



British Embassy  
Beijing

# China Prosperity Strategic Programme Fund (SPF) Programme Strategy 2013-14



Contents

FCO Global Prosperity Fund

China Prosperity SPF Programme

Indicator Guidance Notes

Requirements

Multi-country proposals

Programme Structure and Process

Contact details

**FCO Global Prosperity Fund**

The purpose of the FCO’s Prosperity Fund is to support projects which enable the UK to meet its foreign policy priority of creating the **conditions for sustainable global growth** and development.

The Fund will deliver **real, measurable policy outcomes** that support the establishment of transparent and stable regulatory regimes, promote economic policies that underpin strong, sustainable, balanced and low carbon growth, encourage openness to trade and investment, discourage protectionism and strengthen the multilateral trading system.

We will also use the Fund globally to create the political conditions for achieving an efficient low carbon transition, and to enhance energy security by building support for open and effective international energy markets and by promoting the take-up of alternative energy sources and more efficient consumption of energy.

**China Prosperity SPF Programme**

In China, the fund is known as the **China Prosperity SPF programme**. It has five strands, each consistent with the objectives of the global FCO Prosperity Fund and China’s 12<sup>th</sup> Five Year Plan (2011-15):

- 1. Financial sector reform:** liberalising and opening-up the financial sector for efficient and sustainable growth.
- 2. Structural reform:** rebalancing the economy towards consumer spending and business and service sectors.
- 3. Business environment and trade:** Improving the business environment for domestic and foreign businesses and breaking down barriers to trade and investment.
- 4. Energy Security:** Efficient, sustainable energy use for enhanced security of resources.
- 5. Low carbon/climate change:** Reducing emissions growth in line with limiting warming to within 2 degrees of pre-industrial levels.

Prosperity SPF projects are based on exchange of expertise and closer policy collaboration between Chinese and international stakeholders. For this reason ALL projects must include both a Chinese and international partnership or demonstrate substantial international engagement. ALL projects need to demonstrate Chinese government support. Project outcomes are strengthened where there is an opportunity for UK-China policy collaboration.

Projects funded under the Prosperity SPF **must contribute towards one or more of the five objectives and the indicators below.**

<b>Objective</b>	<b>Indicators</b>
1. China on track with the financial sector reforms needed to improve the efficiency and sustainability of economic growth.	China develops the policies, reforms and institutional capacities it needs to:  (1.1) Development of offshore RMB market;

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	<p>(1.2) Develop a sound risk assessment and risk pricing culture;</p> <p>(1.3) Development and opening of capital and insurance markets;</p> <p>(1.4) Develop all areas of green finance including green credit and green procurement.</p>
<p>2. China on track with the structural reforms needed to rebalance the economy towards consumer spending and for sustainable growth.</p>	<p>2. China develops the policies, reforms and institutional capacities it needs to:</p> <p>(2.1) further develop the services and private sectors;</p> <p>(2.2) boost household incomes and consumer spending;</p> <p>(2.3) move to market-determined prices in the economy, e.g. energy, exchange rates.</p>
<p>3. China improves the business environment for foreign and domestic companies and supports progress on international trade negotiations.</p>	<p>China develops the policies, reforms and institutional capacities that it needs to:</p> <p>(3.1) Break down formal and institutional barriers to trade and investment;</p> <p>(3.2) Provide a level playing field on which state-owned, private and foreign companies can compete;</p> <p>(3.3) Create a non-discriminatory and transparent intellectual property regime to enable effective protection and enforcement of IP.</p>
<p>4. China's energy decisions support increased diversity and supply of energy resources and take account of food and water security.</p>	<p>(4.1) China develops capacity to respond to energy emergencies, and increases role in global energy governance.</p> <p>(4.2) China develops effective policy objectives and investment frameworks for a diverse energy mix, specifically in areas of shale gas and off-shore wind.</p> <p>(4.3) China build understanding of the energy/resource nexus in China, identifies potential implications and management of energy decisions on water and food security.</p>
<p>5. China closing the gap between its current level of</p>	<p>(5.1) China develops policy, regulatory and financial frameworks and institutional capacities needed to</p>

domestic low-carbon ambition and that needed to limit global warming to two degrees of pre-industrial levels	<p>accelerate the low carbon transition for the 12<sup>th</sup> and 13<sup>th</sup> Five Year Plans.</p> <p>(5.2) China strengthens capabilities for carbon accounting and management.</p> <p>(5.3) China develops policies to realise a low carbon shift in its urbanisation and industrialisation processes.</p> <p>(5.4) China develops policy and institutional capacity for climate finance.</p>
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### Project areas of interest (not exclusive to)

#### Indicator (1.1) Development of offshore RMB market

- Collaboration on development of offshore RMB market.
- Collaboration of development of liquidity in the offshore RMB market.
- Collaboration on improving linkages to offshore RMB payments systems and lessons-learned from overseas for the development of China's new international payments system (CIPS).
- Collaboration on educating overseas users on the use of RMB.

#### Indicator (1.2) Development of a sound risk assessment and risk-pricing culture

- Support further relaxation of interest rate controls.
- Better regulation of banks.
- Better risk control within banks.

#### Indicator (1.3) Development and opening of capital and insurance markets

- Relaxation on barriers to entry of foreign firms.
- Improved regulation to encourage proper functioning of capital and insurance markets.
- Increasing venture capital investment in high-tech SMEs.

#### Indicator (1.4) Development of all areas of green finance including green credit and green procurement.

- Supporting ambitious green credit policy through engagement across relevant ministries and banks.
- Development of policies that support China to take decisions that lead to green procurement.
- Building political consensus for wide ranging green finance policy support.

#### Indicator (2.1) Further develop the services and private sectors

- Policies to support the service sector.
- Reform of state-owned enterprises and their financing.

- Policies to support small and medium sized enterprises and the private sector more broadly.
- Tax reform e.g. VAT reform, income tax and distribution system reform.

**Indicator (2.2) Boost household incomes and consumer spending**

- Health reform including advising on regulation and standards for clinicians, institutions and the pharmaceutical sector.
- Sharing knowledge on establishing an effective primary care system.
- Sharing expertise as China reforms its hospital sector.
- Urban infrastructure investment and financing mechanism to promote sustainable urbanisation.

**Indicator (2.3) Move to market-determined prices in the economy, e.g. energy, exchange rates.**

- Exchange rate reform.
- Interest rate reform.
- Labour market reform.

**Indicator (3.1) Break down formal and institutional barriers to trade and investment.**

- Removing traditional barriers to trade tariffs and quotas.
- Removing formal barriers to investment.
- Overcoming institutional barriers to trade.
- Overcoming institutional barriers to investment.

**Indicator (3.2) Provide a level playing field on which state-owned, private and foreign companies can compete.**

- Open and transparent bidding processes for procurement using public money e.g. provincial governments and SOEs.
- Subsidies.
- Price-setting.
- Bottom up incentives to business e.g. stability of business environment, rather than target setting.

**(3.3) Create a non-discriminatory and transparent intellectual property regime to enable effective protection and enforcement of IP.**

- Reduction of on-line IP infringement.
- Development of national or multilateral IP systems that incentivise innovation.
- Consistency of IP enforcement between regions.
- Reliability and credibility of IP application processes.

**Indicator (4.1) China develops capacity to respond to energy emergencies, and increases role in global energy governance.**

- Building Chinese capacity to respond to energy emergencies in order to minimise impacts on energy prices and supplies. Linked to increased positive role in global energy governance.

**Indicator (4.2) China develops effective policy objectives and investment frameworks for diverse energy mix, specifically in areas of shale gas and off-shore wind.**

- Developing effective policy framework for shale gas extraction in support China to meet 12<sup>th</sup> Five Year Plan targets for shale gas.
- Practical collaboration on offshore wind including sharing of information on policy, R&D and investment.

**Indicator (4.3) China builds understanding of the energy/resource nexus in China, identifies potential implications and management of energy decisions on water and food security**

- As stated in the indicator text above.

**Indicator (5.1) China develops policy, regulatory and financial frameworks and institutional capacities needed to accelerate the low carbon transition for the 12<sup>th</sup> and 13<sup>th</sup> Five Year Plans**

- Sharing of practical, robust policy evidence and learning, and strengthening the policy development process to unlock a faster transition to low carbon. Includes narrowing the gap between independent scientific evidence and low carbon policy making.
- Bringing about stronger working between legislators to shape effective legal frameworks to tackle climate change.

**Indicator (5.2) China strengthens capabilities for carbon accounting and management**

- Collaboration with carbon market pilots, for example legal frameworks, measurement and management of emissions.
- Engagement of industry/enterprise in development of sector-wide mechanisms.
- Collaboration on a stronger national system for measurement and management of carbon and other GHG emissions, for example GHG inventory and national statistics system.

**Indicator (5.3) China develops policies and incentives to realise a low carbon shift in its urbanisation and industrialisation processes**

- Creating a community of best practice on low carbon master planning, including small and medium sized cities.
- Development of policies and tools that incentivise and promote low carbon and energy efficient enterprises, particularly working with SOEs.

**(5.4) China develops policy and institutional capacity for climate finance**

- As stated in the indicator.

**Requirements**

- **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 Agreement 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.

- **Indicators and ODA:** Proposals must meet one or more indicators. We expect most projects to contribute to more than one indicator. **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/document/0/0,3746,en\\_2825\\_495602\\_42398912\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/0/0,3746,en_2825_495602_42398912_1_1_1_1,00.html));
- **Evidence-based policy outcomes:** Proposals should have demonstrable policy and practical impact with specific and measurable 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;
- **Low carbon/climate change projects aligned with the UK-China Climate Change Working Group priorities** come under objective 6. They will be selected, administered and funded in line with a partnership agreement between the UK and China's NDRC. These 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;
- **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 achieve fully the project's stated goals, including dissemination and translation activities. Any media work should be directly related to the project proposal;
- **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; although 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 2013/14.

### **Multi-country proposals**

- We will consider multi-country project bids involving activities in China and other countries. But 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.

### **Programme 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 (<http://ukinchina.fco.gov.uk/en/about-us/working-with-china/ProsperitySPF>).

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. World Bank).

Proposals should be submitted on the Prosperity SPF Bidding 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. We also recommend that prospective bidders check the terms and conditions in the Prosperity SPF contract/Accountable Grant Agreement 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 the project conclusion. In addition, depending on the scale of the project, a full and independent evaluation may be required.

Successful projects will start in April 2013. 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 on website). 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

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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 <http://ukinchina.fco.gov.uk/en/about-us/working-with-china/ProsperitySPF>.