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Abbreviations

APEC	Asia-Pacific Economic Cooperation
AusAID	Australian Agency for International Development
IFC	International Finance Corporation
MDG	Millennium Development Goal
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
WET project	Water Entitlements and Trading Project

Summary

China's economic transition has brought impressive development gains for most of its people. China's poverty reduction Millennium Development Goal (MDG) has already been achieved and most other MDGs are well within reach. Nevertheless, China will remain a lower middle-income country for years to come. An estimated 128 million people live on less than US\$1 a day. China also faces challenges relating to the unbalanced, inequitable and potentially unsustainable growth. These challenges demand not only fundamental structural, institutional and legal reform, but measures to address environmental and social vulnerabilities and entrenched poverty in China's western and ethnic minority regions.

China's emergence as a dominant power and its growing influence on international development issues, including as a donor, highlight the importance of strategic Australian engagement on these issues, including through the aid program. However, Australia needs to be realistic about the potential influence of its official development assistance to China, which at approximately \$42 million in 2006–07 represented only about 0.03 per cent of the total official development assistance to China and 0.001 per cent of its gross domestic product.

From the start of the China–Australia Country Program Strategy 2006–2010, Australia began to transform its development relationship with China from funding discrete projects in the provinces to sharing ideas, high-level capacity building, and policy engagement in the agreed sectors of governance, environment and health. Guided by four key principles—mutual benefit, government-to-government partnerships, high-level capacity building, and responsiveness to emerging priorities—the China aid program has become more focused, flexible and capable of leveraging resources in both countries. Of note in this respect was the mobilisation of environment and health facilities in late 2007.

RESULTS OF THE CHINA AID PROGRAM

BUILD CAPACITY IN SELECTED SECTORS, IN PARTICULAR GOVERNANCE, ENVIRONMENT AND HEALTH

In the **governance sector**, the China–Australia Governance Program and the Human Rights Technical Cooperation Program demonstrated significant capacity-building outcomes driven by strong Chinese engagement at the national level in key areas such as family planning and reproductive health and social security fraud. In contrast, smaller, older governance activities have been less successful in demonstrating outcomes and are to be reviewed.

TABLE 1 RATINGS OF THE CHINA PROGRAM IN ACHIEVING THE OBJECTIVES OF THE PROGRAM STRATEGY 2006–10

Objective	Rating
1. Build capacity in selected sectors in China, in particular governance, environment and health	■ (green)
2. Enhance Australia–China relationship through development cooperation	■ (green)
3. Work collaboratively to strengthen the region	■ (red)

Note: ■ denotes the objective is on track to be fully achieved within the timeframe. ■ denotes the objective is unlikely to be achieved within the timeframe.

In the **health sector**, stronger national-level policy engagement, improved coordination and better management in both China and Australia were achieved by integrating all health activities into a single program with priorities aligned with the agreed Plan of Action 2007–2010 between Australia’s Department of Health and Aging and China’s Ministry of Health. While too early to assess capacity-building outcomes from the new facility, older projects achieved capacity-building outcomes in HIV prevention and care in two of China’s poorest provinces, Tibet and Xinjiang.

A number of **environment sector** projects delivered capacity-building outcomes at the provincial level but showed limited impact at the national level. The Water Entitlements and Trading Project delivered outstanding capacity-building results, largely due to strong support from China’s Ministry of Water Resources.

ENHANCE THE AUSTRALIA–CHINA RELATIONSHIP THROUGH DEVELOPMENT COOPERATION

Good results against this objective were associated strongly with a shift in the program’s emphasis from stand-alone projects to national-level strategic engagement supported by the establishment of facilities as the primary mode of delivery. In governance, the China–Australia Governance Program and the Human Rights Technical Cooperation Program demonstrated clear evidence of the progressive deepening of mutually beneficial relationships between counterpart organisations. The health and environment facilities established in late 2007 attracted strong interest in the first call for proposals for activity funding, bringing early impetus to high-level relationship building through improved coordination and joint management arrangements. In the environment sector, the Water Entitlements and Trading Project developed mutually supportive links between central government organisations in China and federal and state counterparts in Australia.

WORK COLLABORATIVELY TO STRENGTHEN THE REGION

Strong whole-of-government interest and the need to act beyond the bilateral country program suggested the need for a plan of action to progress this objective, including discussion of the objective with Chinese counterparts. Work on this was initiated during 2007 with the preparation and discussion of a draft sub-strategy framework.

QUALITY OF AUSAID ACTIVITIES IN CHINA

An assessment of the quality-at-implementation and quality-at-completion reports of the China program suggests that implementation progress is mostly on track, monitoring and evaluation arrangements are generally satisfactory, and most activities are achieving their objectives and sustainable outcomes. For a small number of activities, inadequate monitoring and evaluation arrangements resulted in little or no information being gathered and provided on progress in achieving objectives or sustainability. A lack of clarity in the objectives of some activities made it difficult to assess performance.

Country performance

China's remarkable economic transition has generated rapid improvements in many development indicators. It has already attained its poverty reduction MDG and most other MDGs are well in sight. Nevertheless, China will remain a lower middle-income country for years to come. An estimated 128 million people live on less than US\$1 a day. China also faces challenges relating to the unbalanced, inequitable and potentially unsustainable growth.

These challenges demand not only fundamental structural, institutional and legal reform, but measures to address environmental and social vulnerabilities and entrenched poverty in China's central, western and ethnic minority regions. These challenges have been recognised in China's 11th Five Year Plan (2006–2010). It is in these areas that Australia seeks to cooperate with China through official development assistance (ODA), particularly in the agreed sectors of governance, health and environment.

Through its own development, China has unequalled potential to catalyse development in the Asia-Pacific region and contribute to the global achievement of the MDGs. China's emergence as a dominant power in the region and its significant and growing influence on development issues and as a donor highlight the increasing importance for Australia of engaging with China in these areas.

Australian ODA represents an extremely small fragment of total resources available to China. In 2006–07, Australian ODA of approximately \$42.23 million contributed only 0.032 per cent of total ODA (\$1.3 billion) and 0.0014 per cent of China's gross domestic product (more than \$3 trillion). In 2007–08, total Australian ODA was an estimated \$39.3 million, with \$30 million delivered bilaterally. Grant donors equal to or above Australia's 2007–08 funding level (about US\$35.4 million) include the United Kingdom (US\$70 million), Japan (US\$60 million), France (US\$40 million), the United Nations (US\$40 million) and Germany (US\$36 million). The World Bank's and the Asian Development Bank's annual lending amounted to US\$1.5–2 billion and US\$1–1.5 billion respectively. Japan provided loans worth almost US\$1 billion in 2006, but terminated the extension of all new loans in 2008. Both France and Germany, the largest bilateral lenders, are currently providing loans exceeding US\$200 million a year.

In 2006–07, Australian ODA channelled through regional and global programs and other government departments was approximately \$7 million, 16 per cent of total ODA.

HEALTH

China is tracking well to achieve its HIV/AIDS, malaria and maternal mortality MDGs, but may not achieve its tuberculosis and child mortality targets. China's public health system, the largest in the world, is undergoing massive, fundamental reform in areas such as health systems strengthening, rural health services and urban health care financing and delivery.

Health insurance is being adopted, but this does not address inefficient funding of health institutions, including in such critical areas as maternal and child health. China does not have a strong system for monitoring and improving the quality of care, and there are significant structural deficiencies in health care education and training.

The main causes of premature death and disability among the poor are inadequate water and indoor air quality, poor sanitation, nutritional deficiencies, and the lack of access to primary health care services. Non-communicable diseases are a growing problem, though the very poor are disproportionately affected by communicable diseases, injuries and maternal and child health risks. China is a major site for new emerging infectious diseases, but local disease control centres have limited capacity. HIV occurs throughout China, but prevention and treatment among most-at-risk groups are limited.

ENVIRONMENT

China is on track to achieve its MDG targets for safe drinking water and improved sanitation, but may not achieve its sustainable development target. China faces pressing environmental challenges, including widespread water pollution and scarcity, desertification, land degradation, loss of biodiversity, increasing municipal, industrial and hazardous waste, air pollution and climate change. Nearly 40 per cent of China's land is eroded and 10 per cent of arable land is polluted; 60 per cent of monitored rivers are too polluted for public use and three major lakes have serious eutrophic problems; about 60 per cent of cities do not meet minimum standards for air quality and have no centralised wastewater treatment; acid rain falls on one-third of the country; and greenhouse gas emissions are a major national and international threat.

The OECD's 2007 environmental performance review of China and the State Council's own 'think tank', the China Council for International Cooperation on Environment and Development, found that China's efforts to tackle its environmental challenges have not had the required effect. Despite the elevation of the State Environment Protection Authority to ministerial level, China does not have an integrated approach to monitoring and managing its environment. Responsibilities are divided among a minimum of nine ministries and countless commissions and provincial offices. The implementation gap between levels of government has resulted in a failure to achieve key environmental policy outcomes.

GOVERNANCE

Economic reform, particularly the introduction of market systems and economic openness, has been the linchpin of China's efforts to maintain stability and improve its people's quality of life. However, there are increasing quality-of-life gaps between rich and poor people, rural and urban areas and coastal and interior areas, because of increasing differences in economic development and environmental protection within China. There are also ongoing challenges related to human rights, especially for migrant workers, women and ethnic minorities, because of the unfinished nature of China's governance reforms. Economic growth is unlikely to solve these problems without an accelerated program of comprehensive structural and institution reform.

What are the results of the China aid program?

STRATEGIC PRINCIPLES

An important result almost midway through the current strategy is the success of the key principles written into the strategy to guide activity development and implementation.

- > There has been a clear shift to higher-level engagement centred on policy, planning and management, particularly at the national level, with a facility established in each of the three priority sectors—health, environment and governance.
- > Existing geographic-focused activities in the provinces have been phased out.
- > Activity selection and implementation through the health, environment and governance facilities have demonstrated flexibility and responsiveness to China's evolving priorities.
- > The program has drawn increasingly on the expertise of other Australian government agencies in developing partnerships under the three facilities.

However, the program has not been as successful in increasingly linking Australia's development cooperation with China with regional and international policy priorities (as discussed under Objective 3). The exception is the health program, which incorporates a clear focus on transboundary threats (emerging infectious diseases and HIV/AIDS) and is pursuing cross-border activities and exchanges with neighbouring countries.

OBJECTIVE 1:

BUILD CAPACITY IN SELECTED SECTORS IN CHINA, IN PARTICULAR GOVERNANCE, ENVIRONMENT AND HEALTH

RATING



The objective is on track to be fully achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

Expected governance outcome—evidence of strengthened capacity to implement sustainable governance reforms

Strong national-level engagement by both Chinese and Australian agencies in activities related directly to reform processes driven by the central government contributed significantly to capacity building in key governance reform areas. The Human Rights Technical Cooperation Program, implemented by Australia's Human Rights and Equal Opportunity Commission, contributes to China's reform programs aimed at more

effective and efficient governance. Key strengths of the program include the trust developed between Chinese and Australian organisations, its fit with Australian experience and expertise, and its responsiveness to China's developing priorities. The program's successes include the incorporation of human rights considerations into reforms in a number of key areas including corrections administration, criminal procedure law, domestic violence, gender awareness, judicial reform, juvenile justice, labour rights, legal aid, human rights education, police ethics, and people trafficking. For example, human rights are now applied in the delivery of family planning and reproductive health services, and China's National Judges Training College decided to adjust its training to incorporate human rights principles, which has flowed on to provincial institutions.

In close collaboration with China's National Development and Reform Commission, activities of the China Australia Governance Program supported the development and adoption by Chinese agencies of policy and regulatory approaches to deal with social security fraud and internal control and evaluation methods, the introduction, adoption and wider promotion of a balanced scorecard system of performance assessment for national and provincial government agencies, and an investment supervision program viewed as so successful by the recipient agency that it funded an extension and published a book to increase awareness of corruption.

Smaller governance activities delivered mixed results for this objective. Australia's funding to the International Finance Corporation (IFC) for a program to foster small and medium-sized enterprises resulted in three value-chain studies identifying significant policy, regulatory and institutional constraints, now being considered by appropriate decision makers; the adoption of improved practices and yields in the apple and dairy industries; and the building of provincial capacity to deliver a series of 'business-edge' management courses. In contrast, the older activities (the Australian Development Scholarships program and the Small Activities Scheme) lack clear, appropriate and measurable objectives in terms of this strategic objective and have struggled to demonstrate sufficient evidence of their contribution to its achievement.

Expected health outcome—strengthened capacity to identify and respond to priority health challenges with a focus on HIV/AIDS and other communicable diseases

Australia is working closely with China to halt and reverse the spread of HIV and emerging infectious diseases both nationally and regionally and to strengthen the capacity of China's health system to respond to these and other health security threats. With Australian aid program resources contributing only 0.01 per cent of China's total public health expenditure, expectations of the impact of Australia's contribution need to be realistic. That said, at the overall program level a number of significant changes in 2007 led to stronger national level policy engagement and improved coordination and management in both China and Australia. Most notable were the integration of all bilateral and regional health activities into a single program with priorities aligned with the Plan of Action 2007—

2010 (agreed by Australia's Department of Health and Aging and China's Ministry of Health and overseen by a Program Management Committee comprising both Chinese and Australian national government agencies) and the mobilisation of a new \$25 million facility as the flagship of this program. An Australian Senior Health Adviser commenced working with a Chinese government counterpart to improve effectiveness and program integration with Chinese systems. The strong Australian whole-of-government approach has been recommended by China's Ministry of Health to other donors.

Although it is too early to assess the performance of the new health facility, capacity-building results were registered in established health activities. The Tibet Health Sector Support Program, which operates in one of the most disadvantaged provinces in China, supported the adoption of modern hospital management in two key hospitals, assisted the regional blood centre to gain accreditation as a safe source of blood supply, expanded surveillance and response for HIV/AIDS and sexually transmissible infections, improved skills in diagnosing HIV and sexually transmissible infections, and contributed to reported improvements in maternal and infant mortality rates in targeted sites in Lhasa.

In partnership with the Xinjiang Bureau of Health, the Xinjiang HIV/AIDS Prevention and Care Program and a collaborative activity with the Clinton Foundation registered a number of strong capacity-building outcomes. These included a 70 per cent increase in the number of patients receiving antiretroviral treatment at targeted sites, the expansion of comprehensive AIDS treatment to 800 patients, the establishment of a paediatric antiretroviral treatment program, increased management capacity of multisectoral agencies to design and plan projects, increased community-based care, reduced stigma and discrimination against people living with HIV/AIDS, and the increased use of improved protocols for infection control.

Australian support for the China HIV/AIDS Roadmap Technical Support Program, a partnership between 14 ministries and four donors, has strengthened the capacity of the State Council AIDS Working Group and the Provincial AIDS Working Group to develop multisectoral responses to HIV. It also contributed to the development of the national and provincial action plans for 2006–10 and the national monitoring and evaluation framework.

Expected environment outcome—strengthened capacity in environmental management, especially in water resource management

Given the breadth and scale of China's environmental challenges, China and Australia have agreed that Australia's contribution is most valuable if focused at the national government level to help formulate and implement policy, initially in the areas of environmental governance and water resource management. A \$25 million, five-year environment facility, the Australia China Environment Development Program, was mobilised in late 2007 for this purpose. The facility aims to develop enduring partnerships between Australian and Chinese agencies involved in formulating and

implementing environmental policy, and to respond to emerging priorities through an annual activity selection cycle.

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 on the environment and development at the highest level. China's recent decision to upgrade its State Environmental Protection Administration to ministerial level was based on a recommendation by the China Council for International Cooperation on Environment and Development to the State Council.

During 2007 a number of the old-style environment and natural resource management projects in the provinces ended, with the remainder to end in 2008. Of these, the outstanding example of capacity building was the Water Entitlements and Trading (WET) Project undertaken by China's Ministry of Water Resources, Queensland's Department of Natural Resources and Water, and Australia's Department of the Environment, Water, Heritage and the Arts. This project developed and successfully piloted a mutually beneficial framework for water resource allocation that has influenced national policy on water resource planning and management of environmental flows and been published in a book currently used in training workshops of the Ministry of Water Resources. The project significantly influenced processes for allocating water in amendments to the regulation of water permits. The Australian Department of the Environment, Water, Heritage and the Arts is currently working with the ministry and AusAID on the final phase of the WET project, which will involve further refining, documenting and disseminating the work undertaken already, as well as additional capacity-building activities.

The Qinghai Forestry Resources Management Project worked with the Qinghai Forestry Bureau to support the adoption of improved low-cost and appropriate environmental rehabilitation practices and to develop participatory models that are now being considered for adoption and replication by projects of the World Bank, the Asian Development Bank and the Global Environment Facility.

Gender

Australia and United Kingdom are the main donors to the gender facility of the United Nations Development Fund for Women. The facility aims to achieve China's gender MDGs and reduce gender inequality by influencing the development and implementation of policies and laws. The facility has made progress in influencing: old-age and survivor insurance policies, employment promotion law, family planning policies, and social assistance policies for women living with HIV/AIDS.

'Women and children's rights' is a theme of the Human Rights Technical Cooperation Program, which has helped to develop and implement a number of measures against domestic violence including hotlines, regulations in most provinces and autonomous regions, and provincial consultative mechanisms. The China Australia Governance

Program has contributed to the development of gender-responsive budgeting that is well accepted by counterparts.

ESTIMATED EXPENDITURE

An estimated 70 per cent (\$...) of the China program's 2007–08 budget was for this objective.

OBJECTIVE 2:

ENHANCE AUSTRALIA–CHINA RELATIONSHIP THROUGH DEVELOPMENT COOPERATION

RATING



The objective is on track to be fully achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

Expected outcome—evidence of broadening the government-to-government base for cooperation on development issues

There is considerable evidence that Australia's development cooperation has enhanced the Australia–China relationship in the governance sector where the China Australia Governance Program and the Human Rights Technical Cooperation Program have established strong links between key Australian and Chinese agencies. The number of Chinese government, semi-government and non-government agencies involved in implementing activities of the human rights program expanded from 3 to 16 between 1998 and 2008. Non-government and semi-government organisations include the All-China Women's Federation, the United Nations Association of China and the Beijing Legal Aid Work Station for Migrant Workers.

Examples of relationships built through the China Australia Governance Program include those between Australia's Centrelink and China's Ministry of Labour and Social Security, Australia's Productivity Commission and China's National Development and Reform Commission, Australia's Treasury and China's Ministry of Finance, and the Australian Federal Court and China's Supreme People's Court. The increased engagement between Australian and Chinese government agencies was demonstrated by an estimated 30 per cent increase between 2006–07 and 2007–08 in ODA delivered directly to China through other Australian government departments.

There are promising signs of broadening government-to-government cooperation in the health and environment sectors, where the new facilities have attracted strong interest from both Chinese and Australian organisations. In the first call for proposals the health facility received more than 260 proposals and the environment facility more than 55. In the environment sector, the WET project has been particularly successful in developing mutually supportive links between China's Ministry of Water Resources, Australia's

Department of the Environment, Water, Heritage and the Arts and Queensland's Department of Natural Resources and Water.

Expected outcome—evidence of enhanced working relations between Chinese and Australia institutions

There is also evidence of 'deepening' relationships facilitated by strategies of progressive engagement. The Human Rights Technical Cooperation Program, for example, has progressed into increasingly sensitive issues, such as family planning, prisoner integration, juvenile justice, domestic violence and anticorruption. Under the China Australia Governance Program an activity on legal professional development led to job placements with agencies in Australia for six Chinese lawyers and two government officials, and a legal exchange program resulted in subsequent independent contacts between Chinese and Australian organisations.

The Australia–China Chongqing Vocational Education and Training Project (2002–07), which was a high priority of China's Ministry of Education, provided valuable lessons for developing activities to enhance Australia–China relations and build capacity. The Australian model of vocational education and training was particularly appropriate, and the partnering approach contributed to the development of strong mutually beneficial relationships. It delivered outstanding results in the development of vocational education and training policy, industry links, institutional management, and teaching, learning and assessment methods.

Gender

Strong relationships have developed between Australia and the All-China Women's Federation through the Human Rights Technical Cooperation Program.

ESTIMATED EXPENDITURE

An estimated 23 per cent (\$...) of the China program's 2007–08 budget was for this objective.

OBJECTIVE 3:

WORKING COLLABORATIVELY TO STRENGTHEN THE REGION

RATING



The objective is unlikely to be achieved within the timeframe.

ASSESSMENT OF RESULTS AND PERFORMANCE

China program managers noted the relevance and high priority of working with China in the region. However, the wording of this objective and its key expected outcome—

evidence of dialogue with China on development cooperation delivery to the Asia-Pacific region—do not accurately reflect the purpose of this work, which is to collaborate with China on priority regional development challenges, including as donors.

In 2007 the first senior-level meeting between AusAID and the Department of Aid to Foreign Countries of China's Ministry of Commerce discussed China's aid policies and programs and Australia's approach to aid effectiveness. This was the first meeting between the Director General of the department and a western donor agency. A follow-up meeting later in 2007 discussed China's aid to the Pacific and agreed to continue this dialogue. A planned study tour by the Department of Aid to Foreign Countries to learn about AusAID's approach to staff training on development issues was postponed until later in 2008. Other examples of dialogue include high-level discussions between senior Australian and Chinese officials on the regional issue of HIV/AIDS prevention in the Mekong region, an AusAID presentation to an 'Aid Management Forum' in Beijing on Australia's approach to aid effectiveness in fragile states in the Pacific, and participation by a Chinese official in an AusAID workshop in Beijing to discuss monitoring and evaluation arrangements for a range of initiatives.

Australia and China collaborate as donors to the APEC Support Fund, a multi-donor trust fund managed by the APEC Secretariat to support capacity-building activities in APEC developing economies. Contributors to the support fund now include Australia, China, Chinese Taipei, South Korea, Hong Kong and the United States and, from 2009, will include Russia.

Other areas in which Australia and China have collaborated on regional issues include disseminating China's poverty reduction experiences to the region, facilitating a presentation on water management by the Yangtze River Commission to the Mekong River Commission, facilitating study tours and experience sharing between China, Burma and Vietnam on HIV/AIDS and injecting drug use (through the Asia Regional HIV/AIDS Project) and strengthening relationships with Chinese 'think-tanks', such as the International Poverty Reduction Centre, to further disseminate lessons from Australia's aid program.

The Australian Government, principally through the Department of Foreign Affairs and Trade, has also sought to collaborate with China on Pacific island development through bilateral mechanisms including the annual Australia China Pacific Dialogue as well as the Pacific Island Forum.

ESTIMATED EXPENDITURE

An estimated ... per cent (\$...) of the China program's 2007–08 budget was for this objective.

What is the quality of AusAID activities?

The results of the activities of the China aid program assessed during 2007–08 against the criteria for quality at implementation and quality at completion are summarised in Table 2.

TABLE 2 RATINGS OF 14 INITIATIVES OF THE CHINA AID PROGRAM 2007–08 ^a

	Implementation progress	Achieving objectives	Monitoring & evaluation	Sustainability
	no.	no.	no.	no.
Satisfactory				
6 – Very high quality	0	1	0	1
5 – Good quality	6	6	7	2
4 – Adequate quality; needs some work to improve	7	4	3	8
Less than satisfactory				
3 – Less than adequate quality; needs significant work	1	1	2	2
2 – Poor quality; needs major work to improve	0	2	1	0
1 – Very poor quality; needs major overhaul	0	0	1	1
Total	14	14	14	14
Unsatisfactory (1,2,3)	1 (7%)	3 (21%)	4 (29%)	3 (21%)
Satisfactory (4,5,6)	13 (93%)	11 (79%)	10 (71%)	11 (79%)
Special category—requires improvement (1,2,3,4)	8 (57%)	7 (50%)	7 (50%)	11 (79%)

^a Based on 10 quality-at-implementation reports and four quality-at-completion reports.

In broad terms the implementation progress of the activities was mostly on track, and monitoring and evaluation, achieving objectives and sustainability were generally satisfactory. A small number of activities were not able to provide evidence of progress in achieving objectives or sustainability due mainly to the inadequacy of their monitoring and evaluation arrangements. Some activities also have unclear objectives or have not defined success, which made performance difficult to assess.

IMPLEMENTATION PROGRESS

There were no general concerns about implementation of the China program. Six activities were rated as good, seven were considered to be adequate and only one (the Karst Environment and Rehabilitation Project) was rated as less than adequate. This project was extended for two and a half years to allow some activities to be completed and project savings to be used.

ACHIEVING OBJECTIVES

In terms of achieving objectives, one activity was rated as very high quality, six as good and four as adequate. However, one (the IFC Project Development Facility) was rated as less than adequate and two (the Small Activities Scheme and the Australian Development Scholarships program) were rated as poor, needing major work to improve. One of the main reasons behind the WET project's success was the high priority accorded it by China's Ministry of Water Resources. The ministry was closely engaged in all aspects of the project's preparation and implementation and, in consultation with the Australian implementing agents, identified clear, appropriate and measurable objectives. Further, the Australian team comprised government officials with the right mix of technical and interpersonal skills to form close working relationships with their government counterparts and to deliver a product considered extremely useful to Ministry of Water Resources.

The poorer performing activities generally did not have a goal and/or purpose, did not have a strong cause and effect logic, and/or had a vague or no definition of success, which made it difficult to measure or assess success. In particular, the Australian Development Scholarships program and the Small Activities Scheme do not have clear, appropriate and measurable objectives, making it difficult to assess their contribution to achieving the country strategy's objectives. Poorer performing activities also tended to report on outputs rather than on outcomes and achievements. This was the case of the IFC Project Development Facility. While its objectives were well defined, there was not enough evidence to indicate that they were being achieved or that the activities funded by this facility were likely to be sustainable.

MONITORING AND EVALUATION

Seven activities were rated as having good-quality monitoring and evaluation, three as adequate, two (the Karst Environment and Rehabilitation Project and the Clinton Foundation's HIV/AIDS Treatment Project) as less than adequate, one (the Australian Development Scholarships program) as poor and one (the Small Activities Scheme) as very poor. The higher rating activities generally had good monitoring and evaluation frameworks and other processes to gather information to measure, assess and report evidence of key results, achieving objectives and sustainability. Those activities that did not rate well generally provided insufficient information about key results, progress in achieving objectives or sustainability. While baseline information was often collected at the beginning of activities, no comparisons were made at the end of activities to enable results to be objectively assessed.

The Australian Development Scholarships program, the Small Activities Scheme and the Human Rights Technical Cooperation Program were designed without monitoring and evaluation frameworks, although the human rights program subsequently implemented arrangements to identify key results and progress in achieving objectives. The IFC Project Development Facility, the Clinton Foundation's HIV/AIDS Treatment Project and the Small Activities Scheme rely on the partner organisation's systems for monitoring and

evaluation. These organisations do not always provide the types of information required by AusAID for its performance and quality reporting.

The facility form of aid raises a new set of monitoring and evaluation challenges posed by a range of small and disparate sub-activities. New approaches are being trialled and good progress is being made in developing monitoring and evaluation systems for the two new facilities. However, there needs to be early discussion between the three facilities and AusAID on sharing experience, promoting good practice and linking the facilities' monitoring and evaluation frameworks to the country strategy's performance framework and to AusAID's performance and quality reporting systems. The facilities also will be assessing their contributions to program outcomes and placing greater reliance on partner government monitoring and evaluation systems to provide important information.

SUSTAINABILITY

In terms of the sustainability of their outcomes, one activity (the WET project) was rated as very high quality, two (the Xinjiang HIV/AIDS Prevention and Care Program and the China HIV/AIDS Roadmap Technical Support Program) as good quality and eight as adequate quality. Two activities were rated as less than adequate and the Small Activities Scheme was rated as very poor quality.

The key elements of the WET project that contributed to the sustainability of its outcomes were the high priority accorded by the Chinese Government, its clear, appropriate and measurable objectives and the involvement of Chinese and Australian government officials with the right mix of technical and interpersonal skills to deliver an extremely useful product for China's Ministry of Water Resources.

In contrast, the Small Activities Scheme provides small grants for short-term activities implemented by not-for-profit organisations to address often complex development problems requiring long-term solutions. It is unlikely that the scheme is a suitable mechanism for addressing these problems and, unfortunately, the lack of a formal monitoring and evaluation framework and system meant that little information on results was gathered and reported. With respect to the Karst Environment and Rehabilitation Project, there is some concern about the sustainability of the environmental and poverty-reduction aspects of this project at the community level because the success of income-generating activities are overly reliant on a single source of funds and vulnerable to other production and marketing concerns.

The Qinghai Forestry Resource Management Project raised some sustainability concerns. While there has been strong county-level support for continuing the project's forestry trials, there is less commitment at the provincial level. There are indications that other donors might adopt aspects of the project's participatory model, but if this does not happen it is possible that this model will not be replicated. To address this risk, the Australia China Environment Development Program is exploring opportunities for

pursuing the broader policy implications of the participatory model. Similarly, the Australian Development Scholarships program is of concern with respect to sustainability because of the lack of information gathered and reported about the contribution Australian-trained scholars make to the human resource needs of the program's priority sectors after completing their studies.

GENDER, PARTNERSHIPS AND ANTICORRUPTION

Results are consistently showing that **gender equality** is being integrated into more established programs such as the Human Rights Technical Cooperation Program and the China Australia Governance Program, which was recently recognised as a good practice example by the Gender Thematic Group. The Australian Development Scholarships program has had a stable gender balance for a number of years, while other programs are making progress but not reporting consistent results.

Gender equality is incorporated into the quality aspects of the China aid program's activities through gender strategies for the Tibet Health Sector Support Program, the China Australia Governance Program and the China Australia Health and HIV/AIDS Facility, through a gender response plan for the Xinjiang HIV/AIDS Prevention and Care Project and through a social impact framework for the Australia China Environment Development Program.

A number of activities are not able to provide evidence of progress in gender equality due mainly to the inadequacy of monitoring and evaluation arrangements. This should be addressed in the review of country strategy's performance framework and discussions about the monitoring and evaluation arrangements for the health, environment and governance facilities during 2008.

The China program has drawn increasingly on the expertise of other Australian government agencies in developing **partnerships** under the health, environment and governance facilities. There is considerable evidence that Australia's development cooperation has enhanced the Australia–China relationship in the governance sector, and there are promising signs of broadening government-to-government cooperation in the health and environment sectors. There is also evidence of 'deepening' relationships facilitated by strategies of progressive engagement between Australian and Chinese institutions.

Corruption was not raised as an issue in the quality reporting system and no specific issues or risks were highlighted. The governance program works on this issue.