

ACEDP - Australia China Environment Development  
Program

Annual Plan 2007-08 / AP-1

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GHD Pty Ltd

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## Acronyms

ACEDP	Australian China Environment Development Program
ADB	Asian Development Bank
ALO	Australian Liaison Office of the ACEDP in Melbourne
AP	Annual Plan
AP-1	Annual Plan for year 1 of the ACEDP (2007-08)
AusAID	Australian Agency for International Development
CB	Capacity Building
C&E	Communication and Engagement
CPG	Commonwealth Procurement Guidelines
CPS	China Australia Country Program Strategy
CRC	Cooperative Research Centre (Australia)
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Australian Government Department of Agriculture, Fisheries and Forestry
DEW	Australian Government Department of Environment and Water Resources
DFID	UK Department of International Development
EAT	Environment Advisory Team
EM	Environmental Management
EP	Emerging Priorities
EPBC	Environment Protection and Biodiversity Conservation Act 1999 (Australia)
F/D	Feasibility / Design
GEF	Global Environment Facility
HLRT	Joint High-level Roundtable of the ACEDP
HLRT-1	Inaugural Meeting of the HLRT on 25 September 2007 in Beijing and Canberra
IRBM	Integrated River Basin Management
IWRM	Integrated Water Resources Management
KRA	Key Result Areas
LAO	Legislative Affairs Office (China)
MC	Managing Contractor of the ACEDP
M&E	Monitoring and Evaluation
MDBC	Murray Darling Basin Commission (Australia)
MOFCOM	Ministry of Commerce (China)
MWR	Ministry of Water Resources (China)
NDRC	National Development and Reform Commission (China)
NGO	Non-Government Organisation
NWC	National Water Commission (Australia)
PCO	Program Coordination Office of the ACEDP in Beijing
PD	Program Director of the ACEDP
PDD	Program Design Document
PDM	Project Design Mission
PM	Program Manager of the ACEDP
QAA	Quality Assurance Advisor
SEPA	State Environmental Protection Administration (China)

Australia China Environment Development Program  
*Partners for a Better Environment*

SFA	State Forestry Administration (China)
SI	Social Impact
YRB	Yellow River Basin (China)

# 1 Introduction

1 The ACEDP is a five-year, \$25m Australian Government, AusAID initiative with the objective of supporting and improving policy development in China in the area of environmental protection and natural resources management. Initially the focus will be on water resources and river basin management. The ACEDP will facilitate engagement between Australian and Chinese Government agencies, institutions and individuals engaged in national environmental policy development and implementation, through high level policy dialogue, capacity building and collaboration on discreet activities.

2 Specific outcomes for ACEDP will be enduring partnerships between Australian and Chinese agencies involved in policy development on environment; strengthened policy development processes on environmental management; and the successful implementation of pilot activities utilising good environmental governance and practices.

3 Integral to the success of the ACEDP is an annual planning process to determine the strategic direction of the ACEDP work program. While AusAID and the Chinese Ministry of Commerce (MOFCOM) have oversight of the ACEDP, the Australian and Chinese Program Partners make up the decision making body for determining China's national policy priorities that will be addressed through discreet activities under the ACEDP. An independent Environment Advisory Team, comprising Chinese and Australian experts, will assess activity proposals and ensure they are consistent with the ACEDP objectives.

4 Throughout its lifetime the program will remain dynamic and flexible to respond to emerging environmental policy priorities and provide a unique level of access and engagement between senior levels of Australian and Chinese Government officials.

5 In June 2007, AusAID engaged GHD Pty Ltd as the Managing Contractor of the ACEDP. GHD mobilized in July with the establishment of a Program Coordination Office (PCO) in Beijing and an Australian liaison office in Melbourne. A bilingual information flier was produced for use in China and Australia.

6 Two national surveys (one for Australia, one for China) were prepared during the first month and translated into the Chinese and English language respectively. The surveys, really more discussion papers, outlined current high-priority policy issues in the area of water resources and integrated river basin management in either country.

7 They formed the basis for a national policy workshop in Canberra on 7 August and one in Beijing on 24 August that brought together more than 50 agencies and specialised departments to discuss and agree on an initial strategic focus for the ACEDP. Subsequent workshops and meetings with the extended stakeholder community in Australia in China during August and September confirmed that focus and generated significant interest in the program in both countries.

8 Interim selection criteria and 'proposal concept notes' were distributed to program partner agencies on 24 August and proposals for funding invited. A total of 57 proposals were received (40 from Chinese agencies and 17 from Australian agencies) and assessed by an interim Environmental Advisory Team in time for the 'Inaugural Meeting of the Joint High-level Roundtable' held simultaneously by video-conferencing in Beijing and Canberra on 25 September. The Roundtable, comprising representatives of AusAID, MOFCOM, the four Chinese program partners, the five Australian program partners and the Managing Contractor GHD, endorsed the findings and recommendation of the EAT in principle. This in-principle endorsement forms the basis for this first annual plan (AP-1) of the ACEDP.

## 2 Background

### 2.1 Program Origin

9 In April 2004, the China-Australia annual consultations agreed the Australia-China development cooperation program for 2006-2010 would focus on the sectors of governance, health, environment and regional cooperation, while maintaining commitment to cross-cutting gender issues and the principle of balanced development.

10 The annual consultations indicated that water resource management should be a key area for the environment program, reflecting the shared priorities of both governments and building on Australia's international reputation in water management reform and water industry efficiency. A focus on water resource management provides scope for a range of integrated issues to be addressed.

11 The new environment program, however, will also allow flexible engagement across a range of issues where Australia and China have common interests. Over the life of the Program, these interests could include addressing climate change through cleaner energy production, supporting multilateral environmental agreements and managing pollution.

12 Programming missions in 2005 prepared an overarching China Country Program Strategy, an Environment Strategy and a framework for the Australia China Environment Development Program (ACEDP). These missions drew on lessons from AusAID's previous development cooperation projects in China and broader Agency experience with aid delivery.

### 2.2 China Australia Country Program Strategy

13 The goal of the China Country Program Strategy (CPS) is to further mutual national interests by supporting China's balanced development policies and working together in the region. The new CPS signifies a shift away from discrete poverty reduction activities towards the sharing of ideas, high level capacity building and policy engagement. The CPS highlights key themes including mutual benefit, building government-to-government linkages and seeking ways for both countries to work together on regional issues. Inherent in the CPS is the need to maintain both a sharp focus and flexibility. These often-competing priorities will be achieved through increased dialogue and through strengthening the overall annual planning process. The focus on higher-level engagement and government-to-government linkages requires a significant shift in how activities are structured and delivered. This shift reflects a maturing relationship between the two countries and aims to enhance the impact and sustainability of development cooperation activities in China.

### 2.3 Environment Strategy

14 AusAID's Environment Strategy for the China Program identifies priorities in the Chinese environment sector that match with Australia's capacity to assist. The Strategy provides an assessment of the development issues, context and a rationale for a targeted program of Australian assistance within the sector. The Strategy focuses on water resource management and provides a major shift in the delivery of Australian assistance to China. Evaluations of earlier environment programs highlighted the importance of developing close links with senior levels of the Chinese Administration to enable strategic input into environment and water resource management policies and practices, thereby increasing the impact of these policies.

15 AusAID's global environment strategy provides a corporate perspective under which the ACEDP must operate. It recognizes that countries in the Asia-Pacific region are facing urgent environmental pressures that threaten the cornerstones of development: economic growth and poverty reduction. Management of adverse impacts of development and escalating demands for natural resources are foremost among the challenges faced by nations and Australian resources will be directed towards those areas where Australia can contribute knowledge and expertise to achieve the greatest possible impact and effectiveness: Climate Change, Water and Environmental Governance.

## 3 Program Description

### 3.1 Goal, Components, Objectives and Outcomes

16 The goal of ACEDP is to support China's policies for a better environment. The purpose of the ACEDP is to improve environmental protection and natural resource management (in particular water) to balance the needs of the environment and human development in China. The Program will focus on improving outcomes for the environment in China through stronger engagement between Australia and China on environmental issues of mutual interest. In the long term, these outcomes are expected to serve Australia's strategic interests. The ACEDP has three components, each with a specific objective:

Component 1 **Environmental Governance** and Dialogue: to demonstrate methods and applications of improved environmental governance in China and to develop and enhance the environment policy dialogue between China and Australia

OUTCOME 1.1 - Improved environmental governance in China, initially in relation to water resource management, including water rights.

Achieved through demonstrations and adaptations of water policy mechanisms to maintain ecosystems services and achieve environmental outcomes, including market-based approaches (water trading and pricing), incentives, awareness, legislation, community consultation processes etc.

OUTCOME 1.2 - Scientific and technological tools that can enhance environmental (risk) management in China are more integrated with policy processes, initially in the area of water resource management.

Achieved through the adaptation and integration of scientific and technological tools that can enhance water resource management in China

OUTCOME 1.3 - Improved models to address environmental impacts that exacerbate poverty, reinforce gender imbalances and are detrimental to HIV-AIDS control and integration of these models in policy processes.

Achieved through demonstrations and adaptation of these models.

OUTCOME 1.4 - Strong bilateral linkages for dialogue in the environment sector, enhancing existing engagement between Chinese and Australian agencies, and shared knowledge on a range of environmental management issues of mutual interest.

Achieved through activities that enhance environment policy dialogue and support exchange of expertise between China and Australia on environmental issues of mutual interest

OUTCOME 1.5 - Active high-level policy dialogue to promote/develop priorities for ACEDP.

Achieved through activities that support identification of priorities for ACEDP through whole of government consultation at all relevant levels.

**Component 2 Integrated River Basin Management:** to assist with the practical application of Integrated River Basin Management principles in China

OUTCOME 2.1 - Shared <u>understanding</u> of IRBM and IWRM principles and practices in Australia and China.	Achieved through activities that support engagement between Australia and China on IRBM principles.
OUTCOME 2.2 - Practical <u>applications</u> of IRBM principles in China.	Achieved through activities that support strategic demonstrations and piloting of models and policy options for IRBM in China, including integrated resource assessment, participatory planning and community ownership.

**Component 3 Program Management:** to provide strategic direction to, and effective coordination and efficient management of, the Environment Program.

OUTCOME 3.1 - Effective and efficient <u>delivery</u> of the program.	Achieved through a collaborative management approach that emphasizes coordination and networking, building of national ownership and ongoing quality control.
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### 3.2 Risk Management

16 The ACEDP approach to risk management (annex iii) is considered, diversified and appropriate. It operates at a number of different levels:

- Ongoing monitoring and evaluation at the activity-level is complemented by program-level monitoring of impacts
- M&E is not restricted to the Managing Contractor but will be gradually extended to all program partners and program implementing agencies
- The Environment Advisory team, EAT, functions as an independent high-level advisory and review mechanism reporting directly to AusAID and MOFCOM
- Administrative and management effectiveness is guaranteed through an independent Quality Assurance Adviser attached to the EAT
- Management of gender equality and other social issues is guaranteed through the Social-Impact-Framework, applied at the activity and the program level
- GHD's internal 'Practice-Quality-Management-System', certified to ISO-9001 standards guarantees financial probity and administrative efficiency.

17 It has become obvious that the ACEDP is seen as a tool/resource to meet Chinese Government ongoing environmental obligations and performance targets. Being able to meet an immediate and defined need is one way to ensure that the ACEDP is seen as relevant and able to facilitate better knowledge sharing – between the two nations but also among agencies in each country. In the longer-term this will lead to higher-level engagement at both the policy and program levels (eg meeting water challenges). Program initiatives such as the proposed policy-fora (refer cluster 4 in the program for work) are venues to explore and facilitate this process.

18 National ownership is difficult to achieve in an administrative environment that is dominated by ministries that pursue corporate self-interests and lobby the program to push their own corporate agenda. The program needs to be cognizant of that and it may have to accept that, in the early stages at least, ministerial agendas will drive the ACEDP. National ownership will be built over time and as the program delivers results that are useful.

19 Risks with the gravest consequences to the ACEDP include: (i) failure to establish good communication among program partners, stakeholders and the PCO; (ii) failure to effectively engage Australian and Chinese partners, and; (iii) inappropriateness or irrelevance of policy solutions provided by the ACEDP. The planning process has been designed to minimize these risks and to develop early networks that facilitate national ownership of the ACEDP while guaranteeing delivery of quality solutions through establishment of an interim EAT. The role of the Managing Contractor in this process is not so much that of a traditional 'aid manager', but more that of a networker, facilitator and coordinator – which is reflected in its very name.

## 4 Review of Progress-to-date

20 The ACEDP has made very good progress in the three months since inception in July 2007. The challenge remains to consolidate these early achievements and to maintain the pace at the same level of quality, or even better. As can be expected, the vast majority of activities are linked to achieving outcomes under component (3) – program management but some early progress has been made under component (1) – environmental governance and dialogue

### Component 1 – Environmental Governance and Dialogue

- Month 1 - Preparation of two bi-lingual national policy surveys and distribution in both countries
- Month 2 - National policy workshops in Beijing and Canberra to confirm the program's strategic direction
- Production of bi-lingual outcome reports and distribution in both countries

### Component 3 – Program Management

- Month 1 - Mobilisation of team in Beijing within one week of execution of contract
- Production of bi-lingual information flier and distribution in both countries
- Promotion of program to selected Chinese and Australian national level agencies
- Month 2 - Establishment of a pool of non-core EAT members
- Preparation of bi-lingual guidelines and proposal concept notes
- Meetings with extended stakeholder communities in Australia and China
- Month 3 - Confirmation of program partners (4 from China, 5 from Australia)
- Simultaneous call for proposals in Australia and China
- Two briefing workshops for (i) international donor community, (ii) Chinese academe
- Interim EAT established and operational

- 57 proposals received (40 China, 17 Australia - 40% from non-program partners)
- Inaugural meeting of Joint High Level Roundtable simultaneously in Canberra and Beijing
- Test - website launched
- Annual Plan 2007-08 (AP-1) prepared

21 The planning process adopted for the first 3 months is basically sound but more time will be allowed for preparation of proposals in future. Production of a bi-lingual operation manual (in month 5) and training of key personnel from the PCO and program partners in its application and adoption will complement and sustain these efforts. Completion of the M&E and SI frameworks in late 2007, incorporating activity-level strategies and action plans will enhance program sustainability.

#### 4.1 Emerging Priorities

22 Both national workshops (Canberra on 7 August, Beijing on 24 August) were funded from the EP budget. Key agencies agreed to fund these workshops from the EP budget because of: (i) the need to verify, and update where necessary, the policy assumptions underlying the Program Design Document; (ii) to identify potential partner agencies; (iii) develop a common and shared understanding of the aims and objectives of the ACEDP, and; (iv) the early establishment of inter- and intra-agency networks. Other EP expenses include EAT services.

23 The total EP amount was approximately \$55,000, representing less than two percent of the nominal annual IMPREST account allocation - well below the 10% ceiling stipulated.

## 5 Implementation Strategy

### 5.1 Program Partners

24 The ACEDP is unique in the history of the Australian Government's ODA program to China in that it does not have a dedicated counterpart agency. This is not an oversight but by design. The novel nature of the ACEDP as a two-way partnership program instead of the traditional one-way knowledge/resource transfer project required a different approach that is inclusive, dynamic and that can respond effectively to emerging policy priorities determined by the two governments.

25 Program Partners are those agencies that have expressed an interest in accepting the responsibilities, and the benefits, associated in working with the ACEDP. Currently, Program Partners are national-level government agencies, but future years may well see provincial and/or local-level agencies, the private sector and non-government organizations taking a more dominant role. Irrespective, any agency / individual / organisation is eligible in principle to submit proposals for funding subject to it meeting the selection criteria. It is noteworthy in that context that almost half of proposals received for Year 1 funding (44%) were submitted by agencies that are not national-level government agencies – a good indication of the early success of the ACEDP to mobilise not only program partners, but also the wider stakeholder community in both Australia and China. At present, there are nine program partners active in the ACEDP.

Australian Government Department of the Environment & Water Resources	AUS
Australian Government Department of Agriculture, Fisheries & Forestry	AUS
Commonwealth Scientific & Industrial Research Organisation	AUS
Ministry of Water Resources	CHN
Murray Darling Basin Commission	AUS
National Development & Reform Commission	CHN
National Water Commission	AUS
State Environmental Protection Administration	CHN
State Forestry Administration	CHN

26 This broad range of partners is a benefit but can also bring challenges such as management of undue expectations and the need to identify the most suitable/appropriate agency to work on a specific issue. Both the 'Tai Lake' and the 'Shiyang River Basin' initiatives are good examples of such specific issue where the corporate interests and professional expertise of a number of agencies converge and potentially overlap. The need for an effective inter-agency consultation and cooperation mechanism among 'competing' agencies then becomes paramount. Resolution is clearly a Chinese responsibility as it cannot be the role of the ACEDP to act as arbiter. The ACEDP can however, provide the means to encourage and facilitate such mechanisms. This in itself can become a major achievement of the ACEDP.

#### 5.2 The ACEDP as a Facility

27 A good way to look at the ACEDP model is a comparison with a facility such as the Global Environment Facility GEF. Like the GEF, the ACEDP does not itself manage projects, but instead provides resources to agencies (clients) that have to apply for funding through a competitive process. Applications for funding are appraised independently so there can be no conflict of interest, perceived or real, between the funding facility (ACEDP) and the client. Endorsement of proposals recommended for funding occurs through the meeting of the full board of Program Partners (High-level Roundtable), before the two governments approve the final merit list as the pipeline of projects for the next financial year.

28 The PCO, just like any secretariat, is then tasked to implement the project pipeline. The Managing Contractor can implement activities costing less than \$100,000 without going through any public tender process. Commonwealth Procurement Guidelines still apply of course and a decision on whether or not to go through a formal tender process will depend on issues like complexity and sensitivity of the particular activity and the availability of qualified personnel. For activities in excess of \$100,000 the full public tender process is required. Australian obligations under Free Trade Agreements with other nations and the special arrangement with New Zealand have to be observed.

29 The PCO (secretariat) is answerable to the High-level Roundtable (the Board) at its annual meetings.

### 5.3 Annual Planning Process

30 The annual planning process has three purposes: (i) to review the relevance of the ACEDP and to identify and confirm its priorities; (ii) to review activities undertaken in the previous-year-cycle and; (iii) to identify key priority areas and core activities for the next-year-cycle.

31 A shortened 4-step planning process was adopted for the first year of the ACEDP to permit the early commencement of activities to meet the prescribed deadline for production of the first annual plan within 3 months of mobilisation.

- (i) Mobilisation and production/dissemination of bi-lingual information about the ACEDP
- (ii) Production of Country Surveys that identify key environmental policy issues
- (iii) Convening of National Workshops to identify strategic direction for year 1 and beyond and call for proposals for Year 1 funding
- (iv) Inaugural Meeting of the Joint High-level Roundtable of Program Partners to agree on the EAT-produced merit list of proposals and production of this first annual plan

32 This planning process was endorsed in principle by the independent EAT as having been both appropriate (i.e. to the situation on hand and the need to deliver an annual plan within 3 months) and effective (i.e. it resulted in a still nascent network of nine partner agencies and a total of 57 proposals from both countries). Major drawbacks clearly were (i) the very short timeframe for development of proposals; (ii) the lack of knowledge of Australian and/or Chinese partner agencies, and; (iii) ambiguity about the 'goal posts' of the ACEDP, such as size and duration of projects for which funding was sought.

33 The planning process for future years of the ACEDP is likely to evolve as the program matures but for the immediate future it is suggested to adhere to the general principle outlined above but to allow more time for preparation of proposals and identification of potential partner agencies. The latter one is of course one of the ACEDP intended as well as unintended outcomes. As the program progresses and more personnel from partner agencies visit the other country, agencies will have a better appreciation of the capacities and interests of potential partners. This is one of the reasons why the work program for year 1 has a heavy emphasis on bilateral visits and study tours as an integral part of the 'technical' feasibility/design process. Another reason is that it increases national ownership of the process.

34 Documents like selection guidelines and the proposals concept note will be fine-tuned. The former ones will be simplified but also expanded to reflect ANAO guidelines on best practice grant management. For example, recipients will be asked whether they have been recipients of Australian Government funding for similar activities in the past or whether they have a current grant application running. The proposal note on the other hand will be more prescriptive with regard to the level of detail required and the type of information that has to be provided, for example detailed work plans and disaggregated budgets.

### 5.4 Emerging Priorities

35 A special consideration in the annual planning process is the allocation for emerging priorities. Designed to be responsive to issues that require immediate attention and that cannot wait for the normal annual cycle – but that nevertheless must be fully compatible with program goals and objectives – up to ten percent of the annual budget allocation is available for emerging priorities. These funds are not

separate and they do not accrue. Emerging priorities will also be subject to the same rigorous assessment process as all other activities under the ACEDP.

## 5.5 Environment Advisory Team

36 The Environment Advisory Team (EAT) provides high level and independent advisory, planning and review functions to the program and assists the program owners AusAID and MOFCOM in setting the strategic direction for the ACEDP. The EAT is designed to comprise core members, non-core members and a Quality Assurance Advisor or QAA.

37 EAT core members operate as a professional independent advisory and review team. Their main function is to provide high-level policy and programming advice, guidance and support to the ACEDP to ensure the strategic focus and objectives of the ACEDP remain appropriate and selected activities contribute to the agreed Program objectives. Core members have a mix of international, Australian and Chinese expertise and are eminent and respected individuals with recent relevant academic and/or working experiences in Australia and/or China and a good understanding of international development issues. EAT core members are expected to be available for the duration of the program. The final number of core members is at the discretion of the two governments.

38 The process of agency-based nominations for EAT core members in China experienced some delays and MOFCOM/AusAID decided to appoint an Interim EAT. Mobilisation occurred in mid September with the short-term appointment of Dr Peter Millington (Chair) and Dr Si Zhizhong. This timely measure enabled EAT-input into appraisal of proposals received and production of a merit list for Year 1 of the ACEDP.

39 EAT non-core members are outstanding individuals in their field of expertise and are recruited from a pool of specialists established for the purposes of the program. They will be recruited for specific tasks only and their involvement may or may not be ongoing throughout the program lifetime. Their inputs are likely to be of a short-term but very high-quality nature and they are likely to be involved in the review and appraisal of complex Terms of Reference, of complex and/or sensitive reports and in the review and appraisal of activities - but they will not necessarily be involved in implementation of activities.

40 Calls for expression of interest were issued in August and a small pool of qualified Chinese and Australian experts has been established. Early indications are that a more targeted selection process will be required to attract the necessary high-caliber candidates from both countries. Implementation of AP-1 activities will enable the MC to test the present method and to make improvements where necessary.

41 The Quality Assurance Advisor is a member of the EAT but his/her role is somewhat different from that of the other EAT members. S/he will be primarily responsible for ensuring the quality of processes and management systems at the program level (as opposed to the activity level) and their consistency with the 'Paris Declaration on Aid Effectiveness'.

42 The QAA may be involved in the review/appraisal of complex activities and/or activity clusters and is likely to work closely with the other EAT core members in designing processes that aim to facilitate change at the policy level. Interfacing closely with the program short-term experts (M&E, C&E and SI) s/he will be involved in developing, supporting and facilitating the progressive engagement of the program at national levels in both China and Australia. The QAA may also, in close cooperation with the M&E expert, develop a program-level tracking system to monitor progress and impact of interventions at the program level.

## 5.6 Communication and Engagement

43 The ACEDP Communication and Engagement strategy focuses initially on two areas: (i) message design and delivery, and (ii) program awareness. It targets current and future program partners as well as the wider stakeholder community. As the program progresses, it will be refined to address specific needs and opportunities.

44 Engagement will pose the major challenge for the ACEDP. Even after information needs are met and channels of communication have been established between policy agencies in both countries it will be difficult to generate the right level of policy interest that alone will be able to overcome resistance to change, especially in the light of increasing resource constraints in the public sector and a natural pre-occupation with domestic policy issues. The proposed high-level policy fora and the executive visitor program are mechanisms that aim to explore opportunities where China and Australia can work together in the pursuit of common policy goals. That may be in the form of a common position at international/regional fora or in the form of collaborative aid projects in a third country – such as forestry programs in Asia-Pacific.

45 The strategy recognizes that program partners will require special efforts to keep them attracted to, and involved in, the program on a sustained basis. This is particularly true for Australian program partners in the federal government such as DAFF, DEW and NWC. Over the coming months the MC will explore the range of 'services' that the ACEDP could conceivably provide to these and other partners.

46 State and local government in Australia and provincial/regional and county government in China, will be the main partners in applying and piloting policies and systems developed or promoted through the ACEDP. Their involvement and support is likely to be stimulated through a self-interest in obtaining central government funding, but, at a time of general resource constraints in the public sector, their pro-active cooperation cannot be taken for granted. Like their national-level counterparts, they may require a special incentive program to stay involved. Twinning arrangements (city-city, province-province) can be powerful mechanisms to facilitate that process.

47 Involvement of the business sector is something the program will explore in future years. Not only is the business sector a potential resource (skilled people, technologies, networks, funding), but also is often the implementer of government policy and programs. It has thus a major stake in any environment/water policy initiative.

48 The same applies to the non-government sector such as NGOs as a representative of communities affected by environment/water policies and professional organisations such as 'Environment Management Australia', the 'China Australia Business Council', etc.

49 An academic network would ideally complement this partnership of government, business and the community. Academic institutions from China and Australia submitted many of the proposals under AP-1, so the foundation for such a network is already in place. Much of the knowledge base in water resource management and integrated river basin management already rests with the academe – for example, Australia's Cooperative Research Centres and universities, and China's science academies and agency-affiliated specialised research and design institutes.

50 Development of the above networks will occur as a gradual and almost natural process and not require any program resources at this stage, apart from links on the program website and establishment of a 'network database'.

51 The program's engagement strategy is also envisaged to comprise joint HRD activities between the PCO and counterpart staff from Chinese program partner agencies. An annual one or two

day break-out session is a good opportunity to engage counterpart staff and brainstorm complex issues like implementation modalities and future strategic direction.

#### 5.7 Social Impact

52 Water resource management and integrated river basin management appear to be, at the surface at least, primarily technical or engineering tasks. This however would be a very shortsighted view as they have a wide range of inter-related social impacts, from limiting access to firewood in catchment areas to rural-urban migration and its impact on the spread of HIV/AIDS - both of which are seen nowadays as contributors to poverty.

53 The ACEDP Social Impact Framework addresses the issue of impacts of policy/program outcomes on the community and especially on vulnerable groups amongst those affected. Failure to address potentially negative impacts at an early stage may result in unforeseen implication for the realization of broader policies of either government, such as China's 2005 White Paper on 'Gender Equality and Women's Development'. This would be unacceptable.

54 The program is considering a three-pronged approach to address and manage any negative social impact.

- Public participation in policy formulation
- Anticipating social impacts of new policy directions
- Mainstreaming gender issues.

55 Implementation will require special in-country expertise that is not presently available at the PCO and that will have to be sub-contracted. The Chinese social expert (part-time) in addition would be required to participate in annual reviews, larger project missions and evaluations as well as briefings for design and implementation teams.

#### 5.8 Monitoring and Evaluation

56 The ACEDP monitoring and evaluation framework aims to improve program and activity implementation/management and focuses on early identification of problems, needs and appropriate solutions to address them. It will not only measure program outcome in terms of its contribution to program goals (China's policies for a better environment) but also in terms of aligning with the overall goals of AusAID's Environment Strategy.

57 The facility nature of the program presents a challenge for M&E as individual activities (projects) are not pre-described, are highly diversified and are submitted in large numbers. It is therefore difficult, if not impossible, to capture performance indicators such as baselines at an early stage.

58 The policy nature of the ACEDP means it may be overly ambitious to expect measuring significant change as a result of interventions. It may be more realistic to measure the process of change instead. Indicators can be developed to measure these smaller incremental changes and demonstrate an impact that is directly attributable to the ACEDP.

59 The program-level M&E framework identified five key result areas or KRAs: (i) capacity awareness leading to capacity development, (ii) governance, (iii) policy development and dialogue, (iv) ability of clients to access ACEDP services, and (v) ACEDP service delivery. Outcome indicators at the program level will measure progress related to these KRAs

60 The production of a program-wide baseline poses another problem. Environment policy as a sector is simply too broad to permit production of a meaningful baseline and anything short of a 'State-

of-the-Environment' report may not be adequate. It is therefore planned to update and enhance the country surveys produced during the inception phase and treat them as quasi-baseline. Once enhanced, they will provide an authoritative overview of the water/environment policy challenges (or problems) currently faced by China and Australia. A bi-annual review will identify any changes – or progress in changes - that may then be attributable to ACEDP interventions.

61 The activity-level M&E framework will be refined after approval of the first annual plan when the number, composition and nature of projects is confirmed. Scope of services for project feasibility/design studies will require development of activity-specific indicators that have to pass the 'SMART' test (**s**pecific, **m**asurable, **a**chievable, **r**ealistic, and **t**imely), of M&E reporting requirements and of M&E-relevant activity completion reports.

62 A quasi-baseline approach will be trialed, similar to that used at the program level. Justification for accepting proposals into the program is that they address current policy constraints or shortcomings. This 'problem' constitutes the quasi baseline and the success or failure of the ACEDP intervention can be measured against that initial problem and how it has been addressed and, ideally, resolved.

## 5.9 Environmental Management

63 This may look like an oxymoron at first glance – an environmental program surely can be assumed to be environmentally sound? – but that is not necessarily the case and environmental screening will be required for all relevant activities under the program. AusAID environmental management guidelines provide for the assessment of activities and the management and mitigation of potential environmental impacts. As an Australian Government funded initiative, the ACEDP is also subject to, and must comply with, relevant legislative and regulatory requirements of Australia's 'Environment Protection and Biodiversity Conservation Act 1999' (EPBC Act). This will be reflected, and prescribed, in the ACEDP Operation Manual.

## 5.10 Indigenous Australia

64 The ACEDP offers a unique opportunity to involve and engage Indigenous Australians as custodians of traditional land and water management knowledge and practices. Feasibility / Design missions with a study tour components are a first opportunity for initial contacts and the MC will explore this further with Australian Government Indigenous Coordination Centres, relevant State Departments of Indigenous Affairs and Indigenous Resource and Knowledge Centres.

## 5.11 Contracting & Procurement

65 Contracting strategies for AP-1 activities will be detailed in the 'Tendering & Procurement Guidelines' that are part of the ACEDP Operation Manual, due in late 2007. They will detail: (i) the procedures and systems that the MC will apply to properly manage the procurement and tendering of activities and; (ii) the management, financial monitoring and control mechanisms which will be put in place to ensure that activities and emerging priorities are procured and delivered in a timely manner.

66 The Commonwealth Procurement Guidelines – January 2005 (CPG) establish the core procurement policy framework for all departments and agencies when performing duties in relation to procurement. Under the CPG, an approver is required to be satisfied, after making reasonable enquiries, that the spending proposal is in accordance with Commonwealth policy and that it is an efficient and effective use of public money. In accordance with Appendix B of the CPG, ACEDP is not required to

comply with Mandatory Procurement Procedures (MPP) as procurement for the direct purpose of providing foreign assistance is excluded, however the guiding principles of CPG must and will be upheld.

67 The activity management plan ([annex vi](#)) describes management and procurement procedures for IMPREST account activities. Activities costing more than \$100,000 will be subject to a public tender process, including 'restricted tender' and 'sole supplier' where justified. Service providers for activities of less than \$100,000 can be sourced either (i) from MC staff; (ii) by invitation seeking Expression of Interest, (iii) by public advertisement or (iv) any combination of these. The guiding principles in any case are the CPG. Australian commitments under the WTO and Free Trade Agreements will be adhered to.

## 6 Critical Issues

68 The appointment of Chinese-nominated (interim) core members to the EAT is of crucial importance to the viability of the ACEDP and Chinese program partner agencies are encouraged to submit nominations to MOFCOM/AusAID soonest. Without their nominations, a not unsubstantial risk exists that ACEDP activities do not maximize their political potential, lack sustainability after cessation of the Australian intervention, or are irrelevant or inappropriate. It is noteworthy that this latter risk has been identified as one with the gravest consequences for the ACEDP (see para 2.2 above). Attention to this issue is therefore paramount.

69 It is important to note in this context that, although nominated by agencies, nominees will be required to take a national point of view and may be required to vote against their agency's interests. Nominees will ideally be very close to top levels of government, so they are aware of any contemporary policy and conceptual issues. Only this intimate knowledge of government thinking on environmental issues will permit a strategic analysis of the long-term value of proposals.

70 The engagement of Australian partners on a sustained basis remains a critical issue and will require, on a continuous basis, special efforts by the MC. AusAID's initiative to engage in a whole-of-government process as part of the ongoing transition of its China program country strategy, is welcome in this context and can provide the ACEDP with a high level entry to Australian Government Departments and associated agencies.

71 A major future challenge for the program will be to ensure that links established and/or strengthened as a result of the ACEDP intervention can be sustained beyond cessation of Australian Government funding in 2012.

72 Implementation of AP-1 activities over the next few months will provide an opportunity to assess the adequacy of program management resources and systems in China and Australia. The first months of the ACEDP have already demonstrated that a flexible and dynamic program like the ACEDP requires an equally flexible management structure to accommodate unforeseen demands such as the two national workshops and the joint high-level roundtable.

## 7 Program of Work for 2007-08

73 It is important to appreciate that the ACEDP, while aiming to strengthen environmental governance in China and high level policy dialogue between Australia and China, does not aim to develop Chinese policies which is the sovereign responsibility of the Government of the People's

Republic of China. It does however aim to strengthen Chinese Government capacities that may, or may not, be related to the development of such policies.

74 The amount of funding available to the ACEDP is relatively small and, as the success of the first round of applications has shown (applications totaled \$22 million) it would be relatively simple to allocate all program funds in year 1 alone. This is of course not the intent of the ACEDP and judicious expenditure profiling will be required to ensure funds are used strategically and money will be available in future years to respond to and support future policy priorities of both the Australian and the Chinese government.

75 The assessment of AP-1 proposals also shows that small proposals of less than \$100,000 may be inadequate to address issues comprehensively. Large multi-million dollar activities on the other hand will absorb available funds too quickly in a single project, rather than spreading funds over a larger area and resulting in more linkages. The setting of benchmarks is however important and, in order to provide guidance to applicants, a diversified approach is suggested: (i) activities of less than \$100,000; (ii) activities with a contribution of between \$100,000 to \$500,000 and; (iii) activities in excess of \$500,000. Only in exceptional cases should multi-million dollar initiatives be funded. This does not affect the \$100,000 ceiling for emerging priorities.

#### 7.1 Activity Clusters

76 Details of the program of work (AP-1), associated budgets and resource inputs are contained in the annexes to this plan. This chapter provides an overview of planned activities by component. For program management purposes they are classified into six discreet clusters, reflecting also their state of readiness for implementation:

#### **Cluster 1 - Implementation Stage**

Justification: Proposals from the EAT merit list that address top-priority environment/water policies and require only minor appraisal work (done by PCO and Chinese partners) before they can proceed to public tender. There is only one project in this cluster.

#### **Cluster 2 – Feasibility/Design Studies<sup>1</sup>**

Justification: Proposals from the EAT merit list that address top-priority environment/water policies but that (a) are either insufficiently designed or (b) that can be improved by grouping together with other proposals of a similar nature. The EAT appraisal process resulted in a number of consolidated focal areas. All require some degree of feasibility/design work before they can proceed to implementation, subject to a positive F/D outcome. Some have study tours to Australia as an integral part of the F/D component. While this may be somewhat unusual for a 'normal' aid project, it must be kept in mind that the goal of the ACEDP is to develop lasting partnerships and that activities are 'owned' by agencies on both sides. In that broader context, the conduct of early study tours can be defended as they will contribute both to enhanced national ownership of the design process and result in better-informed counterparts with a sound knowledge of Australian agency capacities. There are ten studies in this cluster. F/D teams will comprise a combination of Australian and Chinese experts.

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<sup>1</sup> Activities in clusters 1 and 2 are synonymous with Group 1 proposals at the inaugural meeting of the High-level Roundtable

### **Cluster 3 – Project Development Missions<sup>2</sup>**

Justification: A large number of proposals from the EAT merit list aim to address high-priority environment/water policies but are either poorly/inadequately designed or lack a convincing implementation strategy. Many of the Australian proposals fall into that latter group. Proposals show a high degree of overlap and duplication with those of other agencies - a reflection of the fact that the short time frame for submission did not allow for a high degree of inter-agency consultation. All proposals require substantial preparatory work before they can proceed to design and appraisal. Project development missions or PDMs are seen as the appropriate mechanism to develop and consolidate these proposals to a stage where they can be redesigned and submitted for funding in future years. These missions will commence after the majority of the ten feasibility/design missions have been completed. Otherwise we risk confusion among program partners and there is a real danger of duplication. Preparatory activities will commence in Year 1 however. There are two missions in this cluster.

### **Cluster 4 – Policy Initiatives**

Justification: This group represents a new and potentially very rewarding field of activity for the ACEDP that the MC will actively investigate during the course of AP-1 and beyond. It is not linked to any specific proposal from the EAT merit list and its inclusion in this plan is more a reflection of discussions held with program partners and stakeholders in both countries. Its aim is to develop effective mechanisms for high-level policy dialogue (inter-agency, inter-governmental, intra-governmental or cross-jurisdictional) that result in immediate returns, for example in the area of legal development and regulatory reform. Study tours, workshops and targeted high-level visits are some of the appropriate mechanisms that can be pursued, as are tailored training, knowledge management systems, institutional reform and adaptation of whole-of-government and stakeholder involvement processes. There are currently two potential types of activities in this cluster.

### **Cluster 5 – Partner Capacity Strengthening**

Justification: This group represents activities related to capacity strengthening of Chinese and Australian agencies involved in the program as partners or implementing agencies. CB is an integral part of the underlying objective of achieving a high degree of national ownership and of post-intervention sustainability after cessation of the Australian Government contribution by 2012. The aspect of strengthening program partner capacities, for example in developing their own monitoring and evaluation systems, is highlighted in the PDD. The management of adverse social impacts, while not specifically mentioned in the PDD, would also be more sustainable if program partners develop their own systems rather than having to rely on the ACEDP system. Activities in this group are largely initiated by the MC in consultation with Program Partners.

### **Cluster 6 – Operational Activities**

Justification: This group represents critical activities related foremost to the effective and efficient management of the ACEDP.

77 There is a seventh group that includes proposals from the EAT merit list (refer annex vii) that were not supported by the EAT and that are not included in the annual plan. As part of its ongoing liaison role with program partners, the MC will provide feedback to agencies and assist them to develop future proposals that have a higher likelihood of gaining EAT support

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<sup>2</sup> Activities in cluster 3 are synonymous with Group-2 proposals at the inaugural meeting of the High-level Roundtable (HLRT-1)

## 7.2 Activities by Components

78 The very nature of the ACEDP makes it difficult and somewhat artificial to organize activities strictly along component lines that may be more appropriate for traditional technical projects. More often than not, planned activities of the ACEDP have a practical (technical) application part and a policy development/dialogue part. An attempt is made nevertheless to disaggregate AP-1 activities for the purpose of monitoring. Should this prove to be inefficient, future plans may adopt a different approach. Activity numbers refer to identical numbers in the work plan and budget. Note that the following list does not aim to duplicate the more exhaustive and authoritative list in the work plan, it is given for reasons of an overview of the type of spread of activities only.

### **Environmental Governance – Component 1**

79 Most of the activities that were endorsed in-principle by the Inaugural Meeting of the Joint High-level Roundtable (HLRT-1) on 25 September fall within this component and contribute to one or more of the identified outcomes. Irrespective of their genesis as a proposal from a single government agency, almost all proposals will require the pro-active cooperation and collaboration by all program partners plus that of additional agencies. Key strategic activities for commencement in Year-1 then include:

#### Cluster 2 - Feasibility / Design Studies

- (1.1) Lake Tai Basin Water Resource Management & Pollution Control
- (1.2) Regulatory Strengthening & Governance for Shi-Yang River Basin
- (1.3) Wetlands Management Policy, Guidelines and Capacity Building
- (1.4) Water Ecology Compensation Policy and Mechanisms
- (1.5) Trans-Administrative-Region Water Environment Policy/Guidelines
- (1.6) Mechanisms for Public Participation in Water Pollution Control (with # 34)
- (1.7) Groundwater Management Policies and Guidelines.

#### Cluster 3 – Project Development Missions

- (1.8) Environmental Management Project Development Mission.

#### Cluster 4 - Policy Initiatives

- (1.9) Policy Forum to facilitate high-level Australian and Chinese inter-agency consultative mechanisms that bring together, initially at the national level, present and future program partners and key stakeholders, including from the private sector and the NGO community, with a view to maximise program benefits. This is an allocation only and cost items could include high level visits, seminars and study tours.
- (1.10) Corporate Executive Exchange Program to facilitate exchange on issues of mutual benefit/interests. Examples could include developing a joint response to climate change issues, cooperation on legal/regulatory issues such as legislative review and regulatory impact assessment processes. This is an allocation only and cost items could include high level visits, seminars, attachments, or specialised training

Cluster 5 – Partner Capacity Strengthening

- (1.11) Annual Joint Retreat for Chinese Program Partners and PCO staff to strengthen team building and develop relationships with agencies. It provides an opportunity to discuss generic issues such as M&E, SI and management systems and procedures
- (1.12) Provide training (including train-the-trainers) for agencies to establish/strengthen their in-house monitoring and evaluation systems. Largely staff from agency HRD departments would implement this with targeted Australian inputs such as curriculum development and initial train-the-trainers activities. It may require provision of training material/equipment to agencies as well as provision of laptops to facilitate on-site activity monitoring
- (1.13) Provide training (including train-the-trainers) for agencies to establish/strengthen their in-house systems to deliver training on gender and social impact management issues. Largely staff from agency HRD departments would implement this with targeted Australian inputs such as curriculum development and initial train-the-trainers activities. It may require provision of training material/equipment to agencies as well as provision of laptops to facilitate on-site activity monitoring.

**Integrated River Basin Management – Component 2**

Cluster 1 – Implementation Stage

- (2.1) Tarim Basin Integrated Water Resources Planning

Cluster 2 – Feasibility Studies

- (2.2) Environmental Flow Management – Methodologies, Policies and Guidelines
- (2.3) Water Rights Allocation Trading in the Yellow River Basin
- (2.4) Irrigation Water Management for Large Irrigation Districts – Yellow River Basin

Cluster 3 - Project Development Mission

- (2.5) Integrated River Basin Management Project Development Mission.

**Program Management – Component 3**

80 Program management is of course integral to all activities implemented under the ACEDP and no attempt has been made to artificially disaggregate a 'program management' component from a 'program delivery' component. Some activities are however identifiable stand-alone activities specifically designed to address issues like long-term sustainability, program partner governance, national ownership and an ability to adhere to Australian government policies that govern the ACEDP such as gender, poverty, HIV-AIDS and fraud control.

81 Inputs by the Environment Advisory Team are costed in the attached budget (estimate only) but not described in detail as many of their input are of an ad-hoc nature. EAT core inputs will be required for appraisal of the next round of proposals for AP-2.

82 Also include here are three discreet activities developed by the Social Impact specialist as part of the SI-Framework that is currently being finalised and that will be available by the end of 2007. Their inclusion is of course subject to AusAID/MOFCOM approval of the SI-Framework and its recommendations.

Environment Advisory Team

- (3.2) Appraisal of AP-2 proposals and involvement where needed in complex studies, reviews and program development missions

Financial Management and Activity Planning

- (3.3) Production of the ACEDP Operation Manual
- (3.4) Training of PCO and Program Partner staff (China and Australia) in use of ACEDP Operation Manual
- (3.5) Development and implementation of an activity-based M&E framework that can be aggregated at the program level
- Database of Australian links with China for baseline and partnering purposes
  - Update of both Country Surveys for baseline purposes
- (3.6) Completion of Communication and Engagement Framework
- Maintain and regularly update bilingual website
  - Launch of ACEDP on 18 October 2007
  - Engaging bi- and multilateral donors active in relevant areas
  - Media Promotion
  - Network Development (academe, business, government, community)
  - Quarterly E-newsletter
- (3.7) Completion of Social Impact Framework
- (3.8) Development of a Public Consultation Process Framework (SI-Initiative 1)
- (3.9) Framework for Mainstreaming Gender in the ACEDP (SI-Initiative 2)
- (3.10) Guidelines for the Assessment of Social Impacts (SI-Initiative 3)

Annual Planning Cycle

- (3.11) National Partner Workshop in Australia
- (3.12) National Partner Workshop in China
- (3.13) 2<sup>nd</sup> Meeting of the Joint High-level Roundtable in Australia in April 2008
- Production of Annual Plan 2008-09 (AP-2)