

Maximizing organizational effectiveness and efficiency

In 2017, GGGI continued to improve its financial stability and business processes. This is in response to the 2015 Joint Donor Review, and to provide corporate support for improved delivery of programmatic and

operational priorities and strengthen transparency and integrity. Much of this effort has been initiated under the iGROW business reform.



In November 2017, a management reform process, internally branded iGROW, was launched with a view to position GGGI as: (i) a lead player promoting green growth; (ii) a well-funded organization with a growing pipeline of projects; (iii) an organization delivering exciting projects actively supported by stakeholders; (iv) an organization with strong partners and extended portfolios; (v) an organization which delivers products and services at optimum cost; (vi) a responsible and value-driven organization that is trusted; and (vi) a great place to work.

To achieve maximum results, the reform process is deploying approaches that leverage the organizational enablers of values and strategy, policies, systems and processes, and the people of GGGI.

With regards to strategy and values, the Council approved a Refreshed GGGI Strategic Plan, 2015-2020, in October 2017. In the Strategic Plan, GGGI articulates five core values and six Strategic Outcomes (SOs). The SOs represent the long-term ambition of GGGI's contribution to assisting countries make a lasting transition to green growth.

In terms of policies, system and processes, within iGROW, GGGI launched a review of its core business processes, including processes for resource mobilization and project management. The Customer Relationship Management is supporting the implementation of iGrow. In relation to this approach, responsibility for resource mobilization has been transferred to GGGI's country offices, further positioning them as autonomous business units with enhanced in-house capacity to implement projects.

With regard to the people of GGGI, the Institute has launched culture circles to ensure absorption of its values. In addition, GGGI is mobilizing its middle management in a leadership effort through management training provided to unit heads, establishing the *Focus 45* managers. Trainings are also being provided, including in the context of rolling out the Customer Relationship Management system.

LDCs and MICs program allocations

To enhance its presence in Least Developed Countries (LDCs) GGGI has established 2020 targets to allocate 50% of core program resources to LDCs. In 2017, GGGI surpassed this target by allocating 53% of core program resources to its Member and partner LDCs. For Member LDCs, GGGI has a target to allocate 42% of core program resources by 2020 target. In 2017, core funding to Member LDCs was 35%, compared to 26% in 2016. The main increase in core program

budget allocation can be attributed to basing operations in Ethiopia on core funding and attributing the costs of Green Investment Services to the countries and projects which they support. Similarly, GGGI has established 2020 targets to allocate 87% of core country program budget to Member LDCs and MICs combined. In 2017, core funding to LDCs and MICs was 72% compared to 67% in 2016.

	2016	2017	2020 (Target)
% of core country program budget allocated to Member LDCs	26%	35%	42%
% of core country program budget allocated to Member LDCs and MICs combined	67%	72%	87%

Enhancing efficiency

Implementation of the WPB in 2017 reflected a commitment to efficiency of internal support functions, particularly performance of human resources management, legal, finance, and facilities services in line with the reform agenda. GGGI is further strengthening the foundation for a country-based

operation model and ability to respond to the needs of its partners by empowering staff in the field and those closer to the clients to make necessary decisions on GGGI operations. For example, GGGI is moving the responsibility and accountability for GGGI resource mobilization to its country offices.

	2016	2017	2020 (Target)
% of spending on management and administration	20%	16%	17%
% of spending on non-programmatic activities	36%	30%	30%

To track performance of enhancing efficiency, GGGI has established 2020 targets for percentage of spending on management and administration and non-programmatic activities. The results for 2017, calculated based on core budget allotments, show

improvements to 16% and 30% respectively compared to 2016. The improvements stem mainly from an overall 14% reduction of budget for finance and procurement, human resources, and IT services.

Transparency and Accountability

Financial statements were released on time (4th Week of March 2017) with an unqualified opinion and no significant findings noted by external auditors. This is an important proxy testifying to the strength and transparency of the financial, accounting and procurement policies and systems and effectiveness of the control environment to manage risks.

This Annual Report includes reports for all 49 projects implemented in 2017 under the biennium WPB 2017-2018. GGGI will continue to strengthen its Results Based Management (RBM) system to better manage and control in the generation, reporting and accountability for the organization's institutional and programmatic results and impacts.

Strengthening our funding base

GGGI's operating income for 2017 was lower than in 2016. However, a moderate increase is projected for 2018. Since 2013, GGGI has relied primarily on core contributions to fund its operating income. However, since 2015 core contributions have decreased, while earmarked contributions have increased. In response to this trend, GGGI has taken decisive and prudent steps to change its business model to be able to attract sufficient development capital.

To respond to this challenge, GGGI is focused, through collaboration among GGGI's headquarters and country offices, on identifying potential earmarked funding sources to meet GGGI's programmatic priorities going forward. The primary goal of these efforts is to increase resources to respond to the needs of our Member countries and to add value by catalyzing additional resources for green growth support in our partner countries.

Introducing Evaluation

In 2017, GGGI sought to strengthen its results-based management capabilities by establishing an Impact & Evaluation Unit (IEU). In its first year, IEU focused on establishing the necessary governance and management policies and systems to operate, and beginning to commission independent evaluations of GGGI's work.

IEU conducted its first evaluation to assess the Institute's progress against the Strategic Plan 2015-20. This evaluation examined a range of programmatic and institutional issues, and was informed by in-depth reviews of a sample of country and global projects. The evaluation was concluded and released in June 2017, and found overall that GGGI was making good progress against its strategic priorities, whilst also highlighting some areas where the Institute could improve.

In the second half of 2017, IEU developed and released a formal evaluation policy in August, and commenced independent evaluations of its Thailand and Mexico country programs. The findings of this work are due to be published in early 2018.

Risk Management

Since 2015, GGGI has internally managed its risks under a number of risk headings related to the organizational structure and governance, operational program and portfolio, legal, financial management and operations, human resources management, information technology, data and asset management, and working environment.

In 2017, GGGI emphasized the need for robust corporate risk management, particularly in recognition of the operational necessity for GGGI to develop business models for that are conventionally considered risky. GGGI works in sub-commercial sectors where private finance has yet to enter and needs de-risking, GGGI also needs to pilot projects, or engage in the design of high-risk yet innovative models of green growth. GGGI and its governance bodies are aware that GGGI's project failure rate may exceed that of conventional development agencies and therefore, the risk appetite of GGGI and its Members is higher. Such a heightened risk appetite places additional emphasis on strong corporate risk management practices, with prudent business processes, and efficient and effective resource management.

In October 2017, GGGI officially adopted a Risk Management Framework (RMF), which consolidates GGGI's risk awareness and risk management culture,

establishes a registry of risk and its mitigation measures, and provides a monitoring framework for risk management. The RMF is monitored by the Management Team by using the Risk Management Matrix. This is a tool developed for internal consultation and assessment that specifically provides a description of risks that GGGI faces with indications of the rating and ranking system and includes risk mitigation measures, which, in turn, are implemented through the organization's daily operations, and assigns accountabilities for carrying out the specific risk mitigation measures. The Director-General is responsible for overall risk management and reporting on risk management to the MPSC biannually and to the Council annually through the Annual Report.

In March 2018, the GGGI Management Team reviewed the risks to the organization, business processes, portfolio and assets, and assessed that adequate measures are being implemented to sufficiently manage and reduce GGGI's risk.

Ensuring Integrity

GGGI is continually striving to build and enhance rigorous external and internal safeguard and accountability systems that are aligned with international standards and best practices.

GGGI's Anti-Corruption Policy affirms a zero-tolerance policy against fraud, corruption, coercion and collusion perpetrated by staff members or third parties that directly or indirectly do business with or have interests in GGGI. GGGI has a Whistleblower Policy that supports the Anti-Corruption Policy, by aiming to create an environment where staff members and external persons feel safe to report any suspected integrity violations and misconduct without the fear of retaliation. Reporting of alleged integrity violations and misconduct is made to and investigated by the Deputy Director-General for allegations against non-Executive staff members and by the Chair of the Council in the case of allegations against Executive staff members. GGGI has established an online reporting mechanism that is available on GGGI's external website.

In 2017, the Deputy Director-General received 11 reports of allegations against non-Executive staff members through the whistleblower channel. Eight

reports pertained to connected incidents and were handled by one investigation which resulted in a remedial action. Three reports were closed after the preliminary inquiry determined that there was an insufficient basis to warrant further proceeding due to lack of evidence or not being within the scope of the policy. In addition, two reports received in December 2016 were closed in January 2017 following the preliminary inquiry due to lack of evidence or not being within the scope of the policy.

GGGI also has a Compliance Review Mechanism (CRM), an accountability and grievance mechanism through which external parties adversely affected by GGGI's failure to comply with its own regulations, rules, policies and procedures can bring such instances of alleged failure to the attention of GGGI. GGGI has established an online reporting mechanism that is available on GGGI's external website.

In 2017, GGGI received one request for compliance review. Following preliminary review, the case was closed as the request was related to a subject matter ineligible for treatment under the CRM, but was referred internally and handled as a procurement awards complaint.