

## Type of Review: Annual Review

**Project Title: World Bank's Partnership for Market Readiness**

**Review date: December 2012**

<b>Project Location:</b>	Global – 16 Implementing Countries
<b>Project Timescale:</b>	On-going
<b>Current Reporting Period:</b>	Oct. 2011- Oct. 12
<b>Funding: (ICF Funding and possibly other sources)</b>	£7m from the International Climate Fund
<b>Project website (if available):</b>	<a href="http://www.thepmr.org">http://www.thepmr.org</a> and <a href="https://www.gov.uk/government/case-studies/partnership-for-market-readiness-pmr">https://www.gov.uk/government/case-studies/partnership-for-market-readiness-pmr</a>

### Review Summary:

#### What are the key messages from this Review?

Over the last year, the World Bank's PMR has delivered high quality outputs and is starting to expand its programme of work. This expansion will include new work on carbon pricing, baselines and common frameworks for MRV, registries and GHG reporting.

The UK has been successful in influencing the PMR Secretariat and Partnership Assembly, as evident through its contributions to various governance documents including: Criteria for allocating funds and Market Readiness Proposal (MRP) Tool. The UK played a key influential role in securing the Secretariat's plans to implement reporting frameworks to measure success, track milestones and monitor risks to the programme, a key aim for the PMR in 2013 that is identified in this Annual Review. The UK is also leading initial discussions on how the PMR could use a results-based financing instrument to support the piloting of new market mechanisms being developed through this platform.

However, the overall output score given in this Annual Review is **B: *Outputs moderately did not meet expectation***, due to the programme not meeting all of the milestones set out in the original business case. These milestones have since been identified as overly ambitious and not to have taken into account the complexity of designing a market mechanism in developing countries. These milestones have been revised in conjunction with this Annual Review and are reflected in the attached log frame (Annex A). Disregarding the original milestones and the output score, the PMR programme has delivered key outputs identified in the Business Case and should be considered very successful. The Platform has allocated preparation grants of US\$350k (the 16<sup>th</sup> preparation grant is likely to be approved in March 2013) to all 15 Implementing Country Participants, and provided feedback on the first four MRPs. Preparation grant funding to the 16<sup>th</sup> participant, and allocation of implementation funding to the first final four MRPs is expected in early 2013. Implementation funding will range between \$3m and \$8m.

#### Legend on scoring

Description	Scale
Outputs substantially exceeded expectation	A++
Outputs moderately exceeded expectation	A+
Outputs met expectation	A
Outputs moderately did not meet expectation	B
Outputs substantially did not meet expectation	C

## Introduction and Context

### What support is the UK providing?

The UK Government has a commitment to contribute **£7m** to the PMR programme, which has a target of raising US\$100m from donors. All of the UK's contribution was **Fast Start finance** in 2011-12. A promissory note was lodged at the Bank of England and by 31<sup>st</sup> December 2012 the UK will have provided the full £7m to the World Bank PMR trust fund. To formalise this agreement DECC entered into a legal agreement with the World Bank, which included an expected schedule of payments.

The PMR Trust Fund provides grant funding to support the testing of concepts and market instruments in developing countries. It supports platforms for technical discussion and facilitates the sharing of best practices with the aim of promoting pilots and ultimately policy roll out. Through these activities the PMR seeks to enhance global greenhouse gas mitigation efforts in middle income and developing countries.

In addition to a financial contribution, the UK also contributes **technical expertise** to the programme drawn from DECC's Global Carbon Markets and the EU ETS Teams. The UK has over 10 years of experience designing and implementing market-based measures, which it is sharing with developing countries through the PMR. The UK participates in the PMR Partnership Assembly, which approves the allocation of resources to Implementing Country Participants, approves the PMR operating budget, and monitors the operations of the PMR against agreed objectives to ensure value for money.

### What is the context in which UK support is provided and why is UK support required?

The UK is committed to the expansion of carbon markets in both developed and developing countries. A global carbon market enables economies to undertake cost effective emission reductions and therefore increases the likelihood that the world will be able to deliver emission reductions consistent with two degrees.

Currently, developing countries participate in carbon markets through the Clean Development Mechanism (CDM) but this *project-based* mechanism is limited in its ability to deliver finance at scale and does not contribute to net emission reductions as CDM credits are used as offsets to meet developed country targets.

The UK and many other developed countries have been pushing for the creation of new, large scale, market mechanisms that cover entire sectors (as opposed to specific projects) and which could potentially generate much greater flows of finance for developing countries and promote net contribution to emission reductions.

Building institutional and technical capacity for new market mechanisms and demonstrating their effectiveness and benefits to host countries is a necessary first step towards gaining support for these approaches and expanding their use. Market mechanisms could entail countries setting absolute emissions targets for particular sectors, but other options include energy efficiency trading schemes (e.g. the PAT scheme in India).

Market-based mechanisms are a cost effective way of reducing emissions, help to address the carbon externality by imposing a carbon price on emitters and can help raise revenues for national treasuries, which subject to the view of the relevant Government can be reinvested in low carbon activities. They can also contribute to: energy security; improve access to clean energy; job creation and leverage private finance.

International discussions under the UNFCCC on the New Market Mechanism are moving slowly and are likely to take a number of years to bear fruit. Outside the UNFCCC process, interest to participate in large-scale market mechanisms is high and there remains the need for continued support to provide the technical and institutional capacity to involved developing countries under the PMR to develop their readiness for such mechanisms, which are complex to develop.

## What are the expected results?

The original expected results from the PMR programme against which progress for this annual review have been measured were:

Impact:

- Substantial cost effective CO<sub>2</sub> abatement as a result of market mechanisms implemented in a broad range of middle income and developing countries.

Impact indicators:

- Quantity of emissions reductions (in MtCO<sub>2</sub>e) resulting from implementation of market mechanisms;
- Revenue raised from carbon related market mechanisms.

Outcome:

- Market mechanisms implemented in at least 5 participating developing countries by 2015; resulting in quantifiable emissions reductions.

Outcome indicators:

- No. of participating countries implementing market mechanisms;
- Quantity of emissions reductions (in MtCO<sub>2</sub>e) directly resulting from implementation of market mechanisms supported by the PMR;
- Increase in revenue raised from carbon market mechanisms.

Outputs:

- Increased knowledge sharing and support between developed and developing country partners to improve new market mechanism design and development;
- Enhanced capacity of 10-15 developing countries to design and develop new market mechanisms market;
- Number of people trained to deliver and implement market based mechanism that would result in quantifiable emissions reductions;
- % of a country's total emissions that will be covered under PMR supported market based mechanisms (based on the preparation stage reports);
- Number of private sector companies involved in large-scale market based mechanism.

Additional outcomes to which the PMR may contribute:

- More productive discussions on new market mechanisms in the international negotiations leading to the creation of an internationally agreed framework for new large scale sectoral mechanisms and the expansion of the global carbon market;
- Improved investment environment for the private sector, through the creation of new low carbon investment opportunities in developing countries and improved market certainty. There will also be a need for development of trading platforms, third party auditors, project developers and other services. The creation of bankable projects and assets that can be used as collateral for debt financing will also arise;
- The development of sectoral and installation-level MRV structures necessary to gather emissions data and initiate mitigation actions. This will help develop emission baselines, identify abatement opportunities and encourage innovation.

These expected results have since been revised to reflect changing national circumstances and UK learning on the pace at which market-based mechanisms can be agreed and designed in developing countries. The new expected results can be found in the attached log frame (Annex A). Changes made to individual Outputs, Outcomes and Indicators are also described in detail in the sections following.

## Section A: Detailed Output Scoring

Highlight that this is explicitly linked to the log frame. Include information for outcomes in addition to outputs if there are any results at outcome level.

### Output 1: **Increased knowledge sharing and support between developed and developing country partners to improve new market mechanism design and development**

#### Output 1 score and performance description:

Output Score: A

The PMR has established a comprehensive **Knowledge Platform** to increase knowledge sharing and support between developed and developing country partners.

#### Progress against expected results:

##### **Output Indicator 1.1: Development of a knowledge tool for Market Readiness Proposals**

The Market Readiness Proposal (MRP) Tool has been developed and met the milestone of being finalised by 2011, as set out in the original business case. The Partnership Assembly (PA) was consulted throughout the process of developing the MRP Tool. The MRP tool was most recently amended at the Sydney meeting in 2012, ahead of final MRPs being presented in 2013.

#### Revised since last Review?

Yes. Output Indicator 1.1 has been edited to 'Number of knowledge tools created to support Implementation Country market mechanism development and implementation.' Output Indicator 1.1 was originally a very short-term output, which was completed in 2011. In the edited log frame this indicator has been expanded so that the UK monitors and reports on more of the knowledge tools under development by the PMR over a longer time period. Details on the new milestones associated with this output can be found below in Annex A.

##### **Output Indicator 1.2: Partnership meeting established to discuss best practise and provide advice**

The PMR Secretariat has successfully delivered 6 Partnership Assembly (PA) meetings since launching. Three meetings are now held per year, as the final MRPs are being presented. This has exceeded the projected number in the business case, by one. The milestones set out in the original business case (three partnership meetings by May 2012, then bi-annual meetings) have been met.

#### Revised since last Review?

Yes. Output Indicator 1.2 has been change to 'Number of Partnership meetings and workshops held by the PMR annually.' The language of Output Indicator 1.2 was broadened to reflect the creation of workshops for knowledge sharing, which are now regularly held in conjunction with Partnership meetings and are an important tool for knowledge sharing within the PMR. Details on the new milestones associated with this output can be found below in Annex A.

##### **Output Indicator 1.3: Online blog, document library and tool**

The Secretariat produces PMR Technical Notes, which supply Participants with analysis and essential information on the design of market instruments. The PMR Secretariat prepares these notes based on topical information provided by Partnership members.

The PMR website acts as a centre of information and knowledge on market instruments. The Secretariat launched a redesigned website at the October 2011 meeting in Sydney to enable better knowledge sharing amongst participating countries. This was undertaken after a review was put in place using Google Analytics and user feedback to assess website traffic, in particular to key PMR documents. They found traffic was low to certain documents, so redesigned the website according to the results from the analysis. The Secretariat will continue to monitor the website via Google Analytics and Participant and user feedback to help continually improve access and knowledge sharing.

The changes to the website are:

- creation of a knowledge section which contains carbon market technical papers and country specific documents on policies and mechanisms – both information created by the PMR and information available by outside sources;
- a section on all associated PMR governance documents;
- a section for PMR participants, both Implementing and Contributing Participants. Implementing Participant pages include an easily-accessible list of PMR documents, proposals and presentations. Contributing Participant pages also include a list of presentations to PMR meetings, as well as other useful information about each participant's experience with market base mechanisms.

#### **Revised since last Review?**

Yes. Output Indicator 1.3 has been revised to 'Number of visitors to online tools at thePMR.org website.' The language of Output Indicator 1.3 was changed to clarify what this indicator would be monitoring and reporting on. By reporting on the number of visits to the website the UK can track both how many people are seeking out these tools provided on the site and also gain insight on which aspects of the PMR website are being most used. No set milestones were created for this indicator.

#### **Recommendations:**

- Subject to resource constraints policy teams, to ensure further UK involvement in the Technical Workshops where possible, sharing lessons learnt from UK policies and expert advice. Participation from the UK will be provided by Officials depending on expertise required.
- Consider providing additional information to the PMR website on UK climate, energy and carbon market policies, in particular a breakdown of CCAs, CRCs and lessons learned from EU ETS Phases I & II and what has changed in Phase III. Other areas could include the Renewables Obligation.

**Impact Weighting (%):** 25%

**Revised since last Review?** No – Not revised since original determination was made.

**Risk:** Medium

**Revised since last Review?** This wasn't set out in the original business case therefore this is a current prediction.

### **Output 2: *Increased developing country capacity to implement market mechanisms***

#### **Output 2 score and performance description:**

Output Score: B

The development of Market Readiness Proposals (MRPs) through provision of implementation grants to all participating countries to increase capacity to develop carbon market mechanisms to reduce greenhouse gas emissions.

#### **Progress against expected results:**

**Output Indicator 2.1:** Implementation plans for X no. of countries [the approved business case did not quantify the number of implementation plans required].

Sixteen developing and middle-income countries have signed up to receive support from the PMR, 4 have presented their draft MRPs.

The PMR has exceeded the original target of 15 countries. The PMR reached its target of 15

Implementing Country Participants in 2011, and accepted Peru as the 16<sup>th</sup> country under a bi-lateral financing agreement with Switzerland in 2012.

The original 15 Implementing Countries have received US\$350,000 each in preparation funding to develop their MRPs and Peru's Expression of Interest was approved at the Sydney meeting, October 2012.

All Implementing Countries Participants are currently in the preparation phase, where they are required to formulate a MRP detailing each country's road map for its proposed market-based instrument and market readiness components.

The Partnership Assembly agreed at the Cologne meeting in May 2012 (PA3), a deadline of two years to present the MRP from when preparation funding is allocated by the Partnership.

Four countries (China, Mexico, Costa Rica & Chile) have completed draft MRPs, which are currently under revision and are expected to receive approval and implementation funding in March 2013. As a result, milestone 1 (5 Country Implementation Plans by end of 2012) will not be met. By the end of 2013, it is expected that 5 final MRPs will have been approved with grant funding allocated.

#### **Revised since last Review?**

Yes. Output Indicator 2.1 has been edited and combined with Output Indicator 2.2, and a new Output Indicator 2.1 was created called 'Percentage of allocated preparatory funding (US\$350,000 per country) disbursed.' The original Output Indicator 2.1 was changed because it and the original Output Indicator 2.2 were repetitive.

The new Output Indicator 2.1 was designed to report on early progress in the PMR, prior to MRP implementation. Within the PMR countries have 2 years from the date of allocation of preparation funding to produce a MRP, but originally none of the indicators within the log frame reported on the progress of work during that period. However during that preparatory period Implementation Countries are developing increased capacity as they design their plans. Without monitoring this period the UK cannot easily determine if countries are on track to meet their 2 year MRP development deadlines and cannot work to address any holds up which may have developed.

For PMR Implementation Countries the World Bank only disburses preparatory funding as work progresses on MRP development and additional funding is needed. Given this structure the UK is able to monitor funding disbursement to report on progress, without requiring new monitoring by Participants. Monitoring preparatory fund disbursement can also provide the UK with insights regarding the value of the level of preparatory funding provided by the PMR. Details on the milestones set for this output can be found below in Annex A.

#### ***Output Indicator 2.2:*** Agreement of funding for the implementation stage.

None of the Implementing Countries have received implementation grants, therefore Milestone 1 (5 countries to receive grant funding by end of 2012) has not been met. For an explanation of why this indicator's Milestone 1 was not met please refer to section B.2.3.

#### **Revised since last Review?**

Yes. Output Indicator 2.2 was combined with the original Output Indicator 2.1 and now reads 'Number of countries with approved MRP implementation plans.'

The language of Output Indicator 2.2 was changed to reduce repetition in the log frame because it was too similar to the original Output Indicator 2.1; funding for implementation plans is generally awarded at the same time that final MRPs are presented. The wording for this indicator was also edited to make it clear that final implementation plans were being counted, not drafts plans. Milestones for the new Output Indicator 2.2 were also changed to reflect the slower pace of MRP development that the UK has observed in the PMR. Details on the new milestones associated with this output can be found below in Annex A.

#### ***Output Indicator 2.3:*** No. of people trained to deliver and implement market based mechanisms that would result in quantified emissions reductions.

This indicator is difficult to measure against at this time because this will be primarily met through the



implementation of the MRP (once grant funding has been released). However, the World Bank have implemented various measures to support this aim:

- Technical Workshops are providing opportunities for Participants and experts to discuss specific technical topics to develop capacity to design market mechanisms. Four Technical Workshops have been held to date with another planned for March 2013;
- Technical Experts supporting Implementing Countries on the design of their Market Readiness Proposals. For each MRP, a group (3-4) of experts is formed to conduct a desk review of the draft version of the document. This feedback is provided directly to the country and is discussed during an in-country visit whereby the expert group and the PMR Secretariat engage in a face-to-face feedback exercise to strengthen the overall MRP. This exercise takes place before the draft proposal is presented to the Partnership Assembly for its feedback. Individuals or firms can apply to the Secretariat to be added to the Roster of Experts citing their area of carbon market expertise. Experts' credentials are made available to Implementing Countries, who decide, together with the secretariat, who will support them on the design of their MRP. Experts are not endorsed by the World Bank.

### **Revised since last Review?**

Yes. Output Indicator 2.3 has been removed and replaced with 'Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed – planned versus actual, based on Implementation Countries MRP budgets and timelines for work.'

The original Output Indicator 2.3 was removed based on the determination that it would remain difficult to measure even during the phase of MRP implementation and would put an additional burden on Implementation Countries to require them to report on this indicator, without providing any clear understanding of the increased capacity of those countries. Trained individuals could leave their posts and take their learning with them, and being trained might not equate to increased knowledge or support for market mechanisms.

The edited Output Indicator 2.3 will allow the UK to report on the progress of MRP implementation across countries. While MRPs are capacity building plans, reporting on the progress of their completion, reflected in the proportion of their funding distributed, should correlate to the level of capacity developed in Implementation Countries. Disbursement rates will be monitored against countries own planned timelines and budgets for work and will also provide insight on the pace of MRP implementation and show when implementation work stalls or is derailed and other measure are needed to help a country move forward. Details on the new milestones associated with this output can be found below in Annex A.

### **Recommendations:**

For the World Bank to:

- Introduce formal monitoring and reporting by the second meeting of 2013 (May), to assess progress of each Implementing Country against agreed milestones set by the Partnership Assembly. This will also help identify areas where countries are struggling and therefore risk not delivering on required tasks including the overall goal of presenting their MRP in the required timeframe. A pipeline management report has been implemented for the CIFs which could form the basis for the PMR;
- Undertake a capacity building review with Implementing Countries to examine how levels of capacity on climate mitigation and carbon markets has increased compared to the baseline at the beginning of the programme (a questionnaire was undertaken to assess the level of carbon market capacity in Implementing Countries). This will assess the transformational benefits of this project. This review should be undertaken after the final MRP has been presented;
- Introduce a results log frame to ensure that the Secretariat can monitor the impact of the programme against key performance indicators for each Implementing Country Programme, drawing on the log frame in the original Business Case. We should identify key countries to build support on this approach ahead of the Washington Meeting;
- Implement an end of programme review to assess impact of the Partnership on increasing

carbon market capacity and therefore the development of new market mechanisms in Implementing Countries. This should be once the market mechanism has been launched. With increases in donation pledges, the review should be funded from the central pot of funding.

**Impact Weighting (%):** 60%

**Revised since last Review?** No – Not revised since original determination was made.

**Risk:** Medium

**Revised since last Review?** This wasn't set out in the original business case therefore this is a current prediction.

### Output 3: *Promotion of sustainable, low-carbon development*

#### **Output 3 score and performance description:**

Output Score: A

To share experience of UK climate and energy policies to encourage a suite of policy tools to reduce greenhouse gas emissions in Implementing Countries.

Engage stakeholders including the private sector in the PMR, where possible.

#### **Progress against expected results:**

**Output Indicator 3.1:** No. of stakeholder activities that have taken place.

In addition to the 4 PA meetings since the launch of the PMR, 4 technical workshops have taken place. Workshops are open to stakeholders outside of the PMR Partnership Assembly. Topics have included: Modelling, baseline setting, registry development, domestic ETS, crediting mechanisms and data reporting.

In addition to these, in October 2012, in Sydney, the PMR held a Business Engagement event that saw over 100 attendees from private sectors companies from Australia to engage in the work of the PMR.

#### **Revised since last Review?**

Yes. Output Indicator 3.1 has been edited to 'No. of stakeholder outreach and engagement activities that have taken place in Implementation Countries.' The language of Output Indicator 2.1 was changed to clarify where stakeholder outreach activities being monitoring and reporting on where taking place because this was unclear in the original language of the indicator. No other changes were made to this indicator and the indicator still does not have any set milestones.

**Output Indicator 3.2:** No. of businesses involved in PMR countries' carbon market plans.

The International Emission Trading Association (IETA) launched the Business PMR (B-PMR) at the Sydney PMR meeting, October 2012.

IETA will work closely with the PMR Secretariat and the Partnership Assembly to mobilise its membership (9 organisations have signed up) to assist in building business readiness for the new market mechanisms that are being supported through the PMR. There is \$350k attached to this programme and they will only support countries that approach them.

IETA will promote common understanding with local businesses in PMR countries, share best practices and assist with policy development where appropriate.

Guangdong Province in China has already approached IETA for business engagement support under the PMR regarding the implementation of their pilot ETS.

#### **Revised since last Review?**



Yes. Output Indicator 3.2 has been removed because it will be too difficult for the UK or PMR Participants to monitor and cannot be directly attributed to the capacity building work developed through the PMR. Implementation Countries are at a stage where they need to be conducting broader stakeholder consultations but the number of businesses in particular is not as relevant. This indicator would be more relevant if more Implementation Countries within the PMR were at the piloting phase.

**Output Indicator 3.3:** Growth in private finance investment in carbon markets in PMR countries (% and capital).

This cannot be assessed at the current time.

#### **Revised since last Review?**

Yes. Output Indicator 3.3 has been removed because most all Implementation Countries within the PMR are not at the piloting stage of work but are still developing building blocks for market mechanism adoption. This means that few markets exist to be invested in, limiting the value of this indicator. Additionally it would be difficult and time consuming to quantify the level of private investment being made in carbon markets. As more countries complete their MRPs and the results framework for the PMR is established it may be possible to revisit the feasibility of this indicator or add more indicators to this Output. However, no new indicators will be added until the UK is sure they can report against those in the future.

#### **Recommendations:**

- Encourage Implementing Countries to include an assessment in their MRPs of how much private finance has been invested in carbon markets.

**Impact Weighting (%):** 15%

**Revised since last Review?** No

**Risk:** Low

**Revised since last Review?** This wasn't set out in the original business case therefore this is a current prediction

## **Section B: Results and Value for Money**

### **1. Progress and results**

#### **1.1 Has the log frame been updated since last review?**

Yes.

The PMR has successfully delivered on many of the indicators selected for the original log frame, but given the innovative nature of the PMR original indicators and milestones had to be selected without any evidence or insight from similar initiatives to act as a guide. Now over a year into this programme the UK has an understanding of how the PMR operates and an evidence base that has been used to edit and improve the log frame.

This edit focused on the indicators and milestones selected for the original log frame and aimed to improve the quality of those indicators so that they would best demonstrate the Outputs, Outcomes and Impacts targeted by this programme. Indicators were also altered to reflect more realistic timelines for work, or to broaden their scope and allow results to be reported over a longer period of time. Indicators have also been changed to clarify their meaning and what the log frame should report against.

While many of the indicators and milestones from the original log frame have been edited all of the

broader Outputs, Outcomes and Impacts for this programme remain the same. In the case of programme Outcomes and Impacts only the milestones and targets for the indicators were edited, and three new qualitative KPI indicators were added to the Impact level, but no other changes to the original indicators for these sections were made. Assumptions have also been added to the log frame, which were missing from the original version.

This is the first edit that has been made to the log frame since it was created during the UK project development and selection process.

A brief summary of the changes made to each indicator is provided in Section A above where the output indicator is scored. The edited version of the log frame can be found below in Annex A. The original log frame can be found below in Annex B.

## **1.2 Overall Output Score and Description: B**

This scoring was given due to the 60% weighting of Output 2 which received an output score B due to not meeting milestones set out in the business case.

## **1.3 Direct feedback from beneficiaries (where appropriate in 6 monthly reviews; required in annual reviews)**

The PMR is still young and Implementing Countries are at different stages, but the feedback received so far is generally positive and constructive. For example, the Implementing Countries that have presented their draft MRPs have remarked on the positive experience of the PMR Feedback Process. Countries also noted with appreciation the support provided by the PMR Secretariat. The Secretariat has heard from many PMR Implementing Countries how they appreciate the platform offered by the PMR to exchange experiences with representatives of other governments.

## **1.4 Summary of overall progress**

The PMR Secretariat has successfully delivered 4 Partnership Assembly (PA) meetings and 4 technical carbon market workshops. The UK has participated at every meeting including presenting on a variety of topics including sharing lessons on UK carbon market policy development and allowance allocation methodology in the EU ETS.

The PA is successfully implementing and adhering to the Governance Document, which sets out agreed objectives, operating principles, role of the PA and the role of experts.

The PA has agreed to the implementation of various governance documents including: Guidelines on funding allocation (preparatory and implementation); Market Readiness Proposal (MRP) review process; MRP Tool; and, Additional Criteria & Modality for Allocation for Implementing Funding.

To date, all 15 Implementing Countries that originally signed up to receive support from the PMR, have been awarded preparation grants of \$350k. Four countries (China, Chile, Mexico and Costa Rica) have presented draft MRPs for funding allocation in early 2013. In October 2012, Peru joined as the 16<sup>th</sup> Implementing Country on a bi-lateral basis with Switzerland. All financial assistance for Peru's participation will be met by Switzerland. Peru will be presenting its Organising Framework in March 2013.

So far, \$95m has been pledged towards the PMR target of \$100m, with the European Commission considering pledging an additional \$10m. Most countries have increased their donations (the UK has not) and the PMR has seen new donor countries join, including Sweden, Switzerland and Finland. New Zealand continues to participate as an observer.

The Secretariat has redesigned the website to make it more accessible as a knowledge sharing data base. This was undertaken after Partners advised the Secretariat that the website wasn't easily accessible. There is also a locked area of the site that only the PA can access, which will include confidential information such as contact details for country members.

Over the past year, the Partnership Assembly has worked through various issues that the UK raised as concerns or risks, but with the support of the Secretariat, these issues have been resolved and an

agreed outcome secured. Key challenges that have been resolved are listed here:

- Keeping the platform non-political and ensuring UNFCCC negotiating positions are not raised and used as an influencing tool. There have been a few occasions where parties have tried to integrate the UNFCCC negotiations into discussions and when this has happened, it has caused tension and created an unbalance in the Partnership;
- Methodology for allocating implementing funds, including the additional criteria for increased levels of funding above the minimum threshold of \$3m. The PA found it hard to come to an agreement on the criteria for allocating additional funds. At the time there were concerns regarding how much funding was available as the full \$100m had not been mobilised, as this directly impacted upon allocation of funding;
- The delivery timeline of the Implementing Countries from receiving their preparation grant funding of \$350k to the presentation of the MRP. The Partnership Assembly agreed a deadline of two years to present the MRP from when their Organising Framework was accepted by the Partnership Assembly;
- The PA raised concerns over Peru joining as a 16<sup>th</sup> member, in particular over governance rules and funding allocation. The Secretariat confirmed that Peru will be required to adhere to the same governance rules and criteria as all other implementing countries, the only difference is that their funding will be provided on a bi-lateral basis from Switzerland.

## 1.5 Key challenges

### Piloting new market mechanisms

Donor Countries have started to raise concerns and questions regarding the longer term prospect of the PMR including the implementation phase of the pilot mechanisms and the long term impacts of capacity building in each country.

This derives from uncertainty associated with the slow progress of UNFCCC negotiations on the New Market Mechanism, declining investment in the carbon market, the unclear interactions between new mechanisms and the CDM and an absence of perceived demand for credits from mechanisms created under the PMR.

From a regulatory perspective the global carbon market continues to expand with new ETSs in development and being launched in Australia, South Korea, California and Kazakhstan. However, in the context of the global economic crisis and ahead of the road to a new global agreement on climate change in 2015, there remains low international mitigation ambition. COP 18 agreed that in 2014 that this will be reviewed with an international summit at leader's level. However, until then it is anticipated that that the demand for credits will remain low alongside the carbon price.

Results based financing (RBF) is a possible intervention mechanism that could be used in the PMR. There is appetite from other countries such as Norway, Sweden, USA and Denmark to investigate this option. At the March PMR meeting, the UK will be presenting on RBF and opening a round table discussion on how this intervention could be successfully used within the PMR to support the piloting of new market mechanisms in the absence of a New Market Mechanism under the UNFCCC.

### Horizon Scanning

To assess the impact of the PMR on countries capacity to implement market mechanisms and therefore reduce greenhouse gas emissions, the UK will propose to the Secretariat to implement a mid-term and end of programme review (as suggested as recommendations under Output 2).

### Risk of delay on MRPs being developed

In May 2012, the Partnership Assembly agreed to introduce a two year deadline in which countries need to submit their MRP for approval (two years from when their Organising Framework was accepted). As the PA is starting to see countries coming forward with their MRPs, the complexity of these proposals is becoming more apparent. Countries need more time to prepare their proposals with increased support from Technical Experts, which uses more PMR funding. Introducing a pipeline management report for each Implementing Country to assess progress against milestones and identify areas (specifically MRP blocks) where countries are struggling would help identify the risk of their MRP

not being presented in the required timeframe.

### Funding

The UK is no longer the highest donor in the PMR, as Japan and Australia's donation increased in 2012 to make them the highest donors respectively. As the programme has progressed, it has become apparent that Implementing Countries need more support, which in turn, requires more funding from the Secretariat to support increased technical assistance. Carbon market capacity and knowledge has invariably increased as countries have developed their MRPs and we have subsequently seen proposals develop and become more ambitious. The current level of funding does not allow all countries to receive the highest grant of US \$8m. It was agreed at the Cologne Meeting in May 2012, that after the initial allocation, countries would be eligible to apply for further funding either an additional \$2m or \$5m dependant on meeting the agreed criteria. As funding currently stands and based on how much further support the 4 countries developing their MRPs at the moment needed, there is a high chance of a funding gap and therefore countries may not be able to apply for additional funding. This would limit the ambition of proposals. An additional \$30m is needed to enable all 15 countries to receive \$5m each and an additional \$75m is required to enable all 15 countries to receive the full \$8m. In addition, the PMR is not currently able to expand its Implementing Country participants at the current level of funding. For example, Kazakhstan has expressed an interest in becoming an Implementing Country under the Partnership but cannot participate at present.

### **1.6 Annual Outcome Assessment**

The original outcome for the PMR, as laid out in the business case, was: Market mechanisms in at least 5 developing countries by 2015.

Outcome indicators:

- No. of participating countries implementing market mechanisms;
- Quantity of emissions reductions (in MtCO<sub>2</sub>e) directly resulting from implementation of market mechanisms supported by the PMR.
- The annual review revealed that the PMR is behind in meeting the 2013 milestone of implementing 3 market mechanisms. Many of the countries that were front runners in carbon markets have delayed launching their domestic carbon markets due to a variety of reasons including the fiscal climate, underestimation of the complexity of their programme and change in political conditions.

To reflect these changing national circumstances and UK learning on the pace at which market-based mechanisms can be agreed and designed in developing countries the original outcome has been modified. The new outcome for the PMR is: Market mechanisms in at least 5 developing countries by 2020.

We have also proposed various recommendations earlier in this report to help mitigate against further delays.

### **1.6 Annual/6 monthly Outcome Assessment**

Key Performance Indicators applicable to the World Bank's PMR programme:

- KPI – Transformational
- KPI – Net change in Greenhouse Gas (GHG) emissions as a result of ICF support
- KPI – Volume of public finance mobilised for climate change purposes as a result of ICF funding
- KPI – Level of integration of climate change in national planning as a result of ICF support
- KPI - Level of institutional knowledge of climate change issues as a result of ICF support

## 2. Costs and timescale

### 2.1 Is the project on-track against financial forecasts: Yes

The first encashment against the promissory note for £3,500,000 took place shortly after program approval in November 2011. The remaining £3,500,000 is to be drawn down by 31<sup>st</sup> December 2012.

During its first year of operation the PMR trust fund allocated US\$350,000 to all 15 Implementing Country Participants, equalling a total allocation of US\$5,250,000.

In March 2013 the PMR is expected to allocate Implementation Phase funding (in the amount of between US\$3 million and US\$8 million) to up to 4 countries, which currently have Market Readiness Proposals in the draft stage.

### 2.2 Key cost drivers

Key cost drivers identified in the original business case:

- The existing level of capacity in the Implementing Countries: the higher the existing capacity, the lower the cost;
- The coverage of the market-based policy being implemented: the more sectors and installations covered, the higher the capacity building and information gathering costs will be.

### 2.3 Is the project on-track against original timescale: No

There are a few key milestones that have not been met in 2012, in particular indicators 2.1 and 2.2 in *Output 2: Increased developing country capacity to implement market mechanisms*.

These are the development of the Market Readiness Proposals which detail countries final plans on what capacity building support they require to implement their desired market mechanism. These proposals are the basis in which the Partnership Assembly assesses the level of grant funding they should receive based on the allocation criteria. Early 2013 will see 4 countries present their final plans including the decision on how much funding should be allocated. It is expected by the end of 2013, 6 countries will have presented their final plans and have grant funding allocated, this is 4 down on the initial milestone set out in the original business case.

The initial milestone set out in the original business case set quite challenging timescales. We underestimated the complexity and length of time implementing countries would take to develop and finalise their MRPs. This should not be seen as a negative, as plans that are rushed could risk being of poor quality and not achieving maximum potential for emission reduction and therefore reducing value for money. It reflects the ability of developing countries to develop and implement complete policies.

At the PA meeting in Cologne, May 2012, it was agreed that Implementing Countries would have a maximum of 2 years from adoption of their Organising Frameworks to presenting their Market Readiness Proposals.

One way to ensure that projects are not further delayed and keep within the agreed timescales, is by implementing a pipeline management (as previously explained under Recommendations for Output 2) tool for Implementing Countries that assesses progress against milestones and identifies areas (specifically MRP blocks) where countries are struggling. The UK will be proposing this at the March 2013 meeting of the PMR PA.

Indicators and milestones for the PMR have also been revised in conjunction with this annual review to reflect national circumstances and UK learning, and provide stronger future indications of progress.

## 3. Evidence, Monitoring and Evaluation

### 3.1 Assess any changes in evidence and implications for the project

There have been no amendments to the Theory of Change since it was produced as part of the

business case.

As originally explained earlier on in the review, the MRPs are taking longer to develop and finalise. These delays are being influenced by a variety of factors including changes in political circumstances, change on carbon market ambition and increased knowledge that has led to understanding more work needs to be undertaken due to the complexity of the topic.

### 3.2 Where an evaluation is planned what progress has been made?

From undertaking this annual review, gaps have been identified including a planned evaluation by the World Bank. One of the recommendations under *Output 2: Increased developing country capacity to implement market mechanisms* is:

*Undertake a capacity building review in Implementing Countries to examine how levels of capacity on climate mitigation and carbon markets has increased compared to the baseline at the beginning of the programme. This will assess the transformational benefits of this project.*

The UK will approach the World Bank at the March 2013 PA meeting with the aim of influencing them to include an evaluation of the success of the PMR on increasing capacity and knowledge to implement carbon market mechanisms.

## 4. Risk

### 4.1 Output Risk Rating: Medium

### 4.2 Assessment of the risk level

Risks identified in the original business case for UK investment in the PMR.

**Risk 1:** Developing countries are not forthcoming in putting forward expressions of interest due to lack of capacity.

- **Mitigating action:** Process of submitting an Expression of Interest has been developed in a two stage approach, with the option of completing only a short note ahead of receiving support for completion of a more comprehensive review (preparation grant of up to \$350,000).
- **Residual risk:** LOW (When the business case was approved 8 countries were officially implementing countries within the PMR and an extra 4 had sent expressions of interest.)

**Current Status:** This risk is now redundant as 15 countries are receiving funding from the PMR, with a 16<sup>th</sup> on a bi-lateral basis with Switzerland.

**Risk 2:** PMR funding is approved for work, which duplicates that done by existing organisations/national governments.

- **Mitigating Action:** The PMR initiative will build on existing work to reduce costs and maximize synergies. Collaboration with other organizations including UNDP, UNEP and other Multilateral Development Banks who have experience in building in-country capacity. The PMR has already started liaising with ICAP to create synergies on capacity building related to Emission Trading Systems (ETS). In the original Expression of Interest, countries are required to specify all existing work / initiatives underway on market readiness and to specify current capacity level in detail.
- **Residual risk:** LOW

**Current Status:** This risk is being mitigated through the implementation of the MRP Tool. The MRP Tool details what information is required in the MRP to help the PA make a decision on the level of grant funding alongside the allocation criteria. In one of the building blocks, Implementing Countries are required to detail all capacity building activities, including funding secured for these, to ensure duplication is minimised and therefore value for money is greater.



**Risk 3:** PMR activities do not lead to the implementation of pilot schemes and only lead to yet another piece of analytical work on market-based policies.

- **Mitigation Action:** Each potential Implementing Country is required to have their own ministerial sign-off for the implementation of the proposed market-based instruments.
- **Residual risk:** MEDIUM. There is always a risk of change in political context in implementing countries leading to a change of position on market-based instruments

**Current Status:** There is still a risk that pilot schemes are not implemented in countries. As stated in the business case, this risk has been mitigated by requiring ministerial sign-off.

One new risk that was identified earlier in the Annual Review is:

**Risk 4:** PMR Countries are slow in submitting their MRPs leading to significant delays in implementing market-based mechanisms, weakening value for money. Implementing Countries may not submit their MRPs within two years of presenting their Organising Frameworks.

- **Mitigating Action:** We have proposed to request the PMR Secretariat to implement tracking tool similar to what the CIFs have in place.
- **Residual Risk:** MEDIUM. There is a risk that changes in political circumstances will result in the MRPs being delayed or changed.

#### 4.3 Risk of funds not being used as intended

The World Bank is obligated to administer the PMR trust fund resources in a manner consistent with the terms laid out in the Administration Agreements signed with contributors to the PMR. The Administration Agreement between the IBRD and the UK concerning PMR, in particular, stipulates, under Section 1.6., that '(...) *the Contributions will be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations*'

When the Bank passes on the PMR funds to a recipient country under a Grant Agreement, the World Bank Policies and Procedures, in particular, the Bank's framework on governance and anti-corruption apply, as per the Bank's Operational Policy on Trust Funds (OP 14.40). This means that the Bank's relevant rules such as the Guidelines on Preventing and Combating Fraud and Corruption ('Guidelines') are applicable. Said Guidelines are available at:

<http://siteresources.worldbank.org/INTLEGSTAFONLY/Resources/AnticorruptionGuidelinesOct2006RevisedJan2011.pdf>

## 5. Value for Money

### 5.1 Performance on VfM measures

Outcome Indicator: Market mechanisms in at least 5 developing countries by 2015.

Value for money under these criteria is based on the number of countries that have joined the Partnership to implement a market mechanism and the amount of emissions reductions achieved through the implementation of such mechanism. This milestone target is still on track, although as MRPs develop, it is possible that this target may not be met due to increased complexity of market mechanisms and barriers faced by countries such as political support. The PMR has met and exceed the target number of countries that have joined the PMR (5 by 2015). We are of a strong opinion that the delivery of stronger and more robust MRP is more important to ensure maximum emission reductions results delivering higher value for money.

Output Indicators: (i) Increased knowledge sharing and support between developed and developing country partners to improve new market mechanism design and development; (ii) Increased developing country capacity to implement market mechanisms; and (iii) Promotion of sustainable, low-carbon development.

These outputs are being met by the platform as explaining in earlier sections on detailing output scope.

## **5.2 Commercial Improvement and Value for Money**

The PMR is a unique platform that brings developed and developing countries together to develop capacity on new market based mechanisms. There is no other programme that has mobilised this level of finance for technical assistance on carbon markets, specifically on new market mechanisms.

The budget is agreed by the PA and the Secretariat provides an update at each PA Meeting. Spending is scrutinised to ensure that value for money is achieved and that as much funding as possible is directed to developing capacity instead of on administration. The Secretariat limit transaction costs by enforcing written procedures on how funds will be allocated to Implementing Countries e.g. funds will be delivered in a single transfer, not multiple.

DECC has actively engaged with the Secretariat on the development of the Allocation of Funds Criteria which sets guidelines on how funds will be allocated to Implementing Countries once they have presented on their final Market Readiness Proposals. This implements strict criteria on how much countries should receive based on the quality of their MRPs. We have successfully influenced the Secretariat to make the criteria stronger to ensure value for money and that the amount of emissions reductions is a criterion. We also successfully changed criteria to ensure that funding was not guaranteed to countries and that they still had to meet the minimum standard set out in the criteria to even be awarded initial funding of \$3m.

## **5.3 Does the project still represent Value for Money-: Yes**

Although the project will not meet the 2013 target, it still has the potential to meet the new 2020 target of 5 market mechanisms to be up and running by 2020. The overall strategic goal is to reduce greenhouse gas emissions by building capacity to implement market mechanisms. On that basis the programme is still meeting that objective albeit on a slightly slower timescale. To ensure the UK is receiving value for money, it is essential that proposals are of high quality and the market mechanisms generate maximum emissions reduction savings. The risk of rushing MRPs through to meet statistical targets is that MRPs will be of poorer quality, less thought out and less ambitious than they should be. This in turn would mean the PMR would be poor value for money as maximum emissions would not be met.

## **5.4 If not, what action will you take?**

N/A

## **6. Project partnerships, sustainability and transformation**

### **6.1 Partnerships**

The World Bank serves as the Secretariat of the PMR to provide secretariat services and technical support for day-to-day operations of the platform.

The Bank will serve as the trustee of the trust fund for the PMR. The Bank as Trustee will establish a trust fund to receive contributions from donors to the PMR.

The Bank serves as the principal Delivery Partner to Implementing Countries. As the Delivery Partner, the World Bank is responsible for (a) collaborating with the agreed Implementing Country Participants to assist them in carrying out the activities of the PMR, including providing technical assistance for preparing market readiness proposals and grant implementation; (b) supervising grant implementation for Implementing Country Participants; and (c) providing technical support as needed for activities

financed by the PMR. The role of the Delivery Partner will also be responsible for the use of funds transferred to it under the PMR and the activities carried out in accordance with its own fiduciary, safeguard and operational policies and procedures. The World Bank as the Delivery Partner will report, and be directly accountable, to the Partnership Assembly and/or the Partnership Committee, as applicable.

## 6.2 Transformation

### Legend on Scoring

Scale	Description
1	No evidence yet available - too soon to revise assessment in business case
2	Transformation judged unlikely
3	Tentative evidence points to likely change
4	Clear indication of change - transformation judged likely

### PMR ratings on Transformational Key Performance Indicators

Scale: 4

Replicability: 4

Innovation: 4

Leverage: 3

The above scoring shows a strong case for the PMR programme to be seen as transformational. The programme's overall ambition is to foster market mechanisms ready for implementation stage to achieve quantified GHG emission reductions. A majority of the mechanisms are underpinned by regulation in the host country and are part of wider long-term climate and energy mitigation policies. As part of their project plan, countries identify funding from other sources than the World Bank, including their own Government's financial contribution, which confirms commitment to implementing the work developed under the PMR. Costa Rica's Environment Minister is due to attend the Washington Meeting in March 2013 to support the presentation of Costa Rica's final MRP.

The PMR is seeing a phased approach to market mechanism developments with countries planning to pilot small-scale mechanisms with the view to scale up to more ambitious mechanisms. E.g. Chile are seeking to build capacity on market components (MRV, registries, data collection) in a first phase, moving to piloting a ETS in a later phase. Many of the countries are seeking support to implement mitigation pledges made under the UNFCCC. It is also possible that some of these mechanisms will be able to fall under the umbrella of the UNFCCC New Market Mechanism.

## 7. Conditionality

### 7.1 Update on specific conditions

N/A

## 8. Lessons learned, conclusions and actions

The overall output score that was given in this Annual Review is B: *Outputs moderately did not meet expectation*

This scoring was given due to the 60% weighting of Output 2: *Increased developing country capacity to implement market mechanisms* which received an output score B due to not meeting two milestones set out in the business case which were: i) five MRPs to have been approved by end of 2012; and ii)

five Implementing Countries to have received implementation funding by end of 2012. Currently no MRPs have been allocated implementation funding.

Upon reflection, the two milestones associated with Output 2 were unrealistic goals set out in original business case. We underestimated the length of time Implementing Countries would come forward with Organising Frameworks due to the time needed to gain political support in-country and to take decisions on market mechanism design. We also underestimated the time it would take for these countries to develop capacity to their design market mechanisms ready to present their final MRPs.

The risk rating that has been given to this project is medium.

There are three risks identified for the PMR. These are:

1. PMR activities do not lead to the implementation of pilot schemes and only lead to yet another piece of analytical work on market-based policies; and
2. Implementing Countries will not submit their MRPs within two years of presenting their Organising Frameworks and therefore miss out on being allocated grant funding.
3. Potential that some Implementing countries will not be able to receive additional funding beyond the \$3m baseline amount or that new countries cannot join the PMR, due to current levels of allocation funds.

The first risk is being mitigated against by gaining the support of Ministers in Implementing Countries for the MRPs, but the PMR cannot control unforeseeable changes in political support. The UK is investigating the opportunity of using results based financing methods to aid the piloting of the new market mechanisms. This should encourage countries to implement their plans due to additional financial support. This risk cannot be fully mitigated.

The second risk was identified through the PMR review and the UK will be requesting mitigating action in the form of a tracking tool at the PMR meeting in March 2013.

The UK is considering action to address the third risk by assessing the option to increase our country donation or enter into a bi-lateral agreement with a new Implementing Country.

As a result of the Annual Review in identifying a potential shortage of funds In 2013, the UK will be appraising options to increase the UK's donation to the PMR. There are three options for this, of which two options could be combined:

- Increasing the UK's donation to the PMR fund;
- Entering into a bi-lateral relationship with an ICF Carbon Market priority country and funding their participation in the PMR;
- Creating a financial mechanism under the PMR that enables the UK and others to use Results-Based Financing to pilot new market mechanisms being delivering through the platform.

## 9. Review Process

Sources Used:

PMR Website – 1<sup>st</sup> Year Achievements Presentation

Business Case

WB PMR Brochure

WB PMR Summary

ICF Management Tool

UK World Bank Contribution Arrangement 15 November 2011 Partnership for Market Readiness

## Annex A: Edited Log frame

PROJECT NAME	World Bank Partnership for Market Readiness (PMR)						
<b>IMPACT</b>	<b>Impact Indicator 1</b>		<b>Baseline May 2011</b>	<b>Milestone 1 (end of Oct 2016)</b>	<b>Milestone 2 (end of Oct 2018)</b>	<b>Target (end of Oct 2020)</b>	
Substantial CO2 abatement as a result of market mechanisms.	Quantity of emissions reductions (in MtCO2e) resulting from implementation of market mechanisms.	Planned					
		Achieved					
			Source				
	<b>Impact Indicator 2 (KPI)</b>		<b>Baseline</b>	<b>Milestone 1 (end of Oct 2016)</b>	<b>Milestone 2 (end of Oct 2018)</b>	<b>Target (end of Oct 2020)</b>	
	Public revenue raised from carbon related market mechanisms.	Planned					
		Achieved					
			Source				
		PMR Secretariat, Implementation Countries					
	<b>Impact Indicator 3 (Qualitative KPI)</b>		<b>Baseline</b>	<b>Milestone 1 (end of Oct 2016)</b>	<b>Milestone 2 (end of Oct 2018)</b>	<b>Target (end of Oct 2020)</b>	
	Level of integration of climate change in national planning as a result of ICF support.	Planned					
		Achieved					
			Source				
	<b>Impact Indicator 4 (Qualitative KPI)</b>		<b>Baseline</b>	<b>Milestone 1 (end of Oct 2016)</b>	<b>Milestone 2 (end of Oct 2018)</b>	<b>Target (end of Oct 2020)</b>	
	Level of institutional knowledge of climate change issues as a result of ICF support.	Planned					
		Achieved					
		Source					
<b>Impact Indicator 5 (Qualitative KPI)</b>		<b>Baseline</b>	<b>Milestone 1 (end of Oct 2016)</b>	<b>Milestone 2 (end of Oct 2018)</b>	<b>Target (end of Oct 2020)</b>		
Extent to which ICF intervention is likely to have a transformational impact.	Planned						
	Achieved						
		Source					

OUTCOME	Outcome Indicator 1		Baseline (May 2011)	Milestone 1 (end of Oct 2016)	Milestone 2 (end of Oct 2018)	Target (end of Oct 2020)	Assumptions	
Market mechanisms in at least 5 developing countries by 2020.	No. of participating countries implementing market mechanisms.	Planned	0	0	3	5	That not all Implementation Countries within the PMR will choose to implement market mechanisms. That Implementation Countries in the PMR will implement market mechanisms prior to the agreement of a new international climate change deal expected in 2015.	
		Achieved						
			Source					
		PMR Secretariat, Partnership Assembly meetings, PMR website						
	Outcome Indicator 2 (KPI)		Baseline	Milestone 1 (end of Oct 2016)	Milestone 2 (end of Oct 2018)	Target (end of Oct 2020)		
	Quantity of emissions reductions (in MtCO2e) directly resulting from implementation of market mechanisms supported by the PMR.	Planned	0					
Achieved								
		Source						
		PMR Secretariat, Partnership Assembly meetings, PMR website						
INPUTS (£)	DECC (£)		Govt (£)		Other (£)	Total (£)	DECC SHARE (%)	
	£ 7m (or US\$11.4m at time of donation)		US\$107.6m (Not taking into account public funding from Implementation Countries for MRP implementation.)		N/A	cUS \$119m	c9.6%	
INPUTS (HR)	DECC (FTEs)							
	0.5							



OUTPUT 1	Output Indicator 1.1		Baseline (May 2011)	Milestone 1 (end of Oct 2011)	Milestone 2 (end of Oct 2013)	Target (end of Oct 2015)	Assumption	
Increased knowledge sharing and support between developed and developing country partners to improve new market mechanism design and development.	Number of knowledge tools created to support Implementation Country market mechanism development and implementation.	Planned	No Tools	Tool for Market Readiness Proposals finalized.	5 completed Technical Notes or similar knowledge products.	10 completed Technical Notes or similar knowledge products.	Indicator 1.1: That the knowledge tools created will be relevant to PMR Implementation Countries and improve their ability to design and develop stronger market mechanisms and mechanism implementation plans. Indicator 1.2: That Partnership meetings and workshops provide lesson learning which influences Implementation Countries. Indicator 1.3: That the number of visits to the PMR.org website is an indicator of the use of the PMRs knowledge tools.	
		Achieved		Achieved – Tool was also amended in Oct. 2012.				
		<b>Source</b>						
		PMR Secretariat, PMR website						
	Output Indicator 1.2		Baseline (May 2011)	Milestone 1 (end of October 2011)	Milestone 2 (end of Oct 2012)	Target (end of Oct 2015)		
	Number of Partnership meetings and workshops held by the PMR annually.	Planned	Initial Partnership Assembly Meeting	2 Partnership meetings per year.	2 Partnership meetings per year.	A minimum of bi-annual meetings and 2 workshops per year until 2015.		
		Achieved		Achieved. One technical workshop was also held in Sept 2011.	Surpassed in 2012 with the initiation of tri-annual meetings. 3 technical workshops ere also held during 2012.			
		<b>Source</b>						
		PMR Secretariat, Partnership Assembly meetings, PMR website						
	IMPACT WEIGHTING (%)	Output Indicator 1.3		Baseline 2011	Milestone 1 (end of Oct 2012)	Milestone 2 (end of Oct 2013)		Target (end of Oct 2015)
25%	Number of visitors to online tools at the PMR.org website.	Planned	PMR website live	Total no. of visits to the website	Total no. of visits to the website	Total no. of visits to website		
		Achieved						
		<b>Source</b>						
		PMR Secretariat, Partnership Assembly meetings, PMR website						
INPUTS (£)	DECC (£)		Govt (£)	Other (£)	Total (£)	DFID SHARE (%)		
INPUTS (HR)	DECC (FTEs)							
							<b>RISK RATING</b>	

OUTPUT 2	Output Indicator 2.1		Baseline	Milestone 1 (end of Oct 2013)	Milestone 2 (end of Oct 2014)	Target (end of Oct 2015)	Assumptions
Increased developing country capacity to implement market mechanisms.	Percentage of allocated preparatory funding (US\$350,000 per country) disbursed.	Planned	0% - No funding disbursed	60% - (of US\$3,150,000)	60% - (of US\$5,250,000)	80% - (of US\$5,600,000)	<p><u>Indicator 2.1:</u> That Implementing Countries will use slightly less than the full US\$350,000 of preparatory funding they are allocated for MRP development within the 2-year time frame. That disbursement rates will lag more in earlier years rather than later years.</p> <p><u>Indicator 2.2:</u> That not all of the 16 Implementing Countries will follow through and develop MRPs. That countries which do will not all finalize their MRPs within the allotted 2 year time frame.</p> <p><u>Indicator 2.3:</u> 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.</p>
		Achieved					
		<b>Source</b>					
	PMR Secretariat, Partnership Assembly meetings, PMR website						
	Output Indicator 2.2		Baseline	Milestone 1 (end of 2012)	Milestone 2 (end of 2013)	Target (end of 2015)	
	Number of countries with approved MRP implementation plans.	Planned	No implementation plans	0 developing countries have implementation plans (altered from an original estimate of 5 countries).	5 developing countries have implementation plans	10 developing countries with implementation plans.	
Achieved			0 developing countries had finalized implementation plans. 4 developing countries had produced draft implementation plans.				
<b>Source</b>							
PMR Secretariat, Partnership Assembly meetings, PMR website							
IMPACT WEIGHTING (%)	Output Indicator 2.3		Baseline	Milestone 1 (end of Oct 2013)	Milestone 2 (end of Oct 2014)	Milestone 3 (end of Oct 2015)	
60%	Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed – planned versus actual, based on Implementation Countries MRP budgets and timelines for work.	Planned	0% - No funding disbursed.	0%	40%	60%	<b>RISK RATING</b>
		Achieved					
		<b>Source</b>					
Implementing Country MRP Plans, PMR Secretariat, PA meetings, PMR website							
INPUTS (£)	DECC (£)		Govt (£)	Other (£)	Total (£)	DFID SHARE (%)	
INPUTS (HR)	DECC (FTEs)						

OUTPUT 3	Output Indicator 3.1		Baseline (May 2011)	Milestone 1 (end of Oct 2014)	Milestone 2 (end of Oct 2015)	Target (end of Oct 2016)	Assumptions
Promotion of sustainable, low-carbon development in developing countries.	No. of stakeholder outreach and engagement activities that have taken place in Implementation Countries.	Planned	0				Stakeholder outreach and engagement includes consultations and trainings conducted by Implementing Country groups in the course of their MRP implementation. Increased stakeholder engagement builds support for low carbon development and market mechanisms adoption.
		Achieved					
<b>IMPACT WEIGHTING (%)</b>		Source					<b>RISK RATING</b>
15%		PMR Secretariat, Partnership Assembly meetings					
<b>INPUTS (£)</b>	<b>DECC (£)</b>		<b>Govt (£)</b>	<b>Other (£)</b>	<b>Total (£)</b>	<b>DFID SHARE (%)</b>	
<b>INPUTS (HR)</b>	<b>DECC (FTEs)</b>						

## Annex B: Original Log frame

PROJECT NAME	World Bank Partnership for Market Readiness (PMR)					
IMPACT	Impact Indicator 1		Baseline May 2011	Milestone 1 (end of 2013)	Milestone 2 (end of 2014)	Target (end of 2015)
Substantial CO2 abatement as a result of market mechanisms	Quantity of emissions reductions (in MtCO2e) resulting from implementation of market mechanisms	Planned				
		Achieved				
			Source			
	Impact Indicator 2		Baseline	Milestone 1 (end of 2013)	Milestone 2 (end of 2014)	Target (end of 2015)
	Revenue raised from carbon related market mechanisms	Planned				
		Achieved				
		Source				

OUTCOME	Outcome Indicator 1		Baseline (May 2011)	Milestone 1 (end of 2012)	Milestone 2 (end of 2013)	Target (end of 2015)	Assumptions
Market mechanisms in at least 5 developing countries by 2015	No. of participating countries implementing market mechanisms	Planned	0	0	3	5	
		Achieved					
			Source				
		PMR Secretariat, Partnership Assembly meetings, PMR website					
	Outcome Indicator 2		Baseline	Milestone 1 (end of 2013)	Milestone 2 (end of 2014)	Target (end of 2015)	
	Quantity of emissions reductions (in MtCO2e) directly resulting from implementation of market mechanisms supported by the PMR	Planned	0				
Achieved							
		Source					
	PMR Secretariat, Partnership Assembly meetings, PMR website						
INPUTS (£)	DECC (£)		Govt (£)	Other (£)	Total (£)	DECC SHARE (%)	
	£ 7m (\$11.4m)		£34m (\$56m)	N/A	c£41m (\$67m)	17%	
INPUTS (HR)	DECC (FTEs)						
	0.5						

OUTPUT 1	Output Indicator 1.1		Baseline (May 2011)	Milestone 1 (end of July 2011)	Milestone 2 (Aug 2011)	Target (end of October 2011)	Assumption	
Increased knowledge sharing and support between developed and developing country partners to improve new market mechanism design and development	Development of a knowledge tool for Market Readiness Proposals	Planned	No Tool for Market Readiness Proposals	1st draft of Tool	2nd draft of Tool	Final draft agreed		
		Achieved		Achieved	Achieved	Achieved		
		<b>Source</b>						
	PMR Secretariat							
	Partnership meeting established to discuss best practise and provide advice	Output Indicator 1.2	Planned	Initial Partnership Assembly Meeting	2nd Partnership Meeting	3rd Partnership Meeting		Bi-annual meetings until 2015
			Achieved		Achieved	Achieved		
<b>Source</b>								
PMR Secretariat, Partnership Assembly meetings, PMR website								
<b>IMPACT WEIGHTING (%)</b>	<b>Output Indicator 1.3</b>		<b>Baseline 2011</b>	<b>Milestone 1 (end of 2011)</b>	<b>Milestone 2 (end of 2013)</b>	<b>Target (2015)</b>		
25%	Online blog, document library and tool	Planned	PMR website live	Online blog and tool set up	Total no. of visits to the website	Total no. of visits to website		
		Achieved						
<b>Source</b>						<b>RISK RATING</b>		
PMR Secretariat, Partnership Assembly meetings, PMR website								
<b>INPUTS (£)</b>	<b>DECC (£)</b>		<b>Govt (£)</b>	<b>Other (£)</b>	<b>Total (£)</b>	<b>DFID SHARE (%)</b>		
<b>INPUTS (HR)</b>	<b>DECC (FTEs)</b>							

OUTPUT 2	Output Indicator 2.1		Baseline	Milestone 1 (end of 2012)	Milestone 2 (end of 2013)	Target (end of 2014)	Assumptions			
Increased developing country capacity to implement market mechanisms	Implementation plans for X no. of countries	Planned	No implementation plans	5 developing countries have implementation plans	10 developing countries have implementation plans	15 developing countries with implementation plans				
		Achieved		Not Achieved. 4 developing countries have draft implementation plans as of Oct. 2012.						
		<b>Source</b>								
		PMR Secretariat, Partnership Assembly meetings, PMR website								
	Agreement of funding for the implementation stage	Planned	No funding	Agreement to fund 5 developing countries implementation plans	Agreement to fund 10 developing countries' implementation plans	Funding of implementation plans in 15 developing countries				
		Achieved		Not Achieved						
		<b>Source</b>								
		PMR Secretariat, Partnership Assembly meetings, PMR website								
	IMPACT WEIGHTING (%)	Output Indicator 2.3		Baseline	Milestone 1 (2013)	Milestone 2 (2014)			Target (2015)	
	60%	No. of people trained to deliver and implement market based mechanisms that would result in quantified emissions reductions	Planned	0						
Achieved										
<b>Source</b>										
PMR Secretariat, Partnership Assembly meetings, PMR website						<b>RISK RATING</b>				
INPUTS (£)	DECC (£)		Govt (£)	Other (£)	Total (£)	DFID SHARE (%)				
INPUTS (HR)	DECC (FTEs)									



OUTPUT 3	Output Indicator 2.1		Baseline (May 2011)	Milestone 1 (2012)	Milestone 2 (2013)	Target (2015)	Assumptions		
Promotion of sustainable, low-carbon development	No. of stakeholder activities that have taken place	Planned	0						
		Achieved							
		Source							
		PMR Secretariat, Partnership Assembly meetings, PMR website							
	Output Indicator 2.2	No. of businesses involved in PMR countries' carbon market plans	Planned	0					
			Achieved						
			Source						
			PMR Secretariat, Partnership Assembly meetings, PMR website						
IMPACT WEIGHTING (%)	Output Indicator 2.3		Baseline (May 2011)	Milestone 1 (2013)	Milestone 2 (2015)	Target (2020)			
15%	Growth in private finance investment in carbon markets in PMR countries (% and capital)	Planned							
		Achieved							
		Source							
		PMR Secretariat, website www.CarbonFinance.org							
INPUTS (£)	DECC (£)		Govt (£)	Other (£)	Total (£)	DFID SHARE (%)			
INPUTS (HR)	DECC (FTEs)								