

**Appraisal of Danish core contribution to  
Global Green Growth Institute  
2014-2016**

**Technical Advisory Services  
Ministry of Foreign Affairs of Denmark**

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## List of Abbreviations

BAI	Korean Board of Audit and Inspection
CDKN	Climate Development and Knowledge Network
CFO	Chief Financial Officer
COP	Conferences of the Parties (of UNFCCC)
COP	Core Operating Process (GGGI planning tool)
CSR	Corporate Social Responsibility
CTCN	Climate Technology Centre and Network
DAC-able	Donor countries can count support as aid in their annual accounts to the Development Assistance Committee under OECD
ECF	European Climate Foundation
EMAX	Accounting software
ERP	Enterprise Resources Planning
HQ	Headquarters
3GF	Global Green Growth Forum
3GF Dept.	Global Green Growth Forum Department (in Ministry of Foreign Affairs of Denmark)
GCF	Green Climate Fund
GEF	Global Environment Facility
GGBP	Green Growth Best Practice
GGGI	Global Green Growth Institute
GGGS	Global Green Growth Summit
GGKP	Green Growth Knowledge Platform
GGP/I	Green Growth Planning and Implementation
GHG	Greenhouse Gas
GREMS	Global Resource Efficiency Management System
IFRS	International Financial Report Standards

KDM	Knowledge Development and Management
KPI	Key Performance Indicator
KPMG	International audit company
KRW	South Korean Won
LDC	Least Developed Country
M & A	Management & Administration
MFA	Ministry of Foreign Affairs of Denmark
MIC	Middle Income Country
MOU	Memorandum of Understanding
NAMAs	Nationally Appropriate Mitigation Actions
ODU	Organisation and Delivery Unit
PPC	Private-Public Corporation
SDG	Sustainable Development Goals
SPC	Strategy, Planning and Communication
TOR	Terms of Reference
UK	United Kingdom
UN	United Nations
UNEP	United Nation's Environment Programme
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	US dollars
QIR	Quarterly Implementation Report
QPR	Quarterly Portfolio Report

## **Executive Summary**

The Global Green Growth Institute (GGGI) is a young organisation. It was established in 2010 as a Korean non-profit organisation, and in October 2012 it was transformed into an international organisation. Denmark has supported GGGI with core funding of DKK 90 million during 2011-2013.

An appraisal of the proposed Danish support to the Global Green Growth Institute (GGGI) of DKK 90 million in core funding for the three-year period (2014-2016) was undertaken in March-April 2014 by Technical Advisory Services, Ministry of Foreign Affairs of Denmark (MFA). If granted, the Danish contribution will be financed from the Climate Envelope, partly from the Global Frame and partly from the Poverty Frame.

Following the Terms of Reference, the overall objective of the appraisal was to substantiate the Danish granting authorities' funding decision by assessing the relevance of the support in view of Danish policies and priorities and the quality of the planning framework of GGGI, considering aspects of the relevance, effectiveness, efficiency, expected impact and sustainability of GGGI's work, and risks related to the support.

The appraisal involved a mission to GGGI headquarters in Seoul (during 2-6 April and 9-14 April) and field visits to examine GGGI's activities at country level in Rwanda (25-27 March) and Mongolia (7-9 April).

In addition to the field studies, the appraisal has been drawing on – and following up on – the findings and recommendations by the Danish-led second joint donor review of GGGI (South Korea, Norway, Australia and Denmark) undertaken in September 2013 and in an assessment commissioned by Norway and undertaken by Deloitte in Seoul headquarters, Indonesia and Ethiopia during November and December 2013.

The conclusions and recommendations of the appraisal are directed at the Global Green Growth Forum Department of MFA, the entity responsible for Denmark's support to GGGI, and should inform the appropriation document submitted to the External Grant Committee, advising the Minister for Trade and Development. Subject to approval by the Minister, the support to GGGI must be finally approved by the Finance Committee of the Danish Parliament, which will also receive this appraisal report.

The below sums up the appraisal findings following the structure of the main report:

## **Relevance**

The green growth objective of GGGI is relevant to the priorities defined in key Danish strategies, most notably the Strategy for Development Cooperation (2012) that sets green growth along with human rights and democratisation, stability and protection, and social progress as four main priorities.

In order for the support to be fully relevant, GGGI's perspective on green growth needs to pay special attention to social inclusion, being viewed by Denmark as key for green growth to contribute to poverty reduction. This is underpinned in the Strategic Framework for Growth and Employment (2011), which emphasizes an inclusive, market-driven growth, particularly for young people in Africa, and the Strategic Framework for Natural Resources, Energy and Climate Change (2013), which defines green growth as critical to lift countries out of poverty and highlights the need to address the economic, social, and environmental dimensions of development simultaneously.

In comparison, GGGI early on approached green growth in a narrow sense, but GGGI's current Strategy 2012-14 formally includes inclusion and jobs alongside environment and "growth". While GGGI formally acknowledges the link between green growth and poverty reduction, staff met does not express a common understanding of green growth and poverty reduction and the link between the two. Developing a clear strategic framework will be important to fully confirm that GGGI's approach to green growth adequately addresses social inclusion and poverty reduction.

Globally, GGGI can catalyse collaboration across traditional divides of developed/developing countries and private/public sectors and has engaged in partnerships on tasks such as the Green Growth Knowledge Platform (GGKP), Green Growth Best Practice (GGBP), and Global Green Growth Forum (GGGF).

At country level, the appraisal was able to confirm GGGI's niche in the role as trusted advisor to governments for exploring green growth opportunities. This feature is a key part of the justification for the support. Also the Korean background of the organisation is appreciated by many of the countries in which it works, as the organisation is considered different from traditional development partners, and South Korea is seen as an important inspiration on how to transform a poor country to an economic superpower over just two generations. GGGI's expected niche in promoting private sector engagement is relevant and important for Denmark but needs further development in order to confirm its value in practice.

The appraisal also recognises the wider strategic opportunities for Denmark of support to GGGI. Engagement with GGGI provides an opportunity for Denmark to strengthen ties with

key strategic partners, like South Korea, in the international negotiations on climate and trade, leading up to the 2015 climate change agreement, in the formulation of post-2015 SDGs as well as in other international relations.

### **GGGI strategy process and issues**

The appraisal has found that GGGI is facing a number of central strategic questions on its role, focus and functioning, which the organisation has not yet developed clear answers to. GGGI's current Strategy 2012-14 has not had a significant practical role in guiding the organisation's work. Preparations for a new Strategy 2015-2020 have been underway since mid-2013 and it will be critical for this to provide the required clarity and direction to the questions.

A generic concept note for the new GGGI strategy has been drafted, but preparation of the strategy has slowed down. This is partly due to the current funding constraints, but also to the occupation of both Management and the Council with addressing GGGI's administrative and financial management gaps. More importantly, it appears that differences within GGGI on its future direction, most notably between a focused or broad-based approach, also need to be cleared for the strategy process to move forward. For GGGI to be an effective organisation, the Council should engage much more actively in the strategy process, and GGGI management must ensure that all staff is pulling in the same direction.

Some progress is seen in the attempts to obtain a more shared understanding on integrating the three work streams of the organisation: Green Growth Planning and Implementation, Knowledge Development and Management, and Private-Public Corporation. This concerns e.g. the definition of ways to promote the role of the private sector, which will focus on enterprises at country level with governments addressing the enabling environment, hence matching the Danish focus. Also the "knowledge development and management" work stream is in the process of shifting to an applied approach with the aim of linking it better to country level activities. An approach for systematic integration at the practical level has yet to be developed, an issue that needs to be addressed within the coming year as part of the strategy process.

A key strategic concern, which the appraisal considers it important to address in the new strategy, is the focus and approach for integration of poverty and social inclusion in GGGI's work, including shifting the balance towards Least Developed Countries and African countries in GGGI's country mix.

While the Council has decided to limit activities to 20 countries, the appraisal notes that differences exist both within the Council and the secretariat on whether to maintain this number in a short- to medium-term perspective or - in contrast - to expand to reach even more global presence. The appraisal finds it critically important for GGGI to reduce the number of countries and focus its efforts in the selected countries.

## **Country level operations**

Overall, country level findings indicate that GGGI's support and advice are effectively playing a direct and important role for the content and direction of national or sector specific plans and processes, which GGGI has provided input to, and GGGI staff are perceived by counterparts to provide important value. The interventions still seem to target the very early policy analysis steps, and the appraisal notes that analyses done could be more comprehensive in terms of examining a broader range of green growth options.

Examining how GGGI operates, the appraisal found GGGI to work mainly with Government partners at country level and to base their interventions systematically on national plans and policies as well as requests from partners, although still defined in an ad-hoc fashion. While responsiveness to counterparts' needs is critical for ownership and sustainability, a more systematic and strategic way to define support areas at country level will be important.

GGGI in practice delivers a number of different "services", spanning from technical studies, promoting coordination processes, and/or working with counterparts directly in joint-analytical and strategic work. In-country staff seems generally to work from desks in their counterpart ministries. While it seems normal to use consultants, the trend and preference seems to be to use in-house GGGI staff. GGGI also succeeds in placing highly competent staff, both technical specialists and general development profiles, to work at the country level. The features that appear critical to GGGI's ability to create value are the competent staff, regardless of profile, country level presence for building trust, and a flexible approach to respond to the variety of requests arising from counterparts.

Generally, engagement with private sector, civil society and development partners at country level is still at a low level, which is found to reflect a combination of GGGI's primary orientation towards Government as trusted partner, lack of shared best practice within GGGI, and the often not conducive contexts for collaboration due to government hesitance to involve the private sector and civil society. Even so, cases of such collaboration are emerging, but progress is needed in order to fully justify Danish support.

Some recent cases of integration of the work streams were found at country level, but overall progress is still limited. More needs to be done to ensure a systematic approach to integration of the Knowledge Development and Management and the Private-Public Corporation work stream with activities at country level. The integration is considered crucial to make GGGI's advice more effective in promoting green growth development and poverty reduction by building on best-practices and ensuring engagement from the private sector.

Since poverty, social inclusion, and sometimes gender, are integral parts of the national development agendas in several of the low-income countries where GGGI works, any separation of the green growth focus from these other concerns becomes meaningless in practice to many GGGI's partners. GGGI staff working at country level seems to share this viewpoint. Yet, GGGI still lacks a systematic approach to working with poverty reduction and social inclusion, including for the Middle- Income Countries.

There is not yet a systematic approach to working with social and environmental safeguards at country level, but work is on-going and will be finalised before the end of the year.

### **Governance, organisation, and structure**

The appraisal found that establishing a proper division of responsibilities between the Council and GGGI – as secretariat – is a challenge that needs to be addressed in order for the Council to provide the clarity on direction and mandates that GGGI needs to deliver the expected results and develop as an organisation. The Council is still very engaged in issues related to management, especially financial management and administrative systems, while its role in “directing the activities of GGGI” should be strengthened.

It is found that GGGI has followed up on the recommendations of the second joint donor review by placing the management responsibility for all three work streams in Seoul, which is positive. This, however, raises the question of the justification for having high-cost offices outside of Seoul (in London, Copenhagen and Abu Dhabi), as discussed in the Council several times. The appraisal finds that this needs to be clarified at the earliest opportunity in view of the current funding distress.

While some efforts have been made to share and collaborate on activities between the three work streams, they remain organised and managed in separate lines (silos).

It is positive that GGGI staff is generally highly qualified, whether positions are technical experts, managers, strategists, development specialists. Country staff generally has a good understanding of national level processes.

GGGI continues to be top-heavy with 90 persons in Seoul, 18 in satellite offices, and 32 in-country staff. Steps have been taken to place more staff at country level, but while GGGI recognises the ideal allocation to be closer to 50-50%, the process to achieve this balance has so far been slow, partly owing to the financial distress. It is of concern that in spite of the recommendations from the second joint donor review, recruitments have continued while the new strategy and competence mapping have not been completed. The appraisal found that certain systemic issues raised by the review seem to have been addressed via new positions. It will be important for the Danish support to see clear, early steps and intentions to shift the



headquarter-country level balance and achieve a staff composition that matches GGGI's next strategy.

GGGI has designed an initial Sustainability Management and Safeguards Framework, which will be the basis for a corporate policy on the issue to be presented for the December Council meeting. It will cover corporate social responsibility both internally and in GGGI's external program activities and will be implemented through training efforts during 2014. It will be relevant to review status of implementation and lessons during the December Council meeting.

### **Financial management**

It is the overall assessment that GGGI's administrative and financial management systems and procedures are well on the way to becoming "fit for purpose". GGGI has systematically addressed the issues concerning administration and financial management raised in the Korean Board of Audit and Inspection report, in the second joint donor review, and in the Deloitte study commissioned by Norway. It should be noted that the two latter studies were carried out in the autumn of 2013, when GGGI was in a transition situation from the former Korean-based administration and financial management set-up to a new interim system. During the recent six months, the organisation has come very far, and overall systems and procedures are well under way, while outstanding issues are expected to be completed before the end of the year.

A Finance Procedures and Procedures Manual was approved in December 2013, and training of staff has been conducted. A new multi-currency accounting software has replaced the previous system based on Korean Won. Currently, all procedures and processes are being reviewed and revised as an integrated part of the push towards a comprehensive Enterprise Resources Planning (ERP) which is expected to be completed by the end of the year. The system entails that finance, human resources, procurement, and project management will be consolidated in one system. This will replace with the current mix of different interim systems and will provide GGGI with uniform and comprehensive data management.

The procurement function has been strengthened. New procurement rules adapted in June 2013 are best-practice and currently adjusted to reflect GGGI's specific requirements. A Senior Procurement Manager with substantial experience from Sida has been hired.

The legal status of GGGI in some of the countries where GGGI has activities is an outstanding issue. In Rwanda and Mongolia, GGGI currently lacks a legal status, which has implications for the local operations, including possibilities for contracting, effecting payments through national bank accounts, and obtaining work permits and immunity for expatriate staff, and local labour laws for staff contracted from Seoul. GGGI is currently mapping and assessing the situation and will provide recommendations to the Council meeting in June.

The present format for the budgeting and planning process is healthy, but GGGI has tended to prepare very ambitious work plans. The 2014 work plan was based on expected contributions which have not materialised as planned, and GGGI is currently facing substantial cash flow challenges. Management and staff see this as a temporary situation and therefore refer to it as a cash flow crisis. However, it is also a budget crisis as it is the product of an ambitious annual work plan and budget with an inbuilt funding deficit. GGGI does not currently have any reserves, neither is there a policy for the size of the opening balance in relation to the planned, budgeted, and prioritised activities. It is important that GGGI as part of the strategy process develops the concept, size, and plan for the accumulation of a working capital (reserve) to ensure that priority activities can always be undertaken when cash flow is challenged.

Deloitte pointed out that it is important to reflect the ongoing devolution of authority to country offices in procedures and manuals. The finance function has been working on the preparation of new financial operating guidelines and templates, which cater for this, and training of staff has already taken place. The guidelines have not yet been formally approved by the Council, and the country staff met did not refer to the guidelines.

The financial reporting has improved since the joint donor review, and monthly reports can now be produced, although it is demanding on human resources. The introduction of Enterprise Resource Planning (ERP) software is expected to change this. The ERP system design process is in its early stages and therefore it is too early to conclude on the suitability of the system.

The organisation chart suggests that the Chief Financial Officer and the Deputy Director-General Management and Administration are sharing the responsibility of heading the finance section, but this is not how management sees it. It would seem important that the responsibility and reporting lines are clarified and the organisation chart illustrates that the finance function is separated from and functions independently of GGGI line management functions.

The internal audit functions seem to work well. GGGI issued anti-corruption policies and whistle blower policies in November 2013, including dedicated email lines and meeting best-practice.

### **Monitoring framework**

GGGI has worked systematically on the elaboration of monitoring tools and systems and is aware of the need to continuously review and fine-tune tools and formats. The inclusion of monitoring formats in the ERP will entail a uniform system and facilitate consolidation across the projects. The preparation of an overall monitoring framework with targets and indicators,

however, should be linked to the strategy and therefore depends on the possibility of gaining new momentum in the strategy process.

### **Risks**

The most important risk GGGI is facing is severe cash-flows problems due to a combination of donors' withholding of payments and issues of internal budgeting and expenditure management by GGGI. The threat is immediate and is already negatively impacting the work of the organisation.

Other important risks identified by the appraisal are the risk that a clear strategy will not be defined, and the risk that poverty reduction and social inclusion do not figure systematically in GGGI's focus on country programme selection and ways of operating at country level.

### **Overall conclusion**

A positive account of GGGI's potential as a continued partner for Denmark in its development cooperation will note that the organisation has come very far in a short period of time. It has been established as an international organisation and participates in a series of international fora and platforms, where green growth and cooperation between public and private sectors on sustainable development are being debated.

At country level, GGGI has established itself as a trusted adviser in several of the countries where it works. It is perceived by national stakeholders to be different from other development agencies because it does not bring its own agenda, and in some countries, its Korean background is considered an asset. In a number of countries, GGGI is providing relevant contributions to national green growth strategies. It works in areas selected by the national governments and is often providing an input of high technical quality. Results of its work at country level are beginning to emerge.

GGGI has managed to recruit many highly qualified staff both at headquarters and country level. While staff was initially technical specialists in areas relevant to the work of the organisation, their qualifications have recently been supplemented by broader development qualifications of newly recruited staff.

GGGI has a remarkable agility and is able to respond fast to external demand. It has in a systematic and comprehensive way addressed the issues highlighted by the Korean-initiated audit, by the Danish-led second joint donor review undertaken in September 2013, and by the assessment commissioned by Norway and undertaken by Deloitte in Seoul headquarters and in Indonesia and Ethiopia during November and December 2013. In the field of administrative and financial management, it has addressed virtually all the recommendations in a short time

and it is now well on the way to have 'fit for purpose' systems and procedures in areas where it was previously criticised.

On a more critical note, it must be pointed out that the overwhelming effort and focus on administrative and financial matters has come at a cost. The external interest in its strategic direction has been less well-articulated, and the management and Council have been so preoccupied with the 'cleaning up process' that important questions about what kind of organisation GGGI wants to be in the future have been left unanswered. The new Director General has a strong management background and clearly sees the importance of defining the strategic direction of GGGI. More active engagement from its members, including Denmark, however, is needed.

If deciding to continue the collaboration with GGGI, it should be a key concern for Denmark to influence it to address poverty reduction and social inclusion in a more systematic way. Activities need consolidation and focus, the integration of the three work streams must be taken further, and the country presence should be strengthened in a more limited number of countries.

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## **1. Introduction**

### **1.1. Short history of GGGI**

The Global Green Growth Institute (GGGI) was established in 2010 as a Korean non-profit organisation. In October 2012 it was transformed into an international organisation and obtained ODA eligibility, which implies that all current core funding is 'DAC-able'. In 2013, GGGI was granted observer status at the United Nations. To date, GGGI has 14 member states and the accession from another state to become the 15<sup>th</sup> member state will enter into effect on 10 May 2014. Simultaneously, there are 7 signatory states whose signing of the GGGI Establishment Agreement is under respective domestic ratification, acceptance or approval process before (fully) becoming a member state. Also more countries have announced their intention to seek membership.

It is the objective of GGGI to “ promote sustainable development of developing and emerging countries, including the least developed countries by

- a. supporting and diffusing a new paradigm of economic growth: green growth, which is a balanced advance of economic growth and environmental sustainability;
- b. targeting key aspects of economic performance and resilience, poverty reduction, job creation and social inclusion, and those of environmental sustainability such as climate change mitigation and adaptation, biodiversity protection and securing access to affordable, clean energy, clean water and land; and
- c. creating and improving the economic, environmental and social conditions of developing and emerging countries through partnerships between developed and developing countries and the public and private sectors.”

GGGI has three main types of activities, called the three work streams:

1. Green Growth Planning and Implementation (GGP/I): adoption and implementation of green growth plans at country-level.
2. Knowledge Development and Management (KDM): provision of relevant, high-quality research/knowledge for policymakers.
3. Private-Public Corporation (PPC): engagement of the private sector in the development and implementation of national green growth plans.

Projects undertaken by GGGI can be funded either through corefunding or through earmarked funding.

GGGI has its headquarters in Seoul and three satellite offices in London, Copenhagen and Abu Dhabi. It is aiming to increase its presence in the countries where it has activities. It currently has 112 staff, and counting also consultants, 140 persons are working for GGGI.

GGGI expanded its activities in a very short period of time and before it had further developed its strategic thinking on how to make a difference and reach the ambitious goals that were set. Difficulties of establishing operational management and particularly financial management systems and procedures led to practices which have been criticised in an audit undertaken in 2012 by the Korean Board of Audit and Inspection, by the Council, and in the public debate in some of its member countries. In Denmark, the public debate has been especially heated. It initially focused on the travel costs of the Danish Council chairman and later widened to address a range of examples of GGGI's handling of administrative and financial matters.

The present report shows that GGGI has addressed many of the issues highlighted in previous assessments and in the Danish debate. It has demonstrated several commendable achievements at both overall global level, at country level in those countries where it is present on the ground, and with regard to the ability of the organisation to adjust and respond to challenges and external requests. The appraisal report also points to a series of remaining challenges, some of which are serious and must be addressed within the coming months in order for the organisation to continue operations. This particularly regards the need for a clear strategy, which can set the direction for the future activities of GGGI, and for a long-term financing model.

## **1.2. Danish support to GGGI**

Denmark has supported GGGI with a grant of DKK 90 million for 2011-2013 and considers providing a new grant of DKK 90 million for 2014-2016. A grant of this size will ensure Denmark a seat in the GGGI Council. If granted, the Danish contribution will be financed from the Climate Envelope, partly from the Global Frame and partly from the Poverty Frame.

Since Denmark decided to join GGGI in early 2011, it has taken a very active role in the governing bodies of the organisation: Denmark has been member of the Council since June 2011, it currently chairs the Finance and Audit Sub-Committee, and it is member of the Facilitative Committee. Since mid-2012, the Council Chairman has been Danish.

Denmark actively participated in the process of establishing GGGI as an international organisation, and Denmark has led both a joint donor review of GGGI (with Australia) in November 2011 and the second joint donor review in September 2013 (with South Korea, Australia and Norway).



### **1.3. The Appraisal**

To substantiate the granting authorities' funding decision, an appraisal mission has been undertaken by Technical Advisory Services, Ministry of Foreign Affairs of Denmark. The appraisal has assessed the relevance of the support and the quality of the planning and delivery framework of GGGI. It has particularly assessed the relevance, the effectiveness, efficiency, expected impact and sustainability of GGGI's work, and the risks related to the proposed support to GGGI as further detailed in the Terms of Reference (TOR) (annex 1).

Assessments and recommendations in the appraisal report are directed to the department in the Ministry of Foreign Affairs of Denmark, the Global Green Growth Forum Department (3GF department), which is responsible for the Danish support to GGGI. Thus, recommendations are not directed directly to GGGI. The 3GF department will draw on the appraisal when preparing the appropriation document to the External Grant Committee, which is an advisory body to the Minister for Trade and Development Cooperation. If the funding is approved by the Minister, it must be presented to and approved also by the Finance Committee of the Danish Parliament. The appraisal report will be submitted to the Parliament to inform the decision on the appropriation.

If the funding is granted, the appraisal will also inform the future work of the Danish representatives in GGGI's governing bodies.

Because GGGI is still a new international organisation, which has not yet a strategy for the coming years and a multi-year results framework linked to the strategy, the appraisal differs from traditional appraisals of proposed new Danish funding. There are elements of review of existing practices and experience, and the appraisal has mainly been guided by the concept note for the new organisation strategy for Denmark's engagement with GGGI 2014-2016 (dated 7 April 2014). The organisation strategy will be developed with on input from the appraisal.

In the concept note for the organisation strategy, seven Danish priority areas are highlighted:

- 1) Consolidation of GGGI activities with a focus on creating measurable results in a realistic number of partner countries.
- 2) Integration of the three work streams of the organisation: Green Growth Planning and Implementation, Public-Private Cooperation, and Knowledge Development and Management.
- 3) An open and inclusive dialogue between GGGI and citizens, civil society, the business community and national authorities in the countries, where the organisation work.
- 4) Poverty reduction as a core success criteria for GGGI's work on green growth planning and implementation.
- 5) Influence of GGGI at the global level.
- 6) Professionalisation of the organisation.

## 7) A focused and realistic strategic plan with a concrete results framework

The appraisal has taken its point of departure in the findings and recommendations by the Danish-led second joint donor review of GGGI (South Korea, Norway, Australia and Denmark) undertaken in September 2013 and in an assessment commissioned by Norway and undertaken by Deloitte in Seoul headquarters, Indonesia and Ethiopia during November and December 2013. The country studies by the second joint donor review in Ethiopia and Cambodia have provided a valuable supplement to the information collected by the team in its two country visits to Rwanda (25-27 March) and Mongolia (7-9 April). Rwanda and Mongolia were selected based on the following criteria: 1) they are funded by core support, which is the support modality used by Denmark, 2) one country is geographically far from GGGI headquarters and one country is situated closer to Seoul, 3) activities at country level have been on-going since 2012, 4) country activities have a certain volume, and 5) in-country staff was available for meetings.

In the Seoul headquarters (visited 2-6 April and 10-14 April), the team has had extensive and thorough interchanges with a large number of staff. This included several country managers for other countries than Rwanda and Mongolia, who provided information on country-level activities which supplements the findings collected by the team during the two country visits.

In Kigali and Ulaanbaatar, the team has met high-level representatives of key government partners, representatives of private sector, civil society, academia, and development partners working in the area of green growth and environment. In both countries, field visits were included to get an impression of the practical work on the ground.

In addition to this, the team has met with the Danish chairman of GGGI's council and with the incoming Director General of GGGI. Before the departure from Denmark, the team had a videoconference with Norway and UK to prepare the appraisal, and in Seoul it has met with the Global Green Division in the Korean Ministry of Foreign Affairs (see List of persons met in annex 2). The team has had extensive interchanges with relevant staff in the Ministry of Foreign Affairs of Denmark, notably staff of the 3GF department.

GGGI has greatly facilitated the work of the team by providing all the documents requested and by organising the visits in ways that allowed efficient use of the time. All interlocutors met have given their time willingly and generously to the team. For this the team is most thankful.

The present report presents the appraisal's findings on GGGI's achievements and challenges, conclusions and recommendations. GGGI has provided comments on an earlier draft and to the extent the appraisal team has agreed with the comments, these have been sought integrated into the final report.

## **2. Relevance of the Danish support to GGGI**

### **2.1. Denmark's approach to green growth**

The Strategy for Denmark's Development Cooperation "The Right to a Better Life" (2012) includes green growth as one of four priority areas for Denmark's development policy engagement. Further policy direction on advancing green growth is provided in the two complementary Danida Strategic Frameworks for Natural Resources, Energy and Climate Change "A Greener World for All" (2013) and "Growth and Employment" (2011).

For Denmark, green growth is understood as an integral part of sustainable growth, which promotes general economic growth and development in a manner that enables the environment today and in future to deliver the resources and environmental services on which our welfare depends. Green growth should catalyse investments, innovation and job creation, which not only sustain continued growth, but also give rise to new economic opportunities. A push for greening of growth acknowledges that economic growth is critical to lifting countries out of poverty and that the economic, social, and environmental dimensions of development need to be addressed simultaneously to ensure long-term sustainability

Poverty reduction and the promotion of human rights are key objectives for Danish development cooperation. In the transition towards a greener economy, it is critical to ensure that poor and marginalised groups are not excluded from the benefits nor harmed by new green policies, regulations and investments. Green growth will only succeed if there is an open and inclusive dialogue between citizens, civil society, the private sector and authorities on how green initiatives will be planned and adapted to the country-specific and local situation.

As an integral part of its bilateral development cooperation, Denmark supports green growth planning processes and activities in sectors such as environment, agriculture, water and energy, in a number of developing countries. In addition, Denmark finances climate change mitigation, *i.e.* measures to reduce greenhouse gas (GHG) emissions, and climate change adaptation, *i.e.* adjustments in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities. The climate finance is provided through bilateral programmes in a number of countries as well as through international climate-related initiatives and funds, e.g. the Global Environment Facility (GEF), the Adaptation Fund, and the Green Climate Fund (GCF) currently being established under the United Nations Framework Convention on Climate Change (UNFCCC) with an intention to become the main fund for global climate change finance. Finally, Denmark supports regional development banks and international organisations, including various UN organisations and the World Bank that work on green growth and green economy.

## **2.2. GGGI's approach to green growth**

Initially, GGGI approached green growth primarily as an alternative model for economic growth, while the international conceptual development has emphasized the importance of seeing green growth in the broader framework of green economy and sustainable development with focus on equity as well as consideration of cultural and political aspects of national development processes.

The existing GGGI strategy covering 2012-2014 defines the mission of the organisation as supporting the collaboration between public and private sectors and establishing new paths to development by helping a critical mass of countries to show that green growth is both feasible and desirable. It argues that “the ‘green growth paradigm’ simultaneously targets key aspects of economic performance – such as poverty, job creation and social inclusion – and those of environmental sustainability, such as mitigation of climate change and biodiversity loss and security of access to clean energy and water”.

While GGGI formally acknowledges the link between green growth and poverty reduction, the staff met does not express a common understanding of green growth and poverty reduction and the link between the two. Section 4 on country-level operation argues that GGGI sometimes addresses poverty and social inclusion but that this does not happen in a systematic manner. Also the views of GGGI staff varied considerably. The GGGI country staff assisting least developed countries like Rwanda, Cambodia and Ethiopia would generally find it obvious to see green growth and poverty alleviation together, since this would be the approach of the governments that they were supporting. Other GGGI staff would argue that green growth is primarily about environmentally sustainable economic growth. Others consider green growth an empirical concept which should not be defined but should be developed based on experience generated in the countries.

In the strategy and also in other presentations by GGGI of its mission, the role of the private sector as a vehicle to further green growth is stressed. Public-Private Cooperation (PPC) is one of GGGI's three work streams with the purpose of insuring the involvement of the private sector. The two other work streams are Knowledge Development and Management (KDM) to promote the application of best available green growth knowledge and practice, and Green Growth Planning and Implementation (GGP&I) to assist selected countries in operationalising the green growth concept at national and local levels. It has so far been difficult for GGGI to engage the private sector at country level, and it was a key recommendation from the second joint donor review that the three work streams (until then called ‘pillars’) should be better integrated. GGGI is conscious about the importance of the integration but has not yet managed to ensure this in a systematic manner.

### **2.3. GGGI's 'niche'**

The existing GGGI strategy mentions in broad terms that its role is to be “a government’s trusted neutral partner helping to explore green growth opportunities in the context of the country’s own growth and development aspirations”. GGGI differs from other donors by being “a platform for gathering different resources and technical capabilities for the purpose of serving developing country governments, and for sharing knowledge and experience...”. GGGI often adds that it is the only international institution working exclusively with green growth and that it engages the private sector.

While the argument about being the only international institution working *exclusively* with green growth may be formally correct, many other organisations also work on green growth and the transition towards green economy. Hence, there is a clear need for GGGI to continue engaging in global partnerships and to enhance its country-level dialogue with other partners supporting green growth. GGGI has the ambition and the potential to engage the private sector, but integration at country level is still emerging. The comparative advantage of GGGI, therefore, may be more related to its role as a trusted adviser. In section 4 on GGGI operations at country level, it is confirmed that this is the case in Rwanda and Mongolia, where GGGI is working closely with key ministries at the highest level to mainstream green growth into national and sector policies, strategies and plans. Also the second joint donor review found that GGGI is a trusted adviser to governments in Cambodia and Ethiopia. The national ministries expressed appreciation of GGGI’s flexible approach, its difference from traditional development partners, and its links with South Korea that inspires developing countries due to its impressive transformation from a poor country to an economic superpower over just two generations. GGGI is currently analysing and documenting the Korean experience with a particular focus on its greening during the last decade.

### **2.4. GGGI at the global scene**

GGGI has created a Green Growth Knowledge Platform (GGKP) in partnership with the UNEP, the OECD, the World Bank and other partners. This is a valuable tool for sharing green growth information and experience between researchers and practitioners across countries and organisations.

Furthermore, the Green Growth Best Practice (GGBP) initiative was launched in October 2012 by GGGI together with the Climate Development and Knowledge Network (CDKN) and the European Climate Foundation (ECF) as a global network of practitioners and policy makers that identifies and shares best practices of green growth planning and implementation from around the world. GGBP is expected to contribute substantially to enhancing the documentation of successful green growth experience. The GGBP engaged 75 authors in evaluating practices and lessons from cases of green growth programmes in all regions of the world. The comprehensive report is expected in June 2014.

This work on documenting green growth experiences combined with the GGGI's broad group of member countries and recognition by the UN may be valuable in maintaining the focus on green growth in relation with the formulation of post-2015 sustainable development goals.

## **2.5. Broader Danish strategic considerations**

In the aftermath of the Conferences of the Parties (COP) in Copenhagen in December 2009, there was general appreciation of the need to invest in mitigating climate change, build broad political alliances in order to reach a global, legally binding agreement on climate change, and assist less developed and particularly vulnerable countries in adapting to the effects of climate change. In this context, the establishment of GGGI offered an important opportunity to engage in constructive cooperation across the traditional groups in the international climate negotiations, *i.e.* between developed and developing countries as well as between the private and public sectors, accompany a number of countries in their transition towards green economy through the provision of technical advice, and gain and document knowledge on green growth in practice. This scope is still relevant and GGGI may serve as a forum for strengthening Denmark's ties with countries, not least with South Korea, that can be important strategic partners in international climate negotiations as well as in other international relations, including trade. Bridging the gap between the developed and developing countries in the international climate negotiations through tighter partnerships and more frequent and informal exchanges of views is crucial to achieving the common goal of signing a global, legally binding climate change agreement in 2015. Alliances established in a forum like GGGI and the related Global Green Growth Summit (GGGS) may be conducive to build trust and engage in pre-negotiations prior to the COP meetings as well as in the processes leading up to the formulation of post-2015 SDGs.

Furthermore, it was noteworthy how aware the countries visited were of the UNEP Climate Technology Centre and Network (CTCN), currently being established at the UN City in Copenhagen, and how they expect to benefit from technology transfer, including from Danish companies that are at the forefront of developing innovative green solutions. Forging links between GGGI and the new CTCN as well as with the UNEP Risø Centre and the Energy Efficiency Hub under the UN Sustainable Energy for All initiative can enhance the value of the advice provided by GGGI at country level.

Finally, there is a good opportunity for synergy between GGGI and the Global Green Growth Forum (3GF) that was established in Copenhagen in 2011 by Denmark, South Korea and Mexico with an aim to explore and demonstrate how better collaboration among leading businesses, investors, key public institutions and experts can effectively realise the potential for long-term inclusive green growth.

## **Conclusion**

Support to the green growth agenda promoted by GGGI is relevant and in line with Danish priorities, but there is a need to define and promote a common understanding in GGGI of the importance of poverty reduction and social inclusion as integral aims of the work for green growth. Many other organisations also work on green growth and the transition towards a green economy, and GGGI's main comparative advantage is that it has proven itself as a trusted adviser in a number of countries and established valuable global partnerships across traditional divides of developed/developing countries and private/public sectors. Also the Korean background of the organisation is appreciated by many of the countries in which it works. The interaction between global and country-level activities needs to be strengthened. Support to GGGI offers wider strategic opportunities for Denmark in the form of strengthening ties with countries, not least with South Korea, that can be important strategic partners in international climate negotiations, in the formulation of post-2015 SDGs as well as in other international relations.

## **3. GGGI's strategic framework and considerations**

### **3.1. Process for GGGI's Strategy 2015-2020**

The existing strategy for GGGI, covering 2012-2014 and approved by the Council in its meeting in May 2012, defines overall priorities of GGGI's work and includes a monitoring and evaluation framework with targets and indicators. It is the impression that the strategy has not had a significant practical role in guiding the organisation's work.

In mid-2013, GGGI started preparing a new strategy for 2015-2020. The strategy was kicked off in September 2013 by a Council retreat in Indonesia. Discussions were informed by a paper prepared by the secretariat's strategy team and by preliminary findings from the second joint donor review which had visited the GGGI headquarters and country programmes in Ethiopia and Cambodia immediately before the retreat.

Later a concept note for the GGGI strategy has been drafted by the strategy team and shared with GGGI member countries. The note does not set directions for future activities but is a generic framework to be filled in by input by the various stakeholders. The concept note foresees intense consultations over six months until the Council meeting in June 2014, when a draft strategic plan should be presented, and a final strategy in November 2014.

Since September 2013, it has been difficult to gain momentum in the strategy preparation process. The Council meeting in December 2013 mainly focused on the work plan and budget for 2014. An Informal Working Group for members was established in February 2014, but so far only few responses have been received to a questionnaire sent out by the secretariat in early

March. Internally in GGGI, a management retreat in February 2014 touched upon some of the key questions but did not provide much specific input to the strategy process. In late March, two country workshops have been held in Mongolia and the Philippines with a view to engaging GGGI country teams and national partners in the process. It had been foreseen that more workshops should be undertaken before the Council meeting in June 2014, but due to recent cuts in the travel budget and other recurrent expenditures, it will probably only be possible to have two more workshops in Ethiopia and Indonesia, which receive earmarked support.

When trying to understand why the strategy process has not progressed further, it seems to be a key reason that the Council, which has the formal mandate of “directing the activities of the GGGI”, has not engaged in the strategy process but has been more concerned with administrative and financial matters. In the Council meeting in December 2013, the work plan and budget for 2014 took up most of the time, and not much was said about the strategy. According to the minutes of Council meetings, members - with a few exceptions - have shown significantly less interest in the preparation of the strategy than Council members did during mid-2011 to mid-2012, when the former strategy was prepared. To the extent that the new strategy has been debated, notably in the September 2013 retreat in Indonesia, discussions have revealed substantial differences in members’ views on what kind of organisation GGGI should be, and clear directions for the secretariat have not been provided.

At the same time, GGGI management during the past year has been intensely occupied first with the establishment of improved systems for financial and administrative management, then with the media storm related to travel costs of the Danish Council chairman, and eventually with the threatening cash-flow situation, which has recently resulted in substantial reductions of the budget. Limited attention from the Council and management to the strategy process has allowed many different views in the secretariat on the future of GGGI to thrive. Considerations by the strategy team about the need for clear definitions of GGGI’s mandate and approach and increased consolidation of its activities are not shared by other staff who prefer to see GGGI as a laboratory for ideas and practice, while they consider continued expansion a sine qua none for the realisation of GGGI’s potential (the ‘critical mass’ argument).

### **3.2. The three work streams**

Unlike the ‘green’ and the poverty discussion which have virtually not been continued after the Council retreat in September 2013, the secretariat has tried to reach a common understanding of the integration of the three work streams and of the role which the private sector is expected to play in GGGI’s activities.

During the first years after the establishment of GGGI, the attention to the private sector was mainly focused on its potential role as investor in green growth activities resulting from the



strategies prepared with the assistance of GGGI. Various ideas were elaborated concerning facilitation by GGGI of investments of large companies in green growth projects. During the recent six months, a new understanding has emerged where efforts by GGGI to promote private sector engagement are concentrated mainly at country level and includes making governments aware of the importance of an enabling environment. As it is argued in section 4, evidence of practical implementation of the new approach is still limited, and a common understanding does not yet exist, but the management clearly states that this is the path it wants to pursue.

Also concerning the research pillar there have been changes after the retreat in Indonesia. Based on input from the second joint donor review, it has been renamed the 'Knowledge development and management stream' to reflect a move away from the commissioning of theoretical research (called 'blue sky research' by its critics) towards a more applied approach where focus is on research uptake and exchange of experience across countries. The secretariat is trying to establish a common understanding of the role of knowledge development management.

The last of the three streams, the green growth planning and implementation (GGP/I) stream, which covers support to development of green growth strategies and follow-up activities in the countries, is expected to continue to be the main activity of GGGI. It is being debated in the secretariat whether it would be conducive to concentrate on a limited number of thematic areas, or whether GGGI support at country level should be driven exclusively by requests for assistance by partner governments.

While GGGI has not yet found a workable approach to the integration of the three streams, a recent initiative to create so-called 'Communities of practice' across the organisation represents a promising first step. They focus on four themes: Payment for Performance, Green Infrastructure, Water, and Green Growth and Natural Capital.

### **3.3. Consolidation of country-level activities**

The existing strategy for GGGI foresees country activities in 12-15 countries in a variety of regions and states that GGGI will prioritise countries with 1) high-level political commitment to the green growth agenda, 2) potential to become an example that guide the development and dissemination of green growth strategies regionally and globally, 3) potential for significant impact on the global economy, and 4) particular needs that correlate with GGGI's strengths.

The Council meeting in Indonesia approved a paper prepared by the secretariat which defines three main principles for country selection: 1) alignment with GGGI's vision, 2) potential for successful delivery, and 3) fit with GGGI's internal capacity and potential to add value. An annex is attached which further specifies each of the principles in 16 sub-criteria. Considered in

their own right, each sub-criteria may seem reasonable, but if they are seen as a comprehensive set of criteria, they tend to favour the inclusion of better-off countries with high potential for growth, high capacity, and high emissions rather than countries with higher levels of poverty and inequality. Thus, a rough assessment of the sub-criteria would suggest that 10 of the 16 criteria are favouring middle-income countries, four are favouring less developed countries, while two are neutral.

Denmark has consistently argued for more focus on low-income countries, but it appears that other members of the Council disagree. Interviews with staff and management have shown that views on the preferred future development range from an 'expansion scenario' where it is believed that country activities over the coming years should cover 35-50 countries in order to have a 'critical mass' for generating experience, over a 'consolidation scenario' based on the current 20 countries, to a 'focus scenario' based on country programmes and country presence in 5-7 countries supplemented by studies and other limited activities in a few more countries.

Currently, GGGI has activities in 20 countries. It was a clear recommendation from the second joint donor review that GGGI should limit its expansion into new countries and stay with 20 countries until 2015. In the management response from GGGI this was agreed, and additional countries have not been added to the portfolio.

## **Conclusion**

GGGI does not presently have a vision for the direction of the strategy 2015-2020. During the recent year, the Council has concentrated on administrative and financial matters, and the management of the secretariat has been intensely occupied with the establishment of improved systems for financial and administrative management, responding to requests for information from the media, and dealing with the threatening cash-flow situation.

While some progress is seen in the understanding of how the three work streams could be integrated, there is an urgent need to decide on the size and profile of the future country portfolio. It is the assessment of the appraisal team that it is critically important for GGGI to reduce and focus its efforts in the countries, to obtain a better balance between low-income countries and middle-income countries, and to agree on a more systematic approach to the integration of poverty orientation in country-level operations. For GGGI to be an effective organisation, the Council should engage much more actively in the strategy process, and GGGI management must ensure that all staff is pulling in the same direction.

The new Director General, who has taken office in mid-April, understands the urgency of establishing a common vision and will prioritise the strategy process. His – and the secretariat's

- invitation to all stakeholders to engage in the process should be taken serious by Denmark, and a concerted effort should be made to influence the process over the coming months.

## **4. Country level operations**

### **4.1. Selection of countries and operations**

GGGI currently has programme activities in 20 countries or areas<sup>1</sup>. Only four of the countries or areas are in Africa and only four are low-income countries. The mix is also biased towards countries where climate change mitigation rather than climate change adaptation is the main challenge. While some countries have approached GGGI with a wish to have activities (e.g. Ethiopia and Cambodia), other countries have been approached by GGGI.

At country level, GGGI engages in the preparation of overarching green growth or “green development” strategies, establishment of governance and institutional frameworks for green growth inter-sectoral coordination and strategy, financing and establishment of funding mechanisms for green growth, and capacity development efforts. GGGI also works with a variety of sectors, including energy, water, transport, housing, agriculture, and others. The number of themes and sectors partly seems linked to the number and specialisation of GGGI staff working with the country. The approach to selection of themes and sectors differs across countries. While in Rwanda the choice of green urbanisation as GGGI’s sectoral entry point is clearly relevant and welcomed by the Government, it may also have reflected the particular expertise of the GGGI staff on the ground. In Mongolia the focus on energy efficiency, transport, and buildings has been determined by the requests from Government.

GGGI staff seems as a rule to consult with and take direction from the national partner in the choice of activities they perform, however it appears that GGGI does not yet systematically follow a comprehensive needs- and opportunity-based approach to identify intervention areas. In the case of Mongolia, the collaboration was initiated with a workshop or series of open discussions to match the preferences of the partner with what GGGI can deliver, especially centered on choice of sector or theme. In Rwanda, the focus was agreed more directly with the Ministry of Infrastructure, but clearly reflected the priority of the Government. From the Danish support perspective, it will be important that GGGI on the way ahead makes more use of strategic analysis to identify intervention areas during scoping.

### **4.2. GGGI’s way of operating**

The appraisal confirms the finding from the second joint donor review that GGGI staff working at country level is competent and highly committed. During the recent months, GGGI

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<sup>1</sup> Indonesia, Cambodia, Vietnam, Thailand, Philippines, Pacific Islands, China, Mongolia, Kazakhstan, India, Ethiopia, Rwanda, East African Communities, South-Africa, Brazil, Amazon Basin/Colombia, Peru, Mexico, United Arab Emirates, and Jordan.

has taken on board staff with broader institutional and development background to supplement the sector specific expertise of many current staff members. This will help GGGI to deliver advice that combines a holistic and sectoral approach, as relevant for a given country.

Where GGGI has in-country staff, they work from desks in the counterpart ministries with reference to designated focal points regardless of whether GGGI has only one staff in-country, as seen in both Mongolia and Rwanda, or several staff working in several ministries, as seen by the second joint donor review in Ethiopia. For countries where GGGI staff is placed only at headquarters, staff spends roughly 1-2 weeks in-country per month, as it is the case in Cambodia. GGGI had recently decided to transfer more staff to the countries, which from the Danish perspective is seen as important, but the current cost saving initiatives has put this process on hold.

Country-level findings indicate that GGGI's efforts and advice are effectively playing a direct and important role for the content and direction of national or sector specific plans and processes. GGGI delivers a range of services, spanning from implementation of technical studies, promoting coordination processes, and working with partners directly in joint analytical and strategy work. In some cases, GGGI staff assumes the role of directly implementing e.g. the analysis or process decided, or they hire consultants to perform part of or all of the tasks. From the country cases, it seems that use of consultants is a normal practice, but it is not an automatic feature. It seems the general preference for GGGI staff to perform the activities themselves. GGGI staff at times acts as process managers and at times as technical analysts, partly depending on their background as generalists or sector specialists. The findings from the country visits and second joint donor review indicate that GGGI creates value in both types of roles. The generalist role helps the holistic view and process management, while the sector specialists prove useful for engaging in technical discussions and help developing trust with counterparts in the ministries. It will be important over time to see GGGI develop a systematic approach to performing their role at country level, though a flexible approach should be maintained given the country diversity.

The integration at country level of the three work streams has not developed far, though a few first steps and an emerging orientation to make the integration happen are seen. Hence, no integration was seen in Rwanda and neither did the second joint donor review and consultations with country staff in Seoul show integration in countries such as China, Cambodia and Kazakhstan. For Mongolia there is some initial interaction with the PPC and KDM to find ways to collaborate, and in Ethiopia a PPC officer has been fielded.

### **4.3. Collaboration with partners**

So far, GGGI partners at country level remain primarily Government institutions, including ministries of environment, energy, transport, agriculture, water, economic development,

finance, and others. GGGI typically has a Memorandum of Understanding (MOUs) with the ministry of environment as main focal point, but works directly with other ministries as well. It varies how wide and deep the collaboration is with other ministries. In Mongolia – with one locally based staff - GGGI is housed in the Ministry of Environment and Green Development, but has regular interaction also with e.g. Ministries of Roads and Transport, Ministry of Energy; and Ministry of Economic Development. In Rwanda, the MOU is with Ministry of Infrastructure, and GGGI has work relations with Ministry of Finance, Environment, and Local Government.

The appraisal was able to confirm the finding from the second joint donor review that GGGI at country level has managed to become a trusted adviser to Government. In Rwanda and Mongolia, national ministries expressed appreciation of GGGI's flexible approach and the fact that it – unlike traditional donors - was perceived not to bring its own agenda. Especially in Rwanda its links with South Korea were considered an asset. These positive relations to governments at high-level are critical to GGGI's further work of promoting green growth.

Both in Rwanda and Mongolia, GGGI uses the national or sector policy frameworks as point of departure for its work. Drawing also on findings from the second joint donor review and interviews with country staff in Seoul, GGGI seems systematically to base its interventions on the national policy plans, whether these are overarching policies on green growth and development or sector strategies. GGGI's approach of aligning with national frameworks is critical for the ownership, sustainability and long-term impact of its support.

The extent of GGGI's effort to ensure consultations with key stakeholders in civil society, private sector, and development partners varies, but is still generally at a low level. GGGI's does not aim at having a direct collaboration with civil society and private sector actors in form of financing of their activities – and the appraisal team agrees – but GGGI has an important role in encouraging government partners to make strategic planning processes more inclusive.

Mongolia shows some very early sign of engaging the private sector. Since February 2014, GGGI has been member of the Business Council of Mongolia, and private sector actors were invited to GGGI's strategy workshop in March 2014, where also PPC staff participated. But these are very initial contacts, and resource constraints and the fact that the PPC work stream has only recently directed its attention to the country level imply that Rwanda as well as other countries, covered through interviews in Seoul, do not yet show any engagement of the private sector.

Formally established contact between GGGI and civil society also seems limited although cases of ad hoc contact have been identified. In Mongolia representatives of civil society were invited to the recent strategic workshop.

Emerging collaboration with development partners was seen in Rwanda, while in Mongolia GGGI is in consultations with the recent UN Partnership for Green Economy initiative. The second joint donor review showed GGGI in Ethiopia to regularly interact with development partners via their presence in several ministries and the linkage to Norway and UNDP. Generally, the existence and approach to collaboration with development partners seem to be ad hoc and case-specific.

The same general pattern is also seen in regard to more informal stakeholder consultations, which do not seem to be used systematically, for instance when scoping intervention areas or during delivery, instead concentrating mainly on the Government partner. Discussions with GGGI indicate this partly reflects the above-mentioned inclination to focus mainly on Government as a trusted partner, which in some cases is combined with GGGI's still limited presence at country level. But it also reflects that actual possibilities for collaboration with civil society and the private sector are sometimes limited, for instance by constraints imposed by Government (e.g. in Ethiopia) or generally low activity and few actors to work with.

#### **4.4. Poverty-orientation, social inclusion and political economy**

Poverty, social inclusion, and in some cases gender are part of the considerations in the national processes in a number of the countries, where GGGI works, e.g. social inclusion and poverty are part of Rwanda's National Strategy for Green Growth. The second joint donor review and interviews with country staff based in Seoul showed the same to be the case for Cambodia and Ethiopia. For partners in these contexts, it becomes meaningless to focus exclusively on "green growth", and GGGI staff working in the countries seems to share this viewpoint. GGGI informs that in countries such as Indonesia and India, it has specific activities focusing on poverty reduction and social inclusion. The appraisal has not been able to assess this information.

Yet, GGGI does not have a systematic approach of advocating or in other ways promoting poverty reduction and social inclusion as an integral part of green growth. There is for instance still not an effort to search for intervention areas with the largest joint benefits for green growth and poverty reduction. Mongolia showed opportunities for GGGI to promote activities with more direct impact on both green development and social inclusion by supporting green heating solutions in the tented slum areas around Ulaanbaatar. Here more than half of the city population (one fourth of the country's population) live in poverty and suffer extreme pollution because heating is generated by burning coal and waste. Lack of strategic guidance, rather than resistance by country programme staff, seems to be the reason that these opportunities have not yet been considered.

The recently initiated KDM study on social inclusion in green growth (which was unfortunately put on hold due to financial reasons before it really started) will be crucially important to identify and advise on best practices in this area. According to GGGI, the social inclusion study will address mainstreaming “inclusive green growth” into national and local growth and development plans, ensuring focus on social inclusion and poverty reduction alongside with environmental sustainability in sector development plans, enhancing climate resilience (*i.e.* climate change adaptation) with a focus on the most vulnerable populations, as well as issues such as access and affordability for the poor. It will be essential to draw on country experience to inform this study and to provide guidance to GGP&I staff based on the study outcomes on how to work for social inclusion at country level. GGGI informs that KDM has already connected country teams to this dialogue.

The appraisal did not see any signs that GGGI follows a systematic approach to ensure political economy considerations in country-level operations, though it was informed that KDM activity in this area has been started.

The findings from Mongolia illustrate the point. GGGI supports some selected sectors identified on the list of Nationally Appropriate Mitigation Actions (NAMAs) submitted by Mongolia to the UNFCCC. While the energy and transport sector studies performed by GGGI had been valuable to inform the National Strategy on Green Development (currently with the Mongolian Parliament for adoption) on environmental and technological options, these studies did not adequately analyse the national political and economic context. Hence, for example the energy sector study did not address how the Government-subsidised coal energy prices effectively act as a barrier to the desired (and technically feasible) transformation to renewable energy. Another shortcoming of the study was its focus on the formal energy sector, while not adequately considering the heating needs of the poor outskirts that are responsible for making Ulaanbaatar one of the world’s most polluted cities. This example flags the need for GGGI to consider all aspects of green growth, *i.e.* environmental, economic, social, and political, in order for its advice to its member countries to be truly valuable.

Contrary to these examples, interviews with country staff in Seoul found cases of political economy considerations via studies and other activities in Cambodia (also seen in the second joint donor review for Ethiopia). This reflects the recognition by these staff that green growth development by nature is a political process, which means that considerations on power and interests must go into GGGI’s advice to partners for the green growth development paths to be effective and sustainable. However, the focus on political economy is not yet systematic in GGGI, which means that initial successful cases should be built on to be further developed and systematically integrated across the country programmes.

#### **4.5. Environmental and social safeguards and gender equality**

The appraisal did not see any examples in Rwanda and Mongolia on the use of particular environmental or social safeguards or integration of gender issues. Some of the interviews of country staff in Seoul brought up questions of gender and social issues, as noted above. The quarterly implementation reports (QIRs) containing checklists on these cross-cutting issues were completed, but no specific measures are integrated in GGGI's work.

Slightly less than half of GGGI's country staff are women, including both the country officer in Rwanda, the country-based senior officer in Mongolia, and the two new directors for Sub-Saharan Africa and North East and Central Asia, respectively.

#### **Conclusion**

It is a major achievement that GGGI at country level has managed to become a trusted adviser to Government. National ministries expressed appreciation of GGGI's flexible approach, its difference from traditional development partners, and its links with South Korea. Positive relations to governments are critical to GGGI's further work of promoting green growth. Yet, it will need to find a way to balance its role as trusted partner to Government with its relations to other stakeholders. So far, engagement with private sector, civil society and development partners at country level is still at a low level. Some new cases of integration of the three work streams were found at country level, but overall progress is still limited and currently hampered by financial constraints.

Danish support can only be fully justified if the country mix is adjusted to secure a higher representation of African and low-income countries, and if a systematic approach to working with poverty reduction and social inclusion is adopted. Political economy considerations are emerging but not yet a systematic part of the GGGI approach to country-level operations.

### **5. GGGI's Governance framework and organisational structure**

#### **5.1. Governance framework**

Since 2012, GGGI's governance framework has been based on the Assembly as the supreme organ for all GGGI members, who meet every second year, and the Council as the Executive organ, which meets twice a year. The Council has an equal number of representatives of contributing members (currently South Korea, Denmark, Norway, Australia, Qatar and United Arab Emirates) and participating members (currently Ethiopia, Indonesia, Kiribati, Costa Rica and Mexico), and also has five seats for non-state actors or experts, one seat for the host country (South Korea) and one for the Director General. Three sub-committees under the Council (among these the Audit and Finance Committee, currently led by Denmark) meet more



frequently and are playing an active role in the ongoing dialogue between the Council and the secretariat.

Being a young international organisation, it has not always been easy for GGGI to determine exactly which decisions should be taken by the Council and which would fall under the mandate of the secretariat. During the recent year, the Council and its sub-committees have been deeply involved in the efforts to establish appropriate management, particularly financial management and administrative systems, to the extent that the Council chairman and chairs of the sub-committees have sometimes almost become part of the daily management of the organisation.

While a few key persons in the Council and sub-committees have been trying to shoulder the burden of administrative matters, most other members have had only a very limited involvement apart from the formal (and brief) Council sessions. This has implied that the Council has not always had an overview of the most important practices and decisions on operational issues taken by the secretariat. The loss of momentum of the strategy process has been described in section 3, and the limited follow up on recommendations by the second joint donor review concerning the integration of the three work streams has been described in section 4. Another issue regards the substantial increase of staff during the past six months after consolidation had been agreed.

## **5.2. GGGI secretariat structure and staffing**

The secretariat is headed by a Director-General, and the Executive Management Group also includes the Deputy-Director General for Management and Administration, Deputy-Director General for GGP/I, the Assistant Director-General for PPC and the Chief Financial Officer (CFO). Members of the management group are heading five divisions (a particular arrangement for the Finance Division is explained in section 6).

While the GGGI headquarters is in Seoul, GGGI satellite offices have been created in London (due to close initial links of GGGI with the McKinsey Global Institute, *i.e.* the business and economics research arm of McKinsey & Company, and the London School of Economics that played a key role in formulating the green growth economic paradigm), Copenhagen, and Abu Dhabi. Until recently, the logic has been that research activities were led from London, public-private cooperation was anchored in Copenhagen, while the GGGP/I stream was run from Seoul. Based on recommendations from the second joint donor review, it has been decided that all three streams are now led from Seoul. The justification of the high costs of satellite offices outside Seoul has been raised several times in Council meetings.

There has been a rapid growth in the number of staff from a handful in 2010, 60 in mid-2012 to 112 in April 2014. The concentration of staff in Seoul is heavy: 82 staff are based in Seoul,

15 are in the three satellite offices (half of these in London), and only 15 are based in countries where GGGI has its operations. Counting also an additional 28 individual consultants, the numbers are 90 persons in Seoul, 18 persons in satellite offices, and 32 persons in the countries.

While the staff was initially a combination of seconded Korean staff and consultants, the staff composition has gradually changed so at headquarters level more international staff has arrived and staff has been given fixed-term contracts, usually three years with a possibility for renewal. At country level, GGGI staff is a mix of posted staff with fixed-term contracts, individual consultants and company consultants. Positions held by staff, previously seconded to GGGI on a non-competitive basis, have been advertised and the concerned staff has been asked to reapply for their positions.

The second joint donor review recommended to reduce the pace of the expansion in staff until a clear strategy and mapping of competence requirements is in place. The secretariat has initiated the mapping of competence, but during the recent few months, a relatively high number of new staff has joined the organisation. Many of them have been recruited to respond to issues pointed out by the second joint donor review. Thus, with a view to improving the link between headquarters and country-level activities and improving sharing of experience and knowledge across regions and work streams, five (4.5) regional directors have been inserted as an additional layer between the head of the GGGP/I division and country managers. To respond to the need for better integration of the three work streams, an integration manager has been recruited. To respond to the need for more political-economic analysis, a political economy specialist has been recruited. Extra staff has been recruited for the preparation of the new strategy. Two (1.5) resource mobilisation officers have been recruited to identify additional funding sources, a chief communication officer has been recruited, and more staff has joined the human resources management team.

GGGI staff is generally highly qualified. Technical specialists are capable and well-versed in the themes they are dealing with. Staff in the management and administration division has relevant experience from similar organisations elsewhere, staff in the strategy team has a good understanding of organisational change and understand country-level challenges, and country staff met in Rwanda and Mongolia were appreciated by national partners for their relevant qualifications. In the recruitment of new staff, GGGI has clearly tried to address the recommendation from the second joint donor review to ensure that staff has competences in change management, political economy, environmental management and development cooperation. The five new regional directors illustrate this, and their background in development is a good supplement to the qualifications of the technical staff in country manager positions.

### **5.3. Decision-making in the secretariat, work streams and communication**

After the second joint donor review, GGGI decided to consider the previous three pillars on GGI/P, research, and public-private cooperation ‘work streams’ and aim at integrating the three instead of letting them work in parallel silos. Attempts in this regard have been taken, but to a large extent the streams continue to have each their own life and logic. They are still separate divisions in the organisation chart, and the GGP/I stream remains responsible for activities at country level, whereas the knowledge management and development stream and the public private cooperation stream are involved on a less systematic ‘on call’ basis. The newly recruited regional directors report to the head of the GGP/I division, and in their weekly teleconferences with the division head, the two other streams are usually represented by the ‘integration officer’ and not by staff from the streams.

Three of the regional directors have started working during November to February, and it is still early to assess the functioning of the new model. The directors met are highly qualified and have a broad development background which is relevant for GGGI, but it is the impression that present reporting lines may not further the aim of connecting country-level activities closer to headquarters. While GGGI management considers the regional directors crucial for improving guidance to teams on the ground, staff in the countries may perceive the directors as a new extra layer in the hierarchy, which they need to go through in order to reach decision makers in Seoul, and which slow down or limit rather than improve the feed-back received from Seoul.

In order to make best use of all staff and to ensure work satisfaction also of staff in the field, GGGI needs to think about its way of sharing information. During the appraisal mission, several examples were found of information, which did not flow as it should and competences which were not fully used. One example is that it appears that limited – if any - exchange of experience on ‘greening of buildings’ is taking place between staff working in Rwanda and Mongolia.

Staff in headquarters tends to perceive the organisation structure as flat and informal, easy to read and to move around in. Staff at some distance from Seoul, on the other hand, may see mainly a large monitoring machine that constantly requests information and data, whereas it is difficult to understand who is deciding what and difficult to obtain feed-back and guidance. The newly initiated ‘Communities of practice’ working groups may be part of the response to the need for more freely flowing information in the organisation. It seems, however, that only by anchoring all activities in country programmes and systematically draw on staff across the three streams both in the planning and the undertaking of activities, can the integration generate the results expected.

#### **5.4. Corporate Social Responsibility**

The secretariat has made a concerted effort to establish clear staff rules and regulations. A staff performance assessment system has been introduced and assessments of all staff were conducted during 2013. A Staff Association was established in October 2013 and so far it has met three times. A meeting for all staff is scheduled in May 2014, and a Staff Council member representing the Staff Association will have regular meetings with the Management team.

GGGI has designed an initial Sustainability Management and Safeguards Framework, which is now being elaborated as basis for a policy on safeguards and sustainability that will be presented for approval in the December 2014. Guidelines for implementation of the policy will be developed and disseminated subsequently. The policy will both cover corporate social responsibility for GGGI as organisation, and the gender, social and environmental impacts of its programme interventions in the national contexts. GGGI has one person working on safeguards issues placed in the Organisation and Delivery Unit under the Management & Administration (M&A) Division, which has Sustainability Management & Safeguards as one of its three main responsibilities.

The internal operational Corporate Social Responsibility (CSR) efforts will cover GGGI's environmental footprint (e.g. building management, travel, procurement) as well as the fair human resource management and staff well being (learning and development, gender balance, and diversity). The implementation is still in its early stages, but an initial initiative is the formation of a staff association. According to the work plan, the CSR policy will be disseminated and guidelines developed during 2014. Given Denmark's priorities on CSR, it will be key to assess progress and content of the policy and guidelines during the next joint-review. With one CSR officer only and financial pressures, it will be critical to follow to what extent broad-based integration and dissemination activities of the policy in the organisation at central and country level is ensured in practice.

#### **Conclusion**

GGGI has made a significant and commendable effort to address the recommendations it received from the second joint donor review concerning its organisation and staff. It has tried to link country level operations closer to headquarters and it has made attempts to better integrate the three work streams.

Considering the still limited activities at country level, however, GGGI may not have fully perceived the message by the review of not over-shooting the organisational architecture. Having 108 staff out of 140 either at headquarters or in the three satellite offices does not seem to be the most appropriate set-up for an organisation, which wants to demonstrate changes on the ground. GGGI has started considering the transfer of staff from headquarters to country

level and has been constrained by financial difficulties, but the major difficulty of finding an appropriate set-up seems to relate to its lack of a clear strategy which could help prioritise staff and other resources.

The main response to structural and systemic issues - and to requirements such as those expressed by the second joint donor review - appears to be to recruit more staff to deal with the issues. This may seem a quick fix but it is not a workable model even in a short-term perspective, and without a strategy for how to make use of the new resources, it may even add to the difficulties.

With the management responsibility for all three work streams being placed in Seoul, the question of the justification for having high-cost offices outside of Seoul can be raised. The appraisal finds that this needs to be clarified at the earliest opportunity in view of the current funding distress.

## **6. Financial management**

The appraisal of the financial management systems of GGGI has taken a “fit for purpose” approach and has not looked into the accounting documents nor has it assessed the application of procedures or guidelines, as this falls under the responsibility of the external auditor.

### **6.1. Follow up on previous assessments**

GGGI has systematically addressed the issues concerning administration and financial management raised in the Korean Board of Audit and Inspection report, in the second joint donor review, and in the Deloitte study commissioned by Norway. It should be noted that the two latter studies were carried out in the autumn of 2013, when GGGI was in a transition situation from the former Korean-based administration and financial management set-up to a new interim system. During the recent six months, the organisation has come very far, and overall systems and procedures are well under way, while outstanding issues are expected to be completed before the end of the year.

A Finance Procedures and Procedures Manual (underpinning the Financial Regulations) was approved in December 2013, and training of staff has been conducted. A new multi-currency accounting software has replaced the previous system based on Korean Won. Currently, all procedures and processes are being reviewed and revised as an integrated part of the push towards a comprehensive Enterprise Resources Planning (ERP)<sup>2</sup> which is expected to be completed by the end of the year. The system entails that finance, human resources, procurement, and project management will be consolidated in one system. This will replace the

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<sup>2</sup> The system is called Global Resource Efficiency Management System (GREMS).

current mix of different interim systems and will provide GGGI with uniform and comprehensive data management.

The procurement function has been strengthened and an updated version of the procurement rules is being prepared. The procurement function is centralised in the Seoul headquarters and forms part of the Organisation and Delivery Unit under the Management and Administration Division. The function is headed by a Senior Procurement Manager with substantial experience from Sida. Procurements are undertaken in accordance with Procurement Rules issued in June 2013. The procedures are explicitly process mapped and meet best practise requirements. The ongoing update aims at better reflecting the realities of GGGI and catering for the introduction of the ERP software.

The internal audit function appears to work well.

The legal status of GGGI in some of the countries where GGGI has activities is an outstanding issue. Currently, 14 countries have recognised GGGI as an international organisation with the right to act as a legal personality and to open and operate bank accounts. In Rwanda and Mongolia, GGGI currently lacks a legal status, which has implications for the local operations, including possibilities for contracting, effecting payments through national bank accounts, and obtaining work permits and immunity for expatriate staff, and local labour laws for staff contracted from Seoul. The use of personal bank accounts as GGGI bank accounts has been abandoned. Headquarters in Seoul can undertake many tasks remotely, and in the London satellite office, Ethiopia, and Indonesia, three corporate credit cards are used to facilitate local administrative payments. In other countries, staff has the option of getting cash advance, but it was observed during the visits to Rwanda and Mongolia that in practice, staff often ends up advancing funds for GGGI activities for later reimbursement. While there is nothing legally wrong in this, it is not considered appropriate and tenable to burden individual staff members the payment of GGGI expenditures. GGGI is currently mapping and assessing the situation and will provide recommendations to the Council meeting in June.

## **6.2. Planning and budgeting**

The annual work plan and budget for 2014 and a three year rolling work plan and budget (currently 2014-2016) have been developed through a bottom-up process where the divisions have prepared demand-driven work plans and this has been considered together with management's income projections for the coming year. Although GGGI continues to work on the format to improve it, the present format for the budgeting and planning process is healthy, and the document prepared holds key information necessary to understand the budget. It is a problem, however, that the work plan and budget do not include an explicit prioritisation of activities in the form of a priority budget to match a low income scenario to ensure that resources are channelled towards mutually agreed priorities, should the income fall short of

expectations. The Council, in other words, does not have much influence on actual priorities in situations where the work plan is not fully funded and budget reductions must be made.

GGGI has tended to prepare very ambitious work plans. The 2013 budget was initially USD 48.7 million but was revised downwards to USD 43.8 million in the fourth quarter. Expenditures for the year ended up being USD 34.8 million. The budget for 2014 prepared by GGGI was originally USD 65 million. This was reduced to USD 57.1 million presented to the Council in its meeting in December 2013. The Council approved the budget but asked GGGI to identify activities totalling USD 9.5 million which could be delayed until sufficient funding had been received.

During the recent months, donor contributions have not materialised as planned, and GGGI is currently facing substantial cash flow challenges. Management and staff see this as a temporary situation and therefore refer to it as a cash flow crisis. However, it is also a budget crisis as it is the product of an ambitious annual work plan and budget with an inbuilt funding deficit. The effect of a potential funding deficit gets amplified with an uneven cash flow, which was the case in 2013 and has been the case again this year. Recently, the Audit and Finance Sub-Committee under the Council has instructed the Secretariat to undertake substantial budget cuts amounting to 70% of recurrent expenditures, until new contributions are coming in. To increase transparency, it could be considered to undertake future similar exercises by departing from a list of commitments and key priorities against funds available rather than using the budget as the point of departure.

To project income, GGGI is using income scenarios. The work plan and budget for 2014 includes a low and medium scenario with a USD 20 million difference. Both scenarios assume that USD 10 million from South Korea is available at the beginning of the year and in the medium scenario it is assumed that the contribution from Norway becomes available end of December 2013. Norway waited for the audit process undertaken by Deloitte to be finalised and delayed disbursement until February 2014, and South Korea has delayed USD 5 million of its 2014 contribution.

The mix of core and earmarked funding has been reasonably stable, and the earmarked budget amounted to USD 15 million in 2013 and USD 13.4 million in 2014. The constant budget revisions without priorities agreed by the Council holds an imbedded risk that new funders prefer to provide earmarked funding so ensure that they can influence the use of the funds. Core funding donors, on the other hand, may fear that they pay for management and administrative staff instead of project activities.

The management of earmarked funds is aligned with GGGI's systems but with separate project audits, if so requested. GGGI charges a minimum overhead percentage of 7%, which seems

low when taking into consideration that all management and administrative processes (human resources, finance, accounting, systems, monitoring and evaluation etc.) are covered by the fee.

GGGI does not currently have any reserves, neither is there a policy for the size of the opening balance in relation to the planned, budgeted and prioritised activities. This implies that the organisation is depending on a positive and regular cash flow from the beginning of the year. This again entails the risk that activities are being driven by the budget rather than priorities and cash flow. It is important that GGGI as part of the strategy process develops the concept, size, and plan for the accumulation of a working capital (reserve) to ensure that priority activities can always be undertaken when cash flow is challenged.

### **6.3. Regulations, procedures, and guidelines**

GGGI is utilising the accrual basis of accounting and is compliant with the International Financial Report Standards (IFRS). The regulations, procedures, and systems are uniform and all accounts are consolidated in one Chart of Account regardless of funds coming from core funds or earmarked sources. All funds are allocated to projects, which have a unique code against which the budget is recorded and the expenditure charged. The coding makes it possible to distinguish core funds from earmarked funds with the latter being further broken down on the actual funder. This implies that GGGI can, in principle, handle that a project is funded by multiple sources. While waiting for the new ERP system to be fully established by the end of 2014, GGGI is using a stand-alone accounting software (EMAX).

Deloitte pointed out that it is important to reflect the ongoing devolution of authority to country offices in procedures and manuals. The finance function has been working on the preparation of new financial operating guidelines and templates, which cater for this, and training of staff has already taken place. The guidelines have not yet been formally approved by the Council, and the country staff met did not refer to the guidelines.

The financial reporting has been gradually improved and it is now possible to provide monthly reports compared to monthly budgets. The first such reports are currently being distributed by the finance function. Since GGGI has 80 projects, it is a demanding exercise to produce the reports. Also, the finance function has developed a so-called 'dashboard report', which is a graphical presentation of the financial performance on macro, divisional, or project level. This report is also produced manually and is therefore produced only occasionally. The introduction of the ERP will enable staff in Seoul and in the countries to generate reports, including the dash board report, electronically and in accordance with their respective permissions. This should make it possible for GGGI to produce "snap shot" reports to heads of divisions and country managers and to respond quickly to requests from development partners and others.



GGGI is a knowledge organisation, which means that the payroll accounts form a substantial part of GGGI's expenses. The payroll is currently distributed to functions and projects based on an estimated percentage of the individual staff time spent on the respective projects in the officers portfolio. The possible introduction of a time registration system has its benefits but given the size of the organisation and the dynamic processes this is not felt to be a priority. While this is appreciated, the decision should be re-considered in the future as GGGI matures.

#### **6.4. Organisation of the finance and accounting function**

The finance function currently has 5.5 permanent staff supplemented by two long-term consultants. It is headed by the Chief Financial Officer, who reports to the Director-General in coordination with the Deputy Director-General Management and Administration. The organisation chart suggests that the two are sharing the responsibility of heading the finance section, but this is not how management sees it. It would seem important that the responsibility and reporting lines are clarified and the organisation chart illustrates that the finance function is separated from and functions independently of GGGI line management functions.

There are four separate functions in the section: 1) accounting/control/reporting, 2) treasury, 3) budget monitoring, and 4) financial planning/monitoring. During the recent year, the work load of the finance function has been heavy, and staff has been busy with the preparation of new regulations, procedures, processes and software, and also responding to audit and studies and subsequent questions from the media has been taxing. The work load will continue at least until the end of the year, as also the introduction of the new ERP software is demanding. It can be expected that once ERP is fully operational, transaction costs will be reduced, and it may be possible to reduce the staff.

#### **6.5. Checks and balances**

The organisation in the secretariat ensures a separation of approval and authorisation between the line function requesting (initiating) the payment, the finance function approving the payment, and treasury effecting the payment. With a further clarification of the role of the Chief Financial Officer, the integrity of the system is guaranteed.

The Office of the Internal Audit and Integrity is headed by the Chief Internal Auditor, and another internationally recruited professional auditor has joined the office in February 2014. The Chief Internal Auditor refers to the Director General with access to the Audit and Finance Sub-Committee of the Council. The Chief Internal Auditor produced four reports in 2013, which have all been forwarded to management for a response. After an extensive dialogue between management and the Chief Internal Auditor on two of the reports, they have recently been completed and passed on to the Audit and Finance Sub-Committee. Considering that the internal audit function was established a year ago, it seems that it is already working quite well. It must be expected, however, that it may take some time before the function is fully embraced

by the organisation and considered a resource to draw on in the process of developing and fine-tuning procedures, systems, and processes.

GGGI has an anti-corruption policy and a whistleblower policy, both issued in November 2013. The latter states that inappropriate conduct will be reported to the Deputy-Director-General Management and Administration, who may invite the Chief Internal Auditor for certain types of investigations. The Chair of the Council should be informed if the matter relates to members of the Executive Management Group. Dedicated e-mail addresses have been setup for the purpose. Both policies appear in accordance with best practise and the appraisal team was informed that cases had been reported. It is mentioned in the current guidelines that a third party is automatically notified about a whistleblower case (but not about the content of the case), but it is not clear to the appraisal team who the third party may be and how the person is appointed.

External audit is carried out by KPMG, whereas earmarked funds may be audited by another company. The earmarked projects are embedded in the overall Chart of Accounts and thereby covered by the organisational audit. This implies that earmarked activities are audited twice. The KPMG visit to GGGI offices had just been completed at the time of the appraisal and the field audit of the earmarked projects funded by Norway (audited by Deloitte) was initiated the last week of the appraisal.

## **Conclusion**

It is the assessment that GGGI's administrative and financial management systems and procedures are well on the way to becoming "fit for purpose". During the recent year and particularly during the recent six months, a major effort has been made to address the issues raised in previous audits and reports. There is still room for improvement, but it is expected that the introduction of the new Enterprise Resource Planning (ERP) software by the end of the year will ensure that key information which is currently compiled from a range of interim systems will be available in a uniform and comprehensive system. The system design process is in its early stages and it is too early to conclude on the suitability of the system.

## **7. Monitoring frameworks**

### **7.1. Plans and reports**

The work plan and budget for 2014-2016 is the first to introduce Key Performance Indicators (KPI), and the concept note for the preparation of the GGGI strategy 2015-2020 outlines how project logframes will be nested in an overall GGGI logframe. GGGI has worked systematically on the elaboration of monitoring tools and systems and is aware of the need to continuously review and fine-tune tools and formats. The preparation of an overall monitoring

framework with targets and indicators, however, should be linked to the strategy and therefore depends on the possibility of gaining new momentum in the strategy process.

Quarterly Implementation Reports (QIR) at project level have been fine-tuned to collect, among others, performance information, risk assessments, lessons learned, and the potential for and experience with integration of the three work streams. The Organisation and Delivery Unit (ODU) consolidates the respective QIRs into an overall Quarterly Portfolio Report (QPR). The QPR holds a wealth of information but also a mix of what has been undertaken, what was planned but did not take place, as well as what is planned for the next quarter. The report represents work in progress as is not yet linked to an overall framework. GGGI management considers the reports important as management instruments and as sources of information to be communicated externally. Some country-level staff met expressed uncertainty about the purpose of the reports, and it is a major task for the ODU staff to consolidate the QIRs to the overall QPR. It is hoped that the introduction of the ERP system will reduce the workload of the ODU and contribute to a higher degree of consistency.

## **7.2. Country strategies**

The relationship between the overall GGGI strategy and the envisaged country strategies is currently a bit fluid. Country strategies address the impact and outcome indicator levels, whereas as the Core Operating Process (COP) becomes an annual instrument which defines outputs, milestones, and targets for that particular year and the indicative same for the years following the budget year. The QIR would then subsequently be the format for reporting it.

The COP is being revised to include clearer definitions of objectives, programming steps and the scoping and implementation stage. The QIR is also undergoing revisions to better reflect the COP and meet the requirements for the overall QPR. So far QIR is holding only budget but not expenditure information, but this is being worked on. The QIR should also reflect changes during the year caused by internal or external factors. This would leave the COP as the baseline and would allow the reporting to properly reflect the assessment by project staff of the consequences of delayed or reduced implementation.

The main features of the COPs are being discussed with national partners, while the QIRs are considered an internal reporting and monitoring instrument mainly meant to inform headquarters about achievements in the countries. It would appear important to consider how to make best use of the new ERP system to involve partners and ensure their ownership.

## **7.3. Integration of cross-cutting issues – gender, environment and social inclusion**

So far there is not a systematic approach to safeguards on cross-cutting issues in GGGI, but as part of the 2014 work plan for the Sustainability Management and Safeguards Framework,

GGGI is developing tools for programme staff to address safeguards on environment, social and gender issues in GGGI's programme activities. This will be presented to the Council in December 2014. It is expected that the tools will provide for assessments of social, environment and gender issues using a "traffic-light" system that defines remedial measures based on the assessments. The assessments will happen as part of the context analysis at scoping stage.

It is not clear yet whether the assessments will include human rights or if the social dimension will cover poverty and vulnerability. Moreover, while not examined directly, it is a fair assessment that competences and knowledge on the substance and concepts regarding e.g. social and gender issues in regard to green growth are still not widely represented in the GGGI organisation.

From the Danish perspective it will be important to ensure that poverty and human rights are addressed by the upcoming policy and its related tools so these issues are addressed systematically by GGGI. Since the second joint donor review, GGGI has hired more staff with competences in broader development issues, including cross-cutting issues, which is positive – but there is need for a concerted training and knowledge-sharing effort to disseminate the understanding and approaches of key gender, social and human rights issues in regard to green growth.

## **Conclusion**

GGGI has made substantial progress in developing systems and formats for performance monitoring, including at the level of work plans and budgets as well as frameworks that link strategic goals in the country-based Core Operational Plans to project and division results. Work is ongoing to revise and further develop the various tools, and the main challenge in the coming months will be to establish an overall results framework linked to the new strategy. There is not yet a systematic approach to working with safeguards in GGGI, but work is ongoing and will be finalised during the year. Denmark should particularly engage in the question about how to ensure that poverty and human rights are addressed in the upcoming policy and the related tools.

## **8. Risk assessment**

The following risks for GGGI as an organisation have been identified:

### **Financial stress**

- GGGI is experiencing severe cash-flows problems due to a combination of donors' withholding of payments and issues of internal budgeting and expenditure management by GGGI, which will at least require the already defined short and medium-term

measures to be fully implemented in the next year. The financial distress already has direct negative consequences on GGGI's operations, including key initiatives such as the strategy process and fielding of staff at country level. Moreover, the possibility of staff leaving is higher because of the uncertainty of the situation. Until the long-term measures that focus both on securing a more stable funding flow from donors and conservative budgeting and expenditure management of GGGI, the risk of continued financial distress exists. Medium likelihood/high impact.

### **Setting clear strategic direction for the organisation**

- In developing its strategy for 2015-2020, GGGI will need to address a number of key questions concerning strategic focus, thematic and sector priorities, and the role of headquarters versus field and other offices. Internally GGGI currently holds various positions ranging from a broad and flexible approach to a focused and more definitive approach when it comes to addressing these questions. If a clear strategic direction is not set by the Council on these questions, GGGI is likely to work according to a variety of goals, and processes may slow down for lack of decision. This will halt the development of the organisation and its ability to have impact both internationally and through its role as adviser a country level. Medium likelihood/high impact.

### **Integration of the three work streams at country level**

- GGGI's approach based on integration of activities in green growth planning, knowledge development, and public private cooperation at country level so far has not been rolled out. The progress on developing the concepts and concrete ways of bringing the three streams together at country level is still at an early stage, and may take time to develop. The continued weak integration of the work streams is a risk to GGGI's special value-added at country level. At the same time there are signs of a real intent in GGGI to search for workable solutions tailored to country level needs. Low likelihood/medium impact.

### **Structure and organisation**

- The design of GGGI's structure at headquarters and country level, and the continued recruitment of staff, happens at a time when the strategy is not yet defined. This presents the risk of a structure and staff composition that does not match actual needs as reflected by the future strategy. The continued expansion of the organisation is critical, especially in view of the unclear budgets and the cash-flow challenges. The main mitigation measure is to maintain the current halt of all recruitments until a functional review based on the future strategy is implemented. High likelihood/medium impact.

### **Poverty and green growth**

- Poverty reduction and social inclusion does not figure systematically in GGGI's focus on country programme selection and ways of operating at country level, which presents a risk that key Danish objectives for the support will not be served. The mitigation measures are to expand the relative share of low-income countries in the portfolio of country programmes and for GGGI to develop and implement systematic approaches to work with the integration of green growth with poverty and social inclusion in country programme operations.

## 9. Conclusion

Support to the green growth agenda promoted by GGGI is relevant and in line with Danish priorities, but there is a need to define and promote a common understanding in GGGI of the importance of poverty reduction and social inclusion as integral aims of the work for green growth. Many other organisations also work on green growth and the transition towards a green economy, and GGGI's main comparative advantage is that it has proven itself as a trusted adviser in a number of countries and established valuable global partnerships across traditional divides of developed/developing countries and private/public sectors. Also the Korean background of the organisation is appreciated by many of the countries in which it works, as the organisation is considered different from traditional development partners, and South Korea is seen as an important inspiration on how to transform a poor country to an economic superpower over just two generations. The interaction between global and country-level activities needs to be strengthened. Support to GGGI offers wider strategic opportunities for Denmark in the form of strengthening ties with countries, not least with South Korea, that can be important strategic partners in international climate negotiations, in the formulation of post-2015 SDGs as well as in other international relations.

GGGI does not presently have a vision for the direction of the strategy 2015-2020. During the recent year, the Council has concentrated on administrative and financial matters, and the management of the secretariat has been intensely occupied with the establishment of improved systems for financial and administrative management, responding to requests from the media, and dealing with the threatening cash-flow situation.

GGGI has three main work streams: Green Growth Planning and Implementation, Knowledge Development and Management, and Private-Public Corporation. While some progress is seen in the understanding of how the three work streams could be integrated, the practical integration has not yet come very far. There is an urgent need to decide on the size and profile of the future country portfolio. It is the assessment of the appraisal team that it is critically important for GGGI to reduce and focus its efforts in the countries, to obtain a better balance between low-income countries and middle-income countries, and to agree on a more systematic approach to the integration of poverty orientation in country-level operations. For GGGI to be

an effective organisation, the Council should engage much more actively in the strategy process, and GGGI management must ensure that all staff is pulling in the same direction.

The new Director General, who has taken office in mid-April, understands the urgency of establishing a common vision and will prioritise the strategy process. His – and the secretariat's – invitation to all stakeholders to engage in the process should be taken seriously by Denmark, and a concerted effort should be made to influence the process over the coming months.

It is a major achievement that GGGI at country level has managed to become a trusted adviser to Government. National ministries expressed appreciation of GGGI's flexible approach, its difference from traditional development partners, and its links with South Korea. Positive relations to governments are critical to GGGI's further work of promoting green growth. Yet, it will need to find a way to balance its role as trusted partner to Government with its relations to other stakeholders. So far, engagement with private sector, civil society and development partners at country level is still at a low level. Some new cases of integration of the three work streams were found at country level, but overall progress is still limited and currently hampered by financial constraints.

Danish support can only be fully justified if the country mix is adjusted to secure a higher representation of African and low-income countries, and if a systematic approach to working with poverty reduction and social inclusion is adopted. Political economy considerations are emerging but not yet a systematic part of the GGGI approach to country-level operations.

GGGI has made a significant and commendable effort to address the recommendations it received from the second joint donor review concerning its organisation and staff. It has tried to link country level operations closer to headquarters and it has made attempts to better integrate the three work streams.

Considering the still limited activities at country level, however, GGGI may not have fully perceived the message by the review of not over-shooting the organisational architecture. Having 108 staff out of 140 either at headquarters or in the three satellite offices does not seem to be the most appropriate set-up for an organisation, which wants to demonstrate changes on the ground. GGGI has started considering the transfer of staff from headquarters to country level and has been constrained by financial difficulties, but the major difficulty of finding an appropriate set-up seems to relate to its lack of a clear strategy which could help prioritise staff and other resources.

The main response to structural and systemic issues – and to requirements such as those expressed by the second joint donor review – appears to be to recruit more staff to deal with the issues. This may seem a quick fix but it is not a workable model even in a short-term

perspective, and without a strategy for how to make use of the new resources, it may even add to the difficulties.

With the management responsibility for all three work streams being placed in Seoul, the question of the justification for having high-cost offices outside of Seoul can be raised. The appraisal finds that this needs to be clarified at the earliest opportunity in view of the current funding distress.

It is the overall assessment that GGGI's administrative and financial management systems and procedures are well on the way to becoming "fit for purpose". A major effort has been made during the past year and particularly during the recent six months to address the issues raised in previous audits and reports. There is still room for improvement, but it is expected that the introduction of the new Enterprise Resource Planning (ERP) software by the end of the year will ensure that key information which is currently compiled from a range of interim systems will be available in a uniform and comprehensive system. The system design process is in its early stages and it is too early to conclude on the suitability of the system.

GGGI has made substantial progress in developing systems and formats for performance monitoring, including at the level of work plans and budgets as well as frameworks that link strategic goals in the country-based Core Operational Plans to project and division results. Work is ongoing to revise and further develop the various tools, and the main challenge in the coming months will be to establish an overall results framework linked to the new strategy. There is not yet a systematic approach to working with safeguards in GGGI, but work is ongoing and will be finalised during the year. Denmark should particularly engage in the question about how to ensure that poverty and human rights are addressed in the upcoming policy and the related tools.

The most important risk GGGI is facing is severe cash-flows problems due to a combination of donors' withholding of payments and issues of internal budgeting and expenditure management by GGGI. The threat is immediate and is already negatively impacting the work of the organisation.

*To sum up*, a positive account of GGGI's potential as a continued partner for Denmark in its development cooperation will note that the organisation has come very far in a short period of time. It has been established as an international organisation and participates in a series of international fora and platforms, where green growth and cooperation between public and private sectors on sustainable development are being debated.

At country level, GGGI has established itself as a trusted adviser in several of the countries where it works. It is perceived by national stakeholders to be different from other development



agencies because it does not bring its own agenda, and in some countries, its Korean background is considered an asset. In a number of countries, GGGI is providing relevant contributions to national green growth strategies. It works in areas selected by the national governments and is often providing an input of high technical quality. Results of its work at country level are beginning to emerge.

GGGI has managed to recruit many highly qualified staff both a headquarters and country level. While staff was initially technical specialists in areas relevant to the work of the organisation, their qualifications have recently been supplemented by broader development qualifications of newly recruited staff.

GGGI has a remarkable agility and is able to respond fast to external demand. It has in a systematic and comprehensive way addressed the issues highlighted by the Korean-initiated audit, by the Danish-led second joint donor review of GGGI (South Korea, Norway, Australia and Denmark) undertaken in September 2013, and by the assessment commissioned by Norway and undertaken by Deloitte in Seoul headquarters and in Indonesia and Ethiopia during November and December 2013. In the field of administrative and financial management, it has addressed virtually all the recommendations in a short time and it is now well on the way to have 'fit for purpose' systems and procedures in areas where it was previously criticised.

On a more critical note, it must be pointed out that the overwhelming effort and focus on administrative and financial matters has come at a cost. The external interest in its strategic direction has been less well-articulated, and the management and Council have been so preoccupied with the 'cleaning up process' that important questions about what kind of organisation GGGI wants to be in the future have been left unanswered. The new Director General has a strong management background and clearly sees the importance of defining the strategic direction of GGGI. More active engagement from its members, including Denmark, however, is needed.

If deciding to continue the collaboration with GGGI, it should be a key concern for Denmark to influence it to address poverty reduction and social inclusion in a more systematic way. Activities need consolidation and focus, the integration of the three work streams must be taken further, and the country presence should be strengthened in a more limited number of countries.

## **10. Recommendations**

The 3GF department in the Ministry of Foreign Affairs of Denmark should consider the following recommendations in its preparation of the appropriation for new Danish support to

GGGI, and if new funding is granted, Danish representatives in GGGI's governing bodies should draw on the recommendations in their ongoing dialogue with the organisation.

### **Strategy**

- During the coming months, the secretariat should give priority to the strategy process with a view to preparing a consolidated paper for the Council meeting in June 2014. The paper could outline 2-3 options for the future directions of GGGI's work, and the secretariat could recommend the option, which it considers most relevant.
- Between now and November, when the new strategy is expected to be approved by the Council, GGGI should ensure that a common identity and vision for its work is shared by all staff.
- Denmark should engage in the strategy process.

### **Poverty-orientation**

- As part of the strategy process, it should be considered how to change the balance between Least Developed Countries and Middle Income Countries in the overall portfolio of GGGI to include a higher proportion of Least Developed Countries.
- The selection of activities at country-level should in addition to the specific requests by governments also be based on analyses of political-economy considerations and poverty reduction.

### **Consolidation and focus**

- As part of the strategy process, it should be considered to phase out engagements where so far only scoping activities have been conducted.
- A combination could be considered of more comprehensive country activities in 5-7 countries (among these Ethiopia, Rwanda, and Cambodia to ensure the balance between Least Developed Countries and Middle Income Countries) and limited activities (e.g. studies) in a few other countries.

### **Integration of the three work streams**

- Country-level activities should be the main basis for determining GGGI's activities across the work streams. Hence both private sector involvement and knowledge management and development should revolve around country activities and not be separate streams with own independent projects.
- Ways of organising the work in the secretariat should be decided so that KDM and PPC staff from the Knowledge Development and Management and the Public-Private Cooperation streams is systematically involved in country-level activities.

### **Building on the achievements so far at country level**

- GGGI should undertake analyses of potential stakeholders before one of the key ministries is selected as a partner.
- GGGI should ensure broader consultations including also the private sector and civil society.
- The three work streams should cooperate at country level.
- GGGI's advice should be based on comprehensive analyses considering economic, environmental, social and political aspects.

### **Country presence**

- As soon as the financial situation allows, GGGI should pursue the plans to consolidate country teams by transferring staff from headquarters to a limited number of countries. When staffing country teams, it should be attempted to achieve a combination of technical specialists and staff with background in development and broader skills.

### **Size of the secretariat**

- GGGI's response to structural and systemic issues should move away from the tendency to hire staff to deal with these issues, and recruitments should rather be guided by the strategic priorities to be defined and an assessment of the required staff to implement the strategy.
- Based on the office study, which is presently being undertaken, and priorities in the new strategy, GGGI should review and adjust its staff composition in headquarters and satellite offices to assess the positions that are strictly necessary to undertake its core functions.

### **Exchange of information**

- It could be considered if GGGI makes the best use of the newly recruited and very qualified regional directors by inserting them as an additional layer between country staff and management in headquarters. If the option of further focusing activities at country level is selected by the Council, there might not be a need for directors at regional level, though retaining these staff would still be very valuable and important for GGGI's work in the selected countries.
- Ways of ensuring that communication flows more freely and does not wait for approval of the various hierarchical levels should be considered.

### **Administrative and financial management systems**

- The reference relations of the Chief Financial Officer appear to be unclear. From a checks-and-balances point of view, it is considered important that the finance function is separate and functions independently of GGGI line management functions.
- The risk of over-shooting the architecture in a relatively small organisation, pointed out by the second joint donor review, remains. GGGI has made a commendable effort to set up new systems to address previous criticism, but in the future it is important to consider that systems and procedures should not be unnecessarily complicated and cumbersome.

## **Annexes**

ANNEX 1	Terms of Reference
ANNEX 2	List of persons met
ANNEX 3	GGGI in Mongolia and Rwanda
ANNEX 4	Organisation chart of GGGI
ANNEX 5	GGGI Key financial data

## **Terms of Reference**

**for**

### **Appraisal of Danish core contribution to the GGGI 2014-2016**

#### **1. Background**

The Global Green Growth Institute (the GGGI) was launched by the Republic of Korea in June 2010. Denmark decided to join the GGGI in 2011 and committed DKK 90 million for the period 2011 to 2013. GGGI converted to an international organization by agreement among its partner governments in October 2012. Denmark is represented in GGGI's governing bodies and has actively supported GGGI's conversion into an international organisation. GGGI's vision is that the world makes a paradigm shift to "green growth", a model of economic growth that simultaneously achieves poverty reduction, job creation, social inclusion as well as environmental sustainability and resource security. GGGI's mission is to advance the practice and theory of green growth by helping to develop, implement and deepen understanding of green growth strategies. GGGI's vision and mission correspond well with the Denmark's strategic green growth priority.

GGGI is not a green growth advocacy organisation, but a specialised agency entirely dedicated to working with policy makers of countries to identify pro-development/pro-environment green growth related policy choices and to help them expand the frontier of policy options by also helping them mobilise the necessary finance, technology and institutional capacity. While technical expertise offered by many organisations goes hand in hand with the potential for large grants or loans, GGGI only offers technical expertise.

GGGI was established in a short period of time on the basis of great ambitions. Expansion of activities began before GGGI had finalised its strategic thinking on how to make a difference and reach the ambitious goals that were set. Also, internal support functions, including internal administrative regulations and the necessary financial control and support functions were lagging behind.

The achievements and challenges of GGGI were documented by the Second Joint Donor Review undertaken in September 2013. The review was performed by Australia, Denmark, Norway and Republic of Korea and included visits to Ethiopia, Cambodia and to the GGGI headquarters in Seoul. The review team concluded that planning and implementation activities in the two visited countries are moving ahead with some key early achievements. Less progress has been made on research/Knowledge Development and

Management and Public-Private sector Cooperation. One main challenge is that the three work streams of GGGI (Green Growth Planning and Implementation, Public-Private Cooperation, and Knowledge Development and Management) have not been integrated in the country projects. According to the review, GGGI staff at country level are highly competent within each their areas of specialisation and dedicated to the vision of green growth. However, country staff has felt detached from headquarters and there has been a lack of communication, strategic guidance, professional and administrative support.

The review furthermore pointed to a number of weaknesses in GGGI's administrative set-up, including financial management, at country and headquarter level, but also recognised that the GGGI management was in the midst of addressing these issues. The management response to the review confirmed this and subsequent GGGI reporting to its governing bodies and Donor Consultative Group has further confirmed the follow-up on the review recommendations by GGGI.

The review was followed up by an assessment of GGGI commissioned by the Government of Norway and undertaken by Deloitte. The assessment took place in Seoul headquarters (in November 2013) and in Indonesia and Ethiopia (November to December 2013) and focussed on operations during the period January to September 2013. The assessment focussed on the implementation of administrative rules and procedures in the headquarters in Seoul and in the country operations in Indonesia and Ethiopia. The reports concluded that GGGI has ensured sufficient and satisfactory follow-up in the headquarter functions in Seoul. However, there continues to be challenges in ensuring the implementation of necessary financial control and support rules at the country level. This was especially the case in Ethiopia, while the situation was found to be better in Indonesia without being fully satisfactory. The management response to the Deloitte reports shows that the GGGI management have addressed or are in the process of addressing the identified weaknesses.

The findings of the review and the assessment by Deloitte have attracted a lot of public interest and interest from members of Parliament in Denmark. While critical voices have dominated the public debate, the Danish Government has decided that it wants to continue the cooperation with GGGI through a new support to the organisation of DKK 90 million for three years (2014 to 2016), provided that this is recommended by the appraisal and appropriate follow up on critical issues previously raised is taking place.

GGGI is presently in the process of preparing its new strategy 2015-2020. GGGI has invited its donors, including Denmark, to take an active role in this strategy process. The Danish Ministry of Foreign Affairs is in the process of formulating an organisation strategy for the Danish support to the GGGI 2014-16. The organisation strategy will be finalised after the appraisal has been conducted and will guide Denmark's dialogue and partnership with the organisation through Denmark's representation in GGGI's governing bodies.

## 2. Objective

The *overall objective* of the appraisal is to substantiate the granting authorities' funding decision by assessing the relevance of the support and the quality of the planning framework of GGGI.

The *specific objective* of the appraisal is to assess the relevance, the effectiveness, efficiency, expected impact and sustainability of GGGI's work, and the risks related to the proposed support to GGGI.

The conclusions and recommendations of the appraisal as well as the response to the appraisal recommendations from the unit responsible for the cooperation with GGGI in the Ministry of Foreign Affairs forms the basis for the decision by Danida management to present the proposed grant of DKK 90 million to the External Grant Committee and eventually to the Minister for Trade and Development Cooperation for approval.

## 3. Scope of work and activities

The appraisal will take the point of departure in the conclusions of the Second Joint Donor Review and Deloitte's reports and the management response to both by GGGI.

The work of the appraisal team will be structured around the OECD/DAC evaluation criteria, and will include but not necessarily be limited to, the following:

- Relevance of the Danish support to GGGI
  - Is the support justified by the comparative advantages (or niche) of GGGI as an international organisation, including the potential integration of the three work streams in the present and upcoming GGGI strategy, its focus on provision of technical assistance, and its particular status as an organisation based in the Republic of Korea.
  - How does GGGI work with the focus on green growth and on poverty reduction and social inclusion, including issues of human rights and gender equality?
  - How does GGGI integrate social and environmental standards, including CSR into its operations as an organisation as well as into its activities at country level?
  - How does GGGI fit into and add value to the overall Danish support to green growth, including climate change mitigation and adaptation activities?
  - How does Denmark benefit from its role as a donor to GGGI and member of GGGI's governing bodies?
  - Do country programmes add value to the activities already undertaken by partner governments, private sector actors and civil society organisations in the countries and to the activities funded by other international agencies?



- Effectiveness
  - Do country programmes have a clear strategic focus with strong local participation by relevant stakeholders, including from the private sector and civil society, and sharing of knowledge within and among countries?
  - To what extent has GGGI been able to ensure integration of the three work streams at country level?
  - Has GGGI achieved the expected output in the two countries included in the appraisal, and to what extent is the organisation on the right track to reach the targets?
  - Does GGGI align priorities and implementation procedures to the extent possible with partner country priorities and procedures?
  - Is the GGGI identity and strategy fully understood and owned by all staff in headquarters and at country level?
  - Do country level staff offer lessons learnt to the ongoing strategy process and how does this inform the upcoming new strategy?
  - Does staff in headquarters and at country level have the relevant qualifications, incl. competence in change management, political economy, environmental management and development cooperation?
  
- Efficiency
  - The quality of GGGI's management, including financial management and monitoring systems. Particular assessment of the quality of the results framework and the authority and functioning of the Office of Internal Audit.
  - Have relevant steps been taken to improve the support by headquarters to the country teams?
  - Status for implementation of administrative rules and procedures, including financial control and support rules in the Headquarter in Seoul.
  - Status for the implementation of administrative rules and procedures, including financial control and support rules in countries included in the appraisal.
  - Are the new administrative rules and procedures suitable for country level operations and the size of projects and type of activities, GGGI undertakes at country level? Are they fit for purpose?
  
- Expected impact
  - Is it possible to assess the expected impact of the activities undertaken by GGGI in the countries included in the appraisal?
  - How suitable is the new GGGI Enterprise Resources System to the kind of activities, GGGI implements?
  
- Sustainability
  - Is it likely that GGGI will be able to establish a long-term financing model?
  - Does the organisation receive an appropriate combination of core-funding and earmarked funding?

- What has been done to increase the number of donors to GGGI and the predictability of donor funding?
  - Has the message from donors about limiting the expansion into new countries and limit the increase of the number of staff been fully acknowledged by the GGGI management and how do GGGI country strategies reflect this?
  - Does GGGI have a sufficient focus on professionalization of the organisation?
  - Are the achievements of the organisation likely to be sustainable?
- Risks
    - What are the main risks to the GGGI as an organisation and what risk mitigation and risk management systems are in place?
    - How are risks defined and addressed at country level?
    - How are risks and assumptions handled in the project management system?

#### **4. Output**

The output will be:

- A mission preparation note to be prepared before the beginning of the field mission (maximum of 8 pages). The note will outline the key appraisal questions and processes.
- A debriefing note summarizing the findings and recommendations of the appraisal (maximum of 10 pages). This note will be presented to the GGGI at a debriefing meeting before the departure of the team from Seoul.
- A final appraisal report (maximum of 15-20 pages, excl. annexes) to be prepared at latest two weeks after the departure of the team from Seoul.

#### **5. Methodology and timing**

Both the Second Joint Donor Review and Deloitte's reports conclude that there is scope for improving the link between headquarters in Seoul and the practical work at country level. The reports also point to integration of the three work streams at country level as a challenge, and especially Deloitte's reports focus on a series of deficiencies related to the administrative and financial management aspects of the country programmes.

To follow up on this, it has been decided to select two countries for visits according to the following criteria

- Country programmes are funded by core support (as this is the support modality used by Denmark).
- One country should be geographically far from GGGI headquarters and one country should be situated closer to Seoul.
- Activities at country level should have been ongoing at least since 2012, so preliminary results can be assessed.

- Country activities should have a certain volume (country programme budget larger than 500,000 USD in 2013).
- In-country staff should be available for meetings.

Based on these criteria, the appraisal team has selected Rwanda and Mongolia as the two countries to be visited.

The appraisal process, including preparation, country visits, and finalisation of the report will take place from 17 March to 25 April 2014.

The tentative programme is as follows:

- Review background documents, incl. the Second Joint Donor Review, Deloitte's reports, previous appraisal and review reports, country strategies and country program documentation for Rwanda and Mongolia, and other relevant documents provided by GGGI. This will be done from home base (17-24 March).
- Video conferences between the team and GGGI in Seoul, Kigali and Ulaanbaatar to discuss and plan mission (during the week beginning with 17 March).
- Video conferences with other donors and meetings in Denmark with relevant stakeholders will be held as deemed appropriate (during the week beginning with 17 March).
- Visit to Rwanda (25 to 27 March)
- Visit to Mongolia (7 to 9 April)
- Visit to GGGI Headquarters in Seoul for meetings with GGGI staff (2 to 6 April and 10-14 April).
- Finalisation of appraisal report from home (deadline for final report on 25 April).

The team will work closely with GGGI staff in Seoul and in the selected two partner countries. The GGGI will appoint primary points of contact to facilitate the work of the team.

The points of contact will forward relevant documents in due time before the mission, assist with setting up relevant meetings and assist with logistical matters such as hotel reservations and local transport. Danida will cover all costs for the four team members.

## 6. Team

Members of the team are:

- Ms. Tove Degnbol, Head of Department, Ministry of Foreign Affairs/Danida, Team Leader.
- Mr. Torben Nilsson, Senior Technical Advisor, Ministry of Foreign Affairs of Denmark/Danida, green growth specialist
- Mr. Mike Dahlggaard, external consultant, financial management specialist
- Mr. Thomas Juel Thomsen, external consultant, institution specialist

## **7. Background documents**

- Second Joint Donor Report of the GGGI (October 2013) and management response (November 2013)
- Deloitte report and management response (February 2014).
- Danida appraisal note, February 2011.
- Joint Donor Review, November 2011.
- Relevant programme documents for Rwanda and Mongolia, including Core Operating Process documents and other management documents/manuals as appropriate
- Other GGGI documents as appropriate.

## **ANNEX 2: LIST OF PERSONS MET**

### **PEOPLE MET IN RWANDA**

#### **GGGI**

- Ms. Sharmala Naidoo, Director of Sub-Saharan Africa
- Dr. Okju Jeong, Country Manager Rwanda Program
- Ms. Sandrine Twagirimana, Assistant Rwanda Program
- Mr. James Reeves, Consultant (via telephone)

#### **Government of Rwanda**

- Dr. Silas Lwakabamba, Minister of Infrastructure
- Ms. Caroline Kayonga, Permanent Secretary, Ministry of Natural Resources
- Mr. Vincent Munyeshyaka, Permanent Secretary, Ministry of Local Government
- Mr. Godfrey Kabera, Deputy Director General of National Development Planning and Research, Ministry of Finance and Economic Planning
- Ms. Esther Mutamba, Director General, Rwanda Housing Authority
- Dr. Rose Mukankomeje, Director General, REMA
- Mr. Alex Mulisa, Coordinator, FONERWA

#### **District of Muhanga**

- Ms. Yvonne Mutakwasuku, Mayor
- Mr. François Uhagaze, Vice-Mayor in Charge of Economy and Development

#### **CSO/NGOs**

- Ms. Annie Kairaba, Director, Rwanda Initiative for Sustainable Development
- Mr. Linus Pott, Technical Advisor, Rwanda Initiative for Sustainable Development

#### **Private sector representatives**

- Mr. Antoine Muhirwa, Managing Director, Urban Sustainability Rwanda Ltd.

#### **Development partners**

- Dr. Daniela Beckmann, Director, KfW Office Kigali
- Ms. Marion Fischer, Principal Advisor, GIZ
- Mr. Nils Fürköther, Technical Adviser, GIZ
- Dr. Donna Rubinoff, Senior Advisor, City of Kigali
- Ms. Montse Gibert Fortuny, Consultant, UN-Habitat
- Ms. Sara Love, Climate Advisor, DFID
- Mr. Jonas Ingemann Parby, Urban Specialist, World Bank

## PEOPLE MET IN MONGOLIA

### GGGI

- Ms. Bulganmurun Tsevegjav, Senior Officer, GGP&I, Mongolia
- Mr. Bonjun Koo, Officer, GGP&I, Seoul

### Government of Mongolia

- Dr. Oyun Sanjaasuren, Minister for Environment and Green Development
- Mr. Enkhbat Altangerel, Director, Division of Clean Technology and Science, Ministry of Environment and Green Development
- Mr. Gerelt-Od T'sogtbaatar, Head of CDM National Bureau, Climate Change Coordination Office, Ministry of Environment and Green Development
- Ms. Saruul Dolgorsuren, Officer, Climate Change Coordination Office, Ministry of Environment and Green Development
- Mr. Bekhbat Sognom, Director General, Department of Innovation and Public-Private Partnership, Ministry of Economic Development
- Ms. Chimegsanaa Tumurtogoo, Head of Free Zone Division, Ministry of Economic Development
- Mr. Battulga Nergui, Head, Technology and Professionalization Division, Ministry of Roads and Transportation
- Ms. Onon Byambasuren, Head, National Committee on Gender Equality, Gender Consortium
- Ms. Oyuntsetseg Oidov, Advisor, National Committee on Gender Equality
- Ms. Bolormaa Mashlai, Secretary and Head of the Secretariat, National Committee on Gender Equality
- Mr. Davaadorj Tseren, Director of the Information and Analytical Services, Office of National Security
- Mr. Tovuuodorj Purevjav, Director General, Strategic Policy and Planning Department, Ministry of Energy
- Mr. Tumenjargal Makhbal, Officer in Charge of Renewable Energy, Strategic Policy and Planning Department, Ministry of Energy
- Ms. U. Dulamsuren, Director of School No. 4, Zuunmod City, Tuv Aimag/Province
- Mr. T'sendsuren Janchiv, Governor and Mayor of Zuunmod City, Zuunmod City of Tuv Province

## **CSO/NGOs**

- Mr. Quentin Moreau, Country Director, People in Need
- Dr. Ann Edwards, Country Director, Wildlife Conservation Society
- Mr. Buuveibaatar, Lead, for Conservation Science, Wildlife Conservation Society
- Ms. Odonchimeg , Lead for Conservation Initiatives, Wildlife Conservation Society
- Ms. Onon , Policy Analyst, Wildlife Conservation Society
- Ms. Amgalan Terbish, Board Member, Community Development Center in Tolgoit
- Ms. Nyamsuren Sandag-Ochir, Director of Government and Public Relation, Radiation Safety and Nuclear Technology Association
- Mr. N. Enkhtsogt, Chief Executive Officer, Radiation Safety and Nuclear Technology Association
- Ms. Enkhtuya Oidov, Country Program Director, The Nature Conservancy

## **Private sector representatives**

- Mr. Jim Dwyer, Executive Director, The Business Council of Mongolia
- Ms. A. Bayarmaa , Chair of the Environmental Working Group, The Business Council of Mongolia
- Mr. Bold Magvan, Chief Executive Officer, Tenger Financial Group, President of Mongolian Bankers Association
- Ms. Tuul Galzagd, Director, Eco Banking Department, Xac Bank
- Mr. Spike Hosch, Senior Project Development Officer, Eco Banking Department, Xac Bank
- Mr. Ts. Sukhbaatar , Managing Director, Clean Energy LLC
- Mr. D. Gankhuyag , Chief Infrastructure Officer, Newcom Group
- Mr. Tumenjargal Gombodash, Head of Sustainable Production and Consumption Department Mongolian National Chamber of Commerce and Industry
- Mr. Baasankhuu Gantumur, Executive Director, Mongolian Association of Civil Engineers

## **Academia:**

- Ms. Nergui Dorj, Director, School of Economic and Business Management, National University of Mongolia

## **Development partners**

- Mr. Thomas Eriksson, Deputy Resident Representative, UNDP
- Ms. Bunchingiv Bazartseren, Environment Team Leader, UNDP

## **PEOPLE MET IN SEOUL**

### **Global Green Growth Institute, Seoul**

- Mr. Yvo de Boer, Director General (from 18 April 2014)
- Mr. Howard Bamsey, Director General (until 18 April 2014)
- Ms. Youngmee Oh, Chief Internal Auditor and Deputy Director

### **Green Growth Planning & Implementation**

- Dr. Mattia Romani, Deputy Director-General, GGP&I
- Dr. Imran Habib Ahmad, Director, South East Asia and Pacific, GGP&I
- Ms. Jennifer Butz, Director, North and Central Asia, GGP&I
- Dr. James Seong-Cheol Kang, Country Manager/Principal Transport Specialist, GGP&I
- Ms. Margaret N. Kim, Program Integration Officer, GGP&I and PPC
- Mr. Bonjun Koo, Officer, GGP&I
- Mr. Jiangwen Guo, Senior Specialist, Sustainable Production and Consumption, GGP&I
- Ms. Chaerin Yun, Country Manager/Technical & Water Specialist, GGP&I
- Mr. Benjamin Sims, Program Manager, GGP&I
- Ms. Hae Kyung Lee, Senior Advisor, GGP&I
- Mr. Hyo Youl Kim, Country Representative, Philippines/Principal Green Policy Specialist

### **Management & Administration**

- Mr. Robert Dawson, Deputy Director-General, M&A
- Mr. Munehiko Joya, Chief Financial Officer
- Mr. Sivabalan Muthusamy, Deputy Director, Finance
- Mr. Sven Erik Hargeskog, Senior Procurement Manager, ODU, M&A
- Mr. Ronnie Lim, Senior Manager, IT & Facilities Management, M&A
- Ms. Akiko Murai, Deputy Director, Head of Human Resources, M&A
- Mr. Kanghan Song, Special Assistant to the Deputy Director-General, M&A
- Mr. Edward Mallari, Senior Business Process Management Specialist, M&A
- Mr. Jihwan Park, Principal Legal Officer, M&A
- Mr. Bradford Phillips, Head, Organization and Delivery Unit, M&A
- Ms. Cristina Traini, Senior Monitoring and Evaluation Specialist, ODU, M&A
- Ms. Inhee Chung, Senior Sustainability and Safeguards Manager, ODU, M&A
- Mr. Rene Karotki, Senior Advisor



### **Strategy, Policy & Communications**

- Ms. Hyoeun Jenny Kim, Director, SPC
- Mr. Darius Nassiry, Deputy Director, SPC
- Mr. Damin Chung, Officer, SPC
- Mr. Joo-un Park, Senior Program Officer, SPC/KDM
- Mr. Jahan-zeb Chowdhury, Senior Strategy and Planning Specialist, SPC
- Mr. Troels Dalgaard, Senior Resource Mobilization Specialist, SPC

### **Public Private Cooperation**

- Mr. Nikolaus Schultze, Assistant Director-General, PPC (telephone interview)
- Dr. Jason Lee, Principal Economist, KDM/ PPC
- Ms. Margaret N. Kim, Program Integration Officer, GGP&I and PPC

### **Knowledge Development and Management**

- Dr. Myung-Kyoon Lee, Director, KDM
- Mr. Jason Eis, Director, Latin America and India GGP&I and Deputy Director, KDM (telephone interview)
- Dr. Jason Lee, Principal Economist, KDM & PPC
- Ms. Sangjung Ha, Project Manager, Green Growth Best Practice, KDM
- Mr. Ho Seok Kim, Principal Economist, KDM
- Mr. Yong Sung Kim, Senior Infrastructure Specialist, KDM

### **Ministry of Foreign Affairs, Republic of Korea**

- Mr. Lee Jooil, Director, Global Green Growth Division
- Ms. Kyoung-hac Kim, Second Secretary, Global Green Growth Division

**Mongolia**

GGGI initiated the collaboration with Mongolia in November 2011 by signing a Memorandum of Understanding with Ministry of Environment and Green Development, one of five core ministries in Mongolia. GGGI has had one staff in-country since September 2013, placed in the Ministry of Environment and Green Development and supported by a team of two people in Seoul and recently a Regional Manager.

GGGI works towards assisting the Mongolian Government both in developing and implementing the national strategy for green development as well as the greening of sector plans. A strategy workshop held in February 2012 led to the identification of transport and energy as the two priority sectors. In early 2014, a workshop on green buildings was organized by GGGI.

The achievements and next steps for GGGI in Mongolia are the following:

**Transport**

- Under “Strategies for green public transport in Mongolia” assessments have been conducted to convert diesel buses into eco-friendly fuel consumption, and policies to promote public transportation have been proposed and analyzed.

**Energy**

- Under “Strategies for development of green energy systems in Mongolia” potential renewable energy sources are identified and evaluated using energy planning software to develop proposals for green energy initiatives.

**Overall green development policy**

- Once Mongolia’s National Strategy for Green Development is approved by Parliament, GGGI will work with the Government to develop and implement the action plans for selected specific sectors.

**Main appraisal findings**

- GGGI has succeeded in establishing itself as a trusted adviser to Government, particularly the Ministry of Energy and Green Development.
- GGGI’s focus on energy, transportation, and green buildings reflects relevant national green growth priorities. However, GGGI could be more strategic and principle-driven in choice of focus sectors.
- GGGI studies on energy and transport would have been more useful if they had considered the political economy of the proposed technological solutions, since important economic and financial barriers to the implementation of the recommended initiatives were not addressed.
- Despite the fact that half of Ulaanbataar’s population (one fourth of

Mongolia's population) lives in very poor conditions in tented camps around Ulaanbaatar and are responsible for substantial air pollution by burning waste and coal, their situation was not addressed by the GGGI energy study. The study thereby missed an opportunity to address greening and poverty reduction together.

- It is important for GGGI in future to coordinate with other green growth players as well as to help government to strengthen the involvement of civil society organisations and the private sector.
- The integration between the three work streams of GGGI is emerging, as staff from the Public Private Sector work stream has recently visited Mongolia and participated in a strategy workshop.
- GGGI needs higher in-country presence to fully reach out to stakeholders, continue to develop relations as a trusted adviser, and deliver on Government's needs for advice.

### **Rwanda**

GGGI initiated the collaboration with Rwanda by signing a Memorandum of Understanding in October 2012 with the Ministry of Infrastructure. The support was initially funded through earmarked Korean funding for scoping activities and since 2013 with core funding.

The GGGI country manager is based in Seoul but has travelled to and stayed in Rwanda extensively since 2012. The plan is to have a resident country manager in Kigali soon. When in Rwanda, the country manager works from a desk in the Ministry of Infrastructure. Recently, a national staff member and a Regional Manager (not based on Kigali) have been hired.

GGGI works on assisting the Government of Rwanda in the area of urban development and housing within the scope of the Rwandan Economic Development and Poverty Reduction Strategy 2013-2018 (EDPRS 2).

The achievements and next steps for GGGI in Rwanda are the following:

#### **Urban development**

- GGGI assists the Government of Rwanda in developing a framework for green urbanization in six secondary cities, defined by the EDPRS 2 as poles of economic growth.

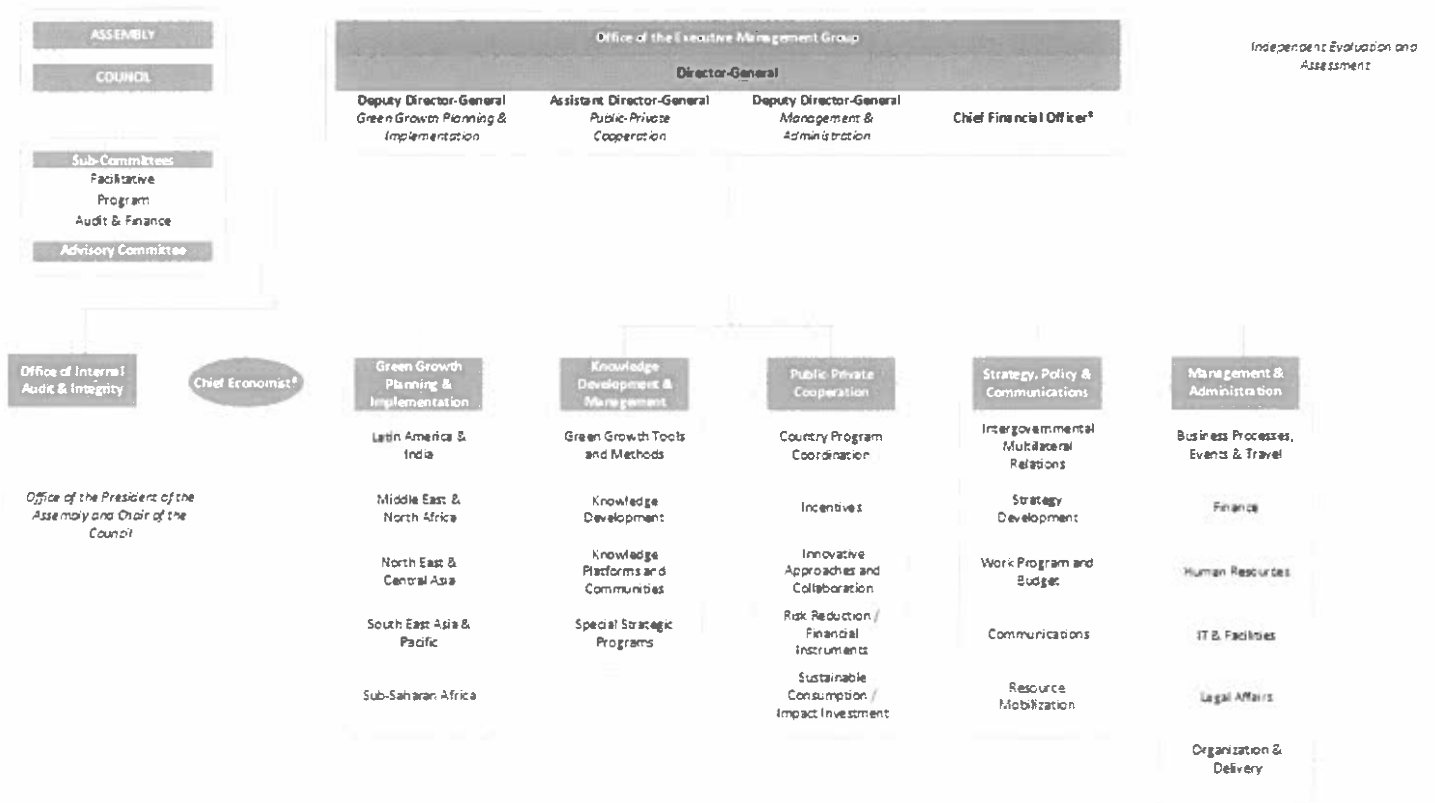
#### **Main appraisal findings**

- GGGI has managed to build relations of trust with key Government partners, notably the Ministry of Infrastructure, the Ministries of Environment, and the Ministry of Finance, which consider GGGI different from development partners and highlight GGGI's focus on ownership and willingness to work based on Government strategies and approaches.
- Given Government priorities and the green development needs in

Rwanda, the focus on green urbanization is a relevant priority, but other sectors could be relevant too. Hence, GGGI could expand its scoping to consider opportunities and needs in a more comprehensive way and reach out wider to more stakeholders.

- While GGGI work in Rwanda directly supports the EDPRS 2, the visit to Muhanga District showed that moving from strategy to implementation and ensuring a focus on social inclusiveness and poverty reduction in practice requires further attention.
- Recently, GGGI has started more systematically to build relations with development partners in urban development and is now a member of the sector working group.
- GGGI should do more to help government to engage with the private sector and exploit opportunities for private sector involvement in green growth.
- GGGI has so far not engaged with civil society in Rwanda, where Government is hesitant to involving it. GGGI should work for inclusive approaches to green growth.
- The integration between the three work streams of GGGI has not yet happened.
- The current financial constraints are slowing down activities at country level.

# ANNEX 4: ORGANISATION CHART OF GGGI

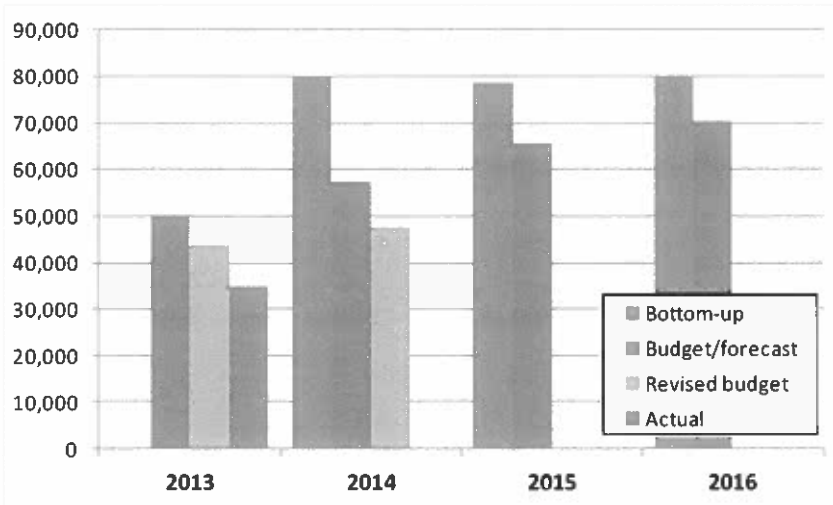


Note: \*Cross-Functional Role

Updated: As of 15 April 2014

## ANNEX 5: GGGI KEY FINANCIAL DATA

### GGGI Budget 2013-2016



### GGGI Income and resource mobilisation 2014

Supply of Fund	Low	Medium
Beginning Balance 2014 (Core)	\$10,000,000	\$15,000,000
Beginning Balance 2014 (Earmarked)	\$500,000	\$500,000
Korea	\$10,000,000	\$10,000,000
Denmark	\$5,000,000	\$5,000,000
Norway	\$5,000,000	\$5,000,000
Qatar	\$5,000,000	\$5,000,000
Australia		\$5,000,000
UK		\$5,000,000
Earmarked	\$10,000,000	\$15,000,000
<b>Total</b>	<b>\$45,500,000</b>	<b>\$65,500,000</b>
Demand for Resources	\$57,106,877	\$57,106,877
Resource Mobilization Target	\$11,606,877	(\$8,393,123)