AFRICA RENEWABLE ENERGY INITIATIVE
Criteria to be considered for attribution and eligibility/prioritization of funding

CONTEXT AND BACKGROUND

This document outlines the evaluation methodology (criteria and procedures) to be applied for a) determining eligibility and prioritisation of direct support/funding of projects and programs through AREI funds and b) attributing projects and programs under the Africa Renewable Energy Initiative (AREI). It is intended to operationalize the principles, guidelines and priorities as manifested in the AREI Framework and endorsed by the Committee of African Heads of State and Government on Climate Change (CAHOSCC), 25 September 2015 and the African Union Summit, 31 January 2016.

Guiding principles and key features of the AREI

According to its Guiding Principles the Africa Renewable Energy Initiative, AREI:

- Should contribute to achieving sustainable development in Africa by scaling up and accelerating the deployment and funding of renewable energy in Africa.
- Must address the entire African continent and benefit all African countries.
- Should boost intra-regional cooperation and promote and support only activities and projects that are agreed by the countries concerned and impacted.
- Can promote all kinds of renewable energy technologies – in particular solar; wind; pico-, micro-, small- and medium-scale hydro; modern biomass; geothermal; and marine – provided they are socially and environmentally appropriate, gender sensitive and in line with these guiding principles.
- Can promote the full range of renewable electricity applications, from grid-connected to mini-grids to small stand-alone systems, as well as other forms of energy, with particular consideration being paid to applications that meet the needs of poor people.

Furthermore, the AREI Framework highlights a number of additional key features that should guide the efforts:

- A recognition of country ownership.
- A focus on transformative, programmatic approaches.
- A vision of leapfrogging to the best available, smart, modern distributed renewable energy systems that can enable a transition to low to zero carbon futures.
- A vision of enhancing capability that allows meaningful participation in knowledge generation and mobilization by domestic actors.
- A recognition that multi-stakeholder participation and social and environmental safeguards are essential for sustainable solutions.
- A recognition that institutions must be strengthened at all levels to enhance private and public sector engagement.
The AREI will be pursued through 9 distinct Work Areas as outlined in the AREI Action Plan:

Main activities: 1) Mapping of experiences and activities for enhanced coordination of existing and future RE initiatives. 2) Strengthening policy, regulatory, support and incentives frameworks. 3) Capacity mobilization/ building across Stakeholders at all Levels. 4) Funding and Financing. 5) Project development support


Kinds of engagement through AREI

In accordance with the AREI Framework, AREI is expected to:

1) propose and engage in a number of activities through its Independent Delivery Unit (“IDU”) and funds channelled through the AREI Trust Fund (orange and yellow boxes below)

2) handle and assess external African proposals\(^1\) for projects and programmes to be directly implemented by the AREI Independent Delivery Unit and/or financially supported through the AREI Trust Fund (yellow and orange boxes below).

3) support projects and programmes pursued directly by countries or institutions and financial channels other than the IDU or Trust Fund that meets the AREI attribution criteria as presented in this document (white boxes below).

Figure 1: AREI activity types. From AREI Framework, p. 20.

AREI Methodology for Assessment, Prioritization and Approval of Programmes and Projects

This document describes how the AREI will assess, prioritise and approve activities in a systematic and transparent manner. The rationale for this is that AREI is likely to attract a wide range of programmes and projects for consideration, and it is likely that it will have to prioritize the allocation of its financial and human resources.

AREI pursues goals for transformational change towards universal energy access and renewable energy across Africa. The AREI Framework and Action Plan therefore highlights the importance of support for country-wide policies and programmes, incentives and regulatory reforms that can enable a flourishing of new projects on the ground (Category A below). In addition, AREI also recognises a role for direct project support for individual renewable energy installations and enhanced capacity by developers and investors as a set of complementary activities (Category B below).

AREI will need to ensure there is reasonable balance in terms of who receives funds, what renewable energy technologies are promoted, ratio between on-grid and off-grid support and many other variables, in accordance with the AREI Framework. Criteria for ensuring such balance is presented in Part C.

\(^1\) See AREI Framework, p 23 and 38.

\(^2\) These may be proposed by African countries, civil society, private sector actors and other institutions.
Part A: Criteria to be considered for Attributing and Funding Policy Development Projects and Programmes/Incentives under AREI (Category A)

The following criteria shall guide assessments for both attribution (i.e. whether an activity can be labeled ‘AREI contribution’) and eligibility and prioritization of funding through AREI.

A. Eligible organizations

- African Government Institutions and Agencies (both national and sub-national)
- Civil Society and Non-Governmental Organizations
- Public-private partnerships

B. Menu of AREI policy support options

- **Definitions**: A policy development project refers to any governance intervention that has a clear beginning, a development phase and an end. Policy programmes and incentives refer to execution of already developed policy frameworks such as for example incentives schemes, payment guarantees and on-going capacity building. In AREI, a successful policy development project/policy programme or incentive is one that contributes to the objectives and outcomes envisaged particularly under Work Areas 2, 3, 4, 6 and 7 of the Action Plan.

- **Types**: Policy development projects/policy programmes and incentives to be attributed/supported under AREI must include one or more of the following policy types (and may range from development and design to implementation phases):
  - Economic instruments
  - Regulatory and Legal Instruments
  - Capacity Building
  - Information and education
  - Public funding of *meaningful* technology research, development & deployment
  - Environmental impact, technology and risk assessments, social and environmental safeguards and public participation
  - Coordination of on-going/planned RE projects

- **Eligibility**: A policy development project/policy programme or incentive under AREI should meet the following requirements:
  - Location: the project should be located in Africa and in line with the host government(s)/ region’s priorities and with no objections from other countries impacted and concerned, particularly in the case where the project has trans-boundary impacts.
  - Technology: the project must have an explicit renewable energy focus and cannot promote fossil fuels

---


4 Including: Direct investments (design and implementation of procurement rules); fiscal/financial incentives (e.g. design and implementation of feed-in tariffs/guarantees/premiums), redirection of fossil fuel subsidies.

5 Including: Codes and standards (building, product and sectoral); obligation schemes; other mandatory requirements).

6 Including: Professional training courses; strategic planning.

7 Including: Information provision; public awareness campaigns.

8 Including: Innovation systems and transition studies; scenario studies; meaningful technology transfer studies.

9 Including: EIA policies; Technology assessment platforms.

10 This project type recognizes the existence of prior RE initiatives, and is aimed at assisting countries to design and implement effective rules for improved coordination among different RE efforts to ensure more efficient allocation of national and international resources towards.
- **Socio-economic and environmental impacts**: There has been thorough and participatory analysis of possible adverse impacts concluding these are minimal or non-existent.
- **Policy impacts**: The policy development project/policy programme include stakeholder involvement and foresee socio-economic, environmental and/or other development co-benefits.
- **Additionality**: the policy development project/policy programme or incentive is enabled through additional efforts and would not have happened otherwise.

### C. Proposal selection/prioritization criteria and indicators

The main criteria to be considered when reviewing policy development proposals are presented in the table below, together with an initial set of indicators (subject to revision based on experience).

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Indicator(s) (not an exhaustive list)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Access</strong></td>
<td>• Increase in energy access&lt;br&gt;• Potential to reach those most in need&lt;br&gt;• Balanced benefits according to gender</td>
</tr>
<tr>
<td><strong>Climate mitigation</strong></td>
<td>• Direct mitigation potential from policy implementation&lt;br&gt;• Indirect mitigation potential</td>
</tr>
<tr>
<td><strong>Business Plan / Implementation Strategy</strong></td>
<td>• Clearly-defined short to medium term objectives&lt;br&gt;• Clearly-defined deliverables and timelines&lt;br&gt;• Clearly-defined implementation partners</td>
</tr>
<tr>
<td><strong>Stakeholder involvement</strong></td>
<td>• Opinions of affected population group(s)&lt;br&gt;• Alignment with the needs/priorities of affected population&lt;br&gt;• Effective participation/engagement of affected population in the design and implementation of the projects</td>
</tr>
<tr>
<td><strong>Effectiveness</strong></td>
<td>• Induced growth in energy access/vs. targets&lt;br&gt;• Induced growth in installed capacity/ production vs. technical potential&lt;br&gt;• Realistic deliverables and accompanying resources and timelines&lt;br&gt;• Clearly defined risks which can impact implementation and timeline (Political, Economic, Social, Technological, etc.)</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td>• Investment Leverage (total $ amount of private or public finance leveraged/$ amount of public spending on the policy instrument/regulation)&lt;br&gt;• Social efficiency in terms of SDG indicators</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>• Fair access to support policies&lt;br&gt;• Alignment with Common but Differentiated Responsibility and climate justice&lt;br&gt;• Incidence/distribution of support costs&lt;br&gt;• Change in spending on energy as % of total HH spending&lt;br&gt;• Benefitting poor people</td>
</tr>
<tr>
<td><strong>Institutional feasibility</strong></td>
<td>• Policy complexity (i.e. ease of implementation and enforcement)&lt;br&gt;• Existence and capacity of required institutions&lt;br&gt;• Clarity and appropriateness of ownership &amp; commitment.</td>
</tr>
<tr>
<td><strong>Transformative potential</strong></td>
<td>• Rate of diffusion/market penetration of innovative RE energy resources and conversion technologies.&lt;br&gt;• Replicability</td>
</tr>
</tbody>
</table>
• Performance of RET Innovation systems
• Rate of increased energy value in key productive sectors, especially agriculture
• Attractiveness and likelihood for rapid uptake elsewhere
• Long-term relevance for structural change towards 100% renewable energy societies

### Socio-economic and environmental impact

- Economic benefits (job creation, income generation, etc.)
- Environmental benefits
- Social benefits (health, gender, education)
- Adverse socio-economic and environmental impacts
- Particular impacts on indigenous peoples and vulnerable populations
- Risks and level of uncertainty around socio-economic and environmental impacts
- Irreversibility

Source: Adapted from IRENA, 2012: 17 - 18

#### D. Use of funds through phases of the policy development project cycle

- **Development**: Situational assessments, policy issue and impact analysis; policy formulation processes (including legal drafting); legal drafting, analysis of costs and benefits of policy implementation/administration etc.
- **Implementation**: Direct financing of incentives, off-take and tariff guarantees (feed-in tariffs), subsidies, institutional and programmatic/policy-based capacity mobilization and strengthening etc.
- **Monitoring and evaluation**: Design and implementation of monitoring and evaluation studies and feedback systems etc.

---

11 This assesses transformative potential of a policy proposal from a systems perspective – examining the extent to which components of the proposed spur the creation or strengthening of the following core innovation system functions, namely: knowledge development; knowledge diffusion/exchange; guidance of the search; market formation; entrepreneurial activities; resource mobilization; and support from advocacy coalitions. Innovation system studies show that transformative potential is high where such functions are not only all present, but also interact in mutually reinforcing cycles.
Part B: Criteria to be considered for Attributing and Funding RE Installation Projects under AREI (Category B)

The following criteria shall guide assessments for both attribution (i.e. whether an activity can be labeled ‘AREI contribution’) and eligibility and prioritization of funding through AREI.

A. Eligible Organizations

AREI project support will be mainly pursued via governments. Ultimate recipients of such support may include:

1. African government institutions and agencies (including local governments and municipalities)
2. Private-public partnerships, public and private sector support investment programs and projects
3. Non-Governmental Organizations and Civil Society Organizations, including local cooperatives and community associations
4. Private developers (including/representing individuals/households, domestic companies, investment funds and financial institutions)

B. Eligible projects and/or services

1. Basic project requirements.\(^{12}\) Submitted proposals must satisfy the following basic conditions:
   - Location: the project should be located in Africa and in line with the host government(s)/region's priorities and with no objections from other countries impacted and concerned, particularly in the case of projects which have trans-boundary impacts.
   - Technology: the project must have an explicit renewable energy focus and cannot promote fossil fuels.
   - Socio-economic and environmental impacts: AREI social and environmental safeguards must have been successfully applied with thorough and participatory analysis of possible adverse impacts concluding these are minimal or non-existent.
   - Meaningful engagement: The project includes stakeholder involvement and participation of local communities.
   - Local socio-economic, environmental and/or other development co-benefits foreseen.
   - Additionality: the project is enabled through additional efforts and would not have happened otherwise.
   - Transition from concept to full operation within 30 months.
   - The project proposal should include a plan for technical capacity and capability development.

They must furthermore satisfy at least one of the following conditions:

- Produce electricity or useful thermal energy or any other relevant forms of energy from renewable sources, namely: wind, solar, biomass, hydro, geothermal, marine.
- Strengthen/expand existing national grids to accommodate renewable energy transmission and distribution.
- Build/strengthen nano-, micro- and mini-grids serving off-grid needs/markets.
- Improve energy efficiency and conservation.

\(^{12}\) These requirements will be updated for proposals to be submitted during the period 2020 - 2030
2. **Eligible technologies.** The following technologies will be considered:
   - Solar photovoltaic and thermal
   - Wind power generators (electric and non-electric)
   - Biomass
   - Hydropower
   - Geothermal
   - Marine
   - Energy storage technologies
   - Energy efficient appliances

C. **Proposal selection criteria**

The AREI Delivery Unit will evaluate proposals received based upon: relevance to AREI goals, guiding principles and strategic imperatives, efficiency, effectiveness, impact, sustainability, value for money, qualifications and experience of the project team, and the likelihood of project completion. Specifically, all projects will be considered and prioritized based on the following criteria:

a. **Economic and Financial**
   i. Proportion of electricity or heat or forms of energy dedicated for productive uses in agriculture and small/medium sized manufacturing, community services.
   ii. Local job creation and retention
   iii. Potential to drive economic diversification and growth (including local economic development)
   iv. Economic payback within X years (if concessional loan rather than grant)
   v. Potential to leverage funds for further expansion
   vi. Potential for energy market transformation, innovation and cost savings.
   vii. Affordability to the majority of the consumers
   viii. Co-financing agreements (this factor indicates commitment to fulfilling the project)
   ix. Risk mitigation measures

b. **Social**
   i. Gender empowerment
   ii. Engagement of local stakeholders and civil society
   iii. Demonstration of social acceptance and local ownership
   iv. Energy equity enhancement
   v. Adherence to human rights and rights of indigenous peoples

c. **Environmental**
   i. Impact on CO2 emissions
   ii. Impacts on local ecosystems and ecosystem services
   iii. Recyclability of RE technology
   iv. Any other environmental criteria required by existing national regulations/laws

d. **Institutional – Part 1**
   i. Alignment of the project with the priorities of the host country/region, and with no objection from other countries impacted and concerned, particularly if the project has trans-boundary impacts
ii. Synergy with similar ongoing/planned activities in the country (in order to avoid duplication and conflicts during the implementation)

iii. Applicant’s current capacity to successfully complete the project

iv. Detailed assessment of capacity gap(s)

v. Replicability

vi. Sustainability

e. Institutional – Part 2 (Capacity mobilization and development)
   i. Detailed plan for mobilization of existing capacities
   ii. Detailed plan, including required resources, for additional capacity development (to close gaps identified in sub-section d.iv)

D. Use of Funds through phases of the project development cycle

RE installation projects can cover, and receive support, for one or several of the following different phases of the project development cycle:

1. **Project Formulation**: Funds are to be used for project development costs including but not limited to:
   - Assessment of physical and technical availability and characterization of renewable resources.
   - Feasibility studies across all criteria listed under Section C.
   - Legal costs for preparation of documentation related to regulatory requirements, supply contracts and other agreements.
   - Other transaction costs associated with expert consultations, engineering and other services needed transition from project conception to financial close.

2. **Project implementation**: Funds are to be used for project implementation costs including but not limited to:
   - Grant and concessional finance to enable investments (from full costs to marginal top-up).
   - Project-specific guarantees and risk reduction measures.

3. **Project Follow-up**: Funds may be used for project follow-up activities including but not limited to:
   - Monitoring, evaluation and follow-up analysis of project implementation to help guide and improve future efforts by developer and others.
Part C: Criteria to ensure overall balance of AREI activities and support

In addition to criteria procedures as outlines in Part A and B, AREI needs to continuously take stock and evaluate the overall balance of supported activities, and ensure this is in alignment with overall AREI principles and guidelines. More specifically, AREI will need to regularly assess the AREI overall portfolio of programmes and projects to ensure that, over time, there is an appropriate balance (hence impacting on prioritisation under Category A and B) in terms of:

1) Directly energy access oriented projects and programmes (with at least 70% of all funding and resulting new generation capacity directly targeting/benefitting households, local agriculture, SMEs and other local productive sectors).

2) RE installation size (at least 50% off-grid/minigrids).

3) Kinds of renewable energy technologies (no more than 50% on any one kind).

4) Forms of ownership across community, SMEs, domestic companies, municipalities, public institutions, government, foreign companies and institutional investors, with at least 40% of all projects directed to local/community ownership/management.

5) Spread of projects and programmes across countries and sub-regions

6) No one country(ies) receiving disproportionate share of projects/programmes in relation to population size, poverty levels and other relevant variables.

7) No country left behind – particular efforts to support LDCs and countries with more limited capacity and capability. All 54 countries to be actively involved by the first half of Phase 2 (2020-2030).

8) Predominately African countries and institutions receiving support.