

Evaluation of GGGI's Green Investment Services

Setting the scene

GGGI works in partnership with countries that are committed to pursuing green growth. GGGI's members have formally committed to the Paris Agreement on climate change as well as the UN Sustainable Development Goals (SDGs), both established in 2015.

Delivering on these international commitments, as well as their own national development priorities, will require members to mobilize significant financing. According to estimates by the World Bank, investments of USD 4.5 trillion per year are required to finance the green growth transformation to achieve the Paris Agreement and SDGs in developing countries. However, current investments are only USD 2 trillion per year, of which public finance makes up a small proportion. Developing countries have struggled to attract investments to bridge this financing gap of USD 2.5 trillion per year due to real and perceived investment risks in these environments.

GGGI aims to catalyze and accelerate access to climate finance/green investments. There is ample finance available, particularly from banks and institutional investors. The main bottleneck is in demonstrating the economic case and financial viability of green and inclusive business models that can help a country transition from brown growth to green growth.

Why evaluate GGGI's Green Investment Services?

Under GGGI's Strategic Plan 2015-2020, one of three key priorities was to increase green investment flows in member and partner countries. A Green Investment Services (GIS) department was created in 2015 and given lead responsibility for driving this strategic agenda. Since then, GGGI has developed its implementation approach and built up a team and reported a total of USD 1.2 billion of investments mobilized between 2015-2018 towards green growth activities in member and partner countries.

For the period beyond 2020, a new Strategy 2030 was formally adopted by GGGI's Council in October 2019. The new strategy sets an ambitious target for GGGI to mobilize USD 16 billion over the period 2017-2030. This evaluation provided an opportunity for GGGI to take stock of past successes and lessons and to inform efforts to scale up green investment mobilization moving forward.

Completed in December 2019, the main objective of this evaluation was to review and validate the results to date and identify lessons and opportunities to improve the delivery and impact of GGGI's green investment services.

The evaluation examined key aspects of GGGI’s approach to mobilize green investments and identified specific areas for improvement. The headline findings are as follows.

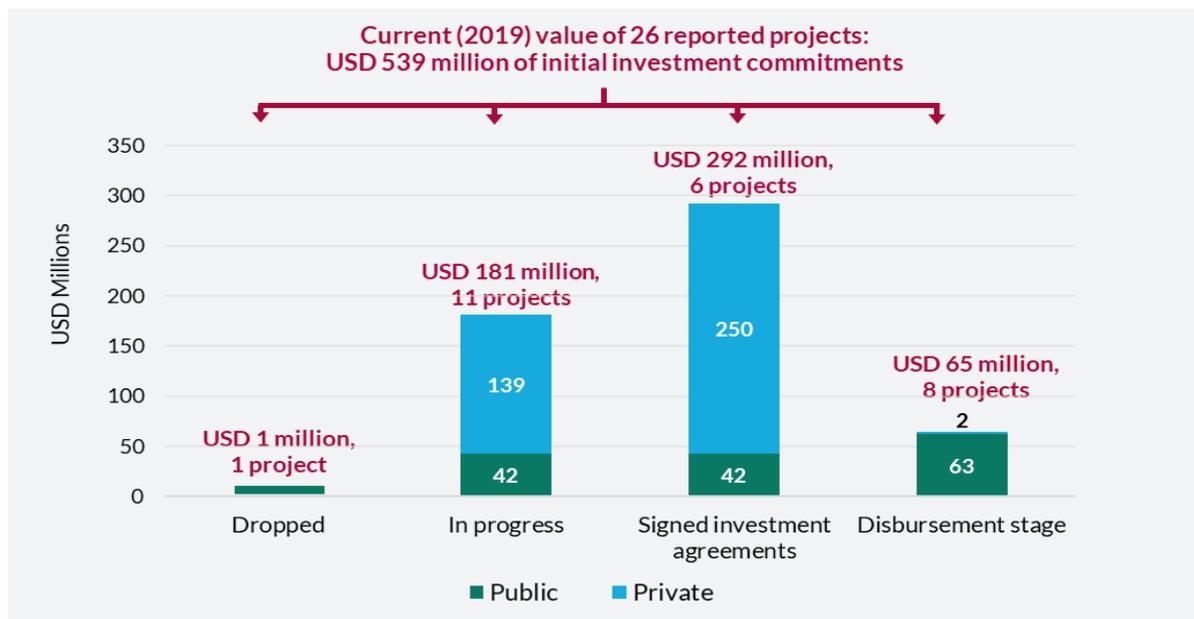
From investment commitments to investment flows

GGGI’s explicit aim is to mobilize initial commitments from financiers or project developers to invest or take over the responsibility of finding investment for green and climate projects in member and partner countries. GGGI normally makes a deliberate “exit” from a specific project at the point where proven initial investment commitment is secured. GGGI reported that it secured initial investment commitments worth USD 1.2 billion between 2015 – 2018. To find out if initial commitments led to actual investments in projects, the evaluation followed up on a sample of 26 out of 38 reported projects.

Headline finding: Majority of projects are moving forward to financing & implementation

The evaluation concluded that GGGI’s early exit point is well chosen. Two thirds or USD 357 million of the total investment commitments of USD 539 million has advanced to signed investment agreements or disbursement stage. Only 0.1% of the total value has been dropped.

The private sector has committed to raise USD 391 million (73%) of the total investments across 9 projects. This demonstrates GGGI’s capacity to mobilize private finance to help fill the financing gap for green and climate projects in partner countries.



One third of the value of projects are still at initial investment commitment stage and progress is pending administrative clearances, further feasibility studies, negotiation of terms between project parties or regulatory changes.

Making efforts to scale up investment projects

It is evident that GGGI is developing successful investment projects that are moving forward to implementation. But GGGI knows that to help members achieve green growth, these successful investment projects need to be replicated and/or scaled up to attract greater flows of finance into sectors and technologies that can have significant green growth benefits.

Headline finding: Projects have demonstrated adoption of scaling up strategies but it remains too early to see the results yet

All 26 projects that secured initial investment commitments demonstrated evidence of having adopted at least one of 4 scaling up strategies, as shown below.

A stronger focus on finding effective ways to scale will be increasingly important for GGGI, in order to meet its *Strategy 2030* target of mobilizing USD 16 billion between 2017-2030.



Enabling policies: By working closely with governments to remove policy obstacles, reduce investment risks and/or create policy-based incentives alongside creating a pipeline of green investment opportunities, GGGI hopes to attract greater flows of green finance. Examples of policy measures include changes in the structure of power purchase agreements, tariffs, tax incentives and associated decrees and legislations which improve the enabling environment for investments.



National Financing Vehicles: NFVs, like the National Green Energy Fund (NGEF) in Vanuatu, help consolidate existing financial mechanisms and leverage seed funding from host governments to access larger amounts of finance from external sources.



Bundling projects to attract investors: GGGI aggregates demand for specific green growth measures to demonstrate a viable investment size for investors. In Thailand, GGGI conducted walk through energy audits in 220 small and medium enterprises (SMEs) to aggregate demand for energy efficiency measures. An international energy service company was engaged and committed to invest USD 20 million in energy efficiency projects in the SME sector.



Pilot projects to demonstrate a business case: GGGI conceptualizes pilot projects, conducts technical and financial pre-feasibility studies and brings together project developers, financiers and government agencies to demonstrate the business case for specific green growth projects (like solar PV in Indonesia).

Headline finding: GGGI is replicating successful experiences and lessons across countries

GGGI is building on its experience between 2015-2018 in strategic priority areas and replicating successful projects across additional countries.



Solar PV



Energy efficiency



NFVs



Waste-to-Energy



E-mobility

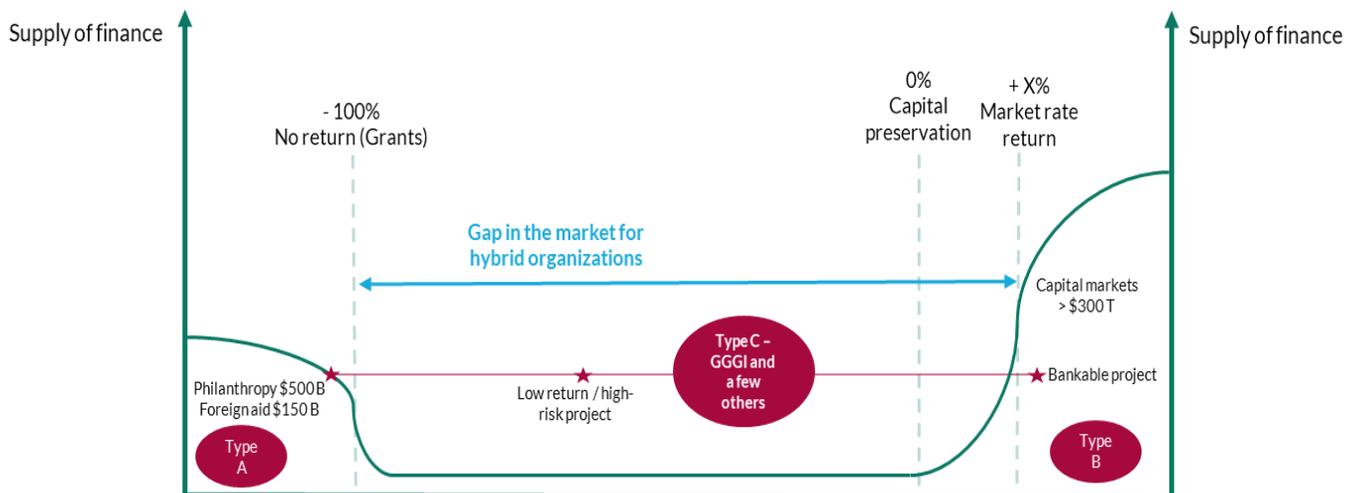
Serving a niche need in the market

GGGI serves its clients as a neutral advisor, since as a non-investor, its interests are aligned with the needs of the project. A key consideration for GGGI is to avoid using its own (public) funds to subsidize development of projects that are bankable enough to be developed and financed anyway, without GGGI's assistance. GGGI sees its role as a project arranger, working in the early stages of project development, generally up to the point when initial investment commitment can be achieved.

Headline finding: GGGI serves a niche need in the market for green investment services and clients value its service offerings

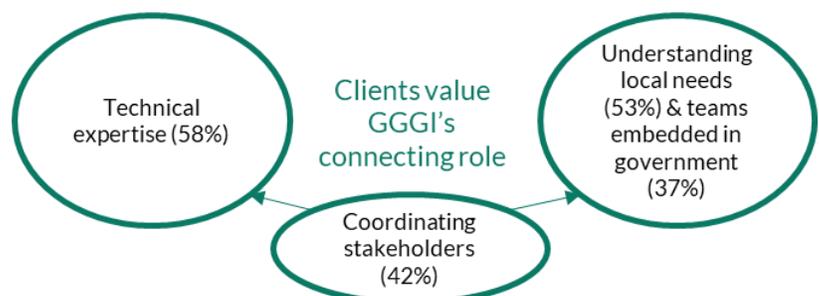
GGGI has focused on near-commercial green and climate projects that would not get financed if GGGI did not intervene – a niche that few other organizations are serving.

The combination of policy and investment expertise (that is not always present in partner countries) allows GGGI to bring together public and private sector stakeholders to arrange projects. This was perceived as a clear value by the stakeholders interviewed.



The figure above attempts to showcase GGGI's niche among 3 types of organizations providing support to different types of projects – fully grant funded on the left, commercial investor funded on the right and high risk/ low return projects in the middle that require support to be made bankable and attract concessional or commercial finance.

Clients value GGGI's services and there is clear demand for these. According to stakeholders interviewed, the key value adding features of GGGI's services were:



Areas for improvement

The evaluation identified specific lessons and opportunities to improve the delivery and impact of GGGI's green investment services. These can help inform decisions on the future of GGGI's green investment services, as part of the implementation of the new Strategy 2030.



Reporting on investments mobilized

GGGI should develop clearer criteria to measure and report when initial investment commitment has been achieved. This will help strengthen quality assurance in the annual reporting process to avoid erroneous reporting. Furthermore, there should be regular follow up and reporting on the progress of projects after the initial investment commitment stage.



Scaling up approach

GGGI should adopt a clear definition and operationalize a structured, up front approach to scaling up investment projects. This should be a key priority moving forward to achieve the ambitious targets set in Strategy 2030.



Knowledge sharing

GGGI should implement some simple methods and platforms for knowledge sharing going forward – detailed project fact sheets after securing initial investment commitments and regular meetings to proactively share lessons learned.



Communications

GGGI needs to improve communication of its value proposition and results through simple communication materials and on multiple platforms.



Internal management and processes

The evaluation also examined internal management and processes to deliver GGGI's green investment services. It found that recent reforms are evolving in the right direction to support the scale up of green investment activities going forward – from 0 staff in-country in 2016 to 15 staff in 2019 and 5 projects in the pipeline in 2015 to 38 in 2019. However, GGGI should strengthen the management of its in-country investment specialists to provide more hands-on support from senior global specialists. In addition, the project approval process should be clarified so that program teams understand that they are able to access budgets for scoping activities.

Detailed information about the evaluation, the full report and annexes with descriptions of all projects covered under this evaluation can be found here: [GGGI Evaluations](#).

About the evaluation team:

The evaluation team included a mix of staff members from GGGI's Impact and Evaluation Unit (IEU) and external green investment specialists from [Finergreen Asia Pte. Ltd.](#)

Investment projects reviewed under the scope of this evaluation

| No. | Project name and year of reporting | Country | Type of Project | Value initially reported | Current value of investment | Investor Type |
|-----|--|-------------------|----------------------|--------------------------|-----------------------------|---|
| 1 | Pipeline of projects for the Mekelle City Water Project (2017) | Ethiopia | Bankable Project | 337 | 250 | Private sector |
| 2 | Adaptation Fund allocation to the CRGE Facility for a Climate Smart Integrated Rural Development Project (2017) | Ethiopia | Bankable Project | 10 | 9.98 | Public (International climate finance) |
| 3 | Global Climate Fund (GCF) Project to enhance critical irrigations systems in regularly drought-stricken areas (2017) | Ethiopia | Bankable Project | 50 | 50 | Public (International climate finance) + Public (Host government) |
| 4 | Rwanda Green City pilot project (2017) | Rwanda | Bankable Project | 60 | 60 | Private sector |
| 5 | Strengthening climate resilience of rural communities in Northern Rwanda (SCRNRP) – GCF (2018) | Rwanda | Bankable Project | 33 | 33 | Public (International climate finance) |
| 6 | FONERWA (Rwanda's Green Fund) funding by the Swedish International Development Cooperation Agency (SIDA) (2018) | Rwanda | NFV | 4 | 4 | Public (Donor / ODA) |
| 7 | Rwanda Environment Management Authority – Kigali City wetland development (2018) | Rwanda | Bankable Project | 1.14 | 1.14 | Public (Donor / ODA) |
| 8 | Rwanda Environment Management Authority – Government contribution for Kigali City wetland development (2018) | Rwanda | Bankable Project | 0.6 | 0.6 | Public (Host government) |
| 9 | Rice Husk Waste to Energy Projects Bundle, 1.5MW (2018) | Senegal | Bankable Project | 5.4 | 5.4 | Private sector |
| 10 | Solar irrigation systems for 150 farms in Manica Province (2018) | Mozambique | Bankable Project | 13.52 | 0 | Public (Host government) |
| 11 | Hungary-Balkan Regional Multi Donor Trust Fund (2018) | Hungary - Balkans | NFV | 4.5 | 5 | Public (Host government) |
| 12 | Costa Rica Environmental Bank Foundation (FUNBAM) (2017) | Costa Rica | NFV | 1 | 0 | Public (Host government) |
| 13 | Distributed Solar PV program in Guyana, 14 MW (2018) | Guyana | Bankable Project | 18 | 16.5 | Private sector |
| 14 | Sonora State Green Bond to implement the Sonora Green Growth Strategy and finance the | Mexico | Financial Instrument | 25 | 25 | Public (Host government) |

| No. | Project name and year of reporting | Country | Type of Project | Value initially reported | Current value of investment | Investor Type |
|--------------|---|-----------|----------------------|--------------------------|-----------------------------|--------------------------|
| | first stage of BRT development (2018) | | | | | |
| 15 | Vientiane's Solid Waste Management (SWM) (2018) | Lao PDR | Bankable Project | 2.3 | 2.3 | Public (Donor / ODA) |
| 16 | Mongolia Green Finance Corporation (MGFC) (2018) | Mongolia | NFV | 10 | 10 | Public (Host government) |
| 17 | Ulaanbaatar City Thermo-technical retrofitting of residential buildings (2018) | Mongolia | Bankable Project | 4.8 | 4.8 | Public (Host government) |
| 18 | Ulaanbaatar City construction of a city green kindergarten (2018) | Mongolia | Bankable Project | 0.6 | 0.6 | Public (Host government) |
| 19 | Indonesia solar PV project in Mandalika (2017) | Indonesia | Bankable Project | 17 | 17 | Private sector |
| 20 | Indonesia solar PV project in NTT province (2017) | Indonesia | Bankable Project | 15 | 15 | Private sector |
| 21 | First SME-only National Energy Efficiency Program with a target to replace lighting, motors and variable speed drivers (2018) | Thailand | Financial Instrument | 20 | 20 | Private sector |
| 22 | Cotco Metal Works funding for energy efficiency projects in the SME sector (2018) | Thailand | Bankable Project | 1.23 | 2 | Private sector |
| 23 | Fiji Solar PV project on Taveuni Island (2017) | Fiji | Bankable Project | 3.5 | 3.5 | Public (Donor / ODA) |
| 24 | National Green Energy Fund (NGEF) (2017) | Vanuatu | NFV | 0.67 | 0.068 | Public (Host government) |
| 25 | National Green Energy Fund – contribution by the Government (2018) | Vanuatu | NFV | 0.28 | 0.664 | Public (Host government) |
| 26 | National Green Energy Fund – funding for energy component of the Member Financial Service Limited's (MFSL) USD 100 million Green Affordable Housing Scheme (2018) | Vanuatu | NFV | 15 | 0 | Private sector |
| 27 | Vanuatu Outer Island Solar Power Project funded by Luxembourg (2018) | Vanuatu | Bankable Project | 1.79 | 1.79 | Public (Donor / ODA) |
| 28 | Solar freezers project funded by BMZ (2016) | Vanuatu | Bankable Project | 0 | 0.1 | Public (Donor / ODA) |
| TOTAL | | | | USD 655 million | USD 539 million | |

ABOUT THE GLOBAL GREEN GROWTH INSTITUTE

The Global Green Growth Institute was founded to support and promote a model of economic growth known as “green growth”, which targets key aspects of economic performance such as poverty reduction, job creation, social inclusion and environmental sustainability.

Headquartered in Seoul, Republic of Korea, GGGI also has representation in a number of members and partner countries.

Members: Angola, Australia, Burkina Faso, Cambodia, Costa Rica, Denmark, Ecuador, Ethiopia, Fiji, Guyana, Hungary, Indonesia, Jordan, Kiribati, Republic of Korea, Mexico, Mongolia, Norway, Organisation of Eastern Caribbean States (OECS), Papua New Guinea, Paraguay, Philippines, Qatar, Rwanda, Senegal, Sri Lanka, Thailand, Tonga, United Arab Emirates, United Kingdom, Uzbekistan, Vanuatu, Viet Nam

Operations: Burkina Faso, Cambodia, China, Colombia, Ethiopia, Fiji, Guyana, Hungary, India, Indonesia, Jordan, Lao PDR, Mexico, Mongolia, Morocco, Mozambique, Myanmar, Nepal, Organisation of Eastern Caribbean States (OECS), Peru, Philippines, Rwanda, Senegal, Sri Lanka, Thailand, Tonga, Uganda, United Arab Emirates, Vanuatu, Viet Nam

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