

# **China Australia Governance Program Mid Term Review**

**Final**

**August 5<sup>th</sup>, 2008**

Note that the views expressed in this report are those of the independent consultants, and are not necessarily the views of AusAID, or any associated Chinese or Australian Government Department.

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## Acronyms

ADS	Australian Development Scholarships
AMC	Australian Managing Contractor
AQAG	Advisory and Quality Assurance Group
C1/2	Component 1/2
CAGP	China Australia Governance Program
CB	Charter Board
CCLA	China Centre for Leadership Assessment
COD	Central Organisation Department
CPS	Central Party School
GPF	Government Partnership Fund
HAI	Hassall and Associates International
ICC	International Cooperation Centre
KPI	Key Performance Indicator
M&E	Monitoring and Evaluation
MG	Management Group
MOFCOM	Ministry of Commerce
MTR	Mid Term Review
NDRC	National Development and Reform Commission
PD	Project Director
PDF	Program Design Framework
PMO	Program Management Office
T1	Theme 1
WoG	Whole-of-Government

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## Executive Summary

### Background of the Program

The China - Australia Governance Program (CAGP) commenced development in early 2002.

The goal of the CAGP is to *support governance for poverty reduction in China*. This goal explicitly recognises the link between improved governance and effective poverty reduction. The purpose of the program is to *support China's governance reform and development agenda in areas of mutual interest to China and Australia*.

The three objectives of the program are to a) to support strategic engagement between Australia and China in order to progress priority governance issues; b) to support development and implementation of specific policy initiatives; and c) to provide administrative support for MOFCOM and AusAID's management of the Australian Development Scholarships (ADS) Program.

Component 1 of the program is a series of small activities (approximately \$250,000 over 12 months) which aim to partner Chinese and Australian agencies to meet a governance related development need. Component 2 provides for the more long term engagement over several years and these activities are resourced to approximately \$2m to \$3m. The third component is the Australian Development Scholarship Scheme and is being managed under the CAGP for convenience,

The program was intended to adopt the partnering approach. The key implementing partners are AusAID, the Government of the People's Republic of China's Ministry of Commerce, the Chinese National Development and Reform Commission, and Hassall and Associates (as the managing contractor).

In addition to the above main implementing agencies, several other Chinese agencies have also been identified as having a key role in the program. These include the Central Party School (CPS) and Chinese Centre for Leadership Assessment (CCLA) of Central Organization Department (COD, a ministry level department in the Communist Party structure).

### The Objectives of the Mid Term Review

A Mid Term Review (MTR) was required to assess the progress and management of the Program. AusAID will be developing an Issues Paper of the China country program for consideration by the Executive in October 2008. The findings and suggestions of the CAGP MTR will feed into this issues paper.

Broad Objectives of the MTR are to assess: relevance of objectives; effectiveness in achieving the stated objectives; efficiency of management/implementation; impact; and likely sustainability of what is being achieved. Lessons learnt and changes required were to be recommended. In light of the Issues Paper of the China country program for consideration by the Executive in October 2008, consider whether there are lessons in delivery and implementation that could feed into that exercise.

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## Methods

The mid term review adopted a utilization-focus to the development of the methodology which is reflected in the participatory approach to design, conduct, identification of feasible, affordable recommendations and reporting.

This methodology, and the original terms of reference can be found at Annex 1. It describes the review objectives, sampling method, methods of data collection and their limitations, identifies interview respondents and documents required for documentation reviews.

The overall MTR design adopted the case study approach where four activities were selected from Component 1 (C1) and one thematic area from Component 2 (C2). The intention was not to conduct an evidence-based evaluation of these activities, rather to explore design and implementation issues in detail to identify more strategic issues of relevance to the program as a whole.

Section 1 provides a navigation tool for different audiences to locate relevant sections in the report. Audiences have been identified as AusAID Executive and their Whole-of-Government partners; the Partnership Policy Unit; and the direct CAGP implementation stakeholders.

## Findings

### ***Strategic Engagement***

This Mid Term Review of the CAGP raised a number of key issues of particular relevance for Australia Whole-of-Government and AusAID Corporate levels. The reader is encouraged to consult the stand-alone paper at Annex 2.

Is such a program needed? Despite its rapid development, China's recent growth has been very unevenly spread and much of the country remains poor. Governance is problematic in many fields, creating uncertainty concerning the economic and environmental sustainability of China's growth. As well as supporting sustainability, a program ensures mutual learning to deal with potential future shocks. National interests are driving China to steadily deepen its reforms (see Annex 2 Section 4). As a middle power, Australia is seen as an ideal partner in a number of fields. There are opportunities to enable both sides to transfer ideas, experiences, and practices to their mutual benefit.

**The CAGP should make an important contribution to Australia's engagement with China, and in so doing it meets significant national and regional interests. Distinct levels of the national interest (also see Annex 2) are in fact served. These include reduction of uncertainty, mutual security, sustainability and solutions to common problems. Developing the full potential of such an initiative implies a whole-of-government approach; this issue lies beyond the terms of reference of this review, hence is simply mentioned here.**

### **Governance as a Priority Sector in the China Country Program**

Governance (explored in more conceptual detail in Annex 2, Section 2.1.1) is a critical dimension of any effort Australia makes in this regard. Governance explicitly includes government functions which are relevant to the economy, but is not restricted to them. China's staggering economic growth rests on a governance framework, the key terms of which are neither purely political nor purely economic but a zone of intersection of the

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two. In the usage adopted here, governance is the highest level at which Australia can make a difference (with small budgets). It allows the transfer of experiences and enhances capabilities for cooperation and solution of common problems. These may involve technology or specialist knowledge-intensive fields like the environment and health. It creates the core skills for sustaining these national interests into the future.

Dealing with China is inherently more complex than with most other countries in our region. It has an existing framework of its own which conditions how external models are received (See Annex 2, Section 2.1.2 and Section 3). By engaging with China at the level of governance we ensure our own institutional learning is on track (See Annex 2, Section 5). The benefits to Australia of engaging with China are significant.

### ***Partnership Outcomes***

There is a lack of agreement about what the intention of the CAGP partnership approach was, and at the most fundamental level. Does the Chinese need for technical assistance drive the identification and development of the partnership; or, does the identification of suitable partners for long-term mutual benefit drive the selection of technical assistance in an area of mutual interest? Was partnership the desired outcome for long-term gains to Australia and China, or was it largely a development cooperation facility that used a partnership approach to gain development outcomes? Was CAGP designed to achieve sustainable government to government agency partnerships, or were partnerships conceptualized as China to Australia relationships more broadly and inclusive of a range of stakeholders such as private contractors with a particular area of technical expertise?

The ambiguity of what the partnership approach was intended to achieve resulted in outcomes that may not have been intended at the time of design. An important example of this was in Component One which was designed to enable China and Australia to develop long-term partnerships between government departments. A lack of clarity on outcomes and approaches to sustainable partnership outcomes resulted in the hiring of private consultants to deliver the development or technical work described in the proposals. This reduced the capacity of the program to achieve the intended sustained partnership outcomes between government departments.

The report proposed a conceptual framework to facilitate thinking about partnership, and goes on to assess the types of partnership outcomes realised by the program. These include a wide range of partnership outcomes from the simple and unsustainable, to more complex sustainable partnerships. In over 50 percent of activities funded under the program there was no partnership with an Australian government agency, rather a contractual relationship with a private provider. This reflects more typical development assistance projects and is not considered compatible with partnership approaches as described in the proposed conceptual framework.

It explores in depth why partnerships with Australian government agencies have been difficult to achieve, identifying such issues as: a limited whole-of-government approach to engagement; the use of a managing contractor as the proponent for stimulating interest and securing commitment; confusing partnership and development outcomes as the primary purpose of the program; and a lack of resources for relationship building. The report provides a detailed analysis of the factors that were identified that influenced the partnership outcomes.

There is no doubt that the strategic importance of China to Australia is well recognised. For example, one of five posted Australian treasury officials is in China. However, development and partnership programming is not fully recognised as a whole-of-

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government priority for advancing this interest in the case of China. It is also the case that those internationally focused divisions within Australian government agencies with strategic interest in China are not always those areas within the agency that would assist to advance this interest through the CAGP. Clearly, Chinese partners are more interested in working with domestically focused functional divisions, rather than international divisions. It is therefore crucial that the engagement of China through the CAGP emerge from high level whole-of-government directions to engage.

### ***Development Outcomes***

CAGP was intended not only to establish and sustain government to government partnerships, but an equally important outcome of the program was to achieve development outcomes and implementation of specific policy initiatives. Indeed although the focus of Component 1 was on partnerships, component 2 was not designed to have partnership outcomes as the principle objective. This section focuses specifically on the achievement of these development outcomes.

Overall, despite the constraints in terms of partnership outcomes, the CAGP has achieved positive outcomes in a large number of areas. What are worth considering are the potential gains to Australia for such a small investment. In several cases (though by no means all), for about \$250,000 Australia has been able to either contribute to the enabling environment for reform, support the implementation of new policy through trials, or significantly influence the content of a number of new policies or plans. Australia has been able to achieve this while maintaining a reputation for being a trustworthy, flexible and welcome facilitator of reform. With improved design in the future, the potential of this and similar programs is extraordinary for such a small investment.

AusAID partnership programs are often focused on the development of policy dialogue, and policy processes. This translates into a range of approaches that don't always end in an easily defined development outcome. As most activities are funded for a twelve month period with limited budgets, it is unlikely that partners will achieve substantive changes in policy implementation or reform. So what is it, exactly, we are trying to achieve in these types of programs? What is a legitimate development outcome in a Partnership Program focusing on policy and reform issues? Is raising awareness of the need for reform enough? Or do we expect to see outcomes such as new capacities demonstrated back in the usual work setting, changes in legislation realised, or development of new policies that have been fully endorsed by the senior executive? Answers to these questions are also related to the basic intent of the work (partnership versus development outcome), but are often poorly articulated in activity documentation. This can, at times, result in differing expectations between implementation partners and external reviewers, or AusAID, about the extent of achievements of an activity funded under the program.

The report explores these types of outcomes under policy dialogue and reform programs, an emerging area of the aid program. These include legitimate outcomes such as raising awareness, enhancing knowledge, raising the profile of reform work, extending national research activity, speeding up reform processes, and facilitating the communication between relevant policy agencies. This analysis allows for more detailed considerations at the design stage of similar programs, as well as advancing our understanding of suitable M&E systems for similar programs. The report also explores the key factors that have influenced the achievement of development outcomes.

The discussion on the tension between partnership and development outcomes is examined with a conclusion that with any future versions of CAGP, clarity is required in

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the design about the extent to which AusAID would like to balance partnership with development outcomes. If there is a desire to enhance sustainable partnership outcomes, then suitable approaches will need to be reflected in the design. This would include consideration of the extent to which AusAID can invest in supporting a more systematic engagement of whole-of-government partners. Without addressing the capacity (including resources) of whole of government partners to engage, it is unlikely that a substantial number of true sustainable government to government partnerships will be possible.

### ***Efficiency and Effectiveness of the Management or Implementation Systems***

A selection of key issues is identified below:

#### *Strategic Oversight and Management*

The strategic oversight of the program has been compromised by an overwhelmingly complex reporting system that distracts program implementation team members as well as the Management Group, Charter Board and the independent Advisory and Quality Assurance Group from performing their strategic functions. Other issues are explored relating to the challenges and conflicts that emerge when using a managing contractor to implement a partnership program as an equal partner. The roles and functions of the AQAG are also examined in detail as they have not been constrained from making a more effective contribution due to process issues, and a lack of independence from the contractor.

#### *Monitoring and Evaluation Systems*

Although the CAGP has invested an enormous amount of energy in developing a useful M&E system, the current system was found to be highly complex, did not reflect typical standards of the design of such systems, and had not to date generated actual evidence of performance. The system is based on opinion reporting from contracted implementation personnel and is not validated using an acceptable methodology. There is a focus on evaluating documents, not activities. Some positive features were identified, but the weaknesses were having a detrimental effect on the program's capacity to demonstrate achievement and identify and respond to strategic issues.

The current approach to contractor performance payments has some shades of conflict of interest with limited actual independence in judging performance. The implications of this are examined.

#### *Staffing*

The staff recruited to work in the Beijing program office are of a particularly high standard with significant talent and commitment evident in their work. This group has enormous potential which is currently being underutilized from a focus on a high administrative load, rather than an exploitation of their qualifications and talents.

#### *Value for Money*

The CAGP provides for an extraordinary opportunity for Australia to make significant gains in our relationship with China for a very modest investment. To date the CAGP has succeeded, despite the challenges in its design, to gain access to and acceptance by key Chinese government agencies.

For example, the CAGP played an instrumental role in facilitating the relationship between Treasury and their growing network of partners in China, including the NDRC.



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The success of this should not be underestimated as NDRC are highly selective of who they partner with. Treasury considers that CAGP played a critical role in this outcome. Treasury is now moving forward into a more formal and structured relationship with NDRC. These kinds of successes make a compelling case for continuing the investment and to progress the gains already made.

#### *Gender Equity Policy Implementation*

The CAGP is considered to be performing very well in engaging with gender equality issues within the program and there have been considerable steps taken to ensure a gender sensitive approach to the program, particularly after the release of the Australian White Paper on the aid program and the release of the 2007 gender policy. Areas where improvement can be realised relate to: the donor driven nature of the gender equity strategies; improved form of the AQAG support to gender equity; clarity of gender objectives; and the monitoring and evaluation of gender equity performance.

#### ***Resourcing and Implementation Pace of the CAGP***

Currently about 90% of CAGP funding has been committed with two years remaining on the program. Approximately \$1.2m remains to be committed across Components 1 and 2. This is *in addition* to funds quarantined from the Trust Fund in case the contractor is awarded stretch payments, as allowed for in the contract. The \$1.2m will be sufficient to complete the program commitments and to add some additional work to consolidate on work carried out this far. Causes and implications of this are addressed.

#### ***The Way Forward and Summary of Recommendations***

##### *Whole-of-Government Senior Officials (including AusAID) Considerations*

- Consider future directions of Australian development engagement with China through a whole-of-government response. This could include a clear articulation of the extent to which Australian agencies are expected to engage and on what matters, and the provision of executive support that translates into time and financial resources to participate in the engagement.

##### *AusAID Corporate and Country Program Strategic Considerations*

- Consider inclusion of specific involvement of the AusAID W-o-G unit, in the Development Partnerships branch. This would be direct liaison activities to facilitate engagement of Australian Agencies in the CAGP and other partnership programs across the agency (rather than relying on the contractor which is the current approach).
- Under a possible new China Country Strategy consolidate the role of governance as a priority area of work, including governance aspects of the other sectoral areas of health and environment.
- Consider whether a new governance program should be primarily focused on partnerships or on development outcomes (or a combination)

##### *Completing CAGP without Additional Resources Allocated*

- Adopt AQAG recommendations excepting the addition of an additional mission
- Reduce the Frequency of MG and CB Meetings
- Shift the Emphasis of the PMO from Administration to Development Value-Add
- Enhance the Quality of Reporting

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- Enhance Gender Equity Policy Implementation Performance
  - Review the Criteria for ADS Selection

*A Future Governance Partnership Facility under a new China Country Strategy*

A series of recommendations on improved partnership design are presented in Annex 4. With respect to MTR recommendations on the focus of the content work, detailed discussions are presented.

The MTR envisages a program that would institute both a whole-of-government and a sectoral approach. In the whole-of-government approach, the approach would identify the progress made and examine remaining problems in budget processing and public expenditure, the tax system, the civil service, the fight against corruption, regulatory management and organisational structures of government entities.

The sectoral approach looks at how governance issues affect policy-making, its efficiency and effectiveness in different sectors. Again, the idea is to review progress made and to identify and analyse remaining weaknesses. The project could cover 10 policy sectors: labour policies, the banking sector, competition, intellectual property rights, foreign investment, social security/welfare, corporate governance, agriculture, environment protection and higher education.

Three broad areas require reform effort: Modernise the governing tools (regulatory framework, budgeting, and civil service) and adapt these to a market-driven economy; adjust the relations between levels of government; consolidate the institutional framework for market forces.

Suggestions for enhancing gender equity performance are also discussed.

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# 1. Background

## 1.1 China-Australia Governance Program

The China - Australia Governance Program (CAGP) commenced development in early 2002. Following a number of in-country design missions and internal and external reviews of the evolving design, the Program Design Framework (PDF) was finalized in June 2003. A tender process was then initiated to select a Partner Contractor, using participatory workshops to assist the refinement of the Program Design Framework in accordance with Partnering principles. In August 2004 Hassall and Associates International was selected as Australian Managing Contractor (AMC), and implementation commenced in September 2004.

The development of the program design represented an iterative process, with each step building on the positive aspects and the lessons learned in the previous steps. The overall program continues with this approach, to enable it to respond flexibly to new developments and to incorporate and build on learning.

The **Goal** of the CAGP is to *support governance for poverty reduction in China*. This goal explicitly recognises the link between improved governance and effective poverty reduction.

The **Purpose** of the program is to *support China's governance reform and development agenda in areas of mutual interest to China and Australia*.

The Program comprises three components:

The objective of Component 1 is “to support strategic engagement between Australia and China in order to progress priority governance issues”. Component 1 is designed to provide a facility through which the CAGP can fund small-scale, short-term governance activities in priority areas, and to provide a mechanism through which the CAGP can flexibly and rapidly respond to governance proposals from Chinese and Australian organisations.

The objective of Component 2 is “to support development and implementation of specific policy initiatives”. Component 2 is intended to involve a small number of projects, particularly at the sub-national level, through longer-term sustained assistance. The first two policy themes were identified as Fiscal Reform and Removing Trade Barriers to Empower the Poor. The third one is Social Security for Migrant Workers with a focus on *retirement pension*.

The objective of Component 3 is “to provide administrative support for MOFCOM and AusAID's management of the Australian Development Scholarships (ADS) Program”. Under this component the AMC provides administrative support for the program only, while management of the ADS program remains the prerogative of MOFCOM and AusAID.

The CAGP is implemented in partnership by AusAID, the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and Hassall and Associates International (HAI). The Program Management Office (PMO) is located in Beijing staffed with counterparts from the International Cooperation Centre (ICC) of NDRC which is the implementing agency.

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In addition to the above main implementing agencies, several other Chinese agencies have also been identified as having a key role in the program. These include the Central Party School (CPS) and Chinese Centre for Leadership Assessment (CCLA) of Central Organization Department (COD, a ministry level department in the Communist Party structure). The PDF identifies these organizations as having a key role in disseminating the lessons learned through CAGP.

The partnering approach is described in the Program Partnering Charter (Charter) as amended from time to time by the Charter Board. The Board comprise representatives from AusAID, MOFCOM, NDRC and AMC, and is the ultimate authority for the CAGP.

A Management Group comprising representatives of each of the Program Partners was set up to be responsible for the management of the CAGP in accordance with the direction established from time-to-time by the Charter Board. NDRC and the Partner Contractor are core members, and work together on a day-to-day basis. Representatives from AusAID and MOFCOM may participate in Management Group meetings as required

An Advisory and Quality Assurance Group (AQAG) was set up for reviewing the selection of activities in Component 1 to report on the benefits achieved by this component. This is an annual activity and findings are presented in the Quality Assurance Report (Component1). In Component 2 AQAG is engaged throughout the full project cycle to ensure the lessons are incorporated, risks are managed, quality outputs are achieved and the results framework is sound and reflects the best possible understanding of how to deliver real outcomes that contribute to the goal of the CAGP. In addition, the AQAG members complete a survey on an annual basis to assess the related Key Performance Indicators.

## **1.2 Mid Term Review: Objectives and Methods**

### ***Objectives***

A Mid Term Review (MTR) was required to assess the progress and management of the Program. AusAID will be conducting a MTR of the China country program at the second half of 2008. It is hoped that the findings and suggestions of the CAGP MTR could feed into the mission of the country strategy review.

Broad Objectives of the MTR are:

Relevance of objectives: through a mid-term desk and field review of the Program, assess whether the objectives of the Program are still relevant and focused enough on priorities and mutual interests of both China and Australian.

Effectiveness in achieving the stated objectives: assess the extent to which CAGP activities attain or likely to attain its objectives.

Efficiency of management/implementation: assess whether the program management has met AusAID's quality standards for program implementation and will deliver the expected outputs and outcomes including an analysis of monitoring and evaluation undertaken by the CAGP.

Impact: to assess whether there has been evidence of significant results/changes produced by the Program, directly or indirectly, intended or unintended.

Likely sustainability of what is being achieved: to assess whether the Program achievements are likely to continue beyond CAGP life.

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Lessons learnt and changes required/recommended: advise AusAID on how the Program could be improved, including modifications to the design to produce more effective implementation and compliance with AusAID's policies; identify good examples; and make specific recommendations on the next steps AusAID should take.

In light of the upcoming MTR of China country program, consider whether there are lessons in delivery and implementation that could feed into the review exercise to be undertaken by AusAID in the second half of 2008.

### **Methods**

In order to more fully elaborate the design of the MTR, the team developed a utilization-focused methodology in consultation with AusAID and the CAGP Project Management Office. This methodology, and the original terms of reference can be found at Annex 1. It describes the review objectives, sampling method, methods of data collection and their limitations, identifies interview respondents and documents required for documentation reviews.

The overall MTR design adopted the case study approach where four activities were selected from Component 1 (C1) and one thematic area from Component 2 (C2). The intention was not to conduct an evidence-based evaluation of these activities, rather to explore design and implementation issues in detail to identify more strategic issues of relevance to the program as a whole.

As the review is not intended to provide *proof* of achievement of stated outcomes of the CAGP, no primary data was collected for any of the four case studies beyond stakeholder perceptions during interviews. Output and outcome data reported in Progress Reports was reviewed and incorporated into the findings. The M&E system was found to generate very limited data. As a consequence the MTR had very limited evidence of achievement beyond stakeholder perceptions. However, the multiple perspectives have strengthened confidence in the findings where primary data was not available. Although reliability and validity of findings will be weaker than if a formal outcome evaluation with the collection of primary data had been carried out, this was well beyond the resources available to AusAID for this MTR. Many of the findings will be based on a combination of stakeholder perceptions and the professional judgment of the MTR team.

The four activities selected from Component 1 were:

Title of Activity	Australian Partner Agency	Chinese Partner Agency	Inception Date	Budget AUD
0415-0601: Improve Transparency and Monitoring of Investment (Phase 1 and 2)	Monash Uni Vic Dpt Infrastructure	Supervision Dpt NDRC	May 2005	\$505,493
0420-0605: Research on China Leadership Performance Appraisal Systems (Phase 1 and 2)	Private Contractor (AusAID)	China Centre for Leadership Assessment	Nov 2005	\$483,494
0511: Defining Targets and Strategies to Enhance Capacity for Risk Management in Chinese Banking (One Phase)	APEC SC Treasury	DRC of State Council NDRC	Oct 2007	\$207,050
0514: Fraud Control in Social Security Payments	Centrelink	MOLSS	Nov 2006	\$215,725

For Component 2, the first thematic area of Fiscal Reform was selected as the only completed thematic area and was selected as the final Activity.

### 1.3 Report Structure and Relevant Sections for Different Audiences

The Terms of Reference for this review were broad and included a large number of review questions as described in the methodology. This will, by necessity, result in a lengthy report. To facilitate efficient negotiation of the report, this section describes the logic of the report structure and provides guidance to different reading audiences about which sections of the report would be of most relevance.

In Section 2, the report begins with a description of strategic Whole-of-Government (WoG) questions that have emerged from the CAGP MTR. This is supported by Annex 2 which provides a detailed analysis of contextual factors that are relevant to these issues. These sections are of particular relevance to **AusAID executive and their Whole-of-Government Partners** in addition to the direct Chinese and Australian stakeholders of the CAGP.

Section 3 provides a conceptual framework for considering notions of partnerships, which is an important area of emphasis of the MTR. This is followed by Section 4 which presents the findings from the five case studies of how CAGP has been fairing with respect to their partnership approach. It should be noted that when CAGP was designed, there was less developed thinking internationally about partnerships. Therefore it is important to recognise that CAGP is being judged against criteria developed from current knowledge, rather than criteria of partnership performance developed during the design phase of the initiative. The associated Annex 4 provides a summary of more generic design issues that have emerged from this review with respect to partnership

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programs. This may be of interest to the **Partnership Policy Unit** in addition to the direct Chinese and Australian stakeholders of the CAGP.

The remainder of the report is relevant to direct stakeholders and addresses the remainder of the terms of reference. Section 5 examines concepts of development outcomes, and also provides a summary of findings from the case studies of the types of achievements seen under the CAGP. This may also be of interest to the **Partnership Policy Unit** when considering the development outcomes related to policy dialogue, which is often an intervention of partnership program.

Section 6 considers the quality of the outputs delivered under the program while Section 7 goes on to address the efficiency and effectiveness of the management and implementation systems, including the quality of implementation of the AusAID Gender Equity Policy. Section 8 is dedicated to an analysis of the history of the pace of resourcing of the program.

While the main report summarises the findings of the case studies, Annex 3 provides all findings for each review area for each case study. It forms the basis by which case study findings were made.

Section 9 then considers the way forward. This is approached from two angles. First, recommendations that could be considered where *no additional* resourcing is available, and recommendations for what ought to come next after the completion of CAGP with respect to governance and partnership programs under the Country Program Strategy.

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## Section 2: Strategic Issues

### 2.1 Strategic Engagement

This Mid Term Review of the CAGP raised a number of key issues of particular relevance for Australia Whole-of-Government and AusAID Corporate levels. The reader is encouraged to consult the stand-alone paper at Annex 2.

Is such a program needed? Despite China's rapid economic growth and poverty reduction achievements, China still faces challenges relating to the unbalanced, inequitable and potentially unsustainable growth. Governance is problematic in many fields, creating uncertainty concerning the economic and environmental sustainability of China's growth. As well as supporting sustainability, a program ensures mutual learning to deal with potential future shocks. National interests are driving China to steadily deepen its reforms (see Annex 2 Section 4). As a middle power, Australia is seen as an ideal partner in a number of fields. There are opportunities to enable both sides to transfer ideas, experiences, and practices to their mutual benefit.

**The CAGP should make an important contribution to Australia's engagement with China, and in so doing it meet significant national and regional interests. Distinct levels of the national interest (also see Annex 2) are in fact served. These include reduction of uncertainty, mutual security, sustainability and solutions to common problems. Developing the full potential of such an initiative implies a whole-of-government approach; this issue lies beyond the terms of reference of this review, hence is simply mentioned here.**

### 2.2 Governance as a Priority Area of Work under the Country Program Strategy

Governance (explored in more conceptual detail in Annex 2, Section 2.1.1) is a critical dimension of any effort Australia makes in this regard. Values on the highest level, such as electoral democracy, which are foundational to Australia's political order, may be perceived as alien to China's, must be carefully put to one side. What remains is more than a set of administrative formulae or organisational charts, however. It comprises values in the form of "rules of the game" of intermediate rank.

Governance in this sense explicitly includes government functions which are relevant to the economy, but is not restricted to them. China's staggering economic growth rests on a governance framework, the key terms of which are neither purely political nor purely economic but a zone of intersection of the two. In the usage adopted here, governance is the highest level at which Australia can make a difference (with small budgets). It allows the transfer of experiences and enhances capabilities for cooperation and solution of common problems. These may involve technology or specialist knowledge-intensive fields like the environment and health. It creates the core skills for sustaining these national interests into the future.

Dealing with China is inherently more complex than with most other countries in our region. It has an existing framework of its own which conditions how external models are received (See Annex 2, Section 2.1.2 and Section 3). By engaging with China at the level of governance we ensure our own institutional learning is on track (See Annex 2, Section 5). The benefits to Australia of engaging with China are significant.



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## Section 3:

### Strategic Government Partnerships or Development Assistance: What *is* the Purpose of the CAGP?

#### 3.1 Conceptual Framework for Partnerships

AusAID is increasingly moving towards the adoption of the government to government partnership approach in the delivery of the Australian Aid Program. There is limited documented evidence of the intent and effectiveness of these programs from the *partnership* perspective, especially in the documentation of these programs. This MTR will build on the findings from the recent Indonesian Government Partnership Fund Mid Term Review in May 2008, and the 2007 and 2008 Annual External Outcome Evaluations of the Public Sectors Linkages Program. The MTR was also designed to provide insights into partnership program implementation into the Partnership Policy Unit in Canberra. Therefore, CAGP partnership outcomes and approaches are addressed in detail in this report.

There is a lack of agreement about what the intention of the CAGP is, and at the most fundamental level. Does the Chinese need for technical assistance drive the identification and development of the partnership; or, does the identification of suitable partners for long-term mutual benefit drive the selection of technical assistance in an area of mutual interest? Was partnership the desired outcome for long-term gains to Australia and China, or was it largely a development cooperation facility that used a partnership approach to gain development outcomes? Was CAGP designed to achieve sustainable government to government agency partnerships, or were partnerships conceptualized as China to Australia relationships more broadly and inclusive of a range of stakeholders such as private contractors with a particular area of technical expertise?

One point of clarification here is that CAGP presents two types of partnerships. First the partnerships between the main Program partners (e.g. AusAID, MOFCOM, NDRC and the Managing Contractor); and second, activity level partners where Australian and Chinese agencies engage in some sort of work program.

A good starting point is to review what partnerships is increasingly intended to mean in this context, and what are the features, or pre-requisites for successful sustained partnerships. Brinkerhoff (2002)<sup>1</sup> provides an excellent conceptual framework for considering partnerships in the development setting. It is important to include this here as these concepts underpin many findings of the MTR. The recently established AusAID Partnership Policy Unit is also developing corporate policy in this area.

The primary drive for entering into a partnership is to *access key resources needed to reach an objective that is lacking in each actors individual resources (financial, skills, relationships or consent)*. There must be a clear synergistic result. For China, the MTR report will show that there are substantial benefits that Chinese Activity level partners derive from being exposed to international concepts, standards and processes. Section 2 has made the case for how partnerships with China can contribute to meeting Australian national interests on a variety of levels. Brinkerhoff asserts that there are two

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<sup>1</sup> Brinkerhoff JM., (2002) Assessing and Improving Partnership Relationships and Outcomes: A Proposed Framework. *Evaluation and Program Planning* 25:215-231

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dimensions of importance for defining a partnership that distinguishes it from other types of relationships.

***Mutuality (partnership principles)***

This refers to: equality in decision making as opposed to domination by either party; equality in coordination and accountability; jointly agreed purpose and values; mutual trust and respect. Although this is not meant to imply equal power relations, it does highlight the indispensability of each partner. It's about mutual dependence, and the rights and responsibilities of each partner. The rights and responsibilities are intended to maximize benefits to each party while recognising the limits encountered meeting joint objectives.

***Organisation Identity (the rationale for selecting specific partners)***

This refers to what is distinctive and enduring in an organisation. Maintenance of organisational identity is essential to long-term partnerships. It is not that each partner organisation maintains its systems, processes and strategies over time, rather to maintain the organisation's core values and constituencies. They must maintain comparative advantage to avoid a loss of legitimacy and overall effectiveness.

***Other Types of Relationships that are not Partnerships***

These two dimensions provide a way of considering other types of relationships. The first two relationships are also commonly seen under the partnership facility model of aid delivery. They can evolve where intensions of the program are not clearly articulated.

- a) *Contractual relationship*: the unique advantages of the contractor are purchased - the organisational identity is exploited. There is no mutuality, and the terms of reference are determined by the client in advance. This form of relationship has been adopted in over half of the CAGP activities.
- b) *Extension relationship*: this is where one agency extends its core values and purpose in order to access resources. For example, an NGO adapting to the requirements of a donor to access funding. There is high mutuality, but a loss of organisational identity.
- c) *Gradual Absorption*: this is where one organisation consumes another such as the infiltration of one organisation's culture on another. There is no mutuality and a complete loss of identity. Although this could have begun as a partnership, it leads to the diminished capacity of a partner to maximise its contribution in the long run.

Factors that ought to be in place to achieve good partnerships are listed in Section 3.4 below. Evidence of these factors in the CAGP case study activities is also described in Annex 3. According to the CAGP Design Framework and Program Charter the partnership principles were originally described as:

- shared vision, values, purpose and goals;
- consensus decision-making to achieve unanimous outcomes;
- decision making on a 'best for Program' basis;
- mutual learning, respect and dignity;
- mutual accountability, honesty, integrity and transparency;
- shared commitment to, and responsibility for, the achievement of program outcomes;
- achieving outcomes that deliver benefits to all parties (win/win) or that share losses amongst each of the parties (lose/lose);
- continual striving for innovations and breakthrough performance;

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- a culture free of blame, tolerant of human and organisational shortcomings and mutually supportive in overcoming problems; and
  - respect for the identity of each other's organisation and the comparative advantage each Partner brings to the Program.

These are not inconsistent with the proposed framework, and show that the original designers had good vision and understanding of notions of partnership even at that time.

### **3.2 Why does Articulation of Partnership Outcomes Matter?**

There is a good argument that you cannot isolate either partnership or development outcomes as the most desirable outcomes under a partnership facility - that partnerships won't sustain, if there is not some practical outcome of interest to both parties – and therefore you need to address both. As a result, this argument goes on to conclude, there is little benefit in an in-depth reflection and articulation of the intention. However, as we have seen with the CAGP, programs can evolve quite differently depending on your conception of the end point. The CAGP provides a unique example of how this lack of clarity can create significant challenges over the life of the program. Small decisions that are made on a day-to-day basis can change the outcomes of the activities and thus the program as a whole.

If the end point is the development of some type of specific capacity with respect to Chinese governance, then you could reasonably access a range of private contractors (this can include university-based consultants acting as contractors) to deliver the defined technical assistance, adopt typical approaches to counterpart participation (with consultants doing the bulk of the work), deliver the outputs as planned, and complete the contracted relationship at the end of the work. This reflects more traditional development cooperation work.

If your end point is strategic, sustainable government to government partnerships, then you would need to ensure that all the right factors were in place to allow this to evolve over time. The point would not be the development of a single technical skill or other capacity, rather the development of a long-term relationship that would continue to provide benefits to both parties. This requires quite different strategies to design and engagement and requires more time and resources to enable trust and the partnerships to grow than in more traditional development projects. There also needs to be an acceptance that not all partnerships will succeed, or evolve into something more long-term in a small-grant partnership facility. There will be a small number of wins, with a number of partnerships that fade.

The CAGP Design Framework and Charter define the Partnership approach as:

“The Program Partners share a common vision of an innovative, strategic and responsive development cooperation Program through which China and Australia can continue to support priority governance reform initiatives with a high impact on poverty. Fundamental to this vision is a desire to strengthen engagement between the two countries in relevant areas of China's reform and development agenda in ways that are of interest and benefit to both countries”.

This statement implies that the development cooperation is the primary purpose; however the development of partnerships is an important feature of the work. It does not imply that partnerships are the prime objective of the program. In fact, the real intended meaning remains ambiguous and as a consequence has been one of the main challenges of the program.

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## Section 4:

# Sustainable Partnership Outcomes Realised under CAGP

### 4.1 The Critical Challenge: Getting Australian Agency Engagement

Over fifty percent of activities funded under CAGP were set up as contracted relationships rather than government to government partnerships. Contractors could be either private firms or university departments who were required to deliver a range of outputs as with any typical development assistance project. There were no features of mutuality in the partnerships, and all important knowledge of China that would have been of benefit to Australia was lost to the contractor.

This situation was the result of difficulties encountered, from the beginning of the program, engaging Australian Agencies in the program. Therefore the Managing Contractor was forced to contract out the work to ensure that it would be carried out. This in turn would have been the result of having a focus on the development outcome as the primary intent rather than partnerships. Why has this been the case, when similar programs in countries such as Indonesia have had more success?

There are a number of causes which also have implications for the design of similar partnership facilities:

#### ***Lack of a Whole-of-Government Approach to Engagement with China***

Without a whole-of-government articulation of the objective and extent to which Australian government agencies are expected to engage with China, there are unlikely to be adequate resources available to participate in partnership facilities. Indonesia is considered to be a country of importance to Australia, and for some core Agencies (though by no means all) working on international activities is now considered to be one aspect of core business. As a result individuals and departments are modestly resourced to engage both in terms of time and budget support.

The MTR report has argued the case in Annex 2 of the potential benefits for engaging with China on a range of governance and reform issues. WoG support for engagement is a pre-requisite for government to government partnership facilities. Without this commitment, partnership facilities such as the CAGP are not likely to be viable and will, by default, revert to a development project delivered by contractors. Successful WoG engagement is completely dependant on clear direction from the Ministerial level, and being driven by a senior department.

There is no doubt that the strategic importance of China to Australia is well recognised. For example, one of five posted Australian treasury officials is in China. However, development and partnership programming is not fully recognised as a whole-of-government priority for advancing this interest in the case of China. It is also the case that those internationally focused divisions within Australian government agencies with strategic interest in China are not always those areas within the agency that would assist to advance this interest through the CAGP. Clearly, Chinese partners are more interested in working with domestically focused functional divisions, rather than international divisions. It is therefore crucial that the engagement of China through the CAGP emerge from high level whole-of-government directions to engage.

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### ***The Managing Contractor as the Proponent for Attracting Australian Agency Engagement***

It must be very difficult as the representative of a private managing contractor to stimulate the interest – and engagement - of Australian Agencies in the program. They have no particular recognised credibility from their position as contractor, and could find it difficult to get an audience at the required level to achieve commitment. The team has had to rely on their personality and personal connections to carry out this work.

The current limited engagement from AusAID Canberra in Partner identification and recruitment could send the message to target Australian Agencies, that this work is not considered by AusAID to be a priority. It would also be very important to have senior level AusAID personnel attending to this task for the same reason. Having said that, even where AusAID does provide support in this manner, (which has been observed in some activities under CAGP), success with a major agency usually comes from either the personal interests of an individual in that agency, or the use of an external individual who enjoys access or influence.

This kind of work really needs to be facilitated by AusAID, in Canberra rather than continuing on with the current approach of having the contractor representatives approaching Australian Agencies. This would be supported by a formal recognition that AusAID was the main facilitator of activities delivered under the China Country Program Strategy on behalf of WoG partners. It would be helpful to consider the inclusion of direct involvement of the AusAID Whole-of-Government Unit, in the Development Partnerships branch.

### ***Mostly Starting with Chinese Priority Topic Rather than Alignment between Partners***

The process adopted by the CAGP to engage Australian Agencies has been to first identify a priority area of work with the Chinese partner, and then shop around for an appropriate partner Australian Agency who has the right expertise to meet that need. The Chinese bureaucracy is more complex, and departmental functions differ in many respects to their Australian counterparts. Often there is not a straightforward match between partner departments where there are many mutual interests. For example there is no direct match in Australia with the Chinese NDRC, and a range of Australian Agencies need to be accessed to meet a particular need. In the Indonesia program government departments have many more natural partners in Australia than does China. Although the MTR team considers it appropriate to have the Chinese priority topic the focus of the activity design in some instances, there could be unanticipated successes when partners are first identified and then areas of mutual interest are identified. As discussed above, these decisions can be made more readily when the intention of the partnership is clearly articulated, and the extent to which breaches to good partnership principles should be allowed in order to meet a Chinese technical priority.

### ***Lack of Resources for Relationship Building***

Building relationships between countries takes resources. The original design did not make sufficient provision for work dedicated to relationship building. Resources would include financial, human and material resources and would also require AusAID to provide their own high level personnel in Beijing to support the process. Sending more junior AusAID staff to participate in activities was considered by Chinese and Australian partner respondents as an indication that the work was not considered important.

At present, senior AusAID staff are not prioritizing CAGP over many other competing priorities because they are not receiving any signals from AusAID or WoG that they should be doing so. To choose between priorities, Counsellors rely on a range of cues from AusAID Canberra and WoG partners, in addition to their own judgment. The solution lies with enhancing CAGP relationship building as a priority, and the provision of adequate resources to attend to the work.

## 4.2 Partnership Outcomes Achieved

Having identified the challenges in attracting Australian Agency partners, there has still been a broad range of positive partnership outcomes realised under the CAGP. From the five case studies we have seen:

*Table 2: Partnership Outcomes Achieved*

<b>Activity</b>	<b>Partnership Outcome*</b>
0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment	Contractual relationship with Monash University. Early partnership with Victorian Dpt Infrastructure not likely to be sustainable
0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card	Contractual relationship with private contractor unrelated to any Australian government agency or university.
0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai with Treasury/APEC SC Risk Management in the Banking Sector	Full academic institutional level partnership with reasonable likelihood of sustainability without CAGP funding. MOU signed.
0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security	Early, but effective institutional level partnership. Unlikely to be sustained without funding support for CentreLink from CAGP.
T1 Proj 1: Partners: Budget Affairs Commission with TA from Australian Productivity Commission Sustainable Fiscal Management	Individual level partnership with Technical Advisor from APC who facilitates support from other Australian Agencies as required.

\*Full details of the findings for all case studies can be found in Annex 3.

Partnerships for this review were categorised in other ways that have implications for partnership facility design (see Annex 4 for a summary of approaches to design of government to government partnership facilities):

### ***Personal versus institutional-level Partnerships***

For early partnerships, relationships are usually established at the personal level. Ideally, once these mature there are increasing numbers of individuals involved across a range of levels (executive and operational). If relationships do not move beyond the personal level into the institutional, then when staff move on, the partnerships wane. As such, during the design of activities, specific strategies to enhance institutional partnerships are required, if this is the desired outcome.

### ***Academic versus Government Agency Partnerships***

The CAGP provided a good example of a successful academic partnership in Activity 0511 described above. However, there can be risks in focusing too strongly on academic partnerships in a government-to-government facility. These risks are related to focusing on specific academic interests that are not tightly linked to Government Agency reform processes, or the spirit of the program objectives. In the case of 0511, the Activity

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provided many opportunities to involve both Australian and Chinese government agencies in the work.

### ***Long-term Working Relationship versus the Occasional Contact***

There are different ways of considering what you might be trying to achieve from the partnership. Partnership outcomes may not always be about long-term working relationships where partners work together over long periods of time on a structured work program of mutual interest. Partnership outcomes could also be the establishment of the relationship and ad hoc communications over areas of mutual interest using Agency or external funding to support work that may be identified in the future. Or, as in the case of C2T1, the partnership with APC is only intended to be one of facilitation. APC makes their relationship with a network of Australian Agencies available to Chinese NDRC for special consideration when ad hoc engagement through study tours, regional fora, or work visits has been requested. There is no plan for on-going work. There is a broad spectrum of possibilities, but these need to be defined to allow the development of strategies to ensure the viability of the partnership.

In most cases where there was evidence of a full partnership developed (e.g.: 0514 between MOLSS and Centrelink), there was insufficient factors in place likely to sustain the partnership. This was due, in part to a lack of specification in the design, but also because there would have been insufficient time to move more fully toward an institutional relationship. For partnerships to survive beyond CAGP there needs to be resources made available to support on-going communication, visits and work.

### **4.3 Evidence of Factors Required for Sustainable Partnerships in CAGP**

According to Brinkerhoff (2002)<sup>2</sup>, and supported by the findings of the 2008 Indonesia Government Partnership Fund Mid Term Review, and the Public Sector Linkages Program Outcome evaluations for 2007 and 2008, there are a number of important factors that need to be in place to achieve sustainable partnerships. The extent to which these factors were observed in the CAGP is described below. It is interesting to note that the original Charter principles are quite well aligned with current thinking on Partnership Programs. Although some of these factors have been considered in the development of new activities under CAGP, the approach to incorporating these “factors for success” have not been systematic or all inclusive.

#### ***High level executive support from both the Chinese and Australian Participating Agencies***

Overall, there was good executive support for activities from the Chinese side. This is likely to have come from the Program directly meeting their high priority needs in most cases. Australia’s reputation for stimulating ideas and providing options, rather than identifying problems and posing solutions was a feature of the program that Chinese counterparts found attractive.

Where Australian Agencies did engage, there was also good executive support. The types of institutional benefits Australian Agencies enjoyed from their partnerships were: learning about other country’s systems allows better analyses of your own; working in China is a staff incentive and is seen as a professional development opportunity; desire to contribute to Chinese and Regional development; gaining knowledge of Chinese developments in areas of relevance to Australia; and making a positive contribution to the Australian national interest.

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<sup>2</sup> Ibid

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### ***Selecting the Right National and Australian Partner Agency; Presence of partnership champions on both the Chinese and Australian sides***

Although this seems obvious, often the design of partnership facilities does not allow sufficient time to identify appropriate Chinese agencies and then effective champions. The complexity of this task is often completely underestimated. When CAGP was first mobilized it would have been highly challenging for a managing contractor to develop the knowledge and networks to be able to identify effective agencies and champions in a short space of time when there was limited knowledge. China is not unique, although the setting does provide for special challenges where newcomers need to identify the right proponents for a particular area of work without adequate understanding of the context. The PMO has to be congratulated on their work in this area, despite the constraints. They have also been able to use their knowledge to assist Treasury to engage more effectively in China.

Selecting the right partnerships also, then, requires a good understanding of the Australian Government system. When the CAGP was first set up there was insufficient knowledge of Australian government. The PMO was required to facilitate these partnerships and would have found this very challenging. As discussed above, AusAID Canberra could enhance this side of the work if adequate resources are made available.

A critical factor in successful partnerships has also been where Chinese and Australian systems have some degree of alignment. According to Chinese respondents, this does not need to be complete, but where the principles that underpin the systems and processes are well matched and then partnership becomes more viable. Alignment is also important in terms of shared core values. Where incompatibilities are identified, mechanisms to deal with this need to be clearly thought through and articulated.

There also needs to be a reasonable degree of capacity for both partners to meet expectations. In a small number of cases in the CAGP this has not been the case. For example, agencies that were originally identified as appropriate turned out to have less influence over the reform process than was originally expected.

This required a Team Leader with deep knowledge of both the Australian and Chinese systems. In hindsight, AusAID and the Managing contractor would have benefited from the early recognition of the importance of this role for the Team Leader and invested resources in a professional search for such a person at the very beginning of the program. Other agencies such as the Ford Foundation in China have been able to attract and recruit high caliber personnel with these types of skills and capacities from Australia.

### ***A high degree of trust between both partners***

For those case studies where true partnerships were observed (even early ones) both partners discuss the importance of trust. Trust takes a long time to build. Brinkerhoff (2002) asserts that it requires both an acceptance of mutual competence as well as notions of integrity, reliability and confidentiality. Although in most cases respective partners understand full well how to develop trust, there is often insufficient time allocated to this phase in partnership development, and inadequate consideration given to how the activity design relates to this important aspect. For example, to develop a sense of mutual trust in terms of competence, you need to design in a few early “runs on the board” to facilitate the development of trust and intentionally showcase other desirable behaviors such as confidentiality and reliability.



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***Equality in decision making; full participation of both partners; perception of partner's tolerance for sharing power; willingness to adapt to partner needs***

This is a well entrenched part of the development industry rhetoric. That is, full participation of partners in design, implementation and evaluation. The concern is often that Australian government bureaucrats, without special training in development practice, will not understand this well. What has been a striking finding across all three partnership program reviews have been the host government respondents describing the feature of *equality in the relationship* as the most attractive of the government to government partnership approach. When asked to contrast this with traditional contracted development projects, they derive far more satisfaction in the equality of a government official to government official relationship. They have consistently reported that Australian bureaucrats do not try and tell their staff what to do, rather take a more “back seat” role by introducing concepts, sharing experiences, and facilitating discussions on options for moving forward – then leaving and allowing the Chinese to move forward in a way that suits them. They have also frequently commented that Australian bureaucrats bring operational experience to the table rather than a theoretical approach which characterises the contracted consultant approach.

The needs of both partners ought to be met. There is a general perception that it's only the Chinese needs that should be met, but when planning study tours and working visits, plans should also include a clear articulation of what Australian needs are as well.

Partner perceptions about each other's tolerance for sharing power are also of significance. Chinese respondents, as with any development cooperation, lose interest in the engagement if they perceive that their views are not included in the design and implementation of activities.

***Jointly agreed purpose; clear goals***

In several of the case studies, although the technical outcomes of the activity were very clear, the vision of partnership outcomes was not shared. In a few cases, the Chinese partner had an expectation that the partnership would continue beyond the life of the CAGP. However, when the Australian partner was interviewed they did not have an intention to communicate further with the Chinese unless formally approached. In one case, the Australian partner did not want to raise expectations of further funding by communicating further, so had ceased communication. This can result in misunderstandings that could damage the goodwill that has been established under the CAGP. Early and clear definition of the partnership outcome is essential to ensure that all parties move forward with the same expectations.

***Sufficient “Quality Time” Together***

Establishing a brand new partnership takes a long time. Trust needs to be developed (as discussed earlier), friendships made, shared history developed, practical outcomes achieved, institutional level connections developed, resources made available. The current 12 month funding for Component 1 would limit the opportunities for sustainable partnerships. Several of the successful partnerships under CAGP came to the program with a history of previous engagement. Introducing potential partners at a series of workshops or working visits is unlikely to result in a sustainable partnership. Sufficient time with a well considered strategy for a defined partnership outcome is required.

Table 3 on the following page provides the findings from the five case studies.

**Table 3: Factors Affecting Partnership Outcomes in Case Study Activities**

Activity	Factors Affecting Partnership Outcome*
0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment	Partnership not achieved
0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card	Partnership not achieved
0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai with Treasury/APEC SC Risk Management in the Banking Sector	High level executive involvement with Chinese and Australian partners. High degree of participation on design and implementation from both partners. There is a high degree of overlap and interest in each others systems. APEC SC identified clearly where Australia had the capacity to respond. APEC SC advisory group and regional networks have significant relationships in China. APEC SC would find it helpful to have a WoG view about whether the Australian government wants to pursue this type of work in China.
0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security	MOLSS reported that overall, it was easy to adapt to Australian systems. The vertical management system is quite different, but the management processes and specific details were very adaptable. Executive and operational support from both partners. CentreLink invested strongly in the selection of the right staff, extensive preparation and emphasis on relationship building skills. CentreLink staff were able to offer personal engagement with Chinese in Australia and offered many social events with staff and their families.
T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management	The Technical Advisor has been quite successful in attracting Australian Agencies to participate in activities. This is likely to have been a direct result of his Australian government networks and contacts, employing a strategy of being highly selective about which agencies are invited to participate, and ensuring there are good quality briefings to both parties before any engagement. This contributes to maintaining high credibility among Australian Agencies. The support of the APC also brings additional weight to the invitations to participate.

\*Full details of the findings for all case studies can be found in Annex 3.

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## Section 5:

### Sustainable Development Outcomes Realised under CAGP

#### 5.1 Development Outcomes Realised under the CAGP

CAGP was intended not only to establish and sustain government to government partnerships, but an equally important outcome of the program was to achieve development outcomes and implementation of specific policy initiatives. Indeed although the focus of Component 1 was on partnerships, component 2 was not designed to have partnership outcomes as the principle objective. This section focuses specifically on the achievement of these development outcomes.

Overall, despite the constraints in terms of partnership outcomes, the CAGP has achieved positive outcomes in a large number of areas. What are worth considering are the potential gains to Australia for such a small investment. In several cases (though by no means all), for about \$250,000 Australia has been able to either contribute to the enabling environment for reform, support the implementation of new policy through trials, or significantly influence the content of a number of new policies or plans. Australia has been able to achieve this while maintaining a reputation for being a trustworthy, flexible and welcome facilitator of reform. With improved design in the future, the potential of this and similar programs is extraordinary for such a small investment.

Although addressing the reform enabling environment is important and requires more definition and design attention (see following section), CAGP would also have benefited from a better balance of addressing policy dialogue or development with implementation. There were, however, a number of examples of conducting trials to test new ideas in the Chinese context, but designing activities that explicitly supported Chinese policy implementation would also have been useful. However, to address policy implementation effectively, implementation partners would need to have confidence that multi-year funding was available if required. Development outcomes for the CAGP case study activities are summarised in Table 4, with full details provided in Annex 3. This table refers only to the *type* of development outcome, rather than the extent to which outcomes have been achieved against activity objectives.

*Table 4: Types of Development Outcomes Realised Under CAGP*

Activity	Types of Development Outcomes
0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University; Improved Transparency and Monitoring of Investment	Raise awareness; raise profile of policy reform work; enhance knowledge; influence content of reform; influence content of planning; provision of funding to expand Chinese capacity to conduct own research.
0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card	Raised awareness; enhance knowledge; mastered new skills; policy implementation through pilot.
0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai with Treasury/APEC SC Risk Management in the Banking Sector	Raise awareness; formal mechanism developed for on-going capacity building for reform.

Activity	Types of Development Outcomes
0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security	Raise awareness; enhance knowledge; speed up reform process; influence content of reform.
T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management	Raise awareness; enhanced policy process; enhanced evidence-based policy development; stimulate policy reform dialogue; speed up reform process; facilitating agreement between Chinese agencies; stimulating international standardization.

## 5.2 Factors Accounting for Achievement of Development Outcomes

There were a large number of factors generated from the case study interviews that accounted for the achievement (or non-achievement) of intended development outcomes. Most of these are self explanatory, and many were identified in the findings of the Indonesia GPF MTR, and the PSLP Outcome Evaluations.

*Table 5: Factors Accounting for Achievement of Development Outcomes*

Supporting Factors	Inhibiting Factors
Address high priority Chinese reform needs	Limited access to adequate translation – time and quality
Address Australian needs from the partnership explicitly	Focus on outputs and not outcomes
Ministerial and high level executive support from both China and Australian sides	Limited time
Chinese Agency to have the authority to implement, or influence adoption of new policies, or processes	The intended outcomes too ambitious
Selection of the right participants for workshops, study tours and working visits	Took much longer to get started than expected
Capacity of Australian partner to attract good speakers to contribute to seminars etc.	High turnover of Chinese staff in participating agency
Selection of Australian operational staff to send to China	Limited Australian experience in China
Capacity of Chinese partner to attract local talent for policy dialogue	One off activities don't allow strategic view or sufficiently long time horizons
High quality preparation for workshops, seminars, working visits and study tours	Need more time to develop the relationship before the main tasks required for the development outcomes can start
Good contextual information made available to both sides	Need sufficient inputs over time to maintain momentum
Australian partner conducts a preliminary visit to understand the Chinese context where there is limited knowledge of local systems	Don't use foreign consultant to do China-based research
Sharing the same issues China and Australia	Don't use foreign consultants to complete any technical work directly
Chinese priority meets Australian skill set	
Multi-agency involvement to broaden reform uptake	
Firm definition of participation and dissemination	
Focusing tasks on study tours, limit content	

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Experience from Component 2 Theme 1 Technical Advisor suggests a very helpful approach to engagement in this type of work. This approach could be considered in the design of similar facilities in the future. He proposes the following:

1. Set up the right policy *processes* don't focus on the policy content
2. Demonstrate how Australia addresses similar issues
3. After the Chinese side has developed thinking and ideas, and prepared preliminary documents, comment on these
4. Facilitate further development of ideas

The focus of study tours and site visits is not “*what* is the best solution”, rather “*why* a country has adopted it as their best solution”.

### **5.3 Sustainability of development outcomes**

Sustainability of development outcomes varies across the CAGP. None of the five case studies had an explicit exit strategy, although several addressed ad hoc aspects of sustainability in their designs or completion reports. Analyses around institutional sustainability were very weak. Of the five case studies, three were considered to have sufficient factors in place to reasonably expect the achievement of sustainability. For the two activities that did not achieve sustainability, there was a lack of institutional factors in place.

For one activity the assertion was made that the existence of an active partnership would enable the expected changes to occur, however this partnership was no longer active at the time of this review. No specific strategies for developing the partnerships were applied. For the second activity, several factors were inhibiting sustainability of the adoption of the new technology. These were: changes in staff in Chinese Agencies; the host Agency did not have the authority to insist on implementation at trial sites once they had established benefit; limited recurrent budget to support the work post-CAGP; and an unclear link between trials and mechanism for expanding into mainstream operations; and a lack of clarity about the extent of further CAGP funding during implementation.

Designing strategies for institutional sustainability is not necessarily a skill area of the Chinese Agencies applying for CAGP funding, nor the Australian Government Implementing Agencies. Although the PMO has provided design support, careful consideration of sustainability was not evident in the case study documentation in several cases. This is an important aspect of the “value-add” of the PMO - development expertise.

Sustainability is particularly challenging where activities are dealing with 12 months of assured funding - sometimes in the context of developing a partnership at the same time as delivering the development outcome. Future design of Partnership Programs need to consider the implications to sustainability of 12 months of funding without an agreed path for future funding if performance meets agreed standards.

### **5.4 What are legitimate development outcomes in Programs focusing on policy and reform?**

AusAID partnership programs are often focused on the development of policy dialogue, and policy processes. This translates into a range of approaches that don't always end in an easily defined development outcome. As most activities are funded for a twelve month period with limited budgets, it is unlikely that partners will achieve substantive changes in policy implementation or reform. So what is it, exactly, we are trying to

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achieve in these types of programs? What is a legitimate development outcome in a Partnership Program focusing on policy and reform issues? Is raising awareness of the need for reform enough? Or do we expect to see outcomes such as new capacities demonstrated back in the usual work setting, changes in legislation realised, or development of new policies that have been fully endorsed by the senior executive? Answers to these questions are also related to the basic intent of the work (partnership versus development outcome), but are often poorly articulated in activity documentation. This can, at times, result in differing expectations between implementation partners and external reviewers, or AusAID, about the extent of achievements of an activity funded under the program.

This is important, not only from an accountability perspective (and consequent development of performance indicators); but also from an activity design perspective. The CAGP would benefit from some work looking at what are the *types* of outcomes the activity is aiming to achieve, especially around policy and reform. Then, specific strategies would be considered that would move toward that intension. These strategies would also be dependant on what aspects of the national interest were intended to be met through the activity. For example:

#### ***Raising Awareness; Enhancing Knowledge***

This is not usually a popular outcome in development projects. Raising awareness or enhancing knowledge to what end? Awareness and knowledge does not necessarily result in substantive outcomes. However, in programs such as CAGP, in the context of reform, raising awareness can have far reaching effects over long periods of time. Often Chinese respondents discuss how valuable having an awareness of new concepts, processes and techniques are. They may not be able to adopt new practices immediately as it takes time to bring about change at an institutional level, but raising awareness and developing new knowledge can contribute to the establishment of an *enabling* environment for reform. When the time is right, awareness and knowledge can be utilised in a practical sense. This is important at the executive and operational levels. Respondents also identified the importance of “more concrete thinking” that also contributes to the enabling environment for reform.

#### ***Raising the Profile of Reform Work***

Agency executives in an environment of reform are often busy dealing with sweeping changes on a number of fronts. Although they may be supportive of a particular topic and recognise the priority, they have many other competing distractions. Funding activities that allow work to be progressed, especially where implementation trials are included (with effective evaluation systems built in), the executive can become more receptive to supporting implementation on a wider scale. The monitoring and evaluation implications of this are not onerous. As soon as implementation partners have articulated the strategy employed for “raising the profile” suitable indicators emerge. In some activities “raising the profile of reform work” is seen as a side benefit, rather than a particular, stated activity outcome, with an associated approach for achieving it.

#### ***Extending National (Host Country) Research Capacity***

This refers to providing budget for research without necessarily providing technical input into design, conduct, or reporting; or explicitly building research skills. Linked to other activities that aim to bring research findings into the reform arena, funding research can directly contribute to the evidence-base of the policy development processes, thus moving the reform process forward with more confidence.

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### ***Speeding Up the Reform Process***

Many of the Chinese and Australian partner respondents from the CAGP review discussed the role of their work in speeding up the reform process. Although there is no evidence of substantive changes yet, without the input of CAGP there would have been little progress made in the specific area. In some cases, the topic would not have been addressed at all.

### ***Facilitating Agreement between National Agencies***

In China, as with all governments, there are often disagreements and competition between Agencies responsible for common areas of reform. These competitive behaviors can retard the progress of reform. An extremely valuable achievement is to facilitate the dialogue and agreements between multiple Agencies in the host country. Just getting representatives to sit at the table together is often not fully recognised as a major achievement. CAGP has examples of such achievements.

AusAID Partnership Programs would benefit from assistance from the Partnership Policy Unit in developing thinking around these issues at the feasibility and design stage, during the development of program monitoring and evaluation systems, and during Quality at Entry and Quality at Implementation assessments.

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## Section 6: Quality of Outputs Delivered

### 6.1 Limitations of the Methodology

Before describing the findings of the quality of outputs delivered by the five case studies, it is important to review the methodological limitations of the MTR. The sources of data for making a finding on quality were: Activity Completion Reports written by the implementing partner; the AQAG reports; and brief questioning with stakeholders during the main interview which covered all of the relevant terms of reference for the MTR. These stakeholders may not have actually participated in a particular deliverable. This did not allow convincing evidence of quality to be generated; however findings from all sources are given below, with detailed findings on the extent to which the Activity generated its own evidence of quality.

### 6.2 Evidence of Quality of Deliverables

Overall, there was very limited evidence of the quality of deliverables. A fuller discussion of constraints posed by the M&E system will be provided in Section 7. The most common types of outputs were seminars, workshops, international study tours, working visits and formal dialogues. The guidance provided by the CAGP Quality Manual confuses the concept of output with immediate outcome. It is not easy to quickly establish how *quality* of output is assessed according to the guidelines, but there was the requirement for a Participant Satisfaction Survey to be completed. This may be the reason why the only evidence provided is this type of survey. There is sufficient evidence in the literature now to show that Participant Satisfaction Surveys have only limited value<sup>3</sup>. However, without M&E expertise on the CAGP, it would have been difficult to achieve a higher standard of evidence.

Even where Participant Satisfaction Surveys were required, in a large number of the case study output and activity completion reports reviewed, these were either not carried out, or were not adequately reported. Adequacy of reporting would include interpretation of the scores, and a response to the findings, especially where achievement was less than full scores. The design of the forms reviewed do not allow for sufficient analysis of the effectiveness of the different approaches to engagement under the Program.

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<sup>3</sup> See, for example: D'Eon M., Sadownik L., Harrison A., Nation J., (2008) "Using Self-Assessments to Detect Workshop Success: Do They Work?" *American Journal of Evaluation* Vol 29(1): p92-98.



*Table 6: Available Evidence of Quality of Deliverables*

<b>Activity</b>	<b>Available Evidence of Quality of Deliverables</b>
0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment	Very limited
0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card	Very limited
0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai with Treasury/APEC SC Risk Management in the Banking Sector	Fair
0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security	Fair
T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management	Fair

### **6.3 Quality Achieved**

In the absence of a credible evidence base, the findings of the MTR are that case study outputs are *likely* to have been of reasonable quality. Only one activity did not appear to have performed well, this finding was based on an AQAG assessment of poor involvement of the Chinese partner in the delivery of outputs, in addition to a large range of other issues. These are detailed in Annex 3, Section 3.

There was insufficient information available in Program documentation to make more concrete findings on the suitability of the different approaches employed in the CAGP.

*Table 7: Quality of Outputs Achieved*

<b>Activity</b>	<b>Quality of Outputs Achieved</b>
0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment	Fair
0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card	Satisfactory
0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai with Treasury/APEC SC Risk Management in the Banking Sector	Good
0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security	Good
T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management	Good

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## Section 7:

# Efficiency and Effectiveness of CAGP Management Systems

## 7.1 Strategic Management and Oversight

### *Strategic Roles of the Management Group and Charter Board*

Although the management structure of the Program appears well designed, there are some issues around the capacity of the Charter Board (CB), the Management Group (MG), and the independent Advisory and Quality Assurance Group (AQAG) to provide strategic direction to the Program on key issues. This is nothing to do with the expertise, or talent available to the Program, rather that individuals are being overwhelmed with detailed paper work and are struggling to see the Program from a more strategic perspective. This has had a detrimental effect on the delivery of the Program, in that important issues have not always been identified and addressed. The 2006 AQAG report first identified Charter Board roles in strategic decision-making as an issue, but the problem persists.

A more complete assessment of the monitoring and evaluation (M&E) systems can be found below, but in short, the system is generating a great deal of work in terms of production and processing of information, and providing minimal insights into performance and identification of issues. The reality is that MG and CB members end up reading very little because they are overwhelmed by detail and have no idea how to navigate the documents quickly. Many Program and activity level reports are lengthy documents with almost no analytical content.

For example, a key issue has been the lack of capacity to attract Australian Government Agencies. Although this issue has apparently been the topic of many, many discussions, if one searches through the documentation on this issue alone, we find only very superficial treatment of the subject. For example, 2006 AQAG Report the recommendation is for the PMO to conduct a “road show” to Canberra, and, to have a reverse study tour where senior Australian officials travel to China. These solutions are not tightly related to a thorough analysis of cause, and on their own, would be unlikely to address the more critical whole-of-government issues identified in Sections 2 and 3 of this report. In the 2006-7 Annual Plan there is a tangential reference to the issue, but a clear response was not proposed in the report. The issue was not identified by the MTR in the 2007-8 Annual Plan. The appropriate approach of the MG and especially the CB would be to require a thorough analysis of the problem, and work with senior AusAID and perhaps DFAT officials to generate solutions at the whole-of-government level. The CAGP is well positioned to provide senior Australian officials with brief, high quality information to support policy development. AusAID could engage in taking this forward as a whole-of-government issue.

There is a high degree of participation of all members of the MG in the day-to-day management of the program. For the CB this is varied according to respective roles and functions. AusAID as the funding body and Hassells as the contractor partner are quite active as a result of a high investment in the work. However, as mentioned above, the

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overwhelming amount of paperwork with limited analytical content limits the capacity of busy Chinese partners to participate more meaningfully.

Activity selection processes appear reasonable, with no activities selected that were not aligned with the CAGP design framework. However, large amounts of documentation may also limit the CB capacity to focus on the key issues (such as institutional sustainability) when selecting activities. Note issues raised in section 7 which describe some compromise to activity selection. These findings were not, however, related to the selection process itself.

A curious feature of the CAGP has been the lack of mechanisms to respond to all issues identified by stakeholders that demand change. Of course many issues have been promptly addressed by the PMO, but there are a number of examples of where this was not the case. For example, the issue of copious documentation is felt consistently by all stakeholders. The MG and CB openly expressed their concern with the extent of documentation and their inability to read it, AusAID does not have time to process it all, and the PMO is concerned that their staff are not attending to core business due to their focus on the production of so many reports. There is, in fact, no reason why this problem could not be solved. Several examples of this type of situation were identified during the MTR which suggests that there is some kind of hesitancy to respond to issues, although the cause of this is not clear. Many of the strategic and operational challenges identified in this review can be readily addressed by the Project Director and the Team Leader.

#### ***Frequency of Management Group and Charter Board Meetings***

Now that the Program is almost fully committed and there will be fewer proposals to assess, the frequency of meetings could well be reduced. The Section on M&E systems will also make an argument to remove the task of conducting the annual survey from the MG and CB. With this reduction in content, and an enhancing of the strategic function, meetings could be reduced to a frequency more suitable for stakeholders needs. For the CB this could be annually, and for the MG, six monthly.

The adoption of the CAGP retreat was an excellent approach to enabling intellectual space for the PMO, MG and CB. Unfortunately this was cancelled this year. If there is a perceptions that the retreats are not meeting their potential, then efforts should be taken to enhance the quality of retreats, rather than postponing or canceling them.

#### ***Contractor as Equal Partner: What are the Implications for Partnership Programs?***

The Indonesia Government Partnership Facility (GPF) and the PSLP are both delivered directly by AusAID. For the GPF, there is a full-time posted officer responsible for oversight and facilitation of implementation. This is possible as Australian Agencies are more fully engaged in the activity cycle, and AusAID is not required to provide significant support. For the PSLP there is a Canberra-based Secretariat who also plays a very limited role in actual implementation, rather focuses on Australian Agency liaison, activity selection and oversight.

The CAGP has a Managing Contractor responsible for all aspects of Program planning, implementation, monitoring and evaluation. AusAID's role is to provide strategic oversight, and have engaged, to a very limited extent, in providing executive support in terms of attracting Australian Agency participation, and giving profile to CAGP activities in China. The contractor, in the most part, is perceived by Chinese stakeholders as the primary partner representing Australia.

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The managing contractor has equal status on the MG and CB. The Charter states that the roles and functions of the Contractor (as partner) are:

- provide technical and management skills to support and facilitate implementation of the CAGP;
- oversee the establishment of management and control systems to the standard approved by the Charter Board;
- provide administrative support to the Australian Development Scholarships program (Component 3); and
- support the Program Partnering approach for Program delivery;

This has raised a number of questions about the suitability of a private contractor as an equal partner in the partnership approach.

- a) If true government to government partnership is the fundamental objective, having a private contractor as the major implementing agency shifts the “Australian face” away from AusAID and their whole-of-government partners;
- b) The contractor does not necessarily have the mandate or credibility to engage Australian Agency partners with ease;
- c) In the case of CAGP, the contractor provides all the information for program effectiveness with some limited verification by the AQAG. Despite the provision for equal status in decision-making, in actual implementation it has been shown that the contractor provides almost all the information by which the MG and CB monitor program and contractor performance. In practice, this gives them far more control over CB findings of performance than the Charter implies (evidence for this is presented in the section on M&E).
- d) True partnership is not possible in a contracted relationship as shown in Section 3;
- e) Where the primary relationship between the Chinese Agency and Australia is the contractor (or sub-contractor), after the completion of the work there is no possibility for on-going partnership with Australia;
- f) Important knowledge of China gained by the contractor is lost to the Australian government.

However, given that it has been very difficult to attract Australian Agencies, what capacity would AusAID have to facilitate implementation from Post without additional resources being applied?

A better model in the future may be to have a contractor playing a logistical support role, while an adequately resourced AusAID Post (with dedicated personnel) takes the lead in the identification and facilitation of Chinese Agency partnerships, value-add with development expertise, while in Canberra AusAID facilitates a coordinated whole-of-government response.

### ***Roles and Functions of the AQAG***

The AQAG appears to carry a huge burden in terms of carrying out detailed assessments of as many outputs completed in activities across the program as they can on each annual visit. The number of outputs that they address is about five across a sample of activities. These reviews are often not of completed activities (rather, a particular milestone among several of a \$250,000 activity). The review involves

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allocating scores to pre-determined Key Performance Indicators based on their professional judgment, using often a single interview and a review of documents. This consumes the entire mission, and the AQAG has limited opportunity to sit together with the PMO to work through the causes and solutions of all key issues at the time of the mission. The exceptional talent and skills on the AQAG, in the large part, has been lost to the Program as AQAG team members have been distracted with very low-level detail. This is not to say that conducting case studies is not a useful approach to identifying strategic issues, however there should be more balance in the products of the AQAG.

Another important constraint for the AQAG has been their contractual and reporting relationship with the Managing Contractor. The AQAG is not contracted by AusAID, rather contracted *and tasked* by the Managing Contractor. They report directly to the Managing Contractor. The conflict of interest (or even perceived conflict) for the Managing Contractor is obvious. If the following recommendations are to be effective, it will be essential to review this arrangement, and to move the line of reporting for the AQAG from the Contractor to AusAID. Although the MTR recognises there will be resource implications for AusAID Post, the benefits will far outweigh the costs.

The MTR proposes that:

- a) The AQAG is contracted and tasked by, and reports directly to AusAID.
- b) Increase the AQAG visits to six monthly – not all team members would necessarily be required;
- c) Move the primary responsibility for the Contractor Performance Assessment from the MG and CB to the AQAG (the rationale for this will be explained in the M&E Section below);
- d) Reduce the number of case studies carried out by the AQAG on each mission to two or three to allow time to generate more useful insights. Case studies ought to be of completed Activities or Activities where issues have been identified. For Component 2, continue as previously.
- e) Include formal workshops into the AQAG schedule where the AQAG team members facilitate the PMO's consideration of relevant topics. In essence this is contributing the intellectual development of the Program around topics considered useful to the PMO.
- f) There needs to be AQAG representation at all Program retreats, and a significant number of Charter Board meetings to provide strategic advice.

### ***Quality of Planning and Activity Design***

In addition to the comments made above with respect to strategic planning and analysis of key issues in Annual Plans, the design framework was assessed for continued relevance to any future program of work. Although the contractor has worked hard to respond to the constraints posed by the original design framework, and has been flexible in their response to some significant challenges, a full re-design would be required should a follow-on program of work be considered in the future. Recommendations for Design of any generic Partnership Program can be found in Annex 4; while recommendations for areas of focus for a governance program are described in Section 9.

In addition activity level documents were assessed for overall quality. A full explanation of the findings can be found in Annex 3.

Overall, the standard of activity design is far superior to the Indonesia GPF and the PSLP. The main reason for this is that the PMO provides a design support function where they work with partners to develop improved designs based on the original concept notes. However, some weaknesses were noted with respect to:

- a) Limited participation of Chinese partners in some designs. This was, at times, the function of a perceived need for designs to meet AusAID design formats using development language which would be inaccessible for Australian and Chinese government partners. Loss of participation is a high price to pay for meeting these standards. Principles of good development can be adapted into even the simplest designs. Design support can focus more on discussions with stakeholders on the *principles* of good development practice, rather than the design format itself.
- b) Poor articulation of end-of-activity outcomes. Outcomes were often conceptualized as long-term outcomes that could not be achieved in the life of the program.
- c) Articulation of partnership outcomes was very weak, with a strong focus of technical outcomes.
- d) Ambitious designs for the short time frame and limited range of interventions.
- e) Weak program logic.
- f) Poor articulation of strategies to achieve institutional sustainability.

*Table 8: Quality of Case Study designs*

<b>Activity</b>	<b>Quality of Design</b>
0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University; Improved Transparency and Monitoring of Investment	Poor
0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card	Poor
0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai with Treasury/APEC SC Risk Management in the Banking Sector	Acceptable
0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security	Acceptable
T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management	Good

## **7.2 Quality of Monitoring, Evaluation and Reporting**

Ironically, the complexity of the monitoring and evaluation system, and the generation of large amounts of documentation have resulted in a critical lack of access to important performance information. The value of any M&E system is the extent to which it generates relevant information that is utilised by stakeholders. The M&E system of CAGP is a theoretical system. It is well beyond the scope of this report to describe and comment on all aspects of the M&E system. The MTR team has spent time with the

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PMO and Project Director communicating the extent of some of these problems. However some key points will be highlighted here.

### **Some System Strengths**

There are a number of quite reasonable performance indicators for activity level implementation as well as contractor performance. These have been well considered, and the system has developed forms to be filled in for a variety of purposes such as: Activity Completion Reporting; AQAG Assessments; Contractor Performance Assessment; Participant Feedback Forms. There were also some examples of good quality reporting in the case studies. It should be noted that the Post Completion Monitoring reports, although based on informal interviews (not an evaluation design) are of reasonable quality. They do allow the development of confidence in the accuracy of assertions of the activity's performance. A recent Quality Assessment of the M&E system also highlighted a number of very positive features.

### **Some System Weaknesses**

The M&E system has *potential*. However, when implementation of the theoretical system is systematically tracked through the case studies as fully described in Annex 3, significant weaknesses emerge:

- a) Although there is a complex M&E system and Quality Assurance System, there is actually no primary data generated by the system. The only exception to this is a small number of participant surveys. It is based on a large number of questions that are answered, using professional opinion, by a range of stakeholders. There is no evidence of achievement required or provided.
- b) Despite the complexity of the M&E system, there has been no development of methodology to collect and importantly analyse and interpret data.
- c) Interviews during AQAG and Post Completion Reporting are not based on evaluation standards for questioning, rather are the result of areas of interest and focus of the individual carrying out the interview.
- d) The MTR team was significantly challenged with processing all the reports on the five case studies. Negotiating the M&E system was also very, very time consuming. Most stakeholders would not invest that amount of time trying to understand a system.
- d) Where M&E findings are provided (e.g. on scoring sheets), there are often very limited attempts to explore the issues.
- e) No resources have been applied to M&E at the activity level (aside from the Post Completion Monitoring visits).
- f) Often indicators set in the activity design were different to indicators referred to in reporting documents.
- g) Often indicators that were set in activity designs or logical frameworks were never actually reported against, or mentioned again at all.
- h) In addition to claims of achievement are not being supported by data, in some cases there is not even a convincing argument proposed to support the claim.
- i) Some lessons learned are not supported by much analysis, were focused at times on minor issues, and may not reflect the lessons actually learned.
- j) Reporting is often strongly activity focused.

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- k) The evaluation of pilots was poorly addressed. Good evaluation of pilots is an important aspect of ensuring the findings result in the required response from the executive.
  - l) Much of the performance monitoring was about evaluating activity reports, not actual activities. For example, MG comments on completion reports, PMO reviewing sub-contractor reports. Effective monitoring of sub-contractor performance was not adequate. There could be more formal independent evaluations of subcontractors who had been awarded a large number of contracts under the program.

This situation is the result of CAGP not having access to sufficient resources or appropriate technical assistance to design a *simple* operational M&E system. Conceptualizing M&E systems for facilities such as CAGP is not straightforward. The design of the system (which includes the full elaboration of methods of data collection and analysis) requires technical expertise. However challenging the design of the system may be, the final product should be simple, utilization-focused, be commensurate with the limited resources and capacities of stakeholders participating in M&E, and meet international and AusAID standards of monitoring and evaluation.

To improve the current situation there are only two options. The first is to resource M&E adequately through allocation of funds to evaluation activities, and recruit a methodologically trained M&E specialist to facilitate the design and implementation of a simplified system (this could include the contractor performance measurement systems as well). The second option, if there are no resources, is to accept the current situation, enhance a few areas of quality especially related to reporting, and ensure that in any follow-on project this is rectified in the design.

### ***Contractor Performance Management***

The current approach to contractor performance payments has some shades of conflict of interest with limited actual independence in judging performance. Against a series of Key Performance Indicators (KPI) described in the contract, the MG and CB and AQAG all score the contractor's performance and provide supportive comments for the score allocated. The contractor has an equal vote on its own performance in this annual survey.

It is not only an equal vote that is the issue here; it is also that the source of information to inform the MG/CB of an appropriate score is generated by the contractor or their sub-contractor in many instances. For a KPI where there is a lack of suitable independent evidence to the MG and CB, there could be a tendency to accept the position of others who are perceived to have more detailed knowledge. For example, for KPI 1.3: "Partnerships between GoA and GoPRC agencies for strategic engagement". The assessment is meant to be based on the implementing agency (or sub-contractor) opinion that is presented in the completion report; and a comparison of partner contributions against the CAGP contribution. Using what information does the MG or CB make their judgment? The only source is the completion report, and it is unrealistic to expect the MG/CB to have a handle on the reliability or validity of the findings in particular completion reports. In addition completion reports are not independent assessments. There is a curious emphasis in the entire M&E system whereby *documents* are evaluated, not *activities*.

Frequently counterparts have not been able to prepare their scores of contractor performance ahead of time. In reality, contractor performance scores are calculated



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within a few short minutes while the contractor waits outside the meeting room. This is unlikely to result in a fair assessment of performance on which to base significant performance incentive payments.

As discussed earlier, an improved approach could be the allocation of the contractor performance assessment to the AQAG. Using a range of sources including interviews with stakeholders), they make their findings. This is then presented to the MG who has the opportunity to comment or argue for a change of finding. Once there is agreement, the final assessment is sent to the CB for endorsement. In this way, the contractor performance is predominantly independent, and the MG and CB no longer need to spend time scoring indicators that they are not fully informed about. A more comprehensive review of the contractor performance payment system could be justified, and a less complex though more evidence-based system could be considered if AusAID decides to allocate more resources to the M&E systems more generally. Without additional resources it would be difficult for the Project Director and PMO to develop an improved system.

### **7.3 Risk Management**

Overall, risk management at the program and activity level could be considered typical of AusAID projects. At the program level risk are identified on a Risk Matrix in annual plans, and reviewed and updated annually. As with most projects the list of risks is extensive, but there is limited analytical work apparent in the documentation. Although the matrix itself does not allow for full elaboration of risks, it is useful for a small number of very important risks to be identified and analysed more thoroughly in the text.

Documentation of risk management at the activity level in the five case studies was rated as acceptable for three cases, fair and poor for the remaining two. A full elaboration of these findings can be found in Annex 3, Section 3. For the two case studies that did not perform well on risk management, there was either no risk management reported in the documentation, or the identification of risks was weak, or the analysis was of very poor quality. It would be expected however, that in these activities intuitive risk management was likely to be applied based on common sense and good management practice.

### **7.4 Staffing Arrangements**

The recruitment, selection and placement of long and short term advisers have been well managed by the contractor and the PMO. Placements overall, have been timely with a small number of exceptions identified. In most cases, the quality of expertise has been high.

The selection of staff for the PMO is of a particularly high standard with significant talent and commitment evident in their work. This group has enormous potential which is currently being underutilized from a focus on a high administrative load, rather than an exploitation of their qualifications and talents.

With respect to the contracting of Chinese consultants, it would be useful to consider the broader opportunities that exist in developing their role as international players. There has been a challenge with respect to obtaining the quality of reporting expected in international settings, and a strong focus on getting Chinese consultants to meet the reporting requirements of AusAID. Perhaps the focus could be on developing their skills to submit well structured, analytical reports that would be well received in a range of settings.

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## **7.5 Financial Management and Value for Money**

### ***Financial Management***

CAGP's overall financial management system is satisfactory. It represents good value for money with procurement. There have, however, been a number of issues with respect to the clarity of arrangements, the division of labour and the location of responsibility.

Expenditures on projects and component activities have taken a number of formats, of which the most typical were (a) transfer to Australian government partner, to be acquitted by invoice; (b) payment of external consultant, generally in Australia for partner search, etc.; (c) direct transfer to Chinese partner agencies to spend and acquit, and (d) direct payment for items by the PMO, generally a stopgap to keep things progressing.

There were cases (e.g. the Supreme Court/Federal court exchanges) in which partners underspent the agreed budget and reimbursed the PMO.

At one stage much of the oversight was done in Canberra by Hassalls. Triangular situations would arise in which people would call asking about a given payment arrangement, and it would be unclear whether responsibility lay with Hassalls or with the PMO; sometimes one or the other had taken on the role of funder in the first instance, but had lost track and assumed the other was responsible.

These were not impossible to clear up, but the responsibility of the generation of solutions was borne by the locally hired finance officer in the PMO. Eventually this led to uncertainty regarding the overall state of the budget, and planning was made awkward. The problem was eventually solved by moving the authority to the PMO. The lesson appears to be that a single clear line of authority saves greatly in transaction costs; there are capable people on the job market in China and they should be used wherever possible.

### ***Value for Money***

The CAGP provides for an extraordinary opportunity for Australia to make significant gains in our relationship with China for a very modest investment. To date the CAGP has succeeded, despite the challenges in its design, to gain access to and acceptance by key Chinese government agencies.

For example, the CAGP played an instrumental role in facilitating the relationship between Treasury and their growing network of partners in China, including the NDRC. The success of this should not be underestimated as NDRC are highly selective of who they partner with. Treasury considers that CAGP played a critical role in this outcome. Treasury is now moving forward into a more formal and structured relationship with NDRC. These kinds of successes make a compelling case for continuing the investment and to progress the gains already made.

## **7.6 Quality of Approaches to Implementation of AusAID Gender Equity Policy**

This part of the review was conducted by an AusAID Gender Adviser from Canberra, and as such the findings are fully consistent with AusAID corporate policy implementation expectations and standards. Significant documentation was reviewed as well as interviews conducted during the in-country mission. The detailed document review findings are present at the end of Annex 3. Recommendations for enhancing the quality of CAGP gender equity policy implementation can be found in Section 9.

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The CAGP is considered to be performing very well in engaging with gender equality issues within the program and there have been considerable steps taken to ensure a gender sensitive approach to the program, particularly after the release of the Australian White Paper on the aid program and the release of the 2007 gender policy. For example:

- a) the PMO has had a gender focal point, and currently has a Youth Ambassador responsible for gender issues;
- b) there has been a gender strategy for much of the life of the program. The gender strategy is currently under review;
- c) the AQAG includes an active and very capable gender expert;
- d) annual AQAG reports have consistently given constructive priority to assessment of gender equality issues;
- e) all initiatives are required to include consideration of gender issues in proposals and to report against progress against an identified gender equality indicator;
- f) all initiatives include a gender expert or provide gender training to support the development of capacity on gender equality issues;
- g) some initiatives have included specific gender activities, particularly around research on gender issues.

The program is beginning to take a dual track approach, which is now recognised as good practice internationally on gender equality in development. The first track integrates gender issues across the program by supporting Chinese and Australian partners to develop an awareness of the gender issues in each initiative. The second track develops capacity and understanding of gender issues through specific programming designed to address identified weaknesses.

The program has developed a specific gender focused activity (identification number 0606) from Component 1, demonstrating good practice in being able to respond flexibly to identified areas of need.

The importance of gender equality to development effectiveness is still imperfectly understood in governance programs, and particularly in those focusing on economic governance. The CAGP is therefore to be commended for ensuring that gender issues are integrated to this extent.

There are a number of concerns about the way gender equality has been dealt with in the program, however:

- a) the focus on gender equality remains donor driven and has not always been well communicated to Australian or Chinese counterparts;
- b) there are some limitations on the way the AQAG works to support gender equality in the program;
- c) the broader program does not have a clear vision of what it aims to achieve, and this is particularly so on gender equality;
- d) perhaps related to this, the indicator used to assess gender equality results within the program is less than useful

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### ***Donor Driven Gender Approaches***

It appears that the gender equality considerations in the program are not seen as particularly relevant by most Chinese or Australian implementing partners. To the extent that gender equality is seen as relevant it is generally seen as an issue of equal participation of women and men in activities. Clearly participation is a relevant issue and a significant gender imbalance may be evidence of a broader problem. However, the main challenge in integrating gender equality into the CAGP lies in supporting a stronger understanding of the gender implications of social and economic policy work in general.

Government policy can be a strong driver of gender equality or a major barrier to change. However, it is neither unusual nor surprising that this is not well understood within Chinese or Australian government agencies. It is important for the PMO to recognise this fact and adapt to it.

There is a consensus amongst international and Chinese gender experts consulted during the MTR that the continued focus of the PMO and donors in general on gender issues is useful and that continued exposure to the issues does increase gender sensitivity in the longer term. What starts as an indulgence of the donor becomes a habit and eventually gender sensitivity develops. A Chinese AQAG member advises that some Chinese government agencies are now moving beyond asking “what is gender?” to “how do we do it?” The gender adviser for Component 2 Theme 1 suggests that after continued attention by the PMO and the adviser herself, the Chinese partner agencies are beginning to recognise the relevance of gender equality and are becoming proactive in pursuing equality within the program.

It is more complex for Australian government agencies implementing activities, particularly where the engagement with the program is not seen as core business for the agency. However, a continued and practical focus on gender issues in the program will assist the process. It is also important that the management group provide strong leadership on gender equality and continue to refer to the gender policy, which applies to all Australian Government agencies.

The limitations and problems of the program generally also make gender equality less of a priority for partners. The fact that well over half of all initiatives are subcontracted means there is less awareness of the gender equality thinking implicit in the work of many Australian Government agencies. In addition, Component 1 initiatives in particular do not provide sufficient time to develop trust and capacity on gender issues.

### ***AQAG Support to Gender Equity Implementation***

This might also encourage a more strategic focus for the AQAG. For example, the gender expert on the AQAG noted that she was not comfortable with the gender equality indicator used across the program. However, she did not feel that it was her responsibility or mandate to amend the indicator, and she focuses instead on working around its limitations. It is particularly this high level strategic recommendation that the AQAG could most usefully be contributing to the program, and space needs to be made to enable these experts to do so at that level.

*AQAG Gender Assessments:* Clearly, individual members of the AQAG will make different assessments of activities. There will inevitably be individual differences in scoring where AQAG members assess different initiatives.

The level of inconsistency in the assessments by the individual AQAG members against the gender indicator is marked, with some assessments taking account of the potential

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for developing capacity on gender analysis and others focusing only on relative participation rates of women and men in activities. It is clear that some AQAG members share a strong awareness of gender equality issues but some do not.

Given that each AQAG member undertakes separate analyses of different activities, the level of inconsistency in assessments and scoring is inevitable, but it may be useful for the AQAG to spend some time establishing a more consistent understanding of gender issues as they affect the program. The development of a more appropriate indicator for assessing gender equality results may be a useful trigger for this work.

However, the indicator on gender equality used does little to assist more consistent assessment of initiatives. A more focused indicator would assist in drawing attention of the assessor to potential gender issues to consider.

### ***Lack of Clarity Around Gender Equality Objectives***

Gender issues are seen as very process oriented within the program. While processes are essential for grounding our thinking and practice on gender equality, it is important that there be an idea of what can be achieved – the program as a whole needs to have a clearer understanding of what successful integration of gender equality would look like and what is possible to achieve.

This reflects a general problem within the program, that the goals and purpose of the program are so broad as to provide very little guidance to the program in selection of initiatives to fund or in assessing results.

This leads on to a difficulty in defining what success looks like on gender equality, since effective mainstreaming requires that the gender equality results emerge from the overall results of the program.

The purpose of the CAGP is to reduce poverty by promoting good governance. In practice, the program works in a fairly limited governance field. It appears there is, in practice, an implicit understanding of where the program can provide support, and this could be used to more closely define what the program should aim to achieve.

It is suggested that the program could work towards a gender equality objective as follows:

*“Chinese Government agencies integrate gender equality considerations into governance policy and practices”.*

This will assist in achieving the strategy on State macro-Policies in the Program for the Development of Chinese Women (2001-2010), China’s overarching policy framework on gender equality and so supports alignment with local policies and aid effectiveness. That strategy requires:

*“The major objectives for women’s development should be reflected in the national plan for economic and social development, and a gender perspective should be integrated into the economic analysis and the economic restructuring”.*

### ***The Gender Equity Indicator is Poorly Defined***

The performance indicator used to measure gender equality outcomes is:

*“Gender issues adequately addressed and gender balance achieved”*

Gender experts working on the program concurred with the MTR team that this performance indicator is far from useful. It is too general, too process focused, and encourages too strong a focus on the gender balance of participants.

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It is also interesting to note that initiatives consistently rank poorly in scoring on the gender indicator across the board. Sometimes it is clear that gender equality is given a mid-level score on the basis that the assessor did not consider there were any gender equality issues to consider. In those cases, the gender equality rankings are largely meaningless.

The indicator needs to be redrafted to assist in measuring progress towards the gender equality objective noted above. A suggested indicator would be:

*“Gender equality issues relevant to the initiative were identified and adequately integrated”.*

This would require further definition under the M&E system. It would be necessary to go another step to define the criteria that would be used to decide that gender equality issues were identified and adequately integrated. The gender strategy currently under review for the CAGP could provide further guidance about the sorts of gender issues that may be relevant.

It is also important that any changes to the M&E approach within the program are gender sensitive and that all data generated by the program are sex disaggregated.

All recommendations related to enhanced gender equity implementation can be found in Section 9.

## **7.7 Administration of the Australian Development Scholarships**

The ADS is managed under the umbrella of the CAGP as Component 3. There is a very limited oversight function played by the contractor, and the ADS office is located on a separate floor to the CAGP main office. The performance of the ADS is not closely monitored.

As part of this review the team discussed any emerging issues with the staff member responsible for its administration.

The scheme is now experiencing a decline in budget allocation and applications after enjoying a 20 year history. Currently there are about 24 scholarships awarded per year in Governance, Health, Environment and Education from 70 to 90 applications per year. The completion rate for scholarships is ninety percent.

A cause of the reduction in scholarships is due to the high level of English required for acceptance. Other countries offering scholarships such as the US, Germany and Japan also offer tuition in English and have depleted the pool of English speakers in recent years. The solution here would be to consider the development of English preparation courses before departure.

The other cause is that AusAID does not award Masters Degree scholarships to applicants that have already completed a Masters Degree. As there are now far more applicants with a Masters Degree, it is becoming increasingly difficult to attract suitable applicants. This requires review.

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## Section 8: Resourcing and Implementation Pace of CAGP

### 8.1 Current Situation

Currently about 90% of CAGP funding has been committed with two years remaining on the program. Approximately \$1.2m remains to be spent across Components 1 and 2. This is *in addition* to funds quarantined from the Trust Fund in case the contractor is awarded stretch payments, as allowed for in the contract. These funds will be available for programming should stretch payments not be awarded.

The \$1.2m will be sufficient to complete the program commitments and to add some additional work to consolidate on work carried out this far. For Component 1 funding has been allocated with no new activities planned after the end of FYE June 2008. For Component 2, Theme 1 is almost complete; Theme 2 funding has been committed and is sufficient to the end of the program; Theme 3 funding is committed and is sufficient till the end of the program. Theme 4, which has not yet begun will need to be funded from the \$1.2m. This will mean that Theme 4 will be a somewhat limited version to what was originally envisaged.

### 8.2 Historical Factors and Decisions

The original design provided budget for a relatively even distribution of funding over the program life. However, as is usually the case with Partnership Programs, it takes some time to identify the right partnerships, nurture them, carry out true participatory designs, learn about each others contexts, policies, processes and organisational culture, and then position the partners to begin implementation of planned activities. Sometimes early partnerships fail, or suitable alignment of shared objectives and systems is not found. It takes time in a context as complex as China to gain even rudimentary knowledge of the bureaucracy, and the true political influence of particular individuals. Equally an understanding of the Australian bureaucracy was also required in these early days, which was not a typical area of expertise for a contractor with a focus on international development.

In addition, the response from the Chinese side was dramatically underestimated. The complex procedures developed to process many applications through the PMO, MG and finally CB also inhibited progress. The replacement of the first team leader also slowed down program efficiency, as did the limited capacity of ICC (as a Project Management Unit) to influence reform issues – something that was not fully appreciated in the original design. This all resulted in what would appear as critical delays if you had the same expectations of implementation that you would have of a traditional contractor model of aid delivery.

As a consequence there was building pressure from the Chinese partners to get things happening. They had an expectation that activities would begin soon after mobilization and were putting some pressure on AusAID to move things forward.

AusAID Post reported that delays in expenditure were noted coming up to the end of the financial year and there was pressure to ensure that funds were expended. They encouraged the contractor to start mobilizing activities quickly. From a budget management perspective this makes sense, but from the perspective of what you are trying to achieve in a governance partnership program this carries high risks. At the time

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these decisions were made, there was limited knowledge of good design and implementation practice for partnership programs.

The contractor then started increasing the time frame for identifying partners and pushing activities through the pipeline. This continued on for some time. Before the end of Year 3, the contractor reported the issue to AusAID highlighting that funds were being expended at a rate faster than that which would be required to keep a reasonable number of new activities possible toward the end of the program. Six months later they reported this again. AusAID on both occasions required the contractor to continue funding new work. There was an expectation that further funds may be available to the program if requested.

### **8.3 Implications for the Quality of Program Implementation**

We recognise the value of hindsight on this issue, and respect that decisions were made in the context of limited knowledge about partnership programming and the related aspects of design that need to be in place to support them. This review aims to contribute to that knowledge (see Annex 4). However, there were several implications of these decisions that effected on-going quality of implementation.

- a) Several activities were identified and supported that did not have the desirable pre-requisites for good partnership and/or development outcomes;
- b) Many activities were sub-contracted out as there was limited time to work out how to engage the right partner from the Australian side;
- c) As a result it was far more challenging to capitalize on Component 1 activities over the life of the program;
- d) There is now very limited capacity to respond to new requests and consolidate gains.

Although it is late in the program to be able to address this issue, much has been learned for the design and implementation of similar programs (see Annex 4). In terms of the MTR recommendations on the way forward on this and other issues for the remainder the CAGP, see Section 9.



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## Section 9: The Way Forward: Recommendations

### 9.1 Recommendations for the MTR

Recommendations from the MTR have been categorized in the following manner:

1. Recommendations for AusAID executive and whole-of-government partners can be found in Section 9.2
2. Recommendations that are relevant for a future program such as CAGP as well as any other *partnership program* at the design stage can be found at Annex 4.
3. Recommendation for the completion of the CAGP where *no additional resources* are available can be found in Section 9.3.
4. Recommendations for a *future Governance Partnership Program* under the new Country Program Strategy can be found in Section 9.4.

### 9.2 Recommendations for Senior Executive

#### Whole-of-Government Senior Officials (including AusAID) Considerations

- Consider future directions of Australian development engagement with China through a whole-of-government response. This could include a clear articulation of the extent to which Australian agencies are expected to engage and on what matters, and the provision of executive support that translates into time and financial resources to participate in the engagement.

#### AusAID Corporate and Country Program Strategic Considerations

- Consider inclusion of specific involvement of the AusAID WoG unit, in the Development Partnerships branch. This would be direct liaison activities to facilitate engagement of Australian Agencies in the CAGP and other partnership programs across the agency (rather than relying on the contractor which is the current approach).
- Under a possible new China Country Strategy consolidate the role of governance as a priority area of work, including governance aspects of the other sectoral areas of health and environment.
- Consider whether a new governance program should be primarily focused on partnerships or on development outcomes (or a combination)

### 9.3 Completing CAGP with No Additional Resources

The preliminary draft of this review provided a list of costed recommendations should additional resources become available. This is now considered unlikely, so only those recommendations that are cost neutral have been presented here. As such, it would also be useful to re-consider the viability of Theme 4. The MTR is not suggesting this should not be progressed, rather that a thorough review of the likely institutional sustainability of partnership and development outcomes should be carried out.

The use of the remaining funds would also be well utilised under the option for conducting pilots of the implementation of previously completed, successful activities, especially where these are potentially viable partnerships.

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Key recommendations from this review that do not require additional resourcing are:

***Improve the strategic Function of the Team Leader, Project Director, MG, and CB***

Review the content and quality of MG and CB meetings and enhance the analytical and strategic content. Consider mechanisms to identify and respond to issues more effectively at the level of the PD and Team Leader. Maintain the retreat process, but enhance its quality and value to the program.

***Reduce the Frequency of MG and CB Meetings***

The frequency of meetings is clearly a decision for the stakeholders involved, but the MTR recommends a reduction of the meetings to annually for the CB and six monthly for the MG. Special out of session meetings could be scheduled for urgent issues.

***Shift the Emphasis of the PMO from Administration to Development Value-Add***

With a rationalization of reporting, promote an emphasis on development practice. For example, improved strategies for institutional sustainability, gender equity and partnership outcomes. Provide intellectual space for the team to exploit their talents and interests.

***Enhance the Quality of Reporting***

Should resources not be available for technical assistance for improved M&E systems, at a minimum some work ought to be done to reduce the reporting burden and to increase the extent of outcome reporting and the analytical content of the reports. The best scenario is for the PMO to address this themselves, but if the skills are not available within the PMO for this work, AusAID could consider a very short input of technical assistance to facilitate this process such as a Reporting workshop that was linked to another activity.

***Enhance Gender Equity Policy Implementation Performance***

Wherever possible and appropriate it may be useful to invite the National Working Committee on Women and Children to be involved in implementation. This would support the ability of Chinese government agencies to take responsibility for gender equality and support the Committee to develop capacity as a policy co-ordination unit within government. Similarly it would be useful to engage more closely with Australia's national policy co-ordination agency on gender equality – the federal Office for Women.

It would also be useful to engage more closely with women's studies centers and academics by including these in study tour programs and contracting gender experts with relevant expertise to work with particular initiatives.

It is important that the Chinese and Australian participants and implementers understand something of the context for gender equality in each other's countries and within the sector of work. It would be useful for the Youth Ambassador to prepare a number of briefings on gender issues within sectors of interest and on the work to integrate gender perspectives within each country. The Chinese and Australian gender experts employed on the program could assist in identifying issues and resources.

Gender experts employed by the program could be extended by a small number of days each year to provide support and expertise to the PMO and training and mentoring to participants in initiatives. For example, the Gender AQAG member, at present has 10 days contracted a year. She may be able to extend her contract by a number of days to provide this kind of ongoing assistance.

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Forward planning for all new and ongoing initiatives should include gender expertise and technical assistance.

Terms of reference of all new positions within the PMO should include some requirement for gender expertise and interviews should test this.

### ***Review the Criteria for ADS Selection***

Reconsider the appropriateness of not accepting applicants with previous Masters Degree. Consider the value of English preparation for a selection of applications. This could result in an expansion of suitable applicants.

## **9.4 A Future Governance Partnership Facility under the China Country Strategy**

### Enhance Partnership Design

The MTR team supports a follow-on program with Section 2 and Annex 2 providing a strong basis for the recommendation. Despite the many successes and challenges of the CAGP, there are significant design issues that require any future program to be re-conceptualized. The CAGP has identified significant useful lessons that have enabled AusAID to progress its understanding of partnership programs in the governance sector. Several lessons that have emerged from the CAGP are included in Annex 4.

### Integrate Contextual Information on Governance

The MTR envisages a program that would institute both a whole-of-government and a sectoral approach. In the whole-of-government approach, the approach would identify the progress made and examine remaining problems in budget processing and public expenditure, the tax system, the civil service, the fight against corruption, regulatory management and organisational structures of government entities.

The sectoral approach looks at how governance issues affect policy-making, its efficiency and effectiveness in different sectors. Again, the idea is to review progress made and to identify and analyse remaining weaknesses. The project could cover 10 policy sectors: labour policies, the banking sector, competition, intellectual property rights, foreign investment, social security/welfare, corporate governance, agriculture, environment protection and higher education.

Three broad areas appear to require further reform efforts:

1. Modernise the governing tools (regulatory framework, budgeting, and civil service) and adapt these to a market-driven economy. This is necessary to improve the efficiency and effectiveness with which public resources are used. Strengthening the rule of law and regulatory stability will provide citizens and businesses with greater confidence concerning state institutions. This is also crucial to strengthen the state capacity and non-state mechanisms to arbitrate between conflicting interests, and between short-term and long-term objectives.
2. Adjust the relations between levels of government. This vertical dimension of the system of governance is crucial in many respects: to handle the remaining difficulties of the transition process, but also to provide better public services for citizens and enterprises. This comprises both fiscal and administrative aspects.
3. Consolidate the institutional framework for market forces. This is a necessary condition to strengthen the role of the private sector both as an engine of economic growth and as a provider of basic services.

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In addition to the general design lessons identified in Annex 4, and drawing on additional lessons from the CAGP, a future program design would need to also consider: the balance of policy dialogue with policy implementation activities; clarify clearly what are considered legitimate development outcomes in the arena of policy dialogue and processes; and consider good practice approaches to engagement.

Experiences from C2 T1 have shown that an effective approach to this kind of work is to:

1. Set up the right policy *processes*, don't focus on the policy content
2. Demonstrate how Australia addresses similar issues
3. After Chinese side has developed thinking and ideas, and prepared preliminary documents, comment on these
4. Facilitate further development of ideas

The focus of study tours and site visits is not “*what* is the best solution”, rather “*why* a country has adopted it as their best solution”.

#### Enhance Gender Equity Design

One of the key concerns about the lack of more effective gender equality results in the program is that gender equality is still seen as a donor driven additional consideration. Once initiatives are designed, it is often too late to integrate gender equality. Adding gender experts and training partners can be a useful way of achieving some results in these circumstances, but it will not deliver comprehensive gender equality results.

If the program is redesigned or extended, it is important that the partners be supported to consider the gender implications at the beginning of the design process and to identify what gender equality results could be achieved. Supporting partners to develop basic gender analysis skills at the beginning of an initiative will produce results through the life of the initiatives.

Taking gender equality seriously in any new governance program means devoting resources to it. It is possible for a redesign to mandate that priority issues for gender equality in each initiative be identified and adequately resourced.

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# Mid Term Review of the China-Australia Governance Program

## May to June 2008

### Proposed Methodology for Stakeholder Consultation

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## 1. Overview of the CAGP

### 1.1 Objectives of the Program

The China - Australia Governance Program (CAGP) commenced development in early 2002. Following a number of in-country design missions and internal and external reviews of the evolving design, the Program Design Framework (PDF) was finalized in June 2003. A tender process was then initiated to select a Partner Contractor, using participatory workshops to assist the refinement of the Program Design Framework in accordance with Partnering principles. In August 2004 Hassall and Associates International was selected as Australian Managing Contractor (AMC), and implementation commenced in September 2004.

The development of the program design represented an iterative process, with each step building on the positive aspects and the lessons learned in the previous steps. The overall program continues with this approach, to enable it to respond flexibly to new developments and to incorporate and build on learning.

The **Goal** of the CAGP is to *support governance for poverty reduction in China*. This goal explicitly recognises the link between improved governance and effective poverty reduction.

The **Purpose** of the program is to *support China's governance reform and development agenda in areas of mutual interest to China and Australia*.

The Program comprises three components:

The objective of Component 1 is "to support strategic engagement between Australia and China in order to progress priority governance issues". Component 1 is designed to provide a facility through which the CAGP can fund small-scale, short-term governance activities in priority areas, and to provide a mechanism through which the CAGP can flexibly and rapidly respond to governance proposals from Chinese and Australian organisations.

The objective of Component 2 is "to support development and implementation of specific policy initiatives". Component 2 is intended to involve a small number of projects, particularly at the sub-national level, through longer-term sustained assistance. The first two policy themes were identified as Fiscal Reform and Removing Trade Barriers to Empower the Poor. The third one is Social Security for Migrant Workers with a focus on *retirement pension*.

The objective of Component 3 is "to provide administrative support for MOFCOM and AusAID's management of the Australian Development Scholarships (ADS) Program". Under this component the AMC provides administrative support for the program only, while management of the ADS program remains the prerogative of MOFCOM and AusAID.

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## **1.2 Management Structure and Oversight**

The CAGP is implemented in partnership by AusAID, the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and Hassall and Associates International (HAI). The Program Management Office (PMO) is located in Beijing staffed with counterparts from the International Cooperation Centre (ICC) of NDRC which is the implementing agency.

In addition to the above main implementing agencies, several other Chinese agencies have also been identified as having a key role in the program. These include the Central Party School (CPS) and Chinese Centre for Leadership Assessment (CCLA) of Central Organization Department (COD, a ministry level department in the Communist Party structure). The PDF identifies these organizations as having a key role in disseminating the lessons learned through CAGP.

The partnering approach is described in the Program Partnering Charter (Charter) as amended from time to time by the Charter Board. The Board comprise representatives from AusAID, MOFCOM, NDRC and AMC, and is the ultimate authority for the CAGP.

A Management Group comprising representatives of each of the Program Partners was set up to be responsible for the management of the CAGP in accordance with the direction established from time-to-time by the Charter Board. NDRC and the Partner Contractor are core members, and work together on a day-to-day basis. Representatives from AusAID and MOFCOM may participate in Management Group meetings as required

An Advisory and Quality Assurance Group (AQAG) was set up for reviewing the selection of activities in Component 1 to report on the benefits achieved by this component. This is an annual activity and findings are presented in the Quality Assurance Report (Component1). In Component 2 AQAG is engaged throughout the full project cycle to ensure the lessons are incorporated, risks are managed, quality outputs are achieved and the results framework is sound and reflects the best possible understanding of how to deliver real outcomes that contribute to the goal of the CAGP. In addition, the AQAG members are to complete a survey on an annual basis to assess the related KPIs.

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## 2. Broad Objectives of the Mid-Term Review (MTR)<sup>4</sup>

The purpose of the MTR is to contribute to the improvement of program implementation, and to account for aid expenditure to stakeholders. The specific Terms of Reference are available in Annex 1. In summary, the review aims to:

Relevance of objectives: through a mid-term desk and field review of the Program, assess whether the objectives of the Program are still relevant and focused enough on priorities and mutual interests of both China and Australian.

Effectiveness in achieving the stated objectives: assess the extent to which CAGP activities attain or likely to attain its objectives.

Efficiency of management/implementation: assess whether the program management has met AusAID's quality standards for program implementation and will deliver the expected outputs and outcomes including an analysis of monitoring and evaluation undertaken by the CAGP.

Impact: to assess whether there has been evidence of significant results/changes produced by the Program, directly or indirectly, intended or unintended.

Likely sustainability of what is being achieved: to assess whether the Program achievements are likely to continue beyond CAGP life.

Lessons learned and changes required/recommended: advise AusAID on how the Program could be improved, including modifications to the design to produce more effective implementation and compliance with AusAID's policies; identify good examples; and make specific recommendations on the next steps AusAID should take.

In light of the upcoming MTR of China country program, consider whether there are lessons in delivery and implementation that could feed into the review exercise to be undertaken by AusAID in the second half of 2008.

Specific information requirements are described in Section 4 below.

## 3. Utilisation of Findings

Approaches that will be adopted for this MTR are:

1. Ensure that participating key stakeholders responsible for implementing the CAGP have the opportunity to discuss the findings of the Review Team, and feasibility of recommendations before the final report is submitted;
2. The same stakeholder representatives will be given the opportunity to comment on the draft report submitted to AusAID by the MTR team;
3. The final report will be written with navigation aids for different audiences;
4. Mechanisms to disseminate and follow-up on report recommendations will be developed by AusAID during the review and will be described in the MTR report.

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<sup>4</sup> This MTR is designed to meet OECD-DAC Quality Evaluation Standards within the resource and time limitations posed

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## **4. Mid-Term Review Design – Information Requirements and Broad Approaches**

### **4.1 Overview of MTR Design**

This section describes the information required during this review, and methods employed to collect that information. A more detailed list of information required, or evaluation questions can be found in Annex 2. Often TORs are written in a way that requires slight restructuring for the development of the methodology of the mission and to enhance clarity in allocating tasks to MTR team members according to their area of technical expertise. Usually Objectives and Scope of Service sections mix statements of information requirements on achievements, with products of the mission such as recommendations on certain topics. The following re-ordering of information requirements still includes all aspects of the original TORs. The logic of the design is that the MTR focus on two main areas:

1. *Achievement of Program Objectives*: this includes the achievement of sustainable outcomes (to date, and likely long-term impact or significant results) the delivery of quality outputs, and progress of implementation of activities.

Achievement of objectives will be assessed at the whole-of-program level, and at the activity level where a small sample of activities will be examined in more depth. This will include three activities selected under Component 1, and the first thematic area under Component 2 – Fiscal Reform.

2. *Effectiveness and Efficiency of Management Systems*: this includes reviews of areas such as the quality of planning, counterpart participation, staffing arrangements, quality of M&E and Risk Management systems, and resourcing. This will, in the most part, be assessed at the whole-of-program, and component level.

More detailed information requirements against these two broad areas are discussed below, along with the general approach in terms of methods for data collection and analysis. After information has been analysed, the final report will include recommendations for program improvement and identification of lessons learned as required in the TORs.

### **4.2 Description of Relevant Contextual Factors**

Information will be collected to provide a brief description of the policy context relevant to the implementation of the CAGP, AusAID and Chinese policy documents, objectives and strategies.

Relevant information will be collected to provide a brief description of key factors in the institutional environment and stakeholder involvement relevant to the CAGP so that their influence can be identified and assessed.

Relevant information will be collected on key aspects of the socio-political context within which the CAGP is implemented and its influence on the outcome of outcomes achieved will be described.

### **4.2 Achievement of Outcomes to-Date**

The general approach to establishing achievement of objectives will be:

a) Assessing the extent that all activities funded under Component 1 and 2 are *likely* to have contributed to the broader goals of the CAGP; and



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b) Conducting case studies on a small number of activities funded under Component 1, and Theme 1 under Component 2.

For the purposes of this mid-term review, and in consideration of the resources available for the collection of primary data, impact cannot be measured in the usual sense of evaluations. Impact assessments<sup>5</sup> require complex designs, usually require the Activity to have been completed, and often employ expensive methodologies. For this review, outcomes achieved to date will be the focus, with the reviewers' professional judgments being used to describe likely sustainability and long-term impact or significant results of the Program.

Determining the extent of achievement of outcomes to date will be approached by comparing the intended outcomes with achievement of outcomes to date for the case study activities. Outcomes for the CAGP will include, in the most part, the improvement of counterpart capacity to implement policy reform effectively. It will also include some assessment of the extent to which results of successful activities have been effectively disseminated to future leaders who are at the appropriate level to influence policy development. Intended outcomes will be based on: a) the design framework; b) annual plans; and c) the AMC contract. Actual outcomes to date will be determined by: a) documented evidence of achievement available such as AQAG Reviews or outputs of the M&E Framework; b) perceptions of key institutional representatives; and c) perceptions of a sample of beneficiaries of actual interventions delivered.

Key stakeholder perceptions of the broad outcomes of the CAGP as a whole will also be assessed.

Outcomes will also be assessed in terms of relevant gender, anti-corruption and partnership outcomes. The basis of performance will be a comparison of the program design framework (intended outcomes for these cross-cutting themes) and current AusAID policy directions, with achievements to date. The evidence of achievement will be, in the large part perceptions of key program implementers, national counterparts, and beneficiaries of the interventions. A review of outputs of the M&E Framework, AQAG and progress reports will also be conducted.

Partnerships addressed will be those between Chinese and Australian agencies involved in activities under Component 1 and 2, as well as between Australia and CPS and CCLA. For the latter the extent to which the partnerships have resulted in innovation and experimentation in the dissemination of CAGP information will be assessed. The questions relating to partnership outcomes are included in the detailed Annex 2 and include dimensions such as: outcomes or products as a direct result of the partnership; the extent of mutuality in the partnership; the value-add or synergistic outcomes achieved; achievement of individual partner organisation objectives; identity of the partnership itself and individual partner performance against agreed roles<sup>6</sup>. The depth and quality of data collection for this aspect will reflect the resources available for the MTR and the scope of the TORs.

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<sup>5</sup> Outcome evaluations assess the immediate or direct effects of a program on target beneficiaries during and at the end of a program, while impact evaluations look beyond the immediate effects to consider long-term intended and unintended effects.

<sup>6</sup> This broad partnership assessment is adapted from: Brinkerhoff J., (2002) "Assessing and Improving Partner Relationships and Outcomes: A Proposed Framework. *Evaluation and Program Planning* Vol 25:p 215-231.

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Questions relating to Gender will be developed by the Gender Specialist, and Anti-Corruption by the Governance Specialists. These questions will be developed in a way that is sensitive to the context. Given the scope of this MTR, the major focus will be on outcomes achieved relating to objectives rather than cross-cutting themes.

Factors that have led to, or inhibited the achievement of intended and unintended outcomes (both development outcomes and partnership outcomes) will also be identified.

#### **4.4 Sustainability of Outcomes to Date**

Sustainability will be determined by examining the extent to which there are sufficient factors in place (or likely to be in place) to ensure the continued practice of new capacities and/or technologies.

These factors may include: the legal or policy framework supporting new practices; counterpart commitment to implementation and executive support for the adoption of new practices; counterpart participation and ownership in the delivery of the activity; absorptive capacity of national counterpart agencies; the recurrent budget implications of the intervention and the willingness and capacity of counterparts to commit to this new expenditure; extent to which on-going training and continued organisational development can be carried out by counterparts; evidence of external factors that may inhibit sustainability; extent to which new technologies or approaches have been appropriate for the context.

The quality of the exit strategy will also be assessed using AusAID standards for Exit Strategies provided in *Practical Sustainability (2000)*. In the most part, information will be gathered on stakeholder perceptions of these issues, but program reports will also be reviewed to identify issues of sustainability.

#### **4.5 Quality of Outputs or Deliverables**

For Component 1, the quality of strategic analysis and monitoring will be assessed. For Component 2, the analysis that results in the selection of initiatives will be assessed. A documentation review will be the basis of these assessments applying criteria that will be developed by the Governance Specialist on the MTR Team.

In addition, the quality of the interventions in the sample case studies will be assessed, such as training or technical assistance provided. The quality of capacity building across the Aid Program is becoming a new area of emphasis for AusAID and the OECD-DAC. The quality of capacity building interventions will be assessed via stakeholder perceptions during in-depth interviews. Participation satisfaction with capacity building activities such as training workshops has been shown to be a poor predictor of quality<sup>7</sup>, however without access to well designed primary data; it is not possible to generate more credible evidence. Documentation for capacity building activities will be reviewed, such as curricula design and progress reports related to a particular exercise.

For Component 2, the extent to which the thematic area under study (Theme 1) exhibits the principles of: collaborative and participatory approach; contributing to civil society capacity; action learning and refinement; adoption of good change management principles; adherence to gender equity and anti-corruption principles during implementation.

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<sup>7</sup> See, for example: D'Eon M., Sadownik L., Harrison A., Nation J., (2008) "Using Self-Assessments to Detect Workshop Success: Do They Work?" *American Journal of Evaluation* Vol 29(1): p92-98.

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#### **4.6 Extent to which planned activities have been implemented**

In terms of achievement, the final level is progress of, and timeliness of implementation of activity implementation. This will be a simple comparison of the annual plans with actual implementation as discussed in annual progress reporting, the AQAG assessments, and with interviews with relevant implementers from the AMC, AusAID and the counterpart agencies. This will also include an assessment of the appropriateness of pace of implementation (and expenditure).

#### **4.6 Efficiency and Effectiveness of Management/Implementation Systems**

Several aspects of the management/implementation *systems* will be assessed for relevance, efficiency and effectiveness. This will largely be approached by the review of program documentation, but some in-depth interviews with implementation teams will be required. The specific areas of focus will be:

1. Continued relevance of the design framework: this will include a comparison of Chinese policies and priorities in the relevant areas of engagement, identification of external factors that may influence achievement of current objectives, and perceived needs within the relevant Chinese agencies.

2. Quality of planning processes: this includes counterpart ownership and participation; and the extent to which balance has been achieved between maintaining the original intentions of the design while adequately addressing the changes that have taken place. Factors contributing to the early difficulties in adapting the original design with the operational realities will be explored.

At the level of the Component 2 case study, the quality of the mini-design will be assessed.

3. Appropriateness of the decision making process for activity selection: this includes an assessment of the selection process for the priorities and themes identified. Program guidelines will be reviewed and selection panel representatives interviewed.

4. Extent of shared responsibility and participation among implementation partners: this will involve a review of the current roles and responsibilities of each partner in the design framework and the MOU, and a comparison with current practices of each partner using interviews. The extent of coordination in planning, joint monitoring and evaluation, as well as the capacity of counterparts to participate will also be determined.

5. Appropriateness of staffing arrangements: this will include a review of the timeliness of recruitment, selection and placement of advisers, and value-for-money of long- and short-term staffing provided by the AMC in the context of limited resources for the final phase of implementation. The effectiveness of adviser performance will be assessed in the three case studies under the section of achievement of outcomes above.

6. Quality of administrative support to the ADS: this will include a brief review of the facilitation of initial scholarship nominations, the processing of applications and offers, and the quality of pre-departure arrangements.

7. Quality of the Program M&E Systems: a brief assessment<sup>8</sup> of the quality of the new M&E Framework will be assessed applying the (2007) *AusAID Quality Framework for the Assessment of M&E Frameworks*. In addition outputs of the previous program level M&E Framework and Progress Reports will be assessed for quality, and the extent to which findings have been shared with relevant stakeholders described. The process of

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<sup>8</sup> It is beyond the scope of this MTR to conduct a full appraisal.

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Charter Board, Management Group and AQAG reporting on Key Result Areas and KPIs as well as Contractor Performance assessment systems will also be assessed for effectiveness in provision of credible performance and outcome level information that results in program improvement. Document reviews and in-depth interviews with stakeholders responsible for the generation and utilization of data will be employed.

Monitoring and reporting of the ADS, and at the level of the case studies, monitoring and evaluation systems will be assessed in the same manner.

8. Effectiveness of Risk Management Systems: this includes an assessment of the quality of the original design framework risk assessment, follow-up risk analyses, responses and monitoring during program implementation, and the extent to which risk has been shared among the four key partners.

9. Effectiveness and Efficiency of Financial Management Systems: this will include an assessment of the financial management of the Program looking at AusAID systems for Component 1, and AMC systems for Component 1 (Output 1.4), and Component 2. Adequate standards of financial reporting will be assessed, in addition to the extent to which the Program could be considered value for money. Practice standards, or criteria of quality will be based on the agreed guidelines developed by the Management Group.

10. Adequacy of Resourcing: this will include an assessment of whether or not the program will require additional resources to enable the program to maintain its integrity and achieve intended outcomes.

## **5. Scope and Sampling**

### **5.1 Scope and Flexibility of MTR Design**

The scope of the review presented here is very broad, with 13 days available for interviews in Beijing and two days in Australia. There is significant information required from interview respondents. It is not always possible to enable respondents to answer the broad range of questions within the time allocated for the interview (usually one hour). At times, the reviewers will need to make decisions to sacrifice some information to pursue important emerging information that was not anticipated during the design. At times the reviewers will need to conduct interviews separately.

Information collection will be conducted in three phases. The first phase is a preliminary documentation review followed a series of interviews in Australia with the Managing Contractor, and advisers or trainers who have participated in the delivery of each of the 4 case study activities.. Phase two will involve a series of interviews in Beijing. The final phase will be the conduct of remaining document reviews, analysis of interview data and report writing. There will be eight groups of respondents for this review:

1. AusAID personnel including Desk, and Posted Officers (Counsellor, Program Officer);
2. Representatives from the Charter Board and Management Group;
3. The Managing Contractor Program Director;
4. The Implementation Team in-country;
5. Australian Partner Agencies from the sampled activities (Activity Manager and technical advisers delivering outputs where available);
6. Australian advisers or trainers participating in delivery of each of the 4 case study activities (where available);
7. Chinese Partner Agencies from the sampled activities and from CPS and CCLA.

8. Representatives of participants or beneficiaries of each of the 4 case study activities.

9. The AQAG team members.

## 5.2 Sampling

For Component 1, purposive sampling was applied to select the four completed activities for closer review. The criteria for selection of these Activities were: a) a range of budgets; b) representative of a range of content areas; c) reflection of different types of engagement or approaches; d) a range of Australian Agencies partners; and e) a mix of one-off and follow-on activities. The four Activities selected were:

Title of Activity	Australian Partner Agency	Chinese Partner Agency	Inception Date	Budget AUD
0415-0601: Improve Transparency and Monitoring of Investment (Phase 1 and 2)	Monash Uni Vic Dpt Infrastructure	Supervision Dpt NDRC	May 2005	\$505,493
0420-0605: Research on China Leadership Performance Appraisal Systems (Phase 1 and 2)	Private Contractor (AusAID)	China Centre for Leadership Assessment	Nov 2005	\$483,494
0511: Defining Targets and Strategies to Enhance Capacity for Risk Management in Chinese Banking (One Phase)	APEC SC  Treasury	DRC of State Council  NDRC	Oct 2007	\$207,050
0514: Fraud Control in Social Security Payments	Centrelink	MOLSS	Nov 2006	\$215,725

For Component 2, the first thematic area of Fiscal Reform was selected as the only completed thematic area and was selected as the final Activity.

## 6. Methods

As the review is not intended to provide proof of achievement of stated outcomes of the CAGP, no primary data will be collected for any of the three case studies beyond stakeholder perceptions. However, any output and outcome data reported in Progress Reports will be reviewed and incorporated into the findings. The review is a desk review of documentation, supplemented by in-depth interviews using qualitative questioning techniques seeking the perceptions of relevant stakeholders described in the seven groups above. Multiple perspectives strengthen confidence in the findings where primary data is not available. Although reliability and validity of findings will be weaker than if a formal outcome evaluation with the collection of primary data was carried out, this is well beyond the resources available to AusAID for this MTR. Many of the findings will be based on a combination of stakeholder perceptions and the professional judgment of the MTR team.

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Annex 2 shows, in detail, the review questions that will be addressed, and shows the methods for each topic area. Tools include document checklists for document reviews, and interview guides for the in-depth interviews. These tools will be finalized by the team at the time of the in-country visit and will evolve somewhat during the review period. Questions presented in Annex 2 will be structured during interviews to ensure there is logical flow of discussion rather than going through a list of questions mechanically. This list is used by the reviewers to guide topics of discussion during the interview, and to make certain that the information requirements of the review TORs are met.

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## Annex 1: Terms of Reference for the CAGP MTR

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### 1. Background

- 1.1 The China - Australia Governance Program (CAGP) commenced development in early 2002. Following a number of in-country design missions and internal and external reviews of the evolving design, the Program Design Framework (PDF) was finalized in June 2003. A tender process was then initiated to select a Partner Contractor, using participatory workshops to assist the refinement of the Program Design Framework in accordance with Partnering principles. In August 2004 Hassall and Associates International was selected as Australian Managing Contractor (AMC), and implementation commenced in September 2004.
- 1.2 The development of the program design represented an iterative process, with each step building on the positive aspects and the lessons learned in the previous steps. The overall program continues with this approach, to enable it to respond flexibly to new developments and to incorporate and build on learning.
- 1.3 The **Goal** of the CAGP is to *support governance for poverty reduction in China*. This goal explicitly recognises the link between improved governance and effective poverty reduction.
- The **Purpose** of the program is to *support China's governance reform and development agenda in areas of mutual interest to China and Australia*.
- 1.4 The Program comprises three components:
- The objective of Component 1 is "to support strategic engagement between Australia and China in order to progress priority governance issues". Component 1 is designed to provide a facility through which the CAGP can fund small-scale, short-term governance activities in priority areas, and to provide a mechanism through which the CAGP can flexibly and rapidly respond to governance proposals from Chinese and Australian organisations.
- The objective of Component 2 is "to support implementation of specific policy initiatives". Component 2 is intended to involve a small number of projects, particularly at the sub-national level, through longer-term sustained assistance. The first two policy themes were identified as Fiscal Reform and Removing Trade Barriers to Empower the Poor. The third one is Social Security for Migrant Workers with a focus on *retirement pension*.
- The objective of Component 3 is "to provide administrative support for MOFCOM and AusAID's management of the Australian Development Scholarships (ADS) Program". Under this component the AMC provides administrative support for the program only, while management of the ADS program remains the prerogative of MOFCOM and AusAID.
- 1.5 The CAGP is implemented in partnership by AusAID, the National Development and Reform Commission (NDRC), the Ministry of Commerce (MOFCOM) and Hassall and Associates International (HAI). The Program Management Office (PMO) is located in Beijing staffed with counterparts from the International Cooperation Centre (ICC) of NDRC which is the implementing agency.
- 1.6 In addition to the above main implementing agencies, several other Chinese agencies have also been identified as having a key role in the program. These include the Central Party School (CPS) and Chinese Centre for Leadership Assessment (CCLA) of Central Organization Department (COD, a ministry level department in the Communist Party structure). The PDF identifies these organizations as having a key role in disseminating the lessons learned through CAGP.

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- 1.7 The partnering approach is described in the Program Partnering Charter (Charter) as amended from time to time by the Charter Board. The Board comprise representatives from AusAID, MOFCOM, NDRC and AMC, and is the ultimate authority for the CAGP.
  - 1.8 A Management Group comprising representatives of each of the Program Partners was set up to be responsible for the management of the CAGP in accordance with the direction established from time-to-time by the Charter Board. NDRC and the Partner Contractor are core members, and work together on a day-to-day basis. Representatives from AusAID and MOFCOM may participate in Management Group meetings as required
  - 1.9 An Advisory and Quality Assurance Group (AQAG) was set up for reviewing the selection of activities in Component 1 to report on the benefits achieved by this component. This is an annual activity and findings are presented in the Quality Assurance Report (Component1). In Component 2 AQAG is engaged throughout the full project cycle to ensure the lessons are incorporated, risks are managed, quality outputs are achieved and the results framework is sound and reflects the best possible understanding of how to deliver real outcomes that contribute to the goal of the CAGP. In addition, the AQAG members are to complete a survey on an annual basis to assess the related KPIs.
  - 1.10 A Mid Term Review (MTR) to assess the progress and management of the Program is scheduled for May 2008. It is expected that the final report will be available by end of June 2008.
  - 1.11 AusAID will be conducting a MTR of the China country program at the second half of 2008. It is hoped that the findings and suggestions of the CAGP MTR could feed into the mission of the country strategy review.

## **2. Key Issues**

- 2.1 Since its commencement in September 2002, the Program has encountered a number of difficulties including all Program Partners facing the challenges of adapting the initial design to the operational realities, which led to a very slow progress at the beginning stage.
- 2.2 The Program also encountered difficulty in changing Australian Team Leader (ATL) twice within less than three years. In the first 6 monthly performance review, despite satisfactory ratings against a number of agreed indicators, the Partner Contractor was given a less than satisfactory performance rating overall. A decision was subsequently taken to replace the Australian Team Leader. In July 2007, the second ATL had to leave China due to his visa was cancelled by the local authority. The Contractor then started a selection process and the new ATL was in place in late August 2007. Transition has proven smooth with the support of all parties.
- 2.3 The CAGP tries to work at a strategic level and to find a way to have impact on policy making and planning. Under Component 1, the Program has conducted a number of activities in performance appraisal, public service delivery, public inquiry process, government investment monitoring, banking risk control, legal exchange as well as other areas to promote strategic engagement between the Australian and Chinese agencies. Under Component 2, four themes have been identified to support implementation of specific policy initiatives. They are: fiscal reform, removing trade barrier, social security for migrant workers and leadership and management professionalism. However, right channel for influencing policy at the appropriate level still needs to be further investigated to pass information to the decision makers.
- 2.4 The total budget of the CAGP is A\$19,956,000. Since commencement in September 2004, approximately 90% of the Program budget has been expended or committed while there are still two and half years to go before the Program completes at the end of October 2010. If there are no additional funds available, this means that only A\$1.52 million could be used for Component 1 for the remainder of the Program, which equates to roughly 6 initiatives of A\$250,000 each. Thus there is a need to assess the current Program phasing, pace of implementation and whether



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additional resources are needed to ensure that project goals and objectives and expected outputs could be achieved efficiently and practically with the remaining project years.

- 2.5 In accordance to the Program M&E and Quality Assurance Framework (MEQAF), each CB representative is required to submit a Charter Board Survey every six months to assess 7 Key Performance Indicators (KPIs) and each MG representative to submit a Management Group Survey to assess 10 KPIs. The average score will then be incorporated into a 6-monthly performance evaluation form to generate an overall score for the Contractor's Performance. However, it appears to be that the scoring system for Contractor Performance has to some extent led to too much emphasis in the MG and the CB, particularly the MG survey, on the numbers and the scoring, rather than substantial discussion of the issues lying behind the scores.
- 2.6 Despite the efforts made by the Program, the dual objectives of the Program (improved governance and poverty reduction) mean that there is no single government institution with a mandate to provide the range of services required and thereby ensure sustainability of program outcomes beyond 2010.

### 3. Objectives of the Mid Term Review/CAGP

The objectives are to assess the following aspects of the Program:

- 3.1 Relevance of objectives: through a mid-term desk and field review of the Program, assess whether the objectives of the Program are still relevant and focused enough on priorities and mutual interests of both China and Australian.
- 3.2 Effectiveness in achieving the stated objectives: assess the extent to which CAGP activities attain or likely to attain its objectives.
- 3.3 Efficiency of management/implementation: assess whether the program management has met AusAID's quality standards for program implementation and will deliver the expected outputs and outcomes including an analysis of monitoring and evaluation undertaken by the CAGP.
- 3.4 Impact: to assess whether there has been evidence of significant results/changes produced by the Program, directly or indirectly, intended or unintended.
- 3.5 Likely sustainability of what is being achieved: to assess whether the Program achievements are likely to continue beyond CAGP life.
- 3.6 Lessons learnt and changes required/recommended: advise AusAID on how the Program could be improved, including modifications to the design to produce more effective implementation and compliance with AusAID's policies; identify good examples; and make specific recommendations on the next steps AusAID should take.
- 3.7 In light of the upcoming MTR of China country program, consider whether there are lessons in delivery and implementation that could feed into the review exercise to be undertaken by AusAID in the second half of 2008.

### 4. Scope of Services

The MTR team should be guided but not limited to the scope highlighted below. The team should raise and address any other relevant issues that may emerge during the review. The MTR team will:

#### At Program Level

- 4.1 Review and assess the performance of the Program according to the program design, annual plans, the AMC's contract with AusAID, review results and recommendations made by the Advisory and Quality Assurance Group (AQAG), the AusAID quality standards of implementation, and the

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- work relationships with the Partners; The team will also consider key policy, planning, implementation and cross-cutting issues including gender, anti-corruption and partnerships.
- 4.2 Clearly identify any changes that the team considers necessary to improve the implementation of the CAGP. The team will consider the program setting, design, resources and implementation strategy and advise of any necessary modifications to the original program design, the current annual plan, the annual AQAG review process, the Contractor Performance and/or ways to improve project implementation as appropriate to ensure achievement of program outputs and outcomes, and maximise impacts;
  - 4.3 Assess the overall strengths and weaknesses of the program implementation to date. Consider whether the Program has achieved a balance between maintaining the original intentions of the design while adequately addressing the changes that have taken place and issues which have occurred since the original design;
  - 4.4 Assess the pace of implementation and identify factors that have facilitated or impeded the achievement of objectives, and outcomes. Make appropriate recommendations;
  - 4.5 Assess Program monitoring and evaluation system including Key Result Areas (KRAs) and the performance indicators, whether it is appropriate to local conditions and has enabled information to be collected and analysed, and outcomes to be assessed and reported to relevant agencies. Make appropriate recommendations;
  - 4.6 Find evidence of significant results and comment on likelihood of achieving the CAGP's objectives;
  - 4.7 Assess whether the achievements of CAGP are likely to sustain after the Program completes;
  - 4.8 Assess the appropriateness of the selection criteria and decision-making process of priorities/themes identified. Make appropriate recommendations;
  - 4.9 Assess Program risk management and whether there has been an appropriate sharing of risk between the four Program Partners during the Program implementation to date, and if not how the balance of risks could be improved;
  - 4.10 Given the current budget constraints, the team will assess whether additional resources are needed within the remaining time of the Program. If so, the team will also identify how much additional fund is adequate to support the Program in keeping its integrity and achieving its outcomes.

At project/theme level

- 4.11 Assess the relevance and priority of the activities supported by CAGP;
- 4.12 Assess progress and achievements of objectives as compared to those planned of each individual projects; and identify factors that have facilitated or impeded the achievement of those objectives;
- 4.13 Assess the likely sustainability of the results/achievements made by various activities outputs;
- 4.14 Under Component 1, assess the likely achievements of the projects in working towards establishing and strengthening strategic engagement between the Australian and Chinese agencies;
- 4.15 Assess whether the activity management cycle has been effective. Make appropriate recommendations;

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### Stakeholders

- 4.16 Assess Program Partners' commitment to implementation of the Program to date, considering the capacity of Partners and other stakeholders involved in the Program;
- 4.17 Assess the appropriateness of division of responsibilities for Program Partners;
- 4.18 Assess whether the project implementation has adequately addressed organisation and coordination in planning and joint monitoring and evaluation;
- 4.19 Assess whether the capacity of counterparts has been improved. Make appropriate recommendations to maximise impacts and sustainability

### Staffing Arrangements

- 4.20 Assess the strategies and operations of the AMC in managing the Program and the advisers, and in ensuring achievement of project activities and outputs;
- 4.21 Review the long- and short-term staffing being provided by the AMC. As appropriate, recommend staffing alternatives to rationalise the staffing structure as necessary for the remaining program duration in the context of program resources, and achieving program goals and objectives; and
- 4.22 Assess the capacity of counterpart government and associated institutions including the ICC/NDRC in supporting program implementation. Also assess the capacity of counterparts in contributing to policy development and planning. Make appropriate recommendations.

## **5. The Mid-Term Review Team**

### **5.1 The team will include three international experts who are the Team Leader/ Design Specialist (TL/DS), the Governance Specialist (GS) and the Gender Specialist.**

- 5.2 The collective skills of the team will include the following:
  - assessment and design expertise for facility including flexible funding mechanisms, particularly in governance, ;
  - knowledge of the AusAID design process requirements;
  - demonstrated understanding of and experience in governance, policy development, capacity building, gender, anti-corruption, poverty reduction as well as other cross-cutting issues ;
  - demonstrated capacity to assess monitoring and evaluation requirements;
  - experience assessing implementation and sustainability of development programs/projects, specifically governance programs/projects;
  - experience assessing institutional capacity in a developing country context, in particular support for building capacity and improving activities;
  - development experience in China;
  - writing skills of a high standard and computer literacy skills.
- 5.3 Responsibilities within the team are to be negotiated between the team leader and the team members. However, the following terms of reference provide an indicative guide to individual team member inputs/outputs. The team leader should confirm primary responsibilities of individual team members with team members and AusAID prior to the field mission.

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5.4 Team Leader/Design Specialist (TL/DS): Dr Susan Dawson

The Team Leader will have primary responsibility for directing team inputs and responsibilities, logistics and coordinating the field program, and coordination of report preparation. The team leader will take primary responsibility for considering program design, management aspects of the program, gender, poverty reduction. The Team Leader will have overall responsibility for considering policy and institutional aspects of the project, M&E arrangement and other areas as considered appropriate in negotiation between the team leader and other members.

(A) 5.5 International Governance Specialist (IGS): Dr David Kelly

(B) The International Governance Specialist will, at the direction of the Team Leader, have primary responsibility for considering governance issues including whether the priorities of identified by the Program are also those of the Chinese government. The specialist will also provide input into the final report as discussed with the Team Leader.

(C) 5.6 Gender Specialist (CS): Ms Sally Moyle

(D) The Gender Specialist will, at the direction of the Team Leader, have primary responsibility for considering gender issues of the Program and its activities and other issues as agreed with the Team Leader. The specialist will also provide input into the final report as discussed with the Team Leader.

5.7 National Governance Specialist (NGS): Professor Yu Keping

The National Governance Specialist will, at the direction of the Team Leader, have the responsibility to work together with the International Governance Specialist on governance issues based on good understanding of the national context. The specialist will also provide input into the final report as discussed with the Team Leader.

(E) 5.8 AusAID Officers: Relevant AusAID officers will accompany the appraisal for consultation as necessary.

(F) 6. REPORTING

6.1 The Review team will be required to provide the following reports:

6.1.1 A Method Note covering the approach to be undertaken and standard questions and specific questions they need to ask of the different people the team will meet 1 week prior to in country mission.

6.1.2 Draft Aide Memoire prior to debriefing at AusAID Beijing.

6.1.3 Draft MTR report (DMTRR) as per AusGuideline 5.2 within ten days of returning to Australia.

6.1.4 Four hard copies of the final MTR report (MTRR) within five working days of receipt of AusAID comments on the draft MTR report. Company's logo should not appear on the covers of any report.

6.2 AusAID also requires the MTR team for a briefing/debriefing in Beijing before and after the mission.

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## 7. Indicative Timetable for the MTR

Desk review of documents prior to in-country monitoring visit (5 days)	By 30 April 2008
Briefing Desk and Meeting with Australia partners (TL/DS, IGS and GS)	1 – 2 May 2008
Travel to Beijing (the TL/DS and the GS)	3– 4 May 2008
In-country Mission including briefing AusAID Post and MOFCOM	5-20 May 2008
Debriefing in Beijing	21 May 2008
Draft Reports submitted to AusAID	4 June 2008
Final Reports Submitted	By 20 July 2008

## 8. Background Materials

The Review Team will be provided with the following materials for desk review:

- China Country Program Strategy (2006-10)
- Program Design Framework;
- Annual Plan (2006/07, 2007/08);
- M&E and Quality Assurance Framework;
- AQAG review (2006,2007,2008);
- QAI report;
- Any other documents including key Chinese policies/documents deemed relevant by AusAID

## Annex Two: Review Questions, Methods and MTR Team Responsibilities

### 1. Achievement of Program Objectives

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
4.2	<b>Relevant Contextual Factors (only brief overview for report)</b>			
4.2.1	What is the policy context relevant to the implementation of the CAGP	Document Review Professional Experience	To be identified by National Governance Team Member	David Kelly
4.2.2	What are the key factors in the institutional environment that are relevant to the implementation of the CAGP? This includes stakeholder involvement.	Document Review Professional Experience	To be identified by National Governance Team Member	David Kelly
4.3.3	What are key aspects of the sociopolitical context within which the CAGP is implemented, and its influence on the outcomes achieved?	Document Review Professional Experience	To be identified by National Governance Team Member	David Kelly
4.3	<b>Achievement of Outcomes to Dates</b>			
4.3.1	To what extent have all activities funded under Component 1 and 2 been <i>likely</i> to have contributed to the broader goals of the CAGP? Are intended outcomes in line with the CAGP goal and purpose?  What have been the broader CAGP program outcomes to date?	Document Review  In-depth interviews	Design Proposals for 15 Completed Activities  CAGP Design Framework  AusAID Program Officer  AusAID Governance Analyst  AMC Implementation Team  CB or MG representatives	Dr David Kelly  All Team to Conduct Interviews and enter data from interviews  Susan Dawson
4.3.2	To what extent did the 15 completed activities <i>report</i> achievement of outcomes?	Document Review	Design Proposals for 15 completed activities  Activity Completion Reports for 5 completed activities	Dr David Kelly
4.3.3	To what extent did stakeholders	Document	Design Proposal for 4	All Team to

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
	<p>perceive that 4 case study activity development outcomes were achieved? (A series of qualitative questions are required to assist the respondents to articulate outcomes achieved at the time of the MTR)</p> <ul style="list-style-type: none"> <li>- <i>achievement of development outcomes articulated in the design proposal</i></li> <li>- <i>achievement of unintended outcomes</i></li> <li>- <i>extent to which outcomes have been successfully disseminated to leaders at the appropriate level to influence policy development</i></li> </ul>	<p>Review</p> <p>In-depth Interviews</p>	<p>case studies</p> <p>AusAID Program Officer</p> <p>AusAID Governance Analyst</p> <p>Australian Partner Agency Activity Manager (APA-AM) for each case study</p> <p>Australian Adviser (if available)</p> <p>Chinese Partner Agency Activity Manager (CPA-AM) for each case study</p> <p>Participant or beneficiary of each CS activity</p>	<p>Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
	<p>What factors have accounted for the achievement (or not) of development outcomes?</p>	<p>Document Review</p> <p>In-depth interviews</p>	<p>ACR Lessons learned section for 15 completed activities</p> <p>APA-AM of 4 case studies (CSs)</p> <p>Australian Adviser for 4 CS</p> <p>CPA-AM of 4 case study activities</p> <p>Participant /beneficiary of 4 CaseS</p>	<p>David Kelly</p> <p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
4.3.4	<p>To what extent did the design proposal and Activity Completion Report for completed activities describe approaches to gender equity?</p> <p>To what extent did stakeholders perceive that 4 case study activity gender equity outcomes were achieved?</p> <ul style="list-style-type: none"> <li>- <i>Gender Specialist to identify relevant dimensions for questions (include only minimal requirement so as to keep</i></li> </ul>	<p>Document Review</p> <p>In-depth Interviews</p>	<p>Design Proposal for 15 completed activities</p> <p>ACR for 15 case studies</p> <p>APA-AM</p> <p>Australian Adviser/Trainer for 4 CSs</p>	<p>Sally Moyle</p> <p>All Team to Conduct Interviews and enter data from interviews</p> <p>Sally Moyle reporting</p>

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
	<i>overall interview within 90 minutes)</i>		CPA-AM	
4.3.5	To what extent did the design proposal and Activity Completion Report for 15 completed activities describe or infer approaches to anti-corruption?	Document Review	Design Proposal for 15 case studies ACR for 15 completed activities	David Kelly
4.3.6	To what extent did the design proposal and Activity Completion Report describe intended/achieved partnership (or linkage) outcomes?  What partnership (or linkage) outcomes have been achieved in the 4 case study activities?  <i>- outcomes or products of the relationship (incl value-add or synergistic)</i> <i>- degree of mutuality</i> <i>- extent to which home organisation has had its objectives met</i> <i>- identity of the partnership</i> <i>- partner performance</i>  What factors have led to the achievement of partnership outcomes?	Document Review  In-depth Interviews	Design Proposal for 15 case studies ACR for 15 completed activities APA-AM for 4 case studies Australian Adviser for 4 case studies CPA-AM for 4 case studies Participant or beneficiary of 4 case studies	Susan Dawson  All Team to Conduct Interviews and enter data from interviews  Susan Dawson reporting
4.4	<b>Sustainability of Outcomes</b>			
	To what extent are there sufficient factors in place that will likely result in the sustainability of outcomes achieved?  <i>- supportive legal or policy framework</i> <i>- executive support for adoption of new capacities</i> <i>- counterpart participation and ownership during implementation (see 4.6.2 below)</i> <i>- absorptive capacity of national partner</i> <i>- recurrent budget implications</i> <i>- capacity for on-going self-development</i> <i>- appropriateness of the new practices or technologies for the context</i>	Document Review  In-depth Interviews	Design Proposal for 4 case studies ACR for 4 case studies APA-AM for 4 case studies Australian Adviser for 4 case studies CPA-AM for 4 case studies Participant or beneficiary of 4 case studies	Susan Dawson  All Team to Conduct Interviews and enter data from interviews  Susan Dawson to report



Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
	Has an exit strategy been defined? What is the quality of the exit strategy?	Document Review	AusAID Practical Sustainability Policy (2000) Design Proposals for 4 case studies ACR for 4 case studies	Susan Dawson
<b>4.5</b>	<b>Quality of Outputs or Deliverables</b>			
	What is the quality of the strategic analysis and monitoring under Component 1? <i>- Governance adviser to develop criteria of quality</i>	Document Review	AusAID/AMC to identify relevant documents	David Kelly
	What is the quality of the analysis that results in the selection of initiatives under Component 2? <i>- Governance adviser to develop criteria of quality</i>	Document Review	AusAID/AMC to identify relevant documents	David Kelly
	Is there evidence of the quality of outputs or deliverables in documentation of the 4 case studies?	Document Review	ACR for 4 case studies	Susan Dawson
	What was the quality of outputs for each of the 4 case study activities? <i>- training, mentoring, study tour, workshop, seminar, strategy, other</i>	In-depth interview	CPA-AM for 4 case studies Participant or beneficiary of 4 case studies	All Team to Conduct Interviews and enter data from interviews Susan Dawson reporting
<b>4.6</b>	<b>Extent to which Planned Activities have been Implemented</b>			
	Have planned activities for 4 case studies been implemented in a timely fashion? What were causes of delays?	Document Review  In-depth interviews	ACR for 4 case study activities  APA-AM for 4 case studies CPA-AM for 4 case studies	Susan Dawson  All Team to Conduct Interviews and enter data from interviews Susan Dawson

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
	<p>To what extent has the pace of implementation and expenditure been appropriate?</p> <p>What were the factors that led to this situation?</p>	In-depth interviews	<p>AusAID Program Officer</p> <p>AusAID Governance Analyst</p> <p>AMC Implementation Team</p>	<p>All Team to Conduct Interviews and enter data from interviews</p> <p>David Kelly Reporting</p>

## 2. Efficiency and Effectiveness of Management/Implementation Systems

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
4.7.1	<p>To what extent is the design framework still relevant?</p> <p>What factors may influence achievement of planned objectives of the Program (see section 4.2 above)</p>	<p>Document Review</p> <p>Professional experience</p> <p>In-depth interview</p>	<p>Relevant Chinese policies and plans</p> <p>AMC Implementation Team</p> <p>AusAID Program Officer</p> <p>AusAID Governance Analyst</p> <p>CB and MG representative</p>	<p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
4.7.2	<p>What was the quality of the mini-design of Comp 1 thematic area 1, and the design proposals for the other 3 case studies?</p> <p>What was the quality of planning processes in 4 case study activities?</p> <p>- <i>counterpart ownership and participation in planning processes (see also 4.7.4 on broader participation issues)</i></p> <p>- <i>presence of design drift</i></p>	<p>Document Review</p> <p>In-depth interviews</p>	<p>Design proposals for 4 case studies</p> <p>APA-AM for 4 case studies</p> <p>CPA-AM for 4 case studies</p> <p>AMC Implementation Team</p>	<p>Susan Dawson</p> <p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
4.7.2	<p>What factors contributed to early difficulties with adapting original design with the operational realities?</p>	<p>In-depth interviews</p>	<p>AusAID Program Officer</p> <p>AMC Implementation Team</p> <p>CB and MG representatives</p>	<p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson</p>
4.7.3	<p>How appropriate is the decision-making process for activity selection?</p>	<p>Document Review</p> <p>In-depth interviews</p>	<p>CAGP Guidelines</p> <p>AusAID Program Officer</p> <p>AusAID Governance Analyst</p> <p>Relevant CB and MG</p>	<p>All Team to Conduct Interviews and enter data from interviews</p>

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
			representatives AMC Implementation team	Susan Dawson reporting
4.7.4	<p>To what extent has responsibility been shared between partners in the documented roles and functions?</p> <p>What are the current practices for roles and functions of partners in relation to the guidelines? <i>- extent of coordination in planning, joint monitoring and evaluation</i></p>	<p>Document Review</p> <p>In-depth interview</p>	<p>CAGP Design Framework</p> <p>MOU</p> <p>AusAID Program Officer</p> <p>AusAID Governance Analyst</p> <p>Relevant CB and MG representatives</p> <p>AMC Implementation team</p>	<p>Susan Dawson</p> <p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
4.7.5	<p>To what extent have the recruitment, selection and placement of staff and advisers been timely and value-for-money?</p>	In-depth interview	<p>AusAID Program Officer</p> <p>AusAID Governance Analyst</p> <p>Relevant CB and MG representatives</p> <p>AMC Implementation team</p>	<p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
4.7.6	<p>What was the quality of administrative support provided to the Australian Development Scholarship scheme? <i>- facilitation of initial nominations</i> <i>- processing of applications and offers</i> <i>- pre-departure arrangements</i></p>	<p>Document Review</p> <p>In-depth interview</p>	<p>Relevant ADS documentation to be identified by AusAID</p> <p>AusAID Program Officer</p> <p>Relevant CB and MG representatives</p> <p>AMC Implementation team</p>	<p>Susan Dawson</p> <p>All Team to Conduct Interviews and enter data from interviews</p> <p>Susan Dawson reporting</p>
4.7.7	<p>What was the quality of CAPG monitoring and evaluation systems? <i>- outputs from previous Program M&amp;E framework</i> <i>- quality of the new Program M&amp;E</i></p>	Document Review	<p>AMC submitted M&amp;E products or reports</p> <p>All AQAG reports</p> <p>ACR of 4 case study activities</p>	Susan Dawson

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
	<i>Framework</i> - quality of progress reports and M&E outputs for 4 case study activities			
4.7.7	To what extent to implementation partners have the capacity to deliver on the monitoring and evaluation requirements of the Program?	In-depth interview	AMC Implementation Team APA-AM for 4 case studies CPA-AM for 4 case studies	All Team to Conduct Interviews and enter data from interviews Susan Dawson reporting
4.7.8	What is the quality of CAGP risk management system?  What was the quality of case study activity risk management systems?	Document Review  In-depth interview	CAGP Design Framework ACR APA-AM for 4 case studies AMC Implementation Team	Susan Dawson All Team to Conduct Interviews and enter data from interviews Susan Dawson reporting
4.7.9	Do financial management systems of the Program (AusAID systems for Component 1; AMC systems for Output 1.4 and Component 2) meet adequate standards?  - using agreed guidelines for financial management developed by the Management Group	Document Review	Financial management guidelines AusAID and AMC to identify relevant documents	David Kelly
4.7.9	For each of the 4 case study activities: To what extent was budget returned to AusAID after acquittal? To what extent were there variations in ACR acquittals? Did line items appear fair and reasonable? To what extent is the program good value-for-money? What was the breakdown of line items (where not clear in budget)?	Document Review  In-depth interviews	Budgets and expenditure for CAGP Budgets and expenditure of 4 case study activities in ACR  APA-AM or finance manager	Susan Dawson

Method Section	Review Question	Method	Documents Reviewed/ Respondent	Team Member Responsible for Information Collection and Section in Report
	<p>What was the reason for significant budget variations?</p> <p>What were the reasons for significant variations?</p>			
4.7.10	Will the CAGP require additional resources to enable the program to maintain its integrity and achieve intended outcomes?	<p>Overall assessment after data collected</p> <p>In-depth interviews</p>	<p>NA</p> <p>AMC Implementation Team</p> <p>AusAID Program Officer</p>	<p>All team members consider</p> <p>Susan Dawson reporting</p>

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## Annex 2:

### Strategic Considerations for Governance Partnerships in China

“Strategic considerations have come to play an increasingly important role in Australian aid activities. The single strategic objective established for Australian aid is: “To assist developing countries reduce poverty and achieve sustainable development, in line with Australia's national interest”.

Major external factors shaping the outcomes of projects within the CAGP form the subject of this section. The broad purpose of this exercise is to support the mid term review's major findings about the detailed orientation and mode of operation into the future of the CAGP Program as a whole.

At this point, to clarify our thinking, we need to put aside operational concerns, including those regarding the expected life of the current Program, its cessation and/or its reinvention as a quite different program. Questions to be addressed here are therefore to do with issues lying beyond the control of the CAGP. These are matters which, should its continuation or replacement be contemplated, will continue to be taken as given.

These issues include the following (the terms in square brackets are to be thought of as expansions of the primary question):

- Where does the PRC (hereafter “China”) fit into Australia’s national interests? [Why should government be involved? Does the national interest need to be disaggregated? Along what lines?]
- What is governance? [What is not governance? Where is the boundary? Isn't economic development enough?]
- What are the ground rules of China’s governance institutions? [In general and in particular? What impact do these rules or settings have on cooperative initiatives?]
- What is the trajectory of change in China’s governance? [Can Australian institutions afford to respond? Can they afford not to?]
- How does governance as configured in Australia relate to governance as configured in China? [Are there common terms or frameworks? Are there areas of convergence/divergence over time? ]

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## 1 The National Interest

As a high-profile regional actor with direct impact on this country's publicly declared national interest, China has for years been moving unstopably upward in the priorities of the Australian government. Support for this climb in the ratings has been bipartisan over a number of changes of administration. The Howard government paid considerable attention to China, and both before and throughout its 2007 election campaign, the current Rudd administration foreshadowed even greater emphasis. This was symbolised in the person of PM Kevin Rudd himself, the first head of government in the world with professional qualifications in Chinese affairs.

Some major statements on this include:

- “Australia has a fundamental interest in working closely with China in the evolution of the multilateral, rules-based order in relation to global security, the global economic and, of course, the global environment.”<sup>9</sup>
- “Australia and China enjoy a sound relationship with broad prospects for ... development and this relationship is of great importance to his country. [Rudd] expressed his country's hope to strengthen and broaden its cooperation with China. [He] said he is quite optimistic about the future of the relations between the two countries.”<sup>10</sup>

As the overall MTR Report will reiterate, *whole-hearted public declarations of the importance of China to the national interest are far from enough*. Transforming these good intentions into a balanced and sustainable program requires that whole-of-government strategic thinking be brought into play, and alertness to the risks and opportunities of the current situation filtered through all levels.

### 1.1 Disaggregating the National Interest

The national interest is the trump card in many policy debates; the right to interpret and define it is a major prize that comes with successful competition for political office. In these settings it is often treated as a singular term. In a policy context as important as the present, however, the national interest needs to be subject to closer analytical scrutiny, and in fact systematically disaggregated. It may be seen as made up of several distinct, mutually supportive layers:

Terms of trade

This ratio—the quantum of imported goods gained in exchange for a given unit of goods exported—has in the case of China been increasing in Australia's favour, with benefits to Australian consumers. Reflecting major complementarities in demography and resource distribution, changing terms of trade have a momentum of their own—but are subject also to fluctuations due to contextual factors.

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<sup>9</sup> Speech to the Central Party School as Shadow Foreign Affairs Minister, 6 July 2004; <http://au.china-embassy.org/eng/zagx/t142076.htm>

<sup>10</sup> Report of PM Elect Rudd's telephone conversation with Premier Wen Jiabao, 5 December 2007; <http://www.chinaconsulatesf.org/eng/xw/t387700.htm>.



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***It is in the national interest for changes in the terms to trade to remain in positive territory.***

Development

Development in the countries and regions with which Australia directly deals is a good in itself. This applies to China as well: despite intense economic growth, China is still confronted with development challenges of a high order; some of its development gains have been shown to be fragile in the context of, for instance, the Sichuan earthquakes of May 2008.

***It is in the national interest to maintain a suitable level of development assistance to China in the sense of one-way flow of resources and human inputs.***

Technical assistance

As with development assistance from the previous level, this level of interaction is a good in itself, and may offer Australia direct collateral benefits in terms of the uptake of Australian products and services.

***It is in the national interest to improve technical capabilities in the countries and regions with which Australia directly deals.***

Sustainable partnership

Even when the urgent priorities of development and technical assistance have been met, this more long-term level of national interest continues to be served by extensive and intensive cooperation. Rather than a one-way flow of goods and services, this level may place more emphasis on cooperation and partnering in shaping technical standards and behavioural norms.

***It is in the national interest for China to adopt technical, legal and other standards and norms to which Australia is itself committed.***

Reduction of threat, risk and uncertainty

Uncertainty is one of the few constants in the universe, in life and in politics. Nonetheless, the world is now experiencing is a good deal of *China-specific* uncertainty. Uncertainty is not necessarily source of threat or even risk, although they too are constant factors in a world that still lacks a credible “enforcer” of global norms. In 2002 Robert Zoellick, then US Undersecretary of State, made this non-specific “uncertainty” a major pillar of his argument for treating China as a “responsible stakeholder,” a proposal recently embraced by PM Rudd, who stated that “...at this stage, there is no clear articulation of how wealth and power, once obtained, could be used to shape the future international order.”<sup>11</sup>

Uncertainty is bound up with the sense of opportunity, rather than risk, which frames the way China is perceived in Australia. As PM Rudd stated in his Brookings Institution address, “We find ourselves at one of those rare times in history, a period of unprecedented flux and change where new patterns, processes, and approaches to the emerging order have yet to be finally settled. It is therefore a time of great diplomatic opportunity.”

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<sup>11</sup> Kevin Rudd, “The Rise of China and the Strategic Implications for U.S.-Australia Relations,” address to the Brookings Institution, 20 April 2008; available at <http://www.brookings.edu/~media/Files/events/2007/0420china/20070420china.pdf>.

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Uncertainty is not only a concern of Western leaders: it has been recently been openly discussed in policy circles in China. Global financial markets have in the past year (2007-2008) undergone great turbulence largely due to the sub-prime mortgage crisis in the USA. The latter has in this sense been perhaps the leading producer of uncertainty in the world. Analysts—Chinese analysts among them—have not been slow, however, to show that China has been an “amplifier” of uncertainties in global markets. We can go further to suggest that China, in view of its rapid emergence as an economic player in many market spheres, is capable of exporting uncertainty, both its own and that it accumulates from extraneous sources.

Beyond the financial sector, with its specific linkages to global uncertainties of many kinds, uncertainty in China can be generally described as policy uncertainty. A good deal of the “governance overlap” to be discussed below gains its importance from the role it plays in reducing uncertainty, reducing risk and enhancing opportunity.

***Reducing policy uncertainty at its point of production in the Chinese system of governance is in the national interest.***

Mutual security

Beyond the reduction of uncertainty, mutual security is a level of the national interest expressed in efforts on the part of two or more partners for mutually beneficial regional objectives. It is the level at which China and Australia need to establish partnership in such endeavors as the sustainable economic development of the Southwest Pacific. China is an emerging development agent in this region, able to go far beyond emergency relief and technical assistance. Australia’s governance interest in China therefore includes the governance of international development assistance. Having some upstream influence on the way China engages in this region, via governance programs, will pay a great national interest dividend.

***It is in Australia’s national interest to work with China to build its capacity to contribute to mutual security in regions of common concern.***

Joint solutions to common problems

A simple case in point is the reduction of green house gas emissions through improvements in clean coal technology. Similar issues arise with the emergence of Chinese state-owned corporations as investors in Australian resources. Australian companies investing in China, and Chinese companies investing in Australia, may need to find ways and means of addressing common problems. Economic and environmental issues aside, companies like Chalco are already players in Native Title negotiations. The modern language of corporate social responsibility attempts to bring governance frameworks to such issues.

***It is in the national interest to find solutions to common problems through partnership, building on all the levels of the national interest previously listed.***

Joint solutions to global problems

This is the ultimate level, which must at some point merge with the common multilateral commitments of the two governments. There is no need to labour the point about the national interest served at this somewhat idealistic level.

But, as before, it is served by all that has been achieved on the preceding levels. We can then see what is true by definition: the separate levels or registers of the national interest as defined here are mutually supporting and synergistic. A key implication here is that *efforts to enhance cooperation on governance need not come at the expense of*

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*development and technical assistance goals, but can and should be integrated with them.*

## **2 Governance: strategic, yet value-neutral partnership**

### 2.1 Governance: strategic, yet value-neutral partnership

We refer to the following formal definitions as an initial guide:<sup>12</sup>

- Governance refers to the process whereby elements in society wield power and authority, and influence and enact policies and decisions concerning public life, and economic and social development.
- Governance is a broader notion than government, whose principal elements include the constitution, legislature, executive and judiciary. Governance involves interaction between these formal institutions and those of civil society.
- Governance has no automatic normative connotation. However, typical criteria for assessing governance in a particular context might include the degree of legitimacy, representativeness, popular accountability and efficiency with which public affairs are conducted.

Ensuring that China enhances its standards of governance is very much in the national interest. It is relevant to virtually every level of the national interest as defined in the previous discussion.

As well as supporting the fundamental interests of development, technical assistance and mutual security, governance comes into its own as the highest level at which Australian values can be made relevant to Chinese policy makers.

#### 2.1.1. Governance: a level of policymaking distinct from both administration and ideology

Governance is different to, and of a higher order than, management or administration. It is not a particular set of management outcomes, but an approach to reaching such outcomes. As one of our Chinese informants expressed it, it is the activity of “setting the rules of the game” for a wide variety of policy fields.

Governance is considerably broader in scope than economic development as well, while always a vital component of it. Attempts to constrain assistance or partnership to the purely economic are unlikely to yield results. This is because governance factors are always part of the bigger economic picture and demand being treated on their own terms. On the other hand, payoffs for governance are likely by definition to be payoffs for economic management too.

Furthermore, and importantly, governance is separate from ideology. By the latter we mean the highest value judgments in a political system (democracy, freedom, human rights, the rule of law, etc.). It is the role of governance to take these values as given and proceed to build institutions that embody them.

Although ideology is excluded, governance still involves values. As soon as we move above the pure logistical level in any system, the rules of the game will inevitably be expressed in value terms. (The rules of a bank, for instance, will embody such values such as prudential risk management, confidentiality, transparency, and so on; without referencing these values, describing how banks work would be extremely difficult).

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<sup>12</sup> Global development Research Center, “Governance, a working definition.” Available online at: <http://www.gdrc.org/u-gov/work-def.html>.

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In governance therefore it is assumed that the “rules” (the organising values) of various games can be identified and transposed from one political context to another without implying major changes to the core ideological values of the new context.

The separation between governance and ideology is what allows a country like China to accept externally supplied working models. Chinese policymakers wish to innovate locally, using externally supplied ideas and models, without the implication that their core values are subject to challenge or erosion.

### 2.1.2 China’s cultural and historical heritage colours its reception of external models

While governance allows for the transposition of values from their original context, a process of adaptation to the new context is likely, if not inevitable.

The Chinese language is an obvious cause of adaptation and alteration. Translation between any two languages is an art rather than a science, but the level of difficulty is particularly acute in the relations between English and Chinese. China borrows relatively little from foreign languages, and has a vast range of local vocabulary items available to render their terms and concepts. These local terms carry their own cultural freight, and many shades of meaning may be lost—and gained—leading potentially to communication breakdown.

Language issues are only the beginning, however. China has had a longer and more complicated history than many states in Australia’s immediate region. Liberal democracy has not been a major part of this history. There have been long eras of feudal and bureaucratic governance, followed by the Republic of China (1911-1949, and continuing on Taiwan) and the Soviet-style planned economy (1949-1979, and, despite extensive reforms, not quite defunct today). All have left legacies in the realm of governance. In terms of the Wikipedia definition given at the beginning of this section, many of these legacies have involved “driving” rather than “steering.”

These issues are summed up in one case: the Chinese translation of the China Australia Governance Program, *Zhong-Ao guanli xiangmu*, literally means “China Australia Management Project” The choice of *guanli* (“management”) rather than the normal word for governance, *zhili* to render the CAGP’s title in Chinese may well have been made for the following reason: *zhili*, some may have felt, would imply that the CAGP was in the business of “driving” (“power over”), rather than merely “steering” (“power to”).

Adaptations of this kind should be expected and where not in conflict with core objectives, accommodated.

## **3 China Governance: basic configuration, trajectory of change and relevance to Australia**

The concern here is with some of the specific institutional settings of China’s governance, keeping attention focused on the potential relevance to Australia’s national interests. We shall also be moving from what is now known, to what needs to be known.

The People’s Republic of China, ruled by the Communist Party of China (CPC), expresses its political identity in terms of adherence to a formal ideology, Marxism-Leninism Mao Zedong Thought (MLM). This ideology is described in widely available public documents which need not be reiterated here.

Under the CPC, China has evolved a governance framework that is somewhat separate from the formal ideology of MLM. Even in the unlikely event of the Party abandoning its formal commitment to Marxism, we can be reasonably certain that a good deal of this

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day-to-day framework of governance would continue; changing, of course, but according to a set of driving forces and constraints that are its own.

Some key terms of this configuration are:

- National sovereignty

This policy imperative came to the fore in a recent (early 2008) crisis triggered by the approach of the Beijing Olympics, and the outbreak of social unrest in Tibet. China regards Tibetan appeals for autonomy as direct, intolerable threats to the political order. Given that some 95% of the population are Han, national sovereignty amounts to de facto Han sovereignty. It also implies maintaining intact the territorial borders established historically by the non-Han Qing (Manchu) dynasty. The Taiwan issue is conceived and handled within the same framework. While supra-national entities like the European Union have emerged elsewhere in the world, China is strongly committed to a “Westphalian” model of national sovereignty, under which the “One China” principle is and will remain non-negotiable.

- Unitary (rather than federal) structure

In Australia, the main levels of government (federal, state and local) are constitutionally separate. The Federal government has limited powers to intervene in state or local appointments and arrangements. In China, however, the writ of the Central authorities runs extremely wide. Local government appointments and arrangements can be and are frequently altered by the Centre.

- Hierarchy vs. local autonomy

The Central government, despite its broad capacity to intervene and reallocate, unrestrained by constitutional separations of power, cannot be the universal provider of goods and services. This was not attempted even at the height of the Soviet-style planned economy. Mao Zedong in fact moved away from the Soviet model in key respects, especially after the failure of Great Leap Forward. In order to maintain the unitary structure (in line with national sovereignty as described above) while at the same time preventing absolute economic collapse, a framework of national and regional governance was put in place which continues to play a role today, and which is sometimes described as “hierarchical rent-sharing.” In it, there is by definition inequality between higher and lower levels. A unit on a higher level may, firstly, derive economic rents directly from the proceeds of lower level operations; the central government’s main role is to prevent these exactions being excessive. Secondly, each level has a right to operate autonomously within its jurisdiction. Higher levels therefore have the right to uncompensated transfer of a certain amount of resources (not least human ones) from lower levels to their own operating level, from which they may derive revenue. Proceeds of operations at each level must in the first instance be shared with those higher, but not necessarily with those lower.

- Local fiefdoms, stylised responses and communicative fragility

This framework underpins the division of China into urban and rural, and coastal and hinterland realms. This in turn supports the household registration (*hukou*) system, the migrant worker export economy, the high price of urban housing, and many other day-to-day aspects of Chinese society. In some ways resembling an ancient feudal system of fixed social entitlements dependent on territory, it tends to work against the principles of an open market order.

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A closely related phenomenon is the border-maintaining behaviour of Chinese government agencies. There is no certainty that a given agency will not have its resources transferred by the levels above it. To compensate, borders are jealously patrolled by agencies at a given level to keep to their peers from benefitting at their expense. “Local fiefdoms” are found in many sectors (Component 2 Theme Two of the CAGP directly reflects the problems this causes for factor markets). They typically extract economic rents for the passage of goods and services through their area.

This is not the same as genuine local autonomy, which is built around the combination of formally defined jurisdictions and mechanisms of conflict resolution between them, such as independent adjudication and conciliation agencies. Conflict resolution in China has until recent times been highly opaque, personalised and stylised. “The upper levels have their policy, lower levels their counter policy.” Given the ample incentives for deception and prevarication, communication between levels can be extremely fragile and transaction costs high.

- Change by superimposition

Change has been rapid under the reform program that started in the late 1970s. Many economic sectors were opened to market forces, resulting in the ‘China miracle’ of sustained high GDP growth. As is widely known, the political system has remained conservative under the rule of the CPC. Less well understood has been the manner in which the governance system has changed in the reform era. In key respects, this has been a pattern of superimposition rather than substitution. The market has not replaced the old hierarchical rent-sharing solution introduced in the late 1950s: rather it has been superimposed on top of it. State-owned enterprises (SOEs) continue to have a privileged position, amounting in some sectors to monopoly, while adding the devices and accessories of market enterprises.

Analysts are divided as to the long-term viability of superimposing institutional structures from seemingly incompatible orders. China has often shown its critics to be wrong in this regard.

- Uncertainty, fragility and governance deficit

Nonetheless, critics within China are increasingly aware of the costs of simply superimposing new institutions on the prior framework. In its overall configuration, contemporary Chinese governance is a potent source of policy uncertainty. As previously stated, it is not the only such source in our world; uncertainty is indeed a constant in political life. But were we to ask how China has been faring in reducing its own policy uncertainty, the answer is likely to be “poorly.”

A prominent economist, Zhang Weiyong of the Guanghua School of Management, Beijing University, recently advanced a theory of policy uncertainty as the explanatory variable behind differences in income found in different enterprises in China. These used to be explained in terms of whether the enterprises in question were in the state or market sector; Professor Zhang argued that it is the policy context—of high or low uncertainty—which determines variations in incomes.<sup>1</sup>

The scope of Zhang’s argument was limited and his remedies non-specific—simply that the government should reduce the uncertainty of its policies—but the message is

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<sup>1</sup> Zhang Weiyong, “Shichanghua gaige yu shouru fenpei” [Market reforms and income distribution], *Shehuixue shiye wang*, 21 January 2008 (<http://www.snzg.cn/article/show.php?itemid-8953/page-1.html>).

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important: uncertainty originating in the system of governance has major macro consequences.

Not all of the consequences that flow from China's present system of governance and the uncertainty it produces are negative or destructive. Given its population and pressing development needs, China could be a source of far worse forms of uncertainty than it is presently. In recent times, the comparison between Myanmar and China has come to public attention following a hurricane disaster in the former and a massive earthquake in the latter. Few would question that China's response was superior. Overall, however, most specialists would agree with accounts of the Chinese system that speak of an endemic governance fragility—and indeed deficit. This fragility and deficit is expressed in routine times rather than in emergencies.

Furthermore, as an actor in Australia's region, it cannot be assumed that China will not export uncertainty and accompanying fragility to this country in a variety of forms. Even when major calamities and disasters are excluded, China's governance issues may have incalculable impacts.

#### **4 Deepening Institutional Reform: the Chinese Interest**

China's leaders are far from unaware of the challenges posed by the inherited framework discussed above. This is reflected in major rethinking about the direction of the formal reform program in recent years. The requirements of this rethinking are three-fold: maintaining growth; keeping it sustainable; and generating it more evenly.

Successful implementation of this agenda places the reform and capacity building of the government at the centre of attention. To meet its stated reform and development goals of a socialist market economy and a well-off society, it must transform itself. Both the national and sub-national governments must further withdraw from investment and allocation decision-making regarding financial resources and land, making way for a greater role of entrepreneurs and factor markets. They must in the meantime shift to more market-friendly economic policy instruments. The focus of development policies must be changed from over-emphasis on current GDP growth to sustainability of growth and balances between growth and other social goals.

This requires further reforms in public finance, including reform of budgeting institutions and adjustment in intergovernmental fiscal relations, as well as many other public administration institutions, such as management of natural resources and environmental protection. Successful implementation of the new reform and development agenda requires not only political determination, change of reform and development policy, but also government capacity building. This is particularly a key constraint to governments at local levels and in less developed regions.<sup>13</sup>

China's most senior leaders have committed themselves to addressing a range of imbalances: the imbalances that exist between growth in rural and urban areas, between coastal and interior regions, between domestic and foreign demand to drive growth, and between rich and poor households, between economic development and environmental protection. However economic growth will not solve these problems alone—if China's development is to be sustainable, the government needs to accelerate a comprehensive program of institutional reforms to modernise the regulatory framework and public management system. Continued leveraging of external expertise and support, both

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<sup>13</sup> The Eleventh Five Year Plan pays particular attention to these aspects. Available online at <http://en.ndrc.gov.cn/hot/W020060531535884573213.jpg>

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public and private sector, helping China's transition to a new model for economic growth that addresses these imbalances and the challenges of future systems of governance, is thus a shared interest.

## **5 Deepening Reform: the Australian Interest**

Much of the case for continuing and deepening the involvement in enhancing China's governance can readily be spelled out from what has been tabled to this point. We have argued that reducing uncertainty belongs in an extended definition of the national interest. We have shown also that China's intrinsic system of governance favours the production and export of policy uncertainty. The justification for engagement is thus both general and specific.

On these grounds alone, it would require special argument to abandon the engagement with China via governance-enhancing programs.

What would be the grounds of such an argument? We can envisage two: first, that the engagement cannot succeed because of its intrinsic difficulty; second, that the engagement is not cost effective, and must yield to other priorities— specifically, to matters closer to home, such as the development needs of the Southwest Pacific, of PNG and Indonesia.

As to the first of these arguments, we argue that while Australian engagement faces difficulties, these need not be overwhelming. As to the second, we shall show that the cost of engagement is far less than the cost of the alternative.

### **5.1 Governance reform in China gains legitimacy from externally supplied working models.**

Unlike the closed-off systems of Stalin and Mao, China has since the era of Deng Xiaoping been moving into ever greater contact with the global community. It both accepts global norms and seeks to influence them. While the old structures described above have been stubbornly resistant to change, and have often succeeded in making sure that superimposition rather than substitution is the order of the day, they have not had the stage to themselves.

Externally supplied working models have many achievements to their credit. Many actors within China are strongly in favour of accelerated change. To achieve this, they are willing, not to say eager, to enter into cooperative relationships with outside agencies. China's accession to the WTO was driven by reformist leaders who saw it not only as a gateway for China's exports, but as a "wrecking ball" on the domestic front, forcing change on vested interests and backward sectors.

### **5.3 Governance provides information about the target political system that enhances later efforts**

Actors have to be at the table to stand a chance of winning— i.e., of facilitating positive outcomes in terms of advancing the whole order of governance. The apparent difficulty of project like the CAGP is related to the steepness of the learning curve encountered in moving between the Australian and the Chinese contexts. Mitigating this constraint is what may be called the "outsider's dividend." This is the capacity of an outside agency to learn about the systemic constraints of governance structures *because* they are outsiders, are hungry to learn and take less for granted.

Starting from a position in which the lack of transparency, information and data is recognised as a problem even for actors within China, successful collaboration to date is



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strongly correlated with the presence of people with linguistic skills, professional experience and institutional insight. They are a scarce resource and in great demand around the world. Such human resources need job opportunities and career paths. They may yield their full value only after long experience in the field.

Hence efforts have to be sustained and champions of the overall program have to be in for the long haul. On the positive side of the ledger, problems encountered at the outset are minimised as this sort of experience comes on-stream, and as the agencies in the field accumulate information and collectively learn.

#### 5.4 Cooperation in governance works at an optimum level in the zone of overlap between China's recognized needs and Australia's recognized capabilities

Despite the differences in scale, historical background and value assumptions between the Australian and Chinese systems, the CAGP has logged up a number of successes which are pointers to the intrinsic value of the effort to date. These are itemised elsewhere in this report. We draw on them here to construct a rough map of the zone of overlap between the needs and capacities of the two sides.

Current trends in governance can be summed up as increasingly about "steering people to drive things themselves." This has direct relevance to a series of recent governance-relevant initiatives in China's reforms.

1. Social justice. The actual policy significance of this slogan, formally referred to as "paying more attention to social equity and justice," was spelled out at the 17th National Party Congress in late 2007, where Hu Jintao's Work Report made an number of clarifications. The formal policy goal of social harmony is said there to entail greater attention to social justice. In terms of implementation, this implies further moves to strengthen redistributive policies of social democratic type, and particularly applicable in the fields of education, health, and social security provision.

During the MTR, Australia was identified by key respondents as having particular strengths in its social justice models, which combine with its neutral ideological stance, middle power rank, and regional proximity to make it a high desirable target for partnership.

Enhancing social justice was a formal element of the Rudd government's electoral campaign in 2007, but it has in fact for many years been well integrated into Australian political life. All sides of politics offer social justice packages, albeit according to different formulae and with differing impact and according to different formulae. Within government, a great amount of apparatus is devoted to testing and adjusting programs with social justice or redistributive outcomes. This is simply to say that Australia is, broadly speaking, a social democracy.

This inherent capacity offers as a result a considerable repertoire of programs, models, procedures and other institutions which exemplify the direction China has recently set for itself. This is already reflected in successful projects with the CAGP; a good deal of potential remains untapped.

2. Service-oriented government. Formally referred to as the "transformation of government functions," this policy objective was particularly emphasised by Professor Yu Keping, the Chinese Governance Specialist, when participating in the MTR. Under the traditional framework inherited from the past, government provided public goods out of the goodness of its heart, and the public was expected to be grateful and submissive as regards what was dispensed. Many well-informed domestic critics in China

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establishment and non-establishment. have pointed to the critical need for change in this aspect. The cutting edge of policy here is to design greater levels of accountability in government agencies. This is a particular strength of the Australian governance system, which has initiated many “world’s best” practices.

3. Citizen initiative. China is not about to become an electoral democracy, but a variety of ways of increasing citizen participation in public policy formation are proving influential. This was given renewed emphasis the conduct of the earthquake relief operations in May-June 2008, where the government encouraged volunteer and local NGO activity. Australia has a wealth of experience in forms of citizen initiative, such as open hearings, round-tableing, referenda, and other formal mechanisms such as the recent 20-20 Summit. These represent a further area of “governance overlap.”

## **6. Conclusions**

What kind of China will be displayed in the 21<sup>st</sup> century? Australia, with an enhanced understanding of China’s domestic situation and worldview of its legitimate national interests and intentions, can assist China answer this critical question in a way that makes China’s rise a significant opportunity for Australia’s national interests. China is now undergoing a crucial transformation in its system of governance, adapting institutions and the functioning of the state to an increasingly market-oriented economy. This transformation is also being spurred by key strains that have emerged related to fiscal and financial imbalances, rising inequalities and environmental deterioration.

For Australia to abdicate the task of engaging with China at the level of governance, or to move to a purely passive mode of engagement, would impose great opportunity costs, and no little risk. Other countries, not least the EU and the US, are eager to help China set its own institutional “rules of the game” as well as its norms of interaction with the global community.

China’s size and fragility make it vital to evolve away from the traditional framework described in Section 3. It is understood by all that should this not be the case, the consequences could under some conditions be severe—in economic, health, an environmental terms to name only the most obvious.

It would serve no good purpose to paint some of these worst case scenarios in great detail. The issue at hand s one of seizing positive opportunities and leveraging the good work that has been done.

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## Annex 3: Case Study Findings

### Section 1: Introduction

This Annex provides details of the findings for the case studies from both the desk review and interviews. To avoid a lengthy document, the annex does not provide all the details about the design of each Activity being reviewed. It is assumed that where the reader needs more detailed background information they should consult the activity design document, or progress reports.

The MTR was limited in their capacity to explore the documentation to the level of detail that would be required to make more concrete findings. This was due to the overwhelming amount of documentation generated by the program as a whole. This supports the assertion, in the main report, that the extent and quality of reporting has actually hindered the capacity of all stakeholders to monitor and evaluate performance effectively. To illustrate, the desk review component of the work for the 5 case studies below took 7 person days to complete, and a complete assessment of all related documentation was not carried out.

The findings are presented according to review questions as listed in the Methodology.

### Section 2: Achievement of Sustainable Outcomes

#### Review Questions

What partnership (or linkage) outcomes have been achieved in the five case study activities?

What factors have led to the achievement of partnership outcomes?

To what extent did stakeholders perceive that development outcomes were achieved?

What factors have accounted for the achievement (or not) of development outcomes?

To what extent are there sufficient factors in place that will likely result in the sustainability of outcomes achieved?

Has an exit strategy been defined? What is the quality of the exit strategy?

<b>0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment</b>
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#### Achievement of Partnership Outcomes

*Outcome Type:* Contractual relationship with Monash University; early partnership with Victorian Dpt Infrastructure not likely to be sustainable

NDRC considers the partnership approach to be effective. The relationship is considered more equal than in contractor models. It's more helpful for their own professional development because they are working with Australians who are working in similar functions. They consider the partnership model to be well suited to assisting at the "grass-roots" level and also including the involvement of senior officials. NDRC also contributed money to the activity and both sides agreed that for both sides to be participating this had a greater promotion effect. For example the international seminar had a stronger impact than had it been only local.

NDRC consider the partnerships are with a range of stakeholders. AusAID because they sent the Ambassador which was considered to be a high level of attention (and consequently raises the profile of the work). They considered the PMO and Monash to

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be playing support roles, and that the Victorian Department of Infrastructure is the main content partner. They feel that they have not yet achieved the desired result in terms of this partnership. As the partnership is very new, communication is still very limited. Victorian Department of Infrastructure joined the project quite late as they could not find the right agency to work with until that late stage. Since the CAGP activity there has been no further contact with Vic Department of Infrastructure "it was a honeymoon period only".

The Phase 1 ACR considered partnerships to have been highly successful at the institutional level. However the findings of the MTR team were that this was not the case. This difference of opinion may be the result of different conceptualisations about what sustainable partnerships mean, and what are the features of sustainable partnerships. To illustrate, Monash reported in the ACR that at the institutional level, "relationships have been built with the host partner (the Department of Infrastructure, Victoria), and Monash University, the Essential Services Commission, the Australian Productivity Commission, Mornington Peninsula Shire, Mr. Terry Alford (Contracts Consultant) and United Management Systems. All discussions with partner organisations resulted in an ongoing commitment to further activities together and building up from this initial base". In fact, this on-going commitment has not been realised.

#### **Achievement of Development or Technical Outcomes**

*Outcome type:* Raise awareness; raise profile of policy reform work; enhance knowledge; influence content of reform; influence content of planning; provision of funding to expand Chinese capacity to conduct own research.

NDRC considers that the cooperation between Australia and China allows them to expand their view. That there are many practical cases from Australia that allows them to learn from, especially the management and evaluation side. The activity allowed the NDRC to attract high level executive interest in the work. The original model contract was not applied as later NDRC found that the model was not relevant to China, so they changed to the Gateway model which has now been applied to some extent. Two departments have applied this model. The Best Practice Guide that was developed by three Chinese agencies (Australian input was to review and comment) has been published and distributed to provincial and city level reform commission. The book is considered to be very practical and allows staff to quickly check the regulations. In the international dissemination seminar there was no formal action plan developed, however general recommendations were made. There is no formal mechanism developed to implement the recommendations, but NDRC is about to start annual planning and will want to reflect these recommendations at that point.

The 2007 AQAG review of Phase 1 work found that for the substantive outcomes "Neither the Concept Note, PIP nor ACR tie back into any identifiable outcomes that could signpost how the project will assist e.g. specific reform policy, legislation, process or mechanism under development by COD or Ministry of Supervision, apart from the Model Contract. But in interview, the Model Contract was assessed by SD as inappropriate for use in Chinese context. From interview SD regards the essential project as the surveys. Surveys produced 2 reports, approved at highest level of NDRC level, one referred to 2 other departments in NDRC and one circulated nationwide to local DRCs. No indication yet of these inputting to reform. ACR, other documents and subcontractor interview suggest a subcontractor focus on modalities rather than on outcomes" With respect to the intermediate outcomes, the AQAG found that "The two survey reports, „Investment to Reduce Poverty Reduction□, and „Promotion of Transparency of Investment Management□, both had recommendations accepted by NDRC leadership. SD reported in interview that Study Tour Report's 3-page „Suggestions□ (not mentioned in ACR and when asked subcontractors could not recall them in interview) fed into ongoing reform process in specific areas. Interview did not indicate how significant Study Tour input was to this process. However Model Contract assessed as inappropriate and SD says they are still waiting for a response on the partnership document with Victorian Dpt Infrastructure agreed in November".

There was no exit strategy. The design for Phase 2 asserts that the strong partnerships will provide the basis for sustainability, but there were no explicit interventions that developed institutional relationships, and these have faltered.

The Post Completion Monitoring report found that the survey work had resulted in a further two surveys being conducted by NDRC, and there was convincing evidence of value of the work provided from the perspective of the Chinese respondents.

#### **Factors Accounting for the Achievement of Outcomes**

*Partnership Outcomes:* Not achieved.

*Development/Technical Outcomes:* NDRC considers that the activity directly met their needs was the key factor. Language was an issue for NDRC where they considered more investment in professional level translation would have been beneficial. NDRC considered that high level engagement from the Australian side allowed them to raise the profile of the reform work in China. AQAG found that there was a low level of NDRC participation invited despite the planned participatory approach, and that Australia had not participated in the surveys (although ACR asserts their was participation in the design, and analysis), thus limited their potential input. Focus on output delivery rather than achievement of policy process outcomes.

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**0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor**

**Performance Appraisal and the Balanced Score Card**

**Achievement of Partnership Outcomes**

*Outcome Type:* Contractual relationship with private contractor unrelated to any Australian government agency or university.

There were no Australian government partnerships established in this activity. APSC, the appropriate agency could not engage with the work. The entire project was sub-contracted to a single contractor on behalf of AusAID. The contractor was not required to explore options for Australian Government Partners, although they considered it of value and approached the APSC. The APSC did not consider the work to be a priority to the Commission. They did agree, for a fee, to deliver a lecture during the Australian Study Tour, but provided a very junior staff member which would not have been appropriate for the level of the Chinese delegation. The contractor was able to stimulate some interest from state government in South Australia. There were relevant synergies. However, this relationship did not progress as the state government did not have the resources to engage.

This went into a second phase, without an Australian Partner as recommended by the AQAG. CCLA would like to use Chinese experts to promote this work further due to cultural and language barriers experienced under the CAGP. CCLA also now wants to work with experienced implementation managers in implementation of the BSC.

The contractor considers that the knowledge they have developed about China and State Owned Enterprises would be extremely beneficial to Australia – in terms of Trade and good governance more generally. They have developed a deeper understanding of how to approach working with China in these areas, but that this knowledge has been lost to the Australian government.

**Achievement of Development or Technical Outcome**

*Outcome type:* Raised awareness; enhance knowledge; mastered new skills; policy implementation through pilot; no formal mechanism for achieving future policy reform.

According to the AQAG and MTR interviews with CCLA there have been substantial technical outcomes of the project. The BSC has been implemented in a number of sites. CCLA has been considering the BSC from the US for some time, and approached CAGP to deliver. Many Chinese agencies are now requesting to join the work program on BSC.

However, it is unclear how the pilots will be harnessed to provide evidence of success, and more substantial policy reform.

For PetroChina (one of the pilot sites) the work has enabled them to establish new systems. A full cycle of PA using the BSC has been completed to date.

Sustainability of the work is compromised. Momentum has been stimulated by the activity, but there are insufficient institutional factors in place to ensure that momentum will be maintained after CAGP funding. For example, with the pilot in the Brewery, the core team has been taken off this work to meet other emerging agency priorities, and CCLA does not have the authority to make pilot Assessment Centers allocate staff to this work. There are also limited resources available to continue the work without CAGP funding. Funding decisions will come from COD, but there has not been sufficient work done to address this gap. Although there is increasing interest of other agencies and SOE in participating in the Performance Appraisal systems and the BSC, the CCLA does not have the resources to respond to requests for assistance from within the Chinese government. The Train the Trainer Courses have not yet been applied as planned due to lack of resources. There is a perception among several stakeholders that if there is no further assistance then momentum will be lost. There is an unclear link between the pilots and intended policy reform outcomes. It is not clear to what extent the BSC represents Australian good practice in Performance Appraisal, or a particular expertise of the contractor. There are examples of its application in the private and university sectors, and a few cases of local council adoption of the approach. The contractor reports that it would have been easier to address sustainability if there was a clear message from AusAID about the extent to which the work would be supported at the design stage of Phase 1. They would like to make the ending of the work effective and worthwhile, but it is hard to design the right approaches when you are unsure of the funding future.

Sustainability was poorly addressed in the ACR stating that dissemination seminars "created forward momentum", rather than exploring in more detail how the 5 year strategic plan would be implemented and institutional factors required to enable this to occur. There was a small section dealing with risks to sustainability but the meaning of this section was unclear.

**Factors Accounting for the Achievement of Outcomes**

*Partnership Outcomes:* Contractual Relationship.

*Development/Technical Outcomes:* CCLA does not have the required authority to turn the results of the pilot into policy. Adaptation

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of US BSC model was easy, although it has been adapted to some extent. The US was not contacted to work on this as CCLA already had a relationship with the contractor. Senior executive support in CCLA and pilot areas. CCLA consider that projects are too small and too short to achieve the kind of change required. Cultural and language issues reduced the effectiveness of Australian experts. The activity was not sufficiently resourced for translators, with several cases of translation being required from an individual for up to 12 hours per day. It has been difficult getting consistency of staffing on the Chinese side to sustain the momentum. Consultants had varying but largely limited experience in China.

0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai – Treasury/APEC Studies Centre  
Risk Management in the Banking Sector

#### **Achievement of Partnership Outcomes**

*Outcome Type:* Full academic institutional partnership with reasonable likelihood of sustainability without CAGP funding. MOU signed.

The partnership has been developed between the Asia Pacific Finance and Development Centre (APFDC) in Shanghai and the APEC Studies Centre at Monash in Melbourne. The notional partners were the MOF in China and Treasury in Australia. The latter played endorsement rather than operational roles. APEC SC hopes that the activity will bring the MOF and Treasury together, but specific strategies to achieve this were not employed.

The CAGP played the key role in establishing and strengthening the partnership. APFDC consider that they have a sufficiently robust relationship to maintain follow-up. They assert that without CAGP funding they would not have visited Australia and as a consequence would not enjoy the current active relationship with APEC SC. The APEC Studies Centre also assisted with establishing contacts with other key organisations such as the ANZ and Macquarie. Now the APFDC invites these organisations to regional fora. The APFDC consider that they have now established good relationships in the commercial bank and academic sectors in Australia. The DG Treasury and Chairman of APRA also shared experiences frankly with APFDC which also contributed to a general perception of enhanced understanding and communication between Australia and China. APFDC has interest in pursuing an on-going research program with APEC studies centre.

APEC SC view this activity as primarily a capacity building program making contributions to development, and secondarily a partnership activity.

Partner contributions from Australian Partner Organisations were significant. Victorian Government paid for the dissemination activities.

Benefits of partnership to Chinese APFDC are that Australia is considered to have a well developed banking sector. Australia has a more developed and experienced sector. China wants exposure to the international standards and practices. Australian expertise is considered highly valuable. They consider that Australia benefits by developing an understanding about the sector in China, and find interest in Chinese practices even though they are new players in this area.

APEC SC benefits from participation in this work as they already have positioned themselves as a regional training centre in this technical area. Participation allows them to expand their coverage. It is considered a natural extension of their work. APEC SC also consider that the relationship allows Australia to learn from the Chinese experience to address its own vulnerabilities.

CAGP played a significant role in allowing APEC SC to extend their work in China. It allowed them to put up a more complex proposal to APEC Support Funding for on-going work.

#### **Achievement of Development or Technical Outcomes**

*Outcome Type:* Raise awareness; formal mechanism developed for on-going capacity building for reform.

The path from policy dialogue to policy implementation was somewhat unclear to APFDC. They could not provide a specific example of adoption of new practices, but did consider that participants were at very senior level and were decision-makers who would then be able to use the information to make improved decisions. Changes to the actual work style are considered to take a long time. APFDC consider the logic to be that first there is exposure to new ideas, then down the track when new ideas are proposed formally they are more readily adopted. Finally the actual practices change.

APEC SC see a major outcome that it is bringing Chinese banks closer to the international standards of Basel II.

The 5 year Strategic Plan for Capacity Building and Training was completed under the activity and a small number of activities have been carried out by APFDC to progress the implementation of the plan. Using joint funding between APFDC and APEC Support

Fund, a symposium was recently held to progress this work.

The AQAG also found that although the 5 Year Plan had not been implemented to date (2007) there had been high level dialogues between bankers and regulators are planned to be held alternately in Shanghai and Melbourne with the first planned for early 2009.

There is no exit strategy. Sustainability is likely to be realised if on-going funding is available for implementation of the 5 year plan. APEC SC remains confident that although this will require work, there are positive expectations that funding can be secured.

#### **Factors Accounting for the Achievement of Outcomes**

*Partnership Outcomes:* High level executive involvement with Chinese and Australian partners. High degree of participation on design and implementation from both partners. There is a high degree of overlap and interest in each others systems. APEC Studies Centre identified clearly where Australia had the capacity to respond. APEC SC advisory group and regional networks have significant relationships in China. APEC SC would find it helpful to have a WoG view about whether the Australian government wants to pursue this type of work in China.

*Technical/Development Outcomes:* Sessions were highly focused on getting the right people and the right institutions. Too ambitious in terms of the time available to achieve outcomes. There is a high degree of interest from Chinese government, banking and manufacturing sectors in this area. Chinese financial institutions have been actively encouraged to go abroad and learn from other countries as China is now so deeply integrated into the global economy. High level executive support from both countries facilitated by a high level advisory board at APEC SC which was able to attract the right people. APEC SC networks in Shanghai allowed them to get talented people to participate in the dialogue. It takes a lot of time to get the activity off the ground with a great deal of preparation work (limiting factor). One-off activity constrains capacity to develop something forward looking. Significant effort goes into building the relationship and maintaining momentum.

**0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink  
Fraud Control in Social Security**

#### **Achievement of Partnership Outcomes**

*Outcome type:* Early, but effective institutional partnership. Unlikely to be sustained without funding support from CentreLink or CAGP.

Although there is a strong basis for an ongoing partnership, the relationship has waned since the completion of the CAGP activity. CentreLink has not heard formally from MOLSS in 12 months, although recently received an email to request additional information. MOLSS has indicated its desire to develop a strategic partnership with CentreLink, and would be willing to finance their own activities. CentreLink does not have any further plans or expectations to work with MOLSS unless they are formally approached. They have not approached MOLSS for fear of raising expectations without further CAGP support. CentreLink considers that they would not be authorized to spend Australian government money from their budget on furthering this partnership. There is a small international branch of 3 people who facilitate study tours etc., but are not resourced for project management. CentreLink does not routinely participate in international projects. They would need to have senior officials and secretary level approval to engage further. Personal-level relationships have endured.

History of partnership was that MOLSS has already had a relationship with one of CAGP's Team Leaders, and although they did not have a relationship with CentreLink, Shanghai Bureau of Social Insurance Administration reported to MOLSS their experiences with CentreLink. MOLSS then approached CAGP to develop the partnership. CentreLink then approached MOLSS directly and begun negotiations. CentreLink had a long-term history of working in China (as early as 1990). Due to previous relationships, CentreLink was able to go to China and meet with the right counterparts and have meaningful meetings. Relationships had already been established and CentreLink knew how to negotiate the Chinese systems. Medicare also agreed to participate which gave it the impetus to get approved.

Benefits to MOLSS is on-going access to good practice and lessons learned in policy implementation. MOLSS would like to expand the scope of cooperation to include internal control and risk management, and longer-term work attachments. MOLSS prefers the partnership models as it does not require working through an intermediary, and allows working directly with government officials who are considered to give "clear answers on implementation". In contrast consultants are considered to be better in terms of the theoretical aspects. MOLSS finds government employees more appropriate for this type of work.

Benefits to CentreLink is that it enables their staff to broaden their horizons, learn how China operates, gather additional information on Chinese experiences and provide excellent personal and professional opportunities for their staff. Working in China is seen as a reward and there is a high degree of interest. CentreLink reports that they are motivated to engage with China because they were

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aware of the AusAID commitment, and that, through China and Australian commercial interests there was a general government to government requirement to engage. It is considered a broader government responsibility. Although there are very limited resources available to CentreLink to engage, they could manage once the 75% reimbursement of salaries was accepted.

#### **Achievement of Development or Technical Outcomes**

*Outcome type:* Raise awareness; enhance knowledge; speed up reform process; influence content of reform.

As a result of the working visit to Australia, MOLSS reports that some delegates have returned to their provinces and begun setting up anti-fraud agencies (e.g. Yunnan). There have also been increases in staffing allocated to the fraud control work and recruiting has begun. Delegates have also responded by recommending the elevation of the level of the agency. New principles have been integrated into Regulations and MOLSS is now working with other bureaus to implement the new regulations. After the delegation visit MOLSS decided to speed up the fraud control system for China nationally, adopting Australian data models.

In the Post Completion report, MOLSS said that China had been discussing and considering the construction of a social security system for decades but had not, until this project, turned its mind seriously to fraud control in that system. Although this project was small in scale, it had been the first project to focus on fraud in social security and had been an important turning point for the development of the social security system in China.

There was no exit strategy, but several good features required for sustainability. The establishment of the anti-fraud agencies and allocation of resources to staffing by the Chinese side strongly supports sustainability. Changes have already been institutionalized.

#### **Factors Accounting for the Achievement of Outcomes**

*Partnership Outcomes:* MOLSS reported that overall, it was easy to adapt to Australian systems. The vertical management system is quite different, but the management processes and specific details were very adaptable. Executive and operational support from both partners. CentreLink invested strongly in the selection of the right staff, extensive preparation and emphasis on relationship building skills. CentreLink staff were able to offer personal engagement with Chinese in Australia and offered many social events with staff and their families.

*Development/Technical Outcomes:* Executive support from MOLSS and CentreLink at Ministerial level. Clear articulation of need from MOLSS. Selection of high priority area for China. High quality preparation from CentreLink. Preliminary field visit by CentreLink to understand real conditions before planning further work. No problems encountered with communication MOLSS has their own translators. CentreLink staff are mostly from an operational background "on the front counter" and have good experience in dealing with people and getting things done. Language not a major issue – employed high quality interpreters who understood subject matter. CentreLink intentionally sent operational people to China who could give practical examples of implementation. Long-term relationship allowed a high degree of credibility of CentreLink with MOLSS staff.

### **T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management**

#### **Achievement of Partnership Outcomes**

*Outcome type:* Individual level with Technical Advisor from APC who facilitates support from other Australian Agencies as required.

Under the original design this activity was not intended to be the foundation work for substantive partnerships, rather it was conceptualized as a development assistance activity meeting technical needs of China.

The activity has given Australia entry into important Chinese institutions. A high degree of trust has been established. The Technical Advisor from APC argues that this type of work allows Australia to contribute to good policy process which is fundamental to the well-being of citizens. As a result of countries enhancing policy processes, the international context improves (eg: tariff reduction and the environment) which is better for Australia. Australia can also draw on China's expertise and the synergies help both sides.

According to BAC, the primary relationship is with the Technical Advisor. This is considered to be a relationship of friendship and trust. There is no direct contact between BAC and the APC. A relationship more formally with the APC has not been raised with BAC. BAC does not consider that the APC itself would be a relevant single partner, rather that they would like a range of relationships with Australian Agencies, especially working Agencies. At the next level, they currently consider the PMO and participating Australian Agencies to be partners. There has been no formal discussion on what the partnership outcomes are intended to be. Some regular communications exist between ANU, Treasury NSW, and KPMG.

BAC considers that Australia has learned a great deal about China through this process. They reported that through the informal



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dinner provided during the Australian visits, there was very open and frank exchanges in a relaxed environment. The friendship is considered to play a vital role in enhancing mutual understanding and trust. As a result of this work and other experiences (such as PM Rudd's visit to China which was considered to have a major impact) BAC considers the relationship with Australia is very positive. BAC considers that as China develops, there is far more international interest in China, and the timing is right with the 30<sup>th</sup> year of reform, and the Olympics as a vehicle to open China.

BAC clearly articulated their desire to maintain the relationship with Australia during their reform process. The executive also wishes to strengthen cooperation and achievements together. Confidence is growing with the progressing of this work.

Australia already had a reputation for good practice in this area (especially transfer payments).

***Note Some Additional Partnership Experiences on Project 2 of Theme 1:***

*Partnership Outcome:* Low intensity facilitation of contact between a range of relevant Australian Agencies

For the second Project there is a more substantial partnership planned. NDRC and their Research Centre (ERI) will sign an MOU with APC. The intention behind this partnership is to have a less intense relationship whereby the APC will facilitate meetings with Chinese delegates in Australia and to extend special consideration to the NDRC on future requests for engagement with Australia. There is not an intention to work together on a series of technical issues.

NDRC engaged not only with federal government agencies, but also state governments, for example NSW Treasury Corp. They consider that NSW T Corp has interesting models that they would like to adopt. At the moment this relationship is not formal, as they have only recently learned about them through presentations. They would like to use CAGP as a bridge to establish relationships. Although NDRC prefers working with federal agencies like Treasury, they are also interested in state agencies, the difference being that they do not require long term relationships with them.

Australia is considered to be an appropriate source of advice as it is considered to be sophisticated in budget equity. Australia is considered by NDRC to be a large country. Despite the small population the logic and reasoning behind the institutional systems is suitable for us. Australian welfare system is very attractive to NDRC, and it has potential to be a vision for China in the future. NDRC considers that although they are working on a small activity with Australia, they are actually thinking far more broadly about the principles. Previously their research had been focused on domestic issues, but the partnerships with Australia have given them an awareness of the international experience and it has been influencing the design of on-going work. NDRC finds it easier to sell new ideas to leaders when they draw on the international experiences. Over the past 30 years of reform, everything that the Chinese want to do is new, they expressed the desire to learn from market economies. Previously this has been with multilaterals, but NDRC is very comfortable with this bilateral experience.

**Achievement of Development or Technical Outcomes**

*Outcome type:* Enhanced policy process. Raise awareness; stimulate policy reform dialogue; speed up reform process; facilitating agreement between Chinese agencies; stimulating international standardization; enhanced evidence-based policy development.

Activity has focused on enhancing policy *processes* rather than policy content through better definition of issues and research to develop a collective understanding. There is now more concrete thinking. The resources have allowed China to invest in research and develop an evidence base which is not what they can normally do.

According to BAC, CAGP has allowed BAC to propose new ideas for Budget Law reform (although the new law has not yet been submitted for approval). BAC has made clear progress on developing thinking in this area through on-going discussions. Thinking has developed around social security and public health. There is an enhanced, more accurate understanding of the extent of debt. In the past, different administrative agencies could not agree, but now they have moved into achieving agreement. The model for the review of budget law will be very good to standardize fiscal management in China. Australia has influenced China in terms of the provision of a basic framework for budget management. BAC has done additional work on the legislation based on this international practice. For example, recommendations to normalize transfer payments were brought forward including the scientific methods to calculate this. Much of the content of recent reports by the State Council, BAC to normalize payments, was stimulated by the site visit to Australia. BAC considers they are now on track with the implementation of the reports' recommendations. In addition Australia has been a strong influence in the development of performance budgeting by regularly referring to this in working visits. Now BAC has decided to increase focus on this in forthcoming visits. BAC reports that they draw on Australian views through regular communications, and that this will continue to be necessary, to draw on good practice experience. The new Chairman of BAC has attached importance to Performance Budgeting and has made requirements with other agencies to promote this work. BAC considers that Australia has also influenced the speed of reform because they can now research issues and get a clearer idea for the reform process. It has allowed them to assess the appropriateness of their earlier recommendations. BAC considers that Australian influence is not achieved through the reports, rather through regular *communications* with the executive/decision makers.

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There was no exit strategy. However, given that the focus of this work is on better policy processes, activity recommendations are being institutionalized, and there is Executive support for extending the work, there are sufficient good features of sustainability in place.

#### **Factors Accounting for the Achievement of Outcomes**

*Development or Technical Outcomes.* Topics are suitable when the two countries share the same issues. Identify Chinese priorities and match with Australian skill sets. PMO required a multi-agency involvement to broaden attention to the issue. Selection of the right participants. A firm definition of participation and dissemination. Focusing the tasks of study tours. Adequate contextual information to both sides including well designed briefings of participants before departure to Australia. Limit the content of study tours. To avoid Australian Agency fatigue, link with established Chinese relationships of credibility and allow Australian areas of interest to be met. Flexible programming responding to changes in the context. Allow Chinese to drive the activity. Don't use external consultants to do policy research.

The Technical Advisor explains that the approach to policy reform applying Australian contributions, is to first, set up the right processes (using their own research institutions and not foreign consultants); then demonstrate how Australia addresses similar issues; and then when the Chinese have developed their thinking and ideas for their own context, comment on and facilitate further development of these ideas. In some cases, the project has taken Chinese delegates to other countries to demonstrate that there are a range of options to consider for the same issue. The point is not what is the best solution, rather why that solution has been adopted.

*Partnership Outcomes.* The Technical Advisor has been quite successful in attracting Australian Agencies to participate in activities. This is likely to have been a direct result of his Australian government networks and contacts, employing a strategy of being highly selective about which agencies are invited to participate, and ensuring there are good quality briefings to both parties before any engagement. This contributes to maintaining high credibility among Australian Agencies. The support of the APC also brings additional weight to the invitations to participate.

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## Section 3: Quality of Deliverables

### Review Questions

Is there evidence of the quality of outputs or deliverables in documentation of the five case studies? (these findings should also be considered under the discussion of quality of M&E systems)

What was the quality of outputs for each of the five case study activities?

<b>0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment</b>
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#### Availability of Evidence of Quality

*Availability of Evidence:* Very limited.

Evidence of quality of outputs for Phase 1 was not provided. However, there was a reference to a feedback form for the first study tour (Phase 1 ACR p 17). The findings were reported in the following way: "All participants rated the program overall as either excellent or good in terms of its value and meeting their needs. The discussions, workshops and contracting site visits were all much appreciated. Government procurement, contract models and transparency and competition policy ideas were also valued". Although this goes some way toward establishing that the tour met the perceived needs of participants, it is not providing evidence of the quality of the outputs delivered. No other participant surveys or evidence of quality were provided for the other outputs of Phase 1. Assertions of quality were made thus: "Whilst formal surveys were not undertaken for other outputs, there is nonetheless little doubt that similarly high feedback as to satisfaction was also evident". From an M&E perspective this is not evidence of quality, or even a credible argument for quality. The report did however go on to propose that the NDRC endorsement of the activity plan was a sign of activity quality; and that informal feedback from the China officials was positive on Output 5: "On this occasion, Mr Li Dekun and Mr Jin Chuntian were both glowing in their assessment of the recent Partnership Workshop in Australia, and saw this as another strong step as part of an ongoing partnership". This elaborated example provides support for the MTR finding that good technical M&E Advice and support is required to improve this level of reporting.

Phase 2 supported a rating of 4 out of 5 for quality, and supported this with the following evidence: the time spent on ensuring that the actual outputs of the project met the client's priority needs was significant; and that the CAGP consultants had achieved a more open, inquiring and professional relationship than the OECD project; and two of these three outputs will have been translated into Mandarin.

#### Quality Achieved

*Likely Quality Achieved:* Fair

Despite this lack of evidence of quality in the ACR, the AQAG made the following findings on the quality of outputs in the 2007 report: "While the Study Tour was of high quality, quality of Surveys can't be assessed, and no participatory or team approach by subcontractors in any output (despite commitment to participatory approach - 6.2 of the PIP). SD commented that this was responsible for outputs in PIP, Model Contract, and final Partnership Document not reflecting all SD views and/or not appropriate to Chinese context. SD expressed dissatisfaction with efficiency of delivery, constant changes, delays etc as not a model of best practice. SD said too much uncertainty about follow-on from completed Stage 1". At the time of writing the MTR could not identify a document trail that explains the response to this important finding. The sub-contractor's ACR for the same period made a finding of quality of outputs as 4 out of 5.

NDRC did not comment on the quality of deliverables to the MTR team. No further AQAG assessments have been made on this work.

<b>0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card</b>
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#### Availability of Evidence of Quality

*Availability of Evidence:* Very Limited.

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There was a single participant feedback form provided for Output 5. This was a summary form that represented the views of the agency, rather than individual participants. No other evidence of quality was provided.

**Quality Achieved**

*Likely Quality Achieved: Satisfactory*

AQAG interviews suggest a high degree of satisfaction with the technical assistance provided. AQAG did not assess quality of other deliverables such as visits to Australia.

**0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai – Treasury/APEC Studies Centre  
Risk Management in the Banking Sector**

**Availability of Evidence of Quality**

*Availability of Evidence: Fair.*

A formal feedback evaluation was carried out on the Output 1 and 2 but not 3. The third output report on quality states that it "achieved three points" but it is not clear what this means and who allocated the points. There was only evidence provided of the participant surveys for Output 2 milestone report (although there was a reference to the adoption of the CAGP tools). There was some limited discussion of the findings of these surveys in the ACR, but not where the surveys were reported in the Output 2 report.

**Quality Achieved**

*Likely Quality Achieved: Good*

The participant surveys indicated a high degree of satisfaction from Chinese and Australian participants.

APFDC considered that the Australian partners were always very well prepared and were able to attract the right people to come to China. Australia showed a strong interest in the Chinese side. The time constraints on the Study Tours were too challenging with far too many meetings scheduled in a small space of time. A small amount of time to experience Australian culture and environment would be beneficial in terms of contributing to the partnership development.

The AQAG also found the deliverables to be of good quality.

**0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink  
Fraud Control in Social Security**

**Availability of Evidence of Quality**

*Availability of Evidence: Fair*

Participant satisfaction surveys were referred to in the ACR, but were not included in the documentation sent to the MTR. Descriptions of the quality of deliverables in the ACR were more focused on achievement of outcomes.

**Quality Achieved**

*Likely Quality Achieved: Good*

MOLSS reported that they were highly satisfied with the quality of technical assistance they had received under the program.

AQAG interviews with the project participants revealed that all the regulations and control methods were well accepted by provincial level operational staff and were suitable for practical implementation.

During the international workshop and post completion seminar, the regulations drafted were subjected to wide review and in-depth discussion which may have contributed to better quality outcomes.

Study Tours were considered to be a powerful approach to developing relationships and were arranged with this in mind.

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**T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission**  
**Sustainable Fiscal Management**

**Availability of Evidence of Quality**

*Availability of Evidence:* Fair

Participant satisfaction surveys were applied to many deliverables, but the findings and full analyses were not included in the reports. There were brief statements made on the findings in Output level completion reporting.

**Quality Achieved**

*Likely Quality Achieved:* Good.

All participant surveys findings reviewed stated that satisfaction was high. The AQAG found in all of their three annual reports (2006, 2007, 2008) that deliverables were of a high quality. There was no explanation about the basis of these findings (2007), but in 2006 and 2008 they were based on reviewing participant satisfaction surveys and an interview with stakeholders.

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## Section 4: Efficiency and Effectiveness of Management and Implementation Systems

### Review Questions

What is the quality of design?

What is the quality of monitoring, evaluation and reporting?

What is the quality of risk management systems?

0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University:  
Improved Transparency and Monitoring of Investment

#### Quality of Activity Design

*Quality:* Poor

NDRC prepared the original design proposal. NDRC reported that Monash “consultants” also reviewed the plan. AusAID was considered to be the coordinator of the design. The AQAG found that there was limited participation of NDRC in on-going activity design and implementation for Phase 1.

The logical framework was reviewed. The only stated outcome (aside from a very broad goal) of the activity in Phase 1 was: “Enhance information openness and transparency, and identify and support relevant policy reforms to strengthen investment management and supervision”. This type of outcome statement focuses on vague notions of “openness and transparency” and then only moves forward to identify and support relevant policy reforms. It does not consider to what end the identification and support of relevant policy reforms is carried out. There is no reference to enhancing capacity (say, in policy processes). The ongoing focus of the activity on outputs is not surprising. Given the lack of clarity of desired outcomes, it is difficult to say whether or not the outputs, taken together are likely to achieve their objective. There was no project description area in the PIP that explained how the outputs were related to intermediate or substantive outcomes.

Sustainability approaches in the design were first, trying to get buy-in from NDRC through a participatory approach. This has a strong flavor of a contractor model of aid delivery rather than a partnership of equality where we would expect NDRC to already be fully committed after preliminary discussion to meet their needs. A participatory approach was considered desirable but was not defined. The second approach to sustainability was considered to be transferring skills to utilize best practice guidelines and model contract developed. This suggests that the consultant will develop these guidelines (although it is not completely clear). If the desired outcomes were more clearly articulated, then suitable sustainability strategies may have been identified.

For the Phase 2 design, the two stated long-term outcomes in the logframe were: Ongoing partnership and development and strengthening of relationships between the Australian Government and the NDRC; and Long term improvement in the transparency and monitoring of investment leading to improved delivery of public services to Chinese people. The end-of-activity outcome was: Greater familiarisation with a wide range of transparency mechanisms, techniques and practices for supervision of public investment in Australia and internationally. In terms of the partnerships developed, there was no apparent strategy to achieve this (aside from visiting institutions). For the end-of-activity outcome of greater familiarisation with a wide range of mechanisms, this suggests that we are mostly focused on raising awareness. This would be considered an end point that was insufficient for an investment in two phases of work. In the Phase 2 design there was a much improved elaboration of what outcomes were expected to be achieved through the outputs delivered. Although the proposed mechanisms for achieving these outcomes were not explained, there was a far clearer articulation of intent than in the Phase 1 design.

Note below the Phase 1 ACR provides a different objective of the activity.

#### Quality of Monitoring, Evaluation and Reporting

*Quality:* Poor

Phase 1 design suggests that the approach to M&E will be submission of progress reports, and the use of participant feedback sheets. It then suggests three key indicators: a) satisfaction of participants with the inputs; and b) acceptance by NDRC of the model and Best Practice Guide for dissemination; and c) CAGP acceptance of the survey report (the latter is a curious interpretation of what achievement is considered to be). It then asserts that CAGP tools will be used where appropriate, but does not elaborate further. There are a range of indicators developed for the logical framework, then another set developed for the implementation plan,

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but these don't appear to be referred to again in any of the reporting.

A new objective of the activity is provided in the ACR for Phase 1 "to facilitate the reform process of the investment system in China by referring to the Australian experience. Specifically, by building the capacity of SD staff and systems, the Project aims to assist SD to: enhance information openness and transparency; and, identify and undertake relevant policy reforms to strengthen investment management and supervision. This is perhaps a better objective, especially the dimensions that refers to facilitating reform processes, and capacity building. The objective of institutional linkages remains. These objectives however are lost again in the Phase 2 design document.

The section on general outcomes in Phase 1 ACR does not address outcomes, or provide and evidence of achievement, or develop a convincing argument for achievement. The entire section on achievement of general outcomes is included here to illustrate:

"The project has to date largely achieved all specified outputs and objectives anticipated in both the Technical Proposal and the Project Implementation Plan. All outputs have been successfully delivered with the single exception of the delivery of survey assistance, the details of which are covered below in Part1 of this report. The Outputs completed in this CAGP project have all been detailed in the previous Output completion reports submitted to Hassall's. In summary the Outputs completed have been as follows" the report then goes on to discuss output level achievements. Outcome indicators from logical framework and PIP were not addressed.

There is however, in section 1.2.3 there are some simple arguments posed for how the outputs have achieved intermediate outcomes, but there was limited evidence provided and the discussion was not clearly linked to the previously proposed M&E activities.

For Phase 2 indicators were set in two different places. In the M&E section of the design on page 8 and 9; and another set in the Work Plan annex. These are different indicators and different means of verification. The ACR for Phase 2 does not report on either of these sets directly. For example, for Output 2 in the M&E Indicator section in the design, the indicator was "Document Produced to the satisfaction of PMO" and in the ACR the indicator was reported as "Production of the Best Practice Guide" and "Dissemination of Guide by NDRC". For Output 3, in the design M&E section the indicator was "Workshop conducted to the satisfaction of the PMO" and "Chinese side satisfaction with workshop". In the ACR the indicators had become "Investment supervision and monitoring project completion report; and Analysis of Workshop participant evaluations. There were no participant evaluations referred to in the relevant report section, or reference to an annexed summary of findings.

Achievement of intermediate and substantive outcomes was approached by re-describing the outputs. They ACR requirement to report against indicators of intermediate outcomes set in the design was not addressed.

The AQAG did not report against Phase 2.

For the Post Completion Monitoring report, the outcome stated and indicators described are difficult to link to the design documents. It is not clear what the basis of these outcomes and indicators were. The Post Completion Monitoring report did not directly address all the indicators at the front of the report, but was able to identify a range of good outcomes from the project from the perspective of the Chinese respondents. These achievements are considered outcome level achievements. Questioning by the PCM team is likely to have been effective to gain these types of responses.

Lessons learned generated in the Phase 1 ACR were limited to communication and language, and a small issue in the project budget. There was limited analysis applied to lessons learned. However, this is considered relatively typical of all activities.

### **Quality of Risk Management**

*Quality:* Acceptable/typical

Risk analysis in the Phase 1 design was typical of small-scale projects. A number of risks were identified with some preliminary thought given to mitigation strategies. However, there was no apparent follow-up on these risks. Take for example the risk that suitable sustainable partnerships will not be developed (which actually was the result) the risk mitigation strategy was to "allocate adequate time" to talking with potential partners, and, provide a second opportunity for NDRC personnel to meet Australian Agencies on a second study tour. When you follow this into the Completion Report, this risk has disappeared off the risk matrix and the findings are that there are sustainable long term institutional partnerships. However, further into the report in the Qualitative section this risk is reintroduced and discussed but the conclusion is not clear.

### **Quality of Financial Reporting**

*Quality:* Acceptable

Phase 1: The original budget in the PIP appears to be fair and reasonable. However there was no acquittal included in the ACR that

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was sent to the MTR team. Variations cannot be reviewed.

Phase 2: The acquittal was presented in Annex E. However, where there were variations, these were not explained. In two of the outputs there was more expenditure on personnel than in the original budget (approximately \$10,000 more), but it is not clear how this was managed given that the total activity budget came in approximately \$5,000 under budget.

Of note is the budget applied in both Phase 1 and then again in Phase 2 to the "Development of a Best Practice Guide" For Phase 1 this involved over \$91,360 and 55 person days; and the Phase 2 this was \$78,860 and 68 person days. The MTR reviewer has assumed that the Best Practice Guide refers to the development of a Model Contract (Output 4). In the original PIP it does not refer to the Model Contract, rather a Best Practice Guide (as output 6). It's very confusing to track using documentation alone.

Given that the Model Contract was not taken up by NDRC SD, this expenditure of \$91,360 cannot be considered good value for money.

#### **0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card**

##### **Quality of Activity Design**

*Quality:* Poor

The original proposal design was developed by the Chinese side, although once contracted, the Australian consultants were able to influence on-going design. The consultants did not have sufficient knowledge about China and the relevant institutional aspects until after they won the bid (although one consultant had worked in China on two previous occasions for AusAID). The contractor felt the original Chinese proposal was poorly developed (see confirming MTR assessment in following paragraph). They had a reasonable idea of what they wanted to achieve, but had not clear view on how to get their. This would be expected when capacity in the related area is lower than what would be required to design an intervention.

For Phase 1, the translation did not allow the MTR to fully assess the meaning behind many aspects of the design. The expected outcomes were very broadly defined. The design asserts that sweeping changes to the Chinese Public Service will result from this project. The design does not provide a sound logic on connecting activities to expected results. There is little discussion on the factors required to bring about the proposed institutional change. Approaches to sustainability were unclear, although the design asserted that the CCLA would make available human and financial resources for further work.

The Phase 2 design was also very broad with specific outcomes not clearly defined. It is not clear how the pilots at Provincial level will be integrated into the national system. There is insufficient design logic with respect to achieving policy outcomes as asserted in the design.

The Management Group assessment of the Phase 1 design was more positive than the MTR team has been. There was no comment on the ambitious nature of the proposed project, and it accepted the lack of risks identified as meaning there were none. No additional analyses were contributed. The MG assessment notes that there is no Australian Partner Organisation, but does not reflect on what this means for the CAGP as a whole.

The contractor confirmed that the development of thinking about institutional sustainability at the design stage was weak. The approach was partly the result of not being aware of the institutional implications at the beginning. However, no clear sustainability plan was employed over the life of the activity. The logic of sustainability was that if the pilots showed that it was successful, then this would cause the COD (Operations Department) to re-look at their practices and the institutional changes that would need to occur. This is not a sufficiently robust approach and required more clarity, especially as it relates to recurrent budget implications of work started.

##### **Quality of Monitoring, Evaluation and Reporting**

*Quality:* Poor

The notion of evaluation indicators was not understood in the Phase 1 design. The MG assessment of the original design did not note the implications of the poor quality of the proposed M&E system/indicators. It does however propose some indicators (it is not clear if these are being proposed by the MG or not).

In the Phase 2 design, indicators were set. Largely these were not of a sufficient quality although one measure, "the number of agencies who start to use the scorecard...." could be important information if the extent of application was also understood.

Phase 1 progress reports of country visits only provided information of activities completed rather than outcomes achieved. Outputs



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1 and 3 were not provided to the MTR for review. For Output 4 there was a CCLA evaluation referred to in the text, but this was not provided with the MTR documentation. Some useful outcome information was buried in Output 5 Progress Report, but it would be unlikely that stakeholders would have read these documents. A systematic, summary report on achievement of outcomes would have been useful. The contractor reported that they felt they would have liked more discussions with the PMO/AusAID on important matters emerging from the activity, an opportunity to share their experiences more effectively. As such they provided very detailed reports to try and convey this important information (which may not have reached the right stakeholders).

The Phase 1 Milestone Report has an annex that addressed “the evaluation of progress...”. The emphasis was mainly on completion of activities. The concept of outcome reporting was not clearly understood. CCLA was asked to evaluate Output 5 (only) of the project using a standard Likert scale asking about their perceptions. As is expected with these forms of evaluation, everything was scored toward the excellent range of the scale. The Phase 2 ACR is not yet due.

There were no formal evaluations of the pilots submitted. This would have been very beneficial in terms of change management. The contractor confirmed that formally designed evaluations of the pilots were not carried out. Reports were focused on the completion of tasks and outputs. The contractor noted that they could have accessed expertise for more formal M&E if this had been addressed at the start and resources made available.

### **Quality of Risk Management**

*Quality:* Poor

Risk management was not addressed in the Phase 1 design aside from the following statement “Except for possible difficulties with software development risks are very low”. In Phase 2 there were two risks identified but the proposed risk mitigation strategies were poorly developed (on paper, this may not be the case in actual fact).

### **Quality of Financial Reporting**

*Quality:* Acceptable.

Phase 1 budget was not of a sufficient detail to assess value-for-money. Phase 2 budget was more appropriate with line items representing fair and reasonable value for money. One “reporting conference” in China was costed at \$20,000, but the number of days and participants was not recorded, making it difficult to assess.

**0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai – Treasury/APEC Studies Centre  
Risk Management in the Banking Sector**

### **Quality of Activity Design**

*Quality:* Acceptable

There was a high degree of participation of both partners in design. The APFDC invited APEC Studies Centre to a workshop to discuss the design and together identified where Australia had capacity to respond.

The focus of the design was on broad notions of capacity building rather than defining specific behaviour change expected. This can be considered appropriate in a seed money activity where there is limited knowledge of each other’s systems in the first instance. It was a little unclear to what extent the activity would result in new capacities in risk management, or be more focused on a general introduction to new concepts and approaches, identification of training needs, and then the development of a capacity building plan for future specific work on building the identified capacities. Given that there were only 7.5 days allocated across the entire activity the latter is assumed to be the desired outcome.

### **Quality of Monitoring, Evaluation and Reporting**

*Quality:* Moderate (reporting was of good quality)

Indicators in the design document at the substantive and intermediate outcome level would not be evident in the time frame of the project or the 6 month post completion report by the PMO. There was no end-of-activity outcome indicator defined. These indicators were not directly referred to in the AQAG report. There was no Post-Completion report submitted to the MTR for this activity.

Progress reports are concise and easy to access. There is, in the annex of Milestone 2, information of the outcomes achieved as a result of Output 1 and 2. This was a participant feedback approach which might be considered acceptable in the context of limited resources for M&E. There was a very useful analysis contrasting and comparing the two national systems which would be an important resource document for a broader audience. The only reporting on Output 3, the Shanghai workshop was the presentation

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slides from the session.

The ACR is required to report against the indicators in the original design document. This was not done, most notably at the outcome level. The statement of achievement was a restatement of some of the activity objectives with no provision of a basis for the assertion of achievement. Outputs were reported on in terms of activity completion, not likely results or outcomes. In a sense the Shanghai workshop actually addressed the Dialogue Outcomes in one sense, but there was no evaluation of the outcomes from a development perspective (eg: capacity development outcomes and quality of deliverables). Outcomes were expressed in terms of areas identified of interest to participants, areas for further work or future action plans.

The ACR did not address the sustainability of the 5 year plan in sufficient detail. There must have been risks in terms of getting follow-on funding support and some strategies to achieve that could have been discussed. Lesson learned were not comprehensively addressed. Issues identified were minor and dealt with participant perceptions of how to improve the site visits, and minor logistical matters.

#### **Quality of Risk Management**

*Quality:* Fair

The design provided some rudimentary risk analysis. It did not address the resourcing implications of the 5yr Strategic Plan as a potential risk.

#### **Quality of Financial Reporting**

*Quality:* Unable to fully assess.

There was approximately a \$40,000 under-spend against the original budget. There was a clear explanation of this variation in the ACR. The actual acquittal was not provided in the MTR documentation and so was not reviewed. The original budget was very detailed and appeared to be fair and reasonable value for money.

### **0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security**

#### **Quality of Activity Design**

*Quality:* Acceptable

High degree of MOLSS and CentreLink participation in design. Intermediate outcomes and activity purpose were clearly stated. There is sufficiently robust project logic.

Approaches to sustainability of development and partnership outcomes was weak. Resources required for sustainable partnerships was not discussed. Approaches to achieving/influencing sustainable reform was not articulated in the design.

#### **Quality of Monitoring, Evaluation and Reporting**

*Quality:* Poor

Indicators of outcomes were articulated in the design, but these were not, in the most part useful indicators. For example, "tangible evidence of....." was used in many indicators which is not an indicator. In the ACR, these indicators were not reported against, rather, an activity progress report was given. The ACR stated that these indicators would be measured and reported against during the Post Completion report, and the AQAG report. For the post-completion report these indicators were not addressed (eg. reduced fraud cases). In the AQAG report, other areas of focus were included. There appears to be no clear link between activity design indicators, areas of focus of post-completion outcome reporting and the AQAG assessment of outcomes.

In all cases of reporting, professional judgment and opinion was used to provide assessments of achievement of outcomes. There was no evidence base reported in the ACR, the Post-Completion Report or the AQAG report.

The Post-Completion report did describe some important key outcomes as summarised by the MOLSS representative. However, the evidence is not convincing. For example: the report states that "the most important impact of the project had been on the practices of MOLSS and provincial officials. Officials at all levels had become aware of the importance of fraud control, the main mechanisms and how to implement them". But this statement only refers to knowledge generation and not actually *adoption* of the practices stated in the first sentence. This does not show the potential achievements of the project.

Progress reports were not submitted to the MTR for the completion of Outputs 1,2 and 3. Output 4 International Seminar report was

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submitted. This provided a simple summary of how the seminar influenced MOLSS thinking and proposed some future steps forward.

#### **Quality of Risk Management**

*Quality:* Acceptable/typical

A small number of appropriate risks were identified in the design document. Risk management was not reflected in the progress reports (only one report was available) A risk to sustainability was identified in the ACR, but the proposed response strategy were not well supported by any analysis.

#### **Quality of Financial Reporting**

*Quality:* Acceptable

This project was on budget. The allocation of budget to line items appears to be fair and reasonable and reflects good value for money.

### **T1 Proj 1: Partners: Budget Affairs Commission with Australian Productivity Commission Sustainable Fiscal Management**

#### **Quality of Activity Design**

*Standard:* Good

The original logframe presented was assessed. Project logic was compromised to some extent by the level at which the end-of-project purpose was pitched. They required the inclusion of principles from the symposium and site visits to result in changes to the budget law (not yet approved) or to be reflected in actual budgets. This may have been well beyond the time frame of this work. In other respects the project logic appears to be reasonable.

#### **Quality of Monitoring, Evaluation and Reporting**

*Standard:* Fair

The logical framework has a series of indicators identified, but it is not clear where these are reported on. Most are not in the Progress reports, AQAG report, or the OCRs. In the Progress report there is reference to the PMO conducting follow-up monitoring visits with the delegates of in-Australia visits (Progress Report 6 page 22 in Sustainability Section), but it is not clear where this information is presented. There is also a reference to monitoring carried out by the IPC Chair - Fiscal Reform, but this may be informal enquiries. The original design document proposes a M&E framework, but it not easy to see in the Progress Reports where the "Achievement of specific Activity-related Intermediate Outcomes" is reported. Output indicators in the logframe are addressed more clearly in the Progress reports. In some cases the indicator is reported against by the Sub-Contractor and MG KPI scoring sheet. This is very confusing - to quickly assess whether or not the Activity has achieved its immediate outcome as stated in the logframe. It would take some time to access the desirable information. The sources of information to support the findings is also confusing in terms of what is stated in the logframe as the data source, and other M&E descriptions. Overall, at the outcome level, it is very difficult to access the desirable information in a reasonable time period, and have confidence in the methodological basis for findings. This is not to say it does not exist somewhere in the project documentation, rather the MTR team did not have the time available to search for this.

It is well beyond the capacity of the MTR team to review all progress reports from this Activity. For this reason only the 6<sup>th</sup> report will be reviewed as an example of the reporting of this activity.

The Progress report provides a summary of activities conducted, for some activities there are statements of intended outcomes, however its not clear where these specific outcomes are reported against. Output indicators are provided for some activities, but where these are reported against is also not clear. It is not clear how sub-contractor performance is measured. Another example is output indicators for Activity 3: "Working visit completed on time, and within budget; and, Relevance, delivery and usefulness of knowledge gained rated highly by participants. Although these have been cited, they are not actually reported against, nor any reference to a participant survey. Activity reporting only was provided. At the end of the progress report section, one KPI was included "assessment of quality of outputs delivered". It's not clear why only one KPI was included. The result was recorded as coming from the PMO as: "the working visit was of high quality, addressing the response and needs of the counterparts through appropriate planning and the engagement of suitable advisers to provide the necessary expertise and experience." However, no basis for these findings was provided.

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There are OCRs completed for each output for the project. This means there are seven completion reports for Project 1 alone. There is no overall ACR for the project. A sample of output level completion reports was assessed, Output 3.1. This activity was sub-contracted to WWPMS. The stated outcome was to "raise awareness of..." this is a difficult thing to measure, and a good example of the M&E challenges of this program as a whole. The report on whether or not this awareness was raised was reported thus: "This training program, like the previous programs on Sustainable Fiscal Management, contributed to raising the awareness of the BAC/NPC officials on international comparative perspectives and best practice in sustainable fiscal management as work continues on revising the PRC's Budget Law". On careful examination, this is simply a restatement of the objective and does not provide a basis for the assertion of achievement. The sub-contractor did provide some information on participant feedback, and although these have limited value, they are certainly better than nothing. Of note, there was no analysis of the findings of the feedback survey – the basis and implications of negative comments were not addressed. It would have been useful to present a summary analysis of the feedback presentations of participants. A rating of 4 was allocated to the "quality of outputs delivered", but there was no basis at all provided for this assertion.

#### *An Example of the Depth of Data Generated from a Participant Feedback Form*

Given that participant feedback surveys are so often applied as the basis of M&E in the CAGP, a fully elaborated example of outcome reporting is taken from Output 1.3. The objective of Output 1.3 was stated to be: "a relevant official from the Working Group on Budget Law Revision to develop an understanding, together with detailed practical knowledge, of a key topic relating to prudent fiscal management". This indicator focuses on developing an *understanding* rather than to what end. The findings against this objective were stated as: "As can be found from the participant evaluation at annex 2 he has certainly been able to achieve the anticipated objectives". A subsequent review of Annex 2 reveals a participant feedback survey with 7 questions. Each questions resulted in a single score out of 5 with no allowance for elaboration. 6 of the 7 questions were rated 5. This suggests a low discriminatory power of the survey design. There was a short section with two open questions the first asking how the new knowledge would be incorporated into future work. The respondent's response was: "We will incorporate the knowledge gained from this activity into the budget supervision work and budget law revision work. It is related to these works and very helpful. We will write a report in Chinese and it will be sent to leaders of BAC and relevant economic agencies of China". This level of evidence can not really provide: confidence that the quality of the deliverable was indeed high; provide insights into the program delivery; generate lessons; or improve on-going design. It does not provide sound evidence for accountability purposes, or add value to the on-going program which are important purposes of having an M&E system.

In the ACR, factors accounting for success were considered. There was a short, but useful section on lessons learned and the report finished with a few, well targeted recommendations for the PMO.

The reporting burden of this activity is very high with Phase 1-5 mission reports in addition to Output Completion reports for 7 outputs for Project 1 alone.

#### **Quality of Risk Management**

*Quality:* Acceptable/typical

The original risk matrix prepared for this project reflect typical AusAID risk matrices. As with most risk matrices, analysis and mitigation strategies are a bit thin. For example, the risk "The results of Projects are difficult to be incorporated into Chinese policy Initiatives". The strategy to avoid this was considered to be "Adopt six monthly work plans, ensuring progress to date and ongoing policy commitment are reflected fully in the subsequent work plan(s)". It's not quite clear how this will result in better design of activities in terms of moving from policy dialogue to implementation. Given that the proposed mechanism for moving from dialogue to implementation (or inclusion in Chinese policy) is a central area of work of the Project, and indeed CAGP as a whole, a more thorough consideration of this point would have been useful.

In Progress Report number 6, the risk analysis was also a bit thin. The completed section was: "The IPC reviewed the Risk Management Matrix in the light of the outcomes of Phase 5, and found it to be sound. In particular, there is a very strong commitment by counterpart agencies to the objectives and activities of the Fiscal Reform Theme. This minimizes the level of risk." The MTR team would like to emphasise that this reflects common approaches to risk analysis and management, but nonetheless, could not really be considered ideal.

#### **Quality of Financial Reporting**

*Quality:* Unable to fully assess.

Note in the Output 3.1 reviewed the sub-contractor was required to scan and present every receipt from all expenditure. This is certainly an overwhelming burden. Final acquittal has not been submitted for this activity as the Project has not completed.

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## Section 5: Gender Equity Outcomes and Approaches

To what extent did the design proposal and Activity Completion Report for completed activities describe approaches to gender equity?

To what extent did stakeholders perceive that 4 case study activity gender equity outcomes were achieved? (these findings are reflected in the main report).

<b>0415-0601: Partners: NDRC Supervision Department with Victorian Dpt Infrastructure and Monash University: Improved Transparency and Monitoring of Investment</b>
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The Proposal recognised that the development of a practitioners' guide will help to build NDRC understanding of how transparency and monitoring practices can promote gender equality and to improve equity in procurement. However the Activity Completion Report did not address these at all and there was little relevant comment on gender equality issues in the completion report.

It would have been good to see the opportunities identified in the proposal explored to ensure that assessment of potential public investments takes account of gender issues.

Many public investment decisions will have few specific gender effects, but for some the effects may be significant, especially where they involve decisions around public employment and requisitioning of land. Consultation processes around public investment decisions should always be gender sensitive and engage equally with women and men, including where women are not in decision making positions at local levels.

<b>0420-0605: Partners: Chinese Centre for Leadership Assessment with Private Contractor Performance Appraisal and the Balanced Score Card</b>
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This initiative has considerable potential to advance thinking about gender equality in human resource practice and performance assessment. There was some useful discussion of gender issues in public sector performance measurement during the first phase of the initiative, and recognition of the importance of mentoring to create change. However, this was not integrated clearly into the activities.

Phase 2 of this initiative is to include a greater focus on better integrating gender considerations into the initiative and introducing appropriate gender-sensitive indicators. There is also a useful recognition of the potential for gender bias within leadership styles and assessment of performance and of the need consider an executive's leadership on gender equality in performance assessment.

<b>0511: Partners: MOF/China and A-P Finance and Development Centre, Shanghai – Treasury/APEC Studies Centre Risk Management in the Banking Sector</b>
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The proposal notes that the initiative will improve governance in the public and private sectors in finance and will contribute "...to more transparent and open risk management treatment by banks of all customers including to low income and females". There is strong evidence internationally that women represent particularly low risk creditors but women generally have more limited access to collateral to support credit applications. This is a relevant consideration to explore in this initiative.

It did not appear that that these issues were explored during the initiative, however. The consideration of gender issues in the initiative was restricted to assessing the levels of participation by women and men.

It is useful to know that the APEC Studies Centre attracts a greater level of participation by women than their representation in the banking sector. However, without understanding why this is so, the gender equality results of women's relatively greater participation cannot be assessed. For example, it may well be that women need greater skills and training to achieve the same level of career progression as men, which may be evidence of discrimination within the banking sector.

<b>0514: Partners: MOLSS National Social Insurance Administration with Queensland CentreLink Fraud Control in Social Security</b>
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There was a consideration of some gender implications of the initiative, but it would have been more useful to include a simple

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analysis of : how women and men access social security; and differences in how they would be affected by changes in fraud control processes. A simple analysis such as this may have given greater clarity about the gender equality results from the initiative.

The drafting of the gender equality KPI obscures significant gender issues and focuses attention on the levels of participation of male and female PRC officials. It is the number of female participants in the initiative that forms the only foundation of the assessment of the performance of the initiative. Given the significant gender issues in the substance of the program, the reporting could have been stronger and more relevant.

**T1 Proj 1 and 2: Partners: Budget Affairs Commission with Australian Productivity Commission  
Sustainable Fiscal Management/County and Township Financial Situation**

The initial Implementation Plan of the Fiscal Reform component (Component 2 Theme 1) in 2005 identified gender equality as a focus area for the program and noted a number of areas for relevant consideration including ensuring gender balance in participation and attention to women's access to social security.

The program wisely undertook a gender analysis of the Plan. The gender specialist noted that while China has made significant progress in supporting equality between men and women and in addressing women's disadvantages, gender equality work is seen largely as the responsibility of women's NGOs and the All China Women's federation, a mass organisation. This leaves mainstream government organisations free to ignore gender issues in their work. The gender specialist concludes that the result is that:

“these isolated efforts leave the macro economic policies untouched and budget policies have escaped gender analyses. The main challenges include:

- Lack of accurate budget data and socio-economic statistics in particular sex disaggregated data;
- Lack of accountability, transparency and participation, in particular women's participation is very limited in a male dominated field such as finance;
- Lack clear measurement regarding efficiency and impact, in particular gender impact.”

The MTR supports these conclusions.

In her report the gender specialist suggested that, in addition to addressing specific issues for women such as women's access to social security, the initiative should introduce gender budgeting, which originated in Australia in the 1980s. She suggested that, to do this, concrete schemes needed to be carefully designed and fitted at each output and outcome. She made detailed and well targeted suggestions about specific activities within each output area. She also identified outcomes that could be pursued as a result of this work.

This report placed the program in an excellent position to achieve substantial gender equality results. The flexible implementation approach of the program should enable the implementation of these recommendations. In addition, the QAE evaluator suggested that a gender budgeting expert be engaged by CAGP to provide regular evaluations of Project 1 and 2 activities both before and after implementation to assess progress with implementation of a gender budgeting approach through the program.

Unfortunately, outputs reviewed within this component did not provide detail of the implementation of gender recommendations, although for a number of outputs (for example activity 2 outputs 2.4 and 2.5) a gender expert was engaged to review the output and rated the outputs as adequate. It was excellent to see that Chinese counterparts noted the value of the gender interventions and recommended further attention to gender issues.

In activity 2 outputs 2.1 and 2.2, survey design included relevant sex disaggregation of data, which is an important start. On the other hand, other outputs did not appear to implement the recommendations of the gender specialist, even where specific recommendations were made for the output. An example is project 1 activity 1 output 1.1. Similarly, output 1.2 of the project noted, in spite of specific recommendations from the gender specialist, that “Gender and Equity issues were not seen to be of any specific relevance to the objectives of this study tour”.

Overall, the assistance of a gender expert in the implementation of the outputs in Component 2 theme1 determined the success or otherwise of effective integration of gender issues and even the ability of outputs to implement direct recommendations made by the gender specialist at implementation. It underscores the need to have a gender specialist accompany and assist in the implementation of each output. Also, making sure that gender processes have been mandatory in all C2T1 activities has helped to ensure that gender equality issues are reported in some manner. However, the concern noted for Component 1 activities, that the gender KPI is not well drafted, applies here too.

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## Annex 4: Design Recommendations for Partnership Programs

This annex provides a summary of the key recommendations that have emerged from this review that would be of relevance to the development of any partnership program under the Australian Aid Program. There are many other issues that could be included here, however these are the lessons generated from recent reviews of partnership programs in the Philippines, Indonesia and the CAGP.

- Confirm whether or not there is Whole-of-Government support for Australian Agency engagement, or at least in the target Agencies for engagement

- Define the intension of the partnership.

Is the intension to develop sustainable government to government partnerships using a technical area of interest as the content area to progress the partnership; or, is it to build capacity in a technical area, using the partnership as the vehicle?

- Define the types of partnerships that are expected under the program.

Are they expected to result in regular communication and a full program of work; is the partnership intended to be one of an informal recognition of each other and facilitation of entry into each other's setting; or simply the sharing of information from time to time to enable each partner to monitor the developments in each other's country.

- Decide whether or not the employment of a Managing Contractor will enhance or inhibit the development of true partnerships.

If a managing contractor is employed, decide to what extent their role is one of logistical support, or the identification and support of partnerships. Recognise that contractors cannot, and should not, be considered true partners due to their contractual relationship. If they are to facilitate the development of partnerships, consider for the development of their terms of reference, the seniority of the persons required, their existing networks, and their capacity to establish new networks quickly. If a managing contractor is employed, consider mechanisms for ensuring that information gained by the contractor of use to Australia is not lost.

If a Managing Contractor is not employed, consider the adequacy of resources in Canberra and at Post to support the identification and establishment of relationships in the host country and in Australia.

- Articulate whether (or to what extent) other types of relationship are allowed under the program such as sub-contractor relationships and analyse the risks and benefits.
- Ensure there is sufficient time and resources allocated to identifying and establishing the partnership, including building trust.

Consider not only the provision of enough time and money, but the possibility of multi-year funding to allow partners to invest in the partnership and to develop longer time horizons with their activities.

Do not budget for high expenditure in the early phases of the program. Allow time for limited activity to build into more expenditure during later phases. Ensure that

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all partners are aware of the importance of this and that their expectations do not result in pressure to spend.

- Build in the expectation that some partnerships wane while a smaller number will evolve into something sustainable
- Define strategies for identifying and building partnerships.

This includes how to identify and engage Australian and Host country agencies as one set of strategies; and another addressing the development of the partnership itself. For example, develop strategies on how to move from personal contacts and friendships to institutional partnerships. This would include consideration on how to build in key factors known to enable sustainable partnerships.



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## Annex 5: Interview Respondents

Name	Respondent Type/Organisation
Geoff Raby	Ambassador; Australian Embassy Beijing
Caroline Bull	Counsellor, AusAID Beijing
Jiang Jiqing	Management Group, MOFCOM
Huo Enquan	Director General, NDRC/ICC (Charter Board)
Grant Morrison and Nicole	AusAID Desk Officers, Canberra
Sun Weiqing	AusAID Post Program Officer, Beijing
Peter Leahy	CAGP Program Director GHD/Hassells and Associates International
Michael Young	CAGP Australian Team Leader
Jiao Xueli	CAGP Chinese Team Leader
Jason Fitts	CAGP Senior Program Coordinator
Douglas Wu	CAGP Program Manager
Cui Jing	CAGP Program Officer
Tracy Cui	CAGP ADS Administrator
Kate	Youth Ambassador, CAGP Gender
Stephen Fitzgerald	AQAG Team Leader
Kei Detto	AQAG Team Member (Processes)
Ge Youli	AQAG Team Member (Gender)
Li Rhongzhang	AQAG Team Member (Governance)
Zhang Xiaoshan	AQAG Team Member
Jin Chuntian	Director General, NDRC Supervision Dpt
Liu Guihong	Division Director, NDRC Supervision Dpt Chinese Agency Partner
Nie Mingjun	Director General, MOLSS
Zhou Hong	Division Director, MOLSS
Feng Limin	Division Director, MOLSS Chinese Agency Partner
Zhou Xingshi	Director General, CCLA
Zhang Xilin	Division Director Chinese Agency Partner
Xia Guang	Deputy Director General, BAC
Jiao Guohua	Deputy Division Chief, BAC Chinese Agency Partner

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Name	Respondent Type/Organisation
Jiao Xueli	Division Director NDRC/ICC Chinese Agency Partner
Li Kouqing	Director General, Asia-Pacific Finance and Development Centre, Shanghai Chinese Agency Partner
Jiang Yongping	Gender Expert
Mike Woods	CAGP Technical Advisor
Susan McPhee	Director, McPhee Andrewartha P/L CAGP Australian Contracted Partner
Ken Waller	APEC Studies Centre Australian Agency Partner
Garry Burke	Business Manager, Centrelink Australian Agency Partner