



HM Government

# The Prosperity Fund: Annual Report 2017/18



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## Foreword by the Chancellor of the Duchy of Lancaster, Rt Honourable David Lidington MP, Minister for the Cabinet Office

As Chair of the new National Security Council sub-committee for cross-government funds, I am delighted to introduce this second Prosperity Fund Annual Report. Created two years ago, the Prosperity Fund is grounded on the premise that economic growth, when sustainable and inclusive, can raise welfare and prosperity in emerging economies. It can also benefit trade and investment with partners such as the UK.

As a global leader on development and a champion of the UN Sustainable Development Goals, the UK is one of only a few countries to meet the commitment to spend 0.7 per cent of gross national income on Official Development Assistance (ODA). We remain proud of our track record.

We have witnessed remarkable economic growth over the last few decades, which has helped lift millions of people out of poverty. But complex development challenges remain. Persistent poverty, high levels of inequality, and potential instability continue to blight emerging and middle income economies.

I am pleased that the UK is changing the way it delivers aid to adapt to these challenges. The Prosperity Fund has agile and innovative approaches to support inclusive growth in middle income countries at its core. It leverages knowledge, skills and expertise from across government, delivering programmes that are well-placed to address the diversity of today's development challenges. Like the UK's Conflict, Stability and Security Fund, the Prosperity Fund's cross-government ethos maximises the UK's geographical and thematic reach. It

also ensures prioritised and integrated use of ODA and non-ODA funding to promote UK and global prosperity.

Middle income countries present huge untapped economic potential, yet are home to around 60% of the world's poor.<sup>1</sup> They often seek our partnership and expertise, and opportunities to trade and grow out of poverty, rather than traditional aid. In response to this demand, Prosperity Fund interventions draw on UK and other expertise to promote competitive markets, trade, the rules based international system, and to remove barriers to growth in key areas such as infrastructure and financial services. Inclusive economic development will also generate long term opportunities for businesses, including those based in the UK, seeking to export and invest in emerging markets. This firmly supports the UK's vision of an outward-looking Global Britain, investing in and trading with the fastest growing markets.

In a rapidly changing, globalised world, what happens overseas increasingly affects us at home. Building long-term inclusive growth lifts people out of poverty, reduces dependence on aid, and promotes stability.

Supported by excellent work across government and through our Embassy and High Commission teams, good progress has been made on the development and implementation of the Prosperity Fund's portfolio this year. The portfolio will consist of 26 large multi-year programmes when fully developed. Several are already delivering, like the DFID led Centre for Global Disaster Protection which is building developing countries' financial

resilience to natural disasters to reduce economic and social impacts. Others have been allocated initial funding like the FCO led Global Future Cities programme, which is providing support to Cape Town to better mitigate against climate-related shocks, such as their recent severe drought, which threatened jobs and growth in the region. The remainder are going through final stages of approval or procurement before they begin.

The report underlines our commitment to ensuring that the Prosperity Fund is run in an open and transparent way. In line with that commitment, we will continue to increase the amount of programme information available in the public domain, including on gov.uk, as well as continuing to reach out to business, civil society and Parliament.

**Rt Hon David Lidington MP**  
*Minister for the Cabinet Office*



<sup>1</sup> <https://worldpoverty.io/methodology/index.php?language=en> The World Bank still use the statistic that 73% of the world's poor live in middle income countries, although this is based on older data from 2011. Using real time data a more up to date figure is estimated at 59%.

## Executive Summary

This second Prosperity Fund Annual Report demonstrates how UK government departments are using the Prosperity Fund to deliver progress against the national security and UK Aid objectives of promoting global prosperity; and the United Nations' [Sustainable Development Goals](#).

The report details progress made in 2017/18 towards the development of the Fund's full portfolio. Ministers have endorsed 26 multi-year programmes totalling £1.2 billion, operating until 2023, across: investment in infrastructure and human capital; innovation and technology; increasing trade; financial and economic reform; and ease of doing business. Priority countries and regions include: Mexico, Brazil, Colombia, Nigeria, South Africa, China, India and Southeast Asia.

In 2017/18 the total spend for the Fund was £63 million, of which £7 million was non-ODA. The report includes a breakdown of Prosperity Fund spend against department and programme.

The report highlights progress from programmes in the early stages of delivery. *On ease of doing business* for example, the Foreign & Commonwealth Office led Global Business Environment programme has worked with South Africa on plans to make it easier for international businesses to enter the economy. *On infrastructure*, the Asian Infrastructure Investment Bank (AIIB) Special Fund has approved projects in Laos, Nepal, and Pakistan on energy expansion, safe water, roads, and urban regeneration. In Colombia, five urban

development proposals are being designed in conflict affected cities, which will provide women, girls and vulnerable populations with better access to public services. Programmes which have been allocated relatively limited, interim support pending full implementation are also starting to deliver. For example, the Prosperity Fund helped design Mexico's March 2018 Financial Technology (FinTech) law which will promote financial inclusion in a country where only around 37% of the adult population have a formal bank account.

The Fund has acted on the recommendations from the Independent Commission for Aid Impact (ICAI) rapid review in February 2017 and is working to publish more programme information. It is also envisaged that the Fund will be implemented over an extended period, up to the end of 2022/23, subject to confirmation through the next Spending Review.



## Overview

The £1.2 billion Prosperity Fund supports the priorities set out in the Strategic Defence and Security Review (SDSR) and the UK Aid Strategy. It delivers against the national security objective of *Promote our Prosperity*, which includes championing an open and rules-based international trading environment, and the UK Aid objective of *Promoting Global Prosperity*. The Prosperity Fund harnesses resources and expertise from across government and the private sector to deliver programmes with a wide geographic and thematic reach, whilst complementing departmental activity.

The primary purpose of the Prosperity Fund is to contribute to the Sustainable Development Goals, agreed at the UN in 2015, through addressing barriers to growth. It will do this through improving the global business environment, strengthening institutions, and encouraging greater global private investment. It is particularly relevant to SDG 8—*Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*. However, it is also highly relevant to the delivery of other SDGs, including SDG 5 (gender equality), SDG 9 (industry, innovation and infrastructure) and SDG 7 (affordable and clean energy). Lack of access to finance is a major obstacle across the developing world to meeting the SDGs and the Fund is particularly

well placed to help leverage UK based private sector interest and investment.

The UK has world-leading expertise in key sectors required for development such as education, healthcare, infrastructure, financial services and effective regulation. Helping partner countries develop in these areas will give people and businesses greater opportunities to work in a stronger and more productive economy. As a truly Global Britain, we need to share this knowledge to tackle global health risks, educate future populations, and strengthen business environments.

The countries where the Fund operates contribute to vital economic development beyond their borders and are key markets for global goods and services. They are increasingly the much needed source of investment into other less developed countries. For many countries, this investment is becoming the largest source of external finance, taking over from traditional official development assistance (ODA) and remittances.

### SDGs that Prosperity Fund programmes directly contribute to:



### SDGs that Prosperity Fund programmes indirectly contribute to:



### Prosperity Fund contributes significantly to partnerships (alongside other UK aid)



## The Portfolio

The first two years of the Prosperity Fund (2016/17 and 2017/18) focused on developing the strategy, governance and operational systems necessary for effective delivery of new and innovative approaches, including working in MICs. The Prosperity Fund now has an emerging portfolio of 26 large, strategic programmes, seven of which are now being fully implemented<sup>2</sup>. The remainder are either preparing for delivery, or have begun limited activity. The Fund spent £63 million of the £1.2 billion budget available up to 2023 during 2017/ 18.

The portfolio can be grouped into the following five areas:

- investment in infrastructure and human capital
- innovation and knowledge transfer, including low-carbon technology
- trade, financial and economic reform
- policy and regulatory capacity
- ease of doing business

A full list of the programmes can be found in [Annex 1](#).

All Prosperity Fund ODA funded programmes are required to meet the OECD Development Assistance Committee's ODA criteria to count towards the UK's legal requirement to

ensure 0.7% of Gross National Income is used for international development. They also comply with the International Development Act 2002, International Development (Gender Equality) Act 2014, and must aim to contribute to the primary purpose of promoting economic development and reducing poverty.

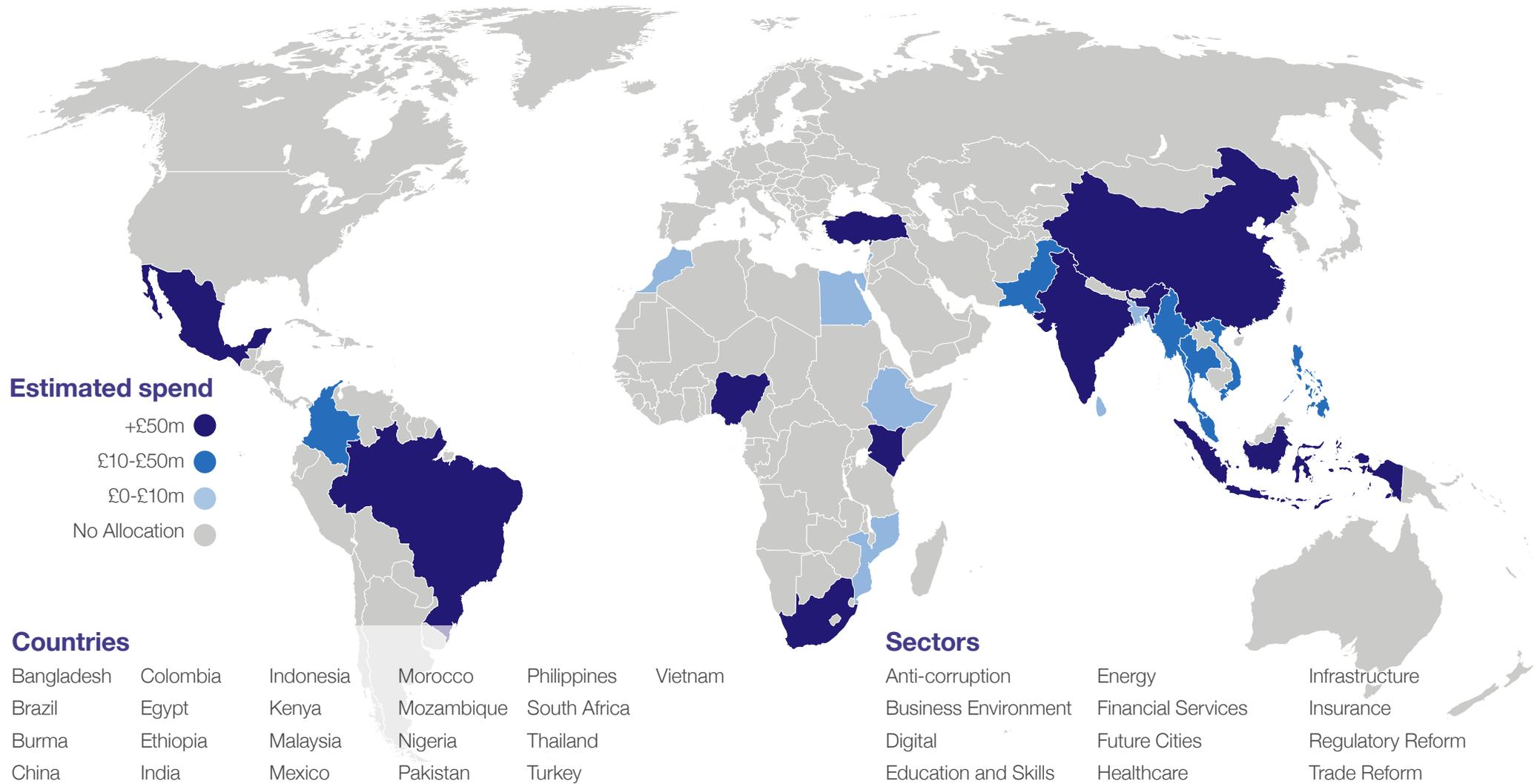
Programme design and delivery involves collaboration with a range of stakeholders, including businesses and civil society organisations, and consider social and environmental, as well as economic impact.

The Fund also includes a £33 million non-ODA component to help generate opportunities for UK businesses in both mature and emerging markets. A breakdown of spend by country in 2017/18 is in [Annex 2](#).



<sup>2</sup> The Commonwealth Marine Economies Programme, active in 2017/18, was transferred to the Conflict, Stability and Security Fund on 1 April 2018

# Official Development Assistance country and sector focus



*Other countries receiving nominal support through Global programmes, including those involved with multilateral organisations over the course of the Prosperity Fund: St Lucia, Jamaica, St Vincent, Dominica, Guyana, Belize, Antigua, Grenada, Montserrat, Ghana, Sierra Leone, Tanzania, Zambia, Laos, Nepal*

## Programme activity in 2017/18

### Programmes under implementation

The following programmes in our portfolio are now being fully implemented:

#### ***Centre for Global Disaster Protection (Department for International Development)***

Building the financial resilience of developing countries is often crucial to them being in a position to recover from natural disasters and other economic shocks. The Centre for Global Disaster Protection was launched in 2017 to help developing countries strengthen their pre-disaster planning and put financing in place before disaster strikes. It works with partner governments and encourages the use of financial tools like contingent credit and insurance to provide finance in emergencies. This means countries get money faster, protecting the lives and livelihoods of millions of people, as well as reducing reliance on humanitarian assistance. The Centre is located in London, and is a partnership between HM Government, the World Bank, the private sector and leading research institutions. It draws upon UK and global expertise in risk, finance and insurance to design and support disaster risk financing systems. As a global leader in insurance-related products, the UK is likely to benefit from the growth and diversification of demand.

During its first year, the Centre has carried out research, including on insurance market development in four African countries as well as developed five projects on innovative risk financing mechanisms. Through the World Bank, the Centre has provided technical assistance to Kenya, Philippines, the Caribbean (particularly St Lucia and Jamaica) and the ASEAN group. Two expert led Innovation Labs have been held this year—one on incentivising resilient infrastructure and the other on innovative financing



for refugee responses. Capacity building is beginning for domestic insurance regulators, to be piloted in the Caribbean and Africa. The Centre also piloted training on disaster risk financing for 23 officials from 19 countries.

#### ***Global Business Environment (Foreign & Commonwealth Office)***

Better business environments can help to generate investment, trade and growth. In addition to creating jobs, Foreign Direct Investment (FDI) can also transfer skills, while providing benefits to investing companies

and countries. The initial focus of the Global Business Environment programme will be on Brazil, Indonesia, Nigeria, Pakistan, South Africa and Turkey. All have now developed implementation plans which will serve as the basis for ongoing activity in support of relevant reforms. For example, the Fund, in partnership with the World Bank, will work with both national and municipal governments in South Africa to better enable international investment. An FDI strategy is being developed, and a regulatory improvement plan has been submitted to the South African government.

#### ***Global Finance (Department for International Development)***

With a \$2.5 trillion annual shortfall to meet the UN Sustainable Development Goals, lack of access to finance is a major obstacle across the developing world. Addressing financing constraints, and developing deeper and more stable financial systems can have a transformative impact on economic opportunities, job creation and poverty. The recently launched Global Finance Programme will draw on the UK's uniquely strong finance sector to create shared prosperity by connecting developing countries to broader sources of capital, financial services and world renowned expertise. Formal agreements are now in place on the Financial Stability strand of the programme which draws on the expertise of the Bank of England and the International Monetary Fund to improve the ability of developing countries to protect the stability of their financial sectors. The programme will initially help Bangladesh, Ghana, Kenya, Mozambique, Morocco, Nigeria, Pakistan, Sierra Leone, South Africa, Tanzania and Zambia.

#### ***Asian Infrastructure Investment Bank Special Fund (HM Treasury)***

Investment in infrastructure is important to achieve sustained and inclusive economic growth. Reliable energy, transport and communication infrastructure in

particular, is often an important pre-cursor to Foreign Direct Investment. The Asian Infrastructure Investment Bank (AIIB) Special Fund is providing international expertise to emerging economies in Asia to help them to prepare high-quality infrastructure projects for AIIB and other financing. The Special Fund is financed by grant contributions from donor countries, including a contribution from the UK Prosperity Fund. So far four infrastructure projects have been approved in Laos, Nepal, and Pakistan, covering the energy, water and sanitation, transport and urban sectors, with more in the pipeline. International, including UK companies, have the opportunity to compete for Special Fund contracts, as well as take advantage of export opportunities unlocked through infrastructure development.

#### ***Unlocking Economic Opportunities in Colombia's Post-Conflict and Conflict-Affected Regions (Foreign & Commonwealth Office)***

Colombia has the fourth largest economy in Latin America, achieving 4% per year average growth over the last decade. However, it remains the world's seventh most unequal country, where one in three households is considered poor, with poverty predominant in secondary cities and rural areas in conflict affected regions.

This programme seeks to benefit more than three million people with an emphasis on women and girls in Colombia's poorest regions. It focusses on: strengthening institutions; improving infrastructure, and enhancing agricultural production for smallholders. Better rail links are one of the fastest ways to boost economic growth and spread prosperity. Work is underway on four feasibility studies to rehabilitate the country's rail network; a key area of UK strength. The "Agritech Catalyst" fund received high demand from smallholder farmers. Eight projects have been selected to receive assistance, with a focus on creating opportunities for women and girls. The programme is also developing agri-insurance to help give farmers greater financial protection and increased





incomes. Five urban development proposals are being drafted in intermediate cities affected by conflict. They will provide women, girls and vulnerable populations with increased access to improved public transport and affordable services like water and sanitation.

***Green Growth Equity Fund (Department for International Development)***

The Green Growth Equity Fund (GGEF), promoted jointly by India and the UK, aims to crowd in private sector investment from the City of London and elsewhere to finance investments in green infrastructure in India. The GGEF is jointly funded by the Government of India and the Prosperity Fund. It aims to raise £500m of private capital to invest in renewable energy, energy distribution/transmission, clean transportation, water treatment and management. Eversource Capital—a consortium of Lightsource BP and Everstone group—was appointed as the Fund Manager of GGEF in April 2018 through an international competitive bidding

process. The Fund Manager has started preparatory activities for fundraising and investments.

***Global Infrastructure (Foreign & Commonwealth Office)***

The programme aims to build the capacity of middle income countries including Colombia, Indonesia and Vietnam, to develop major infrastructure projects. It does this through training and promoting best practice in project planning, preparation and delivery. This will assist emerging economies to develop the economic and social foundations they need to sustain inclusive economic growth, and attract investors and lenders to deliver critical projects and programmes. Interim funding provided for 2017/18 built momentum and buy-in from key local stakeholders and saw agreements signed with partner countries. Good progress has also been made on creating international versions of UK infrastructure design and development training tools.

***Commonwealth Marine Economies (Foreign & Commonwealth Office)***

The programme is supporting 17 Commonwealth Small Island Developing States (SIDS) in the Caribbean and Pacific to develop and implement sustainable Maritime Economy Plans promoting innovation, investment, jobs and growth. It is using the UK's world leading expertise in marine science and is helping to deliver global commitments to the Commonwealth marine environment and to tackling climate change. Some examples of delivery in 2017/18 include: contributing to the hurricane relief effort and to boosting trade and tourism in Dominica by installing marine technology to allow safer port movements and access for larger vessels; supporting coastal planning and priority marine litter and pollution clean-up activities in the Solomon Islands and Vanuatu, and; helping Caribbean countries to implement national commitments on climate resilient fisheries and livelihoods.

***Examples of delivery from programmes provided with interim funding***

2017-18 was also a year of further design and preparatory activity across a number of emerging programmes, as well as the start of some programme delivery. Examples of activity include the following:

***Global Anti-corruption (Foreign & Commonwealth Office, Department for International Development, HM Treasury, National Crime Agency)***

Corruption distorts economic development, with money often syphoned off outside its countries of origin. It disproportionately impacts both women and the poorest in society, as well as creates an uneven playing field for international trade and investment. Following the successful London Anti-corruption Summit in 2016, the programme has developed a number of components that are already live. It supported the first

*The water crisis in Cape Town, South Africa*



Global Forum on Asset Recovery in Washington DC in December 2017 which included representation from 26 governments. The Forum made significant progress on multilateral agreements to return stolen assets to their origin countries, and on open data policies to help improve identification of stolen assets. As a result of the Forum, Nigeria, Switzerland and the World Bank signed a Memorandum of Understanding, which will enable US\$321 million of stolen assets to be returned to Nigeria.

The Fund is also supporting the Secretariat of the Extractive Industries Transparency Initiative (EITI), a standard by which information on the oil, gas and mining industries is published. During 2017/18, EITI supported the Democratic Republic of Congo, Burma and Zambia to develop action plans to meet the 2016 Extractives Industry Transparency Initiative standard.

***Global Future Cities (Foreign & Commonwealth Office, Cabinet Office, Departments for International Development and Trade, Innovate UK)***

The Global Future Cities programme will help 19 cities across 10 countries develop sustainably, by assisting with transportation, urban planning and resilience. During 2017/18, UN Habitat carried out public workshops in each city to gauge interests, opportunities and constraints, together with decision makers from the public and private sector. In addition, a training programme for senior officials from the 19 cities took place in London, with talks given by the UK Built Environment Advisory Group, Transport for London, the UK's Met Office, the Building Research Establishment (BRE), and Heritage England. The programme is providing critical support for Cape Town to better maintain water and sanitation related infrastructure. This will help in mitigating climate-related shocks such

as the city's recent once-in-300 year's drought, which threatened jobs and economic growth in the region. The technical assistance responds directly to a request from the city administration and creates opportunities for UK expertise in South Africa's emerging smart cities market.

***Brazil (Foreign & Commonwealth Office)***

Despite economic progress, Brazil remains one of the most unequal countries in the world. The programme in Brazil focusses on sectors where the UK has world-leading expertise including: trade facilitation, future cities, energy and green finance. Progress on energy, improving the business environment and trade facilitation was made during 2017/18. The programme is helping Brazil to build regulatory and technical infrastructure to improve the uptake of renewable technologies; as well as supporting robust licensing, infrastructure decommissioning, and piloting innovative energy technologies. Work has helped Brazil to reform its energy regulations, assess the integration of renewable energy sources into the country's energy mix, and pilot 23 storage technologies.

The programme has also been supporting intellectual property (IP). A strong IP system gives domestic companies the confidence to invest in research & development, and for foreign companies to operate. Brazilian entrepreneurs and companies currently face a 12-year backlog on patent applications. The Prosperity Fund has worked with stakeholders, including patent clerks and Brazil's intellectual property office to understand and map the challenges they face, including through a new IT system, to make filing patents easier and better protect intellectual property. The time taken to grant a patent is expected to significantly reduce in certain sectors, as a result of strong collaboration between the UK and Brazilian intellectual property offices, and implementation of the recommendations found.

On trade facilitation, Brazil has applied to join the Organisation for Economic Co-operation and

Development (OECD) and programming has been used to help alignment with OECD best practice. If Brazil can meet the high standards set by the OECD it will be beneficial for the country's economic development and enable greater trade with the rest of the world.

### ***China (Foreign & Commonwealth Office)***

Having ended HMG's more traditional bilateral aid programme, delivered through DFID, in March 2011, we now focus on providing expertise to address structural barriers: this supports China in consolidating its development gains and ensures that they lead to sustained and inclusive economic growth. We will also work in partnership with China to make progress on global development issues.

Work is underway to develop and implement a portfolio of seven programmes covering: infrastructure; energy and low carbon; financial services; rule of law for business; health; skills and future cities. This is also expected to create opportunities for international business, including UK companies, through the ongoing reform and expansion of key sectors in one of the largest economies in the world. An early outcome of this multiyear programme included a successful first UK-China Compliance and Transparency Forum in March, and provision of technical assistance to the central bank in China on reforming the anti-money laundering system. This helped to promote the rule of law, socio-economic growth and social stability in China. In the longer term, a robust financial system underpinned by an effective anti-money laundering regime in China will increase investors' confidence and facilitate more trade and investment. Another programme will underpin the UK's commitment to the Clean Energy Partnership Action Plan, signed on 15 December 2017 at the UK-China Energy Dialogue in Beijing, as well as help secure China's engagement and contribution. This agreement commits both sides to deeper engagement on clean energy research, policy and business collaboration.

### ***Mexico (Foreign & Commonwealth Office)***

While the economic potential of Mexico is considerable, around half of the population lives in poverty and a quarter of the workforce is underemployed. Persistent challenges remain across the health and education sectors, and there is an urgent need for investment in urban infrastructure. The emerging portfolio will have several components, covering energy, urban development, financial services and anti-corruption.

The Prosperity Fund supported the design of Mexico's Financial Technology (FinTech) law, approved in March 2018. Mexico is the first country in the world to have such comprehensive legislation which facilitates the creation of new types of financial services providers, including crowdfunding platforms and electronic payments operators. The law will increase competition and drive financial inclusion in a country where only 37% of the adult population have a formal bank account. Mexican Fintech transactions are expected to be worth around US\$35 billion in 2018 and an estimated US\$66 billion by 2022; more than Australia, Hong Kong and Singapore.

Corruption in public procurement in Mexico reduces the money available to provide services to citizens and lowers the quality of those services. Programme work has applied behavioural research to help tackle corruption problems and improve the supply chain in public service delivery. The pilot has resulted in a record number of companies joining the Mexican public procurement register, which includes information on company ownership. It also helped inform the development of Mexico's anti-corruption plan.

### ***Southeast Asia Economic Reform (Foreign & Commonwealth Office)***

The programme is designed to tackle two fundamental constraints to growth in the Southeast Asia region: a poor business environment and underdeveloped financial markets. Improving the business environment is a key enabler for economic growth and can be a

significant factor in reducing poverty and inequality. Broadening and deepening financial markets reduces the cost of doing business, increases financial inclusion and reduces constraints on investment. This will in turn increase the region's competitiveness and growth potential. The programme has already helped shape the Philippines Ease of Doing Business Act, signed into law in May 2018. The law will improve business efficiency and cut red tape, with more than 2,000 unnecessary regulations repealed in its inception. This directly benefits international and UK businesses in the country through a more streamlined, transparent and efficient business set-up and robust regulatory assessment of operations.

For detail on the remainder of the planned programmes see [Annex 1](#).

# National Security Capability Review

A review of cross-government funds took place in 2017, as part of the National Security Capability Review. The review found the Prosperity Fund and Conflict Stability and Security Fund (CSSF) to be delivering against the National Security Objectives and the three SDSR 2015 pillars: Protect our People; Project our Global Influence; and Promote our Prosperity. It noted that the Funds were effective mechanisms for making strategic, co-ordinated, prioritised and integrated use of ODA and non-ODA resources. They drive greater flexibility, broader geographic and thematic reach, and greater diversity in programming than could be achieved through departmental allocations alone.

The review concluded that the two cross government Funds, (the Prosperity Fund and the CSSF) operating under the National Security Council, should be managed under one joint unit, with greater strategic and Ministerial oversight. As a result a new Ministerial Committee reporting to the National Security Council and chaired by the Chancellor of the Duchy of Lancaster, Rt Hon David Lidington MP was established at the end of this review period.

A new Joint Funds Unit (JFU) was launched in April 2018 to manage the Funds and takes over the responsibilities previously held by the separate units for the Prosperity Fund and the CSSF. Although part of the National Security

Secretariat, the JFU continues to be hosted by the Foreign & Commonwealth Office. The Prosperity Fund's new Senior Responsible Owner is John Mahon, Director General for Exports in the Department for International Trade. The Portfolio Board, comprised of senior officials representing stakeholder departments, continues to advise on strategy and delivery issues. Delivery departments remain responsible for: designing credible programmes; ensuring effective spend and delivery; financial accountability and reporting on progress.



## Monitoring, reporting, evaluation and learning

Reflecting the innovative nature of the Prosperity Fund, a proportion of the overall budget has been ring-fenced for monitoring, reporting, evaluation and learning (MREL). Each programme will have clear reporting indicators providing a basis for aggregating cross Fund performance assessments, and linking to the UN Sustainable Development Goals.

A Theory of Change provides the basis for planning at Fund and programme level, programme design and management, and indicators for assessing impact. It is reviewed on an annual basis. The Theory of Change at [Annex 3](#) updates earlier versions to integrate the findings from recent reviews. Each programme will have project-specific theories of change and results frameworks to monitor their progress and benefits to the local population. The Fund will aggregate outcomes from across the portfolio to establish the effect of the Fund as a whole. These portfolio indicators include:

- Value of public and private finance mobilised for renewable energy projects as a result of Prosperity Fund support
- Number of Future Cities strategies & pilots implemented which meaningfully incorporate disadvantaged groups views in to the design
- Number of women and men with improved access to affordable transport
- Number of women and men with improved access to digital and telephony infrastructure
- Number of women and men with higher incomes following Prosperity Fund skills development interventions
- Number of women and men with improved access to affordable healthcare and medicines on a sustainable basis

- Number of women and men with formal, full time jobs directly created through the work of the Prosperity Fund
- Number of firms (disaggregated by size and ownership) helped to export through the Prosperity Fund
- Value of risk and liabilities associated catastrophic events, including impact on women, youth and local and marginalised communities, covered through the Prosperity Fund
- Number of women and men supported to open an account at a bank or other financial institution or with a mobile-money-service provider
- Corruptions Perceptions Index – Transparency International (country level)
- Cost of business start-up procedures (% of GNI per capita) – World Bank Doing Business (country level)
- Number of Overseas Direct Investment (ODI) leads generated
- Number of Foreign Direct Investment (FDI) leads generated
- Value of opportunities for UK businesses won (Non-ODA activity)

During 2017/18, the Fund concluded a successful inception phase for the MREL services, which are quality assured by a Technical Advisory Group formed of cross-government and external experts. In January 2018, the Infrastructure and Projects Authority (IPA) carried out a review of MREL and scored it Amber/Green. The IPA provided seven recommendations which have either been fully implemented or are in the process of implementation. For monitoring and reporting, a portfolio information system was developed, and an “MR Hub” was created to provide technical expertise to programmes. For evaluation and learning, the key

Fund-wide evaluation questions were established, and methodological approaches were developed.

The evaluation and learning services will offer independent evaluations of programme performance across a range of factors; these findings will inform Fund-level evaluations on thematic issues. These evaluations will be quality assured through DFID’s “EQUALS” process, and the final reports published. A learning strategy and platform have been developed to enable organisational learning, and ensure that evaluation insights are fed in to decision-making and support programme adaptation, leading to greater impact and value for money.



## Oversight and transparency

The Fund has been reviewed by the [Independent Commission for Aid Impact \(ICAI\)](#), which publishes its reports and recommendations. Since their report, conducted jointly with the National Audit Office, (NAO) was published in February 2017, the Fund has made significant progress on its recommendations, including:

Ministers have allocated the full Prosperity Fund budget to over 26 multi-year programmes. The programmes are in differing stages of design and delivery. 24 have had outline business cases agreed and seven are under implementation after approval by departmental Ministers.

The Prosperity Fund Procurement Framework has been in place since January 2018 to appoint delivery partners to programmes. The framework helps to ensure value for money, promote contacts between different suppliers and streamlines procurement.

Major steps have been taken to build capability. As of March 2018, 178 Prosperity Fund positions across the global network had been approved. In addition, specialist technical advisers, including on monitoring and evaluation and gender/social inclusion, have been recruited. Building capability remains a high priority.

Efforts have been taken to strengthen the consideration of gender and inclusion across the Fund, including through specific policy development, guidance, induction training for programme staff, strengthened evaluation criteria in procurement processes, and greater emphasis in monitoring, reporting, evaluation and learning systems.

ICAI's follow up review of June 2018 noted that systems and processes within the Fund have



continued to evolve and that the Fund had made positive action against the recommendations<sup>3</sup>.

In May 2017, the Infrastructure and Projects Authority (IPA) carried out its fourth review of the Prosperity Fund. The report praised the Fund in terms of establishing strong governance, the design of the Fund's strategy and the conditions for success in its conception and execution to date. The IPA continued to rate the Fund AMBER and the Fund is making good progress to implement twelve further recommendations.

The Fund is answerable to Parliament through the Chancellor of the Duchy of Lancaster, Rt Hon David Lidington, Minister responsible for the cross-government funds. The cross-party International Development Committee (IDC) Select Committee scrutinises government ODA spend including

the Prosperity Fund. The Fund appeared before the IDC in December 2017 and March 2018.

The Fund is working closely with the [International Aid Transparency Initiative \(IATI\)](#), DFID and other stakeholders on transparency. The Fund is committed to helping departments achieve a rating of "good" from IATI. Individual spending departments are responsible for meeting transparency requirements across their programmes. The Fund aims to publish programme documents following approval at departmental level and financial spend information is published in line with departmental policies.

Five Business Cases have been published via GOV.UK and DFID's Development Tracker so far, with more to follow before the end of the 2018/19 financial year.

## Unlocking opportunities for business

Delivering secondary benefits for international, including UK business, is a key element of the Prosperity Fund. Emerging and developing economies are estimated to account for nearly 60% of world GDP by 2030<sup>4</sup>. Improving the trade and investment environment in these countries opens up opportunities for international and UK businesses to expand and access new markets.

Some of the activities required to deliver secondary benefits to business are not eligible for ODA funding. The Prosperity Fund therefore includes a small component of non-ODA funding (approximately 3% of the total Fund) to capitalise on opportunities generated through ODA funded initiatives. In 2017/18, non-ODA funding supported a range of initiatives to promote and assist UK private sector expertise in both emerging and mature markets. Interventions included trade events, inward investment visits, and promoting policy and regulatory change.



4 <http://www.oecd.org/development/economy/developingcountriesettoaccountfornearly60ofworldgdpby2030accordingtonewestimates.htm>

# Programme activity funded by non-Official Development Assistance in 2017/18

## Emerging markets

The UK Energy in **Brazil** showcase event brought together companies, universities, research centres and officials from the UK and Brazilian Government. Participation helped several UK energy companies to secure new contracts including: £35 million for offshore services; £13 million for high performance fluid sealing products; £8.6 million for wire and fibre rope solutions; £1.3 million for subsea equipment; and £450,000 for marine equipment.

In **Mexico**, trade promotion activities around cyber security, critical national infrastructure protection, FinTech, Green Finance, asset management and energy have opened up various opportunities for the UK. Significant business wins are in the pipeline as well as inward investment, including Mexican private capital entity Mind the Gap which is investing £2 million into the UK, creating 20 new jobs in the next three years.

A broad range of activities have taken place in **China** to help UK companies capitalise on the enormous opportunities there. Sectors include: environmental regulation, green finance, climate resilience, energy and power sector reform, infrastructure, urban development and renewable energy. This has included promoting the UK's capabilities in offshore wind energy generation through roadshow events in provinces with high growth potential. Work is also supporting UK companies in professional and financial services to engage Chinese and third country stakeholders on infrastructure projects.

Prosperity funded "Economic Horizons" scoping work in **Kenya, Ethiopia and Tanzania** has identified £6 billion of infrastructure opportunities. They have been presented to the UK's Africa Infrastructure Board and the Infrastructure



Exports UK Board by the Department for International Trade (DIT) and added to their pipeline of opportunities to be considered over the medium to longer term.

## Mature Markets

In the **USA**, promotional activities throughout the UK's network there have contributed to multiple successes for UK business including: a £56 million export win for NKD life water bottles and a £20 million contract for Mott MacDonald and Grimshaw. The Prosperity Fund has also set up three new single-person UK

government offices in Raleigh, Minneapolis and San Diego, which have already generated over 150 new investment leads, and contributed to over £100 million of new investment to the UK, plus over 400 new jobs.

In **Canada**, the Fund supported a private sector energy forum between Canada and the UK. As a result a Canadian oil and gas company has been undertaking research work with the Oil and Gas Technology Centre in Aberdeen. A US-Canada roadshow highlighted UK leadership in tackling risk



from natural disasters, helping British businesses pursue multi-billion dollar infrastructure requirements.

In **South Korea**, the Prosperity Fund has raised awareness about opportunities for UK firms as well as highlighted UK market-leading expertise in local markets. An outreach programme in Busan looked for opportunities for partnerships within the city and surrounding region. It supported defence services company Babcock in winning a multi-million pound contract with the South Korean Ministry of Defence. The Prosperity Fund also helped four UK companies to win offshore wind project business, worth £3.5 million over four years.

In **Japan**, energy market reform work and trade events have led to successes for UK energy companies. This included battery developer Moixa, which partnered with major Japanese energy and utility companies to receive £5.5 million in investments to develop various ventures, including a virtual power plant and battery management services. Promotional work on financial services led to collaborative work between the City of London Corporation and the Tokyo Metropolitan government (TMG) to share UK best practice and support Tokyo's development as a global financial centre.

In **Europe**, the Prosperity Fund showcased UK leadership in digital and innovation, green energy, supply chains and better regulation. A pan-European project on smart and sustainable cities brought together 48 cities and regions from across Europe to discuss approaches to green management. A project in the Nordic-Baltic region promoted UK green finance; and as a result the Nordic Investment Bank is discussing signing a Framework Agreement with the UK for future joint work. With a UK GREAT stand at the Lisbon Web Summit, the Embassy in Portugal showed the UK is the best place to start and grow a digital business. Meanwhile 70 UK companies participated in Copenhagen Big Science Forum 2018. An Artificial Intelligence conference in France explored the potential for bilateral cooperation and to promote UK excellence. A pan-European project on supply chains convened business and key stakeholders in seven priority markets: Belgium (chemicals), France (aerospace), Germany (automotive), Italy (defence industry), the Netherlands (agrifood), Poland and Spain (manufacturing of car and other components). In Bulgaria, UK companies were showcased at the Webit digital innovation festival in Sofia in June 2018, leading to export wins of over £5 million.

The UK Government offers a range of services to assist UK businesses expand into overseas markets. Full details can be found on the Department for International Trade's website: <https://www.gov.uk/government/organisations/departments-for-international-trade/about-our-services> and the GREAT campaign website [www.great.gov.uk](http://www.great.gov.uk)

## ANNEX 1: Programme summaries

All ODA programmes seek to address barriers to inclusive growth in partner countries whilst creating opportunities for international, including UK business.

### Launched programmes

#### ***Asian Infrastructure Investment Bank Special Fund (HM Treasury)***

The programme supports the Asian Infrastructure Investment Bank, a new multilateral development bank based in Beijing, to stimulate the infrastructure project pipeline in less developed countries.

#### ***Centre for Global Disaster Protection (Department for International Development)***

The programme aims to help developing countries strengthen their disaster planning and get finances in place before disasters strikes, enabling them to respond and recover more quickly.

#### ***Global Business Environment (Foreign & Commonwealth Office)***

The programme, delivered in partnership with the World Bank, supports reform efforts to improve the business environment in six middle income countries to help stimulate economic growth, create jobs and improve opportunities for international, including UK businesses.

#### ***Unlocking Economic Opportunities in Colombia's Post-Conflict and Conflict-Affected Regions (Foreign & Commonwealth Office)***

The programme supports Colombia's economic development in its post-conflict period. It focuses on strengthening institutions, regional

competitiveness, transport procurement, rail infrastructure, urban development, agricultural insurance and innovation for smallholders.

#### ***Green Growth Equity Fund (Department for International Development)***

The programme is supporting the Green Growth Equity Fund to help boost private investment into Indian infrastructure—addressing a key constraint to inclusive economic and social development in India.

#### ***Global Infrastructure (Foreign & Commonwealth Office)***

The programme aims to build the capacity of middle income countries to develop major infrastructure projects by training and adopting UK best practice methodologies in infrastructure project planning, preparation and delivery.

#### ***Global Finance (Department for International Development)***

The programme aims to draw on the City of London's uniquely strong finance offer to create shared prosperity by connecting developing countries to broader sources of capital, increased financial services and world renowned expertise.

#### ***Commonwealth Marine Economies (Foreign & Commonwealth Office)***

The programme is supporting 17 Commonwealth Small Island Developing States (SIDS) in the Caribbean and Pacific to identify the potential of, and develop their marine economies in a sustainable, resilient and integrated way. The programme was transferred to the Conflict Stability and Security Fund on 1 April 2018.

### Programmes not formally launched but allocated some initial funding

#### ***Anti-Corruption (Foreign & Commonwealth Office)***

The programme underpins wider work to promote a better global business environment through combatting corruption. It aims to disincentivise corruption, recover illegally gained assets and help end impunity.

#### ***Global Skills for Prosperity (Foreign & Commonwealth Office & Department for International Development)***

The programme will provide support to improve the quality, relevance, equity and cost-effectiveness of higher, technical and vocational education training in nine middle income countries, helping people find better and more secure employment.

#### ***Global Trade (Foreign & Commonwealth Office)***

The programme will provide support to facilitate free trade and open markets for ODA eligible middle income countries, in turn enabling greater investment and interaction with global value chains to create jobs and prosperity.

#### ***Better Health (Foreign & Commonwealth Office)***

The programme, which focuses on South Africa, Southeast Asia, Brazil and Mexico, aims to increase life expectancy, improve productivity and deliver economic growth in these countries.

#### ***Global Future Cities (Foreign & Commonwealth Office)***

The programme will provide support to 19 selected cities across ten countries to encourage

sustainable development and increase prosperity, whilst alleviating high levels of urban poverty.

***Global Digital Access (Department for International Development, Foreign & Commonwealth Office, Department for Digital, Culture, Media & Sport)***

The programme will explore sustainable solutions for affordable and inclusive digital access for development in excluded or underserved communities in Kenya, South Africa, Nigeria, Brazil and Indonesia.

***Mexico (Foreign & Commonwealth Office)***

The programme aims to strengthen financial services, energy provision, urban planning and development, and the rule of law; whilst reducing corruption in Mexico.

***Brazil (Foreign & Commonwealth Office)***

The programme aims to support Brazil's shift towards resilient sustainable development through facilitating trade, improving energy infrastructure and promoting green finance; including establishing a Green Investment Bank based on the UK's model.

***India (Foreign & Commonwealth Office, Department for International Development)***

The programme aims to unlock India's economic prosperity, focusing on energy and low carbon; urban development and smart cities; ease of doing business; financial services; and skills.

***Indonesia Regulatory Reform (Foreign & Commonwealth Office)***

The programme will improve the business environment by working with the Government of Indonesia to put into place systems for improved central oversight and co-ordination of regulatory reform, as well as tools and guidance to support the delivery of regulation.

***Indonesia Renewable Energy (Foreign & Commonwealth Office)***

The programme supports the expansion of the renewable energy sector in Indonesia through policy reform; technical assistance; demonstration projects; and international knowledge transfer and innovation.

***Southeast Asia Economic Reform (Foreign & Commonwealth Office)***

The programme aims to improve the business environment and develop financial markets in Southeast Asia.

***Southeast Asia Low Carbon Energy (Foreign & Commonwealth Office)***

The programme aims to support Southeast Asia's low carbon transition, driving progress in green finance and energy efficiency.

***China (Three programmes) (Foreign & Commonwealth Office)***

Prosperity Fund work in China is organised as a portfolio of seven strands covering infrastructure; energy and low carbon; financial services; rule of law for business; health; skills; and future cities. The work will support China's transition to a sustainable, inclusive and productive economy.

***Turkey Financial Services (Foreign & Commonwealth Office)***

The programme will support financial sector reforms in Turkey to ensure more stable sources of longer-term financing; diversify finance instruments; and establish Istanbul as an International Financial Centre and FinTech Hub.

***Unlocking Prosperity in the Horn of Africa (Department for International Development)***

The programme will support infrastructure development in the Horn of Africa including the upgrade of critical bottlenecks such as river crossings; and regulatory work on trade, transit and customs.

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***Programmes in design phase***

***Investment Promotion Programme (Department for International Trade)***

The programme aims to support the developing and emerging markets of South Africa, Nigeria, India and the Philippines in attracting foreign direct investment (FDI).

***UK-India Tech Partnerships (Department for Digital, Culture, Media & Sport)***

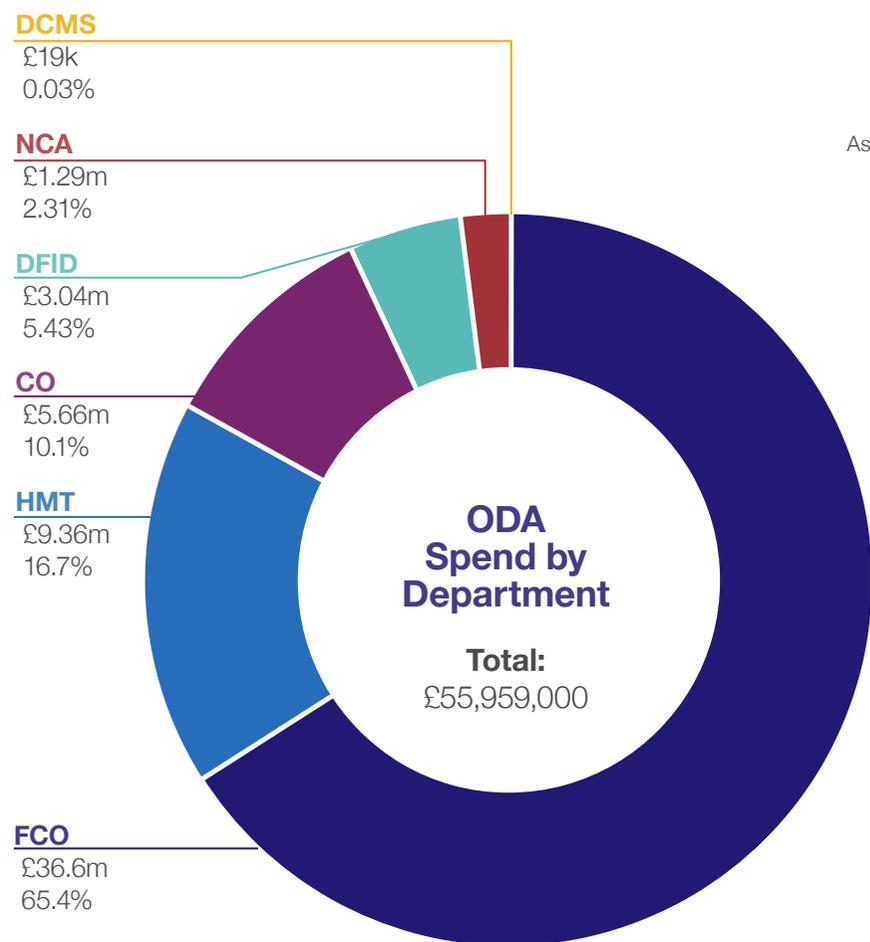
The programme aims to unlock the potential of the technology industry in India, delivering high-skilled jobs and economic growth.

***Global Infrastructure Hub (HM Treasury)***

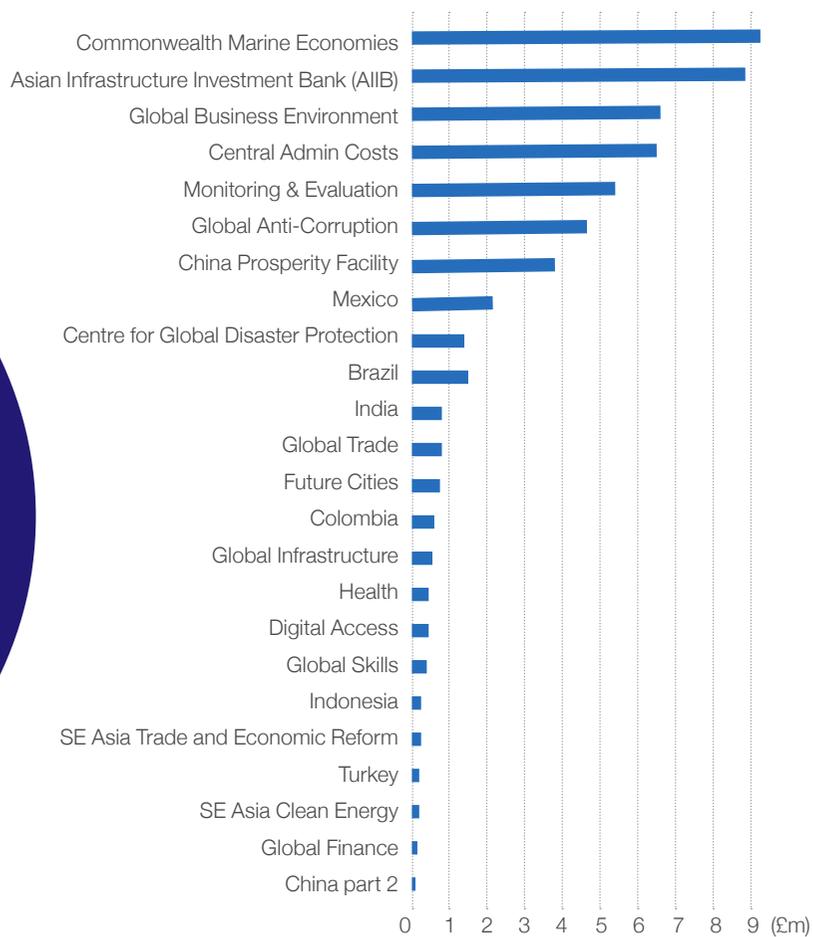
The programme supports the established Global Infrastructure Hub to promote an enabling environment for high quality infrastructure projects in emerging markets.

## ANNEX 2: Financial Information 2017/18

The Fund achieved a 96% (£56 million) spend throughout the financial year against the revised £58 million allocation for the ODA element. The original budget was £122 million, of which, £47.3 million was re-allocated to DFID and £16.7 million to the Conflict Stability Security Fund.

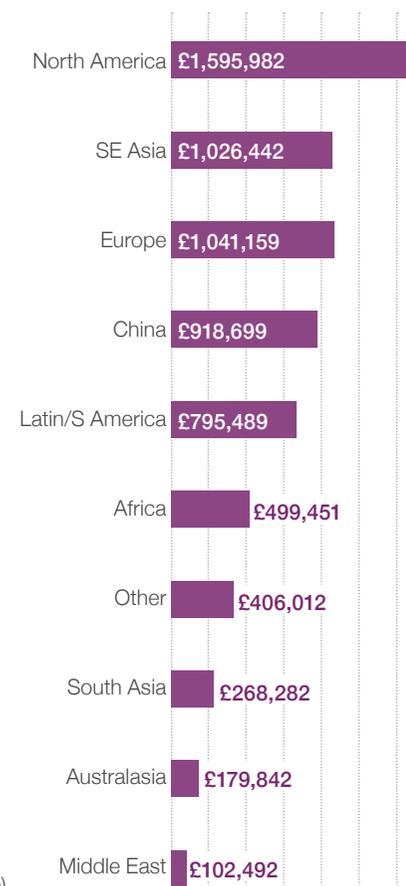


### Spend by programme (total £65m)



### Non-ODA by region

Total: £7m

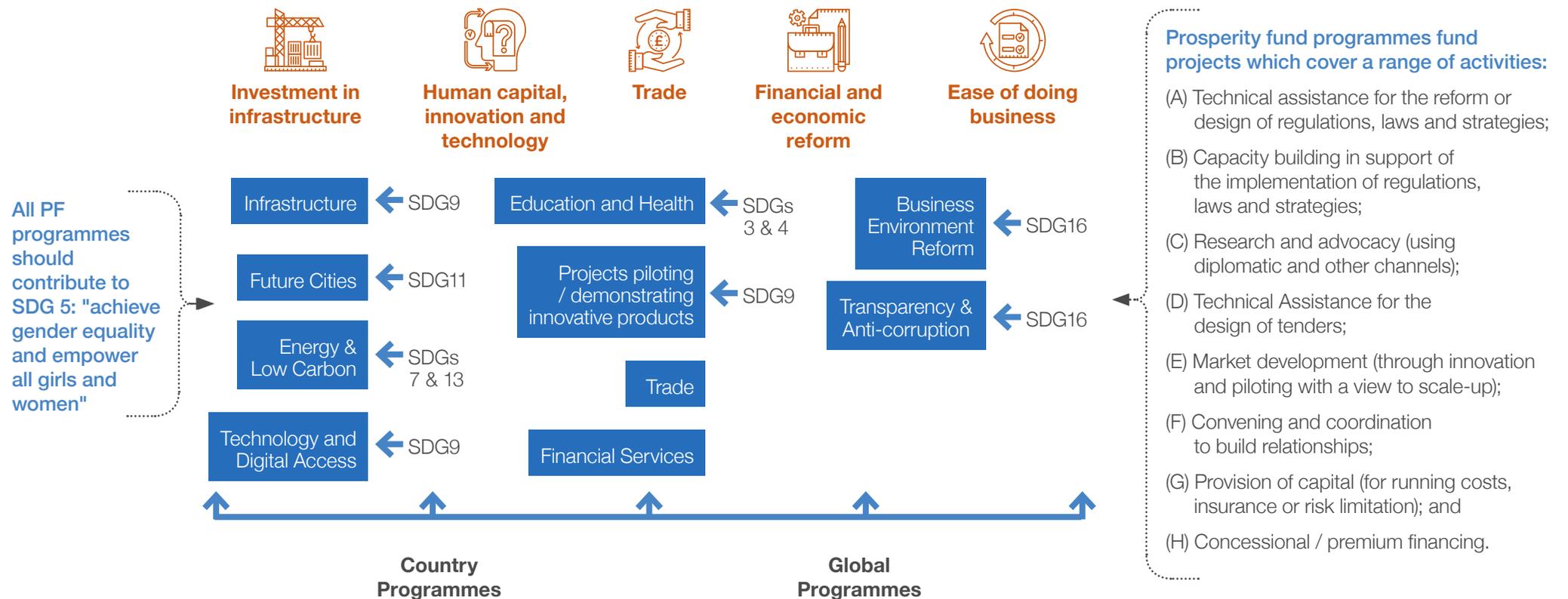


# ANNEX 3: Theory of Change

A Theory of Change provides the basis for planning at Fund and programme level, programme design and management, and indicators for assessing impact. It explains the journey from near-term outputs and activities through to long-term poverty reduction. Each programme will have project-specific theories. Beyond intermediate outcomes, economic theory will demonstrate that the Fund contributes positively to the UN Sustainable Development Goals. This approach is typical of large organisations like the World Bank and United Nations.



## Intermediate outcomes



### Underlying assumptions:

A1. Three-pillar understanding of sustainability runs through programming design— green, self-financing and inclusive.

A2. PF programmes and interventions have built in to design approaches that address issues related to the economic empowerment of women and inclusion in line with the UK's Gender Equality Act and the Prosperity Fund Gender and Inclusion Policy, Guidance and Inclusion Framework.

A3. There is an appropriate balance between primary and secondary benefits.

A4. The Prosperity Fund brings additionality and a unique programmatic offering to the countries and sectors in which it works.

A5. Human resource capacity and management needs at programme and fund level have been identified and measures have been put in place to support management.

A6. Evidence on VfM is used to guide improvements to PF programmes and processes.

A7. The PF is learning key lessons from its programmes and projects.



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Further information on the Prosperity Fund is available at:  
[www.gov.uk/government/publications/cross-government-prosperity-fund-programme](http://www.gov.uk/government/publications/cross-government-prosperity-fund-programme)