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**Global Green Growth Institute**

Eighth Session of the Assembly and  
Twelfth Session of the Council (Joint Session)  
October 24, 2019; Seoul, Republic of Korea

## **Update on 2019 GGGI Operational Budget**

20 September 2019

### **Background**

1. The 2019/20 GGGI 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 over the 'Base Case Scenario'. The total for the 'Plus Case Scenario' is thus USD 137.64.

### **Preparation of 2019 Operational Budget**

2. The 2019 Operational Budget (OB) was 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 in December 2018.

### **Summary 2019 Operational Budget**

3. The 2019 OB budgeted total income of USD 49.4 million (2018: USD 35.8 million). This represents an increase of USD 13.6 million or 38 per cent over actual 2018. Total expenditures are budgeted at USD 53.2 million (2018: USD 49.7 million) which is an increase of USD 3.5 million or 7 per cent over 2018. The budgeted 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 Budget			2018 Actual		
	Core/Other	Earmarked	Total	Core/Other	Earmarked	Total
	USD'000			USD'000		
<b>Total income</b>	31,300	18,099	<b>49,399</b>	25,184	10,576	<b>35,760</b>
<b>Expenditures</b>	35,111	18,099	<b>53,210</b>	39,103	10,576	<b>49,679</b>
<b>Total surplus/(deficit)</b>	<b>(3,811)</b>	-	<b>(3,811)</b>	<b>(13,919)</b>	-	<b>(13,919)</b>

- 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.
- This report presents an update as at 31 August 2019 on actual income & expenditures against budget as at that date.

### 2019 Income

- Total revenue was budgeted at USD 49.4 million and the current estimate is USD44.5 million This is broken down by category of funding in table 2.

**Table 2: Total 2019 budgeted revenue by category against August estimate**

	2019		Increase/ (decrease)	increase/ (decrease) %
	Budget	August Estimate		
	US\$'000			
Core	28,700	28,700	-	0%
Earmarked	18,099	14,500	(3,599)	(20)%
Overhead recovery	1,600	1,000	(600)	(37.5)%
Investment Income	400	300	(100)	(25)%
Fees for Service	600	0	(600)	(100)%
<b>Total</b>	<b>49,399</b>	<b>44,500</b>	<b>(4,899)</b>	<b>(9.9)%</b>

### Core Funding

- The current estimate of core funding is USD28.7 million and these are set out in table 3.

Table 3: 2019 Core Funding

	Note	2019 Budget	August Projection
		US\$'000	
Korea	1	10,000	10,000
Australia	2	8,000	8,000
United Kingdom	3	5,800	5,800
Denmark	4	3,000	3,000
Norway	5	1,900	1,900
<b>Total</b>		<b>28,700</b>	<b>28,700</b>

**Note**

1. The contribution of USD10 million from Korea for 2019 is the first year of a two year signed agreement between the Government of Korea and GGGI. The first USD5 million was received in March 2019 and the second USD 5 million was received in August 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 US\$ 8 million in 2019. The contribution was received in May 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).
4. The 2019 contributions from Denmark was received in late 2018.
5. The Norwegian contribution is expected to be received in October 2019.

**Earmarked Funding**

8. The budgeted earmarked funding for 2019 is USD 18.1 million. The current run rate is USD 12.8 million with actual to 31 August of USD 8.6 million. On a straight line basis we would have expected USD 12 million.
9. Ongoing projects includes Norwegian funded Indonesia Country Program 2016-19, Norwegian funded Colombia Country Program 2017-19, UAE funded UAE Country Program, GCF Readiness Programs (Vanuatu, Mongolia, Indonesia, PNG, Rwanda, Thailand, Laos, and Jordan), Netherlands funded Solar Home System project in Uganda, and Italian funded postions in Ethiopia and Rwanda have continued into 2019. In addition, new earmarked projects that have come on stream during 2019 include:

**Table 4: New earmarked projects coming on stream during 2019**

Donor	Project	Amount	Expected completion	Country
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)
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
UK BEIS	Scaling up green growth implementation and investments via capacity building of state and non-state actors	\$ 560,000	12	Colombia
SIDA	MRV Services	\$ 2 million	24	Burkina Faso
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
Qatar	Qatar country program	US\$ 7.5 million	36	Qatar
GCF	Readiness Support for Developing Myanmar's Green Cities Investment Plans	US\$ 0.85 m	18 months	Myanmar
GCF	Readiness Support to strengthen Uganda's engagement with the GCF	US\$ 0.7 m	18 months	Uganda
GCF	Support for Mexico's readiness program	US\$ 0.85	24 months	Mexico
GCF	Enhancing Guyana's Access to GCF to Transition to Renewable Energy	US\$ 0.3 m	12 months	Guyana

10. Management estimate that the run rate will increase from the current US\$12.8 million to about \$14.5 million for the full year. This is based on a number of earmarked funded projects which have just come on stream or are likely to during the final months of 2019. If

earmarked funding for 2019 is USD 14.5 million this would represent an increase of USD 3.9 million or 37% over 2018 (excluding overhead recovery).

**Overhead recovery**

11. Overhead recovery is budgeted 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. The actual to 31 August is USD 0.62 million. With new earmarked coming on stream during the final four months of the year the full year projection is USD 1 million.

**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 0.4 million in 2019 but will be approximately USD 0.3 million based on investment income for the first six months. Actual investment income for the 8 months to 31 August was USD 0.2 million.

**Fees for Service**

13. Fees for service are budgeted 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. However, there has been little movement on this to date and based on the prudence concept I have assumed that this will not materialize in 2019 and so we are now not projected any 2019 fees for service income from WEGO.

**Expenditures**

14. Total expenditures are budgeted in 2019 at USD 53.2 million to be funded 66% by core and 34% by earmarked. Actual expenditures to the 31 August are USD 29.7 million or 56% of budget. This is broken down between core and earmarked as follows:

**Table 5: Actual expenditures v budget at 31 August 2019**

	Budget	Actual	% spent	Budget	Actual	% spent	Budget	Actual	% spent
	Core			Earmarked			Total		
	US\$		%	US\$		%	US\$		%
<b>Staff</b>	25.3	16.6	66%	9.5	4.4	46%	34.8	21.0	60%
<b>Operational</b>	9.9	4.8	48%	8.6	4.2	49%	18.5	9.0	49%
<b>Total</b>	<b>35.2</b>	<b>21.4</b>	<b>61%</b>	<b>18.1</b>	<b>8.6</b>	<b>48%</b>	<b>53.3</b>	<b>30.0</b>	<b>56%</b>

**Projected Expenditures to 31 December**

15. Management's best estimate is that core staff costs will be about USD 0.9 million under budget and core funded operational costs about USD 0.8 million. This would result in under expenditure of USD 1.7 million giving projected core expenditures of USD 33.5 million.
16. Total earmarked expenditures based on current level of expenditures and likely earmarked coming on stream during the second half of 2019 will be around USD 14.5 million or about USD 3.6 million under budget.

**Conclusion****Summary Budgeted Income & Expenditure v August Estimate**

17. The 2019 OB budgeted total income of USD 49.4 million against budgeted expenditures of USD 53.2 million resulting in a budgeted deficit and drawdown from retained surplus of USD 3.8 million. The current estimate of income is USD 44.5 versus expenditures of US\$ 48 million resulting in a projected deficit of USD 3.5 million. This would be a USD 0.3 million better than budget and a considerable improvement on actual deficits of USD 13.9 million and USD 13.5 million in 2018 and 2017 respectively. 2019 estimates are set out in table 6:

**Table 6: 2019 GGGI Operational Budget Summary v August estimate**

2019						
	Core/Other		Earmarked		Total	
	Budget	Estimate	Budget	Estimate	Budget	Estimate
USD'000						
<b>Total income</b>	31,300	30,000	18,099	14,500	49,399	44,500
<b>Expenditures</b>	35,111	33,500	18,099	14,500	53,210	48,000
<b>Total surplus/(deficit)</b>	<b>(3,811)</b>	<b>(3,500)</b>	-	-	<b>(3,811)</b>	<b>(3,500)</b>

**Reserves**

18. Total reserves at the end of 2019 based upon the projections would comprise of USD 13.9 million as set out in table 9:

**Table 7: GGGI Projected reserves at 31 December 2019**

	Working Capital	Retained Surplus US\$.000	Total
Balance at 1 January 2019	10,000	7,393	17,393
2019 operating deficit		(3,500)	(3,500)

<b>Balance at 31 December 2019</b>	<b>10,000</b>	<b>3,893</b>	<b>13,893</b>
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## Cash Balances

**Table 8: Cash & Bank at 31 August 2019**

	<b>31-Dec-18</b>	<b>31-August-19</b>
	<b>US\$'000</b>	
Cash in Bank	18,601	14,515
Short term investment	10,162	16,639
<b>Total</b>	<b>28,763</b>	<b>31,154</b>

/End