

# CONSULTANCY FOR V20 SECRETARIAT COMMISSIONING CONCEPT UPDATE PAPER FOR THE ACCELERATED FINANCING MECHANISM

## Terms of Reference<sup>1</sup>

### Background

The Vulnerable Group of Twenty (V20) Ministers of Finance was founded in 8 October 2015 in Lima, Peru during the Annual Meetings of the World Bank Group/IMF through leadership from the Philippines and nineteen other countries including Bangladesh, Ethiopia, Costa Rica. Current membership of the V20 spans 48 countries. V20 is a dedicated dialogue and action platform of Ministers of Finance of countries systemically vulnerable to climate change. The V20 addresses climate change from economic and financial perspectives and works to mobilize significantly greater resources for climate action.

According to the V20-commissioned July 2018 UNEP report on climate change and the cost of capital, in the past ten years, climate vulnerability has cost V20 countries an additional US\$ 62 billion in interest payments, including US\$ 40 billion in additional interest payments on government debt alone. Currently, for every US\$ 10 paid in interest by V20 countries, an additional dollar will be spent due to climate vulnerability—representing a 10% premium to the cost of capital. Future additional interest payments due to climate vulnerability are projected to increase up to US\$ 168 billion over the next decade—representing up to a further 10% premium to the cost of capital for V20 economies. The high baseline cost of capital scenario currently experienced by climate vulnerable economies is therefore expected to undergo significant additional appreciation pressure due to climate change in the next decade in spite of the limited responsibility of vulnerable developing countries to the causes of climate change.

### The Accelerated Financing Mechanism (AFM)

A new financing mechanism proposed for access by V20 members facing capital challenges with adaptation and mitigation projects serving V20 goal that are inhibited by higher relative costs of capital due to interest rates and debt maturity/tenures. Affected projects in V20 economies only would apply to the mechanism. Based on an assessment of the particular sources of risk affecting capital cost, the mechanism would deploy (or work with partners or intermediaries to deploy) appropriate risk mitigation tools to support applicant projects financial viability. The mechanism itself would be financed from different international and regional sources. A designated managing partner would structure and oversee the AFM.

### Description: Terms of Reference (ToR)

The V20 Secretariat is seeking a leading implementor of green finance institutions, with oversight from the V20 Secretariat led by the V20 Finance Advisor<sup>2</sup>, to produce research for the **commissioning concept update paper** to contribute to reducing the cost of capital in V20 countries. The resulting output should include the following elements:

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<sup>1</sup> This work is commissioned by the V20 Secretariat through the Munich Climate Insurance Initiative (MCII) and funded by the InsuResilience Secretariat (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

<sup>2</sup> The mode of engagement concerning oversight from the V20 Secretariat will be determined based on the requirements of the contractor and the V20 Secretariat.

### **Task – Desk Research Only**

- 1) Cost of capital data in V20 economies (including standard sovereign borrowing, state backed NDBs, IDA lending rates, and private sector cost of capital, which can be a range depending on asset class and size).
- 2) Assess drivers of the cost of capital and identify key potential de-risking instruments.
- 3) Identify theory of change on how de-risking instruments can shift investment flows to renewables and adaptation.
- 4) Present analysis to validate de-risking instruments vs direct capital subsidies.
- 5) Validation on how the AFM can avoid de-risking mechanism enabling bad policy to persist. When is de-risking most effective? When and how are de-risking financial instrument best paired with enabling environment improvements?
- 6) Mapping exercise to identify key support or capitalization partners
- 7) Desk research on co-financing capabilities of all institutions and complete matrix illustrating degrees/level of subordination/risk appetite/expertise of IFIs and Paris Club Members.
- 8) Present multiplier/leverage potential.
- 9) Develop a draft operating model for how the AFM can function, including secretariat and operations, go-to-market strategy, financial model, etc.
- 10) In addition to MDBs, study engagement with national development banks in V20 countries, including a clear access modality for national development banks and TA requirements.
- 11) A variety of collaboration models taking into account different scenarios, capacity and experience. This can be explained using case studies (mitigation and adaptation).
- 12) An annex on Management with the following: terms of reference and governance arrangements.

### **Assignment Period**

The final output is to be prepared and delivered within the period of October 2020 to January 2021. Payment will be made upon submission of the interim concept paper and final submission of the commissioning concept paper.

### **Maximum Remuneration for Assignment:**

The maximum remuneration for the assignment is 20,000 EUR.

### **Qualifications**

The V20 Secretariat seeks an advisory firm and technical assistance-focused organization, with specialized expertise designing, structuring and raising funds for blended finance vehicles with a mission to catalyze private investment. The service provider should have experience engaging with government partners, DFIs and donors, and provides on-going consulting and guidance to operating green transactions. Moreover, experience in designing vehicles and fundraising in Latin America, Africa and Asia is a strong advantage.

### **Applicants will be evaluated based on the following required documents**

- Description of institution, including track record of key projects and a description of the qualifications of the team designated to develop the commissioning concept paper
- Offer describing implementation of ToR (maximum 2-page work plan to produce the commissioning concept paper)
- Price Offer (including the number of staff, the daily rate of staff and number of workdays planned).

**Please submit your application by September 18 to [mcii@ehs.unu.edu](mailto:mcii@ehs.unu.edu).**