



**STRATEGIC ORIENTATION FOR THE FUTURE OF THE PARTNERSHIP FOR MARKET READINESS (PMR):
UPDATE SINCE PA7**

I. BACKGROUND

1. In October 2013, the PMR Secretariat presented [PMR Note PA7 2013-2](#) (*Strategic Orientation for the Future of the PMR*), which explores several opportunities for future work of the PMR, building on its past three years of operation. These options are presented in one of four categories:
 - A. **Deepening** readiness activities at the country and the international level, including:
 - (i) Strengthening and expanding upstream policy analysis;
 - (ii) Enhancing the PMR technical work program and building the “3Cs system”;
 - (iii) Reinforcing the provision of technical assistance to Implementing Country Participants; and
 - (iv) Supporting South-South knowledge exchange.
 - B. **Broadening** the reach and scope of the PMR, including:
 - (i) Expanding the number of PMR Implementing Country Participants;
 - (ii) Creating a new category of PMR participants for countries and sub-national jurisdictions; and
 - (iii) Outreach to market players and other stakeholders.
 - C. **Piloting** new market-based instruments to enhance the PMR’s function as a global platform for promoting market-based instruments.
 - D. **Preparing for a second round of resource mobilization** covering the period between 2015 and 2020. A proposal was put forward to put a portion of (US\$10 million) the existing capital in the PMR trust fund would be used as a “country reserve” and carried over to the second round as.
2. The PMR Secretariat has compiled feedback shared by Participants during PA7 as well as written comments submitted following the meeting on PMR Note PA7 2013-3. A compilation of this feedback was circulated to PMR Participants on February 18, 2014.

II. NEXT STEPS FOR THE STRATEGIC FUTURE OF THE PMR

3. The proposed activities under A to C referred to in paragraph 1 received broad support from Participants. While some of these proposals have already been incorporated into the existing PMR work program and will be reflected in the budgetary allocation for upcoming fiscal years, some of the proposals will need to be further fleshed out on how they can be operationalized. For this purpose, the PMR Secretariat has prepared three separate papers that describe the rationale behind each of these proposals and presents a modality for moving forward. These include the following:
 - a. PMR Note PA8 2014-2: Strengthening and Expanding Upstream Policy Analysis
 - b. PMR Note PA8 2014-3: Creating a New Category of PMR Participant; and



c. PMR Note PA8 2014-4: Piloting of New Market-based Instruments.

4. The PA will have an opportunity to discuss each proposal and provide further feedback during PA8 in Mexico City. Regarding paragraph 1.D above, which includes a proposal for a US\$10 million country reserve as part of a second round of resource mobilization, a number of Participants questioned the rationale for setting aside funding in lieu of using it during the first phase. Following their suggestions, the PMR Secretariat has decided to put this proposal on hold.

III. PMR BUDGET

5. During the Strategic Orientation discussion at PA7, several Participants requested greater clarification on the PMR's current budget status and the budgetary implications for the proposed areas of work presented in the Strategic Orientation document.
6. A review of PMR expenditures during FY14 (July 2013 – June 2014) will be presented at PA9 in Cologne in May, as will a proposed budget for FY15. However, the table below presents the PMR's current financial standing and also shows how funding for the three areas proposed above would work. The table represents PMR actual expenditures for FY2011 – FY2013 and estimated expenses for FY2014 – FY2017. FY2014 reflects the budget that the PA approved in May 2013.
7. The current capitalization of the PMR is \$127 million.¹ Below is a brief description of the key elements of the budget.
 - a. **PMR Operations:** This section represents the core expenditures of operating the PMR, including the cost of PA meetings and technical workshops, country delivery support, trust fund management, general PMR management, and a contingency fund. While expenses for FY2014-2017 are estimated, they represent fixed costs.
 - b. **PMR Country Grant Support:** These costs represent the total preparation grant funding that has been allocated to the PMR Implementing Country Participants, as well as the estimated average implementation grant funding expected to be allocated to countries. These expenses should also be considered fixed, as the PMR has already decided to guarantee Implementing Country Participants access to implementation phase funding assuming they make a request for funds within two years of receiving their preparation phase funding (or request an extension) and that they meet the general criteria for implementation funding allocation. To date, six countries have been allocated implementation funding and five of these have been for US\$3 million each. However, because Implementing Country Participants are invited to return to the PA and request additional funding (and several have indicated that they plan to do so), the budget assumes an average allocation of US\$5 million to each Implementing Country.

¹ Some of this funding is still outstanding. Therefore, US\$127 represents an estimated total. The actual total will depend on the exchange rate on the day funds are transferred to the PMR trust fund.



- c. **Upstream Policy Analysis:** As indicated in PMR Note PA8 2014-2, there is urgency to scale up and speed up support to countries in order to carry out economic and policy analysis on mid- and long-term mitigation scenarios, including to support the role of carbon pricing instruments. The PMR Secretariat proposes to allocate a significant portion of funding from the existing trust fund to support this policy work. For FY14 the PMR has already allocated about US\$300k to support the work on modeling and policy analysis. Given the urgent need for such work (See PMR Note PA8 2014-2), the PMR Secretariat proposes to allocate, from the existing trust fund, US\$10 million from FY 15-16 to launch this policy work. At the same time, in view of potentially high demand for this work from Implementing Country Participants, the PMR Secretariat is planning to mobilize additional funding. Looking ahead, this could be an area where a new window could be created to support specifically targeted areas of work.
- d. **Technical Work including expert support:** In anticipation of responding to Implementing Country Participants' needs, the budget for this line item is expected to rise considerably as the PMR provides targeted and systematic support for MRV, baseline, offset and registry development. Support can be provided in the form of working groups, guidance notes, trainings sessions, workshops, and direct country support.
- e. **South-South exchange:** The secretariat envisions organizing and supporting bilateral meetings, study tours, or regional trainings for PMR Implementing Country Participants to share knowledge and experience with one another. The secretariat would seek partners where possible to support such exchanges. Indeed, with support from the United Kingdom, the PMR Secretariat will host a south-south exchange on domestic offset schemes on the margins of the PA8 meeting in Mexico City. The PMR Secretariat has also received requests from Implementing Country Participants to host a south-south event on economic modeling for carbon taxes.
- f. **New Implementing Country Participant:** Funding for additional Implementing Country Participants can be done with bilateral support from a Contributing Participant(s) or through additional contributions made to the PMR trust fund that are then set aside to support new participants. The current capitalization of the PMR does not provide financing for new Implementing Country Participants.
- g. **Targeted Country Support:** The [PA has allocated](#) up to \$1 million to support targeted technical support to Kazakhstan. A modality for Kazakhstan's inclusion in the PMR, as well as a way forward for other countries or sub-national is detailed in PMR Note PA8 2014-3.
- h. **Annual Partnership Forum:** Funding for this item would support stakeholder engagement between PMR Participants and other carbon market stakeholders, including the private sector. It could take place on the margins of other related events, such as Carbon Expo or could substitute a PMR technical workshop during a PA meeting. The secretariat would seek partners where possible to support such exchanges.



ANNEX I: PMR ESTIMATED BUDGET, FY2014 – FY 2017

PMR Estimated Expenditures, FY2014-FY2017 (in US\$ thousands)								
	Actual	Actual	Actual	Budgeted	Est.	Est.	Est.	
PMR Activities	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	sub totals
PMR Operation (PA mtgs+ws; management; delivery)								
PMR PA Meetings + Workshops	305	773	676	750	500	500	500	4,004
PMR Management	342	180	350	690	759	759	759	3,839
Country Delivery Support	165	879	1,124	1,653	1,818	2,000	2,200	9,840
Trust Fund Management	24	79	58	65	65	65	65	421
WB Central Units Cost (1% of contributions)	93	93	93	93	93	93	93	651
Contingency	-	-	-	150	150	150	150	600
PMR Operation Subtotal	929	2,004	2,301	3,401	3,385	3,567	3,767	19,355
PMR Deepening								
Upstream Policy and Economic Modeling Analysis				300	5,000	5,000	-	10,300
Technical Work (baselines, MRV, registries, offsets etc)			238	700	1,000	1,000	1,000	3,938
Expert Support (including MRP Feedback Process + MRP Impelmentation)				490	200	100	100	890
South-South Knowledge Exchange					100	100	100	300
PMR Deepening Subtotal	-	-	238	1,490	6,300	6,200	1,200	15,428
PMR Broadening								
New Implementing Country Participant				-	-	-	-	-
Targeted Country Support				-	-	-	-	1,000
Annual Partnership Forum (stakeholder engagement)					100	92	75	267
PMR Broadening Subtotal	-	-	-	-	100	92	75	1,267
PMR Activities Total	1,858	4,008	5,078	9,782	19,471	19,626	10,009	36,050
PMR Country Grant Support						# of countries	Average	
Preparation Grant						17	350	5,950
Implementation Grant						17	5,000	85,000
PMR Country Grant Support Total								90,950
Total PMR Estimated Expenditures (PMR Activites + Country Grant Support)								127,000
Total PMR Capitalization as of January 2014								127,000