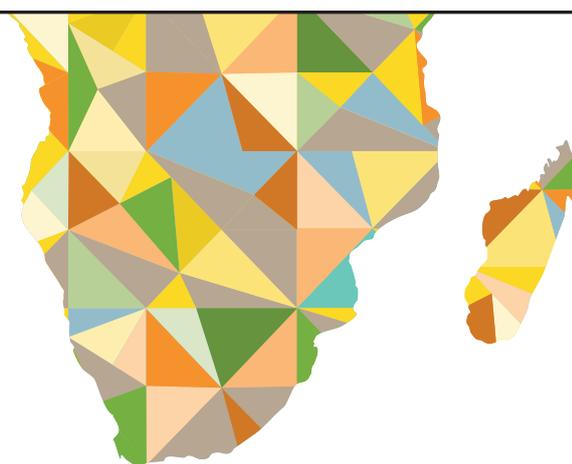




AREI

Africa Renewable Energy Initiative





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 technologies¹ – 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 precepts that should guide the efforts:

- » Country ownership.
- » Focus on transformative, programmatic approaches.
- » Leapfrogging to the best available, smart, modern distributed renewable energy systems that can enable a transition to low to zero carbon futures.
- » Enhancing capability of domestic actors for meaningful participation in knowledge generation and mobilization.
- » Multi-stakeholder participation and social and environmental safeguards as essential elements for sustainable solutions.
- » Strengthened institutions and conducive environments at all levels to enhance private and public sector engagement.
- » Coordination of existing efforts and initiatives

¹ And related technologies such as storage and smart-grid systems.

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

Cross-cutting activities: 6) Socio-economic and environmental assessments of RE technologies. 7) Multi-stakeholder engagement 8) Wider context monitoring and assessment observatory. 9) Communications and Outreach.

Kinds of engagement through AREI

In accordance with the AREI Framework, AREI is expected to²:

- » 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)
- » handle and assess *external* African proposals³ 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).
- » 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).

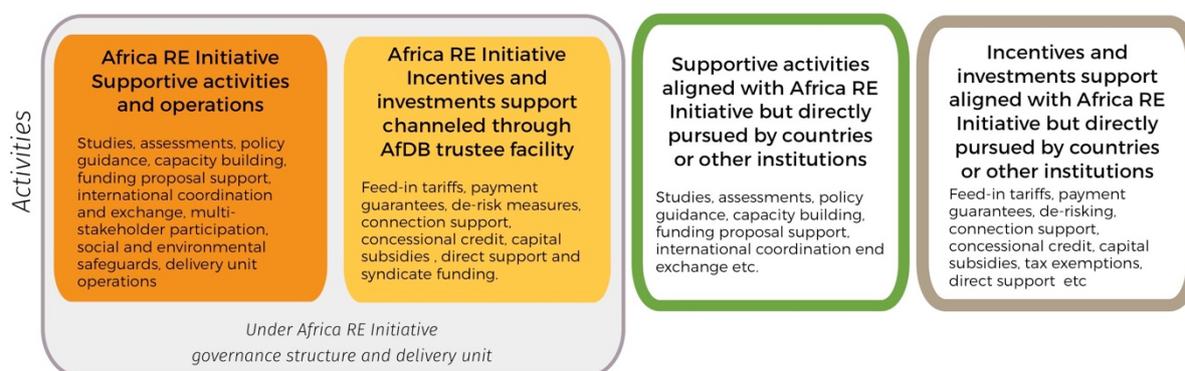


Figure 1: AREI activity types. From AREI Framework, p. 20.

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

This document describes how 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 primary 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 and complementary to this, 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.

² See AREI Framework, p 23 and 38.

³ 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 a) attribution (i.e. whether an activity directly pursued and funded by countries and other institutions can be labelled 'AREI contribution') and b) eligibility and prioritization of funding through AREI.

A. Eligible implementing organizations

AREI policy development projects and implementation of policy programmes/incentives schemes will be mainly pursued via African governments. Implementers of such activities may include:

- 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*⁴ refers to any governance intervention that has a clear beginning, a development phase and an end. *Support for policy programmes and incentives* refer to execution and funding of already developed policy frameworks such as for example incentives schemes, payment guarantees/feed-in tariffs and on-going capacity building. In AREI, a successful policy development project/policy programme or incentive is one that takes a holistic approach and contributes to the objectives and outcomes envisaged particularly under Work Areas 2, 3, 4, 6 and 7 (particularly combinations of these) 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: incentives and de-risking measures such as guarantees and feed-in tariffs, redirection of subsidies, procurement etc.⁵
 - Regulatory and Legal Instruments⁶
 - Capacity Building⁷
 - Information and education⁸
 - Public funding of *meaningful* technology research, development & deployment⁹
 - Environmental impact, technology and risk assessments, gender policies, social and environmental safeguards and public participation¹⁰
 - Coordination of on-going/planned RE projects¹¹
- 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 or continental priorities and with no objections from other

⁴ Source: IEA/IRENA Policies & Measures Database: <http://www.iea.org/policiesandmeasures/renewableenergy/>

⁵ Including: Design and implementation of procurement rules for investments; fiscal/financial incentives (e.g. design and implementation of feed-in tariffs/guarantees/premiums), de-risking projects, phasing out of fossil fuel subsidies and redirection toward clean renewables.

⁶ Including: Codes and standards (building, product and sectoral); obligation schemes; other mandatory requirements), policies that clearly establish approval processes and land rights.

⁷ Including: Professional training courses; strategic planning, project development facilities.

⁸ Including: Information provision; public awareness campaigns.

⁹ Including: Innovation systems and transition studies; scenario studies; meaningful technology transfer studies.

¹⁰ Including: EIA policies; Technology assessment platforms,

¹¹ This project type recognizes the existence of prior RE initiatives, and is aimed at assisting countries to design and implement effective rules/procedures for improved coordination among different RE efforts to ensure more efficient allocation of national and international resources.

countries impacted and concerned, particularly in the case where the project has trans-boundary impacts.

- Purpose: the project must have a clearly defined, and demonstrable public benefit for the energy poor.
- *Technology*: the project must have an explicit renewable energy focus and cannot promote fossil fuels or nuclear energy.
- *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. Project-impacted communities have free, prior and informed consent, as well as the opportunity to participate throughout from planning through implementation.
- *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 proposals for policy development projects/policy programmes and incentives schemes are presented in the table below, together with an initial set of indicators (subject to revision based on experience and weighing approaches to be elaborated).

Criterion	Indicator(s) (not an exhaustive list)
Energy Access	<ul style="list-style-type: none"> • Increase in energy access (e.g. in terms of quantity, quality, reliability, health, safety) • Potential to reach those most in need • Balanced benefits according to gender
Climate	<ul style="list-style-type: none"> • Direct mitigation potential from policy implementation • Indirect mitigation potential • Adaptation benefits
Business Plan / Implementation Strategy	<ul style="list-style-type: none"> • Clearly-defined short to medium term objectives • Clearly-defined deliverables and timelines • Clearly-defined implementation partners
Stakeholder involvement	<ul style="list-style-type: none"> • Opinions and where required, consent of affected population group(s) • Alignment with the needs/priorities of affected population • Effective participation/engagement of affected population in the design and implementation of the projects • Robust project and institutional transparency to enable independent accountability. • Access to community redress mechanisms
Effectiveness	<ul style="list-style-type: none"> • Induced growth in energy access/vs. targets • Induced growth in installed capacity/ production vs. technical potential • Realistic deliverables and accompanying resources and timelines • Clearly defined risks which can impact implementation and timeline (Political, Economic, Social, Technological, etc.)
Efficiency	<ul style="list-style-type: none"> • Investment Leverage (total \$ amount of private or public finance leveraged/\$ amount of public spending on the policy instrument/regulation) • Social efficiency in relation to eg. SDG and other relevant indicators
Equity	<ul style="list-style-type: none"> • Fair access to support policies • Alignment with Common but Differentiated Responsibility and

	<ul style="list-style-type: none"> climate justice Incidence/distribution of support costs Change in spending on energy as % of total household spending Benefitting poor people
Institutional feasibility	<ul style="list-style-type: none"> Policy complexity (i.e. ease of implementation and enforcement) Existence, capacity and track-record of required institutions, especially in the application of environmental and social safeguards Clarity and appropriateness of ownership and commitment. Degree of local/African expertise
Transformative potential	<ul style="list-style-type: none"> Rate of diffusion/market penetration of innovative RE energy resources and conversion technologies. Replicability Potential for accelerated increase in numbers of RE installation projects benefitting from the scheme Performance of RET Innovation systems¹² Rate of increased energy value in key service delivery and productive sectors, especially subsistence and small-scale agriculture, health and education Attractiveness and likelihood for rapid uptake elsewhere Long-term relevance for structural change towards 100% renewable energy societies
Socio-economic and environmental impact	<ul style="list-style-type: none"> Economic and development benefits (Job creation, Income generation, etc.) Environmental benefits Social benefits (health, gender, education) Adverse Socio-economic and environmental impacts, especially on local communities Impacts on bio-diversity loss and loss of forest coverage 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 (including preparation): 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.

¹² This assesses transformative potential of a policy proposal from a systems perspective – examining the extent to which components of the proposed project/programme 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 recipient/implementing 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) Non-Governmental Organizations and Civil Society Organizations, including local cooperatives and community associations
2. Private-public partnerships, public and private sector support investment programs and projects
3. Private developers (including/representing individuals/households, domestic companies, investment funds and financial institutions)

B. Eligible projects and/or services

1. Basic project requirements¹³ 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 or continental priorities and with no objections from other countries impacted and concerned, particularly in the case of projects which have trans-boundary impacts.
 - Purpose: the project must have a clearly defined, and demonstrable public benefit for the energy poor.
 - Technology: the project must have an explicit focus on renewable energy, energy efficiency or transmission/distribution, and cannot promote fossil fuels or nuclear energy.
 - 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, including civil society and participation, and where required, consent of local communities from project conception to implementation.
 - 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 and/or the AREI supported/attribution efforts contributes to the deployment and installation of additional RE capacity and/or the AREI supported/attribution efforts significantly accelerate the implementation/deployment of RE capacity.
 - Transition from concept to full operation within 36 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:

- Increase production of electricity or useful thermal energy or any other relevant forms of energy from renewable sources.
- 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.

¹³ 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 (in particular pico-, micro-, small- and medium-scale)
- Geothermal
- Marine
- Energy storage and grid technologies
- Energy efficient appliances
- Energy transmission and distribution

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. Potential to deliver electricity or heat or other forms of energy dedicated for productive uses in small/medium sized agriculture, manufacturing, and community service facilities.
 - ii. Local job creation and retention, including for both management positions as well as technical positions for the assembly and maintenance of systems
 - iii. Potential to drive economic diversification and growth (including local economic development)
 - iv. Economic payback within reasonable period of time (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
 - x. Economic justification
- 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 greenhouse gas emissions, including carbon dioxide and methane
 - ii. Impacts on local ecosystems and ecosystem services
 - iii. Impacts on land tenure and other land use impacts
 - iv. Recyclability of RE technology
 - v. Any other environmental criteria required by existing national regulations/law

- 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, and track record to successfully complete the project, especially in environmental and social due diligence.
 - 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)
- f. Technical
 - i. Soundness of technological design
 - ii. Robustness and risks of failure/maintenance requirements
 - iii. Degree of domestic or African manufacturing/assembly
 - iv. Ability of the grid (main and/or minigrids) to absorb RE generation plant output and absorb variable energy

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.
 - (Pre-) Feasibility studies across all criteria listed under Section C, including financial due diligence.
 - 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.
 - Costs to conduct surveys of local households with regards to their energy needs and usage, price they are willing/able to pay, etc.
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 through transitional payment of subsidies (e.g. as feed-in tariffs/guarantees/premiums).
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 including the environmental and social impacts of the project and 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 outlined 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/or resulting new generation capacity directly targeting/benefitting households, local agriculture, SMEs, service delivery, and other local productive sectors).
- 2) RE installation size (at least 60% of all funding and/or resulting new generation capacity off-grid/minigrids).
- 3) Diversity of renewable energy technologies with due respect to specific national circumstances and technology availability.
- 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.
- 9) A focus on far-reaching, country-wide policies, programmes and incentives (Category A) as necessary for transformation and energy investments to achieve the bold goals of AREI.



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www.arei.org
info@arei.org



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