

DG Progress Report

September 2021





Blue Skies & NetZero
2050 Campaign Event

Introduction

In my [last progress report, dated May 2021](#), I focused primarily on GGGI's external environment: the need to step up efforts for a green recovery in response to the pandemic, and to set and work towards more ambitious NDCs at COP26 as a milestone towards Net Zero. "Green" is now at the top of the agenda – but while massive amounts of stimulus funds have been spent by governments to restart the G20 economies, developing and emerging economies are facing increasing government debt and there is a limited ability to invest in either a green recovery or climate action. It is a challenging environment for GGGI to work in – particularly as we are sadly still in the middle of the pandemic – but also full of opportunities.

The key question is whether GGGI is ready to rise to the occasion, and scale up, in support of its Members. This progress report is therefore more focused on GGGI internal developments, in an effort to answer that question.

2021 as a year of rapid growth

Following a year in which GGGI signed new grant agreements worth over \$60 million, this year is characterized by rapid growth, with expenditures surpassing \$50 million for the first time. My primary concerns at the start of the year were related to: (1) our ability to step up recruitment – aiming to hire some 100 new staff members; and (2) our ability to implement the rapidly growing portfolio of earmarked projects efficiently and effectively. Fortunately, our mid-year progress review and subsequent updates over July and August show good progress on both fronts. We have already recruited 90 new staff through August, and earmarked project implementation is forecast to increase from \$23 million in 2020 to around \$35 million in 2021. Most Key Performance Indicators were on track, as is documented in our [mid-year performance report](#).

Stepping up green and climate finance mobilization

The most important indicator “at risk” – or not on track – in mid-2021 is the mobilization of green finance for the investment projects GGGI works on. As green finance mobilization is arguably the most important intermediate outcome GGGI delivers, and is directly linked to our strategic outcomes, it is worth exploring this in more detail here.

Over the 5-year period of 2016-2020, GGGI mobilized over [\\$2 billion in green and climate finance](#) commitments. This is a powerful demonstration of GGGI’s success to date supporting its Members to finance their green transition.

At the 2020 Assembly and Council meeting, Members asked us to explain what exactly GGGI does to mobilize finance – as we are not a bank and do not have our own capital to invest, as the MDBs do. To answer that question in depth GGGI produced Technical Report #20, published this month, titled “[Closing the Climate Financing Gap: Stocktaking of GGGI Green Investment Projects 2015-20](#)”. This report describes and analyses GGGI’s green investment work in detail. GGGI in many cases originates new green investment projects, assesses their technical feasibility, develops a business model, and finds investors interested in signing initial commitment letters. At that stage, GGGI, acting as a financial adviser to our Members, exits the project and leaves the subsequent stages to the investors and project owners.

The external evaluation of GGGI’s GIS work – in line with many other reports – concludes that while there is no shortage of capital, of funding searching for investment opportunities, there is a shortage of good, bankable projects.

That is exactly GGGI’s niche in the climate finance ecosystem: development of early stage investment opportunities. While for many projects, GGGI provides the full service from origination, through development, to funding of projects – in other cases our support is requested for projects that are partly developed but fail to advance. In some cases that is due to the lack of a good business model, or in others due to incomplete safeguards analysis. At the request of our Members, GGGI does engage in such partly-developed projects as well, to bring them to GGGI’s finishing line: bringing investors to the table that sign initial commitment letters. Technical Report #20 documents the process and analyses the portfolio of 59 projects GGGI has supported, as well as the sources of funding mobilized – please access it [here](#).

While the results through 2020 are a solid foundation to build on, I had hoped to see a continuous scaling up of the GIS work, which has not happened. The size of the GIS pipeline (i.e., the series of projects under development) has hovered around the \$1 billion mark for several years.

To change this dynamic, targeting a significant scaling up of green finance mobilized, Management has taken the following actions:

1. The GGGI Large Project Challenge was launched, an internal competitive call for proposals asking all teams to identify viable investment projects with a minimum size of \$50 million.
2. The engagement with GCF Direct Access Accredited Entities (DAEs) was stepped up, building on GGGI’s successful engagement with GCF National Designated Authorities (NDAs) on the GCF readiness program, to increase the quality and volume of GCF Full Proposals that are approved by the GCF Board.
3. The Korea Green New Deal Fund was

developed in close collaboration with the Korean Ministry for the Economy and Finance (MOEF), with an MoU signed with MOEF in May 2021, and a public commitment made by [ROK President Moon at the P4G Summit](#), which is expected to function as a GGGI green investment Project Preparation Facility (along the lines of Trust Funds at MDBs, such as the Korea Green Growth Trust Fund at the World Bank) from early 2022.

The most immediate impact of these management mitigating actions was the identification of 18 projects through the Large Project Challenge with a combined value well above \$3 billion, which boosted the GIS pipeline from a bit over \$1 billion to close to \$5 billion. While these projects are generally expected to deliver results in 2022, not 2021, the consequence is that the green finance expected to be mobilized in 2022 is significantly stepped up.

While GGGI is not an accredited entity for GCF, it does support the development of Full Proposals, working [primarily with DAEs](#)

such as the Ministry of Finance in Ethiopia, Ministry of Environment in Rwanda and the Fiji Development Bank. To date five GCF projects supported by GGGI have been approved by the GCF Board, with a total value of about \$230 million. GGGI's primary engagement with GCF has been through the [readiness program](#), through which we support capacity development but also the origination of GCF project ideas through Concept Notes (CNs), which GGGI submits to the GCF NDA, who in turn will submit to GCF. Learning that as many as 90% of the CNs submitted to GCF are not proceeding to Full Proposal stage, let alone Board approval, GGGI Management decided to focus our attention beyond the initial development of CNs to subsequent stages: obtaining the No Objection Letter of the NDA; obtaining favorable review from the GCF Secretariat and responding to their comments; supporting Full Proposal development through PPFs, all the way to Board approval of DAE proposed projects. While this is not a quick action, it is expected to lead to an increased number of approved GCF projects for direct access entities with GGGI support over time.



MOU Signing Ceremony between MOEF & GGGI

The Korea Green New Deal Fund (KGNDF), as a Trust Fund at GGGI, supporting both project development and some development of enabling policy and regulatory frameworks, is a very important development for GGGI. In 2020 GGGI implemented its first Trust Fund, the GGGI Innovation Fund, and explained this modality, new for GGGI, to the GGGI Council and Assembly. Trust Funds are a well-known instrument to deliver targeted technical assistance at MDBs; they provide more flexible funding than earmarked bilateral projects, while being dedicated to a specific objective specified by the donor. GGGI Trust Funds are in the category of “program earmarked” funds that are expected to play an increasingly important role in GGGI’s funding model. The KGNDF is expected to operate for at least 5 years and be funded through annual contributions expected to be at least \$5 million. While the precise modalities are still being worked out with the donor, ROK MOEF, Management expects KGNDF to play a key role in scaling up green investment mobilization at GGGI.

In summary, GGGI produced Technical Report #20 to explain and analyse its green investment services work in detail to its stakeholders, and while the green finance mobilized in the first half of 2021 was minimal, the forecast for all of 2021 is \$500 million against a target of \$700 million. As a result of the actions outlined above, the Management’s expectation is that green investment mobilized in 2022 will exceed \$1 billion, and as a result the target for the 2021-22 biennium can be met.

To further illustrate the green investment projects GGGI is currently working on, please find a set of one-pagers, which outline projects currently in the investment pipeline [here](#).

GGGI’s own funding sustainability

To support the rapid growth in support for its Members and in its operations that GGGI is currently experiencing and expecting to see in coming years, a solid, diversified, and sustainable funding base is crucial. The most important development over the last 5 years has been the growth and diversification of GGGI’s earmarked funding.

Core funding has been relatively stable over the period 2017-2020, at \$20-25 million per year, coming from a small group of core support donors: the ROK, the UK, Denmark, and Norway (Australia discontinued its GGGI core funding post 2018).

Earmarked funding, on the other hand, was \$7 million in 2017, with over \$6 million coming from just 2 donors, Norway and UAE and only 4 countries receiving earmarked funding. At the end of 2020, 34 countries received earmarked funding projects from 55 RM initiatives signed with 32 donors totaling US\$67M; and GGGI started the fiscal year 2021 with a probability weighted proposal pipeline worth US\$72M. Since 2017, the group of important earmarked funding partners has grown to include the following key partners with whom multiple projects have either been approved or are under discussion:

- **GCF**, through its readiness program, a total of 29 NDAs have submitted [to GCF 58 readiness proposals](#) with GGGI as delivery partner for a total of \$51.9 million. Of these 58 proposals, 40 have been approved by the Secretariat, for a total of \$26.8 million (15 projects have been completed; 25 are



P4G Summit Opening

in operation); and another 18 proposals, worth \$25.1 million, are in the resource mobilization pipeline.

- **Korean ODA partners**, particularly KOICA, but including other ministries with ODA budgets and priorities, such as the Ministry of Economy and Finance, Ministry of Agriculture, Ministry of Environment, Ministry of Industry, Trade and Energy, Ministry of Science and ICT, Korea Forest Service, Korea Exim Bank, Korea Development Bank, where GGGI has developed a total project pipeline worth about \$100 million (including KGNDP).
- **Luxembourg**, partnering with GGGI on 5 projects in Vanuatu (phase 1 and phase 2), Senegal, Viet Nam and Rwanda with a combined value of \$12 million.
- **EU**, though approved projects in Cambodia and Uganda, and proposals under discussion for Viet Nam and a global program with a combined total value of over \$40 million.
- **Norway**, with a continued strong relationship currently including projects in Indonesia, Colombia, Peru, Guyana, and a multi-country carbon pricing project for a total value exceeding \$40 million.
- **UAE**, has continued to fund a UAE country program at a level of about \$1.5-2 million per annum.
- **Qatar Fund For Development (QFFD)**, which

funded 4 projects with a combined value of \$10 million in 2020, is reviewing a new set of proposals as well.

- **New donors:** in addition to the key donors above, GGGI has received “first-time” grants from a number of other countries, private foundations and multilateral partners with which a relationship has been developed: Canada, France, Hungary, Italy, Netherlands, New Zealand, Sweden, Belgium, USAID, US State Department, NDC-Partnership, Bill and Melinda Gates Foundation, Mava Foundation, Open Society Foundation, as well as UN organizations (UNEP, UNDP, UN-ESCAP), ADB and the World Bank.

In short, GGGI has developed a solid, diversified earmarked project funding base. Following the record of over \$60 million in new commitments achieved in 2020, GGGI has signed new commitments in 2021 for over \$25 million to date; is on track to exceed the \$45 million target for 2021 and maintains a resource mobilization pipeline with a risk-adjusted value of about \$60 million.

Recognizing that core support is very difficult to justify for many donors, GGGI has initiated discussions with key partners to provide program earmarked funding. Program earmarked funding is aligned with a specific policy goal of the donor, or a specific geographic restriction, but is more flexible than a standard bilateral earmarked project grant. Program earmarked funding can therefore play a role in GGGI’s funding model,



complementing (and to some degree replacing) core funding.

A first success related to program-earmarked funding was achieved in 2020 with Denmark, which provided program earmarked funding related to renewable energy and solar powered irrigation for three countries in Africa, and funding for a biomass to CNG project for three countries in Asia. While Denmark’s core funding for GGGI decreases, the linking to Danish policy goals enabled Denmark to increase its combined (core plus program earmarked) funding for GGGI. A second example was the new funding from [New Zealand](#), that is geographically focused on the Pacific region.

In 2021 we have initiated discussion on larger scale program funded proposals with the EU, UK and Canada, and developed the KGNDF with ROK MOEF. I believe program earmarked resources may become a key element in the funding model of GGGI. While we will do our very best to maintain or increase GGGI core funding, as it remains the highest quality, most flexible funding available to GGGI, program earmarked funding can be a valuable balance between donor policy goals and GGGI’s funding needs.

Trust Funds, first discussed at GGGI in 2020, can play multiple roles:

1. GGGI implemented trust funds, such as KGNDF, where donors provide funding for GGGI’s work through a program restricted mechanism.
2. GGGI on-granting trust fund, where donors provide funding to GGGI that GGGI is expected to manage and pass on through grants to recipients, without GGGI implementation or delivery, in essence a financial management service to donors (whole-sale to retail, similar to GGGI developed NFVs); such on-granting may be combined with a technical assistance grant or component implemented by GGGI, or be free-standing.
3. A combination of the above, where part of the funds held in trust flow onwards to recipients without GGGI implementation, but some of the grants may be implemented by GGGI, in which case mechanisms must be put in place to avoid conflict of interest.

The current status of Trust Funds at GGGI is as follows:

- the GGGI Innovation Fund was established in 2020;
- the KGNDF is expected to be finalized in late 2021 and to be established in early 2022;
- a proposal to establish a Trust Fund at GGGI for the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Corridor is under discussion at the request of ROK MOFA; and
- GGGI is in the process of completing the EU Pillar Assessment for on-granting.

Country program expansion

The overall number of countries in which GGGI has a country program or project operations has been relatively stable over the last handful of years, with membership efforts focused on obtaining membership and host country agreements in the countries where GGGI was already operating. As foreseen in Strategy 2030, however, we are now entering a period in which new countries become Members, and where GGGI makes an effort to establish country programs in new member countries. Some countries where GGGI had a more limited project implementation presence are likely to evolve into full country programs also.

Countries where GGGI has expanded, or newly established operations in 2020-2021 are: Tonga, Sri Lanka, Uzbekistan, Cote d'Ivoire, Togo,

Paraguay, Guyana and St Lucia / OECS.

In coming years we expect additional expansion of membership and country operations in Central Asia, Central America and Southern Africa. A more detailed overview of the current and planned engagements can be found in the Regional Strategies included in the Council and Assembly documents.

In past Council and Assembly meetings, several Members have raised the issue whether GGGI's expansion was spreading its efforts too thin. It is the view of Management that the careful expansion GGGI follows, which ensures availability of funding before starting new operations, avoids the risk of spreading too thin. In addition, the Council approved criteria for country programming, emphasizing membership, HCA and sustainable funding, are applied to ensure the sustainability and effectiveness of our operations.



Colombia deposits membership accession instrument



Nicaragua deposits membership accession instrument



2021 GGGI Fall
All Staff Meeting

Staffing related issues

GGGI staff members are continuing to deliver a strong performance on the ground for the large majority of GGGI's country teams, backed up by technical expertise in regional offices, IPSD and GGGI's back-office. As the pandemic continues to play a key role in people's lives, with many developing countries experiencing their most serious outbreaks only now, and vaccination rates still relatively low, COVID fatigue is getting stronger for GGGI's staff as it is for all of our government partners.

There are also positive impacts of, particularly, the strong digitization caused or accelerated by the pandemic. While people may get tired of too many online meetings, it is undeniable that virtual meetings are often a more effective way to communicate than traveling long distances. Working from home has disadvantages, but some country teams prefer this new way of working, and are reluctant to considering going back to the office post-pandemic. Other teams feel their government partners will continue to require their in-person presence.

GGGI is engaging its staff in consultations to determine what the new culture of work post-COVID should be. How we can maintain

some of the best aspects of the increased flexibility, without losing our strong links to the governments that we serve.

There are a number of other important Human Resources related developments that can be summarized as follows:

- 1. Executive team changes:** following the return to Denmark of ADG Susanne Petersen, GGGI recruited Dr KyungNam Shin to lead the IPSD division; and following the return of DDG Ambassador Jenny Kim to ROK MOFA as Deputy Minister and Ambassador for Climate Change, GGGI is currently recruiting a successor.
- 2. Head of HR:** After a long period in which GGGI's ADG OED, Gerry O'Donoghue acted as Head of HR ai, a new Head of HR has been recruited, Ms Zarinah Davies, who started in her new role on September 1, 2021.
- 3. Compensation Survey:** GGGI developed a new grading system and associated salary scales in 2016-17 with the support from in the international HR consultancy firm Birches (taking effect per January 2018). It is good practice to benchmark salaries of the organization against comparator organizations every 3-4 years and GGGI is therefore carrying out a compensation

survey in 2021. Following competitive procurement, Birches was again contracted for this assignment. A final report is expected later in September 2021. If, as a result of this compensation survey, Management proposes to Council to adjust the Staff Regulations, or the salary scales, then this will come to Council for a decision. Other changes to the Staff Rules to further detail the Regulations set by Council, will be taken up by Management.

Conclusion

The key issue I have attempted to address through this DG Progress report is whether GGGI is ready to scale up its support to Members as a green recovery from COVID and accelerated climate action have become such a high priority. My overall conclusion is that we are indeed ready. GGGI has a good track record and has built a solid and diversified funding base that can support expansion and scaling up. I believe it is possible to scale up our green investment mobilization work that, together with enabling policy and planning, is at the heart of GGGI's contribution to the green transition of our Members.

GGGI is receiving a growing number of expressions of interest from new countries, which is leading to an expansion from 30+ country programs to 40+ country programs in coming years. GGGI Management believes that the organization is ready for this expansion and will be able to contribute positively and significantly to the green recovery and green transition in this growing group of member countries.



MOFA's Blue Skies Forum



KOICA signs a Grant Agreement with GGGI to implement a \$5.6M project to support Green Recovery around the Aral Sea

QFFD & GGGI Signing Ceremony on four projects to support climate resilience & COVID19 recovery in the Pacific, Eastern Caribbean, & West African regions





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