

Terms of Reference
Consultant for the development of the Operation manual, internal acts and documentation required for set up, management and operation of the long term sustainable financing mechanism for the energy efficiency projects

1. PROJECT BACKGROUND

The Government of Montenegro received a loan from the International Bank for Reconstruction and Development in amount of 11.5 million Euro toward the cost of financing Montenegro Energy Efficiency Project (MEEP), aimed at improving energy efficiency in public objects. The focus of MEEP was on educational and health facilities due to strong demonstration and promotion impacts that can be achieved in the society regarding the promotion of energy efficiency. Twenty-five objects were retrofitted. The objects retrofitted through this loan, have not only brought positive results in savings but created capacity within the Ministries involved, in the private sector, and increased awareness of the population in the benefits of energy efficiency measures. Given the demonstrated success, through the implementation of the Montenegro Energy Efficiency Project second phase (MEEP 2). The Government's aim is to retrofit additional 18 health institutions (hospitals and health centers) in the country and to develop and demonstrate a sustainable financing model.

The project consists of three components:

- **Component 1 - EE investments in health sector buildings** - This component will support: (i) EE investments in selected state-owned public health sector facilities, for which achieved energy cost savings will be captured and reinvested using an energy savings capture model; (ii) related technical services, including energy audits, designs, technical revision, works supervision, technical and social monitoring before and after the EE building renovations, and issuance of energy performance certificates for all retrofitted facilities; and (iii) installation of energy consumption monitoring equipment in health sector buildings. These investments will reduce energy consumption and associated CO2 emissions, help lower recurrent energy expenditures, and improve comfort levels in the retrofitted health sector facilities. The use of the energy savings capture model for EE investments will introduce an EE financing model that allows funds to revolve and demonstrate a scalable financing approach for EE investments in the public buildings sector.
- **Component 2 - technical assistance** - This component will finance activities to enhance local EE capacity related to: (i) the development of a long-term sustainable EE investment framework; (ii) the preparation, implementation and maintenance of EE investments; and (iii) implementation of gender-informed communication and awareness raising campaigns.
- **Component 3 - project implementation support** - The component will support the effective implementation and management of the project and its reflows from captured energy cost savings.

The Project Implementation Unit (PIU) established within the Ministry of Capital Investments, is responsible for preparation, coordination, management and implementation of the project.

One of the key objectives of the project is to demonstrate sustainability of financing mechanism. Under the MEEP 2, the simple budget capture mechanism has been established and mechanism already presents the results. In order to have long term mechanism that can be replicated on other sectors than in health (like educational sector, residential sector etc.), the Consultant for the development of long-term sustainable financing mechanism was engaged with the task to recommend the most suitable long term mechanism for Montenegro. The Consultant developed the report “Detailed design of selected long-term sustainable financing mechanism”. Based on findings from report, the wider stakeholders selected the mechanism: Energy Saving Capture (for central government buildings) and the Energy Efficiency Revolving Fund, with stimulation of ESCO mechanism (for profitable projects) for other EE projects in the public sector and for replication in other sectors (e.g. services, commercial, residential, SMEs) as a most suitable and they agreed the proposed mechanism should be established and implemented in Montenegro.

The basic concept of the energy savings capture model in the public sector is that the cost savings from EE investments should be utilized for funding additional EE investments. The objective of the model is to monitor and verify the energy cost savings resulting from EE investments, and set aside (capture) these savings (after appropriate measurement and verification) so that they can be used to support additional EE investments in public sector buildings without requiring another capital infusion or increasing public debt. Under energy savings capture, the financing is provided by a government agency or a ministry, using a combination of government budget allocations and donor funds. Budgetary funds can be collected by taxes, tariff levy on electricity sales, CO2 pollution penalties (environmental charges), petroleum taxes, or borrowed. The public beneficiary “repays” the borrowed funds over a certain time to the lender, using the energy cost savings generated by the investment project.

Energy efficiency revolving fund model is similar to the energy savings capture model in that it uses the repaid funds from the investments to finance other EE projects. The difference between the two models is that the energy savings are not related directly to the central budget but to the central information system and budget of the EERF instead.

The Eco Fund was identified as the most suitable institution for implementing the mechanism. The mechanism can easily be implemented with minor changes in internal procedures of Eco Fund. The PIU established by the MEEP 2 project can be integrated in the Eco Fund, providing the immediately the capacities to implement selected financing mechanism and help public beneficiaries in realization of EE investments in their buildings.

The conditions for long-term sustainable mechanism set up and operation, recommended in report “Detailed design of selected long-term sustainable financing mechanism” are: clear division of responsibilities within the Eco Fund and line ministries/agencies, developed project pipeline, sound information system, deep knowledge of supply of the programmes and demand for such programs and existence of TA and template contracts/documents, initial capital for administrative costs, and professional and incentivized fund management.

In order to create the above conditions, through MEEP 2 the Consultant will be hired. This Terms of Reference (ToR) defines the nature and detailed scope of an assignment for Consultant to provide advisory services related to the development of the Operation manual and other relevant internal acts, procedures and documents, with the aim for set up, management and operation of the selected long term sustainable financing mechanism for the energy efficiency projects.

The selected Consultant will have to start from the scratch, as the procedures are not developed. The Operation manual should be comprehensive as possible and provide step by step elaboration of each step in the operations cycle of the functioning of the long term sustainable financing mechanism. The associated template/forms/tools to Operation Manual should be designed to cover all the relevant standard forms and formats to be used.

2. Scope of Work for the Consultant

The Consultant will review the documents developed under the MEEP 2 project that leads to the development of the Report “Detailed design of selected long-term sustainable financing mechanism”, other relevant Montenegrin institutional, policy, legal and regulatory acts that are relevant for these assignment, review the initiatives at Western Balkans and other regions that had a goal to support set up of climate finance innovation facilities (e.g. energy efficiency grants, environmental protection funds, EE and renewable energy projects, etc.) and developed related documentation (i.e. internal rules, operational guidelines, Investment criteria, associated TA activities).

The Consultant will work closely with the project stakeholders: Eco Fund (Department for implementation and development of international and partner projects), Ministry of Capital Investments, Ministry of Finance, Ministry of Ecology, Spatial Planning and Urbanism and MEEP 2 Implementation Unit.

Key responsibilities of the Consultant hired under this Terms of References include:

- **Develop a basic understanding on the concept, scope of work and required deliverables.** This can be achieved by conducting desk review of existing literature (documents already prepared under the MEEP 2 project, policies, laws and other documents available within the Government and MEEP 2) and meeting/discussion with MEEP 2 implementation union and governmental and ECO Fund relevant staff.
- **Based on the literature, review and discussion, develop Operations Manual (OM) as guiding documents for set up, management and daily operation of the selected long term financial mechanism.** The OM should serve as a rulebook for Eco Fund management and staff, and as a rulebook with clear division of responsibilities between Eco Fund and other involved institutions. It will be also useful source of information for the potential beneficiaries (public agencies), bidders, contractors, municipalities, etc. The OM should support the implementation of financial and contractual arrangements through Eco Fund. The OM should be in line with national laws and regulations.

The OM should contain, but not limited, the following:

- Framework and internal procedures with the clear level of responsibilities within the line ministries and Eco Fund; propose the clear hierarchy and communication protocol between the line ministries and Eco Fund;
- Governance and structure;
- Investment criteria for the projects:
 - procedure of EE projects eligibility, the number of years of energy savings capture and the beneficiaries of the energy savings capture;
 - instructions to analyse, prioritise and rank projects for the consideration/selection of beneficiaries;
 - instruction on the conditions that must be met by the users;

- internal acts, procedures and documents required for operation of proposed mechanism of selected projects, for example Memorandum of Understanding with other ministries (Ministry of Finance and Social Welfare, Ministry of Health, Ministry of Defence, Ministry of Education, Science, Culture and Sports, etc.), municipalities, beneficiaries,
 - etc.;
 - Operational guidelines:
 - template/forms/tools for bidding documents, announcing a public call, contracts, distinction between revenue-generating, cost reduction and deep renovation projects;
 - instructions for evaluation of applications;
 - procedures and templates for monitoring and verification protocol; Monitoring and verification protocol will have objective to determine payments, to calculate savings and related CO2 savings, to identify potential design and operational issues;
 - etc.
 - Financial Management guidelines, in order to ensure that the projects are processed, managed and reported properly for internal controls and accountability to project stakeholders and donors. The guidelines for financial management shall include, but not limited:
 - budgeting and accounting arrangements;
 - funds flow mechanisms;
 - internal controls and internal audit arrangements;
 - financial monitoring;
 - financial reporting templates;
 - etc.
 - Complaint processing, including templates for recording, referring and tracking of complaints;
 - Procedures and templates for conducting internal evaluations of the projects' implementation and contract enforcement;
- **Review the existing Act on internal organization and systematization of jobs of the Eco Fund and propose the new Act on internal organization and systematization of jobs to support set up and realization of proposed long term sustainable mechanism;**
- **Other documents, per findings from consultation process with involved institutions.**
- **Deliver trainings on the use of the OM, guideline, templates/forms/tools:**
 - 1- day training for the monitoring and evaluation of the projects;
 - 3-days training on how and when to fill sections of developed procurement templates;
 - 1-day training on financial management;
 - 1-day training on the monitoring and verification protocol.

3. OUTPUT/DELIVERABLES AND TIME SCHEDULE:

The output of this activity will include:

Task	Description	Time schedule (after contract signing)
Task 1	<p>Inception Report: In the inception phase, the Consultant will undertake consultative calls and meetings combined with review and analysis of documents. This report will describe in details the approach, methodology and work plan to be used in executing the assignment. The report will also include the proposed outline the Operational Manual. The consultants will convene an inception meeting for discussing the report with a view to making comments for improvement.</p>	1,5 months
Task 2	<p>Draft Operational Manual: The draft OM will also include the standard templates, forms, and/or tools separately attached to each section of the manual. The manual will be presented to projects stakeholders in a validation workshop for comments and initial endorsement.</p>	6 months
Task 3	<p>Final Operational Manual: After workshop, the Consultant will review the received feedback, and it will update the draft manual. The final Operations Manual together with all the relevant template/forms/tools is subject to the approval of the Eco Fund and World Bank.</p>	7 months
Task 4	<p>Deliver trainings After Operational Manual is approved, the Consultant should organize trainings on the use of the Operations manual, guideline, templates/forms/tools</p>	8 months

All reports and documents shall be prepared in English and Montenegrin and delivered in three (3) hard and soft copies.

All developed documentation will be subject of review and comments of the project stakeholders (Eco Fund, Ministry of Capital Investments, Ministry of Finance, Ministry of Ecology, Spatial Planning and Urbanism).

It is expected that Consultant will start with works during the September 2022.

4. LEVEL OF EFFORT

The assignment is expected to be completed within eight calendar months from the contract signature.

5. REQUIRED EXPERIENCE OF THE COMPANY AND KEY EXPERTS

The Consultant to conduct this assignment should have at a minimum:

- Experience in at least one project related to supporting operations of climate finance innovation facilities (e.g. energy efficiency grants, environmental protection funds, EE and renewable energy projects) including development of related documentation (i.e. internal rules, operational guidelines, investment criteria, associated TA activities);
- Experience in at least one project demonstrating the capacity to design, launch, manage and support the set up and daily operation of the impact-focused development projects and/or facilities of EE, green or sustainable infrastructure area;
- Experience in set up contracting relationship with public bodies, investment criteria for the EE projects, procedure of EE projects eligibility, EE measures profitability, selection and evaluation of projects and applications, budgeting and accounting arrangements, internal controlling and monitoring.
- Experience in implementation of energy efficiency development projects and technical assistance and preparation of manuals for energy management in public buildings;
- Experience in delivery of trainings of operational capacity building in the energy management cycle.

The Consultant should provide clear overview of conducted relevant services. Overview must include: detail data on entity's for which services are prepared, description of service, value of the contract for performed services, information on the project realization dates, as well as entity's contact person.

Key staff qualifications:

The Consultant should plan the team that will consist of the least the following personnel:

Key expert 1: Business Management Expert

- Master degree in technical science (engineering) and/or finance, business, economics or equivalent;
- Minimum of 7 years of relevant professional work experience, including experience with development of EE projects and EE project financing; set up of EE funds and their operation; EE project identification and analysis of bankability;
- Fluent in English (reading, speaking, writing) and excellent report writing skills;
- Usage of Montenegro language would be considered an asset;
- Advanced computer skills in key programs;
- Excellent management, reporting and team work skills.
- Experience as a Team leader/ Project manager in at least 2 projects.

Key expert 2: Green Finance Expert

- University degree in finance or economics;
- Minimum of 5 years of relevant experience with specific experience in green finance sector, public finance or other relevant fields;
- Experience working on EE considered a strong asset;
- Fluent in English (reading, speaking, writing) and excellent report writing skills;
- Usage of Montenegro language would be considered an asset;
- Good communication and organization skills and capacity to work in an interdisciplinary team;

Key expert 3: Legal Expert

- University degree in law;
- Proven minimum of 5 years of professional experience in drafting legal documents or related experience;
- Policy/ regulatory experience on EE considered a strong asset;
- Fluent in English and local language (reading, speaking, writing) and excellent report writing skills;
- Good communication and organization skills and capacity to work in an interdisciplinary team.

Key expert 4: Technical Expert

- University degree in mechanical engineering, electrical engineering, or architecture;
- Minimum of 5 years of relevant professional work experience, including knowledge of and experience with energy conservation measures and assessments of buildings, experience and knowledge of monitoring and evaluation of projects, including calculation of savings and related CO2 savings;
- Fluent in English (reading, speaking, writing) and excellent report writing skills;
- Usage of Montenegro language would be considered an asset;
- Good communication and organization skills and capacity to work in an interdisciplinary team;

From above key staff, the consultant should plan to engage other non-key experts for the additional expertise necessary to perform the above tasks.