

ORIGINAL

Financing Agreement N° 6069
AIDCO/2004/6069

**FINANCING AGREEMENT
BETWEEN
THE EUROPEAN COMMUNITY AND
THE GOVERNMENT
OF THE PEOPLE'S REPUBLIC OF CHINA**

"EU-CHINA BIODIVERSITY PROGRAMME (2004-6069)"



FINANCING AGREEMENT

Special Conditions

The European Community, hereinafter referred to as "**the Community**", represented by the Commission of the European Communities, hereinafter referred to as "**the Commission**",

of the one part, and

the Government of the People's Republic of China, hereinafter referred to as "**the Beneficiary**",

of the other part,

HAVE AGREED AS FOLLOWS:

ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION

1.1. The Community shall contribute to the financing of the following project:

Project references: 2004/6069

Title : EU-China Biodiversity Programme

hereinafter referred to as "*the project*" which is described in the Technical and Administrative Provisions in Annex II.

1.2 This *project* will be implemented in accordance with the financing agreement and the annexes thereto: the General Conditions (Annex I) and the Technical and Administrative Provisions (Annex II).

ARTICLE 2 – THE COMMUNITY'S FINANCIAL CONTRIBUTION

2.1 The total cost of the project is estimated at 30 million euro.

2.2 The Community undertakes to finance a maximum of 30 million euro. The breakdown of the Community's financial contribution into budget headings is shown in the budget included in the Technical and Administrative Provisions in Annex II.

ARTICLE 3 – THE BENEFICIARY'S CONTRIBUTION

3.1 The Beneficiary shall contribute 235,000 euro to the project.

Special Conditions – Budget (centralised)

3.2 Where there is a non-financial contribution by the Beneficiary the detailed arrangements shall be set out in the Technical and Administrative Provisions in Annex II to the financing agreement.

ARTICLE 4 - PERIOD OF EXECUTION

The period of execution of the financing agreement shall commence on the entry into force of the financing agreement and end at 31 March 2012. This period of execution shall comprise two phases: an operational implementation phase, which shall commence on the entry into force of the financing agreement and end at 31 March 2010. As from this date shall commence the closure phase, which shall end at the end of the period of execution.

ARTICLE 5 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS IMPLEMENTING THE FINANCING AGREEMENT

Contracts implementing the financing agreement shall be signed by 14 December 2007 at the latest. That deadline may not be extended. This provision shall not apply to audit and evaluation contracts, which may be signed later. *one year FA. 30m*

ARTICLE 6 - ADDRESSES

All communications concerning the implementation of the financing agreement shall be in writing, refer expressly to the project and be sent to the following addresses:

a) for the Commission

European Commission Delegation in Beijing
15 Dong Zhi Men Wai Street
Sanlitun
100600 Beijing
People's Republic of China
Fax: + 86-10-65.32 .43.42

b) for the Beneficiary

Ministry of Commerce (MOFCOM)
Department of International Trade and Economic Affairs
2, Dong Chang An Street,
100731 Beijing
People's Republic of China
Fax: + 86-10-65.19.79.03

ARTICLE 7 - ANNEXES

7.1 The following documents shall be annexed to this agreement and form an integral part thereof:

Special Conditions – Budget (centralised)

Annex I: General Conditions

Annex II: Technical and Administrative Provisions.

7.2 In the event of a conflict between the provisions of the Annexes and those of the Special Conditions of the financing agreement, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex I and those of Annex II, the provisions of Annex I shall take precedence.

ARTICLE 8 – ENTRY INTO FORCE OF THE FINANCING AGREEMENT

The financing agreement shall enter into force on the date on which it is signed by the last party.

Done at Brussels in three original copies in the English language, two copies being handed to the Commission and one to the Beneficiary.

FOR THE COMMISSION

FOR THE BENEFICIARY

Erich W. Muller
Director
Directorate Asia
EuropeAid Co-operation Office

Yi Xiaozhun,
Assistant Minister
Ministry of Commerce

ANNEX I - GENERAL CONDITIONS

TITLE I - PROJECT/PROGRAMME FINANCING

ARTICLE 1 – GENERAL PRINCIPLE

1.1 The Community's financial contribution shall be limited to the amount specified in the financing agreement.

1.2 The provision of the Community financing shall be subject to fulfilment of the Beneficiary's obligations under this financing agreement.

ARTICLE 2 - COST OVERRUNS AND COVERING THEM

2.1 Individual overruns of the budget headings of the financing agreement shall be dealt with by reallocating funds within the overall budget, in accordance with Article 17 of these General Conditions.

2.2 Wherever there is a risk of overrunning the global amount set in the financing agreement, the Commission may either scale down the project/programme or draw on the Beneficiary's own resources or other non-Community resources.

2.3 If the project/programme cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other resources, the Commission may, exceptionally grant additional Community financing. Should it so agree, the excess costs shall be financed, without prejudice to the relevant Community rules and procedures, by the release of an additional financial contribution to be set by the Commission.

TITLE II - IMPLEMENTATION

ARTICLE 3 – GENERAL PRINCIPLE

3.1 The project/programme shall be implemented by the Commission acting for and on behalf of the Beneficiary.

3.2 The Commission shall be represented in the State of the Beneficiary by its Head of Delegation.

ARTICLE 4 - PERIOD OF EXECUTION

4.1 The financing agreement shall lay down a period of execution, which shall commence on the entry into force of the financing agreement and end on the date specified to this end in Article 4 of the Special Conditions.

4.2 This period of execution shall comprise two phases:

- an operational implementation phase, in which the principal activities are carried out. This phase shall commence on the entry into force of the financing agreement and end at the latest 24 months before the end of the period of execution;

- a closure phase, during which final audits and evaluation are carried out and contracts for the implementation of the financing agreement are technically and financially closed. This phase shall commence on the date of end of the operational implementation phase and end at the latest 24 months after this date.

4.3 Costs related to the principal activities shall be eligible for Community financing only if they have been incurred during the operational implementation phase. Costs related to final audits and evaluation and closure activities shall be eligible up to the end of the closure phase.

4.4 Any balance remaining from the Community contribution will be automatically cancelled six months after the end of the period of execution.

4.5 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that latter date.

4.6 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the extension of the closure phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the closure phase and approved by the Commission before that latter date.

TITLE III - AWARD OF CONTRACTS AND GRANTS

ARTICLE 5 – GENERAL PRINCIPLE

~~All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.~~

ARTICLE 6 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS IMPLEMENTING THE FINANCING AGREEMENT

6.1 The contracts implementing the financing agreement shall be signed by both parties within three years of the adoption of the budgetary commitment by the Commission, namely at the latest on the date referred to in Article 5 of the Special Conditions. That deadline may not be extended.

6.2 The above provision shall not apply to audit and evaluation contracts, which may be signed later.

6.3 On the date referred to in Article 5 of the Special Conditions, any balance for which contracts have not been signed will be cancelled.

6.4 A contract which has not given rise to any payment within three years of its signature shall be automatically terminated and its funding cancelled.

ARTICLE 7 - ELIGIBILITY

7.1 Participation in invitations to tender for works, supply or service contracts shall be open on equal terms to all natural and legal persons of the Member States of the Community and, in accordance with the specific provisions in the basic acts governing the cooperation sector concerned, to all natural and legal persons of the beneficiary third countries or of any other third country expressly mentioned in those acts.

7.2 Participation in calls for proposals shall be open on equal terms to all legal persons of the Member States of the Community and, in accordance with the specific provisions in the basic acts governing the cooperation sector concerned, to all natural and legal persons of the beneficiary third countries or of any other third country expressly mentioned in those acts.

7.3 Exceptionally, in duly substantiated cases approved by the Commission, it may be decided, on the basis of the specific conditions laid down in the basic acts governing the cooperation sector concerned, to allow ~~third-country nationals other than those referred to~~ *developing countries* in paragraphs 1 and 2 to tender for contracts.

7.4 Goods and supplies financed by the Community and necessary for the performance of works, supply and service contracts and procurement procedures launched by the grant beneficiaries for the execution of the action financed must originate in countries eligible to participate on the terms laid down in the previous three paragraphs.

7.5 This nationality rule shall also apply to the experts proposed by service providers taking part in tender procedures or service contracts financed by the Community.

TITLE IV - RULES APPLICABLE TO THE PERFORMANCE OF CONTRACTS

ARTICLE 8 - ESTABLISHMENT AND RIGHT OF RESIDENCE

8.1 Where justified by the nature of the contract, natural and legal persons participating in invitations to tender for works, supply or service contracts shall enjoy a provisional right of establishment and residence in the Beneficiary's country. This right shall remain valid for one month after the contract is awarded.

8.2 Contractors (including the grant beneficiaries) and natural persons whose services are required for the performance of the contract and members of their family shall enjoy similar rights during the implementation of the project/programme.

ARTICLE 9 - TAX AND CUSTOMS PROVISIONS

9.1 Save where otherwise provided in the Special Conditions, taxes, duties or other charges (including value added tax - VAT - or equivalent taxes) shall be excluded from Community financing.

9.2 The State of the Beneficiary shall apply to procurement contracts and grants financed by the Community the most favoured tax and customs arrangements applied to States or international development organisations with which it has relations.

9.3 Where the Framework Agreement or exchange of letters applicable includes more detailed provisions on this subject, they shall apply as well.

ARTICLE 10 - FOREIGN EXCHANGE ARRANGEMENTS

10.1 The State of the Beneficiary undertakes to authorise the import or purchase of the foreign currency necessary for the implementation of the project. It also undertakes to apply its national foreign exchange regulations in a non-discriminatory manner to the contractors allowed to participate referred to in Article 7 of these General Conditions.

10.2 Where the Framework Agreement or exchange of letters applicable includes more detailed provisions on this subject, they shall apply as well.

ARTICLE 11 - USE OF DATA FROM STUDIES

Where the financing agreement involves the financing of a study, the contract related to this study, signed for the implementation of the financing agreement, shall govern the ownership of that study and the right for the Beneficiary and the Commission to use data in the study, to publish it or to disclose it to third parties.

ARTICLE 12 ALLOCATION OF AMOUNTS RECOVERED UNDER CONTRACTS

12.1 Amounts recovered from payments wrongly effected, from guarantees of pre-financing payments or from performance guarantees supplied on the basis of contracts financed under this financing agreement, shall be allocated to the project/programme.

12.2 The financial penalties imposed by the contracting authority on candidate or tenderer who is in a case of exclusion in the context of a procurement contract, the calling upon of tender guarantees, as well as the damages granted to the Commission shall be repaid to the general budget of the European Communities.

TITLE V - GENERAL AND FINAL PROVISIONS

ARTICLE 13 – VISIBILITY

13.1 Every project/programme financed by the Community shall be the subject of appropriate communication and information operations. These operations shall be defined with the approval of the Commission.

13.2 These communication and information operations must follow the rules laid down and published by the Commission for the visibility of external operations in force at the time of the operations.

ARTICLE 14 – PREVENTION OF IRREGULARITIES, FRAUD AND CORRUPTION

14.1 The Beneficiary shall take appropriate measures to prevent irregularities and fraud and, on request of the Commission, bring prosecutions to recover funds wrongly paid. The Beneficiary shall inform the Commission of any measure taken.

14.2 "Irregularity" shall mean any infringement of the financing agreement, implementing contracts or Community law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the European Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the European Communities, or by an unjustified item of expenditure.

"Fraud" shall mean any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete, statements or documents which has as its effect the misappropriation or wrongful retention of funds from the general budget of the European Communities or budgets managed by them, or on their behalf;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they are originally granted.

The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities or fraud.

14.3 The Beneficiary undertakes to take every appropriate measure to remedy any practices of active or passive corruption whatsoever at any stage of the procedure for the award of contracts or grants or in the implementation of the related contracts. "Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interests of the European Communities. "Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the financial interests of the European Communities.

ARTICLE 15 - VERIFICATIONS AND CHECKS BY THE COMMISSION, THE EUROPEAN ANTI-FRAUD OFFICE (OLAF) AND THE COURT OF AUDITORS OF THE EUROPEAN COMMUNITIES

15.1 The Beneficiary agrees to the Commission, OLAF and the Court of Auditors of the European Communities conducting documentary and on-the-spot checks on the use made of Community funding under the financing agreement (including procedures for the award of contracts and grants) and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project/programme, throughout the duration of the agreement and for seven years after the date of the last payment.

15.2 The Beneficiary also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by Community law for the protection of the financial interests of the European Communities against fraud and other irregularities.

15.3 To that end, the Beneficiary undertakes to grant officials of the Commission, OLAF and the Court of Auditors of the European Communities and their authorised agents access to sites and premises at which operations financed under the financing agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the European Commission, OLAF and the Court of Auditors of the European Communities shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Beneficiary being bound to inform the Commission, OLAF or the Court of Auditors of the European Communities of the exact location at which they are kept.

15.4 The checks and audits described above shall also apply to contractors and subcontractors who have received Community funding.

15.5 The Beneficiary shall be notified of on-the-spot missions by agents appointed by the Commission, OLAF or the Court of Auditors.

ARTICLE 16 – CONSULTATION BETWEEN THE COMMISSION AND THE BENEFICIARY

16.1 The Beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this financing agreement further.

16.2 The consultation may lead to the amendment, suspension or termination of the financing agreement.

ARTICLE 17 – AMENDMENT OF THE FINANCING AGREEMENT

17.1 Any amendment to the Special Conditions and Annex II to the financing agreement shall be made in writing and be the subject of an addendum.

17.2 If the request for an amendment comes from the Beneficiary, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Beneficiary and accepted by the Commission.

17.3 The specific cases of the extension of the operational implementation phase or closure phase are governed by Article 4(5) and (6) of these General Conditions.

ARTICLE 18 – SUSPENSION OF THE FINANCING AGREEMENT

18.1 The financing agreement may be suspended in the following cases:

(a) The Commission may suspend the implementation of the financing agreement if the Beneficiary breaches an obligation under the financing agreement.

(b) The Commission may suspend the financing agreement if the Beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption.

(c) The financing agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by force majeure. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.

18.2 No prior notice shall be given of the suspension decision.

18.3 When the suspension is notified, the consequences on the ongoing contracts or contracts to be signed will be indicated.

ARTICLE 19 – TERMINATION OF THE FINANCING AGREEMENT

19.1 If the issues which led to the suspension of the financing agreement have not been resolved within a maximum period of four months, either party may terminate the financing agreement at two months' notice.

19.2 Where a financing agreement has not given rise to any payment within three years of its signature or no implementing contract has been signed by the date referred to in Article 5 of the Special Conditions, that financing agreement will automatically be terminated.

19.3 When the termination is notified, the consequences on the ongoing contracts or contracts to be signed will be indicated.

ARTICLE 20 - DISPUTE-SETTLEMENT ARRANGEMENTS

20.1 Any dispute concerning the financing agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 16 of these General Conditions may be settled by arbitration at one of the parties' request.

20.2 In this case the parties shall each designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.

20.3 Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.

20.4 Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

ANNEX II

EU-CHINA BIODIVERSITY PROGRAMME

TECHNICAL AND ADMINISTRATIVE PROVISIONS FOR CENTRALISED PROJECTS

Beneficiary: **China**
Title: **EU-China Biodiversity Programme**
Programme No: **2004/6069**

TABLE OF CONTENTS

1.	OBJECTIVES	2
1.1.	Overall Objective	2
1.2.	Programme Purpose	2
1.3.	Main Results.....	2
2.	PROGRAMME DESCRIPTION	2
2.1.	Activities	4
2.1.1.	Institutional strengthening, policy advice and monitoring.....	4
2.1.2.	Visibility and Awareness Component (VAC).....	4
2.1.3.	Field projects	5
2.2.	Time Schedule.....	5
2.3.	Location.....	5
2.4.	Logical Framework	5
3.	ADMINISTRATIVE PROVISIONS	5
3.1.	Implementation Modalities.....	5
3.1.1.	Institutional Organisation.....	5
3.1.2.	Project Steering Committee.....	6
3.1.3.	Tasks.....	6
3.2.	Inputs	7
3.3.	Contribution Details	7
3.4.	Programme Costs and Financing.....	7
3.5.	Mobilisation of the Programme Budget	8
3.5.1.	Contractual Modalities	8
3.5.2.	Financial Modalities	8
3.6.	Planning and Reporting	8
3.7.	Monitoring and Evaluation.....	9
3.8.	Visibility.....	9
3.9.	Donor Co-ordination	9
4.	SPECIAL CONDITIONS	9

Attachment 1: Logical Framework

1. OBJECTIVES

1.1. OVERALL OBJECTIVE

To enable China's national biodiversity programme to manage China's ecosystems sustainably, and to contribute to the implementation of related international conventions.

The main pertinent convention is the Convention of Biological Diversity. Others include the Convention on Climate Change, the Convention to Combat Desertification, the Convention on International Trade in Endangered Species of Fauna and Flora and the Convention on Wetlands (Ramsar).

1.2. PROGRAMME PURPOSE

To establish replicable mechanisms for biodiversity management in China.

1.3. MAIN RESULTS

The envisaged results of the Programme are:

1. The National Co-ordination Group for CBD, with SEPA as chair member, co-ordinates all biodiversity-related activities in China.
2. The impact of existing and proposed policies, laws and implementing regulations on China's biodiversity is assessed, and periodically re-assessed, and recommendations are made.
3. Decision makers in all sectors and the public in program locations actively incorporate the concept of biodiversity in their work.
4. A co-ordinating mechanism integrates biodiversity vertically as a cross-sectoral concern in a range of eco-institutional systems in southern and western China,
 - in desert and dry-land systems (desert ecosystems in governmentally autonomous provinces),
 - in systems under climate stress and with traditional land-use considerations (alpine and plateau ecosystems),
 - in systems of high biodiversity in large directly-governed provinces (tropical and subtropical ecosystems),
 - in systems under intensive land-use including agriculture and forestry (agro-ecosystems and medicinal herb production areas in directly governed provinces).

The proposed interventions should impact on not less than landscape dimension and should cover a range of habitats.

All results need to incorporate strong institutional capability building measures and need to contribute to poverty reduction, gender fairness, and respect to indigenous knowledge and property rights.

2. PROGRAMME DESCRIPTION

The Government of China is committed to reversing biodiversity losses across the country. In order to achieve this, the Government is currently developing an innovative Partnership of Chinese and international governmental and non-governmental agencies to be supported by the Global Environment Facility (GEF). This China Biodiversity Partnership Framework (CBPF) will have the overall goal of ensuring the conservation and sustainable use of biodiversity, in ways that contribute to poverty alleviation, sustainable livelihood development and good governance.

This Partnership, although still under development, has tentatively identified four strategic, inter-connected themes for action, these are: (1) strengthening the overall enabling environment for biodiversity conservation; (2) mainstreaming biodiversity conservation into socio-economic sectors and development; (3) protecting biodiversity inside protected areas, and (4) protecting and sustainably utilising biodiversity lying outside of protected areas. The CBPF is to be further developed during 2004-2006. The EU-China Biodiversity Programme will be part of the CBPF. The Programme purpose is to establish replicable mechanisms for biodiversity management in China. Operating at four levels the Programme will combine top-down and bottom-up approaches (see results 1 to 4 in the attached logical framework). In particular it will:

- strengthen SEPA and support work at the policy level ;
- mainstream biodiversity in the framework of strategic environmental assessments and of environmental impact assessments into other relevant policies (e.g. through capacity building for the relevant ministries);
- raise awareness;
- promote bottom-up approaches through field projects.

These four levels of activity shall be closely linked.

The EU-China Biodiversity Programme aims at strengthening sound biodiversity management in all sectors. The Programme will develop the capacity of SEPA, as the secretariat of China Steering Committee for the implementation of the Convention on Biodiversity (CBD), to establish effective systems of monitoring and feed-back and implementation.

Innovative and replicable mechanisms will be developed for vertical integration and strengthening of institutional mechanisms from provincial to local level. The vehicle for achieving this is a series of innovative, on-the-ground field projects, to be implemented in a variety of institutional and ecological local settings.

Through the field projects, this Programme will support the development of multiple partnerships between international, national and local governmental and non-governmental agencies. The Field Projects will become agents of change; supporting and initiating appropriate changes to laws, policies, plans, programmes, procedures and practices at the national level. Mechanisms will have been developed for vertical integration and strengthening of institutional mechanisms from national to provincial and from provincial to local levels, the final level of on-the-ground implementation of plans and practices which directly affect biodiversity. Those mechanisms will be replicable. That vertical integration must also be cross-sectoral, so horizontal coordination will be introduced at each level as needed. The coordination will extend to other projects, non-governmental institutions and any relevant peoples' organisations, which may be strengthened where needed, and, in a collective sense, to individuals and their personal needs and aspirations. Given this emphasis on innovative solutions, this Programme is to be an adaptive process: the exact activities and approaches to be implemented are to be regularly reviewed, modified and re-designed.

As many Government units at field level are involved in land-use planning, these plans form an ideal basis for joint land-management decisions. Hence, the Program focuses on selected areas for which all relevant units will be targeted to agree on a joint planning process. During this process, biodiversity protection measures will be fused in for all major ecosystem management strategies. The local Governments together with SEPA and CBD will coordinate the process in the Provinces and will evaluate the lessons learned and use them strategically in drafting new policies for biodiversity protection in China.

The programme will also have a strong emphasis on environmental awareness and establish a common platform for environmental communication and visibility. A separate Visibility and Awareness Component will be contracted directly by the European Commission. To a great degree, adequate environmental awareness is a prerequisite for good decision-making if biodiversity is to be conserved, whether these decisions concern farming or transport, medicine or trade. It is equally a prerequisite for sustainable and profitable land management, something

which most directly affects the rural poor, and through democratic feed-back mechanisms encourage environmentally sound governance.

This Programme will facilitate a biodiversity policy dialogue between international and Chinese policy-makers and practitioners. This forms part of the EU-China environmental policy dialogue launched by Minister Xie Zhenhua and Commissioner Margot Wallström in November 2003.

2.1. ACTIVITIES

2.1.1. Institutional strengthening, policy advice and monitoring

The institutional strengthening activities will strengthen the SEPA, as the chair of the CBD Steering Committee, and other stakeholders in the National Co-ordination Group for the Implementation of the Convention of Biological Diversity. The activities will include activities such as regular stakeholder meetings, development of strategies and action plans and support China's work to implement the CBD.

Policy advice activities will support central, provincial and local authorities to assess the impact on China's biodiversity of existing and proposed policies, laws and regulations and their implementation. The activities will include studies, conferences and workshops and development of guidelines.

The Programme will prepare a complete monitoring framework based on monitoring and impact indicators of all programme activities. This framework will include a series of overall and annual targets, indicators, means of verification and data collection.

At the end of year 1 of the implementation period, the first of a series of annual High Level Policy Dialogue Meeting on Biodiversity Protection will be held in China. The participants will be the highest level policy makers from the EU and China as well as international organisations and experts.

2.1.2. Visibility and Awareness Component (VAC)

The awareness and visibility activities will include:

- Development and establishment of a coherent image for all components of the programme in line with the European Commission visibility guidelines.
- Development of a joint communication strategy regarding visibility, information dissemination and public relations for the entire biodiversity programme
- Implementation of the joint communication strategy together with the programme partners through selected media channels
- Environmental awareness activities for the general public and government officials on a national level.
- Environmental awareness activities for the general public and government officials on a regional and local level in provinces of programme activity. These activities will be undertaken through activities both within the visibility and awareness component and in the field projects.

The activities will include studies, surveys, training programmes, training materials, internships, conferences, workshops and seminars. This will also include information dissemination through a selection of media channels, such as internet, radio and TV.

2.1.3. Field projects

The Programme will provide financial support to a limited number of pilot field projects in accordance with the following criteria.

Projects supported under the programme should devise and test innovative approaches promoting consideration of biodiversity in decision making, particularly in government. That would require development of new policies and legislation. The projects should explore mechanisms for the meaningful implementation on the ground of high level decisions ("vertical integration") and ensure that the different arms of government work in concert (the "horizontal" aspect). It is foreseen that the mechanisms will differ in different regional ecosystems and in different governmental systems, e.g. small provinces versus large autonomous regions. The projects selected for support under the Programme will respond to this conceptual imperative, i.e. they must respond to the results and activities defined in the logical framework.

2.2. TIME SCHEDULE

The first three months of the Programme will include an inception phase to confirm the content and specific locations of each Project activity and to draw up a detailed timetable for implementation.

Each field project within the Programme will also include a three-month inception phase

The last six months of the Programme will be dedicated to phasing out the EC-supported activities, ensuring sustainability of the results and to preparing for the post-Programme situation.

2.3. LOCATION

Field components of the Programme will be implemented at selected sites in western and southern China. The final site locations will be determined after the call for proposal has been completed and the contracts have been awarded.

The Programme Coordination Office will be located in Beijing.

2.4. LOGICAL FRAMEWORK

The initial Logical Framework for the Programme is included in Attachment 1 Logical Framework. This may be updated without necessitating an amendment to the Financing Agreement.

3. ADMINISTRATIVE PROVISIONS

3.1. IMPLEMENTATION MODALITIES

3.1.1. Institutional Organisation

The Project will be implemented by the European Commission, through its Delegation in China, in cooperation with Ministry of Commerce (MOFCOM) and State Environmental Protection Administration (SEPA).

The European Commission will also contract technical assistance in charge of a visibility and awareness component (VAC).

The European Commission will assign the United Nations Development Programme (UNDP), under a Contribution Agreement, the task of implementing part of the programme:

- a) UNDP and SEPA will establish a Programme Management Office (PMO), supervised by a National Project Director (NPD) appointed by SEPA, to ensure daily management of the Programme according to the *China National Execution Manual (UNDP/GOC 1998)* and carry out work on biodiversity policy, capacity building and awareness raising.
- b) UNDP will extend grants to co-funding organisations for field implementation projects through a call for proposals following the approval given by the PSC for the award of field project contracts. UNDP will ensure the contractual and financial management of the field projects.

3.1.2. Project Steering Committee

- (a) The European Commission will establish a Project Steering Committee (PSC) with responsibility for policy guidance and co-ordination between all institutions and groups involved in the project.
- (b) The PSC will meet twice a year and will assist the Commission by key planning decisions regarding the Programme (for example, approval of annual workplans (including budget) and annual progress reports).
- (c) The PSC will play a key role in disseminating Programme outputs and recommendations by providing access to high level policy makers and other relevant bodies involved in biodiversity conservation issues in China.
- (d) The PSC will also assist in facilitating overall project implementation.
- (e) The PSC will be co-chaired by a Commission official and an official from the Ministry of Commerce. Membership will include one representative each from State Environmental Protection Administration (SEPA) and United Nations Development Programme (UNDP). The National Development Reform Commission (NDRC), Ministry of Finance (MoF), Ministry of Agriculture (MoA), State Forestry Administration (SFA), Ministry of Land Resources and State Administration for Traditional Chinese Medicine (SATCM) will be invited as observers. Representatives from the PMO and the VAC will also participate in the PSC with the right to speak.
- (f) The PMO will act as the PSC Secretariat.

3.1.3. Tasks

- a) The Commission will, in particular, undertake the following tasks:
 - Ensure the management of all financial, personnel and administrative affairs.
 - Execute the activities in accordance with EC procedures.
 - Assists and support the beneficiaries.
- b) The People's Republic of China (PRC) will ensure, that:
 - MOFCOM assures committed inputs from other government agencies are forthcoming.

- MOFCOM provides political guidance and support to all initiatives within the Programme.
- MOFCOM makes decisions for all initiatives within the Programme on behalf of the GOC.
- SEPA appoints a senior official to be the National Programme Director (NPD), who has the overall responsibility to the PSC for the achievements of the overall Programme objectives.
- SEPA as the leading agency of the CBD steering committee provides guidance to the programme according to the national policy and strategies.

3.2. INPUTS

Financial resources from the European Commission, to carry out the operations to implement all the activities, such as dialogues, internships, training, research, seminars, workshops, study tours, management information systems, monitoring and evaluation, dissemination activities, travel, and information.

3.3. CONTRIBUTION DETAILS

- (a) The People's Republic of China will provide in kind contribution covering appropriate office facilities for the Programme Coordination Office (hosting the Programme Management Office, UNDP Country Office Support Unit, Visibility and Awareness Components), including furniture, electricity and communication lines free of charge for experts working in the project.
- (b) The People's Republic of China contribution will cover office space, costs of the National Programme Director and a full-time local monitoring expert.
- (c) The People's Republic of China will cover all costs related to the participation of officials in meetings, workshops and other events as part of the normal functioning of the public services.
- (d) The People's Republic of China will cover all salaries related to the participation of their staff in the project.
- (e) In general, the People's Republic of China will cover any project-related operating costs not included in the European Commission contribution.
- (f) Where European Commission and the People's Republic of China are both providing financial contributions to the same category of activity, the specific actions to be covered by each party will be clearly identified in the Annual Work Plan and Budget concerned.
- (g) The People's Republic of China will be responsible for facilitating constructive and effective co-operation of the concerned Ministries and other public authorities.
- (h) The beneficiaries of individual grant contracts for field projects (grantees) will contribute at least 50% of the implementation costs.

3.4. PROGRAMME COSTS AND FINANCING

The total cost of the Programme is estimated at € 51.640 million, of which the European Commission contribution is € 30.0 million, the UNDP financial contribution is € 405,000 (US\$ 450,000) and the in-kind contribution from the People's Republic of China to the counter value of € 235,000. The field project grantees' financial contribution is € 21.0 million. The table below summarizes the Programme budget:

Category Breakdown	EC	PRC	UNDP	Field Project Grantees	Total	Contracting Authority
1. Services						
1.1 Information/visibility/awareness component	2,000,000				2,000,000	EC
1.2 Monitoring and evaluation	270,000				270,000	EC
1.3 Audit	30,000				30,000	EC
2. Supplies	N.A.					
3. Works	N.A.					
4. Grants						
4.1 Contribution agreement with UNDP	27,500,000	235,000	405,000	21,000,000	49,140,000	EC
5. Operating Costs	N.A.					
6. Information	see 1.1 above					
7. Contingencies	200,000				200,000	EC
TOTAL	30,000,000	235,000	405,000	21,000,000	51,640,000	

The breakdown of the budget is indicative and may be adjusted according to need.

3.5. MOBILISATION OF THE PROGRAMME BUDGET

3.5.1. Contractual Modalities

All contracts and agreements necessary for the implementation of this Financing Agreement will be concluded by the Commission.

3.5.2. Financial Modalities

All payments from the European Commission contribution relating to primary contracts will be made by the Commission.

3.6. PLANNING AND REPORTING

(a) Work Plans and reports will be drafted in accordance with EC standard formats. They will include at least:

- An Inception Report
- An Overall Work Plan and Budget (OWP);
- Successive Annual Work Plans and Budgets (AWP);
- Annual technical and financial progress reports;
- Any special reports related to priority issues;
- A final Programme completion report.

3.7. MONITORING AND EVALUATION

- (a) Day-to-day technical and financial monitoring will be a continuous process as part of the Commission's responsibilities.
- (b) Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external impact monitoring and mid-term and final evaluations.

3.8. VISIBILITY

Public relations and awareness rising will be designed to increase the visibility, and thus the effectiveness, of the Programme. They will also serve to give European Commission co-operation maximum visibility.

Particular attention will be given to the promotion of the Programme at exhibitions, conferences and similar events, as well as in all public and official written material connected with the Programme.

All equipment and documentation connected with the Programme shall carry the EU-China Logo. Any information output from the project shall specify that the project has received funding from the European Commission.

See also section 2.1.2 for details on the specific visibility and awareness component.

3.9. DONOR CO-ORDINATION

In order to preserve the necessary coherence between the activities of the present Programme and those activities undertaken by other donors in the sector, regular meetings will take place with all interested parties to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by these other actors into the work of the Programme.

4. SPECIAL CONDITIONS

The People's Republic of China will invite the European Commission to take part in meetings with the Government and other international donors, which focus on the co-ordination of programmes being implemented in any Biodiversity related area.

Logical Framework, EC-China Biodiversity Programme

Overall Objective				
To enable China's national biodiversity programme to manage its ecosystems sustainably, and to contribute to the implementation of related international conventions				
Intervention Logic	Indicators of Achievement	Means of Verification	Assumptions, risks and conditions	Impacts on sustainability (ecological, economic, and social impacts)
Programme purpose To establish replicable mechanisms for biodiversity management in China.	<ol style="list-style-type: none"> 1. An efficient supervision system under China's Convention on Biological Diversity (CBD) steering committee/State Environment Protection Administration (SEPA) guides all vertical monitoring, budgeting and implementing tasks in the EU-China Programme areas, by 2006. 2. CBD policies and their implementation incorporate feedback mechanisms, by 2006. 3. Inter-institutional mechanisms allow joint land-use planning which incorporates national biodiversity management locally in all sectors, by 2006. 4. Monitoring system of SEPA indicates recovery of ecosystems, key species and other biodiversity indices. 5. Senior national and provincial (in programme provinces) decision makers in all sectors are aware of the need to routinely consider biodiversity in their decisions 6. The public-at-large (in representative areas) has a comprehensive understanding of the concept of biodiversity and routinely applies appropriate conservation measures in land-use. 	<ol style="list-style-type: none"> 1 Report of monitoring and evaluation unit 2 SEPA annual report on biodiversity 	The programme sites selected have the political and financial capacity to implement the project	<ol style="list-style-type: none"> 1. An administratively innovative approach supports political reform in China. 2. National budgets are used more efficiently. 3. Business opportunities related to biodiversity products alleviate poverty of rural communities. 4. Ecosystem stability and functions are enhanced in both natural and developed ecosystems and ecological services are improved. 5. Degraded ecosystems are managed to restore ecosystem functions. 6. Habitats allow endangered species to flourish. 7. Traditional land-use systems are respected and integrate biodiversity protection.
Results <ol style="list-style-type: none"> 1. The National Coordination Group for CBD, with SEPA as chair member, co-ordinates all biodiversity-related activities in China. 	<ol style="list-style-type: none"> 1.1 SEPA chairs regular meetings with all national stakeholders 1.2 SEPA has branches in selected provinces to oversee provincial programmes 1.3 Key documents for public scrutiny are available (strategy & action plan, budget & expenditure, monitoring output, etc.) 1.4 Staff of SEPA is qualified to co-ordinate biodiversity protection in China 	<ol style="list-style-type: none"> 1.1.1 SEPA routine reports 1.1.2 Minutes of meetings 1.2.1 SEPA routine reports 1.3.1 Published documents and reports to the public 1.4.1 Minutes of co-ordination meetings and implementation reports 	Political acceptance of the importance of biodiversity	<ol style="list-style-type: none"> 1 The contribution of national coordination towards the impacts of result 1 above is assured

<p>2. The impact of existing and proposed policies, laws and implementing regulations on China's biodiversity is assessed, and periodically re-assessed, and recommendations are made</p>	<p>2.1 Strategic Environmental Assessment (SEA) routinely applied before policy change in all sectors</p> <p>2.2 Biodiversity guidelines for Environmental Impact Assessment (EIA) for sectoral development programmes and plans and for infrastructural projects have been drafted, by 2005</p> <p>2.3 A permanent unit for strategic evaluation of policy and law has been established within SEPA</p> <p>2.4 Economic forces of sustainable production, consumption and trade are translated into national policies for biodiversity protection where appropriate</p>	<p>2.1.1 Comparison of SEA with published revised policy statements</p> <p>2.2.1 Publication of the guidelines</p> <p>2.3.1 SEPA routine reports</p>	<p>Policy and legal changes can be made within the life of the programme</p>	<p>1 Unintended contradictions and adverse impacts on biodiversity of policies, laws, etc. reduced or avoided altogether</p> <p>2 Legal environment exists for minorities to take ownership of traditional knowledge of biodiversity</p> <p>3 Environmentally rational limits are placed on permitted land-use</p> <p>4 Long-term benefits to health lead to efficient economic activity</p> <p>5 Hazards to health are reduced or avoided, so reducing health costs & increasing economic output</p> <p>6 Biodiversity trade controlled, especially alien and endangered species</p>
<p>3. Decision makers in all sectors and the public in program locations actively incorporate the concept of biodiversity in their work.</p>	<p>3.1 Routine reports from provincial sector offices</p> <p>3.2 Increase natural biodiversity juxtaposed within areas of intensive land-use</p> <p>3.3 Increased diversity of crop varieties, domestic stock and in landscaping of the built environment</p> <p>3.4 Biodiversity is given increasing attention in public debate</p> <p>3.5 Media releases focus on biodiversity protection</p>	<p>3.1.1 The reports themselves</p> <p>3.2.1 Output from the inventory and monitoring system</p> <p>3.3.1 Output from the inventory and monitoring system</p> <p>3.4.1 Indices of biodiversity show an upward trend</p> <p>3.5.1 Films and print media</p>		<p>1 Natural and anthropogenic ecosystem stability improved</p> <p>2 Public costs for environmental disaster relief reduced</p> <p>3 Value of indigenous knowledge recognised and put to profitable use (traditional Chinese medicine, organic products, industry, etc.)</p> <p>4 Biodiversity being used sustainably</p>
<p>4. A coordinating mechanism integrates biodiversity vertically as a cross-sectoral concern in a range of eco-institutional systems in southern and western China. The ecosystems to be covered by the programme are:</p> <p>a. Desert ecosystems,</p> <p>b. Alpine and plateau ecosystems,</p> <p>c. Tropical and sub-tropical ecosystems,</p> <p>d. Agro-ecosystems and medicinal herb production systems.</p>	<p>4.1 In a given area all government units concerned with land-use routinely coordinate efforts to protect biodiversity, by 2005</p> <p>4.2 Biodiversity considerations are embedded in all sectoral development plans, by 2007</p> <p>4.3 A biodiversity steering committee including all stakeholder units has been established and meets regularly, by 2005.</p> <p>4.4 The provincial biodiversity strategies and action plans have been completed, by 2007</p> <p>4.5 The biodiversity strategies are incorporated into land-use plans, which are being implemented, by 2007/8.</p> <p>4.6 An inventory and permanent monitoring system for biodiversity in all sectors (agriculture, water, forest, grassland, etc.) has been established under the authority of the steering committee and provides increasingly valid data.</p> <p>4.7 All ecosystems of the program area are routinely managed for increased biodiversity, by 2007/8</p> <p>4.8 Target groups' income, quality of life and</p>	<p>4.1.1 Reports of provincial SEPA offices & minutes of meetings</p> <p>4.2.1 EIAs of sector development programs and plans</p> <p>4.3.1 Minutes of Steering Committee meetings</p> <p>4.4.1 Provincial government documents and reports to the public, including staff, budgets, expenditure, etc.</p> <p>4.4.2 Adoption of the strategies and action plans by SEPA and CBD steering committee</p> <p>4.4.3 Publication of the strategies and plans, including popular versions</p> <p>4.5.1 SEPA's routine reports, and monitoring system reports to SEPA</p> <p>4.6.1 Published output from the monitoring system</p> <p>4.7.1 Published output from the</p>	<p>That sites adequately representative for replication can be identified</p> <p>National economic development does not decline significantly</p> <p>Financial resources from central government are realised</p> <p>Provincial governors and other senior officials are not changed too frequently</p>	<p>1 A innovative approach supports reform of provincial administrative and political systems</p> <p>2 National budget allocations reach implementers on the ground</p> <p>3 Local communities and ethnic minorities can develop biodiversity-related enterprises to alleviate poverty</p> <p>4 Minorities' culture and traditional knowledge is protected and used to protect biodiversity and improve minorities' incomes</p> <p>5 Endangered species are conserved</p> <p>6 Land-system stability locally and ecological services nationally are improved</p>

	<p>maintenance of local minority culture are increasing, by 2007/8</p> <p>4.9 business initiatives of European companies are matched to meet biodiversity objectives</p>	<p>monitoring system</p> <p>4.8.1 Site-level report of local government on poverty reduction</p> <p>4.8.2 Annual reports of National Statistics Office</p> <p>4.9.1 Business ventures records of EU Chamber of Commerce</p>	<p>Local leaders support cross-sectoral approach</p>	
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Activities (major activities at this stage; not complete)	Means	Cost (£ thousands)
<p>Activities for result 1 (CBD steering committee)</p> <p>1.1 Rationalise structure of CBD steering committee (chair, membership); includes well prepared reports on biodiversity management with analysis of problems and solutions for submission to State Council</p> <p>1.2 Under the committee, set up a budgetary commission reporting on all budgetary allocations from central government and major international funding agencies</p> <p>1.3 Under the committee, to set up a supervision commission to monitor all biodiversity tasks taken by provincial governments, to assist SEPA's branches at regions and/or provinces</p> <p>1.4 Assist SEPA to construct and implement a strategic framework and schedule ("programmatic approach"). Framework will identify and schedule key actions needed in all sectors to protect biodiversity</p> <p>1.5 Assist biodiversity units [of ministerial-level authorities] in all sectors to embed positive consideration of biodiversity in all aspects of sector activities</p> <p>1.6 Write, edit and publish biodiversity strategies and action plans for all sectors; to be revised periodically.</p> <p>1.7 Initiate routine public scrutiny of documents, budgets & expenditure and publish popular editions of key documents (see also Result 3)</p> <p>Activities for result 2 (policies and laws)</p> <p>2.1 Enhance and enlarge the scope of the policy-review think-tank within SEPA to cover legislation and its implementation and to cover all sectors</p> <p>2.2 Encourage establishment of similar but independent bodies for independent review of environmental impacts policy, laws and its implementation (all sectors)</p> <p>2.3 Prepare guidelines and procedures for EIA and SEA; include pilot and case studies</p> <p>2.4 Encourage public discussion of environmental implications of legal issues</p> <p>2.5 Develop guidelines for sustainable production, consumption and trade in defined species or taxa</p> <p>Activities for result 3 (awareness and visibility)</p> <p>AT NATIONAL LEVEL:</p> <p>3.1 Incorporate in-depth understanding of biodiversity as a core subject State School of Administration and Party School of CCCP</p> <p>3.2 Write a text of biodiversity for 3.1 & initiate biodiversity & ecosystem stability as issues embedded in decision-making, e.g. newsletter</p> <p>3.3 Implement awareness campaigns on specified aspects of biodiversity and ecosystem stability</p> <p>IN PROVINCES OF PROGRAMME ACTIVITY:</p> <p>3.4 Implement an extensive biodiversity seminar programme for senior provincial officials in all sectors of selected programme areas</p> <p>3.5 Ensure sector extension activities inform authoritatively on biodiversity, its value and conservation</p> <p>3.6 Implement an intensive public environmental awareness activities in the selected programme areas, which may include practical work where appropriate; to include:</p> <ul style="list-style-type: none"> o sector-based practical advice and techniques for extensive land-users (extension work) 	<p>1.1 Workshops and consultations</p> <p>1.2 Equipment & other means (minor for all activities)</p> <p>1.3 Expert assistance (all activities)</p> <p>1.4 Material means to write, edit and publish key documents, popular additions, etc.</p> <p>1.5 Consumables</p> <p>2.1 Expert advice</p> <p>2.2 Publications and media</p> <p>2.3 Consumables</p> <p>3.1 Workshops</p> <p>3.2 Expert advice (all activities)</p> <p>3.3 Training</p> <p>3.4 Communication media</p> <p>3.5 Publications and media means</p> <p>3.6 Consumables</p>	<p>EC Contribution</p> <p>6,500</p> <p>Beneficiary +UNDP Contribution</p> <p>235+405</p> <p>EC Contribution</p> <p>2,000</p>

Activities (major activities at this stage; not complete)		Means	Cost (£ thousands)
<ul style="list-style-type: none"> schools programmes general environmental awareness waste, energy, environmental services, ecosystem function, health & biodiversity enterprise-based use of minor biodiversity products gather and disseminate cultural and traditional uses of biodiversity etc. 			
<p>3.7 Workshops (extension staff, communities, people's organisations, etc)</p> <p>3.8 Publish/publicise all official documents related to biodiversity, ensuring that they are accessible in a practical way to educationally disadvantaged members of the public (see also footnote 1 above)</p> <p>IN PROVINCES, NATIONALLY, AND FOR EUROPEAN AUDIENCE</p> <p>3.9 Create media releases designed to raise awareness for the importance of biodiversity protection on local and national level, and to explain the role of international co-operation in this global task</p>			
<p>Activities for result 4 (local implementation and feedback structure)</p> <p>4.1 Establish functioning cross-sectoral bodies (Provincial Steering Committees on Biodiversity) to guide all vertical budgeting and implementing tasks and monitor environmental impact of provincial sectoral policies & regulations; bodies should have authority over budgets for biodiversity; authority to be associated with Provincial Environmental Protection Bureau (EPB) for supervision of biodiversity (activity 1.2 <i>et seq.</i>)</p> <p>4.2 Structure planning (strategic land-use planning, participatory especially at sectoral level)</p> <p>4.3 Land-use planning (land-use zoning, participatory); writing & adoption local of land-use planning regulations</p> <p>4.4 Write provincial biodiversity action plans (participatory) and incorporate them into provincial legislation</p> <p>4.5 Submit all sectoral development programmes and plans and infra-structural projects for EIA</p> <p>4.6 Develop inventory and permanent monitoring systems for biodiversity in all sectors (agriculture, water, forest, pastures, mining, reserves, effectiveness of EIA, etc.)</p> <p>4.7 Initiate means for routine public scrutiny of documents, budgets & expenditure</p> <p>4.8 Publish and publicise key documents (see also Result 3)</p> <p>4.9 Identify matching companies in Europe and China; provide forum and encouragement for development of mutual interest; focus on biodiversity management</p>		<p>4.1 Workshops for development of coordination, institutions and procedures (all activities)</p> <p>4.2 Training</p> <p>4.3 Equipment and other means for planning offices on very limited scale (provincial to local level)</p> <p>4.4 Expert assistance (all activities)</p> <p>4.5 Material write, edit, publish and publicise</p> <p>4.6 Consumables</p>	<p>EC Contribution 21,000</p> <p>Others 21,000</p>

PAYMENT SCHEDULE (in EUR)

Amount	Year n+1 (2005)	Year n+3 (2007)
30 million	1.7 million	12.85 million