

**PARTNERSHIP FOR MARKET READINESS (PMR)**  
**STRATEGIC ORIENTATION FOR THE FUTURE OF THE PMR:**  
**PROPOSAL FOR THE USE OF ADDITIONAL FUNDS**

PMR Note ~~PA14 PA16 2016~~2017-14

~~April 12, 2016~~March 6, 2017

(to amend and replace PMR Note PA14 2016-1)~~Revised version, for endorsement~~

## I. INTRODUCTION

1. In an effort to facilitate discussions on the approach, scope, criteria and process for the use of funds remaining in the PMR Multi-Donor Trust Fund, the PMR Partnership Assembly (PA) endorsed, through Resolution No. PA14/2016-7, a PMR Note the Secretariat prepared this Note titled “*Strategic Orientation for the Future of the PMR: Proposal for the Use of Additional Funds*” (PMR Note PA14 2016-1) at PA14 in Lima, in April 2016. PMR Note PA14 2016-1 shall be amended and replaced by this PMR Note PA16 2017-4 to reflect revised provisions concerning the possibility to include new Technical Partners in the PMR.
2. ~~The Note~~This PMR Note provides a brief summary and an update on the overall discussions held on the topic until today (Section II), outlines the main rationale and proposed way forward to “broaden” the PMR (i.e. expand the Partnership with new Implementing Country Participants (ICPs) and/or Technical Partners (TPs)) (Section III), presents the proposed scope of activities to “deepen” the support of the PMR (i.e. the type of activities that existing ICPs and TPs can seek financial and technical support for) (Section IV), suggests criteria to review and assess proposals from both new and existing ICPs or TPs under the PMR (Section V), and, finally, proposes a process in this regard (Section VI).
3. The PA is invited to consider thise (amended) proposed approach, scope, criteria and process for the use of remaining funds under the PMR, with the objective of endorsing thise (amended) proposal at PA16 in New Delhi in March 20174.

## II. SUMMARY AND UPDATE ON THE OVERALL DISCUSSION ON THE STRATEGIC DIRECTION OF THE PMR

4. Since its operationalization in 2011, the Partnership for Market Readiness (PMR) has evolved into a key platform for supporting carbon markets and carbon pricing in a broad context of climate change mitigation policies and action. In an effort to ensure that its impacts are maximized and sustained over time, the PMR Secretariat initiated discussions on the strategic direction for the future of the PMR in May 2013 at its sixth Meeting of the Partnership Assembly (PA) in Barcelona. During that meeting, the PA decided that the PMR strategic discussions shall be “carried out regularly and in a participative manner.” In line with that decision, the PMR Secretariat prepared a number of notes and proposals to facilitate these discussions. Each of them is briefly described below.
  - A. **The Note on the Strategic Orientation of the Future of the PMR (presented at PA7 in October 2013, in Marrakech)** outlined ways in which the PMR could be further scaled-up, including through: (a) Deepening readiness support to countries; (b) Broadening the reach and scope of the

- PMR; (c) Supporting piloting of the new market-based instruments; and (d) Preparing for the second round of resource mobilization in order to provide long-term and systematic support.<sup>1</sup>
- B. The [Proposal on Upstream Policy Work](#) (presented at PA8 in March 2014, in Mexico City) outlined options for additional support in order to respond to new domestic and international developments and help countries assess policy options and identify a package of effective and cost-efficient instruments (including carbon pricing instruments) for post-2020 mitigation scenarios. This work stream was endorsed by the PA at the following PA meeting (PA9) in May 2014 and subsequently extended at PA12 in May 2015.
  - C. The presentation on [Strategic Directions for the Future of the PMR](#) (made at PA10 in November 2014, in Santiago) discussed the main challenges and opportunities facing the PMR, and outlined possible ways to deepen, broaden, and strengthen the PMR support to ICPs.
  - D. The [Note on Options for Funding Additional Activities under the PMR](#) (presented at PA11 in March 2015, in London) outlined the rationale for deepening readiness support to ICPs, suggested possible ways for delivering such support in the future, and provided the PMR financial outlook up to 2020, which demonstrated the availability of funding to support additional activities.
  - E. The [Note on Options for Funding Additional Activities under the PMR: Update and Proposed Way Forward](#) (presented at PA12 in May 2015, in Barcelona) provided a summary and an update on the overall strategic direction discussions held to date and suggested a way forward to frame discussions on the matter, including proposing a timeline and key milestones.
  - F. The [Note on Modality for Funding Additional Activities under the PMR: Draft Proposal for Discussion](#) (presented at PA13 in October 2015, in Jordan) provided a brief summary and an update on the overall strategic direction discussions, outlined the proposed scope of additional activities under the PMR, presented broad considerations for reviewing proposals for funding allocations, and suggested a process and modality in this regard for the PA's feedback.
5. At PA13, the PA generally welcomed the Secretariat's initial proposal and modality for funding additional activities under the PMR. Several ICPs emphasized that a phased approach to readiness and an option to apply for additional funding, either to complement current activities under their Market Readiness Proposals (MRPs) or new and additional activities related to carbon pricing, is consistent with their original understanding of the PMR process. Some Contributing Participants (CPs) requested further clarifications regarding the ability to monitor the progress of PMR activities and emphasized the need to create stronger links between requests for additional funding support and

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<sup>1</sup> The Note outlined that proposed activities under deepening readiness support to countries (through strengthening and expanding upstream policy analysis, enhancing the PMR technical work program, reinforcing in-time expert support to Implementing Country Participants, and supporting South-South knowledge exchange) and broadening the reach of the PMR could be financed from the existing capital ("second phase of the PMR"), while the proposals outlined under options for supporting piloting would be subject to the second round of resource mobilization ("PMR II").

results related to the implementation of ongoing PMR activities. Other Participants highlighted the need for the Note to expand further on the modalities to broaden the PMR. Finally, it was noted that, based on long-term projections for PMR expenses until the end of 2020 (see Annex II of this Note), the amount of remaining funds available to deepen and broaden PMR support is estimated to be between US\$16 and US\$20 million.

6. Based on the PA's feedback during and after PA13, as well as extensive consultations held during the intersessional period, the PMR Secretariat revised the proposal for the use of additional funding under the PMR and the resulting PMR Note (PMR Note PA14 2016-1) was endorsed by the PA, with the objective of endorsing it at PA14. This PMR Note (PMR Note PA16 2017-4) now amends and replaces PMR Note PA14 2016-1 to revise the provisions related to the inclusion of additional Technical Partners in the PMR, with the objective of PA's endorsement at PA16 in New Delhi in March 2017.
7. ~~Subject to the~~ Following the PA's endorsement of the initial PMR Note PA14 2016-1 at PA14, the new process (without amendments) would be ~~became~~ effective in July 2016, i.e. at the beginning of fiscal year 2017 (FY17). The implementation period for these activities is expected to run from the beginning of 2017 until the middle of 2020. The (amended) additional process regarding the inclusion of additional Technical Partners would become effective following the endorsement of this PMR Note PA16 2017-4 at PA 16 in New Delhi in March 2017.

### III. BROADENING PMR SUPPORT TO NEW ICPs AND TPs: RATIONALE AND WAY FORWARD

8. As of today, the Assembly of the PMR consists of 13 Contributing Participants (CPs) and ~~17-19~~ Implementing Country Participants (ICPs). CPs are donors that have contributed financially to the PMR, while ICPs benefit from financial and technical assistance from the PMR to prepare and implement their MRP and related readiness work.
9. The PA originally decided to limit the number of ICPs to 15. However, as the PMR was growing and drawing positive reactions from the international community, other developing countries and emerging economies demonstrated interest in joining the PMR. As a result, with additional contributions to the PMR Trust Fund from Switzerland and Germany, Peru and Tunisia formally joined the Partnership in 2012 and 2014, respectively. As part of the new process and the provisions to include new ICPs, Sri Lanka and Argentina have formally joined the PMR in April and October 2016, respectively, thereby bringing the total number of ICPs to ~~17~~19.
10. In an effort to respond to the changing environment and growing interest in the PMR, the PA decided to broaden its reach by creating a new category of PMR participants: the Technical Partners (TPs). TPs are countries or sub-national jurisdictions that already have an effective carbon pricing instrument in place or that are at an advanced stage of preparation to establish one. They engage with the PMR through various collaborative activities and, if needed under specific circumstances, receive funding for technical assistance. As of now, four TPs have joined the PMR: Alberta, California, Kazakhstan and

Quebec. Kazakhstan is the only TP that receives funding for targeted technical support – as such it is the only “assistance-receiving TP” – to complement its domestic actions related to the design and implementation of the Emission Trading System (ETS).

11. Based on the feedback received from the Participants throughout the discussion on the strategic direction of the PMR, and in light of the increasing demand for technical assistance to design prepare and implement carbon pricing instruments, the PMR Secretariat proposes to expand the number of ICPs to a maximum of 20, and the number of new assistance-receiving TPs to a maximum of ~~26~~, for the current operational phase of the PMR (i.e. until December 2020). Adding new Participants is an opportunity for the PMR to leverage and expand on its past work, as well as build on established procedures and lessons learned to prepare, review and operationalize proposals for readiness activities. Broadening the Partnership also allows for supporting a growing number of countries in their efforts to design, prepare and pilot carbon pricing instruments and bringing a growing share of global emissions under cost-effective GHG mitigation policies.
12. The process to include new ICPs is well established and does not require any significant modification. In order to streamline and accelerate the PMR Process, the only changes that are proposed to it are for prospective ICPs to combine the submission and presentation of their Expression of Interest (EoI) with the presentation of their Organizing Framework for the Scoping of PMR Activities (OF), and to try to limit the period to prepare an MRP to a maximum of one year. The consequence of this proposed change is that prospective ICPs will no longer be able to seek an advance on their PMR preparation phase funding and will be expected to fund the preparation of their EoI and OF with their own resources.
13. The procedure for Technical Partners to join the PMR was established through [Resolution No. PA8/2014-3](#), adopted by the Partnership Assembly at PA8 in Mexico. The PMR Governance Framework was amended accordingly to allow some countries and sub-national jurisdictions to join the PMR as Technical Partners. Going forward, new Technical Partners that express interest to join the PMR would follow the same procedure, subject to the PA’s approval.
14. Taking into consideration the time needed by new ICPs and TPs<sup>2</sup> to prepare their proposals and to implement the activities thereunder before mid-2020, as well as the long-term projection of the PMR funding until then (see Annex II of this Note), all PMR implementation phase funding allocations for new ICPs and TPs will be capped at US\$3 and US\$~~1~~0.5 million, respectively. For the same reason, the deadline for prospective ICPs to submit and present a combined EoI and OF for the PA’s consideration and endorsement is October 2016. The deadline for prospective TPs to submit an EoI and Proposal for Targeted Technical Support is ~~October April 2017~~2018.

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<sup>2</sup> For the sake of simplicity and clarity, TPs that will be eligible to receive new or additional funding under the PMR are henceforth understood to be assistance-receiving TPs. Going forward in this note, the distinction between non assistance-receiving and assistance-receiving TPs will no longer be made and will be implied.

#### IV. DEEPENING PMR SUPPORT TO EXISTING ICPs and TPs: RATIONALE AND SCOPE OF FUNDING PROPOSALS

15. As the focus of PMR activities is gradually shifting from the preparation to the implementation of activities laid out in the current ICPs and TPs' proposals<sup>3</sup>, exploring ways of enhancing technical and financial support to them is critical.
16. This section describes two types of activities that could be funded in order to provide additional support to the ICPs and TPs:
  - A. Activities that complement existing activities related to MRPs in ICPs or to Targeted Technical Support for TPs, and
  - B. Activities that are specifically related to policy analysis, which include carrying out modeling work, exploring the economic implications of the implementation of carbon pricing instruments, as well as analyzing the interaction of these instruments with other policies.

These two type of activities for deepening PMR support are based on past discussions on the strategic direction for the future of the PMR and a "Survey for Implementing Country Participants", which aimed to identify initial demand and scope for funding additional activities under the PMR. The activities that have been previously carried out in some countries and were related to direct support to the design and implementation of carbon pricing instruments have been folded into the proposed two types of activities that are described below.

##### **A. Activities to Complement Existing Activities related to MRPs in ICPs or to Targeted Technical Support for TPs**

17. Under current PMR operation modalities, ICPs receive grant funding to carry out activities identified in their MRPs. In most cases, this funding typically covers only a portion of the activities required for market readiness. As stipulated in the [Tool for Market Readiness Proposal](#), as well as the [Resolution PA 3/2012-4](#) ("Additional Criteria and Modality of Allocation of Implementation Funding"), ICPs were given the option to indicate in their MRPs whether they planned to come back to the PA for a second round of funding. In addition to this, as countries enter the implementation phase, potential gaps between the MRP-funded activities and ICPs' overall readiness needs are likely to be further identified.
18. In an effort to strengthen and complement the implementation of the activities under their MRPs, the PMR Secretariat proposes to establish a process to allow the ICPs to apply for additional funding. The scope of the requests will include additional activities that complement ongoing ones and new activities identified during the early implementation of the same that can help overcoming obstacles and barriers in implementing or scaling up carbon market pilots. Such activities will help ICPs further

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<sup>3</sup> In the case of ICPs, such proposals correspond to Market Readiness Proposals, or MRPs, and in the case of TPs, such proposals correspond to Proposals for Targeted Technical Support.

achieve the objectives identified in their MRPs and improve readiness for the implementation of carbon pricing instruments in general. Requests for additional PMR support will be based on the review of the progress of the PMR project and the identification of additional readiness gaps. While such progress and gaps will be captured in the PMR Project Implementation Status Report (ISR) that each ICP is required to prepare annually as part of the PMR Operations Monitoring System,<sup>4</sup> requests for funding of additional MRP-related activities will be submitted as part of a separate process (see sections V and VI of this Note).

19. The PMR Secretariat proposes to establish a similar process to allow the existing TPs (i.e. Kazakhstan) to apply for additional funding, with a view of strengthening and complementing the implementation of the activities under their Targeted Technical Support program. The identification of possible areas for additional support will also be based on the review of the progress made in the initial set of activities under their PMR project, to be captured in an annual ISR. However, requests for funding of additional activities related to Targeted Technical Support for TPs will also be submitted as part of a separate process (see sections V and VI of this Note).

#### **B. Policy Analysis Activities**

20. The PMR experience demonstrates that one of the main readiness challenges is a need to carry out economic and policy analysis to inform the selection and introduction of a carbon pricing instrument. In addition, there is broad recognition that carbon pricing instruments should be considered in the context of countries' mid- and long-term mitigation goals. In order for countries to take a holistic approach to mitigation goal and policy setting, there is a need for countries to carry out modeling and analytical work in order to identify a suitable package of policies and measures, and understand their interactions, impacts and potential barriers.
21. The Policy Analysis Work Program was officially launched at PA9 in an effort to support countries' efforts to establish post-2020 mitigation scenarios and identify a package of effective and cost-efficient policies—including carbon pricing instruments—to help achieve mitigation ambition. At the same time, the PA approved a procedure under which the PMR Secretariat was requested to inform the PA, prior to each resource allocation, on the scope and timelines of the analytical studies and resource allocation related to this work stream. The same procedure was subsequently extended at PA12 in Barcelona and was applied in FY16, with an understanding that the scope of the work would cover upstream policy analytical work and should assist in the analysis of carbon markets or other carbon pricing instruments.
22. While this work facilitated the ICPs' efforts in preparing their mitigation component for "intended nationally determined contributions" (INDCs) under the UNFCCC process, it was also recognized that a systematic and long term support to countries in strengthening their modeling capacity is critical

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<sup>4</sup> The ISR template has been submitted for endorsement by the PA in March 2015, as part of the PMR Operations Monitoring System and circulated at PA12 (see Annex II of the [PMR Note PA12 2015-6](#)).

and goes beyond COP21. Moving forward, the PMR Secretariat proposes to establish a process for ICPs and new TPs<sup>5</sup> to apply for additional funding for activities under the Policy Analysis Work Program aimed at carrying out modeling work, exploring the economic implications of the implementation of carbon pricing instruments, as well as analyzing the interaction of these policy options with other policies. These activities could be outside of the scope of the ICP’s MRPs and, if applicable, would build on the work done as part of the Policy Analysis Work Program in FY15 and FY16, including the “Checklist on Establishing post-2020 Emission Pathways”<sup>6</sup> and country-specific work to date.

**V. ADDITIONAL ACTIVITIES UNDER THE PMR: MODALITY AND CRITERIA FOR CONSIDERING THE FUNDING PROPOSALS**

23. For activities that complement ongoing activities related to MRPs or Technical Targeted Support, ICPs and TPs will be expected to maintain the same implementation arrangements as for the existing PMR project, regardless of the amount of additional funding allocated. For new or additional activities related to policy analysis, the funding will be executed by the existing Delivery Partner, at the request of and in close collaboration with the ICPs, as was the case for most countries during the PMR preparation phase. Given the relatively small size of the additional funding allocations envisaged for this type of activities, such modality will facilitate the provision of timely support to countries and ensure the effective delivery of technical assistance.
24. Depending on the type of activity subject of the request, the amount of additional funding allocation is summarized below:

Type of activities	Maximum allocation	Deadline for submission of proposals
Activities that complement ongoing activities related to MRPs in ICPs	US\$2 million	April 2018
Activities that complement ongoing activities related to Technical Targeted Support for <u>existing</u> TPs	US\$1 million	
New or additional activities related to policy analysis in ICPs <u>and new TPs</u>	US\$500,000	

25. For all types of activities, irrespective of the amount of funding allocated, the implementation period will start by July 2018, and will not last for more than two years after that date (i.e. until June 2020 at the latest). Consequently, the deadline for submission of proposals for all types of activities will be

<sup>5</sup> It should be noted that existing TPs (i.e. Kazakhstan) would not be eligible for accessing funding under the Policy Analysis Work Program.

<sup>6</sup> The “Checklist on Establishing post-2020 Emission Pathways” serves as the primary tool for the identification of possible areas of support, while ensuring complementarity of the various in-country activities.



April 2018, for endorsement by the PA by June 2018 at the latest. In addition, the maximum amount of additional funding that an ICP, ~~and~~ an existing TP and a new TP can request ~~to~~ from the PA, for any combination of proposed activities, will be capped at US\$2 million, ~~and~~ US\$1 million and US\$0.5 million, respectively. The amount(s) allocated to any given ICP or TP for each type of activities will be defined based on the country's request for additional funding allocation and a set of criteria described below, including the level of progress of the initial PMR project activities and the stage of preparation of the carbon pricing instrument(s), as relevant. Moreover, the allocated amount(s) will also depend on the overall availability of funds under the current capitalization of the PMR (see Annex II of this Note for more information). Finally, it is important to note that, contrary to the first round of funding, no amount will be set aside for any ICP or TP, which means that funding will be granted on a rolling basis until the current amount of available PMR capital is fully allocated.

**A. Activities to Complement Existing Activities related to MRPs in ICPs or to Targeted Technical Support for existing TPs**

26. ICPs and existing TPs will submit their requests for additional funding allocations to complement their MRP or Targeted Technical Support activities using a template which will describe the rationale, objectives and detailed content of the proposed activities, as well as the budget, timeline and arrangements for their implementation (see Annex I). The proposals will be reviewed based on the set of criteria and accompanying information described below.

**(a) Overall mitigation strategy and (Intended) Nationally Determined Contribution (INDC/NDC)**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Describe the country's commitments, as put forward in its INDC/NDC, including the coverage with respect to sectors, key policies and measures, GHG emissions, and timeframe;
- (ii) Identify critical readiness gaps to be filled or needs to be supported in order to facilitate the implementation of the country's INDC/NDC with regards to carbon pricing mechanisms design and implementation; and
- (iii) Demonstrate how carbon pricing instruments fit into and contribute to the country's mitigation strategy, as identified in its INDC/NDC.

**(b) Level of political commitment to carbon pricing and clarity on the institutional arrangement for implementation**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Demonstrate the overall political commitment to carbon pricing within the country by describing the existing or intended legal and institutional framework;
- (ii) Demonstrate political support for the planned activities by providing evidence-based aspects of such support; and

- (iii) Demonstrate that the proposal is the result of a broad engagement and wide consultations with relevant ministries and stakeholders.

**(c) Scope of work and additionality of proposed activities**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Describe the scope of activities and related deliverables;
- (ii) Demonstrate how the proposed activities will complement ongoing activities supported by the PMR;
- (iii) Demonstrate how the additional activities will help fill the identified readiness gaps (in Section a), including overcoming existing barriers and contributing to achieving the overall mitigation goals; and
- (iv) Identify risks or barriers to implementation, and measures to mitigate or overcome them.

**(d) Progress made on initial funding allocation(s)**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Include as an annex a summary of the country's most recent ISR, with a focus on finalized outputs, as per the timetable and schedule in the MRP or the Proposal for Targeted Technical Support;
- (ii) Demonstrate that at least 33% of the allocated funds for the ongoing activities related to the MRP or the Proposal for Targeted Technical Support have been committed (i.e., contracted); and
- (iii) Provide a qualitative assessment of the progress made with regards to ongoing activities, including describing how output and outcome indicators from the initial implementation phase were achieved. Such assessment will be conducted by the ICP/TP and an independent expert feedback provider.

**(e) Budget and timeline**

The proposed budget will reflect indicative costs for the tasks proposed in a comprehensive manner, including government or other co-financing, if applicable. The proposal will also include realistic tasks and corresponding timetable against the proposed budget. The implementation period of the proposed activities is expected to start by July 2018 and not last for more than two years after that date.

**(f) Output and expected outcome**

The proposal for additional funding will identify the output(s) and outcomes that are expected from the implementation of additional activities, including demonstrating their links with the country's overall mitigation goals and policies. The proposal will also outline a plan to monitor and assess the progress of the proposed activities, including through the country's annual ISR.

**B. Policy Analysis Activities**

27. ICPs and new TPs will submit their requests for additional funding allocations to receive specific support under the Policy Analysis Work Program using a template which will describe the rationale, objectives and detailed content of the proposed activities, as well as the budget, timeline and arrangements for their implementation (see Annex I of this Note). The proposals will be reviewed based on the following considerations:

**(a) Overall mitigation strategies and (Intended) Nationally Determined Contribution (INDC/NDC)**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Describe the country's commitments, as put forward in its INDC/NDC, including the coverage with respect to sectors, key policies and measures, GHG emissions, and timeframe;
- (ii) Identify critical readiness gaps to be filled or needs to be supported in order to facilitate the implementation of the country's INDC/NDC with regards to carbon pricing mechanisms design and implementation; and
- (iii) Demonstrate how carbon pricing instruments fit into and contribute to the country's mitigation strategy, as identified in its INDC/NDC.

**(b) Level of political support to carbon pricing and clarity on the institutional arrangement for implementation:**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Demonstrate the overall political commitment to carbon pricing within the country by describing the existing or intended legal and institutional framework; and
- (ii) Demonstrate political support for the planned activities by providing evidence-based aspects of such support.

**(c) Scope of work and additionality of proposed activities.**

To help assess its adequacy with the above criterion, the proposal for additional funding will:

- (i) Describe the scope of activities and related deliverables;
- (ii) Describe how the PMR support will be used for developing appropriate targets and assessing potential policies/measures to achieve them;
- (iii) Describe how proposed activities will inform decisions related to the choice and design of a suitable carbon pricing instrument and/or contribute directly to its design, preparation and/or implementation;
- (iv) If applicable, Ddemonstrate how the proposed activities will complement the other related activities, including those laid out in the MRP, and contribute to their successful implementation, including in the MRP reporting tool (i.e. the country's most recent ISR); and

(v) Identify risks or barriers to implementation and the plan for risk mitigation.

**(d) Budget and timeline**

The proposed budget will reflect indicative costs for the tasks proposed in a comprehensive manner including government or other co-financing, if applicable. The proposal will also include realistic tasks and corresponding timetable against the proposed budget. The implementation period of the proposed activities will start by July 2018 and will not last for more than two years.

**(e) Output and expected outcome of the implementation**

The proposal for additional funding will identify the output(s) and outcomes from the implementation phase, including demonstrating their links with the country's overall mitigation goals and policies. The proposal will also outline a plan to monitor and assess the progress of the proposed activities, including, if applicable, through the country's ICP's ISR.

**VI. PROCESS FOR ADDITIONAL FUNDING ALLOCATION**

28. Taking into account differences in the proposed scope of activities and related funding envelopes (as described in Section V), the PMR Secretariat proposes to establish two separate processes for allocating additional funding for the two different types of activities, as described below.

**A. Activities to Complement Existing Activities related to MRPs in ICPs or to Targeted Technical Support for TPs**

29. The process to submit and review proposals for activities to complement and support existing MRP activities in ICPs or Targeted Technical Support to existing Technical PartnerPs will be as follows:

- (i) Step 1: Submission of a draft proposal by the ICP/TP to the PMR Secretariat using the agreed template (see Annex I of this Note) for review and feedback from at least one independent expert, the PMR Secretariat and the Delivery Partner;
- (ii) Step 2: Review of the draft proposal (based on the criteria described in Section V.A. above) by at least one independent expert, the PMR Secretariat and the Delivery Partner, and provision of feedback to the ICP/TP within two weeks;
- (iii) Step 3: Revision of the proposal by the ICP/TP based on the feedback received from at least one independent expert, the PMR Secretariat and the Delivery Partner, and submission of the revised proposal to the PMR Secretariat;
- (iv) Step 4: Circulation of the revised proposal by the PMR Secretariat to the PA within three business days;

- (v) Step 5: Review of the draft proposal (based on the criteria described in Section V.A. above) by the PA, and provision of comments and feedback to the ICP/TP, through the PMR Secretariat, within three weeks;
  - (vi) Step 6: Revision of the proposal by the ICP/TP based on the PA's feedback and submission of the final draft proposal to the PMR Secretariat at least two weeks before the subsequent PA meeting; and
  - (vii) Step 7: Final presentation of the proposal by the ICP/TP at the PA meeting for endorsement and funding allocation.<sup>7</sup>
30. The feedback process is meant to help enhance the formulation and increase the quality of the proposal, and assess the progress made so far with regards to the implementation of activities laid out in the ICPs' MRPs or the TPs' Targeted Technical Support. A valuable external perspective will be provided through the independent expert's feedback and recommendations, based on relevant knowledge and experience, and building on the lessons learned during the early implementation of PMR activities and existing best practices. The independent expert will also comment upon the progress made on the activities under the initial funding allocation, based on the results framework agreed to in relation to the implementation of the MRPs or Targeted Technical Support.
31. The experience from the review of MRPs so far demonstrates that the feedback process is a critical step for improving the quality of funding proposals and for providing a solid foundation for a smooth decision-making on funding allocations by the PA. Going forward, it is expected that the feedback process will bring the same value to development of proposals by the ICPs/TPs and facilitate decisions by the PA related to the allocation of additional funding for activities to complement and support existing MRP activities or Targeted Technical Support to TPs.

### **B. Policy Analysis Activities**

32. In order to facilitate and accelerate future decisions by the PA on additional funding allocations for policy analysis activities which are of limited scope and funding envelope, the PMR Secretariat proposes to apply the electronic decision-making process, as outlined in the Note on Decision-making through Electronic Means ([PMR Note PA10 2014-2](#)), and further refined in the [PA10 Co-Chairs' Summary](#). This process will allow for the timely implementation of activities proposed by the ICPs and new TPs, and will be facilitated by the existence of already defined eligibility criteria (as per Section V.B.).
33. The process to submit and review proposals for activities related to policy analysis through electronic means will be as follows:

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<sup>7</sup> In case issues with the final draft proposal remain, and all efforts to reach a consensus have been exhausted and no decision has been reached, as per paragraph 4.5. a) of the Governance Framework, a decision will be taken by two-thirds (2/3) majority of the CPs and two-thirds (2/3) majority of the ICPs, present and voting at the meeting of the PA, on the basis of one (1) vote per PMR Participant.

- (i) Step 1: Submission of a draft proposal by the ICP/TP to the PMR Secretariat for review and feedback, using the agreed template (see Annex I) for review and feedback from the PMR Secretariat and the Delivery Partner;
- (ii) Step 2: Review of the draft proposal (based on the criteria described in Section V.B. above) by the PMR Secretariat and the Delivery Partner, and provision of feedback to the ICP/TP within two weeks;
- (iii) Step 3: Revision of the proposal by the ICP/TP based on the feedback received from the PMR Secretariat and the Delivery Partner and submission of the revised proposal to the PMR Secretariat for circulation to the PA;
- (iv) Step 4: Circulation of the revised proposal by the PMR Secretariat to the PA within three business days;
- (v) Step 5: A three-week no-objection period for the PA to review the proposal and provide comments will be in effect. During this period, the ICP/TP will avail itself to clarify any concerns or to answer any question that the PA might have. In case comments or questions are raised by the PMR Participants during the three-week no-objection period, the PMR Secretariat will facilitate the communication between the concerned parties, in order to provide clarifications and ensure a smooth decision-making process.<sup>8</sup>
- (vi) Step 6: At the end of the three-week no-objection period, the decision on the additional funding allocation will be deemed adopted unless explicit objection is raised by a PMR participant. In such case, the discussion and decision will be postponed to the next meeting of the PA,<sup>9</sup> provided the latter is not later than April 2018.

## VII. ACTION BY THE PA

32. The PA is invited to consider the proposed scope, criteria and process for the use of remaining funds under the PMR, with the objective of endorsing the proposal at PA14.

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<sup>8</sup> Section IX of the PMR Rules and Procedure specifies that, in case of electronic decision-making, the Secretariat shall invite each PMR Participant to review and approve the proposed decision, including providing all the relevant documents. The Rules of Procedure also stipulate a period of at least fourteen (14) days, during which any PMR Participant may object proposed decision. At the end of the prescribed period, the proposed decision is deemed approved.

<sup>9</sup> Under such scenario, the ICP/TP will submit a final draft proposal to the PMR Secretariat at least two weeks before the subsequent meeting of the PA, during which the ICP/TP will make a final presentation of the proposal for endorsement and funding allocation (see steps 6 and 7 of the process to submit and review proposals for activities to complement and support existing MRP activities in ICPs or Targeted Technical Support to TPs).

## ANNEX 1: PROPOSED TEMPLATES FOR APPLICATIONS FOR ADDITIONAL FUNDING ALLOCATION

### *Draft Template for Activities to Complement Existing Activities related to MRPs in ICPs or to Targeted Technical Support for TPs*

#### I. Overall mitigation strategy and (Intended) Nationally Determined Contribution (INDC/NDC)

Country commitments, as put forward in its INDC/NDC, including the coverage with respect to sectors, key policies and measures, GHG emissions, and timeframe

Critical readiness gaps to be filled in order to facilitate the implementation of the country's INDC/NDC with regards to carbon pricing mechanisms design and implementation

The role of carbon pricing instruments in achieving the country's mitigation strategy, as identified in its INDC/NDC

#### II. Level of political commitment within the country to carbon pricing and clarity on the institutional arrangement for implementation

Country's political commitment to carbon pricing, including the existing or intended legal and institutional framework

Political support for the planned activities, including evidence-based aspects of such support

Summary of stakeholder engagement and consultations with relevant ministries and stakeholders in regard to proposal development

**III. Scope of work and additionality of proposed activities**

Scope of activities and related deliverables

Ways in which proposed activities will complement ongoing activities supported by the PMR



Ways in which additional activities will help fill the identified readiness gaps as, including overcoming existing barriers and contributing to achieving the overall mitigation goals

Risks or barriers to implementation, and measures to mitigate or overcome them

#### **IV. Progress made on initial funding allocation(s)**

Summary of the country's most recent ISR, with a focus on finalized outputs, as per the timetable and schedule in the MRP or the Proposal for Targeted Technical Support

Commitment of allocated funds for the ongoing activities related to the MRP or the Proposal for Targeted Technical Support have been committed

Qualitative assessment of the progress made in ongoing activities, including description of output and outcome indicators from the initial implementation phase

**V. Budget and timeline**

Indicative costs for the tasks proposed, including government or other co-financing, if applicable

**VI. Output and expected outcome**

List of the output(s) and outcomes that are expected from the implementation of additional activities and a plan to monitor and assess the progress of the proposed activities

**VII. Annex**

Country's most recent Implementation Status Report (ISR)

**Draft Template for Policy Analysis Activities**

**I. Overall mitigation strategy and (Intended) Nationally Determined Contribution (INDC/NDC)**

Country commitments, as put forward in its INDC/NDC, including the coverage with respect to sectors, key policies and measures, GHG emissions, and timeframe

Critical readiness gaps to be filled in order to facilitate the implementation of the country's INDC/NDC with regards to carbon pricing mechanisms design and implementation

The role of carbon pricing instruments in achieving the country's mitigation strategy, as identified in its INDC/NDC

**II. Level of political commitment within the country to carbon pricing and clarity on the institutional arrangement for implementation**

Country's political commitment to carbon pricing, including the existing or intended legal and institutional framework

Political support for the planned activities, including evidence-based aspects of such support

**III. Scope of work and additionality of proposed activities**

Scope of activities and related deliverables

Ways in which the PMR support will be helpful in developing appropriate targets, and assess potential policies/measures to achieve them

Ways in which the PMR support will inform decisions related to the choice and design of a suitable carbon pricing instrument and/or contribute directly to its design, preparation and/or implementation

Ways in which the PMR support will complement the other related activities in the country, including, if applicable, those laid out in the MRP<sub>2</sub> and contribute to their successful implementation

Risks or barriers to implementation, and measures to mitigate or overcome them

**IV. Budget and timeline**

Indicative costs for the tasks proposed, including government or other co-financing, if applicable

**V. Output and expected outcome**

List of the output(s) and outcomes that are expected from the implementation of additional activities and a plan to monitor and assess the progress of the proposed activities

**VI. Annex**

If applicable, Cc country's most recent Implementation Status Report (ISR)



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**ANNEX 2: PMR FUNDING OUTLOOK UP TO 2020**

The PMR Secretariat prepared a long-term plan (LTP) for the expected use of funds for the remainder of the life of the fund. Unless otherwise decided by the PA and the World Bank, the end date for the PMR is December 31, 2020. Each year the LTP is revised to ensure that the PMR will remain solvent given its envisioned activities. The FY15 version of the LTP is based on the following assumptions:

- The PMR Operations include the costs of the PMR meetings and workshops, PMR Management and Communications day-to-day operating costs of the PMR Secretariat in managing and coordinating PMR activities), Country delivery support (including the technical assistance provided by Delivery Partners and the PMR Secretariat to Implementing Country Participants for the implementation of the activities laid out in their MPRs and MRP Expert Feedback groups for the remaining MRP preparation); Trust Fund Management (including legal, budgeting, and accounting services; World Bank Central Units costs and Contingency.
- PMR Support to Countries include PMR country grant support (funds allocated for the preparation of the MPRs, implementation grants, and targeted country support to technical partners) and PMR complementary support to countries (including technical work program and upstream policy analysis). In the estimate, the amount for the implementation grants of US\$62,000 million includes allocated funding for MPRs so far amounts to US\$52 million. Since the MRP grant size ranges from \$3 million to \$8 million, a proxy of US\$5 million was used to for the remaining 4 MPRs, amounting to US\$20 million.

Table below shows a breakdown of total expected expenditures per activity over the life of the PMR between July 2016 and December 2020. This estimate is based on an assumption that no additional funding will be provided to the PMR trust fund, and it takes into account the costs related to the PMR operations and country support up to 2020. The estimate also includes the projected surplus (“Additional Country Support”) to be used for other categories of country support, based on the outcomes of the discussions on strategic direction for the future of the PMR.

