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**INTERNATIONAL RENEWABLE ENERGY AGENCY**

Fourth meeting of the Council

Abu Dhabi, 12 – 13 November 2012

**Note of the Director-General on the Framework  
for the First Cycle of the IRENA/ADFD Project Facility**

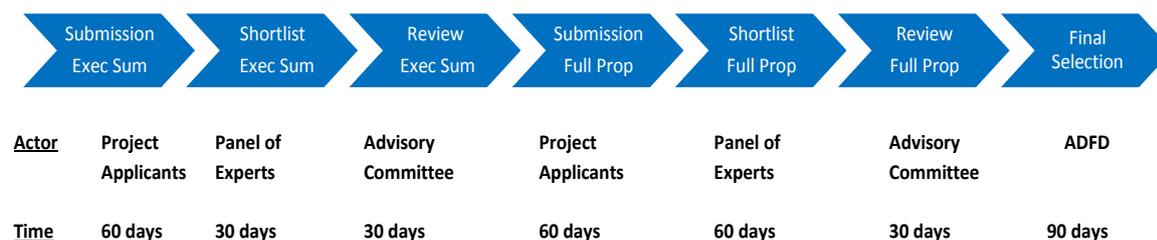
1. This note is prepared by the Director-General on the framework for the first funding cycle of the IRENA/ADFD project facility. The Abu Dhabi Fund for Development (ADFD) will provide a total of USD 350 million in concessional loans to projects endorsed by IRENA and approved by the ADFD. The IRENA/ADFD project facility will run for seven funding cycles of USD 50 million each.
2. Based on decisions related to the ADFD procedures and initiation, the Secretariat has taken the necessary steps to open the IRENA website to applications for the first funding cycle of the IRENA/ADFD project facility on 11 November 2012.
3. This document details preparations for the IRENA/ADFD facility, its institutional structure, roles, and processes. It also covers the approach for project review, timeline and delivery and the potential for development and improvement of this process.

**I. Institutional structure and processes**

4. The Advisory Committee of the IRENA/ADFD project facility was constituted by the second session of the IRENA Assembly to guide the review and selection procedure of projects. It is expected that Members of the Committee would be elected by the IRENA Assembly for each of the seven ADFD funding cycles. The primary role of the Advisory Committee would be to review and provide general comments on the shortlisted projects sent to it by the Panel of Experts.
5. The Panel of Experts, established by the Advisory Committee, is drawn from a list of candidates recommended by IRENA's membership and the Director-General. The selection of the Panel of Experts was based on the need for various skills and experience in renewable energy project preparation, finance, implementation, management and geographical balance. The role of the Panel of Experts is to review, rank and shortlist projects based on technical merit and considerations consistent with the objectives of IRENA.

6. ADFD will make the final project selection based on all documentation and input from the Panel of Experts and Advisory Committee and ADFD funding considerations. Upon the final funding decision of the ADFD, the Secretariat will notify all applicants of the status of their project proposals. Unsuccessful applicants may submit project proposals during a future application process.
7. Project management, review, and reporting of project results is the sole responsibility of the ADFD. A progress report of all projects will be presented annually by the ADFD to the Director-General, who will communicate this report to the Assembly through the Council.
8. The Secretariat will support the Panel of Experts and the Advisory Committee in the review of projects and the continual improvement of the process to meet IRENA's mission and objectives and coordinates with the ADFD during this process.
9. As per the bid document of the United Arab Emirates, the Secretariat and the ADFD are pursuing a Memorandum of Understanding (MoU). The intention of the MoU is to reflect the current respective roles of IRENA and the ADFD based on IRENA decisions.

## **Project application process summary**



## **Background on the ADFD**

### **About the Abu Dhabi Fund for Development (ADFD)**

The Abu Dhabi Fund for Development was established by the government of Abu Dhabi on 15 July 1971 as a public autonomous institution with the aim of offering economic aid in the form of soft loans and technical assistance to developing countries in support of their economic and social development.

ADFD's mission is to help developing countries achieve sustainable economic growth and reduce poverty by providing financial resources, forging partnerships in the public and private sectors and adopting international best practices to ensure aid effectiveness.

ADFD has committed over AED 28 billion (almost USD 7.6 billion) to development projects around the world since its foundation. This financial assistance was directed at projects supporting and improving living conditions, alleviating poverty, creating employment opportunities, improving health services and supporting food security programmes.

To achieve the optimum impact on sustainable development, the ADFD has been keen to diversify its financing operations to cover a wide spectrum of projects on the basis of addressing the needs and priorities of developing countries. This is being achieved by funding infrastructure projects such as water, power, health services, education, communication, agriculture, irrigation, etc.

Since its inception over 40 years ago, the Fund has managed almost 320 operations, benefiting sustainable growth in around 60 countries across the world.

## II. The approach for project review

10. Mobilizing finance is one of the greatest challenges for scaling up renewable energy. Providing financial support to activities that are innovative and replicable, while broadening energy access and addressing issues referenced in the Millennium Development Goals is crucial. IRENA has created a process to select such activities within developing countries for funding from the ADFD and to attract further finance. IRENA will ensure that the endorsed activities represent a diverse range of technologies, are geographically equitably distributed, and address energy security and access issues.
11. The Panel of Experts will review, rank and shortlist projects by examining technical and commercial merit and the following socio-economic considerations:
  - a. Replicability;
  - b. Innovation;
  - c. Energy access;
  - d. Millennium Development Goals; and
  - e. Sustainable Energy for All goals.
12. The projects will be ranked based on the scores and weights outlined in Annex 1. The scoring and review approach for the project summary and the full project proposal level are provided below and in Annexes 3-8.
13. At the **Executive Project Summary** evaluation stage the projects will be checked for eligibility by the Secretariat (see Annex 2).
14. The eligible projects will be scored by the Panel of Experts considering weighted technical, commercial and socio-economic factors as outlined in Annexes 3, 4 and 5. Socio-economic factors in Annex 5 consider whether the project:
  - a. is replicable;
  - b. is innovative; and
  - c. addresses energy access issues and meets many issues referenced in the Millennium Development Goals.
15. The 20 highest scoring projects will then be selected. Brief statements will be provided by the Panel of Experts on the reasons for this choice. This shortlist and statements will then be sent to the Advisory Committee.
16. The Advisory Committee will review the statements and ensure the projects selected:
  - a. collectively cover a diverse range of technologies;
  - b. represent a wide geographic distribution of countries, and rural and urban areas; and
  - c. address energy security and access issues and national priorities.

17. Applicants whose project summaries have been selected by the Advisory Committee and after consultation with the ADFD will be requested to submit a **Full Project Proposal**.
18. The **Full Project Proposals** will be scored by the Panel of Experts based on weighted technical, commercial and socio-economic factors, in greater detail outlined in Annexes 6, 7, and 8. Socio-economic factors in Annex 8 consider whether the project:
  - a. is replicable;
  - b. ensures long term socio-economic benefits; and
  - c. addresses many issues referenced in the Millennium Development Goals as well as the Sustainable Energy for All goals.
19. The projects will be selected and ranked based on these scores and technical merit. Brief statements will be provided by the Panel of Experts on the reasons for this choice.
20. The highest scoring selected projects will be sent to the Advisory Committee. The Advisory Committee will review the statements regarding the full proposals and again ensure the projects selected:
  - a. collectively cover a diverse range of technologies;
  - b. represent a wide geographic distribution of countries, and rural and urban areas; and
  - c. address energy security and access issues and national priorities.
21. The projects selected by the Advisory Committee will be sent to the ADFD for final review and selection.

### **III. Timeline, delivery and continual improvement**

22. The Secretariat has engaged with the Advisory Committee, the Panel of Experts and the ADFD for this first funding cycle in September, October and early November 2012. See Annex 9 for a timeline and activities.
23. The Secretariat has prepared and disseminated promotional material to the IRENA membership in the run up to the opening of the application process on 11 November 2012.
24. The Advisory Committee has been consulted by the Secretariat on the establishment of the Panel of Experts and the appropriate approach for project selection and review.
25. Twelve experts were selected for the panel in October 2012, representing the need for various skills and experience in renewable energy project preparation, finance, implementation, management and geographical balance, which are necessary to review the project proposals.
26. The Secretariat began its engagement with the Panel of Experts in October 2012.
27. The Secretariat will work to support the Advisory Committee in its review, and to make improvements to the project selection procedures.

#### IV. ADFD lending conditions

28. Renewable energy projects endorsed by IRENA through this selection process need to fit within the following ADFD lending conditions:

- a. The total amount of loans committed shall not exceed USD 50 million for each funding cycle;
- b. The loan value shall be within the range of USD 5 million to USD 15 million per project;
- c. The loan for each project shall not exceed 50% of the estimated project cost;
- d. Loan rates will vary between 2% and 6%, with duration of 15-20 years, including a grace period of 3-5 years. The final terms and conditions of the loan will be set by the ADFD;
- e. The intention is for the loans to cover as many recipients as possible per application cycle. There are no limits to the number of project proposals presented by each country, but applicant governments are advised to prioritise their proposals;
- f. For project proposals to be eligible they must come from developing countries that are either Members of IRENA, Signatories of the IRENA Statute, or States in Accession. These must also feature on the Organisation for Economic Co-operation and Development's (OECD) "DAC List of ODA Recipients";
- g. Non-governmental entities may submit project applications on the condition that the government will act as the guarantor of the ADFD loan;
- h. The loans must be used for activities or assets directly related to the proposed project. The loans must not be used to fund any pre-development activities such as feasibility studies, environmental impact or socio-economic studies, etc.; and
- i. ADFD will make the final selection on the projects for lending.

**Annex 1: Scoring and review approach for the Project Summary and Full Project Proposal**

		<b>Technical merit</b>	<b>Commercial merit</b>	<b>Socio-economic impact</b>
		<b>Weight (40%)</b>	<b>Weight (30%)</b>	<b>Weight (30%)</b>
<b>Score</b>	<b>5</b>	Excellent and thorough understanding of issues and experience and capability to deliver effectively.		
	<b>4</b>	Understands main issues and has a good level of experience and capability to deliver.		
	<b>3</b>	Understands most issues but level of experience and capability insufficient to meet all delivery needs.		
	<b>2</b>	Low understanding of issues and demonstrates low level of relevant experience and capability to deliver.		
	<b>1</b>	Issue not well understood and inadequate demonstration of relevant experience and capability to deliver.		
	<b>0</b>	Failed completely to understand the issue and demonstrate capability to deliver.		

**Annex 2: Eligibility of project summary**

<b>Project and applicant status</b>	<b>Requirement</b>
Project country	Projects must be in developing countries that are Members of IRENA, Signatories of the IRENA Statute or States in Accession. These must also be on the Organisation for Economic Co-operation and Development’s (OECD) “DAC List of ODA Recipients”.
Project technology	Projects must be in accordance with IRENA’s Statute: <i>inter alia</i> bioenergy, geothermal energy, hydropower, solar energy, wind energy, ocean energy including <i>inter alia</i> tidal, wave and ocean thermal energy.
Concessional loan sought	Projects must be seeking between USD 5m to USD 15m in concessional loans.
Co-finance plan for project	Project needs to have plans in place for co-financing at least 50% of the project cost.
Proof of government guarantee	Applications from non-governmental entities only accepted with Proof of Government Guarantee.
In line with government priorities	Applications must contribute towards meeting national government priorities, e.g. on grid/off grid priorities, underdeveloped zone priorities, employment agenda, etc.

**Annex 3: Technical merit of project summary**

<b>Evaluation factor</b>	<b>Evaluation consideration</b>	<b>Weight (%)</b>	<b>Score (0-5)</b>
Project design	Appropriate design for this technology choice.  Realistic maximum generation of power or heat given choice of technology, size and available renewable energy resource.	5	
Technology standard, warranty and technology adaptation	In line with appropriate national standards and, if not available, appropriate international standards for renewable energy technology used in project. Adequate warranty information on equipment or a reasonable estimate based on similar installations.  If relevant for effective project delivery, technology researched and adapted to local needs (in consultation with local community). If relevant for project delivery, supply chain for renewable energy project provision integrated into local economy.	5	
Labour	Adequate resources such as skilled labour and technical assistance or training.	5	
Project timeline	Reasonable project timeline considering technology, location and experience.	5	
Site selected	Suitability and availability of the site (including, but not limited to environmental regulation, ownership, grid connection, possible conflicts related to military, shipping, or other use of surrounding area).	5	
Pre-development activity	Adequate pre-development activities for implementation and operations in the project timeframe, including but not limited to pre-feasibility studies, preliminary assessment of environmental impact, resource assessment, grid study, and simulation of plant performance.	5	
Experience	Adequate relevant experience of managing and operationalizing projects.	5	
Monitoring and evaluation	Adequate plans for monitoring and evaluation of technology use, business targets, capacity building/training component for this purpose.	5	

**Annex 4: Commercial merit of project summary**

<b>Evaluation factor</b>	<b>Evaluation consideration</b>	<b>Weight (%)</b>	<b>Score (0-5)</b>
Project cost	Adequate estimates of project costs.	10	
Finance and business plan	Adequate high level finance and business plan.	10	
Purchase and offtake plans	Adequate plans for purchase agreements, <i>e.g.</i> for auxiliary electricity, gas, water, biomass feedstock or similar. Adequate plans for offtake agreement(s), <i>e.g.</i> a Power Purchase Agreement.	10	

## Annex 5: Socio-economic impact of project summary

<b>Evaluation factor</b>	<b>Evaluation consideration</b>	<b>Weight (%)</b>	<b>Score (0-5)</b>
Replicable	Possibility of replicating this project model at a country or sub-regional level.	10	
Innovative	Innovative business model for technology, area, financing structure.	10	
Project effectiveness and energy access	Number of new connections or new MW to grid for energy access. Cost effective approach to address energy access, <i>e.g.</i> expressed in number of households served per USD invested. Addresses many of the issues referenced in the Millennium Development Goals.	10	

## Annex 6: Technical merit details of full proposal

<b>Evaluation factor</b>	<b>Evaluation consideration</b>	<b>Weight (%)</b>	<b>Score (0-5)</b>
Project implementation and operational arrangements	Adequate implementation and operational agreement or contractual arrangement between the applicant and partners, including clear responsibilities of implementing individual project components. Adequate relevant contracts such as land lease, permits and approvals for land acquisition or other project related activities, non-objection certificates where appropriate, supplier (equipment and/or fuel) contracts, grid connection agreement, Operation and Maintenance agreement, <i>etc.</i> Adequate environmental impact and socioeconomic studies.	10	
Performance indicators	Adequate indicators and systems with which progress will be measured, monitored and assessed including: delivery of inputs and achievements; training; quality assurance and financial management of project; socio-economic and environmental impact.	10	
Project risks	Appropriate consideration of project-related environmental, institutional, financial, technical and governance risks and other risks that could affect project success ( <i>e.g.</i> commodity prices; institutional capacity of the partners; macroeconomic policy framework including exchange rate arrangements and budgetary stance; political or institutional/administrative sustainability). Describe the sensitivity of the project to the risks.	10	
Risk mitigation measures	Appropriate risk mitigation measures and plans and the design features that help address project risks.	10	

**Annex 7: Commercial merit details of full proposal**

<b>Evaluation factor</b>	<b>Evaluation consideration</b>	<b>Weight (%)</b>	<b>Score (0-5)</b>
Project cost	Appropriate project cost level compared to international benchmark.	5	
Purchase and offtake contracts	Guaranteed purchase agreements, <i>e.g.</i> for auxiliary electricity, gas, water, biomass feedstock or similar. Guaranteed offtake, <i>e.g.</i> a Power Purchase Agreement.	10	
Finance and business plan	Adequate economic feasibility study, full finance plan, detailing equity, debt, guarantees, <i>etc.</i> Appropriate detailed business model with cash flow analysis, project and equity IRR, NPV and sensitivity analysis.	10	
Co-finance	Appropriate detailed plans on co-financing.	5	

**Annex 8: Socio-economic impact details of full proposal**

<b>Evaluation factor</b>	<b>Evaluation consideration</b>	<b>Weight (%)</b>	<b>Score (0-5)</b>
Replicable model	Appropriate considerations that the business model can be replicated at a country or sub-regional level. If relevant for project type, affordable, reliable energy provision.	10	
Long term socio-economic benefits	If relevant for project activity, adequate local skills, compensation and training through relevant points of the supply chain for long term benefit: in manufacturing, distribution, selling, installing, maintaining.	10	
Socio-economic impact	Addresses in detail many of the issues referenced in the Millennium Development Goals and the Sustainable Energy for All goals.	10	

Any questions and/or comments on this Framework can be sent to [afd@irena.org](mailto:afd@irena.org).

**Annex 9: Timeline and anticipated delivery on the first funding cycle**

<b>Project cycle stages</b>	<b>Activity</b>	<b>Who</b>	<b>Number of days</b>	<b>Estimated deadline/timelines</b>
<b>Prepare</b>	Advisory committee appointed and established	IRENA membership	n/a	Jan-12
	Chair of the Advisory Committee elected	Advisory Committee	n/a	Jun-12
	Panel of Experts selected	IRENA & Advisory Committee	n/a	15-Oct-12
	Chair of the Panel of Experts elected	Panel of Experts	n/a	30-Nov-12
	Finalisation of evaluation considerations for scoring projects	IRENA, Advisory Committee, ADFD	n/a	5-Nov-12
	Memorandum of Understanding between IRENA & ADFD	IRENA, ADFD	n/a	TBC
	Promotional material to be sent to IRENA membership	IRENA	n/a	6-Nov-12
	Online application form development and testing to be completed	IRENA	n/a	10-Nov-12
	Opening of website to project applications	IRENA, Project applicants	n/a	11-Nov-12
	Director General Framework report to present at 4th Council	IRENA	n/a	12/13 Nov-12
	Thematic side event on the ADFD at the 4th Council	IRENA	n/a	12-Nov-12
<b>Executive Project Summaries</b>	Submission of project applications	Project applicants	60	11 Nov 2012-12 Jan 2013
	Technical review, ranking and shortlisting	Panel of Experts	30	13 Jan-16 Feb 2013
	Review with general comments	Advisory Committee	30	17 Feb-23 Mar 2013
	Notification of shortlisted applicants	IRENA	2	23-25 March 2013
<b>Full Project Proposals</b>	Submission of project applications	Project applicants	60	24 Mar-25 May 2013
	Technical review, ranking and shortlisting	Panel of Experts	60	26 May-27 Jul 2013
	Review with general comments consistent with IRENA objectives	Advisory Committee	30	28 Jul-31 Aug 2013
	Final selection	ADFD	90	1 Sep 2013-30 Nov 2013
	Notification of final selection	IRENA	n/a	End Nov 2013