



**Presentation of the PMR FY14 Expenses and Proposal of the PMR
FY15 Budget for Approval**

Background

1. 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 financial year.¹
2. Historically, the PMR Secretariat has presented the annual budget during the PMR's May meeting. This presentation has included the following elements:
 - a. Summary of the current fiscal year's expenses compared with the approved budget for that fiscal year;
 - b. A proposed budget (for PA approval) for the upcoming fiscal year; and
 - c. A long-term financial plan (five years) for PMR operations.
3. The PMR Secretariat uses activity-based budgeting – i.e., it tracks activities using a coding system – to monitor spending and prepare the PMR budget.
4. The PMR budget is financed with funds from the PMR trust fund (i.e., contributions from the PMR Contributing Participants). As of May 2014, committed contributions to the PMR trust fund total about US\$126.5 million.
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 FY14; Section III presents a draft budget for FY15; 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 May 20, 2014**. The document will be revised to reflect feedback received. The FY15 budget will be presented to the PA for approval during PA9 in Cologne, May 25-27, 2014.

¹ The World Bank'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 interest income. As of April 2014, total committed contributions are about US\$126,500,000,² while total received contributions equal US\$106,500,000.³ Table 1 details these commitments by contributor. Total investment income earned is US\$730,000.

Table 1: Commitments to the PMR by Contributor as of April 2014
(in US\$ million)

Contributor	Commitment	Received
Australia	12.5	12.5
Denmark	5.1	5.1
European Commission	19.7	3.2
Finland	5.4	5.4
Germany	13.3	13.3
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	9
United Kingdom	11	11
United States	7.5	7.5 ⁴
Total	\$126.50	\$106.50

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.

³ The US funds in the amount of \$7.5 million are expected to be received in May 2014.

⁴ See above.

II. Overview and Analysis of the PMR's Use of Funds

Table 2. Summary of PMR Uses of Funds, FY11-FY14*
(in US\$ thousand)

Total Use of Funds FY11	835
Total Use of Funds FY 12	2,750
Total Use of Funds FY13	5,053
Total Use of Funds FY14*	22,536
Budgeted Uses (PMR Operations)	4,410
Country Grant Commitments**	18,000
World Bank Administrative Fee	126
Cumulative Total Uses (FY11-14)	31,174
Total Sources (\$106.5 m contributions +\$730k investment income)	107,230
Estimated Fund Balance as of June 30, 2014	76,056

*These figures represent actual expenses through March 31, 2013 and estimated expenses from April 1 through June 30, 2014. Additional contribution shown here, totaling \$7.5 million from the U.S. is expected to be received in May 2014.

**Grant commitments include signed agreements of \$3 million for Turkey and allocation of \$1 million for Kazakhstan, as well as the agreements expected to be signed by the end of FY14 - with China (\$8 million), Chile (\$3 million) and Mexico (\$3 million).

8. During FY14, the PMR used US\$22,536 million. Out of this, US\$4.410million was spent on Secretariat Operations (for a detailed breakdown of these expenses, see sections B and C below). The World Bank Administrative Fee—a one-time 1% levy on contributions made to the PMR trust fund – totaled US\$126,000. This fee covers costs for legal support, transaction processing, compliance checks, and accounting and financial reporting.
9. All 17 Implementing Country Participants have been allocated Preparation Phase funding, accounting for a total commitment from the PMR trust fund of US\$5.95 million.
10. Since PA5, US\$26 million in Implementation Phase funding has been allocated to seven Implementing Country Participants and US\$1 million to Technical Partner (Kazakhstan).⁵ The World Bank, as a delivery partner, is in the process of finalizing the grant agreements with these countries. To date, Turkey has finalized the grant agreement process in the amount of US\$3 million and the additional grant agreements with China (US\$8 million), Chile (US\$3 million) and Mexico (US\$3 million) are expected to be signed by the end of FY14.

A. Summary and Analysis of PMR Budgeted Uses (Secretariat Operations) in FY14

11. This section provides an analysis of expenditures of Secretariat Operations made during FY14 by comparing the FY14 budget approved by the PA in May 2013 with actual expenditures incurred during the fiscal year. There are six core cost elements:

⁵ By PA9, in May 2014, it is expected that Colombia and Morocco will have also received implementation phase funding.

- a. **PA Meetings, Workshops and Other Events:** Costs associated with PA meetings as well as workshops and other events (e.g. public events) organized on the margins of the PA meetings include meeting venue hire and catering; audio-visual equipment hire; and travel and accommodation expenses for Implementing Country Participant representatives, invited PMR experts and the PMR Secretariat.
- b. **Country Delivery Support and Advisory Services:** These costs comprise (i) MRP Expert Feedback groups and (ii) the technical assistance provided by Delivery Partners and the PMR Secretariat to Implementing Country Participants for the preparation and implementation of their Market Readiness Proposal (MRP). The costs include staff time from both the PMR Secretariat and World Bank Regional Offices, consulting fees associated with the MRP Expert Feedback Process, and associated travel costs.
- c. **Knowledge Management:** These costs cover those associated with the PMR's Technical Work Program, including the preparation of technical notes, organization of working group(s)⁶ and expert meeting(s), technical trainings organized under the Technical Work Program streams], and other events.⁷ In addition, they cover expenses for design and maintenance of the PMR website. Finally, these costs also cover the PMR evaluation and monitoring activities.
- d. **PMR Management and Communications:** These costs comprise day-to-day operating costs of the PMR Secretariat in managing and coordinating PMR activities.
- e. **Trust Fund Management:** These costs are associated with setting up and managing the PMR trust fund, including legal, budgeting, and accounting services.
- f. **Contingency:** A contingency amount is included to cover any unforeseen expenses that the PA deems appropriate.

12. Table 4 shows a breakdown of the budgeted amount for each of these six elements for FY14 and the actual expenditures incurred. For each element, the actual expenses from FY 12 and FY13 are shown for reference.

⁶ The PMR currently has three technical working groups: Baselines, MRV and Domestic Offsets. The Baselines Working Group is currently inactive.

⁷ Example of other events includes the South-South Exchange: Developing Domestic Offset Schemes (March 2014).

Table 4: FY14 PMR Operating Expenses: Use of Funds (In US\$ thousand)

Use of Funds	FY12 Actual Expenses (July 1, 2011 – June 30, 2012)	FY13 Actual Expenses (July 1, 2012 – June 30, 2013)	FY14 Budget	FY14 Actual Expenses* (July 1, 2013 – June 30, 2014)
PA Meetings, Workshops, and Other Events	773	824	696	830
Country Delivery Support and Advisory Services	879	1,315	2,143	1,919
<i>MRP Expert Feedback Process</i>		183	490	271
<i>Country Delivery Support o/w: Secretariat Country Support</i>		1,132	1,653	1648
<i>World Bank Regional Support</i>		465	900	688
		667	753	960
Knowledge Management	0	279	1,000	958
PMR Management and Communications	180	457	690	615
<i>PMR Secretariat Operating Costs</i>			500	425
<i>PMR Evaluation</i>			190	190
Trust Fund Management	79	57	65	88
Contingency	0	0	150	0
Total Use of Funds	1,911	2931	4,744	4,410

*These figures represent actual expenses through March 31, 2014 and estimated expenses from April 1 through June 30, 2014.

13. PMR operating expenses for FY14 totaled US\$4,410million. This is about US\$300,000 less than budgeted for the year. Below is an analysis of the use of these funds.

PA Meetings, Workshops and Other Events

FY14 Total: US\$830,000; average cost of one PA meeting + one technical workshop and/or public event = US\$275,000

14. In FY14, the PMR hosted three PA meetings (PA7 in Morocco in October 2013, PA8 in Mexico in March 2014, and PA9 in Germany in May 2014). The PMR also hosted two technical workshops. Following the PA7 in Marrakesh in October 2013, the PMR held a Technical Workshop on Stakeholder Engagement and Communication, while the Technical Workshop on Carbon Tax will take place on the margin of PA8 and Carbon Expo in Cologne in May 2014. Given that workshops accompany PA meetings, these items are budgeted as one item (i.e. one PA meeting plus one workshop). The PMR also hosted two public events: Scaling up Domestic Climate Action and Carbon Pricing Instruments on the margin of PA8 in Mexico City and Preparing for Carbon Pricings: A Business-Government Dialogue following the PA9 in Cologne to take place in May 2014. Given the overall tendency for logistical costs to rise and for back-to-back events (technical workshops and public events) to increase in their size and scope (i.e. comprising additional participants and spreading out over more days), the average cost of a PMR meeting, workshop and a public event increased from an average of approximately US\$225,000 in FY13 to approximately US\$275,000 in FY14. This increase is largely due to the workshops and public events that were held in conjunction with the PA meetings.

Country Delivery Support and Advisory Services

FY14 Total: US\$1.919 million

15. The PMR spent \$1.919 million on country support in FY14, reflecting the ramping up of support for the formulation of country MRPs and the MRP Expert Feedback Process. In total, nine countries have submitted final MRPs, out of which four finalized their MRPs in in FY14: Indonesia, Thailand, Colombia and Morocco.⁸. In addition to these, three countries have completed the Expert Feedback Process in FY 14 -Brazil, Ukraine and Vietnam – and are expected to present their draft MRPs at PA9 in Cologne, Germany.⁹ Finally, Kazakhstan, as a technical partner, was allocated a US\$1 million to support the implementation of the country's national emissions trading scheme (ETS).
16. On average, each Expert Group Feedback process costs US\$35,000 which represents a slight increase compared to approximately US\$30,000 in FY13. In FY14, a total of US\$271,000 was spent on MRP Feedback related items.

Knowledge Management

FY14 Total: US\$958,000

17. In FY14, the technical work program has seen significant growth. The knowledge products and the activities under the **Technical Work Program** included:

- MRV:

Two regional MRV trainings took place - in Asia in September 2013 and Latin America and the Caribbean in March 2014. The third training workshop is currently under planning and likely to take place in Turkey in September (a budget has been set aside for this training workshop in Turkey).

In addition, the PMR Secretariat is in the process of finalizing three Technical Notes, including MRV in China's Pilot Emissions Trading Schemes, Design Guide for Mandatory GHG Reporting Programs, and Discussion Paper on Components and Linkages of MRV at Different Levels.

- Offset Work Program:

The Offset Working Group was established in October 2013. Other activities included South-South Exchange on Developing Domestic Offset Schemes (March 2014, Mexico) and selected webinars (such as on California's Compliance Offset Program).

- Knowledge management:

Under knowledge management, Technical Note 7: Lessons Learned from Linking Emissions Trading Systems: General Principles and Application was completed. Also, the e-Learning program on Emission Trading Scheme (ETS) was developed and delivered.

- In-country Learning and Knowledge Exchange:

⁸ Indonesia submitted at PA7, Thailand submitted at PA8. Colombia and Morocco submitted their final MRPs are expected to present them for funding allocation at PA9. In FY13, 5 countries finalized their MRPs: Chile, China, Costa Rica, Mexico and Turkey.

⁹ Brazil, Ukraine and Vietnam are expected to present final MRPs during FY15.

Knowledge exchange activities included a Workshop on Emissions Trading Schemes (ETS) in State of Rio de Janeiro in Brazil in August 2013, and a Technical Workshop on ETS in Mexico in May 2014.

18. In FY14, the total of US\$958,000 was spent on the Knowledge Management activities, approximately US\$40,000 less than budgeted. As the Knowledge Management work program further strengthens and deepens its activities, the budget is expected to remain the same. Specific technical work line items (e.g., work on MRV systems, policy tools, and offset systems) are tracked individually.

PMR Management and Communications

FY14 Total: US\$615,000

19. PMR management costs are roughly in line with the budget expectations, with the Secretariat operating costs being US\$75,000 less than budgeted. A separate budget item under the PMR Management and Communication was added for the PMR evaluation, in an effort to establish a system to evaluate the performance of the PMR. In May 2013, the PA endorsed the budget for the PMR Evaluation in the amount of US\$190,000 and the actual expenses in FY14 equaled the budgeted amount.

Trust Fund Management

FY14 Total: US\$88,000

20. US\$65,000 was budgeted for trust fund management in FY14. This item saw an increase due to the number of allocated implementation phase funding (4 countries: Indonesia, Thailand, Colombia and Morocco)¹⁰. As a result, the PMR spent more than anticipated.

¹⁰. Colombia and Morocco submitted their final MRPs are expected to present them for funding allocation at PA9.

III. FY15 Draft Proposed Budget

Table 5: FY15 Draft PMR Budget: Use of Funds (In US\$ thousand)

Use of Funds	FY14 Budget	FY14 Actual Expenses* (July 1, 2013 – June 30, 2014)	FY15 Proposed Budget
PA Meetings and Workshops	696	830	850
Country Delivery Support and Advisory Services	2,143	1,919	2,100
<i>MRP Expert Feedback Process</i>	490	271	500
<i>Country Delivery Support</i>	1,653	1,648	1,600
<i>o/w: Secretariat Country Support</i>	900	688	820
<i>World Bank Regional Support</i>	753	960	780
Knowledge Management	1,000	958	1,000
PMR Management and Communications	690	615	650
Upstream Policy Work			5,000
Trust Fund Management	65	88	75
Contingency	150		150
Total Use of Funds	4,744	4,410	9,825

* These figures represent actual expenses through March 31, 2014 and estimated expenses from April 1 through June 30, 2014.

21. Table 5 presents the proposed PMR budget for FY15. The Secretariat proposes an operating budget of US\$9.825 million for FY15, compared with the estimated US\$4.410 million spent in FY14. In addition to an adjustment made due to inflation,¹¹ the following planned activities drive the proposed increase.

22. Launching Upstream Policy Work to Identify Policy Options for Achieving Mid- and Long-Term Mitigation Objectives

In FY14, the PMR has achieved an important milestone in initiating Upstream Policy Analytical Support. The upstream policy support will help countries identify a package of effective and cost-efficient instruments to achieve mid- and long-term mitigation objectives. The support will compliment countries' ongoing efforts to prepare their "nationally determined contributions" for 2015 agreement under UNFCCC.

Taking into account the Implementing Countries' submitted Expressions of Interest (EoIs), the PMR Secretariat, in collaboration with the other World Bank's relevant departments and teams, has initiated discussions with a number of countries to further define and specify the modality of support, the exact scope of work, necessary resources and related timetable (*See PMR Note PA9-2014-1* for more details on the proposed approach).

¹¹ The estimated rate of inflation is 2%.

The PMR Secretariat proposes an envelope of US\$5 million to be allocated for FY15 to support the work. The funding would be used to support the following activities: (i) Country analytical work; (ii) Common methodology and framework (including modeling); (iii) International and national technical meetings and workshops; and (iv) The World Bank staff time.

23. Driving Country Progress through Knowledge Management Activities

Following the scale-up of Knowledge Management Activities in FY14, accompanied by a significant increase in the amount of time and work focused on technical work program, the Secretariat envisions the similar level of engagement in FY15. The PMR Secretariat has identified several issues, common to multiple Implementing Country Participants, that would benefit from technical assistance provided in a comprehensive, programmatic manner. Going forward, the Technical Work Program will complement the direct financial support for MRP implementation, with the objective to help Implementing Country Participants to inform decisions on the development of domestic carbon pricing frameworks while ensuring these remains credible, consistent, and potentially compatible with international practices.

In FY15, the Technical Work Program on MRV will continue working along existing channels, with additional trainings and workshops, Technical Notes and other knowledge products, as well as the development an e-Learning program. Based on the in-depth consultations with PMR Implementing Country Participants, the Offset Work Program will focus on a number of activities, such as country case studies, technical briefs, international knowledge exchange workshops, etc. Finally, the Secretariat is developing a comprehensive Technical Work Program on Data Management, GHG Registry and Tracking Tools to provide countries with technical knowledge and practical guidance for implementation. For more details of the proposed Technical Work Program, including envisioned outputs from the plan, see the *Draft Note on PMR Technical Work Program* (Note PA9 2014-2).

24. Increasing Country Delivery Support and Advisory Services

The number of countries that begin the implementation stage is expected significantly increase in FY15, as all 17 Implementing Country Participants complete draft MRPs. This will increase the need for delivery and advisory services from the World Bank's regional support¹² staff and the Secretariat. A key driver of the increase will also come from the number of expert groups formed for the MRP Expert Feedback Process. In addition, some countries that have commenced the implementation phase have requested further support from PMR experts as they implement their MRPs. Therefore, additional funding to support continued expert interaction has been factored into the FY15 budget.

25. PMR Management and Communications

Based on the FY14 costs and as the number of Implementing Country Participants enter the implementation phase and the amount of work focused on knowledge management increases, PMR management and communication costs are also expected to slightly rise.

¹² In the case of Vietnam, regional delivery support is provided by the World Bank and by the Asian Development Bank.

IV. PMR Long-term Plan (LTP)

7. For planning purposes, the PMR Secretariat prepares a long-term plan (LTP) for the use of PMR funds for the envisioned life of the fund. Unless otherwise decided by the PA and the World Bank, the end date for the PMR is 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:
- a. Trust fund capitalization of US\$126.5 million;
 - b. 17 Implementing Country Participants and Technical Partner
 - c. All 17 Implementing countries have received preparation phase funding of US\$ 350,000 totaling to US\$ 5,950 million.
 - d. The amount of funding allocation for the country implementation grants so far is US\$32 million.¹³
 - e. Since the MRP grant size ranges from \$3 million to \$8 million, a proxy of US\$5 million was used to for the remaining 8 countries that are finalizing their MRPs.
 - f. Same cost structure for any other delivery partner that provides country delivery support;
 - g. Average length of Preparation and Implementing Phases is 5 years;
 - h. Three PMR meetings/workshops per year until 2015; 2 PMR meetings/workshops after 2015; and
 - i. Contingency provides for secretariat activities necessary to phase out the PMR after 2020.

Table 6 shows a breakdown of total expected expenditures per activity over the life of the PMR between July 2014 and December 2020. Based on the LTP, 80% of the PMR's funding is provided to support the countries mainly through the MRP-related activities, as well as complementary support, such as upstream policy work and knowledge management. The costs of Secretariat Operations are estimated at approximately 20% of the total funding.

¹³ The funding allocation of US\$32M included the following countries: Chile (US\$3 million), China (US\$8 million), Colombia (US\$3 million – expected to present its MRP and ask for funding allocation at PA9), Costa Rica (US\$3 million), Indonesia (US\$3 million), Mexico (US\$3 million), Morocco (US\$3 million – expected to present its MRP and ask for funding allocation at PA9), Turkey (US\$3 million), and Thailand (US\$3 million).

Table 6. PMR Long-term Plan, July 2014 – December 2020 (in US\$ thousand)

PMR Activities	Actual	Actual	Actual	Actual*	Est.	Est.	Est.	Est.	Est.	Est.	
PMR Operations	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	sub totals
PMR Operations											
PMR PA Meetings + Workshops	305	773	676	830	850	500	500	500	500	500	5,934
PMR Management	342	180	350	615	650	650	650	650	650	650	5,387
Country Delivery Support	165	879	1,124	1,648	1,600	1,300	1,200	1,000	1,000	1,000	10,916
Trust Fund Management	24	79	58	88	75	85	85	85	85	85	749
WB Central Units Cost (1% of contributions)	93	93	93	93	93	93	93	93	93	93	930
Contingency	-	-	-	150	150	150	150	150	150	150	1,050
PMR Operations Subtotal	929	2,004	2,301	3,424	3,418	2,778	2,678	2,478	2,478	2,478	24,966
PMR Support to Countries											sub totals
PMR Country Grant Support											
Preparation Grant											5,950**
Implementation Grant											72,000** *
Targeted Country Support to Technical Partners											2,000
PMR Country Grant Support Subtotal											79,950
PMR Complementary Support to Countries											
Upstream Policy and Economic Modeling Analysis	-	-	-	258	5,000	5,000	1,000	800	500	500	13,100
Knowledge Management & Technical Work Program	-	-	238	700	1,000	1,000	1,000	1,000	1,000	1,000	6,896
Expert Support (including MRP Feedback Process + MRP Implementation)	-	-	-	271	500	300	200	100	100	100	1,571
PMR Complementary Support to Countries Subtotal	-	-	238	1,229	6,500	6,300	2,200	1,900	1,600	1,600	21,567
PMR Support to Countries											101,517
PMR Activities Total											126,483

* The FY14 figures represent actual expenses through March 31, 2014 and estimated expenses from April 1 through June 30, 2014.

**All implementing countries (17) have received a preparation grant in the amount of US\$350,000 totaling to US\$5,950,00 in total.

*** Allocated funding for MRPs so far amounts to US\$32 million. Since the MRP grant size ranges from \$3 million to \$8 million, a proxy of US\$5 million was used for the remaining 8 implementing countries that are in the process of finalizing their MRPs.