



# China Annual Program Performance Report 2011

June 2012



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This report summarises progress of the China program in 2011 – the 30<sup>th</sup> anniversary of aid relations between Australia and China.

When Australia became the first western donor to China in 1981, China was the world's 15<sup>th</sup> largest economy. In 2012 it is the second largest. This demonstrates the success of China's three decade-long commitment to domestic economic reform and poverty reduction. The country's economic success, growing international status and role as a major global aid donor, have given donors like Australia cause to review our international development priorities with China.

## Context

### China's development

The People's Republic of China has met most targets under the Millennium Development Goals (MDGs). The number of people living on less than US\$1.25 a day – currently 150 million of its 1.35 billion people – is continuing to decline. By 2030, China could become the world's largest economy with high average income. However major economic, legal and social challenges remain. Over the next 20 years, China will need to deepen reforms to reduce the risk of a hard landing from its economic boom and to manage an ageing population, rising inequality, environmental stresses, and external imbalances.<sup>1</sup>

As an international power, source of investment and driver of regional and global economic growth, China is critical to development across the Asia-Pacific region and to global achievement of the MDGs. Its domestic stimulus package for example, played a major role in limiting the reach and depth of the 2008 global financial crisis. China's growing influence in the global economy and its expanding aid and commercial investments in the developing world underscore the importance of engaging China on how it delivers its assistance.

On a purchasing power basis, China's gross domestic product (GDP) per person (US\$8394) is higher than most other countries that receive Australian aid. Official development assistance (ODA) represents an extremely small proportion of resources available to China.

As a consequence, and in recognition of consistent economic growth since 1995, a number of donors have re-defined their aid programs to China. Germany's international cooperation agency GIZ ceased bilateral aid to China in 2009 but continues programs funded by other agencies. The United Kingdom ended bilateral aid in 2011 while continuing to engage China on issues of global and regional significance. Canada will phase out bilateral aid by 2014. The United Nations continues to have a substantial presence in China but is shifting away from poverty reduction towards technical skills transfer in key sectoral areas including health, environment and governance.

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<sup>1</sup> *China 2030: Building a modern, harmonious, and creative high-income society*, The World Bank and the Development Research Center of the State Council, the People's Republic of China, 2012.



## Australian aid for China

The shape and direction of AusAID's China Program over the last decade has responded to the country's rapid economic growth and will change markedly in coming years.

In 2011, Australia remained one of China's largest donors by volume of bilateral grant-based assistance, which was focused on health, environment and governance. Australia also made significant financial contributions in the areas of human rights and scholarships.

Total estimated Australian ODA to China in 2011–12 was \$35.7 million. The estimated outcome for 2011–12 is \$32.2 million, which includes a newly established fund of \$3.9 million for the purpose of working with China regionally.

## Program objectives and strategy

### New approach

In June 2011, following the Independent Review of Aid Effectiveness, the Australian Government announced that bilateral aid to China would phase out, while work on issues of regional and global importance would continue. The phase out of bilateral aid will be complete by 2013–14. Australian aid will shift from supporting China's national development towards collaboration to tackle regional and global development challenges. This shift recognises China's increasing economic resources, aid program and joint work with international donors.

Australia is working with China to bed down the reorientation of our development relationship. For example, following the AusAID Director General's visit to Beijing in December 2011, we agreed with China that no further Australian Development Scholarships would be offered, that the 2012 cohort of Australian Youth Ambassadors for Development in China would be the last, and that the Small Activities Scheme would also conclude. As a result of that visit, China is clear on the reasons for the decision to scale down the bilateral program and our desire to work with China on regional and international issues, particularly in the Pacific.



Areas of potential future cooperation could include:

- supporting provincial authorities in Yunnan to deliver services to minimise harm from HIV along the border with Burma, through a new regional assistance program starting in 2013
- redesigning the Human Rights Technical Cooperation Program, which has been running since 1997
- providing \$1.5 million in core funding to the China Council for International Cooperation on Environment and Development for its fifth phase of activities (2012–16) with emphasis on regional and global issues
- providing further support to the health sector in China’s Tibet Autonomous Region beginning late 2012
- implementing the newly introduced Public Sector Linkages Program for North Asia (which includes China), which is already funding new activities in climate change and economics.

AusAID Beijing is also working to identify and assess potential activities in third countries in the Pacific and Mekong, especially in the areas of health and environment.

### 2011 reporting framework

Given the China Country Program will end by 2013–14, AusAID will not prepare a further country strategy. This Annual Program Performance Report is also likely to be AusAID’s last for China.

For the purposes of this report, the 2006–2010 China Country Strategy remains broadly applicable, including the goal ‘to further mutual national interest by supporting China’s balanced development policies and working together in the region’. Four strategic objectives underpin the strategy:

- Objective 1: support China’s policy reform agenda in governance, environment and health.
- Objective 2: build capacity in selected sectors in China, in particular governance, environment and health.
- Objective 3: enhance the Australia-China relationship by building institutional linkages.
- Objective 4: work collaboratively to strengthen the region.



## Expenditure

Table 1: Total Australian aid to China: estimated expenditure in 2011–12

Objective	A\$ million	Percentage of total
Objective 1: Support China's policy reform agenda in governance, environment and health	9.98	31.0
Objective 2: Build capacity in selected sectors in China, in particular governance, environment and health	12.13	37.7
Objective 3: Enhance the Australia-China relationship by building institutional linkages	6.17	19.2
Objective 4: Work collaboratively to strengthen the region	3.92	12.2
<b>TOTAL</b>	<b>32.20</b>	<b>100.0</b>

Note: This table includes bilaterally funded and regionally funded AusAID initiatives plus other government departments' expenditure. A new regional fund including China was established in 2011 to transition away from bilateral aid to working with China regionally as a partner. This makes direct comparison with previous years difficult, where the focus was on bilateral funds.

## Progress against objectives

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

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

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.

For the purposes of this report, the timeframe of the strategy is considered to be until 2013–14 when bilateral aid to China will end.

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

### Assessment of results and performance

In 2011, AusAID engaged China on policy issues through two major facilities: the China Australia Health and HIV/AIDS Facility and the Australia China Environment Development Partnership. A third major facility, the China Australia Governance Program, concluded in 2010. Policy engagement also featured in the Human Rights Technical Cooperation Program and Australia's participation in the China Council for International Cooperation on Environment and Development.



Both the China Australia Health and HIV/AIDS Facility and the Australia China Environment Development Partnership conclude in 2012. These facilities have explicitly supported reform efforts, including through policy advice and legislative change. Activities have focused on exposing Chinese counterparts to Australian policy processes and systems, generating evidence to support policy options through research and pilots, and providing technical input to support the formulation of new legislation, regulations and policies. Policy engagement through the facilities has delivered good results.

Key achievements for 2011 under these initiatives included:

- *Better pollution control for water sources.* The Australia China Environment Development Partnership has contributed to the development of new regulations, a masterplan review and related governance arrangements for the Lake Tai Basin, which supplies water to over 30 million people. A new Algal Bloom Alerts Level Framework, as well as policy measures to reduce agricultural pollution, have been developed with broad community participation. Two municipalities (Suzhou and Huzhou) have also successfully adopted new hardware and software to improve wastewater treatment. As a result of the project, China's National and Suzhou Development and Reform Commissions and a consortium of Australian businesses, universities and Victorian Government agencies have agreed to establish a China-Australia Water Resource and Environment Cooperation and Research Centre.
- *National wetlands management.* The partnership has also improved China's ability to meet its international obligations to manage Ramsar Convention listed wetlands, of which there are 36 (covering 3.8 million hectares). Training and policy dialogue with Australian experts over two years led to development and adoption of China's National Wetland Park Assessment Guidelines, which incorporate a new common national framework for ecological description, and in 2011 were used to assess 13 applications for full National Wetland Park status.
- *Advising China on the environment:* AusAID's core contribution to the China Council for International Cooperation on Environment and Development has given us a seat at an important forum on environmental policy chaired by China's Executive Vice-Premier Li Keqiang. In addition to the participation of Roger Beale as a council member, Robyn Kruk co-chairs a taskforce on strategy and policies of environment and development in Western China, which will report in late 2012. Both Mr Beale and Ms Kruk are former secretaries of Australia's environment department.
- *Visit of Australia's Health Minister to China.* The China Australia Health and HIV/AIDS Facility supported the visit of Australia's Health Minister Nicola Roxon to China in April 2011, the first such visit in four years. Outputs included signing a three-year health plan of action for bilateral collaboration to strengthen health systems, respond to emerging infectious diseases, prevent chronic disease, control tobacco and promote food safety.
- *Helping deliver China's first anti-tobacco report.* Another result of Minister Roxon's visit was agreement for AusAID to help the China Ministry of Health deliver the *China report on harm of smoking and second-hand smoking*, the





China's national development, towards Chinese government agencies taking the lead on bilateral cooperation in governance, health and environment. The real test will be whether line agencies' bilateral relationships strengthen following the end of AusAID financial support. There are positive signs that this is happening.

#### Future actions

- Numerous Australian and Chinese government agencies, as well as academic institutes and other organisations, have activities underway or planned to take forward bilateral environment cooperation in the absence of bilateral aid. For example, following the second AusAID-funded High Level Water Policy Dialogue in February 2012, the Australian Department of Sustainability, Environment, Water, Population and Communities, and Chinese Ministry of Water Resources are finalising a program of work for future collaboration on water management.
- Policy engagement requires a relatively high level of human resources. The reduction in Beijing of A-based staff from two to one will mean careful decisions will need to be made about when and where to engage.

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

#### Assessment of results and performance

Capacity building is undertaken through a variety of means across the range of programs, including long and short term training, study tours, seminars and workshops, work placements and skills transfer (especially in the area of economic modelling).

Program achievements in 2011 included:

- *Health management skills.* Activities funded under the China Australia Health and HIV/AIDS Facility built capacity in policies and legislation, national standards, procedures and systems, competence and motivation of leaders and staff, networks and linkages, and the ability to learn from monitoring performance. Implementing agencies are demonstrating improved skills in developing proposal designs and in project management – including monitoring and evaluation – and producing evidence-based reporting. The facility has integrated capacity building and promoted cross-fertilisation across all activities. As a result of policy development training, staff in over half of health activities funded under the facility reported being able to develop better policy briefs, provide policy recommendations, and undertake better monitoring and evaluation, while three in 10 reported an increased ability to develop policy advice.
- *Environment management skills.* The Australia China Environment Development Partnership trained 335 Chinese professionals, including 195 public servants and 97 women. This training was completed through 29 study tours, 45 training events, and numerous collaborative activities on water resource management, environmental services and climate change. As a result



of one project, a wetland training centre was established in Wuzhong (Ningxia Autonomous Region) which can act as a pilot for similar training centres elsewhere in China. The partnership also established a basis for project partners to continue training activities into the future without aid, such as China's Ministry of Water Resources and Queensland's Department of Environment and Resource Management which agreed to collaborate on future training on water management issues.

- *Macroeconomic dialogue and tax policy.* Joint seminars and dialogue were held between the Australian Treasury and China's National Development and Reform Commission on macroeconomic and tax issues. AusAID's support provided a platform for Treasury and the Commission to strengthen their cooperation.
- *Domestic violence workshops.* Over 110 Chinese officials from the All-China Women's Federation, the Ministry of Justice, and 31 provinces and autonomous regions were trained to provide legal aid services to women and children who have experienced domestic violence, and to apply human rights principles and gender awareness to their work in China's judicial system.
- *Pilot program on community corrections.* Officials from the Chinese Ministry of Justice responsible for China's correctional system visited Australia to gain knowledge of Australian laws and processes, including how to apply human rights principles to community corrections programs.
- *China-Australia Leadership Program.* This program engaged the Organisation Department of the Central Committee of Chinese Communist Party to send a group of senior Chinese officials to Australia and New Zealand in October and November for a three week training course in human resource management and leadership. The program resulted in new links being established at senior levels with one of China's most important administrative organs.
- *Scholars for development.* This program successfully managed 33 students from the 2010 and 2011 Australian Development Scholarships and Australian Leadership Awards Fellowships intakes studying at Australian institutions.

#### Performance challenges to date

- Successive APPRs have noted the program's over-reliance on study tours as a means to build capacity, and the burden this has placed on Australian host organisations including AusAID.



#### Future actions

- In response to the observed over-reliance on study tours, the Human Rights Technical Cooperation Program is being redesigned. For example, from August 2012 at least a third of the program's forward budget will be directed towards three-year programs of work rather maintaining a predominance of short-term study tours.
- The last cohort of Australian Development Scholarships for China is in 2012, with 34 scholarships awarded to Chinese government officials for long-term study in Australia. Seventeen recipients are men and 17 are women. Ten are from China's poorer western provinces. Once the last students have returned to China in 2013–14, the program will close.

### Objective 3: Enhance the Australia-China relationship by building institutional linkages

#### Assessment of results and performance

Although difficult to measure, establishing institutional linkages remains one of the most critical objectives of the China aid program. AusAID's aim is to ensure that sufficiently good relations exist between Australian and Chinese institutions and organisations in the main sectors of focus, so that when AusAID steps back, others can carry on. The Public Sector Linkages Program plays an important part in this.

Despite the fact that China's thirst for technical collaboration is undiminished, progress towards achieving the partnership objective slowed significantly in 2011.

As ever, the potential for AusAID programs to promote institutional linkages has proven strongest where there is clear mutual benefit to both Australian and Chinese agencies, where Australia has an obvious comparative advantage and where both sides can access resources to pursue the partnership.

Key results in 2011 included:

- *Development cooperation linkages.* Following AusAID's Director General visit in December, AusAID and the Chinese Ministry of Commerce will consider establishing an aid working group.
- *Environment partnerships.* The Australia China Environment Development Partnership has created networks at different levels and across different types of organisations in each country. In April 2012, the partnership's synthesis workshop attracted 80 Australian and Chinese representatives from 13 government agencies and 15 other organisations who identified and progressed numerous opportunities for ongoing collaboration. Seven memorandums of understanding or major follow-up activities between Australia and China will sustain the collaboration.
- *Health partnerships.* Of the 50 activities implemented under the China Australia Health and HIV/AIDS Facility, 22 involve a new Sino-Australian partnership that was initiated by the facility. Further, 46 per cent of the partnerships have established a memorandum of understanding or are discussing collaboration beyond the facility. With the facility's support, Australia and China's health ministers signed a new three-year bilateral Plan



of Action on Health Cooperation (2011–14). The visit of Australia’s health minister to Beijing added significant political weight to the bilateral relationship on health, and both sides identified the facility as a successful vehicle for cooperation.

- *Establishment of the North Asia Public Sector Linkages Program.* The Public Sector Linkages Program is a competitive grant fund that supports capacity building in public sector institutions. In 2011–12, a whole-of-government panel approved the first tranche of AusAID funding for three Australian agencies (Customs, Treasury, and the Department of Climate Change and Energy Efficiency) to undertake activities directly with Chinese counterparts on issues of global and regional importance.
- *Prospects for long term collaboration.* Following the social security for migrant workers project, officials from the Ministry of Human Resources and Social Security and its State Insurance Administration will be trained in Australian experience and practice, which will be a reference model for improving the design and regulation of China’s social security system. Similarly, relationships formed between the Central Party School and the Australian National University, and the Australian Treasury and the National Development and Reform Commission, are continuing beyond the life of the governance program.
- *Strategic partnerships.* Under the auspices of the Central Party School-Australian National University memorandum of understanding, which was signed in June 2010, the Central Party School sent a delegation to Australia for the East Asia Forum in July 2011. Outputs from this event included five papers by school experts which were published in the *East Asia Forum Quarterly*. The visit strengthened relationships between the school and university and established a foundation for ongoing collaboration between top-tier academics and policy makers in both countries.

#### Performance challenges to date

- Mismatched expectations and capacity are a common problem with partnerships supported by the facilities. Often, activity designs have not clearly articulated partnership objectives and expected outcomes, identified the right partners, agreed at the outset on strategies to build and sustain partnerships, or adequately configured monitoring and evaluation systems to capture partnership outcomes.
- Chinese and Australian government agencies want to engage directly with each other, not through contractors. The use of private companies and consultants to forge what are essentially public relationships has reduced the ability of facilities to nurture sustained partnerships between government departments. Contractors and sub-contractors have found it difficult to get traction with both Chinese and Australian government officials, except in instances where they already had strong links (for example, they were current or former senior employees).
- Establishing a Public Sector Linkages Program mechanism for North Asia enabled AusAID to step back from a partnership ‘brokering’ role and put the



means and responsibility for success back onto to the main actors – the Australian and Chinese counterpart agencies.

#### **Objective 4: Work collaboratively with China to strengthen the region**

##### **Assessment of results and performance**

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.

As in previous years, progress in this area has been slow. China does not prioritise working with traditional donors in this area and its policy is underpinned by a commitment to 'South-South cooperation'. Gains will be slow and hard won.

In addition to the existing HIV/AIDS Asia Regional Program, we have identified some potential small-scale projects to take forward with China to build trust and put runs on the board. However, at the earliest, full implementation of these activities would be in early 2013.

Key achievements in 2011 included:

- *Global cooperation.* AusAID's Beijing Counsellor supported Australia's delegation to the November 2011 Busan High-Level Forum on Aid Effectiveness, which resulted in a new Global Partnership on Development Effectiveness being established, including with the agreement of China.
- *HIV/AIDS.* HIV prevalence rates in Yunnan province in 19 counties dropped from 32 per cent at the beginning of the HIV/AIDS Asia Regional Program to 27 per cent in 2011. Needle and syringe exchange intervention was integrated into the Yunnan government's health policy. More than 500 police officers from prisons and detention centres received harm reduction training in Yunnan and Guangxi provinces. More than 3600 detainees were provided with harm reduction training in Guangxi. The program supported research conducted by a Chinese non-government organisation that delivered improvements to national policy relating to the Dynamic Surveillance System used by the government to monitor registered drug users. The policy change approved the delisting of former addicts from the system after three years.
- *China and the world on environment.* Work co-funded by AusAID and the China Council for International Cooperation on Environment and Development has featured an explicit international focus, such as the 2011 Taskforce on Investment, Trade and Environment. This taskforce undertook research with field trips to Indonesia, South Africa and Zambia and delivered 20 practical recommendations for how China can improve the sustainable benefits of international trade and investment activities. This included China's impact in other developing countries, and specific promotion of South-South-North cooperation. Australia can support further council work on regional and global topics by suggesting specific taskforces or special policy research projects, and facilitating the contribution of Australian expertise toward these.

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- *International rivers.* With AusAID funding, the World Wildlife Fund for Nature worked with China's fourth largest hydropower company, Huaneng Power International, to assess sustainability of hydropower activities in the Lancang (Upper Mekong) river region and hold dialogue with stakeholders in Lower Mekong (Southeast Asian) countries.

#### Performance challenges to date

- The Chinese Ministry of Commerce Department of Aid to Foreign Countries is small and stretched, and collaboration with western donors is not a priority. This, and significant differences in aid delivery approaches between Australia and China, has limited the scope and pace of engagement.
- China has told us that it expects any development partnership to be based around issues of mutual respect and equality. The challenge is to find common ground on issues of mutual interest where we can deliver better development outcomes.

#### Future actions

- *HIV/AIDS activity along the China-Burma border.* The program could build on the successes of the HIV/AIDS Asia Regional Program activity above, and support the Yunnan government to provide services to Chinese and Burmese drug users and sex workers on the Chinese side of the border. We expect this \$3 million, three-year, harm reduction activity to be started in 2013. We also expect AusAID Burma program funds will support international non-government organisations on the Burmese side of the border to service the same groups. We will continue to ask Yunnan to co-finance parts of the program, to demonstrate their commitment to the partnership.
- *Global health training.* China's Ministry of Health has agreed to AusAID's request that a number of health policy makers from the Pacific be invited to participate in the 2012 round of the high-level health diplomacy training course to be held in Beijing in July 2012, with costs to be covered by the China Australia Health and HIV/AIDS Facility. This will provide an informal forum to make links with Chinese health policy makers to explore options to collaboratively tackle regional challenges, for example, drug-resistant malaria in Papua New Guinea.
- *Joint research on development challenges and gaps in the Pacific.* Chinese think tanks, including the International Poverty Reduction Centre in China and the Ministry of Foreign Affairs-affiliated China Institute of International Studies, have indicated a willingness to work with Australia to look at development challenges in the Pacific. A broader research proposal has yet to be agreed within AusAID.



## Program quality

The quality of aid activities across the China program was adequate in 2011 (table 3), and there were improvements. The most significant was the shift of objective four from red to amber (table 2). This resulted less from any major change on the ground but rather a clear direction and expectation delivered to Post and the Chinese side via the Director General's visit in December 2011. AusAID and China are clear that this is now the priority for the relationship. With the end of the bilateral program in sight, the pipeline of projects nearing completion is under better control than in 2010.

More broadly, it remains difficult to know what success looks like in China despite long-term efforts to improve monitoring and evaluation across the suite of programs. This is partly because the objectives of the bilateral program were very broad and partly because reporting on individual activities undertaken under the Human Rights Technical Cooperation Program and the three facilities has been mixed. The China Australia Health and HIV/AIDS Facility has performed better over time, due to a combination of the openness of Ministry of Health to work with donors, the responsiveness of the contractor, the high quality of the partnership and the access Post has had with counterparts over the long term.

The China program takes a dual-track approach to promote gender equality. The multi-donor China Gender Facility, under which AusAID has so far been the largest donor, contributes to improving gender equality in Chinese policies, laws and regulations. The environment and health programs both have a gender strategy and mainstream gender into their activities. However, there is room for improvement with attention to gender issues across the program. There are gender equity champions in China, including the All-China Women's Federation, which has been identified in the redesigned Human Rights Technical Cooperation Program as an important partner.

Identifying and implementing regional programs with China is difficult and will take time.



Table 13 Quality at Implementation

Initiative name	Relevance	Effectiveness	Efficiency	Monitoring and evaluation	Sustainability	Gender equality
China Environment Program 2006–2012	5	3	3	3	4	4
International Finance Corporation China Project Development Facility, Phase 2	3	4	4	4	3	3
China Health Program to 2013	5	5	4	4	5	4
Human Rights Technical Cooperation 2011–12	5	3	3	3	4	4
China Australian Development Scholarships – initial	4	3	4	4	3	4
China Australian Development Scholarships 2011 intake	4	3	4	4	3	4

Definitions of rating scale:

Satisfactory (4, 5 and 6) Less than satisfactory (1, 2 and 3)

6 = 6 = Very high quality

5 = 5 = Good quality

4 = 4 = Adequate quality; needs some work

3 = 3 = Less than adequate quality; needs significant work

2 = 2 = Poor quality; needs major work

1 = 1 = Very poor quality; needs major overhaul

### Multilateral cooperation

Under the China program, AusAID has worked with multilateral agencies such as the International Labour Organization, United Nations Development Programme, World Health Organization and the International Finance Corporation. These United Nations agencies and the International Finance Corporation all hold the achievement of the MDGs as central to their country strategies. Their strategic agendas, though all different, have been developed to address those challenges. Cooperation with multilateral agencies provides opportunities for us to boost influence through relatively small investments, particularly given other bilateral donors are vacating the field.

Key achievements in 2011 included:

- The World Health Organization invited AusAID’s principal health adviser to participate in an independent international review of China’s health care reform process. This was a major achievement for AusAID’s China program and underscored the level of trust developed over decades with China’s Ministry of Health.
- Tobacco control is a weak, difficult and sensitive area in China which requires strong promotional work by the World Health Organization. Its China office has made efforts to address this policy gap through funds and technical expertise, notably to deliver the *China report on harms of smoking and second-hand smoke* with AusAID’s involvement.
- AusAID supported the International Labour Organization to promote equality in the workplace through the Ministry of Human Resources and Social



Security and with the participation of civil society organisations and labour inspectorates.

## Management consequences

The key difference between this and the 2010 APPR is new clarity on the way ahead for AusAID in China. Given the bilateral program is ending, this APPR does not suggest improvements to existing modalities, though there is still much that we can learn from our experience in China of dealing with a middle-income emerging power whose progress and development is critical to our own. There is also much to be learned about AusAID's relationships with other government departments, including the best circumstances and means to support their interests.

- *Clearly articulate program objectives.* The lesson of the three facilities is that without clearly articulated objectives, results are more difficult to demonstrate. As we move towards a regional approach that will ideally see us work with China as equals to assist poorer countries in the region, we will do well to learn the lessons of the facilities.
- *Move from the national to the regional and global.* As China grows, its influence on issues of global and regional importance, including in the health and environment sectors, grows too. AusAID has worked hard to build the relationships and partnerships it needs to successfully pursue development outcomes in China. We should now seek to use these same relationships to more effectively influence China's policies regarding key global issues like climate change and transboundary health.
- *Set realistic objectives for global/regional collaboration.* Australia is likely to remain more interested than China in engaging on regional and global development issues. We need to define this objective and its expected outcomes realistically. Engagement needs to be gradual, persistent, evidence-based and backed by sufficient human resources in Beijing as well as by AusAID line areas and Posts in countries where collaboration is desired.
- *Consider AusAID's value-add.* Over the course of the last decade, AusAID in China has moved away from traditional poverty reduction and development activities towards policy reform and partnership building, working in many instances on behalf of other Australian Government departments in specialist technical areas like health, governance and environment. The Public Sector Linkages Program is a very useful measure in this regard.
- *Share experiences on the use of facilities.* For several years now the facility model has been the primary modality for aid delivery in China. As previous APPRs have stated, the facility model – while flexible – has resulted in a proliferation of small and disparate activities which take time and resources to manage, and diluted expected partnership and development outcomes due to excessive tendering and use of managing contractors. AusAID's experience with the facility model in China has been reported on annually through standard quality and evaluation procedures and can be shared via other forums.