



Australian Government
AusAID

ACEDP

Australia China Environment Development Program

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implemented by 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-I for 2007-08 and AP-II for 2008-09
ATS	Activity Tracking System
AusAID	Australian Agency for International Development
CB	Capacity Building
CCICED	China Centre for International Cooperation on Environment and Development
C&E	Communication and Engagement
CPG	Commonwealth Procurement Guidelines
CPS	China Australia Country Program Strategy
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Australian Government Department of Agriculture, Fisheries and Forestry
DEWHA	Australian Government Department of the Environment, Water, Heritage and the Arts
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 Australia China High-level Roundtable of the ACEDP
HLRT-I	Inaugural Meeting of the HLRT on 25 September 2007
HLRT-II	Second Meeting of the HLRT on 8 September 2008
IRBM	Integrated River Basin Management
KRA	Key Result Areas
MC	Managing Contractor of the ACEDP, GHD Pty Ltd
M&E	Monitoring and Evaluation
MDBC	Murray Darling Basin Commission (Australia)
MEP	Ministry of Environmental Protection (China)
MOFCOM	Ministry of Commerce (China)
MWR	Ministry of Water Resources (China)
NDRC	National Development and Reform Commission (China)
NGO	Non-Government Organisation
NWC	Australian Government 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
SFA	State Forestry Administration (China)
SP&G	Social Impact, Public Participation and Gender Mainstreaming

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. The program's focus on water resources and integrated river basin management was confirmed at HLRT-II in September 2008. 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 end-of-program outcomes for the 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 and its program of work. While AusAID and the Chinese Ministry of Commerce (MOFCOM) have oversight of the ACEDP, the Program Core Partners – all national level government agencies, five from Australia and four from China - make up the decision making body for determining the strategic direction of the ACEDP. An independent 'Environment Advisory Team' (EAT), comprising Chinese and Australian experts, provides strategic guidance and assesses proposals to ensure they are consistent with the ACEDP objectives and strategic direction. An independent 'Quality Assurance Advisor' (QAA) appraises the appropriateness and effectiveness of the ACEDP management systems and procedures.

4 In June 2007, AusAID engaged GHD Pty Ltd as the Managing Contractor of the ACEDP. GHD mobilized in July 07 with the establishment of a Program Coordination Office (PCO) in Beijing and an Australian Liaison Office (ALO) in Melbourne.

2 Background

2.1 Program Origin

5 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.

6 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.

7 The new environment program allows 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.

8 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

9 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

10 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.

11 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

12 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 & 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 models, including new strategies, approaches, methods and processes.

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 IRBM principles in China

OUTCOME 2.1 - Shared understanding 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 – Improved water resource management through applications of IRBM principles in China and their adoption by Chinese agencies.

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 ACEDP

OUTCOME 3.1 - Effective and efficient delivery of the program.

Achieved through a collaborative management approach that emphasizes coordination and networking, building of national ownership and ongoing quality control.

3.2 Risk Management

13 The second six monthly progress report (Jan-Jun 08) provides a recent update of ACEDP risk management ([annex iii](#)). The PCO employs a number of instruments to manage different levels of risk:

- Ø The Environment Advisory Team (EAT) provides independent policy and program advice on strategic and technical issues to the PCO, AusAID and MOFCOM
- Ø The Quality Assurance Adviser (QAA) provides independent advice on the appropriateness and effectiveness of program management system and procedures, including on the EAT, to the PCO, AusAID and MOFCOM
- Ø Activity-level monitoring and evaluation is the prime responsibility of Australian and/or Chinese implementing agencies contracted by the PCO to manage ACEDP activities. The PCO monitors activities through its Activity Tracking System ATS
- Ø Program-level monitoring and evaluation is the prime responsibility of the PCO and its M&E specialist. It will also include 'cluster evaluations' to measure the impact of groups of activities on program-level outcomes
- Ø The PCO will provide assistance to strengthen the in-house capacities of Chinese agencies to improve their own in-house monitoring and evaluation
- Ø The Social Impact Screening Guidelines are applied at the activity level to ensure that ACEDP interventions do not result in a negative social impact and are harmonious with the requirements of the "Social Impact, Public Participation & Gender Mainstreaming (SP&G) Framework
- Ø GHD's internal 'Practice-Quality-Management-System', certified to ISO-9001 standards, guarantees financial probity and administrative efficiency.

14 Among the major challenges facing the ACEDP in its second year will be the transformation of its current portfolio of eleven water resource projects (these are basically technical assistance projects that transfer knowledge from Australia to China) into higher-level policy outcomes. This will be achieved through a combination of 'policy networks' (refer §36) and 'complementary activities' (refer §76).

15 Related to this is the need to progress the ACEDP from its current preoccupation on stand-alone activities towards a program approach where the sum of all activities is larger than their individual parts. Another major challenge for program management will be to capitalise on the expressed willingness of Australian Government agencies to support the ACEDP and to engage in a policy dialogue with China. A major constraint here is the general lack of knowledge about the functions and needs of partner agencies in the other country. Program core partners have been invited to submit proposals to address this issue.

4 Review of Progress-to-date

16 The program has made good progress over the past 12 month, establishing a core of eleven IRBM projects that are at different stages of progress towards implementation. Program procedures, management systems and quality control facilities are all established and fully operational. Although production of the Communication & Engagement Framework has experienced some delays, individual C&E activities have commenced with several partner workshops, donor outreach, launch of a bilateral website, the inaugural bilateral newsletter and bilateral information fliers.

17 The independent Environment Advisory Team (EAT) is now complete with the recent appointment of the Quality Assurance Advisor, Mr Alan Ferguson from Canada. The program has

managed thirteen joint Australian - Chinese experts missions to China and Australia and produced a total of 27 reports, including eleven project design documents.

4.1 Lessons learned

18 The PCO M&E specialist facilitated a lessons-learned workshop in September 2008 that analysed achievements, identified challenges and discussed strategies to improve performance

4.1.1 Achievements

19 The PCO has overcome the challenge of not having a single designated counterpart in China and having to work, instead, with a loose confederation of 4 Chinese and 5 Australian government agencies. This is unique in the China Program and the PCO has been successful in establishing a network of core partners in both countries. Initial working arrangements and agreements were very flexible in nature but, over time, have developed into strong commitments by agencies and agreements to cooperate in networks, that will be initially activity based. This represents a strong outcome for the program in its effort to promote stronger networks and partnerships between counterparts within China and Australia and also between the two countries.

20 The High Level Round Table (HLRT) meetings have been very successful in terms of counterpart involvement and participation and have resulted in high-level strategies and approaches being approved and ratified. The meetings are also an opportunity to provide information on current implementation activities and to inform high-level counterparts of future strategic directions and decisions.

21 The Policy Landscape Review (PLR) is a major achievement in its own right. Program management recognised as early as December 2007 that the program might be on the 'wrong track' with an over-reliance on what were basically traditional technical assistance projects that transferred know-how from Australia to China – not the optimal way to facilitate policy dialogue and lasting two-way partnerships.

22 Operational procedures have been established within the PCO to underpin implementation and management functions. These procedures have assisted in the identification and definition of key program activities and guided management responsibilities and decision-making. The procedures will also be further enhanced following a review of strategic core functions of the PCO and also the assignment of roles and responsibilities among staff to reflect current programming needs.

23 Staff capacity has improved markedly during the period, with staff demonstrating a heightened understanding of project management procedures and processes and a greater understanding of AusAID requirements for program and project management. There has also been a corresponding improvement in PCO institutional capacity with various tools, policies and strategies being developed to support PCO work.

24 Another key achievement is the flexible approach used by the PCO. The PCO has had to align itself to a changing operating environment that saw a shift from a purely technical program towards one that involved partnership and networks. This flexible approach to program implementation required, and continues to require, close management supervision to ensure directions and decisions are clearly and effectively communicated.

4.1.2 Challenges

25 This changing nature of the program has required the PCO adjust its approach and redefine its core functions to focus more on quality assurance and coordination and networking. This is a positive

feature but could become a potential challenge if not carefully managed. The issue of roles and responsibilities within the PCO, and the linking of specific job roles and key tasks and functions have emerged as a priority issue. An HRD workshop facilitated by the program M&E expert, produced guidance for follow-up action by PCO management.

26 The PCO contains a youthful team that is relatively inexperienced in terms of previous experience on large-scale development projects and project management generally. This perceived challenge is currently being addressed through some on-the-job based capacity building initiatives and there will be a continuous need for further development in coming years. There is a need to align scarce resources to improve capacity in such key areas as project and contract management.

27 The contribution and linkage of external teams and specialists (M&E, QAA, EAT, AYAP) has sometimes been unclear in terms of roles, responsibilities and expectations. In particular, the strategic role of the EAT needs further clarification as to date the team has been under-utilised, and not full use has been made of the EAT's expertise, knowledge and high-level contacts. The coordination of external personnel, eg the program M&E and QAA experts, need to be strengthened and potential of overlap between their respective roles removed

28 The engagement of Australian partners has been a key challenge during the first year. This has been a result of a lack of clarity on how the ACEDP can assist and the exact nature of their role and what they can realistically be expected to do to meet program expectations in regard to engagement and partnership with Chinese counterparts. The Policy Landscape Review (PLR) has provided more clarity by defining areas of interest to Australian partners and this will provide guidance for future communication and engagement.

29 The engagement of Australian partners has also been hampered by the delay in completing the ACEDP Communication and Engagement Framework (C&E) that will establish a framework for interaction with partners and counterparts. A new C&E Adviser is currently being engaged to complete the strategy and develop an action plan.

30 The linkage of individual activities under a consistent and defined program framework remains a key challenge of the program. The M&E framework provides strategic direction as to the broad policy outcomes and the program level indicators used to measure impacts. However the challenge remains to identify and select activities that not only contribute directly to program level outcomes on their own but that also add value to other ACEDP projects.

31 The establishment of key policies and procedures for the management of a 'policy' program has required a high level of attention and detail given the Contractor (i.e. GHD) is a traditional engineering firm. A close association with senior GHD management has assisted the process and the corporate support services of finance and IT have been very helpful in underpinning the functioning of the office.

32 Claiming of expenses (under the IMPREST or Program Management Accounts) and determining the contribution of counterparts to program activities such as design missions and study tours has emerged as an area of potential confusion. In response, the PCO has issued clear instructions to its China and Australia based staff and advised the corporate finance department of the MC.

33 Another issue is counterpart funding. Chinese counterpart costs are defined under the 1981 'Agreement on a Program of Technical Cooperation for Development between Australia and the PR China' and its subsequent amendments. However, this agreement does not take account of the administrative and financial decentralization that has taken place in China since, and that make it increasingly difficult for Chinese counterparts to engage, and pay for, experts from other agencies/institutions. In individual cases, the PCO has therefore supported requests by Chinese

agencies to transfer funds from the Chinese to the Australian side, but it would be preferable if a more equitable and transparent solution could be found through negotiations between both Governments.

34 Evaluation of the two study tours that were completed in year 1 (for Lake Tai and Wetlands project proposals) showed the need to strengthen logistical arrangements, such as more transparency in payment of per diems and better pre-departure briefings. It also showed the need to make the study tour content more relevant to needs of participants and generally called for more time between identification of study tour content and conduct of the tour.

35 Briefing of Australian consultants / PCO staff must be cognizant of current Australian Government policy positions. This is especially critical in a policy dialogue program such as the ACEDP, where a misinformed consultant can wrongly present Australian Government positions. Policy briefings are as important for the ACEDP as are technical/scientific and organisational/institutional ones. Where necessary, Australian program core partners should be involved to ensure policy relevance and accuracy.

4.1.3 Strategies to Improve Performance

36 The PCO will hold a separate in-house workshop to discuss the changing strategic direction of the program, analyse the impact on PCO staff and, in a participatory process, re-assign staff to key job tasks and help clarify the lines of communication and engagement between staff and with external stakeholders and counterparts. Following this reassignment, a training needs analysis will determine priority areas for training and coaching.

37 The PCO will then develop a networking strategy that builds upon the communication and engagement framework. Such a strategy is likely to have three different perspectives (i) networks among the ten ACEDP 'core' projects to ensure synergies, lessons learned and a consistent message is being relayed to partner agencies; (ii) networks among ACEDP projects and the bi-multilateral donor community to ensure synergies with other donors, to avoid duplication and wastage and, to learn from lessons; (iii) networks at the policy level among Australian and Chinese program core partners. The latter is also a key element of the ACEDP M&E Framework and a major policy outcome in its own right.

5 Implementation Strategy

38 After an extensive process of stakeholder consultation in both countries, the Policy Landscape Review was completed on schedule and to the satisfaction of program core partners. It was adopted by the HLRT-II in September 2008. The review identified four thematic priorities for cooperation under the ACEDP: (i) water resources macro policies, (ii) water quality and integrated river basin management, (iii) water resources management, pollution prevention and control and, (iv) cross cutting themes. In addition, the review identified strategic foci for policy reform: (i) improved inter-agency collaboration, (ii) strengthening of science based decision-making, (iii) adoption of market-based approaches and, (iv), effective public participation and engagement.

5.1 Strategic Direction

39 The 2nd meeting of the HLRT endorsed the PLR suggestion that the ACEDP consolidate its efforts around the existing portfolio of eleven water projects so as to avoid a scattering of activities that could lead to losing impact at the program level. It was also recognised that the program must maintain a degree of flexibility to enable both governments to respond to changing priorities and emerging issues. The impact of climate change on water resource management was recognised and this is one such

possible area for future collaboration. Another is the potential for Australian government partners to assist the Chinese Government in planning for the 12th Five Year Development Plan (2011-15).

40 Six major **policy outcomes** for the ACEDP were then confirmed: (i) effective vertical and horizontal inter-agency coordination and collaboration, (ii) science based decision making and adoption of system approaches, (iii) effective public engagement & participation, (iv) economic incentives & market based approaches to water resource allocations, (v) enhanced linkages between Australian and Chinese environmental agencies, and (vi), policy dialogue between Australia and China.

41 The PCO was empowered to engage more proactively in activity identification, formulation, partnering and relation building while the HLRT-II also agreed on the judicious use of other selection mechanisms in addition to public tender.

5.2 Annual Planning Process

42 The main purpose of the annual planning process is to guide the generation of a pipeline of activities and their effective implementation. The planning process is dynamic and ongoing. It is also a collaborative effort involving AusAID and MOFCOM, the nine program core partner agencies from China and Australia, the independent Environment Advisory Team and the Quality Assurance Advisor, the Managing Contractor GHD and, other players such as the bi- and multilateral donor community. The annual high-level Roundtable provides policy setting and strategic/ programming guidance for the Program Coordination Office to effectively implement the annual plan.

43 The meeting of the HLRT-II endorsed the PCO recommendation to re-focus the program towards highly targeted policy and system oriented interventions with a maximum ACEDP contribution of A\$200,000 for new activities and A\$100,000 for activities that are designed to complement any of the existing eleven projects.

5.2.1 Role of Program Core Partners

44 National government agencies in both countries (program core partners) will continue to set the strategic direction of the ACEDP and ensure the program remains relevant to, and aligned with, national government policy priorities. To the extent feasible, program core partner agencies from both sides will endeavour to become more involved in individual ACEDP interventions – be that as experts, as implementing agencies and/or in an evaluation and review function.

45 One of the main outcomes of the ACEDP is the deepening of the bilateral policy dialogue between Australia and China, drawing in a wider group of dialogue partners from academe, research, private sector, non-government organisations and government from other jurisdictions. That process however must not occur in isolation and program core partners will be involved in guiding that process and in providing policy steering.

5.2.2 Role of Environment Advisory Team EAT

46 The EAT continues to provide independent strategic and technical/scientific advice but will have an increased role in facilitating high-level policy collaboration and networking in support of program policy outcomes. Annually, the EAT will conduct a 'policy gap analysis' to ensure the program remains responsive to emerging policy needs and interventions are mutually supportive.

5.2.3 Role of Quality Assurance Advisor QAA

47 The QAA is responsible for monitoring and reviewing, on an annual basis, the effectiveness and efficiency of ACEDP operational systems and management procedures. That will include, but is not limited to, the program monitoring and evaluation framework, and the EAT.

5.2.4 Role of Managing Contractor MC

48 The MC, through its Program Coordination Office (PCO) in China and Australia, is responsible for implementing the annual plan in accordance with the strategic direction set by the two national governments and the advice provided by the EAT and QAA. The managing contractor is responsible for developing relations with the stakeholder community in both countries, for collaboration with the bi- and multilateral donor community and, for assisting program core partners to build relationships with partners in the other country. The managing contractor will also facilitate inter-agency collaboration on ACEDP issues - subject to government sovereignty. The MC produces the annual plan.

5.2.5 Role of High-level Roundtable HLRT

49 The joint Australia China High-level Roundtable remains the premier decision-making body of the ACEDP and its annual meetings provide an opportunity for both governments to review progress, assess impact, ascertain the strategic direction of the program, and, confirm or modify financial allocations. Its current composition of program owners (AusAID, MOFCOM), Chinese program core partners (MEP, MWR, NDRC, SFA), Australian program core partners (CSIRO, DAFF, DEWHA, MDBC, NWC), Environment Advisory Team (EAT) and Managing Contractor (MC) is robust and adequate. Emerging policy priorities such as climate change may require the addition of new agencies from both countries but the continuing focus on water management is not likely to obviate the need for any of the existing nine partners.

5.2.6 Role of Annual Plan AP

50 The AP sets out a costed program of interventions for each financial year (July to June). Interventions can be generated either via the six-monthly application process or as a direct proposal from the PCO, the EAT, QAA, AusAID or MOFCOM. The PCO will produce the draft AP after receipt of the EAT policy gap analysis in the first half of each year and submit it to AusAID/MOFCOM for approval by the end of the financial year in June. By its very nature, the annual plan uses cost estimates and budget allocations rather than a fixed schedule of payments.

5.3 Funding Guidelines

51 Applications for funding must follow the funding guidelines and application formats available from the Program Coordination Office and/or the ACEDP website <http://www.acedp-partnership.org>. Applications can be submitted at any time during the year and, on request, the PCO will assist applicants identifying suitable partner agency (ies).

52 The PCO will share all applications with the nine program core partners, giving them an opportunity to comment and/or seek to become involved. If no response is received within ten working days, the PCO assumes that the program core partner is supportive of the application. At six-monthly intervals, the PCO in collaboration with the EAT will assess and rank proposals, taking also into

consideration views espoused by program core partners. AusAID and MOFCOM reserve the right of final approval.

5.4 Emerging Priorities EP

53 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 six-monthly approval 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. The ceiling for individual EP activities is A\$100,000.

54 EP funds are not additional to the budget 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 Communication and Engagement C&E

55 The program draft C&E Framework provided the necessary guidance for initial awareness raising activities that were the focus during the first year of operation. This included provision of bilingual information fliers, conduct of several partner and stakeholder workshops in Australia and China, a bilingual website and launch of the first e-newsletter. Now that the program's new strategic direction has been confirmed it is timely to take C&E to the next step and to engage and motivate partners and stakeholders alike.

56 Of immediate importance to program management is the need to incorporate the findings from the policy landscape review and the outcome from the HLRT-II into a revised C&E Framework that capitalises on the expressed goodwill of Chinese and Australian government agencies to cooperate and collaborate on ACEDP activities. The C&E specialist will prepare an action plan to facilitate that.

57 2008-09 will see the beginning of project implementation – the operational phase of the ACEDP - and the PCO will initiate a number of networking activities that not only strengthen project delivery but also facilitate outreach to donors and the broader stakeholder community. These project-based networks will be complemented by higher level policy networks, facilitated by the EAT, that aim to support policy dialogue and engagement.

58 It is envisaged that, over time, these project and policy networks will include academia and research, the NGO sector, the business sector and government from different jurisdictions. The idea of partnering river basins / sub basins in China and Australia, that was advanced in the Policy Landscape Review, is another effective tool of policy engagement.

59 Joint staff training for PCO staff and Chinese program core partner / implementing agency staff, one of the recommendations from the draft C&E Framework, has been successfully implemented in the first year and is likely to feature again in the C&E action plan as an appropriate tactical response to the strategic direction set by the HLRT-II. All activities under that action plan will need to be separately endorsed by AusAID/MOFCOM.

5.6 Social Impact, Public Participation and Gender Mainstreaming SP&G

60 The program is now at a stage where the SP&G framework and its screening guidelines can be operationalised. A dedicated Social Impact and Gender Mainstreaming project that is earmarked to strengthen capacities of the four Chinese program core partners will also assist in mainstreaming SP&G in all ACEDP interventions. One of the challenges will be to develop effective monitoring and reporting

criteria for incorporation of SP&G in the ACEDP activity tracking system and other reporting formats. Social and gender screening guidelines, developed as part of the SP&G Framework, need to be operationalised and applied for all new activity proposals.

5.7 Monitoring and Evaluation M&E

61 Monitoring and Evaluation (M&E) is an important element of the Australia China Environment Development Program and all stakeholders have a vested interest in a system that measures development impact and overall performance throughout the life of the program and also provides information for ongoing performance improvement. The ACEDP M&E Framework operates at the program and the activity level.

62 The focus of the framework is to measure development effectiveness and impact and through this effort to promote accountability and learning in implementation and management. The framework has been extensively revised following input from the program QAA and from the AusAID M&E Advisory Team throughout 2008. With commencement of activity implementation in this FY, it is now at a stage where its effectiveness can be 'field-tested' and improved. Activities will be measured against the six program policy outcomes that were endorsed at the HLRT-II:

- Ø Effective horizontal and vertical inter-agency coordination and collaboration
- Ø Science based decision-making and adoption of system approaches
- Ø Effective public engagement and participation
- Ø Economic incentives and market based approaches to water resource allocation
- Ø Enhanced linkages between Australian and Chinese environmental agencies
- Ø Policy dialogue between Australia and China

63 The program M&E Framework prescribes an extensive reporting process that is standardized across all activities funded under the program and includes inception reports, regular progress and completion reports to be prepared by implementing agencies / sub-contractors, as well as six-monthly progress reports and annual plans to be prepared by the PCO. All information is aggregated in the Activity Tracking System that is maintained by the PCO and that is used to generate the quarterly Activity Fact Sheets that are published on the program website. At regular intervals, the PCO will commission cluster evaluations of activities to provide additional information on program effectiveness and the degree of collaboration and value-adding among different activities.

5.8 Environmental Management

64 As an Australian Government funded initiative, the ACEDP is subject to, and must comply with, relevant legislative and regulatory requirements of Australia's 'Environment Protection and Biodiversity Conservational Act 1999' (EPBC Act), and of pertinent Chinese legislation. This is reflected, and prescribed, in the ACEDP Operation Manual that will be updated following the HLRT-II meeting.

5.9 Contracting & Procurement

65 Program contracting strategies are being updated to reflect the inclusion of Chinese and Australian program core partners in the tender process. For Technical Advisory Panels (TAP) convened in Australia, Chinese agencies will be invited to participate as additional voting members and the TAP will be convened by tele-conferencing. Australian program core partners will be invited to nominate

somebody as the 'external' (ie non GHD) expert on the TAP. For TAP convened in China, the same principle will apply, ie Chinese agencies will be invited to nominate as the external expert and Australian agencies will be invited to participate as additional voting members by tele-conferencing. The TAP in China is likely to be conducted in the Chinese language but will be documented in English. Agency participation, from Australia or China, will require of course careful screening of any conflict of interest.

66 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. This applies to expenditure under the IMPREST account as well as under the Program Management account.

6 Critical Issues

67 There are no critical issues as the attached risk management matrix shows, but the program faces some major challenges that will need to be addressed before they become critical issues:

- Ø Ensuring the ACEDP evolves from an activity-based towards a program-based intervention where the sum of all activities is greater than their individual parts
- Ø Harnessing the capacities, and willingness to assist, of Australian program core partners
- Ø Encouraging and fostering inter-agency collaboration not only among national agencies but also among Chinese and Australian program partners at both program and policy levels
- Ø Assisting the information flow between agencies in both countries, thus contributing to better knowledge of each other capacities, needs and aspirations
- Ø Successful delivery of the eleven core projects
- Ø Transformation of technical project outputs into the policy process
- Ø Adopting evaluation processes that lead to a true assessment of the program against intended outcomes.

7 Program of Work for 2008-09

68 The 2008-09 program of work focuses heavily on implementing the activities that were identified in year I of the ACEDP - the eleven core projects. Of these, one has been withdrawn by the applicant (Tarim Basin), one has been put on hold by China (Groundwater), one has split into two projects (Eco Compensation), one has been combined with another project (Yellow River with Irrigation) and one has since been added (Social Impact). So the total number of core projects is now ten.

#	Title	Sponsor	Status
1.1	Lake Tai Water Pollution	NDRC	With AusAID for approval
1.2	Inland River Basins (Shule River)	MEP	At re-design stage
1.3	Wetlands Management	SFA	At re-design stage
1.4	Water Ecology Compensation – 2 individual projects	MEP + MWR	With AusAID for approval
1.5	Trans-jurisdictional Water Pollution	MEP	Implementation started
1.6	Public Participation in Social & Environmental Impact Assessment	MEP	With AusAID for approval
1.7	Groundwater Management	MWR	Postponed by MWR
2.1	Water Sharing in the Tarim Basin	MWR	Withdrawn by applicant
2.2	River Health and Environmental Flows	MEP – MWR	With AusAID for approval
2.3	Water Allocation Management in the Yellow River Basin	MWR	At design stage
2.4	Improving Water Efficiency through Better Irrigation District and Water Right Trading	MWR	Combined with no 2.3
3.8	Social Impact, Public Participation and Gender Mainstreaming	N/a	With AusAID for approval

7.1 Cancelled Activities

69 The two program development missions (AP-I activities # 1.8 and 2.5) have been canceled in view of the new strategic direction of the ACEDP that was endorsed by HLRT-II. Following a request from the Tarim River Basin Management Bureau of Xinjiang Uygur Autonomous Region Government, the Tarim River basin proposal, AP-I activity #.2.1, was also deleted from the program.

7.2 Ongoing Non-Project Activities

National Policy Brainstorming Workshops (activity 3.11)

70 A modest allocation has been maintained for ongoing partner engagement activities such as annual national policy brainstorming workshops that were conducted in 2007-08 in both China and Australia.

7.3 New Activities

71 Details of the program of work for 2008-09 (AP-II), associated budgets and resource inputs are contained in the annexes to this plan. This chapter provides a brief introduction to the new activities that will commence in this FY.

Qinghai Brainstorming Workshop (activity 1.13)

72 This workshop from 2-4 December 2008 aimed to build on the successfully completed AusAID-funded 'Qinghai Forestry Resources Management Project' (QFRMP). The workshop focused on capacity gaps and explored ways how these can be addressed – not only under the ACEDP but also through other donor programs. Three likely areas for future cooperation emerged – monitoring and evaluation of forest conservation activities, ecological compensation and, carbon sequestration as one possible compensation mechanism. Development of a proposal for funding under the ACEDP is to be expected.

Complementary Activities (activity 1.14)

73 This is an allocation for activities that may be identified through any of the existing ten core projects that are proceeding to implementation in this financial year. Due to the late start-up time for the

ten core projects (the first one commenced in December), it is unlikely that more than one or two complementary activities at most will start in this FY.

New Activities (activity 1.15 and 2.5)

74 This is an allocation for new ACEDP activities. Proposals can be submitted at any time but will be assessed twice yearly, in March/April and in September/October. It is therefore unlikely that many new activities will proceed to implementation during this FY 2008-09.

75 Examples are a range of initiatives that were discussed at HLRT-II and that all aim to foster program level cooperation and coordination. These include: (i) a workshop to explore Australian Government assistance to China regarding the formulation of China's 12th Five Year Development Plan 2011-15 (12-FYDP), (ii) a framework for information sharing among core partners leading to a better understanding of each other's functions, (iii) dedicated measures to strengthen inter-agency collaboration, with an initial focus on Chinese agencies, (iv) development of activities to stimulate high level policy dialogue between Australian and Chinese program core partners and, (v), a range of possible ministerial level meetings on water issues that were discussed by partners in the aftermath of the HLRT-II. AusAID and MOFCOM agreed that program core partners should propose these activities rather than them being developed as PCO initiatives. Conceivably this could also include jointly implemented activities with national think tanks such as the China Centre for International Cooperation on Environment and Development (CCICED)

C&E Action Plan (activity 3.6)

76 The program C&E Framework is behind time and will only be completed by the end of 2008. An allocation has been included to fund specific C&E activities under the forthcoming C&E Action Plan that will, however, require separate AusAID/MOFCOM approval.

Chinese Agencies M&E Capacity Building (activity 1.12)

77 As part of his input during 2007-08, the program M&E specialist has developed, in cooperation with Chinese program core partners, a proposal to strengthen in-house M&E capacities of Chinese partner agencies. This will be developed into a PCO initiated proposal for submission in the next biannual assessment round in March/April 09. The emphasis of the proposal is on strengthening existing Chinese M&E systems in each of the four program core partners, rather than developing new systems or asking Chinese agencies to adopt Australian / ACEDP systems.

Network Initiatives (activity 3.15)

78 An allocation has been provided to facilitate timely implementation of the networks that were discussed at the HLRT meeting. Networks are likely to operate at several levels – (i) among ACEDP activities, (ii) between specific ACEDP activities and donors involved in the same geographical or technical area, (iii) ACEDP program level outcomes (such as inter-agency collaboration) and national governments, and, (iv), among program core partner agencies in both countries. Although nominally a part of the program C&E Framework and C&E Action Plan, networking is also a management tool to mitigate risks to the program, such as not achieving the transformation from the technical project level to program level policy impact.

79 Networking will also enhance technical and policy consistency of projects that are implemented by different implementing agencies, and facilitate program level cohesion and impact at the policy level. Costs at this early stage are small and mainly related to conduct of seminars and workshops, including venue hire and travel costs for staff from projects sites outside Beijing.

Steering Committees (activity 3.16)

80 In response to more stringent AusAID requirements for regular monitoring of ACEDP activities, an allocation has been provided to permit PCO task managers to attend key project-level meetings outside Beijing, such as steering committees, inception workshop, mid term reviews, final workshops and so on. Access to this funding allocation requires prior AusAID/MOFCOM endorsement. An ongoing AusAID review of all M&E Frameworks under AusAID's China country program may require the allocation of other/additional resources in subsequent annual plans.

Partner Support (activity 3.17)

81 One of the outcomes of the HLRT-II was to empower the PCO to engage more proactively with program core partners in activity identification and formulation of proposals as well as facilitate partnering and relation building between and among agencies in both China and Australia. An allocation has been provided to defray related expenses such as travel, procurement of specialised expertise and so on. Access to this funding allocation requires prior AusAID/MOFCOM endorsement.