

## Protocol Governance Committee meeting #10 Situational Analysis Workshop

9-10 December 2016  
Richmond Hill Hotel, London

### PGC Members:

Name	Organisation	Chamber
Ken Adams	President, IHA	Hydropower operators or developers
Mattia Celio	SECO	Advanced economy country governments
James Dalton**	IUCN	Environment or Conservation Organisations
Roger Gill	Hydrofocus	Hydropower consultants, contractors or equipment suppliers
<a href="#">David Harrison (Chair)</a>	<a href="#">The Nature Conservancy</a>	<a href="#">Environment or Conservation Organisations</a>
Cameron Ironside	IHAS	Management Entity
Rikard Liden	World Bank	Development, public or commercial banks
Jian-hua Meng	WWF	Environment or Conservation Organisations
Jamie Skinner	International Institute for Environment and Development	Social impacts, project affected communities
Michelle Tompson	IHAS	Management Entity

### Apologies:

Name	Organisation	Chamber
Lilao Bouapao	M-Power	Emerging and developing economy country governments
Emmanuel Boulet	Inter-American Development Bank	Development, public or commercial banks
Olubunmi Martins	Research Intelligence Magazine	Social impacts, project affected communities

### Observers:

Name	Organisation	Chamber
Aida Khalil	IHAS	Hydropower consultants, contractors or equipment suppliers
Douglas Smith	Consultant	Hydropower consultants, contractors or equipment suppliers
Richard Taylor	IHA	Hydropower operators or developers
Jorge Gastelumendi	The Nature Conservancy	

\*\*attending remotely

## Agenda

AGENDA ITEM	REFERENCE PAPER
Day 1	
<p><b>1. Introduction; Review of Agenda; Intention for the Workshop Meeting</b></p> <ul style="list-style-type: none"> <li>- <i>David Harrison, Chair</i></li> </ul> <p><b>2. Situation Analysis, fact gathering</b></p> <ul style="list-style-type: none"> <li>- Presentation of Sub-committee paper on Situation Analysis, <i>Roger Gill</i> <ul style="list-style-type: none"> <li>o Discussion of factual input from research: ERM;</li> <li>o One World Standards PPT; Rikard/ Kim products and services paper</li> </ul> </li> <li>- Discussion and comments on Situation Analysis Paper</li> </ul> <p><b>3. Brainstorming and Options Generation,</b></p> <ul style="list-style-type: none"> <li>- <i>(Break out groups if useful)</i></li> <li>- <i>(brainstorming = unedited suggestion of ideas; no criticism yet; get all ideas on the flip chart)</i></li> </ul> <p><b>4. Analysis and Discussion of Potential Options</b></p> <p><i>(Table of Options Analysis projected on screen)</i></p>	<ul style="list-style-type: none"> <li>• Situational Analysis Paper and annexes</li> <li>• ERM Strategic Review Draft Paper</li> <li>• Ppt presentation – <i>Roger Gill</i></li> </ul>
Day 2	
<p><b>5. Review Discussion of Potential Options</b></p> <p><b>6. Synthesis of options, and their respective risks and opportunities</b></p> <p><b>7. Next Steps; transition issues</b></p> <ul style="list-style-type: none"> <li>- Suggestions to IHA Board; Specific questions for feedback to PGC</li> <li>- Further research or analysis tasks           <ul style="list-style-type: none"> <li>- Potential Donor Research</li> <li>- Any actions for ERM prior to paper acceptance as final</li> </ul> </li> <li>- Time line for decision-making;</li> <li>- Clear operating understanding between IHA and PGC for continuing in decision-making process</li> </ul>	<ul style="list-style-type: none"> <li>• Situational Analysis Paper</li> </ul>

# Minutes

## 1. Introduction; Review of Agenda; Intention for the Workshop Meeting

- 🌀 The chair welcomed those in attendance to the workshop, noted the apologies and highlighted the agenda items for discussion.

## 2. Situation Analysis, fact gathering

- 🌀 A committee member presented a summary of the Protocol Situational Analysis paper, including:
  - **background and evolution of the Protocol** and its current governance structures and governing documents: Management Entity, HSA Council, Protocol Governance Committee, Accredited Assessors governed by the Charter, License Agreement and Terms and Conditions for use.
  - **current challenges.** It was noted that the current business model, based royalty income and consultancy type work by the ME, is not viable.
  - Protocol **products and services**, including the analysis conducted by the World Bank on possible revenue flows.
  - Analysis of **comparable organisations** and their governance structures and revenue streams from. The meeting noted the fact that the majority of comparable organisations derived income from more than one source and that revenue generation was a challenge for almost all, with increasing diversity of revenue sources being sought.
  - Realistic potential revenue sources for the Protocol, based on the comparative analysis including royalty income, donor funding, and fee income.
  - Highlighting the various pathways for the Protocol that would form the basis for discussion at the meeting:
    1. **Walk away:** the Protocol has reached maturity and should be made available as an open source tool. Little by way of governance or management required.
    2. **Streamline resources:** assume current trajectory satisfactory, smaller reduced ME provides basic secretariat services to a PGC that continues to act in current form. Current governance structures retained.
    3. **Full service model:** build on current work, fund ME that continues to promote Protocol internationally, provides broad secretarial services and drives Protocol uptake. More governance and management options available.

## 3. Discussion and comments on Situation Analysis Paper

There was significant discussion in particular to current barriers on Protocol uptake and how these might be addressed. Highlights under each topic are summarized below:

- 🌀 **Financial discussions:**
  - A committee member noted the complexities around World Bank providing core donor funding for IHA activities including the Protocol. The external perception globally is that the hydropower sector is sufficiently well resourced to be in a position to fund initiatives such as the Protocol itself. It was noted that generally it was far easier to obtain donor support for project-specific activities, rather than broad untied core funding.
  - ME provided a summary of IHA financial support over recent years and confirmed the challenges of providing further financing after the current financial year.
  - A committee member suggested the need to establish whether the Protocol is a public or private interest tool, on the basis that this influenced how donors can structure funding support. The member noted in particular the requirements around public interest under public sector funding models.
  - The chair noted that strategically the Protocol overlaps the public and private sector and, based on the substantive tool and the stakeholder coalition involved in bringing it together and governing its integrity, ideally should be able to access other sectors.

- A committee member noted that donor involvement is also key for establishing networks across private and public sectors.

#### **Governance discussions:**

- A committee member noted that a challenge remains around the ongoing perception that the Protocol is an industry tool, citing the example of it being broadly referred to externally as the 'IHA Protocol', with implications both for uptake and donor support.
- ME emphasised how well the multi stakeholder process had performed in comparison with other sectors in developing a hydropower international industry good practice tool. ME also emphasised the steps taken to separate the IHA-staffed ME from direct Protocol assessment work.
- The chair agreed that the ME should be focused on Protocol business development and management rather than assessment-based work. The chair also noted the need to market the tool so that the value associated with the product and its multi-stakeholder support network was recognised.
- The PGC were in agreement that the Council chambers had not been operating effectively, in part due to ME focus on project delivery. The meeting recognised that chamber engagement would have to be re-assessed in the long term.
- The PGC members were in broad agreement that the current format for accreditation is too onerous and a barrier to greater Protocol roll-out; and that the Accreditation process and the Terms and Conditions should be reviewed.
- There was detailed discussion about the ownership and governance structures for the Protocol, and whether in fact any change in the current structures would deliver tangible benefits for the Protocol. Some of the options discussed included:
  1. **Open source** recognising that the Protocol is sufficiently mature, and making it freely available, with very limited oversight from either IHA or the PGC. This model would not entail any funding.
  2. **Joint venture partnership:** Establishing an altered governance arrangement by way of an MoU between IHA and the PGC, with the aim of leveraging a suite of funding options that would not be available to an IHA owned ME.
  3. **Spin off to an independent entity:** With the aim of attracting core donor funding in a situation where the Protocol functioned as a completely separate entity from IHA. Some of the challenges with this model appear to include questions around who assumes liability, maintaining the multi-stakeholder alliance (in particular industry) and whether in fact such funding was actually available.
- The meeting recognized that all were options, but that there was not enough information available with which to make an informed decision either way.

#### **Protocol product diversification discussions:**

- A committee member noted that financiers and other end users need to have a simplified and accessible tool, or possibly several tools that are priced according to the end-user's motivation. Investors, financiers and donors need to be able to determine whether projects are compliant with certain standards and are bankable and be provided with a sustainability gap analysis, at a market-related price.
- The chair noted the broad concern that over-simplified services or tools might undermine the governance quality control and increase the perception of green washing.
- The PGC generally accepted that the current idea of promoting a full official assessment as the primary use of the Protocol was challenging for a number of reasons, including cost, reluctance to publish and incentives to use the tool in this manner.
- The PGC noted the example presented by the Climate Bonds Initiative (CBI), where there was broad recognition of the quality of the Protocol processes, but reluctance to engage with the tool due to perceptions of price and ease of access.
- The chair and ME briefed the PGC on progress with the CBI Technical Working Group, and the fact that it would shortly decide on appropriate guidelines to assess project social and environmental performance. The PGC noted that this presented an opportunity to explore expanding the range of products available around the Protocol
- The PGC was in agreement that the full Protocol assessment should be retained as a flagship product and that a complementary suite of products (eg topic guides, tailor-made products such as an assessment tool exclusively for good practice in environmental and social topics, verification of Protocol self-assessments, etc) could be developed that allow for easier and more cost effective engagement with the Protocol.

- There was further recognition that the current accreditation process was inhibiting uptake of the tool by potential accredited assessors, especially those from the large consultancies. It was agreed that there were a number of potential pathways to address this, including new categories of assessors with simplified and graduated access rights, and some relaxing of current rules around full accreditation.
- There was further agreement that the Protocol itself could be edited for language and improved to allow for ease of access to the substance.

## [Day 2]

### 4. Brainstorming and Options Generation,

- 🌀 Based on the discussions on day 1, the PGC recognized that while it is clear that the current Protocol structure was not viable, there were a number of other models which could replace it, however that there was not at this time a deep enough understanding to select any one. The PGC also recognized the need to provide a response to the IHA Board, as per the Board request that:

*“ the PGC prepare a paper on the services, ownership and financial viability of the Protocol, taking into account:*

- *Business model options for the future use of the Protocol*
- *Consideration of the Protocol products and services*
- *Consideration of its business structure and ownership*
- *Options around financial flows, including self-funding and donor support”*

- 🌀 In attempting to address this, the meeting noted the following underlying assumptions:
  - The current strategy for the Protocol, based on a revenue model relying on royalties was not working;
  - The current products available for use by Protocol ‘clients’ were not broad enough, and were potentially inhibiting Protocol uptake;
  - The current structure of the Protocol and the ME are not financially viable over the medium to long term.
- 🌀 The PGC recognised that there were a range of options open for the future of the Protocol, including:
  - 1) Releasing the Protocol as an ‘open source’ tool for use by all without any restrictions;
  - 2) Expanding the Protocol services to make them more fit for purpose, and supporting a strong Protocol ME / secretariat aimed at continuing to drive uptake of the Protocol internationally;
  - 3) Seek some form of alternative structure that would enable broad donor or public sector support for the Protocol.
- 🌀 While there was broad agreement that the preferred option would be a fully functioning and supported multi-stakeholder Protocol, the meeting agreed that there was not sufficient information currently at hand to understand:
  - Whether alternative governance models would benefit the Protocol, and whether these models were feasible
  - Where revenue could be realised to support the Protocol over the longer term, and whether the revenue sources would influence the type of governance structure (or vice versa).
- 🌀 At the same time, there was broad agreement that there were a number of steps that could be taken both to remove constraints to commercial use of the Protocol and reduce barriers to engagement with the Protocol by potential assessors. The PGC noted the importance of using the anticipated CBI decisions as a first opportunity to explore alternative products around the Protocol.

🌀 As such, it was agreed to make the following suggestions to the IHA Board:

- 1) That in the period to September 2018, the ME remain within IHAS;
- 2) On the understanding that IHAS is anticipated to break even over the financial year to September 2017 ('as budget'), IHAS maintain an 'minimum critical' staffing and support structure to September 2018;
- 3) That in the period to September 2018, the ME as mandated by the PGC and with support as appropriate:
  - Develops appropriate tools to reduce barriers to entry for Accredited Assessors;
  - Reduces constraints on commercial use of the Protocol;
  - Introduces new and complimentary tools to support the Protocol's vision.

🌀 Furthermore, and in parallel with this work, the ME, with support as appropriate continues to explore business model and revenue options for the Protocol, including interim funding to support this work, with the intention that by September 2018 the PGC will be in a position, based on thorough market analysis and uptake of the new Protocol products, to suggest a long term path for the Protocol to the IHA Board.

🌀 The meeting noted a need to consider whether changes were required to the Charter, Terms and Conditions for Use or AA License agreement to facilitate its recommendations. It was agreed that the PGC would reconvene via teleconference to consider the IHA Board response, and action further steps based on the response.

🌀 **ACTION 10.1** ME to develop a 'critical pathways' options paper for submission to the IHA Board, based on the outcomes of this meeting. The critical pathways document would be sent to the sub-committee by 16 December and to the whole PGC by December 23 for comments. The final report will be submitted to the IHA President by the Chair of the PGC by no later than the second week in January.

🌀 **ACTION 10.2** Subject to the response from the IHA Board, the PGC will review governing documents (Terms & Conditions, Accreditation Process and License Agreement) with a view to reducing barriers to commercial use of the Protocol and promoting engagement with the tool by potential Accredited Assessors. An initial step in this regard would include frame a product that would satisfy the CBI Hydropower Standards requirements, while at the same time retaining quality control around the Protocol itself.

🌀 **ACTION 10.3** The PGC will revert back to the ME by 16 December on any clarifications required on the ERM strategic report.

## 5. Next Meeting

🌀 **ACTION 10.4** PGC Members present at the meeting confirmed availability for a meeting on 15 February at 19.00. ME would circulate a doodle poll to all PGC members to confirm the date and time.

## Annex 1 – Brainstorming Diagrams

Diagram 1: 3 phases of Protocol life:

Business as Usual (BAU)	Transition	Future
New products (CBI)	New sources of funding (adapting services accordingly for eg public funding)	New revenues
Training	New resources	New products
Promotion		

Diagram 2: 3 years of transition

Year 1 (to September 2017) From BAU to Transition which is already committed to ongoing projects	Year 2 (Sept2017- 2018) Transition	Year 3 Future
Stable funding from IHA? New sources of funding Current projects with committed funding until Sept 2017	New revenues to sustain operation (consultancy training and advisory, CBI etc)	Projections considering new products and new revenues
Minimum critical – work and staff, retained PGC	Brand re- establishment and business development	Committed donor funding for specific projects (CBI etc)

Diagram 3. critical pathways

