Draft Terms of Reference (TOR)

Activity 4b Developing an Ecosystem for Investment and Financing for Climate

I. Background

The World Bank established the Partnership for Market Readiness (PMR) in 2011 to support developing countries control greenhouse gas emissions and achieve low-carbon development via market mechanisms. China joined PMR in the same year and received the first stage grant eight million US$ to support China in establishing a national carbon emission trading system (ETS). The China PMR project carried research on the institutional design of national ETS, including the coverage, cap setting, allowance allocation methodologies, offsets, legal framework, and emission data measurement reporting and verification, improvement of registry, as well as the study on State Owned Enterprises (SOEs), the power sector and provincial level research. The China PMR project contribute important technical supports for the construction of the national ETS, and a number of outputs have been recognized by the authority and the World Bank. The project obtained “World Bank President's Award for Excellence” in 2018. The PMR project received the second phase grant of two million US$ in 2019 and carry out a further research on the national ETS in the light of the progress of the national ETS construction progress. The PMR project will be completed in February 2020.

Mobilization of private capital is critical to the efforts of addressing climate change. Since 2016, financing climate actions has become a core element of China’s Climate Change agenda. On UNFCCC Marrakech COP22 in November 2017, China unveiled its climate finance masterplan, focusing on:

(1) Promoting the integration of national green finance system construction with low carbon transition and climate resilient development;
(2) Establishing strong linkage between financial policies and national medium-and-long term targets of low carbon development;
(3) Developing climate financing standard;
(4) Supporting local pilot and practice on climate financing;
(5) Encouraging innovative financial tools and service to fund low carbon projects;
(6) Strengthening information disclosure for climate financing
(7) Leveraging the unique role of Fintech;
(8) Enhancing international cooperation on climate finance; and

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1 ‘Climate finance’ in China refers specifically to investment and financing activities to climate mitigation and adaptation sectors and projects with aims to fulfill China’s NDC targets and to achieve long term strategic goals for addressing climate change and low carbon development.
(9) Building capacities of climate financing for government agencies and financial institutions

ETS and climate finance not only share the underlying market mechanism to address climate change, when policy development and implementation is coordinated, they would also play important roles jointly in supporting acceleration of economic reform towards a high-quality and low-carbon economic growth.

II. Objective of the assignment

The assignment is to research in the technical standards and procedure of financing tools for climate in coordination with carbon market. The assignment objective is to develop standards for climate bonds of different types, including corporate bond, financial institute bond, local government bond, etc. and benchmarking the information disclosure system with international practice.

III. Scope of Work

The scope of work includes mainly the following activities:

A review and analysis of climate bond taxonomy and benchmarking with international best practice, and a comparative study of a transparent information disclosure system for climate financing with international approach and policy recommendation. It is expected review of international experience and best practices and standards will be an integrated part of the research process.

**Activity 1: review of climate financing taxonomy benchmarking with international best practice towards a Chinese climate finance evaluation framework**

The task primarily focuses on developing standards for climate bonds of different types, including corporate bond, financial institute bond, and local government bond. The research will cover the following aspects:

- Taxonomy of climate projects (i.e. eligibility requirements of climate projects for bonds);
- Quantitative and qualitative indicators for climate bond taxonomy;
- Methodologies and models that quantify the emission reduction of climate projects;
- Policies and mechanism that help encourage financial institutions to adopt climate projects standard and criteria.

Specific research tasks would include:
• Extensive desk research on climate bonds taxonomy of different financial tools and institutions as applied to sectors for both mitigation and adaption, e.g. industry and climate smart agriculture.
• A comparative analysis will be performed to identify gaps and differences between the existing approach in China and international best practices through the investment cycle.
• A desk review of international best practices will also be conducted, and selected case studies will be prepared to highlight lessons learned.
• Interviews and surveys to key stakeholders, such as the People’s Bank of China (PBOC), China Banking and Insurance Regulatory Commission (CBIRC), China Securities Regulatory Commission (CSRC), International Capital Market Association (ICMA) as well as selected financial institutions, business entities and consulting firms.
• Provide policy recommendations on the abovementioned aspects. This will include draft policy recommendations on China’s Climate Taxonomy and climate finance evaluation framework, including supporting technical guidelines on indicators and methodologies on climate results.

**Activity 2: a comparative study of information disclosure system with international approach and policy recommendation**

The task is to support developing a transparent information disclosure system that would contribute to building a healthy ecosystem to attract investment and financing to climate. The system would also play an important role in engaging compliance entities in the national ETS. The research will cover the following aspects:

• Overview, framework and institutional arrangement of the current information statistical system and information disclosure requirements and practice in climate financing in China
• Key indicators of statistical system and information disclosure system of climate financing; and
• Policies and mechanisms to decision-making process of climate financing and credit rating.

Specific research tasks would include:

• Desk research on comparative study of information disclosure system in China and globally
• Summarizing international best practices and compiling case studies
• Interviews and surveys to key stakeholders, such as PBOC, CBIRC, CSRC, ICMA as well as selected financial institutions, business entities and consulting firms.
• A comparative analysis will be performed to identify gaps and differences between the existing approach in China and international best practices.
• Provide policy recommendations on the abovementioned aspects.
IV. Timeline

The implementation time of this assignment is 4 months after signing of contract, however, the assignment will need to be closed prior to the project closing date of February 28, 2020.

V. Outputs

Deliverables (activity 1 + 2):
- Inception report
- Draft report
- Final report

Workshops:
- At least two workshops respectively for Activity 1 and 2, i.e. inception and final consultation workshops

Progress reports:
- Final research report
- Interim progress report
- Final implementation report

Invoicing schedule

<table>
<thead>
<tr>
<th>Expected date</th>
<th>Output</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 30, 2019</td>
<td>Inception report, both activity 1 and 2</td>
<td>10%</td>
</tr>
<tr>
<td>Dec 30, 2019</td>
<td>Draft study report of Activity 1 and 2</td>
<td>50%</td>
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<tr>
<td>Jan 15, 2020</td>
<td>Final study report (<em>final</em>)</td>
<td>40%</td>
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VI. Consultant’s Responsibility

The consultant will report to the Director of the PMR Project Management Office (CPMR PMO).

The Consultant is expected to bear all costs related with consulting services, including (if needed) workplace, equipment, communication, internet, transportation expense, stationary, translation, etc.

The Consultant shall prepare and submit research reports in Chinese (Mandarin) and implementation reports and executive summary in English to the CPMR PMO within...
the schedule identified in this contract or upon a separate date that is agreed by the Director of the CPMR PMO.

The Consultant will review environmental and social safeguards policies of the World Bank and identify adverse consequences (as defined by the relevant Bank’s safeguards policies) that may result from their proposals. The consultant will report these potential consequences and offer suggestions as to how the Client could address them. The Bank’s safeguards policies can be found on www.worldbank.org.

VII. Employer’s Responsibility

The Employer of the Consultant Services shall be the CPMR PMO and the Consultant shall work under the guidance of the Director of the CPMR PMO. The CPMR PMO shall make reasonable efforts to provide daily assistance and support to the Consultant, shall furnish any available project related data, information and reports if they are available to them, and assist the Consultant to connect with related organizations needed to execute the assignment.

VIII. Budget and Efforts

The consulting efforts for this assignment are expected to be as shown in the following table.

<table>
<thead>
<tr>
<th>Role</th>
<th>Expected efforts</th>
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<tbody>
<tr>
<td>Team Leader</td>
<td>1 man-months</td>
</tr>
<tr>
<td>Senior Experts</td>
<td>4 man-months</td>
</tr>
<tr>
<td>Technical Experts</td>
<td>5 man-months</td>
</tr>
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</table>

Please refer to Section IX on the qualification of the experts.

The budget for this assignment will be on a lump-sum basis (including consultancy fee, costs for stakeholder consultation meetings, international and domestic travel, per diem, hotel, communication, all relevant taxes and other costs).

IX. Qualification of Consultant

1. General Qualifications of the Firm/Consortium
   - Be an independent entity or consortium;
   - Demonstrated experience in the implementing policy research projects on the fields of climate change, green finance, climate finance, green bond, information disclosure, etc commissioned by the ministries of the central level government or provincial level governments as well as rich experience of providing advisory service to the governments at various levels. The proof materials are required to be provided.
• Successful track record of implementing policy research or consulting projects on green financing, energy efficiency financing, climate finance, green bond, information disclosure.

2. Qualifications of Key Staff
The Consultant is expected to ensure a continuing local presence.

Team Leader
• With a minimum of 10 years’ experience in the policy design and practical management of climate finance and green finance.
• Demonstrated experience in advising policy making on climate finance and green finance at the central and local government level, preferably in China and focusing on green bond related standard development, with proof materials can be provided.
• Deep understanding of international and China’s bond market, with rich practical experience in providing advisory service for issuing green bond in Chinese and international capital market.
• Knowledge of project management requirements as well as the environmental and social safeguard policies of the world bank group.
• Experience in China in the areas of the assignment would be an advantage.
• Rich and concrete experience of leading teams and managing projects in similar assignments.
• Master degree or above in relevant field.
• Fluence in both English and Chinese.

Senior Experts
• With a minimum 8 years’ experience for policy design and practical management of green finance, climate finance and carbon trading.
• Demonstrated experience in advising policy making on climate finance, green finance and ETS at the central government level, preferably in China, with proof materials can be provided.
• Master degree or above in relevant field.

Key Technical Experts
• With a minimum 5 years’ experience for similar assignments, specific experience or equivalent.
• Demonstrated knowledge in green finance, climate finance and carbon trading, with proof materials can be provided.
• Master degree or above in relevant field.