



## **UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

### **Terms of Reference (TOR) Provision of Services related to the Structuring and administrating of a Trust Fund for innovative financing for clean technology solutions in the renewable energy sector of Uruguay**

**Project Title: Renewable Energy Innovation Fund (REIF)**

Date: 28 September 2021

#### **1. BACKGROUND**

The United Nations Industrial Development Organization (UNIDO) is the specialized agency of the United Nations that promotes industrial development for poverty reduction, inclusive globalization and environmental sustainability. The mission of UNIDO, as described in the Lima Declaration adopted at the fifteenth session of the UNIDO General Conference in 2013, is to promote and accelerate inclusive and sustainable industrial development (ISID) in Member States. The relevance of ISID as an integrated approach to all three pillars of sustainable development is recognized by the 2030 Agenda for Sustainable Development and the related Sustainable Development Goals (SDGs), which will frame United Nations and country efforts towards sustainable development in the next fifteen years. UNIDO's mandate is fully recognized in SDG-9, which calls to "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation". The relevance of ISID, however, applies in greater or lesser extent to all SDGs. Accordingly, the Organization's programmatic focus is structured in four strategic priorities: Creating shared prosperity; Advancing economic competitiveness; Safeguarding the environment; and Strengthening knowledge and institutions.

Each of these programmatic fields of activity contains a number of individual programmes, which are implemented in a holistic manner to achieve effective outcomes and impacts through UNIDO's four enabling functions: (i) technical cooperation; (ii) analytical and research functions and policy advisory services; (iii) normative functions and standards and quality-related activities; and (iv) convening and partnerships for knowledge transfer, networking and industrial cooperation. Such core functions are carried out in Departments/Offices in its Headquarters, Regional Offices and Hubs and Country Offices.

Bidders are encouraged to familiarize themselves with typical UNIDO operations through [www.unido.org](http://www.unido.org) and UNIDO's Open Data platform containing all ongoing technical cooperation projects, on <https://open.unido.org>.

## 2. INTRODUCTION: THE PROJECT (JOINT PROGRAMME)

In 2020, the UNIDO Regional Office in Uruguay, Chile, Argentina, and Paraguay - together with UNDP and UN Women and the Government of Uruguay - applied to the *SDG Financing (2020) Joint Programme - Component 2: Additional financing leveraged to accelerate SDG achievement (Joint SDG Fund Outcome2)*. The proposal submitted by the regional office was selected as one of the 4 winners (among 155 participants) and is called *Innovative Finance for Clean Tech Solutions in Uruguay's Renewable Energy Sector: The Renewable Energy Innovation Fund (REIF)*.

The purpose of the Joint Programme (hereinafter JP) is to support and enhance the **second energy transition** (2ET) proposed by Uruguay, aligned with the 2030 Agenda and the principle of LNOB (Leave No One Behind), with a focus on making the renewable energy sector an engine of inclusion throughout the economy.

This programme seeks to decarbonize the industrial and transport sectors, ensure universal access to renewable sources, and increase innovation and competitiveness of the energy sector by reducing energy costs and increasing women's participation in the clean energy economy.

Uruguay is becoming a benchmark in the production of energy from renewable sources, not only regionally but globally. In the last decade, important investments were made that allowed for the transformation of the energy matrix, leading to the production of 98% of electricity from renewable sources (hydroelectric, solar, biomass and wind). This was the **first energy transition** (1ET), the first step towards the transformation of the country's energy matrix, which required large investments by both the public and private sectors.

In this new decade the Government of Uruguay aims to implement a **second energy transition** (2ET) which is seen as an opportunity and a driver to achieve more economic, social, and environmental development goals. In other words, the 2ET is seen as a catalyst to enhance competitiveness and improve living standards and a strategy to promote the 2030 Development Agenda in four sets of Sustainable Development Goals (SDGs):

- i) Competitiveness cluster (SDG 9, 17);
- ii) Inclusion / gender group (SDG 5, 8),
- iii) Environmental Sustainability Group (SDGs 7, 11, 13), and
- iv) Partnership for Action on Sustainable Development (SDG 17)

The Government of Uruguay expects 2ET to achieve two main objectives:

1. Decarbonization of key economic sectors: While the energy mix in the energy matrix is now 98% clean, the primary energy matrix is still approximately 37% based on fossil fuels. The transport and industrial sectors, which together account for 70% of energy consumption, are still highly dependent on fossil fuels and are major emitters of CO<sub>2</sub>.
2. Improving power system efficiency: better use of surplus energy through the incorporation of storage, Power to X and demand-side management solutions enabled by smart grid technologies can generate further socio-economic and environmental benefits. First, shifting the timing of energy demand can reduce peak power capacity (peak reduction), which in turn can allow postponement of investments in additional transmission and distribution capacity (while reducing fossil-fired thermal generation that is often used for peaking). Second, increased domestic use of the above-mentioned surplus energy, which currently has a low opportunity cost as it is mainly sold to neighbouring countries at relatively low prices or sometimes even generation is curtailed, would generate additional revenues for the national electricity system.

The JP proposes four main activities:

- The creation of an innovative financial mechanism, the Renewable Energy Innovation Fund (REIF), and foster supportive actions to leverage public-private financing. The REIF will serve to trigger large-scale financing for new and emerging renewable energy technologies, ventures and activities aligned with its financing scope, targeting gender sensitivity, and promoting gender-impact investment in the renewable energy sector.

The other 3 activities defined in the JP are related to:

- Technical assistance and feasibility studies (financial, environmental and gender) for projects submitted for REIF funding;
- Adjustment of the regulatory framework and institutional capacity building on 2ET issues;
- Knowledge development, exchange, and technology transfer.

The JP proposes the creation of a Trust Fund as an instrument to structure the REIF, and stands out for the following innovative features:

- **Independence:** By structuring the REIF as a Trust Fund, an autonomous patrimony is created, to which the funds approved by the JP will be contributed by UNIDO, funds that will be used for the financing of 2ET-related projects submitted to the REIF together with private funds. For the UN System this is a novel mechanism with an important degree of independence.

- **Additionality:** Additionality is provided by REIF's use of the concept of Blended Finance. Blended Finance is the targeted use of concessional capital (patient, non-remunerated or low-remuneration and higher risk tolerance) for the financing of high-impact projects or programs, where high risk represents a barrier to the participation of private actors, such as commercial banks. REIF resources will act as concessional capital, mitigating the risk of the projects to be financed, allowing commercial banks, among other potential actors, to join in the financing of high-impact projects in the context of 2ET in Uruguay.
- **Impact Investment:** The dissemination and installation in the public-private agenda of the concept of Impact Investment; those investments made with the intention of generating a positive and measurable social and environmental impact along with a financial return. The REIF contains an innovative impact measurement tool mapped to the indicators expressed in the 2030 Agenda.
- **Catalytic role:** REIF's performance will have a strong catalytic role, both in promoting the adoption of clean technologies in industries and sectors targeted by the fund, as well as in the participation of various public and private actors in impact projects.

### 3. REIF's GOVERNANCE AND OPERATIONS

Within the framework of the approved *JP*, governance has been established for REIF as follows:

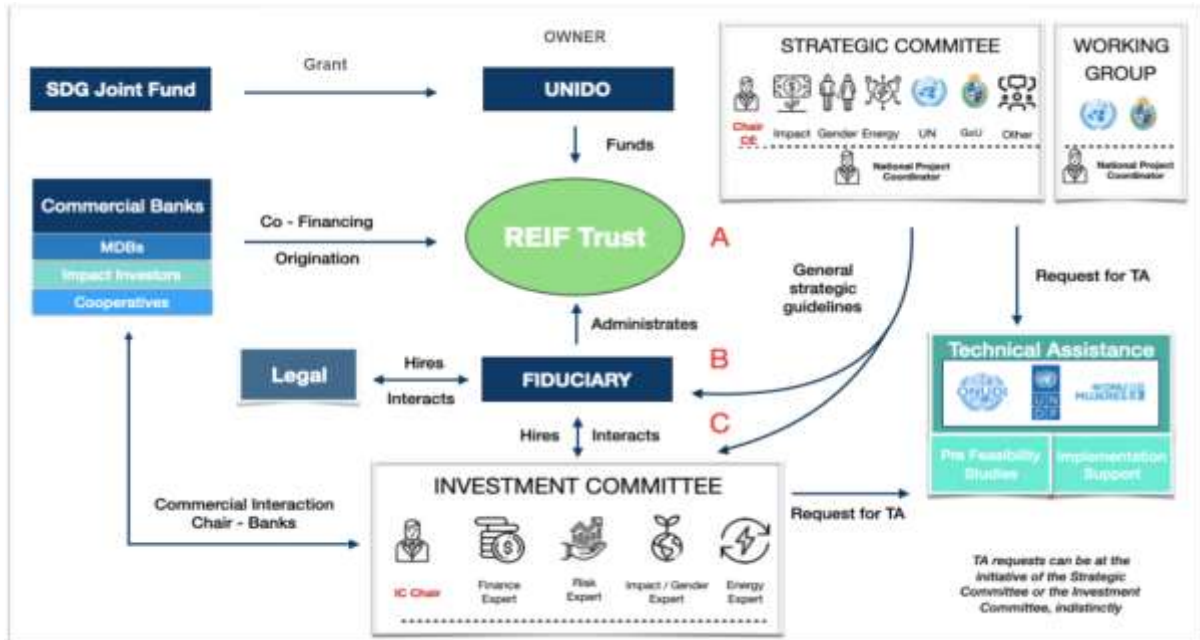


Figure 1

REIF will be structured under the figure of a Trust Fund, whose Owner shall be UNIDO. UNIDO is the owner of the assets that are received as a grant from the UN Joint SDG Fund and delivered in property to the Trust Fund, to be used for the purposes foreseen in the constitutive act of the REIF Trust Fund. UNIDO will transfer USD 7.0 MM to the Trust Fund. This amount will be used to finance debt operations in 2ET projects in Uruguay.

*Appendix 1* explains in more detail each of the components of figure 1 as well as the interactions and roles of each of the actors and governance bodies. Please note that the Strategic Committee and the Working Group have been constituted already and are in place.

#### 4. OBJECTIVES AND SCOPE OF THE CONTRACT

The purpose of these Terms of Reference is to identify a contractor that will be able to provide services and activities leading to the following deliverables:

- A. Provide REIF Trust Fund structuring services.
- B. Provide fiduciary services for the administration of the REIF Trust Fund.
- C. Provide recruitment and personnel management services for the REIF Trust's Investment Committee.

Interested bidders may form consortia or partnerships (or any other form they deem appropriate) between different companies when submitting a proposal for this call for proposals.

In addition to the above, the proposals must include a brief description on the feasibility and adequacy of the trust fund vis a vis the objectives of the proposed for the REIF Trust Fund; that is, the co-financing of projects framed in the 2ET from the perspective of the legislation and regulations in force, considering its tax treatment.

The proposals shall be prepared addressing, separately each of the three (A, B and C) deliverables as detailed herein below.

##### **A. Structuring the REIF Trust Fund**

Bidders shall describe and quote for the provision of their services for the structuring of the REIF Trust Fund, in accordance with the JP proposal.

In the elaboration of the proposals, the information in this document, its appendices and Annex I containing the JP proposal approved by the UN Joint SDG Fund should be considered, especially considering the general scheme of operation of the REIF and the operational flow of the interactions of its components including the Owner (UNIDO), Trustee (contractor) and the committees that make up the governance as presented in figure 1 and described in more detail in Appendices 1 and 2.

The recommendations made by the bidders on the following topics that will be part of the REIF operations will also be evaluated:

- Types of co-financing contracts to be used with Banks, MDBs, Impact Investors and Cooperatives (A/B loans, Syndicated loans, or any other credit instrument usually used in co-financing operations).
- How to design mixed credits (*Blended Finance*).
- How to include Technical Assistance in the credits.

The bidders shall indicate in their proposal, the number of days needed to complete the services under this part of the Terms of Reference using a Gantt chart or similar. The following fundamental and complementary aspects must be taken into consideration when preparing the proposal:

### I. Fundamental Aspects

The deed of incorporation to be prepared by the contractor must include all the relevant clauses for this type of instrument, including, by way of example, the points listed below:

- Parties involved: The **Owner** of the REIF Trust will be **UNIDO**, being also in principle the owner of the monies at the end of the JP. The **Trustee** will be the **contractor**.
- Trust assets: Initially, the trust assets will be composed of the contribution made by UNIDO. Once in operation, it will be composed of the balance of the initial contribution and the portfolio of loans granted and pending collection. It should also be foreseen that the Trust may receive contributions from other sources during the life of the Trust.
- Purpose: To co-finance projects within the framework of Uruguay's Second Energy Transition that comply with the established impact and gender indicators.
- Governance: It is important to highlight that the REIF governance will be integrated by two committees: Strategic Committee and Investment Committee. These committees will interact with the parties to the REIF as set out in section 2 *REIF Governance and Operations*.
- Investment verticals and related technologies: According to the strategy defined in the winning *JP* proposal and approved by the Strategic Committee.
- Term: 4 years for investment plus 5 years to complete collection. (Phase 1).
- Rights, duties, powers, prohibitions, and responsibilities of the Trustee: See *B. Administration of the REIF Trust Fund*.
- Policies and manuals: Investment Policy, Operations Manual and others deemed necessary/relevant for the operation of the Trust, mechanisms for their approval and modification by the Trustor and/or Strategic Committee.
- Information and accountability:
  - Annually: financial statements of the Trust, accompanied by an external audit report.
  - Monthly: management report on the Trust's operations
- Expenses, taxes, and other costs of the Trust: All expenses, taxes and other costs will be covered by the Trust's assets.
- Trustee Remuneration: To be part of the proposal submitted.
- Resignation, Removal and Termination of Trustee
- Termination and liquidation of the Trust

Notwithstanding the above, the deed of incorporation to be drafted by the contractor shall include all the clauses necessary for its correct operation and the corresponding compliance with the legislation and regulations in force, as well as any other clause referring to instructions given in the future by the Trustor, with prior consultation and in agreement with the REIF Strategic Committee.

#### I. Complementary Aspects

- Submit a draft Investment Policy in line with best market practices. This draft should include aspects such as the type of operations to be carried out, exposure limits, financing terms, interest rates, currencies, required guarantees, etc. and other specific characteristics of the operations to be co-financed.

The Investment Policy will serve as a means for the Strategic Committee to further specify and adjust the REIF Trust's investment criteria over time as deemed appropriate.

This draft should consider the approved objectives for the REIF; this draft will be complemented and approved by the Strategic Committee and used in the day-to-day operation of the REIF Trust.

- Submit a draft Operations Manual, based on best market practices, that reflects the *Operational Flow of a Credit Operation (Appendix II)*. The Operations Manual should include, among other things:
  - Operating cash flow of a credit operation
  - Functioning of the Investment Committee
  - Approval procedure for credit operations
  - Legal procedure for signing contracts
  - Procedure for monitoring credit operations
  - Collection procedure for credit operations
  - Contract change procedure
  - Procedure for the recovery of credit operations.

This Operations Manual will be supplemented and approved by the Strategic Committee and used in the day-to-day operation of the REIF Trust Fund.

- Submit a draft Anti-Money Laundering and Terrorist Financing Prevention Policy, in line with best market practices and current legislation and regulations including UN requirements.
- Describe the tax treatment that would apply to the REIF Trust Fund.



- Include any other policies or provisions deemed applicable to the REIF Trust Fund not mentioned in these TOR.

Other considerations of interest:

- The structuring of the REIF Trust Fund should provide for a phased approach. In a first phase, over a period of 4 years, the REIF will be managed by a Trustee, in coordination with the Investment Committee and the Strategic Committee as explained in Appendix 1 to finance projects within the framework of the 2ET in Uruguay.

Phase 2 will seek to increase REIF's capitalization through different channels: capital, debt, or funding from different sources; Development Financial Institutions, Philanthropy, Development Partners aligned with Uruguay's objectives, among others. Likewise, it shall be possible to expand regionally the markets in which to invest, as well as the types of projects to be financed. At the time of carrying out Phase 2, the administration of the Trust Fund should be transitioned to a *Fund Manager* once the scale is sufficient to support the administration costs. Phase 2 may involve a change of financial instrument for the REIF.

## **B. Administration of the REIF Trust Fund**

As part of the proposals, the bidders shall describe and quote the provision of fiduciary services for the administration of the REIF Trust Fund with the scope stipulated in these TOR and considering all the tasks that the REIF Trustee should perform according to the above provisions, as well as any other activity inherent to the role of Trustee within the framework of the regulations in the country.

The following are examples of some of the tasks to be performed by the Contractor:

- Interacting with the governance bodies referred to in Figure 1.
- Hire members of the Investment Committee (IC) according to defined profiles and roles. The members of the IC will report administratively to the Trustee.
- Interact with the *JP* Technical Assistance team described in Appendix 1.
- Register co-financed operations.
- Provide legal services for the loan co-financing contracts as applicable.
- Sign co-financing contracts for the loans supplied to the beneficiaries.
- Disburse the operations and make the corresponding collection.

- Ensure proper accounting in relation to the Trust Fund and be able to provide financial reports.
- Report on the assets and activities of the REIF trust to the Strategic Committee and/or UNIDO, at their request, also complying with the reporting requirements that apply according to contract.

In line with the objectives of the fund, to ensure sustainability and replication potential, the Trustee shall be expected to comply with all obligations incumbent upon it under applicable laws and regulations of Uruguay.

### **C. Recruitment of Investment Committee Members**

This part of the proposals must describe and quote recruitment and human resources management services to fill the positions that will make up the Investment Committee. This committee will be primarily responsible for the approval of co-financing operations in compliance with the objectives of the REIF Trust.

The Investment Committee shall be composed as follows:

- *Chair*
- Finance Expert
- Risk Expert
- Impact and Gender Expert
- Energy Expert

Proposals should suggest indicative values for the remuneration of the *Chair* (full-time position) and of the other members (part-time positions, indicating reference price per hour or number of hours per basic and additional month).

The recruitment and human resources services will produce shortlists of candidates for each of these positions. The final selection will be carried out by an evaluation committee made up of members of the Strategic Committee, when the final date for the structuring of the trust is known, and will be led by UNIDO. The members of the Investment Committee will be recruited by the REIF Trust Fund through the Trustee. The main characteristics of the various positions are set out in *Appendix IV - Investment Committee Positions*.

## 5. ADDITIONAL DOCUMENTS

The following documents are presented:

- Appendix I – REIF’s governance and operations
- Appendix II - Operational flow of a co-financing operation.
- Appendix III - Term Sheet
- Appendix IV - Investment Committee Positions
- Annex I - Proposal approved by UN Joint SDG Fund

## 6. INFORMATION SESSION

Two information sessions with potential bidders are planned to be held to provide a better understanding of the objective of the services to be provided and to guide on the preparation and submission of written proposals as well as respond to any clarification questions raised during the session. **Two sessions** shall be organized as follows:

October 4th and 6th at 15 pm CEST/10 am URU time  
Online Venue with details to be provided in due course.

## 7. LANGUAGES PROPOSAL

Proposals shall be presented both in Spanish and English languages. The English version shall prevail In case of discrepancies and/or ambiguities.

## 8. CONTENTS OF THE PROPOSALS

For part **A**), proposals should include the bidder's background on trust fund structuring experience (in years of work and number of trust funds structured), a detailed description of the proposed scope, methodology and work plan, information and background of the work team, and the economic proposal for the services.

For part **B**), the proposals must include the bidder's background information regarding the experience as Trustee (in years of work and number of Trusts administered), information and background of the work team that will be the Trustee, and the economic proposal of the services.

For part **C**), proposals must include the company's background information on experience in recruitment processes (in years of work) and the economic proposal for the services.

## 9. COMPANY PROFILE

Bidders may form consortia or partnerships (or any other form they deem appropriate) between different companies when submitting a proposal for this call for proposals. The contract to be signed with UNIDO must have only one counterpart and will be signed by the leader of the consortium or partnership, subcontracting part of the services, or through a tripartite agreement.

To carry out the present work, it is required to comply with the following characteristics:

- For part A), proven experience in Trust structuring, and a staff of professionals with proven experience.
- For part B), proven experience providing fiduciary services in Trusts - financial and administration - and a staff of professionals with proven experience.
- For part C), proven experience in recruitment processes, and a staff of professionals with proven experience.

Bidders must have a strong track record in the local market as specified above, form teams with qualified professionals in the field, have offices established in the Oriental Republic of Uruguay, be legally registered with the DGI and BPS and be up to date with the corresponding tax obligations. They must also submit the CVs of the key staff.

## 10. EVALUATION CRITERIA

The following evaluation criteria shall be evaluated:

### Product **A**)

- Experience in structuring Trusts (Financial and/or Administrative) based on the track record in terms of number of years and the number and quality of the contracts.
- Scope, methodology and work plan. To evaluate this section, it will be considered that the expectations are met when the work is presented in accordance with this TOR, with a well-defined scope, a clear description of the work methodology to be applied, as well as a well-developed work plan with realistic deadlines that reflect the time load and dedicated resources necessary for the achievement of the objectives.
- Teamwork. When evaluating this section, it will be considered as meeting expectations when:

- The work team is made up of qualified professionals in the field, and includes at least the following
  - A senior lawyer (more than 10 years of experience and more than 5 years of proven experience in trust structuring),
  - A senior accountant (10+ years of experience and 5+ years of proven experience in trust structuring).

These elements will be scored according to the criteria presented in the table below:

	<b>Scoring Criteria</b>	<b>Score (max)</b>	<b>Score (min)</b>
<b>Company Background</b>		<b>30</b>	<b>21</b>
Experience in structuring Trusts (Financial and/or Administration), counted by number of years of work.	<5 years: years x 0.5 Between 5-10 years: years x 0.75 >10 years: years x 1	15	
Experience in structuring Trusts (Financial and/or Administration), in the last 5 years, counted by number of high quality contracts executed.	<5 contracts: Q x 0.5 Between 5-10 contracts: Q x 1 >10 contracts: Q x 1.5 Q = Number of contracts	15	
<b>Scope, Methodology and Work Plan</b>		<b>40</b>	<b>28</b>
General approach, work methodology, presentation of the work, work plan, schedule of activities.	< Expectations: 5 pts. Meets expectations: 28 pts. > Expectations: 40 pts.	40	
<b>Work Team</b>		<b>30</b>	<b>21</b>
Qualifications and relevant experience of the working team	< Expectations: 5 pts. Meets expectations: 21 pts. > Expectations: 30 pts.	30	
Totals		<b>100 pts.</b>	<b>70 pts.</b>

### Product B)

- Experience providing fiduciary services in Trusts (Financial and Administration).
- Teamwork. When evaluating this section, it will be considered as meeting expectations when:
  - The work team is made up of qualified professionals in the field, and includes at least the following
    - A senior lawyer (10+ years' experience and 5+ years' proven experience as part of a fiduciary),
    - A senior accountant (10+ years' experience and 5+ years' proven experience as part of a fiduciary)

These elements will be scored according to the criteria presented in the table below:

	<b>Scoring Criteria</b>	<b>Score (max)</b>	<b>Score (min)</b>
<b>Company Background</b>		<b>70</b>	<b>49</b>
Experience as a Trustee in Trusts (Financial and/or Administration), counted by number of years of work.	<5 years: years x 1 Between 5-10 years: years x 1.5 >10 years: years x 2	25	
Experience as a Trustee in Trusts (Financial and/or Administrative), in the last 5 years, counted by number of Trusts managed	<5 Trusts: Q x 1 Between 5-10 Trusts: Q x 1.5 > 10 Trusts: Q x 2 Q = Number of Trusts acting as Trustee	45	
<b>Work Team</b>		<b>30</b>	<b>21</b>
Qualifications and relevant experience of the work team	< Expectations: 5 pts. Meets Expectations: 21 pts. > Expectations: 30 pts.	30	
Totals		<b>100 pts.</b>	<b>70 pts</b>

### Product C)

- Experience in executive recruitment processes
- Teamwork. When evaluating this section, it will be considered as meeting expectations when:
  - The work team is made up of qualified professionals in the field.
  - The executive staff of the work team has proven experience of at least 10 years in personnel selection processes for management positions.

These elements will be scored according to the criteria presented in the table below:

	<b>Scoring Criteria</b>	<b>Score (max)</b>	<b>Score (min)</b>
<b>Company Background</b>		<b>60</b>	<b>42</b>
Experience as a HR management company, counted by number of years of work in the local market.	<5 years: years x 0.5 Between 5-10 years: years x 1 >10 years: years x 1.5	30	
Experience in recruitment of managerial positions, counted by the number of selection processes in the last 5 years.	< 20 Processes: Q x 0.5 Between 20-30 Processes: Q x 0.75 > 30 Processes: Q x 1 Q = Number of Recruitment Processes	30	
<b>Work Team</b>		<b>40</b>	<b>28</b>
Qualifications and relevant experience of the working team	< Expectations: 10 pts. Meets expectations: 28 pts. > Expectations: 40 pts.	40	
Totals		<b>100 pts.</b>	<b>70 pts</b>

The proposals to be considered as finalists will be those that obtain the minimum score in each and every one of the sections that make up products A, B and C, and a final score will be obtained from the sum of the points in each section. To calculate the final score, the score of each of the products will be weighted according to the following criteria: Products A and B x 40% and Product C x 20%. UNIDO will award the contractor whose proposal was found technically acceptable and provided the lowest cost.

## APPENDIX I – REIF’s GOVERNANCE AND OPERATIONS

### Introduction

In the frame of the JP approved by the *UN Joint SDG Fund* and in that of the REIF, which is one of its 4 components, governance has been established as set out below, together with the main characteristics of each of its component elements and their interactions with each other, illustrated in *Figure 1* below.

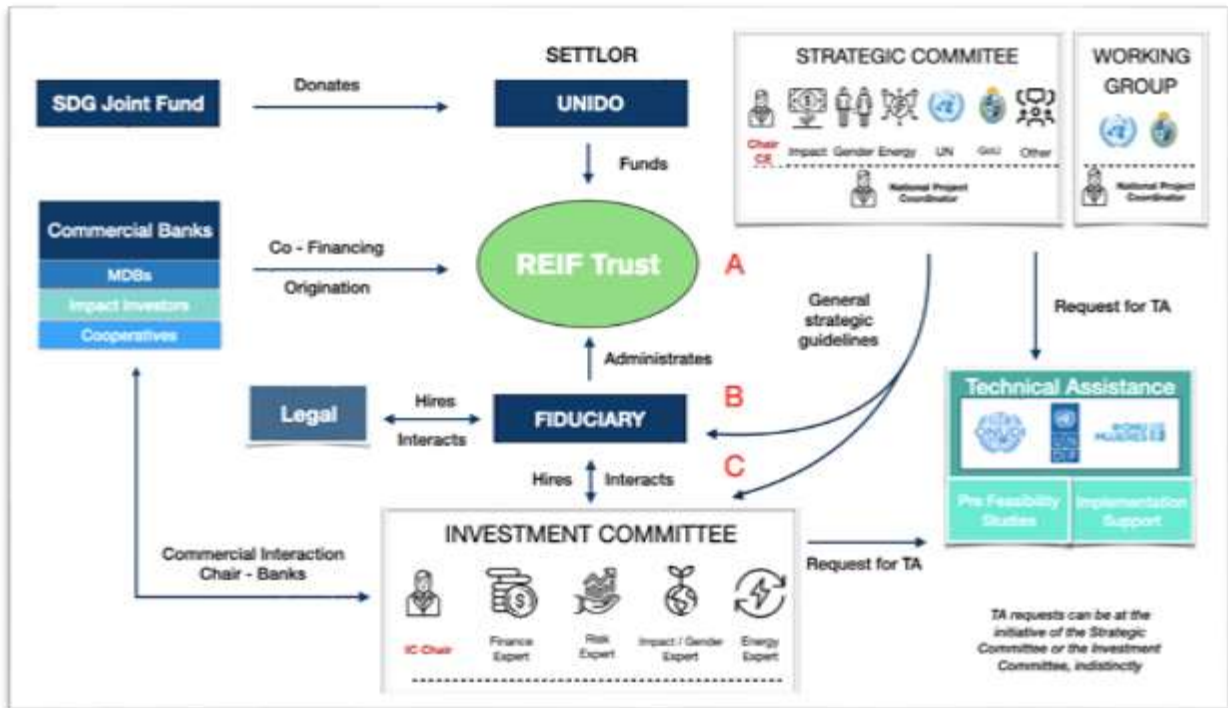


Figure 1

As any Trust, it will be managed by a Trustee in charge of administering the assets that make up the Trust in such a way as to fulfil the fiduciary assignment, that is, to achieve the objectives for which it was created. In the case of REIF, the Trustee will be appointed once the Trust is structured.

Among other things, it will be the responsibility of the Trustee:

- Comply with the instructions set forth in the Trust Agreement
- To dispose of the assets and rights comprising the Trust's patrimony.
- Be held accountable at least annually.
- To keep separate accounting records and reserve all operations, acts, contracts, and information related to the trust.
- Is the responsible for the trust's tax obligations.
- Recruit in coordination with the United Nations System (UNS) and led by UNIDO, the members of the Investment Committee.

- To engage the services of third parties as may be necessary for the operation of the Trust (e.g., accounting, and legal services).
- Submit a biannual *Portfolio Monitoring Report* with information on the status of operations provided by the co-financiers through the *Chair* of the Investment Committee.

The solution proposed for the specific case is given by the characteristics of the project. Usually in the operation of a fund of these characteristics, the figure of a *Fund Manager* can be found, whose main task is the promotion of the fund, origination of operations, analysis, approval and contracting of operations. During Phase 1, the dimensions of the REIF, its funding capacity, the restrictions given by the scale of the country and the number of projects to be financed make this figure not viable, among other aspects in terms of costs. In Phase 2 it is projected that a *Fund Manager* will continue the administration of the fund.

In the case of REIF, the fund management functions are distributed and assigned among the various actors involved. The promotion of the fund will be done by the *Chair* of the Investment Committee, the origination of the transactions will be done mainly by the commercial banks and the approvals will be done by the Investment Committee. The Trustee will hire a law firm for the purpose of processing the documentation of the transactions, an accounting firm for the purpose of keeping the accounts of the Trust, an external auditor and other services required for the administration of the Trust.

Finally, within the JP there is a Technical Assistance team led by the United Nation System, whose degree of specialization and experience in the matter, materialized through the different offices of the system operating in the country (UNIDO, UN Women, UNDP, etc.) will be decisive for its implementation. The funding of this unit will be in principle close to USD 2.0 MM. This is a Unit in which other relevant actors will be able to participate and contribute with funding, projects, and institutional capacities.



## Strategic Committee (SC)

This committee is composed of 5 to 10 members. These will include representatives from the areas related to impact, gender and energy, as well as representatives from the Government through different entities and from the United Nations System through its different agencies.

On the part of the Government:

- Ministry of Industry, Energy and Mining
- Ministry of Environment
- Office of Planning and Budget
- UTE

On the part of the United Nations System:

- Office of the United Nations Resident Coordinator in Uruguay
- UNIDO
- UNDP
- UN Women in Uruguay

The SC will have a *Chair* who will be the committee's point of contact with the other parties involved in the Trust, with the Owner (UNIDO), the Trustee and the Investment Committee.

It will also have a National Project Coordinator (NPC), who will have overall responsibility for the effective management and implementation of the *JP* and the achievement of the planned outputs and stated objectives. The NPC will be responsible for ensuring that all relevant partners and institutional stakeholders are involved and informed as appropriate to ensure optimal cooperation.

The SC will be responsible for guiding the activities of the *JP* and REIF as one of its components, from a strategic perspective. It will seek to integrate the main strategic lines and global trends in terms of Impact, Gender and Energy. The SC suggests general lines of action but has no influence on the decisions taken by the IC in reference to operations to be co-financed.

Specifically in reference to REIF, the SC will be the one to define the Investment Policy that it can carry out. For its definition, it will be based on the objectives and characteristics established in the *JP* in terms of Impact, Gender and Energy, without prejudice to the modifications that are deemed relevant as experience is accumulated in the operation of REIF and new technological solutions related to 2ET are developed.

The SC may also, if deemed appropriate, submit requests to the Technical Assistance Unit of the *JP*, mainly for pre-feasibility studies of technological solutions related to

2ET or feasibility of innovative business models, considering for example their degree of innovation or the differentiated impact on women-led or women-owned enterprises and the challenges they face in accessing capital.

### **Investment Committee (IC)**

This committee is expected to be composed of 5 members. Among them, there will be 1 representative from each of the areas of Finance, Risk, Impact and Gender, and Energy, all coordinated by a *Chair*, who will also oversee promoting the REIF, identifying new opportunities with local banks, fulfilling functions like those of a Commercial Manager. The *Chair* will be a full-time position and will also be the IC's point of contact with the other figures involved in the Trust, with the Owner (UNIDO), the Trustee and the Strategic Committee.

The IC is the executive arm of REIF and will be responsible for deciding on the approval of operations to be co-financed by it. To this end, it will rely on *due-diligence* and financial, risk, impact and gender analysis of the financing proposals provided by the originators of the operations, which will be mainly commercial banks, but also other actors as shown in *Figure 1*.

Acting together, the members of the IC will decide on the approval of the operations, each one contributing their opinion of their respective area, although all of them must have a global vision of the operations to be approved:

- The *Chair* of the IC will analyse together with the other members the proposals submitted by the banks, participating in the discussion instances for approval, being understood as advisable that he/she does not have a vote when deciding on the approval of the proposals, as a mitigation of possible conflicts of interest related to his/her function. Also, at the end of Phase 1, the *Chair* should provide support for the raising of funding for the implementation of Phase 2.
- The member in the Finance function will review the financial analysis provided by the originator and provide an opinion on the project.
- The member in the Risk function will review the risk analysis provided by the originator and provide an opinion on the project.
- The member in the Impact and Gender function will analyse the projects from an Impact perspective and give his/her opinion on the project. The REIF *Impact Framework* will be available for this analysis. This is an impact management tool based on the SDG Impact Standards for private equity funds, which allows the identification of investments aligned with the SDGs, by analysing and categorizing the expected and potential impacts of projects, while providing a monitoring and reporting system.

- The member in the Energy function will review and give his/her opinion on the project from a technological solution point of view to be implemented in the project.

For all positions, except the *Chair*, it is foreseen that they will be part-time. This means that they will be remunerated for the number of hours they dedicate to the REIF project and will not be fixed positions. Also, the positions of Finance expert and Risk expert during Phase 1 could be held by the same person.

Since the issues of Impact and Energy are the fundamental premises that the projects to be approved must consider, it is suggested that the members in these functions have the capacity to veto those proposals that do not qualify from their respective points of view.

Likewise, the IC may, if deemed appropriate, submit requests to the Technical Assistance team of the *JP*, mainly for pre-feasibility studies and/or support from specialized consultants to support the financed companies in the adjustment and implementation of technological solutions, and at the same time mitigating the technological and implementation risk, contributing to the success of the projects. If the IC deems it appropriate, it may make the approval of an operation conditional on the approval of the corresponding technical assistance request by the Technical Assistance team of the *JP*.

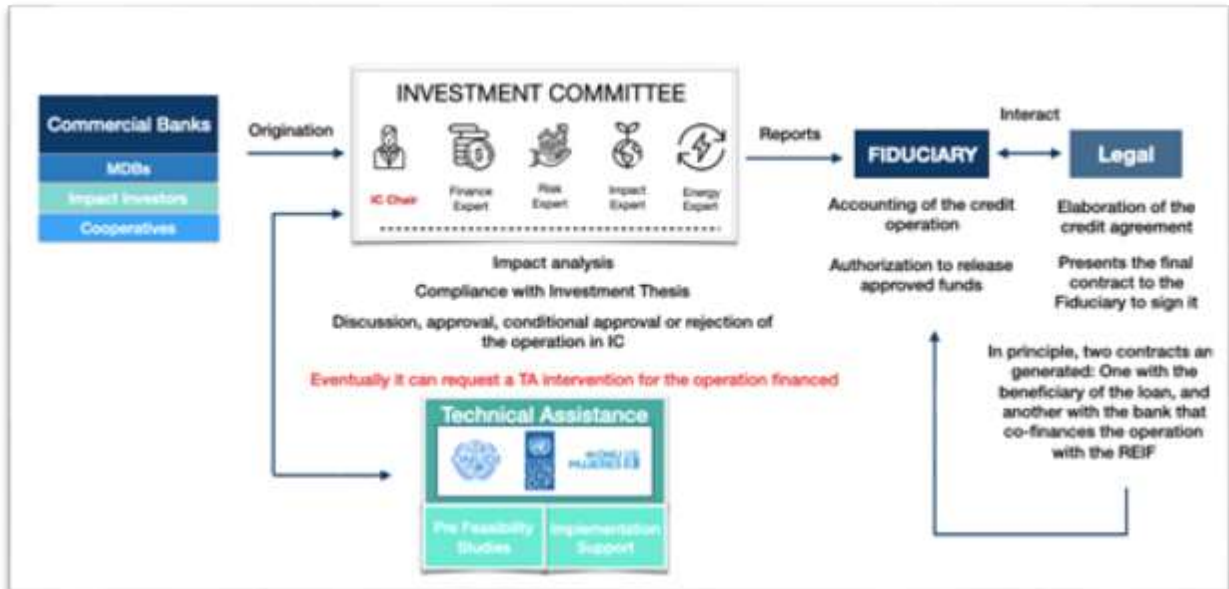
### **Working Group (WG)**

It will be integrated by Technical Staff of the United Nations Agencies as well as technical staff of the Government counterparts. The National Project Coordinator (NPC) will actively participate in the meetings and will keep the work agenda, informing by e-mail of the agreements reached.

This group will meet on a bi-weekly basis and each of the members should report the operational progress and agreements reached to the corresponding institutional members of the Strategic Committee, to allow for a smooth and adequate implementation of the project.

## APPENDIX II - OPERATIONAL FLOW OF A CO-FINANCING OPERATION

The operational flow of co-financing operations will generally follow a logic as described below:



Several co-financing proposals will come to the IC mainly through commercial banks, which have in their portfolios approved or to be approved projects that comply with the Investment Policy of the REIF Trust. There is also the possibility of receiving credit proposals from Multilateral Development Banks (MDBs) and other impact investors. All projects must arrive with their corresponding financial and risk analysis carried out by the respective originators. These financial and risk analyses will be reviewed and complemented by an Impact and Gender analysis, and an Energy analysis by IC members.

The arrival of proposals to the REIF Trust Fund will be the result of the work carried out by the *Chair* of the IC with potential co-financiers, mainly commercial banks. There is also the possibility that the IC itself identifies and promotes operations that it is interested in financing and seeks support from commercial banks, MDBs or Impact Investors to co-finance the projects.

In any of the cases the REIF Trust could co-finance operations -in principle- in a 30%-70% proportion, allowing its portion of the financing (30%) to have a concessional capital profile and, for example, to assume the first loss, or to be the last to collect. In any of the forms envisaged, this mechanism facilitates the participation of private actors, who otherwise would not invest in such operations due to the risk profile. All these concessional modalities will be defined by the EC in the Investment Policy.

The IC shall meet in principle monthly, subject to demand (it shall not meet if there are no transactions). The documentation of the operations must be delivered to the members of the IC at least [minimum notice] in advance so that the members can analyse it and ask questions if necessary. The projects will be presented to the IC by the *Chair* who will act as liaison with the originators of the operations including the channelling of information between the originators and the members of the IC.

The projects will be analysed by the members of the IC in accordance with what is specified in the Governance annex in its section referring to the IC. At its sessions the IC will take decisions on operations by approving, conditionally approving, or rejecting them, and in the latter case indicating whether the rejected operation can be resubmitted or not. Conditional approval may refer to conditions of an operation, or if it is the case, to the approval of a technical assistance that the IC requests to the Technical Assistance team of the *JP*.

The meetings of the IC must be documented in minutes detailing the agenda, the operations analysed, and the decisions taken. The IC through the *Chair* will inform the originators and the Trustee of the decisions on the operations documented in the minutes. In the case of approvals, the Trustee, in its role as administrator, will inform its legal department or, failing that, the legal firm hired to prepare and execute the documentation of the operations in coordination with the co-financiers, so that it may proceed to draft the documentation. The legal area of the Trustee or contracted law firm will advise REIF on the various forms of contracting for the different operations in each case, although the use of a standard contract will be favoured to avoid excessive heterogeneity of the documentation. The *Chair* will be at the disposal of the law firm in case of doubts or obstacles in the process.

With the contract duly drafted, the Trustee will sign the contracts verifying that they accurately reflect what has been approved by the IC and will proceed to make disbursements as agreed in the contracts.

Once the operations are underway, the Trustee will interact with the co-financiers in monitoring the operations, receiving principal and interest payments, and making the corresponding records. There is the possibility that certain operations may have to undergo changes in their conditions (rescheduling, restructuring, etc.) which must be approved by the Investment Committee and implemented by the Trustee. If the Trustee has to recover delinquent transactions, the Trustee will work with the co-financiers with the support of its legal department or contracted legal firm. At all times the Trustee may rely on the *Chair* of the IC in the relationship with the originators.

### APPENDIX III - TERM SHEET

The operations to be analysed by REIF will be provided by the originators of the operations, which will be mainly commercial banks. The REIF will rely on the Term Sheets of these institutions and other possible originators.

However, they should cover at least the following aspects:

- Amount and Currency,
- Purpose of the credit (which must be marked in the Investment Policy),
- Disbursement schedule,
- Proposed compensatory interest rate,
- Interest payment schedule,
- Capital amortization schedule,
- Warranties
- Other conditions applicable to the transaction.

## APPENDIX IV - INVESTMENT COMMITTEE POSITIONS

Below are the positions to be held by the investment committee, and a brief description of the position.

- **Chair**

### Investment Committee *Chair* Responsibilities

- Implementation of REIF investment strategies established by the Strategic Committee.
- Develop investment plans in line with the defined strategy considering REIF's position and market circumstances, always considering the essence of the fund in terms of impact.
- Liaison between the Investment Committee, commercial banks (and other potential co-financiers) and other stakeholders.
- Represent and promote REIF in the market.
- Represent the Investment Committee to the Strategic Committee and the Trustee.
- Responsible for the origination (via interaction with commercial banks) of operations to be financed by the fund.
- To analyse, together with other members of the Investment Committee, the credit operations presented by commercial banks.
- Monitor portfolio performance reporting to the Strategic Committee and the Trustee.

### Requirements for *Chair*

- Bachelor's degree in Finance or Management. Master's degree in Finance, Economics or Business Administration highly valued.
- More than 10 years of experience in the banking sector, non-bank financial institution, especially oriented to development.
- Knowledge of impact investing, green finance, ESG investments, among others, will be highly valued.
- Ability to work and communicate effectively with senior business counterparts.
- Excellent business judgment, analytical and decision-making skills.
- Strong and effective communication skills, willingness to engage with all stakeholders.
- Solid knowledge of the national banking system, accounting, and applicable Central Bank regulations.
- Fluency in oral and written English

- **Risk Expert**

#### Responsibilities of the Risk Expert

- Prepare risk reports on credit operations, with a final recommendation to the Chairman of the Investment Committee for project approval.
- Perform risk analysis and validation of the credit operations presented, in accordance with REIF's Investment Policy.
- Analyse current risks and identify potential risks that are or may be affecting the Fund. Compile and analyse documentation, statistics, reports, and market trends.
- Review and analysis of metrics and data such as credit operations, portfolio at risk, cash flow, forecasts and other items that could reveal fraudulent behaviour.
- Make risk-avoidance adjustments to current operating methods to minimize your future risks.

#### Requirements for Risk Expert

- Bachelor's degree in Finance or Management. Master's degree in Finance, Economics or Business Administration highly valued.
- Full understanding of the fund's objectives, values and policies, and risk management best practices.
- Excellent communication skills, both written and spoken.
- Excellent analytical and problem-solving skills.
- Ability to handle private, sensitive, and confidential information appropriately.
- Strong working knowledge of risk management and previous experience working with risk.
- Experience working with investment funds.

- **Finance Expert**

#### Responsibilities of the Finance Expert

- Conduct financial analysis and validation of projects submitted to REIF.
- Prepare financial report of the project and submit a final recommendation to the Chairman of the Investment Committee for credit approval.
- Monitor financial operations within the Fund (credit operations, portfolio at risk and other transactions).
- Gather, interpret, and review financial information.

#### Requirements for Finance Expert

- Bachelor's degree in Finance or Management. Master's degree in Finance, Economics or Business Administration highly valued.



- 5-8 years of experience in accounting and / or financial analysis
- Ability to synthesize large amounts of complex data into actionable information
- Ability to work and communicate effectively with senior business counterparts.
- Excellent business judgment, analytical and decision-making skills.
- Excellent demonstrated use of Excel, Word, and PowerPoint

- **Impact and Gender Expert**

#### REIF Gender and Impact Expert Responsibilities

- Conduct technical analysis and validation of projects submitted to REIF, applying the REIF Impact Framework including gender assessment.
- Prepare the technical report of the project and determine the final recommendation to the Chairman of the Investment Committee for approval of the project.
- Determine the additional technical assistance required by the enterprises to strengthen impact measurement and reporting of the project submitted to REIF, discuss the terms of reference of this technical assistance with the enterprises, the JP coordinator (SE) and the Investment Committee chair.
- Develop an annual impact performance report of the REIF portfolio based on the Impact Framework.

#### Requirements for Impact and Gender Expert

- Bachelor's degree in Social or Environmental Sciences, Master's degree in areas related to sustainable development and gender specialization highly valued.
- More than 8 years of experience in sustainable development
- 5+ years of experience in impact measurement and reporting
- More than 5 years of experience in gender evaluation
- Knowledge of SDG impact standards
- Knowledge of ESG finance
- Knowledge of the national market of the Energy Sector (companies and technologies) is desirable.
- Ability to work and communicate effectively with senior business partners.
- Excellent business judgment, analytical and decision-making skills.
- Strong and effective communication skills, willingness to engage with all stakeholders.
- Fluency in oral and written English

- **Energy Expert**

#### Responsibilities of the Energy Expert

- Conduct technical analysis and validation of projects submitted to REIF (preliminary evaluation), the expert will analyse technical parameters related to crucial aspects of Energy (to be determined).
- Develop the risk assessment of the project from a technical point of view (parameters to be determined).
- Determine the additional technical assistance required by the enterprises to strengthen the technical aspects of the project submitted to REIF, discuss the terms of reference of this technical assistance with the enterprises, the JP coordinator (SE) and the chair of the Investment Committee.
- Development of internal evaluations of project proposals, strengths, and weaknesses of the company to develop the proposed energy transitions, considering commercial energy aspects (energy prices, potential contracts with UTE, others).
- Prepare the technical feasibility report of the project and determine the final recommendation to the Chairman of the Investment Committee for the approval of the project (from the Energy perspective)
- Develop a technical report for each project (approved by REIF) reflecting the main core energy indicators for the Impact investment analysis (inputs for the Impact Framework expert) and develop a monitoring plan for the core energy indicators.

#### Requirements for Energy Expert

- Engineering degree, Master's degree in Renewable Energy highly valued.
- More than 5 years of experience in the Energy Sector, especially related to Renewable Energy Technologies.
- Knowledge of the national market of the Energy Sector (companies and technologies).
- Ability to work and communicate effectively with senior business counterparts.
- Excellent business judgment, analytical and decision-making skills.
- Strong and effective communication skills, willingness to engage with all stakeholders.
- Fluency in oral and written English.