



Technical Assistance Report

Project Number: 39656
June 2006

People's Republic of China: Establishment of the Clean Development Mechanism Fund

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 27 June 2006)

Currency Unit	–	yuan (CNY)
CNY1.00	=	\$0.1250
\$1.00	=	CNY7.9984

ABBREVIATIONS

ADB	–	Asian Development Bank
CDM	–	Clean Development Mechanism
CDMFPO	–	Clean Development Mechanism Fund Preparation Office
CER	–	certified emission reduction
GHG	–	greenhouse gas
HFC	–	hydrofluorocarbon
MOF	–	Ministry of Finance
NDRC	–	National Development and Reform Commission
PRC	–	People's Republic of China
UNFCCC	–	United Nations Framework Convention on Climate Change

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Energy
Subsector	–	Energy sector development
Themes	–	Environmental sustainability, Governance, and Capacity development
Subthemes	–	Clean production, control of industrial pollution; global and regional transboundary environmental concerns and issues; public governance

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. During the country program midterm review conducted in November 2005, the Government of the People's Republic of China (PRC) requested technical assistance (TA) from the Asian Development Bank (ADB) for establishment of the Clean Development Mechanism Fund (the CDM Fund) in the PRC.¹ At the request of the Government, ADB sent a mission to the PRC to undertake reconnaissance about the CDM Fund from 18 to 20 January 2006. National experts were engaged as staff consultants to provide a background analysis concerning the institutional structure and operational modalities of the proposed CDM Fund. A joint review meeting was held at ADB on 15–17 February 2006 between the Government, ADB and staff consultants to discuss the consultant report. Based on findings of the reconnaissance mission and staff consultants' study, the ADB Fact-Finding Mission visited the PRC from 4 to 7 April 2006 and reached agreement with the Government regarding the TA's impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference. The TA project design and monitoring framework is provided in Appendix 1.

II. ISSUES

2. The PRC signed the United Nations Framework Convention on Climate Change (UNFCCC) in 1991, and ratified the Kyoto Protocol of the UNFCCC in 2002. As a developing participating country of the UNFCCC, the PRC is eligible to benefit from the Clean Development Mechanism (CDM) established under Kyoto Protocol; the validity of the CDM currently extends until 2012. The CDM is designed to promote a win-win solution between developed and developing countries in addressing global climate change. The CDM allows the developed countries listed in Annex I of the UNFCCC to fulfill their greenhouse gas (GHG) emission reduction obligations through investment or participation in GHG emission reduction projects in developing countries, where the costs for emission reduction are relatively low. By obtaining certified emission reduction (CERs) from projects located in developing countries, the developed countries can meet their GHG emission reduction targets at lower cost, while promoting sustainable development in developing countries.

3. It is estimated that the PRC could implement GHG reduction projects that would annually generate CER credits equal to 151 to 225 million tons of carbon dioxide equivalent². Based on an estimated \$10 per million tons of carbon dioxide equivalent, this represents a potential annual CER revenue stream of \$1.51 billion to \$2.25 billion. According to a World Bank-sponsored study,³ the PRC has the potential to generate about 50% of the total worldwide annual CERs. These potential benefits need to be achieved through the CDM, by means of CER transactions between the project owners in the PRC and their counterparts from the developed countries. The Government regards the CDM as an important mechanism to (i) gain financial support and new technology from developed countries to complement its own efforts to promote sustainable development, and (ii) address climate change concerns on both a national and global basis. The Government has established an inter-ministerial national policy coordination group, headed by the National Development and Reform Commission (NDRC), to provide oversight for policy development and decision making on climate change-related activities.

¹ The TA first appeared in *ADB Business Opportunities* on 20 April 2006.

² ADB Staff Consultants. February 2006. *Clean Development Fund (CDF) Consultants Consolidated Report*, unpublished.

³ World Bank. 2004. *Clean Development Mechanism in China*. Washington, DC.

4. While recognizing the potential benefits the CDM can generate for the country, the Government has noted two general concerns related to CER transactions under the CDM: (i) certain CDM projects (e.g., hydrofluorocarbon [HFC] projects that are designed to capture and destroy HFC emissions by the manufacturing sector) have a high value in terms of CER revenues, but contribute less to sustainable development; and (ii) high CER market values could serve as a perverse incentive, stimulating operation of and further investment in polluting industries. To address these concerns, on 12 October 2005 the Government issued a decree, “Measures on Operation and Management of Clean Development Mechanism Projects” (Decree 37). Decree 37 has introduced a levy on the CER revenues generated by various CDM projects in the PRC;⁴ the fees collected by the Government will be used to support domestic climate change-related activities. It also states that the Ministry of Finance (MOF) will develop, in consultation with the NDRC, detailed regulations and operational guidelines for collecting and using the resources mobilized through this levy.

5. In accordance with Decree 37, the Government will establish a specialized facility—the CDM Fund—to manage the fees collected from CDM projects. Furthermore, the CDM Fund may also receive technical assistance and other grant support from external funding agencies, including ADB and the World Bank. These resources will be supplemented by donations and operational income. CDM Fund resources will be used to promote domestic CDM projects and other climate change-related mitigation and adaptation projects and activities, through provision of technical assistance, grant support, and loans. The CDM Fund will be operated under the guidance of a governing council comprising the NDRC, MOF, Ministry of Science and Technology, and Ministry of Foreign Affairs (the Governing Council).

6. The levy introduced under Decree 37 is generally welcomed by the international community as an innovation to further enhance the rationale and integrity of CDM as a partnership to promote sustainable development. The World Bank has agreed to support preparation of the CDM Fund by (i) providing staff consultants to prepare the draft operational strategy for the CDM Fund, and (ii) making available limited seed money through advance payment for CERs purchased under its Prototype Carbon Fund. The Government has requested TA from ADB to assist in designing the governance structure and operational mechanism of the CDM Fund, in line with international experiences and best practices.

7. ADB has been providing ongoing support to the PRC for CDM capacity development and has implemented a number of early CDM projects. In 2002, ADB implemented TA 3840-PRC: Opportunities for the Clean Development Mechanism in the Energy Sector.⁵ Under TA 5972-REG: Promotion of Renewable Energy, Energy Efficiency and Greenhouse Gas Abatement (PREGA), ADB prepared CDM documentation for six projects in the PRC. In 2005, the ADB CDM Facility successfully brokered the CER credits from Loan 2112-PRC Liaoning Environment Improvement Project. ADB also supported CDM development for Loan 2146-PRC Coalmine Methane Development and Loan 2032-PRC Gansu Clean Energy Development Projects. ADB is currently preparing the Carbon Market Initiative, which will provide innovative CDM financing for ADB-assisted projects. It is envisaged that the Carbon Market Initiative and the CDM Fund would complement each other in promoting CDM projects in the PRC.

⁴ According to Decree 37, the Government will collect 65% of revenues from the sale of CERs produced by HFC and perfluorocarbon (PFC) emission reduction projects, 30% from nitrous oxide (N₂O) projects and 2% from projects of national priority, including projects that focus on energy efficiency, new and renewable energy, the capture of coal mine and coal bed methane, and that support small scale reforestation.

⁵ ADB. 2005. *Technical Assistance Completion Report on Opportunities for Clean Development Mechanism in the Energy Sector in the People’s Republic of China* Manila rated TA 3840-PRC successful.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

8. The impact of the TA will be sustainable development in the PRC and support for international efforts to address climate change. Its outcome will be an increase in the number of CDM projects and other climate change-related mitigation and adaptation projects and activities in the PRC. The TA will help the Government establish the CDM Fund, with an appropriately designed governance structure and initial operational capacity, in further pursuit of this development goal.

B. Methodology and Key Activities

9. The TA will assist the Government address key governance and operational concerns of the CDM Fund, through the following four major components:

- (i) **Component A: study and introduction of CDM fee collection mechanism.** Under this component, the TA will provide consulting services to help (a) examine the applicable accounting laws and principles and various government fee collection mechanisms; (b) propose operational alternatives for a CDM fee collection mechanism for the CDM Fund; (c) prepare the draft decree or regulations, as applicable, for the CDM fee collection mechanism; and (d) conduct consultation with stakeholders as part of a participatory consensus-building process.
- (ii) **Component B: CDM fund governance structure and capacity building.** Under this component, the TA will (a) design and establish the internal control and governance structure of the CDM Fund (including auditing and anti-corruption systems); (b) conduct targeted external consultations with the UNFCCC Secretariat concerning registration procedures for CER transactions, and undertake a study tour to selected countries to visit potential CER buyers, and to gain an understanding of international experiences and best practices in the management of environment funds; (c) provide essential facilities, including a server and basic work stations, for a computer-based management information system for the CDM Fund; and (d) provide a training program for the staff of the CDM Fund and relevant local government officials.
- (iii) **Component C: CDM fund operations manual.** Under this component, the TA will review the proposed operational strategy for the CDM Fund and prepare the manual guiding its day-to-day operation.
- (iv) **Component D: information dissemination and awareness program.** Under this component, the TA will organize conferences and provide support for preparation of information dissemination and public awareness materials, including a specialized website to promote awareness and support for climate change activities in general, and to promote operation of the CDM Fund in particular.

10. The major deliverables of the TA include (i) the draft decree and/or regulations on the CDM fee collection mechanism, (ii) a draft policy paper guiding the CDM Fund internal control and governance structure, (iii) a draft operations manual for the CDM Fund, (iv) a computer-

based operational management information system, (v) training materials for capacity building, and (vi) materials (including a special website) for the information dissemination and public awareness program.

C. Cost and Financing

11. The total cost of the TA is estimated to be \$800,000 equivalent. The Government has requested that ADB finance \$600,000 equivalent. The TA will be financed on a grant basis by ADB's TA Funding Program. The Government will finance the balance of the TA costs, equivalent to \$200,000, through the provision of in-kind contributions in the form of office space and facilities and salaries of counterpart staff. Details of the cost estimates and financing plan are provided in Appendix 2.

D. Implementation Arrangements

12. The MOF will be the Executing Agency for the TA, and has designated a senior official at the deputy director general level as the project director, who is responsible for daily decision making on behalf of the Government. The Governing Council (para. 5) will serve as the inter-ministerial steering committee to provide guidance and policy coordination support for TA implementation. The CDM Fund Preparation Office (CDMFPO), established by the MOF, will serve as the project management office for the TA. The CDMFPO has designated a senior official, with extensive operational experience in handling international projects, as the chief operation coordinator. They will supervise and coordinate all activities, including consulting services supported by the TA under different components.

13. The TA will provide 6 person-months of international consulting services in the areas of financial institution management (2 person-months) and fund management (4 person-months). The international consultants will be actively involved in developing the draft policy paper to design the governance structure and internal control system of the CDM Fund and in formulating the draft operations manual. The TA will provide 24 person-months of national consulting services in the areas of project management (4 person-months), project financial management (4 person-months), PRC taxation law (3 person-months), taxation accounting (3 person-months), fund management (2 person-months), corporate management (4 person-months), CDM transactions (2 person-months), and legal counsel (2 person-months). The national consultants will be involved, to various extents and as appropriate, in implementing the four major TA components (para. 9). All the consultants will be engaged by ADB on an individual basis, in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers*. Interdisciplinary cooperation and coordination among the consultants will be managed by the Executing Agency through CDMFPO. The individual consultant selection and recruitment method is recommended because few consulting firms, international or national, are known to have the ability to organize a team of in-house professionals with such diversified expertise. Given the strong capacity of the Executing Agency and the designated project management office, a CDMFPO-led team of individually engaged consultants is considered the most efficient and effective arrangement for implementing the TA. Outline terms of reference for the consulting services are provided in Appendix 3.

14. The TA will provide the necessary hardware (including one server and associated workstations for the CDM Fund Preparation Office), and related technical support for software development, to help the Government establish a computer-based management information system for the CDM Fund operation and launch a website-based information dissemination and

awareness program. The equipment will be procured in accordance with ADB's *Procurement Guidelines* and transferred to the Government upon completion of the TA.

15. The TA will be implemented over a period of 12 months beginning on 01 August 2006, with a scheduled completion date of 30 July 2007. Information on implementation progress and TA outputs will be disseminated through the TA information dissemination and awareness program, including the special website that is to be developed. The outcome of the TA will be subject to evaluation by both ADB and the Government, in accordance with their respective evaluation policies and requirements.

IV. THE PRESIDENT'S DECISION

16. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$600,000 on a grant basis to the Government of the People's Republic of China for Establishment of the Clean Development Mechanism Fund, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Strengthened capacity of the Government to promote sustainable development and to participate in the international endeavor to address climate change</p>	<p>Establishment and operation of the CDM Fund, promotion of sustainable development in the PRC, and progress in achieving Goal 7 of the Millennium Development Goals</p>	<p>Performance report of the CDM Fund</p>	<p>Assumption</p> <ul style="list-style-type: none"> • TA design is implemented effectively
<p>Outcome</p> <p>A CDM Fund established and operating in the PRC with appropriately designed governance structure and initial operational capacity</p>	<p>Proposed CDM fee collection mechanism is approved by the authority concerned as a working mechanism to mobilize resources for CDM Fund</p> <p>CDM Fund supported activities, in the areas of policy development, capacity building, and financial incentives for CDM projects and other climate change-related mitigation and adaptation activities in the PRC</p>	<p>Report by the MOF on resource mobilization at the CDM Fund</p> <p>Report by the MOF on preparation and operation of the CDM Fund</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • The draft decree/guidelines for CDM fee collection will meet legal and operational requirements • Inter-ministerial committee reaches consensus on CDM Fund operational methods • The CDM Fund will be approved by the State Council • The CDM continues to operate in the PRC with strong demand for CER
<p>Outputs</p> <p>1. Draft decree or guidelines concerning CDM fee collection in the PRC</p> <p>2. Draft policy paper guiding the governance structure and internal control of the CDM Fund</p> <p>3. Draft operations manual guiding day-to-day operation of the CDM Fund</p> <p>4. Information dissemination and awareness program and materials</p>	<p>Draft decree or guidelines developed under the TA endorsed by the Governing Council for approval by the authority concerned</p> <p>The draft policy paper developed under the TA is approved by the Governing Council for implementation</p> <p>The draft operations manual developed under the TA is approved by the Governing Council for implementation</p> <p>The computer-based information management system is established and tested for operational performance</p> <p>Training program and</p>	<p>Minutes of Governing Council meetings</p> <p>CDMFPO progress reports</p> <p>Minutes of Governing Council meetings</p> <p>CDMFPO progress reports</p> <p>Minutes of Governing Council meetings</p> <p>CDMFPO progress reports</p> <p>CDMFPO progress reports</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • The consultants' terms of reference are well defined and provide adequate guidance to the consultants in preparing the expected outputs • The Governing Council has appropriate knowledge and authority to endorse/approve the draft documents on behalf of the Government • The Executing Agency has the expertise and authority to approve the relevant proposals and design concepts on behalf of the Government

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	<p>materials developed under the TA are implemented</p> <p>Information dissemination program and materials (including design of a website) are implemented</p>		
<p>Activities with Milestones</p> <p>Output 1: CDM Fee Collection Mechanism 1.1 Submit the draft report outlining alternative fee collection mechanisms for Governing Council review by the end of the third month after TA approval 1.2 Submit draft decree/guidelines for the CDM fee collection mechanism for Governing Council review by the end of fifth month after TA approval 1.3 Finalize the draft decree/guidelines for CDM fee collection mechanism within one month after the comments of the Governing Council are received</p> <p>Output 2: Governance Structure and Capacity Building 2.1 Submit the draft CDM Fund governance manual for Governing Council review by the end of third month after TA approval 2.2. Finalize the draft CDM Fund governance manual within one month after the comments of the Governing Council are received. 2.3 Complete installation and operational testing of the computer-based management information system by the end of the eighth month after TA approval</p> <p>Output 3: CDM Fund Operations Manual 3.1. Submit the draft operations manual for Governing Council review by the end of the sixth month after TA approval 3.2. Finalize the draft operations manual within one month after the comments of the Governing Council are received. 3.4 Prepare training materials immediately after the Operations Manual is finalized, and conduct training programs for CDM Fund staff and local officials by the end of ninth month after TA approval</p> <p>Output 4: Information Dissemination and Awareness Program 4.1 Prepare information dissemination materials on the CDM Fund immediately after the policy paper on CDM Fund governance and internal systems is approved by the Governing Council</p>			<p>Inputs: \$800,000</p> <p>ADB: \$600,000</p> <ul style="list-style-type: none"> • Consultants-\$332,000 International (6 person-months) • National (24 person-months) • Equipment-\$40,000 • Training and Seminars-\$120,000 • Information Dissemination-\$25,000 • Contingencies-\$83,000 <p>Government: \$200,000</p> <ul style="list-style-type: none"> • Personnel - \$80,000 • Office Accommodation and Facilities - \$120,000

ADB = Asian Development Bank, CER = certified emission reduction, CDM = Clean Development Mechanism, CDMFPO = Clean Development Mechanism Fund Preparation Office, MOF = Ministry of Finance, PRC = People's Republic of China, TA = technical assistance.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank (ADB) Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	162.0
ii. National Consultants	120.0
b. International and Local Travel	20.0
2. Equipment ^b	40.0
3. Training, Seminars, and Conferences	
a. External Consultation and Study Tour	50.0
b. Training Program	30.0
c. Stakeholder Consultation	40.0
4. Information Dissemination	25.0
5. Miscellaneous Administration and Support Costs	30.0
6. Contingencies	83.0
Subtotal (A)	600.0
B. Government Financing	
1. Office Accommodation and Facilities	120.0
2. Remuneration and Per Diem of Counterpart Staff	80.0
Subtotal (B)	200.0
Total	800.0

^a Financed by ADB's technical assistance funding program.

^b Equipment include a system server with basic workstations for both the computer-based management information system and website management and associated technical support for software development.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The TA activities will consist of four separate components to address governance and operational aspects of the Clean Development Mechanism (CDM) Fund. The TA will require a total of 6 person-months of international consulting services and 24 person-months of national consulting services. The components and associated consultant services comprise the following:

- (i) **Component A: Study and Introduction of the CDM Fee Collection Mechanism.** This will require a total of 9 person-months of consultancy services, consisting of a national taxation legal specialist (3 person-months), national taxation accounting specialist (3 person-months), national CDM transaction specialist (1 person-month) and national fund management specialist (2 person-months).
- (ii) **Component B: CDM Fund Governance Structure and Capacity Building.** This will require a total of 7 person-months of consultancy services, consisting of an international financial institution management specialist (2 person-months), national corporate management specialist (4 person-months), and national legal counsel (1 person-month).
- (iii) **Component C: CDM Fund Operations Manual.** This will require a total of 13 person-months of consultancy services, consisting of an international fund management specialist (4 person-months), national legal counsel (1 person-month), national project management specialist (4 person-months), and national project financial management specialist (4 person-months).
- (iv) **Component D: Information Dissemination and Awareness Program.** This will require a total of 1 person-month of consultancy services, consisting of a national CDM transaction specialist (1 person-month).

A. International Consultants

2. **Financial Institution Management Specialist** (2 person-months). The financial institution management specialist will contribute to component B. The activities to be conducted include the following:

- (i) Act as team leader to coordinate preparation and delivery of outputs under component B, as directed by the Clean Development Mechanism Fund Preparation Office (CDMFPO).
- (ii) Coordinate preparation of the CDM Fund internal governance policy paper regarding internal fund control and governance structure. Prepare relevant technical sections of the policy paper relating to institutional management of the CDM Fund.
- (iii) Provide input to the design of the international study tour and fund management training program.
- (iv) Coordinate preparation of fund governance guidelines by the consulting team, suitable for inclusion into the CDM Fund operations manual. Prepare relevant technical sections of the fund governance guidelines, incorporating international best management practices. The fund governance guidelines will include, but not be limited to the following: (a) relevant national laws and regulations, (b) financial management procedures for fund flows through CDM Fund, (c) financial management procedures of the CDM Fund, (d) administrative management of the CDM Fund, and (e) audit and anti-corruption measures.
- (v) Submit the draft internal governance policy paper and draft fund governance guidelines to the Asian Development Bank (ADB), the CDMFPO and the CDM Fund Governing Council for review; incorporate comments into final reports.

3. **Fund Management Specialist** (4 person-months). The international fund management specialist will contribute to component C. The activities to be conducted include the following:

- (i) Act as team leader to coordinate preparation and delivery of outputs under component C, as directed by the CDMFPO.
- (ii) Coordinate preparation of the draft CDM Fund operations manual, including allocation of responsibilities between team members, review of technical inputs, compilation of reports and management of relevant technical inputs from team members. The CDM Fund operations manual will include, but not be limited to, the following: (a) CDM Fund operational strategy; (b) eligibility criteria for CDM Fund support; (c) proponent application procedures for CDM Fund resources; (d) procedures for approval of projects seeking CDM Fund support; (e) project implementation, supervision, and reporting requirements and procedures; (f) procedures for procurement and engagement of consultants; (g) procedures for project evaluation and auditing; (h) project closure procedures; (i) financial management of CDM Fund resources; and (j) CDM Fund internal control mechanisms.
- (iii) Prepare relevant sections of the CDM Fund operations manual relating to aspects of fund management, as determined by the CDMFPO. Technical focus will include incorporation of international best practices in fund management into the operations manual.
- (iv) Submit the draft CDM Fund operations manual to ADB and the CDMFPO for review and coordinate incorporation of comments. Submit the revised draft CDM Fund operations manual to the Governing Council for review; coordinate incorporation of comments into the final CDM Fund operations manual.

B. National Consultants

4. **Taxation Legal Specialist** (3 person-months). The national PRC taxation legal specialist will contribute to component A. The activities to be conducted include the following:

- (i) Act as team leader to coordinate preparation and delivery of outputs under component A, as directed by the CDMFPO.
- (ii) Conduct an assessment of alternative certified emission reduction (CER) fee collection mechanisms for the CDM Fund, particularly in relation to legal taxation aspects, including but not limited to the (a) legal framework for fee collection, (b) legal authority for a fee collection agency, (c) legal basis and options for enforcing compliance, and (d) legal basis for allocation of payment obligation.
- (iii) Coordinate stakeholder consultation meetings to obtain views of relevant stakeholders. Stakeholders will include but not be limited to the Ministry of Finance, National Development and Reform Commission, Ministry of Science and Technology, Ministry of Agriculture, CER buyers and sellers and CDM projects, CDM operation-related consulting firms, and local financial bureaus.
- (iv) Coordinate a consultation seminar with relevant stakeholders to obtain input into the fee collection options.
- (v) Incorporate the stakeholders' views into the CER fee collection options.
- (vi) Prepare a report detailing the CER fee collection alternatives. Coordinate inputs from team members to the draft report. Present the draft report to ADB and the CDMFPO for review; incorporate comments.
- (vii) Present the report to the Governing Council for review.

- (viii) Based on the response from the Governing Council, and in coordination with the CDMFPO, coordinate preparation of the draft decree or regulations (as applicable) for implementation of the preferred CER fee collection mechanism. Allocate reporting responsibilities between team members, review technical inputs, compile reports and manage technical inputs from team members. Prepare relevant sections of the draft decree or regulations relating to legal issues.
- (ix) The draft decree or regulations will include, but not be limited to, (a) the legal basis for the CER fee, (b) allocation of fee payment obligation, (c) accounting principles and arrangements for CDM revenue and the CER fee, (d) authority and responsibilities of the CER fee collection agent, (e) financial arrangements for operational fee collection costs, (f) penalty for non-payment of the CER fee, (g) penalty for nonperformance of the fee collection agent, and (h) bookkeeping and auditing of the CER fund flow.
- (x) Submit the draft decree or regulations to ADB, the CDMFPO and the Governing Council for review. Coordinate incorporation of the comments into the final draft decree or regulations
- (xi) Prepare relevant sections of the operations guidelines, as directed by the CDMFPO, suitable for inclusion into the fee collection section of the CDM Fund operations manual. Allocate responsibilities and coordinate the preparation by team members of sections of the operations guidelines.

5. **Taxation Accounting Specialist** (3 person-months). The national taxation accounting specialist will contribute to component A, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) Assess alternative CER fee collection mechanisms for the CDM Fund, particularly in relation to taxation accounting aspects, and including but not limited to (a) CER fee collection procedures, (b) bookkeeping and auditing procedures, (c) integration with existing taxation regulations and procedures, and (d) the framework for flow of CER fees.
- (ii) Participate in stakeholder consultation meetings and consultation seminars to obtain views of relevant stakeholders, and incorporate these into the CER fee collection options. Stakeholder consultation will focus on accounting issues associated with the CDM fee collection mechanism.
- (iii) Prepare relevant sections of the CER fee collection options draft report, focusing on accounting issues. Incorporate comments from ADB and the CDMFPO into the final report.
- (iv) Prepare relevant sections of the draft decree or regulations for implementation of the preferred CER fee collection mechanism. Incorporate comments from ADB, the CDMFPO and the Governing Council into the final draft decree or regulations.
- (v) Prepare relevant sections of the operations guidelines, suitable for inclusion into the fee collection section of the CDM Fund operations manual.

6. **CDM Transaction Specialist** (2 person-months). The national CDM transaction specialist will contribute to components A and D, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) **Component A.** Assess alternative CER fee collection mechanisms for the CDM Fund, including but not limited to the CDM project cycle and CDM revenue stream.
- (ii) Participate in stakeholder consultation meetings and consultation seminars, as directed by the team leader and CDMFPO, to obtain views of relevant stakeholders.

Stakeholder consultation will focus on issues relating to CDM transactions. Incorporate the views of the stakeholders into the CER fee collection options.

- (iii) Prepare relevant sections of the draft report on CER fee collection options, focusing on CDM transaction issues. Incorporate comments from ADB and the CDMFPO into the final report.
- (iv) Prepare relevant sections of the draft decree or regulations for implementing the preferred CER fee collection mechanism. Incorporate comments from ADB, the CDMFPO and the Governing Council into the final draft decree or regulations.
- (v) Prepare relevant sections of the operations guidelines, suitable for inclusion into the fee collection section of the CDM Fund operations manual.
- (vi) **Component D.** Provide technical input, as required, for CDM Fund public dissemination activities. This will include, but not be limited to, provision of data for the CDM Fund website, brochures and publicity kits. The CDM specialist will also assist in preparing technical input for the initial newsletter. The scope of technical assistance required from the CDM specialist will be determined by the CDMFPO, as required to complete the public dissemination activities.

7. **Fund Management Specialist** (2 person-months). The national fund management specialist will contribute to component A, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) Assess alternative CER fee collection mechanisms for the CDM Fund, including but not limited to operational fund management implications of alternative collection mechanisms and other issues relating to fund management.
- (ii) Participate in stakeholder consultation meetings and consultation seminars to obtain views of relevant stakeholders. Stakeholder consultation will focus on fund management issues. Incorporate the views of the stakeholders into the CER fee collection options.
- (iii) Prepare relevant sections of the draft report on CER fee collection options, focusing on fund management issues. Incorporate comments from ADB and the CDMFPO into the final report.
- (iv) Prepare relevant sections of the draft decree or regulations for implementation of the preferred CER fee collection mechanism. Incorporate comments from ADB, the CDMFPO and the Governing Council into the final draft decree or regulations.
- (v) Prepare relevant sections for operations guidelines, suitable for inclusion into the fee collection section of the CDM Fund operations manual.

8. **Corporate Management Specialist** (4 person-months). The national corporate management specialist will contribute to component B, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) Prepare relevant sections of the CDM Fund internal governance policy paper relating to corporate management.
- (ii) Assist the CDMFPO, as required, in the design and organization of the international study tour.
- (iii) Design the fund management training program to increase fund management capacity of CDM Fund staff and operational awareness of relevant government officials.
- (iv) Prepare relevant sections of the fund governance guidelines suitable for inclusion into the CDM Fund operations manual.

- (v) Incorporate comments from ADB, the CDMFPO, and the Governing Council on draft reports into final documents.

9. **Legal Counsel** (2 person-months). The national legal counsel will contribute to components B and C, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) **Component B.** Prepare relevant sections of the CDM Fund internal governance policy paper relating to legal issues.
- (ii) Prepare relevant sections of the fund governance guidelines suitable for inclusion into the CDM Fund operations manual. Input will focus on legal issues associated with fund governance, as required.
- (iii) Incorporate comments from ADB, the CDMFPO and the Governing Council on draft reports into the final documents.
- (iv) **Component C.** Prepare relevant sections of the CDM Fund operations manual relating to legal issues associated with the CDM Fund operations manual. Provide legal advice to the consultant team during preparation of the CDM Fund operations manual, to ensure the operations manual conforms with the existing PRC legal system.
- (v) Finalize relevant sections of the draft CDM Fund operations manual by incorporating comments from ADB, CDMFPO and the Governing Council.

10. **Project Management Specialist** (4 person-months). The national project management specialist will contribute to component C, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) Prepare relevant sections of the CDM Fund operations manual, including but not limited to sections addressing: (a) proponent application procedures for CDM Fund resources; (b) procedures for approval of projects applying for CDM Fund support; (c) project implementation, supervision, and reporting requirements and procedures; (d) procurement and engagement of consultants; and (e) the CDM Fund internal project management mechanism.
- (ii) Finalize the relevant sections of the draft CDM Fund operations manual by incorporating comments from ADB, the CDMFPO and the the Governing Council.

11. **Project Financial Management Specialist** (4 person-months). The national project financial management specialist will contribute to component C, and will conduct activities as directed by the team leader and the CDMFPO, including but not limited to the following:

- (i) Prepare relevant sections of the CDM Fund operations manual including but not limited to: (a) eligibility criteria for CDM Fund support, (b) procedures for project evaluation and auditing, (c) project closure procedures, (d) financial management of CDM Fund resources, and (e) the CDM Fund internal financial management control mechanism.
- (ii) Finalize the relevant sections of the draft CDM Fund operations manual by incorporating comments from ADB, the CDMFPO and the Governing Council.