

## Annual Review - Summary Sheet

|  |                                       |
|--|---------------------------------------|
| <b>Title:</b> Partnership for Market Readiness |                                       |
| <b>Programme Value:</b> £7 million             | <b>Review Due Date:</b> February 2019 |
| <b>Start Date:</b> 1 Nov 2017                  | <b>End Date:</b> 31 Oct 2018          |

### Summary of Programme Performance

| Year            | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16  | 2016-17  | 2017-18  |
|-----------------|---------|---------|---------|---------|----------|----------|----------|
| Programme Score | B       | A+      | A+      | A       | A        | A        | A        |
| Risk Rating     | Medium  | Medium  | Medium  | Medium  | Moderate | Moderate | Moderate |

### Summary of progress and lessons learnt since last review

The PMR supports capacity building for the implementation of carbon pricing<sup>1</sup> in developing countries through grant funding and technical assistance. Carbon pricing is an important tool for lowering greenhouse gas emissions in an economically efficient way, and helping to meet the global temperature goals of the Paris Agreement on climate change<sup>2</sup>. Programmes in this area can contribute to shifting public and private choices towards clean growth, in line with UK objectives. The core PMR activity of building institutional and technical capacity for carbon pricing policies in developing countries is a necessary step towards gaining wider support for market-based approaches and expanding their use. The PMR also provides a platform for technical discussions, facilitates country-to-country exchanges and promotes best practice. An independent evaluation of the PMR, finalised in 2018, highlighted the effectiveness of the PMR and the value that it has added through its functions.

The PMR continues to perform well, and over this review period, scores an 'A: Outputs met expectation'. Expectations were moderately exceeded in two Outputs (1 & 3) and narrowly missed expectations in a third (Output 2). Significant progress has been made both in the core area of delivering Market Readiness Proposals compared to the delays in previous years, and in impressive delivery of technical, knowledge and policy analysis products. Together, these indicate progress towards the PMR's expected Outcome and Impact. Since the last Annual Review, Argentina and Cote d'Ivoire have also joined the PMR, bringing the total number of recipients to 23<sup>3</sup> with 2 (Kazakhstan and Chile) having implemented active instruments with PMR support. In addition, Singapore joined as a new Technical Partner in October 2018.

There have been lags in the disbursement rates of some countries, with the PMR not meeting expectations on this indicator. The World Bank has taken steps to address this, instigating a reassessment exercise at PA19 Argentina to allow countries to focus on realistic deliverables and help accelerate overall disbursement rates.

Despite the overall positive progress, the PMR should continue to be alert to country-specific barriers that have caused delays in the past and affected past scores for the implementation of carbon pricing mechanisms, as these could yet affect achievement of the programme Outcome and Impact. Likewise, the Second Independent Evaluation by Ipsos MORI and SQ Consult recommend a number of areas for future work, including ensuring synergies with complementary organisations, developing technical

<sup>1</sup> Carbon pricing can refer to a range of policies, but in the context of the PMR, it primarily denotes emissions trading, scaled-up crediting and carbon taxes.

<sup>2</sup> See for instance the report of the High-Level Commission on Carbon Pricing: <https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-price>

<sup>3</sup> 19 are Implementing Country Participants whilst 4 are assistance receiving Technical Partners

products that have identifiable and original value, as well as the option of supporting regional initiatives. These are captured in the recommendations for the next year, listed in full below.

## **Summary of recommendations for the next year**

### For BEIS:

1. BEIS should review the UK PMR Logframe in the first half of 2019 and consider as part of this:
  - Revisions to the World Bank's Logframe and Action Plan following the recipients' grant revaluation before PA20;
  - Updates required to the Logframe milestones;
  - The indicators for Output 3, given early overachievement of existing milestones and the developing programme of activities for the successor programme;
  - To update the World Bank on the revision to the UK's ICF calculation of CO<sub>2</sub>e mitigated through technical assistance and reflecting the findings within the programme's monitoring and evaluation processes.

### For the World Bank:

2. The World Bank should seek to meet its short-term targets set within the action plan created in response to the second evaluation of the PMR.
3. The World Bank should develop a proposal for the use of additional funds that are released following the revaluation exercise which is in line with priorities within the PMR and the successor programme. This should include covering the projected 1% over programming from the previous budget forecasts.
4. The World Bank should consult the PA on its proposal for the use of additional funds at PA20, with information provided in a timely manner.
5. The World Bank should engage all PA members in more active knowledge sharing and stakeholder engagement with the PMR and for the successor programme in line with developments to implement carbon pricing instruments.

### Carried-forward recommendations:

6. Despite an increase in the pace of implementation, the PMR should continue to monitor and, where necessary and possible, address country-specific delays in conjunction with national partners.
7. The PMR should continue to develop and implement options for collecting qualitative information on the usefulness of knowledge products produced, including taking on board lessons from the second PMR evaluation that was completed in 2018.
8. The PMR should continue to develop thinking on the future of the PMR taking into consideration the recommendations set out in the 2<sup>nd</sup> Independent Evaluation that was published in June 2018.

## A. INTRODUCTION AND CONTEXT

|                        |   |
|------------------------|---|
| Link to Business Case: | <a href="https://aidstream.org/files/documents/PMR-Business-Case.pdf">https://aidstream.org/files/documents/PMR-Business-Case.pdf</a> |
| Link to Log frame:     | See Annex 2, starting on page 26  |

### Outline of the programme

Carbon pricing is an important tool for lowering greenhouse gas emissions in an economically efficient way and helping to meet the global temperature goals of the Paris Agreement on climate change.<sup>4</sup> Programmes in this area can contribute to shifting public and private choices towards clean growth, in line with UK objectives.

The PMR supports capacity building for the implementation of carbon pricing<sup>5</sup> in developing countries through grant funding and technical assistance. The PMR also provides a platform for technical discussions, facilitates country-to-country exchanges and promotes best practice. Its core activities of building institutional and technical capacity for market mechanisms is a necessary step towards gaining support for market-based approaches and expanding their use.

There are 13 donors to the PMR<sup>6</sup>, collectively contributing \$125.8m, of which £7m (~8% of the total) is from the UK. The PMR supports 19 developing countries (known as 'Implementing Country Participants')<sup>7</sup>. Each develops a Market Readiness Proposal, and receives a grant of \$3m, \$5m or \$8m for its implementation. In addition, there are ten Technical Partners (Alberta, British Columbia, California, Cote d'Ivoire, Kazakhstan, New Zealand, Panama, Philippines, Singapore, and Quebec). Some of these are at an advanced stage of preparing or implementing a carbon pricing instrument but are not eligible to receive assistance and are not donors. Others - Cote D'Ivoire, Kazakhstan, Panama and the Philippines – are included in a new category of 'assistance-receiving Technical Partners', which was added in 2017. Countries in this category receive financial support up to \$0.5m for capacity building and/or to benefit from shared learning at the exploratory stage of policy development on carbon pricing. Observer countries in the PMR have previously included France, Italy, Singapore and South Korea. The PMR also has several observer organisations (such as the UNFCCC, UNDP, ADB, EBRD, IDB, CAF and ICAP).

All PMR donors and implementing countries are members of the PMR's Partnership Assembly (PA), the decision-making body of the PMR. The PA approves the allocation of funding to implementing countries, and the PMR operating budget. The PA also monitors the operations of the PMR against agreed objectives to ensure value for money and serves as a knowledge and experience sharing platform. In the period under review, the UK participated in the PMR's monitoring and evaluation working group and provided feedback that was integrated within the final report for the fund's Second Independent Evaluation, presented at PA19 in Argentina in October 2018.

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<sup>4</sup> See for instance the report of the High-Level Commission on Carbon Pricing: <https://www.carbonpricingleadership.org/report-of-the-highlevel-commission-on-carbon-prices/>

<sup>5</sup> Carbon pricing can refer to a range of policies, but in the context of the PMR primarily denotes emissions trading, scaled-up policy or sectoral crediting, as well as carbon taxes.

<sup>6</sup> Australia, Denmark, European Commission, Finland, Germany, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, UK, USA. Within the PMR these are referred to 'Contributing Participants'.

<sup>7</sup> Argentina, Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Jordan, Mexico, Morocco, Peru, South Africa, Sri Lanka, Thailand, Tunisia, Turkey, Ukraine and Vietnam. Within the PMR these are referred to 'Implementing Country Participants'.

## **B: PERFORMANCE AND CONCLUSIONS**

### **Annual outcome assessment**

In order to understand the likelihood of the PMR achieving its expected Outcome and Impact, a series of outputs are tracked using measurable indicators, contained in a Logical Framework (“Logframe”, see Annex 3).

The overall score is reached by scoring the Trustee’s performance against Logframe Outputs and combining this with an assessment of progress towards outcome indicators.

The three PMR Outputs are:

- 1) Increased knowledge sharing and support between developed and developing country partners to improve design, pilot and/or implement domestic carbon pricing instruments (30% weighting);
- 2) Increased developing country capacity to implement carbon pricing mechanisms (55%);
- 3) Promotion of sustainable, low-carbon development to support recipient developing countries (15%).

Progress in the period covered in this Annual Review (1 November 2017 – 31 October 2018) has been positive overall. The PMR is currently on track to ensure all countries have finalised and approved all of their Market Readiness Proposals (MRPs), while stakeholder engagement and the publication of knowledge products have continued to exceed expectations.

However, a central determinant of the PMR delivering its Outcome and Impact is that PMR Implementing Countries deliver on their MRPs, measured by the number of countries implementing market mechanisms and the global GHG emissions covered by carbon pricing instruments. In this Annual Review period, the PMR missed its 2018 Outcome target for three countries to have implemented carbon pricing instruments: only two - Chile and Kazakhstan - have done so, though China’s national ETS was announced in December 2017. The PMR has though met its other measured Outcome indicator, with the levels of public finance mobilised that can be attributed to ICF funding meeting this year’s milestone of £4.6m.

Although this Outcome milestone has not been met, the PMR is on track to support 6 countries expected to have active carbon pricing instruments in place by 2020, which would exceed its programme target by one country.

There is no accepted methodology to attribute the emissions reductions from these carbon pricing instruments to the PMR due to the nature of technical assistance programmes, so while this indicator is in the Logframe, it has not been scored. Such issues include the varied impact that different forms of technical assistance (such as a sectoral mapping exercise or development of a registry) can have in developing and implementing a carbon pricing instrument. It should also be noted that the same type of technical assistance can have varying amounts of potential attributions if done in different countries.

Output 1 measures the extent to which the PMR successfully increases knowledge and support among recipients. The programme has exceeded targets in all 4 of the indicators for this Output.

Output 2 measures developing countries’ capacity to implement carbon pricing instruments and is critical to the achievement of the Outcome and Impact. Three Output 2 indicator targets were achieved or exceeded and two were missed. As of this Annual Review, nearly every Implementing Country Participant (ICP) has had their Market Readiness Proposal (MRPs) approved (Output 2.1), with Colombia’s MRP approval completed in December 2018, a few weeks after the end of this current Annual Review period and so not counted towards this year’s indicator. 18 countries have had their Implementation Arrangements (IAs) finalised (Output 2.2). This means the programme has caught up on the previous lag and is now on track to meet the programme target.

However, this Annual Review period experienced lags in disbursements both at a country and programme level, though with considerable variation between countries in reaching their expected amounts. While the PMR has not met the first milestone set for MRPs completed (Output 2.4), the PMR Secretariat are confident that targets for this indicator will be met in the following years and has taken steps to achieve this. In October 2018, the PA passed a resolution for countries to submit an updated implementation plan, bearing in mind that all activities must come to a close in June 2020. This exercise will help the Secretariat and PA to make a realistic assessment of progress that can be made before the programme ends.

It should also be noted that every country with funding allocated for additional activities – either taken forward in parallel or subsequent to their initial plans - has finalised their work (Output 2.5). As the PMR has now allocated nearly all its programmatic support, this indicator may become redundant following the findings of the revaluation exercise mentioned in the paragraph above.

The PMR has also continued to promote its work through stakeholder outreach and engagement activities (Output 3). Participants have given feedback that the PMR provides a platform for building understanding of carbon pricing mechanisms through the discussions and meetings. This is important in the context of delivering the objectives of the Paris Agreement, as developing countries will have a greater capacity to implement carbon pricing instruments as part of efforts to meet their NDCs.

In terms of Impact-level indicators, total global emissions covered by carbon pricing instruments was measured for the first time. KPI 15 '*Extent to which the intervention is likely to have a transformational change*' was also assessed and judged to be in line with expectations, i.e. the programme is likely to contribute to transformational change.

### Overall output score and description

| Score | Output Description                             |
|-------|--|
| A++   | Outputs substantially exceeded expectation     |
| A+    | Outputs moderately exceeded expectation        |
| A     | Outputs met expectation                        |
| B     | Outputs moderately did not meet expectation    |
| C     | Outputs substantially did not meet expectation |

### The overall output score for the PMR is 'A: Outputs met expectation'

The Trustee's response to the recommendations made in the previous Annual Review is assessed below. Some recommendations remain relevant and have been carried over or reflected by those made in this review.

### Key actions

The previous Annual Review of the PMR (for 2016-17) included seven recommendations:

#### For BEIS:

1. To review the UK PMR Logframe in the first half of 2018 and to consider as part of this:
  - o The updated PMR-wide Logframe;
  - o The indicators for Output 1 given early overachievement of existing measures;
  - o The appropriateness of Output 2 indicators;
  - o Whether Output 3 should include forward looking indicators now existing indicators have been achieved.

Status: Completed

BEIS has considered the PMR-wide Logframe and integrated one indicator within Output 3 with an update to all the milestones. Output 1 and Output 2 have also been revised with the World Bank (see page 6 for all changes made to the Logframe).

## For the World Bank:

### New recommendations:

2. The PMR should take into account the recommendations set out in the second evaluation of the PMR, due to report in June 2018, and create an action plan to implement these recommendations in a timely manner.

Status: Completed

An action plan (see Annex 2) has been formulated and circulated among the Partnership Assembly.

3. The PMR should ensure that technical reports can appeal to a broader audience by e.g. linking to blogs and features stories so that a wider audience group can view them as useful to the development of carbon pricing instruments.

Status: Completed

The World Bank has developed a guidebook on communicating carbon pricing and will seek to develop its website to be more user friendly.

### Carried-forward recommendations:

4. The PMR should continue to develop and implement options for collecting qualitative information on the usefulness of knowledge products produced, including taking on board lessons from the second PMR evaluation due in June 2018.

Status: Ongoing

The World Bank will continue to develop knowledge products in line with the findings from the second PMR evaluation (see Annex 1).

5. Despite an increase in the pace of country implementation, the PMR should continue to monitor and, where necessary and possible, address country-specific delays in conjunction with national partners.

Status: Ongoing

The PMR Secretariat have instructed developing countries to reevaluate their activities in line with realistic completion dates to mitigate future delays in grant disbursement and reallocate funds. However, developing countries should still be monitored to ensure that they maintain their updated projections in completing their activities.

6. The PMR should continue to develop thinking on the future of the PMR taking into consideration the recommendations set out in the 2<sup>nd</sup> Independent Evaluation that was published in June 2018.

Status: Ongoing

The PMR Secretariat have scheduled meetings with members of the Partnership Assembly on a bilateral basis and organised a workshop on the successor programme during PA18. Further consultations are planned in 2019, including at PA20. The PMR Secretariat have internally started their approval process for a successor programme in line with the findings of the most recent evaluation. The World Bank should continue to develop its thinking on how carbon pricing technical assistance would operate after the PMR closes in 2020.

For both BEIS and the World Bank:

7. For BEIS to ensure the methodology for all Logframe Output indicators is recorded clearly and shared with the World Bank, and to ensure jointly with the World Bank that the processes are in place to complete future Annual Reviews on time.

Status: Completed

BEIS and the World Bank have shared a common methodology over Summer 2018 on how to calculate the indicators and continue to work on synchronising future calculations.

**Has the Logframe been updated since the last review?**

There have been a number of changes and additions to the Logframe since the last Annual Review:

Impact

- Impact Indicator 1 ('Public revenue raised from carbon related market mechanism') has been replaced with 'Total global GHG emissions covered by carbon pricing instruments'. This was done as the activities of the PMR help to support the wider global uptake of carbon pricing instruments.

Outcome

- Outcome Indicator 2 has changed from 'Quantity of emissions reductions (in MtCO<sub>2</sub>e) directly resulting from implementation of market mechanisms supported by the PMR' to 'A) Total volume of public finance mobilised in PMR developing countries for carbon pricing development (\$)' and 'B) Volume of mobilised public finance for carbon pricing development attributable to ICF funding (£)'.
- Outcome Indicator 3 has been created for 'Quantity of emissions reductions (in MtCO<sub>2</sub>e) directly resulting from the implementation of carbon pricing supported by the PMR'.
- Outcome description has changed from 'Carbon pricing instruments in at least 5 PMR developing countries by 2020' to 'Successful carbon pricing instruments in at least 5 PMR developing countries by 2020'.

Output 1

- Output 1.1 has changed from 'Number of knowledge tools created to support implementing country market mechanism development and implementation' to 'Cumulative number of knowledge tools created to support implementing countries carbon pricing development and implementation'.
- Output 1.2 b has changed from 'Number of downloads of technical reports' to 'Cumulative number of downloads of technical reports'.
- Output 1.3 has changed from 'Number of visitors to online tools at the PMR website ([www.thepmr.org](http://www.thepmr.org))' to 'Cumulative number of visitors to online tools at the PMR website ([www.thepmr.org](http://www.thepmr.org))'.
- Output 1.4 is a new indicator that measures the 'Percentage of recipients reporting that PMR knowledge products have improved their capacity to develop carbon pricing instruments'.

Output 2

Output 2 has been reordered to follow the MRP process with the resulting changes made:

- Output 2.1 has changed from 'a) Until 31 Oct 2015 Percentage of allocated preparatory funding (US\$350,000 per country) disbursed' and 'b) From 1 November 2015 to 31 October 2020, Number of implementation arrangements (IA's) finalised' to 'Cumulative number of countries with approved MRP implementation plans'.
- Output 2.2 has changed from 'Number of countries with approved MRP implementation plans' to the previous Output 2.1 with the word 'Cumulative' added in front within Output 2.2b.
- Output 2.3 'Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement' has changed to 'A) Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement' and 'B) Percentage of countries that have reached the level of disbursement expected under the grant agreement'.
- Addition of Output 2.4 as 'Cumulative number of complete Market Readiness Proposals (MRPs)'.
- Addition of Output 2.5 as 'Cumulative number of countries with additional funding that have completed agreed work programme activities beyond their initial MRPs'.
- Output 2 description has changed from 'Increased developing country capacity to implement market mechanisms' to 'Increased developing country capacity to implement carbon pricing instruments'.

### Output 3

- Output 3.1 has changed from 'No. of stakeholder outreach and engagement activities, focussing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place in Implementation Countries' to 'No. of stakeholder outreach, joint technical work and engagement activities, focusing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place to support recipient developing countries'.
- Addition of Output 3.2 as 'Number of presentations made by PMR staff at UNFCCC technical meetings'.
- Output 3 description has changed from 'Promotion of sustainable, low-carbon development in developing countries' to 'Promotion of sustainable, low-carbon development to support recipient developing countries'.

Across the Logframe additional annual milestones were added to indicators, where it was logically appropriate to add annual milestones.

## C: DETAILED OUTPUT SCORING

|                             |  |   |           |
|-----------------------------|--|---|-----------|
| <b>Output Title</b>         | Increased knowledge sharing and support between developed and developing country partners to improve design, pilot and/or implement domestic carbon pricing instruments. |   |           |
| Output number per LF        | 1  | <b>Output Score</b>                       | <b>A+</b> |
| Risk rating (H, M or L):    | L  | Impact weighting (%):                     | 30%       |
| Risk revised since last AR? | <b>No</b>  | Impact weighting % revised since last AR? | No        |

| <b>Indicator(s)</b>  | <b>Milestones</b>   | <b>Progress</b>   |
|--|---|---|
| <b>1.1</b> Cumulative number of knowledge tools created to support implementing countries carbon pricing development and implementation      | 1.(end of Oct 2017) 15 completed Technical Notes or similar knowledge products<br><b>2.(end of Oct 2018) 25 completed Technical Notes or similar knowledge products</b><br>3.(end of Oct 2019) 30 completed Technical Notes or similar knowledge products<br>4.(end of Oct 2020) TBC completed Technical Notes or similar knowledge products. | <b>Milestone exceeded:</b> 31 technical notes produced. |
| <b>1.2</b> Number of downloads of technical reports  | 1. (end of Oct 2017) 36,000 report downloads for Annual Review period<br><b>2. (end of Oct 2018) 45,000 report downloads for Annual Review period</b><br>3. (end of Oct 2019) 54,000 report downloads for Annual Review period<br>4. (end of Oct 2020) 63,000 report downloads for Annual Review period.                                      | <b>Milestone exceeded:</b> 48,500 downloads             |
| <b>1.3</b> Number of visitors to online tools at the PMR website ( <a href="http://www.thepmr.org">www.thepmr.org</a> ).                     | 1. (end of Oct 2017) 105,000 visits (cumulative)<br><b>2. end of Oct 2018) 170,000 visits (cumulative)</b><br>3. end of Oct 2019) 190,000 visits (cumulative)<br>4. (end of Oct 2020) 210,000 visits (cumulative)   | <b>Milestone exceeded:</b> 186,708 visits               |
| <b>1.4</b> Percentage of recipients reporting that PMR knowledge products have improved their capacity to develop carbon pricing instruments | <b>1. (end of Oct 2018) 75%</b><br>2. (end of Oct 2019) 75%<br>3. (end of Oct 2020) 75%   | <b>Milestone exceeded:</b> 95%                          |

### Key Points

- The PMR has continued to exceed expectations for indicator 1.1 with 31 technical notes produced by the end of the review period. The milestones were updated in line with the overachievement in the previous Annual Review period.
- The PMR has met the anticipated number of downloads of technical reports for the review period. Indicator 1.2, report downloads, may not capture the qualitative usefulness of the

knowledge products as they can be shared beyond the initial download. The most popular reports are the PMR's flagship reports (Carbon Tax Guide: A Handbook for Policy Makers, A Guide to Greenhouse Gas Benchmarking for Climate Policy Instruments, and Emissions Trading in Practice: A Handbook on Design and Implementation), which account for more than half of all downloads. The other reports are focused on technical topics designed for a narrower audience. The "Carbon Tax Guide: A Handbook for Policy Makers" published in March 2017 continues to be the most popular PMR product, downloaded 7,056 times during this Annual Review period (13,623 times since its publication). The report provides guidance on designing and implementing carbon taxes through a comprehensive step-by-step basis.

- The number of online visitors has met the revised milestones (Indicator 1.3). According to the new software used to analyse the data, there have been approximately 30,000 new users since the last Annual Review period.
- The PMR has exceeded expectations for the new Output 1.4 indicator, with nearly 95% of respondents rating the knowledge products 'very helpful' or 'extremely helpful' within the UK survey for this Annual Review. This is in line with the findings from the Second Independent Evaluation<sup>8</sup> and this milestone will be amended before the next Annual Review.
- Overall, given that all indicators have been exceeded, and the extent of achievement with two of the four indicators, the PMR is judged to have achieved an A+ for Output 1.

## Summary of responses to issues raised in previous annual reviews (where relevant)

### ***Recommendations from 2017 Annual Review<sup>9</sup>:***

1. To review the UK PMR Logframe in the first half of 2018 and to consider as part of this:
  - The updated PMR-wide Logframe;
  - The indicators for Output 1 given early overachievement of existing measures;
  - The appropriateness of Output 2 indicators;
  - Whether Output 3 should include forward looking indicators now existing indicators have been achieved.

Status: Completed.

1. The PMR should ensure that technical reports can appeal to a broader audience by e.g. linking to blogs and features stories so that a wider audience group can view them as useful to the development of carbon pricing instruments.

Status: Completed.

The PMR should continue to develop and implement options for collecting qualitative information on the usefulness of knowledge products produced, including taking on board lessons from the second PMR evaluation due in June 2018.

Status: Ongoing

### **New & carried forward recommendations**

1. The World Bank should engage all PA members in more active knowledge sharing and stakeholder engagement within the PMR, and for the successor programme, to ensure the PMR capitalises on its strengths as a knowledge exchange platform, as recognised by the second independent evaluation.
2. The PMR should continue to develop and implement options for collecting qualitative information on the usefulness of knowledge products produced, including taking on board lessons from the second PMR evaluation that was completed in 2018.

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<sup>8</sup> See page 21 for further information within the Evaluation section

<sup>9</sup> See page 5-6 for further information on progress against these recommendations, and those related to subsequent outputs.

|                             |  |   |          |
|-----------------------------|--|---|----------|
| <b>Output Title</b>         | Increased developing country capacity to implement market mechanisms |   |          |
| Output number per LF        | 2  | <b>Output Score</b>                       | <b>B</b> |
| Risk rating (H, M or L):    | M  | Impact weighting (%):                     | 55%      |
| Risk revised since last AR? | No   | Impact weighting % revised since last AR? | No       |

| Indicator(s)  | Milestones   | Progress  |
|---|--|---|
| <b>2.1</b> Cumulative number of countries with approved MRP implementation plans  | <ol style="list-style-type: none"> <li>(end of Oct 2015) 10 developing countries with implementation plans</li> <li>(end of Oct 2017) 17 developing countries with implementation plans</li> <li><b>(end of Oct 2018) 18 developing countries with implementation plans</b></li> <li>(end of Oct 2020) 19 developing countries with implementation plans</li> </ol>  | <b>Milestone met:</b> 18 countries with approved MRP implementation arrangements. |
| <b>2.2</b> a) Until 31 Oct 2015 Percentage of allocated preparatory funding (US\$350,000 per country) disbursed<br>b) From 1 November 2015 to 31 October 2020 Cumulative number of implementation arrangements (IA's) finalised                 | <ol style="list-style-type: none"> <li>(end of Oct 2013) 60% (of US\$3,150,000, \$350,000 times nine, the number of PMR implementing countries expected at the time)</li> <li>(end of Oct 2014) 60% (of US\$5,250,000, \$350,000 times 15, the number of PMR implementing countries expected at the time)</li> <li>(end of Oct 2015) 80% (of US\$5,950,000, \$350,000 times 17, the number of PMR implementing countries expected at the time)</li> <li>(end of Oct 2016) 15 IAs finalised</li> <li>(end of Oct 2017) 17 IAs finalised</li> <li><b>(end of Oct 2018) 18 IAs finalised</b></li> <li>(end of Oct 2020) 19 IAs finalised</li> </ol> | <b>Milestone met:</b> 18 countries with finalised IAs                             |
| <b>2.3</b> A) Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement<br>B) Percentage of countries that have reached the level of disbursement expected under the grant agreement | <ol style="list-style-type: none"> <li>(end of Oct 2014) 60%</li> <li>(end of Oct 2015) 80%</li> <li>(end of Oct 2016) 90%</li> <li>(end of Oct 2017) 90%</li> <li><b>(end of Oct 2018) 90%/ 65%</b></li> <li>(end of Oct 2019) 90%/ 80%</li> <li>(end of Oct 2020) 90%/ 90%</li> </ol>  | <b>Not met: A) 64% B) 44%</b>   |
| <b>2.4</b> Cumulative number of complete Market Readiness Proposals (MRPs)  | <ol style="list-style-type: none"> <li><b>(end of Oct 18) 4</b></li> <li>(end of Oct 19) 10</li> <li>(end of Oct 20) 16</li> </ol>   | <b>Not met: 1</b>   |
| <b>2.5</b> Cumulative number of countries with additional funding that have completed agreed work programme activities beyond their initial MRPs  | <ol style="list-style-type: none"> <li><b>(end of Oct 18) 1</b></li> <li>(end of Oct 19) 1</li> <li>(end of Oct 20) 4</li> </ol>   | <b>Milestone exceeded: 4</b>  |

## Key Points

- During this review period, the PMR approved nearly all of the implementation plans (Output 2.1) ahead of schedule. The previous long-standing delays with Colombia have been rectified through the main PMR Colombia counterpart agency (Ministry of Environment & Sustainable Development) and the Bank team assessing options for implementation grant arrangements. The Colombian MRP was approved in December 2018, shortly after the end of this Annual Review period.
- The PMR has managed to finalise another three 'Implementation Arrangements', taking this to a total of 18 of the 19 Implementing Participant Countries. The PMR Secretariat has managed to catch up with the delays incurred during the previous Annual Review period and is now on track to meet its programme target.
- Overall disbursement has not met the milestone set for the year. This was mostly driven by delays in disbursement that exceeded the overachievements of a few countries with smaller grants. This year we also decided to measure the percentage of countries that met or exceeded their expected grant disbursement.
- In terms of the number of completed MRPs, the PMR is behind this year's milestone with only one country (Chile) completing its MRP before the end of October 2018. It should be noted that Turkey is close to completing and that the PMR Secretariat expects future milestones to be met as the programme accelerates in the final years.
- During this Annual Review period, the PMR has seen all the countries that were allocated additional funds completing their activities (Output 2.5). As we don't expect any more resources to be allocated to future additional funds, this milestone will not be continued in the next Annual Review in its current state.
- The overall score of B for this Output reflects the progress made in approving MRP plans and finishing additional activities ahead of schedule, but also that two of the milestones have not been met, including the target for disbursement of funding. The PMR Secretariat has however taken action to address this issue, with the PA passing a resolution in October 2018 requesting all countries to make an assessment of their activities and submit an updated implementation plan by February 2019.

## Summary of responses to issues raised in previous annual reviews (where relevant)

### *Recommendations from 2017 Annual Review:*

1. For BEIS to ensure the methodology for all Logframe Output indicators is recorded clearly and to ensure jointly with the World Bank that the processes are in place to complete future Annual Reviews on time

**Status:** Completed.

2. Despite an increase in the pace of implementation under this Output, the PMR should continue to monitor and, where necessary and possible, address country-specific delays in conjunction with national partners.

**Status:** Ongoing

## New Recommendations

1. The World Bank should develop a proposal for the use of additional funds that are released following the revaluation exercise which is in line with priorities within the PMR and the successor programme. This should include covering the projected 1% over programming from the previous budget forecasts.

2. The World Bank should consult the PA on its proposal for the use of additional funds at PA20, with information provided in a timely manner.

|                             |  |   |           |
|-----------------------------|--|---|-----------|
| <b>Output Title</b>         | Promotion of sustainable, low-carbon development in developing countries |   |           |
| Output number per LF        | 3  | <b>Output Score</b>                       | <b>A+</b> |
| Risk rating (H, M or L):    | L  | Impact weighting (%):                     | 15%       |
| Risk revised since last AR? | No   | Impact weighting % revised since last AR? | No        |

| Indicator(s)  | Milestones  | Progress                     |
|---|---|------------------------------|
| <b>3.1</b> No. of stakeholder outreach, joint technical work and engagement activities, focusing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place to support recipient developing countries. | <b>1. (31 Oct 2018) 8</b><br>2. (31 Oct 2019) TBC<br>3. (31 Oct 2020) TBC | <b>Met: 8</b>                |
| <b>3.2</b> Number of presentations made by PMR staff at UNFCCC technical meetings   | <b>1. (31 Oct 2018) 1</b><br>2. (31 Oct 2019) 3<br>3. (31 Oct 2020) 5     | <b>Milestone exceeded: 4</b> |

## Key Points

- During this Annual Review period, the PMR Secretariat has continued to engage in stakeholder outreach and engagement activities (Output 3.1), meetings the new milestones set after the PMR wide Logframe was published by the World Bank at the end of 2017.
- The PMR Secretariat presented at four UNFCCC technical meetings during this Annual Review period (Output 3.2). Given the overachievement of this indicator, the milestone will be reviewed in time for the next Annual Review.
- The PMR continued its engagement with the private sector, through its partnership with IETA and through inclusion of private sector representatives at its technical workshops. Together with IETA, the PMR Secretariat hosted a workshop on voluntary carbon markets during the week of PA19 in Argentina.
- During this Annual Review period, the PMR collaborated with the UNFCCC Nairobi Work Programme in various regional climate fora, for example Latin America Climate Week, Asia Climate Week and Africa Climate Week.
- The overall score of A+ for this Output reflects the PMR exceeding expectations for stakeholder engagement, revised following its performance in previous years. Given that Output 3.2 was exceeded, BEIS has decided to review future milestones to ensure their appropriateness in light of the extent of overachievement.

## Summary of responses to issues raised in previous annual reviews

### **Recommendations from 2017 Annual Review:**

1. To review the UK PMR Logframe in the first half of 2018 and to consider as part of this:
  - The updated PMR-wide Logframe;
  - The indicators for Output 1 given early overachievement of existing measures;
  - The appropriateness of Output 2 indicators;
  - Whether Output 3 should include forward looking indicators now existing indicators have been achieved.

**Status:** Completed.

## **D: FUND PERFORMANCE NOT CAPTURED BY OUTPUTS**

In April 2018, the PMR Secretariat informed the PA that the programme was projected to be 1% overspent and following a consultation with donors, decided to monitor the situation more closely until the end of FY19. At PA19, the PA approved a motion for recipient countries to revise their grant implementation arrangement and set out a realistic expectation of activities they set to complete. The PMR Secretariat is scheduled to inform the PA of the findings of this exercise before PA20 in May 2019 and provide a revised work plan with any funds that are released as a result of the recipients' revisions.

Following the findings of the Second Independent Evaluation, finalised by Ipsos MORI and SQ Consult in September 2018, the PMR Secretariat developed an action plan (see Annex 2) in line with the report's recommendations and formulated the action plan with members of the Monitoring and Evaluation Working Group.

The first World Bank annual survey of PMR stakeholders provided an opportunity for feedback on the quality of technical and country level work undertaken with support from the PMR at the global and/or country level. The survey contained ten questions and was sent to all PMR Participants as well as other PMR stakeholders, such as observers, topic experts, the PMR Secretariat team, delivery partners, non-PMR World Bank staff and implementing country participants. The PMR Secretariat received a total of 30 responses, of which 72 percent were from ICPs, 10% from contributing participants and 10% from technical partners. The survey indicated that 82% felt that their capacity to design, develop and implement carbon pricing instruments has increased substantially as a result of the PMR. 89% stated that PMR-generated knowledge brought added value to the development, enhancement and/or implementation of carbon pricing instruments in their country.

Singapore joined as a Technical Partner in October 2018. This could enable developing countries to learn from Singapore's experience developing its carbon tax, which is in force from 2019.

### **Summary of responses to issues raised in previous annual reviews**

The PMR should take into account the recommendations set out in the second evaluation of the PMR, due to report in June 2018, and create an action plan to implement these recommendations in a timely manner

**Status:** Completed

The PMR should continue to develop thinking on the future of the PMR taking into consideration the recommendations set out in the 2<sup>nd</sup> Independent Evaluation that was published in June 2018.

**Status:** Ongoing

## **E: VALUE FOR MONEY & FINANCIAL PERFORMANCE**

### **Key cost drivers and performance**

The PMR's most recent financial year ended on 30 June 2018 (FY18). In that period the PMR spent \$5.9m on operating costs, down from \$6.9m in FY17 and \$6.4m in FY16, but more than \$5.2m in FY15, \$3.79m in FY14, \$2.93m in FY13 and \$1.91m in FY12. This is expected as the Secretariat scales down its work in the final years. We will continue to monitor the overall operating costs.

The following is an approximate breakdown of the \$5.9m spent: 38.6% on country support and advisory services, 13.6% on policy analysis work programme, 16.5% on knowledge management, 15.5% on management and communications, 12.3% on workshops, 1.25% on Monitoring and Evaluation, and 2.15% on Central Unit Costs.

Operating expenses are around 84% of the total \$7.1m budgeted. Compared to the estimated expense (\$6.5M) for FY18, the actual overall spending (\$5.91M) is lower by US\$590K. The reasons for this include the following:

- Lower spending in Knowledge Management, Policy Analysis Work Program and Monitoring and Evaluation by US\$875K. This balance for Knowledge Management and Policy Analysis Work Program will be rolled over to the respective categories for FY19;
- Overspending in the categories of PA Meetings and Workshops, Country Delivery Support and Advisory Services and PMR Management and Communications by US\$435K. This increase is attributed to an increased effort made by the PMR Secretariat to ramp up country implementation and knowledge exchange for this last stretch of the implementation period.

Compared to last year, the PMR has spent slightly less on country delivery support and advisory services (\$570k less) as well as the policy analysis work programme (\$605k less) and did not spend on contingency funding, compared to \$525k in the previous year. There has been a slight increase in knowledge management spend (\$264k more) as well as for PMR management and communication (\$74k more). This is as expected given that the overall trajectory of the programme has now shifted to helping countries move to implementing their carbon pricing instruments, with less needed on policy analysis as most countries have integrated the insights within their MRPs.

**TABLE 4: FY17 OPERATING BUDGET EXPENSES AND FY18 BUDGET (IN \$ THOUSAND)**

| USE OF FUNDS                                   | FY17 BUDGET  | FY17 ACTUAL EXPENSES* | FY18 PROPOSED BUDGET |
|--|--------------|-----------------------|----------------------|
| PA Meetings, Workshops                         | 656          | 496                   | 640                  |
| Country Delivery Support and Advisory Services | 2,543        | 2,853                 | 2,007                |
| MRP Expert Feedback Process                    | 70           | 10                    | 50                   |
| Country Delivery Support                       | 2,473        | 2,843                 | 1,957                |
| o/w: Secretariat Country Support               | 1,513        | 713                   | 1,127                |
| Delivery Partner Support                       | 960          | 2,130                 | 830                  |
| Knowledge Management                           | 1,303        | 711                   | 1,079                |
| Policy Analysis Work Program                   | 2,004        | 1,410                 | 2,222                |
| Management and Communications                  | 768          | 889                   | 844                  |
| Contingency                                    | 150          | 525                   | 150                  |
| <b>Total Use of Funds</b>                      | <b>7,424</b> | <b>6,884</b>          | <b>6,942</b>         |

\*Actual expenses up to June 30, 2017

(Table taken from WB PMR Annual Report'17 page 31)

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

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

(Table from WB Update on Statement of FY18 Expenditure)

### VfM performance compared to the original VfM proposition in the business case

The original VfM proposition in the business case states that “*The approach for assessing value for money will include outcome and output indicators which can be found in the PMR Logframe*”. In addition, “*The procurement process will follow the World Bank standard procurement guidelines which DfID adhere to for other multilateral programmes*”. The Logframe has changed this year to account for carbon pricing mechanisms as opposed to just being solely focused on market mechanisms. As the changes to the Logframe better reflect the whole range of activities of the PMR, it will lead to a more accurate measure of the VfM performance. At this stage of the programme we can say that the PMR is performing as expected and is moving in the right direction given that it is on track to meet the Outcome milestones.

Within BEIS we employ a 4 E’s assessment of value for money:

#### Economy (how effectively costs are managed)

The operating costs for the financial year of 2018 were anticipated to be less than the budget in 2017. The actual costs reveal that the 2018 spend was lower than anticipated for that financial year, mostly driven by the underspend in the policy analysis work programme (\$1.417m less than budgeted in FY18). This is consistent with the overall underspend last year. This may reflect conservative budgeting by the World Bank which we should continue to interrogate, though the planned budget for 2019 reflects the downward trend (with the FY19 budget set at \$5.673m, compared to the \$5.91m of actual expenses in FY18). Overall, we remain confident in the price we are paying for inputs and that the inputs are of the required quality. The World Bank operates as a delivery partner across many other programmes within the ICF portfolio as well as for other donors. It has a strong track record with an unrivalled network and scope, as well as deep expertise in this area. We will be working together to monitor how additional funds that may be released will be utilised (as noted in recommendation 3).

#### Efficiency (how effectively funds are used to convert Inputs to Outputs)

Overall, the PMR is performing well by scoring A for the Outputs. The PMR has efficiently managed to produce enough knowledge products to exceed the 2018 milestone and meet the 2019 milestone, despite spending less than the budget set for FY18. The PMR has spent more in FY18 than budgeted in the ‘Country Delivery Support and Advisory Services’, which has translated into a higher number of countries with finalised implementation plans and approved MRPs. Although this Annual Review period has seen both an overall and country level lag in disbursement. The PMR will need to continue to look at country-specific barriers and this has been raised as a factor to consider during their internal discussions into the next phase for the PMR and the years leading to it. It should be noted that the Outputs in the Logframe have changed since the business case to reflect the progress of the programme as countries develop along the MRP process.

### Effectiveness (how effectively funds are used to convert Outputs to Outcomes)

The PMR did not meet the first Outcome indicator milestone set in 2018, as only two countries (Chile and Kazakhstan) have active carbon pricing instruments implemented with PMR support. However, we are confident that on the current trajectory, future milestones will be met as countries have realistically adjusted their timeframes to have active and effective carbon pricing instruments. The PMR Secretariat anticipates that by 2020 there will be six countries with carbon pricing instruments implemented (Argentina, Chile, China, Kazakhstan, Mexico, and South Africa), although we will continue to monitor developments to ensure that the programme delivers on its readjusted expectations.

The second Outcome indicator demonstrates the likelihood of Outputs converting to Outcomes: as more countries develop their MRPs and implementation plans as well as receive the grants, the greater the likelihood that countries will implement a carbon pricing mechanism. However, the assumptions flagged in the Logframe are still relevant: not all countries will choose to implement at scale, which will affect whether the programme ends up exceeding the Outcome (at least within its lifetime). Market-based instruments may prove not to be applicable at scale for a certain period of time if a country is not prepared to shift from the readiness to implementation stage. Also, the intervention operates on a 'no regrets' policy as technical assistance in carbon pricing helps to develop other climate and energy related policies – for instance improvements in monitoring emissions - which indirectly support similar goals.

For the third Outcome indicator, on measuring the emissions reductions, BEIS and the World Bank were unable to develop a methodology in time to report attributable emission reductions as a result of technical assistance. BEIS International Climate Finance will aim to share its findings on attribution through technical assistance during the summer of 2019, on the basis of which we could then potentially set future milestones (as noted in recommendation one).

There is an Impact indicator milestone set for October 2018 to track the global coverage of emissions with carbon pricing instruments. The global trend has been meeting the World Bank's projections. The PMR is helping within the wider environment to support and promote the use carbon pricing instruments as a policy tool and it is plausible that it has been contributing to the a conducive environment for carbon pricing. The programme is also on track for the Impact indicator on transformational change. See Annex 1 for further details on the Impact indicators.

*Equity:* The outputs and outcomes of the UK funded activities of PMR are not likely to be immediately received by the poorest people or communities in countries that we work in, but instead will be received by government bodies, delivery partners and relevant institutions involved in carbon pricing and energy transition. However, facilitating environmentally responsible investment across the public and financial sector will be crucial to inclusive and sustainable economic growth, over the longer term creating more job opportunities in low carbon industries, contributing to clean growth and sustainable poverty reduction. In addition, influencing how capacity-building and market transformation occur in countries can help improve energy access for the poorest and marginalised within recipient countries, if country proposals integrate socio-economic considerations within a carbon pricing policy pathway.

UK funding covers both low and middle-income countries over the decade of its programme lifespan, but most of the programme activities will likely occur in middle-income countries in light of respective capacity and where the greatest potential for emissions mitigation can occur. Furthermore, 'South – South' knowledge exchange can be developed within the PMR, as it builds the knowledge base and provides a space for engagement to allow the experiences from middle-income countries to inform policy development and decisions in low income countries.

### **Assessment of whether the programme continues to represent value for money**

The PMR is currently on track to meet Impact and Outcome expectations and to do so within budget. This reflects the fact that the programme is, overall, performing in line with expectations at Output level and has adopted recommendations of previous reviews. The UK's investment therefore continues to represent value for money in line with the original Business Case.

## Quality of financial management

Based on the four Es VfM assessment above, the overall quality of the World Bank's financial management of PMR is assessed as good. The PMR is operating within budget and has followed past recommendations. Financial information is presented at Partnership Assembly meetings with documents available online alongside information about PMR preparation and implementation grant disbursement.

|   |                               |
|---|-------------------------------|
| Date of last narrative financial report | October 18 <sup>th</sup> 2018 |
| Date of last audited annual statement   | October 18 <sup>th</sup> 2018 |

## **F: RISK**

**Overall risk rating:** Moderate

### **Overview of programme risk**

PMR retains an overall risk rating of moderate, mainly due to the earlier lags in reaching Output 2 milestones and continued sensitivity of Outputs, the Outcome and Impact to the political context and appetite for carbon pricing in implementing countries.

With less than two years remaining for the programme, it is important that future milestones in Output 2 are met. The PMR Secretariat have said that they are monitoring progress closely and examining whether major parts of the country programme activities will be completed by June 2020. During this Annual Review period, the Partnership Assembly were informed that there is a need for programme adjustment of \$1.5M (approximately 1.2% of the \$125.6M of committed contributions to the PMR Trust Fund). The reassessment of recipients' grants will aim to readjust any activities that they expect will not be completed in time, allowing recipients to focus on more manageable activities. We expect the PMR Secretariat to provide the results of reassessment in due time and give their options in time before PA20 in April 2019. The PMR also manages risk through the usual processes of PMR Project Implementation Status Reports, semi-annual review of the PMR Dashboard, and other communications with the ICP's and TP's PMR Focal Points, concerned line ministries as well as the Delivery Partners (the World Bank and UNDP). If any issues are identified, the PMR Secretariat will seek to identify remedial measures, including narrowing the scope of the activities and escalating the communication to the higher level, based on the consultations with these stakeholders and follows up until the identified issues are addressed.

In addition, the risk rating remains moderate as the delivery of all the outputs listed in the Logframe would not ensure that the desired PMR outcomes will be achieved. This is because decisions about carbon pricing are politically sensitive and will be taken at the highest levels (i.e. often the head of state or government), taking account of a wider range of factors. Therefore, the PMR will only ever be one of several issues being considered by decision makers. It will be important as we evaluate the final years of the programme to consider whether the PMR has had enough impact to shift decision making at a political level and create the right conditions for implementation. If it has not, then the PMR should evaluate the effectiveness of its process for identifying and addressing issues with countries' implementation progress jointly with national partners, noting what is within World Bank control.

### **Outstanding actions from risk assessment**

None.

## **G: COMMERCIAL CONSIDERATIONS**

### **Delivery against planned timeframe**

There has been an increase in the number of approved MRPs, with the PMR meeting its next milestone a year early, though this can be expected during the late stages of the programme as the activities accelerate in development. There is currently one MRP yet to be finalised and this process should be monitored to ensure all countries are able to finish their activities. During this Annual Review period, the PMR Secretariat stated during PA18 in April 2018 that there is currently a 1.2% overspend in the PMR budget. However, the procedural motion for the revaluation of grants passed during PA19 is envisioned to adjust for the overspend and may potentially release additional funds for additional stakeholder engagement. We expect this should help to readjust activities so that the programme is able to deliver on overall targets in 2020. BEIS will continue to monitor developments with the World Bank.

### **Performance of partnership(s)**

In the last review period, the PMR Secretariat re-established the Monitoring and Evaluation working group to prepare efficiently for the Second Independent Evaluation of the fund. The UK was a member of this working group and considers the working group was run in a collaborative way, with UK views taken on board. However, it should be noted that not all members were able to participate during this review period, with information on meetings being made available at late notice. We recommend that the World Bank is able to keep to the notice period of at least 2 weeks for future calls to facilitate the timetables of all working group members.

The PMR continues to effectively consolidate ongoing strategic partnerships, through joint working with the International Carbon Action Partnership (ICAP) and the International Emissions Trading Association (IETA). In addition, a number of countries, multi-lateral development banks, UN organisations and non-governmental organisations attend PMR meetings and events as observers, which allows for enhanced knowledge and experience sharing in these fora.

It should be noted that the PMR Secretariat remains, more generally, a cooperative partner for the UK in the delivery of the PMR.

### **Asset monitoring and control**

The PMR does not monitor or control any assets.

## H: MONITORING & EVALUATION

### Second Independent Evaluation

Ipsos MORI and SQ Consult provided a number of activities for the Second Independent Evaluation of the PMR. The Evaluation involved: a range of stakeholder engagement through consultations, programme-level assessment of effectiveness through in-depth case studies of 3 ICP countries (Chile, Costa Rica and Ukraine), a literature review of internal PMR documentation and externally relevant documents, as well as analysis and synthesis of their findings. The evaluation also identified lessons learned for consideration during the final two years of the PMR's operation (through 2020) and gathered suggestions for the design of a potential successor programme.

The evaluation evidence supports a conclusion that the PMR adds value in the context of the wider policy and funding landscape. It is considered by its key stakeholders to be the most prominent initiative dealing with carbon pricing, and by several to be the only place where dialogue is happening at a practical and technical level across a broad spectrum of participants on what works and what does not in relation to carbon pricing. The PMR has also adapted to international developments, which is illustrated by the fact that the scope of support given through the PMR has expanded to include carbon taxes and linkages to NDCs. This has enhanced its international relevance.

The PMR is seen to provide a number of notable advantages. Firstly, the PMR is 'instrument neutral', which gives countries the freedom to select the instruments that will best align with their national context. The PMR also supports early stage capacity building as countries may receive support prior to choosing a preferred instrument(s), as well as receiving upstream policy analysis and stakeholder engagement. The evaluation also notes the technical 'hands-on' support provided by the PMR to assist with domestic policy goals, including both technical and practical support. The final key finding notes the participative and networking approach, with the number and diversity of countries and sub state actors involved providing value through the shared learning and facilitative platform.

The evaluation recognised though that there are still areas of development that can be addressed in future activities. Firstly, despite the positive work through the PMR to help developing countries prepare for carbon pricing instruments, there are still barriers in the adoption of carbon pricing instruments globally. The evaluation also noted that the carbon pricing policy and funding landscape is becoming increasingly crowded, requiring greater collaboration and communication to ensure synergies rather than create overlap. Therefore, there is a need for strategic thinking into how future interventions can provide added value through national support, knowledge products and can even complement regional efforts.

The World Bank has devised an action plan in response to the recommendations and findings of the independent evaluation, with input from the Monitoring & Evaluation Working Group (of which the UK is a member).

#### **The current PMR objectives<sup>10</sup> from the Governance Framework (September 2017) are:**

1. Build countries' capacity to develop and implement carbon pricing instruments needed for GHG mitigation and INDCs/NDCs implementation through grant funding.
2. Assist countries to identify and implement best practice approaches and, where relevant, achieve compatibility in design to support the development of carbon markets.
3. Create a knowledge base on carbon pricing instruments and facilitate information exchange through technical discussions and dissemination of knowledge products.
4. Inform the national and international policy discussions on GHG mitigation by sharing lessons learned and providing a platform for collective innovation on carbon pricing instruments.

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<sup>10</sup> PMR Governance Framework(13 September 2017) [https://www.thepmr.org/system/files/documents/PMR\\_Resolution\\_ORG-1\\_Governance\\_Framework.pdf](https://www.thepmr.org/system/files/documents/PMR_Resolution_ORG-1_Governance_Framework.pdf)

## **The original PMR objectives were:**

1. Provide grant financing to countries for building market readiness components
2. Pilot, test and sequence new concepts for market instruments, both for domestic and new international mechanisms, and to identify potential synergies between national market-based instruments at an early stage
3. Create a platform to enable policy makers, practitioners, and public and private entities to share experiences and information regarding elements of market readiness, to learn from one another, promote cooperation amongst emerging and developing countries, and explore and innovate together on new instruments and approaches
4. Create and disseminate a body of knowledge on market instruments that could be tapped for country-specific requirements
5. Share lessons learned, including with the UNFCCC

The objectives have been changed as the PMR moves from market readiness to the implementation of carbon pricing mechanisms. The objectives have also adjusted to take into account the variety of avenues to discuss and develop information to inform policy discussions.

## **Monitoring progress throughout the review period**

The bi-annual Partnership Assemblies remain the primary fora for in-year progress reporting and the opportunity for both Implementing and Contributing Countries to feed back to the PMR Secretariat. In the review period, Implementing Country Participants<sup>11</sup> submitted Implementation Status Reports (ISRs) and took part in PMR Exchange Forums during the Partnership Assembly to share – in smaller groups – the progress they are making on the implementation of their PMR activities. The PMR Secretariat has also enhanced the country dashboard to better capture each country's progress towards achieving its unique objectives.

The Partnership Assemblies remain well attended by both PMR participants and stakeholders and we agree that the practical, technical and informal conversation this allows with a range of stakeholders is valuable.

The PMR Secretariat has made good progress at gathering participants' views on a follow-up programme to the PMR. It has actively engaged Implementing and Contributing Country Partners on strategic discussions, holding a number of workshops in different locations to enhance participation. The PMR Secretariat held a consultation workshop at PA18 in April on the successor programme and continues to consult potential participants.

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<sup>11</sup> Brazil, Chile, China, Costa Rica, India, Indonesia, Jordan, Kazakhstan, Mexico, Morocco, Peru, South Africa, Thailand, Turkey, Ukraine and Vietnam

## IMPACT INDICATORS

### I: ICF KPI 11: VOLUME OF PUBLIC FINANCE MOBILISED FOR CLIMATE CHANGE PURPOSES AS A RESULT OF ICF FUNDING

The PMR logical framework provides milestones for Key Performance Indicator 11 (KPI 11), *volume of public finance mobilised for climate change purposes as a result of ICF funding*. The third milestone in the Logframe is for £4.6m in public funding mobilised by the end of 2018 and as a result of ICF funding. Between 2014 and 2020, the PMR Secretariat estimates that the PMR will mobilise \$125m in public finance.<sup>12</sup> Public finance mobilised by UK funding is proportionate to its burden share of 8.8% over the seven-year period, meaning that UK funding is expected to mobilise around \$9.4m in public finance.

The PMR Secretariat reports that the PMR mobilised nearly \$US20m of public finance over the period FY14-18. Given a UK burden share of 8.8%, US\$1.75m of mobilised finance this Annual Review period can be attributed to UK funding: this is equivalent to approximately £1.31m.

### II: ICF KPI 15: TRANSFORMATIONAL CHANGE

|   |  |
|---|--|
| 0 | Transformation judged unlikely   |
| 1 | No evidence yet available - too soon to revise assessment in business case |
| 2 | Some early evidence suggests Transformation likely                         |
| 3 | <b>Tentative evidence of change – transformation judged likely</b>         |
| 4 | Clear evidence of change - transformation judged very likely               |

**Rating: 3 (Tentative evidence of change – transformation judged likely)**

The UK's assessment of the PMR's capacity for transformational change relies on three criteria and seven indicators.

The three criteria and respective indicators are:

*(1) Fostering political will and enhancing local capacities to act on climate change*

*1.1. Percentage of allocated preparatory funding disbursed, number of countries with approved MRPs, and percentage of MRP implementation funding disbursed;*

*1.2. A qualitative assessment of the number and type of implementing country government ministries involved in the development and/or implementation of the MRPs.*

*(2) Encouraging innovation*

*2.1. Number of types of mechanisms proposed through the PMR, varying in sectors covered or mitigation approach (tax, sectoral, project based, etc.) – this will involve a qualitative assessment based on the range of the proposals brought forward but also taking into account their feasibility and the level of variation, i.e. no two market mechanisms are identical but some are more innovative than others;*

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<sup>12</sup> Public finance is assumed to be leveraged in proportion to funds disbursed

*2.2. Number of market mechanisms piloted – this will involve a qualitative assessment based on the range of the proposals piloted but also taking into account their feasibility and the level of variation, i.e. no two market mechanisms are identical, but some are more innovative than others.*

*(3) Influencing future carbon markets and encouraging replication by others.*

*3.1. Number of observers attending PMR Partnership Assembly meetings;*

*3.2. Number and quality of engagement events run by the PMR*

*3.3. The number of activities (e.g. workshops, key publications) delivered by the PMR Secretariat to disseminate programme experience. (This can include benefits extending beyond participating countries.)*

The PMR has achieved a score of 3 as an overall score from the evidence presented.

For criteria 1, although the expectations for funding disbursement (64%) this year were not met, the PMR has managed to approve 18 MRPs ahead of schedule. There has also been a continued shift for countries to be represented by other ministries beyond the environment ministry. For example, during the ETS and Carbon Tax roundtable sessions in PA19, the developing countries had representatives from the Ministry of Finance and Ministry of Energy present. Country representatives that presented at PA19 have also noted that they have been collaborating with other Ministries internally to coordinate carbon pricing initiatives, as well as with businesses and other stakeholders. The overall score for the criteria is a 3 (Tentative evidence of change – transformation judged likely).

For criteria 2, the 18 MRPs approved range in terms of which type of carbon pricing instrument they will rely on. Ranging from the Chinese ETS to the carbon tax in Chile and the crediting initiative in Costa Rica, the PMR supports a diverse range of MRPs that cover many sectors. There have been two active carbon pricing mechanisms implemented since the Annual Review period: a carbon tax in Chile and a relaunched ETS in Kazakhstan. It should also be noted that the launch of China's nationwide ETS was announced in December 2017, though it is still only in its pilot phase and is yet to be fully implemented. In addition, the scaled-up crediting work, which remains a focus for a number of PMR implementing countries, demonstrates a wide range of policy approaches (including voluntary vs mandatory schemes, and schemes based on domestic/international demand for credits). The overall criteria score is a 3 (Tentative evidence of change – transformation judged likely).

For criteria 3, the PMR has also continued to surpass expectations set for the number and quality of engagement events and activities delivered at UNFCCC technical meetings and has matched expectations for stakeholder engagement. The PMR exceeded expectations with the number of publications that have been produced and workshops run over the period. All technical and policy workshops and training events have been well attended. The high demand for the PMR's knowledge products (as evidenced in the number of visitors to the PMR website and the number of downloads for PMR knowledge products) is also taken as evidence of the potential for transformational change. The criteria score is a 3 (Tentative evidence of change – transformation judged likely).

All the criteria show tentative evidence of change (scoring a 3). The range of Ministries involved in MRPs across a number of countries has shown that a transformation is likely to change the political will and capacities to act. The PMR continuing to organise several diverse, quality events and shows a tentative likelihood for change for criteria 3. For criteria 2, although only two carbon pricing instruments are active during the time of the Annual Review period, the PMR is anticipated to meet the milestone for the next Annual Review. It should also be noted that the diversity and scope of the proposals suggest that the PMR is supporting a wide and innovative range of instruments, including ETS's, carbon taxes and crediting mechanisms. The principal challenge for the PMR in demonstrating a reasonable likelihood for achieving transformational change is that its policy objectives are long-term but also highly political, and therefore unpredictable.

## **ANNEX 1: World Bank Proposed Action Plan following Second Independent Evaluation**

| <b>Second Independent Evaluation Report's Recommendations</b>                     | <b>Response</b>   |
|---|---|
| <p><b>1. Encourage greater peer to peer learning</b></p>                          | <ul style="list-style-type: none"> <li>•New PA agenda items: break-out session on key carbon pricing issues; and new ISR reporting format (also to document lessons learned)</li> <li>•Future <i>Focus Sessions</i> on MRP design/implementation issues, including (ad hoc) online webinars</li> <li>•Exchange visits</li> <li>•Update case studies from TWP/PMR reports</li> </ul>                 |
| <p><b>2. Address common bottlenecks to further MRPs</b></p>                       | <ul style="list-style-type: none"> <li>•Further guidance to be shared with ICPs/TPs that are finalizing implementation agreements</li> <li>•Creating PMR webpage with examples of ToRs and other common tools</li> <li>•Present (bi-annually at the PA) disbursement details for all ICPs</li> </ul>  |
| <p><b>3. Maximize synergies and cooperation</b></p>                               | <ul style="list-style-type: none"> <li>•Continue collaboration with initiatives related to carbon pricing (internal/external)</li> <li>•Minimize overlap and duplication</li> </ul>   |
| <p><b>4. Support implementation through continued engagement and learning</b></p> | <ul style="list-style-type: none"> <li>•Develop concise reports from technical workshops not related to technical reports</li> <li>•Ad-hoc webinars on key implementation issues (see Rec 1)</li> <li>•Continue inviting representatives from related initiatives to the PA and engage them in TWP/CWP work</li> <li>•Continue engaging key national stakeholders through MRP components</li> </ul> |

Adapted from PMR website: [https://www.thepmr.org/system/files/documents/PA19\\_PMR%20Evaluation-Action%20Plan.pdf](https://www.thepmr.org/system/files/documents/PA19_PMR%20Evaluation-Action%20Plan.pdf)

## ANNEX 2: LOGFRAME

*Logical framework (as revised as part of the first, second, third, fourth, fifth and sixth Annual Reviews, covering 1 November 2017 – 31 October 2018)*

| PROJECT NAME  | World Bank Partnership for Market Readiness (PMR)   |                 |                             |                                  |                                  |                                  |                             |   |
|---|---|-----------------|-----------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------|---|
| IMPACT  | <b>Impact Indicator 1</b>   |                 | <b>Baseline (31 Oct 17)</b> | <b>Milestone 1 (31 Oct 2018)</b> | <b>Milestone 2 (31 Oct 2019)</b> | <b>Target (31 Oct 2020)</b>      |                             |   |
|   | Total global GHG emissions covered by carbon pricing instruments  | <b>Planned</b>  | NA                          | 13.77%                           | 14.66%                           | 19.78%                           |                             |   |
|   |   | <b>Achieved</b> | 13.75%                      | 13.78%                           | -                                | -                                |                             |   |
|   | <b>Source</b>   |                 |                             |                                  |                                  |                                  |                             |   |
|   | PMR Secretariat, PMR website, Implementing Countries, World Bank State and Trends of Carbon Pricing report  |                 |                             |                                  |                                  |                                  |                             |   |
| Substantial CO2 abatement as a result of the implementation of carbon pricing instruments | <b>Impact Indicator 2 (KPI 15)</b>  |                 | <b>Baseline (May 2011)</b>  | <b>Milestone 1 (31 Oct 2016)</b> | <b>Milestone 2 (31 Oct 2018)</b> | <b>Milestone 3 (31 Oct 2019)</b> | <b>Target (31 Oct 2020)</b> |   |
|   | Extent to which ICF intervention is likely to have a transformational impact.   | <b>Planned</b>  | 1                           | 3                                | 3                                | 3                                | 4                           |   |
|   |   | <b>Achieved</b> |                             |                                  | 3                                | 3                                | -                           | - |
|   | <b>Source</b>   |                 |                             |                                  |                                  |                                  |                             |   |
|   | ICF transformational change tool. Scoring - 0: transformation unlikely, 1: not enough evidence, 2-3: transformation likely, 4: transformation very likely |                 |                             |                                  |                                  |                                  |                             |   |

| OUTCOME   | Outcome Indicator 1  |                 | Baseline (May 2011) | Milestone 1 (31 Oct 2016) | Milestone 2 (31 Oct 2018) | Milestone 3 (31 Oct 2019)   | Target (31 Oct 2020)   | Assumptions  |  |
|---|--|-----------------|---------------------|---------------------------|---------------------------|---|------------------------|--|--|
|   | No. of participating countries implementing carbon pricing instruments.  | <b>Planned</b>  | 0                   | 0                         | 3                         | 4   | 5                      | Indicator 1: Not all Implementation Countries within the PMR will choose to implement carbon pricing instruments.<br><br>Indicator 2: It is expected that countries would commit to their expectations on public revenues to be raised as stated in their MRPs. We can assume that a greater volume of public finance will lead to a higher likelihood of countries having active instruments. |  |
|   |  | <b>Achieved</b> |                     |                           | 0                         | 2 - Chile Carbon Tax (Implemented) and Kazakhstan relaunches its ETS in Jan 2018) |                        |  |  |
|   | <b>Source</b>  |                 |                     |                           |                           |   |                        |  |  |
|   | PMR Secretariat, Partnership Assembly meetings, PMR website  |                 |                     |                           |                           |   |                        |  |  |
| Successful carbon pricing instruments in at least 5 PMR developing countries by 2020. | <b>A) Total volume of public finance mobilised in PMR developing countries for carbon pricing development (\$)</b> | <b>Planned</b>  | 0                   | A) £2.3m                  | A) £3.45m                 | A) \$125M<br>B) £4.6m   | A) \$125M/<br>B) £5.8m | A) \$125M<br>B) £7m  |  |
|   |  | <b>Achieved</b> |                     |                           | £1.4m                     | £3.43m  | \$125m,<br>£4.61M      | -  |  |
|   | <b>Source</b>  |                 |                     |                           |                           |   |                        |  |  |
|   | PMR Secretariat, PMR website, Implementing Countries   |                 |                     |                           |                           |   |                        |  |  |
|   | <b>B) Volume of mobilised public finance for carbon pricing development attributable to ICF funding (£)</b>        |                 |                     |                           |                           |   |                        |  |  |

| Outcome Indicator 3  |                                   | Baseline (31 Oct 17) | Milestone 1 (31 Oct 2018) | Milestone 2 (31 Oct 2019) | Target (31 Oct 2020)  |
|--|-----------------------------------|----------------------|---------------------------|---------------------------|-----------------------|
| Quantity of emissions reductions (in MtCO <sub>2e</sub> ) directly resulting from the implementation of carbon pricing supported by the PMR. | Planned                           | N/A                  | TBC                       | TBC                       | TBC                   |
|  | Achieved                          |                      | Not scored                | -                         | -                     |
|  | <b>Source</b>                     |                      |                           |                           |                       |
| PMR Secretariat, PMR website, Implementing Countries   |                                   |                      |                           |                           |                       |
| <b>INPUTS (£)</b>  | <b>DECC (£)</b>                   | <b>Govt. (£)</b>     | <b>Other (£)</b>          | <b>Total (£)</b>          | <b>DECC SHARE (%)</b> |
|  | £7m (\$11.4m at time of donation) |                      |                           | \$125m (Sept 2018)        | 8%                    |
| <b>INPUTS (HR)</b>   | <b>DECC (FTEs)</b>                | <b>0.5 FTE</b>       |                           |                           |                       |

| OUTPUT 1                     | Output Indicator 1.1   | Baseline (May 2011) | Milestone 1 (31 Oct 11) | Milestone 2 (31 Oct 13)                       | Milestone 3 (31 Oct 15)   | Milestone 4 (31 Oct 17)  | Milestone 5 (31 Oct 18)  | Milestone 6 (31 Oct 19)                                    | Target (31 Oct 20)   | Assumptions   |   |
|------------------------------|--|---------------------|-------------------------|---|---|--|--|--|--|---|---|
|                              | Cumulative number of knowledge tools created to support implementing countries carbon pricing development and implementation | Planned             | No Tools                | Tool for Market Readiness Proposals finalised | 5 completed Technical Notes or similar knowledge products   | 10 completed Technical Notes or similar knowledge products   | 15 completed Technical Notes or similar knowledge products   | 25 completed Technical Notes or similar knowledge products | 30 completed Technical Notes or similar knowledge products | TBC completed Technical Notes or similar knowledge products | <p><b>Indicator 1.1:</b> The knowledge tools created will be relevant to PMR Implementation Countries and improve their ability to design and develop stronger carbon pricing and carbon pricing implementation plans.</p> <p><b>Indicator 1.2:</b> That technical reports provide the users with sufficient information to replicate the learning. Based on an average of 3 additional annual reports produced per year, downloaded as per the current average of 250 times per month.</p> <p><b>Indicator 1.3:</b> The number of visits to the PMR.org website is an indicator of the use of the PMRs knowledge tools.</p> <p><b>Indicator 1.4</b> Percentage of respondents (average of each country/sub-state) who report that the PMR knowledge products score higher than a 4 on a 5-point scale indicates that expectations have been met or exceeded.</p> |
|                              |  | Achieved            |                         | Achieved – Tool was also amended in Oct. 2012 | Achieved – 6 Technical Notes, 2 sets of guidelines with related templates, 1 E-Learning Course, and 1 set of Technical Training Materials have been finalized | Achieved – 11 Technical Notes, 2 sets of guidelines with related templates, 1 E-Learning Course, 1 set of Technical Training Materials and 2 issues of China Carbon Market Monitor | Achieved - 20 technical notes produced. 28 knowledge products published, Two tailored training workshops in Ukraine and Vietnam, 3 guidance documents, 1 webinar and 2 E-Learning courses, 4 technical workshops, and 9 publications or newsletter | Achieved – 31 technical notes or similar products          | -  | -   |   |
|                              | <b>Source</b>  |                     |                         |   |   |  |  |  |  |   |   |
| PMR Secretariat, PMR website |  |                     |                         |   |   |  |  |  |  |   |   |

|  | Output Indicator 1.2  | Baseline (May 11)    | Milestone 1 (31 Oct 11)                | Milestone 2 (31 Oct 13)   | Target (31 Oct 15)  | Milestone 1 (31 Oct 17)  | Milestone 2 (31 Oct 18)                          | Milestone 1 (31 Oct 19)                          | Target (31 Oct 20)                               |   |
|--|---|----------------------|--|---|---|--|--|--|--|---|
| Increased knowledge sharing and support between developed and developing country partners to improve design, pilot and/or implement domestic carbon pricing instruments. | a) Until 31 October 2016<br>Number of Partnership meetings and workshops held by the PMR annually                                 | Planned              | a) Initial PA Meeting<br>b) No reports | 2 Partnership meetings and one workshop per year  | 2 Partnership meetings and two workshops per year   | 2 Partnership meetings and two workshops per year  | 36,000 report downloads for annual review period | 45,000 report downloads for annual review period | 54,000 report downloads for annual review period | 63,000 reports downloads for annual review period |
|  | b) From 1 November 2016 to 31 October 2020<br>Cumulative number of downloads of technical reports                                 | Achieved             |  | Achieved  | Achieved – surpassed in 2012 with the initiation of tri-annual meetings. Three technical workshops also held in 2012  | Achieved – surpassed in 2015 when three partnership meetings and eight workshops were held | Not achieved<br>30,889 downloads                 | Achieved<br>48,500 downloads                     | -  | -   |
|  | <b>Source</b><br>PMR Secretariat, Partnership Assembly meetings, PMR website  |                      |  |   |   |  |  |  |  |   |
|  | Output Indicator 1.3  | Baseline (May 11)    | Milestone 1 (31 Oct 11)                | Milestone 2 (31 Oct 13)   | Milestone 3 (31 Oct 15)   | Milestone 4 (31 Oct 17)  | Milestone 5 (31 Oct 18)                          | Milestone 6 (31 Oct 19)                          | Target (31 Oct 20)                               |   |
| Cumulative number of visitors to online tools at the PMR website ( <a href="http://www.thepmr.org">www.thepmr.org</a> )  | Planned   | PMR website live     | Total no. of visits to website         | Total no. of visits to website  | 85,000 visits to website  | 105,000 visits to website  | 170,000 visits to website                        | 190,000 visits to website                        | 210,000 visits to website                        |   |
|  | Achieved  |                      | Unknown                                | 26,823 visits from Nov '12 to Oct '13, 11,858 of which were new visits. Visitors came from 140 countries. | Achieved - 87,504 visits of these 60,681 visits from 1 Nov '13 to 21 Oct '15. Of these over half (31,151) were new visitors to the site, from 189 countries | Achieved - 152,661 cumulative website visits   | Achieved - 186,708 cumulative website visits     | -  | -  |   |
|  | <b>Source</b><br>PMR Secretariat, PMR website   |                      |  |   |   |  |  |  |  |   |
|  | Output Indicator 1.4  | Baseline (31 Oct 17) |  | Milestone 1 (31 Oct 2018)   | Milestone 2 (31 Oct 2019)   | Target (31 Oct 2020)   |  |  |  |   |
| IMPACT WEIGHTING (%)   | Percentage of recipients reporting that PMR knowledge products have improved their capacity to develop carbon pricing instruments | Planned              | N/A                                    | 75%   | 75%   | 75%  |  |  |  |   |
|  |   | Achieved             |  | 95% funding   | -   | -  |  |  |  |   |
|  | <b>Source</b>   |                      |  |   |   |  |  |  |  |   |
|  |   | RISK RATING          |  |   |   |  |  |  |  |   |

|     |  |   |     |
|-----|--|---|-----|
| 30% |  | PMR Secretariat, Implementing Countries | Low |
|-----|--|---|-----|

| OUTPUT 2  | Output Indicator 2.1   |          | Baseline  | Milestone 1 (31 Oct 13)   | Milestone 2 (31 Oct 14)  | Milestone 3 (31 Oct 15)  | Milestone 4 (31 Oct 17)                                      | Milestone 5 (31 Oct 18)                           | Target (31 Oct 20)   | Assumptions   |  |
|---|--|----------|---|---|--|--|--|---|--|---|--|
|   | Cumulative number of countries with approved MRP implementation plans  | Planned  | No implementation plans   | 5 developing countries have implementation plans  | 7 developing countries have implementation plans   | 10 developing countries with implementation plans  | 17 developing countries with implementation plans            | 18 developing countries with implementation plans | 19 developing countries with implementation plans  | Indicator 2.1:<br>That all of the 19 Implementing Countries will follow through and develop MRPs, but countries will not all finalise their MRPs within the allotted 2-year time frame. |  |
| Achieved  |  |          | Achieved – 6 developing countries (China, Chile, Costa Rica, Mexico, Turkey and Indonesia) have finalized implementation plans. | Achieved - 11 developing countries (the previous six plus another five: Brazil, Colombia, Morocco, Thailand and Ukraine) have finalized implementation plans. (A twelfth developing country, Vietnam, had their finalized implementation plan in the first week of November.) | Achieved - 13 developing countries (the previous 11 plus another two: Vietnam and South Africa) have finalized implementation plans. | Not Achieved -16 developing countries (the previous 13 plus another three: India, Jordan and Peru) have finalized implementation plans. A seventeenth developing country, Sri Lanka submitted the final implementation plan on December 22, 2017 for the PA's electronic approval. | Achieved – 18 developing countries with implementation plans |   | Indicator 2.2:<br>That grant agreements are approved on the basis that they provide a high-quality carbon pricing scheme in the implementing country.<br><br>Indicator 2.3:<br>That Implementation Countries will face some delays in implementing their MRP leading to lower than estimated disbursement of funds. Also, that given the uncertainty surrounding the process for disbursement at the start, the first years will have lower than average disbursement rates. |   |  |
| Source<br>PMR Secretariat, Partnership Assembly meetings, PMR website         |  |          |   |   |  |  |  |   | Indicator 2.4:<br>That the PMR is on track to complete all MRPs by the end of FY21.  |   |  |
|   | Output Indicator 2.2   |          | Baseline  | Milestone 1 (31 Oct 13)   | Milestone 2 (31 Oct 14)  | Milestone 3 (31 Oct 15)  | Milestone 4 (31 Oct 16)                                      | Milestone 5 (31 Oct 17)                           | Milestone 6 (31 Oct 18)  | Target (31 Oct 20)  | Assumptions  |
| Increased developing country capacity to implement carbon pricing instruments | <b>a) Until 31 Oct 2015</b><br>Percentage of allocated preparatory funding (US\$350,000 per country) disbursed<br><br><b>b) From 1 November 2015 to 31 October 2020</b><br>Cumulative number of implementation arrangements (IA's) finalised | Planned  | a) 0% - No funding disbursed<br><br>b) 16 – as of 1 Nov 2015  | 60% (of US\$3,150,000, \$350,000 times nine, the number of PMR implementing countries expected at the time)   | 60% (of US\$5,250,000, \$350,000 times 15, the number of PMR implementing countries expected at the time)                            | 80% (of US\$5,950,000, \$350,000 times 17, the number of PMR implementing countries expected at the time)  | 15 IAs finalised   | 17 IAs finalised                                  | 18 IAs finalised   |   | Indicator 2.5:<br>That additional activity has been allocated funding based on being completed alongside their approved MRPs |
|   |  | Achieved |   | Achieved – by 30 June 2013 the PMR had allocated 100% of  | Achieved – by October 2014, the PMR had  | Achieved – by October 2014, the PMR had  | Not achieved – by October 2015, 11 IAs had                   | Not achieved – by 31 Oct 2017, 15 Implem          | Achieved – by 31 Oct 2018, 18 Implem   | -   |  |

|   |  |   |  |  |                |  |                                 |  |
|---|--|---|--|--|----------------|--|---------------------------------|--|
|   |  | preparatory funding for the 16 implementing participants (\$5.6m) | allocated 100% of preparatory funding for the 17 implementing participants (\$5.95m) | allocated 100% of preparatory funding for the 17 implementing participants (\$5.95m) | been finalised | entation arrangements have been formalised | arrangements had been finalised |  |
| <b>Source</b>   |  |   |  |  |                |  |                                 |  |
| PMR Secretariat, Partnership Assembly meetings, PMR website |  |   |  |  |                |  |                                 |  |

| Output Indicator 2.3  |                 | Baseline                   | Milestone 1 (31 Oct 14)  | Milestone 2 (31 Oct 15)   | Milestone 3 (31 Oct 16)  | Milestone 4 (31 Oct 17)   | Milestone 5 (31 Oct 18) | (Milestone 6 (31 Oct 19) | Target (31 Oct 20) |
|---|-----------------|----------------------------|--|---|--|---|-------------------------|--------------------------|--------------------|
| <p>A) Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement</p> <p>B) Percentage of countries that have reached the level of disbursement expected under the grant agreement</p> | <b>Planned</b>  | 0% - No funding disbursed. | 80%  | 90%   | 90%  | 90%/60%*  | 90%/65%*                | 90%/80%*                 | 90%/90*            |
|   | <b>Achieved</b> |                            | Achieved – 66% In FY14, only Turkey had signed a grant agreement which had disbursement schedule covering the period until October 2014. By the end of October 2014 US\$ 329,635 had been disbursed, while the disbursement schedule anticipated US\$500,000 by the end of the FY, ending on 30 June 2015. | Not achieved – 60% In FY14 Chile joined Turkey in receiving MRP funding. China and Morocco were also originally scheduled to receive a disbursement, but this did not happen. In total, until 31 October 2015, \$5.13m was originally scheduled to have been disbursed, which was revised to \$3.23m. The actual amount was \$2.56m. This is 60% of the average of the original and | Not achieved – 63% Due to lag caused by implementation arrangement delays. | Achieved- 93% In FY17, Indonesia and Peru received \$3.15M. It should be noted that we have used the revised expected figures from November 2016 for the calculation. We were not able to use more recent revised figures. Both the original and revised expectations are far less than the actual disbursement given the rapid progress made since the | Not achieved 64%/44%    | -                        | -                  |

|   |                 |                             |                                      |                                |                           |  |  |                    |
|---|-----------------|-----------------------------|--------------------------------------|--------------------------------|---------------------------|--|--|--------------------|
|   |                 |                             | revised planned disbursement totals. |                                | revised expectations.     |  |  |                    |
| Source  |                 |                             |                                      |                                |                           |  |  |                    |
| PMR Secretariat   |                 |                             |                                      |                                |                           |  |  |                    |
| <b>Output Indicator 2.4</b>   |                 | <b>Baseline (31 Oct 17)</b> | <b>Milestone 1 (31 Oct 18)</b>       | <b>Milestone 2 (31 Oct 19)</b> | <b>Target (31 Oct 20)</b> |  |  |                    |
| Cumulative number of complete Market Readiness Proposals (MRPs)   | <b>Planned</b>  | 1                           | 4                                    | 10                             | 16                        |  |  |                    |
|   | <b>Achieved</b> |                             | 1                                    | -                              | -                         |  |  |                    |
| Source  |                 |                             |                                      |                                |                           |  |  |                    |
| PMR Secretariat, PMR website  |                 |                             |                                      |                                |                           |  |  |                    |
| <b>Output Indicator 2.5</b>   |                 | <b>Baseline (31 Oct 17)</b> | <b>Milestone 1 (31 Oct 18)</b>       | <b>Milestone 2 (31 Oct 19)</b> | <b>Target (31 Oct 20)</b> |  |  |                    |
| Cumulative number of countries with additional funding that have completed agreed work programme activities beyond their initial MRPs | <b>Planned</b>  | -                           | 1                                    | 1                              | 4                         |  |  |                    |
|   | <b>Achieved</b> |                             | 4                                    | -                              | -                         |  |  |                    |
| Source  |                 |                             |                                      |                                |                           |  |  |                    |
| PMR Secretariat, PMR website, Partnership Assemblies  |                 |                             |                                      |                                |                           |  |  |                    |
| <b>IMPACT WEIGHTING (%)</b>   |                 |                             |                                      |                                |                           |  |  | <b>RISK RATING</b> |
| 55%   |                 |                             |                                      |                                |                           |  |  | Low                |

|  |  |                 |                             |                                  |                                  |                             |   |
|--|--|-----------------|-----------------------------|----------------------------------|----------------------------------|-----------------------------|---|
| <b>OUTPUT 3</b>  | <b>Output Indicator 3.1</b>  |                 | <b>Baseline (31 Oct 17)</b> | <b>Milestone 1 (31 Oct 2018)</b> | <b>Milestone 2 (31 Oct 2019)</b> | <b>Target (31 Oct 2020)</b> | <b>Assumptions</b>  |
|  | No. of stakeholder outreach, joint technical work and engagement activities, focusing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place to support recipient developing countries. | <b>Planned</b>  |                             | 8                                | TBC                              | TBC                         | Stakeholder outreach and engagement includes consultations and trainings conducted by Implementing Country groups during their MRP implementation. Increased stakeholder engagement builds support for low carbon development and market mechanisms adoption. Engagement with UNFCCC and other organisations will lead to synergies to promote carbon pricing |
|  |  | <b>Achieved</b> | 8                           | 8                                | -                                | -                           |   |
|  | Source   |                 |                             |                                  |                                  |                             |   |
| PMR Secretariat, UNFCCC meetings, PMR website  |  |                 |                             |                                  |                                  |                             |   |
| Promotion of sustainable, low-carbon development to support recipient developing countries | <b>Output Indicator 3.2</b>  |                 | <b>Baseline (31 Oct 17)</b> | <b>Milestone 1 (31 Oct 2018)</b> | <b>Milestone 2 (31 Oct 2019)</b> | <b>Target (31 Oct 2020)</b> |   |
|  | Number of presentations made by PMR staff at UNFCCC technical meetings   | <b>Planned</b>  | -                           | 1                                | 3                                | 5                           | Risks   |
|  |  | <b>Achieved</b> |                             | 4                                | -                                | -                           |   |
|  | Source   |                 |                             |                                  |                                  |                             |   |
| PMR Secretariat, UNFCCC meetings, PMR website  |  |                 |                             |                                  |                                  |                             |   |
| <b>IMPACT WEIGHTING (%)</b>  |  |                 |                             |                                  |                                  |                             | <b>Risks</b>  |
| 15%  |  |                 |                             |                                  |                                  |                             | Low   |