

**PARTNERSHIP FOR MARKET READINESS  
UPDATE ON STATEMENT OF FY18 EXPENDITURE**

**PMR Note PA19-2018-02**

**October 9, 2018**

## I. 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).
2. Typically, the PMR Secretariat presents the annual budget during the final PA meeting in the FY. However, at PA 18 in Ukraine, the PMR Secretariat proposed to provide a budget update at PA19 because the program will be ending in FY20 and the PMR participants are keen on proper budget management until then. A decision to have a budget update every six months was taken and noted in the [co-chair's summary](#) of PA17.
3. The PMR Secretariat has therefore prepared this note with updated expenditure figures as of June 30, 2018. The key elements of this budget update are:
  - Summary of FY18 expenses
  - An update on the long-term financial plan for PMR operations
4. This note includes the following sections:
  - Action requested of the PA
  - An overview of the PMR's sources of funding
  - An overview and analysis of PMR's use of funds during fiscal year 2018 (FY18)
  - Approved FY19 budget
  - Updated long-term plan (LTP)

## II. ACTIONS BY THE PA

5. PMR participants are invited to review this note and provide feedback and comments to the PMR Secretariat by November 8, 2018.

### III. PMR SOURCES OF FUNDING

6. PMR funding is made up of contributions from PMR contributing participants and investment income. As of June 30, 2018, total committed contributions amount to US 125.6 million while total received contributions equal US\$116.8 million. Table 1 details these commitments by contributor. The investment income as of February 28, 2018, as noted in [PMR Note PA18 2018-01](#) was US\$ 3.05 million. As of June 30, 2018, the investment income since inception is \$3,499,997.14. We estimate a lifetime investment income of US\$5 million by the end of the program.

**Table 1: Commitments to the PMR by Contributing Participants (in US\$ million)**

Contributing Participant	Commitment	Received to Date
Australia	12.5	12.5
Denmark	5.1	5.1
European Commission	18.8	10.1
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
<b>TOTAL</b>	<b>125.6</b>	<b>116.8</b>

*\* EU Outstanding contribution of Euro 7.5 million has been converted as per exchange rate of 1.17015*

7. We expect to receive the final tranche of commitment by the European Commission (EC) by the end of this calendar year. We do not expect any further contributions to the existing facility.

#### IV. OVERVIEW AND ANALYSIS OF PMR'S USE OF FUNDS FOR FY18

**Table 2: FY18 PMR Budget, Estimated Expenses and Actual Expenses  
(in US\$ thousand)**

Use of Funds	FY18 Budget	FY18 Estimated Expense	FY18 Actual Expenses
<b>PA Meetings and Workshops</b>	640	677	728
<b>Country Delivery Support and Advisory Services</b>	2007	2134	2283
MRP Expert Feedback Process	50	19	46
Country Delivery Support	1957	2115	2237
o/w: (1) Secretariat Support	1127	1234	1095
(2) Delivery Partner Support	830	881	1142
<b>World Bank Central Unit Costs (1% Contribution)</b>	127	127	127
<b>Monitoring and Evaluation</b>	268	108	74
<b>Knowledge Management</b>	1079	1032	975
<b>Policy Analysis Work Program</b>	2222	1589	805
<b>PMR Management and Communications</b>	576	683	918
<b>Contingency</b>	150	150	0
<b>TOTAL USE OF FUNDS</b>	<b>7069</b>	<b>6500</b>	<b>5910</b>

8. As noted in the [PMR Note PA18 2018-01](#), the Secretariat had an approved budget of US\$7,069K for FY18. As of June 30, 2018, the actual expenses for FY18 is US\$5,910K. Overall, the expenditure is lower by approximately 16%, compared to the approved budget.
9. Compared to the estimated expense for FY18, the actual overall spending is lower by US\$590K. This comes from the following:
  - Lower spending in Knowledge Management, Policy Analysis Work Program and Monitoring and Evaluation by US\$875K. This balance for Knowledge Management and Policy Analysis Work Program will be rolled over to the respective categories for FY19;
  - Overspending in the categories of PA Meetings and Workshops, Country Delivery Support and Advisory Services and PMR Management and Communications by US\$ US\$435K. This increase is attributed to an increased effort made by the PMR Secretariat to ramp up country implementation and knowledge exchange for this last stretch of the implementation period.

## V. Approved Budget for FY19

10. At PA18, the assembly, in accordance with the Resolution No. PA18/2018-1, authorized an overall budget of US\$5,673K for FY19. The approved FY19 budget (in US\$ thousand) is below:

**Table 3: Approved FY19 Budget**

Use of Funds	FY19 Approved Budget ('000)
<b>PA Meetings and Workshops</b>	650
<b>Country Delivery Support and Advisory Services</b>	2100
<b>MRP Expert Feedback Process</b>	0
<b>Country Delivery Support</b>	2095
<b>o/w: (1) Secretariat Support</b>	1121
<b>(2) Delivery Partner Support</b>	1026
<b>World Bank Central Unit Costs (1% Contribution)</b>	127
<b>Monitoring and Evaluation</b>	96
<b>Knowledge Management</b>	800
<b>Policy Analysis Work Program</b>	1000
<b>PMR Management and Communications</b>	750
<b>Contingency</b>	150
<b>TOTAL USE OF FUNDS</b>	<b>5673</b>

## VI. PMR LONG-TERM PLAN (LTP)

11. In the [PMR Note PA18 2018-01](#), the Secretariat presented a long-term plan (LTP) for the expected use of funds for the remainder life of the program (until June 31, 2021) with an estimated expense of US\$132.6 million by the end of the program. All contracting activities should be completed by June 2020 and the rest of FY21 will be used to close the accounts, therefore no new contracting will occur during January–June 2021.
12. Table 4 shows an update to the LTP based on FY18 actuals along with expenditures per category over the life of the PMR. 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. It therefore estimates an expense of US\$132.5 million by the end of the program.
13. There is still a need for adjustment for US\$1.5 million, which is 1.2% of committed contributions to the PMR trust fund (US\$ 125.6 million) to ensure the proper management of the entire budget of the PMR until FY21. At PA18 we estimated a need of adjustment for US\$1.3 million. This difference comes from the foreign exchange rate (€ to \$) which at PA18 was 1.2375 while for this update, the Fx rate for this update is at 1.17015. The PMR Secretariat is confident that with close monitoring of country support program, this adjustment will be made in the lifetime of the PMR.

**Table 4: Updated PMR Expenses and Long-Term Budget Plan ('000)**

	<b>Actuals</b>	<b>Actuals</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	
<b>PMR Operations</b>	<b>FY 11 - FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>Grand-totals</b>
PMR PA Meetings + Workshops	4,158	728	650	650	325	6,511
PMR Management and Communications	3,574	918	750	750	375	6,367
Country Delivery Support	10,612	2,237	2,100	2,100	1,050	18,099
Trust Fund Management	451	-	-	-	-	451
MRP Expert Feedback Process	387	46	-	-	-	433
Monitoring and Evaluation	255	74	96	-	-	425
World Bank Central Unit Costs	889	127	127	127	127	1,397
Contingency	-	-	150	150	75	375
<b>PMR Operations Sub-total (A)</b>	<b>20,326</b>	<b>4,130</b>	<b>3,873</b>	<b>3,777</b>	<b>1,952</b>	<b>34,058</b>
<b>PMR Support to Countries</b>						
<b>Initial Funding Support</b>						
Preparation Funding						6,178
Implementation Funding						54,402
Targeted Country Support to Technical Partners						1,500
Additional Committed Funding						22,850
<b>Initial Funding Support Sub-total (B)</b>						<b>84,930</b>
<b>Complementary Funding Support</b>						
Knowledge Management & Technical Work Program	3,988	975	857	800	650	7,270
Policy Analysis Work Program	3,613	805	1,784	-	-	6,202
Funding Support for Additional MRP and TP Activities	-	33	26	-	-	59
<b>Complementary Funding Support Sub-total (C)</b>	<b>7,601</b>	<b>1,813</b>	<b>2,667</b>	<b>800</b>	<b>650</b>	<b>13,531</b>
<b>PMR Support to Countries (B+C)</b>						<b>98,461</b>
<b>PMR Activities Total (=A+B+C)</b>						<b>132,519</b>