



CTI PFAN Follow-Up Workshop

Financing

Adaptation Related Projects

15th June 2012

Tribe Hotel – Village Market Hotel, Nairobi, Kenya

REPORT



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1. Introduction & Background

This report provides a summary of the proceedings and outcomes of the CTI PFAN Follow up Workshop on Financing Adaptation Related Projects (**Follow Up Workshop**), which was held at the Tribe – Village Market Hotel in Nairobi on the 15th June 2012. This report has been prepared by PPL International as Global Coordinator of CTI PFAN, which was tasked with the organisation and implementation of the Workshop together with the Sponsors and other Co-Organisers.

A follow-up workshop (the Follow-Up Workshop), was held immediately after the Exploratory Workshop to discuss and elaborate the findings of the Exploratory Workshop among a smaller core group of CTI PFAN members and partners. This included the Consultant Team, selected experts and resource persons from the Exploratory Workshop.

The major objective of the Follow-Up workshop was to distil, cleanse, prioritise, refine and further develop the findings and conclusions of the Exploratory Workshop into a coherent framework against which CTI PFAN could usefully commence its project development and financing operations in the sphere of adaptation.

To reiterate what has already been elaborated in the Report on the Exploratory Workshop, the CTI PFAN Exploratory Workshop marked one of the key milestones in the development and implementation of the new **CTI PFAN Adaptation Stream**, which was expressly designed to expand CTI PFAN's scope of activity into adaptation related projects as well as mitigation projects, which have been the main focus for CTI PFAN to date. This new activity was mandated by the United States Agency for International Development (**USAID**) and the Climate Technology Initiative (**CTI**) and is currently being funded predominantly with funds provided by the Global Climate Change Team (**GCC**) of USAID's Bureau for Economic Growth Education and Environment (**USAID E3**), complemented by funding from CTI.

While, on a global basis, mitigation activities are for the most part transitioning successfully into the mainstream, there remains a clear need to focus attention, activity and resources on adaptation and to meet the adaptation priorities of developing countries with the same levels of expertise in technology and service delivery, which are already being seen in mitigation. The private sector has particular competencies which can make a unique contribution to adaptation, through innovative technology, design of resilient infrastructure, development and implementation of improved information systems and the management of major projects. Moreover given the constraints on the availability of public sector financing, it is also generally accepted that private sector financing will be required to play a role in addressing some of the challenges of adaptation, in the same way that it is already being mobilised for mitigation. While there has been some signs of private sector interest and activity, to date adaptation is still seen as more of a public sector focus and responsibility.

Against this background the aim of CTI PFAN Adaptation Stream is to engage and mobilise private sector investment and financing to help identify, develop and implement commercially viable, socially responsible and sustainable projects aimed at reducing climate vulnerability and increasing the adaptive capacity of developing countries.

To achieve this CTI PFAN envisages using its tried and tested bottom-up approach, to identify, develop, secure financing and investment for commercially viable and sustainable projects. The ultimate objective of the process is to establish a CTI PFAN network and project development activity, dedicated to connecting private sector investment and financing to adaptation related projects. During an initial pilot phase of the new initiative, CTI PFAN envisages leveraging up to USD 22.000.000 of private sector investment and financing for adaptation related projects in Africa. In

subsequent phases the financing programme will be scaled up and rolled out globally.

In the subsequent sections this report summarises the objectives, background, format, proceedings and outcomes of the Follow Up Workshop.

2. Objectives

- Based on the work plan for the CTI PFAN Adaptation Stream and following on from the Exploratory Workshop, the objectives of the Follow Up Workshop were; to distil, cleanse, prioritise, refine and further develop the findings and conclusions of the Exploratory Workshop into a coherent framework against which CTI PFAN could usefully commence its project development and financing operations in the sphere of adaptation.
- To refine, agree and adopt a working definition of Adaptation Projects for the purposes of the CTI PFAN Adaptation Work Stream;
- To focus on the outcomes of the Exploratory Workshop and start prioritizing their importance for the CTI PFAN Adaptation Stream.
- To make recommendations for project identification and selection criteria, target sectors and countries for the pilot phase of project development in addition to identifying likely sources of projects and agreeing indicators / criteria for project selection.

3. Findings / Outcomes & Recommendations

The following section of the report summarizes the key findings and outcomes of the Follow up Workshop.

During the Workshop a lively exchange of opinions, positions and views was expressed by the select participants and it was evident that a better understanding of adaptation projects and its financing implications was generally appreciated and held by the participants. It is useful to acknowledge at the juncture that the Exploratory Workshop had been beneficial in getting the select participants to this way of thinking.

- Based on the work of the working groups during the Exploratory Workshop and further discussion in the Follow-Up Workshop a working definition for Adaptation projects was agreed and adopted as outlined:

Adaptation related projects are those that help reduce the vulnerability of human and natural systems to the current and future impacts of climate change and climate-related risks, increasing or maintaining adaptive capacity and resilience in the targeted regions and countries through investment for project implementation.

- Through the Background Paper and at the Exploratory Workshop some core categories of target projects had been identified and were endorsed at the Follow Up Workshop. Due to limited resources, the CTI PFAN would concentrate its promotional and marketing activities to the following categories of projects:

- Energy and access to energy
- Water and sanitation
- Agriculture and agribusiness
- Tourism
- Ecosystem, biodiversity and forestry

In addition, and as proposed in the Background Paper and supported by the Exploratory Workshop, the cross cutting areas of micro-finance, micro-insurance, urban development and adaptation products and services would be used to focus project identification and selection activities.

- BY the same measure CTI PFAN recognizes the importance of other project categories and would accept proposals from other sectors including for instance:
 - ICT (eg M-PESA - M for mobile and PESA for money: this is a mobile money service being offered by a mobile telephone service provider in Kenya being a prime example of what could be done with ICT in sending out market information to farmers in rural areas using a mobile telephony platform and SMS infrastructure);
 - Health projects that include fighting the spread of malaria and other diseases;
 - Coastal Protection, especially for major cities on the coast (eg fibre glass boats, formation of artificial reefs to safeguard the hinterland against natural disasters from ocean advancement);
 - Biogas (especially in the instance of hybrid mitigation projects with adaptation components);
 - Dams and water pans;
 - Projects that will maximize water transportation to reduce land based traffic;
 - Watershed / river basin modelling projects (with the caveat that projects will need to have a PPP potential)
- It was agreed that the CTI PFAN project selection process will be as inclusive and wide ranging as possible. The consultancy team and the participants at the Exploratory workshop explicitly warned against a blue-print approach which may lead to unnecessary exclusions and alienation of project developers. Accordingly viable projects will not be excluded from eligibility for reasons of their coming from non-priority sectors. However business development and marketing will be focussed on the priority sectors.
- Criteria of project acceptance into the pipeline was diagnosed, discussed and agreed at the Follow –Up Workshop. The criteria were structured and broad enough to capture major elements key in the selection process allowing for as much flexibility as possible in project selection. In addition they were also simplified to ensure that they are suitable for the pilot projects that were being mooted before being confirmed as the official criteria for the adaptation stream. Projects should score above 50% in order to be able to be inducted into the adaptation stream pipeline. Of key importance were the following elements among others:
 - Commercial and technical viability
 - Quality, experience and skills level of the project team
 - Risk analysis and mitigation
 - Environmental and social benefits
 - Project maturity and innovation
 - Sustainability
 - Fulfilment of adaptation criteria and compliance with adaptation stream definition

- In addition to the above criteria, the participants went ahead to propose more general guidelines along which projects could be selected for support through the CTI PFAN network. These included projects with the following characteristics:
 - Projects that can be replicated and scaled-up
 - Projects that address vulnerability/disaster mitigation
 - Projects that take into consideration future adaptation needs
 - Projects with a measurable impact
 - Projects that will have other supporting adaptation products and services
- In order to enhance and augment the process of project identification for the adaptation stream, it was paramount to reduce the capacity gaps in the project development value chain. This general lack of development capacity and early stage financing mechanisms to provide seed capital had already been identified at the Exploratory Workshop. This could be mitigated through increasing awareness of the adaptation stream to both project developers and private financiers and provision of technical assistance in the preparation of business proposals before presentation to private investors. This had the implication of targeting technical assistance and seed capital support for early stage project development to generate and nurture project pipelines of potential projects.
- The performance of adaptation investments is likely highly dependent on the provision of related *public goods* by public sector and civil society agencies (i.e. delivery of public infrastructure, public R&D, extension and T.A. services). Therefore private sector investment flows needed to be stimulated by the public sources of grants and / or by early stage private sources of *patient capital* (i.e. foundations, grants, impact and mission related investors). In addition innovative applications of technologies / business models towards specific climate change adaptation goals needed to be showcased and presented to investors.
- To be effective, PPP approaches require a conducive national policy and regulatory framework, and focus on resource and infrastructure development. An intermediary role of PFAN could identify opportunities for synergies and alignment of interest towards adaptation relevant business cases.
- National Action Plans for Adaptation (NAPAs) and Governments were proposed as likely sources of adaptation projects. NAPAs give clarity to projects and strengthening public private partnership with the Governments was a means through which adaptation projects could find their way into the CTI PFAN project stream. However working with Governments requires a favorable investment climate.
- Bundling of smaller, similar projects to reach critical mass to diversify investor risk and reducing transaction costs was proposed as a viable option in ensuring private finance flow into projects.
- The CTI PFAN providing and facilitating “exit” options for early investors through better identification of follow on financing opportunities, across all stages of project development was proposed as an innovative strategic option of wooing private sector finance.
- The CTI PFAN was advised to develop further its network of technical and business experts with capacity to carry out the necessary technical assistance to develop bankable adaptation projects and extend technical assistance to project developers at early stage. In addition, the CTI PFAN

was encouraged to promote innovative applications of technologies/business models towards specific climate change adaptation goals

- It was agreed that the Background Paper would not be updated but would become an extension to the body of knowledge. It would be archived in its present form and format and would be supplemented through Workshop Reports and used to build on and in writing future reports. A Recommendation Paper would be written after the pilot phase. This Recommendation Paper would collate all the information together right from the writing of the Background Paper to the end of the Pilot Phase. This Recommendation Paper would be written after the ‘Evaluation Workshop’.

4. Organization of Workshop

The Follow Up Workshop took place at the Tribe – Village Market Hotel in Nairobi, Kenya on the 15th June 2012. The Workshop was organized by CTI PFAN and was co-sponsored / funded by USAID, CTI and the International Center for Environmental Technology Transfer (**ICETT**); UNEP and the Greening of Kenya Initiative (**GKI**) of the Government of Kenya were co-hosts of the Workshop. ICETT as CTI Secretariat, PPL International as CTI PFAN Global Coordinator and Africa Bio-Products Ltd (**ABP**) as CTI PFAN Country Coordinator in Kenya managed and coordinated the organisation and implementation of the Workshop.

5. Participants

Overall, twenty five (25) participants were invited to attend the Follow Up Workshop. However, sixteen (16) participants attended the workshop with five (5) of these being ladies. The following constituencies were represented at the workshop with the majority of the participants being consultants and staff from international organizations:

NGO	1
Project Developer	2
International Organisations	6
Consultants	7
	16

The bulk of the participants came from the East African region but there was attendance also from Southern Africa and from other regions including Asia, Europe and the US. The following overview shows the geographic representation of the participants:

East Africa	6
Southern Africa	2
Asia	2
EU	3
Caribbean	1
US	2
	16

Participation at the Follow-Up workshop was by invitation only with participants being selected from the Exploratory Workshop. Participants were selected based on their contribution to the Exploratory Workshop and on their previous involvement in Adaptation issues and in the CTI PFAN Adaptation Stream.

Dignitaries attending the event included:

- Mr. Michael Rantil, Chair of the CTI.
- Mr. Elmer Holt, Vice Chair of the CTI

A full list of the participants of the Workshop is provided in Annex 1.

6. Summary of Proceedings

The Agenda of the Workshop, which is provided in Annex 2, was organized in 4 sessions.

- (a) Opening Session:** The opening session was used to introduce and set out the scope of work for the workshop, including brief welcoming statements from CTI PFAN and the structure & Objectives of workshop. These were provided by Mr. Peter Storey and Mr. Elmer Holt of the CTI PFAN. The opening session was aimed at setting an informal work oriented atmosphere to facilitate the development and production of the targeted outputs among the selected group of participants.
- (b) Session 2:** The Adaptation Consultant Team presented a summary of the Exploratory Workshop highlighting the key learning points and suggestions which emerged for consideration by the Follow-Up workshop and made proposals for prioritization of the outcomes in terms of the CTI PFAN Adaptation Stream. Of key importance was a proposal for the definition of Adaptation projects that was presented by the Consulting team. In addition the Consulting team suggested a further set of sectors that could provide a source for projects, highlighted the criteria for selection of projects, spelled out the terms of reference for the pilot projects and presented indicators for the development framework for project development.
- (c) Session 3: Mr. David Ebong** of the Clean Energy Partnership Africa made a presentation on a 'Clean Energy Industrial Park' that his organization is planning to implement in Northern Uganda incorporating a new technology 'Hidro+' for electricity production alongside grain processing. The project works in conjunction with farmer cooperatives selling grain to the organization and getting a fair price for their produce. The project required an investment of USD 1.8-2m with downstream and upstream linkages to the local government and private sector. Other important points discussed are highlighted below;
- Criteria of project acceptance into the pipeline was discussed and agreed. The criteria were structured and broad enough to capture major elements key in the selection process. It was simplified to ensure that it facilitated the implementation of the proposed pilot projects before being confirmed as the official criteria. Further, projects needed to score above 50% before being inducted into the pipeline.
 - An outline of the development framework for project development and financing facilitation work and services to be provided to projects selected for the PFAN Adaptation Stream was also tackled and agreed in this session.

- The importance of projects attracting private investors was highlighted and was to be done through proper communication to investors in the most straight forward manner possible ensuring that projects presented met the criteria of the private investors. The Workshop was in agreement that there should be a differentiation between mitigation and adaptation projects and private investors needed to be made aware of this differentiation however slight.

Session 4: This session dealt with the **refinement of the Background Paper**. Based on prior presentations and the proceedings of the Exploratory Workshop participants made recommendations for refinements, amendments and additions to the **Background Paper**. On reflection and discussion it was agreed that these amendments would be better reflected in the workshop reports and in subsequent reports rather than in the background paper itself. It was emphasised that all the insights arising from the process needed to be packaged to ensure that they remain accessible and user-friendly. This will be achieved by continual updates on the adaptation stream work which will be published as separate reports and papers on the CTI and CTI PFAN websites and would be shared widely with other organisations through the PFAN and workshop networks, thereby constantly adding to the store of knowledge and expertise on this subject area.

7. Next Steps

- Five (5) pilot projects would be considered for the pilot. However these five (5) projects needed to be identified and recommended for selection. The choice of these projects would be ratified by CTI PFAN Executive Committee before the pilot phase would commence.
- Appropriate consultants to coach and support the project development process during the pilot phase were to be identified by the Global Coordinator. These consultants would then be recruited into the CTI PFAN network.
- The selected pilot projects would receive the necessary technical assistance (TA) through the CTI PFAN. These coaching arrangements would be discussed and agreed with the appropriate coaches and project developers through the CTI PFAN network procedures.
- Continued expansion of the Adaptation stream was to be undertaken in conjunction with coaching and investment resource to facilitate the growth and expansion of the stream.
- An Evaluation Workshop would be hosted after the completion of the pilot phase. At the end of this Evaluation Workshop a Recommendation Paper would be written.

9. Closing Remarks

In closing CTI PFAN and PPL would like to thank all the participants, and especially the ICETT Secretariat and the Adaptation Consultant for their time, expertise and guidance in making the Follow-Up Workshop an undoubted success and a useful milestone in the development and implementation of the CTI PFAN Adaptation Stream.