



Department for
Business, Energy
& Industrial Strategy

International Climate Finance: Technical Assistance Programme

China Green Finance
Call for Proposals – Strategy and Guidelines

2018-19

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1. Context

1.1 BEIS International Climate Finance

At the UNFCCC Conference of the Parties (COP) in Paris, the UK reaffirmed the collective commitment with other developed countries to mobilise \$100bn of climate finance a year by 2020 from public and private sources, to help developing countries mitigate and adapt to climate change. The UK has committed at least £5.8bn of International Climate Finance for 2016-2021, which is managed jointly by the Department for International Development (DFID), the Department for Business, Energy and Industrial Strategy (BEIS), and the Department for Environment, Food and Rural Affairs (DEFRA). The three departments have different allocations from the fund, and different focusses for their spend.

The BEIS International Climate Finance (ICF) team focusses on climate change mitigation through low-carbon energy production, energy efficiency, and forests and land-use, and works primarily in middle-income countries where the largest climate change mitigation opportunities exist.

The BEIS ICF looks to mobilise private finance into these sectors, towards the Paris \$100bn goal. We look to achieve transformational change, investing in projects and programmes which have a multiplier effect. We aim to *innovate* to overcome critical barriers in the market, *invest with impact* by mobilising private capital at scale, and *inspire* by sharing UK skills to support ambition.

As part of an ongoing portfolio of programmes towards the BEIS ICF aims, the ICF is launching support for small-scale technical assistance activities in areas of distinct need.

1.2 Green Finance in China

Environmental protection is a top priority for the Chinese government: one of the three ‘battles’ to address that President Xi has identified over the next five years. Scaling up green finance is critical to supporting that agenda, and to underpinning China’s efforts to attract greater private investment in environmentally sustainable development.

The UK has global leadership on green finance, and both countries have built an unparalleled partnership in this area to support China’s transition to a more sustainable economic model.

At the 9th UK-China Economic and Financial Dialogue (EFD) in late 2017, the UK and China agreed that both countries recognise each other as their primary partner in green finance for capital raising, product innovation, and thought leadership. The UK and China agreed on a series of green finance policies and initiatives, and are committed to continued work in this area to further develop the commercial drivers behind a more sustainable financial system. Both sides agreed to:

1. Continue to support the development of China’s **green bond** market and encourage the cross-border capital flows and green bond issuance;
2. Lead the discussions on voluntary guidelines on **green Belt and Road** investment for Chinese and UK investors;
3. Progress and share research on measures to promote **green asset securitisation** in China and the UK;
4. Conduct pilot projects on **environmental information disclosure** consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations by financial firms in both countries;

5. Promote analysis to demonstrate a **positive correlation between Environmental, Social and Governance (ESG) impact and financial performance.**

2. China Green Finance Technical Assistance Programme

2.1 Aims of the China Green Finance Technical Assistance Programme

The ICF team has allocated up to £2m for technical assistance activities in green finance in China through an open, competitive Call for Proposals, for projects of up to one year in length.

The programme aims to:

- Support and incentivise China's transition to a more environmentally sustainable growth model through green finance; and
- Develop a commercially-driven and sustainable market for green finance, one that is invested in and further developed by commercial interest over and above policy-led demand.

2.2 Objectives of the China Green Finance Technical Assistance Programme

This China Green Finance Strategy frames the following **four pillars** for the Call for Proposals:

1. **Harmonisation:** more unified and harmonised green finance guidelines and standards that align with international practices, both domestically and overseas (especially along the Belt and Road Initiative (BRI) countries)
 - a. Green Bond Standards (streamlining domestic policies; alignment with international standards)
 - b. Unified voluntary guidelines for infrastructure investment along the BRI
2. **Transparency:** more transparent and responsible investment approaches that take account of climate-related financial risks and ESG investment
 - a. Supporting UK-China TCFD pilot; facilitating information disclosure of listed companies
 - b. Research on positive correlation between ESG investment and financial returns; activities promoting investor responsibilities
3. **Innovation:** increased innovation in green finance products and practice models
 - a. Green asset securitization
 - b. UK-China green tech incubator/park
4. **Capacity Building:** furthering the UK-China green finance partnership, accelerating practical implementation of national green finance policies across the country, and promoting wider stakeholder engagement and knowledge sharing at regional/city/local level

Projects funded through this Call will need to contribute to one or more of these objectives, and meet the requirements listed at sections 3.2 and 3.3. Further details on the criteria for project proposals are given below.

3. Call for Proposals

The ICF team has launched this Call for Proposals to invite innovative project ideas to address the four pillars listed above. Through this Call, funds will be distributed as grant funding to implementers or delivery bodies who fulfil the eligibility and project requirements of the Call, given below.

3.1 Project objectives

Projects must relate to one or more of the four pillars of the Call for Proposals. The tables below give further detail on the objectives of each pillar for the technical assistance programme on green finance in China, including the desired outcomes of the interventions.

The tables also give examples of projects which could meet those aims and objectives. Note that these are given as examples only – the ICF team encourages innovation and welcomes project ideas outside of those cited (where the outcomes can be evidenced to meet the programme aims).

OBJECTIVE 1: Harmonisation

Sub-objectives	Outcomes	Example projects
Green Bond Standards	<ul style="list-style-type: none"> • More streamlined domestic standards on green bonds, particularly in defining what is 'green' • China's standards and guidelines to be further aligned with international standards and practices • Scale up green bond issuance in London Stock Exchange • Improved access for international institutional investors to China's capital market 	<p>Projects that:</p> <ul style="list-style-type: none"> • Engage with key financial regulators on capital market guidelines particularly in green bond definition, verification, and rating • Contribute to streamlining of Chinese and international green bond standards • Improve international/UK investors' understanding of Chinese green bond market, and capacity of Chinese green bond issuers to issue green bonds in global financial centres (e.g. London)
Unified sustainable infrastructure investment mechanisms along the BRI	<ul style="list-style-type: none"> • Increased capacity to develop, and improved awareness of, unified investment guidelines for both Chinese and international investors, to develop a sustainable investment approach across the BRI 	<ul style="list-style-type: none"> • Working closely with the newly established UK Treasury Infrastructure Finance Exchange and other stakeholders • Develop unified voluntary guidelines for infrastructure investment along the BRI • Inform risk-sharing/management models in BRI projects • Best practice sharing between China and international partners in sustainable infrastructure investment

OBJECTIVE 2: Transparency

Sub-objectives	Outcomes	Example projects
More transparent environmental information disclosure in the Chinese financial system	<ul style="list-style-type: none"> Acceleration of Chinese financial institutions' practices in environmental information disclosure, in line with the TCFD requirement Facilitate disclosure of Chinese listed companies in accordance with the regulatory requirements 	Projects that: <ul style="list-style-type: none"> Support the UK-China TCFD pilot working group Engage with stock exchange and listed companies to improve Chinese companies' behaviour in disclosing Promote sharing of UK expertise in environmental disclosure
Chinese investors develop a more responsible investment approach that incorporates ESG into the decision-making process	<ul style="list-style-type: none"> Increased interest and accountability from financial institutions, particularly institutional investors, on sustainable investment Mainstream ESG into investment approach of Chinese asset management firms 	<ul style="list-style-type: none"> Research on positive correlation between ESG investment and financial returns Workshop/seminar on responsible investment involving UK asset management firms and Chinese investors

OBJECTIVE 3: Innovation

Sub-objectives	Outcomes	Example projects
Increased innovation in green finance products	<ul style="list-style-type: none"> Chinese financial institutions develop more comprehensive and sophisticated green finance products Develop and deepen a commercially driven and sustainable market for Green Asset-Backed Securities (ABS) 	Projects that: <ul style="list-style-type: none"> Facilitate green asset securitization/green ABS in Chinese capital market Develop innovative carbon finance products
Exploit fintech to serve for green investment purposes	<ul style="list-style-type: none"> Use of fintech to address barriers of green investment Improved access for UK's Private Equity / Venture Capital firms to invest in Chinese green fintech companies 	<ul style="list-style-type: none"> UK-China green fintech incubator/park Allow for UK and China exchange on green fintech practices

OBJECTIVE 4: Capacity-Building

Sub-objectives	Outcomes	Example projects
Facilitate a UK-China green finance partnership	<ul style="list-style-type: none"> Better exploit the UK's expertise on green finance to strengthen the partnership with China 	Projects that: <ul style="list-style-type: none"> Help deliver the UK-China EFD commitments

		<ul style="list-style-type: none"> • Support the UK-China Green Finance Institute
Accelerate practical implementation of national green finance policies across the country	<ul style="list-style-type: none"> • Local government officials/financial institutions better informed of the national-level green finance policies and international best practices in green finance 	<ul style="list-style-type: none"> • Help China's green finance pilot zones to establish local green financial systems • Workshops engaging officials and stakeholders at local level to share best practices from international partners
Promote wider stakeholder engagement and knowledge sharing at regional/city/local level	<ul style="list-style-type: none"> • Chinese green finance development to be shared with other Middle-Income Countries (MICs) and potentially BRI countries, both at national and city levels 	<ul style="list-style-type: none"> • Knowledge sharing from UK institutions on green investment methodologies/practices, particularly reference for Chinese financial institutions • Training on green finance to key regulators and institutional investors at provinces/cities, and potentially wider BRI regions

3.2 Project eligibility

Strategic fit. Proposals must meet one or more of the programme objectives. Please speak to the Embassy before you submit concepts to ensure strategic fit.

Scale. Projects should require funding from the ICF of between £150,000 - £500,000 (indicative), for up to one year of activity from the point of contracting. Project concept bids should clearly state and justify the budget required; the budget ultimately awarded will be at the discretion of the programme team, dependent upon the scale and likely outcomes of the project. The total project budget may exceed the amount requested from the ICF with co-funding, or exceed the timescale of one year, if the activity applied for is evidenced to be a distinct component within a larger multi-year project. Also, see 'Co-funding', and 'Multi-year projects', below.

Projects must be compatible with Official Development Assistance (ODA) criteria. In addition to meeting the four objectives of the programme, projects must demonstrate how they will support the economic development and welfare of eligible developing countries. See the following link for more detail on ODA compatibility:

<http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>.

3.3 Implementer requirements

Implementers. Technical Assistance projects allow exchange of expertise and best practice amongst Chinese and international stakeholders. Good proposals will demonstrate substantial collaboration and involvement on implementation between Chinese and UK and/or international partners. The Grant Contract will only be signed with one implementing partner, who must be nominated as the lead implementer. Implementing partners will be required to submit curricula vitae (CVs) for their project team, and seek our agreement to any changes of the project team.

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 Chinese stakeholders to deliver the expected outcomes.

Evidence-based policy outcomes. Proposals should demonstrate how they will achieve real, measurable policy outcomes based on the four pillars above. 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.

Co-funding. Projects may operate with co-funding from other stakeholders. Implementers must demonstrate how the funding from the ICF is additional and necessary, and not duplicative. The funding portion received from the ICF must be for activities with distinct, measurable outcomes.

Value for money and additionality must be demonstrated in project proposals. Proposals must make clear how they will ensure an efficient allocation of resources for maximum effect, and that the project would not take place without funding from the ICF team. Proposals should also demonstrate how projects 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 significant additions or changes to the budget will need to be approved by the BEIS programme team before payment. Unless approved by the BEIS 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 funding higher administrative costs, provided this is deemed by the ICF team to be appropriate and necessary.

Multi-year projects. Project proposals must request funding for only up to one year of activity, though implementers may give detail of intended multi-year activity which may be possible either through co-funding or if further funding were to become available. Project outcomes must be stand-alone for the single year activity.

Monitoring and evaluation. BEIS places a strong emphasis on project monitoring and evaluation. Project implementers must submit quarterly progress reports and relevant financial reports for the duration of the project, and submit a project completion report within three months of project completion. In addition, depending on the scale of the project, an independent evaluation may be required.

4. Bidding process

The Green Finance Technical Assistance Programme in China is coordinated by the British Embassy in Beijing. Information regarding bidding rounds in China is published on the British Embassy's website.

The bidding process is split between a concept stage and a full proposal stage.

4.1 Concept bid development

Implementing organisations should develop bids in consultation with the Embassy: organisations looking to submit a concept bid should contact the ICF team to ensure it is eligible and meets the programme objectives. Contact details are given in Section 5. We also recommend that in advance, prospective bidders check the terms and conditions in the Cabinet Office Grant Agreement which can be downloaded from the Embassy's website.

4.2 Approval of concept bids

Concept bids will be assessed on the following criteria:

- **Strategic fit.** How well the project fits with the objectives listed in section 3.1 above.
- **Potential for transformational impact.** How well the project effects change that catalyses further change. Indicators for this are:
 - Improved political will and local ownership
 - Increased capacity and capability
 - Innovation
 - Shared evidence of effectiveness
 - Leverage: that the activities incentivise others to act
 - Replicability
 - Scale: that interventions have sufficient reach to achieve reform
 - Sustainability beyond the support provided by the ICF
- **Value for Money.** How the project ensures an efficient allocation of resources for maximum effect.
- **Additionality.** Evidence that the proposed project would not take place without funding from the China Green Finance Technical Assistance Programme.
- **Deliverability.** Evidence that the proposed project can be delivered as expected. This includes as a core component the extent of key stakeholder(s) buy-in.

Implementers whose bids are successful at the concept stage will be invited to develop full bids.

4.3 Development of full proposals

If a concept bid is approved, the implementer will be provided with templates and instructions on developing a full project proposal, which will involve a detailed project plan and an activity-based budget. Only projects approved at concept stage will be invited to submit full bids. Implementers will be informed of approved bids.

If necessary applicants may request funding to support the development of a full proposal. Decisions on whether to provide such funding will be taken on a case-by-case basis, drawing on evidence supplied by the applicant, and will be at the sole discretion of the ICF team.

4.4 Approval of full proposals

Full project proposals will be assessed by a Programme Board consisting of senior officials from the British Embassy Beijing, BEIS London, and an external sector expert. Proposals will be assessed on the criteria listed under 4.2, above.

Successful projects will start from August 2018.

5. Submission

Concept proposals must be submitted in English only. Submission should include:

- The completed Project Concept Bid Form
- The complete Project Concept Bid Checklist
- The CVs of key staff leading the delivery of the project at the implementing organisation(s)

Submissions should be made to ICF.China@beis.gov.uk, by the deadline listed on the Embassy website.

6. Contact details

For enquiries please contact:

China Green Finance Technical Assistance Programme Team
ICF.China@beis.gov.uk