



Strategic Orientation for the Future of the PMR

Proposal on Modality for Funding Additional Activities under the PMR

Mr. Adrien de Bassompierre
PMR Secretariat

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Presentation Outline

- I. Summary and update on the overall strategic direction discussions
- II. Proposed scope and considerations for reviewing proposals for funding additional activities under the PMR
- III. Process and modality for funding additional activities under the PMR
- IV. Action by the PA

PMR Note PA13 2015-4: Modality for Funding Additional Activities under the PMR: Draft Proposal for Discussion

I. Summary and update on the overall strategic direction discussions

Strategic Direction Discussions: Background

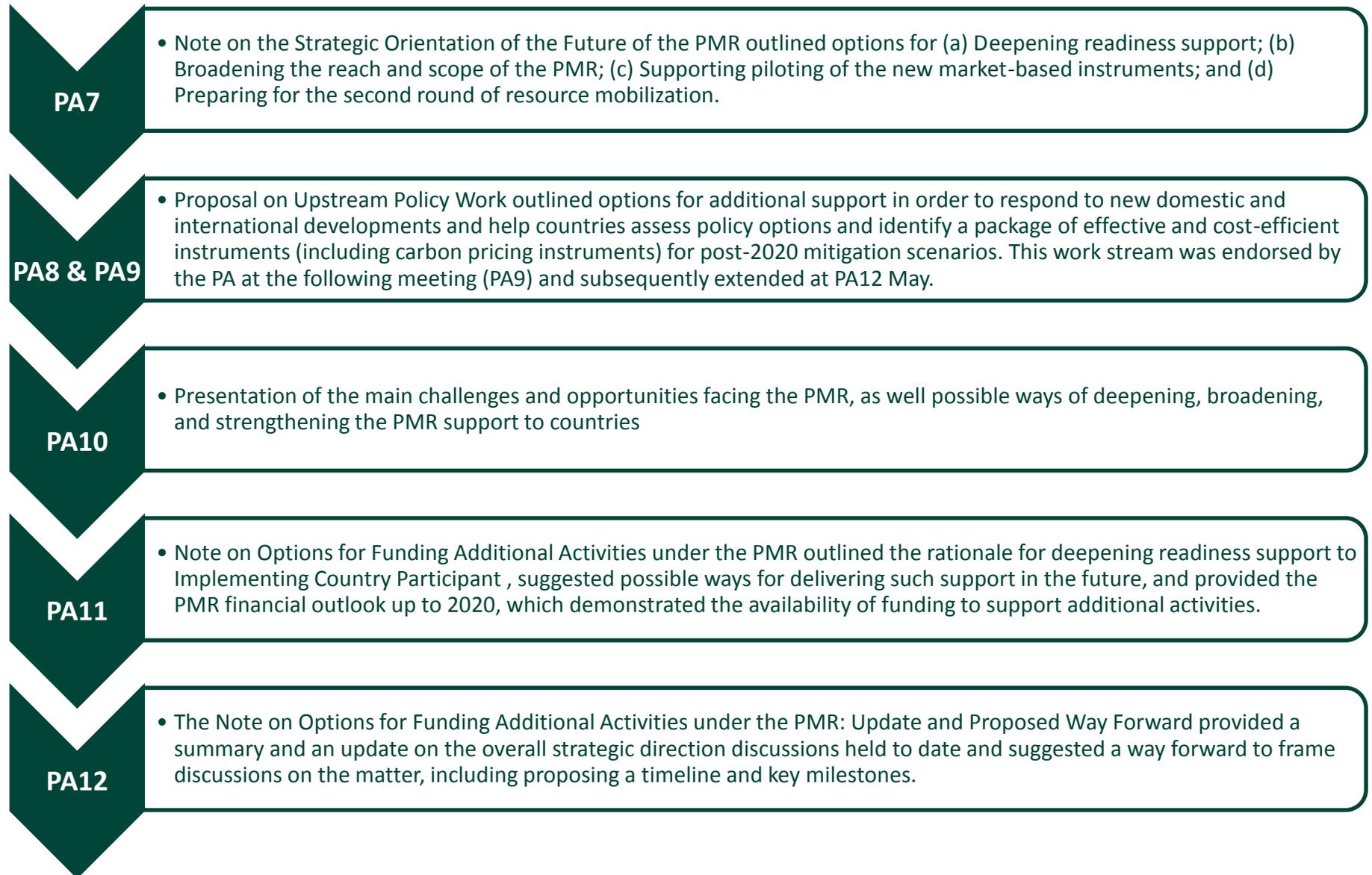
PMR has evolved into a key platform for supporting carbon markets and carbon pricing in a broad context of climate change mitigation policies and action...

...but there is a need to ensure that its impacts are maximized and sustained over time.



- ◆ Discussions on the strategic direction for the future of the PMR were initiated in **May 2013 (at PA6)**
- ◆ Strategic direction discussions are an **ongoing exercise** which has been **carried out regularly and in a participative manner**
- ◆ **A number of documents, proposals and actions** were put forward in order to facilitate these discussions

Strategic Direction Discussions: Summary of Key Documents



Where Are We Now?

- The PA endorsed proposed **milestones to guide the discussions** on the strategic directions for the future of the PMR.
- **The first milestone was to prepare a draft proposal on a procedure for the allocation of additional funding under the PMR, and a draft template for the submission of funding proposals.**
- The second milestone will be to prepare a revised version of the proposed process and template, by PA14, for the PA's consideration and endorsement.
- The PA also agreed that broader discussions on the future of the PMR (beyond 2020) will be resumed taking into account the outcomes of COP21.

II. Proposed scope and considerations for reviewing proposals for funding additional activities under the PMR

Reasoning for Funding Additional Activities under the PMR

Gradual shift in focus from preparation to the implementation of activities in the MRPs

- Need to explore additional ways of enhancing technical and financial support to existing ICPs.

Likely funding surplus under the existing capitalization of the PMR

- Need to explore ways of how those funds could be used to deepen the support provided to the ICPs.

Scope (Types of Activities)

- A. Activities to Complement and Support Existing MRP Activities**
- B. Specific Activities for the Design and Implementation of Carbon Pricing Instruments**
- C. Policy Analysis Activities**

A. Activities to Complement and Support Existing MRP

Activities: **Rationale**

- ◆ Tool for Market Readiness Proposal and Resolution PA 3/2012-4 (“Additional Criteria and Modality of Allocation of Implementation Funding”) gave **option to ICPs to indicate in their MRPs whether they planned to come back to the PA for a second round of funding.**
- ◆ As countries enter the implementation phase, **potential gaps between the MRP-funded activities and overall readiness needs are likely to be further identified.**

In an effort to strengthen the implementation of their MRPs, the PMR Secretariat proposes to establish a process for the Implementing Country Participants to apply for additional funding to complement their MRP activities.

A. Activities to Complement and Support Existing MRP

Activities: **Scope**

- Additional activities which are directly related to MRPs and new activities identified during the early stages of implementation  *to help achieve the objectives identified in their MRPs*



- Mainly *based on the review of the MRP progress and identification of the readiness gaps* (linked to the PMR Project ISR)

A. Activities to Complement and Support Existing MRP

Activities: Considerations

- ◆ Demonstration of political support within a country and clarification of the implementation arrangements;
- ◆ **Identification of the main readiness gaps based on the assessment of MRP implementation progress (or ISR);**
- ◆ Explanation of a rationale behind requesting additional funding and reasons for the PMR support;
- ◆ Identification of synergies with ongoing MRP activities;
- ◆ Inclusion of indicative costs for each activity in the budget proposal;
- ◆ Identification of expected outputs and the links with the MRP objectives.

B. Specific Activities for the Design and Implementation of Carbon Pricing Instruments: **Rationale**

- Few PMR countries have made a decision on the type of carbon pricing instrument they want to pursue

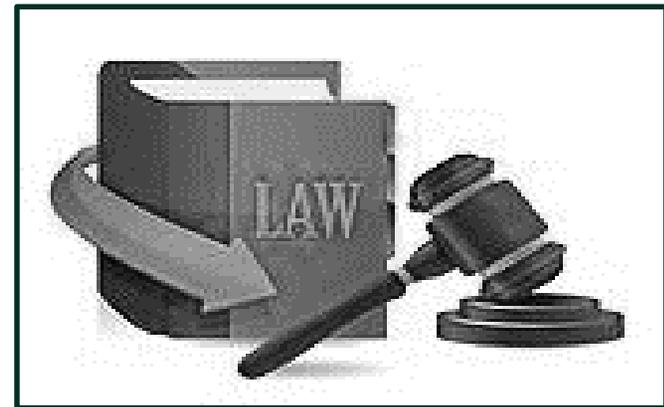


- Focus on readiness building which will facilitate both decisions about carbon pricing instruments, as well as future design and implementation

Some PMR countries have experienced rapid domestic policy developments since the submission of their MRPs, which have resulted in a need for additional support to address a range of specific issues regarding carbon pricing instruments design and implementation.

B. Specific Activities for the Design and Implementation of Carbon Pricing Instruments: **Scope**

- Additional activities to address specific activities directly related to carbon pricing instruments design and implementation that are additional to MRP activities.
- Additional activities which emerged **following recent domestic policy developments** in regard to carbon pricing instruments design and implementation.



- Additional activities which are **outside of the scope of the previously defined MRP activities.**

B. Specific Activities for the Design and Implementation of Carbon Pricing Instruments: **Considerations**

- ◆ Demonstration of political support within a country and clarification of the implementation arrangements;
- ◆ **Demonstration of recent policy developments in regard to carbon pricing instruments that fall outside of the scope of the PMR activities;**
- ◆ Explanation of a rationale behind requesting additional funding and reasons for the PMR support;
- ◆ Identification of synergies with ongoing MRP activities;
- ◆ Inclusion of indicative costs for each activity in the budget proposal;
- ◆ Identification of expected outputs and the links with the MRP objectives (if applicable).

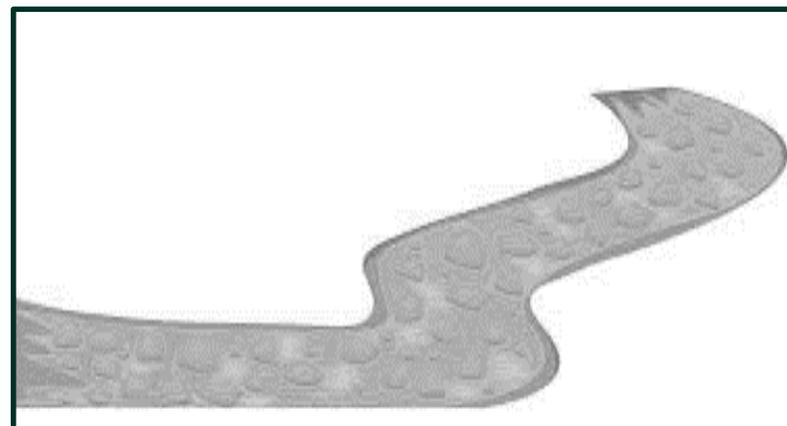
C. Policy Analysis Activities: **Rationale**

- One of the main readiness challenges is a **need to carry out economic and policy analysis to inform the selection and introduction of a carbon pricing instruments.**
- There is a broad recognition that **carbon pricing instruments should be considered in the context of countries' mid- and long-term mitigation goals.**

In order for countries to take a holistic approach to mitigation goal and policy setting, there is a need to carry out modeling and analytical work in order to identify a suitable package of policies and measures, and understand their interactions, impacts and potential barriers.

C. Policy Analysis Activities: **Scope**

- Additional activities aimed at **carrying out modeling work, exploring the economic implications of the implementation of carbon pricing instruments, as well as analyzing the interaction of these policy options with other policies.**



- Additional activities that are **outside of the scope of the MRPs and build on the work that has been done as part of the Upstream Policy Analysis in FY15 and FY16.**

C. Policy Analysis Activities: Considerations

- ◆ Demonstration of political support within a country and clarification of the implementation arrangements
- ◆ **Demonstration of the relevance of analytical support to examine economic implications of carbon pricing instruments and their interaction with other policies**
- ◆ Explanation of a rationale behind requesting additional funding and reasons for the PMR support
- ◆ Identification of synergies with ongoing MRP activities
- ◆ Inclusion of indicative costs for each activity in the budget proposal
- ◆ Identification of expected outputs and the links with the MRP objectives (if applicable)

III. Proposed process and modality for funding additional activities under the PMR

Additional PMR Activities: Funding Allocations*

US\$1-US\$2 million

- Activities that complement and directly support existing MRP activities

US\$100,000-US\$500,000

- Specific activities for the design and implementation of carbon pricing instruments

US\$100,000-US\$500,000

- Policy analysis activities

*Maximum amount of additional funding that an ICP could request to the PA, for any combination of activities, would be capped at US\$2 million.

For the three types of activities, the implementation period would start between July 2016 and December 2017 and would not last more than two years (max. until December 2019).

Additional PMR Activities: Implementation Arrangements

A. Activities that complement and directly support existing MRP activities

- Same implementation arrangements

B. Specific activities for the design and implementation of carbon pricing instruments

- World Bank-executed, in close collaboration with ICPs

C. Policy Analysis Activities

- World Bank-executed, in close collaboration with ICPs

Additional PMR Activities: Decision-Making Process

- **Basis:** Note on Decision-making through Electronic Means (PMR Note PA10 2014-2) and PA10 Co-Chairs' Summary
- **Objective:** To enable prompt allocation of the remaining funds and allow for the timely implementation of activities



IV. Action by the PA

Action by the PA

- ◆ The PA is invited to provide feedback on this note, including on the proposed scope, considerations to review proposals, process and modality for funding additional activities under the PMR **by November 20th, 2015.**
- ◆ Based on the PA's feedback, the PMR Secretariat will revise the proposal and present it for the PA's endorsement at PA14.
- ◆ The PA is invited to share ideas on other areas of focus for these discussions, including additional ways of deepening the PMR support to Implementing Country Participants.

Thank You

FOR MORE INFORMATION ON THE PARTNERSHIP FOR MARKET READINESS (PMR),
PLEASE CONTACT:

PMR SECRETARIAT

PMRSECRETARIAT@WORLDBANK.ORG