



صندوق أبوظبي للتنمية
ABU DHABI FUND FOR DEVELOPMENT



IRENA
International Renewable Energy Agency

Guidelines for applicants

in the second cycle of the

IRENA **ADFD**
PROJECT FACILITY



Supporting Energy Transition



Foreword

Mobilising finance is one of the greatest challenges to renewable energy deployment in developing countries. The commitment of USD 350 million by the United Arab Emirates to finance renewable energy projects in developing countries – through a partnership between IRENA and ADFD – has created an international platform that provides leadership to mobilise and attract investment to strengthen the global clean energy transition.

As the first cycle of the Project Facility enters its final stages, IRENA has recommended projects totalling 50 megawatts to ADFD that show the greatest potential to strengthen local communities and improve energy access and security while also being innovative and replicable. Still, with more than USD 800 million worth of loans requested in this first cycle alone, substantial demand exists for renewable energy project funding in developing countries.

As the IRENA/ADFD Project Facility embarks on its second funding cycle, these revised guidelines have been developed to provide guidance to applicants and other stakeholders. Valuable lessons from the first cycle have been incorporated, and refinements will continue, to ensure the success of future cycles. The active participation of applicants and stakeholders in the evolution of the process is encouraged, as it also enhances IRENA's own work to facilitate renewable energy financing.

Our aim going forward remains to discover and, ultimately, attract funding for projects that will help to drive the world's clean energy transition; that can extend modern energy services to some of the over 1.3 billion people who lack them today; and that will inspire – and produce best-practice examples for – many more impactful projects around the world.

Adnan Z. Amin
Director-General, IRENA

Contents

Purpose	3
The IRENA/ADFD proposition	3
Eligibility	3
ADFD funding	4
Project selection process	5
Submission of project applications	8
Feedback	8

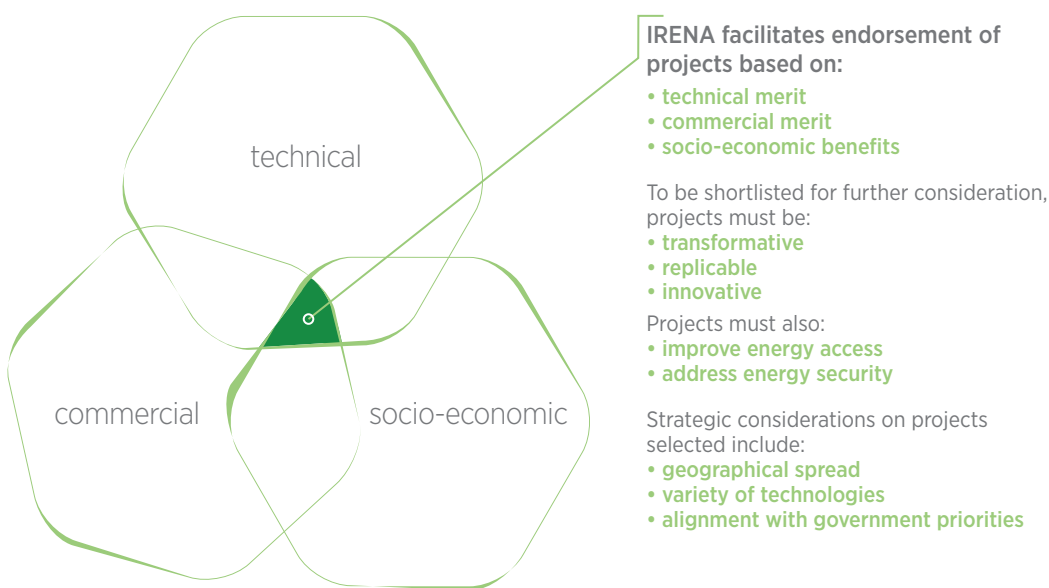
Purpose

This document provides information on the IRENA/ADFD Project Facility and the project application and selection process. Applications are to be made through the IRENA website, via the IRENA/ADFD Project Facility page: www.irena.org/adfd.

The IRENA/ADFD proposition

In support of the mission of IRENA, the United Arab Emirates (UAE) in 2009, through ADFD, committed concessional financing of up to USD 350 million for seven cycles to renewable energy projects that are recommended or endorsed by IRENA in developing countries. The IRENA/ADFD Project Facility is born out of this commitment.

The first project selection cycle commenced in November 2012. IRENA's role involved recommending projects for funding by ADFD, with ADFD making the final selection of projects from IRENA's recommended list. A year later, as the first cycle reached the final selection phase, IRENA initiated the application process for the second project selection cycle.



Eligibility

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, including bioenergy, geothermal energy, hydropower, ocean energy, solar energy, and wind energy.



ADFD funding

ADFD provides sovereign funding to governments of developing countries in the form of concessional loans to support development priorities and assist in achieving sustainable economic development.

If the applicant is a private or semi-governmental agency, ADFD requires that applications be supported by a government guarantee letter issued by the ministry or the authority that deals with international cooperation and funding. ADFD can enter into a loan agreement with a private or semi-governmental agency only if a loan guarantee agreement is signed between ADFD and the government (represented by the ministry that deals with international aid, e.g., Ministry of Finance, Ministry of International Cooperation).

If the applicant is a government entity not involved in the international borrowing affairs of the country (e.g., Ministry of Energy), a letter of intent from the government entity that deals with international borrowing affairs (e.g., Ministry of Finance or International Cooperation) is required by ADFD. The letter of intent should indicate that the project is consistent with government development priorities and that the government supports the project.

Templates of these letters can be found at www.irena.org/adfd.

ADFD funding details are as follows:

- The total concessional loans committed per annual project selection cycle amount to USD 50 million.
- The concessional loan value for project(s) will range between USD 5 million and USD 15 million.
- The loan amount for each project shall not exceed 50 percent of the estimated project cost.
- Loan rates will vary between 2 percent and 6 percent per annum, with a duration of 15 to 20 years, including a grace period ranging from 3 to 5 years.
- The project must demonstrate economic feasibility.
- The final terms and conditions of the loan will be set by ADFD.

Other details are also considered in the selection process:

- Loans are intended to cover as many recipients and regions 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.
- Loans obtained through the IRENA/ADFD Project Facility must be used for activities or assets directly related to the proposed project. Loans cannot be used to fund any pre-development activities, such as feasibility, environmental impact or socio-economic studies.



Project selection process

IRENA carries out its project screening and recommendation process through two bodies. The first is the Advisory Committee, appointed by the IRENA Assembly before each new funding cycle. The second is a Panel of Experts, formed from a list submitted to the Advisory Committee every cycle by IRENA's Director-General, taking account of the IRENA Secretariat's knowledge of experts in the field as well as recommendations from IRENA's membership.

The project selection process – both during the first stage, with Executive Project Summary proposals, and later, at the Full Project Proposal stage – involves **two levels of consideration**.

EXPERT CONSIDERATION

Consideration by the **Panel of Experts**, involves **scoring** and commenting on each project in terms of:

- **technical merit**, including appropriate design, management capability, project deliverables;
- **commercial merit**, including an appropriate business plan, demonstrated economic feasibility, offtake contracts and co-finance; and
- **socio-economic impact**, including addressing development goals, e.g., equity, health and gender impact.

Projects shortlisted must, to the extent possible, be:

- **transformative** (expected to have a significant positive impact on the energy landscape, society, environment and/or business situation);
- **replicable** (show an effective, efficient business model for the given technology that can be replicated, and/or involve a “solid and tested” approach); and
- **innovative** (e.g., an innovative business model that is financially viable and technically sound).

Projects must also:

- **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); and
- **address energy security issues** (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.).

The Panel of Experts gives each project three scores from 0 to 5 based on the three main considerations shown in the table on page 6. These scores are multiplied by allocated weights, as follows: technical merit (40%), commercial merit (30%) and socio-economic impact (30%). This produces each project's total score from the Panel of Experts. Projects are then ranked based on the total scores achieved.

Evaluation Considerations

Panel of Experts scoring and shortlisting					Advisory Committee selection and recommendation
Weighting	Technical 40%	Commercial 30%	Socio-economic 30%	Overall	
Executive Project Summary (stage)	<ul style="list-style-type: none"> Project objective Project design Standards Monitoring and evaluation plans 	<ul style="list-style-type: none"> Project cost Business plan 	<ul style="list-style-type: none"> Stakeholder participation Development goals 	<ul style="list-style-type: none"> transformative replicable innovative improve energy access address energy security 	<ul style="list-style-type: none"> geographic spread variety of technologies alignment with government priorities
Full Project Proposal (if shortlisted)	<ul style="list-style-type: none"> Project deliverables Implementation and operational arrangements Risk mitigation measures 	<ul style="list-style-type: none"> Economic feasibility Project cost details Offtake contracts Co-finance 	<ul style="list-style-type: none"> Job creation Equity Health impact 		
Scoring, selection and recommendation	Point scoring by Experts: <ul style="list-style-type: none"> 5 Excellent and thorough understanding of issues; experience and capability to deliver effectively 4 Understanding of main issues; good level of experience; capability to deliver 3 Understanding of issues, but insufficient experience and capability to meet all delivery requirements 2 Insufficient understanding of issues; low level of relevant experience and capability to deliver 1 Poor understanding of issues; inadequate demonstration of relevant experience and capability to deliver 0 Complete failure to understand issues or demonstrate capability to deliver 			Comments by several experts on each shortlisted project	Comments, selection and recommendation from shortlisted projects to ADFD



COMMITTEE CONSIDERATION

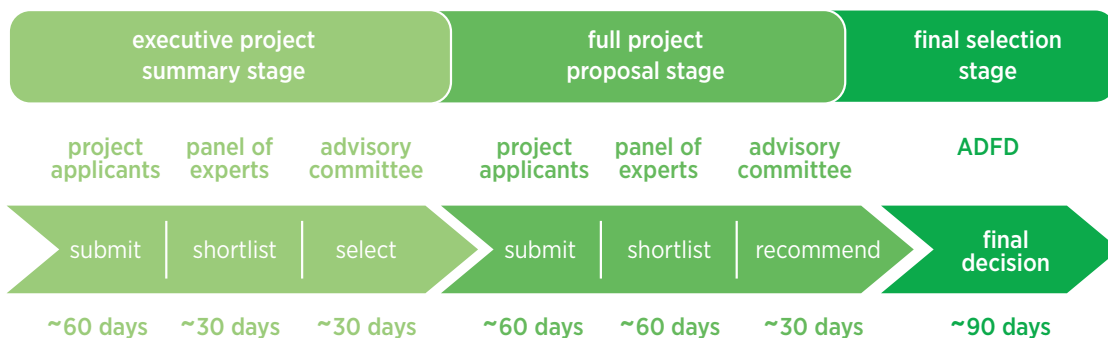
The second level of consideration involves the **Advisory Committee**, which selects and recommends projects based on their strategic importance in terms of national priorities and expected impact, as well as based on the scores, ranking, shortlisting and comments from the Panel of Experts.

Strategic considerations by the Advisory Committee include:

- **geographic spread**, to ensure that the projects selected represent different regions;
- **variety of technologies**, such as solar photovoltaic (PV), wind power, solar PV hybrids, mini-grids, small hydro, small-scale waste-to-energy, *etc.*; and
- **alignment with government priorities**. (If more than one project is submitted from a country, the government needs to indicate an order of priority for the projects.)

The entire project selection process is outlined in the diagram below.

Project Selection Cycle



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

Submission of project applications

The Project Facility page on the IRENA website (www.irena.org/adfd) is open to receive applications until 18 February 2014. A project coordinator should register the project online at the registration sub-page (<http://www.irena.org/adfd/registration.aspx>) to create an application profile. The project coordinator is a contact person who makes the submission and can answer any questions about the application. The project coordinator can be from a governmental or non-governmental entity.

Upon receiving login details, applicants can start the online application process at www.irena.org/adfd, as follows:

- Project applicants must prepare an **Executive Project Summary**. The deadline for submitting this Summary is **18 February 2014**.
- If the Executive Project Summary is shortlisted, the applicant is called upon to submit a **Full Project Proposal**.

All applications must be submitted in English. If this presents a significant challenge, applicants should contact the Project Facility (adfd@irena.org) by 6 January 2014.

Any change to the application process and any additional information to assist applicants will be highlighted on the IRENA/ADFD Project Facility page (www.irena.org/adfd) on the IRENA website. Applicants are therefore advised to check the website prior to submission.

- **Government guarantee requirement:** Applicants are encouraged to initiate contact with their respective governments on this ADFD requirement at the early stages of the application process. For further details, please view ADFD funding and How to apply parts of the website.
- **Economic feasibility:** Feasible projects are those that are financially and economically feasible. This is required to be demonstrated at the Full Project Proposal stage

Note: Costs to the applicant arising from the application process are to be borne by the applicant.

All applicants not selected for funding can apply again in subsequent cycles, using updated Guidelines for Applicants.

Feedback

Please send any questions or comments on these *Guidelines for applicants* to adfd@irena.org.

