

PARTNERSHIP FOR MARKET READINESS (PMR)

First Meeting of the Partnership Assembly

Barcelona, Spain

May 30 to 31, 2011

**Update: Key Steps in PMR process and guidelines for allocation
of PMR funding for Preparation Phase**

Introduction

1. At the Organizational Meeting held on April 10 and 11, 2011 in Bangkok, Thailand, the PMR Secretariat presented the document on “Key Steps in the PMR Process and Guidelines for Allocation of PMR Funding for Preparation Phase” (PMR-NOTE-ORG-4). The Participants at the Organizational Meeting approved the size of funding for the Preparation Phase at US \$350,000 (Resolution Org. 4), and provided comments on the PMR process and allocation guidelines for the funding of the preparation phase.
2. This note is to update document PMR-NOTE-ORG-4 in order to reflect comments provided by Participants. Annex I illustrates the three-step approach to participation with the PMR, and the activities and the relevant documents associated with each step. Annex II presents a set of elements for consideration by the Partnership Assembly in its decision on the allocation of Preparation Phase funding to Implementing Country Participants.

Recommendation

3. The Partnership Assembly is invited to consider the information provided in this note and may wish to refer to the elements described in Annex II in making funding allocation decisions.

Annex I
KEY STEPS IN THE PARTNERSHIP FOR MARKET READINESS (PMR) PROCESS

STEPS	RESPONSIBLE ENTITY(IES)	RELEVANT DOCUMENTS
I. Expression of Interest (Eoi)		
1. Initial Engagement: the World Bank engages countries on potential participation in the PMR	The World Bank	Note on Participation in the Partnership Facility (PMR-NOTE-ORG-2)
2. Eoi Submission: interested countries submit an expression of interest (Eoi) to the PMR Secretariat	Interested countries	Eoi Template
3. Initial Dialogue/Working Meeting: countries that have submitted an Eoi meet with the World Bank to begin discussions on country plans for low carbon development in different sectors/areas and potential activities for PMR support	The World Bank and Countries that submit an Eoi	Submitted Eoi
4. Confirmation by the Organizational Meeting or Partnership Assembly (PA): Countries that have submitted an Eoi are formally confirmed as Implementing Country Participants	Organizational Meeting or (PA)	PMR Note on Participation (PMR-Org-2) and PMR Governance Framework
5. Presentation of “Organizing Framework for Scoping of PMR Activities”: Implementing Country Participants present their scoping activities for formulating their Market Readiness Proposals	Implementing Country Participants and PA or Partnership Committee (PC)	Template for using the Template for Organizing Framework for Scoping of PMR Activities and Guide
6. Allocation of PMR Funding for the Preparation Phase: the PA or PC allocates preparation funding	PA or PC	Guidelines on the Allocation of PMR Funding for the Preparation Phase
II. Preparation Phase		
1. Grant Arrangement	Implementing Country Participant and the World Bank as a delivery partner	Grant Request Proposal, where applicable, grant agreement with the Delivery Partner
2. Formulation of Market Readiness Proposal: Implementing Country Participants work with the World Bank (as delivery partner ¹) to prepare Proposal	Implementing Country Participants The World Bank	Tool for Market Readiness Proposal (to be developed by PMR Secretariat)
3. Submission of Market Readiness Proposal: Implementing Country Participant submits Proposal to the PMR Secretariat	Implementing Country Participants	Market Readiness Proposal
4. Facilitation by Technical Expert: PMR Secretariat facilitates feedback from expert(s) to assist Implementing Country Participants finalize the Market Readiness Proposal to be considered for PMR Funding for the Implementation Phase	Implementing Participants; Experts, delivery partner, and PMR Secretariat	Tool for Market Readiness Proposal
5. Implementing Country Participant Presentations: Countries present their Market Readiness Proposals to the PA or PC	Implementing Country Participants and PA or PC	Market Readiness Proposal
6. Allocation of PMR Funding for the Implementation Phase: the PA or PC decides on allocation of Funding for the Implementation Phase	PA or PC	Guidelines for allocation of PMR Funding for the Implementation Phase (to be developed)
III. Implementation Phase		
Implementation: Implementing Country Participants implement market readiness elements or market instruments, and report on the progress to the PA	Implementing Country Participants and The World Bank	Grant Request Proposal, Grant agreement with the Delivery Partner, and any other documents developed for the Implementation

¹ If the delivery partner is another multilateral development bank or one of the UN agencies, the service will be provided by such additional delivery partner as specified in the PMR Governance Framework.

Annex II

Proposed Guidelines for Allocation of PMR Preparation Phase Funding

I. Types of Activities covered by PMR Preparation Phase Funding

1. PMR Preparation Phase Funding is meant to provide support as Implementing Country Participants develop their Market Readiness Proposals. The process and steps to formulate a PMR Market Readiness Proposal will differ from country to country in line with different national circumstances and existing capacity, as well as the climate change objectives and policies of each Implementing Country Participant. While not an exhaustive list, PMR Preparation Phase Funding is expected to be used for the following types of activities:

(a) **Studies and analytical work**, such as:

- Analysis of different sectors/sub-sectors/geographic areas (e.g., mitigation potential, abatement cost, baseline, strategy, barriers, and needs);
- Assessment of policy coherence and how market instruments can support countries' policies and goals for climate change mitigation and low carbon development;
- Assessment of existing institutional set-up and gaps;
- Review and research on design options for market-based mechanism;
- Stock-taking of existing data availability and quality, and identification of MRV (i.e., measurement, reporting and verification) needs; and
- Surveys of ongoing related activities (e.g., activities aimed at the development of low carbon development strategies or MRV) to ensure synergies and avoid duplication and assessment of the opportunities for linkages or integration of different activities;

(b) **Consultations** with relevant ministries/agencies, public and private entities and key stakeholders, including coalition building and identification of domestic implementation units;

(c) **Preparing Terms of Reference for the "readiness components"**, including:

- Determination of reference/baseline level(s)
- Coverage of sector/region (entities) of application of a market instrument;
- MRV frameworks;

- Policy and institutional set up; and
 - Strategies for implementation;
- (d) **Organizing management arrangement for PMR operation**, via existing coordinating bodies or establishing a cross-sectoral and functional working group(s) that is inclusive of key stakeholders with well-defined roles and responsibilities essential for this purpose; and
- (e) **Training and workshops.**

II. Elements for Considerations for Allocation of Preparation Funding

2. It is understood that the allocation of funding for the Preparation Phase is to support countries in the formulation of their Market Readiness Proposals. Implementing Countries will present their circumstances, initial plans and proposals through the Template for Organizing Framework for Scoping of the PMR Activities. Recognizing that the Implementing Countries are in different circumstances, have different priorities and are at different stages of preparedness, the Partnership Assembly, in its decision on allocation of the Preparation Funding to an Implementing Country Participant, may take into account the following elements:
- (a) **Demonstration of a consultation process/engagement** with relevant ministries and agencies and, as appropriate, other stakeholders. The formulation, elaboration and implementation of market-based mechanisms are expected to require the involvement of different governmental departments/agencies with responsibilities over the different sectors to be considered for market-based mechanisms. The work on readiness elements – and their eventual implementation – will require the involvement of different ministries/agencies. Each country will have its own set-up and process, but it is important to demonstrate that a consultative process/engagement has been set up or is being undertaken on PMR related activities.
 - (b) **Relevance to a country's overall mitigation strategy and development objectives.** As countries develop their low emission development strategies and or green growth strategies, they may consider a range of policy and financing tools. Market readiness is about thinking about and planning early for how market instruments as one such tool, may fit into and contribute to a country's development strategy.
 - (c) **Level of political support within the country.** The implementation of a domestic emission trading scheme or a scaled-up market-based instrument is expected to involve a greater role and level of responsibility for national governments

(relative to the current CDM). Indications of political support may thus be an important indicator for the likelihood of successful implementation.

- (d) The **rationale behind the proposed activities or instrument(s) for PMR funding**. Activities for PMR support will vary from country to country; however, all proposals require a sound rationale. Regardless of the choice of instruments and/or readiness activities for support, outlining this rationale helps build a good foundation for future implementation.

III. Timeline

3. Preparation Phase Funding is intended to develop a Market Readiness Proposal. The PMR Secretariat is establishing a working group to develop the Tool for the Market Readiness Proposal (“Tool”), which will be based on the Template for Organizing Framework for Scoping of the PMR Activities. It is expected that the draft Tool will be available by the end of July.
4. There is no deadline to submit a Market Readiness Proposal to seek allocation of PMR Funding for the Implementation Phase; however, it is expected that Implementing Country Participants will submit these proposals within a year of the decision to allocate PMR Preparation Phase Funding.