STRATEGIC ORIENTATION FOR THE FUTURE OF THE PARTNERSHIP FOR MARKET READINESS (PMR)
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INTRODUCTION

1. Since it began operation in April 2011, the Partnership for Market Readiness (PMR), which consists of some of the world's largest economies and major actors in climate change mitigation, has become one of the key forums to support carbon pricing initiatives and other cost-effective instruments to scale up climate mitigation efforts. In just over two years, the PMR has mobilized about US$120 million in grant funding and counts 29 formal participants, as well as several observer countries and organizations.

2. PMR participants fall into two groups: 13 Contributing Participants provide funding to the PMR trust fund and 16 Implementing Country Participants are eligible to receive that funding. Funding is given in two phases:
   a. Preparation phase: To date, all 16 Implementing Country Participants have received a first phase of funding in the amount of US$350,000. Countries use this funding to develop Market Readiness Proposals (MRPs), which lay out a plan to design a cost effective mitigation instrument and identify market readiness components, such as monitoring, reporting and verification (MRV) systems.
   b. Implementation phase: As of June 2013, five countries have finalized their MRPs and have been allocated implementation funding to carry out the activities outlined therein. It is expected that most of the remaining 11 Implementing Country Participants will finalize their MRPs for implementation funding by the end of 2014.

3. Given the experience gained to date and, in anticipation of the completion of the allocation of the implementation funding by the end of 2014, the time seems appropriate for the PA to discuss the strategic direction of the PMR. Therefore the PMR Secretariat has identified several key opportunities going forward, for consideration by the PA. This strategic note builds on the presentation that was made by the PMR Secretariat at the 6th Meeting of the PA, in May 2013 in Barcelona, and is structured in two parts:
   a. Section I details the early reflections and insights on the PMR’s first two years; and
   b. Section II lays out potential strategic directions for the future of the PMR, built upon the notion of (i) deepening readiness activities at the country and the international level, (ii) broadening the reach and scope of the PMR; (iii) piloting scaled-up crediting programs and other mechanisms to enhance the PMR’s function as a global platform for promoting market-based instruments; and (iv) preparing for a second round of resource mobilization based on countries’ needs.
I. EARLY LESSONS FROM THE PMR’S FIRST YEARS

4. The PMR was established against the backdrop of a downturn of the international carbon market. Despite this decline, many developing countries and emerging economies have expressed strong interest in exploring market-based approaches or carbon pricing instruments to mitigate greenhouse gas (GHG) emissions cost-effectively and in a manner that is compatible with their development objectives.

5. Despite the interest, however, many PMR Implementing Country Participants face a number of challenges in using market mechanisms to pursue low carbon development. These challenges are reflected in the first wave of completed MRPs. Looking back on the first two years of PMR operation, the Secretariat wishes to share several observations with the PA and invites countries to communicate their own insight and experience. These lessons and experience will provide an important foundation for guiding the future development of the PMR.

A. Significant upfront work needed to build market readiness

6. Most countries are at an early stage of policy formulation, and still require significant support to build and strengthen the policy, technical, and institutional components needed to establish market-based instruments. In particular, the lack of reliable data and the absence of a solid MRV system are two major challenges faced by most of the PMR Implementing Country Participants. Whether a country’s interest is to set mitigation goals, launch a domestic emissions trading system (ETS), or develop a domestic or international crediting mechanism, all activities rely on the availability of accurate and reliable data. For many countries, the road to build and maintain a good data management system and a solid MRV framework is still long. As a result, for the majority of Implementing Country Participants, core “readiness” components constitute the heart of their MRPs and are the focus of their request for PMR support.

7. To respond to this challenge, the PMR has launched a specific work stream on MRV and data management within its Technical Work Program to provide systematic support, including training, to Implementing Country Participants.

8. Another readiness challenge is the degree to which countries have undergone economic and policy analysis to inform selection and introduction of a carbon pricing instrument. Modeling economic implications of an ETS or carbon tax and analyzing the interaction of these policy options with other, existing policies, such as energy efficiency standards and/or renewable energy regulation, provides a sound basis to help countries make informed decisions on the choice of a carbon pricing instrument. Such analysis also serves as key inputs into communications and engagement with stakeholders. This type of policy support was not initially identified as a key component of readiness work at the PMR’s inception, but PMR participants’ experience show that most countries are just beginning this analysis and substantive analytical support is needed for the decision on the choice of the instrument.
9. Recognizing this challenge, the PMR has extended the scope of the Technical Work Program to support modeling and policy mapping to help countries adopt a systematic approach that takes into account their broader economic and policy contexts. At the same time, countries are adopting a multi-sectorial engagement process as part of their MRP formulation and implementation. Such domestic processes offers a real opportunity to integrate policy analytical work into decision making.

10. The current modality of PMR operation is that Implementing Country Participants receive grant funding to carry out activities identified in their MRP. The amount of funding for each Implementing Country Participant is limited to $3 million, $5 million or $8 million and, in most cases, will cover a small portion of the activities required for market readiness. The level of funding currently available through the PMR – even with funding from other programs that support mitigation policies – will fall short for addressing entirely the needs and gaps identified in the MRPs, let alone the costs for rolling out a market-based instrument. The main lesson from the first years of PMR operation is that the scope of readiness work is bigger than initially anticipated and that there is a shortfall in funding compared with the needs identified by countries.

B. A wider scope of instruments to achieve mitigation goals

11. The initial scope of the PMR focused on domestic ETS and scaled-up crediting mechanisms (including domestic offset/crediting markets). Since 2011, it has widened to include carbon taxes, energy efficiency trading schemes, and potentially other instruments. This evolution reflects an understanding that countries are diverse in their economic contexts and stages of development, and that the choice of a market-based instrument is based on a country’s development strategy and priorities, its national circumstances, and its political process. Nevertheless, despite divergent approaches adopted by countries, there is a desire among all participants to explore and develop cost-effective instruments and to price carbon to drive investment toward green and low-carbon growth.

12. The PMR experience confirms the lesson that no one size fits all. The diversity of approaches adopted by countries requires a more diverse set of technical tools to support PMR Implementing Country Participants in pursuing suitable instruments appropriate to their country context.

C. An opportunity to support domestic carbon markets that are credible and consistent, and that could be compatible with one another

13. While the PMR has evolved to support a variety of instruments, supporting the carbon market remains one of the Partnership’s key objectives. The PMR provides a key platform for a growing group of like-minded first movers to build the carbon markets of the future. With regional and domestic carbon markets emerging, and interest in them growing, the next ten years may see the emergence of a new global carbon market, likely fragmented in design and scale. Such fragmentation should not be considered a sign of regression; embedded within this fragmentation is
the inevitable reflection of national circumstances combined with real prospects for linkage and integration.

14. The PMR is working towards the creation of such a framework, by supporting countries to build a carbon market “infrastructure” that is **credible, consistent** and potentially **compatible** (“3Cs”). This infrastructure includes core components such as baselines, MRV systems, and data management and registry systems. The establishment of a common framework, with analogous technical components, can help build confidence in domestic schemes and promote the fungibility of various carbon assets, should markets link in the future.

15. By providing support for the emergence of a “3C” system across PMR Implementing Country Participants, a partnership platform such as the one embodied by the PMR, offers a valuable vehicle to forge a common framework to prepare the integrated carbon market of the future.

**D. A platform to learn and build a coalition for action**

16. The PMR’s early experience has shown that a collaborative partnership is a key to success. The PMR has gathered a critical mass of important public-sector market players and climate change leaders from around the globe, to discuss key issues about how best to support the next generation of carbon markets and pricing instruments. The PMR has created a forum in which governments central to tackling climate change are openly discussing their plans, opportunities, and challenges for mitigation, and are candidly sharing their experience with past actions. The genuine effort to ensure a collaborative and open process, with discussions focused on substance and technical aspects, is a critical aspect of the PMR.

17. The PMR has also demonstrated that sharing and creating knowledge is an important way to support countries. The activities that Implementing Country Participants intend to carry out cover topics essential for the implementation of their mitigation objectives (i.e., analysis of policy choices, baseline setting, and establishment of an MRV framework, data management system and GHG registry). Through such a process, a body of knowledge, common practices and approaches is created, which will provide important input and support for the implementation of each country’s mitigation action plans.

18. The last critical lesson from the PMR’s first years of operation is that using resources to foster collaboration amongst PMR Country Participants, and to share and create knowledge is an **indispensable part of the effort to build market readiness for GHG mitigation actions.**
II. BEYOND THE FIRST PHASE OF THE PMR: OPTIONS FOR THE FUTURE

19. Looking beyond the first operational phase of the PMR, the PA may wish to explore various options to build upon its success and maximize its impact. Possible options proposed for discussion include: (A) deepening readiness support to countries, (B) broadening the reach and scope of the PMR; (C) piloting market-based mechanisms; and (D) preparing for a second round of resources mobilization based on country needs.

20. The implications on PMR existing capital of the activities identified in sections A and B below are estimated in Annex I and can be financed out of the PMR’s current funding. The proposals outlined in sections C and D would require additional resource mobilization.

A. Deepening readiness support to countries

21. In order to help countries reach their mitigation objectives, the PMR should consider deepening the support for readiness activities at the country level. In this section, the PMR Secretariat lays out several possible options to achieve this.

   i. Strengthening and expanding upstream policy analysis

22. Many countries are at a cross roads in their decision to adopt a market-based instrument as a means to deliver their mitigation objective. For some countries, setting mid- and long-term mitigation goals and understanding the development implications of such goals are absolutely critical in their choice of instrument. Early insight from the PMR shows that, without such analytical work to build a foundation, it is very difficult for policy makers to make an informed decision on the choice and the design of a suitable market-based instrument.

23. Early work by the PMR to explore the need for modeling and policy analytical work (including through technical workshops) revealed a strong need for continued support in these areas. The policy component under the PMR Technical Work Program may be strengthened to include, for example:
   - Analysis on policy mapping and interaction;
   - Policy and economic analysis for mitigation actions and choice of carbon pricing instruments;
   - Sector-specific analysis; and
   - Economic modeling tools for carbon pricing instruments.

24. Recognizing existing analytical studies, either planned or already completed, including those outlined in each Implementing Country Participant’s MRP, the proposed additional policy work would focus on filling gaps to avoid the duplication of efforts. Specific policy work under the PMR Technical Work Program would be carried out by the World Bank, or any other suitable agency, at the request of the PMR Participant. The PMR Secretariat would work with experts and institutions
from interested countries, the relevant units of the World Bank—including the Bank’s economic research department—, international experts, organizations and think tanks, to identify the scope of the work and suitable counterparts.

25. The PMR has allocated a small budget to this kind of policy analysis as part of the existing PMR Technical Work Program for fiscal year 2014 (approximately $300,000 out of the total budget of $1 million for the entire work program) as “seed funding” for modeling and policy analytical work. Depending on the scope of the work and the specificities of each country interested in receiving additional support, the resources needed to conduct comprehensive analytical studies for individual countries could be considerable—for example, on average, the cost of a low-carbon development study ranges between $1 and 1.5 million per country.

26. While a small portion of the PMR existing funding could be continuously allocated to such policy work, any substantive analytical study would require additional funding to the PMR Trust Fund. If there is interest, the PMR Secretariat could further flesh out this proposal to seek additional funding from Contributing Participants for this purpose. To receive such contributions, a specific window within the PMR Trust Fund could be created to focus on supporting work related to policy analysis.

ii. **Enhancing the PMR Technical Work Program and building the “3Cs system”**

27. Many PMR Implementing Country Participants are in the process of building “infrastructure” essential to mitigation actions in general and carbon market in particular. Such infrastructure includes the establishment of data management and MRV systems, GHG baselines, offset standards, and tracking/registry systems.

28. The PMR has started developing knowledge products in a number of areas with the objective of providing a common framework for the development of such infrastructure. For example, after extensive consultations with experts and practitioners, the PMR Secretariat has recently finalized a guidance and options document for the development of GHG baselines. The guidance proposed in this document will be road-tested through practical case studies. With regard to MRV systems, the first PMR regional training workshop on the subject was held in September 2013 in Beijing, China, and provided useful material related to installation-level MRV. Furthermore, the PMR Technical Work Program has finalized a technical note on offset standards. In the next phase of work on this subject, a working group will be launched to identify good practices and to start building a common understanding on the choice of offset design.

29. Going forward, the PMR Technical Work Program could be further strengthened through:

- The development of additional technical guidance notes on relevant topics, which would emphasize good practices and propose common approaches; and

- The provision of targeted support to Implementing Country Participants for the application of such framework and practices, including enhanced country training, road testing, etc.
30. At present, the PMR has allocated approximately $700,000 for fiscal year 2014 (FY14) for work related to MRV, baselines, and offsets. The PMR Secretariat would propose to progressively increase the budget allocated to the PMR Technical Work Program, to cover the above-mentioned in-country activities. Such budget increase could be sourced from the existing capital in the PMR Trust Fund.

   iii. **Reinforcing the provision of technical assistance to Implementing Country Participants**

31. Through the Expert Feedback Process and the Technical Work Program, the PMR has established an important network of experts across different market readiness areas. The expert support provided through the MRP preparation process is an efficient means to facilitate the design of market-based instruments within countries. The PMR Secretariat has also established an online roster of experts, to facilitate countries’ selection of specialists to support their PMR work. Going forward, the PMR Secretariat is planning to consolidate and formalize a dedicated group of experts, from Implementing Country Participants and the international community, to facilitate timely support to countries and the PMR Technical Work Program. The “PMR Technical Experts Team” would be available to provide expertise on market readiness and carbon pricing instruments. Specialists from this Technical Experts Team, could provide, inter alia, the following services, on an ad-hoc basis:

   - At country level - technical assistance to Implementing Country Participants:
     - To resolve specific issues or problems encountered during the implementation of PMR activities; or
     - To support the application of the 3Cs concept in the design and the development of core technical components of market readiness infrastructure.

   - At the international level - support to the PMR Technical Work Program, in particular for PMR analytical work on policy and the development of 3Cs technical components.

32. Similar to what is proposed for the reinforcement of the PMR Technical Work Program, the budget to finance the services provided by the PMR Technical Experts Team could be sourced mainly from the existing capital in the PMR Trust Fund and would not require additional contributions.

   iv. **Supporting South-South knowledge exchange**

33. The PMR could support the exchange of knowledge directly between PMR Implementing Country Participants, for example, through the organization of regional trainings and bilateral meetings. Such events would provide a valuable opportunity for PMR participants to examine solutions and issues encountered in other PMR countries.

34. The PMR has not allocated budget for South-South knowledge exchange in its FY14 budget. However, depending on the interest and the scope of activity, such exchange can be financed from existing PMR capital, either as part of the Technical Work Program or through designated funding set aside to facilitate the exchange of knowledge between PMR Implementing Country Participants.
B. Broadening the reach and scope of the PMR

i. Expanding the number of PMR Implementing Country Participants

35. The PA originally limited the number of Implementing Country Participants to 15. With additional financial support from Switzerland, Peru formally joined the PMR as an Implementing Country Participant in 2012. As the PMR is growing and drawing positive reactions from the international community, other developing countries and emerging economies may be interested in joining the PMR.

36. As a result, the PA may consider the possibility of further expanding the number of Implementing Country Participants, reflecting on the pros and cons of such approach and, potentially, decide on the modalities of participation of “new countries”. The PA could consider new expressions of interest either through the same process as Peru, i.e., contingent on additional financial support from one of the Contributing Participants, or more generally without a specific sponsor in mind. In the latter case, new funding would need to be raised.

ii. Targeted support to other countries and sub-national jurisdictions

37. The PA may also wish to consider broadening the reach of the PMR through more flexible engagements with countries, for instance through the provision of targeted support to other countries and/or sub-national entities.

38. Targeted support could be extended to countries (or sub-national jurisdictions) that are developing carbon pricing instruments but are not formal participants in the PMR. Note PA7 2013-1 outlines the case and modality for targeted assistance for Kazakhstan, which is developing its own domestic ETS. Kazakhstan has shared its plans with the PA, has expressed strong interest in benefiting from the knowledge created under the PMR and has requested technical assistance from the PMR. The PA, in particular Implementing Country Participants, could benefit from Kazakhstan’s experience and early-mover status. Establishing partnerships through targeted support, with other countries and sub-national entities that are pursuing market-based instruments, could be a win-win situation.

39. While the decision on targeted support will have to be made on a case-by-case basis, the PA may take into account the following criteria, for example:

   a. Countries that are developing an ETS or a carbon tax;

   b. Middle-income countries; and

   c. Demonstration of substantive progress and specific need for technical support.

40. The scope of the targeted support would take the form of technical assistance and could include training, expert advisory, analytical work and participation in PMR Meetings and Workshops. The amount of financial resources available per country would be considered on a case-by-case basis but
would be capped at a maximum of US$1 million over three years. A separate note on the modalities and procedure for the provision of targeted support to Kazakhstan, on a pilot basis, has been circulated to the PA for consideration. Funding for such targeted support could come from existing PMR resources.

41. The PA may further consider creating a new category of PMR participants (which could be referred to as “Technical Partner Country Participants”) to formalize the participation in the PMR by the countries that (i) are receiving targeted support from the PMR; or (ii) emerging economies that are pursuing a carbon pricing instrument (ETS or carbon tax) regardless of whether the PMR has provided support. The creation of a new category of PMR participants would require a modification of the PMR Governance Framework. If there is interest from the PA, the PMR Secretariat will prepare a note to outline options for creating a new category of country participants for consideration at PA8.

   iii. Outreach to market players and other stakeholders

42. The PMR has generated positive momentum on market-based instruments despite the current downturn of the carbon market. The international community, including the private sector, think tanks and other stakeholders, often refers to the PMR as one of the most important forums in building a foundation and laying the ground work for the future global carbon market. The PMR Secretariat has worked with several associations, including the International Emissions Trading Association (IETA) in the context of the Business PMR (B-PMR), to engage with carbon market stakeholders, including the private sector, recognizing the important role such actors will play in any future carbon market.

43. The PMR should continue reaching out to and expand its interaction with the broad international community, including through more systematic sharing of information and the common exploration of carbon pricing initiatives. Such outreach could be formalized in the context of Carbon Expo and become a central part of this yearly event. For example, in conjunction with the PA meeting in May each year, the PMR could host a one-day conference—a Partnership Forum—to bring together and foster a dialogue between PMR participants and other market players, members of the financial community, think tanks, and other relevant stakeholders, to share knowledge and experience and exchange ideas on carbon markets.

44. Such outreach activities could be largely covered under the existing PMR capital.

C. Piloting new market-based instruments

45. One of the main objectives of the PMR, as specified in its Governance Framework, is to pilot innovative market-based instruments in order to generate experience and knowledge that could be shared with the UNFCCC and the international community. Today, this objective remains central to the PMR initiative but has been deferred due to the realization that, for most PMR Implementing
Country Participants, building market readiness will require more upfront work, time, and funding than what was anticipated at the outset.

46. Currently, a number of countries are exploring scaled-up crediting programs at the sectorial or national level. While the PMR Trust Fund is providing support to design these programs and build market readiness infrastructure, it is clear that without signals of viable international demand for credits and the guarantee of downstream payments, it will be difficult for these countries to go beyond market readiness and begin actual generation of GHG emission reductions.

47. The opportunity to pilot emission reductions transactions in connection with a payment facility would be very important in order to show the international community what works, in practice, and what does not. The hands-on experience generated through such piloting would be invaluable in helping define the next generation of carbon markets. It would be difficult to imagine how the PMR could fulfill its purpose without having such piloting incentive in place.

48. A number of carbon funds have been established to purchase emission credits generated from new crediting programs, including the World Bank’s Carbon Fund of the Carbon Partnership Facility. It may be desirable to explore options to identify the link between the crediting programs that are being developed by PMR Implementing Country Participants and those purchasing facilities. At the same time further consideration should be given to the role of the PMR process, for example in assessing the credibility of programs.

49. In addition to the scaled-up crediting programs, some Implementing Country Participants are developing domestic offset systems and have expressed interest in applying the 3Cs approach, enabling credits that are internationally transferrable. While the working group on offset standard, which is expected to be launched at PA7, would certainly contribute to ongoing country work, some incentive measures, such as purchasing domestic offsets by a purchasing facility, may be considered as a way of recognition of meeting the 3Cs.

50. The foregoing ideas could be fleshed out through a consultative process. If there is interest, a detailed note, outlining potential arrangements, will be prepared for the next PA Meeting in early 2014.

D. Providing long-term and systematic country support: Preparing for a second round of resource mobilization

51. The first round of capital mobilization, covering the period from 2011 to 2013, raised about US$120 million. Most of the 16 Implementing Country Participants are expected to receive implementation funding allocations by the end of 2014. Based on the MRPs presented to date, implementation funding will be used mainly for the design of market-based instruments and the implementation of various core technical components (data management and MRV systems, baselines, etc.). PMR Implementing Country Participants have indicated their intention to apply for additional funding to continue their work. Indeed, continuous and systematic support will be needed beyond the first
cycle of funding to help countries consolidate their readiness efforts and move towards full implementation.

52. The PMR Secretariat proposes to prepare a second round of capital mobilization, which would cover the period between 2015 and 2020. A portion ($10 million) of the existing capital in the PMR Trust Fund ($120 million) should be carried over to the second cycle to be available to countries if second-round funding is still being mobilized once the 2015 period begins (“Country Reserve”; see Annex I for details). However, depending on the amount of the funding that would be kept in the Country Reserve, there will be implications on the budget for supporting the activities identified in sections A and B. Nevertheless in order to send a positive signal to Implementing Country Participants regarding the availability of long-term and systematic support for their market readiness work, it is important that the PA start considering mobilizing additional resources for the second cycle of funding allocation.

53. Based on operational experience in the first cycle of resource mobilization, the PMR Secretariat will start considering the modalities and capital needed for the second round of funding mobilization and allocation, with the objective of presenting an initial proposal at PA9, in May 2014.

E. Action by the PA

54. This note introduces several, preliminary ideas related to the strategic orientation of the PMR, and is submitted to the PA for discussion. The PMR Secretariat welcomes feedback from the PA on the ideas presented. This note should be considered a “living” document that will continuously draw inputs from the Participants. As directed by the PA, the Secretariat can further developed some or all of the proposals presented in this note for consideration and endorsement by the PA.
ANNEX I: PMR ESTIMATED BUDGET, FY2014 – FY 2017

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<td>1,500</td>
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<td>Expert Support (including MRP Feedback Process + MRP Impelmentation)</td>
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<td>320</td>
<td>336</td>
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<td>2,540</td>
<td>2,636</td>
<td>2,870</td>
<td>9,774</td>
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<td>PMR Broadening</td>
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<td>600</td>
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<td>200</td>
<td>200</td>
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<td>13,792</td>
<td>31,963</td>
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<td>Total PMR Estimated Expenditures (PMR Activities + Country Grant Support)</td>
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<tr>
<td>Total PMR Estimated Expenditures (PMR Activities + Country Grant Support) + Country Reserve</td>
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The table above represents PMR actual expenditures for FY2011 – FY2013 and estimated expenses for FY2014 – FY2017. FY2014 reflects the budget that the PA approved in May 2014. This table is meant to provide Participants with the expected implications on PMR funding of the various activities presented in this Strategic Note. Specifically, the table includes a section each for activities associated with PMR Deepening and PMR Broadening. Note the activities included above can all be financed through the PMR’s current capitalization, which is about US$120 million. The current estimate for the proposed activities, including the PMR’s existing activities and country grant commitments is about US$117.5 million through FY17.

**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.

**PMR Deepening**

**Upstream Policy Analysis:** As early experience has shown, there is a significant need from countries to engage in policy mapping and interaction exercises. Some funding for this work is already envisioned under the PMR’s Technical Work Program. An estimated US$300,000 is expected to be spent on policy analysis work in FY2014. Going forward, the secretariat proposes to increase this to US$800,000 annually, an amount that still fits within the PMR’s current capitalization. Looking into the future, this could be an area where the PMR could make a significant contribution and, beyond FY2017, the PMR may consider creating a new window of support specifically targeted at policy analysis work.

**Technical Work:** In anticipation of responding the Implementing Country Participant 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 and workshops.

**Expert Support:** The line item includes expenditures for the MRP Expert Feedback Processes (all 16 should be completed by end FY2015), as well as additional funding (beginning in FY2015) for a PMR Technical Expert Team who can provide specific assistance to countries during the implementation phase of their MRPs, or on PMR technical work themes.

**South-South exchange:** The secretariat envisions organizing and supporting bilateral meetings, study tours or regional trainings for PMR Implementing Countries to share knowledge and experience with one another.

**PMR Broadening**

**New Implementing Country Participant:** Funding for additional Implementing Country Participants can be done with bilateral support from a specific 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.

**Targeted Country Support:** The secretariat envisions allocating up to $2 million to support countries that may seek targeted technical support from the PMR (such as Kazakhstan). A specific allocation by year has not been made (and could be defined when a particular country has been allocated such funding for specific activities).

**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.

**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.

**Country Reserve**

In anticipation that Implementing Country Participants will require additional financial support to carry out their MRP activities (or build on them to move toward piloting a market-based instrument), the secretariat proposes that the PA consider raising additional funds to support this work. However, it will be important that some funds are available as soon as countries need them (expected about 2015), especially if additional funds for this purpose are still being raised. Therefore, the secretariat proposes setting aside a reserve of $10 million from the PMR’s current capitalization to support countries’ continued work.

Creating this reserve has budgetary implications, namely that the PMR will be overdrawn if it is to also financing the expected cost of all of the above-mentioned activities under PMR Deepening and Broadening. The secretariat expects the PMR to require an additional $7.5 million to both carry out these newly proposed activities and support a country reserve.