
Global Green Growth Institute

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2020 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 2020 Operational Budget

2. The 2020 Operational Budget (OB) is being prepared using the 'Base Case' scenario as a starting point. The current projection for 2019 is total expenditures of USD 48 million broken down between core of USD 33.5 million and earmarked of USD 14.5 million. Thus, of the total of USD 112.9 million approved by the Council for the biennial period an amount of up to USD 64.9 million remains available for 2020. This amount is of course contingent upon the availability of funding. In addition, the MPSC at their April meeting recommended management to prepare a balanced budget for 2020.
3. Thus, the two primary drivers in the preparation of the 2020 GGGI OB are the requirement for a balanced budget and management's best estimate of the likely funding levels, including both core and earmarked, for 2020. Please note that Australia has informed management that the institute should not budget for an Australian core contribution in 2020. The three-year rolling average Australian contribution for the period 2017-19 has been USD 5 million. Given this loss of core funding it will be difficult to achieve a balanced budget in 2020. However, at this stage of the planning cycle this is still the target for management.

Summary Budget

4. The current estimate of likely 2020 income is USD 54.3 million (2019: USD 44.5million) which is an increase of USD 9.8 million or 22 per cent over 2019. The USD 54.3 million comprises core funding of USD 23 million (2019: USD 30 million) a reduction of USD 7

million or 23% and earmarked of USD 31.3 million (2019: USD 14.5 million) which is an increase of USD 16.8 million or 116%.

5. To achieve a balanced budget total expenditures will be budgeted at USD 54.3 million (2019: USD 48 million) which is an increase of USD 6.3 million or 11 per cent over 2019. However, this will require a significant reduction in core funded expenditures to USD 23 million from a projected USD 33.5 million in 2019. Earmarked funded expenditures will be budgeted at USD 31.3 million in line with budgeted earmarked funding. The proposed 2020 OB summary is set out in table 1:

Table 1: 2020 GGGI Operational Budget Summary compared to Projected 2019

	2020			2019		
	Core	Earmarked	Total	Core	Earmarked	Total
	USD'000			USD'000		
Total income	23,000	31,271	54,271	30,000	14,500	44,500
Expenditures	23,000	31,271	54,271	33,500	14,500	48,000
Total surplus/(deficit)	-	-	-	(3,500)	-	(3,500)

2020 Income

6. Total revenue is estimated at USD 54.3 million (2019: USD 48 million) for 2020. This is broken down by category of funding in table 2:

Table 2: Total 2020 Revenue by category compared to projected 2019

	2020			2019		
	Core	Earmarked	Total	Core	Earmarked	Total
	USD'000			USD'000		
Core contribution	20,700	31,271	51,971	28,700	14,500	43,200
O/H recovery	2,000		2,000	1,000		1,000
Investment Income	300		300	300		300
Total income	23,000	31,271	54,271	30,000	14,500	44,500

Core Funding

7. The estimate of core funding for 2020 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: 2020 Core Funding compared to Projected 2019

	Note	2020	2019
		US\$'000	

Korea	1	10,000	10,000
Australia	2	-	8,000
United Kingdom	3	5,800	5,800
Denmark	4	3,000	3,000
Norway	4	1,900	1,900
Total		20,700	28,700

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. In addition, Korea notified us during the recent MPSC meeting that going forward the contribution in US\$ terms may reduce if the KWON depreciates against the US\$. If the KWON appreciates the amount in US\$ will not change. In other words, the downside of any exchange rate movement is being passed onto recipients, but any potential upside is not.
2. Following discussions with Australia we have been advised not to budget for any core contribution in 2020. This is a reduction of USD 8 million from 2019 and USD 5 million on a rolling three-year average.
3. Negotiations with the UK are yet to be concluded but we are assuming the same amount of approximately USD 5 million similar to previous years.
4. We are budgeting similar amounts from both Denmark and Norway as previous years.

Earmarked Funding

8. Our current estimate of earmarked funding for 2019 is USD 31.3 million against USD 14.5 million projected for 2019. This represents an increase of USD 16.8 million or 116 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.
9. GGGI now has operations in 31 countries. The institute invested heavily during the previous biennial period 2017/18 and to a lesser extent in 2019 in consolidating its programmatic activities in these locations which had begun operations in 2014/15/16. The investment was largely 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 efforts have been very successful resulting both in signed contracts and a full project pipeline. Success is also demonstrated by the current projection of USD 31.3 million for 2020.

10. The projection of USD 31.3 million comprises both new projects for which we already have signed agreements and projects for which we hope to sign agreement either later in 2019 or in early 2020.

Overhead recovery

11. Overhead recovery is estimated at USD 2 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

12. 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 0.3 million in 2020 roughly the same level as in 2019.

Expenditures

13. Total expenditures will be budgeted in 2020 at USD 54.3 million in line with revenue projections. Expenditures of USD 54.3 million is an increase of USD 6.3 million (13 %) over projected 2019 expenditures of USD 48 million.

Table 4: 2019 Budget versus actual 2018 & 2017 expenditures

Year		Core		Earmarked		Total	
		US\$'m	%	US\$'m	%	US\$'m	%
2020	Budget	23.0	42%	31.3	58%	54.3	100%
2019	Projected	33.5	66%	14.5	34%	48.0	100%
2018	Actual	39.1	79%	10.6	21%	49.7	100%
2017	Actual	37.2	84%	6.9	16%	44.1	100%

14. Of note is the mix between the percentage of annual expenditures funded by core and by earmarked funding. The 2020 budget proposes to finance approximately 58 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 and to a lesser extent in 2019 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. Total budgeted expenditures by region and program/non program is set out in table 4.

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