Terms of Reference – Development of the City of Tshwane Sustainability Financing Mechanism Strategy

1. ABOUT THE SACN

The South African Cities Network (SACN) as established in 2002, is a network of the nine largest municipalities in the country. The SACN member cities are Johannesburg, Tshwane, Ekurhuleni, Mangaung, Cape Town, Buffalo City, Nelson Mandela Bay, eThekwini and uMsunduzi. The network is mandated to promote good governance and management of its member cities using the knowledge of large city government experiences within the global and national economic development contexts; and to promote partnerships between or among the spheres of government in the interests of enhancing good city governance in South Africa.

The network has a Strategic Plan for the period 2011/12 to 2015/16 which is its third 5-year cycle of Business Planning. The Plan’s overarching goal is to enable South African cities’ understanding of, preparedness for, and performance in playing their respective roles in driving local and national development. Towards this, the SACN has established the following STRATEGIC PRIORITIES for the period:

i) enable cities to act with a better understanding by enhancing their supporting policy, planning and data infrastructure;

ii) transform the built environment function in cities, in particular by enabling effective strategies and systems for addressing spatial planning and land use, sustainable human settlements, and public transport; and

iii) deal decisively with key vulnerabilities facing cities, in particular around the issues of natural resources, municipal finances, human capacity, and socio-political stability.

It is against this background that the SACN has entered into a memorandum of understanding with the City of Tshwane to support its research endeavours on transitioning into the green economy as envisaged in its Growth and Development Strategy 2055. It is through this support that the SACN is releasing these terms of reference for the development of the City's Sustainability Financing Mechanism Strategy. The SACN will implement the project in close collaboration with the City Sustainability Unit of the City of Tshwane.
2. BACKGROUND

The City of Tshwane has a task of attracting local and international sustainability financiers to fund green economy programs in the City. As such, the City has to find a way of engaging various stakeholders and ultimately leading towards crafting a Sustainability Financing Mechanism (SFM) Strategy that incorporates a resource mobilization plan, in order to identify agencies and processes for accessing funds for the green economy.

The need for the above Strategy emanate from the City of Tshwane having developed its Green Economy Strategic Framework which defines the City’s approach to a green economy transition and provides a strategic guide for low-carbon, resource efficient and climate resilient equitable economic development. The City’s Green Economy vision arose from the overall vision of the City as captured in the 2055 Growth and Development Strategy. The 2055 vision statement sees growth and development in Tshwane driven by an economy that supports a sustainable, vibrant, liveable and prosperous city, through integrated ecological, social, economic and spatial agendas that promote human and environmental well-being.

The Green Economy Strategic Framework highlighted that the transition to a green economy will require the adoption of new financial models and different approach to development, with the reconfiguration of City of Tshwane investments and a change in modus operandi. The approved strategic framework also clearly outlined a set of thematic interventions that aim to guide the City towards being the low carbon, resource efficient and the climate resilient. In doing this there are various projects and programs identified which require substantial funding and a funding plan. In order to ensure funding for these projects becomes a reality, there is a need for partnerships with the public and private sector financiers to come up with solutions for funding mechanisms. This needs to be guided by the Sustainability Financing Mechanism Strategy.

It is very apparent that there is a need to enhance internal knowledge of the financial resources, funds and vehicles available for green-related investment within the City. It is very important to outline the financing mechanisms that could be explored mainly because the current financial “rules of the game” are not suitable for accelerating the transition needed to combat the effects of climate change and environmental challenges. This will assist in leveraging on the available economic and financial resources in order to attract revenue on the green economy programs.
It is important that the intended Strategy amongst others, assist the City in facilitating the move on investment towards green economy; to also outline specific steps and approaches in financing the green economy programs and to also mobilize the capital flow and a funding model towards Green economy. The Strategy has to empower the City in entering into investment agreements towards green economy by mainly outlining the step by step process. Such green economy investment should also encapsulate human and social capital in order to have sustainable development, poverty eradication and linking to the national commitment on job creation.

Thus the development of capital markets and financial service architectures that fully integrate environmental, social and governance considerations into investment policy and decision-making and across lines of management will therefore be essential to increase investment in the green economy. The SFM Strategy is also expected to provide the green light and confidence to the private sector as there are uncertainties in terms of adequacy of returns, political influences, human capital capacity and technological related risks as they invest in the public sector, in this case City of Tshwane.

It then becomes important for the City to come up with innovative approaches that blend private and public finance, advance technology deployment at scale and drive an era of economic development that rapidly delivers an inclusive, green economic transition.

**OBJECTIVES OF THE PROJECT**

The main objective of the project is to develop a comprehensive Sustainability Financing Mechanism (SFM) Strategy for a low carbon, resource efficient and climate resilient City of Tshwane which incorporates resource mobilisation and utilisation plan. The Strategy will enable the City to align green economy programs to suitable financing mechanisms, instruments and collaborations.

The Strategy will assist in linking up the City of Tshwane with the private sector and the international community for a collaborative effort in making concrete improvements in the green innovation areas. It will also assist in identifying and establishing new sustainability financing relationship, funding models and processes within a specific financing framework.

**3. SCOPE OF WORK**

The service provider is expected to develop a comprehensive Sustainability Financing Mechanism [SFM] Strategy that incorporates resource mobilisation and utilisation for the green economy program of the City of Tshwane. The development of this document
should be done in consultation with the available City related documents e.g richly enhance the Sustainability Financing Mechanism component of the approved Green Economy Strategic Framework. The final phase of the Strategy should entail the development of a detailed action plan for implementation by the City with short, medium and long term time lines.

The development of the plan should amongst others, consider the following phases:

4.1 Status quo analysis
Undertake an analysis of a series of green/sustainable financing mechanisms used by a selection of not more than six cities in South Africa, Africa, Europe, Asia, North and South America.

An overview of Tshwane's project financing processes and structure should also be provided. This should indicate all the available resources and their current utilisation. This information should be properly quantified and qualified because the information will be used as a point of departure for determining future needs, establishment of priorities, optimisation and budget requirements. Amongst others the analysis should indicate the current financial practices, tariff structure, revenue generation areas, legislative frameworks, current institutional arrangement and how it can be optimised to ensure the financing mechanism becomes implementable. Identification of the relevant stakeholders, interested parties, and relevant parties should be started at this phase.

A clear definition of the SFM should be given and be differentiated clearly from the finance strategy. The analysis should incorporate all the City regions.

It is also at this phase whereby the importance, purpose and principles of the SFM should be outlined in full. The SFM Strategy should be aligned to various related plans within the City, Provincial and Nationally. There should be a clear outline of how the SFM links up and or impact on such plans. This should be coupled by relevant and current literature review which makes reference to global approaches on the subject. There should be an indication of all the City assets or properties which could be utilised efficiently for green economy programs. There should be provision of the knowledge of global economic trends as well.

4.2 Need analysis and identification of the priority areas
The intention of this phase is to analyse and prioritise issues, concerns, gaps, needs related to the financing mechanisms for incorporation into the Strategy. More emphasis should be given on the identified funding options that could be used to support the green economy implementation, their weaknesses, lifespan, risks attached as well as revenue enhancement mechanisms. The legal and financial compliance requirements for each mechanism should also be stipulated. This analysis should give the reflections of the future and better usage of the resources for optimisation and efficiency. This is mainly based on the fact that the City is very rich with under-used assets and facilities
which could be used in a cost effective manner while transitioning into the green economy.

All the possible risks to be encountered on all the identified collaborations, partnerships, engagements should be identified and have the mitigating factors.

4.3 Public participation and the stakeholder engagement
It is the responsibility of the service provider to ensure that all the relevant stakeholders internally and externally as required, are involved throughout the process. The service provider should do a thorough public / stakeholder participation and consultation throughout the development of the Strategy and evidence like attendance registers; invitations etc. should be part of the annexures of the final report. The final Strategy should provide project participants, stakeholders and other interested parties with a quick and easy communication and information in relation to the financing mechanism to be undertaken on various projects.

4.4 Development of the resource utilisation and mobilisation plan
The Strategy should illustrate a well-thought-out practical approach of embarking in preparatory and implementation plan for the intensive domestic and international resource mobilisation activities as a way of addressing financing gaps.
A detailed analysis of available sustainability and climate change financial instuments nationally and globally and requirements of each instruments for CoTs consideration, including advantages and disadvantages of each.
The plan should also have a clear monitoring and evaluation system for the sustainability financing mobilisation of the domestic and international financial resources for the green economy programs.

4.4 Comprehensive Sustainability Financing Mechanism Strategy
The Strategy should indicate the new and profitable models, novel approaches to financing and policy innovations to be undertaken by the City including introduction of the green bonds. There should also be specialized financial instruments for the risk-oriented components of these projects that cannot be addressed via mainstreaming measures which are disaster risk reduction projects.
A detailed schedule of City Sustainability programmes and projects matched to specific financing instruments as well as a detailed outline of a process to follow in pursuing each financing stream, (Priority to be given to the Municipal Green Bonds portfolio of projects).
The final document should describe tools that encourage long term sustainability into the City project plans in order to ensure the transformational impact of such projects. This should also be enhanced by the green economy indicators for social, financial, economic and environmental well-being, as well as incorporating defined social and environmental criteria and indicators with municipal planning and decision-making.
A feasibility assessment of each and every financing model being proposed should be well outlined. An approach of establishing enabling environment to encourage willingness to invest should also be well outlined. The Strategy should clearly outline all the potential barriers to be taken into consideration, related to the identified sustainability financing mechanisms. It should also indicate the possible cost control measures to alleviate the barriers.

5  ENVISAGED OUTPUTS

The envisaged output of the project is a comprehensive Sustainability Financing Mechanism Strategy which incorporates the resource mobilisation plan for the City of Tshwane with its different components as indicated.

This output is made up of the following deliverables:

i. After appointment the successful consultant(s) will be required to submit an amended work activity plan for the development of Sustainability Financing Mechanisms Strategy, which will be agreed upon with the SACN and the City of Tshwane. The plan is to include an outline of the various draft and final reports to be produced and the delivery dates, as well as a communication (public participation e.g workshops) strategy. A provision for comment periods for draft documents should also be specified.  
ii. Progress reports at monthly intervals and later consolidated into quarterly reports.  
iii. Documented workshops and Project Team meetings held and recorded.  
iv. Power Point presentation of the outputs of the project (a copy must be available for the City to use).  
v. Three hard copies of the final report and an electronic master copy. All draft reports should be submitted electronically on MS Word version to both the SACN and the City Sustainability Unit.

6  TIMELINE

The project of developing the Sustainability Financing Mechanism Strategy for the green economy program of the City of Tshwane is planned for a period of six months starting in October 2014 – March 2015.

7  REPORTING

The day-to-day management of the work will be done by the Project Team while the oversight and guidance of the project may be provided by the Project Steering
Committee. The service provider/s will submit written monthly progress reports to the Project Manager, within 4 days after the end of each month and these will be consolidated into quarterly reports for the duration of the project.

8 EVALUATION CRITERIA
Proposals will be evaluated on the basis of a relative assessment of value for money, which will be assessed on the basis of (a) professional fee structure inclusive of VAT with explicit rate fees and time including the stakeholder consultation costs; (b) qualification of the team members and track record of service providers (c) level of experience in developing financing mechanism for green economy/ climate change sector (d) understanding of the RFP scope of work and methodology (e) empowerment of previously disadvantaged groups (defined as number of PDIs in the project team).

Completed proposals must be forwarded to Sadhna Bhana on Sadhna@sacities.net on or before 10 October 2014. Queries on the call for proposals can be done telephonically on +27 11 407 6206 during office hours.