

**HYDROPOWER SUSTAINABILITY ASSESSMENT COUNCIL**
**GOVERNANCE COMMITTEE MEETING #:9**
**19 September 2016 [09.00-17.00]**
**20 September 2016 [09.00-13.00]**

<b>Physical address:</b>	<b>Remote access via GoTo Meeting:</b>
Engie: Room VIP2, Rua, Almirante Barroso, 52, s. 1401, Rio de Janeiro CEP 20031-000, Brazil	Please join the meeting from your computer with headphones and microphone: <a href="https://www.gotomeeting.com/join/876173885">https://www.gotomeeting.com/join/876173885</a>  You can also dial in using your phone for audio access only:  United Kingdom: +44 (0) 20 3713 5011 Access Code: 876-173-885

**Agenda:**

DATE/ TIME	AGENDA ITEM	PAPER
<b>----Monday 19 September ----</b>		
09.00	1. Welcome	
09.15	2. Housekeeping: - PGC resignations	
09.30	3. Strategic review	- <i>Draft report</i>
<b>12.00-13.00 Lunch</b>		
13.00	4. ME progress report: - Workplan - Staff - Financial / budget	- <i>Update report</i>
15.00	5. Proposed refocus of ME workstream	- <i>Proposal Paper</i>
16.00	6. Process for addressing assessment grievances 7. Report from sub-committee (if ready)	- <i>Possible report</i>
<b>----Tuesday 20 September----</b>		
09.00	8. Standards and ISEAL accreditation	- <i>Paper</i> - <i>Survey results</i>
10.00	9. Events / specific items: - Climate Bonds Initiative - Early Stage SECO Indonesia - 2017 World Hydropower Congress	
11.00	10. Accredited Assessor – review of accreditation compliance	- <i>Update on status</i>
11.30	11. Accredited Assessor: accreditation update	- <i>Applications received</i>
12.00	12. AOB	
<b>Meeting Close</b>		

## Attendance List:

### PGC Members:

Name	Organization	Chamber
Ken Adams	President, IHA	Hydropower operators or developers
Mattia Celio	SECO	Advanced economy country governments
Roger Gill (Deputy Chair for the meeting)	Hydro Focus	Hydropower consultants, contractors or equipment suppliers
David Harrison (Chair)	The Nature Conservancy	Environment or Conservation Organisations
Cameron Ironside	IHA Sustainability Ltd	Management Entity
Jian-hua Meng	WWF	Environment or Conservation Organisations
Ricardo Krauskopf-Neto	Itaipu	Hydropower operators or developers
Rikard Liden	World Bank	Development, public or commercial banks
Alex Trembath	IHA	Management Entity

### Apologies

Name	Organization	Chamber
Emmanuel Boulet	Inter-American Development Bank	Development, public or commercial banks
Lilao Bouapao	M-Power	Emerging and developing economy country governments
James Dalton	IUCN	Environment or Conservation Organisations
Olubunmi Martins	Research Intelligence Magazine	Social impacts, project affected communities
Christine van Oldeneel	Hydro Equipment Association	Hydropower consultants, contractors or equipment suppliers
Jamie Skinner	International Institute for Environment and Development	Social impacts, project affected communities

### Observers:

Name	Organization	Chamber
Douglas Smith	IHA Sustainability Ltd	Management Entity

### 1. Welcome, apologies, and additions to the agenda

- The chair opened the meeting, welcomed those participating and noted the apologies received. The chair also noted thanks Engie for hosting the meeting.

### 2. Housekeeping

- The chair noted that a committee member had tendered her resignation as alternate chair to the *Hydropower consultants, contractors or equipment suppliers* chamber, following the dissolution of the Hydropower Equipment Association.
- The chair noted that the PGC accepted the committee member's resignation, and would send the member a note expressing thanks for their contribution.
- A committee member commented that the *Advanced Economy Country Governments* chamber was also currently without a chair.
- It was agreed that a new alternate chair for the two chambers would not be elected until the World Hydropower Congress in May 2017.
- The chair advised that the PGC meeting at the World Hydropower Congress would be proposed to be held on Monday 8 May 2017, subject to practicalities.
- **Decision (9) 2.1 The PGC accept a committee member's resignation, and notes it's thanks for their contribution.**
- **Decision (9) 2.2 The *Advanced Economy Country Governments* and *Hydropower consultants, contractors or equipment suppliers* will not seek to elect alternates until the formal re-election process ahead of the IHA World Congress in May 2017.**
- **Action (9) 2.2 The ME to write to a committee member noting acceptance of their resignation, and noting it's thanks for their contribution to the PGC.**

### 3. Strategic Review

- ME provided a summary of the progress by ERM in concluding the survey to better understand the strategic review of the landscape around the Protocol. ME noted that while there had been some problems in initiating the work and settling on appropriate interviewees, the initial draft report (annexed to the minutes as Annex (9)1 provided some indication of the final conclusions.
- ME also noted that the delays in the project had provided an opportunity for the PGC to provide comments and some final direction to ERM on the back of this meeting, which provided an opportunity to guide the final draft of the survey.
- A committee member suggested that in addition to the interviews, ERM could be asked to use two or three platforms from other fields that share a similar type of objective to the protocol as the basis for a comparative study, such as PEFA. ME also cited the Marine Stewardship Council and Forestry Stewardship Council as possible comparison points.
- A committee member commented that while we should use the opportunity to get ERM to expand the work, the message was clear that the biggest barrier to uptake was that the Protocol was not a mandatory requirement for either regulatory or financial approval, and this was an impediment to uptake.
- A committee member noted that given the clear message in the review, a consideration of the strategic direction of the Protocol and the services it delivers was vital.
- The chair supported the view that the structure would need to be reviewed, including how services were charged and the revenue model around the Protocol. The chair suggested that the PGC should consider how to tackle these questions, possibly with the creation of a working group.
- ME commented that the broader strategy work and ERM's consultancy should be separated out, and that ERM's work should be moved towards completion.
- It was agreed that input on the ERM draft should be sought from PGC members (who were unable to attend the meeting), and then ERM directed to wrap the review by concluding more targeted interviews (in particular in Africa) and including a comparison with other platforms and the work done for IFC and the EP.

- **Action (9) 3.1** ME will contact two committee members to seek their input on the strategic review, and then incorporate their feedback into a brief to ERM on the process and substance required for the remaining consultancy work, including:
  - Outstanding interviews
  - Survey of other platforms and lessons from earlier work, such as that for IFC and the Equator Principles.

#### 4. ME Progress Report

- ME summarised the report previously submitted to the PGC. The following was noted:
  - **Workplan:** In the current period, the ME has managed assessments in Austria (TIWAG) and Brazil (Itaipu), with a further assessment in Bhutan commissioned by the World Bank. This represents a significant fall in the number of assessments against previous years. The ME has also delivered various training and capacity-building initiatives, including in Bangkok (USAID/Pact), Zambia and Mozambique (World Bank), Myanmar (Norad), Central Asia (CAREC), and China (TNC/CHSE). Work has progressed on the collaboration with SECO: how-to guides are advancing, with indigenous peoples nearly ready, the sedimentation how-to in first draft, and discussions with UNESCO-IHE to lead the work on downstream flows; an initial training workshop has been agreed to begin work in Indonesia in January 2017, the second focus country following the work in Ghana; and the Protocol climate change topic is being developed in parallel with the ongoing work of the Climate Bonds Initiative.
  - **Staff:** A staff had left IHA in August 2016, and another staff has negotiated to leave at the end of November to become an independent consultant. ME noted that there was no intention to hire replacement staff, given the need to re-focus activities to focus more clearly on providing Protocol services, training and capacity building.
  - **Financial report and budget:** ME reported that at the end of June 2016, the balance of finances for the year stood at -£94,000, largely due to the slow start to projects earlier in the year. The net position anticipated for the end of September 2016 was -£50,000, with more income expected in October and November. While a detailed budget was not available, it was clear that towards the end of the next financial year, expenses would significantly exceed income.
- While there were no actions or decisions under this item, the PGC recognised that this element was intrinsically linked to the risks to the Protocol and the proposed re-focus of the ME, and that all decisions and actions would be captured under agenda item 5.

#### 5. Proposed re-focus of ME Workstream

- ME presented on the financial situation facing IHA Sustainability Ltd (IHAS, as well as some of the key risks facing the Protocol, the ME and IHAS. These included:
  - IHAS derived revenue by charging out sustainability specialists at great than cost-to-company, and this income differential allowed IHAS to deliver on ME functions, which include:
    - Management functions around Council and PGC
    - Day to day management of Protocol as tool (including website, communications, financial management)
    - Significant element of capacity building / knowledge building
  - However, revenue-generation has impacted on ability of IHAS staff to deliver ME functions, which meant that some of the key services and functions of the ME were not being delivered.
  - Even if the issue of ME services did not exist, it has been shown that even with 3 Sustainability specialists providing income generating services, the income flows were not sufficient to meet expenses.
  - The loss of income-generating staff will impact significantly on the ability of IHAS to generate income sufficient to cover expenses, even with lower expenses as a result of reduced head-count.
  - The situation is exacerbated by the fact that there are increasing reputational and institutional risks around IHAS staff participating as assessors in assessments, in part due to increasing conflicts between assessment results of IHA members being assessed, which in effect means that IHAS will not in future participate in assessments.
  - At the same time, royalties are not growing as rapidly as anticipated:
    - Protocol strategic plan expected royalties to grow to extent that by end 2018 would be able to support Protocol management

- Current growth clearly indicates that time estimations were ambitious:
      - end 2015: £27 000.00
      - End 2016 (antic): £35 000.00
    - To date, almost zero royalties generated by ‘external accredited assessors’
- Considering the financial position of IHAS, ME reported that for the financial year (the year runs from 01 Oct- 30 Sept) to date (up to end June 2016) the company has a deficit of £90 000.00, with an expectation that this will have improved to a deficit of £50 000.00 by financial year-end (with the shortfall expected to be made up by IHA). ME also noted that with a re-focussed ME unable to participate in assessments, the revenue looking forward did not appear to be sustainable: it was expected that for the next financial year, while there would be strong income flows in the last two months of 2016, from start 2017 the income flows reduce significantly to the extent that it was expected that expenses would exceed income from February 2017, with the deficit growing over the rest of the year, and if the current business model was retained, growing worse into the following years.
- On the assumption that the ME would not be able to rely on the current business model going forward, he presented how a re-focused ME could address key needs of the Protocol, including the provision of: management functions to PGC and Council; strong international representation; non-assessment Protocol services, such as training, management of Protocol-improvement projects; participation in external policy arenas (e.g. Climate Bonds Initiative); oversight and governance of assessments and royalties; and a tender clearing-house for assessments. ME noted that this could only happen on the assumption that alternative sources of revenue to support the ME were found.
- A committee member noted that these issues presented a considerable challenge, and had to be tied to the work of ERM that indicated that the current Protocol assumptions about uptake were clearly not coming to fruition, nor could it be expected that these assumptions would be met, in the medium term or possibly ever. The member noted that this pointed to a need to consider the broader strategic landscape around the existence of the Protocol.
- The PGC discussed the matter at length, noting that it appeared that the current model around both the structure of and business model behind IHAS / ME were not feasible going forward, and that this was also the case with the strategic direction of the Protocol. The PGC agreed that there were other models and structures that could better serve the Protocol, and agreed that a needs analysis and options around the Protocol itself was required, with an interrogation of the current products and services. It also noted that the current ownership and business structure of the Protocol and IHAS required consideration, both as to risk issues and financial support.
- It was agreed that a sub-committee is formed and requested to prepare a paper on the ‘Services, Ownership and Financial viability of the Protocol’, taking into account:
  - A needs analysis and options assessment around the Protocol, including options around the status quo
  - Consideration of the Protocol products and services
  - Consideration of its business structure
  - Options around financial flows, including self-funding and donor support.
 Which could be brought back into the PGC for urgent consideration.
- It was noted that the matter should be put to the IHA Board by the IHA Board representatives, with a request that the IHA Board endorse this process and request that the PGC prepare the paper for submission to the IHA Board at its next meeting.
- **Decision (9) 5.1 The IHA Board representatives on the PGC are mandated to approach the IHA Board to seek its endorsement for the preparation of a strategic options paper.**
- **Decision (9) 5.2 A sub-committee comprising three committee members and a member of ME is formed to prepare a paper (‘the options paper’) on the ‘Services, Ownership and Financial viability of the Protocol’, taking into account:**
  - **A needs analysis and options assessment around the Protocol, including options around the status quo**
  - **Consideration of the Protocol products and services**
  - **Consideration of its business structure**
  - **Options around financial flows, including self-funding and donor support.**

- **Action (9) 5.1** A workshop will be held in December 2016 with the whole PGC group to consider the options paper and, on the assumption of support from the IHA Board, make recommendations for the IHA Board to consider at its January 2017 meeting.

## 6. Process for addressing assessment grievances

- A committee member gave an update on the progress with the dispute resolution process around the Itaipu assessment, advising that Itaipu Binacional expected to be in a position to provide the contract and 5 page summary of the issues by the end of the week in which the PGC meeting took place.
- ME presented the options available, which included:
  - Maintaining the status quo
  - Adopting some form of internal-to-PGC process
  - Following the process outlined by committee members
- The PGC discussed the matter in some detail, with unanimity around the need for a publically available review process, incorporated into the Protocol Terms and Conditions. A draft review process was developed, and is annexed to the minutes as Annex 2.
- The principles agreed where:
- It was agreed that the draft should be shared with the Accredited Assessors, and then brought back to the PGC for an out-of-meeting decision and approval.
- **Action (9) 6.1** ME to circulate the draft review process to the Accredited Assessor body for comment, and submit a final version, along with a mechanism for incorporation into the Terms and Conditions, to the PGC for out-of-meeting approval.
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## 7. Standards and ISEAL Membership

- A committee member presented the outcomes of the work undertaken by OneWorldStandards (annexed to these minutes as Annex 3 to explore the options around the Protocol becoming a standard, results from the survey of the broader Protocol community on their views on this, and the feasibility of the Protocol becoming an ISEAL member.
- It was agreed that this has important implications for the Protocol, and that further work was required to understand the requirements to become an ISEAL membership. It was also agreed that any final decision on ISEAL membership should be taken once the strategic landscape around the Protocol is better understood.
- The member was thanked for the work done on the matter to date.
- **Decision (9) 7.1** Pending the outcomes of the strategic review of the Protocol, no decision is taken on ISEAL membership
- **Action (9) 7.2** A committee member is requested to explore further support for ongoing work by OneWorldStandards to conduct a gap analysis on what is required for the Protocol to join ISEAL as a member, and if the support is available to proceed with this work and report back to the PGC at its next meeting.

## 8. Accredited Assessor – review of accreditation compliance

- ME presented an analysis of official assessments undertaken by the Protocol Accredited Assessors (AA) over the past 18 months. ME noted that the License Agreement signed by the AA individually required them to undertake a minimum of three assessments over each two year period or face losing their accreditation (with similar requirements for Accredited Lead Assessors, who are required to meet the same number as Leads on assessments, or have their status downgraded to that of AA).
- ME advised that while there was still seven months in the two year period, it was expected that a number of AA would not meet these contractual requirements, and that there was an even great risk with regard to ALA.
- The PGC noted both that there had not been a large number of assessments available for AA in particular during 2016, and that the discussions around the strategic landscape pointed to the need to re-focus the Protocol from only Protocol assessments to broader use of the tool, which pointed to a revised view on the contractual requirements for the PGC.

- **Decision (9) 8.1** For the two year period in question (to May 2017), the PGC agreed that the AA and ALA should not be held to their contractual obligations contained in Annex D to the License agreement. This would apply for this period only.
- **Action (9) 8.2** When issuing invoices for annual License fees, the PGC notify the AA body of the decision to not require compliance with the provisions of Annex D to the license agreement.
- **Action (9) 8.3** The ME prepares a position paper to the PGC for consideration at its meeting to be held around the IHA World Congress, and based on the outcomes of the strategy review, on the options for reconsidering the requirements for both licensing of AA and ALA, and the maintenance of the licenses.

## 9. AOB

- The PGC agreed on the need to meet in person before year-end to consider the strategic review of the Protocol. The PGC members present indicated that the days of 09 and 10 December were best available options and noted that a doodle poll should be sent out to the entire PGC once these minutes had been circulated to confirm the dates.
- A final decision would also be taken on whether to hold the meeting in Washington DC or London, dependant on the most suitable venue for PGC members
- The PGC noted the strategic importance of the meeting to the future of the PGC, and the need to have all PGC members present at this meeting.
- **Decision(9) 9.1** The PGC would meet before year end to consider the strategic landscape around the Protocol, and finalise a position paper in this regard, to be shared with the IHA Board. The meeting would be held on or close to the dates of 09 and 10 December 2016.
- **Action (9) 9.2** The ME will initiate a doodle poll to confirm dates once these minutes had been circulated to the PGC