A/2018/2 - C/2018/2

GGGI

Director General's Progress Report

October 2018

Copyright © 2018

Global Green Growth Institute 19F Jeongdong Building, 21-15 Jeongdong-gil, Jung-gu, Seoul, 100-784, Korea

The Global Green Growth Institute does not make any warranty, either express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or any third party's use or the results of such use of any information, apparatus, product, or process disclosed of the information contained herein or represents that its use would not infringe privately owned rights. The text of this publication may be reproduced in whole or in part and in any form for educational or nonprofit uses, provided that acknowledgement of the source is made. Resale or commercial use is prohibited without special permission. The views and opinions of the authors expressed herein do not necessarily state or reflect those of the Global Green Growth Institute.

Cover photo shows an aerial shot of one of a solar powered water pumping station, similar to the type which will be installed as part of the GGGI Vanuatu program with funding from the Luxembourg Government

Green Growth in a Rapidly Changing Environment

Through a green growth lens, the past two years have witnessed change at unprecedented pace. The excitement following the adoption of the Paris Agreement and the Sustainable Development Goals has come and gone, solar and wind energy show every sign of disrupting electricity production, electric cars and buses are breaking through, revolutionary business models and technologies from ride hailing to mobile payments to blockchain technology are changing the way business is done. New partnerships and alliances of governments, private sector and other stakeholders are setting targets from 100% renewables, to zero waste. The opportunities are plentiful, but the challenges are accelerating too. The last several months have seen 100-year temperature records broken around the globe, causing wildfires even above the Arctic circle. Droughts; floods and hurricanes are in the news on a daily basis; and the UN Secretary General has warned that we may face run-away climate change if action is not stepped up. Climate change truly is the defining issue of our time.

These massive challenges, combined with exciting opportunities, present huge challenges for governments aiming to transition their economies to a green growth pathway. How to accelerate the energy transition away from fossil fuels? How to bring back blue skies? How to provide hundreds of millions of green jobs for the next generation? How to provide healthy and productive lives for all in sprawling cities? How to decarbonize society, rapidly, while building climate resilience?

Under these daunting circumstances GGGI's role as a trusted advisor to develop and implement focused green growth policies combined with an ability to increase access to green and climate finance is filling a clear niche. Since our new President, Mr Ban Ki-moon started his term the number of countries expressing interest to join GGGI has also increased sharply. Can GGGI live up to these increased expectations and become the reinvented multilateral organization for the 21st Century? Can GGGI significantly influence the capacity of its members to transform their economies to a development path that is more environmentally sustainable and socially inclusive – that is climate resilient? And can it remain financially sustainable while doing that?

Only in its sixth year as an intergovernmental organization, GGGI is focused on delivering results – developing a track record and building a reputation. A reputation as a partner to governments that understands green growth policies as well as green finance and that can bridge the gap between the public and the private sector in challenging environments.

As we are wrapping up the 2017-18 biennium and presenting our plans for the final biennium under the current strategy, 2019-20, we take stock of our achievements and look ahead at how we can step up our game. We are presenting to Council the draft Work Program and Budget for 2019-20 and proposing to develop a new strategy next year, looking ahead to 2030. We believe we are beginning to demonstrate significant green growth results in our member and partner countries and that we should also step up strategic communication of the advantages of green growth. We propose to do this through a Green Growth Campaign that provides a platform for Green Growth Champions from member countries to share their successes with other leaders – scaling up the green growth movement. Despite the challenges we believe there are key opportunities countries can take advantage of, as reviewed below. We also believe GGGI has made great strides to financial sustainability to finance its own green growth and GGGI is ready to support an expanded member network with green growth policy and finance advice.

Opportunities

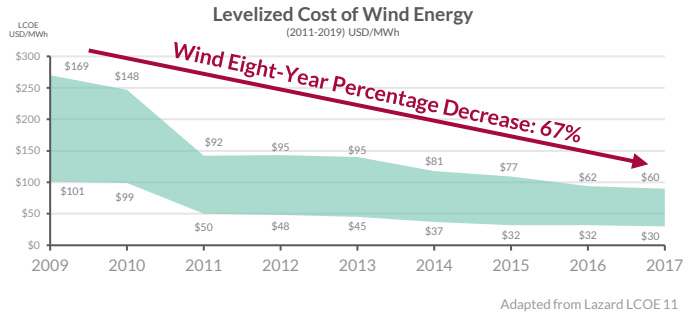
While there are strong opportunities in other areas as well, some of the most exciting developments for green growth are in the transition to production of electricity from renewables, particularly solar and wind energy, and in electric mobility.

Clean-tech disruption in electricity generation

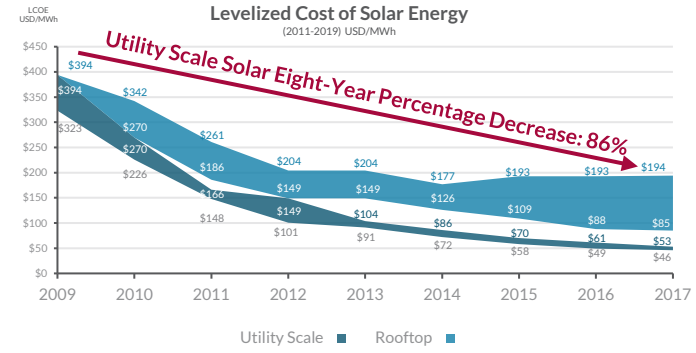
There has been very positive progress in the adoption of clean energy globally as the cost of generating electricity from renewable energy technologies has continued to fall, increasing its competitiveness against fossil fuel incumbents. Solar and wind energy are already cheaper than building new coal and gas plants in many parts of the world[1] while the cost of grid scale batteries is also dropping dramatically, which will

[1] https://www.lazard.com/media/450337/lazard-levelized-cost-of-energy-version-110.pdf

enable intermittent renewable sources to run when the wind isn't blowing, and the sun isn't shining.[2]



Adapted from Lazard LCOE 11



Adapted from Lazard LCOE 11

While the price of renewables has been driven down through subsidies, recent utility scale solar projects have been the result of unsubsidized procurements that were chosen under competitive auctions, particularly in the UAE. For project developers, these tenders incentivize learning and cost reductions and the adoption of best practice in project design which leads to lower costs for consumers of the electricity and a contribution towards the achievement of each country's development goals. The number of competitive large-scale auctions has doubled since 2016[3].

GGGI has completed several utility scale renewable energy projects in small island environments and demonstrated that replacing diesel-powered electricity by a combination of solar with batteries is already commercially attractive, because of the high prices consumers currently pay for diesel-based electricity. This is scalable across small island development environments if the projects can be structured to reach a minimum scale attractive for private investors. We see excellent prospects for GGGI to work on increasing clean energy access in difficult environments, such as SIDS and rural Africa, through solar home systems, roof top solar, and micro or mini grids.

Another opportunity GGGI is working on in multiple countries from Viet Nam to Guyana is rooftop solar energy for special economic zones or industrial parks. These are attractive given the concentrated availability of large surfaces of flat roofs as well as the opportunity to aggregate groups of commercial customers within such an environment. We also work on rooftop solar for off-grid hotels and low-cost housing, but these projects will generally require some form of subsidy or concessional finance.

While prices have come down rapidly and there has been a big shift in investments to renewables in Europa, China and India, in South-East Asia the share of solar energy is only 2 percent and the region still has the largest portfolio of new coal projects. Engaging in the transition from coal to renewables in SE Asia is a top priority for GGGI in a region where GGGI is very well represented.

Electric cars and buses breaking through

While longer haul transportation through air travel and container shipping seems to be locked into fossil fuels, with a small but growing share of biofuels, urban mobility services are close to being disrupted by the falling cost of electric vehicles from cars and buses, to three-wheelers and scooters. Price-parity, expected in coming years for family cars, may well lead to a rapid shift that could lead to a quick displacement of the combustion engine by electric motors, just as the former displaced horse-drawn carriages a century ago.

Densely populated urban areas may be able to significantly improve ground level air quality and increase access to affordable transportation for peri-urban residents through lower cost battery electric buses, autonomous electric taxis and electric personal transportation devices such as bikes or scooters. Lithium-ion battery costs are on track to fall by an additional 66% by 2030 allowing unsubsidized electric buses to achieve price parity with diesel powered buses as early 2020[4]. This opportunity has been seized by numerous cities around the world, including Seoul, London and Mexico City, who have all committed to run electric buses only by 2025[5]. First to the finish line was Shenzen, China, that completed its transition to 100% electric buses, 16 thousand of them, in late 2017.

Even more exciting than electric mobility alone is mobility-as-a-service. This is based on autonomous electric vehicles that are not privately owned but

[2] Bloomberg New Energy Finance 2018 New Energy Outlook key messages

[3] https://www.greentechmedia.com/articles/read/the-floor-for-ultra-low-solar-bids-14-per-megawatt-hour#gs.t_8_tU8

[4] https://about.bnef.com/new-energy-outlook

[5] https://www.france24.com/en/20180914-aiming-zero-cities-companies-ramp-climate-goals

available on-demand in a ride-hailing or shared ownership business models. While this is a longer-term prospect, the first autonomous bus entered Seoul city streets in September 2018. If realized, mobility as a service would drastically cut the need for privately owned vehicles and completely re-engineer urban landscapes. Governments should be prepared for such a future when making long term investments in urban infrastructure. Some investors believe autonomous electric vehicles will reach price parity within 5 years and will completely disrupt urban mobility as we now know it, with huge consequences for city infrastructure and city spatial planning.

Already GGGI sees a sharp increase in interest among member countries in electric mobility. Of C40's about 70-member mega-cities, 24 have already made commitments to purchase only zero-emission buses by 2025. After initial projects in India and Nepal, GGGI currently works on electric buses for Sonora State in Mexico, Kathmandu, Nepal, and an electric bus rapid transit system in Jordan, as well as electric three-wheeler projects in Laos PDR and the Philippines. Electrification of transport may offer the opportunity to help clean city air as well as provide sustainable transport for all.

Challenges in achieving a low-carbon world

Electricity production is only 20% of final energy use with the bulk of the remainder used for transport and heating and cooling buildings. Cooling is one of the most rapidly growing energy uses, and also becoming more important as a key strategy in a warming world, as demonstrated by the recent heatwaves. Despite progress in policies and the development of new technologies the buildings sector will almost certainly fail to achieve its Paris Agreement Goals.

Slow progress on energy efficiency

Building-related GHG emissions peaked in 2013 but their total energy consumption continues to grow due to increasing floor area growth, which is outpacing energy intensity reduction, and increased use of cooling.

As the world continues to urbanize, the energy efficiency of buildings and the built environment will play a large role in the quality of economic growth and in achieving the commitments of countries to achieving the 2030 Agenda. Policies, building standards and energy efficient lighting, appliances, district heating and cooling systems have made huge progress of late, but their adoption continues to be slow. As a first step, efficiency improvements of 10% to 20% are possible in most countries from appliances, equipment and lighting products that are already commercially available. There is strong global momentum towards more efficient lighting; by 2022, 90% of indoor lighting worldwide is expected to be provided by compact fluorescent lamps (CFLs) and light-emitting diodes (LEDs)[6]. GGGI has made an effort to green our new office at HQ as much as feasible (targeting LEED Gold certification), including a transition to maximize natural lighting and use 100% LED-light fittings.

Slow progress on nature-based solutions to climate change

Studies show that nature-based solutions, particularly avoided deforestation, reforestation and carbon storage through soil remediation and ecosystem restoration are the most effective solutions to reduce emissions and increase resilience. While some countries, particularly Norway, have long championed an increased focus on forest-related climate action, agriculture-related climate negotiations have long been stalled by political divisions among those favoring mitigation and adaptation.

The people most affected by climate change are low-income people in rural areas hit by heatwaves, forest fires, typhoons, droughts and floods. While the world is rapidly urbanizing, two out of three jobs for the next generation of Africans will still be related to agriculture. GGGI's therefore has a growing focus on sustainable landscapes, including remediation of degraded landscapes in peatlands and mangrove areas, climate resilient value chains for cash crops from tea to cocoa to avocadoes, as well as sustainable livestock systems in tropical forest fringes. This work is dominated by developing business models that provide sustainable livelihoods for small farmers and access to concessional green and climate finance through REDD+ and carbon market mechanisms. In the rural areas in developing countries the GGGI focus of green growth development is on the development of green jobs in climate resilient employment, with emphasis on jobs for women and ensuring children are in schools rather than sweatshops.

Less progress in smaller capitals and secondary cities

As cities and the industry related to them produce some 70% of greenhouse gas emissions, achieving the Paris Agreement will have to be based on a successful transition to low-carbon cities. While there is outstanding leadership on climate and sustainability issues by many of the largest cities in the C40 partnership, there is much less capacity, and even lower

[6] https://webstore.iea.org/download/direct/160

access to green and climate finance in the world's smaller capitals and many secondary cities where the majority of city dwellers will live. Smaller cities struggle to provide even basic public services from sanitation to waste management to public transportation. It is here that we see the greatest challenges – and potentially the greatest opportunities for GGGI to have impact. Can smaller cities learn from their smart city big brothers and sisters? Or can they even leapfrog and be better planned and avoid some of the traffic and air quality problems that make many of the large cities in developing countries such a challenging environment for their low-income residents. In these environments green growth can and should combine low carbon development with inclusive provision of sustainable public services in low-income neighborhoods.

Green Growth Champions

Since 2014, Costa Rica has generated 99 percent of its electricity from renewable sources, using its rivers, volcanoes, wind and solar power to generate electricity for the national grid,[7] and the newly elected President Carlos Alvarado, announced his plan to make the country the first carbon-neutral nation in the world by 2021[8] by focusing on decarbonizing transportation. Costa Rica is leading a growing 100% RE movement that includes countries, cities and private sector companies, including 15 GGGI members[9].

In 2017 the UK enjoyed its first day of coal free energy generation since the dawn of the industrial revolution in the 1880s[10], and together with Canada, the government lead the Powering Past Coal Alliance which plans to phase out all coal fired generation to contribute towards the country's climate goals. Eight member countries of GGGI have joined the Alliance already[11], most notably, Denmark where coal power is a significant part of the energy mix today. In Australia, capital city Canberra has put in place contracts to reach 100% renewable energy by 2020 and is now focusing on becoming zero emission by 2030. In the Republic of Korea, the government has committed to quadruple its renewable energy use, albeit from a low base, by 2030. Utility-scale batteries will play a crucial part of Korea's future power system, supporting growing offshore wind and PV as fossil fueled grid assets retire.

As country decarbonization goals shift from 2030 to 2050, Fiji is one of the first developing countries, and the second Small Island Developing nation, to develop a Low Emission Development Strategy in 2018, with GGGI support. Fiji's LEDS strategy is due to be presented at COP24 in Katowice.

GGGI Members with 100% Renewable Energy Targets

Costa Rica 2030
Fiji 2030
Papua New Guinea 2030
Vanuatu 2030
Cambodia 2050
Colombia 2050
Denmark 2050
Ethiopia 2050
Kiribati 2050
Mongolia 2050
Morocco 2050
Philippines 2050
Rwanda 2050
Senegal 2050
Viet Nam 2050

In Africa, Ethiopia, Rwanda and Senegal all have solid track records of championing green growth with efforts that include low carbon development, but center on building climate resilience and opportunities for green jobs for the next generation. In Uganda, government has adopted the Uganda Green Growth Development Strategy which has become a guide for development across its economy and for its development partners.

In Latin America, Colombia is facing up to the challenge to develop sustainably and inclusively the 40% of its territory that were largely inaccessible during the civil war. Outgoing President Santos approved a national green growth strategy developed by its national planning agency with close support of GGGI. Peru has become the first government in Latin America to institute a payment for environmental services on all water users that is exclusively dedicated to developing watershed conservation and climate adaptation projects for water security.

[7] http://www.ticotimes.net/2018/07/12/almost-all-of-costa-ricas-energy-has-come-from-renewable-sources-since-2014
[8] https://www.vox.com/energy-and-environment/2018/7/17/17568190/costa-rica-renewable-energy-fossil-fuels-transportation
[9] Table R8 starting on Page 189 of the REN 21 report 2018: http://www.ren21.net/wp-content/uploads/2018/06/17-8652_GSR2018_FullReport_web_final_.pdf
http://www.ren21.net/wp-content/uploads/2018/06/17-8652_GSR2018_FullReport_web_final_.pdf
[10] https://www.bbc.com/news/uk-39675418
[11] https://www.gov.uk/government/publications/powering-past-coal-alliance-declaration

There are, in short, many examples of outstanding leadership among GGGI's members that can and should be shared among the membership and beyond to the large number of countries that have expressed a desire to join the green growth movement.

What has GGGI done?

In the current biennium GGGI has continued its policy work, with considerable success, as detailed further in the WPB for the next biennium and the update on our work program in 2018, both presented in documents to the Council and Assembly.

While there is important continued work at national planning levels, for example national green growth strategies for Colombia and Uganda, the Low Carbon Development Strategy for Fiji and the National Energy Efficiency plan for Mongolia – all developed with GGGI support and adopted by government in this biennium – much of GGGI's policy work is transitioning to more targeted policy work related to implementation of national plans and the ability to attract finance for specific green growth investment projects. Examples range from energy efficiency standards for appliances in Mongolia, to advice on feed-in-tariffs for biomass waste to energy in Viet Nam, to lifting the cap on rooftop solar energy that can be linked to the grid in Guyana.

As GGGI works to sharpen its targets for its six strategic outcomes, we often support capacity development in our member governments at the same time. An example is our work on green jobs – a high priority area in many countries but often still poorly or not at all defined and estimated. GGGI is working with five member countries - Fiji, Jordan, Senegal, Viet Nam, and United Arab Emirates - to develop definitions and baseline estimates for what constitute green jobs in these countries' context. The aim is to develop a widely applicable definition, and associated practical methodology, that would support our member and partner countries' efforts to assess and maximize employment creation potential of their development plans, policies and initiatives. Hand in hand, GGGI would have the definition and methodology to assess contribution of our programs to jobs creation in the countries we work with.

While there is solid progress on the policy front, we have seen break through progress on the green and climate finance front Our target for GGGI to contribute to mobilizing green and climate finance set by Council in October 2017 was a cumulative USD600 million by 2020. However, our 2017 results alone came in at a very much higher level of USD524 million, lifting the cumulative total to 2017 to USD760 million. As a result, management, increased the ambition and set finance targets to USD 500 million in 2018, USD600 million in 2019 and USD700 in 2020. This quadruples our cumulative finance target by 2020 to USD 2.5 billion.

While a year ago it was far from clear that GGGI would be able to repeat the 2017 result of helping to mobilize green and climate finance at a level of USD500 million. At the time of writing this report, however, and detailed in the progress report over 2018 to Council, our best estimate is that we will indeed meet and likely exceed the USD500 million target for 2018. This will bring the cumulative total of green and climate finance GGGI helped mobilize to well over a billion USD and gives us confidence that we will be able to meet the USD2.5 billion target by 2020.

While the total volume of finance we helped mobilize is our top-line message, and something we are indeed quite proud of, there are many messages and conclusions underneath. An important one is that GGGI has stepped up its engagement with the private sector as detailed in the progress report on private sector engagement to Council. Note that GGGI goes a considerable step further than offering partnership platforms that aim to share knowledge – even though we see the value of these and are pleased to engage pro-actively with P4G, the Danish-led public private platform for green growth. GGGI attracts private sector developers and investors to implement projects designed and structured by GGGI on behalf of our government clients. GGGI also designs and structures financing facilities that directly leverage private sector investment by providing access to debt capital at terms appropriate to the needs of the private sector. And GGGI works with individual companies or groups of companies to demonstrate new technologies, develop new business models, or set up financing models that aim to bring about scale and replication.

While much of our financing work is still young and our track record only two good years, we believe it demonstrate the validity of the model – the niche of GGGI is to deliver country level results through a combination of smart green growth policies combined with design and structuring of investment projects (including funds and facilities), through an embedded presence with our member and partner governments.

For the next two years we do not propose a change of course, but to deepen and strengthen our methods and extend our track record, continuing to build our reputation.

Stepping up Partnerships

In its early years GGGI had limited in-house capacity and delivered much of its work through outsourced assignments, much of it to large consulting companies. The disadvantage of this approach is that very little of the knowledge gained though these assignments was maintained in GGGI to build on and share with others. In the current biennium GGGI has significantly expanded its staff capacity from 160 staff at the start of the biennium to 310 positions currently. At the same time GGGI has shifted its strategy from outsourcing to partnering for the capacity it does not have in-house. Partnering does require in-house capacity to engage with outside partners – having staff that can join teams or consortia – and it can be slower than a direct procurement. Over time, however, building partnerships with universities, for example, builds more capacity in the countries where we work. GGGI is now firmly committed to a partnership approach to engage the capacity we do not have in-house, while of course specialized consulting assignments will still be used where the most appropriate.

Success in the GCF-GGGI partnership

GGGI entered into a strategic partnership through an MoU with the GCF in April 2017. GGGI's strong relationships with partner governments and in-country staff provides local economic, social and environmental insight and create a long-term platform for stakeholder engagement and GCF funded project implementation.

Since the signing of our MoU, our teams on the ground have supported 14 of our government partners to access over USD 4.5 million in GCF approved readiness funding, for which GGGI is the delivery partner, and have a pipeline of USD 5 million more. We are in discussion with our member and partner governments to expand the GCF readiness work from the current 14 with an additional 7 countries. In addition, we have recently been nominated by the governments of Rwanda and Sri Lanka to deliver National Adaptation Planning to support sectoral and sub-national adaptation planning and are in discussion to expand this work to several other countries.

As examples of how closely aligned GCF readiness work is with GGGI's country programming, in Mongolia, readiness activities focus on the development of the Mongolia Green Credit Fund (MGCF) as a market instrument to mobilize private financing to help reach the GHG reduction targets defined in Mongolia's NDCs. In Vanuatu, the readiness program assists in the establishment of the National Green Energy Fund (NGEF) in-line with the NDCs of Vanuatu to achieve 100% electrification for all, generated by renewable energy sources. The readiness support for Papua New Guinea, Lao PDR and Thailand will strengthen the country's engagement with GCF and help build capacity of public and private sector actors to design and implement climate projects.

The goal of the readiness work is, of course, for countries to access GCF's climate finance, and GGGI is very pleased to have helped develop five full GCF project proposals, two of which have already been approved (for Ethiopia and Rwanda) and three are in the GCF pipeline (for Mongolia, India and Senegal). Four of these five projects are direct access projects, in which the government (Ethiopia and Rwanda) or a national entity (NABARD in India and Xac Bank in Mongolia) is the direct applicant. The fifth project is submitted by the African Development Bank as an international organization, on behalf of Senegal. The total value of these five projects in terms of the contribution of GCF is over USD 200 million.

The five projects are:

- Ethiopian Ministry of Finance and Economic Cooperation GCF project FP58: "Responding to the increasing risk of drought: building gender-responsive resilience of the most vulnerable communities", a USD 50 million climate adaptation project approved by the GCF in October 2017.
- Rwandan green fund FONERWA's GCF project FP73, USD 32.79 million for "Strengthening climate resilience of rural communities in Northern Rwanda with the Ministry of Environment of Rwanda (MOE)", approved by GCF in February 2018.
- India's NABARD bank submitted the Access to Clean Energy (ACE) Fund for Off-Grid Energy project, submitted on 25th June 2018, seeking a GCF contribution of USD 60 million.
- Mongolia's Xac Bank submitted the Green Finance Cooperation (MGFC) Funding Proposal in July 2018 requesting a GCF contribution of USD 40 million.
- African Development Bank submitted Senegal's Renewable Energy and Energy Efficiency Fund for off-grid electricity, co-financed by AfDB and Senegal's sovereign wealth fund, and requesting a contribution from GCF of USD 25 million.

At the same time, the GCF and GGGI pursue long-term cooperation goals such as joint capacity development and peer-to-peer knowledge exchange events. GGGI has also been contracted to help GCF develop and operationalize its Simplified Approval Process (SAP) for small projects up to USD 10 million.

As we have outlined in the refreshed strategic plan, our partnership with GCF targets to help mobilize USD 20 million in readiness and adaptation planning funding for GGGI partner countries and targets a USD 500 million portfolio of GCF supported projects in over 20 countries by 2020.

Partnering with Private Sector Investors through WGEO

While GCF funding is public funding, and highly concessional – or even outright grants, GGGI's new partnership with the World Green Economy Organization (WGEO) in Dubai, UAE, targets mobilization of primarily private green finance for GGGI developed and structured projects. WGEO is still in start-up phase and aims to develop a number of multi-stakeholder platforms to mobilize investments from, primarily, the GCC countries.

GGGI and WGEO have signed an MOU that proposes that GGGI will propose a pipeline of investment project ideas to WGEO. Once approved by the WGEO-GGGI project board, each approved project idea would receive USD300K in project preparatory funds from WGEO to develop to bankability and investment by WGEO investors. The partnership aims to develop 20 projects per year for three years and mobilize a billion USD in green investments.

GGGI plans to present a first sample set of projects to WGEO investors during the WGEO Summit in Dubai on October 24th. This partnership is a first attempt by GGGI to develop a "fee for service" business model that, if successful in charging investors for the cost of project preparation and development, would contribute to GGGI's financial sustainability.

P4G Partnerships

Denmark led former Global Green Growth Forum (3GF) has been transformed into a new initiative called P4G (Partnering for Green Growth and the Global Goals). It has a global hub hosted by WRI in Washington DC and organizes a P4G Summit in Copenhagen on 19 and 20 October. GGGI is one of 4 institutional members (with WEF, C40 and WRI) and key countries involved are GGGI members also (Mexico, Vietnam, Ethiopia, Korea, Denmark). P4G called for submission of public private partnership ideas to scale up green growth and received over 450 submissions. Of these 18 received start-up support and 6 will be announced for scale up support at the Summit. At least three of these partnerships target areas in which GGGI has projects as well and we aim to participate pro-actively, both to share our experience in these platforms, and to learn from them, for the benefit of our member countries.

What should be GGGI's ambition in 2019-20?

In the first place GGGI management proposes to stay the course for 2019-20 and deliver the final biennium of the current strategy. Lengthen our track record, particularly on finance, and continue to work on improved quality and replicability of the green growth policies and investment projects we help deliver for our member and partner governments. Complete the internal transition to the new, more flexible business model that enables GGGI to deliver a continuous project development cycle to implement country business plans and country planning frameworks – delivering on the priorities of our member and partner governments. Complete the roll-out of the suite of online business productivity tools that support the effective, decentralized management and information sharing to manage the resource mobilization, project origination, and project management pipelines.

Stay the course, as there is still much work to do to embed the new systems and processes, to build effectives business units in all countries where we operate, and to finalize the baselines and definitions on all strategic outcomes GGGI is committed to deliver. In short, continue to change and improve to deliver what we set out to do, without changing course. With this, we have our work cut out for us to maximize the chance that we will deliver value on the ground in the countries where we operate.

The two critical challenges we addressed in the current biennium, (1) financial sustainability by stepping up our resource mobilization; and (2) reforming our internal business processes to become a more nimble organization that can run a flexible project pipeline – have been largely achieved, even though we will need to stay on the ball to ensure that we complete the work that has been started.

New challenges that will arise in the coming biennium are no doubt how we deal with our own growth – an increasing demand for GGGI's services from a growing number of countries. While our aspiration is to grow as fast as we can manage, serving as many countries as have a real interest in green growth, we are very aware this can only be based on sound financial management. Additional resources need to be identified to ensure we can continue to deliver quality support to all countries, and that expansion into new countries does not come at the cost of our existing members. That said, after a handful years of operation, GGGI will also need to define exit strategies – when is our work complete, or when do we determine that there is insufficient

progress to continue to invest – and other countries offer a better opportunity to deliver impact.

What has been perhaps least well defined has been the third leg of GGGI's stool, its knowledge sharing capacity. In early 2017 knowledge sharing (KS) was pulled out of IPSD and established as a new Thought Leadership (TL) group. As we find a new IPSD leader, and assuming this person has some affinity with this part of our work, the intent is to re-integrate TL into IPSD. In the current biennium TL has helped to redefine KS and capacity building for GGGI away from organizing large numbers of KS events and counting participants. Instead, TL has focused on developing a small number of specific in-house tools used in country work, particularly the Green Growth Potential Assessment – and going forward the Green Growth Index and simulation tool. This is leading to an in-house capacity to deal with data and metrics that is valued by our country programs and governments.

In addition, TL has spearheaded our new focus on partnerships rather than outsourcing, by developing long term partnership relationships with a small number of like-minded organizations. Partnerships include universities, some UN organizations (such as ILO on green jobs and UN Environment on the index work), some NGOs and thinktanks, as well as partnership platforms such as P4G. TL is also responsible for maintaining our longstanding KS platform, the Green Growth Knowledge Platform. Finally, TL has slowly established a capacity to document lessons learned and share these widely through GGGI's own flagship publications – Technical Reports, Guidelines and Insight Briefs. More detail n our 2019-20 Program of Work is, of course, provided in the documents submitted to Council, both the draft WPB 2019-20, as well as the set of Country Business Plans that accompanies the document.

GGGI beyond 2020

GGGI' s current strategy covers the period 2015-2020. During this period the organization has grown and matured significantly, and the outside environment has changed very rapidly as well. It is therefore a good time to develop a new strategy, to explore with all stakeholders, but particularly the member and partner countries, what GGGI's vision, mission and implementation strategy should be going forward.

Given GGGI's cycle of 2-year Work Program and Budget, the time to develop a new strategy is in 2019, so that the next WPB for 2021-22 can be prepared in 2020 under the guidance of the new Strategy. One key question for the Council's consideration is whether GGGI should have another 5-year strategy, or look ahead 10 years to 2030, in line with the SDGs. Or possibly develop a 10-year vision combined with a 5-year implementation strategy. A discussion note has been prepared on this topic that we look forward to receiving feedback from Council on.

A key question in GGGI's strategy will be how fast the organization can grow, which is closely related to the number of members joining GGGI. Initially, GGGI grew by pro-actively initiating contact with countries and developing programs, with the membership process following later. Now that GGGI has more of a track record of results, and a high-profile President and Chair who engages pro-actively at the level of heads of state, there is a significant increase in the countries approaching GGGI to express interest in membership, as detailed in the note on membership provided to Council.

GGGI's management proposes to respond positively to all countries expressing an interest to join as members, but to program activities in new member countries through the mobilization of additional resources, rather than spreading the current resources over a larger number of countries. Our experience in the current biennium has shown that it is possible to raise resources specifically to expand into new countries. We have also approached several high donor countries with proposals to join GGGI and support expansion in GGGI's program in regions of specific interest to those new potential investors.

Is GGGI ready for its new business model?

As I have shared previously, we have achieved major progress in steering our business model to be more sustainable and resilient by diversifying into an increased share of earmarked sources. This does require a new way of operating that we have prepared for in the current biennium:

- Country teams needed to become "business units", rather than project managers, responsible for government relations, resource mobilization and project implementation, with a larger share of management functions decentralized t the country level.
- GGGI's central partnership and resource mobilization function needed to be strengthened, with new processes, online relationship management tools, and a quality assurance function.
- The Work Program and Budget still has the primary function of priority setting and allocation of core resources, but at country level these

resources are held in an envelope to implement the country business plan, through projects that are developed through a continuous cycle, rather than the WPB.

- The project management cycle needed to be redeveloped to support continuous project development, resource mobilization, project origination or ideation f policy and investment projects, project implementation or execution, and finally results management and evaluation – with all these components support through on-line productivity tools that enable seamless collaboration between HQ and country teams.
- The back office and financial management needed to be prepared to deal with this new operating environment, from introducing standard staff charge out rates, a central staff cost pool, time sheet system, and project management, integrated with the central ERP.
- Aligned with these reforms, GGGI has also more explicitly expressed its core values and worked on establishing our own organizational culture to live up to these values, redeveloped and updated the Staff Rules and Regulations, introduced a staff rotation system, introduced Respectful Workplace Advisors and a pilot Ombudsperson, and introduced a flexi-work policy.

All in all, this redevelopment of the organization, in parallel with delivering the 2017-18 WPB, is well on track. Of course, the formal transition to the new system is on January 1, 2019, to implement the new 2019-20 WPB, which means we have a critical period ahead of us to finalize prep and then roll out the new system in Q1 2019. An important risk mitigation factor during this process is that the function of Chief Finance Officer (CFO) has been reintroduced. The new CFO, who started on October 1, 2018, has solid experience in the management of the transition GGGI is in the middle of, and he will become responsible as project leader for the final stage of implementation and delivery of this change management process.

Key decisions of the Council and Assembly at the 2018 meeting

In summary, GGGI's management has prepared the agenda and documents for the upcoming Council and Assembly meeting to support the following key issues for discussion and decision:

1. Management is providing updates on the implementation of the 2018 program of work, the expected results by the end of the year, particularly its projection that GGGI's contribution to mobilizing green and climate finance will meet or exceed the USD 500 million target for the second year in a row, bringing the total to well over USD 1 billion, and with significantly increased private sector engagement.
2. Management has submitted the draft WPB 2019-20 to Council and looks forward to Council feedback and approval of this key document to enable GGGI to implement remainder of the current strategy in 2019-20.
3. Management has prepared an updated Disclosure Policy and is submitting this to the Council for approval.
4. Management is sharing with the Council and Assembly its updated plans for initiating a Global Green Growth Campaign in 2019, as a platform for Green Growth Champions from member countries to share green growth successes from the member countries, supported by a GGGI flagship publication, and a means to step up strategic communication to help scale up and out the green growth movement. Management is inviting Council and Assembly members to provide comments and feedback on these plans.
5. Management is sharing with Council and Assembly a consultation paper on the development of a new vision for GGGI to 2030, and a new 5-year strategy to implement this vision, as a key consultation process of all GGGI stakeholders, most importantly its member and partner countries, in 2019. Council and Assembly members are invited to provide comments and feedback on this paper as well.

GGGI's management believes the organization is showing solid results in the support of GGGI member and partner countries to develop green growth plans and policies and beginning to have a track record to develop bankable projects that can attract green and climate finance at scale to implement such plans and policies. We also believe we have used the current biennium to significantly improve the financial sustainability of the organization, prepared it for a more nimble and flexible business model, and significantly increased the in-house expertise and experience to deliver GGGI's support through its own staff. We look forward to discussing these issues with the Council and Assembly and receive your guidance.

On behalf of GGGI's staff and management,

Frank Rijsberman

Director General

Championing Green Growth and Climate Resilience