

Annual Review - Summary Sheet

Title: Partnership for Market Readiness (PMR)

Programme Value: £7 million

Review Date: December 2014

Programme Code: ICF097B

Start Date: 2011

End Date: 2020

Summary of Programme Performance

Year	2011-12	2012-13	2013-14					
Programme Score	B	A+	A+					
Risk Rating	Medium	Medium	Medium					

Summary of progress and lessons learnt since last review

This has been a broadly successful year for the PMR, which overachieved on almost every indicator of the UK logframe (see pages 5-7 and Annex I). The high demand for PMR support from developing countries demonstrates the value they place in this work. In addition the value of the PMR has been recognised at the highest political levels, evidenced by the Presidents of both Chile and Colombia mentioning the PMR in their speeches at the United Nations in September 2014.

The success of the PMR in this Annual Review should be caveated by a recognition that the PMR is still in its 'start up' phase. Implementation of the Market Readiness Proposals (MRPs) has yet to begin. The implementation phase, starting in 2015, will bring new challenges, and is where the real impact of the PMR will be achieved.

The most important lesson of the last year has been that disbursing funding is taking too long. There have been significant delays in finalising grant agreements and disbursing funding. In some cases this could take two years, or longer. This is a major concern, and we will closely monitor the situation in the coming year. The PMR Secretariat have initiated efforts to address the problem, though these have yet to show results.

Other lessons learnt are as follows: Expectations about the impact of the PMR are being realigned; The context of the PMR is changing, in particular it is becoming more political; Implementing country ambition has been lower than expected.

Summary of recommendations for the next year

There are four recommendations for the PMR in the coming year:

1. Continue to explore partnerships to deliver technical work with other reputable organisations (building on the collaborations initiated in 2014 with the German Agency for International Cooperation (GIZ), the Development Bank of Latin America (CAF) and the international Carbon Action Partnership (ICAP). This recommendation relates to output 1 on the UK logframe.
2. Continue to develop and implement ways of speeding up the grant agreement process, and ensure that the PMR participants are kept fully updated on the situation. This recommendation relates to output 2 on the UK logframe.
3. The PMR Secretariat should consider how to assess the impact of the PMR's stakeholder events, and how that impact could be increased. At present no such effort is made. This recommendation relates to output 3 on the UK logframe.
4. The PMR should improve financial transparency by the publishing full and complete accounts, alongside a narrative, on an annual basis.

A. Introduction and Context (1 page)

DevTracker Link to Business Case:	
DevTracker Link to Log frame:	

Outline of the programme

The PMR supports capacity building for the implementation of carbon pricing¹ 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. By supporting the development of carbon pricing the PMR enables enhanced greenhouse gas mitigation.

There are 13 donors to the PMR², collectively contributing \$126.5m, of which £7m (9% of the total) is from the UK. In addition to financial support, the UK also contributes technical expertise to the PMR, drawing on over a decade's experience in designing and implementing carbon pricing measures.

The PMR also includes 17 developing countries (known as 'implementing countries')³. Through the PMR they can develop Market Readiness Proposals (MRPs), and receive grants of \$3m, \$5m or \$8m for their implementation. In addition there are three technical partners in the PMR (Kazakhstan, California and Quebec) – which can either receive financial support up to \$1m (in the case of Kazakhstan) or benefit from shared learning (in the case of California and Quebec). Finally the PMR has a number of observer countries (including France, Italy, New Zealand, Singapore, South Korea) and organisations (such as the UNFCCC).

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, approves the PMR operating budget, 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 also participated in two PMR working groups, on evaluation and on offset units.

The work of the PMR supports UK objectives on climate change because of the potential it has to promote carbon markets around the world. The core PMR activity of building institutional and technical capacity for market mechanisms is a necessary first step towards gaining support for market-based approaches and expanding their use.

The UK is committed to the expansion of carbon markets in both developed and developing countries to enable cost effective emission reductions. In turn this will increase the likelihood that the world will be able to limit the rise in average global temperatures to two degrees above pre-industrial levels.

Interest in participating in carbon markets is high and growing, with over 40 countries or regions implementing some form of carbon pricing. This demonstrates the clear need to provide continued support, in the form of technical and institutional capacity, to the PMR implementing countries.

¹ Carbon pricing can refer to a range of policies, but in the context of the PMR primarily denotes emissions trading and carbon taxes.

² Australia, Denmark, European Commission, Finland, Germany, Japan, Netherlands, Norway, Spain, Sweden, Switzerland, UK, USA. Within the PMR these are referred to 'Contributing Participants'.

³ Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Jordan, Mexico, Morocco, Peru, South Africa, Thailand, Tunisia, Turkey, Ukraine and Vietnam. Within the PMR these are referred to 'Implementing Country Participants'.

B: PERFORMANCE AND CONCLUSIONS (1-2 pages)

Annual outcome assessment

This has been a successful year for the PMR, which overachieved on almost every indicator in the UK's logframe. Most importantly carbon pricing measures have in this year been announced by two PMR implementing countries, Mexico and Chile. Though the PMR's role cannot be definitively distinguished from the many other factors that prompted these announcements, it is likely that the PMR had a substantive positive role.

In addition the PMR this year created a new category of participation – technical partner – and admitted three new jurisdictions under this guise: Kazakhstan, California and Quebec. This further growth in engagement with the PMR indicates that it is the world's leading forum for promoting carbon pricing, and is highly valued by key policy makers. A further indicator of the PMR's success is that two heads of state – President Bachelet of Chile and President Santos of Colombia – referred to its work in their speeches to the UN Secretary General's Climate Summit in September 2014.

Notwithstanding these notable achievements, there are two areas in which the PMR should improve: grant agreements and evaluation. Firstly the grant agreement process. Though it is a positive milestone that the first PMR implementation funding was disbursed this year, overall the process takes too long and is insufficiently transparent. This risks causing delays to the disbursement of funding and eroding good will between the PMR and its participants. Secondly relatively little has been done to evaluate the PMR, especially on a qualitative basis, to understand its impact and how it could be improved. This is a missed opportunity that the UK has previously highlighted.

The PMR Secretariat is aware of both of these issues, and took steps to address them in 2014. On the delays to grant agreements and disbursement, new measures have been taken to accelerate the grant agreement process. These include better coordination between MRP and grant agreement preparation, and development of a PMR Operations Monitoring System in order to support the PA to efficiently monitor the progress of MRP activities in each of the Implementing Countries. On evaluation, in late 2013 the PMR Secretariat convened an Evaluation Working Group, where the UK has been an active member. Throughout 2014 this group worked to prepare the first central evaluation of the PMR, and an evaluation framework to guide subsequent evaluations of the PMR. Both documents will be finalised in the first half of 2015.

Overall output score and description

Scale	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+.

This score is consistent across all three outputs in the UK logical framework for the PMR, reflecting that the PMR has consistently overachieved on its key deliverables. In particular the PMR has disbursed preparatory funding and awarded grants faster than anticipated, demonstrating that there is great appetite for PMR support in implementing countries, and that the proposals are of sufficient quality to be approved without delay. However the logical framework does not assess the length of time taken to finalise grant agreements. As stated above this is a cause for concern and should the problem remain then consideration will be given to amending the logical framework to reflect this in the next Annual Review.

Key lessons

1. Disbursing funding is taking too long. Although grants have been awarded faster than expected (as described above), it has become increasingly evident throughout the year that what happens next – negotiations between the World Bank and the PMR implementing country to finalise a grant agreement, and then disbursement of funds – can involve substantial delays. For example the PMR awarded grants of \$3m each to Mexico and Costa Rica in March 2013, however as of December 2014 the grant agreements are yet to be finalised, and therefore funding will not be disbursed to these countries until mid 2015 at the earliest.
2. Expectations about the impact of the PMR are being realigned. The type of support originally envisaged by donor countries under the PMR has proved too narrow to meet certain countries' needs. Therefore the PA is discussing the extent to which funding should be used to support national policy analysis regarding whether or not to implement a carbon price. This is an ongoing debate. The final PMR meeting of 2014 featured a lengthy discussion about whether the PMR is to support the implementation of carbon pricing, or whether it is merely for the consideration of carbon pricing. A similar discussion occurred in 2012.
3. The context of the PMR is evolving. This applies to both the PMR itself – where the focus is now shifting away from 'readiness' and towards implementation of new mechanisms – and to the wider context for the PMR, which is becoming increasingly political in the run up to the planned Paris Agreement in late 2015. Both of these areas will stimulate an active discussion about the future of the PMR in 2015.
4. Implementing country ambition has been lower than expected. Of the 11 countries that have had their MRPs approved to date, only one (China) has requested more than the minimum amount of \$3m. The expectation when the PMR was established was that, on average, implementing countries would request more money, in order to implement bigger and hence more ambitious work programmes (to implement, rather than to help decide whether to implement, a carbon price – see lesson 2). Given the projected under-spend (from the 'first round' or MRPs) and over-capitalisation of the PMR (having raised \$126.5m, following an initial target of \$100m), implementing countries have asked whether they will be able to access a 'second round' of MRP funding. This has yet to be decided.

Key actions

Besides working with the PMR Secretariat to act upon the four recommendations outlined above, in addition the following year will see action on two areas. Firstly, in response to lessons 2 and 3 above, the coming year will witness an important conversation about the future of the PMR. In particular this will cover the PMR's role in a changing global context. Secondly, the coming year will see the completion of the first evaluation of the PMR, and the evaluation framework (which will guide future evaluations). The UK will continue to play an active role in both areas.

Has the logframe been updated since the last review?

Yes. The previous logframe included five impact indicators, however none had any baselines or milestones because of the difficulty in their assessment, quantification and attribution. The current version of the logframe has removed three impact indicators ('quantity of emissions reductions (in MtCO₂e) resulting from implementation of market mechanisms', 'level of integration of climate change in national planning as a result of ICF support', and 'level of institutional knowledge of climate change issues as a result of ICF support') because of these difficulties. Baselines and milestones for the remaining two impact indicators ('public revenue raised from carbon related market mechanisms' and 'extent to which ICF intervention is likely to have a transformational impact') have been added.

Minor changes were also made to output indicators 1.2, 1.3, 2.2 and 2.3. All changes to the logframe since the last Annual Review are marked in red in Annex I.

C: DETAILED OUTPUT SCORING (1 page per output)

Output Title	<i>Increased knowledge sharing and support between developed and developing country partners to improve new market mechanism design and development.</i>		
Output number per LF	1	Output Score	A+
Risk:	<i>Low</i>	Impact weighting (%):	25%
Risk revised since last AR?	<i>Y (not rated last year)</i>	Impact weighting revised since last AR?	<i>N</i>

Indicators	Milestones	Progress
1.1 Number of knowledge tools created to support Implementation Country market mechanism development and implementation.	1. (end of Oct 2011) Tool for Market Readiness Proposals finalized 2. (end of Oct 2013) 5 completed Technical Notes or similar knowledge products 3. (end of Oct 2015) 10 completed Technical Notes or similar knowledge products	<u>Ahead of schedule.</u> As of mid-November 2014 the PMR has produced nine technical notes, of which three were produced in the last year. In addition two sets of guidelines on MRV, an e-learning syllabus on emissions trading and one set of training materials on MRV were produced.
1.2 Number of Partnership meetings and workshops held by the PMR annually.	1. (end of Oct 2011) 2 Partnership meetings and one workshop per year 2. (end of Oct 2013) 2 Partnership meetings and three workshops per year 3. (end of Oct 2015) 2 Partnership meetings and three workshops per year	<u>Ahead of schedule.</u> In the year to mid-November 2014 the PMR held three partnership meetings and six workshops. In addition four training events were organized (three regional trainings on MRV and one in partnership with the Climate-KIC Research Programme on MRV).
1.3 Number of visitors to online tools at the PMR website (www.thepmr.org).	1. (end of Oct 2012) (no target figure) 2. (end of Oct 2013) (no target figure) 3. (end of Oct 2015) 85,000 visits (cumulative)	<u>On schedule.</u> As of 31 October 2013 the total was 27,585 visits, rising to 56,575 visits by 31 October 2014.

Key Points

- The PMR has been successful on these indicators, reaching all milestones ahead of/on schedule.
- The PMR is ramping up its technical work program, in response to increasing demand from countries entering into the implementation phase of their MRPs. New knowledge products are being prepared. To increase the impact and the relevance of this work a mapping exercise is being undertaken to explore 'clustering' countries around common areas of needs and interests.
- The PMR website, which serves both as a tool to communicate between PMR participants and beyond, and as a knowledge-sharing platform, could be more fully utilised. In response the PMR Secretariat has begun a process to restructure the website's design and enhance its content.

Summary of responses to issues raised in previous annual reviews

- *Key resources should be translated into Spanish, and possibly into other languages as well.* This is being explored as part of the redesign of the PMR website, described above.
- *Explore potential qualitative success indicators, to demonstrate the full impact of the PMR.* Participant satisfaction questionnaires were trialled for the first time following the regional MRV training (March 2014), and as part of the first evaluation of the PMR.
- *Run further South-South exchanges, especially among Latin American countries.* This work was expanded in 2014, and there are plans to expand it further in 2015.

Recommendations

- Continue exploring partnerships to deliver technical work with other reputable organisations (building on the collaborations initiated in 2014 with GIZ, CAF and ICAP).

Output Title	<i>Increased developing country capacity to implement market mechanisms.</i>		
Output number per LF	2	Output Score	A+
Risk:	<i>Low</i>	Impact weighting (%):	60%
Risk revised since last AR?	<i>Y (not rated last year)</i>	Impact weighting revised since last AR?	<i>N</i>

Indicators	Milestones	Progress
2.1 Percentage of allocated preparatory funding (US\$350,000 per country) disbursed	1. (end of Oct 2013) 60% - (of US\$3,150,000) 2. (end of Oct 2014) 60% - (of US\$5,250,000) 3. (end of Oct 2015) 80% - (of US\$5,600,000)	<u>Ahead of schedule.</u> 100% of preparatory funding (\$5.95m) had been disbursed by October 2014.
2.2 Number of countries with approved MRP implementation plans	1. (end of Oct 2013) 5 developing countries have implementation plans 2. (end of Oct 2014) 7 developing countries have implementation plans 3. (end of Oct 2015) 10 developing countries with implementation plans	<u>Ahead of schedule.</u> As of early-November (the PMR's 'October' meeting was this year held in the first week of November) 12 developing countries had been awarded MRP implementation grants.
2.3 Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement	1. (end of Oct 2014) 60% 2. (end of Oct 2015) 80% 3. (end of Oct 2016) 90%	<u>Ahead of schedule.</u> As of the end of October 66% of the funding as set out in the grant agreement has been disbursed*.

Key Points

- The PMR has been successful on these indicators, reaching all milestones ahead of schedule.
- Preparatory funding (indicator 2.1) and Market Readiness Proposal (MRP) funding (indicator 2.2) has been awarded faster than expected. However while preparatory funding has also been disbursed with appropriate speed, the larger MRP funding has been significantly delayed. This is a cause for concern. Should the situation not be appropriately addressed in 2015 the logframe could be amended to reflect performance in this area.
- Indicator 2.3 has been revised this year to increase accuracy. Previously this referred to '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', however given the highly tentative nature of the budgets and timelines in the MRPs this was deemed not to be a reliable measure of planned spending.

Summary of responses to issues raised in previous annual reviews

- *Review capacity building activities to examine how levels of capacity on climate mitigation and carbon markets have increased compared to the baseline at the beginning of the programme.* This is partly being addressed as part of the PMR's 'Study on Scaled-up Crediting Mechanisms in PMR Countries', and partly through the first evaluation of the PMR.
- *Explore ways to expedite the grant agreement process.*
The PMR Secretariat launched work to seek to speed up this process in late 2014. One practical measure taken throughout 2014 has been to start working on the grant agreement arrangements even before the countries' MRPs have been officially approved by the PA.

Recommendations

- Continue to develop and implement ways of speeding up the grant agreement process, and ensure that the PMR participants are kept fully updated on the situation.

* This figure of 66% refers to roughly \$330,000 of the \$500,000 due to go to Turkey, the only country due to receive funding in FY 2014. As of October 2014 three grant agreements were signed, with Chile, China and Turkey. Since the World Bank's fiscal year runs from 1 July to 30 June it is not possible for their PMR grant payments to be reconciled with the annual cycle of this Annual Review (ending at the end of October or mid-November).

Output Title	<i>Promotion of sustainable, low-carbon development in developing countries</i>		
Output number per LF	3	Output Score	A+
Risk:	<i>Low</i>	Impact weighting (%):	15%
Risk revised since last AR?	<i>Y (not rated last year)</i>	Impact weighting revised since last AR?	<i>N</i>

Indicator(s)	Milestones	Progress
3.1 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.	1. (end of Oct 2014) 4 2. (end of Oct 2015) 7 3. (end of Oct 2016) 10	<u>Ahead of schedule.</u> As of early November (the PMR's 'October' meeting was this year held in the first week of November) seven stakeholder outreach events have been held, including three in the last year.

Key Points

- The PMR has accelerated its outreach activities, mainly through public events, which are typically jointly organized with implementing countries and feature high-level speakers from the public and private sectors.

Summary of responses to issues raised in previous annual reviews

- Implementing countries should be encouraged to include an assessment in their MRPs of how much private finance has been invested in carbon markets.*

While there is space for PMR implementing countries to indicate the levels of public sector finance that they expect to contribute to their MRPs, assessments of how much private finance has been invested in their carbon markets once established have been deemed to be outside the scope of the PMR.

Recommendations

- The PMR Secretariat should consider how to assess the impact of the PMR's stakeholder events, and how that impact could be increased.

Key cost drivers and performance

The most recent financial year which the PMR has completed ended on 31 June 2014 (FY2014). In that period the PMR spent \$3.79m on operating expenses, up from \$2.93m in FY2013 and \$1.91m in FY2012. Of the money spent in FY2014, the largest spending category was 'Country Delivery Support and Advisory Services' (\$1.76m, or 46.5%), followed by 'PA Meetings, Workshops and Other Events' (\$799,000, or 21.1%) and 'PMR Technical Work' (\$526,000, or 13.9%).

This balance of spending was largely as predicted, though given the delays in finalising the grant agreements we would have expected more spending on country support. As only Turkey is due to receive MRP funding in FY2015 (and only \$500,000) we do not foresee spending in this area to rise significantly in the next set of annual figures, though by FY2016 there should be a substantial increase.

Spending performance on the other areas appears consistent with (or in the case of 'Country Delivery Support and Advisory Services' improved upon) the previous year, with the exception of the 'Trust Fund Management' category'. Though small overall, in FY2014 this increased by 85%, from \$57,000 to \$105,000. The PMR Secretariat reports that this is due to an increase in activities, particular legal activities related to a higher number of countries having their MRPs agreed.

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".

Minor adjustments have been made to the logframe annually since the business case was adopted, principally because the unprecedented nature of this project made appropriate impact and output forecasts challenging. Revisions to the logframe have adjusted some milestones downwards while adjusting others upwards, however the overall scope of the milestones remain as originally envisaged.

Assessment of whether the programme continues to represent value for money

DECC employs the 'three Es' assessment of value for money:

Economy (how effectively costs are managed) – Management costs were less than budgeted, and the same as last year. This represents improved economy compared to the previous year (when it was judged to be 'good') because during this period there was an increase in the number of countries presenting draft MRPs.

Efficiency (how effectively funds are used to convert inputs to outputs) – Here the PMR also performs well, as evidenced by the logframe.

Effectiveness (how effectively funds are used to convert outputs to outcomes) – This cannot yet be assessed because of the long-term nature of the outcomes the PMR seeks to achieve. However there is early evidence of success here in the references made to the PMR by two heads of state (the Presidents of Chile and Colombia) at the United Nations in September 2014.

Quality of financial management

Based on the three E VfM assessment above, the overall the quality of the World Bank's financial management of the PMR is assessed as good.

Recommendation

- The PMR should improve financial transparency by the publishing full and complete accounts, alongside a narrative, on an annual basis.

Date of last narrative financial report	May 2014
Date of last audited annual statement	September 2014 (part of WB-wide audit)

E: RISK (½ page)

Overall risk rating: Medium

Overview of programme risk

Though the risk ratings in the logframe are low, the overall risk rating is medium for two reasons. The first is that delivery of all of 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 sensitive and will be taken at the highest levels (i.e. the head of state or government) taking account of a wide range of factors. Therefore the PMR will only ever be one of a number of issues being considered by decision makers.

The second reason is that the outputs listed in the logframe do not cover every aspect of the PMR's performance – such as the length of time taken to finalise a grant agreement, which may be added to next year if not properly addressed – where the PMR is experiencing some difficulties.

Outstanding actions from risk assessment

None.

F: COMMERCIAL CONSIDERATIONS (½ page)

Delivery against planned timeframe

There have been delays against the timeline set out in the business case. Most notably the PMR outcome stated in the business case is that market mechanisms are “implemented in at least five participating developing countries by 2015”. The actual figure is likely to be one (China).

The original target date was judged to have been excessively optimistic, and has been amended to 2020. This is realistic as, besides China, three further countries have firm commitments to implement carbon pricing before 2020 (South Africa, Mexico and Chile).

Performance of partnerships

The World Bank has been a highly cooperative partner to the UK with in the delivery of the PMR.

The PMR has had an encouraging year of developing productive working partnerships. In the year to mid-November 2014 the following partnerships were developed:

- International Partnership on Mitigation and MRV, to deliver a technical training event in Mexico, March 2014;
- UK Foreign and Commonwealth Office/HMG on the Mexico workshop (FCO Prosperity Fund), to deliver a workshop on crediting mechanisms in Mexico City, March 2014;
- The International Carbon Action Partnership (ICAP), to produce an ETS handbook (to be finalised in 2015).

Asset monitoring and control

The PMR does not monitor or control any assets.

G: CONDITIONALITY (½ page)

Update on partnership principles (if relevant)

N/A

H: MONITORING & EVALUATION (½ page)

Evidence and evaluation

The PMR does not have an established evaluation procedure. The UK was at the forefront of a donor push to establish one, prompting discussions on how best to do so, which began in late 2013. This work is being overseen by a PMR Working Group, where the UK is an active member.

Throughout 2014 a consultancy was hired to undertake two tasks: (i) complete a first evaluation of the PMR, and (ii) draft an evaluation framework to guide future evaluations (which is to be based on a PMR-wide logframe). Drafts of both documents were shared with the PMR participants in October 2014, with a view to their revision and finalisation in the first half of 2015.

Monitoring progress throughout the review period

Overall stakeholders recognise that the PMR is a useful catalyst for change in a number of countries around the world. The PMR is seen as a leader in its field and a valuable source of expertise. In addition the UK's experience of attending PMR meetings and workshops is that they are well-attended and of high quality.

Feedback from recipient countries has revealed understandable frustration with the delays in grant disbursement. However this is tempered by an understanding that some of the delays are down to the implementing countries' actions.

Finally it has been suggested by stakeholders that the PMR should work towards improved cooperation with multilateral development banks.

I: TRANSFORMATIONAL CHANGE (½ page)

Rating

3 - Tentative evidence points to likely change

Evidence and evaluation

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

1. Fostering political will and enhancing local capacities to act on climate change

The PMR will build domestic support for market mechanisms through capacity building efforts and the exchange of technical expertise between developed and developing countries, with the goal to increase domestic carbon mitigation efforts by providing more cost effective solutions.

2. Encouraging innovation

The PMR will help countries develop nationally appropriate plans to incorporate market mechanisms into their domestic mitigation strategy which utilize innovative and untried programmes for reducing emissions. These plans should be country specific and will aim to drive low carbon development cost effectively.

3. Influencing future carbon markets, and encouraging replication by others

The PMR will help countries develop nationally appropriate plans to incorporate market mechanisms into their domestic mitigation strategy. It is a goal of the PMR that these plans, where successfully implemented, be able to act as models for other developing countries to replicate.

The full assessment of the PMR's transformational change is set out in Annex II.

Annex I: UK logframe for the PMR (as revised as part of the first and second Annual Reviews, covering November 2011 – October 2013, with third Annual Review updates and revisions in red)

PROJECT NAME							World Bank Partnership for Market Readiness (PMR)						
IMPACT	Impact Indicator 1 (KPI 11)		Baseline (May 2011)	Milestone 1 (end of Oct 2016)	Milestone 2 (end of Oct 2018)	Target (end of Oct 2020)							
		Planned	0	£2.3m	£4.6m	£7m							
		Achieved											
	Source												
	PMR Secretariat, Implementation Countries												
	Impact Indicator 2 (Qualitative KPI 15)		Baseline (May 2011)	Milestone 1 (end of Oct 2016)	Milestone 2 (end of Oct 2018)	Target (end of Oct 2020)							
		Planned	1	3	3	4							
Achieved													
Source													
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 (end of Oct 2016)	Milestone 2 (end of Oct 2018)	Target (end of Oct 2020)	Assumptions						
		Planned	0	0	3	5							
		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)							
		Planned	0	0									
Achieved													
Source													
PMR Secretariat, Partnership Assembly meetings, PMR website													
INPUTS (£)	DECC (£)		Govt. (£)			Other (£)	Total (£)	DECC SHARE (%)					
	£7m (\$11.4m at time of donation)						\$126.5m (Nov 2014)	9%					
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	<p><u>Indicator 1.1:</u> 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.</p> <p><u>Indicator 1.2:</u> Partnership meetings and workshops provide lesson learning which influences Implementation Countries.</p> <p><u>Indicator 1.3:</u> The number of visits to thePMR.org website is an indicator of the use of the PMRs knowledge tools.</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		
		Source					
	PMR Secretariat, PMR website						
	Output Indicator 1.2		Baseline (May 2011)	Milestone 1 (end of Oct 2011)	Milestone 2 (end of Oct 2013)	Target (end of Oct 2015)	
	Number of Partnership meetings and workshops held by the PMR annually	Planned	Initial PA Meeting	2 Partnership meetings and one workshop per year	2 Partnership meetings and two workshops per year	2 Partnership meetings and two workshops per year	
		Achieved		Achieved	Achieved – surpassed in 2012 with the initiation of tri-annual meetings. Three technical workshops also held in 2012		
		Source					
	PMR Secretariat, Partnership Assembly meetings, PMR website						
	IMPACT WEIGHTING (%)	Output Indicator 1.3		Baseline (May 2011)	Milestone 1 (end of Oct 2011)	Milestone 2 (end of Oct 2013)	
25%	Number of visitors to online tools at the PMR website (www.thepmr.org)	Planned	PMR website live	Total no. of visits to website	Total no. of visits to website	85,000 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.		
		Source					
PMR Secretariat, Partnership Assembly meetings, PMR website							
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
						RISK RATING	
						Low	

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)	Indicator 2.1: 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. Indicator 2.2: 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. Indicator 2.3: 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.
		Achieved		Achieved – by 30 June 2013 the PMR had allocated 100% of preparatory funding for the 16 implementing participants (\$5.6m)	Achieved – by October 2014, the PMR had allocated 100% of preparatory funding for the 17 implementing participants (\$5.95m)		
		Source					
		PMR Secretariat, Partnership Assembly meetings, PMR website					
	Output Indicator 2.2		Baseline	Milestone 1 (end of Oct 2013)	Milestone 2 (end of Oct 2014)	Target (end of Oct 2015)	
	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	
		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.)		
		Source					
	PMR Secretariat, Partnership Assembly meetings, PMR website						
	IMPACT WEIGHTING (%)	Output Indicator 2.3		Baseline	Milestone 1 (end of Oct 2014)	Milestone 2 (end of Oct 2015)	
60%	Percentage of implementation funding (US\$3m, \$5m, or \$8m per country) disbursed as set out in the grant agreement	Planned	0% - No funding disbursed.	60%	80%	90%	
		Achieved		Achieved – 66% In FY14, only Turkey had signed a grant agreement which had disbursement schedule covering the period until			

		October 2014. In fact, US\$ 329,635 was disbursed up until October 2014 while the disbursement schedule anticipated US\$500,000 by the end of the FY, ending on 30 June 2015.		
Source				RISK RATING
Implementing Country MRP Plans, PMR Secretariat, PA meetings, PMR website				Low

OUTPUT 3 <i>(with additional revisions marked in red)</i>	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, focussing on carbon pricing mechanisms and run in partnership with the PMR, that have taken place in Implementation Countries.	Planned	0	4	7	10	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		Achieved – 7 stakeholder outreach events held: 1. ETS in Operation (2012); 2. Pricing carbon to achieve mitigation (2013); 3. Emissions trading in North America (2013); 4. Scaling up Domestic Climate Action and Carbon Pricing Instruments (2014); 5. A Business-Government Dialogue on carbon pricing (2014).				
		Source						RISK RATING
IMPACT WEIGHTING (%)		PMR Secretariat, Partnership Assembly meetings						Low
15%								

Annex II: Transformational change

Partnership for Market Readiness (PMR)

Assessment against ICF KPI 15: Extent to which ICF intervention is likely to have a transformational impact

As in the methodology note for KPI 15, the PMR's progress in achieving transformational change will be judged against criteria derived from the PMR Theory of Change, the log frame, and the monitoring and evaluation plan.

An annual qualitative assessment of the likelihood of the PMR achieving a transformational impact will be made by considering the seven indicators, grouped under three criteria, as set out below. A box marking will be given to the criteria overall to provide an assessment of the likelihood that transformation linked to UK support will occur. As in the KPI 15 methodology note, the box markings are:

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

Criteria

1. Fostering political will and enhancing local capacities to act on climate change

The PMR will build domestic support for market mechanisms through capacity building efforts and the exchange of technical expertise between developed and developing countries, with the goal to increase domestic carbon mitigation efforts by providing more cost effective solutions.

This will be assessed by the following **indicators**:

- 1.1. Percentage of allocated preparatory funding disbursed, number of countries with approved MRPs¹, 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

The PMR will help countries develop nationally appropriate plans to incorporate market mechanisms into their domestic mitigation strategy which utilize innovative and untried programmes for reducing emissions. These plans should be country specific and will aim to drive low carbon development cost effectively.

This will be assessed by the following **indicators**:

- 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

¹ The Market Readiness Proposal (MRP) is the detailed grant request that PMR implementing countries must prepare in order to receive funding.

and the level of variation, i.e. no two market mechanisms are identical but some are more innovative than others;

- 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.

The PMR will help countries develop nationally appropriate plans to incorporate market mechanisms into their domestic mitigation strategy. It is a goal of the PMR that these plans, where successfully implemented, be able to act as models for other developing countries to replicate.

This will be assessed by the following **indicators**:

- 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.)*

Assessment of PMR's transformational change for third Annual Review, December 2014

0	Transformation judged unlikely
1	Not enough evidence available
2-3	Tentative evidence points to likely change
4	Clear indication of change - transformation judged likely

Overall score: 3 - Tentative evidence points to likely change

Overall the evidence tentatively points to the PMR achieving transformational change because it is considered to be fostering political will and enhancing local capacities in a very clear and direct way, through the delivery of technical assistance and grant funding faster than expected. This also demonstrates that demand for this technical assistance and grant funding from implementing countries is relatively high. Finally the PMR is also considered to be encouraging innovation, as can be seen from the wide range of proposals that implementing countries have contained in their MRPs.

Criteria 1. *Fostering political will and enhancing local capacities to act on climate change. PMR will build domestic support for market mechanisms through capacity building efforts and the exchange of technical expertise between developed and developing countries with the goal to increase domestic carbon mitigation efforts by providing more cost effective solutions.*

Criteria score: 3 (Tentative evidence points to likely change)

Indicator 1.2 has been weighted more because implementation is more likely to demonstrate political will than the preliminary steps listed in indicator 1.1

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

Indicator score: 4 (Transformation judged likely)

Out of the 17 implementing countries in the PMR, 12 countries have now had MRPs approved, with another two or more expected in the next 12 months. This is faster than expected and demonstrates the high appetite for carbon markets around the world. The milestones for output 2 of the logframe have all either been met or exceeded.

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

Indicator score: 3 (Tentative evidence points to likely change)

Most countries are represented by their environment ministries. A small number are also (or solely) represented by their foreign ministries. Most significantly, a small but growing number are now also being represented by their finance ministries, indicating that their plans to implement carbon pricing mechanisms are credible and at a relatively advanced stage.

Criteria 2. *Encouraging innovation. PMR will help countries develop nationally appropriate plans to incorporate market mechanisms into their domestic mitigation strategy which utilise innovative and untried programmes for reducing emissions. These plans should be country specific and will aim to drive low carbon development cost effectively.*

Criteria score: 3 (Tentative evidence points to likely change)

Indicator 2.1 *Number of distinct mechanisms (market models) proposed through the PMR, varying in sectors covered or mitigation approach (tax, sectoral, project based, etc.), (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).*

Indicator score: 3 (Tentative evidence points to likely change)

There is already a distinct heterogeneity among the 12 MRPs approved, suggesting that the PMR is a viable route for stimulating impactful innovation.

Indicator 2.2 *Number of market mechanisms piloted (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).*

Indicator score: 3 (Tentative evidence points to likely change)

Systems proposed so far are wide ranging, including full national ETS (China), carbon tax with offsets (South Africa), carbon tax without offsets (Chile).

Criteria 3. *Influencing future carbon markets, and encouraging replication by others. PMR will help countries develop nationally appropriate plans to incorporate market mechanisms into their domestic mitigation strategy. It is a goal of the PMR that these plans, where successfully implemented be able to act as models for other developing countries to replicate.*

Criteria score: 3 (Tentative evidence points to likely change)

Indicator 3.1 Number of observers attending PMR Partnership Assembly meetings.

Indicator score: 3 (Tentative evidence points to likely change)

In the last year seven observers have attended PMR meetings (California, Quebec, Kazakhstan, New Zealand, France, Italy, Singapore), of which the first three have become more closely involved with the PMR by becoming 'technical partners'.

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

Indicator score: 3 (Tentative evidence points to likely change)

Two high level engagement events were run by the PMR Secretariat during this period, in Mexico and Chile, with one minister from the former and two ministers from the latter speaking.

Indicator 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.)*

Indicator score: 3 (Tentative evidence points to likely change)

The PMR has been relatively active in producing publications and running workshops in this period, and the training events have been well attended. This high demand for the PMR's knowledge products is taken as evidence of the potential for transformational change.