

PARTNERSHIP FOR MARKET READINESS (PMR)

**STATEMENT OF FY19 EXPENDITURE
FY20 BUDGET PROPOSAL**

For PA20 Review and Endorsement

PMR Note PA20 2019-02

May 15, 2019

1. The PMR Secretariat proposes a budget for the annual operations of the PMR and presents 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 note includes the following elements:
 - Summary of the current fiscal year's expenses as of February 28, 2019;
 - A budget proposal for the upcoming fiscal year (for PA approval); and
 - 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 exercised, in exceptional cases, for the funds to be moved 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, 2019, committed contributions to the PMR trust fund total about **US\$125.4million**. Another \$1.7million is outstanding from the contributions.
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 2019 (FY19); Section III presents a draft budget for fiscal year 2020 (FY20); and Section IV presents a long-term projection (LTP). All values are in US\$.
6. PMR Participants are invited to review this note and **provide feedback to the PMR Secretariat by May 24, 2019**. The document will be revised to reflect the feedback received, as necessary. The FY20 budget will be presented to the PA for approval during PA20 in Brussels which will take place on May 29 -30, 2019.

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

7. PMR funding is made up of contributions from PMR Contributing Participants and investment income figures received from the World Bank Treasury. As of February 28, 2019, total committed contributions amount to US\$125.4 million² while total received contributions equal US\$123.7 million. Table 1 outlines these commitments by contributor. Similarly, as of February 28, 2019, the total investment income earned by PMR since inception is US\$4.5 million. For FY19 (July 2018 to February 2019), PMR earned \$1.01 million as investment income.

**Table 1: Commitments to the PMR by Contributing Participant as of February 28, 2019
(in US\$ million)**

| Contributing Participant | Commitment | Received to date |
|--------------------------|----------------|------------------|
| Australia | 12.48 | 12.48 |
| Denmark | 5.14 | 5.14 |
| European Commission | 18.68 | 16.96 |
| Finland | 5.35 | 5.35 |
| Germany | 13.22 | 13.22 |
| Japan | 13.60 | 13.60 |
| Netherlands | 7.07 | 7.07 |
| Norway | 5.83 | 5.83 |
| Spain | 5.40 | 5.40 |
| Sweden | 7.57 | 7.57 |
| Switzerland | 12.46 | 12.46 |
| United Kingdom | 11.11 | 11.11 |
| United States | 7.50 | 7.50 |
| Total | \$125.4 | \$123.7 |

² Not all contributions are made in U.S. dollars. EU outstanding contribution of Euro 1.5million has been converted as of date at Fx rate of 1.1418. Figures are as of February 28, 2019.

1. OVERVIEW AND ANALYSIS OF PMR'S USE OF FUNDS FOR FY19

**Table 2. Snapshot of PMR Expenses (actuals and estimation) for FY19
(in US\$ thousands)**

| PMR Activities | | | | |
|--|----------------------|--------------|------------------|---------------------------|
| | FY11-FY18 Actuals | FY19 Budget | FY 19 Actuals | FY19 Final Estimate |
| PMR Operations | | | | |
| PMR PA Meetings + Workshops | 4,886 | 650 | 343 | 650 |
| PMR Management and Communications | 4,492 | 750 | 656 | 984 |
| Country Delivery Support | 12,849 | 2,147 | 1020 | 1531 |
| Trust Fund Management | 451 | 0 | 0 | 0 |
| MRP Expert Feedback Process | 433 | 0 | 4 | 4 |
| Monitoring & Evaluation | 329 | 96 | 191 | 191 |
| Knowledge Management & Technical Work Program | 4,963 | 800 | 346 | 636 |
| Policy Analysis Work Program | 4,418 | 1,000 | 175 | 175 |
| World Bank Central Units Cost (1% of contributions) | 1,016 | 127 | 127 | 127 |
| Contingency | - | 150 | 0 | 150 |
| PMR Operations Sub-total | 33,870 | 5,720 | 2,736 | 4,448 |

Summary and Analysis of Secretariat Operations in FY19

8. Table 2 shows a breakdown of the budgeted amount for each category for FY19. For each element, the actual expenses from the inception of the PMR to FY 18, the FY19 budget that was approved in PA18, the FY19 actuals as of February 28, 2019 and final estimation FY 19 are shown.
9. Estimated PMR operating expenses for FY19 totaled \$5.7 million. It should be noted that there was an error in the Country Delivery Support budget for FY19 mentioned in the previous budget note (PMR Note PA19- 2019-02) which should have been \$2,147K instead \$2,100. The correction is reflected in this note. The total estimated expense for FY19 is \$4.5 million which is less than estimated for the FY19 budget. The reduction in spending comes primarily from the country delivery support and policy analysis work program. Key cost elements and the variation between the FY19 budget and the estimated expense for each category are described below.

PA Meetings and Workshops (FY19 Total Estimate: \$650K; FY 19 Budget: \$650K):

10. This category includes costs associated with organizing 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.
11. In FY19, the PMR would host two PA meetings (PA19 held in Argentina in October 2019 and PA20 to be held in Brussels in May 2019). We note here that PA20 was originally planned for Sri Lanka but had to be canceled and moved to Brussels at a short notice because of the bombings in Sri Lanka.
12. PMR also hosted several workshops and seminars throughout FY19. At the sidelines of PA19, PMR organized a technical workshop on '*Voluntary Action under the Paris Agreement: It's Role in Raising Ambition, Mobilizing Private Sector Finance and Supporting Carbon Pricing*'. PMR also co-hosted along with the Government of Argentina, a public high-level event titled '*Argentina's Climate Policy and Carbon Pricing*'. In addition, PMR organized a LAC regional consultation on the PMR Successor Program along the sidelines of the World Bank/IMF Spring Meetings in April 2019.
13. Despite the last-minute change of venue due to unforeseen circumstances, we don't expect a drastic change in the FY19 estimate for PA Meetings and Workshops.

PMR Management and Communications (FY 19 Total Estimate: \$850K; FY 19 budget: \$750K):

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. The actual expenses as of February 28, 2019 is \$656K. We estimate FY19 expenses for the PMR Secretariat to be \$984K.

Country Delivery Support (FY 19 Total Estimate \$1,531K; FY19 budget \$2,147K):

15. This cost consists 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 (i) PMR Secretariat Support and (ii) Delivery Partner Support. The FY19 Budget included \$1,121K for PMR Secretariat Support and \$1,026K for Delivery Partner Support. As of February 28, 2019, the following expenses (actuals) have incurred: \$574K for PMR Secretariat Support and \$446K for Delivery Partner Support. We expect the expenses by the end of this FY to go up to \$1,531K as several countries have finalized their grant/financing agreements, including Colombia, Sri Lanka, Argentina, Tunisia, Panama, The Philippines, and Turkey's Additional Finance grant. However, there is still underspending in this category compared the budget because of delays in finalizing grant/financing arrangements and procurement. The Secretariat notes here that much progress still needs to be done in this category to ensure that country program implementation is carried out within schedule. The implementation plan update exercise carried out by each country was part of this effort and therefore, the Secretariat will continue to actively monitor progress.

Trust Fund Management (FY19 Total Estimate: \$0; FY19 Budget: \$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 the new trust fund recovery framework at the World Bank.

MRP Expert Feedback Process (FY19 Total Estimate: \$4K; FY19 Budget: \$0K):

18. This cost consists of consulting/contractual fees associated with the MRP expert feedback process. Though the PMR Secretariat did not plan to have expenses under this category, contractual services as part of the Technical Advisory Panel for PMR Argentina MRP review that was invoiced in the current FY resulted in this expense. We do not expect any further expenses under this category.

Monitoring and Evaluation (FY19 Total Estimate: \$195K; FY19 Budget: \$96K):

19. This is the cost associated with contracting and managing consultants for the independent M&E conducted for the program. The 2nd Independent Evaluation is now complete, and the final report was published in June 2018.

20. The Budget Note from PA18 noted that there would be a carry-over of expenses in FY19 because the full payment for the contractor completed in FY19. Following the evaluation, a two-pager was communication note was commissioned to condense the key findings of the evaluation to a wider audience. Therefore, this line item, which includes the staff time in managing the evaluation process, preparation of outreach material exceeded the original budget. This activity is now closed.

Policy Analysis Work Program (FY19 Total Estimate: \$175K; FY19 Budget: \$1000K):

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 FY19 there were three countries remaining with projects under the Policy Analysis Work Program – Morocco, Vietnam and Thailand. Morocco completed their project in FY19. Thailand and Vietnam are expected to complete their projects early in the new financial year, hence the remaining costs for these projects will be invoiced in FY20 rather than FY19. This explains the difference between actual and budget for FY19.

Knowledge Management (FY19 Total Estimate: \$636K; FY 19 Budget: \$800K):

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. Expenses were lower than expected as the workshop at PA20 is a consultation on the successor program rather than a technical workshop as originally planned, and some expenses will be carried over from FY19 to the start of FY20, such as the final payments associated with the report into uses of carbon revenue.

World Bank Central Unit Cost (FY19 Total Estimate: \$127K; FY 19 Budget: \$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 19.

2. FY20 DRAFT PROPOSED BUDGET

28. Table 3 presents the proposed PMR budget for FY20. The Secretariat proposes an operating budget of \$5.7 million for FY20, which is approximately the same as the budget for FY19. We expect expenses to reach the budget allocated for FY20 given the increased focus on country program implementation and the tight timeline to complete all country programs.

| Use of Funds | FY19 Budget | FY 19 Estimated Expenses | FY20 Proposed Budget |
|--|--------------|--------------------------|----------------------|
| PA Meetings and Workshops | 650 | 650 | 650 |
| Country Delivery Support and Advisory Services | 2147 | 1575 | 2187 |
| MRP Expert Feedback Process | 0 | 4 | 0 |
| Country Delivery Support and Advisory Services | 2147 | 1571 | 2187 |
| o/w: (1) Secretariat Support | 1121 | 861 | 1121 |
| (2) Delivery Partner Support | 1026 | 670 | 1026 |
| (3) Implementation Completion Reports (ICRs) Funding for RETFs | 0 | 40 | 40 |
| World Bank Central Unit Costs (1% contribution) | 127 | 127 | 127 |
| Monitoring and Evaluation | 96 | 191 | 0 |
| Knowledge Management | 800 | 636 | 1300 |
| Policy Analysis Work Program | 1000 | 175 | 600 |
| PMR Management and Communications | 750 | 984 | 750 |
| Contingency | 150 | 150 | 150 |
| TOTAL USE OF FUNDS | 5,720 | 4,488 | 5,764 |

29. The rationale behind each line item for the FY20 Budget is as follows:

- For the **PA meetings and workshops**, the PMR Secretariat plans to keep FY20 budget at same level of FY19. 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) and the UNFCCC Climate Weeks. However, the Partnership Assemblies will be the biggest expense for this line item.
- For **country delivery support and advisory services**, the PMR Secretariat plans to keep FY20 budget at the same level as FY19. Though the expenses under this category was below the budget for FY19, the Secretariat projects that the expenses will increase in FY20 as all countries will need intensive support to complete their country programs on time.

- For **World Bank central unit cost and contingency**, expenses will remain the same for FY19.
- For **Monitoring and Evaluation**, we do not expect to have any further expenses or carried-over invoices in FY20.
- For **Knowledge Management and Technical Work Program**, it is proposed that with the healthy financial position of the trust fund that the Technical Work Program return to its original budget of \$1.3m for FY20. Details of activities planned for FY20 are outlined in PMR Note PA20 2019-02.
- For **Policy Analysis Work Program**, the budgeted amount for FY20 relates to the remaining expenses for the PAWP projects in Thailand and Vietnam.
- For **PMR management and communications**, the Secretariat plans to bring the budget back to the same level as FY19 to \$750K.

IV. PMR LONG-TERM PROJECTION (LTP)

30. The PMR Secretariat prepared a long-term projection (LTP) for the expected use of funds for the remainder of the life of the fund, with the formal end date being June 30, 2021. All contracting activities will be completed by the respective date of agreements of various countries, the latest by December 2020 and the remaining period 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, though PAs and workshops will continue to be organized to disseminate lessons learnt. 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. From this year onwards, the PMR Secretariat has included an additional line item on funding support for the Implementation Completion Reports (ICRs) that recipient-executed country programs are required to complete as part of the World Bank rules and procedures. PMR includes 8 recipient executed country grants and we expect to use up to \$20K per country, managed by the World Bank as a delivery partner.

- **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 FY21.

32. In comparison to the budget exercise conducted in PA19, the deficit has slightly dropped from \$1.5million to \$1.3million. This is 1.05% of committed contributions to the PMR trust fund. This is due to the lower than expected expenses in certain categories and higher than usual investment income for this fiscal year. Similarly, the estimates for FY21 has been revised under the assumption that the PAs and workshops will continue to be organized to ensure effective dissemination of lessons learnt from the program. However, with the completed country implementation plan updates, we expect this deficit to be filled over the remaining period of the trust fund.

Table 4. PMR Expenses and Long-Term Budget Plan (In US\$ thousand)

| | FY11 - FY18 | FY19 Budget | FY19 (Actuals) | FY19 (Estimated) | FY20 Budget | FY21 Budget | Totals |
|--|---------------|--------------|----------------|------------------|--------------|--------------|----------------|
| PMR Operations | | | | | | | |
| PMR PA Meetings and Workshops | 4,886 | 650 | 343 | 650 | 650 | 650 | 6,836 |
| PMR Management and Communications | 4,492 | 750 | 656 | 984 | 750 | 650 | 6,876 |
| Country Delivery Support & Advisory Services | 12,849 | 2,147 | 1,020 | 1571 | 2,187 | 1,154 | 17,760 |
| Trust Fund Management | 451 | - | 0 | 0 | - | - | 451 |
| MRP Expert Feedback Process | 433 | - | 4 | 4 | - | - | 437 |
| Monitoring and Evaluation | 329 | 96 | 191 | 191 | - | - | 520 |
| World Bank Central Unit Costs | 1,016 | 127 | 0 | 127 | 127 | 127 | 1,397 |
| Contingency | 0 | 150 | 0 | 150 | 150 | 150 | 450 |
| PMR Operations Sub-total (A) | 24,456 | 3,920 | 2,214 | 3677 | 3,864 | 2,731 | 34,727 |
| PMR Support to Countries | | | | | | | |
| Preparation Funding | | | | | | | 6,298 |
| Implementation Funding | | | | | | | 71,202 |
| Targeted Country Support to Technical Partners | | | | | | | 3,000 |
| Additional Committed Funding | | | | | | | 5,000 |
| Initial Country Program Funding Support Sub-total (B) | | | | | | | 85,500 |
| Complimentary Funding Support | | | | | | | |
| Knowledge Management & Technical Work Program | 4,963 | 800 | 346 | 636 | 1,300 | 750 | 7,649 |
| Policy Analysis Work Program | 4,418 | 1,000 | 175 | 175 | 600 | 0 | 5,193 |
| Funding Support for Additional MRP and TP Activity | 33 | 26 | 50 | 60 | 0 | 0 | 93 |
| Complimentary Funding Support Sub-total (C) | 9,414 | 1,826 | 571 | 871 | 1,900 | 750 | 12,935 |
| PMR Activities Total (=A+B+C) | 33,870 | 5,746 | 2,785 | 4,548 | 5,764 | 3,481 | 133,162 |