

Concept Note for
Colombia.
8 February, 2024



The art of the possible:

Need for experimentation and new thinking, drawing on how change can happen, even in complex contexts

The Objective of the Concept Meeting

Broad Goal:

- Present the findings from Stage 1 (Scoping) in Colombia, receive feedback and guidance on whether and how to proceed to Stage 2 (Feasibility Testing Visit).

Specific Goals:

- Introduce our hypothesis about how the GAH might support change through feasible entry points in Colombia's Just Energy Transition plans.
- Discuss the pros and cons of the portfolio of entry points.
- Present key trends in the work of local actors and possible allies at the country level.

“The purpose of this stage is to identify feasible and impactful entry points based on understanding of the national and sector political settlements, and how change occurs. We are committed to finding entry points where the GAH can support moving beyond support of interesting and relevant activities and into making a real impact.”



Agenda Structure

- 1. Welcome and introductions**
(10 minutes)
- 2. Working Hypothesis** (5 minutes)
- 3. Country Political Settlement**
(10 minutes + 5 minutes Q&A)
- 4. Sector Settlement and implications for JET**
(15 min + 5 minutes Q&A)
- 5. Potential Feasible Entry points with high development impact**
(10 minutes + 5 Q&A)
- 6. Proposal for stage 2** (40 minutes)
- 7. Conclusions and next steps**
(10 minutes)



Working Hypothesis

- Petro administration provides a new emphasis on the JUST nature of the transition
 - Proposed changes to support access and productive potential through greener forms of energy, providing new incentives for a range of actors.
- Excluded communities are an important constituency to Petro who is under pressure to show progress on his global commitments.
 - While recent institutional changes have helped align incentives for key actors, providing a feasible and potentially impactful entry point at the local level, the biggest challenge to moving forward with a JET is negotiating the new forms of relationships, benefits, and models based on trust and a common vision.
- GAH is well placed to support the emergence of new local processes, the building of trust, and inclusive processes that pilot ways to advance the JUST in JET.



1. Country Political Settlement

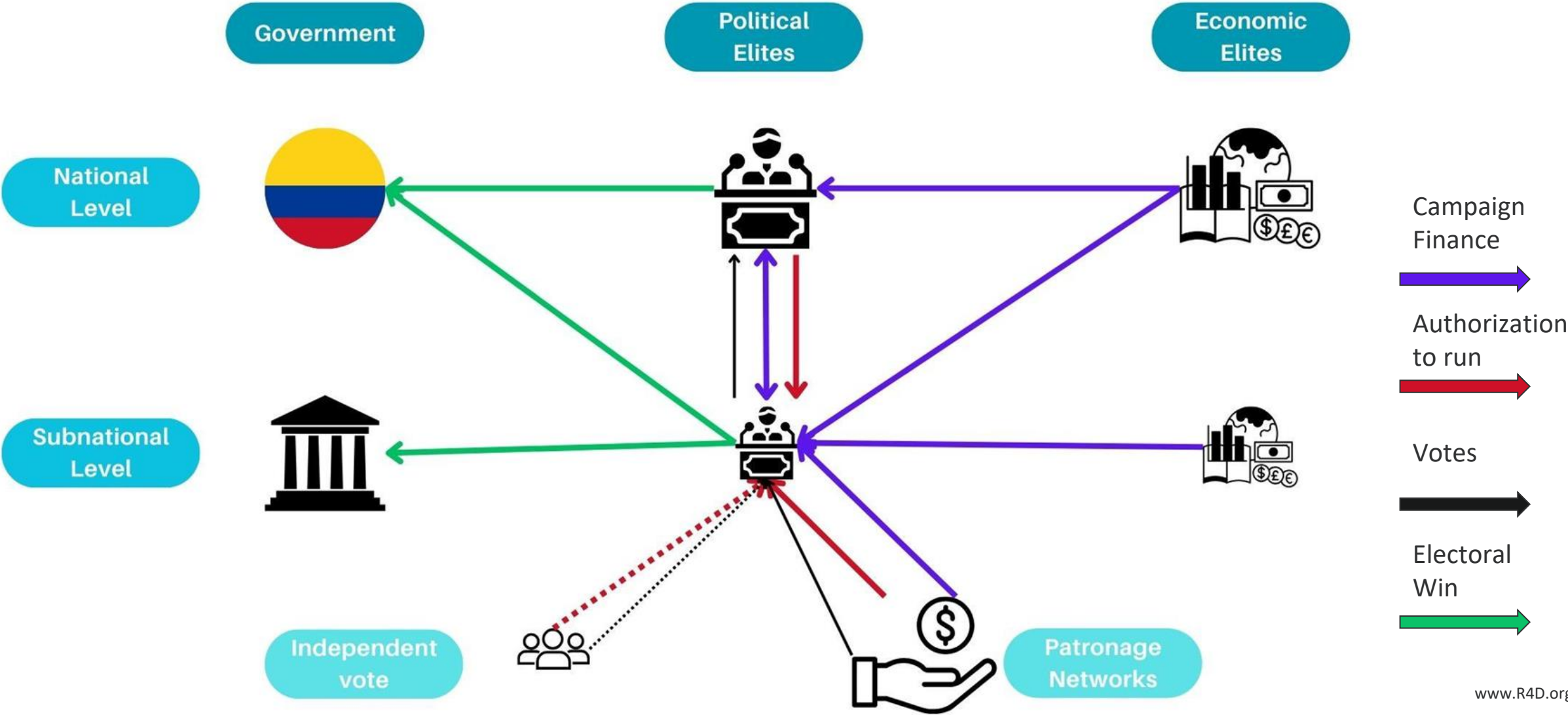


Colombia at a Glance

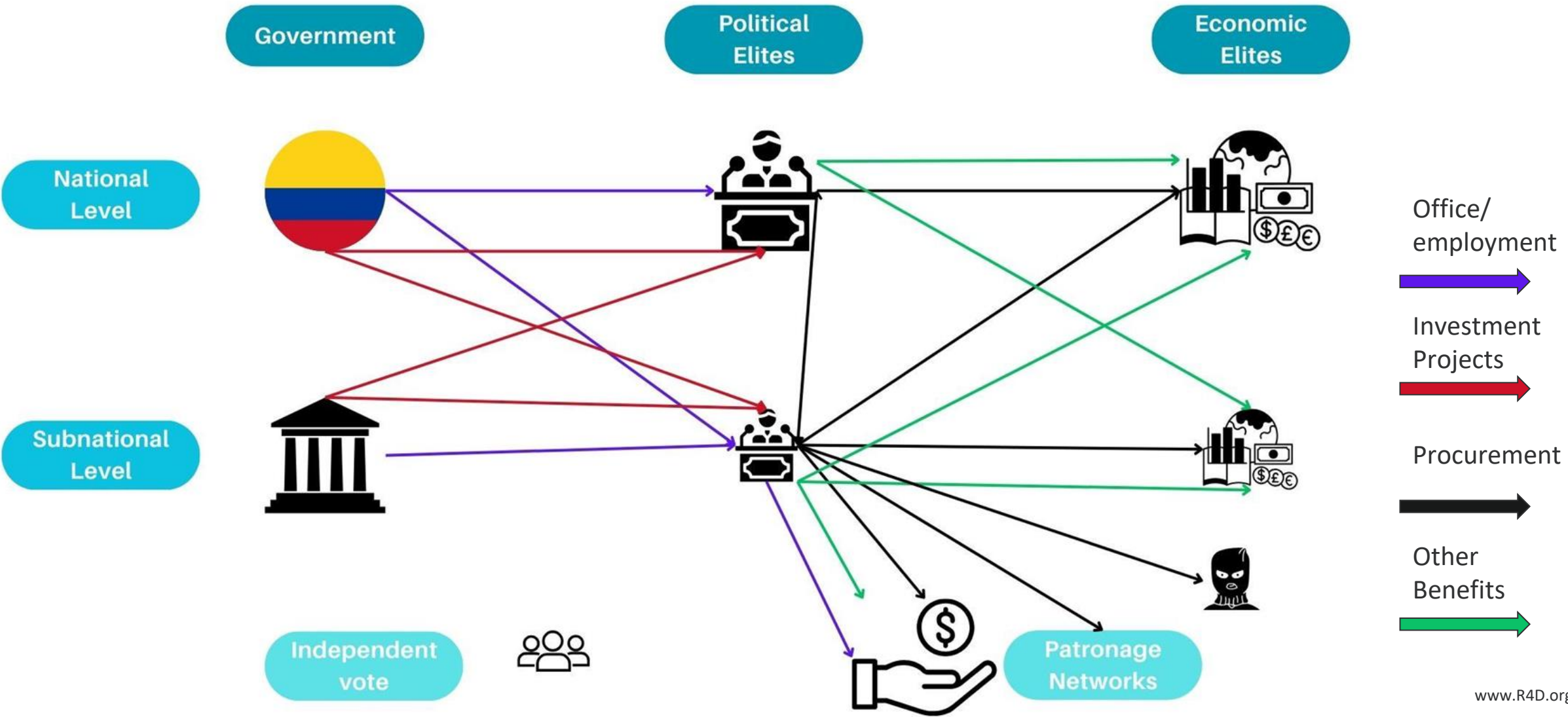
- “Megadiverse” country with global implications and highly vulnerable to climate change.
- Democracy, decentralized unitary state, and multiparty.
- Competitive clientelist system which has become more competitive with subnational elections.
- Armed conflict, drug trafficking, and peace have enabled the emergence of local and national political elites.
- Economy based on extractives (51%) crude oil, petroleum products, coal and gold
- Economic elites concentrated in three main cities, with low innovation capacity, high political connections, and strong links to global trade.



Country Political Settlement: How power is derived

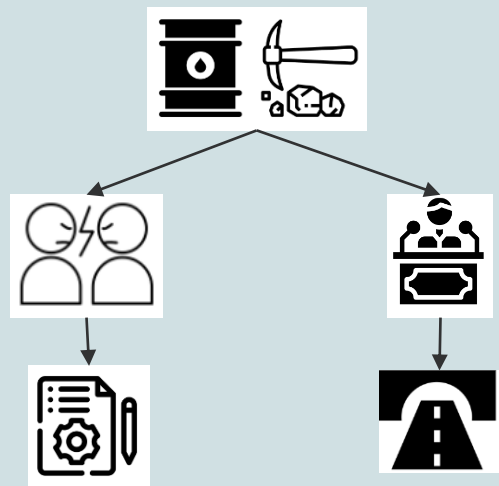


Country Political Settlement: How rents are distributed



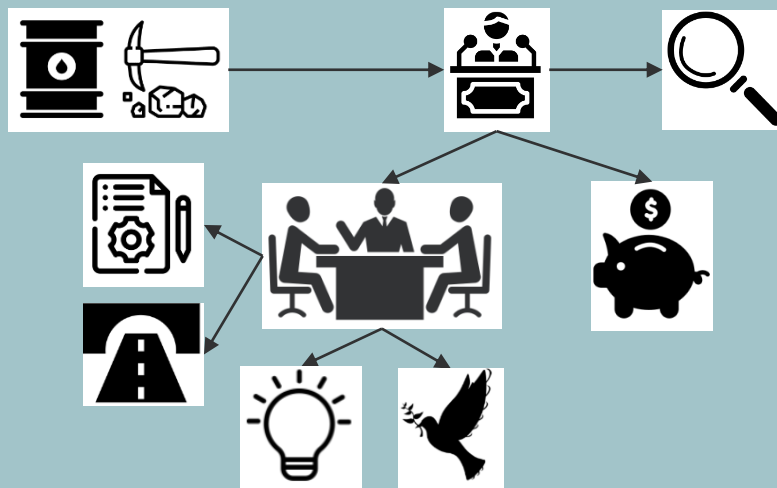
How Change Happens: timing matters but economic benefit or new rents are required.

Before 2011



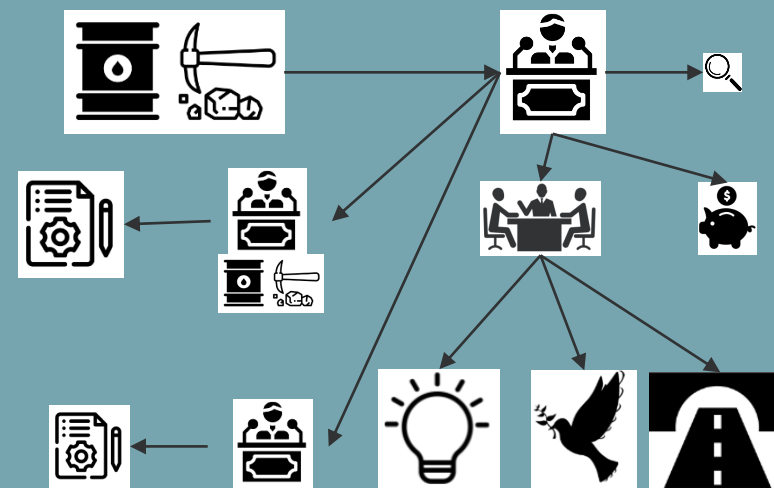
- Direct payment to producing regions
- Small part of the payment to national government to fund regional projects

2011



- Reform made with broad coalition at the beginning of period
- Benefits political elites in Congress facilitating extraction of rents
- Gives resources to non-producing regions
- Increased transparency and negotiation capacity for national government

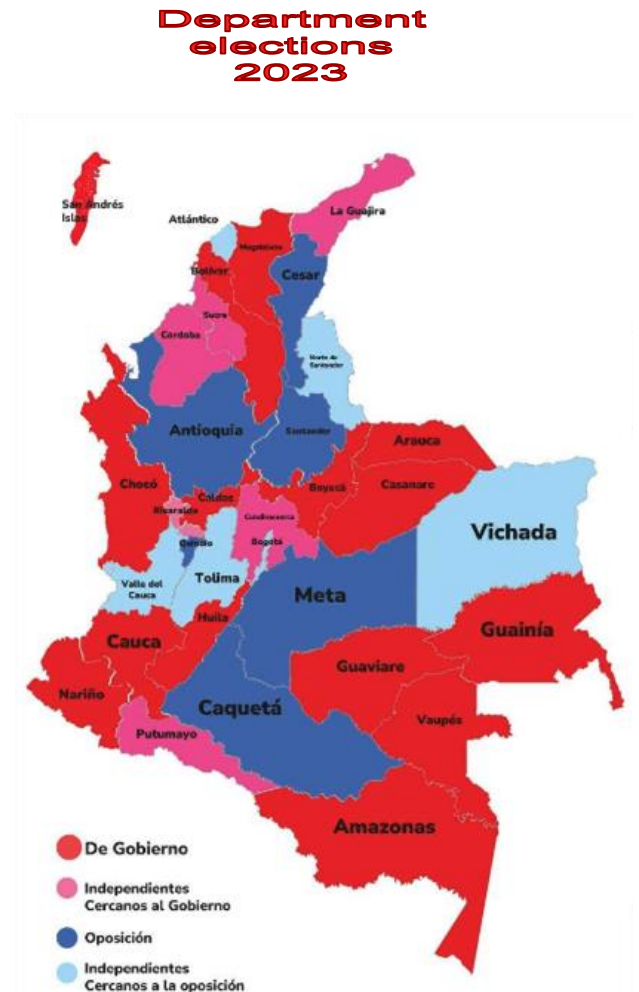
2020



- Reform made in middle of period aligning interests of political elites
 - More funds to producing regions not cutting funds to others
 - Streamlined access to rents
 - Keeping control of strategic themes

Petro's election and grace period (over): locating feasible entry points

- Election victory by bringing together local political elites and campaigning on a “Popular Economy”, Just Energy Transition (JET) and social inclusion.
- “National Agreement” early on helped approve development plan, budget, and tax reform through broad coalition.
- Petro allies won subnational offices in (2023), but electoral competition signaled their severance with the “National Agreement” and weakened his support.
- Currently in a period of intense negotiation and rent distribution with political elites at national level around ways forward on his agenda (education, pensions, health, labor reform).
- Moratorium on oil and gas, and plans to make changes in Mining.

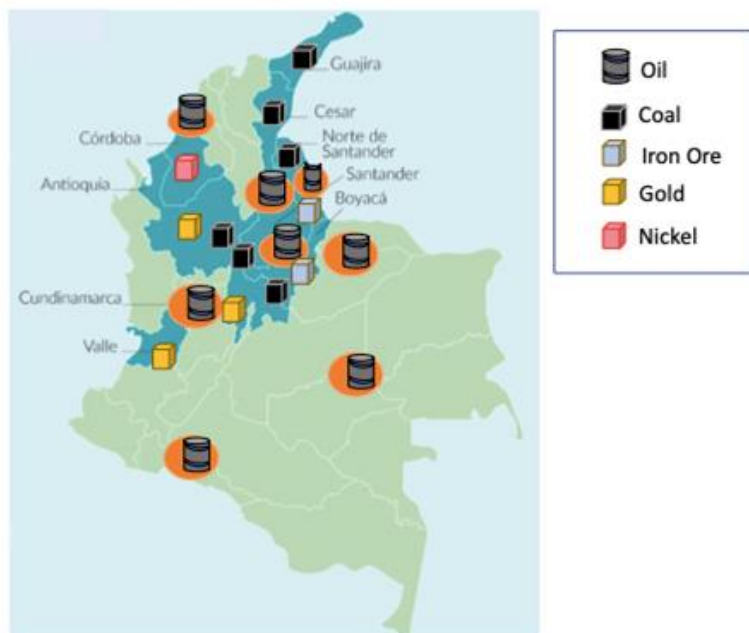


1. Sector Political Settlement and implications for JET



Extractives in Colombia: a chequered history

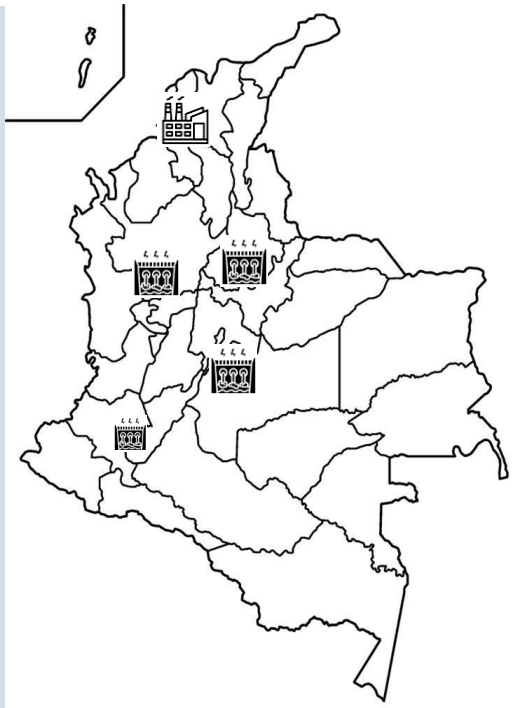
Extractive Projects Operations in Colombia



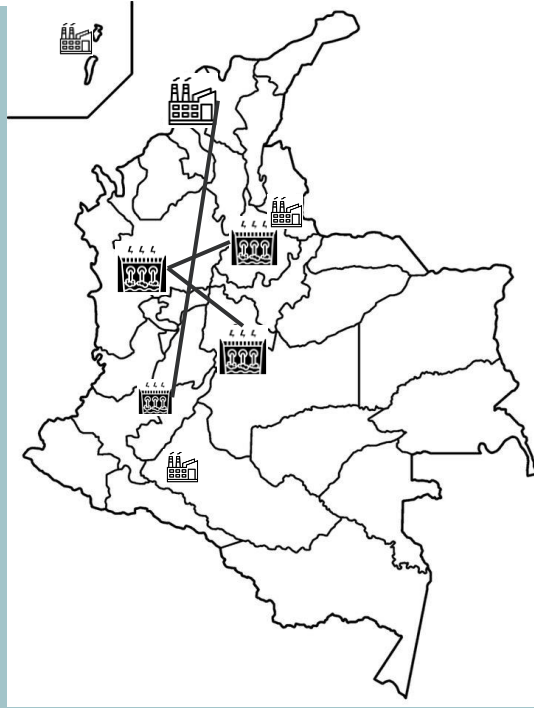
- Location of extractives is in rural communities abandoned by government and national elites.
- Low government capacity for FPIC, and private sector complaints about delays in project timelines.
- Communities have strong veto power and are keen to be full partners not subjects of participatory processes.
- Social conflict is rife as local economic elites attempt to extract maximum rent in exchange for minimum benefit.
- Progress in transparency (EITI) has not improved community relations or local accountability.
- Civil society work is focused on traditional mining and oil regions.
- Environmental CSOs working on protected areas with little governance and anticorruption expertise.
- New donor and CSO interest in the conversation around JET .

Evolution of Electricity Sector: a competitive, rule following sector thanks to a crisis.

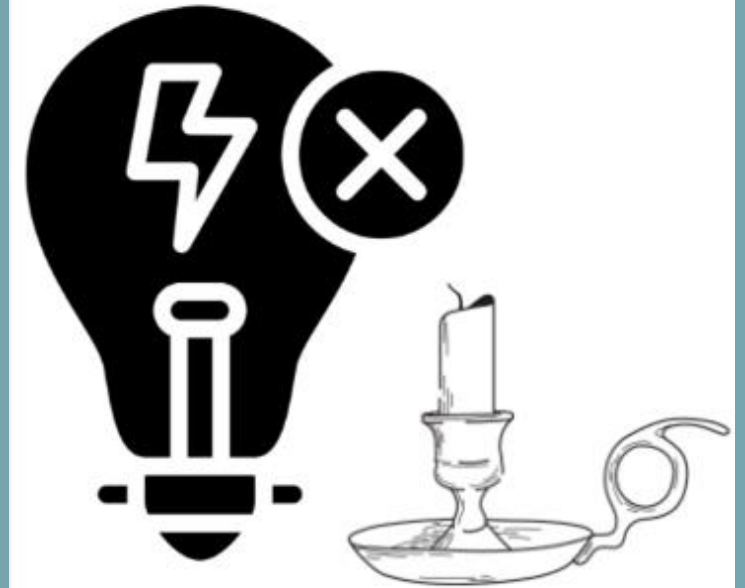
1880 - 1950's



1950's - 1990's



1990's

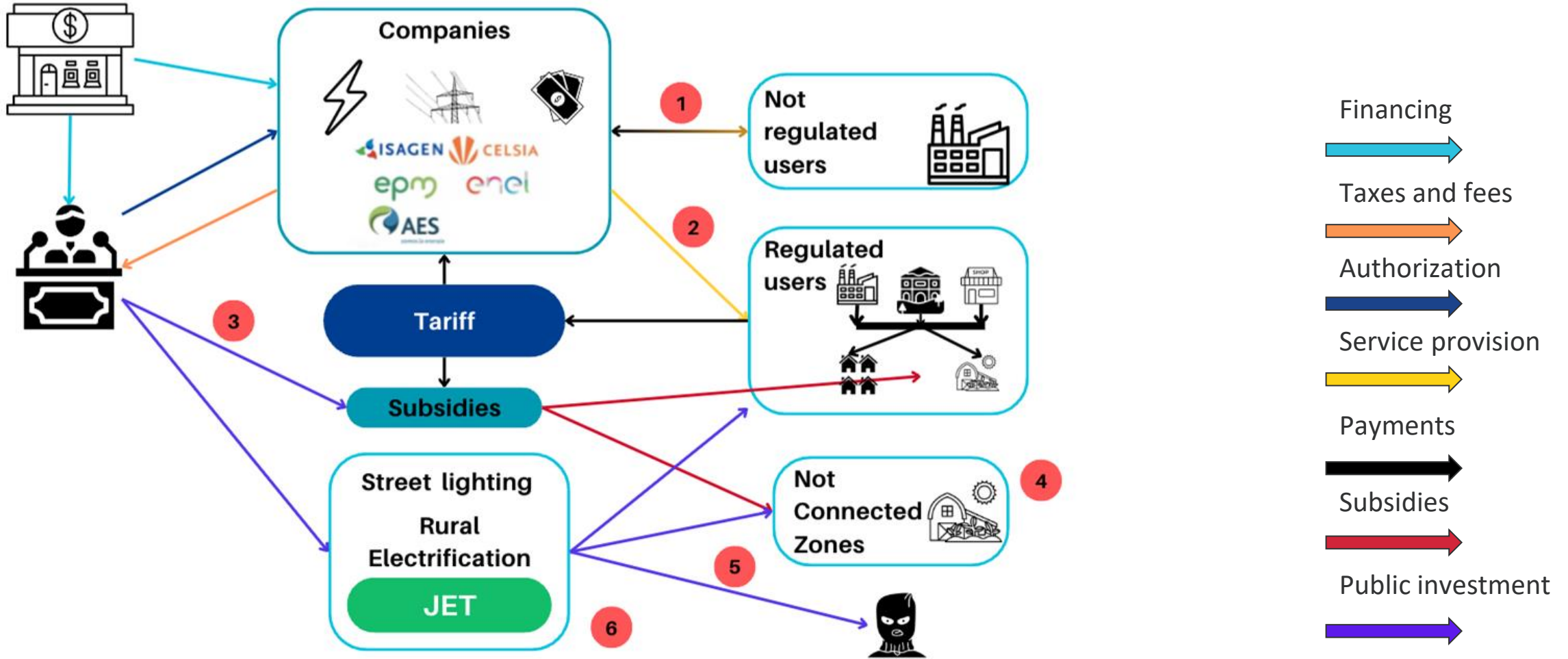


- Private and Foreign investment
- Covering industry and high income neighborhoods
- Lack of incentives to increase and connect: economic elites do not want to pay more, companies do not get benefit from investments

- Public, nationalized companies and new ones
 - Incentives for expansion from IFIs
- Investment in expansion provided political rents
 - Lack of incentives for efficiency at local level
 - Extraction of rents in expansion projects

- Interests aligned around an institutional framework for competitive service provision where economic elites can compete and horizontally check each other to ensure rule following.

Rule following but little “J” and governance risks



1 Costs for Big industry are independent of the system

2 Geographic and income-based disparities within the system

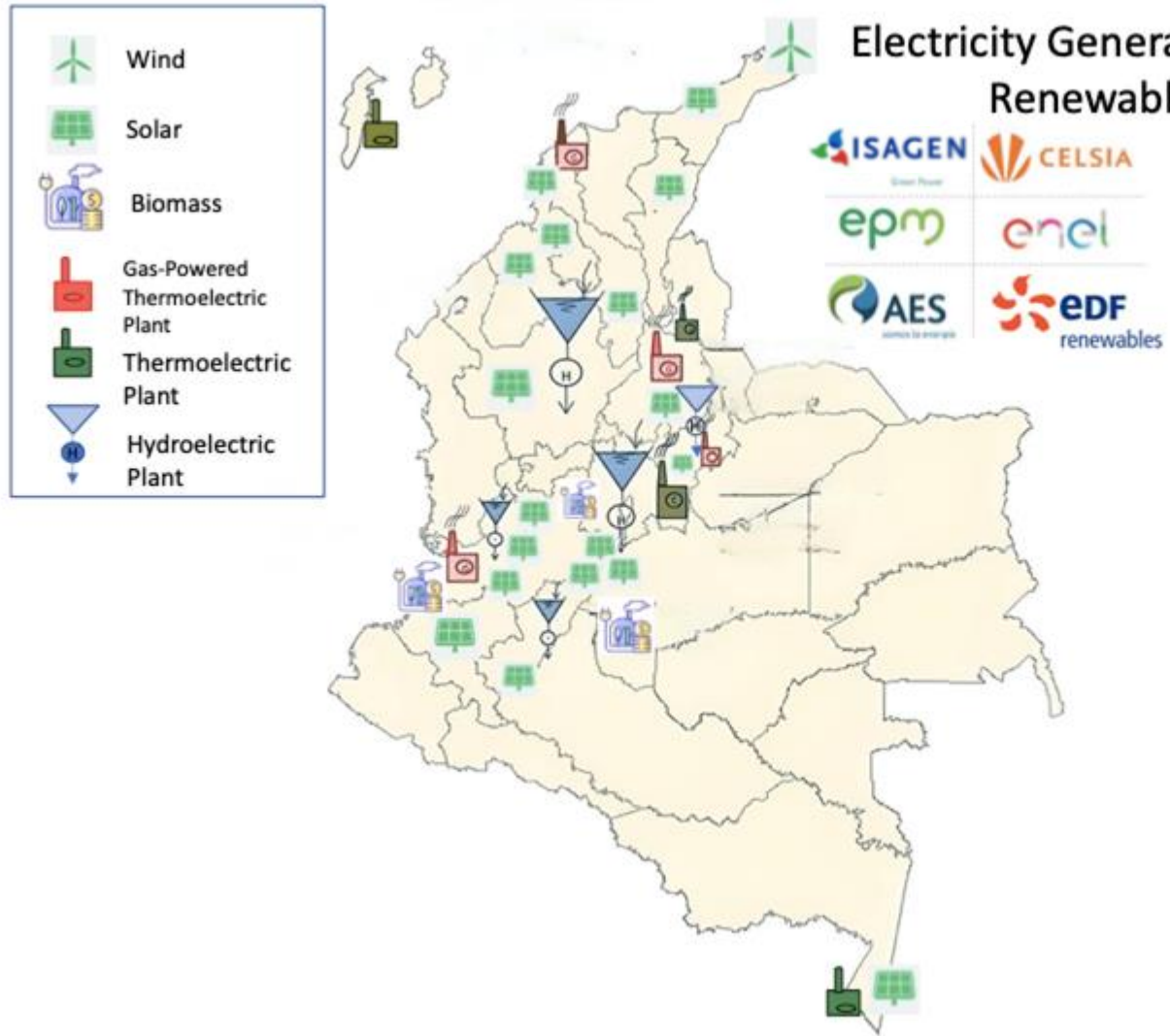
3 Subsidies are not enough

4 500,000 people outside of system

5 Inefficiency and rent extraction

6 Risk for JET

New Energy: same interests and issues



Estimates of renewable energies getting to 9% of the energy matrix by 2024.

Why working in JET can be feasible and impactful?

Potentially feasible: under new incentives at local level:

- Locally tailored strategies drawing on multi stakeholder input and include:
 - Lowering connection costs for excluded communities and/or communities with high agricultural potential,
 - Providing targeted subsidies for the private sector in priority areas (excluded, agric potential, regressive tariffs or poor quality service),
 - Soft credit to private sector actors and cooperatives.
- Their goal is to launch 20,000 AEC by 2026



Sector PEA: concerns and questions.....

Unfeasible: National level negotiations around tariffs, regulation for the entry of renewables, change in mining code and moratorium = complex as high stake and competing powerful interests.

- How to deal with legacy issues from the extractives sector: clientelist relationship with private sector over short-term, transactional approaches to CSR, low levels of trust and weak leadership by government.
- Risk that new JET funds could be used as slush fund by local political elite but incentives aligned for them to use them for developmental purposes too.

How best to support JET take concrete steps forward at the local level given GAH resources?



1. Potential Feasible Entry points with high development impact



Entry point 1: Building Local Coalitions to Implement Alternative Energy Communities

Problem:

- Issues of lack of access, poor quality of services, and high costs affect citizens in cities and rural areas.
- Those most affected are disproportionately poor and of color.
- Green energy alone will not improve the situation of these populations since it's too costly, rate calculations are high for distant regions and quality and coverage is sub par in their regions.
- The financial elite have to-date not been incentivized to work much outside the main grid since their business and personal interests are well met.



Building Local Coalitions to Implement Alternative Energy Communities

Opportunity:

- Petro administration has launched legislation and policies to incentivize communities to work with local governments and private sector to plan and implement green energy models.
- Interests and incentives are aligned because excluded communities want access, resources are available to subsidize initial costs, and programs are aimed to respond to communities' needs.
- Government has tested interest in more than 6,000 excluded communities, and has a goal to reach 20,000 by the end of the government
- Numerous stakeholders mention that the main challenges are not technical or budgetary but rather strengthening governance models within diverse communities in a way that supports long-term local development.



Building Local Coalitions to Implement Alternative Energy Communities

Risks/Obstacles:

- Little experience of working collectively across government, private sector, and local communities.
- History of community engagement is not positive as participation has been used as a transaction to impose models of more powerful interests, making discussion of how to share benefits challenging.
- Coordination across levels of government challenging.
- The political elite have an incentive to make commitments to these populations around elections and to use federal transfers for infrastructure as slush funds in exchange for political favors that do not support long-term development.
- Sustainability of local collaboration and system in future



Building Local Coalitions to Implement Alternative Energy Communities

Initial Hypothesis:

- The GAH can support x communities around the coalition building process required to implement this multi-stakeholder opportunity through flexible funds, facilitation, or support that local stakeholders can draw on to: build trust, create a collective vision, implement and sustain an operational plan and agree on how to distribute the benefits equitably.

To Test:

- Community: Level of interest in improving access, existing organizational capacity, whether trust can be established, or not.
- Private Sector: Bottlenecks to investing in pre-financing process, lack of clarity about process and benefits of AECs.
- Subnational governments: Whether reformist local governments have the incentives and capacity to engage and include these types of projects as priorities in their development plans.



Entry point 2: Renewable Energy for Territorial Development

Problem:

- The energy transition is not only creating opportunities, but also challenges for municipalities and regions.
- Funds are being mobilized to generate local transformations away from coal and hydrocarbons in the form of carbon credits, royalties, government programs (i.e. funds around the reindustrialization policy), but lack of clarity about how to effectively access and use the resources for this transition
- Local governments, private sector, and communities do not have clarity about the resources, the transition and how to identify and leverage the emerging opportunities.
- Legacy of tensions among stakeholders and bad experience with previous multi-stakeholder approaches.



Renewable energy for territorial development

Opportunity:

- Several new mayors have included the just energy transition in their programs but with no specific initiatives yet.
- There is an incentive for local mayors to include JET in municipal and department development plans in order to respond to community needs and have access to new resources.
- There is interest in the private sector, if process can be managed.
- Communities at the local level want better, more affordable access.
- By May 2024, JET priorities in subnational development plans will be clear.



Renewable energy for territorial development

Obstacles/Risks:

- National and subnational priorities around the energy transition are being developed at the moment and it is early days to assess details and whether or not interests might be aligned among actors in different contexts.
- There is no clarity on which resources governments are planning to use and where and how these will be coordinated beyond sectoral priorities of ministries?



Renewable energy for territorial development

Hypothesis:

- There is momentum in different regions to develop new initiatives or reinforce existing ones in response to the Just Energy Transition and there is space to identify and support locally-led coalition approaches to support territorial development, using JET as an entry point.

To Test:

- Explore existing ideas and proposals by local governments, private sector, and communities and see which of those make it to development plans and can be feasible and impactful.
- The timing, viability, and interests around specific local processes
- Assess the relevance of their plans & potential impact against the resources available to GAH.



Entry point 3: Bringing the J to Big, Green Investments.

Problem:

- Most new large green energy projects are facing challenges with licenses, land use, and community relations, and a sense that the navigation of the bureaucracy and community processes is too cumbersome to invest.
- CSR investments continue to be extractive and/or don't lead to long term productive benefits for communities.

Opportunity:

- There are some large green energy models testing new ways to distribute benefits and handle relationships with communities that seem to be working, but these are not well known and have not been taken to scale yet.



Bringing the J to Big, Green Investments.

Risks/Obstacles:

- Actors don't have enough interest in changing CSR models with lengthy processes at the local level
- Risk that new models won't work and communities will continue to exercise a veto.
- Failure will result in further conflict and divisions.



Bringing the J to Big, Green Investments.

Hypothesis:

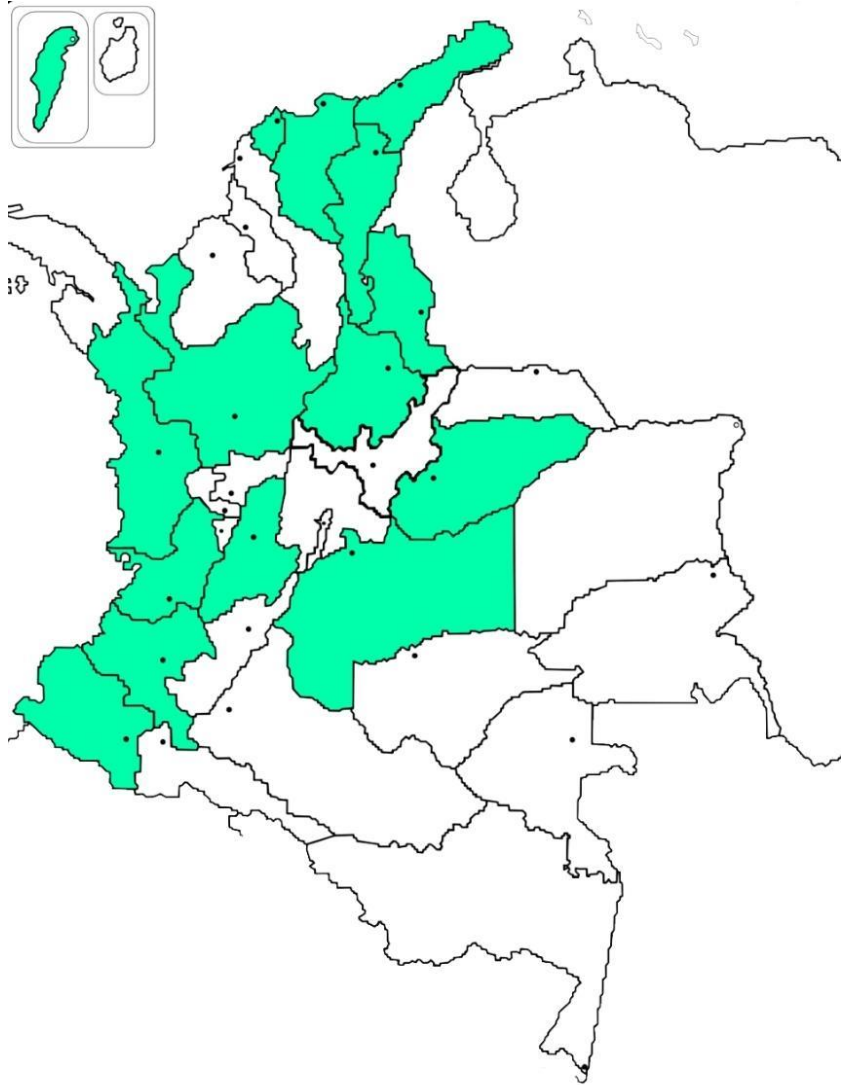
- While incentives are increasingly aligned for large generation programs, the legacy and current CSR models of working with communities are not fit for purpose. There may be a critical core of new investors in the sector who are willing to learn from mistakes of the past, as well as current cases of positive deviance, with a view to piloting more inclusive approaches to working with communities under large scale investments.

To Test:

- Community: Level of mistrust towards companies and interest in building new types of partnership with companies
- Private Sector: Level of interest in testing approaches in big investments and cost benefit of process (with communities and bureaucracy)
- Are incentives really aligned for this scale of investment?



Consulted areas with energy transition stakeholders



- We have engaged on the scoping with stakeholders involved in these energy transition zones.
- Actors such as:
 - Ministry of Mining & Energy
 - National Agency of Hydrocarbons
 - University EIA
 - Pro-Cities Businesses Organizations
 - EPM and CENS
- The extended list of organizations is in the annex.



Stakeholder feedback about hypothesis

1. Building Local Coalitions to Implement Alternative Energy Communities

- Lack of clarity and communication around the policy and its goals.
- There's space and interest in connecting communities in different geographies.
- Public service companies think the model won't work without them supervising, guiding, and administrating. Government is aware of this and is looking to give them a role.
- Communities need a lot of preparation to receive projects and maintain quality and efficiency once the network.

2. Renewable energy for territorial development.

- The model needs to be adapted to local goals (self-production/productivity).
- Lack of clarity by local stakeholders on what the transition is, what is the timing of it and how to engage in it.
- Development of local value chains in areas with a history of mining extractivism and upcoming closures of thermoelectric plants.
- Barrancabermeja solar capital of Colombia.
- Adapting to the energy transition in Cesar with the stopping of some coal operations.

3. Bringing the J to Big, Green Investments.

- Companies are required to include climate change and energy transition in their plans
- There are a lot of bottlenecks which have affected the implementation of projects.



1. Questions for stage 2:



Questions to probe during Stage 2

Questions about current progress and next steps in Colombia

- Do the hypothesis around feasible entry points at the local level make sense?
What should we continue to test?
- What are the pros and cons of doing one or a combination of them.
- What criteria should we keep in mind when looking for partners (not implementers) for the work in Colombia moving forward?
- What are the issues you would like us to test in stage 2?



Questions to probe during Stage 2

Questions about the GAH goals and implementation in Colombia

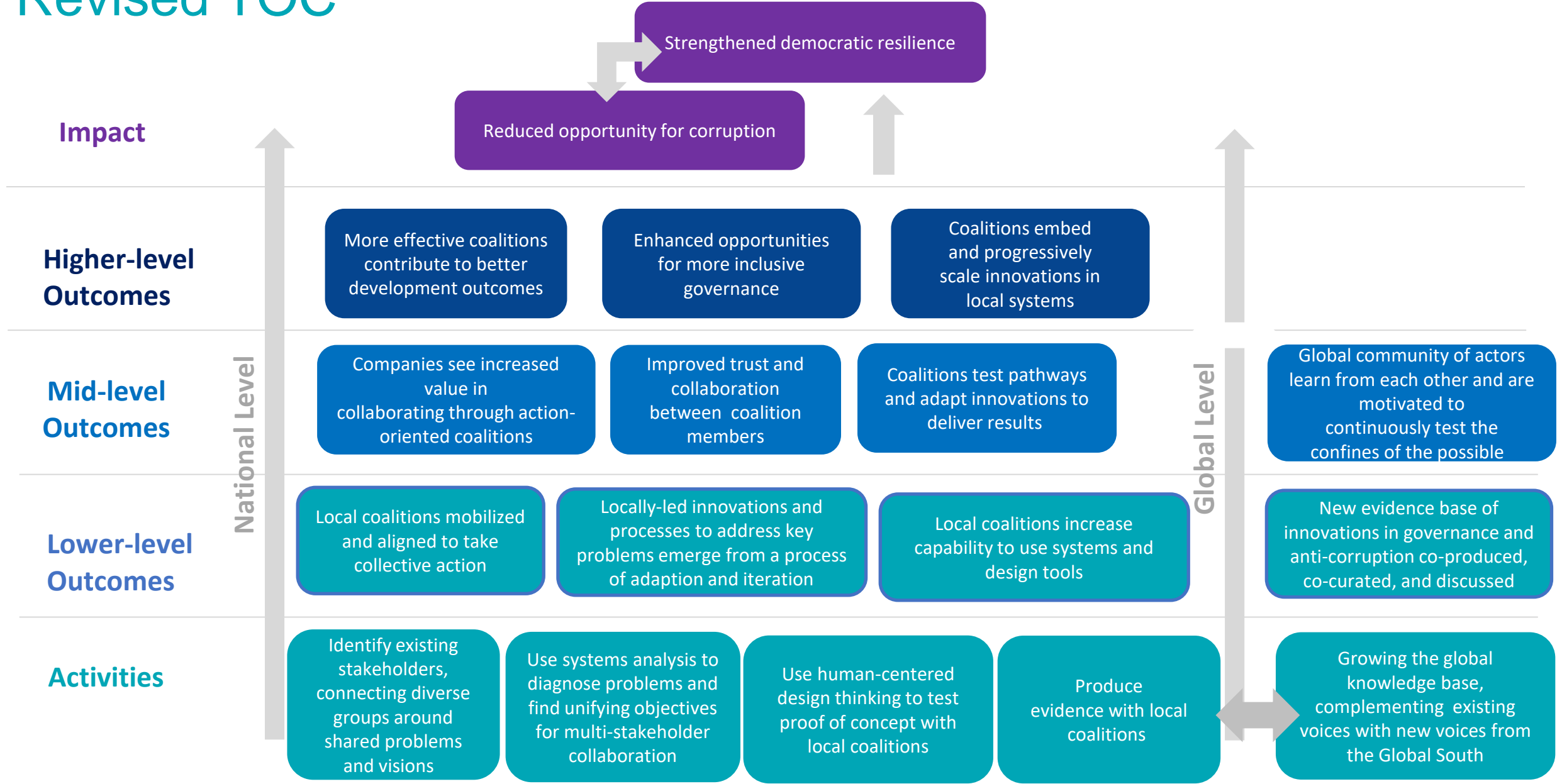
- What is the GAH offer and what do we need to prepare for this?
- Does GAH have the capacity to support them?
- How do we want to define impact in Colombia and how will we measure it?
- How are the implications of this for the theory of change?



Annex



Revised TOC



Co-creation process

Figure 1. Six Stages of Co-Creation



Concepts:

Coalition - groups of individuals, organizations and even networks that actively work together temporarily to pursue a common goal (The Asia Foundation)

Movements imply a high degree of shared collective identity, for example, yet neither networks nor coalitions necessarily involve significant horizontal exchange between participants. Indeed, many rely on a handful of interlocutors to manage relationships between broad-based social organizations that may have relatively little awareness of the nature and actions of their counterparts. At the same time, some

transnational movements achieve such a high degree of shared symbolism and collective identity that active members can identify strongly with each other in spite of very limited actual contact – as in the emblematic case of the anti-apartheid movement of in the 1970s and 1980s (Fox). Perhaps we are building a transnational movement of action research on systems change in extractive rich countries?

Networks are face-to-face or virtual, they involve exchanges of information, experiences, and expressions of solidarity. Sometimes these exchanges generate networks of ongoing relationships. Sometimes these networks generate the shared goals, mutual trust, and understanding needed to form coalitions capable of collaborating on specific campaigns. But networks do not necessarily coordinate their actions, nor do they necessarily come to agreement on specific joint actions (Fox).



Roles and Responsibilities at Country/Local Level

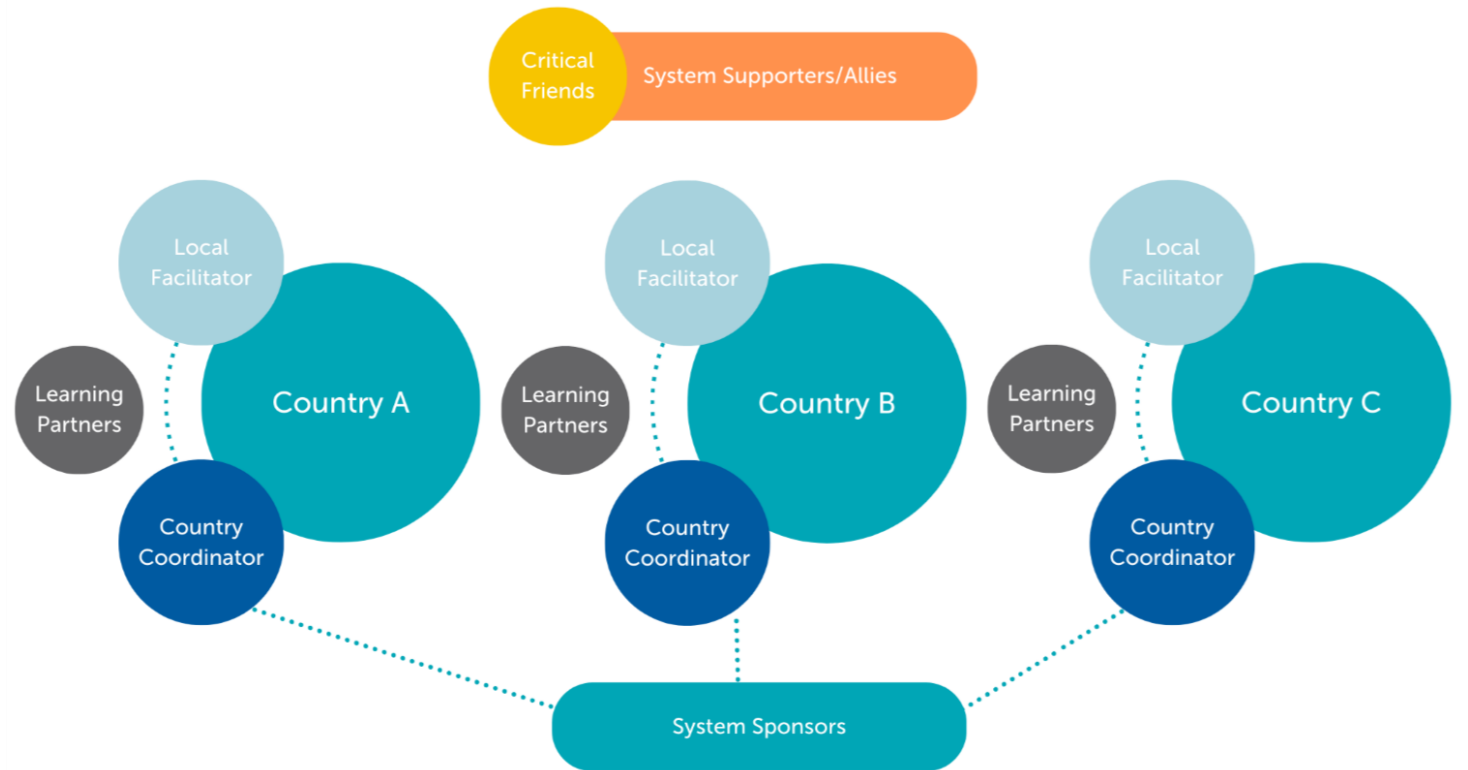
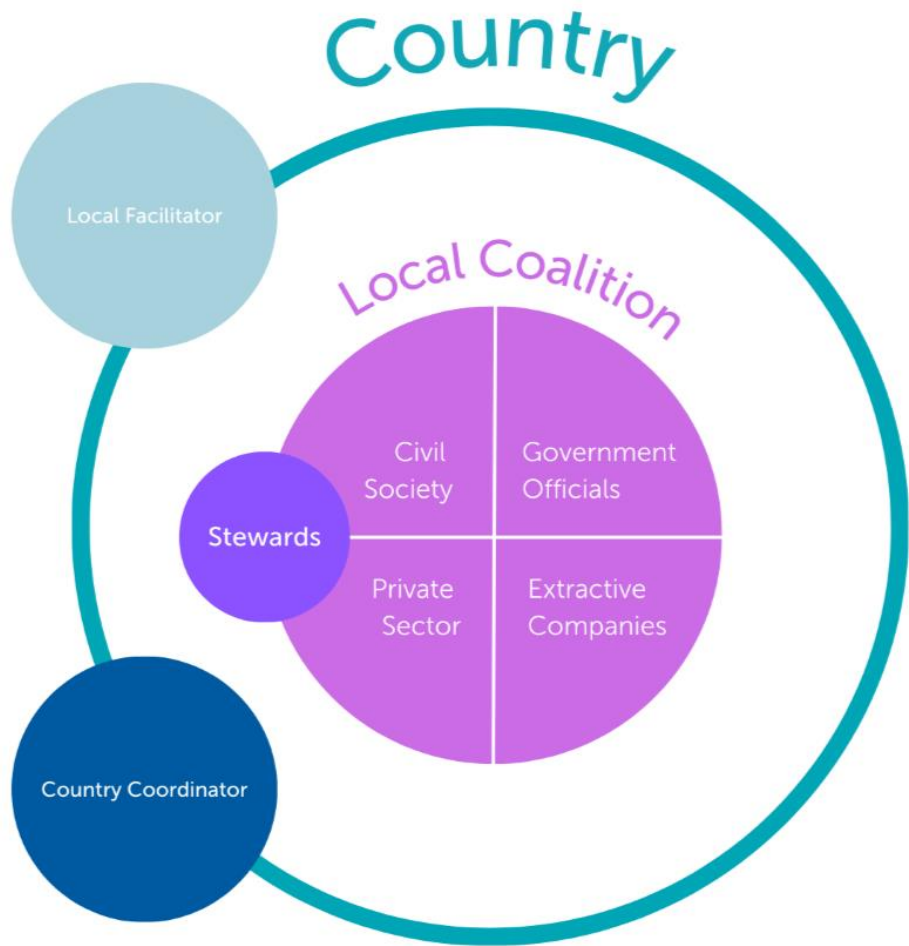
- **System Sponsors:** A sponsor is an individual or organization that provides financial and/or programmatic support to a development project or initiative. Sponsors play a crucial role in ensuring the success of development programs by providing the resources and expertise needed to implement them effectively. Sponsors can also provide access to connections and relationships, in addition to communication and dissemination services. The leading sponsor is R4D and can include other INGOs and donors as the program develops.
- **Country Coordinator:** A local individual or organization that coordinates and supports efforts within a specific country. They are accountable to R4D and serve as a bridge between R4D and local facilitators to lead the initiative through all five steps of the co-creation process. Country coordinators co-design and support tailoring the approach to each country and facilitate collaborative learning and learning cycles between local facilitators in multiple countries. In addition, the country coordinator is responsible for assessing if the local facilitator has the capabilities of performing the responsibilities of the learning partner and/or if additional support is necessary. The country coordinator works closely with the GAH core team member for each country.
- **Local Facilitator:** A local facilitator or team of local facilitators is accountable to the country coordinator and oversees supporting step four (co-creating pilots) and potentially five (supporting locally led pilots) of the co-creation process.
- **Learning Partners:** Learning partners are a liaison between R4D and the local actors and take a leading role in facilitating coalition learning. This role may be absorbed by one of the other actors within the support structure, e.g. the local facilitator, or a separate actor altogether, but will be largely based on context, capacity and expertise. Learning partners will be accountable for taking the political analysis conducted by the country coordinator in stage one (scoping) and localizing the information through a systems map and a TOC. Learning partners will also participate in learning meetings/workshops.



Key Learning Support Structures

- **Local Coalition Members/Stewards:** Local coalition members/stewards represent the private sector, government, and civil society and play a critical role in forming a coalition of change in each context. Stewards, whether organizations or individuals, take a leading role in overseeing and managing resources to ensure long-term program success. Their responsibilities include ensuring activities align with goals, implementing effective strategies, and contributing to sustainable positive change. Supported by the local facilitator and learning partner, stewards analyze and identify interrelated causes of the focus problem, co-develop solutions, and implement and adapt approaches for impact. A steward's detailed responsibilities involve creating a global community, connecting actors, testing tools and approaches across contexts, and building trust, capacity, and a valuable process for collective problem-solving. While not all coalition members are stewards, the coalition's configuration varies in each context, with some organizations taking a leading role (stewards) and others participating and offering their views.
- **System Supporters/Allies:** Local system supporters/allies are engaged observers with a keen interest in our initiatives. They support, learn from, and provide valuable feedback on experiments. These actors possess both technical and relational expertise and may include donors, international non-governmental organizations (INGOs), think tanks, and other relevant entities.
- **Critical Friends:** Critical friends are a type of system supporter/ally that act as trusted advisors who provide constructive feedback and support to individuals or organizations involved in development initiatives. They play a crucial role in promoting reflective practice, strengthening project design and implementation, and enhancing the overall effectiveness of development efforts. Critical friends extends to both global and local contexts, drawing upon their diverse expertise and knowledge. This group comprises local NGOs, researchers, global thought leaders, and donors, all of whom will be duly compensated for their valuable contributions.





Digging deeper

- We selected **21 quantitative and qualitative variables**. Below we present some **findings**:

| Similarities | Differences |
|---|--|
| None of the priority countries are stable in the fragile states index | Two countries (Peru & Philippines) have substantial budget transparency , two have limited information (Colombia & Ghana) |
| None of the priority countries have satisfactory press freedom | Two countries (Peru & Ghana) are in the top 20% of countries for liberal democracy , yet one is in the bottom 20% (Guinea) |
| All countries are in the bottom half of the corruption perceptions index | Commodity exports as a share of GDP vary substantially from 3.7% (Philippines) to 46.9% (Guinea) |
| Tax revenue as a share of GDP is roughly comparable across countries (10.8% - 16.1%) | FDI inflows range from 1.2% (Guinea) to 5% (Colombia) of GDP |
| All countries have high levels of inequality (Gini 40+), except Guinea | Government (in)effectiveness varies substantially. Two countries are in the top half of the index (Philippines & Colombia), one is in the bottom 20% (Guinea) |

- Guinea is difficult to compare with the other countries** on various indicators (democracy, corruption, fragility, commodity dependence, inequality, and government effectiveness)
- The Philippines may not *count* as a natural resource *dependent* country** (low dependence on commodity exports).



List of individuals and organizations consulted to-date

- National Agency of Hydrocarbons
- Magdalena University
- EIA University
- Mining Ministry and Energy
- Former Advisors Mining Ministry
- ProSantander
- ProBarrancabermeja
- ProPacífico
- ProBarranquilla
- ProPacífico
- CAPAZ
- Insuco
- Transforma
- Crudo Transparente
- Transparencia por Colombia /
Secr. Técnica de la Mesa de la
Sociedad Civil
- Atlas Group
- ANDI - Norte de Santander
- EPM and CENS



Organizations pending to be consulted

- Polen
- Consultores SER
- ABC Colombia
- Traject
- GIZ
- NRG
- Acosol
- Ambiente y Sociedad
- EITI secretariat
- CAPAZ
- CREER
- Foro Nacional por Colombia
- Creer
- SINEP
- Colombia Inteligente / CIDET
- SEI
- National Planning Department (DNP)
- IPSE
- Former Vice-Minister of Mining
- Podio
- WRI - Colombia
- And others