



UK PACT

Partnering for Accelerated
Climate Transitions



Market Engagement Webinar

China

23/06/2020

Welcome and agenda



- 09:05-09:15 00** Welcoming remarks
- 09:15-09:30 01** Introduction to the UK PACT programme
- 09:30-10:00 02** China-UK PACT - Call for Proposals
- 5 min break**
- 10:05-10:35 03** Application process and requirements
- 10:35-11:05 04** Q&A
- 11:05-11:10 05** Wrap-up and next steps

Welcoming remarks

Nishi Dholakia, Minister-
Counsellor, Economic Trade
Policy, Beijing



AUDIENCE POLL



Suggested poll:

- Have you previously been involved in a UK PACT project (yes/no)



Introduction to UK PACT

Leila Pourarkin, Deputy Director
- Partnership and Capability
Team, International Climate
Finance, BEIS

01

UK PACT: Partnering for Accelerated Climate Transitions

£5 million has been allocated for China from 2018-2021. This is the second round of Call for Proposals. **UK PACT China will be focusing solely on Green Finance.**

- Delivered by **BEIS, the UK's Department for Business, Energy and Industrial Strategy**, through the UK's International Climate Finance (ICF)
- Supporting **achievement of Nationally Determined Contributions (NDCs)** and the long-term goal of the 2015 Paris Agreement to **limit dangerous climate change**
- Contributing to **sustainable and inclusive economic growth**
- **Demand-driven**, adjusting key focus areas based on partner countries' political and economic context and sectoral priorities

It will achieve this by:

1. Working with partner countries to improve the capacity and capability of key institutions (public, private, and civil society) to reduce emissions and foster inclusive economic growth
2. Addressing barriers and constraints to clean growth
3. Pursuing opportunities for greater climate ambition

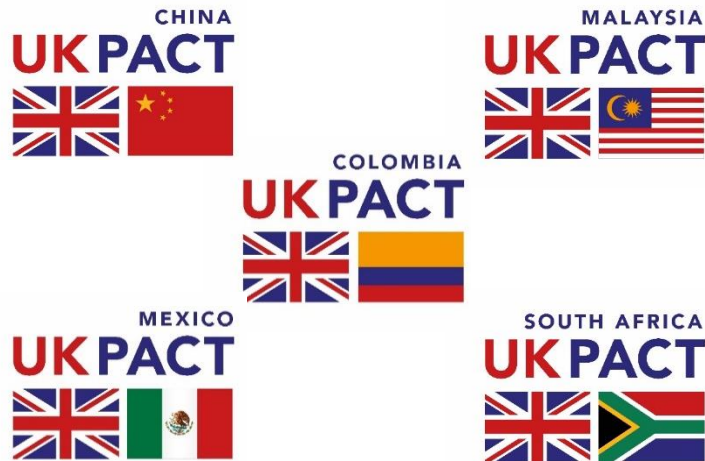
This will be framed within a green economic recovery post COVID-19.

UK PACT – Programme Structure

A flexible, demand-driven delivery model to support transformational change

UK PACT is designed to be **flexible and adaptive**, with **3 core components** to its delivery model:

Country Programmes



Support in partner countries for **demand-driven projects providing capacity building** to accelerate low-carbon transitions

Green Recovery Challenge Fund



Support for **innovative capacity building** projects in a **wider range of ODA-eligible countries** to promote emissions reductions and low carbon solutions

Skill-shares and secondments



Short term **skill shares** between UK experts and their country counterparts, and long-term **secondments** into key institutions

UK PACT – Country Programmes

Palladium International Ltd will deliver the Country Programmes

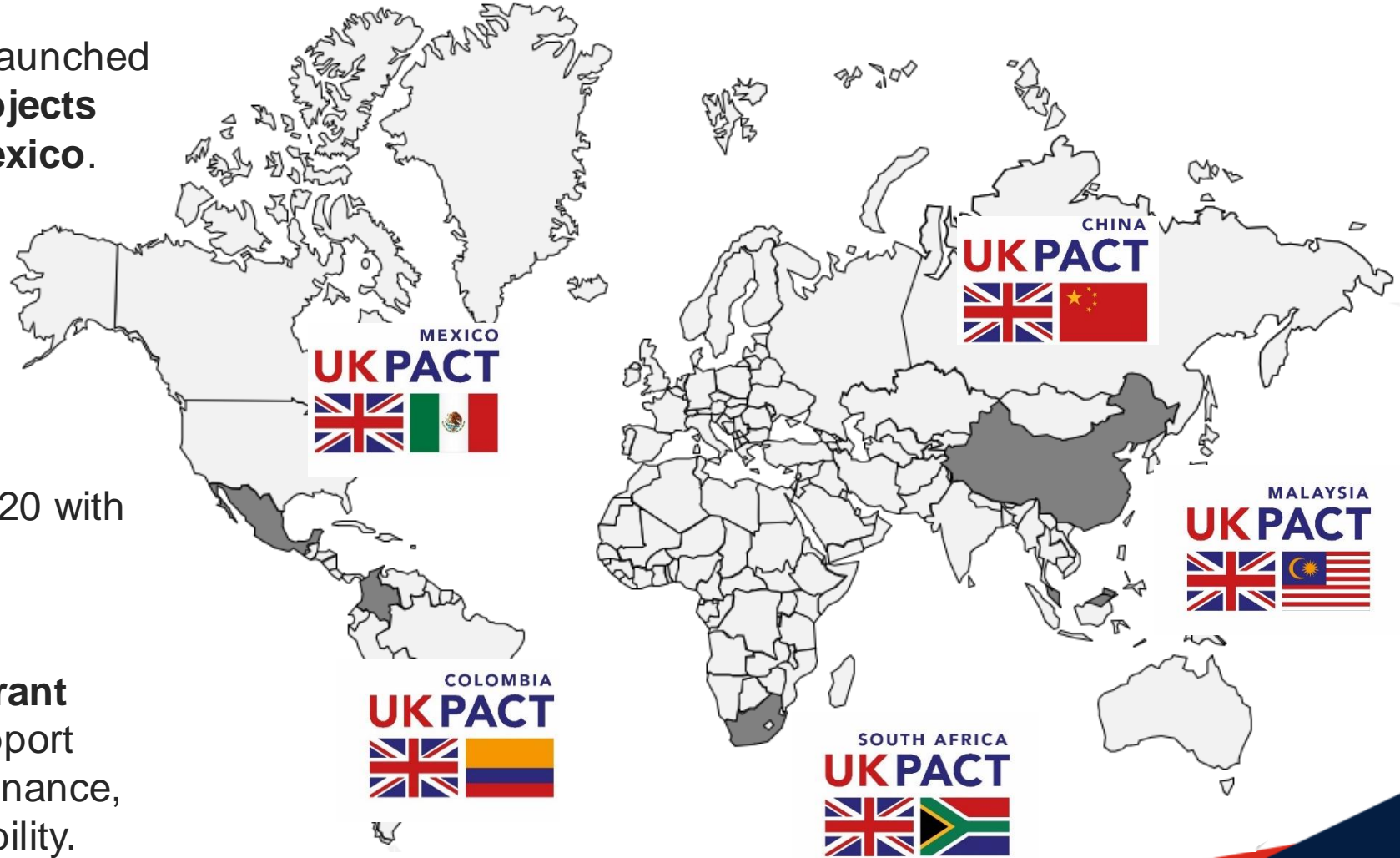


Department for
Business, Energy
& Industrial Strategy

UK PACT

Partnering for Accelerated
Climate Transitions

- The first phase of UK PACT was launched in 2018 and has supported **34 projects across China, Colombia and Mexico.**
- The second phase launches in 2020 with Country Programmes extended to **Malaysia and South Africa.**
- Through an **open, competitive grant facility**, UK PACT will seek to support activities in areas such as green finance, clean energy and sustainable mobility.



UK PACT in China



Through UK PACT support on green finance, the UK is partnering with China. We can offer access to international expertise and best practice, to help:

- develop green policies, methodologies and procedures that increase the flow of finance into projects, programmes and initiatives which reduce emissions
- improve the enabling environment for sustainable investments, while also furthering the UK's partnership with China on green and climate issues
- accelerate actions which transform financial systems to support emissions reductions through “Greening Finance” (actions to integrate climate and environmental risks into financial and investment decision making).



History of China-UK PACT

A first phase of projects was launched in 2018

- A first call for proposals was launched in China in 2018, funding **8 projects** under 5 pillars: Harmonisation, Transparency, Innovation, Capacity Building: Domestic and Capacity Building: International.
- Projects ran for **6-18 months** and totalled a funding allocation of around **£2.17 million**, operating across China.



Example projects funded include:

Global Green Finance Leadership Programme (GFLP) seeks to build capacity across relevant policy makers, practitioners, and their organisations so that they can collectively develop and implement green finance policies and practices. These policies and practices enable private investments to fund low-carbon projects leading to tangible emission reductions. Since its launch, the project has trained 600 public and private sector professionals from 60 countries, resulting in a number of requests to strengthen national green financial markets.

UK-China Green Finance Centre brings together experts from both countries to share experiences across different working groups. One of the working groups developed focuses on the Green Investment Principles (GIP), China's first financial initiative for greening investment.

China-UK PACT Call for Proposals

Terry Green, UK PACT Project Director

02

Key parameters for next funding round

The 2020 call for proposals will allocate up to £2.3 million of funds through an open, competitive grant facility



The following key parameters will guide the next call for proposals in China:

- Up to **£2.3 million of funds** to be allocated through an open, competitive call for proposals
- Individual project grants in the range of **£100,000 - £500,000** (maximum ceiling)
- Maximum project duration of up to **12 months**
- Projects should deliver **technical assistance, knowledge and analysis** and **capacity building** support.

Eligible activities – what is meant by Technical Assistance?

UK PACT projects should help build the capabilities and knowledge within key institutions to support low carbon transitions and emissions reductions



- UK PACT is a Technical Assistance Programme that will enhance the capability of key stakeholders to take action on climate change.
- UK PACT activities may include:
 - research and studies;
 - training;
 - consultancy services;
 - convening and facilitation of dialogues and exchanges;
 - development and communication of models, tools and other resources;
 - provision of recommendations and review services
- **Activities aimed at building capacities, capabilities and knowledge to support low-carbon transition**
- UK PACT **does not fund** the purchase or maintenance of any assets (capital expenditure or CAPEX)



Who are the beneficiaries of Technical Assistance?

As a demand led programme, strong beneficiary relations and buy-in is key.



Key beneficiaries are likely to include:

- Government:
 - Central Government / Ministries
 - Regional / State / City / Community
 - State enterprises and other state funded agencies
 - Regulatory bodies and policy centres

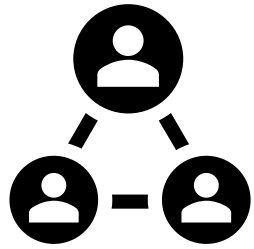
As well as relevant:

- Industry Associations and Labour Organisations
- NGOs
- Academic and research institutions
- Financial institutions and private sector enterprises

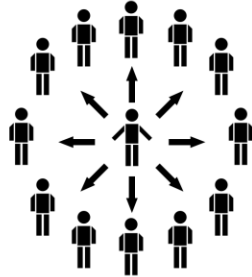


Priority sectors for the next Call for Proposals (CfP)

UK PACT has selected five priority areas within Green Finance for the next CfP



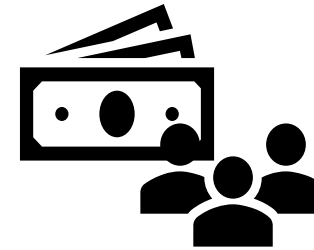
Harmonisation



Transparency



Innovation



**Capacity
Building:
Domestic**



**Capacity
Building:
International**

Harmonisation

Alignment of Chinese green finance definitions and standards with international ones.



We will be looking for projects which:

- Widen awareness of green finance mechanisms and standards within China – especially secondary banks, infrastructure and energy investors
- Raise the quality of green bond issuances
- Reinforce work on alignment of standards, particularly Green Investment Principles and green BRI investments.

These could include:

- Further development of standards
- Initiatives that match demand and supply between "bankable", well-defined, green investments and green bond issuers, investors and asset owners.
- Initiatives that strengthen ESG and climate risk profiles within financial portfolios (including stranded asset risks such as coal).

Transparency

Supporting Chinese financial institutions and listed companies for better reporting on climate-related financial risks and increased uptake of ESG (Environmental, Social and Governance) investment criteria.



We will be looking for projects which:

- Accelerate and widen uptake of ESG investment criteria
- (Continue to) raise awareness of international trends in disclosure of risks
- Encourage alignment of standards, and disclosure. Especially since TCFD at international level is going to be a high priority on COP26.

These could include:

- Capacity building innovations in this theme.
- Engagement of new sectors e.g. insurance, in the ESG and climate risk debate in China.
- Innovative software tools that make it easier for banks and investors to apply ESG principles to their portfolios

Innovation

Supporting the secure and sustainable development of China's financial market infrastructure and regulations to increase liquidity and enable investment into new green finance products and services, including collateralisation, securitisation and financing of innovative green technologies.



Innovative ideas can come from a range of sources such as trade associations, Chinese academic foundations, financial services information providers and bond issuers.

These could include:

- Innovative ideas in support of harmonisation, transparency and capacity building themes.
- (Design of) initiatives that help match investable green projects with investors and lenders.
- Focusing innovation efforts on measures that directly encourage green transactions
- Fostering public-private partnerships and commercial institutional 'twinning's'.

Capacity Building: Domestic

Promoting knowledge-sharing and building core skills among Chinese green finance practitioners.



We will be looking for projects which:

- Focus attention on sub-national entities
- Work with China's leading banks, investors and insurers to raise awareness and adoption of standards.

These could include:

- Initiatives about energy efficiency
- Innovative training methods, deliverable at scale. As well as financial products and services e.g. transition bonds.
- Helping smaller issuers issue green bonds, targeting provincial level projects.

Capacity Building: International

Promoting knowledge-sharing and building core skills between Chinese and international green finance practitioners, with a focus on ensuring Chinese overseas investments are as green as possible.



We will be looking for projects which:

- Maintain and develop commitments to Green Investment Principles
- Raise awareness of the downside (long-term) risks of international investment in fossil fuels including coal.

These could include:

- Proposals to secure blended finance investments for BRI which would bring with them higher ESG standards.
- Trainings targeted at signatories of the Green Investment Principles
- Link with activities in other UK PACT countries (e.g. South Africa and coal financing; raising ESG standards in other PACT Asia countries that are potential BRI beneficiaries e.g. Malaysia +).

Adapting to COVID-19 – Supporting a ‘green, clean & resilient recovery’

UK PACT aims to deliver sustainable change and should play a role in supporting green and inclusive economic recovery efforts for Government, businesses and civil society



- UK PACT has an important role to play in contributing to a ‘**green, clean and resilient recovery**’ and ensuring new policy, planning, investment and action remains aligned with climate ambitions
- As part of our assessment criteria for the next phase of UK PACT, we will be looking for evidence of how project proposals can contribute to **both emissions reductions and economic recovery** objectives
- We will also be looking for **robust risk assessments and mitigation strategies** to ensure projects have the necessary built-in flexibility and adaptability to prepare for continued uncertainty and change within the operating environment



**These are all example interventions and we also
welcome innovative proposals that align with core
UK PACT objectives and criteria**

AUDIENCE POLL



- What type of organisation do you represent? (select from government, business, civil society, academia, think tank, independent)



Application
process and
requirements

03

Two key application stages: EoI and Full Proposal

What are the main components of each stage?



STAGE ONE: Expression of Interest (EoI)



- Capturing initial concepts: assessing eligibility, strategic fit and early planning
- High level budget

STAGE TWO: Full Proposal



- More detail provided on full project scope, activities, management, risk and reporting
- Detailed budget

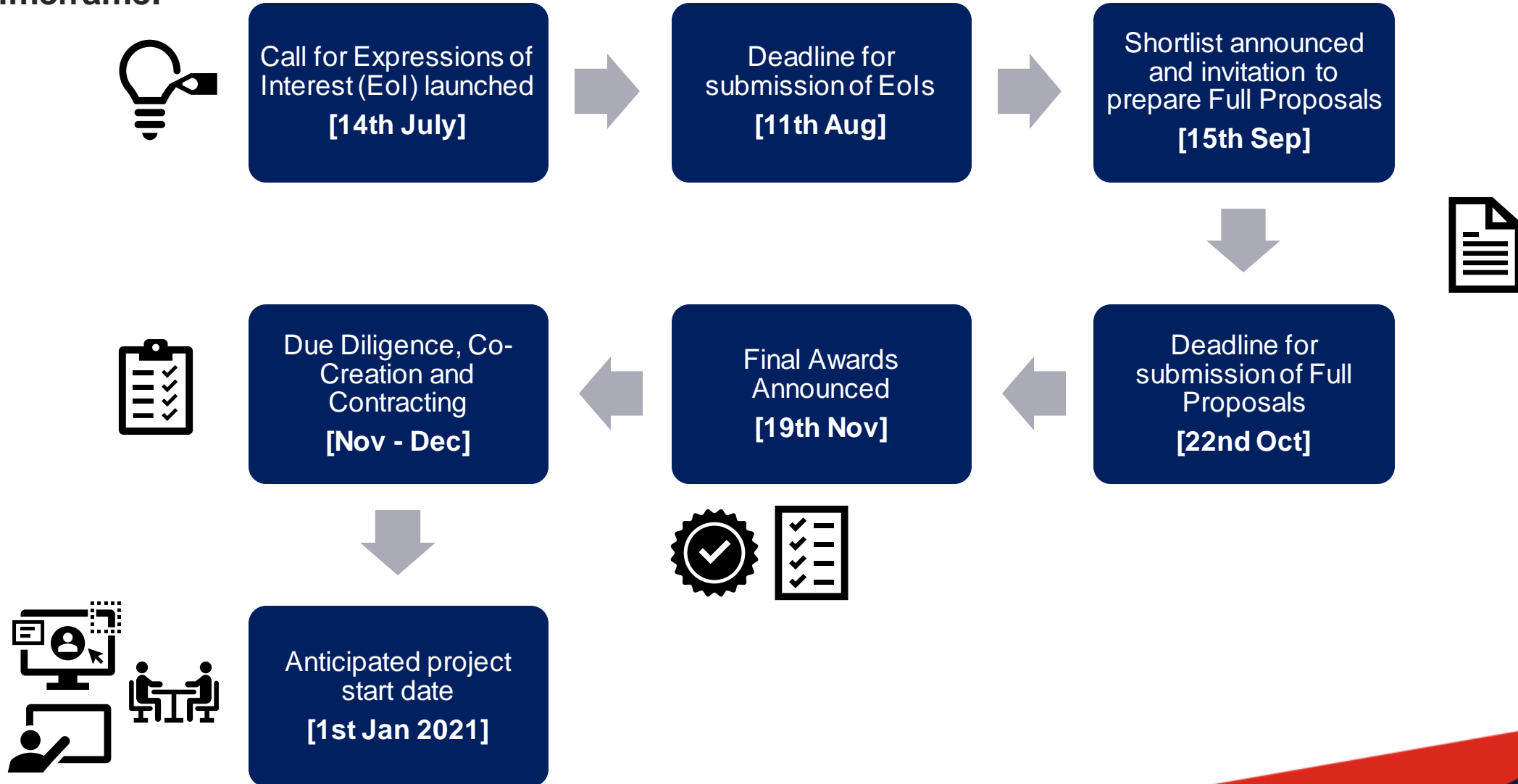


Applicants successfully selected following Expression of Interest stage will be provided further guidance on how to complete the full proposal.



Overview: application key steps and timeline

The bidding process will be two-stage, split between the Expression of Interest (EoI) stage and a Full Proposal stage, according to the following indicative timeframe:



What's required? Eligibility requirements

Before submitting an application, make sure your organisation and project are eligible.



Organisation eligibility



- ✓ Think tanks, consultancies (private sector firms), academic institutions, NGOs, professional associations or similar organisations that have the knowledge, skills and experience to deliver capacity building projects relating to one of the priority sectors outlined
- ✓ Must be registered to lawfully conduct activities in China
- ✓ Experience of delivering similar projects
- ✓ Consortia welcome

Project Eligibility



- ✓ Strategic fit with the UK PACT priorities outlined
- ✓ Demonstrate clear pathway and plan to engage intended beneficiaries in China
- ✓ Up to 12 months duration (including delivery of intermediate outcomes)
- ✓ Between approximately £100k and £500k
- ✓ ODA Eligible (Economic Development and Social Welfare)
- ✓ Incorporating opportunities for Gender Equality and Social Inclusion (GESI)



Building a
strong project

04

Project Building – Developing a successful project

The importance of developing a “Theory of Change” (project logic)



- Clearly outlined activities
- Clearly outlined outputs that address key constraints to UK PACT objectives
- A causal link between the proposed outputs and intermediate outcomes showing the **impact pathways**.

Applicants should explain how outputs will lead to enhanced capacities and capabilities amongst target stakeholders, and how this in turn will contribute to enhanced and sustained action on emissions reductions.

Further Monitoring, Evaluation and Learning (MEL) Guidance will be available during the application process.



Project Building – Developing a successful project

UK PACT aims to work through four key outputs. Others are eligible.

Programme Theory of Change

Problem:

Greenhouse gases cause climate change, which reduces prosperity and undermines security.

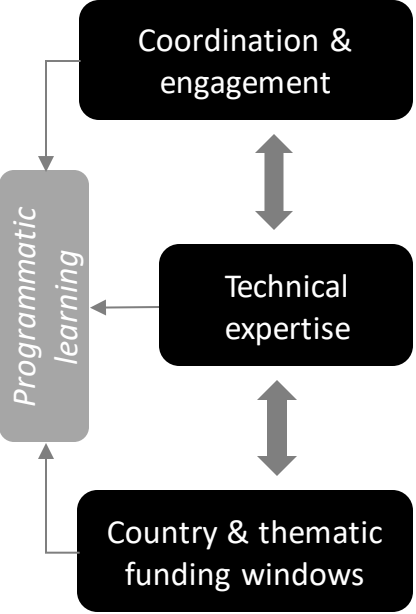
The rate of emissions reduction is still inadequate for curbing climate change impacts, which disproportionately affect the poorest and most vulnerable.

Constraints:

to addressing the problem

- Lack of political support and leadership
- Competing priorities and interests
- Inadequate policies
- Lack of awareness and capacity
- Lack of financial resources

Inputs:



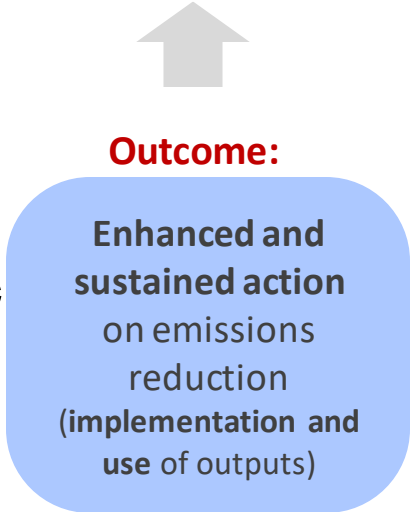
Outputs:

1. Skills enhanced
2. Recommendations proposed
3. Knowledge & communication products
4. Network links established

UK PACT KEY OUTPUTS

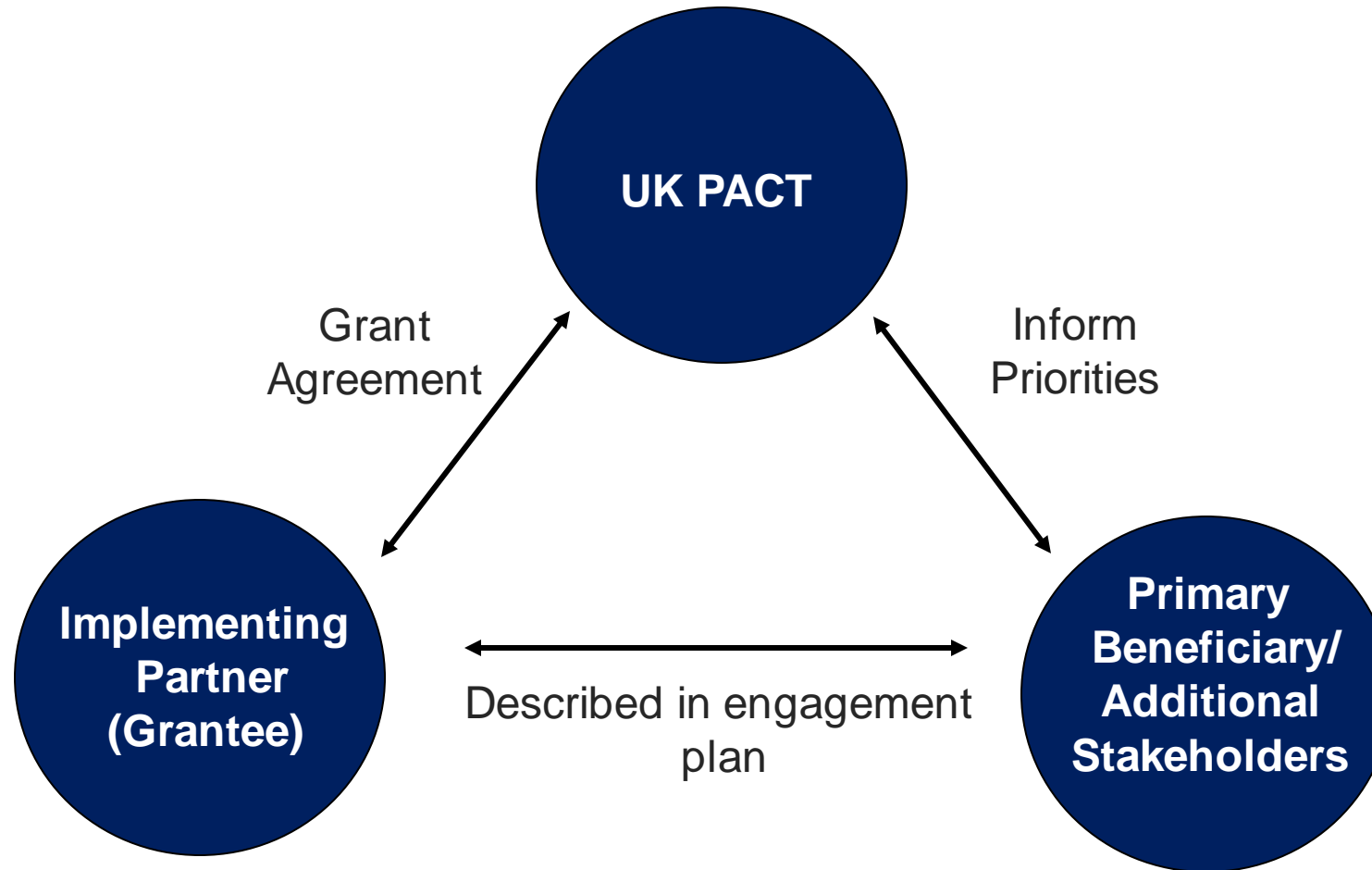
Intermediate Outcome:
Stakeholders *adopt* programme outputs, *improving the political economy* for accelerated climate action

Impact: Accelerated emissions reductions in target countries



Project Building – Developing a successful project

Demonstrating a close collaboration model



Project Building – Beneficiary engagement

What do we expect to see at each stage?



Expression of Interest (Eoi) Stage:

Identify primary beneficiary partnerships and additional stakeholders.



Full Proposal Stage:

Shortlisted applicants will be asked to develop proposed engagement plan with beneficiaries as appropriate to the project. This could include:

- Informing beneficiaries through regular communications,
- Establishing joint working groups,
- Agreeing to more specific project Terms of Reference if appropriate

Budgeting for UK PACT

Submitting a proposal that includes eligible costs

Eligible costs include:

- Consultancy and Staff time required to deliver activities
- Marketing and Communications costs directly related to project delivery or to promote the project(s) delivered under UK PACT. Wider marketing and communications costs linked to other work delivered or to the organisation receiving the grant are not eligible
- Travel and subsistence costs for staff or consultants working on the project when delivering project activities
- Other delivery costs directly related to activities and outputs (workshops, seminars, production of outputs, translation etc.)
- Reasonable administration costs/overheads
- UK PACT **does not fund** the purchase or maintenance of any assets (capital expenditure or CAPEX)



Budgeting for UK PACT

Submitting a proposal that includes eligible costs



- Unless approved by the UK PACT programme team, the funds **cannot be used to pay for the costs/ time of any other organisation/ expert** other than those approved and indicated during the Call for Proposals process
- The funds **cannot be used to pay for Government Officials' time** involved in the project
- Applicants should note that **UK VAT is not eligible** as a cost in the budget however, **local taxes** can be included

Reporting and monitoring, evaluation and learning (MEL)

Developing a robust MEL framework will be essential for capturing project impacts and building the evidence base for UK PACT interventions



- Full proposal stage – initial fully costed project plan will be developed, including indicators and verifiers to track progress against expected outputs and intermediary outcomes
- Further guidance on UK PACT’s programme level MEL framework, including ToC and logframe, will be provided alongside the application process to facilitate project MEL development
- Full proposals will need to include the costs of collecting data and evidence to show the results of the projects.
- Projects will be expected to report on a quarterly basis on MEL, alongside technical, financial and risk reporting
- Projects will be encouraged to identify opportunities for developing case studies



Grant Payments and Reporting

What payment mechanisms do you offer?

- Payments to recipients to be made in arrears upon the achievement of pre-agreed milestones (**Milestone cost reimbursement**).
- Once pre-agreed milestones have been achieved, recipients may request reimbursement for any eligible costs incurred undertaking grant funded activities.
- Applicants should consider whether they are able to cashflow the project they are proposing to deliver
- Payments will be made in **GBP (£)**. Applicants will be expected to manage exchange rate fluctuations



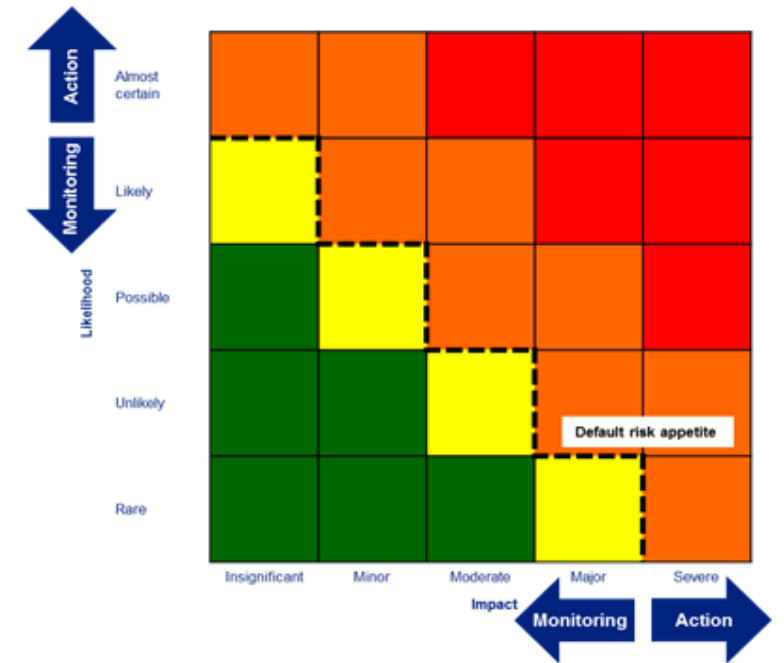
Milestone cost reimbursements

- Evidence of achievement of pre-agreed milestones is required to trigger payment.
- Reporting takes place at least quarterly.
- Payment is made on the basis of actual amount spent up to the point of milestone achievement.
- All expenditure is evidenced throughout implementation as standard.

Risk Management

Ways in which we will monitor and manage risks at project level:

- **Regular check ins** – we monitor and update our live risk register regularly and will arrange monthly meetings with you to discuss your risk register
- **Field visits** – depending on the nature of the contract we will conduct site visits throughout the project to conduct routine assessments
- **Technical & financial reporting / milestone management** – as part of the quarterly reporting we will take more of a formal look back at the risks to see how/ if they have escalated, also noting any new risks
- **Budget tracking** – underspend / overspend – as part of the quarterly reporting you will be required to report on any variances to the budget/ expected spend to date





How we will
select

05

Key principles of selection:

Project selection criteria designed to ensure a strong portfolio of relevant projects



Transformational change:



- Far reaching interventions interventions that can overcome widespread behavioural inertia
- Encouraging others to adopt, replicate and scale-up successful activities
- Facilitating substantive institutional and policy change towards a low-carbon future

Demand led:



- UK PACT objectives and local and national priorities
- Beneficiary and stakeholder interest

Deliverability:



- Skills, knowledge, experience to deliver the project
- Technically sound delivery model

Value for Money:



- The Four Es (Economy, Efficiency, Effectiveness and Equity)

Key principles of selection: high-level of influence on policy-making and buy-in



- ✓ Need for the project and level of demand for the project
- ✓ Strong understanding of the context
- ✓ Primary beneficiary engagement in the development of the project proposal
- ✓ Plan for working with beneficiaries to deliver
- ✓ Identification of other stakeholders and their type and level of interest.
- ✓ Clear plan for maintaining support as the project progresses
- ✓ Considers impact of COVID -19



Key principles of selection: Incentivising action

Ensuring we support projects that will incentivise action and ensure uptake of outputs



How will the project **incentivise others to act on climate change**:

For policy and capacity building activities:

- how the project **could** lead to incentivised action (for example, producing evidence making acting on climate change a sensible decision for public agencies, commercial firms, and private individuals);
- **what activities** are included in the project that will encourage that uptake.

For any project level interventions, such as initiatives in sub-national energy efficiency or city level sustainable mobility:

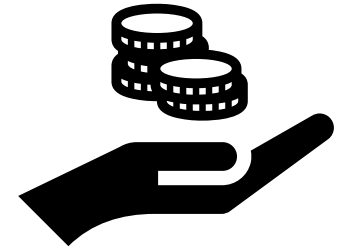
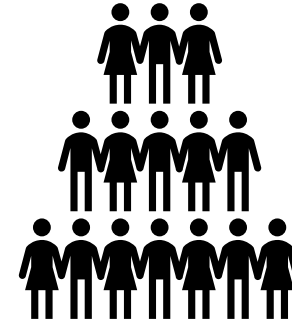
- **a strong understanding** of the **demonstration effect, replicability and the scalability** of the project activities and results;
- this includes **outlining who might replicate project activities** and results and how and **identifying pathways to scale**.

Key principles of selection: Poverty Alleviation and Social Welfare

Delivering positive economic and social outcomes across society



- All UK PACT projects must be focused around economic development, poverty alleviation and welfare objectives
- Applicants will be asked to describe how the project could lead to improved economic outcomes across society
- This includes **identifying both potential positive and negative actions and outcomes**



Key principles of selection: Gender and Social Inclusion

Delivering positive outcomes for all



Gender Equality and Social Inclusion (GESI) will be mainstreamed into the Grant Selection process:

- Identify possible positive and negative outcomes or unintended impacts
- Identify activities that offer opportunities for inclusion
- Identify how they will monitor and evaluate specific GESI related impacts during project implementation

Social inclusion: improving the conditions of disadvantaged individuals and groups

Equality: distribution of opportunities, choices and resources

Key principles of selection: Skills, knowledge and experience



Projects will be assessed to ensure:

- The proposed consortium has **relevant knowledge and experience** in the subject area and the **skills in the team to deliver the project**. This might include:
 - Staff members with a relevant background
 - Experience delivering similar contracts
 - Appropriate blend of partners within consortium
 - An international / Chinese partnership
- We welcome applications from consortia involving Chinese, international and UK based organisations.
- Strong networks in country are required

Key principles of selection: Commercial viability

Commercial viability



- The value of the budget is **within the available funding range**
- The costs indicated are **eligible and reasonable** for the market, are clearly linked to the activities and outputs outlined.
- There is a robust **approach to ensuring cost reasonableness**. This includes: Benchmarking of staff rates; Appropriate procurement processes or policies; no contingency included in overheads.
- There is a **clear plan for managing the project**, to ensure activities stay on track and deliver project results. That includes a plan for collating evidence of activities and reporting on project outputs and outcomes.
- **Risks are managed**, with clear plans for mitigating and understanding impact of each risk.
- **Environmental impacts of the project are managed** and reduced. For example through reducing travel, tracking emissions, carbon off-setting, environmental policies etc.

Key Principles of Selection: Value for Money



Economy
Are the right things being purchased for the right price



Efficiency
Are the right things being done at the right time



Effectiveness
Are the expected results being delivered



Equity
Are the impacts equitably distributed

We will conduct due diligence - pre and post award



- **Financial Health, Financial Governance, and Fraud Control Policies**
- Governance (including good conduct)
- Conflict of interest
- Data security
- Procurement
- Recruitment and employment practice
- Safeguarding practices
- Environmental Safeguards
- Sub-subcontractors
- Any additional disclosures
- Self-certification
- Palladium will request and review basic due diligence information at EOI stage and a more in depth due diligence review post award
- Palladium will support organizations with training and other forms of ad hoc support to help grantees through the process.
- Assessment of the due diligence information will respond to specific risks relevant to the programme.

How to apply?

Applications should be made through UK PACT's online application portal



- Launch date: 14th July 2020
- For more information on UK PACT, go to www.UK PACT.co.uk.
- Language of application: ENGLISH
- Online EOI form
- All sections completed, within word limits
- Eligibility and due diligence checklist completed
- Further guidance, including consolidated FAQ, will be made available to accompany the application process

AUDIENCE POLL

- Are you intending to apply for a UK PACT grant?



Q&A



Wrap-Up

06

Next steps

Reminder on upcoming timeframes for application



- This presentation will be published on the UK PACT website in coming days (www.UK PACT.co.uk)
- Survey to be sent out to participants in webinar to gather additional feedback on call for proposals and preparing for green economic recovery (please reply by 29th June)
- Window for further Q&A open until 29th June
- FAQ will be consolidated and published alongside the CfP on 14th July
- For more information on UK PACT, go to www.UK PACT.co.uk.



Thank you