



Partnership for Market Readiness (PMR): Criteria and Process for the Allocation of PMR Implementation Funding

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Overview

- ◆ **Part I: Adopting an Allocation Modality:
Where We Stand**
- ◆ **Part II: Criteria to Facilitate Allocation Decisions**
- ◆ **Part III: Allocation Proposal for Consideration by PA**

Part I: Where We Stand

Where We Stand.... (1)

In Shenzhen, the PA agreed to the following:

- ◆ Continue seeking opportunities to fully capitalize the PMR;
- ◆ Set the range of implementation funding from US\$3 million (Minimum Amount) to US\$7 or 8 million (Maximum Amount);
- ◆ Set aside US\$45 million to ensure that 15 MRPs have access to the Minimum Amount (provided that the MRP has met a set of General Criteria);
- ◆ Set a deadline for the submission of an MRP after which the Minimum Amount would not longer be certain;
- ◆ Request the PMR Secretariat to elaborate the Additional Criteria; and
- ◆ Seek to adopt a modality for implementation funding allocation at PA3

Where We Stand.... (2)

Status of Implementation Funding

- ◆ Preparation Funding: \$5.25 million
- ◆ PMR operation over five years (meetings, expert support, country delivery support, Secretariat service, trust fund management and contingency): \$17.5 million
- ◆ Setting aside US\$45 million

Under a scenario of a full capitalization of US\$100 million

- ◆ About US\$32 million available for allocation that is above the Minimum Amount

Under a scenario of the current level of funding: US\$78 million

- ◆ About US\$ 11 million available (which includes the additional pledge by Japan)

Where We Stand.... (3)

In response to the agreements in Shenzhen, the Secretariat...

- ◆ **Circulated a draft on April 26 that was subsequently revised based on comments from Participants. Finalized version distributed on May 23, that:**
 - Examined the criteria used for allocation in other climate financing initiatives;
 - Proposed Additional Criteria; and
 - Proposed an allocation option for consideration

PART II: Criteria to Facilitate Allocation Decisions

General Criteria and Additional Criteria

Two sets of Criteria to facilitate PA decisions on allocation

- ◆ **General Criteria** (adopted at PA2) are intended to assess the overall quality of the MRP and to facilitate a decision on allocation of US\$3 million (Minimum Amount)
 - Clarity on the role and relevance of a market instrument
 - Level of support from relevant domestic stakeholders; clarity on the institutional arrangement for implementation
 - Clearly identified synergies
 - Sound budget
- ◆ **Additional Criteria** are intended to facilitate decisions on allocation above the Minimum Amount

Additional Criteria

In Shenzhen, the secretariat proposed the Additional Criteria to facilitate allocations above the minimum amount

Feedback from Participants: explore options for a more explicit link between criteria and different levels of funding, including considering objective or quantifiable criteria, or developing a point-based system applied to the criteria

Approach and Criteria in Other Initiatives

Quantitative criteria and pre-determined funding envelopes are used under GEF and some funds of the Climate Investment Funds

◆ GEF

- Pre-determined funding envelope calculated by using:
 - Climate Change benefits index
 - GEF performance index
 - GDP based index

◆ Climate Investment Funds: Renewable Energy Program (SREP) and Forest Investment Funds (FIPs)

- Pre-determined funding envelope calculated by using a set of quantitative index

◆ **Co-financing** is an important indicator under all the initiatives examined

Relevance to Existing practice to the PMR

The existing practice may not be replicable to the PMR...

- ◆ **Sheer size of funding**
 - GEF: US\$1.36billion for climate focal area
- ◆ **Approach of funding envelope in which specific projects are proposed is not directly relevant to the PMR practice**

The PMR process should:

- Establish a set of relatively objective criteria while allowing flexibility and avoiding an overly complicated process

Additional Criteria (1)

- ◆ **Scope of the proposal and sound rationale behind the choice of market instrument**

Allocation may take into account:

- A number of sectors/programs proposed, accompanied by a sound rationale illustrated in Building Block 2

- ◆ **Comprehensiveness of Building Block 4 of the MRP**

Allocation may take into account:

- Comprehensive and quality of the analysis of the sub-components contained in Building Block 4

Additional Criteria (2)

◆ Estimated mitigation potential generated from the proposed program(s) for PMR support

The allocation may take into account:

- The amount of the emissions reductions that may be generated from a proposed activity (relevant to a country's total emissions)

◆ Identification of milestone and timetable for implementation

The allocation may take into account:

- The likelihood that a functioning market instrument will be put into place within a reasonable time. The earlier the time schedule for full piloting and implementation, the more funding may be justified.

Additional Criteria (3)

◆ Ratio of Co-financing –

The allocation may take into account:

- The higher the ratio of co-financing, the greater the possibility for successful implementation of a proposed market instrument and the stronger the justification for a higher allocation
- Co-financing: countries' own resources (including funding and in-kind contributions, such as human resources) and sources from other initiatives

PART III: Allocation Proposal for Consideration by PA

Proposed Allocation Modality for Consideration (1)

Based on previous PA decisions and feedback, the PMR Secretariat proposes the following modality for allocation:

- ◆ **Set-aside minimum funding for 15 MRPs;**
- ◆ **Establish 3 categories of funding size for allocation by PA:**
 - US\$3M (Minimum Amount); US\$5M; US\$8M
- ◆ **Participants specify a category of funding and priorities for spending in MRP, based on:**
 - Feedback from PMR experts and PMR Participants
 - Input from the Delivery Partner and the PMR Secretariat

Proposed Allocation Modality for Consideration (2)

PA decisions on funding allocation should be based on:

PA decides on funding allocation based upon:

- ◆ **The funding request specified in the MRP;**
- ◆ **The General Criteria; and**
- ◆ **The Additional Criteria (for MRPs that seek greater than the Minimum Amount)**

Proposed Allocation Modality for Consideration (3)

In the face of insufficient funding for full amount:

- ◆ For instances in which the PA allocates more than the Minimum Amount but there is not sufficient funding available at the time of allocation, the Implementing Country Participant may:
 - Enter into a grant agreement with the World Bank for \$3 million and later increase the amount through an amendment; or
 - Wait to enter into a grant agreement until the full amount is available
- ◆ In the event that more than one MRP receives an allocation that is larger than the Minimum Amount AND there is insufficient funding available to allocate, a priority list will be created for the order of receiving the additional funding. Subsequent MRPs will not receive funding prior to those already on the list.

Proposed Allocation Modality for Consideration (4)

- ◆ **Set deadline for the submission of a final MRP to the PA for funding consideration: 2 years after the allocation of preparation funding**

- ◆ **Allow participants to request second-round funding after having disbursed the original allocation (provided there is a strong justification and availability of funding)**
 - Priority should be given to those that have not received the Implementation funding and are still within the deadline for the submission of the MRP

For PA Consideration at PA3

- ◆ **PMR Participants are invited to consider and adopt the Additional Criteria and modality for allocation at PA3**

Annex

Implementation Funding – Previous Considerations for Allocation

Options Previously Considered at PA Meetings

Option	Pros	Cons	Status
Uniform Allocation	Simplifies allocation decision	Does not reflect differences in need; less opportunity to reward ambitious proposals	At PA2, PA stated it did not want to use uniform allocation
First-come, First Serve	Ensures early movers are not discouraged	If insufficient funds, reserve list; assumes eventual full capitalization or some countries could receive less than minimum	Presented at EOM; PA does not support approach where some participants may not get funding
Channel funds from Base Allocation Pot to Additional Pot (borrowing approach)	Encourages early movers to submit ambitious proposals in near term	If insufficient funds, reserve list; assumes eventual full capitalization or some countries could receive less than minimum	PA is not comfortable with anything that could result in some countries receiving nothing

Options Proposed by Secretariat/Participants but not Formally Proposed at PA Meetings

Option	Pros	Cons	Status
Point-based Approach	“Objective” on paper. Certain number of points correspond with specific funding allocation	Risks becoming a “grading” exercise; given political nature of proposals, could be very sensitive and risk hurting collaborative feeling of the PMR	Some Participants strongly oppose. Could lead participants to exit PMR.
Uniform Allocation w/ Phased Approach	Ensures all countries get at least minimum and allows countries to ask for more if they choose and if it is available	PMR already has more than sufficient funding to give all 15 countries the minimum. If extra funding is not allocated, what should be done with it?	
Ex-Ante approach to determine amount a country would be eligible to receive – based on a set of indicators (such as is done by GEF)	Eliminates all ambiguity regarding allocation. Countries know ahead of time how much they could be allocated	Selecting the index could be controversial and could limit countries ambition b/c the amount of funding is pre-determined	

Point-based Allocation Option Explained

The PMR Secretariat proposed this point-based allocation option in a note dated April 26:

- ◆ **Participants award an MRP points for each additional criterion;**
- ◆ **Points are totaled and averaged;**
- ◆ **An average score of between 40 and 50 points is eligible for US\$5 million. An average score of between 51 and 60 points is eligible for US\$8 million**

There was strong feedback in favor of not adopting a point-based approach due to the potential implication such an approach might have on making the allocation process feel like an “exam” and on the sensitive nature of the political activities expected to be included in MRPs

Allocating Funding: Summary of What Has Been Agreed

There have been many iterations of options and considerations; here is what the PA has agreed to:

- ◆ **General Criteria have been adopted and should be used for assessing whether an MRP is ready to receive funding;**
- ◆ **When an MRP meets the General Criteria (and completes the expert feedback process) it is eligible for the Minimum Amount;**
- ◆ **US\$45 million is set aside to ensure the Minimum Amount for 15 qualified MRPs;**
- ◆ **Allocations may be no greater than US\$7 or US\$8 million (PA can revise this should additional funding become available)**
- ◆ **Secretariat shall propose a deadline for the submission of the MRP, after which minimum allocations would be uncertain**

Thank You

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