



**PRESIDENTIAL
CLIMATE COMMISSION**
TOWARDS A JUST TRANSITION

DEVELOPING A JUST TRANSITION FINANCING MECHANISM FOR SOUTH AFRICA

Request for Proposals (RFP)

Presidential Climate Commission

26 October 2022

Overview

The Presidential Climate Commission (PCC) seeks to appoint a suitably qualified service provider(s) to design and develop a Just Transition Finance Mechanism (JTFM) for South Africa.

This call for proposal outlines:

1. An overview of the need and rationale for creation of a dedicated Just Transition Finance Mechanism within South Africa's just transition financing architecture.
2. The envisioned function, governance and purpose of a JTFM
3. The scope of work and anticipated deliverables and timelines
4. The application process, timelines and budget
5. Eligibility and qualifications of interested service providers.

Recognising the innovative features of a JTFM (absence of specific case studies globally and its uniqueness in South Africa), the PCC encourages interested suitably qualified individuals and organisations to collaborate and form multi-disciplinary consortia to deliver this work.

The Presidential Climate Commission

The Presidential Climate Commission (PCC) was established by President Cyril Ramaphosa in December 2020 to support the delivery of a just transition in South Africa (SA). It emanated from the Presidential Summit held in October 2018, when social partners agreed that a statutory entity should be formed to coordinate and oversee the just transition towards a low-carbon, inclusive, climate resilient economy and society. The proximity of the PCC to the President's Office, and the designation of the President as Chair of the PCC, reflect the centrality of the successful delivery of a just transition to SA's sustainable development pathway. The PCC will play a critical role in informing, enabling, and building consensus regarding an effective climate change response in SA: one of the developing world's largest emitters. Per Section 12 of the Climate Change Bill of 2021, the functions of the PCC are to:

“(a) advise on South Africa's climate change response to ensure realisation of the vision for effective climate change response and the long-term just transition to a climate resilient and low carbon economy and society;

(b) advise government on the mitigation of climate change impacts, including through the reduction of emissions of greenhouse gases, and adapting to the effects of climate change; and

(c) provide monitoring and evaluation of progress towards government's emissions reduction and adaptation goals.”

The PCC is currently hosted at the National Economic Development and Labour Council (NEDLAC), owing to its legal establishment processes currently underway.

South Africa's Just Transition

South Africa's policy commitment to just transition, aims to ensure no one is left behind during the shift to a low-carbon, climate-resilient economy.

The South African interpretation of just transition is society-focused, envisioning measures to uplift and support workers, communities, and society; accommodating a broad range of interests; and advocating for system transformation. It tackles inequities on both national and sub-national scales, centring on the spatial and distributional impacts of economic transition.

A just transition is necessitated not only by domestic climate policy, but also by changing rules of global engagement. New carbon border taxes and similar instruments will rapidly render exports from carbon-intensive economies like SA's uncompetitive. As a coal-dependent economy, SA faces enormous transition risk associated with international climate mitigation policy developments since the Paris Agreement. With much of this risk apparently due to fall on the public balance sheet, such transition risk will strain public finances, potentially jeopardise the sovereign credit rating and government's ability to pursue a progressive social agenda.¹ A quarter of formal jobs lie in manufacturing, mining, and agriculture – all of which are at risk if the embedded carbon in export minerals and products is not significantly reduced².

Vulnerable communities are at risk of loss as change sweeps through SA. Losses will derive from changes in both economic and climatic conditions. To mitigate social risks arising from transition, three categories of investments in economic and climate resilience are needed urgently and at scale:

1. Economic diversification, enabling new jobs and livelihoods, enhanced access to resilient services and infrastructure, and land and biodiversity rehabilitation and restoration.
2. Equipping and strengthening the abilities of workers and SMMEs (small, medium, and micro enterprises) to participate meaningfully in transforming regional economies.
3. **Establishing and operationalising of just transition management structures and institutional arrangements responsible for coordinating policy responses, ensuring, and facilitating stakeholder engagements, and the implementation of projects in affected areas.**³

The PCC recently submitted its "Just Transition Framework for South Africa" (JTF) to the President. The National Cabinet adopted the JTF as a national policy statement and mandated that it be implemented and incorporated into the country's national planning system and budgetary framework.

South Africa is at a pivotal moment in its climate action trajectory. At the COP26 in Glasgow, USD 8.5bn of climate finance was pledged to support the achievement of a just energy transition. One of the PCC's central

¹ Huxham, M., M. Anwar, and D. Nelson, 2019: *Understanding the impact of a low carbon transition on South Africa*.

² Stats SA, QLFS 2022, Q1

³ Lowitt, S. & Mokoena, I. 2021. *A Just Transition Finance Roadmap for South Africa: A First Iteration*. Pretoria: TIPS.

tasks over the next few years will be informing the policy priorities and capital allocation decisions guiding the investment and capital allocation decisions towards the achievement of a lower carbon and climate resilient economy and society.

A Just Transition Finance Mechanism

This request for proposal relates to the design and development of a **Just Transition Financing Mechanism (JTFM) to address the scale and urgency of the just transition imperative.**

This work builds on scoping work undertaken by the PCC, in the form of a “JTFM Concept Note”, and successful service provider/s will be expected to translate the guidance and principles contained in this conceptual framework (concept note), into an implementable design recommendation, or sets of recommendations, within South Africa’s just transition and financing institutional architecture.

To address the scale and urgency of the just transition imperative, a JTFM is required. Neither the public sector - through conventional revenue sources and budgeting processes – nor the private financial sector – through its commercial investing and financing activity – can sufficiently mobilise, coordinate, and deploy funding to ameliorate socioeconomic risk on their own.

The JTFM is envisioned to be a policy-aligned national platform or institutional system, to mobilise additional capital for a just transition and coordinate funding from various sources to align allocation with policy priorities. It will be a vehicle which works with government and existing financial institutions to scale up and optimise the impact of investments. In doing so, it will undertake or guide:

1. Planning and advice in respect of just transition investments;
2. Mobilisation of additional sources of capital for the just transition, domestically and internationally;
3. Allocation of capital, either directly or through an assessment and advisory mechanism, across policy-aligned priorities;
4. Provision of technical assistance to implementation institutions including local governments, enterprises, NPOs, and communities; and
5. Reporting to funders on the allocation of capital.

The JTFM is likely to house within it a Just Transition Fund (JTF) which **aggregates** capital from various sources to deliver against a defined set of policy priorities and targets. These will encompass vital investments which would otherwise fail to take place - timeously or at all - due to existing market failures.

A JTFM is intended to address the likely under-provision of vital high impact investments, focusing support on two categories:

1. Critical investments central to developing economic and climate resilience, but typically lacking a business case due to market failures;
2. Designated investments, being high priority market needs aligned to economic transition policies and strategies. Once adequately de-risked or enhanced, they may become bankable. Since the business case is marginal at inception, these projects or enterprises would otherwise fail to attract funding.

It is envisioned that the JTFM would constitute two funding windows:

1. A grant making window, which targets critical projects, and from which no capital recovery is expected; and
2. A blended finance window, which targets designated projects, and from which a below-market return is expected.

Options for design and operationalisation of a JTFM need to consider a number of factors including institutional form, the need for sound governance both in general and with regards to any funding decisions in which it participates, and potential sources of financing.

The PCC has through its scoping work identified three preliminary options for implementation of the JTFM, each requiring further interrogation, and which does not preclude other options, or a combination thereof, and will depend on the ambit of the JTF:

1. **A task team or advisory body which functions as a public sector co-ordination mechanism** within the public sector that will support fundraising and provide light oversight of JTF activities and projects.
2. **An independent aggregator that provides coordination, fundraising and grant making** to supplement official public capital flows.
3. **A fully-fledged JTF**. This would take the form of a separate legal entity with a relevant financial service license.

These options are neither mutually exclusive nor do they preclude other creative and workable mechanisms from being explored.

Scope of Work

Within the context described above, and reporting to the Head of Climate Finance and Innovation, the scope of work and deliverables include technical and strategic outputs:

1. Inception Phase

a. Inception meeting

The appointed service provider will engage in a PCC organised inception meeting, with a view to agree on the overall implementation methodology and timelines. This meeting will also establish the project steering committee (PSC) for this work, including the mechanisms for occasional briefings of the PCC's Resilience and Adaptation and the Climate Finance and Innovation working groups.

b. Inception report

Following the engagement with the PCC, the appointed service provider will be required to deliver an inception report capturing the discussions and decisions as formulated during the inception meeting.

c. Ongoing reference to the project steering committee

Each of the outputs will be presented to the project steering committee no later than the due dates specified below and comments and perspectives of the project steering committee will be taken on board before the full and comprehensive consolidated output is finalised.

2. Technical Outputs

- a. Design and deliver a recommendation for a just transition finance mechanism within the parameters of the scope of the JTFM Concept Note, the JTF and the country's fiscal and sustainable finance system.
- b. The mechanism must be guided by a mixture of the three finance options detailed above, but is not limited to these options.
- c. Detail the sources of financing from the public and private sectors, as well as local and international financing streams that will flow (and potentially flow) into the aggregation function of the JTFM.

- d. Develop, through an analysis of the requirements of each potential funding source, a conceptual model of the capital that is available for each category of projects in the project matrix described in the JTFM Concept Note.
- e. Conduct a SWOT analysis of the proposed finance mechanism.
- f. Map the proposed finance mechanism to five existing just transition projects and/or programmes that will be pilot cases for the mechanism, within the private and public sectors.
- g. Provide an “end-to-end” organisational and technical process flow of just transition finance aggregation, qualification assessment, project assessment and allocative / disbursement mechanism.
- h. Provide clear guidance relating to governance and accountability in each of the stages of the process flow, including the applicable domestic and international governance standard.
- i. Detailed enunciation of the criteria, methodology and mechanism to assess the eligibility of projects and programmes for consideration as just transition finance recipients.
- j. Deliver a model for self-evaluation of performance and results, which are auditable.

3. Strategic Outputs

- a. Provide guidelines for constituting an independent oversight governance body to fulfil a strategic advisory function of the Just Transition Fund.
- b. Detailed enunciation of the institutional character, location and functioning of the JTFM.
- c. Provide a detailed outline of the operational , governance and applicable domestic and international governance standards, as well as and development policies required by the finance mechanism and undertake a review of those that are currently in place (for similar projects and/or programmes as well as existing dedicated funds).

4. Just Transition Finance Mechanism Local Skills and Capacity Requirements

- a. Facilitate the development of the job requirements and skills matrix of all job categories in the JTFM to facilitate the process of effective implementation of local level institutional arrangements.
- b. Produce an organisational design and development plan to create the institutional components in the architecture of the JTFM. In particular, to describe the local level institutional arrangements, their role and function, and how they ensure that local participation (economic and social) is a built-in feature of the model/s.
- c. Through an interface with other projects that are analysing the jobs impact and skills requirements of the just transition, develop a clear matrix of association with other institutions and local level processes.
- d. The JTFM should also include within its scope the policy impact assessment requirements as a key enable to its implementation and sustainability in the financial ecosystem.

5. Matrix of Critical Stakeholders and Assessment of Orientation to JTFM – Public and Private

- a. Develop a matrix of direct and indirect stakeholders in the decision making ecosystem, crucial to the adoption and implementation of the JTFM.
- b. Engage with the direct stakeholders through a structured and formal process, to assess their orientation to the JTFM, their interests and concerns, and produce an assessment of key issues.
- c. Assessment of the policy and regulatory environment for the implementation of the JTFM, through structured engagement with key public sector stakeholders and partners – including, but not limited to, National Treasury, the South African Reserve Bank (Prudential Authority), The

Deliverables and Timelines

In fulfilling the project scope and objectives, the appointed service provider should successfully deliver the following:

Work Areas	Deliverable	Timelines
Inception Phase	Inception meeting Report	Two (2) weeks after signing of contract
Technical Output	Recommendation for a just transition finance mechanism	Eight (8) Weeks after signing of contract
Strategic Outputs	Guidelines on institutional arrangement for the JT Fund	Ten (10) weeks after signing of contract
Just Transitional Finance Mechanism Local Skills and Capacity Requirements	Job requirements and skills matrix of all job categories in the JTFM	Fourteen (14) weeks after signing of contract
Matrix of Critical Stakeholders and Assessment of Orientation to JTFM – Public and Private	Matrix of direct and indirect stakeholders in the decision making ecosystem	Fourteen (14) weeks after signing of contract

Full and comprehensive consolidated output to be produced and delivered sixteen (16) weeks after signing of contract.

Application Process

The application process will involve three (3) stages.

Stage 1: PCC Briefing

In order to submit an application all interested service providers must attend and participate in a compulsory PCC Briefing session. During this briefing the PCC will provide details and clarity on the purpose, scope and objectives of this project, and will further provide the interested bidders with the **Just Transition Financing Mechanism Concept Note**, which has been referred to in various sections of this TOR. The preparation of applications by interested service providers must be within the guidance frame of this JTFM Concept Note, and it will also assist bidding service providers to prepare applications that are relevant to the outputs being sought in this RFP.

The PCC briefing will take place on 3rd November 2022 form 14h00-16h00, and will be on a virtual (Zoom) platform. Please confirm your attendance by registering for the event on this link:

<https://climatecommission-org-za.zoom.us/meeting/register/tZlIdeGoqTsjHtymCZpgwjPxmMdy6voFtcef>

Stage 2: Submission of application

Interested service providers, that attend the briefing, will be required to submit applications detailing:

1. The qualifications and experience, and suitability to deliver a project of this nature
2. How they will go about delivering this project
3. Detailed Budget and the all-in price for their bid

Proposals must be submitted to procurement@climatecommission.org.za by 5pm SAST on 25th November 2022.

Stage 3: Interactive presentation

Shortlisted service providers (up to three) will be notified one (1) week after their submission of proposals, and will be required to prepare an interactive presentation to an independent selection panel. It is envisaged that **shortlisted presentations will take place in the week commencing 05th December**. The presentation by each shortlisted service provider should cover:

1. Understanding of the existing environment landscape
2. Articulation the Just Transition Finance Mechanism Vision
3. Stakeholder overview and strategy
4. High level risk review
5. Initial stress test / qualitative evaluation and critique of proposed JTFM financing options
6. JTFM Governance Principles
7. JTFM Systems and integration approach
8. JTFM skills profile requirements
9. Detailed project road map with milestones for delivery of discreet project outputs
10. A payment disbursement cascade, in line with the overall budget, for each of the milestones above
11. Total Budget for the project, with a breakdown for the costs of project resources

Duration and Budget

The successful bidder will be required to complete the project work and obtain approval of the deliverables within a period of 120 days from project commencement date. An indicative budget range will be provided at the compulsory briefing.

Eligibility

Interested bidders must, at minimum, be able to demonstrate

1. Ten or more (10+) years experience in delivering **similar services** in the sustainable finance, institutional development, and financial engineering space
2. Three (3) to five (5) examples of programmes/projects where they successfully delivered end-to-end development of a finance and governance mechanism or similar services
3. Ten (10) years working experience in working with government and non-governmental stakeholders
4. Ability to navigate and engage with the relevant economic, social, financial and policy considerations necessary for a just transition fund.
5. Sufficient commitment to and profile adhering to the transformation requirements, including B-BBEE status, which will be considered during the bid evaluation process.

Service providers are encouraged to work in consortiums to ensure the necessary skillsets for this multi-disciplinary work are located within a single proposal. The PCC encourages collaboration in this regard.

PROCUREMENT APPROACH AND PRINCIPLES

This work will be Commissioned through the African Climate Foundation (ACF) who will be responsible for contract management and support with the technical support from the Presidential Climate Commission (PCC).

ACF has the following Procurement Principles to guide its processes:

- Procurement should obtain best value for money, taking into consideration quality, quantity, timing and source.
- All procurement transactions should be conducted in an open, fair and transparent manner.
- Potential suppliers shall have equal opportunities to make a bid and shall be treated in a manner that is fair.
- Procurement activities shall be conducted with integrity and transparency, protect ACF and its constituents from claims of maladministration, and reduce the risk of fraud, corruption, waste or other irregularities.
- Individual and overall procurement must be in line with the approved budget. It is the responsibility of the Finance Manager to be aware of the budgetary constraints.
- The method of approval is dependent on the value of the goods or services.
- The procurement value shall be determined by considering the total

CONDITIONS

- Bidders are requested to provide a clear agreement regarding joint ventures/consortia. The percentage involvement of each company in the joint venture agreement should be indicated on the agreement. Multiple Joint Venture arrangements (i.e. the same person(s) forming part of more than one proposal) will be allowed.
- A trust, consortium or joint venture must submit a consolidated B-BBEE Status Level Verification Certificate.
- Bidders are required to submit original Tax clearance and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids, to substantiate their B-BBEE rating claims.
- The PCC will reserve the right to appoint additional specialists to the contract if the necessary skills are not available within the successful bid (at no extra cost to the contract).
- Bidders are requested to provide separate financial and technical proposals.
- This is a full and unified project, and bidders are required to submit a single full bid, even when the work elements are allocated to different teams within the bidding organisation or between consortium members.

EVALUATION CRITERIA

PHASE 1: FUNCTIONAL/TECHNICAL

The bidder is expected to achieve a minimum required score of 80% for functionality in order to qualify for further evaluation. Bids that do not meet the minimum required score will be disqualified. The Functional/Technical criteria are:

Values: 1 Very Poor..... 2 Poor.....3 Average.....4 Good.... 5 Excellent

EVALUATION CRITERIA	GUIDELINE FOR CRITERIA APPLICATION	WEIGHT
METHODOLOGY	Approach and Methodology indicating clear understanding of the project brief and a realistic implementation plan. Clear outline of how due diligence, the business case and feasibility study will be conducted.	50
TRACK RECORD	Past Experience : attach a minimum of three (3) recent testimonials.	20
CAPABILITY	Team Capability: Sound understanding of the climate finance landscape and architecture the institutional arrangements of the PCC, its mandate and latest policy document. Sound financial business acumen and ability to analyse financial performance, viability, sustainability and understanding of South Africa financial Sector Ecosystem, economic . Change management and communication skills. Extensive experience on working with economic models and econometrics. Risk and Legal experience to ensure compliance to all legislation and governance principles.	30
TOTAL		100

*Only bidders who obtain at least 80 points under Functional/Technical evaluation will be considered for further evaluation.

If you have any questions please contact Dipak Patel via email at dipak@climatecommission.org.za