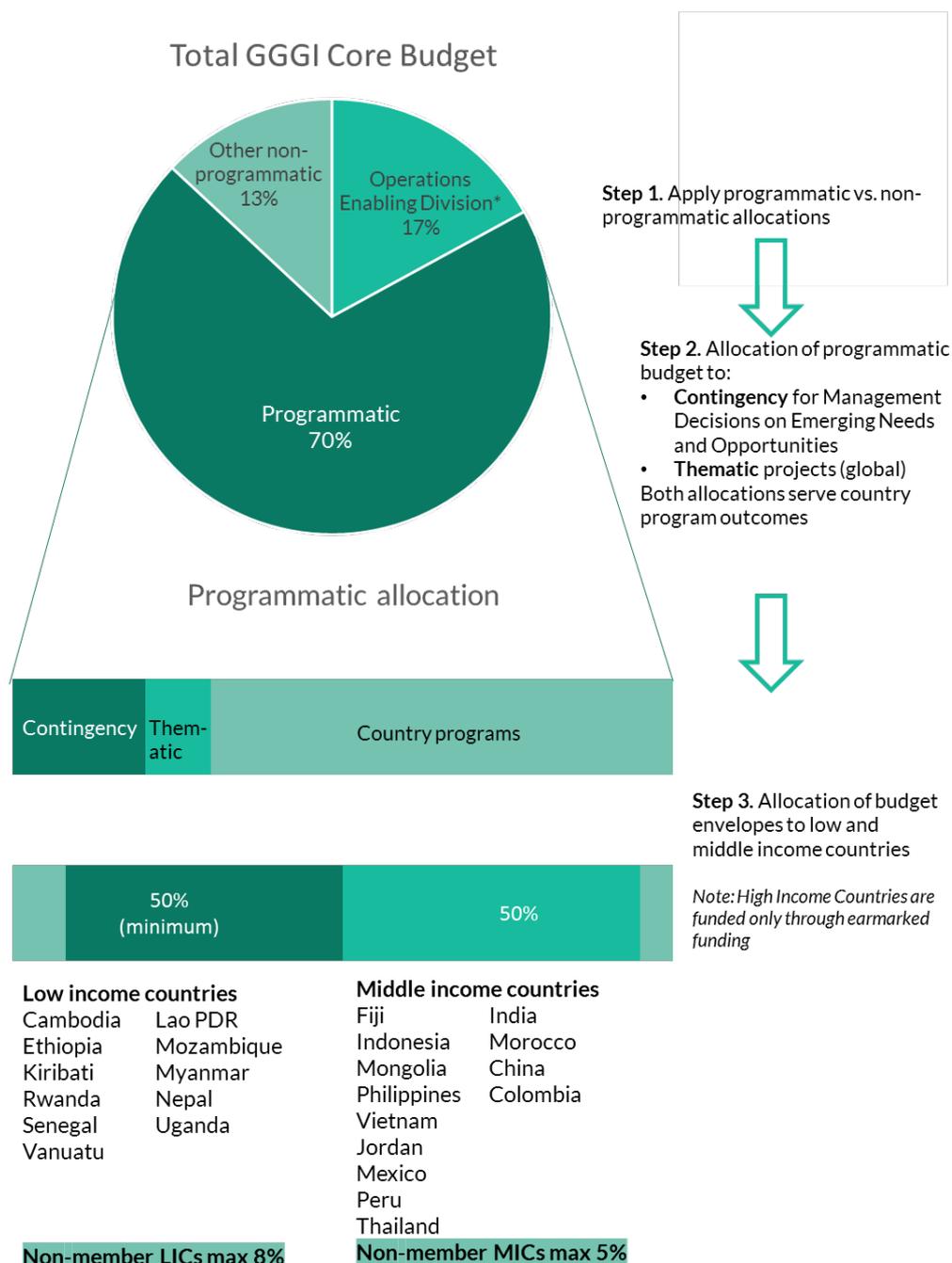
14. The size of budget envelopes for each country and global program will be determined partly based on country and global business plans aligned with the Country Planning

Frameworks (CPFs) and the six Strategic Outcomes (SOs) adopted under the *GGGI Refreshed Strategic Plan 2015-2020 [MPSC/2017/28/REV2]*. This will ensure that the allocations enable countries to implement their CPFs and are strategically directed to areas where potential green growth impact can be maximized, rather than driven and locked in by the historical allocation patterns or dated operational plans. Consequently, the allocations at country level and through global programs strengthen the translation of the resource allocation targets as set in the Strategic Plan 2015-2020 and maintained in the *GGGI Refreshed Strategic Plan 2015-2020 [MPSC/2017/28/REV2]*.

15. Figure 1 depicts how core resources will be allocated in line with the resource allocation targets in the *GGGI Refreshed Strategic Plan 2015-2020 [MPSC/2017/28/REV2]* through a three-step process. Through the new WPB process, a greater focus will be placed on the allocation of programmatic budget toward the achievement of GGGI's six Strategic Outcomes (SOs). Criteria on the process for allocating envelope budgets will be developed through a consultative process. Indicative criteria for the allocation of envelope budgets could include: the country classification,⁶ government commitment to green growth and absorption capacity, and access to donor funds.

⁶ As World Bank and UNECOSOC criteria for determining country categories can create overlapping groups of LDCs and MICs, some countries where GGGI has programmatic interventions can fall into both groups (e.g. Myanmar, Lao PDR, Kiribati, Cambodia, etc.).

Figure 1. High Level GGGI Budget Allocation



*Previously named Management & Administration

Source: GGGI Strategic Plan 2015-2020.

16. The above reforms will alter the content of the WPB from highly detailed descriptions of project and program implementation to more concise, strategic narratives on the intended outcomes of country programs and their contribution to the country-level development priorities, Nationally Determined Contributions (NDCs) and Sustainable Development Goals (SDGs). The structure of the WPB document will be revised

accordingly and GGGI expects a significant reduction in its length.

Reform Area 2: Quality standards and approval processes for new programs

17. As noted above, the process of design and approval of new projects and programs for 2019-2020 will be decoupled from WPB preparation and managed through a separate internal appraisal process. This process will be governed by GGGI's program cycle management, which will be modified to ensure a robust quality assurance process that fosters coherency in GGGI's programs, whether funded by its core, counterpart, or additional earmarked resources, guided by the annual country business plans that operationalize the 5-year country planning frameworks and a global program business plan.
18. Under this WPB process, country and global programs will have access to a core budget identified in indicative planning figures (IPFs). This process accounts for the development stage of the country, defined by their gross national income per capita, absorptive capacity, and access to donor resources. The IPF resources will be complemented by both in-kind and financial counterpart resources, and additional co-financing from earmarked funding for specific projects. The total resource envelope for a country enables the country representatives, heads of country programs, and thematic heads of GGGI to seek optimal funding for projects agreed with the country authorities to implement the country's own green growth implementation plans. The actual commitments to specific projects and programs will be approved by GGGI Management based on a project appraisal and quality assurance process that meets rigorous design, quality, and country ownership standards.
19. The proposed changes are foreseen to (i) alleviate time pressures and rigidities created by confining the program design process to a one-off project preparation exercise in the context of the WPB preparation; (ii) allow for mid-course adjustments to the projects and programs under the annual country business plans, (iii) highlight the value of the country relationships and partnerships, and (iv) enhance the quality of projects and programs through an enhanced attention to results-based program design that capitalizes on the benefits of results-based program design, as recommended by several recent external evaluations.
20. In addition, quality standards for approving new project and program proposals will be strengthened. In particular, program teams will be expected to more clearly articulate their intended medium-term green growth outcomes and align these with the adopted six strategic outcomes in the *GGGI Refreshed Strategic Plan 2015-2020 [MPSC/2017/28/REV2]*, central to GGGI's 'theory of change' for achieving the targeted contributions in view of the country level commitments and aspirations.

Reform area 3: Internal allocation and management of staff resources

21. GGGI has identified a need for reforms to optimize the allocation of staff time to program activities, also noted in the external evaluations. This is important from an efficiency perspective, since the majority of GGGI's budget is embodied in staff costs (65% of the total budget in 2017). It also improves targeting of resource mobilization in alignment with the country goals and GGGI's strategic outcomes. The ability to effectively allocate staff resources is essential if GGGI is to attain a stronger and more sustainable funding model that combines core, counterpart, and earmarked funding. Finally, as the allocation model drives staff allocations and aligns all units of GGGI to meet its contribution commitments to the country-level NDC and SDG objectives, it enables coherent targeting and results-orientation of its resources and programs.
22. The proposed WPB country-focused resource allocation responds to the challenge to ensure a "One-GGGI" operating model, including through: tracking, deploying, and redeploying staff; ensuring staff motivation; constantly updating of substantive competencies and expertise of its workforce; building capacity to deliver, share, and disseminate knowledge; and extracting learning from GGGI's activities anywhere in the world, a strong comparative advantage of GGGI.
23. To capture these benefits, GGGI proposes to adopt a staff allocation model based on a 'central resource pool' concept, from which all projects and programs draw expert resources through online 'resource planner' tools into optimized teams. A feature that enables effective talent management to delivery of project outputs is a 'charge-back' staff time costing, a timesheet system that will enable real-time monitoring of staff utilization and realistic project costing.
24. Amongst other benefits, the proposed reforms of the WPB create a transparent staff utilization system, and enable more efficient staff deployment and redeployment in a timely manner to programs with unmet needs. This is particularly important for optimizing the value of technical staff, who provide specialized advice and services to multiple country programs. It would also enable better strategic assessment of the required and available skills within the organization to inform recruitment and staff management decisions.
25. As part of these changes, GGGI will revise its decision-making process and responsibilities in relation to project and program design, staffing, and output-based budget expenditure. Currently such decisions are divided across multiple parts of GGGI even though they may all relate to operations in a single country under a single project. This has resulted in integration challenges, also identified in the recent external

evaluations.

Reform area 4: Transparency and accountability for programming decisions and results

26. Currently, decisions and documentation relating to new or revised programs approved outside of the WPB process are not systematically published or reported. GGGI will review and adjust its reporting and communication mechanisms to ensure that a summary of these details are shared with members on an annual basis and on ongoing basis in the country pages of the GGGI's website.
27. To ensure transparency and visibility of project and program decisions, WPB will publish the country business plans. GGGI has launched a refreshed website with country pages, where all of its project decisions will be posted in the public domain with the respective CPFs and technical reports. In addition, GGGI has prepared a timeline for its first submission to the International Aid Transparency Initiative starting in 2018 to ensure transparency and comparability of its reporting with its peer agencies
28. To enhance disclosure of project and program decisions, GGGI will continue to strengthen its reporting of results achieved by programs. To this end, GGGI commits to continuing the practice of reporting results for each individual country and global program, which was introduced in the 2016 Annual Report. In its annual reporting, GGGI will demonstrate how resource inputs go toward the implementation of CPFs, and generate the forecasted outputs and strategic outcomes. Transparency of program outcomes and impacts will also be progressively enhanced as independent evaluations commissioned by GGGI's Impact and Evaluation Unit, established in 2016, are completed and published.

Next steps

29. This paper has provided a broad outline for the Council on the rationale for reforms GGGI proposes to implement through its WPB. GGGI has begun planning the operational and technical details of how these reforms will be implemented with associated change management and communications plans. These details will be incorporated in the Planning Directions 2018 for the WPB 2019-2020 process.
30. Once approved, the Planning Directions will be issued by the Director-General in the first quarter of 2018 to kick off both the preparation of the WPB 2019-2020. An indicative outline of the key steps and milestones in the WPB process is in **Annex 1**. As in previous years, the process provides opportunities for members to engage with GGGI in the planning process along the way, and the process will culminate in the

submission of the WPB 2019-2020 to Council for approval in the fourth quarter of 2018.

ANNEX 1: Key activities and milestones for the preparation and approval of the WPB 2019-2020

