



British Embassy
Beijing

China Prosperity Strategic Programme Fund (SPF) Programme Strategy 2014-15



Contents

1. FCO Global Prosperity Fund
2. China Prosperity SPF Programme (including table of objectives and indicators)
3. Requirements
4. Multi-country proposals
5. Programme/Bidding Round Structure and Process
6. Contact details

1. UK Foreign and Commonwealth Office's Prosperity Fund

The purpose of the UK Foreign and Commonwealth Office's Prosperity Fund is to contribute towards the policy goal of **creating the conditions for global growth**. To achieve this there are three key work strands:

Openness: Working for a transparent and strong rules-based international economic system.

Sustainability: Working for a low carbon economy, resilient energy markets and promoting science and innovation as solutions to global challenges.

Opportunity: Promoting Britain as an international partner of choice and seeking opportunities for commercial collaboration as we work towards sustainable global growth.

2. China Prosperity Strategic Programme Fund

In China, the fund is known as the **China Prosperity SPF programme**. The programme has five policy strands, each consistent with the global FCO Prosperity Fund's goal of creating the conditions for global growth, and supports delivery of China's 12th Five Year Plan (2011-15) as well as building ambition for the 13th Five Year Plan (2016-20):

Financial sector reform:

Liberalising and opening-up the financial sector for efficient and sustainable growth.

Structural reform:

Rebalancing the economy towards consumer spending for sustainable global growth.

Business environment and trade:

Improving the business environment for domestic and foreign businesses, breaking down barriers to trade and investment and opening new markets.

Energy and resource security:

Promoting the transparent and sustainable use of energy and resources.

Clean and low carbon transition:

Driving a clean and low carbon transition, boosting green growth and helping to prevent dangerous climate change.

Projects funded through Prosperity SPF must:

- Deliver **real, measurable policy outcomes**;
- Be in an area where China is developing or changing policy;
- Represent good value for money, including providing evidence of co-funding or in-kind support from Chinese stakeholders;
- Use UK commercial or policy expertise.

Projects will need to contribute towards one or more of the objectives in the table below, and meet the requirements listed on page 10.

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OBJECTIVE 1: FINANCIAL SECTOR China's financial sector reforms improve the efficiency and sustainability of economic growth.		
Sub-objectives (4 year goals)	Outcomes (changes over next 1-2 years)	Suggested Projects for 2014/15
(1.1) Development of the offshore RMB market.	<ul style="list-style-type: none"> - Additional avenues created for RMB inflows and outflows to increase offshore liquidity, for example: - China's New International Payments System incorporates global experiences – including the UK's; - Development of offshore RMB financial services and products; - Improved global RMB FX infrastructure – including ensuring China's New International Payments System incorporates global experiences (including the UK's); 	RMB Internationalisation – continued projects to support UK-China policy dialogue, e.g. on clearing bank and payment mechanisms.
(1.2) Improved banking regulation and closer UK-China financial regulation collaboration.	<ul style="list-style-type: none"> - Agreement reached between UK and Chinese regulatory authorities on Resolution and Recovery Mechanisms (RRPs). - Regulatory co-operation sufficiently strong and Chinese regulation sufficiently robust to allow UK regulators to permit Chinese bank to attain branch license(s). 	Chinese Banks in the UK: Project supporting regulatory dialogue to facilitate Bank of England and Chinese agreement on RRP.
(1.3) Development and opening of capital and insurance markets.	<ul style="list-style-type: none"> - Chinese insurance markets internationalise and benefit from international (including UK) experience. Greater Chinese participation in UK reinsurance syndicates. Greater presence of Chinese insurance activities overseas and of international presence in China. - China's capital markets deepen – for instance by allowing foreign banks to underwrite bonds, more Chinese firms list on London Stock Exchange, and London Stock Exchange attains permissions to develop their business with China. 	<ul style="list-style-type: none"> - Deeper collaboration on insurance markets, including how China can benefit for further opening to UK firms. Build on 2012/13 reinsurance project. - Bond market development seminar – capturing lessons learned over past 3 years of UK-China project collaboration.
(1.4) Development of asset management (China into the UK and UK to China) to better allocate Chinese capital and deepen capital markets.	<ul style="list-style-type: none"> - Greater use of UK asset managers by Chinese investing overseas and increased presence of international firms in China to deepen and widen the market. 	<ul style="list-style-type: none"> - UK-China Asset Management collaboration: seminar / road show / visit / policy exchange.
(1.5) Government departments develop green finance mechanisms with increased engagement from other key institutions including banks, stock market investors and public investors.	<ul style="list-style-type: none"> - Acceleration of green finance, including the greening of state banks, development of environmental performance indicators, green bonds, environmental insurance as well as awareness of the policy implications of stranded assets. - Increased interest and accountability from financial institutions and investors on green finance and investment. - Increased transparency on capital dedicated to low carbon objective. 	<p>Projects that:</p> <ul style="list-style-type: none"> - Develop environmental performance indicators through engagement with key finance stakeholders; - Develop innovative green finance models and tools, and measures to reduce the investment cost of green infrastructure; - Support management of financial risks with stranded assets; - Support voluntary and mandatory environmental information reporting and disclosure; - Allow for UK and China exchange on green finance such as green banking regulation and practice; - Support development of green public procurement.

OBJECTIVE 2. STRUCTURAL REFORM**China's structural reforms rebalance the economy towards consumer spending for sustainable growth.**

Sub-objectives (4 year goals)	Outcomes (changes over next 1-2 years)	Suggested Projects for 2014/15
(2.1) China develops the policies and institutional capacities it needs to further support private sector development and innovation.	- Successful development of the Shanghai Free Trade Zone, with UK policy and commercial support.	- Projects to support the development of the Shanghai Free Trade Zone, including flowing from the UK-China FTZ symposium.
(2.2) China develops the policies and institutional capacities it need to use the foreign exchange reserves for supporting domestic economic restructuring.	- Continued increases in outward Chinese investment, with significantly enhanced understanding of the UK's investment environment.	- Projects to support China's outward investment (including activities to support the promotion of UK Investment guides in China).
(2.3) China develops the policies and institutional capacities to deliver sustainable government finances.	- More effective use of public private partnerships in the development of urban infrastructure. - Increase in sustainability of public finances through improved budget transparency, including at the local level.	- Further activities to support the rolling out of PPP arrangements across China. - Projects to support central government financial management and fiscal architecture.
(2.4) Development of China's health and social care sector.	China enhances its capacity to implement and develop: - Health system reform; elderly care services reform; effective pharmaceutical policies; and an effective response to global health threats.	- Projects to support China's latest health and elderly care reforms, including global health threats.

OBJECTIVE 3: BUSINESS ENVIRONMENT AND TRADE

China's business environment is improved for foreign and domestic companies, opens new markets, and there is progress on international trade negotiations and a rules-based international economic system.

Sub-objectives (4 year goals)	Outcomes (changes over next 1-2 years)	Suggested Projects for 2014/15
(3.1) China puts in place policies to open new markets and support a sustainable business environment in line with international standards.	<ul style="list-style-type: none">- Successful development of the Shanghai Free Trade Zone, with UK policy and commercial support.- Clearer defined anti bribery laws and definition of bribery areas to be tackled.- Expanded policy collaboration for responding to market access asks, including streamlining of approval processes, standards for goods and services, public procurement, investment catalogues, legal services (other market asks inc. IP, pharmaceuticals and health care, financial services and insurance sector issues are dealt with against other strategy objectives).- Progression on breaking down specific barriers to trade and investment and increase in market access opportunities.	<ul style="list-style-type: none">- Projects to support the development of the Shanghai Free Trade Zone, including flowing from the UK-China FTZ symposium.- Projects that support streamlining of approval processes for businesses in China or policy collaboration on standards assessments.- Projects supporting tackling of corruption.- Project activities to support a response to market asks including streamlining of approval processes, standards for goods and services, public procurement, investment catalogues, legal services.
(3.2) China has leading role in future multilateral trade negotiations, and is a leading global voice for free trade.	<ul style="list-style-type: none">- China deepening its engagement with multilateral economic institutions.- Increased engagement with the OECD, particularly in the instrument revision process.	<ul style="list-style-type: none">- Possible seminars on the future of the Doha Round, and benefits of further trade liberalisation.- Further seminars on OECD instruments due to be revised; follow-up on corporate governance seminars.
(3.3) China demonstrating commitment to a non-discriminatory and transparent intellectual property regime to enable effective protection and enforcement of IP.	<ul style="list-style-type: none">- Chinese IP administrative agencies or courts incorporate international best practice into regulations/practice guidance in priority areas of IP.	<p>Possible project areas include:</p> <ul style="list-style-type: none">- Copyright licensing and collecting societies;- Bad-faith trade mark applications and well-known trademarks;- Civil enforcement procedures (for example damages calculations & interim injunctions);- Online enforcement.

OBJECTIVE 4: ENERGY AND RESOURCES

China engages more actively and transparently on energy and resource management to avoid a global energy crunch and to support green growth.

Sub-objectives (4 year goals)	Outcomes (changes over next 1-2 years)	Suggested Projects for 2014/15
(4.1) China undertakes an active role in the international energy system and increases capacity to respond to energy emergencies so as to minimise potential risk on energy prices and supplies.	<ul style="list-style-type: none">- China develops capacity to respond to energy emergencies.- China increases role in global energy governance structures.	Projects that: <ul style="list-style-type: none">- Support China's increasing role in international energy governance structures;- Support a practical response to dealing with energy emergencies.
(4.2) China's energy policy shows an increase of gas and low carbon sources in the energy mix, contributing to emissions reduction and enhanced energy security.	<ul style="list-style-type: none">- China develops effective policy objectives and investment frameworks for a diverse energy mix, with coal increasingly being replaced by lower carbon alternatives.	Projects that support development of policy and financial frameworks with commercial engagement in the following areas: <ul style="list-style-type: none">- Coal: clean coal and coal efficiency;- Natural gas: pricing and reform to infrastructure;- Unconventional gas: shale gas policy including environmental protection;- Nuclear: waste management and decommissioning;- Offshore wind and marine.
(4.3) China's policy decisions on energy take into consideration water and food security (resource-energy nexus).	<ul style="list-style-type: none">- China identifies potential implications and management options for handling the impact of energy decisions on water and food security, and impact of water resource on energy choices.	Suggested project areas: <ul style="list-style-type: none">- Examine the water cost of China's various energy sources including the resource-energy nexus in China's nascent shale gas industry. Lobby for the adoption of best practices in hydraulic fracturing fluid management;- Assess technologies and regulations for water efficiency in China's proposed Synthetic Natural Gas (SNG) industry. Deliver policy and technical recommendations to lower water intensity in this new industry.

OBJECTIVE 5: CLEAN AND LOW CARBON TRANSITION China's policy frameworks and expertise drive a clean and low carbon transition, boost green growth and help to prevent dangerous climate change.		
Sub-objectives (4 year goals)	Outcomes (changes over next 1-2 years)	Suggested Projects for 2014/15
(5.1) China has implemented robust policy, institutional and regulatory frameworks to enable its clean and low carbon transition.	<ul style="list-style-type: none"> - Full implementation of low carbon targets in 12th Five Year Plan. - Increased ambition, expertise and capacity for delivery of future low carbon development plans. - Expanded and successful innovation and experimentation of clean, low carbon policy frameworks. 	Projects that: <ul style="list-style-type: none"> - Facilitate cooperation among key Ministries and other stakeholders to support delivery of low carbon initiatives; - Bring the private sector more fully into implementing low carbon action plans; - Contribute to meeting of provincial coal caps; - Make more effective use of economic and scientific evidence of climate impacts and benefits of taking action to drive low carbon transition.
(5.2) China's industrial structure supports more effective use of non-fossil energy, reduced carbon emissions and cleaner growth.	<ul style="list-style-type: none"> - Relevant Chinese government ministries advance development and implementation of national energy efficiency initiatives. - Roll out of energy efficiency tools for industry supporting delivery of 12th Five Year Plan targets and supporting greater ambition for future low carbon development plans. 	Projects that: <ul style="list-style-type: none"> - Develop policy and regulatory structures that encourage clean, low carbon industrialisation, including work on supply chains. Involvement of key Ministries inc NDRC, MIIT and SASAC; - Incentivise Clean and Energy Efficiency Production (CEEP) and the development of the clean technology sector; - Transform the price and investment incentives for enterprises so clean growth is the preferred option; - Build on and roll out tools generated through previous projects for low carbon industry.
(5.3) China's new urbanisation plans demonstrate environmental sustainability.	<ul style="list-style-type: none"> - Increased capacity of local Mayors and Planners to deliver low carbon planning. - Priorities identified for sustainable urbanisation policy reform, which take into consideration key environmental (and other) impacts and drivers. - UK/EU experience used to support China pilot approaches on eco-town development. - Improved integration of transport within urban planning, and progression on development of policy for controlling city-level emissions from transport. - Barriers identified for effective implementation and management of low carbon buildings and proposals developed for reform. 	Projects that: <ul style="list-style-type: none"> - Bring in UK expertise and materials to develop specific training mechanisms in the area of low carbon planning for Mayors and to establish long-term training partnerships on urban planning more generally; - Identify priorities for sustainable urbanisation policy reform, which take into consideration key environmental (and other) impacts and drivers; - Support incorporation of transport orientated design into city planning or development of policy tools to control emissions in urban areas such as congestion charging; - Projects that support practical implementation and management of low carbon buildings.

<p>(5.4) China closing the finance and investment gap to meet climate change and low carbon development targets.</p>	<ul style="list-style-type: none"> - Increased Government ambition and cross-government coordination on climate finance. - Policy mechanisms supporting use of government funds for climate finance. 	<p>Projects that: support engagement of key Ministries, finance and service sectors in the development of climate finance mechanisms.</p>
<p>(5.5) China's emissions growth controlled through developing and implementing national carbon trading pilot programmes.</p>	<ul style="list-style-type: none"> - National emissions trading scheme advanced incorporating lessons learned from pilots (cap setting, allocation and MRV). - Finance and other service sectors engaged in the development of ETS. - Emitting sectors equipped with tools and knowledge to measure and manage carbon. - Compatibility of different carbon pricing mechanisms (e.g. tax, trading) considered in policy making. 	<p>Projects that:</p> <ul style="list-style-type: none"> - Support incorporation of pilots into a national ETS; - Support sharing of expertise amongst UK and Chinese industry and other experts to facilitate practical implementation of pilots and planning for national ETS; - Advance development of the national ETS through the finance and service sector.

3. **Requirements**

- **Indicators:** Proposals must meet one or more of the programme sub-objectives and indicators. Please speak to the Embassy before you submit concepts to ensure strategic fit.
- **Projects should be designed to be compatible with Official Development Assistance (ODA) criteria.** The main objective of the project should be to support the economic and welfare development of China. See the following link for more detail on ODA compatibility
<http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>
- **Implementers:** Prosperity projects allow exchange of expertise and best practice amongst Chinese and international stakeholders. All proposals must include a partnership of at least one Chinese implementing partner and at least one UK and/or international implementing partner or demonstrate substantial involvement of UK and/or international participants. The Agreeable Grant Contract will only be signed with one implementing partner. Implementing partners will be required to submit curricular vitae (CVs) for their project team and seek our agreement to any changes of the project team.
- **Evidence-based policy outcomes:** Proposals should demonstrate how they will achieve real, measurable policy outcomes. We place strong emphasis on evidence-based results clearly defined and tracked through project indicators of success. We are unable to consider projects or activities solely focussed on basic or scientific research or whose primary goal is increasing public awareness or benefitting business interest. Proposals for standalone seminars and workshops will only be considered if they have a realistic chance of achieving significant and measurable outcomes in the context of the indicators.
- **Climate change projects aligned with the UK-China Climate Change Working Group priorities** come under objective 5. They will be selected, administered and funded in line with a partnership agreement between the UK and China's NDRC. Provincial or city-level projects will need a signed letter of support from the local DRC. Please contact the Prosperity SPF programme team to discuss if this applies to your project.
- **Province/city level projects** should be 'models', 'leaders' or 'pilots' for that specific policy area, and need to emphasise how outcomes can be scaled up to national level. Please contact the Prosperity SPF Programme team to discuss priority locations.
- **Strong engagement and support of the host government or other key beneficiaries and stakeholders** is essential. Proposals must demonstrate that host governments have been consulted and are supportive of the project. If they have not, the bid should explain how the project has sufficient buy-in from local stakeholders to deliver the expected outcomes.
- **Co-funding.** Projects with co-funding from the host government or other stakeholders will be looked on more favourably by the Board as it demonstrates better value for money and government support.
- **Value for money** must be demonstrated in project proposals. Proposals must make clear how they are adding value to, and not duplicating existing activity.
- **Budgets** should be inclusive of all activities required to fully achieve the project's stated goals, including dissemination and translation activities. Any media work should be directly related to the project proposal. Any significant additions or changes to the budget will need to be approved by the FCO programme team before payment. Unless approved by the FCO programme team, the fund cannot be used to pay for the costs/time of any other organisation/expert other than the implementer or sub-contracted organisation. The fund cannot be used to pay for Government Officials time involved in the project.

- **Administration costs** of implementers must be incorporated into the original project budget and should aim to be no more than 5% of the overall budget. In particular cases we will consider administrative costs up to 10%.
- **Multi-year projects:** Project proposals may be single year or multi-year. Funding for multi-year projects cannot be guaranteed until global Prosperity Programme funding is confirmed during the last quarter of each financial year. Multi-year project proposals will need to ensure that significant outcomes have been achieved at the end of the first year, March 2015.

4. **Multi-country proposals**

- We will consider multi-country project bids involving activities in China and other countries. The China portion of any funding would need to be linked to activities capable of achieving clearly defined outcomes in mainland China. These activities would also need to be compatible with ODA criteria (see above)
- Multi-country projects must have the support of all relevant UK Embassies and be capable of delivering benefits in all included countries. Such projects need to demonstrate the ability to produce an overall outcome that is more than the sum of the outcomes of the activities in individual countries.

5. **Programme Bidding Round Structure and Process**

The Prosperity SPF programme in China is coordinated by the British Embassy in Beijing and implemented from Beijing and Consulates General in Hong Kong, Guangzhou, Shanghai and Chongqing. Information regarding bidding rounds in China will be published on the British Embassy's website

<https://www.gov.uk/government/publications/china-prosperity-spf-bidding-round-201415>

Bidding rounds are split between a concept and full bid stage.

Projects are approved by a Programme Board consisting of senior officials from the British Embassy Beijing, FCO London, UK Trade & Investment (UKTI), UK Department for International Development – China, British Council – China and an external board member (e.g. UNDP).

Proposals should be submitted using the Prosperity SPF Concept Bid Form found on the website in English and in Chinese. Organisations looking to submit a concept bid should contact the Prosperity SPF Programme Team beforehand to ensure it is eligible and meets the programme objectives. We also recommend that in advance, prospective bidders check the terms and conditions in the Prosperity SPF Accountable Grant Contract which can be downloaded from the Embassy website.

The FCO places a strong emphasis on project monitoring and evaluation. Project implementers must submit quarterly progress reports for the duration of the project, and submit a project completion report within three months of project closure. In addition, depending on the scale of the project, a full and independent evaluation may be required.

Successful projects will start in May 2014. Multi-year projects are subject to review after the end of each financial year to continue funding.

Stages of Bidding Rounds (please see the website for dates and timescales)

- **Stage 1: Concept bid development phase.** Implementing organisations develop bids in consultation with the Embassy and submit concept bids by the deadline (using concept bid form on website).
- **Stage 2: Approval of concept bids.** Concept bids are appraised on strategic fit, project design, support from key stakeholders/beneficiaries and value for money. Implementers are informed of selected concept bids and are requested to develop full bids.
- **Stage 3: Approval of full bids.** Implementing organisations submit full bids (using full bid form and Activity Based Budget form provided by the programme team). Only projects approved at concept stage submit full bids. Implementers will be informed of approved bids.

For enquiries please contact:

China Prosperity SPF Programme Team

PFgeneralqueries@fco.gov.uk

Implementing organisations operating in China's provinces may also want to contact the consulates in Hong Kong, Shanghai, Chongqing and Guangzhou directly.

For more information about the SPF Prosperity Fund, including timescales and bidding forms, please go to <https://www.gov.uk/government/publications/china-prosperity-spf-bidding-round-201415>