

CARBON MARKET INITIATIVE
Indefinite Delivery Contract for Validation and/or Verification
of ADB- assisted Clean Development Mechanism Projects

Background Information and Generic Terms of Reference

ADB's Carbon Market Initiative

1. Through its Carbon Market Initiative (CMI), the Asian Development Bank (ADB) is helping its developing member countries (DMCs) benefit from Carbon Development Mechanism (CDM), a market-based instrument established under the Kyoto Protocol to promote sustainable development. CDM allows developers/sponsors of projects that reduce greenhouse gas (GHG) emissions to trade its environmental benefits as “carbon credits” to buyers—governments, companies and institutions that have committed to GHG reduction targets. The additional revenues from carbon credits can make the projects more attractive to project developers than they would have been under business-as-usual case.
2. An integral part of ADB’s broader climate change program, CMI provides co-financing, technical, and marketing support to potential CDM-eligible projects that are suitable for regular ADB financing. CMI's value-added services are provided through the following components: (i) the Asia Pacific Carbon Fund (APCF) which extends upfront co-financing in exchange for carbon credits until 2012; (ii) the Future Carbon Fund (FCF) which pays for credits beyond 2012; (iii) the Technical Support Facility (TSF) which provides technical CDM support; and (iv) the Credit Marketing Facility (CMF) which assists in marketing credits.
3. In implementing CMI, ADB helps DMCs throughout the CDM project cycle, starting from conception of the project, to validation, implementation, and verification. The aim is for a project to be issued a certified emission reduction (CER) by the CDM Executive Board as this will serve as the trading instrument among buyers and sellers of carbon credits. ADB's support during the validation and verification stages usually come in the form of technical advice to project developers who themselves will engage independent third parties called "Designated Operational Entities" (DOEs) accredited by the CDM Executive Board to conduct validation and/or verification. However, *on a selective basis*, ADB also provides support by engaging DOE and paying for their services.

Use of an Indefinite Delivery Contract

4. ADB has over 40 projects in its existing CMI portfolio alone that will still have to go through validation and/or verification. It cannot be ascertained yet how many of these will actually need ADB support in validation or verification, or both, and when such services should be delivered. But to ensure timely and efficient support when the need arises, ADB wishes to engage DOEs to conduct validation and/or verification under an Indefinite Delivery Contract (IDC). Under such arrangement, firms will be pre-selected and retained for an indefinite period (in this assignment, ADB envisions a 2-year retention period) to provide specialized services IDC Assignments "on call". This will entail less time compared to conducting separate DOE recruitments every time an individual project is approved to receive validation or verification support from ADB. This will therefore help move projects more quickly into the next phase of the CDM cycle, minimizing risks of losing carbon credits on the part of project developers. Recruitment shall be in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as

amended from time to time) which is available online at <http://www.adb.org/Documents/Guidelines/Consulting/default.asp>.

Types of Indefinite Delivery Contract Assignments

5. An Indefinite Delivery Contract Assignment (IDCA) is a specific assignment which will contain a description of the services to be provided, the agreed timeframe for the work to be carried out, details of remuneration for the assignment and will be subject to the terms and conditions of this IDC, including the Appendices, and any subsequent written variation to the IDC or IDCA agreed to by the parties of the contract. For this IDC, two types of IDCAs are envisaged:

- i. validation services
- ii. verification services

6. The scopes of work for these IDCAs are as follows:

Validation

- i. Carry out completeness check and desk review of the CDM project and required documents, e.g. Project Design Document (PDD) for a regular CDM project, and Program of Activities Design Document (PoA_DD), and Program of Activity Design Document/s (CPA DD/s) for Programmatic CDM project, as per the requirements under Article 12 of the Kyoto Protocol;
- ii. Visit site and ascertain the project parameters;
- iii. Submit a draft validation report containing findings such as clarification request and corrective action requests, if pertinent;
- iv. Prepare the validation report of the proposed project;
- v. Request registration of the CDM project, on closure of the findings;
- vi. Providing comments if required during the registration process;
- vii. If required, submit new methodology or request for revision/clarification of an existing methodology, as necessary.

Verification

- i. Carry out completeness check on the Monitoring Plan and publish the Monitoring Plan in UNFCCC website;
- ii. Visit the site of the project activity and give their preliminary observations on submitted Monitoring Plan;
- iii. Submission of draft Verification report listing the findings, if any, such as Clarification requests, Corrective Action Requests and Forward Action Requests with respect to project activity.
- iv. Submission of the final Verification/Validation Report and Protocol to UNFCCC on closure of the findings.

7. The DOE that will be selected for this IDC shall provide validation and/or verification services in accordance with Article 12 of the Kyoto Protocol (Modalities and Procedures for CDM projects), the latest version of Validation and Verification Manual approved by the CDM EB, and relevant decisions of CDM EB, Conference of the Parties (COP)/Meeting of the Parties (MOP).

IDC Indicative Funding

8. The funding for the IDC will be sourced from the budget of any of the following: APCF, FCF, TSF (Regional Technical Assistance 6438: Implementation of the Technical Facility under the Carbon Market Initiative), or ADB's operations departments.

9. For indicative purposes only, the current CMI pipeline may translate to about 15 - 20 IDCAs over the next two years with the average assignment value ranging from \$15,000–25,000 for small-scale projects, \$25,000–40,000 for large-scale projects, and \$60,000–90,000 for Program of Activities (PoAs).

Eligibility/Required Expertise

10. Applicant firms must be registered in an ADB member country, as provided for in ADB's *Guidelines on the Use of Consultants*. For list of ADB member countries, please see <http://www.adb.org/About/membership.asp>. They must also be DOEs accredited by the UNFCCC to undertake validation and/or verification services in at least one of the following sectoral scopes: energy (1, 2, and 3), transport (7), waste handling and disposal (13), fugitive emissions from fuels (10), and agriculture (15).

IDC and IDCA Process

11. ADB intends to pre-qualify and retain about 6–8 DOEs under an IDC, although this number may vary depending on the response to ADB's invitation for Expressions of Interest (EOIs). ADB will pay no retainer cost and will call down any of the prequalified firms for the particular sectoral scope to compete for the rapid mobilization and management of experts for IDCAs as and when required by ADB. The firm that will be engaged for a given IDCA will be selected using the Quality and Cost-based Selection (QCBS) method.

12. The IDC/IDCA will follow the process below:

Stage I: IDC

- i. Invitation for EOIs from DOEs to be posted by ADB; the advertisement will incorporate (i) background information and IDC generic terms of reference; (ii) EOI standard template; (iii) EOI evaluation criteria; (iv) link to ADB's *Guidelines on the Use of Consultants*.
- ii. DOEs submit EOIs using the standard template, 30 days from the date of the advertisement; EOIs should be sent to ADB's Central Operations Services Office (COSO) through email to mcarreon@adb.org cc: madato@adb.org and/or by post to :

Director, COS1, Asian Development Bank
6 ADB Ave., Mandaluyong City
1550 Metro Manila, Philippines

- iii. Evaluation and ranking of EOIs based on EOI evaluation criteria (see attached).
- iv. The top ranked 6-8 DOEs will be invited to sign an IDC.

Stage II: IDCA

- v. For each IDCA, ADB will issue a request for proposal (RFP) to retained DOEs accredited for the relevant sectoral scope, inviting them to submit within 10 days:
 - a biodata technical proposal (BTP) consisting of the firm's work plan (which indicates phasing of activities and allocation and timing of experts' inputs) and CVs of the experts proposed; experts should be nationals of ADB member countries; and
 - a financial proposal comprising these sections: (i) lumpsum remuneration; and (ii) out-of pocket expenses (travel, miscellaneous)

As part of the invitation, Project Information Note (PIN) or its equivalent for the specific project requiring service will be provided. Upon confirmation of award to the retained DOE, ADB/project developer will provide the required project documents, in particular the PDD/Monitoring Plan (with annexes), and further evidence, as needed;

- vi. Evaluation of the BTPs will be based on quality of the work plan and the CVs;
- vii. The top ranked firm will receive an IDCA contract and be required to mobilize the experts within 10 days of receipt of contract or as per any other agreed timeline;
- viii. Payment shall be made based on the following milestones:
 - Publishing of PDD/PoADD/CPADD for validation or monitoring report for verification (30%)
 - Submission of draft validation or verification report (50%)
 - Submission of final validation or verification report (20%)
- ix. ADB keeps a record of each retained DOEs' performance while carrying out activities under the IDCA and will refer to it if the DOE is considered for subsequent IDCAs during the IDC period.

Other Implementation Arrangements

13. All documents provided by ADB/project developer are confidential and are not to be disclosed by the DOE or its staff until officially released by ADB/project developer. ADB/project developer will respond to questions from the DOE and its staff, and assist in arranging meetings with project participants as needed.