



INDIVIDUAL CONSULTANT PROCUREMENT NOTICE

Date: 12 March 2021

Reference Number: IC-2021-025

Country: Republic of Kazakhstan

Description of the assignment: Financial Mechanism Strategy Review – International Consultant

Project name: #00101058 “De-risking Renewable Energy” / #00091328 “Urban low carbon development”

Period of assignment/services: April – June 2021 (30 working days)

Contract Modality: Individual contractor (IC)

Important Note: Technical and Financial Submission Proposals must be submitted in **separate** PDF/Word files and Financial Proposal (Annex 4 and 5) must be password protected.

Any request for clarification must be sent by standard electronic communication to the e-mail procurement.kz@undp.org with copy of zulfiya.suleimenova@undp.org and in e-mail subject please indicate **Ref.2021-025**.

1. 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 The main reasons for this high level of intensity are the use of outdated technologies and lack of strong incentives for energy conservation.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

¹ Kazakhstan National Inventory Report to UNFCCC, 2014

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 application 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 received 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.

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.

2. SCOPE OF WORK, RESPONSIBILITIES AND DESCRIPTION OF THE PROPOSED ANALYTICAL WORK

The objective of this assignment is to: (1) review of the existing design and performance of the FSMs of the NAMA and DREI Projects; and (ii) make recommendations on either new or modified FSM designs.

The GEF supports commercially viable EE and RE projects, that help to transform the market to support low carbon measures that are cost-effective and sustainable and will bring about energy savings, energy cost savings, and GHG emission reductions. Taking this into account, therefore, any FSM that includes the GEF should always use a blended approach of combining grants with other financial instruments and should be designed with issues such as effectiveness, impact, efficiency, and sustainability in mind.

Deliverables:

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*);

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.

- 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.

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.

3. REQUIREMENTS FOR EXPERIENCE AND QUALIFICATIONS

Education:

- Master's degree in finance/economics, energy/environmental economics, or any other relevant field;

Experience:

- Minimum 12 years of demonstrable experience in the technical area of renewable energy/ energy efficiency.
- Experience working with financial institutions in a professional capacity that shows understanding of how financial mechanisms work is required.
- Experience working with international organizations or multi-lateral financing institutions on financial policy design is an asset but not required.
- Experience with the GEF is an asset but not required.
- Working experience in Central Asia is an asset but not required.

Language:

- Proficiency in English is required.

Female candidates are encouraged to apply.

4. INSTITUTIONAL ARRANGEMENTS

UNDP will provide the selected FE all relevant background documents and a complete list of all relevant stakeholders that can be interviewed by the FSM Review Team, which will be comprised by the FE and a National Consultant (NC). UNDP is not required to provide any physical facility for the work of the FE team. However, depending to the availability of physical facilities (e.g. working space, computer, printer, telephone lines, internet connection etc.) and at the discretion of the UNDP and relevant stakeholders such facilities may be provided at the disposal of the FE.

The FE will report primarily to the GEF Portfolio Manager UNDP and secondarily to the BPPS VF RTA. The FE will be supported by a NC with an equivalent number of working days (30 days).

This work will be carried out over 30 working days over a period of some two (2) months second half of April – first half of June 2021. Both the FE and NC shall be hired at the same time, where possible.

Considering the Covid-19 situation in Kazakhstan, it is envisaged that one mission of 10 working days (not including travel days) should be undertaken in April – May 2021 to Kazakhstan, by the FE accompanied by the NC. This will include visit to several project sites as well as face to face meetings with all relevant project stakeholders.

The dates of the mission travel will depend on travel restrictions due to the COVID-19 but where possible the mission should be carried out sooner rather than later. If such mission for the FE is not possible and feasible, the NC will carry out the mission.

*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 Financial Expert (FE) 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 FE 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 Line**

- The FE will be responsible to the GEF Portfolio Manager for payment approval. The reports will be reviewed by UNDP CO, BPPS VF RTA and RBEC for payment sign off.
- The FE will be submitting the reports based on the results achieved and in an agreed format stating that all actions taken during the assignment in English.
- Together with the NC, the FE shall be liable for the accuracy and reliability of the data provided, links to sources of information used.

▪ **Reporting Language**

The reporting language shall be in English. Both reports will be provided in English. If the reports will be translated into Russian, then this will be done at the cost of the UNDP CO. The FE is not required to produce reports in Russian.

▪ **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.

5. DOCUMENTS TO BE INCLUDED WHEN SUBMITTING THE PROPOSALS

The following documents **in PDF** to be attached to the Offer (maximum size 19Mb per one e-mail transmission) and should be sent to procurement.kz@undp.org with indication of **Ref.2021-025** in the e-mail subject not later **4 PM (Nur-Sultan time, GMT+6) of 29 March 2021**:

- a) Duly accomplished Annex 4 "Offeror's Letter to UNDP confirming interest and availability for the Individual contractor" and Annex 5 "Breakdown of Costs Supporting the Final All-Inclusive Price" using provided UNDP template; the document should be provided separately from other required below documents; **Annexes 4-5 must be password protected!**
- b) Detailed CV, where previous work experience in similar projects should be included, as well as contact details (email and phone number) of the Offeror;
- c) Other documents certifying the work experience, expertise, education, and skills (qualification improvement certificates\diplomas, awards, etc.);

Financial proposals which are not password protected will be rejected automatically. ONLY fully submitted applications would be considered for evaluation!!!

6. FINANCIAL PROPOSAL

Payments will be made within 20 days upon acceptance and approval of the corresponding deliverable by UNDP on the basis of actual number of days invested in that respective deliverable and the pertaining Certification of Payment document signed by the FE and approved by UNDP-Kazakhstan. The payment amounts will be in accordance with each of the four deliverables:

- 1) **Deliverable 1** – 10% of the Total Contract Amount
- 2) **Deliverable 2** – 50% of the Total Contract Amount
- 3) **Deliverable 3** – 40% of the Total Contract Amount

The total amount of payment to be effected to the FE within the scope of this **contract cannot exceed 30 days**.

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

Payment terms and conditions along with the daily fee rate (indicated in the contract) and number of days invested (**not to exceed maximum number of days in Section 3 of the TOR**) will be the basis of payment to the FE. Payments will be made against submission of the deliverable(s) in Section 3 of the TOR by the FE and approval of such deliverables by UNDP.

The services of the FE shall be paid in US\$.

The amount paid to the FE shall be gross and inclusive of all associated costs such as social security, pension, and income tax etc.

7. EVALUATION

Individual consultants will be evaluated based on a cumulative analysis taking into consideration the combination of the applicants' qualifications and financial proposal.

The award of the contract should be made to the individual consultant whose offer has been evaluated and determined as: a) responsive/compliant/acceptable, and b) having received the highest score out of a pre-determined set of weighted technical (CV desk reviews and interviews) and financial criteria specific to the solicitation.

Only candidates who will get min. 70% of points (385 points) in desk review will be invited for an interview. Only candidates who receive 70% (490 points) or more of points in technical evaluation (Criteria 1-7) will be considered for financial evaluation.

Technical Criteria - 70% of total score (desk review and interview) – max. 700 points:

	Desk Review	Max obtainable points	Specific points based on qualification
<u>1</u>	Master's degree in finance/economics, energy/environmental economics, or any other relevant field;	100	Master's degree – 70 points PhD – 100 points
<u>2</u>	12 years of demonstrable experience in the technical area of renewable energy/ energy efficiency.	150	Less than 12 years – 0 points 12 years – 105 points Each additional year – 9 points, max– 150 points
<u>3</u>	Experience working with financial institutions in a professional capacity that shows understanding of how financial mechanisms work is required.	150	Less than 5 years – 0 points 5 years – 105 points Each additional year – 9 points, max– 150 points
<u>4</u>	Experience working with international organizations or multi-lateral financing institutions on financial policy design is an asset but not required.	80	Availability of experience – 80 points No experience – 0 points
<u>5</u>	Experience with the GEF is an asset but not	40	Experience with GEF – 40 points

	required.		No experience – 0 points
<u>6</u>	Working experience in Central Asia is an asset but not required.	30	Experience in CA – 30 points No experience - 0
		550	
<u>7</u>	Interview (Knowledge of English and professional experience)	150	
	Total Technical Score	700	

Financial Criteria - 30% of total evaluation (max 300 points).

APPROVED BY:

Ali Saeed Procurement Associate a.i	Signature: Date: <i>Ali Saeed</i> 12-Mar-2021
Vitalie Vremis Deputy Resident Representative UNDP Kazakhstan	Signature: Date: <i>Vitalie Vremis</i> 15-Mar-2021

ANNEXES

ANNEX 1- TERMS OF REFERENCES (TOR)

ANNEX 2- INDIVIDUAL CONSULTANT GENERAL TERMS AND CONDITIONS

ANNEX 3- INDIVIDUAL CONTRACT TEMPLATE

ANNEX 4- OFFEROR'S LETTER TO UNDP/CONFIRMATION OF INTEREST

ANNEX 5 – FINANCIAL PROPOSAL

Zulfiya Suleimenova