



China Development Cooperation Report 2010

October 2011

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This report summarises progress over July 2010 – June 2011 towards the objectives of Australia's China Development Cooperation Program. Previous years' reports are available on the Australian Agency for International Development (AusAID) website: www.ausaid.gov.au.

Context

Most Millennium Development Goals targets have been met in the People's Republic of China, including the target to halve the number of people living in extreme poverty by 2015. Nevertheless, China faces ongoing challenges related to unbalanced development. The World Bank estimates that 150 million Chinese continue to live on less than US\$1.25 per day and income inequality is rising. More than 200 million migrant workers have little or no access to basic services in the urban areas of China where they live and work. Economic and social development in the western provinces, including Tibet and Xinjiang, continues to lag behind the rest of the country. Better balanced development depends on comprehensive institutional and legal reform and improved basic service delivery.

As an international power and driver of regional and global economic growth, China is a key catalyser of development in the Asia-Pacific region and of the world's ability to achieve the Millennium Development Goals.

China has recently overtaken Japan as the world's second largest economy, and is one of the world's largest markets for luxury goods. While the global recession slowed China's growth, it affected the European Union, United States and Japanese economies much more significantly and, in relative terms, accelerated China's rise. China's influence on international development, including as a donor in its own right and a significant contributor to global carbon pollution, underscores the importance of continuing to engage China on issues of global and regional importance.

Official development assistance is an extremely small proportion of the resources available to China. As a consequence, and in recognition of the country's consistent economic growth since 1995, a number of donors are redefining their aid programs to China.

Australia is one of China's largest bilateral donors, by volume of bilateral grant-based assistance. Total Australian official development assistance to China in 2010–11 was initially estimated at \$36.8 million, with \$22 million being delivered through the bilateral program. Total expenditure was \$34.6 million, as not all funds were spent.

Program objectives

The objectives of the 2006–2010 China Country Program Strategy, which in the absence of a new strategy for 2011 onwards remain current, are to:

- > support China's policy reform agenda in governance, environment and health
- > build capacity in selected sectors in China, in particular governance, environment and health
- > enhance the Australia – China relationship by building institutional partnerships
- > collaborate with China to strengthen the region.

In 2010–11 Australia continued work with China in the area of governance, health and environment through three major funding facilities that have been ongoing for several years.

- > **The China Australia Governance Program (CAGP)**, completed in October 2010, supports China's governance reform agenda in fiscal reform, balanced rural – urban development and social security for migrant workers.

- > **The China Australia Health and HIV/AIDS Facility (CAHHF)** works through the Chinese Ministry of Health on health system reform priorities and protecting the population against HIV/AIDS and emerging infectious diseases.
- > **The Australia China Environment Development Partnership (ACEDP)** works with four Chinese ministries to help improve China's environmental protection and natural resources management, particularly on water and climate change issues.

Australia supports other annually-programmed activities in China, including long and short-term development scholarships, the Human Rights Technical Cooperation Program (HRTCP) and small grants activities that support development in the provinces. AusAID continues to manage Australia's financial commitments to the International Finance Corporation (IFC) for work in China, and the China Council for International Cooperation on Environment and Development (CCICED), through payments made prior to 2010-11. Australia also funds programs and activities in China that address issues of regional and global importance.

Expenditure

Table 1: Estimated expenditure in 2010-11

Objective	A\$ million	% of bilateral program
1. Support China's policy reform agenda in governance, environment and health.	13.50	39.0
2. Build capacity in selected sectors in China, in particular in governance, environment and health.	12.17	35.1
3. Enhance the Australia – China relationship by building institutional partnerships.	7.15	20.6
4. Collaborate with China to strengthen the region.	1.82	5.3

Progress against objectives

Australia's aid program has engaged the Chinese Government to support policy reform and implementation and to influence new policies and plans. In 2010-11 Australia assisted China to:

- > reform the social security budget and develop old age insurance policies
- > prepare medical insurance policies and health service protocols
- > develop climate change policy recommendations for the 12th Five-Year Plan, China's economic development guidelines for 2011-2015.

Australia also provided expertise to help China's national agencies strengthen their technical ability to:

- > conduct critical research, analysis and simulation studies
- > control an influenza outbreak
- > manage a social security fund.

The aid program helped establish new partnerships between the Australian and Chinese governments and consolidate existing ones. For example, CAHHF helped deliver the inaugural bilateral Health Policy Dialogue, co-chaired by the ministers of health from Australia and China, which culminated in the signing of a new Plan of Action on Health Cooperation for 2011-14. The aid program also funded collaboration between the Australian National University (ANU) and the Central Party School (CPS) of the China Communist Party—the training centre for China's political leaders—resulting in a publication in English and Chinese




on reform and governance in China. Another AusAID-funded collaboration—between the Australia and New Zealand School of Government and the Organization Department of the Communist Party of China Central Committee—exposed Chinese policymakers to Australian policymaking systems and processes.

The aid program has also supported Australian Government efforts to engage China on global and regional development issues, including with China as a donor in the Pacific and on climate change.

Table 2: Ratings of the program's progress in 2010-11 towards the objectives of the China program

Objective	Rating in 2010-11	Relative to previous rating
1. Support China's policy reform agenda in governance, environment and health.		Unchanged
2. Build capacity in selected sectors in China, in particular governance, environment and health.		Unchanged
3. Enhance Australia – China relationship by building institutional partnerships.		Declined
4. Collaborate with China to strengthen the region.		Declined

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

Australia worked with China on its policy reform agenda in 2010-10 through the three major funding facilities in governance, environment and health, as well as through the China-Australia Human Rights Technical Cooperation Program (HRTCP) and the China Council for International Cooperation on Environment and Development (CCICED). Activities concentrated 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 the formulation of new legislation, regulations and policies.

An independent progress review of CAGP concluded that major policy reform activities made a significant contribution to the development of policy solutions in China, for example: fiscal and economic reform; balanced urban and rural development; and social security for migrant workers. Work on fiscal reform helped Chinese agencies move towards a more comprehensive budget management system and resulted in several policy directives covering debt management and bond issue. Work on social security for migrant workers included research on difficult issues related to developing policy, regulations and legislation on migrants' old age insurance.

An independent progress review of HRTCP, in February 2011, indicated that the strongest policy reform achievements were in sectors in which the program had been working for a long time and where cooperating agencies were clear on their work objectives. As examples, the report cites cooperation on domestic violence by HRTCP with the All China Women's Federation over more than 10 years, and work on family planning by HRTCP with the National Population and Family Planning Commission, which is guided by a multi-year work plan.



Emerging evidence indicates that CAHHF activities are having a positive impact at the policy level. Policy papers on community health and medical insurance are, for example, being adopted by the Ministry of Health at a district level. Other CAHHF-funded research results were included in China's National Essential Public Health Service Guidelines. CAHHF focuses on emerging infectious diseases, HIV/AIDS and strengthening health systems, in line with the national health reform plan released by China in 2009. CAHHF places the greatest emphasis on strengthening health systems, an area in which Australia has particular experience and technical expertise to offer.

An independent progress review of ACEDP, in March 2010, identified early achievements in giving Chinese agencies opportunities to learn about new concepts and ideas in water resources and environmental management.

AusAID's core contribution to CCICED enables Australia to make positive inroads on environmental policy in a highly influential forum, chaired by Chinese Vice-Premier Li Keqiang. Australian experts participated in two CCICED task forces that made recommendations to the Chinese Government in 2010: Ecosystem Services and Management Strategy in China; and Ecosystem Issues and Policy Options Addressing Sustainable Development of China's Ocean and Coast.

Key achievements for 2010-11 include

- > **Budget reform.** A separate Social Security Budget was compiled by the State Council and the Ministry of Finance in March 2010. This was as a direct result of a reference report—*Social Security Budget and Its Long Term Impacts on Fiscal Sustainability*—prepared under the auspices of CAGP for the State Council, the General Affairs Office of Central Communist Party and the National People's Congress.
- > **Old age insurance policy.** A study of insurance fund management, supported by CAGP, informed the fund management arrangements included in the new draft procedure for old-age insurance. It also confirmed the validity of some provisions in the State Council Notice on Old-Age Pension Registration Transfer of Urban Employees.
- > **Model United Nations (UN).** More than 200 Chinese university students from 61 institutions gained an understanding about international human rights, the challenges of the UN system and factors influencing political outcomes through their participation in a Model UN event in Chongqing, November 2010.
- > **Australian Health Minister's visit.** Outputs from the visit of Australia's Health Minister to China in April 2011 included a three-year *Plan of Action on Health Cooperation* (2011-14), which will lead to new collaboration on tobacco control, improved pandemic preparedness and Australian participation in an international review of China's health reform experience.
- > **Health service protocols.** A community health service capacity building activity has revised or developed 20 service management and technical protocols. Research results have been included in China's *National Essential Public Health Service Guidelines* and the protocols were applied in 15 provinces.
- > **Medical insurance policies.** Findings of CAHHF research into integrating China's two main rural health financing schemes were included in two policy papers issued by an inter-ministerial committee tasked with developing policy for reform of China's medical insurance policy, a key plank of China's national health reform agenda.



- > **Rural health human resources.** Research findings on Australian rural health human resource practices have been incorporated into China's *National Health Human Resource Development Plan* (2011–2020).
- > **Climate change modelling.** Support through ACEDP for ANU and Monash University to work with the State Information Centre of China's National Development and Reform Commission has strengthened centre staff capacity in economic policy modelling techniques and better informed policy discussion on the long-term impact of climate change on the Chinese economy. Data compiled by the centre supported the development of climate change recommendations for China's 12th Five-Year Plan.

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

Capacity building is undertaken in various ways across the program, including through long-term and short-term training, study tours, seminars and workshops, skills transfer (especially in economic modelling) and work placements. In 2010 Australia enabled 24 Chinese Government officials to undertake long-term study in Australia and continued to manage the 45 officials studying at Australian institutions through development scholarships.

Key achievements in 2010-11 include

- > **Climate change modelling.** Work under CAGP led to the National Development and Reform Commission and other Chinese agencies introducing computer modelling for a range of policy areas and purposes, including the development of China's economic stimulus package and climate change simulations.
- > **Consultative policy development.** Through CAGP, participating Chinese agencies learned to work through coordinated, consultative policy development processes and to commission independent research. This was a significant change from the more internally-oriented way in which policy was previously developed.
- > **Social security fund management.** Social Insurance Administration officials enhanced awareness and know-how in social security fund management after being exposed to Australian approaches.
- > **Domestic violence workshops.** Nine officials from the All China Women's Federation and key government officials with responsibilities relevant to domestic violence increased awareness of domestic violence issues in a human rights-based framework through workshops and seminars.
- > **New training course for senior government officials.** Preparations were made for the Australia and New Zealand School of Government to conduct a three-week training course in human resource management and leadership for senior Chinese officials in Australia and New Zealand in October and November 2011.
- > **Pandemic influenza control.** In partnership with the Western Australia Communicable Disease Control Directorate, the Zhejiang Provincial Centre for Disease Control and Prevention developed a set of standard operating procedures, providing practical advice in sequencing the steps required to manage and respond to an influenza pandemic. This increased the confidence and ability of the Zhejiang centre's leaders and staff. Subsequent training for other local health workers in implementing the procedures began with a month-long training course for 23 staff from Guizhou province.



- > **Climate change adaptation.** ACEDP supported a policy research institute under the Minister of Environmental Protection to work with the University of Melbourne's Australia – China Centre on Water Resources Research. This work strengthened the institute's ability to support water management policy for climate change adaptation and improved the ability of a local environmental department to develop adaptation policies and measures in a pilot site. This led to policy recommendations on improving the capacity of environmental managers and policy makers for adaptation.
- > **Training on the UN System of Environmental Economic Accounting for Water (SEEAW).** Under ACEDP a one-off training course was held for officials involved in China's national SEEAW project to strengthen skills in water accounting at national, provincial and river-basin levels, and to establish partnerships with Australian counterparts. The training drew on the experience of the Water Accounting Standards Board of Australia and Australia's Bureau of Meteorology and enabled participants to reconsider current Chinese SEEAW design and practices at pilot sites.
- > **Australian Development Scholarships.** These were awarded for study at Australian institutions in 2011. Sixteen out of 24 awardees were women.

Objective 3: Enhance the Australia – China relationship by building institutional partnerships

Although difficult to measure, building institutional partnerships remains one of the most critical objectives of the China aid program. In its simplest form, AusAID aims to ensure that good relations exist between Australian and Chinese institutions and organisations in the aid program's main sectors of focus so that when AusAID steps back the relations can carry on.

The ability of AusAID programs to promote institutional partnerships is strongest where there is clear benefit to Australia and China, where Australia has a comparative advantage compared to China and other donors, and where both sides have access to the dedicated resources to build and strengthen the partnership.

Key achievements in 2010-11 include

- > **Prospects for long-term collaboration.** The interaction between China's Ministry of Human Resources and Social Security and Australia's Centrelink has created the prospect of long-term collaboration. Similarly, relationships formed between China's Central Party School (CPS) and the Australian National University (ANU), and between China's National Development and Reform Commission and the Australian Treasury, continue beyond the life of CAGP.
- > **Strategic partnerships.** Supported by CAGP, the CPS and ANU signed a memorandum of understanding in June 2010. This is the first partnership arrangement of the CPS with an Australian institution. Following a visit by the ANU to China in 2010, the CPS sent a delegation to Australia for an East Asia Forum event in July 2011. This was the first activity implemented under the memorandum.
- > **New partnerships.** With the support of CAHMF, Australia and China's health ministers signed a new three-year bilateral *Plan of Action on Health Cooperation* (2011-2014). The visit of Australia's health minister to Beijing added significant political weight to the bilateral relationship on health, and both sides identified CAHMF as a model vehicle for cooperation.



- > **Pandemic influenza exercises.** The relationship between the Zhejiang Provincial Centre for Infectious Disease Control and Communicable Disease Control Directorate of the Western Australian Department of Health was strengthened through participation in a CAHHF-funded emergency exercise against pandemic influenza. These institutions have agreed to cooperate in other areas, including by setting up a staff exchange program.
- > **Environment High Level Roundtable.** Between 15 and 20 senior officials from five Chinese environment ministries visited Australia in December 2010. With funding from ACEDP the group visited key sites in Australia's Murray Darling Basin region to compare water resource management issues in Australia with those in China. In addition, four Chinese partner ministries gave presentations on the implications of the Chinese Government's 12th Five-Year Plan for water management policy.
- > **Technical support leading to strategic partnership.** Australian federal and state government officials participated in ACEDP project steering committees. Their technical contributions and support for training activities, especially under the River Health and Environmental Flows project, are expected to culminate in a new memorandum of understanding between the Queensland Department of Environment and Natural Resources and the Chinese Ministry of Water Resources.

Objective 4: Collaborate with China to strengthen the region

Australia's regional collaboration with China in 2010-11 was 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.

Key achievements in 2010-11 include

- > **Initial steps towards collaboration in the Pacific.** The Department of Aid to Foreign Countries, in China's Ministry of Commerce, expressed openness to practical collaboration in the Pacific.
- > **Joint research on development challenges and gaps in the Pacific.** The International Poverty Reduction Centre in China, the country's pre-eminent international development think tank, has indicated it wants to work with Australia on studying development challenges and gaps in the Pacific.
- > **HIV/AIDS regional collaboration.** Through the HIV/AIDS Asia Regional Program more than 10,000 intravenous drug users in Yunnan and Guangxi provinces have received comprehensive harm reduction intervention services. As well, senior police officers from more than 10 Southeast Asian countries, including Cambodia, Laos, Myanmar and Vietnam, have been trained on good Chinese practice in harm minimisation. Comprehensive harm reduction services including needle exchange, education, referral and support to local grassroots networks, are now provided for intravenous drug users at eight drop-in-centres in border areas.

Quality of aid activities

The quality of aid activities across the China program in 2010-11 was adequate. At AusAID's request, independent reviews were undertaken for CAGP, ACEDP, HRTCP and the Tibet Health Sector Support Program. Efforts have been made across programs to improve monitoring and evaluation, which remains a challenge, perhaps reflecting the quality of data



collection in China and the design of the aid delivery facility model overall. To know what success looks like in China also remains difficult, partly because program objectives are very broad.

All but one program remains relevant to the China context. The International Finance Corporation's Project Development Facility, with its focus on microfinance and rural banking, although of adequate quality overall, is no longer considered to be relevant to Australia's aid program. The environment, health and governance priorities for China under the 11th Five Year Plan (2006–2010) all feature in the 12th Five-Year Plan (2011–2015).

There is space to work more closely on gender issues in China, including with gender equity champions such as the All China Women's Federation.

Next steps

In November 2010 the Minister for Foreign Affairs commissioned an independent review of Australia's aid effectiveness. The Australian Government responded to the review in July 2011, welcoming its recommendations including to determine aid allocations to countries on an assessment of poverty, national interest, capacity to make a difference, and current scale and effectiveness.

In this context, the Government decided that in view of China's rapidly evolving stage of development, and its large overseas aid program, Australia's bilateral assistance to China would be phased out. Australia will continue to provide targeted assistance through multilateral organisations and regional programs where we can make a difference to poor people.

The phase-out will occur over time as bilateral components of Australia's China Program conclude their currently planned periods of activity.

- > **The China Australia Governance Program** concluded in October 2010.
- > The **Human Rights Technical Cooperation Program** will continue as it is part of a broader regional human rights focus, but it will be redesigned to ensure its continuing relevance and the high quality of activities.
- > **The Australia China Environment Development Partnership** will continue to its conclusion in June 2012. A synthesis review will be conducted to promote and recommend mechanisms for dialogue between Australian and Chinese partners on both technical and policy issues. The synthesis review will also identify areas and strategies for ongoing mutual learning and lasting partnership building.
- > **The China Australia Health and HIV/AIDS Facility** will continue to August 2012. Following the Facility's independent review in May 2011, its focus will remain on policy engagement for health care reform as well as strengthening and sustaining partnerships between Australian and Chinese institutions for policy research. Dissemination of experiences and a review of policy impacts will be key management tasks in the remaining period of the Facility.