



**Presentation of the PMR FY13 Budget and Proposal of the PMR
FY14 Budget for Approval**

Background

1. 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 financial year.¹
2. Historically, the PMR Secretariat has presented the annual budget during the PMR's May meeting. This presentation has included the following elements:
 - a. Summary of the current fiscal year's expenses compared with the approved budget for that fiscal year; and
 - b. A proposed budget (for PA approval) for the upcoming fiscal year.
3. The PMR Secretariat uses activity-based budgeting – i.e., it tracks activities using a coding system – to monitor spending and prepare the PMR budget.
4. The PMR budget is financed with funds from the PMR trust fund (i.e., contributions from the PMR Contributing Participants). As of May 2013, committed contributions to the PMR trust fund total about US\$110.3 million.
5. This note includes three sections: Section I provides an overview of the PMR's sources of funding; Section II presents an overview and analysis of the PMR's use of funds during FY13; Section III presents a draft budget for FY14.

Actions by the PA

6. The original version of this note was circulated to PMR Participants on May 8, 2013. Participants were invited to review this note and **provide feedback and comments to the PMR Secretariat by May 17, 2013**.
7. This revised version reflects feedback received from Participants.

¹ The World Bank's fiscal year runs from July 1 to June 30.

I. PMR Sources of Funding

7. PMR funding is made up of contributions from PMR Contributing Participants and interest income. As of April 2013, total committed contributions are about US\$110,300,000,² while total received contributions equal US\$83,900,000. Table 1 details these contributions by contributor. Total investment income earned is US\$442,000.

Table 1: Pledges to the PMR by Contributor as of April 2013
(in US\$ million)

Contributor	Commitment	Received
Australia	12.6	10.0
Denmark	5.1	5.1
European Commission	19.5	3.2
Finland	5.4	5.4
Germany	6.5	6.5
Japan	13.6	13.6
Netherlands	7.1	7.1
Norway	5.8	5.8
Sweden	7.6	7.6
Switzerland	8.5	8.5
United Kingdom	11.1	11.1
United States	7.5	0
Total	\$110.3	\$83.9

II. Overview and Analysis of the PMR's Use of Funds

Table 2. Summary of PMR Uses of Funds, FY11-FY13*
(in US\$ thousand)

Total Use of Funds FY11	835
Total Use of Funds FY 12	2,750
Total Use of Funds FY13*	5,388
Budgeted Uses (PMR Operations)	2,721
Country Grant Disbursements	2,322
World Bank Administrative Fee	345
Cumulative Total Uses (FY11-13)	8,973
Total Sources (\$83.9m contributions +\$442k investment income)	84,342
Estimated Fund Balance as of June 30, 2013	\$75,369

*These figures represent actual expenses through March 31, 2013 and estimated expenses from April 1 through June 30, 2013.

² Not all contributions are made in U.S. dollars. This total is based on an estimated exchange rate. The exact exchange rate will vary depending on the date at which pledges are transferred to the World Bank.

8. During FY13, the PMR used US\$5.388 million. Out of this, US\$2.721 million was spent on Secretariat Operations (for a detailed breakdown of these expenses, see sections B and C below). The World Bank Administrative Fee—a one-time 1% levy on contributions made to the PMR trust fund – totaled US\$346,000. This fee covers costs for legal support, transaction processing, compliance checks, and accounting and financial reporting.
9. All 16 Implementing Country Participants have been allocated Preparation Phase funding, accounting for a total commitment from the PMR trust fund of US\$5.6 million, of which US\$2.3 million has been disbursed. Most Implementing Country Participants are in the midst of the preparation phase and have not yet disbursed all of their available preparation funding. In addition, among those countries that have completed the preparation phase, some did not use all of the preparation funding; these funds will be carried over and made available to these countries during the implementation phase.
10. At PA5, US\$17 million in Implementation Phase funding was allocated to four Implementing Country Participants. The World Bank, as a delivery partner, is in the process of finalizing the grant agreements with these countries. It is not expected that any grant agreement will be signed in FY13.

A. Summary and Analysis of PMR Budgeted Uses (Secretariat Operations) in FY13

11. This section provides an analysis of expenditures of Secretariat Operations made during FY13 by comparing the FY13 budget approved by the PA in May 2012 with actual expenditures incurred during the fiscal year. There are six core cost elements:
 - a. **PA Meetings and Workshops:** Costs associated with PMR meetings and workshops include meeting venue hire and catering; audio-visual equipment hire; and travel and accommodation expenses for Implementing Country Participant representatives, invited PMR experts and the PMR Secretariat.
 - b. **Country Delivery Support and Advisory Services:** These costs comprise (i) MRP Expert Feedback groups; and (ii) the technical assistance provided by Delivery Partners and the PMR Secretariat to Implementing Country Participants for the preparation and implementation of their Market Readiness Proposal (MRP). The costs include staff time from both the PMR Secretariat and World Bank Regional Offices, consulting fees associated with the MRP Expert Feedback Process, and associated travel costs.
 - c. **Knowledge Management:** These costs cover those associated with the PMR's Technical Work Program, including the preparation of technical notes, organization of working group(s)³ and expert meeting(s),⁴ and other events.⁵ In addition, they cover expenses for design and maintenance of the PMR website.

³ The PMR currently has one technical working group on Baselines.

⁴ The PMR held its first expert meeting in April 2013, Expert Meeting on Modeling for Carbon Pricing Instruments.

- d. **PMR Management and Communications:** These costs comprise day-to-day operating costs of the PMR Secretariat in managing and coordinating PMR activities.
 - e. **Trust Fund Management:** These costs are associated with setting up and managing the PMR trust fund, including legal, budgeting and accounting services.
 - f. **Contingency:** A contingency amount is included to cover any unforeseen expenses that the PA deems appropriate.
12. Table 4 shows a breakdown of the budgeted amount for each of these six elements for FY13 and the actual expenditures incurred. For each element, the actual expense from FY12 is shown for reference.

⁵ Examples of other events include the *Information Sharing Session on North American Emissions Trading* (March 2013) and the *Information Sharing Session on the Australian Carbon Pricing Mechanism* (October 2012).

Table 4: FY13 PMR Operating Expenses: Use of Funds (In US\$ thousand)

Use of Funds	FY12 Actual Expenses (July 1, 2011 – June 30, 2012)	FY13 Budget	FY13 Actual Expenses* (July 1, 2012 – June 30, 2013)
PA Meetings and Workshops	773	732	676
Country Delivery Support and Advisory Services	879	1,774	1,399
<i>MRP Expert Feedback Process</i>		121	175
<i>Country Delivery Support</i>		1,653	1,224
<i>o/w: Secretariat Country Support</i>			404
<i>World Bank Regional Support</i>			820
Knowledge Management	0	242	238
PMR Management and Communications	180	398	350
Trust Fund Management	79	80	58
Contingency	0	150	0
Total FY13 Use of Funds	1,911	3,376	2,721

*These figures represent actual expenses through Marcy 31, 2013 and estimated expenses from April 1 through June 30, 2013.

13. PMR operating expenses for FY13 totaled US\$2.721 million. This is about US\$655,000 less than budgeted for the year. Below is an analysis of the use of these funds.

PA Meetings and Workshops

FY13 Total: US\$676,000; average cost of one PA meeting + one technical workshop = US\$225,000

14. In FY13, the PMR hosted three PA meetings and three technical workshops.⁶ Given that workshops accompany PA meetings, these items are budgeted as one item (i.e, one PA meeting plus one workshop). PMR meetings became longer in FY13, averaging 4.3 days over the previous fiscal year average of 3 days. However, the average cost of a PMR meeting and workshop dropped to US\$225,000 in FY13 from US\$257,000 in FY12. This was achieved, in part, through a stand-alone contribution of US\$50,000 from the Commonwealth of Australia toward offsetting costs associated with PA4.

Country Delivery Support and Advisory Services

FY13 Total: US\$1.399 million

15. The PMR spent \$1.399 million on country support in FY13, reflecting the ramping up of support for the formulation of country MRPs and the MRP Expert Feedback Process, which began for the first time in August 2012. In total, five countries submitted final MRPs and one country submitted a draft MRP in FY13. All six countries completed the Expert Feedback Process.

16. On average, each Expert Group Feedback process costs US\$29,000. In FY13, a total of US\$175,000 was spent on these processes.

⁶ PA4 and Technical Work Shop (TWS) 4 in Sydney (October 2012), PA5 and TWS5 in Washington, DC (March 2013), and PA6 and TWS6 in Barcelona (May 2013).

Knowledge Management

FY13 Total: US\$238,000

17. In FY13, the PMR secretariat commissioned several technical notes, developed the new PMR website, initiated the PMR Technical Work Program (which includes work focused on supporting countries with policy mapping, modeling tools, baseline setting, MRV and data management systems, and offset standards), and began the preparation for an e-learning course on emissions trading, in collaboration with the World Bank Institute. The Knowledge Management budget is expected to grow as the scope of the PMR's Technical Work Program intensifies. Going forward costs for specific technical work line items (e.g., work on MRV systems and modeling tools) will be tracked individually.

PMR Management and Communications

FY13 Total: US\$350,000

18. PMR management costs align roughly with budgeted expectations.

Trust Fund Management

FY13 Total: US\$58,000

19. US\$80,000 was budgeted for trust fund management in FY13 to accommodate an anticipated seven final MRPs that were expected to be allocated implementation phase funding and continued support of preparation phase grant agreements. In FY13, implementation funding was awarded to five countries (not seven). Furthermore, these allocations took place late in the fiscal year (March and May 2013); therefore, most of work (and cost) associated with preparing the grant agreements for these allocations is yet to come and will take place in FY14. As a result, the PMR spent less than anticipated.

III. FY14 Draft Proposed Budget

Table 5: FY14 Draft PMR Budget: Use of Funds (In US\$ thousand)

Use of Funds	FY13 Budget	FY13 Actual Expenses*	FY14 Proposed Budget
PA Meetings and Workshops	732	676	696
Country Delivery Support and Advisory Services	1,774	1,399	2,143
<i>MRP Expert Feedback Process and PMR Expert Support</i>	121	175	490
<i>Country Delivery Support by the delivery partner and the PMR Secretariat</i>	1,653	1,124	1,653
Knowledge Management	242	238	1,000
PMR Management and Communication	398	350	500
Trust Fund Management	80	58	65
Contingency	150	0	150
Total Use of Funds	3,376	2,721	4,554

* These figures represent actual expenses through March 31, 2013 and estimated expenses from April 1 through June 30, 2013.

20. Table 5 presents the proposed PMR budget for FY14. The secretariat proposes an operating budget of US\$4.554 million for FY14, compared with the estimated US\$2.721 million spent in FY13 and the FY13 budget of US\$3.376 million. In addition to an adjustment made due to inflation,⁷ the following planned activities drive the proposed increase.

21. Increasing Country Delivery Support and Advisory Services

The number of countries that begin the implementation stage is expected to triple in FY14, as all 16 Implementing Country Participants complete draft MRPs. This will increase the need for delivery and advisory services from the World Bank's regional support⁸ staff and the secretariat. A key driver of the increase will also come from the number of expert groups formed for the MRP Expert Feedback Process. In addition, some countries that have commenced the implementation phase have requested further support from PMR experts as they implement their MRPs. Therefore, additional funding to support continued expert interaction has been factored into the FY14 budget.

22. Expanding Knowledge Management

Following the launch of the PMR Technical Work Program in FY13, the Secretariat anticipates a significant increase in the amount of time and work focused on knowledge management in FY14. The PMR Secretariat has identified several issues, common to multiple Implementing Country Participants, that would benefit from technical assistance provided in a comprehensive, programmatic manner. Work on these issues – including data management, MRV, baseline setting, modeling tools, offset standards, policy mapping – is meant to complement the direct financial support for MRP implementation, with the objective to help Implementing Country Participants establish national systems that are compatible. In addition, such global support will also improve the effectiveness of the MRP funding and help countries learn from each other's experience. For complete details of the proposed Technical Work Program, including envisioned outputs from the plan, see the *Draft Note on PMR Technical Work Program* (Note PA6 2013-1).

23. PMR Management and Communications

As the number of Implementing Country Participants enter the implementation phase and the amount of work focused on knowledge management increases, PMR management and communication costs are also expected to rise slightly.

⁷ The estimated rate of inflation is 3%.

⁸ In the case of Vietnam, regional delivery support is provided by the World Bank and by the Asian Development Bank.