

PARTNERSHIP FOR MARKET READINESS (PMR)

**STATEMENT OF FY18 EXPENDITURE
FY19 BUDGET PROPOSAL**

PMR Note PA18 2018-01

April 9, 2018

BACKGROUND

1. As per the [PMR Governance Framework](#), the PMR Secretariat is responsible for proposing a budget for the annual operations of the PMR and for presenting it for approval to the Partnership Assembly (PA) prior to the start of the fiscal year (FY)¹.
2. Typically, the PMR Secretariat presents the annual budget during the final PA meeting in the FY. This presentation includes the following elements:
 - a. Summary of the current fiscal year's expenses;
 - b. A budget proposal for the upcoming fiscal year (for PA approval); and
 - c. A long-term financial plan for PMR operations.
3. The PMR Secretariat uses an activity-based budgeting system – i.e., it tracks activities using a coding system – to monitor spending and prepare the PMR budget. While the PMR Secretariat ensures that the annual expenses are within the approved budget every year, including for each category, a certain degree of flexibility is required, in exceptional cases, for the funds to be mobilized from one budget sub-category to another to ensure effective delivery of the program.
4. The PMR budget is financed with funds from the PMR multi-donor trust fund (i.e., contributions from the PMR Contributing Participants). As of February 28, 2018, committed contributions to the PMR trust fund total about US\$126.1million.
5. This note includes four sections: Section I provides an overview of the PMR's sources of funding; Section II presents an overview and analysis of the PMR's use of funds during fiscal year 2018 (FY18); Section III presents a draft budget for fiscal year 2019 (FY19); and Section IV presents a long-term plan (LTP).

ACTIONS BY THE PA

6. PMR Participants are invited to review this note and **provide feedback and comments to the PMR Secretariat by April 19, 2017**. The document will be revised to reflect feedback received. The FY19 budget will be presented to the PA for approval during PA18 in Ukraine which will take place on April 24-26, 2018.

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

I. PMR SOURCES OF FUNDING

7. PMR funding is made up of contributions from PMR Contributing Participants and investment income. As of February 28, 2018, total committed contributions amount to US\$126.1 million² while total received contributions equal US\$116.8 million. Table 1 details these commitments by contributor. Similarly, as of February 28, 2018, the total investment income earned by PMR since inception is US\$3.05 million.

**Table 1: Commitments to the PMR by Contributing Participant as of February 28, 2018
(in US\$ million)**

Contributing Participant	Commitment	Received to date
Australia	12.5	12.5
Denmark	5.1	5.1
European Commission	19.3	10.0
Finland	5.4	5.4
Germany	13.2	13.2
Japan	13.6	13.6
Netherlands	7.1	7.1
Norway	5.8	5.8
Spain	5.4	5.4
Sweden	7.6	7.6
Switzerland	12.5	12.5
United Kingdom	11.1	11.1
United States	7.5	7.5
Total	US\$126.1	US\$116.8

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

II. OVERVIEW AND ANALYSIS OF THE PMR'S USE OF FUNDS FOR FY18

**Table 2. Snapshot of Estimated PMR Expenses in FY18
(in US\$ thousands)**

PMR Activities	FY11-FY17 Actuals	FY18 Budget	FY 18 ³
PMR Operations			
PMR PA Meetings + Workshops	4,158	640	677
PMR Management and Communications	3,574	576	683
Country Delivery Support	10,612	1957	2,115
Trust Fund Management	451	0	0
MRP Expert Feedback Process	387	50	19
Monitoring & Evaluation	255	268	108
Knowledge Management & Technical Work Program	3,988	1,079	1,032
Policy Analysis Work Program	3,613	2,222	1,589
World Bank Central Units Cost (1% of contributions)	889	127	127
Contingency	-	150	150
PMR Operations Sub-total	27,928	7069	6,500

Summary and Analysis of PMR Budgeted Uses (Secretariat Operations) in FY18

8. This section provides an analysis of expenditures on operations made during FY18. Table 2 shows a breakdown of the budgeted amount for each category for FY18. For each element, the actual expenses from the inception of the PMR to FY 17, the budget for FY18 that was approved in PA16 and the sum of actuals as of February 28, 2018 and estimates to June 30, 2018 for FY 18 are shown.
9. Estimated PMR operating expenses for FY18 totaled US\$6.5 million, which is US\$569K less than budgeted for FY18 mainly due to underspending in the category of Policy Analysis Work Program and reassignment of funds towards the existing country programs.

³ Actuals as of February 28, 2018 and estimates to June 30, 2018

10. Key cost elements are described below:

PA Meetings and Workshops (FY18 total: US\$677K; FY 18 budget: US\$ 640K):

11. This category includes costs associated with PA meetings as well as workshops and other events organized on the margins of those (e.g., public events). Such costs include meeting venue hire and catering; audio-visual equipment hire; and travel and accommodation expenses for ICP and TP representatives, invited PMR experts and the PMR Secretariat.
12. In FY18, the PMR would host two PA meetings (PA17 held in Japan in October 2017 and PA18 to be held in Ukraine in April 2018). PMR also hosted several workshops and seminars throughout FY18. PMR co-hosted a carbon pricing forum in Brazil with the Carbon Pricing Leadership Coalition (CPLC) in October 2017. At the sidelines of PA17, PMR organized a technical workshop on the *'Role of Carbon Markets in Global Climate Action and Implications for Market Development Activities'*. PMR also co-hosted a public seminar on Carbon Markets and the Paris Agreement with the Ministry of the Environment Japan (MOEJ) and the Institute for Global Environment Strategies (IGES) after PA17 in Japan.
13. At PA18 in Ukraine, a high-level event on *'Pathways to Achieving Nationally Determined Contributions (NDCs): How Low Emissions Development (LED) can help countries advance climate action'* will be organized with the Government of Ukraine. Right after PA18, a full-day consultative workshop on the PMR Successor Program is being organized, as per the request of PA17.

PMR Management and Communications (FY 18 total: US\$ 683K; FY 18 budget: US\$ 576K):

14. These costs comprise day-to-day operating costs of the PMR Secretariat in managing and coordinating PMR activities, the costs associated with PMR communication and reporting efforts and website maintenance.

Country Delivery Support (FY 18 total US\$ 2.115 million; FY 18 budget US\$1.957 million):

15. This cost comprises of technical assistance provided by Delivery Partners and the PMR Secretariat to ICPs and assistance-receiving TPs for the preparation and implementation of the activities laid out in their Market Readiness Proposals (MRPs) or Proposal for Targeted Technical Support. The costs include staff time from both the PMR Secretariat and Delivery Partners and associated travel costs. Since PMR inception, this line item has been the biggest cost item as this is the driving cost for running the country programs.
16. For this analysis, country delivery support and advisory services include the costs associated with delivery partner and PMR Secretariat support and MRP expert feedback process. Compared to the budget for FY18, there has been an increase in spending for this line item

by US\$ 158K because of increased support provided by the PMR Secretariat and delivery partners for supporting three new TA-receiving Technical Partners (The Philippines, Cote d'Ivoire, and Panama), facilitating implementation of the country program activities and additional MRP-related activities (China, Chile, Turkey, and Kazakhstan) and Policy Analysis Support (Thailand).

Trust Fund Management (total FY 18: US\$ 0; FY 18 budget: US\$0):

17. These costs are associated with setting up and managing the PMR multi-donor trust fund, including legal, budgeting, and accounting services. Since FY17, this item is not being budgeted due to the introduction of new trust fund recovery framework at the World Bank.

MRP Expert Feedback Process (total FY 18: US\$ 19K; FY 18 budget: US\$ 50K):

18. This cost consists of consulting fees associated with the MRP expert feedback process. This cost item was lower than expected. As most countries are well into MRP implementation phase, only a few countries that were preparing MRP and Technical proposals utilized this service for FY18.

Monitoring and Evaluation (total FY18: US\$ 108K; FY 18 budget: US\$ 268K):

19. This is the cost associated with contracting consultants for the independent M&E conducted for the program. Currently, the 2nd Independent Evaluation is ongoing and the final report will be published in June 2018.

20. For FY18, IPSOS-MORI has been contracted to conduct the 2nd independent evaluation of PMR. This budget item is US\$ 96K lower than the budget since the evaluation is currently in its final stages and there will be a carryover of outstanding balance in FY19 to close this activity.

Policy Analysis Work Program (total FY 18: US\$ 1.589 million; FY 18 budget: US\$ 2.222 million):

21. These costs are associated with the country-level analytical work, common methodology and framework (including modeling) and international and national technical meetings and workshops related to the PMR's upstream policy support that was launched in 2014.

22. In FY18, several country-specific analytical engagements and cross-country knowledge exchanges were carried out, including in Chile, Colombia, Costa Rica, Morocco, Turkey, Vietnam and Thailand. PMR Policy Analysis Work Program Note (PMR Note PA18 2018 – 02) lists the details of activities carried out in these countries in FY18.

23. Overall, approximately US\$1.6 million is expected to be spent in FY18 on this category, which is lower than the budgeted amount of US\$2.2 million. The Policy Analysis Work Program has been closed to new proposals in FY18 due to the likely shortfall in the overall budget of the

PMR. In addition, the Carbon Pricing Simulation Tool is no longer going ahead and resources have been reallocated to ensure funding to incoming country programs for which resolutions were passed by the PA.

Knowledge Management (total FY 18: US\$ 1.032 million; FY 18 budget: US\$ 1.089 million):

24. This category covers the PMR's Technical Work Program, including the preparation of technical notes, organization of working group(s) and expert meeting(s), technical trainings organized under the Technical Work Program streams, and other events.

25. For FY18, the spending on knowledge management has been largely in line with the budget estimate. The main expenses come from the Report on Carbon Revenue Use; State and Trends of Carbon Pricing; Workshop on Communicating Carbon Pricing which will take place at the Innovate4Climate conference in Frankfurt this May; translation of the Carbon Tax Guide; and the development of e-learning courses on carbon taxation.

World Bank Central Unit Cost (total FY18: US\$ 127K; FY 18 budget: US\$ 127K):

26. This is a standard 1% fee charged by the unit for hosting the program.

Contingency:

27. This category is included to cover any unforeseen expenses to be undertaken at the discretion of the PA. A contingency of US\$150k will be maintained for FY 18.

III. FY19 DRAFT PROPOSED BUDGET

**Table 3. Draft FY19 Proposed PMR Budget
(in US\$ thousand)**

Use of Funds	FY18 Budget	FY18 Actual Expenses + Est.*	FY19 Proposed Budget
PA Meetings and Workshops	640	677	650
Country Delivery Support and Advisory Services	2,007	2,134	2,100
<i>MRP Expert Feedback Process</i>	50	19	-
<i>Country Delivery Support</i>	1,957	2,115	2,095
<i>o/w: Secretariat Support</i>	1,127	1,234	1,121
<i>Delivery Partner Support</i>	830	881	1,026
World Bank Central Units Cost (1% Contribution)	127	127	127
Monitoring & Evaluation	268	108	96
Knowledge Management	1,079	1,032	800
Policy Analysis Work Program	2,222	1,589	1,000
PMR Management and Communications	576	683	750
Contingency	150	150	150
Total Use of Funds	7,069	6,500	5,673

* These figures represent actual expenses through February 28, 2018 and estimated expenses from March 1 through June 30, 2018.

28. Table 3 presents the proposed PMR budget for FY19. The Secretariat proposes an operating budget of US\$5.673 million for FY19, which represents a 19.7% decrease compared to FY18 budget to keep the overall budget of PMR in balance until FY21.

29. For FY19, the PMR Secretariat proposes the following:

- For the PA meetings and workshops, keep FY 19 budget at almost same level of FY 18. To maximize efficiency in cost and outreach, PMR will be co-hosting workshops with similar initiatives hosted at the World Bank such as the Carbon Pricing Leadership Coalition (CPLC). However, the Partnership Assemblies, which remains the hallmark of this initiative, will be the biggest expense for this line item.
- For country delivery support and advisory services, keep FY 19 budget at almost the same level as FY 18. Given that there will be no additional country programs (including MRP, Targeted Technical Support, additional activities with MRPs, Policy Analysis Support), even considering that more support will be given to the implementation of existing country programs, the Secretariat observes that the net impact on this category would be marginal.
- For World Bank central unit cost and contingency, expenses will remain the same for FY19.
- For Monitoring and Evaluation, wind down the budget for FY19 as the costs that appear for FY19 is a carry-over of the unpaid amount of the 2nd independent evaluation from FY18. No independent evaluation is expected in FY19.
- A reduction in knowledge management expenses (for the Technical Work Program) of 20% compared to FY18. The main savings will come from utilizing existing events to run workshops, particularly the PAs, and a lower contribution to the State and Trends of Carbon Pricing Report.
- The work on PAWP for FY19 will involve the completion of the remaining country-level activities. It is expected that all activities will be completed by June 2019. Any program-level activities will be considered under the Technical Work Program. As such, there is no ongoing budget for the PAWP beyond the completion of existing country-level activities. No program level activities are currently planned.
- For PMR management and communications, ramp up this category by US\$ 174K to enhance the communication activities, such as dissemination of lessons learnt from the PMR activities to date (e.g. Chile's MRP, and Kazakhstan's first targeted technical program).

IV. PMR LONG-TERM PLAN (LTP)

30. 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 Group, the formal end date for the PMR multi-donor trust fund is June 31, 2021. All contracting activities will be completed by December 2020 and the rest of 2021 will be used to close the accounts, therefore no new contracting will occur, following World Bank Trust Fund procedures, during January–June 2021. Each year, the LTP is revised to ensure that the PMR will remain solvent given its envisioned activities. The current LTP is based on the following key components:

- 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 and TA-receiving Technical Partners for the implementation of the activities laid out in their MRPs, targeted technical supports, activities related to the MRPs, and policy analysis supports) and Contingency.
- **PMR Support to Countries** include PMR country delivery support to Implementing Country Participants and TA-receiving Technical Partners the preparation and implementation of the activities laid out in their MRPs, targeted technical supports, activities related to the MRPs, and policy analysis supports based on the relevant PA's resolution for the fund allocation to the ICP/TP.

31. Table 4 shows a breakdown of total expected expenditures per category over the life of the PMR between July 2018 and June 2021. This estimate assumes that no additional contributions will be made to the PMR trust fund and considers the costs related to the PMR operations and country support up to 2020.

32. There is a need for adjustment for approximately US\$1.3 million, which is 1.0% of committed contributions to the PMR trust fund (US\$ 126.1 million) to ensure the proper management of the entire budget of the PMR until FY 21. The Secretariat observes that with closer monitoring of all the activities, especially country support programs, this adjustment will be made in the rest of the life of the PMR.

Table 4. PMR Expenses and Long-Term Budget Plan

	Actuals	Actual	Est.	Actuals+Est.	Est.	Est.	Est.	
PMR Operations	FY 11-FY17	FY18	Mar-Jun FY18	FY18 Total	FY19	FY20	FY21	Sub-totals
PMR Operations								
PMR PA Meetings + Workshops	4,158	452	226	677	650	650	325	6,460
PMR Management and Communications	3,574	455	228	683	750	750	375	6,132
Country Delivery Support	10,612	1,368	684	2,051	2,100	2,100	1,050	17,913
Trust Fund Management	451	0	-	-	-	-	-	451
MRP Expert Feedback Process	387	13	6	19	-	-	-	406
Monitoring & Evaluation	255	72	36	108	96	-	-	459
World Bank Central Units Cost (1% of contributions)	889	127	-	127	127	127	127	1,397
Contingency	-	-	150	150	150	150	75	525
PMR Operations Sub-total (A)	20,326	2,486	1,329	3,815	3,873	3,777	1,952	33,743
PMR Support to Countries								
								Sub-totals
Initial Funding Support								
Preparation Funding								6,563
Implementation Funding								54,402
Targeted Country Support to Technical Partners								1,000
Additional Committed Funding								23,350
Initial Funding Support Sub-total (B)								85,315
Complementary Funding Support								
Knowledge Management & Technical Work Program	3,988	632	400	1,032	800	800	650	7,271
Policy Analysis Work Program	3,613	589	1,000	1,589	1000	500	0	6,702
Funding Support for Additional MRP and TP Activities	0	4	60	64	26		0	90
Complementary Funding Support Sub-total (C)								14,063
PMR Support to Countries (B+C)								99,378
PMR Activities Total (=A+B+C)	27,928	3,711	2,789	6,500	5,699	5,077	2,602	133,121

