

INTERNATIONAL RENEWABLE ENERGY AGENCY

Fourth session of the Assembly

Abu Dhabi, 18 – 19 January 2014

IRENA/ADFD Project Facility**Report of the Chair of the Advisory Committee on the first project cycle**

The United Arab Emirates (UAE) in 2009, through the Abu Dhabi Fund for Development (ADFD), committed concessional financing of up to USD 350 million for seven cycles to renewable energy projects in developing countries that are recommended or endorsed by the International Renewable Energy Agency (IRENA).

During the establishment phase of the Agency and up to the second session of the Assembly, the Director-General, in close consultation with Members and the ADFD, prepared for the first project selection and funding cycle of the IRENA/ADFD Project Facility (Facility). The first cycle was commenced in November 2012.

During the first cycle, and pursuant to Assembly decision A/2/DC/10, the review and selection process of project proposals received was led by an Advisory Committee (Committee) composed of Members of IRENA and appointed by the IRENA Assembly, which had the overall responsibility to review and recommend projects to the ADFD. The Committee was supported in its work by a panel of technical experts. The Committee was also tasked by the Assembly to contribute to the development of a refined set of procedures and conditions for the Facility, replacing the selection procedures previously prepared by the Preparatory Commission for IRENA.

The projects recommended by the Committee to the ADFD in September 2013 for final selection and funding represent a combined new capacity of over 50 MW. They request nearly USD 70 million in loans from the ADFD, encourage over USD 75 million in co-finance, and represent USD 145 million in total project costs including co-financing.

The projects are representative of the geographic spread of the Agency's membership and cover a variety of renewable energy technologies and activities. All of these projects share the promise of improving energy access, helping address energy security and creating broad positive socio-economic impacts. Selected projects are required to be innovative and replicable, thus contributing to a learning process.

The ADFD is expected to make the final selection of projects from the list recommended by the Committee in December 2013. The announcement of the selected projects is planned to take place at the upcoming fourth session of the Assembly in January 2014.

The report of the Chair of the Advisory Committee contained herein, describes the implementation of the selection process, including the programme of work of the Committee and its outcomes pertaining to the first funding cycle and recommendations for the Advisory Committee for future funding cycles.

I. Programme of work of the Advisory Committee

The Committee for the first funding cycle was established by the second Assembly in January 2012. It consisted of seven members and five alternates based on IRENA Members' expressions of interest and with a view to equitable geographic distribution (see Annex 1). The Committee appointed Minister Ilona Antoniszyn-Klik of Poland as the Chair.

a. Preparatory work

By November 2012, and with a view to preparing for the start of the application, review and selection process, the Committee with the support of the Secretariat and in close collaboration with the ADFD, prepared operational '**Guidelines for Applicants**' which provide clear guidance for potential applicants for completing an application. They contain specific information on the process as well as detailed requirements for the submission of project proposals. The Committee, in consultation with the ADFD, is expected to further refine these guidelines as appropriate in the light of experience gained in subsequent cycles. The '**Guidelines for Applicants**' are attached to the present report and shared with the Council for its information.

By November 2012, the Committee also established a **Panel of Experts** to provide technical advice for the first funding cycle (see Annex 1). Experts were selected from a list proposed by the Director-General, which included Members' nominations, and was based on level of expertise with renewable energy projects, preferably in developing countries, and ensured that the group covered all renewable energy sources and regions of the world. The members of the Panel of Experts appointed two Co-Chairs, one from a developing country and one from a developed country.

In November 2012, on the sidelines of the fourth meeting of the Council, the Chair of the Committee held an **information meeting to encourage project applications for the first funding cycle**. The meeting was attended by the Director-General and representatives of IRENA Members. Delegates were briefed on the Facility, the selection process and the establishment of a dedicated website through which applicants would register their project proposals.

b. Progress at the third Assembly in January 2013

In January 2013, one day prior to the third session of the IRENA Assembly, the Committee convened its first in-person meeting to discuss the most appropriate approach to project selection during the first funding cycle.

The Chair of the Committee reported to the IRENA membership at the third session of the Assembly on **progress of the work of the Committee** and noted the following:

- a. The Committee members and alternates had agreed on the way forward regarding project review and review of procedures.
- b. The Committee agreed to provide its suggestions for streamlining procedures once experience has been gained in implementing the first funding cycle.

During the ensuing discussion, a number of delegations raised questions regarding the submission process of project proposals as well as the framework conditions and requirements. This included the methodology and evaluation criteria used to determine the loan rate, the required minimum threshold of loans of USD 5 million, which, according to some delegations, was set too high, the requirement to secure a sovereign government guarantee early in the submission process, the lack of funding for feasibility studies, the fact that applications are open only once a year, challenges related to the web-based submission of proposals, and the request to receive detailed project proposal templates.

Following the discussions, the Secretariat noted that the feedback received had been noted in detail and would be taken into account during the on-going review and improvement of the process. The Assembly subsequently requested the Director-General to develop, in consultation with the ADFD, the Advisory Committee, as well as other relevant stakeholders, a refined set of procedures and conditions for the IRENA/ADFD Project Facility for its consideration at the fourth session.

c. Progress at the fifth Council in June 2013

In June 2013, one day prior to the fifth meeting of the Council, the Committee met for the second time to continue work on proposed improvements of the process and conditions of the second funding cycle.

The Chair of the Committee reported to the Council membership at its fifth meeting on the **progress of the work of the Committee** and noted the following:

- a. The Committee had reviewed the status of the selection process for the first funding cycle and had discussed recommendations to improve the IRENA/ADFD Project Facility.
- b. From over 80 project summaries received, 19 were shortlisted, of which 16 full project proposals were submitted for further consideration by the experts.
- c. The process focuses on the selection of projects that address energy access, are replicable and innovative, are geographically diverse, comprise various technologies and are in line with government priorities.
- d. The recommended projects would be provided to the ADFD for final selection.
- e. The appointment of a new Committee was scheduled to take place at the next session of the Assembly in January 2014.

The Committee Chair listed the following as **main areas of agreement** from the Committee meeting:

- a. A report on the first funding cycle would be given at the sixth Council, including a report on the selection of projects for the first funding cycle.

- b. Outreach to the IRENA membership and a webinar for all potential applicants was planned to assist applicants in the second funding cycle.
- c. Proposals for the improvement of the selection procedures would be considered by the Committee prior to the sixth Council. The Council would review the proposal and submit its recommendations to the Assembly at its fourth session.
- d. The second funding cycle is scheduled to open its application phase around the sixth Council.

II. Outcomes – Project selection

The Committee carried out reviews of the project proposals received in March and August 2013. By September 2013 selected projects were recommended to the ADFD for final selection and funding.

During the first cycle, out of over 80 Executive Project Summary applications received and solicited by IRENA through its membership and regional networks, 31 applications were shortlisted by the Panel of Experts.

The Committee selected 19 from this shortlist considering geographic spread, technology diversity and national priorities of the countries applying (see Annex 2). Of the 19 projects selected, 16 submitted Full Project Proposals at the second stage of consideration.

The Panel of Experts scored these proposals. After its final review in September 2013 the Committee recommended a list of projects to the ADFD which represented:

- various regions (Latin America, North and Sub-Saharan Africa, South Asia and the Pacific);
- a diverse mix of renewable energy sources and technologies; and
- a wide range of activities meeting national energy priorities.

The recommended projects included the following:

- solar PV broadening energy access;
- small hydropower for small communities;
- wind energy for isolated grids with strong community support;
- local biomass energy and water desalination; and
- mini-grid, off-grid and/or storage elements addressing grid stability and peak load issues.

The recommended projects represented a combined new capacity of over 50 MW, request nearly USD 70 million in loans from the ADFD, encourage over USD 75 million in co-finance, and represent USD 145 million in total project costs.

The ADFD is expected to make the final selection of projects from the list recommended by the Committee in December 2013. The announcement of the selected projects is planned to take place at the upcoming fourth session of the Assembly in January 2014.

III. Outcomes – Refinement of process

During a meeting prior to the fifth Council, the Committee discussed improvements on the process and conditions for subsequent cycles. This guidance has been used in preparing draft ‘General Principles’ (C/6/L.5) which will be submitted to the sixth Council for its consideration and onward transmission to the fourth Assembly. Together with the ‘Guidelines for Applicants’, the ‘General Principles’ are expected to replace the selection procedures prepared previously.

Transparent procedures regarding the functioning of the Committee were proposed by the Chair and applied in the first cycle. The Chair recommended the use of this approach by the Committee in subsequent cycles:

- a. In case of a conflict of interest for a Committee member over the selection and recommendation of a project taking place in the same member country or any other potential conflict of interest, an alternate - from the same region if possible, with no conflict of interest, and depending on availability - is to be engaged on that project.
- b. Each member or alternate will be called upon to vote, either in favour of or against including each shortlisted¹ project in the list of selection, at the Executive Project Summary stage or recommendation, at the Full Project Proposal stage. If a member or alternate chooses not to review certain projects, it is considered the same as voting against those projects.
- c. If there are more votes by Committee members and alternates in favour of a project than against it, then that project is included for further consideration.
- d. In order to ensure geographical distribution, if more than one project from a country is selected or recommended, then the country is advised to prioritise those projects. This assists selection and final recommendations by the Committee.
- e. If the shortlisted projects near the proposed cut-off² for selection and recommendation for the next stage have the same score and receive the same number of votes from Committee members or alternates, the Committee may choose to exclude those projects. This approach can be adjusted, depending on the number of projects with equal scores, and to ensure that a reasonable number of projects proceed to the next stage. The Committee advises the Panel of Experts to shortlist projects applying the same approach.
- f. And at the final stage, the Committee needs to recommend projects worth more than USD 50 million in total in each cycle, so that the ADFD can choose among these projects, considering that only a maximum of USD 50 million worth of loans can be disbursed in each funding cycle.

The following recommendations by the Committee have been implemented by the Secretariat:

- a. Communication and outreach has been broadened to additional regional organisations to solicit applications from a wide array of regions.
- b. Webinars have been organised to assist applicants in their applications.

¹ Projects are shortlisted by the Panel of Experts through scoring and comments provided to the Committee.

² Up to 20 projects to be selected at the Executive Project Summary stage and around 10 projects to be recommended at the Full Project Proposal stage or any other appropriate number as determined by the Chair and the Committee.

- c. A more refined nomination and selection process of experts has been established.
- d. The 'Guidelines for Applicants' include more detailed clarifications on the government guarantee requirement.
- e. The online application form is simplified and more user-friendly.

Finally, it was recommended that the Committee has the following in its programme of work in subsequent cycles:

- a. Continue to improve evaluation criteria and procedures.
- b. Coordinate with ADFD on the development of possible progress report approaches.
- c. In case the IRENA Members decide to have thematic, technology or geographical focal areas for subsequent cycles, the Committee assisted by the Panel of Experts will advise on such areas.
- d. Explore the possibility of voluntary contributions to support feasibility studies/technical assistance for applicants.
- e. Determine demand for other forms of finance, e.g. loans less than USD 5 million for smaller projects or grants. If there is a high demand, identify additional sources of funding and devise an appropriate selection and disbursement mechanism.
- f. Explore alternative protections/safeguards to a government guarantee to back funding.

Advisory Committee Members and Alternates in the First Cycle

Members

- Ecuador
- France
- India
- Poland - Chair
- Republic of Korea
- Samoa
- Tunisia

Alternates

- Bosnia and Herzegovina
- Germany
- Japan
- Spain
- Swaziland

Panel of Experts in the First Cycle

- Mike Enskat, Deutsche Gesellschaft fuer Internationale Zusammenarbeit, Co-Chair
- Modise Mokgadi, Department of Energy (of South Africa), Co-Chair
- Adam Cenian, The Szewalski Institute of Fluid-Flow Machinery Polish Academy of Science
- Brian O'Hanlon, Overseas Private Investment Corporation
- Christine Eibs Singer, CES Global (private company)
- Julio Eisman Valdes, Acciona Microenergia Foundation
- Kawther Lihidheb, National Agency of Energy Conservation (of Tunisia)
- Kyung-Jin Boo, Seoul National University
- Mamadou Amadou, Ministry of Petroleum, Energy and Mines (of Mauritania)
- Sadao Wasaka, New Energy and Industrial Technology Development Organization
- Salem F. Alhajraf, Kuwait Institute for Scientific Research
- Tarun Kapoor, Ministry of New and Renewable Energy (of India)

Regions represented:

Initial applications → Shortlist by Panel of Experts → Selected by Advisory Committee

Regions	Number of projects	Regions	Number of projects	Regions	Number of projects
Sub-Saharan Africa	44	Sub-Saharan Africa	13	Sub-Saharan Africa	10
Middle East and North Africa	13	Middle East and North Africa	9	Middle East and North Africa	3
Latin America and the Caribbean	10	Latin America and the Caribbean	3	Latin America and the Caribbean	2
Central and South Asia	7	Central and South Asia	3	Central and South Asia	2
Pacific	2	Pacific	2	Pacific	2
Southeast Asia and East Asia	5	Southeast Asia and East Asia	1	Total	19
Eastern Europe	1	Total	31		
Total	82				

Renewable energy sources represented:

Initial applications → Shortlist by Panel of Experts → Selected by Advisory Committee

Renewable energy technology	Number of projects	Renewable energy technology	Number of projects	Renewable energy technology	Number of projects
Solar energy	34	Solar energy	17	Solar energy (PV hybrid for villages)	8
Bioenergy	16	Bioenergy	6	Bioenergy (+desalination)	6
Wind energy	12	Wind energy	5	Wind energy (for rural areas)	3
Hydro energy	8	Hydro energy	2	Hydro energy (for small community)	2
Solar-Wind	4	Geothermal	1	Total	19
Geothermal	2	Total	31		
Solar-Hydro	2				
Wind, solar, biomass, geothermal	1				
Wind, geothermal, hydro, bioenergy	1				
Bioenergy, solar	1				
Bioenergy, solar, wind	1				
Total	82				

Private/public sector balance:

Initial applications		Selected by Advisory Committee	
Type of organisation	Number	Type of organisation	Number
Governmental Organisation	48	Governmental Organisation	12
Private Organisation	22	Private Organisation	4
Semi-Governmental Agency	8	Semi-Governmental Agency	3
Other	4	Total	19
Total	82		