



PARTNERSHIP FOR MARKET READINESS (PMR)

**Additional Criteria and Modality for Allocation of
PMR Implementation Funding**

Background

1. At the Extraordinary Meeting of the PMR Partnership Assembly (the “EOM”) held in Shenzhen, China, on March 14, 2012, the PMR Participants broadly agreed that:
 - a. The PMR Secretariat will continue to explore possibilities to mobilize contributions to the PMR in order to reach a target capitalization of US\$100 million; Contributing Participants are invited to assess whether an increase in their pledges/contributions is possible;
 - b. The range for each implementation funding allocation shall be between US\$3 million (“Minimum Amount”) and US\$7 or US\$8 million (“Maximum Amount”). The Partnership Assembly (PA) may reconsider the upper limit of the funding range when the available funds in the PMR trust fund changes.
 - c. The Minimum Amount of US\$3 million will be allocated to an Implementing Country Participant only once its Market Readiness Proposal (MRP) has completed the feedback process and funding has been allocated by the PA, and provided that the budget plan of that MRP justifies this minimum amount. To ensure that there will be a Minimum Amount available for allocation to each of the 15 Implementing Country Participants, a total budget of US\$45 million will be set aside;
 - d. There should be a deadline for the submission of the MRP, after which the availability of the Minimum Amount will become uncertain. The PMR Secretariat shall recommend a deadline, which will start, for each Implementing Country Participant, after the presentation of its Organizing Framework to the PA and the allocation of the preparation funding by the PA. The PMR Secretariat shall also make a recommendation as to whether the deadline will apply to draft or final MRPs. PMR Participants are also invited to share their views on the matter; and
 - e. The Co-chairs requested the PMR Secretariat to develop additional criteria (Additional Criteria) to guide PA decisions on the allocation of implementation funding above the Minimum Amount and to further elaborate the modality for using the additional criteria. This could include establishing a possible relationship between the criteria and the level of additional funding above the Minimum Amount, and applying a pro-rata approach that considers the total available budget for additional funding.
 - f. The Participants should endeavor to adopt, at the third meeting of the PA (PA3), a set of additional criteria for allocation of the funding that is above the Minimum Amount, and finalize the modality for implementation funding allocation.
2. In response to the request, the PMR Secretariat circulated a note on April 26, 2012 that examined the allocation practices of other climate financing initiatives (Section I) and made a proposal for consideration by Participants. Participants were invited to share comments. As of May 21, the secretariat has received comments from Brazil, the European Commission, Denmark and the Netherlands. Based on this feedback, this note has been restructured as follows:

- I. Allocation Practices of Other Initiatives
- II. Proposal on Additional Criteria for Allocating Implementation Funding
- III. Proposal on Modality for Allocation of Implementation Funding

3. The note also contains three annexes:

- Annex I includes a revised Long-term Plan (LTP) for the PMR budget, which will be presented at PA3;
- Annex II contains an indicative timetable for the deadline for submission of the MRP by each Implementing Country Participants to the PA for consideration and decision on funding allocation; and
- Annex III recapitulates the previous options proposed by the PMR Secretariat for allocation of implementation funding, suggestions or comments received from PMR Participants and the PMR Secretariat's own assessment of the proposed options.

Part I. Allocation Practice of Other Initiatives

(1) Global Environmental Facility (GEF)

General approach: Formula for calculating the funding envelope for individual countries

4. The GEF Secretariat has developed the System for Transparent Allocation of Resources (STAR) for its fifth replenishment as a way to allocate resources to the GEF eligible countries. Under the GEF, a country receives a defined funding envelope for a given focal area (e.g., climate change). This funding envelope is an indicative allocation that a given country can access during a replenishment period.
5. Based on previous experience, the GEF has developed a formula to calculate this allocation on the basis of a combination of indexes. For the focal area of climate change, the indexes used are: (i) the climate change benefits index (GBICC), (ii) the GEF performance index, and (iii) a GDP-based index. Each index includes various indicators, each of which has a different weight. For example, the GBICC has two indicators, with two different weights:
 - The first indicator takes countries' emissions of six greenhouse gases (CO₂, CH₄, N₂O, HFCs, PFCs, and SF₆) in tons of CO₂ equivalent in the latest year available and multiplies these values by an adjustment factor that rewards countries that show a decrease in the amount of CO₂ emissions relative to GDP, or "carbon intensity." The product is then divided by the country's carbon intensity in the latest year available.
 - The second indicator is a proxy for the potential of emissions reduction and/or carbon sequestration related to forest cover and deforestation. It is based on a country's forest cover in 2005 multiplied by an adjustment factor. The adjustment factor rewards countries with a decreasing loss of forests over time. The factor is equal to one if there is no loss of forest. This indicator, therefore, represents a country's forest cover in 2005 multiplied by the country's average annual change in forest cover between 1990 and 2000 and is divided by the country's average annual change in forest cover between 2000 and 2005. The first GBICC indicator has a weight of 95% and the second has a weight of only 5%.

Table 1. PMR Implementing Country Participants' share under GEF STAR Allocations for Climate Change (total funding envelope = US\$1.36 bn)		
Country	Allocation (US\$ mn)	% of total
Brazil	53.9	4.0
Chile	9.0	0.7
China	149.6	11.0
Colombia	13.4	1.0
Costa Rica	3.0	0.2
India	93.8	6.9
Indonesia	29.7	2.2
Jordan	2.1	0.2
Mexico	40.0	2.9
Morocco	5.8	0.4
South Africa	25.7	1.9
Thailand	20.1	1.5
Turkey	18.0	1.3
Ukraine	22.5	1.7
Vietnam	13.9	1.0

6. The total funding envelope for the climate change focal area for GEF's fifth replenishment is US\$1.36 billion. Each country's funding envelope is then calculated on the basis of the three indexes outlined above. As an illustration, Table 1 shows the GEF funding envelope for climate change for the PMR Implementing Country Participants.¹

Co-financing

7. For individual projects, co-financing is an important requirement for GEF funding approval. The co-financing is disaggregated by source and type. Sources include (i) the GEF delivery partners' own co-financing; (ii) co-financing provided by the government; and (iii) contributions from other multilateral and bilateral agencies. Types include grants, loans, credits, equity investments, committed in-kind support and other types.

8. The general policy for co-financing under the GEF is that the GEF Secretariat recommends

funding approval only for those project proposals that meet minimum ratios of co-financing. These minimum levels are differentiated by project types and by grant size. Where two or more similar proposals are under consideration, the one with the highest co-financing ratio will have the highest priority for GEF funding.²

(2) Climate Investment Funds (CIFs)

Quantitative criteria for allocations

2.1. Scaling Up Renewable Energy Program in Low Income Countries (SREP)

9. The objective of the SREP is to demonstrate the economic, social and environmental viability of low carbon development pathways in the energy sectors of low-income countries. It aims to help low-income countries use new economic opportunities to increase energy access through renewable energy use.
10. Six pilot countries were selected for SREP funding, which has total pledges of US\$296 million.³ The modality of operation is that each pilot country develops an investment plan, which also includes a resource envelope of SREP financing, for endorsement by the SREP Sub-Committee.

¹ GEF STAR – Questions and Answers.

² GEF: Cofinancing (GEF/C.20/6).

³ This reflects the pledges for year 2010.

11. In order to provide countries with an indicative range of available_resources when preparing the investment plans, the SREP adopted a set of quantitative indexes that predict a country's ability to contribute to meeting the objectives of the program. These indexes include: (i) country population and GDP at purchasing power parity; (ii) potential for achieving results, which is composed of two indicators: the World Bank's Country Policy and Institutional Assessment (CPIA) and the country's access to electricity; and (iii) development challenges, which incorporate the Human Development Index and GDP per capita measures.
12. Based on these indexes, three ranges of funding for three groups of countries have been agreed to.⁴ Nevertheless the SREP Sub-Committee explicitly states that the allocation amounts are indicative for planning purpose. Approval of funding will be on the basis of high quality investment plans and projects.

2.2. Forest Investment Program (FIP)

13. One of the objectives of the FIP is to provide up-front bridge financing for readiness reforms and to pilot models of "long-term measurable emissions reductions". Each of the six pilot countries selected under the FIP develops its investment plan for endorsement by the FIP Sub-Committee. On the basis of the investment plan, the pilot country proposes projects for financing.
14. As in the case of the SREP, the FIP has adopted a set of quantitative criteria, including: (i) mitigation potential measured against indicators including forest carbon stock, land areas, etc.; (ii) biodiversity potential (e.g., GEF biodiversity index); (iii) absorptive capacity (i.e., PPP GDP, CPIA and the country's IFC Doing Business Ranking); and (iv) development benefits potential.
15. Based on these indexes, the FIP Sub-Committee established four levels of funding ranges for the eight pilot countries.⁵

2.3 Co-Financing

16. Co-financing for both SREP and FIP is critical. One of the main objectives of the CIFs is to blend resources provided by the CIFs with other sources of financing. Under their investment plans, pilot countries are required to specify co-financing from MDBs, governments and other sources.
17. In addition to co-financing, the FIP investment plan also requires that the anticipated ratio of FIP co-financing be specified in order to leverage additional financial resources. The ratio of private finance to FIP funds actually invested should reflect substantial leverage (with a target of at least 4:1).

⁴ SREP/SC.4/5 and Summary of the Co-Chairs, November 8, 2010. The three groups include: 1. Honduras and Maldives: USD25 million-30 million; 2. Mali and Nepal: USD25 million-40 million; and 3. Ethiopia and Kenya: USD25 million-50 million.

⁵ 1. Brazil and Indonesia: USD50 million-70 million; 2. Democratic Republic of Congo and Mexico: USD50 million-70 million; 3. Ghana and Peru: USD30 million-50 million; and 4. Burkina Faso and Lao PDR: USD20 million-30 million.

Relevance of Existing Practices: PMR Assessment

18. As evidenced by the practices outlined above, some form of quantitative index is commonly used for determining or providing guidance on indicative funding envelopes. Within these envelopes, actual funding for specific needs is largely determined by the size of the proposed investments and the extent of co-financing available from other sources.
19. Two factors limit the extent to which these practices are replicable to the PMR:
 - the sheer scale of funding available (e.g., the envelope available for climate change projects under the GEF's fifth replenishment is US\$1.36 billion compared to the total target capitalization for the PMR of US\$100 million); and
 - The allocation processes of both the GEF and the CIFs are used to provide indicative funding envelopes first, under which specific projects need to be proposed in order to access actual funding, whereas the PMR will allocate funding for a specific proposal in one step and on a much smaller scale.

Part II Additional Criteria for Allocating PMR Implementation Funding

Background:

20. At its second meeting, the PA adopted a set of general criteria ("General Criteria") to help it assess whether an MRP is ready for implementation and, thus, should receive implementation funding. (Resolution PA2/2011-3). The General Criteria include:
 - Clarity on the role and relevance of market instruments to a country's overall mitigation strategy and rationale for the target sector/program(s)/areas;
 - Level of support from relevant domestic stakeholders within the country and clarity on the institutional arrangement for implementation;
 - Clear planning, sound technical analysis and rationale behind the proposed activities or instrument(s) for PMR funding;
 - Clearly identified synergies from other relevant existing or planned efforts;
 - Sound budget that reflects indicative costs, other sources of financing and a timetable; and
 - Identification of outputs/results of the implementation as well as the plan to monitor and evaluate such implementation.
21. There is broad understanding that these General Criteria will be used by the PA to facilitate decision making on allocation of the Minimum Amount (US\$ 3 million) to the Implementing Country Participant. Additional funding on top of the Minimum Amount could be envisaged based on a set of additional considerations.
22. At the EOM in Shenzhen, the PMR Secretariat proposed three Additional Criteria for the PA to use to guide allocations above the Minimum Amount. However, the general feedback from the Participants was to seek a more explicit link between these criteria and different levels of funding. In that context, some Participants proposed using objective and quantitative criteria such as level of GHG emissions, GDP and population size to differentiate levels of funding, a view which was not shared

by others. Other Participants suggested using a point system to be applied to the Additional Criteria, which was further elaborated in the PMR Secretariat's note of April 26.

23. In feedback received on the note of April 26, Participants broadly endorsed the set of proposed Additional Criteria; however, they expressed mixed support for the approach of allocating points for each criterion in order to determine a level of funding allocation. Several expressed serious concerns about the practicality of such an approach and its implications (Annex III contains an explanation of the point-based approach).
24. In reflecting on this feedback and conscious of the risks involved, the PMR Secretariat has further modified the April 26 proposal to recommend against a mechanical use of the Additional Criteria proposed in a point system and to suggest instead that these be used to provide guidance in determining the size of the funding above the Minimum Amount, taking into account individual countries' specific circumstances.

Additional Criteria

25. The Additional Criteria proposed below are intended to help achieve one of the objectives of the PMR: to pilot market instruments and demonstrate early results that can be shared with other countries and with the international processes. Therefore a key consideration for additional funding should be the degree to which an Implementing Country is ready to pilot or implement a market-based mechanism. In other words, the level of funding could be based on the likelihood of practical implementation of the mechanism. The objective is to establish a set of relatively objective criteria while allowing flexibility and avoiding an overly complicated process.
26. The proposed Additional Criteria, which should be considered together in a holistic manner, include:
 - A. The scope of the proposal and sound rationale behind the choice of the market instrument and sectors** as reflected in Building Block 2 of the MRP. The scope of the proposal indicates the sectors/programs (or Target Area(s), as defined in the Tool for MRP) that have been proposed for PMR support. A broad scope of the Target Area(s) implies that potentially greater effort and resources are needed for implementation. But equally important is the assessment of whether a market instrument is appropriate for the Target Area(s).

The allocation of additional funding may therefore take into account:

- *The scope of the Target Area(s) proposed under an MRP, accompanied by sound analysis on the suitability of using a carbon market instrument for such a Target Area(s).*

- B. Comprehensiveness of Building Block 4 of the Market Readiness Proposal (MRP)** – Planning for a Market-based Instrument. Building Block 4 includes two modules: 4(a) Scaled-up GHG crediting instrument and 4(b) domestic emissions trading. Both modules contain components that are essential to consider for setting up a robust, well-functioning market-based mechanism, including baseline setting, determining coverage of the instrument, defining the MRV framework, etc. As discussed in the MRP Tool, Implementing Country Participants are in different stages of development and have different capacities and objectives with respect to market instruments. Some countries may have already decided which market-based instrument

to pursue, while others may be assessing and exploring options. It is understandable that an Implementing Country Participant may decide to leave out some components under the relevant module or only to provide some preliminary analysis due, for example, to political and/or technical factors. Nevertheless the comprehensiveness of the relevant module of this building block and thoroughness of the analytical work, including the examination of various options and approaches, provides an important basis for subsequent implementation and, as such, also signals a country's readiness for implementation.

The allocation of additional funding may take into account:

- *Comprehensiveness and quality of the analysis of the sub-components contained in the relevant module of Building Block 4.*

- C. Mitigation potential** from a proposed activity for PMR support. As part of its elaboration of the MRP, an Implementing Country Participant may include the mitigation potential of the proposed PMR activity to be supported, which should be realistic and based on available information and good analysis.

The allocation of additional funding may take into account:

- *The mitigation potential from a proposed activity and should be considered within the context of a country's circumstances and total emissions.*

- D. Identification of milestones and the timetable for implementation.** A strong MRP does not necessarily translate into immediate implementation (e.g. to reflect practical realities of political decision-making). Under each building block of the MRP, including Building Block 6, an Implementing Country Participant is required to identify activities for PMR support, and a clear timetable for implementation, or a roadmap for informing policy decisions on implementation.

The allocation of additional funding may take into account:

- *The likelihood that a functioning market instrument will be put into place within a reasonable time (for example, within three to five years). The earlier the time schedule for full piloting and implementation, the more funding may be justified; and*
- *Milestones with clearly-defined decision-making junctures.*

- E. Ratio of Co-financing.** Co-financing is a very important indication of a country's willingness and readiness for piloting and implementation. Types of co-financing may include a country's own resources (funding and in-kind such as human resources) and sources from other initiatives, including bilateral and multilateral programs. Types of co-financing may include a country's own resources (funding and in-kind, such as human resources) and sources from other initiatives, including bilateral and multilateral programs.

The allocation of additional funding may take into account:

- *The ratio of co-financing for the proposed PMR activities for support – the higher the ratio, the stronger the possibility for successful implementation of a proposed market instrument and the stronger the justification for a higher allocation from the PMR.*

Identification of priority areas and funding needs by Implementing Country Participants in their MRPs

27. As set out in the MRP Feedback Process (Resolution PA 2011-6), feedback on an MRP from PMR experts and Participants is critical to helping countries identify potential gaps within an MRP at an early stage. It is also expected that through such a process the Implementing Country Participant would make its own assessment on its funding needs and identify priority areas for PMR support. It is recommended therefore that the Implementing Country Participant, working with the Delivery Partner and the PMR Secretariat and on the basis of the feedback received, specify in the final submission of the MRP the amount of funding needed for PMR support, following the funding categories referred to in paragraph 32. For example, the Implementing Country should clearly indicate in the MRP that it requests US\$3 million, US\$5 million or US\$ 8 million. A timetable for the implementation of the activities included in the MRP should also be specified.
28. As indicated in paragraph 25, the Additional Criteria would only apply to the MRPs that request additional funding beyond the Minimum Amount. A MRP would not be subject to Additional Criteria if an Implementing Country Participant only requests the Minimum Amount; in this case only the General Criteria will apply.

Part III Modality for Implementation of the Funding Allocation

29. The PMR aims to mobilize US\$100 million. As of April 2012, following the commitment and pledge from Denmark⁶, the PMR trust fund totals US\$71 million.⁷ In the previous version of the PMR long-term plan (LTP), which was presented at the first PA meeting, US\$20 million was identified as the PMR's operational budget to cover costs associated with the PMR meetings, expert process, country delivery support, secretariat services and trust fund management for a five-year period. Based on actual spending in FY12, the Secretariat has revised down this portion of the LTP to US\$17.5 million (over a five-year period) (Annex I), which means that an additional US\$2.5 million is available for allocation to countries for Implementation Phase grants. In addition to the PMR operational budget, US\$5.25 million is earmarked for preparation phase grants; together these fixed cost items total US\$22.75. Assuming full capitalization, this leaves a US\$77.25 for implementation funding.
30. Given the PMR's current pledges of US\$71 million, the total amount of implementation funding available for allocation is US\$48.25. It is important to note that this amount will could increase as a result of additional contributions from existing donor countries and new donor countries may join the PMR.
31. On the basis of the principles agreed at the EOM and the feedback received from PMR Participants, the PMR Secretariat proposes the following process and modality for allocation of the implementation funding:

⁶ Denmark has pledged US\$5 million and is in the process of finalizing the contribution agreement with the World Bank.

⁷ Spain has informed the PMR Secretariat that its pledge of US\$5 million may not materialize in the near term and that, going forward, Spain intends to participate in the PMR as an observer. Previous PMR Secretariat documents that indicated total pledges to the trust fund of US\$76 million included the pledge from Spain.

- **Set aside minimum funding for all Implementing Country Participants.** As described in paragraph 1 above, a total of US\$45 million will be set aside on the basis of the Minimum Amount of US\$3 million for each of the Implementing Country Participant.⁸
- **Establish three categories of funding size.** To simplify the funding allocation, the PA would allocate implementation funding on the basis of the following three categories:
 - US\$3 million (Minimum Amount);
 - US\$5 million; or
 - US\$8 million.

The decision on allocation of the funding range will be based on (i) the request by the Implementing Country Participant; (2) the General Criteria; and (iii) the proposed Additional Criteria in cases where more than the Minimum Amount is requested.

- **Allocation of Additional Amount in the face of funding shortfall.** The “setting aside” approach means that, as of this date, there is about US\$3.25 million available for allocation above any Minimum Amount (“Additional Allocation”). It is important to note that the amount available for Additional Allocation changes as fundraising evolves. In the event that the available Additional Allocation is exhausted, the PA may still allocate an additional amount to an Implementing Country Participant and establish an order for receiving such additional amount once funding becomes available. For example, in a scenario in which the PA allocates US\$5 million to more than one MRP in light of the current funding availability, the PA would establish a priority list for the receipt of funding that is more than the Minimum Amount. The priority would be established on the basis of consultations with the concerned Implementing Country Participants and where relevant, the timetable for implementation as specified in the MRP.

MRPs that are considered for funding decisions at a later PMR meeting and that receive an allocation of more than the Minimum Amount should not have priority over those that are considered at previous PMR meetings in receiving the additional amount.

As the World Bank, in its capacity as a Delivery Partner under the PMR, will not enter into a grant agreement that is conditional upon availability of funding, the Implementing Country Participant and the Delivery Partner would need to decide whether to process the grant agreement arrangement based on the Minimum Amount of US\$3 million or wait until the full amount of allocated funding is available to process the agreement.

- **Second-round Funding.** As the pace of implementation and readiness vary across countries, it is proposed that the PA allow an Implementing Country Participant, after having disbursed its allocated implementation funding, to request further funding from the PA in order to implement the activities described in the MRP endorsed by the PA (“second-round funding”) if there is strong justification to receive continuous financial support from the PMR. Applying for second-round funding would not be limited to

⁸ US\$3 million is set aside for each Implementing Country Participant. However, the PA makes the decision on the funding provided that the MRP has gone through the feedback process and the MRP meets the General Criteria.

those participants that received the minimum amount during the first allocation; any Implementing Country Participant could make a case for second-round funding. The PA may consider the proposal on the basis of the availability of funding, Additional Criteria and the merit of the proposal. However, an Implementing Country Participant that has not received implementation funding yet and is still within the deadline for submission of its MRP referenced in the paragraph below should have priority in receiving funding over an Implementing Country Participant that requests second-round funding.

- **Deadline for the submission of the draft MRPs for the purpose of seeking feedback.**
There should be a deadline for the submission of the draft MRP, after which the set aside approach referred to in paragraph 31 would expire and any funds still included in the “set aside pot” would be available for Additional Allocation, including for second-round funding referred to above. After taking into account various factors and the current experience, the PMR Secretariat proposes that this deadline be set at two years, starting after the decision on allocation of the Preparation Funding (US\$350K) by the PA to an Implementing Country Participant. A table of the indicative deadlines for each Implementing Country Participant based on its Preparation Funding schedule is included in Annex II. However, under exceptional circumstances, an Implementing Country Participant may, with justification, request the PA to extend the deadline.

Actions by the PA

32. PMR Participants are invited to consider the Additional Criteria and modality for allocation presented in this note with a view to making a decision at PA3, scheduled on May 28 and 29, 2012 in Cologne, Germany.

Annex I

PMR Long-term Plan (LTP)*
(in US\$ thousands)

Long-term Plan: PMR Operational Budget Breakdown (FY12)	
Activity	Total cost
Delivery Support and Advisory Services	7,560
Secretariat Services	
Participant Meetings & Workshops	4,380
Other secretariat services	1,965
Trust Fund Management	825
WB Central Unit Costs	1,000
Contingency	1,770
Total Operational Budget	17,500

Long-term Plan: Anticipated Funding Allocation to Countries (FY12)		
Activity	Per Country	15 Countries
Preparation Grant	350	5,250
Implementation Grant (\$3-8M per country)	5,150	77,250
Total Grant Funding to Countries	5,500	82,500

*The PMR LTP assumes a capitalization of US\$ 100 million and covers a five-year period.

Annex II
Timeframe for Submitting the Market Readiness Proposal (MRP)

Implementing Country	Decision on Preparation Funding by PA	Deadline for the submission of the <u>draft</u> MRP
Brazil	PA3, May 2012	May 2014
Chile	PA1, May 2011	May 2013
Colombia	PA1, May 2011	May 2013
Costa Rica	PA1, May 2011	May 2013
Mexico	PA1, May 2011	May 2013
Morocco	PA EOM, March 2012	March 2014
China	PA1, May 2011	May 2013
India	PA3, May 2012	May 2014
Indonesia	PA1, May 2011	May 2013
Jordan	PA3, May 2012	May 2014
South Africa	PA3, May 2012	May 2014
Thailand	PA1, May 2011	May 2013
Turkey	PA1, May 2011	May 2013
Ukraine	PA2, October 2011	October 2013
Vietnam	PA3, May 2012	May 2014

Annex III

Previous Options Considered by the PMR Secretariat and Comments from Participants

A point-based approach

1. In response to the PA request made at EOM, the PMR Secretariat circulated on April 26 a point-based approach for applying the Additional Criteria for MRPs that seek more than the Minimum Amount. The point system was in response to the request to render the allocation process more quantitative.
2. The point-based system functions as follows. A certain number of points are applied to each one of the Additional Criterion, along with a description of what an MRP should include in order to receive a higher number of points. Participants would give a point score for each criterion. Points would be totaled and averaged and the average would then correspond to a specific funding allocation. For example, an average score of between 40 and 50 points would be eligible for US\$5 million and between 51 and 60 points would be eligible for US\$8 million.
3. All PMR Participants would allocate points to every MRP, except the country whose MRP is under consideration. To ensure transparency, the points that each Participant gives to a MRP would be made known to the PA.

Reactions from some of the PMR Participants

4. Following the circulation of this proposed point-based option, the PMR Secretariat received feedback from four Participants. Questions were raised as to how points could be fairly applied when not all proposals are submitted at the same time and felt that, in practice, the point system will be more subjective than objective, leading to too much time trying to reach agreement on exactly how many points each proposal should get.
5. Another Participant pointed out the proposed point scheme does not solve the allocation shortage but instead leaves the problem for the future. It also creates a lot of complexity in a very sensitive area, such as assessing degree of political support and mitigation potential/targets. By doing so, the PMR may lose the engagement of some participants. In this context, “an ex ante approach” was proposed based on a combination of the GEF Performance Index and the climate change benefits index (GBICC). Following this approach, there would be pre-determined allocations that would see the majority of countries receiving the minimum amount and a small number of countries receiving the maximum and a small number receiving a middle amount.

Assessment by the PMR Secretariat

6. The proposed point scheme could bring a certain degree of objectivity to the decision-making process on funding allocation, but it is constrained by the fact that the proposed criteria are relative (e.g., to a country’s circumstances and the nature of the proposal) and consistency of applying the criteria across all countries would be challenging given that MRPs will not be considered for funding at the same time.

7. Putting a point-based scheme into practice poses tremendous challenges. The MRP is a highly political and technical document, reflecting a country's policy choice for an instrument for a specific sector(s). A point-based scheme could be perceived as giving scores to a country's fundamental policy, which is not the intention of such an exercise. Furthermore, assigning points to an MRP requires time to assess the quality against the agreed criteria. In reality, it could be difficult for all PA members to fulfill such task for all submitted MRPs.
8. The PMR Secretariat is also concerned about implications and potential uneasiness that such a scheme may cause, given the potential sensitivity with assigning points to a country's policies. Debate could center on the number of points an MRP receives (for example, why 50 points and not 51?) at the price of losing the spirit of partnership. Constructive feedback on how to make MRPs stronger could get lost in the shuffle of assigning points. The PMR Secretariat believes this would be a detriment to the PMR process and to the collaborative nature that has been established among participants.

Uniform allocation under a phased approach

9. Some Participants suggested uniform allocation to all the MRPs to simplify the process. The PMR Secretariat took this suggestion and considered a possible approach described below:
 - Uniform Allocation of US\$3 million would be allocated to each MRP that has met the General Criteria (Resolution PA2/2011-3). Nevertheless, the MRP should identify priority areas for funding;
 - An Implementing Country Participant, after having been allocated implementation funding of US\$3 million and in the course of implementation, may request further funding from the PA in order to implement the activities described in the MRP endorsed by the PA ("second-round funding"). Following Participants' decision to set a ceiling on implementation allocation funding, the maximum amount of this second-round funding that a country could receive would be US\$5 million (unless Participants decide to change the upper limit of the ceiling). The second-round funding would come from the Additional Funding pot that is outside of the US\$45 million reserved for the minimum uniform allocation.
 - The PA would make an assessment of the proposal for the second-round funding on the basis of the General Criteria, availability of the Additional Funding, and the merit of the proposal. The Implementing Country Participant would discuss with its Delivery Partner and the PMR Secretariat to determine the timeline and the amount for applying for the second-round funding.

Assessment by the PMR Secretariat

10. The advantage of adopting a uniform allocation is its simplicity. However, the Participants had previously ruled out the approach of uniform allocation during the implementation phase on the grounds that (i) a country's funding needs are different as the stage of readiness varies; and (ii) a uniform allocation would reduce incentives to help some countries move quickly toward piloting – one of the key objectives of the PMR.
11. Another disadvantage is that the PMR already has funding available for an Additional Allocation (e.g., the funding amount that is beyond \$3 million for each of the Implementing Country). It is

expected that such an amount will increase soon. The PMR Secretariat feels it does not make sense to tie up this additional amount.