

July 3, 2012

PARTNERSHIP FOR MARKET READINESS (PMR)

Third Meeting of the Partnership Assembly
May 28-29, 2012, Cologne, Germany

Chairs' Summary of the Third Meeting of the Partnership Assembly

OPENING OF THE MEETING

1. The meeting was opened by the Co-chairs, Mr. Evren Türkmenoğlu and Mr. Lex de Jonge.
2. The PMR Secretariat presented the PMR's [first-year achievements](#) since the First Meeting of the Partnership Assembly in May 2011.
3. The PA adopted the [agenda](#) as attached to this document.

INFORMATION SHARING AND UPDATES

4. The following countries presented updates on relevant domestic policy developments: [Mexico](#) (General Law for Climate Change), [South Korea](#) (Domestic emissions trading scheme (ETS)), [Turkey](#) (MRV legislation) and [China](#) (progress on the seven domestic ETS pilots and activities for PMR support). These presentations are available [here](#).
5. In addition, Implementing Country Participants and Contributing Participants were invited to share updates on recent domestic policy developments related to carbon markets or on their PMR activities.
6. **Colombia** is adjusting terms of reference (TOR) for its proposed work on market readiness in the urban transport sector (covering cities currently implementing/planning an Integrated Massive Transportation System (7 cities) or a Strategic Public Transportation System (12 cities)). The TOR would encompass work on city-level GHG data/information systems, institutional frameworks, and regulatory aspects, as well as a feasibility assessment on suitable market instrument in this sector. Delays in finalizing the ToR have been experienced in the wake of institutional changes within the Colombian government, but it was reported that political willingness remains unchanged. Colombia informed of a complementary activity: a low carbon development study that includes transport and that will be validated by sector. This study includes work on constructing a baseline, in particular for freight and passenger transport. Colombia plans to launch a contest among cities to develop low-GHG urban development that will contribute to the work on its MRP.
7. **Indonesia** has identified 13 ministries to be engaged for its PMR work and expects its first workshop with them to take place in mid-June. The goal of the workshop is to clarify the understanding of market instruments and to raise awareness about their function.
8. **Japan** announced an additional contribution to the PMR of JPY 600 million (about US\$7.5 million), doubling its initial contribution. Japan's contribution was greatly appreciated by other PMR Participants.
9. **Norway** has a target to reduce global emissions in 2020 equivalent to 30 percent of the country's 1990 emissions. Norway shared that a recent white paper focuses on domestic efforts to reduce emissions. Norway shared that the country's CO₂ tax for the oil industry (which is also subject to the EU-ETS) will be increased to above €50/tCO₂ and that a new climate and energy fund for the development of emissions reduction technologies will be established. Moreover, spending on public transportation in Norwegian cities will be increased. Norway is also working to strengthen international efforts such as REDD and renewable energy development in developing countries.

10. **Thailand** has conducted consultations and is working to narrow the scope of its proposed PMR activities, which may lead to changes to its original Organizing Framework. Thailand faces procedural challenges, as cabinet approval is required before Thailand can accept any PMR funding.
11. **The United States** reported on the Low Emissions Development Strategies (LEDS) Partnership, which was launched a year ago to provide an informal space for countries to share experience and expertise on low-emissions activities. The LEDS Partnership has 50 members, including MDBs, countries and organizations (such as World Resources Institute). The partnership will develop three new global platforms for knowledge exchange: Latin America, Asia and Africa. Each platform will be self-managed. It was reported that a working group under the Partnership has been set-up to look at and compare mandatory GHG reporting rules.
12. In addition to comments made by PMR Participants, the following observer comment was made. **New Zealand** undertook its first ETS review in 2011. The review is mandated to take place every five years. Its purpose is to ensure that New Zealand's ETS remains relevant and updated (both domestically and internationally). The review provides an opportunity for users and other stakeholders to provide feedback on how the ETS is operating. Potential changes to the scheme, as a result of this first review, include extending the fixed price carbon option possibly post 2015, possibly extending some of the transition measures included in the scheme (such as when agriculture will enter the scheme), and incorporating the flexible land use rules agreed upon at Durban. Also under consideration are auctioning and controls on the number of international offsets admitted. Together these changes would allow for linking with other schemes, such as that of Australia if that were desired. All changes are still subject to ministerial decisions. New Zealand stressed the value of a mechanism that can help the ETS evolve over time and the importance of stakeholder consultation.

ORGANIZING FRAMEWORKS FOR SCOPING OF PMR ACTIVITIES

13. **Brazil, India, Jordan, South Africa and Vietnam** presented [Organizing Frameworks](#) for Scoping of PMR Activities for consideration and discussion by the PA. The PA adopted [Resolution No. PA 3/2012-1](#) allocating preparation phase funding in the amount of US\$350,000 to India and South Africa and in the amount of US\$315,000 to Brazil, Jordan and Vietnam. (While preparation phase funding is set at US\$350,000 per Implementing Country Participant, Brazil, Jordan and Vietnam already received an advance of US\$35,000). Participants are invited to provide all five countries with further feedback on their Organizing Frameworks by June 12, 2012. Feedback provided during the meeting and in written submission following the meeting will be compiled by the Secretariat and shared with Participants. Brazil, India, Jordan, South Africa and Vietnam are invited to take comments made by Participants into consideration as they formulate their Market Readiness Proposals (MRP).

SEEKING FEEDBACK ON MARKET READINESS PROPOSALS (MRP) PROCESS

14. The PMR Secretariat provided an [overview of the MRP feedback and submission process](#).
15. Following discussion of the feedback process, the Co-chairs proposed that draft MRPs that are to be presented at a PA meeting should be submitted to the PMR Secretariat at least two

weeks prior to the meeting to enable sufficient time for circulation to all PMR Participants. Participants expressed the importance of this early circulation in order to best leverage feedback. Participants also agreed that there should be flexibility regarding the allocation of implementation funding, and that it may be appropriate to use a virtual process for this.

16. The Participants will, based on practical experience, review the MRP Feedback Process set out in Resolution No. PA 3/2012-4 at PA4 to make modifications, as necessary.
17. **Chile, Mexico and Costa Rica** each presented specific [updates](#) on the status of their MRPs. Feedback provided on these updates will be compiled by the secretariat and circulated to Participants in a similar format as is currently done with the Organizing Frameworks.

CRITERIA AND MODALITY OF IMPLEMENTATION FUNDING ALLOCATION

18. The Participants discussed the Additional Criteria for allocation of Implementation Funding above US\$3 million and the proposed modality for this allocation (PMR Secretariat Note PA 2012-1rev), agreed to use these criteria in a holistic manner for the consideration of MRPs for which Implementing Country Participants would be seeking more than the minimum amount (i.e., more than US\$3 million). Participants agreed that the revised note – benefiting from feedback and comments during PA3 – would be circulated for adoption under no objection basis as [Resolution No. PA 3/2012-4](#) (All PA3 resolutions are included in Annex II).
19. The Additional Criteria include the following:
 - a. Scope of the MRP and sound rationale behind the choice of market instrument(s) and sector(s);
 - b. Comprehensiveness of Building Block 4 of the MRP;
 - c. Mitigation potential;
 - d. Identification of milestones and the timetable for implementation; and
 - e. Ratio of co-financing.
20. Resolution No. PA 3/2012-4 was circulated on June 4, 2012 and adopted on June 8, 2012.

REVIEW OF PMR FY12 BUDGET AND APPROVAL OF PMR BUDGET FY13

21. The secretariat presented a [review of spending in FY12](#). The PA approved the budget for FY13 (included in Annex II), which includes increased budgets for the MRP Expert Feedback Process and for Knowledge Management.

OUTREACH

22. The secretariat invited Participants to attend a Private Sector Dialogue on the margins of Carbon Expo on May 31, 2012.
23. Several participants attended including Chile, China, and Mexico who briefed on their respective market readiness activities, and Australia who shared some thoughts on private sector engagement.
24. The event provided an opportunity to brief representatives from the business community about the PMR's first-year achievements and to discuss ways to engage the business community going forward.

OTHER MATTERS

25. As reported by the PMR Secretariat at PA2, some countries, including Peru, have indicated to the World Bank interest in participating in the PMR. Due to financial constraints, the Partnership Assembly has set the number of the Implementing Countries at 15, closing off new applicants at this time. During PA2, there was discussion on using bilateral channels to finance the participation of interested additional countries. Following PA2, Switzerland, together with the World Bank, held discussions with the relevant ministries in Peru about the possibility of providing bilateral funding to the government of Peru in order for it to participate in the PMR, following the same steps and process as other PMR Implementing Country Participants. Aware of the funding shortfall facing the PMR, Switzerland would be prepared to fully finance Peru's participation in the PMR, including bilateral funding of the preparation phase and funding of the implementation phase under an increased Swiss contribution to the PMR (presumably in 2013).
26. Based on Switzerland's proposal, the PMR Secretariat will prepare a note outlining the options and considerations for the possible inclusion of Peru in the PMR and will share this with the PA during the inter-sessional period or at PA4.

NEXT STEPS AND CLOSING

27. The PA elected Messrs Juan Pedro Searle of Chile and Robert Owen-Jones of Australia to co-chair the fourth meeting of the Partnership Assembly (PA4).
28. PA4 will be held in Sydney, Australia, October 21-25, 2012. The final length of the meeting will be based on the breadth of the agenda. The PMR will also host a one-day technical workshop (topic TBD), a deep-dive event on the Australian carbon pricing scheme and a networking event with Australia's carbon market stakeholders. The secretariat expects that the Partnership Assembly meeting will last longer than the customary 2 days and is expect it to be between 2.5 and 3 days. With regard to topics for the next technical workshop, some Participants proposed focusing on "incentives" for participation in scaled-up crediting mechanisms while others proposed topics such as data gathering and management. The PMR Secretariat will further consult with Participants on topics for the workshop.
29. Implementing Country Participants that wish to submit a draft MRP for informal presentation at PA4 must do so at least two weeks prior to the meeting, e.g., by October 5, 2012. However, in order for the PMR Secretariat to have sufficient time to organize the expert feedback process, Implementing Country Participants that intend to present an MRP at PA4 are requested to inform the secretariat of this intention by July 20, 2012.
30. PA3 was closed on May 29, 2012.
31. All presentations, resolutions and other meeting documents are publicly available on the PMR website: <http://www.wbcarbonfinance.org/pmr>.

Annex I

Third Meeting of the Partnership Assembly—Agenda

May 28-29, 2012: Cologne, Germany

May 28, 2012

1. Opening and Introduction	
08:30	Registration: welcome coffee and badge pick-up
09:00	<ul style="list-style-type: none"> - Welcome (<i>Ms. Joëlle Chassard, World Bank, and PMR Co-chairs: Mr. Evren Türkmenoğlu and Mr. Lex de Jonge</i>) - Welcome Remarks (<i>Mr. Franzjosef Schafhausen, Deputy Director General, Federal Ministry for Environment, Natural Conservation and Nuclear Safety</i>) - Update and progress report (<i>Ms. Xueman Wang, PMR Secretariat</i>) - Adoption of agenda
2. Information Sharing and Update	
<p>Implementing Country Participants are invited to update the PA on their PMR activities, in particular on the status of their Market Readiness Proposals (MRP). The update may be done through PowerPoint presentations or oral briefings. Contributing Participants are encouraged to share any relevant policy developments from their countries.</p>	
9:30	<ul style="list-style-type: none"> - MRV Legislation in Turkey (<i>Mr. Evren Türkmenoğlu, Ministry of Environment</i>) - Action on Domestic Emissions Trading in South Korea (<i>Mr. Kim Phan Jo, Korea Energy Management Corporation</i>) - Status Report from PMR Participants
10:30	Coffee break
3. Presentation of the Organizing Framework (OF)	
<p>Implementing Country Participants present their Organizing Frameworks for the Scoping of PMR Activities to the PA for consideration and decision on the allocation of Preparation Funding. Countries will have 30 minutes to make a PowerPoint presentation to be followed by 30 minutes for discussion and comments from Participants. Decision on allocation of funding will be made under agenda item 9.</p>	
10:45	Brazil (<i>Mr. Aloisio de Melo, Ministry of Finance</i>)
11:45	India (<i>Mr. Rajiv Kumar, Ministry of Environment and Forests</i>)
12:45	Lunch
14:15	Jordan (<i>Mr. Hussein Badarin, Ministry of Environment</i>)
15:15	South Africa (<i>Mr. Mpho Legote, National Treasury</i>)
16:15	Coffee break
16:30	Vietnam (<i>Mr. Nguyen Tuan Anh, Ministry of Planning and Investment</i>)
17:30	Wrap up for Day 1
18:30	Reception - Nordliches Foyer

May 29, 2012

09:00	<ul style="list-style-type: none"> - Presentation of the Note on Criteria and Modality for Allocation of PMR Implementation Funding (<i>Ms. Xueman Wang, PMR Secretariat</i>) <p><i>In order to have more time to consider agenda item 5, the secretariat will present the note in the morning; the item will be formally taken up under agenda item 5.</i></p>
4. Seeking Feedback on the Work on Market Readiness Proposal (MRP)	
<p>As Implementing Country Participants prepare their MRPs, timely feedback from the Participants is important to help countries further develop and finalize their proposals. Countries have 30 minutes to present their work on the MRP and 20 minutes for feedback.</p>	
9:15	<ul style="list-style-type: none"> - Brief review of the MRP Process (<i>Ms. Martina Bosi, PMR Secretariat</i>)
9:30	<ul style="list-style-type: none"> - Presentation from Chile (<i>Mr. Juan Petro Searle Solar, Ministry of Energy</i>)
10:20	Coffee break
10:35	<ul style="list-style-type: none"> - Presentation from Costa Rica (<i>Mr. Alvaro Umana, Ministry of Environment</i>)
11:25	<ul style="list-style-type: none"> - Presentation from Mexico (<i>Mr. Luis Munozcano, Ministry of Environment</i>)
12:25	Lunch
5. Criteria and Modality for Allocation of PMR Implementation Funding	
14:00	<ul style="list-style-type: none"> - Discussion and decision
15:30	Coffee break
6. Presentation of the PMR Budget	
15:45	<ul style="list-style-type: none"> - PMR budget for FY2013 (<i>Ms. Elena Chin-lin Lee, World Bank</i>)
7. Knowledge Management and Next Steps	
17:30	<ul style="list-style-type: none"> - Briefing on Dialogue with Private Sector (<i>Ms. Sarah Underwood, PMR Secretariat</i>) - Next PMR meeting/workshop and planning for FY2013 (<i>Ms. Xueman Wang, PMR Secretariat</i>)
8. Election of Co-chairs for PA4	
18:00	Election of Co-chairs
<p>In accordance with the PMR Rules of Procedure for PA meetings (Section 11.1), the PA shall, prior to the closing of each PA Meeting, elect a representative each from the Contributing Participants and the Implementing Country Participants to act as Co-chairs for the next PA meeting. Following previous practice, it is proposed that the Contributing and Implementing Country Participants meet separately to elect their respective co-chair. Each group will announce the results of their decision to the PA.</p>	
9. Decisions	
18:15	<ul style="list-style-type: none"> - Adoption of decisions by Participants - Wrap up

Annex II PA3 Resolutions

Resolution No. PA 3/2012-1

Allocation of the PMR Preparation Phase Funding for Activities in Brazil, India, Jordan, South Africa and Vietnam

WHEREAS:

1. Pursuant to Section 4.3(c) of the PMR Governance Framework, the Partnership Assembly's roles and responsibilities include approving the allocation of PMR resources to the Implementing Country Participants, in the absence of the establishment of a Partnership Committee;
2. The Organization Meeting, by its Resolution No. ORG-4, decided that the amount of the PMR preparation phase funding, 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;
3. The Partnership Assembly, by its Resolution No. PA 1/2011-5, further decided to approve that an advance of the PMR preparation phase funding in the amount not to exceed US\$35,000 may be allocated, in accordance with the procedures set forth in such Resolution, to assist an Implementing Country Participant in its preparation of the Organizing Framework for the Scoping of PMR Activities (the "Organizing Framework"), and that the amount of the PMR preparation phase funding to be subsequently allocated shall be reduced by the amount of the advance used;
4. Brazil, Jordan and Vietnam have each requested for an advance of the PMR preparation phase funding in the amount of US\$35,000 pursuant to the Resolution No. PA 1/2011-5, and the PMR Secretariat, in consultation with the PMR Participants, has made such advances;
5. Brazil, India, Jordan, South Africa and Vietnam have submitted their Organizing Frameworks to the PMR Secretariat, and have presented their Organizing Frameworks for consideration by the Partnership Assembly at this meeting; and
6. The Partnership Assembly acknowledged the efforts made by the five Implementing Country Participants in their preparation of the Organizing Frameworks.

THE PARTNERSHIP ASSEMBLY:

1. Decides to allocate the PMR preparation phase funding for carrying out PMR activities in Brazil, Jordan and Vietnam in the amount of US\$315,000 per country.
2. Decides to allocate the PMR preparation phase funding for carrying out PMR activities in India and South Africa in the amount of US\$350,000 per country.
3. Invites PMR Participants to provide comments on the Organizing Frameworks presented at this meeting by June 20, 2012.

4. Invites the PMR Secretariat to summarize the comments on the Organizing Frameworks shared by the PMR Participants at this meeting, as well as the comments to be received in paragraph 3 (the “Summary”), and to circulate the Summary to all the PMR Participants.

5. Invites each of the five Implementing Country Participants to take into account the Summary in formulating its Market Readiness Proposal.

Resolution No. PA 3/2012-2

Authorizing Budget for Fiscal Year 2013

Whereas:

1. Pursuant to Section 4.3(d) of the PMR Governance Framework, the Partnership Assembly's roles and responsibilities include approving the budget for the operation of the PMR; and
2. The PMR Secretariat presented the proposed budget for Fiscal Year 2013 for consideration by the Partnership Assembly at this meeting.

The Partnership Assembly:

1. Approves the budget for PMR operation for Fiscal Year 2013, presented by the PMR Secretariat at this meeting and attached as Annex I to this resolution.

Budget for Fiscal Year 2013

FY13 Budget: Use of Funds (In US\$ Thousands)	
<i>Use of Funds</i>	<i>FY13 Budget</i>
PMR Design/Development	-
Country Delivery Support and Advisory Services	1,713
Secretariat Services	1,431
PA meetings and Workshops	873
Other Secretariat Services	316
Knowledge Management	242
Trust Fund Management	80
Contingency	150
Total FY12 Use of Funds	3,374

Resolution No. PA 3/2012-3

Election of the Co-Chairs of the Partnership Assembly

WHEREAS:

1. Pursuant to Section VI of the Rules of Procedure for the Meetings of the PMR, the Partnership Assembly (PA) shall, prior to the closing of each PA Meeting, elect a representative from the Contributing Participants and a representative from the Implementing Country Participants to act as the Co-Chairs for the next PA Meeting. The term of the Co-Chairs shall run from the day that they are elected until the day that new Co-Chairs are elected.

The PARTNERSHIP ASSEMBLY:

Decides to elect Mr. Juan Pedro Searle from Chile and Mr. Robert Owen-Jones from Australia to act as the Co-Chairs of the PA until new Co-Chairs are elected at the fourth PA Meeting.

Resolution No. PA 3/2012-4

Additional Criteria and Modality of Allocation of Implementation Funding

WHEREAS:

1. Participants of the PMR have discussed the Additional Criteria and the modality of allocation of implementation funding.

The PARTNERSHIP ASSEMBLY:

1. Decides to endorse the Additional Criteria presented in paragraphs 26 and the modality of allocation described in paragraphs in 27, 28 and 31, of Note PA 2012-1rev., “Additional Criteria and Modality for Allocation of PMR Implementation Funding” dated May 23, 2012-rev.¹

¹ For ease of reference, these paragraphs are reproduced in the appendix to this Resolution.

Appendix to Resolution No. PA 3/2012-4

Additional Criteria for Allocation of Implementation Funding Above US\$3 million

1. 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 Participant 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 a mechanism. The objective is to establish a set of relatively objective criteria while allowing flexibility and avoiding an overly complicated process.
2. 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 Tool for 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 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.

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.*

Modality of Allocation of the Implementation Funding

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

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 an Implementing Country Participant will make an assessment on its funding needs and identify priority areas for PMR support. Therefore, it is recommended that an 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, according to the funding categories referred to in paragraph 3 below. Specifically, the Implementing Country Participant 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 included.

The Additional Criteria only apply to allocation decisions on funding that is greater than the Minimum Amount (US\$3 million). An MRP will not be subject to Additional Criteria if an Implementing Country Participant only requests the Minimum Amount; in this case only the General Criteria apply.

2. Set aside minimum funding for all Implementing Country Participants.

A total of US\$45 million has been set aside on the basis of the Minimum Amount of US\$3 million for each of the Implementing Country Participant.²

3. Establish three categories of funding size.

To simplify the funding allocation, the PA will allocate implementation funding according to three funding categories:

- i. US\$3 million (Minimum Amount);
- ii. US\$5 million; or
- iii. US\$8 million.

The decision on allocation of the funding range will be based on (i) the request made 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.

4. Allocation of Additional Amount in the face of funding shortfall.

In the event that the available funding for allocations above the Minimum Amount (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. Priority for receiving the additional amount 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 PMR Delivery Partner, 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.

5. 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 (second-round funding) from the PA if there is strong justification to receive continuous financial support to carry out the activities described in the MRP. Applying for second-round funding would not be limited to 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.

6. Deadline for the submission of the draft MRPs for the purpose of seeking feedback.

² 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.

There should be a deadline for the submission of the draft MRP, after which the set aside approach referred to in paragraph 2 expires and any funds still included in the “set aside pot” would be available for Additional Allocation, including for second-round funding. 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 (Table 1). However, under exceptional circumstances, an Implementing Country Participant may, with justification, request the PA to extend the deadline.

Table 1. Timeframe for Submitting the Draft 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