

**INTERNATIONAL RENEWABLE ENERGY AGENCY**

Fourth session of the Assembly

Abu Dhabi, 18 – 19 January 2014

**IRENA/ADFD Project Facility – General Principles**

## Transmittal note

1. 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).
2. During the establishment phase of the Agency, the Preparatory Commission for IRENA prepared ‘Selection procedures for projects applying for funding from the Abu Dhabi Fund for Development’ (PC.4/DC.4). The IRENA Council at its first meeting in July 2011 agreed that preparations for the initiation of the first project funding cycle would be based on, and in accordance with, these selection procedures.
3. The selection procedures define the various steps and responsibilities in the context of each project selection and funding cycle, including the appointment of an Advisory Committee composed of IRENA Members which reviews and recommends project proposals to the ADFD, as well as the appointment of a Panel of Experts which provides technical advice to the Advisory Committee. The procedures also detail eligibility and selection criteria for project proposals.
4. At the second session of the Assembly in January 2012, Members authorized the Director-General to launch the first cycle based on the ‘Selection procedures for projects applying for funding from the ADFD’, and established the Advisory Committee. The Assembly further requested the Director-General in consultation with the Advisory Committee to propose streamlined funding cycle procedures, in consultation with the ADFD. This was reiterated at the third Assembly where Members asked that the development of a refined set of procedures and conditions for the Facility be based on lessons learned and experience gained during the implementation of the first project cycle. Details on the work of the Advisory Committee are contained in the Report of the Chair of the Advisory Committee on the IRENA/ADFD Project facility, set out in document C/6/4.

5. In parallel to its project review and selection activities, the Advisory Committee, in consultation with the Director-General and the ADFD, examined the ‘Selection procedures for projects applying for funding from the ADFD’ with a view to proposing streamlined funding cycle procedures as well as improvements to the IRENA/ADFD Project Facility (Facility). Based on experience gained during the first cycle, as well as feedback from the Panel of Experts and applicants, the draft ‘General Principles of the IRENA/ADFD Project Facility’ (C/6/L.5) has been prepared in accordance with the decision of the Assembly. This document guides the overall operations of the Facility, refines eligibility and selection criteria and assigns roles and responsibilities to the entities involved in the process.

6. At its sixth meeting, the Council considered the draft ‘General Principles of the IRENA/ADFD Project Facility’ and submitted the document to the Assembly for its consideration.

**IRENA/ADFD Project Facility – General Principles**

## **I. Background**

1. In support of the mission of IRENA, the UAE committed concessional financing of up to USD 350 million from the ADFD for seven cycles of funding for renewable energy projects in developing countries that are recommended or endorsed by IRENA. The IRENA/ADFD Project Facility (Facility) is born out of this commitment. The first cycle commenced in November 2012.
2. The Facility supports IRENA's mandate to promote the widespread and increased adoption and use of renewable energy with a view to sustainable development. Mobilising finance is a key challenge in securing increased renewable energy deployment in developing countries. With this in mind, the ADFD, with endorsement from IRENA, provides funding for selected renewable energy projects. IRENA's involvement ensures the projects under consideration meet the set criteria, including to improve energy access, address energy security, and offer innovative and potentially replicable solutions to support the transition towards a sustainable energy supply and that, in total, the projects cover a variety of renewable energy sources and technologies.
3. 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 launch of the first project funding cycle based on initial guidance by the Preparatory Commission for IRENA. At the second session of the Assembly, Members explored how the impact of the Facility could best be multiplied to the benefit and through the processes of IRENA. To this end, the Assembly requested the Director-General of IRENA, through decision A/2/DC/10, to prepare streamlined funding cycle procedures, in consultation with the ADFD and an Advisory Committee composed of Members of the Agency, for recommendation to the Assembly.
4. The present document has been prepared pursuant to this request and with a view to maximising the benefit of the Facility within the overall context of the Agency's mission. It sets out the general principles for the implementation and further development of the Facility.

## **II. Eligibility and selection criteria**

### **a. Eligibility criteria**

5. Projects applying for funding to the Facility should meet the following requirements:
  - Projects should be submitted by Members of IRENA, Signatories of the Statute, or States in Accession which are developing countries included in the "DAC List of ODA Recipients" from the Organisation for Economic Co-operation and Development (OECD). Preference will be given to project proposals submitted by IRENA Members.
  - Projects should deploy renewable energy as defined in the Statute of IRENA: bioenergy, geothermal energy, hydropower, ocean energy, solar energy, and/or wind energy.

6. Projects applying for funding to the Facility also need to be compatible with ADFD lending conditions which are set out in the ‘Guidelines for Applicants’<sup>1</sup> and address, in particular, the loan value, rates and durations, and required guarantees, as well as other requirements.

#### b. Criteria guiding the selection

7. As a guiding principle, projects selected will, to the extent possible:

- have **technical merit**, including through appropriate design, management capability, project deliverables, **commercial merit**, including through an appropriate business plan, demonstrated economic feasibility, offtake contracts and co-finance and **socio-economic impact**, including through achieving development goals e.g. equity, health and gender impacts;
- be **transformative** (expected to have a significant positive impact on the energy landscape, society, environment and/or business situation);
- be **replicable** (show an effective, efficient business model for the given technology that can be replicated, and/or involve a "solid and tested" approach);
- be **innovative** (e.g., an innovative business model that is financially viable and technically sound);
- improve **energy access** (expressed in number of people to gain new access to clean energy, new connections to the grid or megawatts added to the power supply);
- address **energy security** (expressed in terms of how the project contributes to the diversification of energy supply, saving scarce energy resources, or reducing grid outages and/or in the number of people or systems with reduced reliance on traditional biomass, diesel, etc.);
- be in line with **government priorities**; and
- meet **IRENA’s objectives** as set out in its Statute.

### III. Funding cycle

#### a. Roles and responsibilities

8. The **Advisory Committee**<sup>2</sup> (Committee) composed of IRENA Members has the overall responsibility to select and recommend projects to the ADFD. It reviews project proposals and ensures that the project proposals recommended for final selection and funding by the ADFD satisfy the above criteria and that the list of project proposals is, to the extent possible, representative of the geographic spread of the Agency’s membership and covers a variety of renewable energy sources and technologies.

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<sup>1</sup> <http://www.irena.org/adfd/GuidelinesforApplicants.pdf>

<sup>2</sup> Please refer to the Annex for appointment and method of work of Advisory Committee and Panel of Experts

9. The Committee, in consultation with the ADFD, also reviews the IRENA/ADFD Project Facility on an ongoing basis, including procedures, criteria and responsibilities, and makes recommendations to the Assembly on any improvements, as necessary.
10. The Committee establishes a Panel of Experts from a list of experts recommended by the IRENA Director-General.
11. The **Panel of Experts**<sup>2</sup> provides technical advice to the Advisory Committee by reviewing project proposals based on their technical, commercial and socio-economic merit and scores them with a view to shortlisting projects that satisfy the above criteria.
12. The Panel also reviews the IRENA/ADFD Project Facility on an ongoing basis and makes recommendations to the Advisory Committee on any improvements, as necessary.
13. The **IRENA Secretariat** facilitates the project selection cycle, including the work of the Advisory Committee and the Panel of Experts.
14. The **Abu Dhabi Fund for Development** decides on the final selection of projects based on the submission of recommended projects by the Advisory Committee. The ultimate selection, financial support, administrative management and reporting of results remain the exclusive responsibility of the ADFD. A progress report of all selected projects is presented annually by the ADFD to the Director-General who, in turn, reports to IRENA Members.

### **b. Selection process**

- In order to initiate each new funding cycle, the IRENA Secretariat circulates a call for proposals to the IRENA membership. IRENA also reaches out to attract project proposals from a wide range of applicants.
- Each applicant is requested to submit an Executive Project Summary to the IRENA Secretariat through an online form at [www.irena.org/adfd](http://www.irena.org/adfd) within a specific deadline and in line with the requirements specified in the 'Guidelines for Applicants' and any other relevant provisions announced on the IRENA website.
- Each project proposal is checked for completeness and eligibility by the IRENA Secretariat.
- The Executive Project Summaries are scored and commented on by the Panel of Experts resulting in a shortlist of projects. Experts are assigned to several projects based on respective expertise and are required to score and comment on each project based on the above mentioned criteria.
- The IRENA Secretariat sends this shortlist of Executive Project Summaries to the Advisory Committee. Its members provide an overall recommendation and select projects based on their strategic importance and with a particular focus on national priorities and expected impact, and based on the ranking and comments from the Panel of Experts.

- Upon the selection of projects by the Advisory Committee, the IRENA Secretariat invites applicants to submit Full Project Proposals within a specific deadline and in line with the requirements. The IRENA Secretariat notifies applicants whose proposals were not selected by the Advisory Committee with an invitation to consider resubmitting in subsequent cycles.
- The Panel of Experts scores, comments on and shortlists Full Project Proposals, using the same overall considerations as at the Executive Project Summary stage.
- The IRENA Secretariat sends the shortlisted Full Project Proposals to the Advisory Committee for its review and final recommendation to the ADFD.
- The ADFD transmits results of the final selection to the Secretariat for dissemination to applicants. The ADFD submits a brief statement explaining the rationale behind the selection.
- Upon final funding decisions by the ADFD, the Secretariat notifies all applicants of the status of their project proposals.
- The ADFD strives to prepare contracts on completion of necessary financial protocols within 90 days. Funds are disbursed according to the actual progress of work.

15. Please refer to the ‘Guidelines for Applicants’ which contain further information on the process as well as detailed and specific requirements for the submission of project proposals and guidance for completing an application. The Advisory Committee, in consultation with the IRENA Secretariat and the ADFD, may propose to further refine these ‘Guidelines for Applicants’ as appropriate in the light of experience gained in subsequent cycles.

16. The project selection timeline and stages are outlined in the diagram below.



An approximate duration is given for each stage, allowing for time adjustments by the Chair of the Advisory Committee in consultation with the Committee.

### **Appointment and method of work - Advisory Committee and Panel of Experts**

#### **Advisory Committee**

1. The Advisory Committee (Committee) of the IRENA/ADFD Project Facility is composed of up to seven members and up to seven alternates and provides guidance to one full funding cycle.
2. Prior to the start of each new funding cycle, IRENA Members are invited to express their interest in becoming a member of the Committee. The Assembly considers the nominations received and appoints the members and alternates for each funding cycle with a view to ensuring equitable geographic distribution. Immediately after its appointment, the Committee appoints its Chair.
3. Committee members and alternates cannot comment on and/or recommend projects where there is a potential conflict of interest. If this situation arises, an alternate from the same region, to the extent possible, will be asked to assume the responsibilities of the Committee member.
4. If undue delays occur in the work of the Committee, it is at the discretion of its Chair to assign Committee alternates to take over in consultation with Committee members.
5. The Committee will work electronically to the extent possible in order to minimize expenses. Any costs incurred through participation in the Committee shall be borne by the members concerned. Support may be provided to assist in financing the participation of members from Least Developed Countries and Small Island Developing States (as per UN definition).

#### **Panel of Experts**

6. For each new funding cycle, the IRENA Director-General recommends a list of experts to the Advisory Committee for its approval. The list is drawn up based on nominations received from Members, as well as the IRENA Secretariat's knowledge of experts in the field.
7. The IRENA Director-General will be mindful of ensuring a certain level of continuity in the proposed composition of the Panel of Experts (Panel) whilst ensuring that the cumulative experience of the Panel includes:
  - various renewable energy technologies;
  - relevant developing country experience;
  - knowledge of procedures and practices of development funds including financial assessment of projects;
  - project development, implementation and management;
  - project analysis, monitoring and evaluation; and
  - technical, commercial and socio-economic impact assessments.



8. The Panel will appoint two Chairs, one from a developing country and one from a developed country.
9. To the extent possible, the Panel will work electronically and meet virtually.
10. An expert cannot score and/or comment on projects where there is a potential conflict of interest. If such situation arises, another expert from the same region will be asked to assume the responsibilities of the expert.