



Global Green Growth Institute

Ninth Meeting of the Management and Program Sub-Committee

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2019 GGGI Operational Budget

Background

1. The 2019/20 Work Program and Budget (WPB) approved by the GGGI Council on 31 October 2018 set out two budget scenarios; the first 'Base Case Scenario' projected expenditures of USD 112.9 million for the biennial period 2019/20. This comprised of USD 52.4 million of core funded and US\$ 60.5 million of earmarked funded expenditures; the second aspirational 'Plus Case Scenario' targeted a budget of USD 137.64 million. This comprised of an increase in core resources of USD 7 million to USD 59.4 million and a 30 per cent or USD 18 million increase in earmarked resources to USD 78.24 million. The total for the 'Plus Case Scenario' is thus USD 137.64.

Preparation of 2019 Operational Budget

2. The 2019 Operational Budget (OB) has been prepared using the 'Base Case' scenario as a starting point. This assumes 50 per cent of the amounts approved in the WBP for the biennial period are available for 2019. Thus 50 per cent of USD 112.9 million equates to USD 56.45 million for 2019. A first draft budget based on total available resources of USD 56.45 million was then communicated to all country offices, head quarter programs and cost centers in November 2018. This was reviewed by country offices for reasonableness taking into account their respective 2019 work program but also updated for current estimated earmarked funding. Following an iterative process during the months of November/December a draft 2019 OB was agreed and approved by the Management Team.

Summary Budget

3. The 2019 OB estimates total income of USD 49.4 million (2018: USD 35.8 million) which is an increase of USD 13.6 million or 38 per cent over 2018. Total expenditures are budgeted at USD 53.2 million (2018: USD 49.7 million) which is an increase of 3.5 million or 7 per cent over 2018. The projected deficit and drawdown from retained surplus is USD 3.8 million compared to USD 13.9 million for 2018. The 2019 OB summary is set out in table 1:

Table 1: 2019 GGGI Operational Budget Summary compared to 2018 Actual

	2019			2018		
	Core/Other	Earmarked	Total	Core/Other	Earmarked	Total
	US\$'000			US\$'000		
Total income	31,300	18,099	49,399	25,184	10,576	35,760
Expenditures	35,111	18,099	53,210	39,103	10,576	49,679
Total surplus/(deficit)	(3,811)	-	(3,811)	(13,919)	-	(13,919)

4. Of note is that whilst budgeted expenditures are due to increase by USD 3.5 million to USD 53.2 million the drawdown on retained surplus will decrease by USD 10.1 million; the main difference being the increase in projected earmarked funding.

2019 Income

5. Total revenue is estimated at USD 49.4 million for 2019. This is broken down by category of funding in table 2:

Table 2: Total 2019 Revenue by category compared to 2018

	2019	2018	Increase/(decrease)	% increase/(decrease)
	US\$'000			
Core	28,700	24,151	4,549	18.8%
Earmarked	18,099	10,575	7,524	71.1%
Overhead recovery	1,600	683	917	134.3%
Investment Income	400	351	49	14.0%
Fees for Service	600	-	600	
Total	49,399	35,760	13,639	38.1%

Core Funding

6. The estimate of core funding for 2019 is based on either signed contracts with contributors, actual amounts received or following discussions with contributors. It is set out in table 3.

Table 3: 2019 Core Funding compared to 2018

	Note	2019	2018
		US\$'000	
Korea	1	10,000	10,000
Australia	2	8,000	4,000
United Kingdom	3	5,800	4,860
Denmark	4	3,000	3,225
Norway	4	1,900	2,048
EBRD		0	18

Total		28,700	24,151
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Note

- 1) The contribution of USD 10 million from Korea for 2019 is the first year of a two-year signed agreement between the Government of Korea and GGGI. The first USD 5 million was received on 27 March 2019.
- 2) The contribution from Australia of USD 8 million is the final year of a three-year contribution agreement with funding of USD 3 million in 2017, USD 4 million in 2018 and USD 8 million in 2019.
- 3) Contributions of £2.0 million for the period 2018/19 and £2.5 million for the period 2019/20 will be recognized in the 2019 financial statements. These were received on 30 November 2018 (£3 million equating to USD 3.8 million) and 3 March 2019 (£1.5 million equating to USD 2 million). The UK contribution of £3.5 million for the period 2017/18 was recognized in the 2018 GGGI financials. The amount was received in August 2018 when the exchange rate was 1.389 US\$/£ and it equates to US\$ 4.86 million.
- 4) The 2019 contributions from both Denmark and Norway were received in late 2018 and the decrease from the 2018 represents exchange rate movements with both the Danish and Norwegian kroners depreciating against the US dollar.

Earmarked Funding

7. Our current estimate of earmarked funding for 2019 is USD 18.1 million against USD 10.6 million actual for 2018. This represents an increase of USD 7.5 million or 71.1 per cent. Please note that earmarked funding is recognized in the financial statements as income only when related expenditures are incurred. This will differ to the amount of earmarked funding proposals signed during the period. Unspent earmarked funding at the year end is carried forward into the following period and only recognized as income when related expenditures are incurred.
8. GGGI now has operations in 31 countries. The institute invested heavily during the previous biennial period 2017/18 in consolidating its programmatic activities in these locations which had begun operations in 2014/15/16. Part of the investment was funded by drawing down the retained surpluses of earlier years. There was an increased focus on making many of these country offices mostly self-sustaining by focusing on and raising earmarked funding. Many of these these efforts have been very successful resulting both in signed contracts and a full project pipeline. Success is also demonstrated by the increase of 71.1 per cent in earmarked projections for 2019 over 2018.
9. The projection of USD 18.1 comprises both new projects for which we already have signed agreements and projects for which we hope to sign agreement later in 2019. These are in addition to the long-term project funding from Norway for activities in Indonesia (2018: USD 5.8 million) and Colombia (2018: USD 1.4 million); and UAE (2018: USD 1.7 million) for activities in UAE. New signed donor agreements include the following:

Table 4: New Earmarked Projects for which GGGI has funding commitment

Donor	Project	Amount	Expected completion	Countries
A. Program funding				
UAE	UAE Country Program	US\$ 4.5 m	December 2021	UAE
Australia	Climate Resilient Green Growth in Papua New Guinea	A\$ 6 m	March 2022	PNG
Gates Foundation	Promoting City-Wide Inclusive Sanitation through Climate Resilience and Green Growth	US\$ 1.65 m	March 2021	Thematic (Senegal, Nepal)
B. Project funding				
Luxembourg	Green Cities Development in Senegal	€ 3 m	December 2021	Senegal
Luxembourg	Enhancing Resilience to Climate Change through Solar Power-Driven Access in Vanuatu	€ 1.5 m	September 2020	Vanuatu
KOICA	Capacity building to strengthen sustainable implementation of renewable energy technologies for rural energy access	USD 1.5 m	December 2021	Pacific
Netherlands	Contribution to the Project for Solar Home System market in Uganda	€ 0.9 m	December 2020	Uganda
UNDP	Improvement of the Efficiency of Thailand's Existing MRV System for Climate Change Mitigation	US\$203,000	June 2019	Thailand
EU	Research study on Climate Finance Opportunities in South-South and North-South-South Context	US\$110,000	December 2019	China
MAVA Foundation	Enhancing the value of natural capital through the design of a 3R financial planning tool for coastal mangrove landscape restoration in Myanmar	US\$100,000	December 2019	Myanmar
C. Staff funding				

Italy	Support to Ethiopia in the Field of Climate Change Vulnerability, Mitigation and Adaptation.	€400,000	March 2021	Ethiopia
Italy	Support to Rwanda in the Field of Climate Change Vulnerability, Mitigation and Adaptation.	€400,000	March 2021	Rwanda
Denmark	Social Inclusion and Gender Advisor to the Forestry Sector Transformation Unit	US\$106,000	December 2020	Ethiopia

Table 5: New Earmarked Projects for which there is a high probability of coming on stream in 2019

Donor	Project	Amount	Months	Countries
A. Program funding				
Qatar	Qatar country program	US\$ 7.5 million	36	Qatar
B. Project funding				
SIDA	MRV Services	\$ 2 million	24	Burkina Faso
EU	Water & Sanitation; Green Cities	€ 5.3 million	30	Uganda
Norway	Readiness for Article 6 Implementation	\$2.7 million	24	Global
KOICA	Development of Green Cities in Lao PDR	\$3.8 million	48	Lao PDR
KOICA	Climate Resilience and Inclusive Green Growth for Poor Rural Communities: Demonstrating a Sustainable Landscapes Approach	\$ 2 million	36	Philippines
Hungary	Climate Resilient Development in Serbian Cities	\$185,000	12	Hungary
Norway	Agroforestry	\$1.8 million	36	Peru
UK BEIS	Scaling up green growth implementation and investments via capacity building of state and non-state actors	\$ 560,000	12	Colombia

GCF Readiness Program

10. In 2018 GGGI delivered USD 1.6 million of readiness activity for GCF. In addition, there is an increasing number of countries who have nominated GGGI to be their delivery partner for the GCF Readiness Program. Four new readiness grants have recently been approved in Q1 2019. These include:
- 1) **Myanmar (\$850,220):** Readiness Support for Developing Myanmar's Green Cities Investment Plans
 - 2) **Ethiopia (\$827,203):** Building the Project/Program development, coordination and delivery capacity of the NIE and strengthening Ethiopia's engagement with the GCF
 - 3) **Uganda (\$700,593):** Readiness Support to strengthen Uganda's engagement with the GCF
 - 4) **Guyana (\$300,000):** Enhancing Guyana's Access to GCF to Transition to Renewable Energy
11. An additional nine proposals have been submitted with a value of USD 6.6 million. These include:
- 1) **Mozambique (\$600,717):** Implementing the NDC to promote low-carbon growth in Mozambique
 - 2) **Burkina Faso (\$461,554):** Support for accreditation of direct access entities, pipeline development and private sector mobilization in Burkina Faso
 - 3) **Lao PDR (\$610,026):** Enhancing NDA Capacity and Access to the GCF in Lao PDR
 - 4) **Vanuatu (\$350,000):** Mobilizing the Vanuatu Private Sector towards climate change action
 - 5) **Vanuatu (\$650,000):** Enhancing Vanuatu's Ability to Seek Accreditation and Direct Access to the GCF
 - 6) **Philippines (\$300,000):** Readiness Support to Strengthen Philippines Capacity and Knowledge on Accessing GCF
 - 7) **Ethiopia NAP (\$2,230,499):** Building Capacity to Facilitate the Integration of the National Adaptation Planning Process in Ethiopia
 - 8) **Mexico (\$756,700):** Readiness Support for Country Programming and Direct Access in Mexico
 - 9) **Cote d'Ivoire (628,375):** Supporting Direct Access in the Republic of Cote d'Ivoire

Overhead recovery

12. Overhead recovery is estimated at USD 1.6 million. This is based on a recovery rate of 7% on earmarked projects funded by GGGI's core contributors and 15% on projects funded by non-core contributors.

Investment Income

13. The underlying philosophy behind the investment of GGGI's working capital is that investment decisions shall always prioritize preservation of capital ahead of optimizing

investment returns. Investment returns are budget at USD 0.4 million in 2019 roughly the same level as in 2018 reflecting both a decrease in GGGI's cash balances offset by higher interest rates.

Fees for Service

14. Fees for service are estimated at USD 0.6 million and represents payment from the World Green Economy Organization (WGEO) of USD 0.3 million each for the successful development by GGGI of two bankable smart city projects at USD 0.3 million per project. GGGI and WGEO signed a partnership agreement in October 2018 to fast track green investment into bankable projects and the 2019 budget assumes that GGGI will deliver at least two bankable projects in 2019.

Expenditures

15. Total expenditures are budgeted in 2019 at USD 53.2 million and is a continuation of the overall trend of increased annual expenditures. The budget of USD 53.2 million is an increase of USD 3.5 million (7 %) million over actual 2018 expenditures of USD 49.7 million and USD 9.1 million (21 %) over 2017 actual expenditures of USD 44.1 million. These are set out in table 6.

Table 6: 2019 Budget versus actual 2018 & 2017 expenditures

Year		Core		Earmarked		Total	
		US\$m	%	US\$m	%	US\$m	%
2019	Budget	35.1	66%	18.1	34%	53.2	100%
2018	Actual	39.1	79%	10.6	21%	49.7	100%
2017	Actual	37.2	84%	6.9	16%	44.1	100%

16. Of note is the mix between the percentage of annual expenditures funded by core and by earmarked funding. The 2019 budget proposes to finance approximately 34 per cent of budget from earmarked funding and shows a marked increase from prior years. This demonstrates that the large investment (funded through the drawdown from reserves) that the organization has made in 2017 and 2018 in building capacity at the country level is now beginning to result in a flow of earmarked projects, thereby making the expansion of 2015/16 now sustainable. The aim going forward is to fund around 50 per cent of annual expenditures through core and 50 per cent through earmarked. Total budgeted expenditures by region and program/non program is set out in table 7:

Table 7: 2019 operational budget by region & program/non program

Region	Note	Core	Earmarked	Total	%
		US\$			
Africa	1	5,913	5,107	11,020	27%

Asia	2	7,987	7,715	15,702	38%
Pacific	3	2,606	1,921	4,527	11%
LAC & Middle East	4	2,624	3,356	5,980	15%
HQ Program	5	3,772		3,772	9%
Total Program		22,901	18,099	41,000	100%
Non-Program	6	12,250		12,250	
Total		35,151	18,099	53,250	

Note:

- 1) The Africa region includes country operations in Senegal, Burkina Faso, Morocco, Ethiopia, Uganda, Rwanda and Mozambique. For accounting purposes Jordan and Hungary are also included internally in this grouping.
- 2) The Asia region includes country operations in Indonesia, Philippines, China, Cambodia, Vietnam, Myanmar, Lao, Thailand, India, Nepal, Sri Lanka, and Mongolia.
- 3) The Pacific region includes country operations in Fiji, Kiribati, PNG, Tonga and Vanuatu.
- 4) The LAC & ME includes country operations in Mexico, Colombia, Peru, Guyana, Caribbean, UAE and Qatar. Again, UAE and Qatar are included for accounting purposes.
- 5) HQ Program primarily comprises of projects undertaken by the Thought Leadership team. The costs of the GGPI and IPSD leadership teams have been allocated over the regions on a pro rata basis.
- 6) Non program includes the office of the DG comprising Governance, Strategy, Partnerships, Communication, the GCF Liaison Unit and Internal Audit; and the Operations Enabling Division comprising Finance, HR, Legal, ICT Services, Law and Administration.

Allocation to LDCs

17. The total budgeted expenditures on LDCs is currently 48 per cent but we expect to increase this to 50 per cent or more during the course of 2019 such that the actual number will not be less than 50 per cent for the year as a whole. In previous years this was also the pattern.

Reserves

18. Total reserves at the end of 2019 based upon the current budget would comprise of USD 13.6 million as set out in table 8:

Table 8: GGGI reserves

	Working Capital US\$.000	Retained Surplus	Total
Balance at 1 January 2019	10,000	7,393	17,393
2019 operating deficit		(3,811)	(3,811)
Balance at 31 December 2019	10,000	3,582	13,582

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