

APPLICATION GUIDELINES

Applicant Profile

The Investment Advisory Facility provides support to financial institutions and financiers (herein termed FI) for debt or equity investments in clean energy projects in transition and developing economies. The IAF is specifically structured to support an investor in making an internal decision on proceeding with a specific equity investment, a loan or setting up a dedicated investment fund.

The IAF supports the investor and not the project or the project developer in completing a feasibility study. IAF support is therefore not intended to be used to complement the development or feasibility study of a project. In many cases however, the developer also acts as an investor on a project. In these cases the IAF can provide support if it is clear that the investment being made by the developer is significant and additional to the input/investment made during the project's development.

When evaluating a request for support, the IAF does not attempt to assess the viability of the project under consideration, but rather considers the likelihood of investment. When evaluating a request the IAF needs to ascertain the following:

- **The FI is likely to make an investment if the supported evaluation is favourable.**
In addition to assessing the organisation's reputation as an investor the IAF also needs to consider the actual intent of the FI regarding the specific project. The IAF will not consider a request until the investment in question has passed the FI's pre-screening process. Furthermore, support should not be requested until the FI is satisfied that the underlying elements of the project are sufficiently positive for it to go forward pending resolution of the issues in question.
- **The likelihood that IAF support will resolve the issues in question**
The Terms of Reference (ToR) for the evaluation study must adequately describe the activities to be executed and the deliverables required to provide sufficient and relevant input to an investment decision. The outcome that the IAF expects from the evaluation to which it contributes is a final, clear and preferably positive investment decision.
- **The organisation requesting the support is a well-established, reputable and known investor or fund manager.**
The profile, reputation and status of larger financial institutions requesting IAF support is generally common knowledge. However in transition and developing economies, the financial sector players might be unknown outside their national or regional markets. In such cases the IAF would require background information on the FI's standing and track record as an investor.

Terms of Reference for the evaluation study

A Terms of Reference (ToR) for the contracting of specialist services should be proposed by the applicant, or can be developed jointly with UNEP. The ToR should outline activities and deliverables expected from the assessment study as well as the resource requirements including those required for supervision of consultants by the FI. It is expected that the tasks to be defined in the ToR will either be independent services which are consultative in nature (e.g. a regulatory specialist providing expert opinion on the status of independent power production legislation in a country), or more in-depth studies requiring site visits, detailed project analysis and report preparation (e.g. feasibility study).

Contracting

The contract between UNEP and the FI consists of a one page Letter of Agreement with the Terms of Reference in an annex. The administration of the agreed-upon advisory services, that is, the contracting of the selected consultants and their supervision, will be the responsibility of the FI. The consultant report must be delivered to the FI, and UNEP. A financial report by the FI documenting the use of transferred funds should be submitted within six weeks of the completion of the work. The FI would also have to inform UNEP about the commencement and completion of the actual investments. Payment is usually a single transaction on receipt of the consultants report and the approval of the FI's financial report.

Confidentiality

When requested by the project promoters or FI, all parties involved would be required to sign confidentiality agreements. UNEP reserves only the right to publish summary information related to the types of services delivered and the expected GHG emissions mitigated as a result of the investments in question. Further information may be requested but would not be divulged publicly without obtaining prior approval from the parties involved.