

**INTERNATIONAL RENEWABLE ENERGY AGENCY**

Eighth meeting of the Council

Abu Dhabi, 3 – 4 November 2014

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

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 over seven cycles to renewable energy projects in developing countries recommended by the International Renewable Energy Agency (IRENA) in developing countries. The IRENA/ADFD Project Facility (Facility) is the result of this commitment.
2. The Advisory Committee (Committee) composed of IRENA Members has the overall responsibility to select and recommend projects to the ADFD. This report covers the work of the Committee during the second cycle of the Facility. It describes the implementation of the selection process and recommendations for future funding cycles.
3. During the second cycle, the Committee selected eight 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 total new capacity of over 35 MW and total project costs of USD 176 million which through co-financing, combines USD 70 million in loans from the ADFD with over USD 106 million from other sources. The principles of geographic spread, technology diversity and alignment with government priorities have been fully met.
4. Throughout 2014, the Committee also continued to further develop and improve the Facility. First, the Committee worked on a project feedback framework which focused on aspects of project implementation that are of specific importance to IRENA. Second, over 40 potential co-financing partners have been identified for funding of feasibility studies and providing co-finance. The Committee also discussed potential alternatives to a government guarantee which will require further work.

## **I. Project review and selection during the second cycle**

5. The first project cycle in 2013 resulted in the selection of six projects from Ecuador, the Maldives, Mali, Mauritania, Samoa, and Sierra Leone which covered a variety of renewable energy technologies. The facility has proven, already as a result of the first cycle, to be an effective de-risking mechanism.

6. The second cycle was launched at the fourth session of the IRENA Assembly in January 2014. During the second cycle, out of nearly 80 Executive Project Summary applications solicited and received by IRENA through its membership and regional networks, 34 applications were shortlisted by the Panel of Experts, based on the projects' potential to be transformative, replicable, innovative, to improve energy access and energy security and based on their potential technical, commercial and socio-economic impact.

7. The Committee selected 22 projects from this shortlist (see Annex 2), considering geographic spread, technology diversity and national priorities of the countries applying. Of the 22 projects selected, 19 submitted Full Project Proposals at the second stage of consideration.

8. The Panel of Experts scored these proposals. After its final review in September 2014 the Committee selected a list of eight projects for recommendation to ADFD. These represented:

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

9. The regions represented and technology mix were more widespread and diverse than in the first cycle. There were two projects from Asia including a mix of geothermal projects and a hybrid project that were underrepresented in the first cycle.

10. The recommended projects include the following technologies:

- solar PV on-grid, mini-grid and off-grid, broadening energy access;
- geothermal energy on-grid, exploratory and post exploratory;
- small hydropower for small communities;
- hybrid solar and wind energy for rural electrification and
- bio pellet production combined with solar to reduce deforestation.

11. The ADFD is expected to make its final selection of projects from the list recommended by the Committee by December 2014. The announcement of the selected projects is planned to take place at the upcoming fifth session of the IRENA Assembly in January 2015.

## **II. Overview of Committee meetings in 2014**

12. The Committee for the second funding cycle was established at the fourth Assembly in January 2014. It consists of seven members and five alternates (see Annex 1). In February 2014, the Committee convened its first in-person meeting. The first item that was agreed during the meeting was the re-appointment of the Chair of the Committee, Minister Iona Antoniszyn-Klik of Poland, thereby providing continuity in the implementation of the Facility. The main outputs of the meeting were:

- Agreement on the strategic project review process and schedule for the second cycle. The Committee agreed to ensure wide geographic spread, technology diversity and alignment with government priorities of the totality of projects submitted to ADFD.

- Establishment of a Panel of Experts (see Annex 1) using refined nomination forms.
- Agreement on three areas of improvement of the Facility that are to be explored further in the framework of three discussion groups until the next Committee meeting:
  - a) establishment of a project feedback framework for selected projects with a focus on aspects of project implementation of specific interest to IRENA Members,
  - b) identification of funding demand and opportunities for projects below USD 5 million, co-financing and funding for feasibility studies and technical assistance, and
  - c) exploration of alternative protections and safeguards to a government guarantee.

13. In June 2014, on the sidelines of the seventh Council meeting, the Committee met for the second time, considered the feedback received from the three discussion groups and continued its discussion of the three areas of improvement.

### **III. Discussion on possible areas of improvement**

#### **a) Project feedback framework**

14. A draft project feedback template was presented for discussion by the Secretariat. The importance of the following points was emphasized by the Committee:

- Using lessons learnt and best practices from project feedback to improve the selection process and ensure replicability of projects.
- Determining positive policy recommendations for countries through learning from projects.
- Assessing the sustainability of projects and the management capabilities of the project implementers.
- Reporting the impact on livelihoods and on alleviation of poverty.

15. **Output:** The Committee requested the Secretariat to condense the project feedback template for it not to be overly burdensome on project implementers. It noted that the project feedback framework needs to focus on areas of interest to IRENA. These include transformation, replicability, innovation and the improvement of energy access and energy security, learning and best practice and policy implication considerations. Progress has been made on the framework and it will be integrated into the third project cycle.

#### **b) Funding for co-financing, feasibility studies and small-scale projects**

16. The need to identify sources of co-financing and funding of feasibility studies for projects submitted to the Facility was acknowledged. The Secretariat informed that over 40 other potential co-financing partners, including regional and national development funds, have been engaged for funding of feasibility studies and co-financing. Specific contact details to explore co-financing through the African Development Bank, the Islamic Development Bank and the United Nations Development Programme – Global Environment Facility have been listed on the Facility’s website for applicants to approach in subsequent cycles. The Secretariat informed that the Facility will be presented at the Arab Coordination Group meeting in UAE, Abu Dhabi for further solicitation of co-finance.

17. Demand for financing projects of less than USD 5 million has been expressed by IRENA Members. It was noted that while the Facility is unable, due to comparatively high transaction costs, to support loans to projects of less than USD 5 million, bundling of projects or financing through other sources (social impact investment investors) would be possible. The Secretariat will be listing such sources on the Facility’s website.

18. **Output:** The Committee requested the Secretariat to identify and engage additional entities for co-financing and funding of feasibility studies and to list these on the website, together with additional funds that support smaller projects. As of 30<sup>th</sup> September 2014 more than seven funds communicated specific intent to provide financial support to projects through the Facility. The Secretariat is continuing to make contact with other funds in this regard.

**c) Alternative protections and safeguards to a government guarantee**

19. On alternative approaches for government guarantees, the Committee noted the importance of looking into examples of national funds similar to the ADFD that use alternative approaches successfully.

20. **Output:** The government guarantee is an ADFD requirement. It was, therefore, recommended that any proposal needs to have strong evidence that other funding bodies like ADFD are using alternative approaches successfully. The Secretariat is taking this forward.

**IV. Other improvements during the second cycle**

21. Based on lessons learned during the first funding cycle and guidance received from the Committee and the Panel of Experts, the Secretariat further developed and improved the processes of the Facility, global outreach efforts and the quality of the information and guidance available to applicants.

- In order to further clarify the application and selection process as well as ADFD requirements, the Secretariat hosted five webinars for around 200 potential applicants prior to the launch of the second cycle.
- In order to solicit applications from a wide array of regions, communication and outreach to additional regional organisations was broadened. Presentations on the Facility were made in Asia as part of a regional workshop held by IRENA in April 2014. The Secretariat also translated the ‘Guidelines for Applicants’ into Arabic, French and Spanish.
- The ‘Guidelines for Applicants’ were further refined by including additional information on ADFD requirements and conditions pertaining to the ratification of loan agreements and ADFD tendering and procurement processes.
- The Secretariat updated the website of the Facility and further improved the online application forms for project applicants.
- With a view to allowing for more time for the Executive Project Summaries to be prepared by project developers, the application process was opened for a month longer than in the previous cycle.

**ANNEX 1**

**Advisory Committee Members and Alternates in the Second Cycle**

**Members**

- Argentina
- Fiji
- Japan
- Poland - Chair
- Sierra Leone
- St Vincent and the Grenadines
- Sudan

**Alternates**

- Benin
- France
- India
- Republic of Korea
- South Africa

**Panel of Experts in the Second Cycle**

- Mike Allen, Ministry of Foreign Affairs and Trade (New Zealand) – Co-Chair
- Mohammed Mostafa El-Khayat, New and Renewable Energy Authority, NREA (Egypt) - Co-Chair
- Abdessalem El Khazen, National Agency for Energy Conservation (ANME) (Tunisia)
- Ahmed Ali, Ministry of Environment and Energy (Maldives)
- Julian Despradel, National Energy Commission (CNE) (Dominican Republic) at the Executive Project Summary stage replaced by Adam Cenian, The Szewalski Institute of Fluid-Flow Machinery Polish Academy of Science (Poland) at the Full Project Proposal stage
- Luis Manzano, Ministry of Electricity and Renewable Energy (Ecuador)
- Mamadou Amadou Kane, Ministry of Petroleum, Energy and Mines (Mauritania)
- Maurizio Cuppone, Gestore dei Servizi Energetici, GSE (Italy)
- Sierra Wilson, Ministry of Industry, Energy and Mining (Uruguay)
- Soh Jinyoung, Korea Energy Economics Institute (KEEI) (Republic of Korea)
- Stanislaw Pietruszko, Warsaw University of Technology (Poland)
- Yamaguchi Kaoru, The Institute of Energy Economics (Japan)

### Executive Project Summary stages for pre-selection

*Regions represented:*

Applications reviewed		Shortlisted by experts		Selected by Committee for final round	
Regions	No	Regions	No	Region	No
Africa	41	Africa	19	Africa	10
Latin America	14	Asia	7	Latin America	5
Asia	13	Latin America	5	Asia	4
Islands	6	Islands	3	Islands	3
<b>Total</b>	<b>74</b>	<b>Total</b>	<b>34</b>	<b>Total</b>	<b>22</b>

*Renewable energy sources represented:*

Applications reviewed		Shortlisted by experts		Selected by Committee for final round	
Renewable energy sources	No	Renewable energy sources	No	Renewable energy sources	No
Solar	37	Solar	19	Solar	11
Bioenergy	14	Bioenergy	6	Hybrid	4
Hybrid	7	Hybrid	5	Bioenergy	3
Hydro	6	Geothermal	2	Geothermal	2
Wind	5	Hydro	2	Hydro	2
Geothermal	4	<b>Total</b>	<b>34</b>	<b>Total</b>	<b>22</b>
Solar	1				
<b>Total</b>	<b>74</b>				

*Private/public sector balance:*

Applications reviewed		Shortlisted by experts		Selected by Committee for final round	
Type of organisation	No	Type of organisation	No	Type of organisation	No
Private Organisation	38	Private Organisation	18	Government Organisation	11
Government Organisation	25	Government Organisation	11	Private Organisation	9
Semi-Government Agency	8	Semi-Government Agency	4	Semi-Government Agency	1
Other-Regional inter-governmental organization, NGO	3	Other - NGO	1	Other - NGO	1
<b>Total</b>	<b>74</b>	<b>Total</b>	<b>34</b>	<b>Total</b>	<b>22</b>