

INTERNATIONAL RENEWABLE ENERGY AGENCY

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

In 2009, the United Arab Emirates (UAE), through the Abu Dhabi Fund for Development (ADFD), committed concessional financing of up to USD 350 million over seven cycles to renewable energy projects in developing countries recommended by the International Renewable Energy Agency (IRENA). The IRENA/ADFD Project Facility (Facility) is the result of this commitment and represents a strong partnership between IRENA and ADFD.

The first funding cycle commenced in 2012 and so far three project selection cycles have been successfully supported by IRENA. The implementation of the Facility is guided by the “General Principles” (A/4/13).

The Advisory Committee (Committee) composed of IRENA Members and appointed annually by the Assembly has the overall responsibility to select and recommend projects to the ADFD. This report covers the work of the Committee during the third cycle of the Facility. It describes the implementation of the selection process and recommendations for future funding cycles.

During the third cycle, the Committee selected seven projects for recommendation to the ADFD for funding. The recommended projects share the promise of being replicable, innovative, transformative and sustainable. They aim at improving energy access, energy security and livelihoods. The projects represent a total new capacity of over 70 MW and total project costs of USD 238 million which through co-financing, combines USD 71 million in loans from the ADFD with over USD 167 million from other sources. The principles of geographic spread, technology diversity and alignment with government priorities have guided the selection.

Throughout 2015, the Committee continued to further develop and improve the Facility. First, the Committee worked on improvements to the selection process and criteria in which IRENA’s other areas of work were referenced to help to improve applications. A simple point system and a new scaling system were introduced for experts to come to a common understanding on evaluation of projects. Second, a focus was given to capturing results after projects are selected and a results framework was implemented with engagement of the 11 selected project proponents. Finally, other funding partners were engaged on the shortlisted projects. And recommendations were made for improvements for subsequent cycles including on further assistance to applicants to improve their applications, dedicated resources for capturing results of the selected projects and offering applicants the option of listing their proposals on the virtual marketplace that IRENA has set up.

I. Background

1. The first and second project cycle resulted in the selection of 11 projects from Argentina, Cuba, Ecuador, Iran, the Maldives, Mali, Mauritania, Samoa, Sierra Leone and St. Vincent and the Grenadines which covered a variety of renewable energy technologies. These included small scale hydropower, waste to energy, solar PV, hybrid (wind and solar), biomass and geothermal. The facility has proven to be an effective mechanism to encourage co-funding of projects.

2. In the first two years:

- USD 98 million of ADFD loans have been allocated.
- Over USD 146 million has been leveraged from other funding sources to cover the rest of the project costs.
- Over 56 MW of renewable energy capacity will ultimately be brought online.
- Over 580,000 people and businesses are expected to benefit from improved access to energy and improved livelihoods.

3. The Advisory Committee, composed of IRENA Members has the overall responsibility to select and recommend projects to the ADFD. The Committee, comprised of up to seven members and seven alternates, reflecting equitable geographic distribution, has two main roles. One is to carry out overall project review and selection and the second is to make suggestions to further improve the Facility. The Committee for the third funding cycle was established at the fifth session of the Assembly in January 2015. It consists of seven members and five alternates (see Annex 1).

II. Project review and selection during the third cycle and preparations for the fourth cycle

4. The third cycle opened on 11 November 2014. IRENA reached out to its membership to nominate Committee members and for experts to be on the Panel of Experts, which provides technical advice to the Committee. The Committee was formed at the fifth session of the Assembly. The Chair of the Committee, Mike Allen, Special Envoy for Renewable Energy for the Ministry of Foreign Affairs and Trade for New Zealand was appointed soon after by the Committee. The Committee established a Panel of Experts from a list recommended by the IRENA Director-General that included additional nominations from regional networks (see Annex 1).

5. Webinars for applicants were carried out in November and December to solicit applications. By the application deadline, 87 Executive Project Summary applications were received. Out of these, 73 were considered eligible as they were renewable energy projects, in countries that are on the OECD DAC list of ODA recipients, and the requested funding was between USD 5 to USD 15 million. The Panel of Experts, which provides technical advice to the Committee, shortlisted 34 applications based on the projects' potential to be transformative, replicable, and innovative, to improve energy access and energy security and based on their potential technical merit, commercial viability and socio-economic and environmental impact.

6. The Committee selected 22 projects from this shortlist (see Annex 3), considering geographic spread, technology diversity and national priorities of the countries applying. Of the 22 projects selected, 15 submitted Full Project Proposals at the second stage of consideration.

7. The Panel of Experts scored these proposals. After its final review in September 2015 the Committee selected a list of seven projects for recommendation to ADFD. These represented:

- various regions (Africa, Asia and Small Island Developing States);
- a diverse mix of renewable energy sources and technologies; and
- a wide range of activities meeting national energy priorities.

8. The recommended projects included more hybrid projects than in the first and second cycles. Projects were mini-grid and off-grid including battery storage projects and covered the following technologies:

- hybrid (solar and wind),
- hybrid (solar and biomass),
- biogas and biodiesel,
- biomass cookstoves,
- solar home systems and solar PV.

9. The total quantity of requested loans for the recommended projects was USD 71 million and total projected project costs were USD 167 million in the third cycle.

10. The ADFD is expected to make its final selection of projects from the list recommended by the Committee by December 2015. The announcement of the selected projects is planned to take place at the upcoming sixth session of the IRENA Assembly in January 2016.

III. Areas of improvement implemented during the third cycle

i. Criteria and selection process

Committee

11. For easier and more transparent strategic decision-making, the Committee introduced a simple point system to help in selecting and recommending projects to the ADFD. This system assisted the Committee to carry out the strategic review of projects considering expert scores and geographic spread, technology diversity and government priorities including government guarantee.

Experts

12. In any evaluation process, there is an element of subjectivity of the experts involved. To ensure comparability, three approaches were taken to increase the objectivity of project review:

- To achieve a common review approach, scoring and understanding of projects amongst experts, a new rubric and likert¹ scale were introduced. Statements on certain aspects of the technical, economic and commercial and socio-economic and environmental benefit parts of projects were made in the evaluation criteria rubric. A likert scale was applied on these to capture the Panel's level of agreement with these statements.

¹ A likert scale approach to evaluation involves a statement on each question at the Executive Project Summary and Full Project Proposal stage that each expert is asked to strongly agree, agree, be neutral, disagree or strong disagree with. In addition, experts are asked to justify each level of agreement.

- Experts scored the projects individually and then convened amongst the Panel to discuss their different approaches. As appropriate, and where agreed amongst the experts, scores were then reconciled.
- Simple statistics were used for normalizing the expert scores. Expert scores were examined across three groups with a standard deviation and an average for each group and across all groups. This is to reduce any bias in the scores due to differences between the experts in terms of, for example, their knowledge around particular technologies, country situations or implementation experience that may influence their perceptions of the relative merit of specific projects. The top scoring projects were then selected from each group by reconciling the averages across the groups so that the projects selected are truly representative.

Applicants

13. Clearer and easy to use application forms were introduced capturing quantitative data points. Data points included energy output, workforce/jobs and total project costs. IRENA's tools were referenced in the forms to assist applicants: Global Atlas for resource assessment; costing analysis work for cost estimates and socio-economic and environmental benefit publications on potential benefits including job creation and gender impact.

14. Four webinars for applicants were carried out by IRENA to guide applicants through the process and direct applicants to IRENA's tools. Applicants were directed to IRENA's Project Navigator which is a specific tool to improve project proposals.

ii. Capturing results

15. Socio-economic and environmental benefit indicators were developed including gender empowerment indicators to capture the results and impact of the projects selected for funding by ADFD (see Annex 2).

16. There are six main core indicators specified and these can be adjusted as per the specific situation of the respective projects.

17. A baseline value needs to be noted at operational start date of projects, a target value defined and then the actual project value needs to be recorded by the project coordinators.

iii. Engagement of funds for co-financing

18. Three funding institutions are listed on the IRENA/ADFD website. These are the African Development Bank, the Islamic Development Bank and UNDP-Global Environment Facility contact points. Other funding institutions are also interested in engaging further and IRENA sees this as an important and valuable area for further interaction in future.

19. 34 shortlisted projects were shared with a list of over 40 regional and bilateral funds and regional organisations and those on the Arab Coordination Group of funds in early June 2015.

20. Applicants were also asked for their consent to share projects with other funds. Those that consented were listed on an online platform to which other funds have access.

21. Through this process of sharing of projects some of the funds, specifically the Islamic Development Bank, have taken forward funding of certain projects from the first and second cycle.

IV. Recommendations for improvements in subsequent cycles

22. During the Committee's meetings in February and June 2015, the following points were recommended for subsequent cycles:

- Regional workshops, more detailed webinars and/or other direct face-to-face meetings to cover the criteria, process and project requirements to solicit better applications, experts and co-financing were suggested.
- A review of the correlation between webinars and use of IRENA's tools with the quality of applications and success through the process was requested.
- Roles and resources need to be clearly defined to collect indicators and results for each project.
- An IRENA/ADFD "type" facility could be supported by other funds.

V. Next cycles

23. The fourth funding cycle will open on 11 November 2015 to receive Executive Project Summaries through the Facility's website at <http://adfd.irena.org>. The deadline to receive summaries is 15 February 2016. The cycle will incorporate the improvements recommended by the Committee in its two strategic meetings during 2015.

24. Applicants in the fourth cycle can choose to register at the virtual marketplace <http://marketplace.irena.org>. Initially, the marketplace will cover the Africa Clean Energy Corridor region and expand to other regions subsequently. Applicants can help to source co-financing and other forms of financing through the marketplace to support the projects going through the Facility.

Advisory Committee Members and Alternates in the Third Cycle

Members

Egypt
France
Kuwait
New Zealand
Republic of Korea
Swaziland
Trinidad and Tobago

Alternates

Argentina
Jordan
Mauritania
Pakistan
Portugal

Panel of Experts in the Third Cycle

- Mohammed Mostafa El-Khayat, New and Renewable Energy Authority, NREA (of Egypt), Chair
- Cyril Carobot, French Renewable Energy Industry Association (of France)
- Ijaz Rauf, York University (of Canada)
- Johannes Feist, KfW Bankengruppe for Executive Project Summary only (of Germany)*
- Mahama Kappiah, ECOWAS Center for Renewable Energy and Energy Efficiency (of Cape Verde)
- Maurizio Cuppone, GSE - Gestore dei Servizi Energetici (of Italy)
- Stanislaw Pietruszko, Warsaw University of Technology (of Poland)
- Wilson Sierra, Ministry of Industry, Energy and Mining (of Uruguay)
- Yamaguchi Kaoru, New and Renewable Energy Institute of Energy Economics (of Japan)

*Nominated as Co-Chair but not able to perform function.

ANNEX 2

Project results framework – Key performance indicators for project coordinators

Examples of Key Performance Indicators (at baseline, target and project implementation level)	
Indicators	Description
Accessibility	Number of people with increased access to energy.
Affordability	Reduction in household income spent on fuel/ electricity/ water etc.
Job creation	Increase in number of direct and indirect jobs.
Energy security	Reduction in power outages.
Environmental/ health	Fossil fuel usage saved/ reduced deforestation/ CO2 avoidance/ reduced cases of respiratory illness.
Gender/ transformation/ replicability/ scalability/ innovation/ other	Gender empowerment indicators and add other indicators as relevant.

Overview of projects received at the executive project summary stage

Regions represented:

Eligible applications		→	Shortlisted by experts		→	Selected by Committee for final round	
Region	No		Region	No		Region	No
Africa	41		Africa	16		Africa	10
Asia	18		Asia	8		Asia	6
Islands	8		Islands	6		Islands	3
Latin America	3		Latin America	3		Latin America	2
Europe and others	3		Europe and others	1		Europe and others	1
Total	73		Total	34		Total	22

Renewable energy sources represented:

Eligible applications		→	Shortlisted by experts		→	Selected by Committee for final round	
Technology	No		Technology	No		Technology	No
Solar	33		Solar	15		Solar	7
Biomass	17		Biomass	6		Biomass	5
Hybrid	10		Hybrid	6		Hybrid	6
Hydro	7		Hydro	2		Hydro	2
Wind	3		Wind	3		Wind	1
Geothermal	2		Geothermal	1		Geothermal	0
Ocean	1		Ocean	1		Ocean	1
Total	73		Total	34		Total	22

Private/public sector balance:

Eligible applications		→	Shortlisted by experts		→	Selected by Committee for final round	
Type of organisation	No		Type of organisation	No		Type of organisation	No
Private or NGO	46		Private or NGO	20		Private or NGO	12
Governmental	19		Governmental	10		Governmental	8
Semi-governmental	8		Semi-governmental	4		Semi-governmental	2
Total	73		Total	34		Total	22