



Terms of references

International Corporate Finance Expert for ESCO Moldova

Job Title: International Corporate Finance Expert for ESCO Moldova

Duty Station: Chisinau, Moldova

Project Reference: Transforming the market for urban energy efficiency in Moldova by introducing Energy Service Companies (ESCO)

Duration of Employment: June – December 2013

Contract type: Individual Contract

Expected workload: 35 working days (out of which 10 days allocated to 2 missions in the country)

I. Background

In accordance with UNDP and GEF procedures, a team of four consultants is being hired to develop the ESCO Moldova full project. The project is intended to support the development of the first commercial ESCO (Energy Service Company) in Moldova, a public-private partnership between the City of Chisinau and selected investor(s). The ESCO is intended to be launched as a tool to help promote additional investments in the field of energy-efficiency in the municipal sector in Moldova. The purpose of the project preparation grant is to fully design the activities, outputs, and outcomes of ESCO Moldova project in close cooperation with a team of 3 other consultants (1 international, 2 national), UNDP Moldova office and the UNDP Bratislava Regional Centre.

An international ESCO expert is being hired to prepare and finalize the package of documentation to the GEF Secretariat before the end of the year (UNDP project document, GEF Request for CEO Endorsement and GEF Tracking Tool). As part of this work, it is essential to further define and elaborate the mandate of ESCO Moldova and identify investors and shareholders who will participate in the company once the project is fully operational. In order to be successful, an operational ESCO requires a business plan which indicates the route to profitability, a shareholders agreement, and a strong management team in place.

For this reason, an international corporate finance expert will be hired to take the lead role in identifying potential investor(s) in ESCO Moldova and helping to define the structure under which ESCO Moldova will operate once it is operational.

Two national consultants will support the work of the international experts.

Project description

The ESCO Moldova project is being developed by UNDP and the Global Environment Facility (GEF). The project aims to promote green urban development in Moldova using the ESCO (Energy Service Company) modality as the means of promoting sustainability. The focus of the ESCO investments will be in areas where the potential for emission savings is largest such as the housing, municipal heating, and industrial sectors

that are concentrated in urban centers. In Moldova, there are no cities that can currently be described as green cities, only cities that aspire to become green as for example Chisinau. Urban development is primarily driven by economic considerations and 'greening' considerations are for the most part not taken into account. Most Moldovan cities are increasingly in decay and have outmoded urban infrastructure, deteriorated communal housing, poor planning, lack of municipal budget to meet the needs of growing urban populations and urban poverty. All these problems are present in the capital city of Chisinau. Specifically, ensuring maintenance and communal services for multifamily housing remains a key priority for all cities. Multi-family apartment blocks account for 157.2 million m² or 60% of the housing stock; one out of three (or 50 million m²) is in need of capital renovation, while 3.8 million m² is in emergency state and has to be demolished. Regardless of technical conditions, over 70% of multifamily apartment buildings have very low thermal performance (especially buildings constructed in 1950 -1980s): thermal losses account for up to 50% of heat consumption.

ESCOs, a concept widely proven in the United States and Europe, and has proven a useful tool to promote energy savings through energy performance contracting and shared savings agreements. In the baseline situation, no municipal ESCOs are likely to be successfully launched in Moldova in the next four years. In Moldova, as of early 2013, not a single ESCO exists in the country and there is almost no experience with working with ESCOs. In the absence of this project, and in the absence of GEF funding it is highly unlikely that a properly capitalized ESCO with the proper expertise will exist in Moldova in the next four years. The reason is simple. The ESCO concept is new to Moldova and there is no prior successful experience with energy performance contracting and there is no advantage in being a first mover. The first mover in the ESCO business in Moldova will have additional costs associated with legal and regulatory issues and related to the fact that energy performance contracts are new instruments which have not yet been tested in the market place. However, the regulatory basis for ESCOs in Moldova is moving in the right direction with a new law energy-efficiency, Law 142, which was adopted in 2010.

Energy-Efficiency Law 142 has as its main purpose to harmonize Moldovan law related to energy-efficiency with the relevant EU directives. The Energy-efficiency Law 142 a) establishes main directions for energy efficiency national policy; b) approves national energy efficiency programs and action plans; c) elaborate and apply energy efficiency mechanisms and financial instruments for and d) Establish organizational order, structure and activity procedures for the state energy efficiency authority. In particular, it sets minimum standards for energy-efficiency, requires energy audits, and promotes the establishment of a regulatory framework which would encourage the creation of ESCOs. The law defines ESCOs¹ and the concept of Energy Performance Contracts (EPC).

Despite the existence of Energy-Efficiency Law 142, there are no sub-laws or regulations which would define how ESCOs would operate in Moldova. There are several other baseline activities that Moldova is participating in including the Economic Stabilization and Recovery Plan 2009-2011 (2009); National Development Strategy 2008-2011 (2008); Energy Strategy 2020 (2007); Copenhagen Accord to the Kyoto Protocol (2010); National Energy Efficiency Program for 2011-2020 (2010); Low Emission Development Strategy (LEDS) to year 2010 (pending adoption 2012); Government's Activity Program 2011-2014 (2011); National Strategy for Development Moldova 2020 (2012). However, none of these activities specifically promotes the concept of ESCOs for green urban development. Therefore, in the baseline situation and without this project it can be concluded that it would be unlikely for a municipal ESCO to successfully be launched under the business-as-usual scenario.

II. Scope of work and responsibilities

¹ Energy service company (ESCO) - natural or legal person that delivers energy services and / or other energy efficiency improvement measures in an user's facilities or premises, and accepts some degree of financial risk in doing so. The payment for the services delivered is based (in whole or in part) on achievement of energy efficiency improvements and on the meeting of the other agreed performance criteria

The responsibility of the international corporate finance expert is to (i) attract an investor or investors into ESCO Moldova and (ii) to help define the structure of the company once it is operational.

The international corporate finance expert is responsible for conducting discussions and initial negotiations with a wide range of potential investors and based on this for providing an investor attraction report. The investor attraction report will form the basis upon which the City of Chisinau will choose a partner or partners for establishing ESCO Moldova. Once this initial selection of an investor or investors has been made it will then be possible for the international corporate finance expert to assist with drafting an initial termsheet between the City of Chisinau and an investor or investors. The international corporate finance expert will endeavor to prepare this termsheet in such a manner that it can be signed before the end of the assignment. Finally, the international corporate finance expert will be responsible for preparing a draft business plan for ESCO Moldova. Work on this draft business plan will only start once it is clear who the investor/investor(s) into ESCO Moldova are going to be. It is recognized that at some point in time, legal costs may be incurred in order to finalize a shareholders agreement/investment agreement between the City of Chisinau and an investor(s). It is not the responsibility of the international corporate finance expert to prepare this shareholders agreement. Additional legal costs may need to be incurred.

Expected deliverable and timeframe

The key products to be delivered are as follows:

- 1) A **Detailed Project Workplan** detailing all the project outputs and when they will be delivered and which includes a long list of all potential investors/partners for ESCO Moldova who will be consulted during the course of the assignment (at the start of the assignment)
- 2) An **'Investor Attraction Report'** which describes in detail the interest of various potential investors/partners in ESCO Moldova and concludes with (i) recommendations on how to proceed with which investor(s) and (ii) a proposed shareholders structure for ESCO Moldova and (iii) provides advice on the business strategy for ESCO Moldova (following mission 1)
- 3) An acceptable **'Termsheet'** between the City of Chisinau and an investor/investor(s) which will outline the capitalization requirements of ESCO Moldova, what assets and cash the company will contain once it is operationalized, the proposed shareholders structure of the new company, and the basic elements of a shareholders agreement that will need to be drafted by lawyers once the basic terms have been agreed. The international corporate finance expert will aim to assist the UNDP Country Office and the City of Chisinau with having the termsheet signed between the City and the investor(s) but it is not the final responsibility of the international corporate finance consultant to have this termsheet signed (following mission 1)
- 4) A draft **'Business Plan'** for ESCO Moldova which helps to define the business strategy, estimates financing requirements, undertakes SWOT analysis, and makes an estimate of revenues and costs over the next five years. The draft business plan will be the last activity to be prepared under this assignment as work on the draft business plan can only be prepared once an investor(s) have been identified and basic terms agreed. It is accepted that once the company is fully capitalized and operational that the business plan will need to be further updated and improved. (following mission 2)

In addition, the international corporate finance consultant is expected to provide feedback and comments to the draft GEF request for CEO endorsement and the UNDP project document and to a draft shareholders agreement which will need to be drafted once an investor(s) have been identified and basic terms of the partnership have been agreed.

The timeframe and duration of activities are estimated to be broken down as follows:

Activity	Duration (estimated) / days	Estimated Timing and deadline
Preparation of Detailed Project Workplan (milestone 1)	1	End of June 2013
Mission 1 – Mission to Chisinau , Moldova (incl. stakeholder workshop)	5	July 2013
Preparation of Investor Attraction Report (milestone 2)	12	July 2013
Preparation of Termsheet (for signature) with investor(s) (milestone 2)	1	July/August 2013
Mission 2 – Mission to Chisinau to discuss Investor Attraction Report and Termsheet and draft project documentation	5	September/October 2013
Comments on draft GEF Request for CEO Endorsement and draft UNDP Project Document	1	November 2013
Preparation of draft Business Plan for ESCO Moldova (milestone 4)	10	November/December 2013
TOTAL working days	Approx. 35	

Prior to starting the draft business plan it is essential that an investor or investors have been identified and the City of Chisinau has accepted to work with this partner or partners in creating and capitalizing ESCO Moldova.

UNDP and the stakeholders will submit comments and suggestions within 10 working days after receiving each draft report under each of the four milestones.

It is envisaged that the finalized package of documents shall be submitted by the end of end of 2013 to GEF Secretariat and the assignment should finish by the end of 2013.

The corporate finance advisory service to the City of Chisinau for capital raising is not covered by this assignment. Any corporate finance advisory fee for capital raising would need to be negotiated directly between the consultant and the City of Chisinau. UNDP takes no responsibility and accepts no liability for what may or may not be negotiated in this regard between the consultant and the city of Chisinau related to corporate finance advisory services.

III. Management Arrangements:

Responsibility for Managing the Consultant

The principal responsibility for managing the consultant will lie with the Head of Environment Section of UNDP Moldova and with the Regional Technical Advisor on Climate Change Mitigation at the UNDP Bratislava Regional Centre.

Payment for Services

The Expert shall be paid by UNDP in three installments as follows:

Milestone 1 – Preparation of detailed work plan for assignment which includes a long list of all potential partners/investors in ESCO Moldova who will be contacted over the course of the assignment – (prior to mission 1, 30% of total contract amount)

Milestone 2 and Milestone 3 – Preparation of an Investor Attraction Report (Milestone 2) which will be prepared once initial consultations with investors have finalized and which includes a proposed structure for

ESCO Moldova and preparation of an acceptable Termsheet (Milestone 3) between the City of Chisinau and the potential investor(s) (following mission 1, 30% of total contract amount)

Milestone 3 – Preparation of 'Draft' Business Plan for ESCO Moldova which shall only be prepared once an investor/investor(s) have been selected and accepted by UNDP and by the City of Chisinau – (following mission 2, 40% of the total contract amount)

All travel should be paid for by the expert as part of the lump sum for services.

Responsibility for Expenses and their Reimbursement

The Consultant will be responsible for all personal administrative and travel expenses associated with undertaking this assignment including office accommodation, printing, stationary, telephone and electronic communications, and report copies incurred in this assignment. The cost of travel to Chisinau and the cost of hotel accommodation and expenses should be included as part of the lump sum. In the unlikely event that a third mission is required to Chisinau then UNDP will cover this cost. At the current point in time, only two missions are envisaged as being required.

IV. Requirements for experience and qualification

Academic Qualification

- Graduate degree in business, economics, engineering, environmental science or equivalent experience

Experience:

- At least 7 years' experience in working with companies or on projects in the energy sector in the eastern Europe and CIS region
- At least 7 years' experience in working with companies or on projects in the energy sector in Moldova/Romania in the last 5 years
- Experience with having successfully transacted a corporate finance deal within the last 5 years in the energy sector and for an ESCO company or in the energy sector or non- energy sector corporate finance deal or worked on a deal which was not successfully concluded. For the avoidance of doubt, transacted a deal means that the deal was successfully concluded with capital being invested into the company.
- Experience in having developed business plans for companies and having provided business advisory services

Competencies

- Experience with having successfully transacted corporate finance deals in the last 5 years in Moldova/Romania
- Strong interpersonal skills, communication and diplomatic skills, ability to work in a team
- Ability to plan and organize his/her work, efficient in meeting commitments, observing deadlines and achieving results
- Openness to change and ability to receive/integrate feedback
- Ability to work under pressure and stressful situations
- Strong analytical, reporting and writing abilities

Language requirements:

- Fluent in written and oral communication in English
- Knowledge of Romanian or/and Russian will be a strong asset.