

Partnership for Market Readiness

Statement of FY20 Expenses

FY21 Budget Proposal

For PA22 Review and Endorsement

PMR Note PA22-2020-02

April 2020

I. BACKGROUND

1. As per the PMR Governance Framework, the PMR Secretariat is responsible for proposing a budget for the annual operations of the PMR and for presenting it for approval to the Partnership Assembly (PA) prior to the start of the fiscal year (FY).
2. The PMR Secretariat has prepared this note with expenses as of February 29, 2020 and a budget proposal for FY21 for endorsement from the Partnership Assembly (PA). The key elements of this budget proposal are the following:
 - Summary of FY20 expenses
 - Budget Proposal for FY21 for approval
 - An update on the long-term financial plan for PMR
3. This note includes the following sections:
 - Action requested of the PA
 - An overview of the PMR's sources of funding
 - An overview and analysis of PMR's use of funds during FY 2020 as of February 29, 2020
 - FY21 budget proposal
 - Updated long-term plan (LTP)

II. ACTIONS BY THE PA

4. PMR participants are invited to review this note and provide feedback and comments to the PMR Secretariat by April 18, 2020.

III. PMR SOURCES OF FUNDING

5. PMR funding is made up of contributions from PMR contributing partners and investment income accrued over time. As of January 30, 2020, total committed donor contributions amounted to US\$125.4 million while total received contributions amounted to US\$ 123.7 million. Table 1 below details these commitments by country. The investment income as of February 29, 2020 since inception is US\$ 5.76 million. We expect to receive the final tranche of commitment by the European Commission (EC) by the end of FY20. We do not expect any further contributions to the existing facility.

Table 1. Commitments to the PMR by Contributing Participants (in US\$ million)

Contributing Participant	Commitment	Received to Date
Australia	12.5	12.5
Denmark	5.1	5.1
European Commission*	18.6	17.0
Finland	5.4	5.4
Germany	13.2	13.2
Japan	13.6	13.6
Netherlands	7.1	7.1
Norway	5.8	5.8
Spain	5.4	5.4
Sweden	7.6	7.6
Switzerland	12.5	12.5
United Kingdom	11.1	11.1
United States	7.5	7.5
TOTAL	125.4	123.7

* EU outstanding contribution of Euro 1.5m has been converted as of date at Fx rate of 1.1166

IV. OVERVIEW AND ANALYSIS OF PMR'S USE OF FUNDS FOR FY20

Table 2. FY20 Budget and Expenditure (in US\$ thousand)

Use of Funds	FY20 Budget	FY20 Expenses (as of Feb 29, 2020)	FY20 Expenses (expected)
PA Meetings and Workshops	650	187	187
Country Delivery Support and Advisory Services	2187	1471	1758
MRP Expert Feedback Process	0	0	0
Country Delivery Support	2187	1471	1758
o/w: (1) Secretariat Support	1121	652	897
(2) Delivery Partner Support	1026	779	821
(3) Implementation Completion Report (ICRs) Funding for RETFs	40	40	40
World Bank Central Unit Costs (1% Contribution)	127	127	127
Monitoring and Evaluation	0	5	5
Knowledge Management	1,300	935	1100
Policy Analysis Work Program	600	500	500
PMR Management and Communications	750	760	850
Contingency	150	0	150
TOTAL USE OF FUNDS	5,764	3,986	4,677

6. As noted in [Resolution No. PA20/2019-1](#), the Secretariat had an approved budget of \$5.76 million for FY20. As of February 29, 2020, the actual expenses account to \$3.99 million.

7. Key highlights of FY20 spending are:

- **PA Meetings and Workshops:** The PMR Secretariat has spent only 29% of the budget allocated to PA meeting and workshops. Given the impact of the COVID-19 pandemic (please see Box 1), we do not expect further expenses in this category as no physical events will likely take place this fiscal year.
- **Country Delivery Support and Advisory Services:** Overall, 67% of the budget allocated for this category has been spent. The increased focus of the Secretariat staff to monitor country programs has resulted in active disbursement. However, given the COVID-19 pandemic (please see Box 1), only 80% of the total budget is likely to be spent by the end of this fiscal year.
- **Monitoring and Evaluation:** As PMR country programs close this calendar year as per the schedule, the Secretariat has undertaken three activities to capture the lessons learnt from a decade of experience. These activities are: (1) creation of a PMR information archive for internal and external use (2) development of a report on lessons learnt and challenges on carbon pricing readiness, and (3) Development of a report on country readiness assessment. For accounting purposes, these activities are deemed part of the technical work program.
- **Policy Analysis Work Program:** At the start of FY, there were two remaining projects – in Thailand and Vietnam under the policy analysis work program. Out of \$600k budget allocated for performing these tasks, \$500k was spent in order to complete both activities successfully and no further budget allocation or requirement is envisaged for this work program.
- **Knowledge Management:** The Secretariat has initiated all activities proposed as part of FY20 technical work program along with a few new activities based on the demand and requirements from countries, in addition to the activities mentioned above under M&E. Overall, 72% of the budget allocated for these has been spent, however, given the start of new activities and realization of actual budget needs, an additional budget requirement of around \$630k to complete all activities is envisaged. Please see the [Technical Work Program Note](#) for further details on the ongoing FY20 activities.
- **PMR Management and Communications:** Expenses under this category has gone up compared to the budget because of increased monitoring activities for the country programs in addition to the preparation of the successor program and communication efforts for FY20.

Box 1. Impact of COVID-19 on PMR Operations

COVID-19 Pandemic

COVID-19 was declared as a pandemic by the World Health Organization (WHO) on March 11, 2020. At this time, 184 countries/regions have been affected by the spread of the virus and are under complete lockdown and/or have tight restrictions on travel, which has considerably slowed down business and professional activity. This has seriously impacted the functioning of the World Bank as well as many of the PMR implementing, contributing and technical partner agencies.

Consequently, the 22nd Partnership Assembly (PA22), scheduled to be organized in Bali, Indonesia has been canceled and, in its place, a virtual PA will be taking place on 21 April. In this rapidly evolving situation, the Secretariat is assessing the timeline and deliverables for this fiscal year and next for all implementing countries. Given the uncertainty, the PMR Secretariat does not expect any physical workshops or meetings to take place this fiscal year.

V. **Proposed FY21 Budget**

8. Table 3 presents the proposed PMR Operating Budget of \$4.8 million for FY21. With the PMR Trust Fund expecting to close at the end of FY21, all country programs are expected to be completed by December 2020 to ensure a systematic administrative closing of the Trust Fund. For the administrative close of the trust fund by June 2021, no contracts can be put in place beyond February 2021.
9. The rationale for the line items for FY21 is as follows:
 - **PA Meetings and Workshop:** The PMR Secretariat will organize two Partnership Assemblies in FY21.
 - **Country Delivery and Advisory Support:** The PMR Secretariat expects most of the country support expenses to take place in calendar year 2020 since all country programs (except Sri Lanka) are expected to complete by December 2020. Though this may have to be revisited due to the COVID-19 pandemic, the Secretariat is monitoring the evolving situation closely. Additional resources are budgeted for FY21 for the implementation of new activities as per the criteria determined at PA20.
 - **Monitoring and Evaluation:** No expenses are foreseen for FY21.
 - **Knowledge Management:** In addition to completing all the activities proposed initially and newly started during FY20, the Secretariat proposes to continue supporting State and Trends 2021 report, implement additional activities which include developing a

comprehensive lesson learned report, conducting technical workshops during future PA meetings along with a workshop in Asia on communicating carbon pricing. For further details on activities planned for FY21, please refer to the [Technical Work Program Note](#).

- **PMR Management and Communications:** The PMR Secretariat proposes a budget of \$1.0 million for FY21 to ensure a systematic administrative close of the all country programs including additional activities, technical work program and a smooth transition to PMI, which is expected to open for business in early FY21.
- **World Bank Central Unit Cost and Contingency:** These fixed costs will remain the same for FY21.

Table 3. Proposed FY21 PMR Operating Budget (in US\$ thousands)

Use of Funds	FY20 Budget	FY20 Expenses (expected)	Proposed FY21 Budget
PA Meetings and Workshops	650	187	650
Country Delivery Support and Advisory Services	2187	1758	1754
MRP Expert Feedback Process	0	0	0
Country Delivery Support	2187	1758	1754
o/w: (1) Secretariat Support	1121	897	1161
(2) Delivery Partner Support	1026	821	513
(3) Implementation Completion Report (ICRs) Funding for RETFs	40	40	80
World Bank Central Unit Costs (1% Contribution)	127	127	127
Monitoring and Evaluation	0	5	0
Knowledge Management	1,300	1100	1130
Policy Analysis Work Program	600	500	0
PMR Management and Communications	750	850	1000
Contingency	150	150	150
TOTAL USE OF FUNDS	5,764	4,677	4,811

VI. Long-Term Plan

- At every PA, the PMR Secretariat prepares a long-term projection (LTP) to update the assembly on the status of the long-term financial plan for the Fund with the formal end date being June 30, 2021. All contracting activities are expected to be completed by the respective date of agreements of various countries, the latest by December 2020 and the remaining period of 2021 will be used to close the accounts, therefore no new contracting will occur, following World Bank Trust Fund procedures, during January–June 2021, though PAs and workshops will continue to be organized to disseminate lessons learnt. Each year, the LTP is revised to ensure that the PMR will remain solvent given its envisioned activities. The current LTP is based on the following two key

components:

- **PMR Operations:** This includes costs associated with running the PMR Secretariat, organization of Partnership Assemblies and workshops, budget for contingency and World Bank administrative fees, technical workstreams such as the technical and policy analysis work program, monitoring and evaluation and communication.
- **PMR Support to Countries:** This includes grants provided to countries for preparation and implementation of country programs, including additional support activities. [Box 2].

Box 2. Resources for Additional Support

To ensure that all country programs complete their activities on time by December 2020, the PMR Secretariat has been conducting a systematic analysis on implementation status on a country-by-country basis since PA19. This analysis has thrown up the possibility of some country programs not being able to spend all their allocated budgets. The estimation is as follows:

- South Africa: \$1.0 million
- Morocco: \$1.0 million
- India: \$6.9 million
- Sri Lanka: \$750,000
- Mexico: \$600,000
- Chile: \$172,000

At PA20 in Brussels, the Assembly authorized the Secretariat to use the resources for just-in-time prototype activities to approve and manage activities if under \$200K as noted in the [PA20 co-chair's summary](#). If activities proposed are above \$200K, the proposal would be sent to the Assembly for feedback, approval or rejection. As of PA22, six proposals, of \$200K each, have been approved. In addition to this \$1.2 million, it is projected to have another 3-4 new activities during FY21 with a cumulative lay out of about \$2million

11. Based on the disbursements and expenditures till now and including the projections for FY21, the PMR program is expected to have an end-of-life surplus balance of about \$3-5m (not taking into account the investment income earned at the end of FY21). Please see table 2 for the overall projection till the end of FY21. However, this figure is likely change depending on the likely impacts of the COVID-19 pandemic and other factors and a realistic assessment will be possible over the next few months.

Table 4. Updated Long-Term Plan (in US\$ thousands)

	Actuals	Budget	Actuals (as of Feb 29, 2020)	Estimated Expenses	Proposed Budget	Totals
	FY11 - FY19	FY20	FY20	FY20	FY21	
PMR Operations						
PMR PA Meetings and Workshops	5,369	650	187	187	650	7,152
PMR Management and Communications	5,782	750	760	850	1,000	8,822
Country Delivery Support & Advisory Services	14,573	2,187	1,471	1,758	1,754	20,238
Trust Fund Management	451	-	-	-	-	451
MRP Expert Feedback Process	437	-	-	-	-	441
Monitoring and Evaluation	355	-	5	5	-	381
World Bank Central Unit Costs	1,143	127	127	127	127	1,524
Contingency	0	150	-	150	150	300
PMR Operations Sub-total (A)	28,110	3,864	2,551	3,077	3,681	44,936
PMR Support to Countries						
Preparation Funding (Disbursed)						5,863
Implementation Funding (Disbursed + Committed)						52,810
Committed Additional Support Packages						2,000
Country Program Funding Support Sub-total (B)						60,673
Complimentary Funding Support						
Knowledge Management & Technical Work Program	4,963	1,300	935	1,100	1,130	9,976
Policy Analysis Work Program	4,418	600	500	500	0	6,264
Funding Support for Additional MRP and TP Activity	33	0	0	0	0	104
Complimentary Funding Support Sub-total (C)	9,414	1,900	1,435	1,600	1,130	16,344
PMR Activities Total (=A+C)	37,524	5,764	3,986	4,677	4,811	121,953