

Term of Reference Individual Contract

1. Project Information

Assignment Title:	Consultant on Developing financial mechanism for the CLEAN Project
UNDP Practice Area:	Environment
Cluster/Project:	Policy and Innovation Unit
Contract Type:	Individual Contract
Assignment Location:	Home-based
Assignment Duration:	Estimated 34 Workdays from September until end of November 2021

2. Background and Project Description

UNDP and UNICEF have together been developing a project proposal for the SDG fund titled CLEAN – CLimate Adaptation and mitigationN Financial Mechanism. The project proposal has simplified two components, one is to develop a loan facility which can finance investments in piped water and solid waste management, and secondly a pipeline of potential businesses and operators with capacity to access the funds and make the investments. This ToR focuses on developing the blended finance vehicle of the proposal development.

UNICEF and UNDP are collaborating with an ongoing process to support the establishment of the Cambodian Climate Finance Facility (CCFF). This initiative is being developed jointly by the Ministry of Environment, Ministry of Economy and Finance and implemented and managed through the Mekong Strategic Partners (MSP) – a private investment firm. The facility is intended to be capitalized by the Green Climate Fund, GCF and Agence Francaise de Developpement, AFD, of which AFD is the accredited entity submitting the GCF proposal. The CLEAN joint programme will establish a financial window within CCFF focused on the WASH and Waste sector.

In Cambodia the WASH and Waste sectors are largely managed by private entrepreneurs, and partly regulated by national legislation and local decisions. For both sectors national tariff systems are used thereby limiting revenue possibilities. Finance is largely based on user fees, though in practice some basic services (such as waste collection in public spaces and waste management) are financed by a public national fund. Outside the larger cities the services are semi-functional, and coverage is partial. Some areas outside of city centers still lack piped waters and in many secondary cities waste collection only covers up to 20% of households.

Infrastructure investments for WASH and waste management services are needed to ensure quality and continuity of service that meet acceptable standards. However, in most cases it is found that such investments cannot be realized for a variety of reasons that includes; (i) cost of finance, (ii) high project risks and (iii) weak proposals and business modelling. In order to improve the business case for investment the CLEAN joint programme aims to establish a facility that can provide concessional loans including some smaller grants to make investments financially viable.

The CLEAN project aims to use the blended finance to unlock public and private finance so that by 2025 Cambodians living in and around 5 provincial cities have improved water, sanitation, and waste services, provided by climate and gender sensitive piped water, organic waste, and faecal sludge businesses. This will be achieved through: (i) establishing a CLEAN technical assistance facility (TAF) that will work with water, sanitation, & hygiene (WASH) and solid waste management (SWM) businesses on investment pipeline

development; infrastructure quality assurance; and enhanced commercial viability; and with cities on developing a WASH and SWM investment and business supportive environment; and (ii) establishing and managing the CLEAN blended financing mechanism that will identify and operationalize optimized blended financing instruments and deals for the project pipeline, unlocking public, and crowding in private commercial capital for WASH/SWM investments, and SDG acceleration.

3. Objective of the Assignment

The overall objective of the assignment is to provide an analysis of the current opportunities and tools available within the UN system that will allow the CLEAN project to develop a blended finance mechanism for WASH and solid waste management service projects. The analysis will be based on the market, consultations with key private sector businesses, MSP, commercial banks and with UN agencies, UNICEF and UNCDF.

The intended outcome of the assignment is to inform the project development team of the most appropriate options for the establishment of a financial mechanism for the CLEAN project that complies with UN legalities and requirements, which provides sound fiduciary management and access to additional funding mechanisms.

The original option presented in the last proposal submission is to establish the financial mechanism by establishing a CLEAN window in the CCFF managed by MSP, which will help to catalyze, and leverage anticipated Green Climate Fund funding and crowd in private commercial financing. In addition there are three emerging possibilities, (i) inclusion of UNCDF to enable the use their developed financial instruments and in-house capacities that includes access to their global vertical funds, (ii) using a global UNICEF fund to provide additional funding or (iii) to establish an entirely new grant fund which will work to leverage funds from private investment in SWM/WASH and loans from CCFF or other financial institutions.

The consultant shall describe the processes and arrangements around the CLEAN window of the Cambodia Climate Finance Facility through discussions with the main stakeholders of the initiative. The work will be done based on the latest status of the CCFF. MSP is preparing documents needed and working with AFD on proposal submission to GCF. The other side of the work is to ensure that the draft contractual agreements follow the requirements and are in compliance with the mandates of UN agencies.

The output of the assignment shall inform the final CLEAN joint programme proposal to be submitted to the joint SDG fund.

4. Scope of Work

The task is to undertake an assessment of options with the purpose to determine a blended finance model and the financial instruments and mechanisms that complies with UN standards to deliver financing solutions for the CLEAN project.

The consultant shall make an **assessment report** reviewing the following options

- (i) the original proposal meaning establishing a CLEAN window within the forthcoming CCFF based on current situations and realistic timelines, cataloging the strengths and weaknesses.
- (ii) assess the options suggested by UNCDF to use existing UNCDF approved instruments and global systems to finance commercially viable high-risk investments and verify the potentials and experiences of UNCDF in deploying funds to close deals using blended finance that unlocks domestic capital
- (iii) Explore the UNICEF global fund and verify the potential in deploying funds to close deals using blended

finance

(iv) consider using the SDG funds for establishing a grant facility which will help investors leverage loans and investment capital that has legal compliance and technical capacity to effectively and efficiently deliver within the project cycle.

The scope of the work also includes drafting the **financial arrangements** needed to be established to run the blended finance window under the facility, based on the review of available frameworks and facilities of the involved UN agencies and considering engagement with commercial banks, fund managers etc. The UN agencies will receive 'grant fund' from the UN joint SDG fund and facilitate access to the Cambodia Climate Facility to provide private operators of Piped water, Solid Waste Management, and fecal sludge management in Cambodia with concessional loans.

The consultant should explore the options for the most optimal set-up and develop a detailed draft financial layout and arrangements between the UN agencies and Cambodia Climate Finance Facility, explaining the relationship between Fund Manager (The Agricultural and Rural Development Bank, represented by Mekong Strategic Partners), and the UN agencies (UNDP, UNICEF, and potentially UNCDF); taking into account mandates, operational and financial rules and regulations of UNICEF and UNDP; and potentially UNCDF. If another option is chosen, this output will have to be adjusted.

The draft financial framework agreement should include:

- Description of governance and major operational and business processes
- A term of reference for contractual arrangements between the UN agencies and CCFF regarding the disbursement and risk management of CLEAN funds
- Description of the financial model, management fee and other key financial matters in the relationship between UN agencies and CCFF
- A 'CLEAN' window needs to have a solid description of how the funds will be allocated to private service operators in loan forms and opportunities to crowd-in private or additional public capital in the form of blended finance
- Arrangements for the asset holding of the CLEAN investment funds

The Consultant shall further summarize the findings in a **final report**, which shall include:

- A description of the Preferred option among the alternatives presented above, describing which option offers the most advantageous solution in terms of
 - legal compliance and accountability,
 - reputational and financial risk management,
 - proven capacity for a quick start thereby not delaying project implementation
 - affords the lowest development and transaction costs,
 - Brings in value added to support UNICEF and UNDP to develop bankable project pipelines for WASH and waste management
 - has the ability to provide a recognized de-risking function that can unlock domestic capital,
 - is able to generate blended financial solutions of a portfolio or project by project basis and
 - carries an option to crowd in additional funds
- Business case: Explaining rationale of pipeline assessment on the financial and market needs, and why blended finance mechanism is used for CLEAN window.
- Governance and management arrangements between United Nations and the Cambodian Climate Finance Facility (or other chosen option), private providers, investors, etc (including service fees).
- Financial product(s) – justification for terms and conditions, including the level of concessionality and mechanism for blended finance. Description of the financial instruments and blending mechanisms CLEAN will provide to the market (concessional loans, guarantees, step-down guarantees, first loss

provisions). Demonstrate how UN funding will de-risk those investments and crowd in private sector through acting as first-loss.

- Operations: loan screening, evaluation, approval and monitoring process under the “CLEAN” windows.
- Impact measurement framework, key metrics and how they will be monitored and evaluated.
- What rules will govern the special CLEAN window within CCFF
- Arrangements including key terms of contracts to be made between UN, CCFF, etc., including fees and costs
- Revenue model and financial projections. Resource mobilization/capitalization plan, inclusive of co-financing commitments (potential).

The consultant should develop an **appendix** to the CLEAN project proposal which shall include (but are not limited to:

- Appendix part 1 Financial model including instruments and financial structures and flows that the project will develop to enable the provision of the CLEAN window and services to domestic business that it offers.

Appendix part 2: Description of CCFF, its size and investment strategy, the status of the CCFF in terms of its realization that lays out what legal documents needs be finalized, status of capitalization and potential realistic timeline for operationalization of the CCFF. Fund Manager Background and the structure of the ownership of the fund manager.

5. Expected Outputs and Deliverables

No	Deliverables/Outputs	Estimated Duration to Complete	Target Due Dates	Review and Approvals Required
1	An assessment of the different options for blended financial vehicle and financial mechanism for the CLEAN project. This shall in particular assess the options of using UNCDF and UNICEF new vertical funds for the CLEAN project, as well as using the SDG fund as a grant facility	7 days	5 October	Climate Change & Environmental Policy Specialist
2	A final report outlining what rules will govern the CLEAN window, conditions on loans CLEAN will provide and analysis of CCFF fees, or alternative arrangements with other financial mechanism if other options are chosen	10 days	30 October	Climate Change & Environmental Policy Specialist
3	A draft financial arrangement between UN agencies and Cambodia Climate Finance facility or other chosen facility	6 days	20 October	Climate Change & Environmental Policy Specialist
4	Second draft financial arrangement for CLEAN between UN Agencies and Cambodia Climate Finance Facility or other chosen facility	4 days	15 November	Climate Change & Environmental Policy Specialist

5	Create an appendix to the CLEAN proposal outlining key information about the CCFF fund manager, its experience, as well as a description of the facility investment strategy and financial instruments which will be offered	7 days	15 November	Climate Change & Environmental Policy Specialist
Total # of Days:		34 working days		

6. Payment Milestones

No	Deliverables/Outputs	% of Payment
1	Assessment report on deliverable 1	20%
2	Report on deliverable 2	30%
3	First draft financial agreement	15%
4	Second draft financial agreement	15%
5	Appendix to CLEAN proposal	20%
Total:		100%

7. Institutional Arrangement

The contractor will work under direct supervision of the Climate Change and Environmental Policy Specialist at UNDP country office. The contractor will also engage and work with key relevant stakeholders on this assignment, including UN agencies.

UNDP staff may support and take part in consultations with other actors. Regular progress reporting shall be done in the form of calls, emails or more formal reports, at least twice a month.

8. Minimum Qualifications of the Individual Contractor

Education:	Master's degree or equivalent educational background in Finance, Economics, Business Administration,
Experience:	<ul style="list-style-type: none"> • At least 7 years of working experience in the finance sector with financial analysis, capital markets, banking, investments and financial products • Experience in dealing with capital markets structures in developing countries • Proven experience with creating financial mechanisms in developing countries. Knowledge of climate finance from both public and private sources is an advantage.
Competencies:	Functional competencies: <ul style="list-style-type: none"> • Strategic vision, strong technical and analytical capabilities; • Strong writing and reporting skills.

	<ul style="list-style-type: none"> • Ability to work in a team, develop synergies and establish effective working relations with government counterparts, donors, NGOs and other development partners; • Strong interpersonal and communication skills, resourcefulness, initiative, maturity of judgment, tact, and negotiating skills, and the ability to cope with situations which may pose conflict; • Openness to change and ability to receive/integrate feedback; • Ability to accommodate additional demands on short notice; • Ability to work under pressure and stressful situations; • Ability to manage heavy workload and solve complex problems with minimum supervision. <p>Corporate competencies:</p> <ul style="list-style-type: none"> • Demonstrates integrity by modeling the UN's values and ethical standards; • Promotes the vision, mission, and strategic goals of UNDP; • Displays cultural, gender, religion, race, nationality and age sensitivity and adaptability; • Treats all people fairly without favouritism. • Fulfils all obligations to gender sensitivity and zero tolerance for sexual harassment.
Language Requirement:	Excellent writing, editing and oral communication skills in English is required.

9. Criteria for Evaluation of Level of Technical Compliance of Individual Contractor

Technical Evaluation Criteria	Obtainable Score
Masters or equivalent education background in Economics, Finance or Business Administration or equivalent	15
At least 7 years of relevant working experience in finance sector with professional work experience with financial analysis, capital markets, investments or banking will be considered as an advantage. Knowledge of climate finance from both public and private sources is an advantage.	40
Proven capacity to Experience in designing blended finance models instruments and structures for de-risking project financing	35
Experience in working with Southeast Asia. Prior working experience in Cambodia is considered an advantage	10
Total Obtainable Score:	100