

Terms of Reference

Name	Financial Support Mechanisms Review – National Consultant
Project number and name	00091328, UNDP-GEF Project "NAMA" 00101058, UNDP-GEF Project «DREI»
Place of work	Home based (with one possible business trip to Nur-Sultan)
Contract type	Individual contract
Validity	2 months (not more 30 working days)

BACKGROUND

Kazakhstan is by far the largest GHG emitter in Central Asia with annual emissions of 284 Mt CO_{2e} in 2012 and has one of the world's highest GHG emissions per capita (16.9 tCO₂)¹. The energy intensity of the country's economy in 2010 – 0.68 toe per 1000 dollar of GDP – was almost six times that of Western Europe (0.11), almost triple that of the US (0.24). While Kazakhstan has substantial potential for energy and other resource efficiency improvements, GHG emissions across the sectors have been steadily rising since the early 2000s, when the emissions bottomed out at around 146 Mt CO_{2e}, or 41% of the 1990 peak level of 358 Mt CO_{2e}. The main reasons for this high level of intensity are the use of outdated technologies and lack of strong incentives for energy conservation. There is a strong commitment within the government to invest in clean energy and to reduce greenhouse gas emissions.

The UNDP/GEF “Nationally Appropriate Mitigation Actions (NAMA) Urban for Low Carbon Development” Project is a \$5.93 million USD project which focuses in making investments in energy-efficiency more attractive in Kazakhstan. The definition of NAMA being used by the project is any investment in clean energy that reduces greenhouse gas emissions, regardless of whether or not it has international support. The project started in April 2015 and is scheduled to finish by October 2021. One of the main outcomes of the project is the facilitation of financing for urban NAMAs through the creation and operationalization of a dedicated fund. After two years, the project concluded that creating its own financial support mechanism (FSM) was not feasible and instead the project decided to cooperate with an existing FSM, which is implemented by the DAMU Foundation (<https://www.damu.kz/en/>) called the Municipal Energy Efficiency Support Facility (MEESF). The UNDP and DAMU cooperation in the provision of financing support to urban NAMA projects is embodied in the FSM called Investment Incentives Mechanism² under the Urban NAMA Project.

The IIM was launched in October 2017 and has been running now for slightly over three years. Over the period from December 2017 to June 2020, 110 applications for subsidies were received and the results were that 10 of them – rejected as non-eligible, 100 – endorsed. Out of the 100 endorsed projects 37 projects were approved to receive loans from commercial banks and loan interest payment subsidies³. Initial estimates have suggested that that for the 37 projects funded the lifetime emissions reductions are 660,673 t CO₂ but these figures need to be independently verified.

¹ Kazakhstan National Inventory Report to UNFCCC, 2014

² Based on the Cooperation Agreement between the Ministry for Investments and Development of the Republic of Kazakhstan and the Damu Entrepreneurship Development Fund JSC on the implementation of the Investment Incentive Mechanism to increase energy efficiency of urban infrastructure in the Republic of Kazakhstan under the “Sustainable Cities for Low-Carbon Development in Kazakhstan” Project, implemented jointly by UNDP and the Government of the Republic of Kazakhstan. This is also called the Municipal Energy Efficiency Investment Support Facility (MEEISF).

³ Per the latest description of the IIM, the following are the financial support that are provided: (1) Loan guarantee covering up to 50% of the principal, which is released with the repayment of the loan; (2) Interest rate subsidy of 10% p/a payment to bank, reducing the payment by applicant (typical interest rates are 14-17% at present); and (3) Repayment of 40% the loan principal, paid after commissioning of the project and not paid if the project is not completed on time.

Building on the experience of the NAMA project, the Government of Kazakhstan, and other stakeholders, including financial institutions, such as Astana International Finance Centre and DAMU, were interested to further develop the mechanisms of attracting private investments into energy saving projects. As a result, the Ministry of Industry, and Infrastructure Development (MIID), requested UNDP to support the implementation of a Government-financed project on energy saving measures through innovative financing mechanisms. In addition, led by UNDP, and with support of UNEP, and UNESCAP, the Kazakhstan has been planning to launch a Green Finance Accelerator, as a platform of action to attract private investments towards energy efficiency and energy saving measures. This platform is planned to be funded in the initial stage by the Joint SDG Fund, and a grant application is now under consideration.

Now that the Urban NAMA Project FSM has been running for three years, and given that its FSM results are considered to be taken as a basis for scale-up, it is time to take stock and assess its performance and make recommendations for the future in terms of either: a) enhancing and strengthening it; or (b) making clear and specific recommendations for the design of a new FSM.

In addition, UNDP is implementing another ongoing US\$ 4.51 million UNDP/GEF climate change mitigation project in Kazakhstan called the “De-risking Investment in Renewable Energy (DREI)” Project. This project also includes another FSM to reduce the risks of investing in small renewable energy projects. It was initially planned that the FSM under the NAMA Project will be transferred to the DREI Project but focusing on supporting small scale renewable energy projects. It is important that the lessons learned from this FSM review are considered in any planned adjustment in the design of the FSMs in the NAMA and DREI Projects.

OBJECTIVE AND SCOPE

The key objective of this assignment is to provide comprehensive assistance to the international consultant (review of the existing design and performance of the FSMs of the NAMA and DREI Projects) in the collection and initial processing of the material necessary for the assessment, ensuring the organization and conduct of consultations and meetings with partners and key national experts, preparing expert opinions, etc.

Deliverables:

The national consultant will report to the GEF Portfolio manager and work closely with the international consultant to prepare the review, and coordinate with the UNDP-GEF NAMA and DREI project team (Project Managers, National Low-Carbon Finance Expert, and Chief Technical Adviser of projects). The national consultant is responsible for the collection and initial processing of all necessary information, organizing meetings, interviews, consultations with the main project partners, in order to ensure the achievement of the following results of the international consultant:

Output 1: FSM Design and Performance Review: This involves the review of the existing FSMs under the Urban NAMA Project and the DREI Project. The review must cover the following:

- a. Design of both FSMs, particularly their respective bases (*whether this is based on additionality and/or incremental cost principles*);
- b. Actual implementation performance of the IIM (*whether the agreed procedures are appropriate and were followed strictly, and whether or not there are impacts from this particularly the removal of financial barriers to EE investment projects, and whether or not this is scalable and replicable and sustainable*);
- c. Reviewing legal agreements with DAMU, including the responsible party agreement, to ensure these adequately represent UNDP’s objectives and interests;

- d. Selection process of projects that will be endorsed to lending banks and for receiving financial support under the IIM (*whether this has been done on a consistent and defensible nature and project selection is achieving maximum leveraging and maximum impact*);
- e. Economic/Financial viability of projects (*whether sound economic/financial feasibility analyses are done, e.g., comparison of IRR, NPV, and payback period with or without subsidy*);
- f. Cost-effectiveness of selected projects that are endorsed for FSM support and the quality of the economic/financial analyses that were carried out;
- g. Transparency of design of the FSM including assessment of the stakeholder consultations that were carried out;
- h. Types of projects that are endorsed for the FSM support including whether or not these are projects that can be supported by the GEF;
- i. Technical viability of projects (*whether energy savings and GHG emissions reductions are part of the FSM eligibility criteria*);
- j. Accuracy of the estimation of the total investment costs; and
- k. Accuracy of the assessment that the subsidy is what turned an unattractive investment into an attractive one.

A summary of the comparison of the level of subsidy granted versus the total investment cost of each project shall be prepared and presented. The performance review should collect data to answer the same questions but should look at the impact in terms of what was achieved versus what was planned. It should examine the process of monitoring and reporting of the FSM-supported projects was designed and actually implemented, including whether or not independent verification and validation were done for each project. Lastly, the review should involve the actual financial performance (i.e., cost-effectiveness) of the implemented FSM-supported projects.

One of the questions that should be examined into is the rationale behind a fixed subsidy versus other approaches such as a subsidy based upon principles of additionality and incremental costs. The review should assess and examine how the idea of a fixed subsidy came about and what was the rationale behind this decision. The review should also look at what other options were considered for the FSM and why were these rejected.

The FSM design and performance review should interview the NAMA project manager, international CTA, UNDP CO staff, and the RTAs as well as other individuals/parties involved in the original design of the mechanism back in 2017. The analysis of the FSM implementation as presented in the project's mid-term review (MTR) shall also be reviewed.

The review should also evaluate the quality of the reporting on the annual results of the FSM implementation, focusing on the quality and accuracy of the report prepared and submitted by each supported project to the PMO and the quality assurance role provided by UNDP.

Output 2: Revised Financial Support Mechanisms Recommendations Report: – The revised FSM recommendations and strategy report will focus on (i) recommendations to enhance the performance of the existing FSM; or (ii) clear recommendations for a new FSM to be applied to: a) the remainder of the lifetime of the Urban NAMA Project; and b) the DREI Project. The Revised Financial Support Mechanisms Report should include the following:

- Analysis of the various options for an enhanced FSM or a new FSM together with justification of the chosen approach. The recommendations shall focus on cost-effectiveness, impact, efficiency, transparency/good governance, and sustainability. It shall provide an analysis of the resources required to run and implement the recommended improved or new FSM also including recommendations for third party validation and verification.
- Recommended approach for the redesign or modification of both FSMs and justification for the recommendations. The recommendations on the redesigned/modified FSM should include:

- Detailed description of design
- Detailed key operational specifications (e.g., criteria for selection of investments; basis for additionality etc.)
- Initial guidance on key principles to include in any legal arrangements/agreements (which can then be acted on by a lawyer).
- Suggested plan of action to effectively implemented the recommendations of the FSM Review.
- One business trip to one of the pilot regions in Kazakhstan for visit to several project sites and face to face meetings with all relevant project stakeholders.

If the recommendation will be to continue with Damu Foundation, then measures to enhance and strengthen the existing FSM will be included. If the recommendation will be to develop a new FSM, then recommendations will be made about the choice of an appropriate partner as well as the structure of the mechanism and how it should work. The options that can be looked at can go beyond direct financial incentives and look, for example, at other possible options such as performance based payments, loan guarantees, and or technical assistance for de-risking activities for innovative projects.

#	Deliverable	Name of the Deliverable /Report	Estimated # of working days	Target Submission Date of Deliverables	Review and coordination:
1	DEV. 1	Searching, collection and initial processing of the material requested by the international consultant, necessary for the preparation of the FSM Design and Performance Review Report, was carried out. Meetings with partners and consultations with key experts necessary for the preparation of the review (at the request of an international consultant or UNDP) were organized and conducted. Completion Form - Technical Report	15 days	Within 4 weeks after signing the contract	GEF Portfolio Manager
2	DEV. 2	Facilitate collection of comments on the Final FSM Design and Performance Review Report prepared by the international consultant. Completion Form- Final report.	15 days	Within 8 weeks after signing the contract	GEF Portfolio Manager
Total			30 days		

The estimated number of working days, indicated in above-mentioned deliverables, to be invested by the bidder are based on UNDP's estimations. The estimated number of working days provided herein to facilitate provision of price proposals by the applicants. *The bidder may invest less or more days for each deliverable based on the project needs and at the sole discretion of UNDP, however number of working days to be invested by bidder may be subject to change **for each deliverable**, the total working days of the bidder dedicated to this assignment shall be at a maximum 30 days as indicated in this document.* The successful bidder who then will be designated as the National Consultant (NC) will agree to produce the aforementioned deliverables to the satisfaction of the UNDP and its partners within the working/day limits set forth in the preceding table. In cases where the designated NC may

need to invest additional working/days to perform the tasks and produce the deliverables listed and defined in the present Terms of Reference, he/she shall do so without any additional payment.

▪ ***Reporting Language***

The reporting language shall be in English. Both reports will be provided in English.

▪ ***Title Rights***

The title rights, copyrights and all other rights whatsoever nature in any material produced under the provisions of this ToR will be vested exclusively in UNDP.

INSTITUTIONAL ARRANGEMENTS

UNDP will provide the selected NC all relevant background documents and the NC will need to compile a list of all relevant stakeholders that can be interviewed by the FSM Review Team, which will be comprised by the NC and an International Finance Consultant (FC). The Interviews will be arranged by the national consultant, with support from UNDP DREI and NAMA projects as needed. UNDP is not required to provide any physical facility for the work of the FE team.

The NFE will report to the GEF Portfolio Manager UNDP.

This work will be carried out over 30 working days over a period of some two (2) months from approximately mid of July 2021 to mid September 2021. Both the FC and NC shall be hired at the same time, wherepossible.

MINIMUM QUALIFICATION REQUIREMENTS

The expected qualifications of the NC are as follows:

General Qualifications	General Professional Experience	Specific Professional Experience
<ul style="list-style-type: none"> • Bachelor's degree in finance/economics, business administration and accounting or any other relevant field; • Fluency in English and Russian 	<ul style="list-style-type: none"> • Minimum 5 years of experience working with financial institutions in a professional capacity that shows understanding of how financial mechanisms work is required. • Experience in the technical area of renewable energy/ energy efficiency is an asset but not required. 	<ul style="list-style-type: none"> • Experience working with international organizations or multi-lateral financing institutions on financial policy design. • Experience with the GEF is an asset but not required.

Notes:

- Internships (paid/unpaid) are not considered professional experience;
- Obligatory military service is not considered professional experience;
- Working with financial institutions must be in a professional capacity and show some understanding of how financial mechanisms work;
- Professional experience gained in an international setting is considered international experience with international organizations.

PLACE OF WORK

The place of work for this assignment is home-based, with one mission of a minimum of 5 working days (including travel days) to 5 pilot project sites within the selected area. The trip will take place in July 2021 and shall be paid separately by UNDP* due to the risk of the mission perhaps needing to be cancelled due to COVID-19 related travel restrictions. In this case all face to face meetings will be replaced by webinars.

*Approval of UNDP is needed prior to the mission is needed and the appropriate DSA will be paid to the national consultant in line with UNDP rules and regulations. Missions will be arranged and covered by UNDP CO from the respective project budget without making any reimbursements to the consultant and through the travel agency UNDP works with.

PAYMENTS

Payments will be made within 20 days upon acceptance and approval of the corresponding deliverables by UNDP on the basis of Certification of Payment document signed by the NC and approved by UNDP-Kazakhstan. The payment amounts will be in accordance with deliverables:

Deliverables 1 and 2 – 100% of the Total Contract Amount

If the deliverables are not produced and delivered by the NC to the satisfaction of UNDP as approved by UNDP-Kazakhstan, no payment will be made even if the NC has invested man/days to produce and deliver such deliverables.

The services of the NC shall be paid in KZT. The amount paid to the NC shall be gross and inclusive of all associated costs such as travel costs, social security, pension, and income tax etc. The NC is solely responsible for all taxation or other assessments on any income derived from UNDP.

This TOR is prepared:

Alexandr Belyi

Project Manager

00091328, UNDP-GEF Project "NAMA"

Date: 03-июн-2021

Alexandr Belyi

Syrym Nurgaliyev

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Date: 03-Jun-2021

Syrym Nurgaliyev

This ToR is approved by:

Abduvakkos Abdurahmanov

Abduvakkos Abdurahmanov

GEF Portfolio Manager UNDP Kazakhstan

Date: 03-Jun-2021