

Annual Review - Summary Sheet

Title: Partnership for Market Readiness (PMR)	
Programme Value: £7 million	Review Due Date: February 2018
Start Date: 1 Nov 2016	End Date: 31 Oct 2017

Summary of Programme Performance

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Programme Score	B	A+	A+	A	A	A
Risk Rating	Medium	Medium	Medium	Medium	Moderate	Moderate

Summary of progress and lessons learnt since last review

The PMR supports capacity building for the implementation of carbon pricing¹ in developing countries through grant funding and technical assistance. Carbon pricing is an important tool for lowering greenhouse gas emissions in an economically efficient way, and a critical tool for helping to meet the global temperature goals of the Paris Agreement on climate change.² Programmes in this area can contribute to shifting public and private choices towards clean growth, in line with UK objectives. The core PMR activity of building institutional and technical capacity for carbon pricing policies is a necessary first step towards gaining support for market-based approaches in developing countries and expanding their use. The PMR also provides a platform for technical discussions, facilitates country-to-country exchanges and promotes best practice.

The PMR continues to perform well, with significant progress made both in its core area of delivering Market Readiness Proposals and impressive delivery of technical, knowledge and policy analysis products, that together indicate progress towards the PMR's expected Outcome and Impact³.

Expectations were moderately exceeded in one Output and were met in the other two Outputs⁴. The overall programme score is A (i.e. the programme is meeting expectations). In this period there has been notable progress towards implementation of carbon pricing mechanisms and the PMR has met expectations for actual disbursements for this Annual Review period. Despite positive progress, the PMR should continue to be alert to country specific barriers that have caused delays in the past and affected past scores for implementation of carbon pricing mechanisms, as these could yet affect achievement of the programme Outcome and Impact.

¹ Carbon pricing can refer to a range of policies, but in the context of the PMR, it primarily denotes emissions trading, scaled-up crediting and carbon taxes.

² See for instance the report of the High-Level Commission on Carbon Pricing: <https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-prices/>

³ Substantial CO2 abatement as a result of market mechanisms

⁴ PMR Outputs set out in detail on pages 8-12

Summary of recommendations for the next year

For BEIS:

1. To review the UK PMR Logframe in the first half of 2018 and to consider as part of this:
 - The updated PMR-wide Logframe;
 - The indicators for Output 1 given early overachievement of existing measures;
 - The appropriateness of Output 2 indicators;
 - Whether Output 3 should include forward looking indicators now existing indicators have been achieved.

For the World Bank:

New recommendations:

2. The PMR should take into account the recommendations set out in the second evaluation of the PMR, due to report in June 2018, and create an action plan to implement these recommendations in a timely manner.
3. The PMR should ensure that technical reports can appeal to a broader audience by e.g. linking to blogs and features stories so that a wider audience group can view them as useful to the development of carbon pricing instruments.

Carried-forward recommendations:

4. The PMR should continue to develop and implement options for collecting qualitative information on the usefulness of knowledge products produced, including taking on board lessons from the second PMR evaluation due in June 2018.
5. Despite an increase in the pace of country implementation, the PMR should continue to monitor and, where necessary and possible, address country-specific delays in conjunction with national partners.
6. The PMR should continue to develop thinking on the future of the PMR and factor in to that the recommendations set out in the Second Independent Evaluation due in June 2018.

For both BEIS and the World Bank:

7. For BEIS to ensure the methodology for all Logframe Output indicators is recorded clearly and shared with the World Bank, and to ensure jointly with the World Bank that the processes are in place to complete future Annual Reviews on time.

A. INTRODUCTION AND CONTEXT

Link to Business Case:	https://aidstream.org/files/documents/PMR-Business-Case.pdf
Link to Log frame:	See Annex 1, starting on page 24

Outline of the programme

The PMR supports capacity building for the implementation of carbon pricing⁵ in developing countries through grant funding and technical assistance. Carbon pricing is an important tool for lowering greenhouse gas emissions in an economically efficient way, and a critical tool for helping to meet the global temperature goals of the Paris Agreement on climate change.⁶ An international carbon market could reduce the cost of delivering the emissions reductions identified in the current (I)NDCs by about a third by 2030.⁷ Programmes in this area can contribute to shifting public and private choices towards clean growth, in line with UK objectives.

The PMR supports capacity building for the implementation of carbon pricing⁸ in developing countries through grant funding and technical assistance. The PMR also provides a platform for technical discussions, facilitates country-to-country exchanges and promotes best practice. Its core activities of building institutional and technical capacity for market mechanisms is a necessary first step towards gaining support for market-based approaches and expanding their use.

There are 13 donors to the PMR⁹, collectively contributing \$125.8m, of which £7m (~8% of the total) is from the UK. The PMR supports 19 developing countries (known as 'Implementing Country Participants')¹⁰. Each develops a Market Readiness Proposal, and receives a grant of \$3m, \$5m or \$8m for its implementation. In addition there are nine Technical Partners (Alberta, British Columbia, California, Cote d'Ivoire, Kazakhstan, New Zealand, Panama, Philippines, and Quebec). Some of these countries or sub-national jurisdictions engage in the PMR because they are at an advanced stage of preparing or implementing a carbon pricing instrument but do not receive assistance. In 2017 a new category of assistance-receiving Technical Partners was added. Countries in this category are developing countries that receive financial support up to \$0.5m for capacity building and/or benefit from shared learning at the exploratory stage of policy development on carbon pricing. Currently this category includes Cote D'Ivoire, Kazakhstan, Panama and the Philippines. Observer countries in the PMR include France, Italy, Singapore and South Korea. The PMR also has a number of observer organisations (such as the UNFCCC, UNDP, ADB, EBRD, IDB, CAF and ICAP).

All PMR donors and implementing countries are members of the PMR's Partnership Assembly (PA), the decision-making body of the PMR. The PA approves the allocation of funding to implementing countries, and the PMR operating budget. The PA also monitors the operations of the PMR against agreed objectives to ensure value for money and serves as a knowledge and experience sharing platform. In the period under review, the UK participated in the PMR monitoring and evaluation working group, to influence the framing documents for the fund's Second Independent Evaluation due in June 2018.

⁵ Carbon pricing can refer to a range of policies, but in the context of the PMR, it primarily denotes emissions trading, scaled-up crediting and carbon taxes.

⁶ See for instance the report of the High-Level Commission on Carbon Pricing: <https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-prices/>

⁷ World Bank, *Ecofys and Vivid Economics. 2016. State and Trends of Carbon Pricing 2016 (October)*, by World Bank, Washington, DC. - Page 16

⁸ Carbon pricing can refer to a range of policies, but in the context of the PMR primarily denotes emissions trading, scaled-up crediting and carbon taxes.

⁹ Australia, Denmark, European Commission, Finland, Germany, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, UK, USA. Within the PMR these are referred to 'Contributing Participants'.

¹⁰ Argentina, Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Jordan, Mexico, Morocco, Peru, South Africa, Sri Lanka, Thailand, Tunisia, Turkey, Ukraine and Vietnam. Within the PMR these are referred to 'Implementing Country Participants'.

B: PERFORMANCE AND CONCLUSIONS

Annual outcome assessment

In order to understand the likelihood of the PMR achieving its expected Outcome and Impact, a series of outputs are tracked using measurable indicators, contained in a Logical Framework (“Logframe”, see Annex 2).

The three PMR Outputs are:

- 1) Increased knowledge sharing and support between developed and developing country partners to improve design, pilot and/or implement domestic carbon pricing instruments.
- 2) Increased developing country capacity to implement market mechanisms
- 3) Promotion of sustainable, low-carbon development in developing countries

Progress in the period covered in this Annual Review (1 November 2016 – 31 October 2017) has been positive. Progress was broadly in line with expectations for Outputs 2 and 3 and, overall, exceeded expectations for Output 1.

PMR Implementing Countries delivering on their Market Readiness Proposals (MRPs) is central to the PMR delivering its Outcome and Impact, which are measured by the number of countries implementing market mechanisms and the quantity of CO₂ reductions from these mechanisms respectively. Chile implemented its carbon pricing mechanism during the Annual Review period with China and Kazakhstan having active mechanisms shortly afterwards, which is in line with expectations at Outcome level. However, as Chile implemented its carbon pricing mechanism close to the end of the Annual Review period, it should also be stated that, so far, the amount of emissions reductions related to PMR-supported market mechanism is zero.

Output 2 in particular is critical to the achievement of the Outcome and Impact. As of this Annual Review, 15 countries have had their Implementation Arrangements (IAs) finalised (Output 2.1), meaning the programme is on track with this indicator one year behind schedule. If the pace of the last year were to be maintained this year, the programme would hit the target of 19 finalised IAs by October 2018. 16 countries out of a planned 17 have approved Market Readiness Proposals (MRPs) (Output 2.2). It should be noted that the target of 17 was hit in December 2017, slightly after the deadline for evidence for this Annual Review. In addition, Chile has now completed its MRP with full disbursement and disbursements have started for three other MRPs (Jordan, Morocco, and Mexico).

Alongside the core activity of delivering Market Readiness Proposals, the PMR technical work programme and knowledge management (Output 1) is significant to achieving the PMR’s intended Impact. In terms of the the PMR’s work on knowledge sharing and disseminating lessons on carbon pricing instruments, this Annual Review period saw 20 technical notes and 28 knowledge products published. This exceeds the expectations and covers a diverse range of topics and collaborations. Among the PMR participants and partners, the most notable publication has been the “Carbon Tax Guide: A Handbook for Policy Makers” which amounted to approximately one-fifth (6,567 out of 30,889) of total PMR knowledge products downloads. Overall progress in Output 1 has already exceeded 2020 milestones on two indicators while slightly falling short in one indicator for this Annual Review period.

The PMR has also continued to promote its work through stakeholder outreach and engagement activities (Output 3). Participants have given feedback that the PMR provides a platform for building understanding of carbon pricing mechanisms through the discussions and meetings. This is important in the context of the Paris Agreement as developing countries will have a greater aptitude with implementing carbon pricing instruments to meet their targets.

In terms of Impact-level indicators, KPI 11 *Public revenue raised from carbon pricing related market mechanisms* was monitored for the second time for this reporting period. With one year remaining for the next Milestone (£4.6M), the PMR has caught up from the lag in previous years reporting a figure of £3.43M. It is on track to meet the milestone set for the next Annual Review. KPI 15 *Extent to which the intervention is likely to have a transformational change* was also assessed and judged to be in line with expectations i.e. the programme is likely to contribute to transformational change.

Overall output score and description

Score	Output Description
A++	Outputs substantially exceeded expectation
A+	Outputs moderately exceeded expectation
A	Outputs met expectation
B	Outputs moderately did not meet expectation
C	Outputs substantially did not meet expectation

The overall output score for the PMR is **A**. Expectations were moderately exceeded in one Output and were met in the other two Outputs.

Key actions

The previous Annual Review of the PMR (for 2015-16) included seven recommendations:

1. ***The PMR Secretariat should develop and implement options for collecting qualitative information on the usefulness of knowledge products produced (monitoring milestone: June 2017).***

Action taken since last review:

Ongoing: The PMR Secretariat now conducts short evaluations following its workshops and trainings in order to collect feedback on the quality of the event. However, as a tool, these evaluations are limited. First, not all participants complete them and, second, they only capture a respondent's view of the workshop immediately following the event; whereas, a responder may have a different reaction once he or she has and an opportunity to use or apply the knowledge shared during the event. Between October 2017 and June 2018, the PMR is undergoing a Second Independent Evaluation of the entire programme. The impact of PMR stakeholder events is among the indicators upon which the evaluation team will collect qualitative feedback. The team will do so through a survey and in-depth interviews with stakeholders. Results of the evaluation and recommendations for action are expected in June 2018.

2. ***The PMR Secretariat should continue enhanced efforts to monitor and prioritise the implementation arrangement process and grant disbursements (monitoring milestone: June 2017).***

Action taken since last review:

Completed: The PMR Secretariat has continued enhanced efforts to monitor and prioritise the implementation arrangement process and disbursements of grant funding during this review period. The operations monitoring system, launched in 2015, helps the PA and the Secretariat monitor each country's progress toward implementing activities outlined in its MRP, as well as highlight lessons learned from the implementation experience. In the past, the system focused on market readiness preparation and included two tools: a country dashboard that aggregated the status of the various milestones associated with preparing a PMR grant and a template for project implementation status reports. In FY17, the Secretariat started developing a more rigorous monitoring system that provides

information on the status of the PMR's different work programmes (i.e. country work, policy work, and technical work) and on the progress made toward the PMR's expected results (using the PMR's logical framework). These additions will make it easier for the World Bank and the PA to track the progress of the programme and better identify challenges, trends, and lessons to share.

The PMR Secretariat has also improved alignment of MRP design with internal World Bank procedures for project approval with the, specifically with regard to financial management. A good example of progress on this front is the implementation arrangement of the India MRP, which was approved by the PA in March 2017 and, four months later, the implementation arrangement for the WB-executed portion (\$3M) was finalized. A grant agreement for the recipient-executed portion (\$5M) is under negotiation. Another example is the finalization of the implementation arrangement for additional funding allocated to Chile. The funding (\$3M) was allocated in March 2017 and the arrangement was finalized by August 2017. The PMR Secretariat has also continued to take a flexible approach to the implementation arrangements of the MRPs by giving Implementing Country Participants the option to enter into a Bank-executed implementation arrangement. This has unblocked stalled progress in Mexico and facilitated the finalization of the arrangements for India and South Africa.

- 3. *The PMR Secretariat should include an indicator which reflects the progress of each country's Market Readiness Proposal (MRP) implementation on the Operating Management System dashboard. BEIS should then incorporate this into the UK Logframe (monitoring milestone: June 2017).***

Action taken since last review:

Completed: Following this recommendation, the PMR Secretariat has created a more detailed country dashboard to better capture and show each country's progress toward achieving its MRP objectives, not just the status of its funding disbursement. This dashboard was included in the PMR Annual Report 2017¹¹. The enhancements include new indicators to show progress on the project-specific components (e.g., core technical components, supporting components, and carbon pricing instruments supported by the PMR.)

- 4. *BEIS will review the milestones and indicators for Output 2 and consider whether they are appropriate. The Logframe will be updated with any agreed changes in appropriate time for the next Annual Review (target deadline: June 2017).***

Action taken since last review:

Not completed: BEIS played an active role in the PMR Monitoring and Evaluation working group in 2017, to discuss the development of the PMR-wide Logframe and the PMR objectives in preparation for the second independent evaluation. Although the working group was managed swiftly once up and running, the PMR-wide Logframe and objectives were only finalised in September 2017. This gave BEIS insufficient time to conduct a comprehensive review of the UK Logframe for PMR, including Output 2 before this Annual Review. To rectify this a thorough review of the UK Logframe will be undertaken, starting in April 2018. The UK will look at the PMR wide Logframe and integrate aspects into its changes for the UK Logframe.

- 5. *The PMR Secretariat should explore the options to further broaden outreach activities beyond PMR participating countries (monitoring milestone: June 2017).***

Action taken since last review:

Completed: During the review period, the PMR Secretariat developed two publically available e-learning modules (*Designing MRV Systems for Entity-level GHG Emissions* and *ETS Bite-sized Learning*) based on existing technical notes. It also hosted a series of webex meetings with different audiences to present its *Carbon Tax Guide*. The In 2016-2017, the PMR welcomed Argentina as a

¹¹ PMR, (2017), "Supporting Carbon Pricing Policy Action", Annual Report 2017, The World Bank Group

new Implementing Country Participant, New Zealand as a Technical Partner and Panama, Cote d'Ivoire, the Philippines, as new assistance-receiving Technical Partners.

6. *The PMR Secretariat should continue to develop thinking on the future of the PMR (monitoring milestone: June 2017).*

Action taken since last review:

Ongoing: Following PA15 in October 2016, PMR Participants requested the PMR secretariat to carry out additional consultations, in smaller groups, during the first quarter of 2017 and, based on the feedback received, to prepare a draft Discussion Paper to facilitate the discussions at PA16 in March 2016.

Consultations were held with PMR Implementing Country Participants in three different locations (Costa Rica, London and Bangkok) between December 2016 and February 2017. Consultations were held with PMR Contributing Participants in the UK in January 2017 and in Japan in February 2017. A draft discussion paper was produced, outlining principles and options with regards to potential objectives, scope, delivery modes, governance framework and timeline for the discussion on the future PMR. The draft Discussion Paper was presented and discussed at the PA16 in March 2017 in New Delhi. The UK provided feedback at this stage. A revised version, incorporating insights and feedback provided by the participants was presented and discussed at the PA17 in October 2017 in Tokyo. Further feedback and agreement was sought from the PMR participants on the timeline and milestones for the design phase.

Based on the Discussion Paper, a paper outlining options for the future PMR will be presented and discussed at PA18 in April 2018. These discussions, in turn, will serve as a basis for the preparation of a proposed trust fund arrangement for a future PMR and the corresponding governance structure.

7. *BEIS should feed in lessons learnt to the PMR-wide Logframe in 2017 and the PMR Secretariat should ensure that the PMR-wide Logframe is finalised in time for the next independent evaluation (target deadline: June 2017).*

Action taken since last review:

Completed: Through the Monitoring and Evaluation working group, the PMR Secretariat finalised the PMR-wide Logframe in September 2017, in time to inform the Second Independent Evaluation. The UK worked through this group to shape the Logframe to align with ICF best practice. Given World Bank requirements for the Logframe, we do not feel that we can completely align it with the UK's Logframe. However, we do think that PMR-wide Logframe is considered sufficiently similar that we will be able to align a number of the Outputs and indicators. As referenced above, in light of the agreement of a PMR-wide Logframe and updated objectives, the UK Logframe will be comprehensively reviewed in early 2018.

Has the Logframe been updated since the last review?

There has been limited change to the UK Logframe from the last UK Annual Review. However, the references to 'market mechanisms' have been broadened to the more general 'carbon pricing mechanisms' given the broader scope of activities that the PMR has supported.

C: DETAILED OUTPUT SCORING

Output Title	Increased knowledge sharing and support between developed and developing country partners to improve design, pilot and/or implement domestic carbon pricing instruments.		
Output number per LF	1	Output Score	A+
Risk rating (Min, Mod, Maj, Sev):	Min	Impact weighting (%):	30%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
1.1 Number of knowledge tools created to support implementing country market mechanism development and implementation	1. (end of Oct 2011) Tool for Market Readiness Proposals finalised 2. (end of Oct 2013) 5 completed Technical Notes or similar knowledge products 3. (end of Oct 2015) 10 completed Technical Notes or similar knowledge products 4. (end of Oct 2017) 15 completed Technical Notes or similar knowledge products 5. (end of Oct 2020) 20 completed Technical Notes or similar knowledge products.	Milestone exceeded: Achieved - 20 technical notes produced. 28 knowledge products published, Two tailored training workshops in Ukraine and Vietnam, 3 guidance documents, 1 webinar and 2 E-Learning courses, 4 technical workshops, and 9 publications or newsletter
1.2 Number of downloads of technical reports	1. (end of Oct 2017) 36,000 report downloads for Annual Review period 2. (end of Oct 2020) 63,000 report downloads for Annual Review period.	Milestone not met: 30,889 cumulative downloads
1.3 Number of visitors to online tools at the PMR website (www.thepmr.org).	1. (end of Oct 2012) (no target figure) 2. (end of Oct 2013) (no target figure) 3. (end of Oct 2015) 85,000 visits (cumulative) 4. (end of Oct 2017) 105,000 visits (cumulative) 4. (end of Oct 2020) 130,000 visits (cumulative)	Milestone exceeded: Total website visits equalled 152,661

Key Points

- The PMR has continued to exceed expectations for Indicator 1.1 with 20 technical notes produced by the end of the review period. This was the target originally envisaged for 2020. The PMR has also produced a total amount of 28 knowledge products, (nearly twice as much than the last Annual Review period).
- The PMR has not met the anticipated number of downloads of technical reports for the review period. Indicator 1.2, report downloads may not capture the qualitative usefulness of the knowledge products as they can be shared beyond the initial download. The most popular reports are the PMR flagship reports (the Guides on MRV, Carbon Tax, and ETS). They account for more than half of

all downloads as they are seen by stakeholders as informative guidebooks. The other reports are focused on technical topics designed for a narrower audience. One notable knowledge product by the PMR has been the “Carbon Tax Guide: A Handbook for Policy Makers” published in March 2017, that had been downloaded 6,567 times by the end of that year. The report provides guidance on designing and implementing carbon taxes through a comprehensive step-by-step basis.

- The PMR held its first in-country training in Ukraine in April 2017 that helped to build local stakeholder capacity and knowledge on ETS following feedback and ideas from participants at PA meetings. The PMR also hosted a Webinar twice to provide an overview to the ‘Carbon Tax Guide: A handbook for Policy Makers’ report, their most popular knowledge product in the review period.
- The number of online visitors (Indicator 1.3) has also exceeded the expected milestone ahead of target and by almost 50,000 visits which suggests a greater degree of interaction with PMR resources than anticipated. Looking at the knowledge products stated by the World Bank’s Annual Review, the 3 stated documents had an average conversion of 82% from abstract views to file downloads. This indicates that visitors find content useful for their work.
- Overall, given the extent of overachievement against two of the three indicators, and the relative importance of these two measures, the Output 1 is judged to be scoring A (moderately exceeded expectations) despite underachieving on the third indicator.
- In light of early overachievement of two of the Output 1 indicators BEIS should consider as part of the UK Logframe review whether the indicators used here are appropriate. It would also be worth considering whether the measures here are taking advantage of latest technologies for knowledge sharing.

Summary of responses to issues raised in previous annual reviews (where relevant)

Recommendation from 2016 Annual Review: The PMR Secretariat should develop and implement options for collecting qualitative information on the usefulness of knowledge products produced (monitoring milestone: June 2017).

Status: Ongoing. See Key Actions section above.

New Recommendations

1. In light of early overachievement of two of the Output 1 indicators BEIS should consider as part of the UK Logframe review whether the indicators used here are appropriate.
2. Ensure that technical reports can appeal to a broader audience by e.g. linking to blogs and features stories so that a wider audience group can view them as useful to the development of carbon pricing instruments.

Output Title	Increased developing country capacity to implement market mechanisms		
Output number per LF	2	Output Score	A
Risk rating (Min, Mod, Maj, Sev):	Mod	Impact weighting (%):	55%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
2.1 Number of implementation arrangements (IA's) finalised.	1. (end of Oct 2018) 19 IAs finalised	On track: A total of four implementation arrangements have been finalised during the review period: South Africa (March 2017) and India, Mexico and Vietnam (Aug 2017). This brings the total at the end of the period to 15 IAs finalised. If progress continues at this pace, the PMR will be on track to meet the 2018 target.
2.2 Number of countries with approved MRP implementation plans	1. (end of Oct 2013) 5 developing countries have implementation plans 2. (end of Oct 2014) 7 developing countries have implementation plans 3. (end of Oct 2015) 10 developing countries with implementation plans 4. (end of Oct 2017) 17 developing countries with implementation plans 5. (end of Oct 2020) 19 developing countries with implementation plans	Not met: As of October 31, 2017, 16 countries have approved MRP implementation arrangements. Sri Lanka's MRP was approved in December 2017, after the cut-off for this Annual Review.
2.3 Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement	1. (end of Oct 2014) 60% 2. (end of Oct 2015) 80% 3. (end of Oct 2016) 90% 4. (end of Oct 2017) 90% 5. (end of Oct 2020) 90%	Met: 93%.

Key Points

- During this review period, the PMR has finalised another four implementation arrangements, taking this to a total of 15 of the 19 Participant countries, meeting the 2016 milestone but a year later than planned. The PMR Secretariat have identified that actions to streamline the grant agreement process and facilitate the use of other delivery partners have been key to this progress. The four countries for which implementation arrangements are still outstanding are Colombia, Sri Lanka, Tunisia and Argentina.
- The number of countries with approved MRPs (the step prior to implementation arrangements) is 16 compared to a milestone indicator of 17. This milestone was met shortly after the Annual Review cut-off point when Sri Lanka has progressed its MRP to the final endorsement stage. Final MRPs are expected from Tunisia and Argentina at PA18 in April 2018, which shows signs of progress continuing. However, Colombia had its MRP endorsed in 2014, yet the grant agreement has not yet been signed. The main PMR Colombia counterpart agency (Ministry of Environment & Sustainable Development) and the Bank team are currently reassessing options for implementation grant arrangements, including the option of grant administration by the Bank. The PMR work programme has been affected by

significant policy developments in Colombia during 2017 (e.g. adoption of carbon tax, adoption of new national climate change strategy, finalisation of climate change bill) as well as changes in institutional engagement of relevant agencies.

- The PMR has met milestone 2.3 which measures overall actual disbursement in the year in relation to the expected disbursement. This figure was heavily influenced by Indonesia and Peru progressing their MRPs faster than expected. Although it should be noted that the calculation was only able to use revised expectations from November 2016 and as such would not capture any developments that may have occurred between then and this reporting period.
- The delay to this Annual Review is in large part due to a delay in receiving data for Output 2.3 from the World Bank, and to difficulty in establishing the precise methodology used in previous years. These factors were affected by staff turnover in both BEIS and the World Bank and both teams should take steps to ensure a similar delay does not happen in future.
- The overall score of A for this Output balances the fact that one important indicator was met (2.3), a second almost met (and met just after the deadline) (2.2), and the third has made significant progress in the last year ahead of the milestone due in 2018 (2.1).

Summary of responses to issues raised in previous annual reviews (where relevant)

Recommendation from 2016 Annual Review: The PMR Secretariat should continue enhanced efforts to monitor and prioritise the implementation arrangement process and grant disbursements.

Status: Completed. See Key Actions section above.

Recommendation from 2016 Annual Review: The PMR Secretariat should include an indicator which reflects the progress of each country's Market Readiness Proposal (MRP) implementation on the Operating Management System dashboard. BEIS should then incorporate this into the UK Logframe.

Status: Completed. See Key Actions section above.

Recommendation from 2016 Annual Review: BEIS will review the milestones and indicators for Output 2 and consider whether they are appropriate. The Logframe will be updated with any agreed changes in appropriate time for the next Annual Review.

Status: Not completed. As noted in Key Actions section above, the review of the BEIS PMR Logframe will now take place in the first half of 2018. We will consider Output 2 indicators as part of that.

New Recommendations

3. For BEIS to ensure the methodology for all Logframe Output indicators is recorded clearly and to ensure jointly with the World Bank that the processes are in place to complete future Annual Reviews on time
4. Despite an increase in the pace of implementation under this Output, the PMR should continue to monitor and, where necessary and possible, address country-specific delays in conjunction with national partners.

Output Title	Promotion of sustainable, low-carbon development in developing countries		
Output number per LF	3	Output Score	A
Risk rating (Min, Mod, Maj, Sev):	Min	Impact weighting (%):	15%
Risk revised since last AR?	No	Impact weighting % revised since last AR?	No

Indicator(s)	Milestones	Progress
3.1 No. of stakeholder outreach and engagement activities, focussing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place in Implementation Countries.	1. (31 Oct 2014) 4 2. (31 Oct 2015) 7 3. (31 Oct 2016) 10	Milestone exceeded in 2016 (16 stakeholder outreach engagement activities took place). A range of additional stakeholder events took place in the current Annual review period.

Key Points

- During this Annual Review period the PMR has continued to engage in stakeholder outreach and engagement activities.
- These activities during this Annual Review Period have ranged from an online course to a public seminar held independently or tied in conjunction with other events. The ‘Carbon Markets and the Paris Agreement’ seminar was the latest public event which stakeholders found useful given the developments and timescales with international efforts to limit global temperatures from rising. There was also an online webinar based on the Carbon Tax guide that was held twice in the year to reach out to more stakeholders.
- The PMR strengthened engagement with the private sector, through its partnership with IETA and also through inclusion of private sector representatives at its technical workshops. Together with IETA, the PMR Secretariat hosted an industry-to-industry dialogue on China’s National Carbon Market. The workshop promoted the PMR China Project (with is focused on supporting NDRC to prepare National ETS) especially to the private sector and other participants in the forthcoming Chinese National ETS as well as to local authorities operating the ETS Pilots in provinces and cities. It also worked with IETA’s Business-PMR initiative to develop training materials to support private sector readiness. Since 2013, several international workshops and meetings have been organized in the context of the strategic partnership between the PMR and B-PMR bringing together policy-makers and representatives from the private sector around the world to facilitate public-private dialogue and help get the next wave of carbon pricing systems off the ground. As the confidence of business is very important to the establishment of a well-functioning market, the engagement of the private sector in the work of the PMR should be continued.

Summary of responses to issues raised in previous annual reviews

Recommendation from 2016 Annual Review: The PMR Secretariat should explore the options to further broaden outreach activities beyond PMR participating countries (target deadline: June 2017).

Status: Completed. See Key Actions section above.

New Recommendations

5. In light of importance of this area of activity, and achievement of the Output 3 indicators, BEIS should consider as part of the UK Logframe reivew whether further indicators for this Output would be appropriate, or whether activity should be directed towards design of an effective PMR successor programme.

D: FUND PERFORMANCE NOT CAPTURED BY OUTPUTS

In March 2017, the PA endorsed measures to (a) broaden PMR by including new Implementing Country Participants (ICP) and Technical Partners (TP) and (b) deepen the support of PMR by increasing the activities that ICPs and TPs can seek financial and technical support for. In addition, criteria was agreed to review and assess proposals from both new and existing ICPs or TPs and a process for how to conduct such a review and assessment. As a result, British Columbia, New Zealand, Cote d'Ivoire, Panama and the Philippines expressed interest to join the PMR as Technical Partners and were accepted into the partnership at PA17 in October 2017. This action increased the number of TPs to nine. British Columbia and New Zealand will not receive funding under Section 4.10 of the PMR Governance Framework. The other three new TPs will receive up to US\$0.5m in funding to help these countries develop beyond the exploratory phase of implementing a carbon pricing mechanism

Summary of responses to issues raised in previous annual reviews

The PMR Secretariat should continue to develop thinking on the future of the PMR (monitoring milestone: June 2017).

Status: Ongoing. See Key Actions section above.

BEIS should feed in lessons learnt to the PMR-wide Logframe in 2017 and the PMR Secretariat should ensure that the PMR-wide Logframe is finalised in time for the next independent evaluation (target deadline: June 2017).

Status: Completed. See Key Actions section above.

New Recommendations

6. The PMR Secretariat should take into account the recommendations set out in the second evaluation of the PMR, due to report in June 2018, and create an action plan to implement these recommendations in a timely manner, as well as factor them into the design of a PMR successor programme.

E: VALUE FOR MONEY & FINANCIAL PERFORMANCE

Key cost drivers and performance

The PMR's most recent financial year ended on 30 June 2017 (FY17). In that period the PMR spent \$6.9m on operating costs, up from \$6.4m in FY16, \$5.2m in FY15, \$3.79m in FY14, \$2.93m in FY13 and \$1.91m in FY12 which is expected as they scale up their work. We will continue to monitor the overall operating costs. The Second Independent Evaluation that is due in 2018 that will lead to higher costs in the Secretariat operating costs as well as the Monitoring and Evaluation work, but is vital to informing the final years of PMR Phase I activities and the design of PMR Phase II. Operating expenses are around 93% of the total \$7.4m budgeted, and this is caused by lower-than-budgeted spending on Knowledge Management, Policy Analysis Work Programme, PA meetings and workshops that was not offset by the higher-than-budgeted spending on other fund uses.

The following is an approximate breakdown of the \$6.9m spent: 41.4% on country support and advisory services, 20.5% on policy analysis work program, 10.3% on knowledge management, 12.9% on management and communications, 7.2% on workshops, and 7.5% allocated to contingency funding. Compared to last year, The PMR has spent significantly more on country delivery support and advisory services (\$1.047M more) as well spending money on contingency funding compared to last year. Another significant change has been less spent on policy analysis work and knowledge management. This is as expected given that the overall trajectory of the programme has now shifted to helping countries move to implementating their carbon pricing instruments with less needed on policy analysis and knowledge management as most countries have integrated the insights within their MRPs. Other uses of the funds have continued as usual as they have relatively similar budgets and actual expenses.

TABLE 4: FY17 OPERATING BUDGET EXPENSES AND FY18 BUDGET (IN \$ THOUSAND)

USE OF FUNDS	FY17 BUDGET	FY17 ACTUAL EXPENSES*	FY18 PROPOSED BUDGET
PA Meetings, Workshops	656	496	640
Country Delivery Support and Advisory Services	2,543	2,853	2,007
MRP Expert Feedback Process	70	10	50
Country Delivery Support	2,473	2,843	1,957
o/w: Secretariat Country Support	1,513	713	1,127
Delivery Partner Support	960	2,130	830
Knowledge Management	1,303	711	1,079
Policy Analysis Work Program	2,004	1,410	2,222
Management and Communications	768	889	844
Contingency	150	525	150
Total Use of Funds	7,424	6,884	6,942

*Actual expenses up to June 30, 2017

(Table taken from WB PMR Annual Report'17 page 31)

Table 1: FY16 Operating Expenses and FY17 Budget (In \$ thousand)

Use of Funds	FY16 Budget	FY16 Actual Expenses*	FY17 Proposed Budget
PA Meetings, Workshops	850	701	656
Country Delivery Support and Advisory Services	1,685	1,806	2,543
MRP Expert Feedback Process	102	51	70
Country Delivery Support	1,583	1,755	2,473
o/w: Secretariat Country Support	808	985	1,513
Delivery Partner Support	775	770	960
Knowledge Management	1,000	1,200	1,303
Policy Analysis Work Program	3,071	1,966	2,004
Management and Communications	753	728	768
Trust Fund Management	65	0	0
Contingency	150	0	150
Total Use of Funds	7,574	6,401	7,424

*The reporting period covers actual expenses from July 1, 2015 to April 30, 2016. The expenses during the period from May 1 to June 30, 2016 are estimated.

(Table taken from UK PMR Annual Review November '15 to October '16 page 14)

VfM performance compared to the original VfM proposition in the business case

The original VfM proposition in the business case states that “*The approach for assessing value for money will include outcome and output indicators which can be found in the PMR Logframe*”. In addition “*The procurement process will follow the World Bank standard procurement guidelines which DfID adhere to for other multilateral programmes*”. The Logframe has changed this year to account for carbon pricing mechanisms as opposed to just being solely focused on market mechanisms. As the changes to the Logframe better reflect the whole range of activities of the PMR, it will lead to a more accurate measure of the VfM performance. At this stage of the programme we can say that the PMR is performing as expected and is moving in the right direction given that it is on track to meet the Outcome milestones.

Within BEIS we employ a 3 E’s assessment of value for money:

Economy (how effectively costs are managed)

The operating costs for the financial year of 2017 were anticipated to be less than the budget in 2016. The actual costs reveals a slight growth from last year (reflected by an actual higher spending in ‘Contingency’ (\$520k more) and ‘Country Delivery Support and Advisory Services’ (\$1,047k more)), but in both years the budget has been underspent. This may reflect conservative budgeting by the World Bank which we should continue to interrogate, though the planned budget for 2018 reflects the downward trend. Overall we remain confident in the price we are paying for inputs and that the inputs are of the required quality. The World Bank operates as a delivery partner across many other programmes within the ICF portfolio as well as for other donors. It has a strong track-record with an unrivalled network and scope, as well as deep expertise in this area. Although there has been some difficulty in getting the information needed for this Annual Review, we hope that new recommendation 3 above will help in this regard and ease the process for future Annual Reviews.

Efficiency (how effectively funds are used to convert Inputs to Outputs)

Overall, the PMR is performing well by scoring at least an A grade for the Outputs across the board. The PMR has efficiently managed to produce nearly double the knowledge products despite spending less than the actual expenses of FY16 and the budget set for FY17. The PMR has spent more in FY17 than budgeted in the ‘Country Delivery Support and Advisory Services’, which has translated into a higher number of countries with finalized implementation plans, mitigating past delays with actual grant

disbursements or approved MRPs. The PMR will need to continue to look at country-specific barriers and this has been raised as a factor to consider during their internal discussions into the next phase for the PMR and the years leading to it. It should be noted that the Outputs in the Logframe have changed since the business case to reflect the progress of the programme as countries develop along the MRP process.

Effectiveness (how effectively funds are used to convert Outputs to Outcomes)

The PMR should meet the first Outcome milestone set in 2018 as there will be at least 3 countries with a carbon pricing mechanism during the next Annual Review period. Within this Annual Review period, Chile started its carbon tax with Kazakhstan and China launching their mechanisms shortly after this Annual Review period. For the second Outcome indicator, on measuring the emissions reductions, more time will be needed to collect the figures which is due by the Milestone in 2018. Output 2 demonstrates the level of likelihood of Outputs converting to Outcomes: as more countries develop their MRPs and implementation plans as well as receive the grants, the greater the likelihood countries will implement a carbon pricing mechanism. However, the assumptions flagged in the Logframe are still relevant: not all countries will choose to implement at scale, which will affect whether the programme ends up exceeding the Outcome (at least within its lifetime).

There is an Impact indicator milestone set for October 2018 to track the financial flows generated from carbon related market mechanisms. The PMR has managed to catch up to the lag reported last year and is on track to meet the milestone. The programme is also on track for the Impact indicator on transformational change. See Annex 1 for further details on the Impact indicators.

Assessment of whether the programme continues to represent value for money

The PMR is currently on track to meet Impact and Outcome expectations and to do so within budget. This reflects the fact that the programme is overall performing in line with expectations at Output level, has adopted recommendations of previous reviews, and has largely caught up on previous delays. The UK's investment therefore continues to represent value for money in line with the original Business Case.

Quality of financial management

Based on the three Es VfM assessment above, the overall quality of the World Bank's financial management of PMR is assessed as good. The PMR is operating within budget, and has followed past recommendations. Financial information is presented at Partnership Assembly meetings with documents available online alongside information about PMR preparation and implementation grant disbursement.

Date of last narrative financial report	March 22 nd 2017
Date of last audited annual statement	March 22 nd 2017

F: RISK¹²

Overall risk rating: Moderate

Overview of programme risk

PMR retains an overall risk rating of moderate mainly due to the earlier lags in reaching Output 2 milestones and continued sensitivity of Outputs, the Outcome and Impact to the political context and appetite for carbon pricing in implementing countries. With only two years remaining for the programme, it is important that future milestones in Output 2 are met. The PMR Secretariat have said that they are monitoring progress closely and examining whether major parts of the country programme activities will be completed by June 2020. They are doing this through the submitted PMR Project Implementation Status Reports, semi-annual review of the PMR Dashboard, and other communications with the ICP's and TP's PMR Focal Points, concerned line ministries as well as the Delivery Partners (the World Bank and UNDP.) If any issue is identified, the PMR Secretariat will seek to identify remedial measures, including narrowing the scope of the activities and escalating the communication to the higher level, based on the consultations with these stakeholders and follows up until the identified issues are addressed.

In addition, the risk rating remains moderate as the delivery of all of the outputs listed in the Logframe would not ensure that the desired PMR outcomes will be achieved. This is because decisions about carbon pricing are politically sensitive and will be taken at the highest levels (i.e. often the head of state or government) taking account of a wider range of factors. Therefore the PMR will only ever be one of a number of issues being considered by decision makers. It will be important as we evaluate the final years of the programme to consider whether PMR has had sufficient impact to shift decision making at a political level and create the right conditions for implementation. If it has not, then the PMR should evaluate the effectiveness of its process for identifying and addressing issues with countries' implementation progress jointly with national partners, noting what is within and outwith World Bank control.

Outstanding actions from risk assessment

None.

¹² In the previous Annual Review, the risk rating moved from a three-tier (Low, Medium, High) to a four-tier scale (Low, Moderate, Major, Severe).

G: COMMERCIAL CONSIDERATIONS

Delivery against planned timeframe

It should be noted that there have been delays to the timeline set out in the business case which has been noted above and in previous Annual Reviews. Although there has been increased pace in the finalisation of implementation arrangements, the PMR was slightly below target for approved MRP implementation plans for this Annual Review period. The issue of time lags on the implementation process needs to be kept under review to ensure the targets set are reached by the end of the programme. The PMR Secretariat have stated that the preparation and grant agreement stages are expected to be long and that the implementation in the last two years of the programme is expected to accelerate. Similarly, during this review period, Turkey and Kazakhstan got approval for additional funding which indicates that countries are adding more activities to their proposal.

The Outcome has been changed to “carbon pricing instruments” in at least 5 developing countries by 2020. The change reflects the broadening of the carbon pricing mechanisms that the PMR is supporting through MRPs. Chile implemented its carbon tax in 2017, while China announced the launch of its national ETS in December 2017 with Kazakhstan restarting its national ETS in January 2018.

Performance of partnership(s)

The PMR experienced a change in staff which has resulted in delays in collecting the necessary information needed. Although these delays were the results of confirming the processes for the UK Annual Review and can be rectified for the next reporting period. It should be noted that the PMR Secretariat remains a cooperative partner for the UK in the delivery of the PMR.

During this review period, the PMR Secretariat has re-established the Monitoring and Evaluation working group to prepare efficiently for the Second Independent Evaluation of the fund. As part of the group, the UK felt the work and development of objectives and evaluation framing documents was a collaborative process, where our opinions were taken on board. We hope that this kind of close work continues with all aspects of the PMR.

The PMR continues to effectively consolidate ongoing strategic partnerships, in particular through joint working with the International Carbon Action Partnership (ICAP) and the International Emissions Trading Association (IETA). Attendance of countries, multi-lateral development banks, UN organisations and non-governmental organisations attend as observers at PMR meetings and events continues to allow knowledge and experience sharing in these fora.

Asset monitoring and control

The PMR does not monitor or control any assets.

H: MONITORING & EVALUATION

Evidence and evaluation

Second Independent Evaluation

Ipsos MORI and SQ Consult have a number of activities upcoming for the Second Independent Evaluation of the PMR. The Evaluation will involve: a range of stakeholder engagement through consultations, program-level assessment of effectiveness through in-depth case studies of 3 ICP countries(proposed sample of Chile, Thailand and Costa Rica), a literature review of internal PMR documentation and externally relevant documents, as well as analysis and synthesis of their findings.

In terms of the evaluation's timescales, the 'data collection' phase started in November 2017 and is scheduled to finish at the end of February and the 'analysis, synthesis and reporting' phase will run from March to May 2018. The final report is expected to be delivered at PA18 with an agreed publication in June 2018.

The PMR-wide Logframe

The PMR Secretariat has now finalised the PMR-wide Logframe, which is very welcome. The UK was able to feed into the development of the Logframe and is broadly happy with the final version. Unfortunately this was completed too late for the UK Logframe to be updated in time for this year's Annual Review, however this work will be undertaken in the first half of 2018. Although the revised UK Logframe is likely to be different, it will be aligned to the updated PMR-wide Logframe.

The current PMR objectives¹³ from the Governance Framework (September 2017) are:

1. Build countries' capacity to develop and implement carbon pricing instruments needed for GHG mitigation and INDCs/NDCs implementation through grant funding.
2. Assist countries to identify and implement best practice approaches and, where relevant, achieve compatibility in design to support the development of carbon markets.
3. Create a knowledge base on carbon pricing instruments and facilitate information exchange through technical discussions and dissemination of knowledge products.
4. Inform the national and international policy discussions on GHG mitigation by sharing lessons learned and providing a platform for collective innovation on carbon pricing instruments.

The original PMR objectives were:

1. Provide grant financing to countries for building market readiness components
2. Pilot, test and sequence new concepts for market instruments, both for domestic and new international mechanisms, and to identify potential synergies between national market based instruments at an early stage
3. Create a platform to enable policy makers, practitioners, and public and private entities to share experiences and information regarding elements of market readiness, to learn from one another, promote cooperation amongst emerging and developing countries, and explore and innovate together on new instruments and approaches
4. Create and disseminate a body of knowledge on market instruments that could be tapped for country-specific requirements
5. Share lessons learned, including with the UNFCCC

¹³ PMR Governance Framework(13 September 2017) https://www.thepmr.org/system/files/documents/PMR_Resolution_ORG-1_Governance_Framework.pdf

The objectives have been changed as the PMR moves from market readiness to implementation of carbon pricing mechanisms. The objectives have also adjusted to take into account the variety of avenues to discuss and develop information to inform policy discussions.

Monitoring progress throughout the review period

The bi-annual Partnership Assemblies remain the primary fora for in-year progress reporting and the opportunity for both Implementing and Contributing Countries to feed back to the PMR Secretariat. In the review period, 13 Implementing Country Participants¹⁴ submitted Implementation Status Reports (ISRs) and took part in PMR Exchange Forum's during the Partnership Assembly to share – in smaller groups – the progress they are making on the implementation of their PMR activities. The PMR Secretariat has also enhanced the country dashboard to better capture each country's progress towards achieving its unique objectives.

The Partnership Assemblies remain well attended both by PMR participants and stakeholders and are considered of high quality. A more detailed breakdown of the results from the feedback will be provided ahead of the next PA meeting in April 2018.

The PMR Secretariat has made good progress at gathering Participants' views on a second phase of PMR. It has actively engaged Implementing and Contributing Country Partners on strategic discussions, holding a number of workshops in different locations to enhance participation. At PA17, participants requested that the PMR Secretariat consider a number of specific aspects of the second phase, prepare an options paper and hold a consultation workshop at PA18. The Secretariat agreed to explore possibilities to organise such a workshop.

¹⁴ *Brazil, Chile, China, Costa Rica, Indonesia, Kazakhstan, Jordan, Mexico, Peru, South Africa, Thailand, Turkey, and Ukraine*

ANNEX 1: IMPACT INDICATORS

I: ICF KPI 11: VOLUME OF PUBLIC FINANCE MOBILISED FOR CLIMATE CHANGE PURPOSES AS A RESULT OF ICF FUNDING

The PMR logical framework provides milestones for Key Performance Indicator 11 (KPI 11), *volume of public finance mobilised for climate change purposes as a result of ICF funding*. The second milestone in the Logframe is for £4.6m in public funding mobilised by the end of 2018 and as a result of ICF funding. Between 2014 and 2020, the PMR Secretariat estimates that the PMR will mobilise \$125m in public finance.¹⁵ Public finance mobilised by UK funding is proportionate to its burden share of 8.8% over the six year period, this means that UK funding is expected to mobilise around \$9.4m in public finance.

The table below shows public finance leveraged over the period FY16-FY18. Over this period, the PMR Secretariat reports that the PMR mobilised nearly \$US25m. Given a UK burden share of 8.8%, US\$2.2m of this mobilised finance can be attributed to UK funding: this is equivalent to approximately £1.7m

Outputs \$	Expected (lifetime)				Actual				Cumulative			
	2016/17		2017/18		2016/17		2017/18		2016/17		2017/18	
After 50% additionality	Non-attributed	Attributed	Non-attributed	Attributed	Non-attributed	Attributed	Non-attributed	Attributed	Non-attributed	Attributed	Non-attributed	Attributed
50%												
Public Finance Mobilised	80,810,000	7,070,000	62,510,000	5,510,000	17,550,000	1,550,000	7,420,000	650,000	17,760,000	1,5,000	25,180,000	2,220,000

II: ICF KPI 15: TRANSFORMATIONAL CHANGE

Rating

3 (Tentative evidence of change – transformation judged likely)

Evidence and evaluation

The UK's assessment of the PMR's capacity for transformational change relies on three criteria and seven indicators.

The three criteria and respective indicators are:

(1) *Fostering political will and enhancing local capacities to act on climate change*

1.1. *Percentage of allocated preparatory funding disbursed, number of countries with approved MRPs, and percentage of MRP implementation funding disbursed;*

1.2. *A qualitative assessment of the number and type of implementing country government ministries involved in the development and/or implementation of the MRPs.*

(2) *Encouraging innovation*

2.1. *Number of types of mechanisms proposed through the PMR, varying in sectors covered or mitigation approach (tax, sectoral, project based, etc.) – this will involve a qualitative assessment based on the range of the proposals brought forward but also taking into account their feasibility and the level of variation, i.e. no two market mechanisms are identical but some are more innovative than others;*

2.2. *Number of market mechanisms piloted – this will involve a qualitative assessment based on the range of the proposals piloted but also taking into account their feasibility and the level of variation, i.e. no two market mechanisms are identical but some are more innovative than others.*

¹⁵ Public finance is assumed to be leveraged in proportion to funds disbursed.

(3) Influencing future carbon markets, and encouraging replication by others.

- 3.1. Number of observers attending PMR Partnership Assembly meetings;*
- 3.2. Number and quality of engagement events run by the PMR*
- 3.3. The number of activities (e.g. workshops, key publications) delivered by the PMR Secretariat to disseminate programme experience. (This can include benefits extending beyond participating countries.)*

The PMR has achieved a score of 3 as an overall score from the evidence presented.

For criteria 1, the funding disbursement has been 93% with 16 countries with approved MRPs. Only Columbia, Sri Lanka and Tunisia did not have their MRPs approved within the Annual Review period. There has also been a continued shift for countries to be represented by other ministries beyond the environment ministry. For example, during the New Technical Partners session in PA17, the TPs had representatives from the Ministry of Finance and Ministry of Energy present at the event. Countries that presented have also noted that they have been having conversations with other Ministries to coordinate carbon pricing initiatives. The overall score for the criteria is a 3 (Tentative evidence of change – transformation judged likely).

For criteria 2, The 16 MRPs approved range in terms of which carbon pricing initiative they will rely on. Ranging from the Chinese ETS to the carbon tax in Chile and the crediting initiative in Costa Rica, the PMR supports a diverse range of MRPs that cover a number of sectors. There has been one carbon pricing mechanism that has been implemented in Chile with the carbon tax during the Annual Review period. It should also be noted that the launch of China's nationwide ETS was announced in December 2017 and Kazakhstan relaunched its ETS in January 2018. In addition the scaled-up crediting work, which remains a focus for a number of PMR implementing countries, demonstrates a wide range of policy approaches (including voluntary vs mandatory scheme; schemes based on domestic/international demand for credits, etc.). The overall criteria score is a 3 (Tentative evidence of change – transformation judged likely).

For criteria 3, the addition of five new countries as Technical Partners and Argentina as a new Implementing Country Participant indicates a larger attendance at PMR Partnership Assembly meetings. The PMR has also continued to surpass expectations set for the number and quality of engagement events and activities delivered. During the PA17 in Tokyo, there was a public seminar co-hosted by Ministry of Environment of Japan (MOE), Institute for Global Environmental Strategies (IGES) and the Partnership for Market Readiness (PMR) to share the latest information on carbon markets around the world, and provided an opportunity to discuss the expected role of the Paris Agreement for promoting carbon markets. The seminar highlights that senior levels engagement remains high and that programmes experiences are aimed to be shared to a wider audience. The PMR exceeded expectations with the number of publications that have been produced and workshops run over the period. All technical and policy workshops and training events have been well attended. The high demand for the PMR's knowledge products (as evidenced in the number of visitors to the PMR website and the number of downloads for PMR knowledge products) is also taken as evidence of the potential for transformational change. The criteria has score a 3 (Tentative evidence of change – transformation judged likely).

All the criterias show tentative evidence of change (scoring a 3). With actual disbursements at 93% of what was planned for the year, in addition to the range of Ministries involved with MRPs across a number of countries has shown that a transformation is likely to change the political will and capacities to act. The PMR continuing to organise a number of diverse range of quality events and has recently approved of British Columbia, New Zealand, Cote d'Ivoire, Panama, and the Philippines as Technical Partners of the Partnership for Market Readiness (PMR) shows a tentative likelihood for change for criteria 3. For criteria 2, although only one carbon pricing policy had been piloted within the Annual Review period (with another two just following afterwards), the diversity and scope of the proposals suggest that the PMR is supporting an innovation range using either an ETS, carbon tax or crediting mechanism.. The principle challenge for the PMR in demonstrating a reasonable likelihood for achieving transformational change is that its policy objectives are long-term but also highly political, and therefore unpredictable.

ANNEX 2: LOGFRAME

Logical framework (as revised as part of the first, second, third, fourth and fifth Annual Reviews, covering 1 November 2015 – 31 October 2017)

PROJECT NAME		World Bank Partnership for Market Readiness (PMR)							
IMPACT Substantial CO2 abatement as a result of the implementation of carbon pricing instruments.	Impact Indicator 1 (KPI 11)		Baseline (May 2011)	Milestone 1 (31 Oct 2016)	Milestone 2 (31 Oct 2018)	Target (31 Oct 2020)			
	Public revenue raised from carbon related market mechanisms.	Planned	0	£2.3m	£4.6m	£7m			
		Achieved		£1.4m	£3.43m (Up to FY17)				
			Source PMR Secretariat, Implementation Countries						
	Impact Indicator 2 (Qualitative KPI 15)		Baseline (May 2011)	Milestone 1 (31 Oct 2016)	Milestone 2 (31 Oct 2018)	Target (31 Oct 2020)			
	Extent to which ICF intervention is likely to have a transformational impact.	Planned	1	3	3	4			
		Achieved		3	3				
			Source ICF transformational change tool. Scoring: 0 transformation unlikely, 1 not enough evidence, 2-3 transformation likely, 4 transformation very likely						
	OUTCOME	Outcome Indicator 1		Baseline (May 2011)	Milestone 1 (31 Oct 2016)	Milestone 2 (31 Oct 2018)		Target (31 Oct 2020)	Assumptions
	Carbon pricing instruments in at least 5 PMR developing countries by 2020.	No. of participating countries implementing carbon pricing instruments.	Planned	0	0	3		5	Not all Implementation Countries within the PMR will choose to implement market mechanisms.
Achieved				0	1 - Chile Carbon Tax (Implemented) *(China launched its ETS in Dec 2017 and Kazakhstan relaunched its ETS in Jan 2018)				
			Source PMR Secretariat, Partnership Assembly meetings, PMR website						
Outcome Indicator 2 (KPI)			Baseline	Milestone 1 (31 Oct 2016)	Milestone 2 (31 Oct 2018)	Target (31 Oct 2020)			
Quantity of emissions reductions (in MtCO2e) directly resulting from implementation of market mechanisms supported by the PMR.		Planned	0	0	TBC	TBC			
		Achieved		0	TBC				
		Source PMR Secretariat, Partnership Assembly meetings, PMR website							
INPUTS (£)	DECC (£)		Govt. (£)		Other (£)	Total (£)	DECC SHARE (%)		
	£7m (\$11.4m at time of donation)					\$126.5m (Nov 2015)	9%		
INPUTS (HR)	DECC (FTEs)								
	0.5								
OUTPUT 1	Output Indicator 1.1		Baseline (May 2011)	Milestone 1 (31 Oct 11)	Milestone 2 (31 Oct 13)	Milestone 3 (31 Oct 15)	Milestone 4 (31 Oct 17)	Target (31 Oct 20)	Assumption

Increased knowledge sharing and support between developed and developing country partners to improve design, pilot and/or implement domestic carbon pricing instruments.	Number of knowledge tools created to support implementing country market mechanism development and implementation	Planned	No Tools	Tool for Market Readiness Proposals finalised	5 completed Technical Notes or similar knowledge products	10 completed Technical Notes or similar knowledge products	15 completed Technical Notes or similar knowledge products	20 completed Technical Notes or similar knowledge products	Indicator 1.1: The knowledge tools created will be relevant to PMR Implementation Countries and improve their ability to design and develop stronger market mechanisms and mechanism implementation plans. Indicator 1.2: That technical reports provide the users with sufficient information to replicate the learning. Based on an average of 3 additional annual reports produced per year, downloaded as per the current average of 250 times per month. Indicator 1.3: The number of visits to the PMR.org website is an indicator of the use of the PMRs knowledge tools.	
		Achieved		Achieved – Tool was also amended in Oct. 2012	Achieved – 6 Technical Notes, 2 sets of guidelines with related templates, 1 E-Learning Course, and 1 set of Technical Training Materials have been finalized	Achieved – 11 Technical Notes, 2 sets of guidelines with related templates, 1 E-Learning Course, 1 set of Technical Training Materials and 2 issues of China Carbon Market Monitor	Achieved - 20 technical notes produced			
		Source								
		PMR Secretariat, PMR website								
Output Indicator 1.2		Baseline (May 11)	Milestone 1 (31 Oct 11)	Milestone 2 (31 Oct 13)	Target (31 Oct 15)	Milestone 1 (31 Oct 17)	Target (31 Oct 20)			
a) Until 31 October 2016 Number of Partnership meetings and workshops held by the PMR annually b) From 1 November to 31 October 2020 Number of downloads of technical reports	Planned	a) Initial PA Meeting b) No reports	2 Partnership meetings and one workshop per year	2 Partnership meetings and two workshops per year	2 Partnership meetings and two workshops per year	36,000 report downloads for annual review period	63,000 reports downloads for annual review period			
	Achieved		Achieved	Achieved – surpassed in 2012 with the initiation of tri-annual meetings. Three technical workshops also held in 2012	Achieved – surpassed in 2015 when three partnership meetings and eight workshops were held	30,889 downloads since start of PMR				
	Source									
PMR Secretariat, Partnership Assembly meetings, PMR website										
IMPACT WEIGHTING (%)	Output Indicator 1.3		Baseline (May 11)	Milestone 1 (31 Oct 11)	Milestone 2 (31 Oct 13)	Milestone 3 (31 Oct 15)	Milestone 4 (31 Oct 17)	Target (31 Oct 20)		
30%	Number of visitors to online tools at the PMR website (www.thepmr.org)	Planned	PMR website live	Total no. of visits to website	Total no. of visits to website	85,000 visits to website	105,000 visits to website	130,000 visits to website		
		Achieved		Unknown	26,823 visits	Achieved - 87,504	152,661 cumulative			

					from Nov '12 to Oct '13, 11,858 of which were new visits. Visitors came from 140 countries.	visits Of these 60,681 visits from 1 Nov '13 to 21 Oct '15. Of these over half (31,151) were new visitors to the site, from 189 countries	e website visits		
Source									RISK RATING
PMR Secretariat, Partnership Assembly meetings, PMR website									Low
OUTPUT 2	Output Indicator 2.1		Baseline	Milestone 1 (31 Oct 2013)	Milestone 2 (31 Oct 2014)	Target (31 Oct 2015)	Milestone 1 (31 Oct 16)	Target (31 Oct 18)	Assumptions
Increased developing country capacity to implement market mechanisms	<p>a) Until 31 Oct 2015 Percentage of allocated preparatory funding (US\$350,000 per country) disbursed</p> <p>b) From 1 November 2015 to 31 October 2020 Number of implementation arrangements (IA's) finalised.</p>	Planned	a) 0% - No funding disbursed b) 16 – as of 1 Nov 2015	60% (of US\$3,150,000, \$350,000 times nine, the number of PMR implementing countries expected at the time)	60% (of US\$5,250,000, \$350,000 times 15, the number of PMR implementing countries expected at the time)	80% (of US\$5,950,000, \$350,000 times 17, the number of PMR implementing countries expected at the time)	15 IAs finalised	19 IAs finalised	<p>Indicator 2.1: That grant agreements are approved on the basis that they provide a high quality carbon pricing scheme in the implementing country.</p> <p>Indicator 2.2: That all of the 19 Implementing Countries will follow through and develop MRPs, but countries will not all finalise their MRPs within the allotted 2-year time frame.</p> <p>Indicator 2.3: That Implementation Countries will face some delays in implementing their MRP leading to lower than estimated disbursement of funds. Also that given the uncertainty surrounding the process for disbursement at the start, the first years will have lower than average disbursement rates.</p>
		Achieved		Achieved – by 30 June 2013 the PMR had allocated 100% of preparatory funding for the 16 implementing participants (\$5.6m)	Achieved – by October 2014, the PMR had allocated 100% of preparatory funding for the 17 implementing participants (\$5.95m)	Achieved – by October 2014, the PMR had allocated 100% of preparatory funding for the 17 implementing participants (\$5.95m)	Not achieved – by October 2015, 11 IAs had been finalised	Not achieved – by Oct 2017. 15 Implementation arrangement have been formalized	
		Source							
PMR Secretariat, Partnership Assembly meetings, PMR website									
	Output Indicator 2.2		Baseline	Milestone 1 (31 Oct 13)	Milestone 2 (31 Oct 14)	Milestone 3 (31 Oct 2015)	Milestone 4 (31 Oct 17)	Target (31 Oct 20)	
	Number of countries with approved MRP implementation plans	Planned	No implementation plans	5 developing countries have implementation plans	7 developing countries have implementation plans	10 developing countries with implementation plans	17 developing countries with implementation plans	19 developing countries with implementation plans	
		Achieved		Achieved – 6 developing countries (China, Chile, Costa Rica, Mexico, Turkey	Achieved - 11 developing countries (the previous six plus another five: Brazil,	Achieved - 13 developing countries (the previous 11 plus another two: Vietnam	Not Achieved -16 developing countries (the previous plus 13 plus another		

			and Indonesia have finalized implementation plans.	Colombia, Morocco, Thailand and Ukraine) have finalized implementation plans. (A twelfth developing country, Vietnam, had their finalized implementation plan in the first week of November.)	and South Africa) have finalized implementation plans.	three: India, Jordan and Peru) have finalized implementation plans. A seventeenth developing country, Sri Lanka submitted the final implementation plan on December 22, 2017 for the PA's electronic approval.	
Source							
PMR Secretariat, Partnership Assembly meetings, PMR website							
IMPACT WEIGHTING (%)	Output Indicator 2.3	Baseline	Milestone 1 (31 Oct 14)	Milestone 2 (31 Oct 15)	Milestone 3 (31 Oct 16)	Milestone 4 (31 Oct 17)	Target (31 Oct 20)
55%	Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement	Planned	0% - No funding disbursed.	60%	80%	90%	90%
		Achieved		Achieved – 66% In FY14, only Turkey had signed a grant agreement which had disbursement schedule covering the period until October 2014. By the end of October 2014 US\$ 329,635 had been disbursed, while the disbursement schedule anticipated US\$500,000 by the end of the FY, ending	Not achieved – 60% In FY14 Chile joined Turkey in receiving MRP funding. China and Morocco were also originally scheduled to receive a disbursement, but this did not happen. In total, until 31 October 2015, \$5.13m was originally scheduled to have been disbursed, which was revised to \$3.23m. The actual amount was \$2.56m.	Not achieved – 63% Due to lag caused by implementation arrangement delays.	Achieved- 93% In FY17, Indonesia and Peru received \$3.15M. It should be noted that we have used the revised expected figures from November 2016 for the calculation. We were not able to use more recent revised figures. Both the original and revised expectations are far less than the actual disbursement

			on 30 June 2015.	This is 60% of the average of the original and revised planned disbursement totals.		given the rapid progress made since the revised expectations.	
Source							RISK RATING
Implementing Country MRP Plans, PMR Secretariat, PA meetings, PMR website							Low

OUTPUT 3 <i>(with additional revisions marked in red)</i>	Output Indicator 3.1		Baseline (May 2011)	Milestone 1 (31 Oct 2014)	Milestone 2 (31 Oct 2015)	Target (31 Oct 2016)	Assumptions
Promotion of sustainable, low-carbon development in developing countries	No. of stakeholder outreach and engagement activities, focussing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place in Implementation Countries.	Planned	0	4	7	10	Stakeholder outreach and engagement includes consultations and trainings conducted by Implementing Country groups in the course of their MRP implementation. Increased stakeholder engagement builds support for low carbon development and market mechanisms adoption.
		Achieved		Achieved – 5 Stakeholder outreach events held: 1. ETS in Operation (2012); 2. Pricing carbon to achieve mitigation (2013); 3. Emissions trading in North America (2013); 4. Scaling up Domestic Climate Action and Carbon Pricing Instruments (2014); 5. A Business-Government Dialogue on carbon pricing (2014).	Achieved – 7 Two additional stakeholder outreach events held: 6. Vietnam Carbon Pricing Event, Vietnam, September 2015; 7. Aligning Energy Reform and Climate Policies in the Middle East and North Africa (MENA): Challenges and Opportunities, Jordan, October 2015.	Achieved Oct 2016 - 16 stakeholder outreach engagement activities took place during the review period in Kazakhstan (3), Turkey (4), Chile (5), Morocco (1), Vietnam (1), Peru (1) and Switzerland (1)	
IMPACT WEIGHTING (%)		Source					RISK RATING
15%		PMR Secretariat, Partnership Assembly meetings					Low