

Australia China
Environment
Development
Program

6-monthly progress report
no 3

Covering the period
1 July to 31 December 2008

Beijing
29 January 2009

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Commonly Used Acronyms

ACEDP	Australia China Environment Development Program
CCICED	China Council for International Cooperation on Environment and Development
C&E	Communication and Engagement
EAT	Environmental Advisory Team
HLRT	Joint Australia China High-level Roundtable
M&E	Monitoring and Evaluation
QAA	Quality Assurance Advisor
SI&GM	Social Impact and Gender Mainstreaming

Pursuant to Clause (9.4) under Schedule 1 of Contract no 41568 between the Commonwealth of Australia and GHD Pty Ltd for the Australia China Environment Development Program, I hereby submit the third 6-monthly progress report for the ACEDP, covering the period 1 July to 31 December 2008.

Gunther Mau
Program Manager

1 Progress

Reporting and activity numbers are consistent with the format used in Annual Plan II (2008-09) to facilitate cross-referencing.

Core Projects

1.1 Lake Tai Water Pollution Treatment Project - NDRC

- Request for Tender advertised on 29 November 08 with deadline 30 January 09. NDRC will participate by phone hook-up in the TAP scheduled tentatively for late February. Mobilisation estimated for April 09

1.2 Shule River Basin Adjusting to Change Project - MWR

- This is currently being revised to reflect latest negotiations between MWR, MOFCOM and Gansu Provincial Authorities. The next step is likely to be a brainstorming/design workshop in Beijing in the first half of 09.

1.3 Wetlands Management Policy Guidelines & Capacity Building Project - SFA

- Following comments from the EAT, specialists from the State Forestry Administration SFA are currently revising the Activity Design Document for re-submission to the PCO during the first half of 09.

1.4 Water Ecology Compensation & Mechanisms Project – MEP, MWR

- This is really a dual project, one for MWR and one for MEP that will be implemented by one Australian contractor. AusAID/MOFCOM had released the design document for public tender in late December 08 but MWR have since requested to hold it as they want to change the pilot sites where the project will be implemented. Once that issue is resolved, it can then be advertised for public tender immediately.

1.5 Trans-Jurisdictional Water Pollution Management Project - MEP

- The project went to public tender in late 08, won by Cardno-Acil Pty Ltd. Mobilisation occurred in November 08 and the project is on track to complete as planned in mid 09.

1.6 Public Participation in Social Environmental Impact Assessment and Basin Water Pollution Control Project - MEP

- The project was advertised for public tender on 29 November 2008 with deadline 16 January 09. MEP will participate by phone hook-up in the TAP that is scheduled for mid February 09.

1.7 Groundwater Management Feasibility Study - MWR

- MWR asked that this activity be put on hold for the time being

2.1 Tarim Basin Integrated Water Resource Management Project - MWR

- The Tarim River Basin Management Commission of Xinjiang Uygur Autonomous Region informed ACEDP in late October 08 that they had decided to withdraw their application for funding.

2.2 River Health and Environmental Flow in China Project – MEP, MWR

- AusAID/MOFCOM had released the project for public tender in late December 08 but MWR have since requested to hold it as they want to renegotiate the Chinese financial contribution.

2.3 Improving Water Efficiency through Better Irrigation District Management and Water Rights Trading - MWR

- The joint Chinese Australian design team completed studies in China during June and in Australia during September 08. A draft activity design document (ADD) is due in late January 09.

3.8 Social Impact & Gender Mainstreaming Package – MEP, MWR, NDRC, SFA

- The project was advertised for public tender on 29 November 08 with deadline 16 January 09. MOFCOM will be kept informed of the TAP process scheduled for mid February 09.

Policy Initiatives and New Activities

1.9.1 Policy Landscape Review

- The report of the 'Policy Landscape Review' was translated into Chinese and tabled at the second meeting of the ACEDP Joint High-level Roundtable (HLRT-II) in September in Canberra. The meeting endorsed its findings.

1.13 Qinghai Brainstorming Workshop – SFA, DAFF

- The workshop was held in early December and resulted in a potential partnership of five Chinese and Australian partner agencies plus two regional international agencies. They are (1) Qinghai Forestry Bureau, (2) China National Forestry Economics & Development Centre, (3) Australian Government Bureau of Rural Sciences, (4) Southern Cross University Centre for Regional Climate Change Studies, (5) University of New South Wales Centre for Energy and Environmental Markets, (6) Asia Pacific Network for Sustainable Forest Management and Rehabilitation, (7) UNDP-GEF. The 7 partners are expected to put forward a proposal(s) for funding under the ACEDP in the next round.

Program Management

3.2 Environment Advisory Team

- The Environment Advisory Team (EAT) provided inputs into the production of the Policy Landscape Review (Dr Si Zhizhong was one of the three authors), participated in the 2nd meeting of the High-level Roundtable and prepared for their next scheduled input in early 2009, the policy gap analysis
- Inputs by the newly appointed Quality Assurance Advisor (QAA) were discussed and harmonised with the EAT to avoid duplication and overlap. The QAA provided inputs into the ongoing revision of the program M&E framework.

3.5 Monitoring & Evaluation Framework

- The program M&E specialist refined the M&E framework and provided training for PCO staff in its application during September. The Activity Tracking System (ATS) was finalised and is operational. Activity fact sheets are updated on a 3-monthly basis and available on the program website
- The ACEDP is now entering a new phase - from activity design to implementation – and a participatory workshop was held to explore the changing roles of staff and identify the necessary skill sets
- That was followed by an in-house workshop in December that agreed on realignment of responsibilities.

3.6 Communication & Engagement Framework

- The program contracted the services of an experienced media professional with credentials in China and Australian to become the new C&E specialist. Mr David Pembroke, Director of the Canberra-based 'Contentgroup Pty Ltd' took over revision of the draft C&E Framework and produced an action plan for 2009
- The website was re-designed and comprehensively updated and a more stable platform selected through engagement of a new website host. A second issue of the program's bilingual 'e-newsletter' was produced and mailed out to the more than 500 registered recipients on the program contact list.

3.7 Social Impact Framework

- The 'Social Impact & Gender Mainstreaming Package (project no 3.8) that aims to complement PCO efforts in mainstreaming gender and social impact management awareness, was advertised for public tender in November. It will strengthen capacities of Chinese partner agencies MEP, MWR, NDRC and SFA and provide an initial bridge between and among the program core projects
- The social impact screening guidelines will be tested, and further refined, in the lead up to the next proposal cycle in March/April 2009.

3.13 High Level Roundtable

- The second meeting of the Joint China Australian High-level Roundtable was held on Monday 8 September 2008 in Canberra and was attended by executives from the 2 program owners and the 9 program core partners. The Australian Government Department of Climate Change participated in an observer capacity (ANNEX A)
- The meeting was followed by an extensive range of one-to-one discussions between partner agencies from both countries
- It was agreed that the next meeting be held in China, scheduled tentatively for early July 2009.

3.15 Network Initiatives

- Work commenced on establishing project-level donor networks. Three networks are in process (1) Qinghai Forestry initiative (WB, UNDP, EU, APF-NET, Wetlands International; (2) Trans-Jurisdictional Water Pollution Management (WB, GEF) and; Lake Tai Pollution Treatment Project (WB, EU, Greenpeace)
- In addition to the now regular monthly catch-up meetings with Chinese partner agencies, the PCO has initiated quarterly meetings that bring together all four Chinese partner agencies and at which issues of common interest can be discussed and explored. The first such meeting is scheduled for early 2009
- Depending on the uptake, similar meetings for the Australian partners will be explored.

Annual Planning Process

The annual planning process commenced with the publication of the new funding guidelines and application formats in November 2008. The EAT will be commissioned to conduct a policy gap analysis in early 2009 to analyse the extent to which the present project portfolio (the core projects) are likely to impact on ACEDP policy outcomes. The EAT findings will be used to scrutinise any new proposal submitted for funding under the ACEDP.

Emerging Priorities

4.1 Capacity Building and Partnership for SEEAW – MWR, ICEWaRM

- A \$101,000 application under EP was approved in early December 08 to enable MWR meet an urgent Government directive to operationalise by 2009 a 'System for the Environmental Economic Accounting for Water' (SEEAW). The Australian partner 'International Centre for Excellence in Water Resources Management' ICEWaRM

4.2 Australia China Legal Profession Development Program – State Council, AG

- A \$34,500 application under EP was approved in early December to enable the State Council's 'Legislative Affairs Office' send one of their officers for a 4-month training course cum attachment in Australia to receive specialised training in environmental/water legislation during early 2009. The Australian partner is the 'Australian Government Attorney-General's Department' AG

2 Risk Management

The updated risk management matrix, and the discussion on how to address and mitigate risks that are contained in the recently submitted annual plan II (2008-09) remain mostly relevant. Changes are reflected in the attached risk matrix (Annex B).

PCO staff held a participatory workshop in December to respond to the changing nature of program management, agree on realignment of duties to better reflect individual talents and professional development needs and, identify individual training needs - refer to the chapter on 'strategies to improve performance', §36 on page 10 of AP-II.

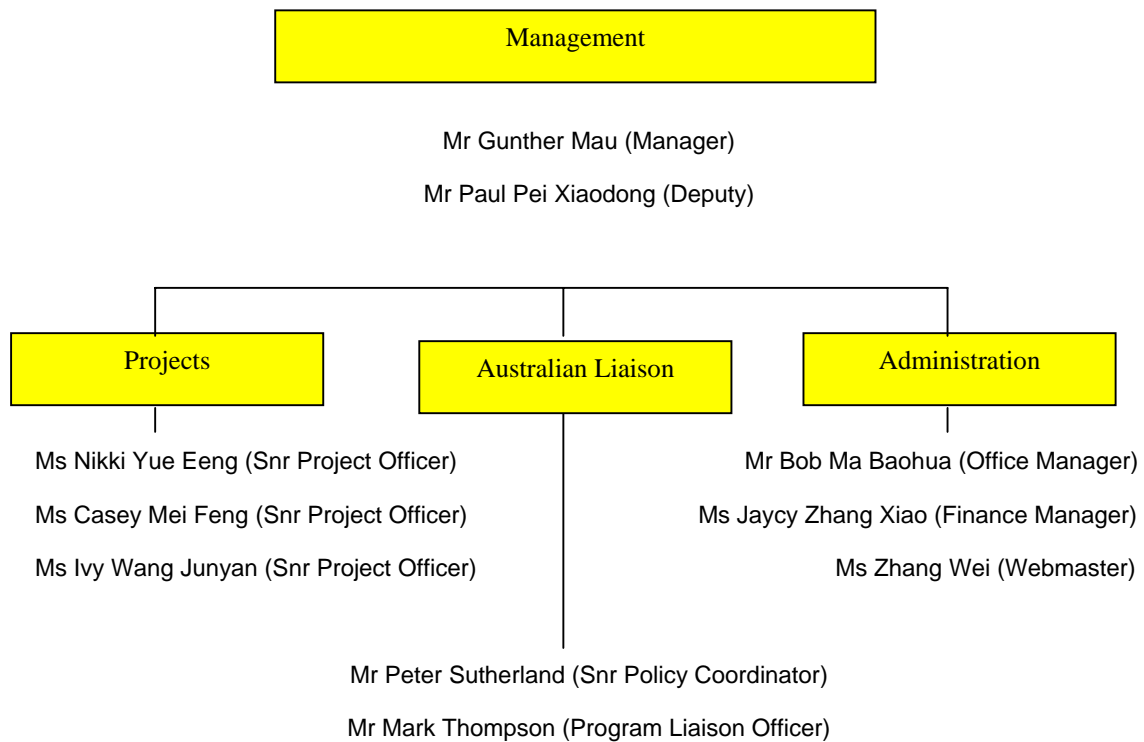
Work on establishing 'Project-based Donor Networks' has commenced with projects no 1.5 (Trans-Jurisdictional) and 1.1 (Lake Tai) – refer to §37 on same page of AP-II

3 Staffing

There have been some movements on staffing in the PCO during the reporting period:

- Ms Julia Li Zhou, senior project officer, resigned in November to move to Canada
- Ms Jenny Fang Han, administrative assistant, resigned in November for personal reasons
- Mr Bob Ma Baohua joined the PCO as Office Manager
- Ms Wei Zhang joined the PCO as web-master with responsibilities for C&E

Following a review of PCO performance in September 08 and a participatory workshop in December, the new PCO structure is as follows



Major Program Procurement

There was no major program procurement during the reporting period.

Training

Training for PCO staff

- Prof Wang Jingnan from the Chinese Academy of Environmental Planning provided awareness raising and training for PCO staff on 'China's Current Environmental Situation and Countermeasures' on 22 September
- The program M&E specialist held a 'Reflectory Workshop' for PCO staff on 23 September
- The program M&E specialist conducted training for PCO staff on the ACEDP 'Activity Tracking System' the production of 'Activity Fact Sheets' and the 'Data Repository' on 24 September
- The program M&E specialist conducted training for PCO staff on the activity 'Six Monthly Reports' and 'Activity Completion Reports' on 25 September
- Prof Wang Yi from the Chinese Academy of Agricultural Sciences, Policy & Management Branch, provided training to PO staff on 'China's Water Issues and Management' on 27 November
- PCO staff participated in GHD in-house training on 'Project Management' and 'Best Practice Sharing' on 16-19 and 22-23 December

- PCO staff participated in GHD in-house training on the 'APEX Budget System' on 25 December
- New PCO staff received GHD in-house "Introductory Training" on 16, 19, 24 and 26 December

Program Reports

The PCO issued the following substantive documents during the reporting period (Jul-Dec 08).

Code	Activity Name	Report Description	Version	Issue	Filing Register Date
T5-02	Six Monthly report #2	Monthly report	EN / CH	Final	24-07-2008
T4.2-02	HLRT-II	Summary Report	EN / CH	Final	30-12-2008
		Aide Memoire	EN / CH	Draft	
P 0001	Wetlands	Study Tour Completion Report	EN	Final	
		ADD	EN	Draft	
P 0002	Lake Tai	Study Tour Completion Report	EN	Final	
		ADD	EN	Final	01-11-2008
P 0006	Inland River Basin Management	Concept Paper	EN	Draft	
		RFT	EN	Final	20-09-2008
		Contract	EN	Final	20-11-2008
P 0014	Social Impact Package	ADD	EN	Final	01-11-2008
P 0016	Eco Compensation	ADD	EN	Final	24-12-2008
P 0017	Large Irrigation System	Study Tour Completion report	EN	Draft	
P 0018	Environmental Flow	ADD	EN	Final	24-12-2008
P 0020	Public Participation	ADD	EN	Final	01-11-2008
P 0021	Policy Landscape Review	Report	EN	Final	20-11-2008
P 0024	Economic Accounting	Completion Report	EN	Final	

Financial Report

This financial report summarised the expenditures for the period of 1 January to 30 June 2008. The expenditures include the expenses for management costs and Imprest Account. All figures are in A\$.

Imprest Account

The total amount GHD has received for the Imprest Account from AusAID by the end of December 08 is **\$2,318,110.07** (including GST of \$210,737.28). This amount was transferred to GHD account in two tranches.

- GHD claimed a first tranche for the Imprest Account in December 2007. The total amount of that claim was \$1,074,205 (including GST of \$97,655.00)
- GHD claimed a second tranche on 7 May 2008. The total amount of the claim was \$1,243,905.07 (including GST \$113,082.28)

By end of December GHD had acquitted **\$727,006.29** The acquitted expenditures mainly paid for technical experts' service fees and domestic and international travel costs for the following project activities:

- Lake Tai Pollution Management Feasibility/Design Study
- Shule River Basin Feasibility/Design Study
- Wetlands Management Feasibility/Design Study
- Water Ecology Compensation Policy and Mechanisms
- Trans-Jurisdictional Water Pollution Management Project
- Monitoring & Evaluation
- Social Impact Package
- Policy Forum – Policy Landscape Review
- Irrigation Water Management for Large Irrigation Districts
- Joint High Level Round Table II
- Qinghai Brainstorming Workshop
- EAT

The total expenditure from 1 July to 31 December 08 for the Imprest Account was **\$546,907.36¹**. Some of that expenditure will be acquitted as part of the next claim to AusAID.

Management Account

Total expenditures for program personnel and other management costs for the period of 1 July to 31 December 2008 are **678,990.50** (excluding GST)

Total Program Management	310,500.00
Long Term Personnel	259,137.27
Short Term Personnel	48,109.30
Program Administration & Equipment	61,243.93
Total	678,990.50

Total expenditures for the Imprest Account & Management Account

Imprest Account total expenditure to date	988,960.32
Management Account expenditure to date	2,182,480.45
Total	3,171,440.77

Budget for next six months²

¹ Note that in progress report #2 (Jan-Jun 08) the total imprest account expenditure for the period up to 30 June 08 was reported wrongly as \$601,576.72. It should have been \$442,052.96. The difference of \$159,523.76 is due to late payments from the imprest account. The issue is now rectified and all figures in this report are fully consistent with supportive bank statements.

² Note that Imprest Account expenditure can be modified to accommodate country program expenditure requirements for future years

Australia China Environment Development Program
Partners for a Better Environment

Imprest Account budget for next 6 months	2,717,504.00
Management Account budget for next 6 months	65,766.00
Total	3,393,270.00

Aide Memoire
2nd Meeting of the Joint Australia China High Level Round Table for the ACEDP
Monday 8th September 2008
Canberra, Australia

The 2nd Meeting of the Joint Australia China High Level Round Table (HLRT) for the ACEDP was held on 8 September 2008 in Canberra. Mr Richard Moore, Deputy Director General of AusAID's ASIA Division opened the meeting. Ms Octavia Borthwick, Assistant Director General of AusAID's Asia Regional Branch and Mr Zhang Kening, Director General of Chinese Ministry of Commerce (MOFCOM) chaired the meeting. Eleven national government agencies from both countries participated in the HLRT.

The HLRT reviewed the Program progress, endorsed the Policy Landscape Review and agreed on the strategic direction of ACEDP and the proposed annual planning process.

Program Progress

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, Communication & Engagement activities have commenced with several partner workshops, donor outreach, launch of a bilateral website, the inaugural bilateral newsletter and bilateral information fliers.

The independent Environment Advisory Team is now complete with the recent appointment of the Quality Assurance Advisor, Dr 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. Year I expenditure is on track.

Policy Landscape Review

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 identifies four main areas for future cooperation, viz water resource macro policies, water quality and integrated river basin management, water resource management, pollution prevention and control and, cross cutting themes. The review emphasises priority areas for policy reform such as improved inter-agency collaboration, science based decision-making, market-based approaches and, effective public participation and engagement.

Major recommendations include a focus around the current portfolio of eleven activities, the judicious use of other selection mechanisms in addition to public tender, enhanced involvement of Australian core partner agencies in activity selection and implementation, and a more proactive role for the PCO in activity formulation, partnering and relation building.

Strategic Direction

The program will consolidate its efforts around the existing portfolio of eleven projects rather than spread into other environmental priority areas, although a degree of flexibility must be maintained to enable both governments to respond to changing priorities or emerging issues. The impact of climate change on water resource management is one such possible area for future collaboration. The meeting also explored the potential for Australian partners to assist China in planning for the 12th Five Year Development Plan (2011-15).

Six major policy outcomes for the ACEDP were confirmed: (i) vertical and horizontal inter-agency coordination, (ii) science based decision making, (iii) public engagement & participation, (iv) economic incentives & market based approaches, (v) linkages between Australian and Chinese environmental agencies, and (vi), policy dialogue between Australia and China

Annual Planning Process

Implementation of the recommendations of the Policy Landscape Review is best achieved through a highly targeted approach towards new activities. This includes small and policy/system oriented activities with an ACEDP contribution of not more than A\$200,000 for new activities and A\$100,000 for activities that are designed to complement any of the existing eleven projects.

The central role of the Joint High Level Roundtable as the premier decision-making body for the ACEDP was re-emphasised. The Environment Advisory Team will have an increased role in facilitating higher level policy collaboration and review to ensure the program remains aligned to national policy priorities. Program core partners will continue to set the strategic direction of the program and they should, to the extent possible, become more involved in all aspects of program design and implementation.

Major Challenges

- 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
- Harnessing the capacities, and willingness to assist, of Australian core program partners
- 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
- Assisting the information flow between agencies in both countries, thus contributing to better knowledge of each other capacities, needs and aspirations
- Successful delivery of the eleven core projects
- Transformation of technical project outputs into the policy process

Actions to take

- Production and dissemination of new funding guidelines and commensurate amendment of the Program Operational Manual
- Completion of the Communication & Engagement Framework and production of an action plan
- Mobilisation of projects and establishment of inter project networks and networks with donors
- Workshop to explore Australian assistance to China's 12th Five Year Development Plan
- Involvement of program core partners in project inception activities

Annexes

Annex 1 Agenda

Annex 2 Participants list

Annex 3 Policy Landscape Review Report

Annex 4 Strategic Direction Paper

Annex 5 Annual Planning Process Paper

Annex 6 Detailed Record of the HLRT

Annex B - Risk Management Matrix

The risk management strategies set out in the first Annual Plan for 2007-08 (AP-I) and in the second Six-monthly Progress Report (Jan-Jun 08) have been expanded in light of progress and lesson learned. All references to "Program Manager" should be read as including the Deputy Program Manager with the support of the long-term and short-term PCO personnel in China and Australia, as well as Managing Contractor representatives as appropriate.

#	Risk Event	Impact on Program	L	C	R	Risk Treatment	Responsibility
1	Activities do not lend themselves to bilateral policy dialogue and establishment of lasting relationships but are predominantly traditional one-way technology / know-how transfer projects	Program goals are not met	2	3	2	Policy Landscape Review implemented. Planning Process (eg complementary activities) adjusted to consolidate current activity portfolio. C&E Framework (draft) addresses the issue. Policy Gap Analysis and Progress Review in Feb 09 will address.	Program Manager with AusAID, EAT and QAA support
2	Public tender process can be counterproductive to partnership formation	Program goals are not met	2	3	2	Broadening of client base and alternate funding mechanisms (ie implementation of PLR) were agreed at HLRT-II and will be trailed for new project	Program Manager, AusAID
3	Emphasis on national ownership negatively impacts quality control	Program activities do not succeed in transferring knowledge and know-ow. As a consequence, their policy impact is marginalised	3	3	2	Continuous dialogue, synthesis of opinion and a balanced approach by all parties. Progress review and policy gap analysis will address this issue	Program Manager, EAT, QAA, partner agencies, implementing agencies
4	Lack of interagency coordination among Chinese agencies but also lack of inter-departmental communication within agencies	Environmental improvements to IRBM in China are not maximised	3	3	2	The draft C & E Framework addresses this issue and suggests policy networks. PCO will start quarterly briefings for all Chinese agencies, in addition to regular monthly one-to-one meetings	Chinese Agencies, Program Manager

#	Risk Event	Impact on Program	L	C	R	Risk Treatment	Responsibility
5	Focus on IRBM in China has little resonance with Australian policy departments	Australian Government Departments are not likely to engage in policy dialogue through the ACEDP	3	3	2	Broadening of Australian client base to also include R&D, the private sector, academe and State/Territory Governments is happening through latest project design. DEWHA initiated water policy meeting for Chinese agencies	Program Manager with support from Australian program core partners and AusAID
6	Proliferation of M&E reports produces only paper without discernible value adding	Administrative resources pre-occupied and unable to focus on other equally important program issues	2	2	1	M&E Framework redesigned with assistance from AusAID M&E Adviser Canberra. QAA to review impact	QAA, Program Manager, M&E Specialist, AusAID
7	Program activities do no address agency policy priority needs and the program becomes policy-irrelevant	Government support for the program dwindles and its outputs are not taken up	3	3	2	C&E Framework identifies targeted outreach to policy departments, ministerial offices and parliamentarians to raise the awareness of ACEDP and create a constituency	Program Manager, EAT, AusAID
8	Inadequate Communication - PCO with Chinese agencies	PCO disengagement from program core partners leads to lack of motivation among Chinese agencies	2	3	2	Regular monthly catch-up meetings with each agency, start-up of quarterly meetings involving all 4 agencies and commencement of donor networks for each activity	Program Manager, Chinese agencies, donors
9	Inadequate Communication - Among Chinese (Australian) agencies	Lack of interagency coordination and consultation jeopardises an integrated approach to river basin management and efforts are fragmented and duplicate efforts of other agencies	3	3	2	Facilitated through activity based donor networks, quarterly PCO briefings for all agencies and the C&E proposed policy networks	Chinese Program Core Partners, Program Manager, EAT, QAA

#	Risk Event	Impact on Program	L	C	R	Risk Treatment	Responsibility
10	Inadequate Communication - Between Chinese and Australian Program Core Partners	Failure to engage leads to isolated approaches and jeopardises sustained policy dialogue/linkages	3	4	2	C&E Framework suggests joint activities such as seminars, eminent speaker events etc. DEWHA already initiated a water policy forum for MEP, MWR and NDRC	Program Manager, AusAID, Program Core Partners, EAT
11	Inadequate Communication - ACEDP with the broader Stakeholder Community	Program remains based on a limited number of agencies	3	3	2	Donor networks in China re gradually being established. Outreach to Australian stakeholders via actions proposed in C&E Framework	Program Management, EAT, Australian Program Core Partners
12	Australian Government policy departments show no sustained interest in the ACEDP	Program does not meets its high level policy dialogue objective	3	3	2	Diversification of the Australian client base and establishment of policy networks. Implementation of C&E Action Plan, DEWHA already initiated joint policy workshops	Program Manager, AusAID, EAT, Australian partners
13	Program activities build capacities but do not deliver on other key Result Areas such as policy dialogue and partnerships	Important policy intents of the program are not realised	3	3	2	Policy gap analysis and progress review in Feb 09 to identify scope for complementary activities to upscale and policy-mainstream	Program Manager, Implementing Contractors, EAT

Key:

L = Likelihood (5 = almost certain, 4 = likely, 3 = possible, 2 = unlikely, 1 = rare)

C = Consequences (5 = severe, 4 = major, 3 = moderate, 2 = minor, 1 = negligible)

R = Risk Level (4 = extreme, 3 = high, 2 = medium, 1 = low)