



China development cooperation report 2009

September 2010

This report summarises the bilateral aid program's progress in 2009 towards the objectives of the China Australia Country Program Strategy 2006–2010. Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

Context

Thirty years of 'reform and opening' have transformed China into one of the world's largest economies and lifted some 500 million people out of poverty.¹ At the national level, China has met or exceeded most Millennium Development Goal (MDG) targets and is on track to meet outstanding targets for maternal mortality, HIV/AIDS, tuberculosis and water and sanitation.

China nonetheless faces ongoing poverty challenges, many of which relate to unbalanced development. China still has the world's second largest number of poor (after India)² and according to the World Bank (2009) more than 250 million Chinese live on less than US\$1.25 per day. China's remaining poor are dispersed and hard to reach. Income inequality is increasing and more than 200 million migrant workers have very restricted access to basic services in the urban areas where they live and work. Environmental challenges continue to constrain economic growth and public health, despite advances in areas such as pollution control and water management. Balanced development requires comprehensive structural, institutional and legal reform, complemented by improved basic service delivery.

As an international power and driver of regional and global economic growth, China has unequalled potential to catalyse development in the Asia–Pacific region and to contribute to global achievement of the MDGs. The country's growing influence on international development, including as a donor, underscores the importance of engaging China.

Australian official development assistance represents an extremely small proportion of resources available to China. In 2009–10, total official development assistance is estimated at \$37.7 million, with \$26 million delivered through the bilateral program. The objectives of the 2006–2010 China Country Program Strategy are to:

- > support China's policy reform agenda in governance, environment and health
- > build capacity in selected sectors, in particular governance, environment and health
- > enhance the Australia – China relationship by building institutional linkages

¹ World Bank 2009, based on the US\$1 a day poverty line.

² World Bank 2009, *Poverty Assessment Report for China*.

> work collaboratively with China to strengthen the region.

The country program strategy has guided a shift in Australian development cooperation from local-level poverty alleviation projects to national-level policy reform engagement. The program is now centred on three funding facilities that work with China's national ministries and, through them, provincial and sub-provincial authorities.

In **governance**, the China – Australia Governance Program (CAGP) supports China's governance reform agenda in fiscal reform, balanced rural-urban development and social security for migrant workers. The Australia – China Human Rights Technical Cooperation Program (HRTC) works with Chinese government agencies and non-government organisations to promote women's and children's rights, ethnic and minority rights, and legal and judicial reform.

In **health**, the China Australia Health and HIV/AIDS Facility (CAHHF) works through the Chinese Ministry of Health to address health system reform priorities and to protect the population against HIV/AIDs and emerging infectious diseases. Facility activities are directly supporting China's top five reform priorities for the next three years. Through the Tibet Health Sector Support Program (THSSP), Australia is also the leading health donor in Tibet.

In **environment**, the Australia China Environment Development Partnership (ACEDP) works with four Chinese ministries to help China improve its environmental protection and natural resources management, particularly in relation to water.





Table 1: Estimated bilateral expenditure in China in 2009–10

Sector	\$ million	% of bilateral program
Governance	5.19	20
Environment	7.35	29
Health	8.55	33
China as a donor	0.38	1
Multi-sector	3.00	12
Other	1.18	5
Total	25.66	100




Progress towards objectives

Table 2 summarises the progress in 2009 towards the objectives in the China Australia Country Program Strategy 2006–2010.

Table 2: Ratings of the program's progress in 2009 towards objectives

Objective	Rating in 2009	Relative to previous rating
1. Support China's policy reform agenda in governance, environment and health		Unchanged
2. Build capacity in selected sectors, in particular governance, environment and health		Unchanged
3. Enhance the Australia – China relationship by building institutional linkages		Unchanged
4. Work collaboratively with China to strengthen the region		Unchanged

Note:

-  The objective will be fully achieved within the timeframe of the strategy.
-  The objective will be partly achieved within the timeframe of the strategy.
-  The objective is unlikely to be achieved within the timeframe of the strategy.

Objective 1: Support China's policy reform agenda in governance, environment and health

In response to the management recommendations of the 2008 Annual Program Performance Report, policy engagement has now been added as a country strategy objective. Anticipated policy reform is being measured more rigorously through facility monitoring and evaluation systems.

Policy engagement has generally focused on exposing Chinese counterparts to Australian policy processes or systems, generating evidence to support policy options through research and pilots and providing technical input to support new legislation, regulations or policies.


The facilities offer a flexible programming approach well suited to the rapidly changing policy context in China. Strong buy in from Chinese partner agencies has increased the potential for activities to contribute to policy outcomes, particularly where senior Chinese decision makers have participated. Achievements in 2009 included:

Governance

- > *Supported social security reform.* CAGP's Fiscal Reform Project contributed to research that informed a decision by the National People's Congress that the State Council and Ministry of Finance compile a separate social security budget on a trial basis for 2010.
- > *Contributed to China's 12th Five-Year Plan.* Recommendations from CAGP-supported research on balanced urban and rural development policy were incorporated into the National Development and Reform Commission's contributions to China's 12th Five Year Plan (2011–15). The research team for the CAGP Study of the Special Needs of Female Migrants was also asked to contribute to research for the 12th Five Year Plan.
- > *Contributed to new anti-domestic violence legislation.* Over five years, the HRTC has worked with the All China Women's Federation to assist in drafting new anti-domestic violence legislation, scheduled to be presented to the National People's Congress in 2010.

Health

- > *Tested a new health policy.* A CAHHF activity tested how China's new policy on free, universal access to nine basic health services could be implemented at grassroots level and how community health centre heads from across China could be trained to implement it.

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- > *Improved a national HIV/AIDS policy.* AusAID and United Kingdom Department for International Development funding for the China HIV/AIDS Roadmap Tactical Support Phase II program helped revise a national policy for the welfare of children affected by HIV/AIDS.
 - > *Contributed to China's new 12th Five Year Health Development Plan.* The Chinese Ministry of Health is using the findings from a CAHHF-funded 'Health 2020' national policy research initiative as key input into the development of China's 12th Five Year Health Development Plan and provincial health development plans. The research report was commended by the Chinese Health Minister and submitted to China's highest level state organs such as the Communist Party and National People's Congress.

Environment

- > *Contributed to high-level policy debate on environment.* By supporting the China Council for International Cooperation on Environment and Development, a high-level international advisory board to the Chinese Government, Australia contributed to policy debate and donor harmonisation at the highest level. Representation on the Council's task force on sustainable coal use raised the profile of Australian expertise. The coal task force's 2009 report contributed to national-level policy responses to climate change challenges.

Objective 2: Build capacity in selected sectors in China, in particular governance, environment and health

In China, Australia is working with highly skilled individuals in institutions which already have high levels of capacity, with an emphasis on exposing them to highly specialised concepts, technical skills and managerial approaches. Long-term study, training, study tours and study placements are providing counterparts with the opportunity to access Australian expertise and adapt it to their specific needs. Achievements in 2009 included:

Governance

- > *Increased policy simulation capacity of China's State Information Centre.* CAGP has helped the centre upgrade its policy simulation database, models and analytical skills, enabling it—for the first time—to use sophisticated economic modelling as a policy tool in a range of contexts. For example, CAGP enabled the centre to provide emissions reductions data to the Chinese delegation at the December 2009 United Nations Climate Change Conference.
- > *Built knowledge in income distribution forecast modelling.* National Development and Reform Commission (NDRC) officials on a work placement at the University of Canberra drew on Australian experiences in drafting the Guidance and Implementation Rules to Improve Income Distribution Adjustment submitted to the State Council in 2009.
- > *Exposed Chinese counterparts to Australian correctional services policies and practices.* A Ministry of Public Security study tour, which examined Australian training and management of correctional officers, reported that the officers were better equipped to implement policies for strengthening observance by penitentiary officials of the rights of detainees.



Health

- > *New government funding allocated to HIV/AIDs.* As a result of a financing model pioneered by the AusAID-funded Clinton Foundation HIV/AIDS Care and Treatment Project in Xinjiang, the Xinjiang regional government allocated funds for the first time to cover gaps in treatment for people living with HIV/AIDS.
- > *Improved management practices in the Tibet Autonomous Region health system.* Tertiary training for more than 450 officials through THSSP contributed significantly to the implementation of the Tibet Regional Bureau of Health's human resource development plan. With support from THSSP, two regional hospitals and four prefecture hospitals also developed modern management systems with a sharper focus on cost and performance management, and technical skills such as infection control and nursing management.

Environment

- > *Exposed Chinese counterparts to Australian approaches to gender, public participation and social impacts (GPS).* A study tour to Australia exposed ACEDP partner ministries to the importance of integrating GPS issues into environment policy development and implementation, including through involvement of non-government organisations and volunteers. Participants were eager to explore further capacity building and piloting of GPS practices in China.

Objective 3: Enhance Australia – China relationship by building institutional linkages

A high proportion of China program activities bring Australian and Chinese policy makers and technical experts together to share knowledge and experience. The program's increased focus on national-level engagement has helped build stronger relationships with stakeholder ministries and associated agencies, bringing increased trust and access. Chinese counterparts value Australia's reputation for generating ideas and providing options, rather than prescribing solutions. They place a premium on the involvement of senior Australian Government or state/territory government officials.

The potential for AusAID programs to promote institutional linkages has proven strongest where there is clear mutual benefit to Australian and Chinese agencies (for example, where agencies from both countries are looking to improve policies or performance) and where both countries have access to dedicated resources to pursue the partnership.

Key results in 2009 include:

Governance

- > *New opportunities for Australian engagement with the Central Party School.* A CAGP activity provided opportunities for Australian partners, including the Department of Foreign Affairs and Trade, Productivity Commission and Australian National University (ANU), to develop closer relationships with the Party School, the Chinese Communist Party's most important training institution. Outcomes include a planned memorandum of understanding between the Party School and the ANU.
- > *Closer relations between the Australian Federal Police (AFP) and the Chinese Ministry of Public Security (MPS).* Since 2007, the AFP has used the Australian Leadership Awards



Fellowship program to run an annual program targeting senior and emerging leaders from the MPS. This program is now seen by the MPS as a key plank of its relationship with the AFP, and allows sharing of information on current best practice in areas of law enforcement (such as combating transnational crime, international cooperation and Australia's legal system). Participants have used the knowledge obtained through the program to inform their leadership in such activities as international police liaison for the 2008 Olympics and command of China's Interpol National Central Bureau and Chinese International Peacekeeping department.

- > *Deeper partnerships on human rights and legal issues.* China's Ministry of Foreign Affairs has described the HRTC as the most successful and valued human rights program in which it is involved. The HRTC has progressively deepened relationships between Australian and Chinese organisations and worked on increasingly sensitive issues such as juvenile justice and reintegrating former prisoners into society. Similarly, CAGP has supported deepening institutional linkages between the Federal Court of Australia and the Supreme People's Court, with a focus on developing Chinese jurisprudence in maritime law.
- > *Catalyst for senior-level engagement between Australia's Treasury and the NDRC on economic policies.* A CAGP-funded seminar program managed directly by Treasury provided the impetus for Treasury to establish senior bilateral dialogues, including at ministerial level, between the Treasurer and NDRC Chairman, on macroeconomic, financial and foreign investment issues of mutual interest.

Health


- > *Strengthened linkages between Australian and Chinese health institutions.* Almost all of the 17 Australian agencies partnering with Chinese institutions under CAHHF are contributing to pilot testing and implementation of China's top health reform priorities. The facility is enabling Australian centres of China expertise such as the La Trobe University School of Public Health and Food Standards Australia and New Zealand to deepen linkages with influential Chinese counterpart agencies and make these linkages more sustainable.

Environment

- > *Supported new high-level bilateral dialogue on water policy.* ACEDP supported a Department of the Environment, Water, Heritage and the Arts-initiated, high-level water policy meeting in October 2009 attended by the Chinese Vice Minister for Water Resources and the Australian Parliamentary Secretary for Water. Both sides have expressed interest in exploring follow-up activities.
- > *Supported a new memorandum of understanding between key river basin organisations.* An ACEDP supported activity at the 2009 Yellow River Forum facilitated the signing of a memorandum of understanding between the Yellow River Conservancy Commission and the Murray Darling Basin Authority, aimed at building long-term relations between the two agencies, including through their involvement in a separate ACEDP activity.

Objective 4: Work collaboratively with China to strengthen the region

The program's approach to working collaboratively with China is being developed across three broad areas: building a common understanding on development issues; strengthening China's



engagement in regional issues and initiatives; and exploring both countries' interest in working jointly to support development priorities in third countries.

Progress in these areas has generally been slow, although some results have been achieved:

- > *Increased trust and understanding through high-level discussions between AusAID and the Ministry of Commerce (MOFCOM)*, as reflected in MOFCOM's decision to choose Australia for its first overseas training visit by a group of aid officials in March 2009. Follow-up senior consultations in April and a second training workshop in July reflected deepening engagement.
- > *Initial steps towards practical collaboration in the Pacific*. MOFCOM's Department of Aid to Foreign Countries has indicated its openness to practical collaboration in the Pacific. Discussions to take this forward are ongoing.
- > *Chinese training for Pacific Island countries*. AusAID gained the agreement of China's pre-eminent international development think tank, the International Poverty Reduction Centre in China (IPRCC), to expand its training program to include Pacific Island developing countries. With funding support from AusAID, the IPRCC held a Workshop on Poverty Reduction Policy and Practice for South Pacific and Asian Countries in February 2010, which provided a starting point for developing training appropriate for Pacific Island countries. AusAID is also working through the United Nations Development Programme to build the capacity of the IPRCC to conduct research and training.
- > *Chinese participation in collective efforts to address the regional threat of HIV/AIDS*. Through the HIV/AIDS Asia Regional Program, more than 6000 infectious disease units in two provinces (Yunnan and Guangxi) have received harm reduction intervention services. The program is bringing good Chinese practice in harm minimisation to the attention of neighbouring Mekong countries. For example, it has trained 115 high-ranking police from Southeast Asia and conducted surveys and information programs in cross-border areas.

Next steps

The management challenges identified in the evaluation of the 2009 program are similar to those identified in previous years. These include:

- > articulating more clearly the development-related policy outcomes Australia is trying to achieve, and identifying which parts of the Australian Government are best placed to pursue them, be it AusAID or another department
- > continuing to recalibrate AusAID's monitoring and evaluation systems away from measuring traditional outputs to capturing the policy impacts of engagement, to better demonstrate the results of Australian aid.

Underpinning these issues are broader questions on the role of international donor support for China, as its economy continues to grow rapidly. All of these issues will be examined over the coming months as the Australian Government develops its next five-year aid strategy with China.