


**Global Green Growth Institute**

Eleventh Meeting of the Management and Program Sub-Committee

April 29, 2020; via videoconference

### 2019 Financial Results

1. The 2019 Operational Budget budgeted total income of USD 49.4 million and expenditures of USD 53.2 million with a budgeted deficit of USD 3.8 million. Actual income was USD 44.0 million which represents a decrease of USD 5.4 million against budget. This was primarily due to lower than anticipated earmarked funding (decrease of USD 4.3 million) with a consequent additional decrease in overhead recovery of USD 0.5 million. In addition, a budgeted USD 0.6 million of fees for service income did not materialize. Expenditures at USD 46.6 million were controlled very tightly during the year and as a result were USD 6.6 million under budget. This resulted in an overall operating deficit of USD 2.6 million against a budgeted deficit of USD 3.8 million.
2. In addition, the implementation of the Accounting Standard IAS 20 (Accounting for Government Grants) resulted in the recognition of £3 million (USD 3.8 million) in United Kingdom funding received on 30 November 2019 as 2019 income. We had assumed previously that this would be recognized as 2020 income. This increased the overall 2019 core funding by USD 3.8 million which changed a deficit of USD 2.6 million to an overall operating surplus for 2019 of USD 1.2 million. This 2019 financial result has been audited by PWC who have given a clean audit opinion on GGGI's Financial Statements.
3. The 2019 actual financial results are set out in tables 1 & 2:

**Table 1: 2019 GGGI Actual Financial Results compared to Budget**

	2019 Actual	2019 Budget USD'000	Difference
Core contribution	28,924	28,700	224
Earmarked	13,766	18,099	(4,333)
O/H recovery	1,084	1,600	(516)
Investment Income/Finance costs	213	400	(187)
Fees for service	-	600	(600)
<b>Total income</b>	<b>43,987</b>	<b>49,399</b>	<b>(5,412)</b>
<b>Expenditures</b>	<b>46,598</b>	<b>53,210</b>	<b>(6,612)</b>
<b>Operating deficit</b>	<b>(2,611)</b>	<b>(3,811)</b>	<b>1,200</b>
<b>IFRS Accounting change</b>			
<b>DFID £3.0m received Nov 2019</b>	<b>3,800</b>		<b>3,800</b>
<b>Total surplus/(deficit)</b>	<b>1,189</b>	<b>(3,811)</b>	<b>5,000</b>

4. The 2019 financial results as presented in the audited financial statements are set out in table 2.

**Table 2: 2019 GGGI Actual Financial Results compared to Budget**

	2019 Actual USD'000	2019 Budget USD'000	Difference USD'000
Core contribution	32,724	28,700	4,024
Earmarked	14,850	19,699	(4,849)
Investment Income/Finance costs	213	400	(187)
Fees for service	-	600	(600)
<b>Total income</b>	<b>47,787</b>	<b>49,399</b>	<b>(1,612)</b>
<b>Expenditures</b>	<b>46,598</b>	<b>53,210</b>	<b>(6,612)</b>
<b>Surplus/(Deficit)</b>	<b>1,189</b>	<b>(3,811)</b>	<b>5,000</b>

5. The 2019 financial results compared to 2018 and 2017 are set out in table 3.

**Table 3: 2019 GGGI Actual Financial Results compared to 2018 and 2017**

	2019 Actual USD'000	2018 Actual USD'000	2017 Actual USD'000
Core contribution	32,724	24,151	23,157
Earmarked	14,850	11,259	6,864
Investment Income/Finance costs	213	350	576
<b>Total income</b>	<b>47,787</b>	<b>35,760</b>	<b>30,597</b>
<b>Expenditures</b>	<b>46,598</b>	<b>49,679</b>	<b>44,117</b>
<b>Surplus/(Deficit)</b>	<b>1,189</b>	<b>(13,919)</b>	<b>(13,520)</b>

### Core Funding

6. Core funding is USD 32.7 million as set out in table 4.

**Table 4: 2019 Core Funding**

	Note	2019 Actual US\$'000	Budget US\$'000
Korea	1	10,000	10,000
Australia	2	8,000	8,000
United Kingdom	3	9,637	5,800
Denmark	4	3,025	3,000
Norway	5	1,846	1,900
In kind contribution	6	216	0

<b>Total</b>		<b>32,724</b>	<b>28,700</b>
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**Notes**

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 USD 5 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. The 2019 UK funding is made up of the following contributions: £3.0 million (USD 3.8 million) for the period 2018/19 received in November 2018; £1.5 million (USD 2.0 million) for the period 2019/20 received in March 2019; and £3 million (USD 3.8 million) received in November 2019.
4. The 2019 contributions from Denmark was received in January 2019.
5. The Norwegian contribution was received in December 2019.
6. The in-kind contribution represents the market value of office space provided free of charge to GGGI by the City of Incheon in G Tower, Songdo. GGGI has recognized the in-kind contribution in accordance with International Accounting Standard IAS 20 Accounting for Government Grants & Disclosure of Government Assistance.

**Earmarked Funding**

7. Actual earmarked funding (inclusive of overhead recovery) is USD 13.8 million in 2019 against a budget of USD 19.7 million and actual of USD 11.3 million in 2018. The reason for the lower than budgeted revenue is because projects agreements were finalized and signed later than originally budgeted and hence came on stream later.
8. The 2019 revenue of USD 14.9 million is an increase of USD 3.6 million or 32% over actual 2018 of USD 11.3 million. Of note is the continuing expansion of both the geographic spread of earmarked projects but also the number of donors now beginning to fund GGGI.
9. 93% of the total earmarked funding in 2018 was provided by four key funding agreements as follows: Norwegian funding for the Indonesia Country Program (USD 5.8 million); GCF Readiness (USD 1.6 million); UAE (USD1.7 million); and Norwegian funded Colombia Program (USD 1.4 million). In 2019 the share of these same four had decreased to 73% of the total earmarked as follows: Norwegian funding for the Indonesia Country Program (USD 5.6 million); GCF Readiness (USD 2.2 million); UAE (USD1.2 million); Norwegian funded Colombia Program (USD 1.5 million). This demonstrates the both the increase in new funders and the geographic spread.
10. New projects and donors which came on stream in 2019 include the following:

**Table 5: New earmarked projects coming on stream during 2019**

<b>Donor</b>	<b>Project</b>	<b>Total funding</b>	<b>2019 funding</b>	<b>Country</b>
Australia	Climate Resilient Green Growth in Papua New Guinea	A\$ 6 m	US\$ 0.5 m	PNG

Gates Foundation	Promoting City-Wide Inclusive Sanitation through Climate Resilience and Green Growth	US\$ 1.65 m	US\$ 0.4 m	Thematic (Senegal, Nepal)
Norway	Readiness for Article 6 Implementation	\$2.7 million	US\$ 0.3 m	Global
KOICA	Development of Green Cities in Lao PDR	\$3.8 million	US\$ 0.5 m	Lao PDR
UK BEIS	Scaling up green growth implementation and investments via capacity building of state and non-state actors	\$ 560,000	US\$ 0.2 m	Colombia
Luxembourg	Green Cities Development in Senegal	€ 3 m	US\$ 0.3 m	Senegal
Luxembourg	Enhancing Resilience to Climate Change through Solar Power-Driven Access in Vanuatu	€ 1.5 m	US\$ 0.3 m	Vanuatu

### Overhead recovery

11. Overhead recovery was USD 1.1 million against a budget of USD 1.6 million. The recovery rate is 7% on earmarked projects funded by GGGI's core contributors and 15% on projects funded by non-core contributors. The shortfall against budget is due to earmarked projects coming on stream at a later than anticipated date.

### 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 were USD 0.2 million in 2019.

### Fees for Service

13. Fees for service were budgeted at USD 0.6 million and represented 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 assumed that GGGI will deliver at least two bankable projects in 2019. However, no income was recorded for 2019.

### Expenditures

14. Total expenditures were USD 46.6 million or 88% spent against a budget of USD 53.2 million with core expenditures being 93% spend and earmarked 76% against budget. Total expenditures were funded 70% by core and 30% by earmarked.

15. Core expenditures were tightly controlled during the year and were 94% of budget. Under expenditures against budget of USD 2.2 million were mainly achieved by reducing travel costs (USD 0.7 million under budget) and outsourcing (USD 0.5 million under budget). Core

funded travel costs reduced to USD 1.6 million in 2019 from USD 3 million in 2018. Core funded outsourcing costs reduced to USD 1.8 million from USD 4.3 million in 2018.

16. The reason for the under expenditure for earmarked projects is due to the later than anticipated coming on stream of earmarked projects. The earmarked budget is based on a combination of actual signed funding agreements and pipeline funding agreements which are anticipated but not signed at the point the budget is approved.

17. Actual expenditures against budget is broken down between core and earmarked as follows:

**Table 6: Actual expenditures v budget**

	Budget	Actual	% Spent	Budget	Actual	% spent	Budget	Actual	% Spent
	Core			Earmarked			Total		
	US\$		%	US\$		%	US\$		%
<b>Staff</b>	25.3	25.5	101%	9.5	6.3	66%	34.8	31.8	91%
<b>Operational</b>	9.8	7.4	76%	8.6	7.4	86%	18.4	14.8	80%
<b>Total</b>	<b>35.1</b>	<b>32.8</b>	<b>93%</b>	<b>18.1</b>	<b>13.7</b>	<b>76%</b>	<b>53.2</b>	<b>46.6</b>	<b>88%</b>

18. 51% of the core revenue was spent in LDCs.

### Reserves

19. Total reserves at the end of 2019 comprise of USD 18.6 million (2018: USD 17.4 million) as set out in table 7:

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

	Working Capital US\$.000	Retained Surplus US\$.000	Total US\$.000
Balance at 1 January 2019	10,000	7,393	17,393
Transfer from retained surplus to working capital	5,000	(5,000)	-
2019 operating surplus		1,189	1,189
<b>Balance at 31 December 2019</b>	<b>15,000</b>	<b>3,582</b>	<b>18,582</b>

### Reserve Days

20. Reserve days is a financial ratio used by many organizations operating in the not for profit sector. It is a measure of the amount of reserves expressed in days of expenditure. It is calculated by dividing the amount of reserves by annual expenditures and multiplying by 365. It is an indication of an organizations ability to absorb longer term revenue reductions and support organizational growth as well as providing working capital.

21. While it is clear that reserves are required for an organization to finance its operations, there is no universal standard as to what the required level should be. A commonly used reserve

day goal is 3-6 months of expenses i.e. 90-180 days of operating expenditures. GGGI's reserve days at the 31 December 2019 were 146 days (2018: 128 days).

### Cash Balances/Liquidity Ratio

22. GGGI's cash balances are set out in table 8. GGGI had a total of USD 31.2 million in cash and short-term investments at 31 December 2019. An additional financial ratio used to monitor the financial health of an organization is the liquidity ratio. This is used to measure the ability of an organization to meet its cash requirements in terms of days of expenditure. It is a measure of the ability of an organization to pre-finance and operate in the short term when Funder contributions get delayed.
23. The ratio is calculated by dividing total cash holding by total expenditures multiplied by 365 days. A liquidity ratio in the range of 120 – 180 days is considered to be adequate. GGGI's liquidity ratio at 31 December 2019 was 245 days (2018: 211 days).

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

	<b>31-December-19</b>	<b>31-December-18</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Cash in Bank	16,057	18,601
Short term investment	15,175	10,162
<b>Total</b>	<b>31,232</b>	<b>28,763</b>

/End