



## **Terms of Reference**

**Appointment of a National Consultant to conduct a market research and provide options for a financial mechanism(s) suitable for financing and catalyzing the Light-Emitting Diode (LED) and Distribution Transformer industry under the GEF funded project; “Leapfrogging South Africa’s Markets to High-Efficiency LED Lighting and High Efficiency Distribution Transformers” to be implemented by the Department of Energy with the support from the Development Bank of Southern Africa and United Nations Development Programme**

**Location:** South Africa

**Application Deadline:** 10 June 2018

**Category:** Leapfrogging Markets

**Type of Contract:** Individual Contract / RLA (Firm Providing an Individual)

**Languages Required:** English

**Starting Date:** 18 June 2018

**Expected Duration of Assignment:** 4 Months

### **1. INTRODUCTION**

The Development Bank of Southern Africa (DBSA) and United Nations Development Programme (UNDP) are both implementing agencies of the Global Environment Facility (GEF). The GEF provides funding to developing countries to address environment and climate change issues. Countries that are eligible for funding from the GEF can access such financial resources through implementing agencies of the GEF, a role played by DBSA and UNDP in this project. Funding is available to projects that meet the following criteria:

- Alignment with the country’s development priorities and programmes, and endorsement by the country’s GEF Operational Focal Point (OFP);
- Consistency with the GEF strategy;
- Address one or more of the GEF Focal Areas (and cross-cutting issues and programmes), advancing the prospect of reducing risk to, or improving, the global environment;
- Seek GEF financing only for the incremental costs of measures to achieve global environmental benefits; and
- Co-finance i.e. projects that are able to attract financing and leveraging of funds from other sources.

## 2. BACKGROUND

The government of South Africa through its Department of Energy, with support from DBSA and the UNDP South Africa Country Office (herein after referred to as UNDP), seek to acquire the services of an experienced consultant with extensive knowledge and experience in setting up or developing financing schemes to accelerate the implementation of energy efficiency initiatives. The objective of the assignment is to advise and develop a potential funding mechanism suitable for encouraging and increasing the uptake of LED lighting and energy efficient distribution transformers through the implementation of the “Leapfrogging South Africa’s Markets to High-Efficiency LED Lighting and High Efficiency Distribution Transformers” project.

Subsequent to the approval of the Project Identification Form (PIF) and in line with the GEF project cycle, the project design (termed the project preparation grant – PPG) phase has commenced. The key outputs of the PPG phase are the GEF CEO Endorsement document and the Project Document (ProDoc). As GEF agencies, DBSA and UNDP are entrusted with the responsibility to ensure that the design of the project, its implementation, monitoring and evaluation processes are executed studiously, in line with the GEF requirements, ensuring realization of global environment benefits and developmental impacts at the same time addressing South Africa’s economic and environmental priorities.

The objective of the South Africa GEF-funded project is to accelerate South Africa’s efforts to transition the economy to energy-efficient products, through the following:

- Developing the country’s market for LED lighting on the electricity demand-side; and
- Developing the market for high-efficiency distribution transformers on the electricity supply-side ultimately resulting in climate change mitigation, stable power supply and therefore economic development and improved energy access

The project concept that has been approved by the GEF focuses on LED lighting and distribution transformers and comprises of the following outputs;

- i. Development of a national strategy to advance energy efficient lighting with special focus on LEDs and distribution transformers.
- ii. Development of regulatory mechanisms, including minimum energy performance standards (MEPS).
- iii. Creation of efficient monitoring, verification, and enforcement (MVE) system
- iv. Development of supporting policies, including *FINANCING SCHEMES* to accelerate; a) the market development for LEDs and b) the turnover of the distribution transformer stock.

### 3. SCOPE OF WORK

The Department of Energy with support from DBSA and UNDP seek to appoint a National Financial Consultant (i.e. South African consultant) who will work under the leadership of the International Consultant to execute this assignment. He/she will explore potential energy efficiency financing models that could be applicable for LEDs and distribution transformers in the South African municipal and public infrastructure space. These will be innovative financing mechanisms that could potentially “crowd in” private and public funding to support energy efficiency initiatives for LEDs and distribution transformers. Each of the identified models will be analyzed providing a clear picture on issues such as pros and cons (including limits to scale), sources of funding and how it can bring down capital and/or transaction costs and increase the deployment of funding to energy efficiency projects. The Consultant will further make recommendations on the most preferred financing model option(s) suitable to the South African market, its implementation and administration modalities (within the DBSA).

The main aspect of the scope of work is to produce a report on the financing mechanism component of the project. The Consultant’s work will contribute towards formulating the GEF CEO Endorsement Request document (and associated annexes) and the DBSA and UNDP Project Documents.

#### 3.1 PPG Activity 1 – Literature review, baseline analysis and alternative scenario

Under the guidance of the project partners and where appropriate, the United For Energy (U4E) programme partners, the National Consultant will collect, review and analyze data (including U4E country savings assessments and other studies) to create the required baseline that is necessary to provide guidance and propose the best options of financing model(s) suitable to the South African market that could align with the mandate of and be administered by the DBSA in funding energy efficiency initiatives specifically LED lighting and distribution transformers in the municipal space. The Consultant will further provide input to the development of the project through input to the formulation of the CEO Endorsement Request, UNDP and DBSA ProDocs (project documents).

The baseline analysis and project strategy processes shall include the following activities:

- a. Literature review to identify the viable, existing and potential strategies to finance LEDs and energy efficient distribution transformers.
- b. Identify existing financing models in South Africa and elsewhere that could be customised and adopted in the South African market (including financial instruments such as grants, recoverable grants, concessional loans, etc.) and possibilities for administration by the DBSA, in addition to current existing or planned financial and support programmes, in particular those implemented by the Department of Energy and by ESKOM.

- c. Analyse each of the identified financing models;
  - Indicate their limits to scale, potential sources of funds, program administration structure, repayment vehicle and project risk allocation.
  - How the models can bring down capital and/or transaction costs and increase the deployment of funding to energy efficiency projects.
  - How the models can address the needs of users of transformers and LED lighting products, such as municipalities (and in public buildings) and local manufactures of these products.
  - Strategies for implementation of the models, including involvement of third parties, such as energy service companies (ESCOs).
- d. Applicability in the South African market and functionality in terms of being implemented through the DBSA.
- e. Describe the enabling environment that needs to be in place for effective implementation of the identified models including the following;
  - Regulatory environment
  - Industry structural issues
  - Market conditions, etc.
  - Stakeholder analysis
- f. Further develop (in consultation with the project partners) one of the identified financing models into the project's FINANCIAL INSTRUMENT (see component number 4 of the PIF). The consultant will further provide guidance on use of the GEF funding allocated to this South Africa project to leverage additional public/private sector funding.
- g. Contribute to the formulation of a capacity building programme to familiarise all affected partners including public officials with identification and financing (through different types of financial instruments) opportunities and modalities.

### 3.2 PPG Activity 2 – Contribution to the Completion of Project Documents and CEO Endorsement Request

The Financing Expert will work with the International Consultant, LED National Consultant, and the National Consultant for Gender to realise the main outputs of the PPG phase, which are the GEF CEO Endorsement request document (and its annexes) and the DBSA and UNDP ProDocs. Upon completion of the baseline analysis and formulation of the financing mechanism report, the National Consultant, will contribute by integrating his/her input into the following activities/documents:

- a. The CEO Endorsement Request template and South Africa's ProDoc that will include the following requirement, in particular:

- The Project Strategy and Results Framework (clearly indicating the baselines, targets and indicators), total Budget and Work Plan; projected greenhouse gas emission reductions that will be achieved due to the implementation of EE transformers and LED lighting because of the implementation of the FINANCIAL INSTRUMENT of the project.
  - Definition and identification of sources of the project co-financing (in addition to the GEF funding), in particular the in-kind and cash co-financing that can be provided by DBSA and other development or finance institutions, associated with the FINANCIAL INSTRUMENT to be developed.
- b. Participate in facilitation and attend the PPG stakeholder and validation workshops and related meetings (including meetings with potential co-financiers).

### 3.3 PPG Activity 3 – Support the GEF Secretariat project review process

The Finance Expert will support the International Consultant in responding to comments on the project including those from the GEF Secretariat and Council and amend the project design when necessary.

## 4. TIMELINES AND DELIVERABLES

The Consultant is expected to execute all the activities on the financing mechanism component related to the PPG process for the GEF-financed “Leapfrogging South Africa’s markets to high-efficiency LED lighting and high efficiency distribution transformers” project delivering the following outputs:

### 4.1 Outputs:

The National Consultant is responsible for the following deliverables:

- a. **Scoping report** – based on international and national best practice on suitable financial model(s) that could be suitable for South Africa in line with the requirements of different target groups such as municipalities (transformers, street lighting, public buildings), other users (e.g. lighting) and local manufacturers (efficient transformers; LED-integrated products) and encompassing a concise work plan on how the work will be done and description of outputs.
- b. **Technical Report** – specialist report (for the financing mechanism), formulated in line with the scope of work (see Section 3).
- c. **Written inputs to the project documentation** – i.e. provide input on the FINANCIAL INSTRUMENT, to the GEF CEO Endorsement Request document and the underlying DBSA and UNDP ProDocs. The Consultant will further address comments from partners including GEF Secretariat and Council.

#### 4.2 Schedule of Work and Deliverables

The objective of the PPG phase is to ensure successful endorsement of the project by the GEF in the third quarter of 2018. The total period allocated to undertake this assignment is 4 months tentatively commencing from 9 April 2018.

Table 1: Deliverables

<b>Deliverables</b>	<b>Description</b>	<b>Proposed due date</b>	<b>Payment schedule (percentage)</b>
1. Scoping /Inception report	<ul style="list-style-type: none"> <li>• Conduct literature review to identify the viable, existing and potential strategies to finance LEDs and EE distribution transformers (based on needs of municipalities; and manufacturers)</li> <li>• Detailed work plan and description of outputs.</li> </ul>	Within 3 weeks of contract signing	20%
2. Draft report on financial models and instrument	<ul style="list-style-type: none"> <li>– Baseline analysis (and related data collection and overview of available applicable financial products in South Africa) analysis of the identified financing models that could be customised for SA markets, in addition to existing financial instruments in South Africa. The report to provide further analysis of the enabling environment that needs to be in place for effective implementation of the identified models.</li> <li>– Description of advantages and disadvantages of each model within the LED lighting electricity supply and distribution industry.</li> <li>– Selection of financial model(s) to be developed into the project's FINANCIAL INSTRUMENT with a detailed description of a preferred option, its establishment and functionalities. Development of the instruments (and cash flow modelling for LEDs and transformers and/or models for diverse groups of beneficiaries, e.g. municipalities, and as needed, other beneficiaries, such as commercial users, manufacturers) and recommend; the process of establishing the model, its implementation modalities and potential use of the GEF</li> </ul>	Within 11 weeks of contract signing	30%

	<p>funds to leverage additional public/private sector funding.</p> <ul style="list-style-type: none"> <li>– Will provide guidance on potential use of the GEF funding allocated for this LED and Distribution Transformer component of the project to leverage additional funding through the INSTRUMENT and other associated public/private funding</li> <li>– Will include a capacity building programme to familiarise municipal officials with identification and financing (through all types of</li> <li>– Financial instruments) opportunities and modalities for LED programmes.</li> </ul>		
3. Final Report	<ul style="list-style-type: none"> <li>– Final version of the report on financial models and Financial instrument</li> </ul>	Within 14 weeks of contract signing	40%
4. i. Written inputs to ProDoc & GEF CEO Endorsement document ii. Post-submission review process	<ul style="list-style-type: none"> <li>– Provide input on specific areas of CEO endorsement document and ProDoc based on deliverables 2 and 3 above, as advised by the International Consultant;</li> <li>– Provide input based on comments on relevant areas received on the draft versions.</li> <li>– Assistance with responses to GEF Secretariat project review comments.</li> <li>– Where required, amendments to project design (revised CEO Endorsement Request, relevant annexes and Project Documents)</li> </ul>	Within 16 weeks of contract signing	10%

## 5. CONTRACT PERIOD

The project should be completed within 4 months of signing of the contract.

## 6. MINIMUM REQUIREMENTS

- At least 10 years of relevant experience in areas such as intergovernmental fiscal relationships, local revenue mobilization, municipal borrowing, urban infrastructure financing;
- Project and analytical experience in the urban and local government sectors in developing countries is required;

- Experience in Energy Efficiency (LED and/or distribution transformers) would be an advantage;
- Experience in Banking and/or other donor-funded operations, and/or project management experience on government programs pertaining to strengthening country urban financing systems and/or city finances would be an advantage;
- Leadership of or a significant contribution to policy development and implementation activities in the field of urban development and financing would be an advantage;
- Advanced university degree (at least Masters) in a field relevant to urban financing;
- Excellent English written and presentation skills (verifiable consultancy and publication track record desired);
- IT skills, notably solid experience with Microsoft Office.

## 7. EVALUATION CRITERIA

The evaluation of proposals will be conducted according to UNDP procurement rules. A two-stage procedure is utilized in evaluating the proposals, with evaluation of the technical proposal being completed prior to any price proposal being opened and compared. The price proposal of the Proposals will be opened only for submissions that passed the minimum technical score of 70% of the obtainable score of 100 points in the evaluation of the technical proposals. The technical proposal is evaluated on the basis of its responsiveness to the Term of Reference (TOR). In the Second Stage, the price proposal of all contractors, who have attained minimum 70% score in the technical evaluation will be compared.

Selection will be based on the lowest price technical compliant offer.

### Technical Evaluation Criteria

Criteria	Sub-Criteria	Weighting
Experience & Qualification in banking/development financing, policy development and/or implementation and design of municipal infrastructure finance mechanisms	Clear understanding/experience in areas such as intergovernmental fiscal relationships, local revenue mobilization, municipal borrowing, urban infrastructure financing.	20
	10 years' experience in financing mechanisms and financial instruments	20
	Advanced university degree (at least Masters) in a field relevant to urban financing	10
	Policy development and enforcement in urban development and financing	10
Technical capability in the energy efficiency market in particular the lighting and energy distribution industries	Technical knowledge of the energy efficiency industry in particular LED lighting and distribution transformers	30



English and IT skills	Fluent written/spoken English; extensive experience with Microsoft Office and other computer software	10
<b>Total</b>		100

## 8. RESPONSE FORMAT

The Consultant will be appointed through UNDP procurement processes, however reporting the deliverables to the DBSA as the lead GEF agency for the financial mechanism component of the project. Thus, UNDP will be responsible for the administration associated with contract management and payments whilst DBSA will provide approval on the content and quality of deliverables against which payments will be rendered. The Consultant will be required to have mandatory progress/validation meetings convened by DBSA.

To facilitate the analysis of responses, all interested parties are required to prepare their response in accordance with the instructions outlined in this section. All proposals should be electronically generated. The vendor will be hired on a UNDP contract.

Applicants are required to submit the following:

- A Technical Proposal: (i) Letter of Interest, stating why you consider your service suitable for the assignment; and (ii) a brief methodology on the approach and implementation of the assignment, including broad time-frame (phases), and well-defined deliverables in relation to the scope of work, the costs per deliverable(s);
- Evidence and examples of similar projects that have been successfully completed;
- Personal CVs highlighting qualifications and experience in similar projects;
- Work references - contact details (e-mail addresses) of referees (organization for whom you've produced similar assignments);
- All-inclusive financial proposal indicating consultancy fee (South African Rand) and a breakdown of expenses (unit price together with any other expenses) related to the assignment. The proposal must incorporate all travel costs for the service provider to achieve the required deliverables.

Applicants are required to submit the following documents to **procurement.za@undp.org** on or before the **10 June 2018** with the subject line: **Job Code Title and Reference Number**.