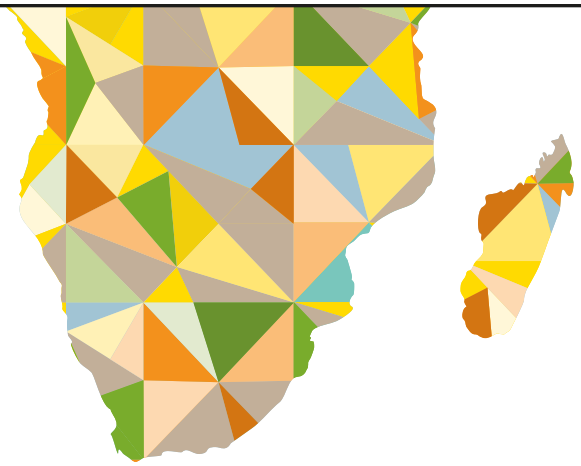
CRITERIA

# AREI

Africa Renewable Energy Initiative



AREI Criteria approved by the Board of Directors

# AFRICA RENEWABLE ENERGY INITIATIVE

## Criteria to be considered for attribution and eligibility/prioritization of funding

This document outlines the criteria guidelines 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, the African Union Summit, 31 January 2016 and the AREI Board of Directors, 22 September 2017.

## CONTEXT AND BACKGROUND

### 1 Goals, guiding principles and key features of the AREI

AREI constitutes a framework intended to provide guidance and coordination across institutions and all African countries to facilitate action towards AREI's goals, and ensure additionality to existing activities and support. At its core AREI is about developing and promoting a vision of people-centered, distributed and other renewable energy systems that aims to influence all relevant actors on the continent.

The two overall goals of AREI, aligned with Agenda 2063, the United Nations Sustainable Development Goals (SDGs), and other relevant regional and global goals including the New Deal on Energy for Africa, are:

1. To help achieve sustainable development, enhance wellbeing, and support sound economic development by ensuring universal access to sufficient amounts of clean, appropriate and affordable energy; and
2. To help African countries leapfrog towards renewable energy systems that support their low-carbon development strategies while enhancing economic and energy security.

To achieve these goals, AREI shall adhere to the following principles:

- Contributing to achieving sustainable development in Africa by scaling up and accelerating the deployment and funding of renewable energy in Africa;
- Addressing the entire African continent and benefitting all African countries;
- Boosting intra-regional and international cooperation and promoting and supporting only those activities and projects that are agreed by all countries concerned and impacted;
- Promoting a wide range 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; and
- Advancing the full range of renewable electricity applications (from grid-connected to mini-grids to small stand-alone systems) and other forms of renewable energy – with particular consideration paid to applications that meet the needs of poor people.

AREI shall furthermore be guided by the following precepts:

- Country ownership in terms of visions, policies and implementation;
- Transformative, programmatic approaches;
- Leapfrogging to the best available, smart, modern distributed renewable energy systems that enable a transition through low to zero-carbon futures;
- Multi-stakeholder engagement along with social and environmental safeguards as essential elements of sustainable solutions;
- Strengthening conducive environments at all levels to enhance private and public sector engagement; and
- Promoting the transfer of technology and know-how and the development of endogenous capacities and technologies.

## 2 AREI Work Areas

The AREI is 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.

## 3 AREI modes of operation

In accordance with the AREI Framework and Governing Instrument, AREI is expected to[1]:

- Pursue all AREI core and cross-cutting activities through its Independent Delivery Unit ('IDU') (orange box below)
- Disseminate funds in response to Africa-driven proposals[2] for AREI eligible projects and programmes to be funded through the AREI Trust Fund that meet the criteria presented in this document (yellow box below).
- Support projects and programmes *pursued directly by African countries, international partners or institutions* and financial channels other than the IDU or Trust Fund, that meet the AREI attribution criteria as presented in this document (white boxes below).

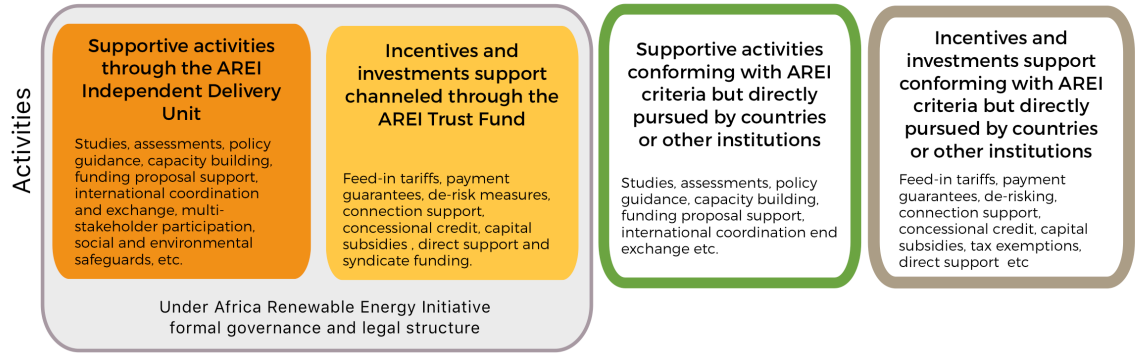



Figure 1: AREI activity types. From AREI Framework, p. 20.

[1] See AREI Framework, p 23 and 38.

[2] These may be proposed by African countries, civil society, private sector actors and other institutions.

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

This document seeks to provide overall guidance and substantiate core values and principles of AREI as a basis for specific methodologies and operational practices to be formulated and applied.

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.

These criteria provide a basis for elaboration of operational practices both in terms of attribution and assessment/approval of funding from the AREI Trust Fund.

These specific operational practices, to be regulated in separate documents, will outline the methodology and role and information flow between project proponents, the IDU, the Technical Committee and the Board. They will furthermore need to ensure the procedures are designed to provide maximum efficiency while ensuring adherence to AREI principles. These will also need to deal with issues around confidentiality and how to draw on the assessments that are already pursued by partners, e.g. harmonization and synchronisation of social and environmental safeguards.

## **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 for Category A projects

AREI policy development projects and implementation of policy programmes/incentives schemes will be mainly pursued by or in close cooperation with African governments. A variety of actors can be actively contributing to the implementation of such activities:

- African Government Institutions and Agencies (regional, national and sub-national)
- International organizations, development agencies and banks
- Civil Society and Non-Governmental Organizations
- Public-private partnerships
- Public interest and research institutions
- Consultant firms

### B. Eligible recipients of AREI Trust Fund support for Category A projects

Mainly African entities (African countries, civil society, private sector actors and other institutions) will be eligible for receiving financial support through the AREI Trust Fund. The detailed provisions for eligibility will be regulated in the special legal provisions regulating the Trust Fund (under development). This section will be updated to reflect these provisions when finalised.

### C. Essential requirements

All of the following essential requirements[3] must be met for a policy development project/policy programme or incentive to be eligible as AREI compliant for attribution and eligible for consideration of AREI Trust Fund support.

- *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 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*: internationally accepted, and when applicable, AREI specific 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 countries and communities have 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, gender 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.

[3] These requirements will be updated for proposals to be submitted during the period 2020 - 2030

## D. Menu of AREI policy development/programme 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 Instruments[6]
    - Capacity Building[7]
    - Information and education[8]
    - Public funding of *meaningful* technology research, development & deployment[9]
    - Environmental impact, technology and risk assessments, gender policies, social and environmental safeguards and public participation[10]
    - Coordination of on-going/planned RE projects[11]

## E. Eligible phases of the policy development project/programmes

AREI compliant policy development projects/programmes can cover, and receive support, for one or several of the following different phases of the project development 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.

## F. Proposal selection/prioritization criteria and indicators

Indicative criteria to be considered when reviewing proposals for policy development projects/policy programmes and incentives schemes are presented in Annex 1, together with an initial set of indicators for consideration and further elaboration with member states, the Technical Committee and the IDU. . These shall provide a basis for assessment of whether projects/programmes meet criteria for attribution, and provide a basis for prioritisation of funding from the AREI Trust Fund.

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[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.

## **Part B:** Criteria to be considered for Attributing and Funding Renewable Energy 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 the AREI Trust Fund,

### A. Eligible implementing organizations for Category B projects

AREI compliant renewable energy projects under Category B need to be endorsed and driven by African governments and other African actors. A variety of actors can be actively involved in and contributing to the implementation of such activities, including

1. African government institutions and agencies (including local governments and municipalities)
1. 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 and investors (including/representing individuals/households, cooperatives, private project developers, domestic private and foreign companies, investment funds and financial institutions)

### B. Eligible recipients of AREI Trust Fund support for Category B projects

Mainly African entities (African countries, civil society, private sector actors and other institutions) will be eligible for receiving financial support through the AREI Trust Fund. The detailed provisions for eligibility will be regulated in the special legal provisions regulating the Trust Fund (under development). This section will be updated to reflect these provisions when finalised.

### C. Essential requirements

All of the following essential requirements[12] must be met for a project to be eligible as AREI compliant for attribution and eligible for consideration of AREI Trust Fund support:

- 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 renewable energy relevant transmission/distribution, and cannot promote fossil fuels or nuclear energy.
- Socio-economic and environmental impacts: , Internationally accepted, and when applicable, AREI specific 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 both women and men and 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/attributed efforts contributes to the deployment and installation of additional RE capacity and/or the AREI supported/attributed efforts significantly accelerate the implementation/deployment of RE capacity.

[12] These requirements will be updated for proposals to be submitted during the period 2020 - 2030

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.

## D. Eligible technologies

The following technologies may be considered for AREI attribution or funding under the AREI Trust Fund:

- Solar photovoltaic and thermal
- Wind power generators (electric and non-electric)
- Biomass
- Hydropower (in particular, but not limited to, pico-, micro-, small- and medium-scale)
- Geothermal
- Marine
- Energy storage and grid technologies
- Energy efficient appliances
- Energy transmission and distribution

## E. Eligible phases of the project development cycle

AREI compliant renewable energy 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.

## F. Criteria for consideration in assessment of relevance and prioritisation of proposals for funding

In addition to the essential criteria above, additional indicative criteria to be considered when reviewing Renewable Energy Installation Projects under AREI are presented in Annex 2, together with an initial set of indicators for consideration and further elaboration with member states, technical committee and IDU. Projects must not meet every criteria in this list and several may not be applicable.

The list of criteria will be used in different ways for different purposes. For projects seeking funding from the AREI Trust Fund, these criteria will be used by the IDU and the Technical Committee for assessment and prioritisation of which projects to fund.

For projects funded through external channels that seek AREI attribution, the list of criteria shall help determining if the projects meet sufficient relevance/quality to be deemed AREI compliant.

The criteria furthermore serve the purpose of communicating the priorities of AREI and can help all actors design and enhance their projects to be maximally compatible with AREI.

## **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 in terms of the criteria listed below.

AREI will seek to correct such imbalances by continuous interaction with partners to encourage targeted interventions, reprioritisation and strengthening of weak areas. The AREI Trust Fund can directly shift its current priorities, and adjust its funding to favour certain kinds of projects/programmes and putting on hold others, and likewise preferentially treat countries that disproportionally benefitting from AREI.

AREI shall ensure there is balance over time in regards to:

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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.

## **ANNEX 1:** Criteria to be considered when reviewing proposals for Category A policy development projects/policy programmes and incentives schemes

| Criterion | Indicator(s) (not an exhaustive list) |
|---|---|
| **Energy Access** | • Increase in energy access (e.g. in terms of quantity, quality, reliability, health, safety)<br>• Potential to reach those most in need<br>• Balanced benefits according to gender |
| **Climate** | • Direct mitigation potential from policy implementation<br>• Indirect mitigation potential<br>• Adaptation benefits |
| **Business Plan / Implementation Strategy** | • Clearly-defined short to medium term objectives<br>• Clearly-defined deliverables and timelines<br>• Clearly-defined implementation partners |
| **Stakeholder involvement** | • Opinions and where required, consent of affected population group(s)<br>• Alignment with the needs/priorities of affected population<br>• Effective gender sensitive participation and engagement of affected population in the design and implementation of the projects<br>• Robust project and institutional transparency to enable independent accountability.<br>• Access to community redress mechanisms |
| **Effectiveness** | • Induced growth in energy access/vs. targets<br>• Induced growth in installed capacity/ production vs. technical potential<br>• Realistic deliverables and accompanying resources and timelines<br>• Clearly defined risks which can impact implementation and timeline (Political, Economic, Social, Technological, etc.) |
| **Efficiency** | • Investment Leverage<br>• Social efficiency in relation to eg. SDG and other relevant indicators |
| **Equity** | • Fair access to support policies<br>• Alignment with Common but Differentiated Responsibility and climate justice<br>• Incidence/distribution of support costs<br>• Change in spending on energy as % of total household spending<br>• Benefitting poor people |
| **Institutional feasibility** | • Policy complexity (i.e. ease of implementation and enforcement)<br>• Existence, capacity and track-record of required institutions, especially in the application of environmental and social safeguards<br>• Clarity and appropriateness of ownership and commitment.<br>• Degree of local/African expertise |
| **Transformative potential** | • Rate of diffusion/market penetration of innovative RE energy resources and conversion technologies.<br>• Replicability<br>• Potential for accelerated increase in numbers of RE installation projects benefitting from the scheme |

| | |
|---|---|
| | • Performance of RET Innovation systems[13]<br>• Rate of increased energy value in key service delivery and productive sectors, especially subsistence and small-scale agriculture, health and education<br>• Attractiveness and likelihood for rapid uptake elsewhere<br>• Long-term relevance for structural change towards 100% renewable energy societies |
| **Socio-economic and environmental impact** | • Economic and development benefits (Job creation, Income generation, etc.)<br>• Environmental benefits<br>• Social benefits (health, gender, education)<br>• Adverse Socio-economic and environmental impacts, especially on local communities<br>• Impacts on bio-diversity loss and loss of forest coverage<br>• Particular impacts on countries, communities, indigenous peoples and vulnerable populations<br>• Risks and level of uncertainty around socio-economic and environmental impacts<br>• Irreversibility |

Source: Adapted from IRENA, 2012: 17 - 18

[13] 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.

## **ANNEX 2:** Criteria to be considered when reviewing proposals for Category B policy development projects/policy programmes and incentives schemes

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 and promotion of energy democracy
    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 wasteful duplication and conflicts, while supporting healthy diverse of actors and interventions)
    iii. Applicant's current capacity, and track record to successfully complete the project, especially in environmental and social due diligence.
    iv. Replicability
    v. 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 contribution towards enhanced domestic or African manufacturing/assembly of renewable energy technologies

iv. Ability of the grid (main and/or minigrids) to absorb renewable energy generation output and absorb variable energy