

## TAF Grant Evaluation Criteria

### 1. Evaluation Scoresheet: All Applications:      Score\* Weight Total

|                      |  | Score* | Weight | Total |
|----------------------|--|--------|--------|-------|
| 1                    | Supports Development Objectives of Country   |        | 3      |       |
| 2                    | Supports Development Objectives of PIDG  |        | 3      |       |
| 3                    | Social Development Impact: e.g., direct impact on beneficiaries currently below the poverty level; targeted programs, e.g., affordable services, gender, housing, indigeneous populations. |        | 2      |       |
| 4                    | Economic Development Impact: e.g., impact on local/national economy, capital markets, business environment, renewable resources, competition.  |        | 2      |       |
| 5                    | Lack of potential issues or conflicts with other programs being planned or on-going in the sector or country.  |        | 2      |       |
| 6                    | Potential scope for complementarities with or support to other programs being planned or on-going in the sector or country.  |        | 2      |       |
| 7                    | Potential environmental and social issues related to the underlying project are being dealt with.  |        | 1      |       |
| 8                    | Complementarity/Additionality of TAF Grant: extent to which the TAF Grant would fund activities considered additional to "normal" investment due diligence/project preparation activity.   |        | 1      |       |
| 9                    | Correlation between proposed TAF Grant activities and proposed project objectives.   |        | 1      |       |
| 10                   | Level of preparation of proposed activities, e.g., agreements, terms of reference, co-financing.   |        | 1      |       |
| 11                   | Amount of TAF Grant relative to co-financing of the proposed activities.   |        | 1      |       |
| 12                   | Overall cost-effectiveness with regard to utilization of available TAF funds with respect to achievement of PIDG Goals and Objectives.   |        | 1      |       |
| <b>Grand Total**</b> |  |        |        |       |

\*Scores:  
5 = strongest  
1= weakest

\*\*Grand Total:  
>80 = high priority;  
recommend approval.  
-70-80 = low priority;  
recommend approval  
if funding available.  
<70 = reject

### 2. Additional Criteria for Resettlement Plans and ESIA's:

TAF has traditionally funded resettlement plans and environmental and social impact assessments, because these studies/plans are expensive if done to international standards. But in some cases these activities need to be viewed as normal aspects of project preparation and therefore the responsibility of the PIDG facilities to pay for from their own development funding. In 2016, TAF tightened the criteria under which these studies/plans are funded to ensure that only those projects that need financial support the most can access this funding. TAF now uses several basic evaluation criteria to take a decision to recommend donor approval of funding to support such studies/plans:

- They should only be supported in the countries least able to help pay for them (DAC 1).
- The host government should be highly supportive of the project that will benefit from studies/plans.
- These studies/plans should only be supported for projects that are pioneering in nature and expected to have transformational consequences for the host country.
- Demonstration effects for other countries are highly desirable.
- These studies/plans should only be supported in cases where the relevant PIDG facility is already shouldering significant development costs.
- Other positive features of the project are highly desirable (renewable energy, benefits for the poor, women, and children, water sector projects, etc.).

### 3. Additional Criteria for Viability Gap Funding (VGF):

| Criteria  | Details  | Definition/Rationale  |
|---|--|---|
| 1. <b>Eligibility:</b><br>Must be pro-poor            | 1.1 Targeting the poor   | How well does the project target poor people and ensure that they benefit?  |
|   | 1.2 Pro-poor affordability benefits                                  | What is the nature and size of pro-poor affordability benefits? Are they <u>direct</u> (in terms of affordable user tariffs) or <u>indirect</u> (in terms of affordable unitary payments by government)? If the latter, how effectively do these benefits filter down to the poor?  |
|   | 1.3 Other pro-poor benefits  | Are there other ways in which the project benefits the poor (job creation, social add-ons, etc.)? How significant are these benefits?   |
|   | 1.4 DAC 1 or 2   | Does the project meet the required country focus (DAC 1 or 2)? If not, is an exception to this requirement warranted?   |
| 2. <b>Grant size:</b><br>Must reflect value for money | 2.1 Determination of subsidy level                                   | Is the subsidy level determined via a competitive process for selecting private sponsors/operators (operators selected on the basis of lowest subsidy required)? If not, is an exception to this requirement warranted?   |
|   | 2.2 Underlying project costs   | If competitive operator selection is not possible, do appropriate expert reviews and/or benchmarking show that the underlying project costs have been established through a competitive process or equivalent (i.e., are at a level that would have reasonably been achieved through competition)?  |
|   | 2.3 Subsidy size   | A VGF grant is supposed to be big enough to transform an economically viable project into a financially viable one, but not so big as to make the project wildly profitable. Do the ERR and IRR for this project confirm this?  |
|   | 2.4 Required maximum subsidy size                                    | Is the subsidy less than (or equal to) the required maximum size (not more than 15% of project capital costs, or US\$3 million per project, whichever is less)? If not, is an exception to this limit warranted?  |
| 3. <b>Risks:</b><br>Mitigation is essential           | 3.1 Timing of VGF disbursement                                       | <p><b>For debt-plus-equity projects:</b></p> <ul style="list-style-type: none"> <li>• Is VGF disbursed pari passu with debt draw downs after equity subscriptions are made?</li> <li>• If VGF disbursement are made prior to debt disbursements are such disbursements supported by enhanced due diligence and monitoring of project milestones?</li> </ul> <p><b>For equity-only projects:</b></p> <ul style="list-style-type: none"> <li>• Does VGF become available only after equity subscriptions are made and construction completion is certified?</li> <li>• If VGF is disbursed pari passu with staged equity disbursements, are these disbursements linked to reliable project delivery milestones?</li> </ul> <p><b>Are exceptions to these rules warranted?</b></p> |
|   | 3.2 If premature project termination                                 | If the project terminates prematurely, will the VGF grant be repaid from performance guarantees (for non-performance by contractors or concessionaire) or compensation for lost equity (if non-performance by government)? What other safeguards are in place regarding premature project termination?  |
|   | 3.3 market distortion  | To what extent will market distortions result from this VGF grant, in the form of unfair competition, or slower than normal market development as potential future market entrants await similar subsidized loans or remain skeptical that activities of this nature will be commercially viable without similar support.   |
| 4. <b>Other Issues</b>                                | 4.1 What other key issues should TAF donors take into consideration? | Is there other information from the concept note, application, or direct communication with project participants, which should be considered by the TAF donors in taking a decision on this application for VGF funding?  |