Consultancy Services for Support in financial mechanisms in the project “Decarbonizing the Textile Manufacturing Sector of Pakistan”

Introduction

Textile industries in Pakistan rarely comply with environmental regulations unless linked to international supply chains, where compliance is mandated by international market requirements and regulations. Locally, weak enforcement of regulations and lack of incentives to comply with environmental laws has led to widespread non-compliance. There is not only a lack of private-sector capital available for investment in energy efficient technologies, but a general lack of awareness of the financial benefits of shifting to green production practices which leads to an unwillingness on the part of textile SMEs to change production patterns.

The proposed NAMA Support Project (NSP) aims to promote investments in renewable energy and green technologies to mitigate GHG emissions by providing access to finance, establishing a local market for resource efficient technologies and through advocacy and policy interventions.

The following are the key outcomes for the proposed NSP:

1. Improved access to finance for Energy Efficient, Renewable Energy and Resource Recovery technologies (Green Technologies)
2. Enhanced GHG mitigation in the textile sector of Pakistan
3. Enable regulatory environment for enhanced carbon-neutral development in the textile sector
4. Developed market for EE and RE technologies

The project will support better enforcement of environmental regulation, to achieve reduction in GHG emissions in the textile sector. Through the adoption of renewable energy, resource efficient and energy efficient technology, Pakistan’s textiles sector could reduce energy consumption by 22 percent, and save over $60 million in costs. The proposed NSP aims for an overall GHG reduction of 4.3 million tons. Moreover, at the end of the NSP, a strong domestic market for energy and resource efficient technologies will be well established making it easier for SMEs to acquire technologies that can help save energy and reduce their GHG emissions.
Objectives

The objective of this consultancy is to devise a financial instrument based on existing financial regulations of the country which can be used to achieve financial closure for installing resource efficiency equipment in textile factories through a tripartite arrangement (Textile Factory/SME, Resource Efficiency Technology Vendor, Funding Agency/Financial Institutes).

Scope of Consultancy

The consultant will work closely with the project team lead, financial implementing partner of the project & financial institutions that are committed and competent to launch concessional green financing programs with a focus on creating more accessible and affordable clean energy financing solutions for the textile SMEs in Pakistan. The following are the key responsibilities;

1. Identify and assess potential for existing funding schemes for renewable energy, energy efficiency & resource efficiency that can be tapped for technologies proposed in the NSP
2. Review the existing financial models of green technologies for SMEs in the country across all banking and non-banking financial institutions and assess the feasibility of project beneficiaries
3. Liaise with the financial institutions in preparation of instruments for bankable application of green technologies including key performance indicators, guarantees, indemnities, green bonds, letters of credit, liens, hypothecations, etc.
4. Work with financial institutions to develop the terms and conditions for approval of loan
5. Develop screening tool for financial institutions to sanction loan for energy efficiency and resource recovery equipment in textile factories and train targeted stakeholders from financial institutions on the screening tool in 02 workshops.
6. Propose performance contracting mechanisms and template/toolkit for loan agreements adhering to Environmental Social Safeguard Framework
7. Explore the possibility of buyback for used energy efficiency equipment.
8. Develop financial model/instrument including all financial flows that can promote green technologies in the textile sector of Pakistan
9. Conduct dissemination workshops with the financial institutions on financing the mitigation interventions
10. Present the financial instrument for green technologies in 02 validation workshops.
11. Provide regular input to the project team for the development of project risk matrix
12. Provide input to the draft of detailed project proposal and develop project documentation including log frames, work plans, and budgets, and financial projections of project beneficiaries) with WWF-Pakistan’s various teams, global WWF Network, and other partners and stakeholders
**Deliverables**

<table>
<thead>
<tr>
<th>Deliverable 1</th>
<th>Assessment of existing energy efficiency and resource recovery financing/Refinancing schemes available in the country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliverable 2</td>
<td>Detailed review of financial models of green technologies for SMEs in the country across all banking and non-banking financial institutions</td>
</tr>
<tr>
<td>Deliverable 3</td>
<td>Green Investment Screening Tool for Banks and Training of Staff from Financial Institutions in 02 Workshops</td>
</tr>
<tr>
<td>Deliverable 4</td>
<td>Performance contracting mechanisms and template/toolkit for loan agreements for green technologies</td>
</tr>
<tr>
<td>Deliverable 5</td>
<td>Financial model/instrument used for financial closure of green investment in textile factories</td>
</tr>
<tr>
<td>Deliverable 6</td>
<td>Arrange Stakeholder Consultation Session during the process and Present the final instrument / model in 02 validation workshop</td>
</tr>
</tbody>
</table>

**REQUIREMENTS**

- The consultant should have a Masters in finance, economics, accounting, business administration or related discipline from a reputable international or Pakistani institution.
- At least 7-8 years of experience in corporate finance, banking, management consulting, or investment experience in alternative energy projects in the SME textile sector of Pakistan.
- Consultants should have experience with:
  - Solar/renewable project financing and energy/environmental projects.
  - Funding of alternative energy projects at a bank or non-banking financial institution
- Professional exposure of working in Pakistan