

# **PARTNERSHIP FOR MARKET READINESS (PMR)**

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Organizational Meeting, Bangkok  
April 10–11, 2011

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

## Introduction

1. One of the main deliverables of the Partnership for Market Readiness (PMR) is to help countries identify suitable market instruments to scale up mitigation efforts in line with their climate change mitigation goals and policies. The PMR aims to support countries in their efforts to implement readiness components and, where feasible, pilot new market instruments. To deliver such an outcome, a three-step process is envisioned:
  - (a) **Submission of Expression of Interest (EoI):** The EoI, which includes an official cover letter and policy statements, provides an opportunity for a country to formally seek support from the PMR and express to describe its interest in using market instruments as a potential tool to achieve climate mitigation actions within its national political context. Supporting the EoI is a Questionnaire that can be used to provide further detailed, technical information on a country's current capacity related to the implementation of market mechanisms. (The Questionnaire is not mandatory, but interested countries are encouraged to complete it as appropriate in order to explain their domestic contexts and provide an understanding of their respective market readiness capacity.)
  - (b) **Preparation phase:** An Implementing Country Participant formulates its Market Readiness Proposal<sup>1</sup>. The Market Readiness Proposal is supported by PMR funding allocated by the governing body of the PMR<sup>2</sup>(PMR Funding for the Preparation Phase); and
  - (c) **Implementation phase:** An Implementing Country Participant implements readiness components outlined in the Market Readiness Proposal, including piloting the proposed market instrument(s). The implementation is supported by PMR funding allocated by the governing body of the PMR (PMR Funding for the Implementation Phase).
2. Annex I to this note illustrates these three steps, and the activities and the performance standard associated with each step.
3. As indicated in the Note on "Participation in the Partnership for Market Readiness" (PMR-Note-ORG-2), a number of countries have already submitted EoIs<sup>3</sup>. Following confirmation of their participation as Implementing Country Participants<sup>4</sup>, the next step is the allocation of PMR Funding for the Preparation Phase to assist the individual countries in their formulation of their Market Readiness Proposals. The PMR Secretariat has developed guidelines for this funding allocation (contained in Annex II to this note),

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<sup>1</sup> The Market Readiness Proposal is expected to lay out a road map or a plan for putting in place a market instrument. A Tool for the Market Readiness Proposal is being developed by the PMR Secretariat (feedback and input from PMR Participants will be sought).

<sup>2</sup> Refers to the Partnership Assembly or the Partnership Committee, as per the PMR Governance Framework.

<sup>3</sup>The summary of the submission of the EoIs is included in PMR-NOTE-ORG-5.

<sup>4</sup> See Section 4.2(b) of the draft PMR Government Framework.

under which it is proposed that US \$350,000 constitute the amount of PMR Funding for the Preparation Phase for each Implementing Country Participant.

4. The proposed amount is based on (a) the experience of the Forest Carbon Partnership Facility (FCPF)<sup>5</sup> and the FCPF preparation grant, which revealed to be insufficient to cover actual costs of formulating a FCPF Readiness Preparation Proposal (R-PP); and (b) the aim of keeping the funds allocation for this initial phase of PMR work to a small amount (i.e. about 5%) of total expected funding (i.e., \$100 million). In the event that the PMR Funding for Preparation Phase is not fully utilized for an Implementing Country, the balance of the funding may be carried over to the Implementation Phase. (A draft resolution on the amount of the PMR Funding for the Preparation Phase is contained in Annex III.)
5. A separate set of guidelines will be developed in due time regarding the allocation of the more substantial PMR Funding for the Implementation Phase.

### **Recommendation**

6. The Partnership Assembly is invited to consider the information provided in this note and provide input, as appropriate, to the PMR process (Annex I) and the guidelines (Annex II) with the aim of facilitating the finalization of these documents by the PMR Secretariat; and to adopt the proposed resolution contained in Annex III.

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<sup>5</sup> The funding for formulating the REDD+ Readiness Preparation Proposal under the FCPF is US \$200,000. More information on the FCPF can be obtained from its website: <http://www.forestcarbonpartnership.org>.

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

STEPS	RESPONSIBLE ENTITY(IES)	PERFORMANCE STANDARD
<b>I. Expression of Interest (Eol)</b>		
<b>1. Initial Engagement:</b> 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) (to be endorsed at the Organizational Meeting.
<b>2. Eol Submission:</b> interested countries submit an expression of interest (Eol) to the PMR Secretariat	Interested countries	Eol Template
<b>3. Initial Dialogue/Working Meeting:</b> countries that have submitted an Eol meet with the World Bank to begin discussions on country plans for low carbon development in different sector/areas and potential activities for PMR support	The World Bank and Countries that submit an Eol	Submitted Eol
<b>4. Confirmation by the Organizational Meeting or Partnership Assembly (PA):</b> Countries who have submitted an Eol are formally confirmed as Implementing Country Participants	Organizational Meeting or (PA)	PMR Note on Participation (PMR-Org-2) and PMR Governance Framework
<b>II. Preparation Phase</b>		
<b>1. Presentation of the funding proposal for Preparation Phase by Implementing Country Participants:</b> Implementing Country Participants present their scoping activities for formulating their Market Readiness Proposals	Implementing Country Participants and PA or Partnership Committee (PC)	Country presentations (PMR Secretariat is preparing a template).
<b>2. Allocation of PMR Funding for the Preparation Phase:</b> the PA or PC allocates preparation funding	PA or PC	Guidelines on the Allocation of PMR Funding for the Preparation Phase
<b>3. Formulation of Market Readiness Proposal:</b> Implementing Country Participants work with the World Bank (as delivery partner <sup>6</sup> ) to prepare Proposal	Implementing Country Participants The World Bank	Tool for Market Readiness Proposal (to be developed by PMR Secretariat)
<b>III. Implementation Phase</b>		
<b>1. Submission of Market Readiness Proposal:</b> Implementing Country Participant submits Proposal to the PMR Secretariat	Implementing Country Participants	Market Readiness Proposal
<b>2. Facilitation by Technical Expert</b> PMR Secretariat facilitates feedback from expert(s) to assist Implementing Country Participants in finalizing their Market Readiness Proposal to be considered for PMR Funding for the Implementation Phase	Implementing Participants; Experts; and PMR Secretariat	Tool for Market Readiness Proposal
<b>3. Implementing Country Participant Presentations:</b> Countries present their Market Readiness Proposals to the PA or PC.	Implementing Country Participants and PA or PC	
<b>4. Allocation of PMR Funding for the Implementation Phase:</b> 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 and adopted by the PA or PC)
<b>5. Implementation</b> Implementing Country Participants implement market readiness elements or market instruments, and report on the progress to the PA.	Implementing Countries and The World Bank <sup>6</sup>	Grant agreement with the Delivery Partner, and any other documents developed for the Implementation

<sup>6</sup> 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

### PARTNERSHIP FOR MARKET READINESS (PMR)

#### Organizational Meeting Bangkok, April 10–11, 2011

#### Proposed Guidelines for Allocation of PMR Funding for the Preparation Phase

##### I. Types of Activities covered by the PMR Funding for the Preparation Phase

1. The process and steps to formulate a PMR Market Readiness Proposal will differ from country to country in line with the different national circumstances and capacity, as well as the climate change objectives and policies of each Implementing Country Participant. While not an exhaustive list, PMR Funding for the Preparation Phase is expected to be used for activities such as the following:
  - (a) Analysis of different sectors/sub-sectors/geographic areas (e.g., mitigation potential, abatement cost, strategy, barriers, and needs);
  - (b) Consultations and workshops with relevant public ministries/agencies and key stakeholders;
  - (c) Identification of sectors and/or areas that could be covered by a new market mechanism (including, for example, elaboration of priorities, criteria or considerations);
  - (d) Analytical work and research on design options for market-based mechanisms;
  - (e) Stock-taking of existing data availability and quality and identification of MRV needs;
  - (f) Assessment of existing institutional set-up and gaps;
  - (g) Assessment of policy coherence and how market instruments can support countries' policies and goals for climate change mitigation and low carbon development; and
  - (h) Surveys of ongoing related activities (e.g., activities aimed at the development of low carbon development strategies or MRV) to ensure synergies and avoid duplications.

## II. Some considerations

2. As Implementing Country Participants start planning the formulation of their respective Market Readiness Proposals, it may be important to recall a number of considerations:

(a) Moving toward low carbon development paths will require mitigation beyond what can be achieved through offset mechanisms such as the current CDM.

(b) As countries develop their low carbon development 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 low carbon strategy and implement key elements, including piloting;

(c) The activities under the PMR are country-driven. Each country will assess how market instruments can best support its climate change mitigation strategy and priorities. Each country will plan, formulate, organize and implement market readiness activities – and any subsequent pilot projects – according to its national circumstances, taking into account any agreed upon relevant international framework and rules, as appropriate.

(d) It is important to note that not all sectors/sub-sectors/areas may be equally well-suited for market-based instruments.

(e) The implementation of new market-based instruments is expected to involve a greater role and responsibilities for national governments (relative to the current CDM). Indications of political support may thus be important considerations for the likelihood of successful implementation.

(f) The formulation, elaboration and implementation of market-based mechanisms is 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 generally expected that, for example, the involvement of ministries of environment would be complemented by that of ministries of finance and planning, as well as relevant key line ministries, such as energy, industry, and housing, as appropriate.

(g) Prior to implementation, any scaled-up market instruments will likely require, among other things, strong domestic institutional capacity from host countries, establishment of reliable databases, development of legal and policy

frameworks, and the introduction of a credible measurement, reporting and verification (MRV) system. To make all these happen, significant capacity building is needed and this takes time. This is what the Partnership for Market Readiness seeks to support.

(h) Throughout a country's planning, consideration and eventual market readiness, it is important to ensure environmental integrity.

(i) It is important that activities funded by the PMR build upon – and seek synergies with – related activities supported by other sources of funding (e.g., LEDS or MRV activities) in order to avoid duplication.

### **III. Amount of PMR Funding for the Preparation Phase**

3. The PMR Funding for the Preparation Phase to assist an Implementing Country Participant formulate its Market Readiness Proposal is proposed to be US \$350,000.

### **IV. Timeline**

4. It is expected that most Implementing Country Participants that submitted EoIs by February 2011 will make their presentations to request a PMR Funding for their Preparation Phase at the First meeting of the Partnership Assembly, which is tentatively scheduled to take place end-May 2011.
5. There is no firm 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 generally submit these proposals within a year of the decision to allocate PMR Funding for the Preparation Phase.

**Annex III**

**PARTNERSHIP FOR MARKET READINESS (PMR)**

**Organizational Meeting  
Bangkok, April 10-11, 2011**

**Resolution No. ORG-4**

**Decision on the amount of PMR Funding for the Preparation Phase**

**Whereas:**

1. The Guidelines for Allocation of PMR Funding for the Preparation Phase, attached as Annex II to the PMR-NOTE-ORG-4, which set forth the basis for the allocation of funds to assist Implementing Country Participants formulate their Market Readiness Proposals, have been presented for consideration by the Organizational Meeting.

2. Under the guidelines, the PMR Funding for the Preparation Phase is proposed to be US \$350,000 per Implementing Country Participant.

**The Organizational Meeting:**

1. Decides to approve that the amount of the PMR Funding for the Preparation Phase, to be allocated by the Partnership Assembly or Partnership Committee for assisting an Implementing Country Participant's formulation of its Market Readiness Proposal, shall be US \$350,000.