DG Progress Report to
GGGI Council and Assembly

September 28, 2022

Dr. Frank Rijsberman
GGGI Director-General
This year’s top crisis started when Russia invaded Ukraine. The consequences have been life threatening for millions including refugees fleeing across Europe. The sanctions against Russian fossil fuel exports have caused an energy crisis that has Europeans worried about staying warm this coming winter. The blocking of Ukrainian grain exports is expected to exacerbate droughts and cause famines across the Sahel.

At the same time the climate and sustainability crisis continue to steadily drive our planet towards a sharp cliff. On July 19, the UK experienced its hottest day on record with temperatures soaring over 40 degrees. It led to major disruptions. On August 8, Seoul experienced the heaviest rainfall in over a century that knocked out power grids, submerged the metro system and flooded numerous homes, and killed 14 people. And the list of climate related catastrophes continues. Meanwhile, according to the UN, droughts have increased by more than a third this century and are currently affecting large parts of Africa, Europe, and China, disrupting and threatening the lives of millions of people. It is hard to imagine what else is needed to convince world leaders that this urgent crisis needs all hands-on deck immediately.

A few weeks ago, President Biden signed the Inflation Reduction Act – the most significant piece of climate legislation ever passed by the US. It counts some USD370 billion as climate action and World Resources Institute (WRI) reckons it puts the US’s target of reducing emissions 50-52% by 2030 within reach. Looking at what is in the bill, and what is not, this is a compromise. The bill bets heavily on clean energy technology, largely through tax credits encouraging domestic technology development and production and does not put a price on carbon. Electric vehicle subsidies only target domestic production, a protectionist approach that is causing international trade disputes. The per capita emissions will still be very much higher than those in India, even after a 50% emission cut. Furthermore, the absence of new money to honor the commitments made to developing countries will still be outstanding. While celebrated by climate campaigners in the US, there are some glaring omissions and negative side effects from an international perspective. In short, the IRA is a necessary, but far from sufficient step in the right direction.

What we need is truly a rescue mission to save Planet Earth. And the solutions are right in front of us. GGGI is stepping up support to our Members and partners to accelerate their green transition, and implement climate action. This is an overview report on our progress and our plans to deliver impact at scale complementing the much more detailed Annual Report 2021, Mid-Year Results Report 2022, and the Work Program and Budget 2023-24.
Powering Past Coal in Asia is perhaps the most important part of the climate fight. Phasing out coal in Asia as rapidly as possible is critical to keeping below 1.5 degrees Celsius. Unfortunately, the Ukraine war and consequent energy crisis is leading to a revival of the coal sector with record profits for a small group of large coal mining companies, leading UN SG Guterres to slam the profits in the fossil fuel sector as "immoral" and "excessive," calling for windfall taxes. Leading Powering Past Coal Initiative countries, UK and Canada, are looking for Korean support to help convince Asian partner countries to accelerate the clean energy transition and move away from coal. GGGI has developed regional proposals to support these efforts at scale, building on our national-level work in GGGI Member and partner countries to set increasingly ambitious NDC targets and develop NDC roadmaps, implementation plans and financing strategies.

For the time being, phasing out coal in Asia is facing serious headwinds. Potentially the most significant development could come from a new initiative, the Just Energy Transition Partnership, that led to a deal announced at COP26 of some USD8 billion for South Africa to help accelerate its transition away from coal. Several Asian countries, from India to Indonesia to Vietnam are looking to secure a similar deal at COP27. For the time being the high coal prices imply difficult discussions. A bit more positive news relates to methane emission reduction in ASEAN countries. Following the US-led international commitment to reduce methane at COP26, Korea agreed to lead and support such action for the ASEAN region, and GGGI has developed plans for methane emission reduction implementation of this Korea-funded action across the ASEAN region.

Adapting to climate change in Africa and Small Island Developing States is expected to be the #1 issue at COP27 in Egypt in November. GGGI member countries such as Burkina Faso, Fiji, Rwanda, Senegal, Vanuatu, and the list goes on, will point to the lack of climate finance put on the table by the developed countries to meet the USD100 billion commitment. It has also become clear that that sum is nowhere near enough to meet the needs of the vulnerable countries to build resilience, create green jobs and meet the aspirations of their youth for a sustainable future. Many developed countries like the UK, Denmark and others now prioritize adaptation in vulnerable countries for their ODA resources, but financing adaptation is still underemphasized in the overall climate financial flows. Relying on ODA resources alone is not going to change this. Finding ways to mobilize green investments for adaptation projects in vulnerable countries, involving the private sector, particularly (but not exclusively) in Africa and Small Island Developing States in the Pacific and Caribbean, is a clear priority in the coming years for GGGI. While these countries did not cause the climate crisis, and do deserve support to increase their climate resilience, they also represent an enormous potential for green growth, green job creation and commercially attractive investments. GGGI supports the UNFCCC LDC Chair and LDC group in the negotiations through technical assistance leading up to and during COP27, and in partnership with the International Center for Climate Change and Development (ICCCAD), a training program for LDC based universities will strengthen national capacity for NDC and NAP implementation. GGGI projects and programs that target local SMEs, or greenpreneurs, to build innovative green businesses and create green jobs are now implemented in many countries. Green ODA can and should be targeted here but GGGI aims to leverage the private sector to come along, from small scale projects targeting individual entrepreneurs to large scale projects that aim to link medium sized domestic companies to the international large-scale private sector. The latter is the target of a large climate-innovation project GGGI helped developed, to be co-funded by the Korea Development Bank (a GCF accredited entity) and the GCF.
Saving the Amazon. The Amazon has a critical climate regulator role as a massive carbon sink but it is now emitting more CO2 than it can store due to deforestation often through burning. Tropical forests like the Amazon are also treasure chests of biodiversity and the primary source of livelihood for indigenous populations. Unfortunately, deforestation rates in the Amazon remain at an all-time high and news, particularly from Brazil, remain grim, with announcements of new highways through key parts of the remaining forest. Innovative solutions are key here. Colombia’s new president, Gustavo Petro, for example, called for a debt for nature swap to help Colombia protect its forest resources. GGGI is supporting the structuring of a large (USD800M) debt for nature swap for Ecuador and the same innovative financial instrument is also being explored by GGGI for several other countries. GGGI’s work in Colombia on developing a bioeconomy approach to forest use to valorize non-timber forest products is ground-breaking and can be replicated. In a just-transition study for Colombia, GGGI showed how investments in the forest economy in the districts currently mining coal can create more forest-related jobs than the 60 thousand jobs that will be lost when the coal mines close. GGGI’s work in Indonesia to support provincial governments to develop jurisdictional forest conservation plans has demonstrated that large REDD+ payments can be derived from such plans. Our Indonesia country team’s work on rehabilitation of peatlands, mangroves and seagrasses also shows the high value such work can have to sequester green and blue carbon while increasing climate resilience, biodiversity, and local livelihoods at the same time. This work can and should be scaled up and can have large scale impacts on multiple SDGs, including also on ensuring a just transitions and promotion of gender equality and social inclusion for communities most impacted by climate change.

The world is seriously unprepared to deal with the climate change impacts we already face. Nevertheless, viable green growth solutions are available. We are pleased to report that GGGI continues to grow at a rapid pace, and that the outcomes of our support to Members and partners are growing at an even faster pace, delivering impact at scale. The green and climate finance we mobilized in 2021 alone exceeded USD5 billion, far outstripping our targets. While this was primarily the result of the largest sovereign sustainability bond issuance in Peru, which is unlikely to be repeated at this scale, it was also the result of GGGI’s efforts to scale up our green investment work. We do have a rapidly growing portfolio of green investment projects, standing at over USD9 billion today, and we expect to mobilize over USD 1.4 billion in green and climate finance in 2022. That is less than in 2021, but still significantly above our target, and enough to give us confidence that we have found the ways and means to deliver results at a significantly larger scale than prior to 2021. The strategic outcomes, and therefore impact, we report over 2021 is still relatively modest, as we have not yet translated the 2021 green bonds into strategic outcomes, awaiting allocation of the funds raised. These will enter into our 2022 reports, however, which will therefore also show a very large increase in the coming report.

GGGI’s plans ahead: Work Program and Budget 2023-24

Growing at the pace GGGI does is not without risk. Risks we are very aware of, and keenly focused on to mitigate and manage in the best possible way we can. We have managed to overcome serious risks during the COVID pandemic, and we have found a way through to grow apace. There are now indeed significant pressures on the overall ODA landscape in which we primarily operate, but we still have a growing resource mobilization pipeline. In short, while GGGI’s expansion does pose risks, management feels that taking these risks is justified to respond to the planetary emergency our world, and our Members and partners are facing. It would be irresponsible not to do everything we can to step up our work and our ambition. Our diverse and highly skilled teams in the 30 countries where we operate enable this and our Members’ and partners’ demand this. Our fast growth is the primary strategy employed by GGGI management to maximize GGGI’s contribution to fight the sustainability and climate crisis the world faces. We will do this in a way that is socially inclusive, just and maximizes value for money from each dollar we receive.

Our WPB 2022-24 lays out our optimism that we can keep growing to respond to the demands and needs of our Members and partners, and find new and innovative ways to grow our scale and impact. While in recent years much of our success in mobilizing green and climate finance has been in Latin America, where emerging markets make investment work somewhat easier, we have ambitious plans set out to grow our investment work in all other regions we work in. While the scale of the economies in the Pacific is much smaller and therefore investments are smaller in an absolute sense, their relative impact on our Members can be much larger than for large emerging economies. A single set of renewable energy investments in solar and batteries currently prepared for Tonga, for example, has the potential to lift the renewable energy share from around 15% to close to the target of 75% by 2025 for the country. The Pacific regional strategy target to mobilize USD650 million in the coming 5 years is every bit as ambitious as our larger targets in other regions.

GGGI not only keeps growing but continues to innovate. Our green bonds success of 2021 is set to be replicated, if not at the scale of Peru, at a very significant scale locally, in over a dozen countries. Other sustainable finance instruments, from debt for nature swaps to risk and credit guarantees are in our pipeline. Our work on preparing our Members and partners to successfully engage in the new Art6 carbon market is thought to be the world’s largest capacity building program in this field. We are poised to build on this through the GGGI Carbon Transaction Platform that is proposed to Council for approval. GGGI has also shown thought leadership on the development of a framework for gender just transitions and will scale up work with Members to incorporate gender and social inclusion within low emission and sustainable development pathways.

There is also innovation in the format of the WPB. Presenting the planned GGGI efforts in terms of $ invested in programmatic solutions allows a much better high-level overview of the organization’s programmatic priorities than earlier WPB versions. Similarly presenting our expected results in mobilizing green and climate finance for these same programmatic solutions gives a bird’s eye view of our expected intermediate outcomes, which in turn are the key driver of our impact. In the Base and Plus scenarios our agenda is primarily determined by the earmarked funding we have mobilized. This is a combination of the priorities set by our developing and emerging Member and partner countries, that guide the proposals we develop, and the priorities of our earmarked donors that determine what they are willing to fund. The resulting priorities can now be seen across the organization in one single graphic, lending itself to easier assessment and possible correction or adjustment.

Adjusting or redirecting the programmatic priorities GGGI works on, at the direction of the GGGI Council, requires core resources that can be allocated to the priorities set by Council through the WPB and additional guidance. As the share of our core funding has declined over the last handful of years, inversely proportional to our success in mobilizing earmarked resources, we are very pleased that the Korean government has accepted to lead a Core Replenishment Drive for GGGI.
The Core Replenishment Drive (CRD) launched by GGGI President and Chair Ban at our 10th Anniversary celebration in June this year, and led by the government of Korea, represents GGGI’s best chance to increase core funding. The CRD targets an additional USD 20 million per annum in core funding for GGGI from 2024 onwards. GGGI management has worked with the government of Korea to prepare a package of CRD documentation. This is shared with 15 countries that are requested to consider GGGI core funding, including all current and past core donors as well as key countries that have partnered with GGGI through earmarked resources. GGGI has submitted this information to the target countries with a letter co-signed by GGGI’s President and Chair together with the Director General. The government of Korea is following up through a letter of Korea’s Foreign Minister directed to his counterparts, supported by outreach through the Korean embassies, and donor meetings chaired by the Korean government.

The proposed potential programmatic impact of the additional core funding requested is provided in the Base plus CRD scenario in the WPB, for consideration of the GGGI Council. Management proposes to focus on significant additional support for vulnerable countries, a start-up allocation for new Members, as well as strengthening of GGGI’s cross-country knowledge and experience sharing. At the same time the proposed allocation of these resources by the country teams strengthens the allocation of resources to programmatic solutions that appear to be underfunded in the earmarked portfolio.

While GGGI’s finances are stable and provide a solid basis for further growth, not least through the increase in working capital from USD15 to USD 20 million as recently approved by Council, the additional core funding would significantly increase the GGGI Council’s ability to set the programmatic agenda in directions the Council deems to be the highest priorities.

As the world is fast removing COVID related travel restrictions, 2022 has been marked by a return to visiting our Member and partner countries, and in-person participation in international meetings and events. I have personally visited our Members and partners in Latin America and the Caribbean, in West-Africa, in India and Nepal, in Europe, and currently in the Pacific. Together with GGGI’s DDG and regional directors I believe we will be able to visit all our Member and partner countries at least once this year.

While we have all learned to do much more work virtually and through hybrid meetings, meeting face to face still adds an important dimension. That also underscores the importance of GGGI’s continued strong focus on having the large majority of our staff embedded in the ministries of our Members and partners. Our network of Members and partner countries continues to expand. To date in 2022 Turkmenistan, Bahrain and Nepal have deposited their instruments of accession to the GGGI Establishment treaty, and we are pleased to welcome them as new GGGI Members. We know several other countries are also in the final stages of the accession process. In addition, we also continue to receive new letters of intent to join from additional countries. They will be considered partners until their accession is complete to become Members.

Looking forward to our Global Green Growth Week, combined with our Annual Council and Assembly meeting, we hope to see many more representatives in Seoul in person. At the same time we are not giving up on the ability of a much larger number of participants on-line through our hybrid meetings. We are finalizing a large number of very interesting GGGWeek sessions to enable Member and partner countries to share their experience, and for GGGI to present its work. Together through this and other knowledge transfer activities we are “driving, growing, and empowering green growth communities,” around the world. We also have a full agenda for the Council and Assembly meeting and we hope to get your feedback and guidance through both the e-consultation and the in-person meetings.
I am genuinely worried about the future of this and the next generations in a world threatened by a complex set of sustainability crises of a magnitude that we can barely comprehend. On the other hand, the solutions are right in front of us and that motivates me to work harder to grow and scale the contribution GGGI can make to accelerate the green transition of GGGI Members and partners at scale. I know that goes for all the passionate team of GGGI staff, consultants, and young professional interns. We know there are viable green growth solutions, and we are able to support our Member and partner governments to put in place the right enabling policies, originate and develop green growth investment projects, and mobilize green and climate finance at a rapidly increasing pace and scale. We are proud to be on GGGI's team, and humbled and grateful for all the support we receive from our donors, our partners, and our Member governments. I look forward to meeting with many of our Members and partners in Seoul, or online, to discuss the way forward in this exciting journey!

Dr. Frank Rijsberman
GGGI Director-General