



**Global Green Growth Institute**

Tenth Session of the Assembly and  
Fourteenth Session of the Council (Joint Session)  
October 11-22, 2021 | E-Consultations  
October 28, 2021 | Hybrid Meeting  
Hybrid Meeting Agenda #5

**Draft 2022 Operational Budget**

**PURPOSE/ACTION REQUIRED**

Members of the MPSC will be invited to (please tick the relevant boxes and type in the details):

<input checked="" type="checkbox"/> Take note of the draft 2022 operational budget of GGGI
<input type="checkbox"/> Other (please specify) _____

<input checked="" type="checkbox"/> Provide feedback on the draft 2022 operational budget of GGGI
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**CONTEXT/BACKGROUND**

<p>The Work Program and Budget (WPB) 2021-2022 was approved by the GGGI Council on 31 October 2020. The 2022 GGGI Operational Budget (OB) is based on the approved WPB and is currently being finalized by Management. It will be a balanced budget where expenditures equal revenue. Consequently, the primary drive is management best estimate of likely revenue in 2022.</p>
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**SUMMARY**

<p>The current estimate of likely 2022 income is USD 66 million (2021 estimated: USD 54.8million) which is an increase of USD 11.2 million or 20 per cent over 2021. The USD 66 million comprises core funding of USD 22 million inclusive of overhead recovery of USD 3.5 million (which is in line with 2021 core funding of USD 21.5million); and earmarked funding including both program of USD 6 million (2021 estimate USD 3 million) and project earmarked of USD 38 million (2021 estimate USD 30.5 million).</p> <p>To achieve a balanced budget total expenditures will be budgeted at USD 66 million (2021 estimate: USD 54.6 million) which is an increase of USD 11.4 million or 21 per cent over 2021. Earmarked funded (including both program and project) expenditures will be budget at USD 44 million in line with budgeted earmarked funding.</p>
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## Draft 2022 Operational Budget

### Background

1. The 2021/22 Work Program and Budget (WPB) approved by the GGGI Council on 31 October 2020 set out three budget scenarios; The Minus Case Scenario; the Base Case Scenario and the Plus Case Scenario. The budget under each scenario is set out in the table below:

**Table 1: Summary of WPB 2021-2022 Budget by Scenarios**

	Minus Scenario	Base Scenario	Plus Scenario
	USD' million		
<b>Core</b>	36.1	47.2	47.2
<b>Program Earmarked</b>	6.6	6.6	6.6
<b>Project Earmarked</b>	89.2	96.2	112.6
<b>Total</b>	<b>131.9</b>	<b>150.0</b>	<b>166.4</b>

2. As noted, in the WPB we know, based on past experience, some of the earmarked funding included in the estimated revenues will either come on stream later than anticipated or will not materialize. Thus, **the actual detailed operating budgets developed for 2022 will likely be less than the overall total envelope approved by the Council.** The Council decision de facto establishes an upper boundary for each country budget rather than a budget guarantee. In line with prudent financial management GGGI will only spend what it receives in revenue. The operational budgets for individual countries and units will be in line with the approved envelope with some country budgets being less because as noted above either the projected earmarked funding is delayed or has not been approved.

### Preparation of 2022 Operational Budget

3. The 2022 Operational Budget (OB) is being prepared using the 'Minus Case' scenario as a starting point. The current projection for 2021 is total expenditures of USD 54.6 million broken down between core of USD 21.1 million and earmarked of USD 33.5 million. Thus, of the total of USD 131.9 million approved by the Council for the biennial period an amount of up to USD 77.3 million (USD 131.9 million – USD 54.6 million) remains available for 2022. This amount is of course contingent upon the availability of funding.
4. Management is currently finalizing the detailed 2022 GGGI Operating Budget (OB). It will be a balanced budget which means that expenditures will equal revenues. Thus, the primary driver is management's best estimate of the likely funding levels, including both core and earmarked, for 2022. This dictates the amount of funding available for expenditures thereby ensuring a balanced budget.
5. The current estimate of 2022 core funding (details below) is greater than the Minus Case scenario but less than the Base Case scenario whilst the level of earmarked funding (details below) is less than that in the approved Minus Case scenario. This is for the reasons outlined in the paragraph above.

### Summary Budget

6. The current estimate of likely 2022 income is USD 66 million (2021 estimated: USD 54.8 million) which is an increase of USD 11.2 million or 20 per cent over 2021. The USD 66 million comprises core funding of USD 22 million inclusive of overhead recovery of USD 3.5 million (which is in line with 2021 core funding of USD 21.5million); and earmarked funding including both program and project earmarked of USD 44 million (2021 estimate USD 33.5 million) which is an increase of USD

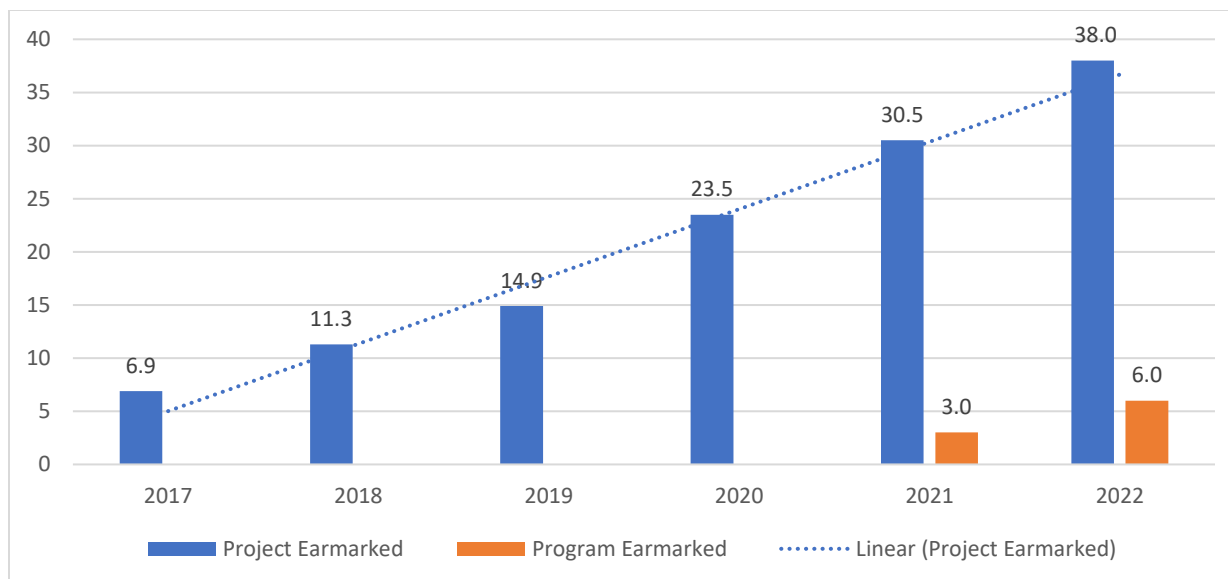
10.5 million or 31%.

- To achieve a balanced budget total expenditures will be budgeted at USD 66 million (2021 estimate: USD 54.6 million) which is an increase of USD 11.4 million or 21 per cent over 2021. Earmarked funded (including both program and project) expenditures will be budget at USD 44 million in line with budgeted earmarked funding. The proposed 2022 OB summary is set out in table 1:

**Table 1: Summary 2022 GGGI Operational Budget**

	2022			Total Budget
	Core/Other Budget	Earmarked		
		Program	Project	
USD'000				
<b>Core contribution</b>	18,300	6,000	38,000	62,300
<b>O/H recovery</b>	3,500			3,500
<b>Investment Income</b>	200			200
<b>Total income</b>	<b>22,000</b>	<b>6,000</b>	<b>38,000</b>	<b>66,000</b>
<b>Expenditures</b>	<b>22,000</b>	<b>6,000</b>	<b>38,000</b>	<b>66,000</b>
<b>Surplus(deficit)</b>	-	-	-	-

**Chart 1: Earmarked Funding Trend**



Note: Of note is the continuing increase in both programmatic and projected earmarked.

**2022 Income**

- Total revenue is estimated at USD 66 million (2021 estimate: USD 54.8 million) for 2021. This is broken down between core funding of USD 18.3 million, earmarked funding of USD 44 million, overhead recovery of USD 3.5 million and investment income of USD 0.2 million.

**Core Funding**

- The estimate of core contributions for 2022 is set out in table 2.

Table 2: 2022 Core Funding compared to Projected 2021

		2022	2021
	Note	USD'000	
<b>Korea</b>	1	10,000	11,570
<b>United Kingdom</b>	3	2,800	2,700
<b>Denmark</b>	4	1,500	2,400
<b>Norway</b>	4	2,000	2,000
<b>Other</b>	5	2,000	0
<b>Total</b>		<b>18,300</b>	<b>18,670</b>

**Note**

1. The contribution of USD 11.57 million from Korea for 2021 comprises core funding of USD 10 million plus an additional amount of USD 1.57 million to make up for the shortfall in 2020. We are assuming that the annual contribution will be at the USD 10 million level.
2. The contribution from the UK for 2021 comprises £2.0 million (USD 2.7 million) which is the second year of a pledged contribution of £2.0 million for both 2020 and 2021. We are assuming a similar level of core funding for 2022 using an exchange rate of 1.4 \$/£.
3. The Danish contribution comprises of DKR 10 million core funding which is year 3 of a three year contribution agreement signed with Denmark in December 2020. At current exchange rate it translates to USD 1.5 million. Core funding in 2021 was DKR 15 million.
4. The Norwegian total remains at NKR 16.6 million. We were notified on 1 July 2021 that the 2021 funding of NKR 16.6 million was approved by the Norwegian Parliament as part of a three year core funding commitment to GGGI for 2021 through 2023. At current exchange rates it equates to USD 2 million.
5. The amount of USD 2 million shown under other is based on discussions we are having with a number of donors and management are confident that this amount is achievable. Potential contributors include Luxembourg and Qatar.

**Earmarked Funding**

10. From 2021 earmarked funding comprises two types; these are **Program Earmarked** and **Project Earmarked**. Program earmarked funding differs from project earmarked funding in the degree of flexibility in its use with the use of program earmarked being more flexible. Program earmarked funding usually refers to funds given for a specific program or region. Use of these funds within the attributed program or region is generally unconstrained. Earmarked project support is less flexible and funds usually must be expended in accordance with a detailed line item budget which is specified in the project agreement.

**Program Earmarked Funding**

11. GGGI received program earmarked funding in the current biennial period: New Zealand will provide NZ\$ 4.7 million (USD 3.5 million) for the period August 2020 to mid-2023 for activities in the Pacific regions. The funding will help Pacific countries over the next three years to plan effectively for low-emission, climate resilient futures. Budget program earmarked funding from NZ for 2022 is USD 1.4 million.
12. Denmark will provide DKR 16.5 million (including a carryover from 2021 of DKR 1.3 million) (USD 2.6 million) in 2022 for activities in India, Thailand, Indonesia, Ethiopia, Uganda and Burkina Faso. The Danish funding is part of a total budget of 80 million DKK for the period 2020-2022. It includes funding, for renewable energy and livelihoods in Africa, and bio CNG in DNK projects.

13. Korea will also fund a Korea Green New Deal with funding of up to USD 5 million per year beginning in 2022. We are currently budgeting expenditures of USD 2.0 million from this source as we develop the program further in conjunction with the Korean Ministry of Economy and Finance.

### Project Earmarked Funding

14. Project earmarked funding is budgeted at USD 38 million which is an increase of USD 7.5 million or 25% over the estimated 2021 earmarked funding of USD 30.5 million. Management are confident that based on the amount of earmarked funding agreement signed during the past 3 years and taking into consideration the increase capacity based on the increase in staffing numbers to 400 by the end of 2021 that a budget of USD 38 million is a realistic achievable budget.
15. This increase is also in line with the trend line as shown in Chart 1. GGGI signed a total of USD 37 million in multiyear earmarked in 2019 many of which continue into 2022. In 2020 GGGI signed new earmarked projects of USD 66.6 million and to 26 September 2021 we have signed a total of USD 34 million. All of these multi year funding agreements continue into 2022 and beyond. In addition, there is a further USD 34.2 million in the pipeline for 2021 based on a weighted probability basis and a further USD 14.7 million in 2022. Based on this level of funding agreements a 2022 earmarked budget of USD 38 million is a realistic achievable budget.

### Overhead Recovery

16. Overhead recovery is estimated at USD 3.5 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

17. 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 0.2 million in 2022 roughly the same level as in 2021.

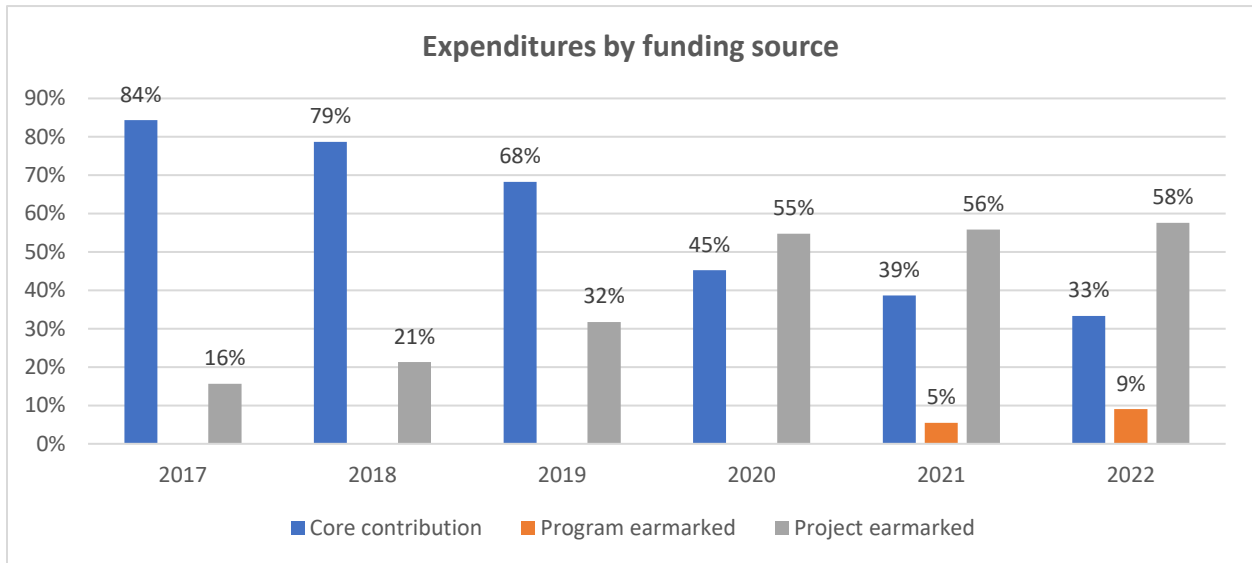
### Expenditures

18. Total expenditures will be budgeted in 2022 at USD 66 million in line with revenue projections. Expenditure of USD 66 million is an increase of USD 11.4 million (21 %) over projected 2021 expenditures of USD 54.6 million.

**Table 4: 2022 Budget versus actual 2017-2020 and estimated 2021 expenditures**

Year		Core		Earmarked				Total	
		USD'm	%	Program		Project		USD'm	%
2022	Budgeted	22.0	33%	6.0	9%	38.0	58%	66.0	100%
2021	Projected	21.1	39%	3.0	5%	30.5	56%	54.6	100%
2020	Actual	19.4	42%	0	0%	23.5	58%	42.9	100%
2019	Actual	31.8	66%	0	0%	14.8	34%	46.6	100%
2018	Actual	39.1	79%	0	0%	10.6	21%	49.7	100%
2017	Actual	37.2	84%	0	0%	6.9	16%	44.1	100%

19. Of note is the mix between the percentage of annual expenditures funded by core and by earmarked funding and the increase in program earmarked funding. As noted above program earmarked while not being as flexible as core nonetheless to a large extent replaces core funding particularly when donor requirements and institutional/regional/country strategy align. The 2022 budget proposes to finance approximately 9% of budget from program earmarked and 58% of budget from earmarked funding. This shows the continuing increase year on year of GGGI expenditures funded from earmarked sources. It 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 resulting in a large flow of earmarked projects. This is represented graphically below:



**Reserves**

20. If GGGI breaks even in 2022 total reserves would remain at USD 17.1 million. This would equate to a working capital level of 95 days (against the benchmark of 90 – 180 days) on total expenditures of USD 66 million.

/End