



Australian Government
AusAID

China Australia Country Program Strategy

2006-2010

Australian Agency for International Development

China – Australia Country Program Strategy

Introduction - A New Strategy for a Changing Relationship

This strategy provides overall direction for Australia's development cooperation program with China over the period 2006 - 2010. It matches the timing and duration of China's 11th Five Year Plan and reflects the desire of both governments for a new approach in development cooperation: an approach suitable for the changing nature of the bilateral relationship, capable of actively responding to China's dynamic development as well as the shared strategic objectives of both countries.

This change signifies a shift away from discrete poverty reduction activities towards the sharing of ideas, high level capacity building, and policy engagement. Mutual benefit will be a key theme of this strategy, building government-to-government linkages for development and seeking ways for both countries to work together on regional issues, as partners, reflecting China's emerging role as a player in global development. It is envisaged this new approach will ensure increased impact of the program.

Inherent in the strategy is the need to maintain both a sharp focus and flexibility. These often competing priorities will be achieved through increased dialogue and strengthening the overall annual planning processes as well as a greater use of new program delivery approaches. The high level strategic framework presented below will be supported by a number of subsidiary strategies covering both sectoral approaches and regional collaboration.

Context

Australia's bilateral relationship with China is one of our most important. Both countries have a common interest in the ongoing development, stability and security of the Asia-Pacific region. In 2005, China was Australia's 3rd largest trading partner and Australia was China's 13th largest. China's strong economic growth (China runs a trade deficit with each of its major East Asian trade partners) will increasingly shape regional relations and cooperation in East Asia.

As regional neighbours China and Australia have a large number of shared interests. There are over 100 individual Memoranda of Understanding between Chinese and Australian government agencies.¹ This illustrates the desire of both governments to strengthen links and mutual understanding. The Free Trade Agreement negotiations, cooperation to combat communicable disease, shared concern about environment and water resource management, and joint work on people and drug trafficking are all part of an increasing list of shared interests.

1. Data derived from FTA – does not include state governments.

China's remarkable economic transition and growth since 1978 has been well documented. But while many development indicators have improved greatly, depleting natural resources, degrading ecosystems and remaining core poverty (over 150 million people)² have become impediments to sustainable development. This trend is posing serious risks to China's environment, human health, social and economic development and stability. Recently poverty reduction has slowed, inequality is rising and mass internal migration is blurring traditional poverty boundaries. Reducing poverty further will require measures beyond continued rapid economic growth such as comprehensive structural, institutional and legal reform, complemented by ongoing improvements in basic service delivery.

In response, China's current leadership has defined a long term vision of creating a harmonious society. To achieve this vision, China is adopting a 'balanced development' approach, underpinned by scientific principles. "Balanced Development" means balancing: (1) urban and rural development; (2) regional development (within China); (3) economic and social development; (4) economic growth and the environment; (5) domestic development and further opening up to the outside world.

This shifting context provides an important opportunity for Australia to engage and contribute to China's ongoing development. Australia's assistance can have significant impact provided the approach is targeted, innovative and responsive.

Strategy

The objective of Australia's overseas aid program is to further Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development. In China, the aid program will work in collaboration with the Chinese Government to reduce poverty through support for "balanced development" policies and programs. The Country Program Strategy (CPS) objectives will therefore be based more on supporting equity in China's development, addressing the factors that underpin poverty and less on direct poverty alleviation.

The *goal* of the *China – Australia Country Program Strategy 2006-2010* is:

Further mutual national interest by supporting China's balanced development policies and working together in the region.

Activities developed to achieve this goal will be shaped by guiding principles and three strategic objectives.

² One assessment put poverty numbers in 2003 at 151.9 million or 11.8% of the population, of which 60% were women (World Bank, based on USD1 per day).

Guiding Principles

The strategy will be responsive to the development agenda, both global and local, and will link with the 2006 White Paper on the Australian Aid Program.

The focus of the strategy will be on higher-level, upstream engagement centred on policy, planning and management, particularly at the national level. It will incorporate flexibility and responsiveness, and draw increasingly on the expertise of other Australian Government agencies. Partnership and mutual national interest will be key themes. The analytical foundations of the strategy will continue to be strengthened through linkages with Chinese and international academic and research institutions, including through joint research.

Reflecting the strengthened emphasis in the Strategy on upstream policy engagement, together with the rapid evolution in China's own poverty reduction programs, existing geographic-focused initiatives will be phased out. Whilst this does not exclude a geographic focus moving forward, the touchstone in each case will be how to best support Chinese government priorities, where these align with Australia's national interests and technical strengths. Targeted demonstration activities at the sub-national level will be considered, in support of policy reform, where the links to mutual national interest and priority areas are clearly established.

In line with the aid program more broadly, Australia's development cooperation with China will increasingly interlink with regional and international policy priorities, including trade, economic integration, and the transboundary threats posed by communicable diseases.

Strategic Objectives

1. Build capacity in selected sectors in China, in particular governance, environment and health.

The Chinese Government and people are successfully implementing reforms across a wide range of sectors. To assist in the reform process, Australia will provide targeted technical assistance in areas where Australia has relevant and valued experience. The chosen sectors of governance, health and environment build strongly on the existing program. This objective will also be measured by the strategy's ability to respond to emerging development issues of mutual national interest.

2. Enhance the Australia - China relationship by building institutional linkages.

The relationship between Australia and China is strong. Building durable links between government agencies and institutions in both countries in targeted areas will be the major outcome for this objective. This approach will assist in identifying and responding to emerging challenges as well as expanding the base of Australian stakeholders in China's sustainable and balanced development.

3. Working collaboratively to strengthen the region.

Co-location in the Asia-Pacific region means Australia and China have many common interests in regional security and stability. The strategy acknowledges this mutual interest and seeks to facilitate a collaborative approach on specific regional issues such as water and health security. This will include the development of strong links between AusAID's bilateral and regional activities as well as creating opportunities to work jointly on specific issues (such as HIV/AIDS and other communicable disease) in third countries.

Sector Sub-Strategies

To support the overall country strategy, sub-strategies have been developed for governance, environment and health. It is proposed a further sub strategy be developed by end of 2006 for joint regional engagement which will include the regional aspects of the sector sub-strategies.

(i) Governance

China continues an ambitious program of reform. Priorities anticipated in the forthcoming 11th Five Year Plan include government administration, fiscal, taxation, state owned economy, financial system, trade, legal and regulatory reform. At the same time, China is paying greater attention to the social and political impacts of reform, particularly the inequality and development gaps that have emerged as a consequence of rapid and uneven economic growth.

China's reform agenda, coupled with the overarching 'balanced development' framework presents an important opportunity to strengthen governance. Improved governance will enhance China's own investments in poverty reduction, market reform, service delivery and social protection. It will promote internal stability by addressing inequity and support the maturing of China's non-government sector. It will also facilitate China's engagement in bilateral and multilateral fora such as the WTO and APEC.

Australia has valued expertise to offer China to support its ongoing reforms. Cooperation will aim to meet several objectives to support a more comprehensive approach to governance issues. With this in mind Australia will:

- work with key Chinese government agencies and institutions on select reform areas of mutual interest, to broaden and deepen China's development and application of governance frameworks in policy and administration. This includes policy reforms relating to vocational education and training and cooperation in sustainable fiscal management and trade related reforms.
- engage in areas in which Australia has relevant and valued experience and expertise, and where outcomes demonstrate an impact and link to equitable and sustainable development. Activities to improve coverage, regulation and

delivery of social security to capture new dimensions of poverty will be explored.

- advocate and assist the promotion, protection and administration of human rights as well as social dialogue on gender equity in the development and implementation of laws and policies.
- work with the Chinese Government on the evolving role of non-state actors, their interface with government, and the reform of the public service, particularly as it relates to improving governance in service delivery
- where appropriate, support joint implementation of activities by Australian and Chinese government agencies and institutions.

Capacity building in the governance sector will be supported through two major programs, the China Australia Governance Program and the Human Rights Technical Cooperation Program. Capacity building will also be supported through collaboration with other donors, through programs such as the Xiao Kang Advanced Leadership Development Project (in collaboration with the UNDP), and China Gender Facility for Research and Advocacy (in collaboration with the United Nations Theme Group on Gender). Australia will pursue further opportunities to work with other key donors in priority reform areas as they advance the governance sub-strategy.

(ii) Environment

Rapid economic development in China over the past two decades has brought with it severe environmental problems. Competing demands for natural resources to bring about rapid industrialisation and urbanisation has led to high levels of pollution, ecological degradation, and water shortages.

There is increasing awareness in China of the need to balance the environment and economic growth. Tackling environmental issues, particularly management of natural resources is a high priority of the Chinese Government. Dealing with the crisis in the water sector is a key focus. This includes transforming water resource management from a supply driven approach to include demand management.

Australia has considerable expertise in the environment sector, in particular in water resource management (where we are a recognised leader), and can provide assistance to China to support its own environment and water reform program.

Future environment- related cooperation will, inter alia:

- support China's plan for improved *environmental governance* by assisting the shift from centrally planned allocation of water resources towards market-based allocation; and by introducing economic policy instruments that create efficient water markets, including means to create tradeable assets and to protect individuals entitlement to these assets.

- assist China establish transparent and equitable systems for water allocation and the protection and enhancement of river health by applying *integrated river basin management (IRBM)* principles. We will draw on Australia's water reform experience and expertise to assist the development of pilot programs in China and to trial policy options.
- *enhance Government to Government relationships* by facilitating high level contact between Australian and Chinese Government Agencies, building understanding of the approaches to environmental protection and water resources management demonstrated in Australia over the last fifteen years.
- reorientate, where appropriate, existing Australian cooperation in the environment sector to support *balanced development for environmental protection* and to incorporate the lessons learned from these projects and build upon strong existing relationships.

With increased flexibility and commitment to on-going research, analysis and planning, the future environment-related cooperation will be targeted to respond to areas of mutual priority and to engage with key Chinese Government agencies to support policy development through high-level capacity building.

(iii) Health and HIV/AIDS

Health-related development cooperation will focus on HIV/AIDS and other communicable diseases. This reflects the program's broader emphasis on diseases and issues which pose a significant risk to domestic and regional health security, and builds on existing AusAID project investments in Xinjiang, Yunnan, Guangxi and Tibet.

In particular, we will focus our program and policy engagement in the following areas:

- supporting *prevention-based approaches to reduce HIV transmission through continued engagement with high risk groups*. These include injecting drug users, commercial sex workers and, as an emerging area for policy engagement, men who have sex with men;
- supporting an effective *multisectoral response to HIV* including between health and law enforcement agencies.
- strengthening China's capacity to detect and respond to *emerging public health threats* with a focus on diseases and issues of regional significance. Examples include Avian Influenza, SARS and other emerging human and zoonotic diseases.

Capacity building for Health and HIV/AIDS will be supported through two major bilateral projects, the Tibet Health Sector Support Program (expected to continue until 2009) and the Xinjiang HIV/AIDS Prevention and Care Project (to continue at least

until 2007). The remainder of our existing rural health program will phase down over the early part of the strategy. Over this phase down period, the emphasis will be on strengthening the sustainability of existing investments. This includes seeking opportunities to ensure that project lessons learned better support policy making at the national and sub-national levels. In particular, we will look for avenues to contribute to government policy fora and to integrate the most successful elements of our rural health projects into the future programs of other partners. Regional projects, including the Asia Regional HIV/AIDS Project (the next phase of which is currently under design) and the Asia Regional Emerging Human and Zoonotic Diseases Initiative, will be integrated within the new strategy.

Capacity building will also be supported through collaboration with whole-of-government, other donors and multilateral organisations. Initial platforms will be Australia's participation in the China HIV/AIDS Roadmap Tactical Support (CHARTS) Project, an enhanced partnership with UNAIDS on HIV prevention, and collaboration with the World Health Organisation in the area of communicable diseases.

(iv) Working Collaboratively in the Region

Australia and China have a common interest in the ongoing development of the Asia-Pacific region. China is a predominant influence in Asia and a growing power internationally. Its growth has a significant impact on neighbouring countries' development and increasingly on the wider Asia-Pacific region.

Our approach to working together in the Asia-Pacific region will be developed across three broad objectives: build common understanding on development issues; strengthen China's engagement in regional issues and initiatives; and explore both countries' increasing interest to work jointly to support third countries in priority development areas.

Australia will provide capacity building opportunities to relevant Chinese government agencies to build understanding on international development issues and how AusAID operates, as well as facilitating understanding of Development Assistance Committee (DAC) fora.

The Strategy will aim to increase China's participation in existing AusAID regional programs and multilateral and regional forums by providing additional bilateral support to supplement and/or complement activities in areas such as HIV/AIDS, the Mekong River Commission, zoonotic diseases, trade and movement of people.

In consultation with Chinese government stakeholders and other governments in the region, HIV/AIDS will be the initial focus for joint activities involving third countries. This will build on the AusAID regional/bilateral programs. There are also co-benefits that may result from a joint approach to climate change and other transboundary environmental and governance programs. While the primary focus will be on the

Strategy's targeted sectors, the possibility of developing a specific regional package of assistance will be explored.

Program Implementation

An internal review of the 2002- 2005 China – Australia Country Program Strategy identified the key attributes leading to success of activities in China. It recommended the use of more innovative and effective forms of aid based on key principles.³

Implementation Principles

- responsiveness to changing circumstances with increasing focus on high-level policy engagement
- aligning with China's own programs and policies
- institutional analysis of the absorptive capacity of partner agencies as well as the cultural context
- building on existing relationships including our whole-of-government engagement and existing platform of activities
- strategic partnerships (with counterparts, multilateral agencies and other donors)
- consideration of the use of "aid advisers" and "aid experts" to enhance effectiveness and program integration with Chinese systems and
- more effective integration of all strategy activities.

Program Structure

The major projects and programs that support the 2002-05 country program strategy will be a key building block of the new approach. Projects have revealed important lessons learned and provided direction for possible future activities. However, the focus on higher level engagement and government-to-government links will require a significant shift in how the development cooperation program is structured and delivered.

The program will establish four flexible funding mechanisms to support the sub-strategies in governance, health, environment and regional cooperation. Each mechanism will implement a wide range of approaches and forms of aid to support achievement of the strategic objectives and sub-strategy outcomes. They will be responsive and flexible within an overall specified governance framework.

The program will facilitate access to the AusAID public sector linkages program. Support for government-to-government linkages will aim to be catalytic rather than recurrent with relationships forged and strengthened under the program continuing independent of AusAID support over time.

³ Ref Review of 2002-2005 strategy

Management

The overall coordination of the Country Program Strategy will be the responsibility of AusAID (Beijing and Canberra) and the Ministry of Commerce (MOFCOM). This will involve ongoing analysis of strategy directions.

The sub-strategies in the four focus areas of governance, environment, health and regional cooperation will be managed by broader stakeholder groups, including relevant government agencies from both countries, as well as selected experts. Such groups will be responsible for strategic direction, activity selection, monitoring and coordination. It is also anticipated that both countries will adopt a “whole of government” approach to establish priorities.

Whole of Government

Dialogue is already occurring between a range of Australian Government agencies and their counterparts in China. Consistent with the objective of strengthening the Australia – China relationship through development cooperation, AusAID will draw upon its strategic partnerships with other Australian government agencies to define mutual national interest and in the identification and provision of specific development activities.

Where the development impacts are clear and mutual benefit exists, the strategy will seek to support and enhance government-to-government linkages. In the key sectoral areas where the priorities of other Australian government agencies converge with those of Australia’s development program, joint approaches will be developed.

AusAID is consulting closely with the Department of Foreign Affairs and Trade as well as the Department of Agriculture, Fisheries and Forestry (on environment-related issues) and the Department of Health and Ageing (on health issues). Likely other key Government partners include Department of Treasury, Department of Finance and Administration, Australian Federal Police, Attorney General’s Department and the Australian Public Service Commission.

Many development issues require a comprehensive approach and interagency cooperation between Chinese agencies will also be actively supported.

Partners

Instrumental to the Strategy's emphasis on higher level policy and whole of government engagement will be the establishment of strategic and mutually benefiting partnerships. Consolidation of partnerships that will survive and thrive independent of AusAID funding will also be important as the program phases down.

The Strategy will identify and cultivate partnerships as they support the functional objectives and sector sub-strategies. This includes supporting: activities implemented jointly by Australian and Chinese government agencies, including joint research with China; development of links between technical and academic institutions in relevant fields; and the interaction between government and non-state actors.

AusAID will strengthen its existing relationships and forge new partnerships with key development stakeholders including central coordinating and relevant line ministries, research and policy institutes.

The Strategy will continually explore opportunities for stronger engagement in key co-ordinating fora and strategic partnerships with multilaterals and other donors. The UN development organisations play a significant role in consensus building on development issues and also provide specialist expertise in a number of areas. The multilateral development banks (MDBs), World Bank and Asian Development Bank, are a key source of development analysis. Engagement with the MDBs, UN organisations and other donors may include, for example, joint programming, joint research and evaluation activities, joint operations and secondments. Working with multilateral partners extends the potential impact of our development cooperation program and supports China's progress towards the Millennium Development Goals.

Funding levels

China's continuing growth and the competing demands on Australia's development cooperation program will likely result in a reduction in overall budget flows over the life of the Strategy. However, increased emphasis on innovation, quality and timely provision of expertise and building of ongoing institutional relationships should enhance the impact of China – Australia development cooperation.

The 2005/06 budget allocation for the China bilateral program is an estimated \$38 million. Future allocations will be considered in the aid program's annual budget process.

Performance Framework

Over the Strategy period, monitoring and measuring the overall performance of the Strategy will be an important priority. To assist with this higher-level monitoring, a Performance Framework and Objective Tree have been prepared (see [Attachment 1A and 1B](#)), providing a basis for gathering and assessing 'program-level' results.

This Performance Framework reflects a functional rather than sectoral approach to achieving strategy outcomes and is based on an ongoing process of dialogue and cooperation.

The Performance Framework has been streamlined to ensure it delivers practical reporting that is appropriate for a modest sized program in China. Some particular features are as follows:

- The basic building block is the Objective Tree and its limited hierarchy of objectives (ie One Goal, three Strategic Objectives, and eight Program Outcomes).
- The focus for measurement will be the Program Outcome level – ie the level at which the Australian aid program should expect to make an impact. Consequently, no indicators have been set for the Goal and Strategic Objective levels (at least at this stage).
- The indicators set at the Program Outcome level are broken into two categories – (1) Long-term ‘indicators’ that will be used to assess the performance at the end of the Strategy and will be monitored from year-to-year; (2) Short-term ‘indicators’ that will be updated each year and used to assess the interim steps required to move towards successful achievement of the Program Outcomes.
- The ‘indicators’ are largely qualitative in nature.
- On an annual basis, there will be a process of collecting and analysing a range of information that will help determine the performance of the Strategy’s implementation. Analytical work being undertaken by the desk and whole of government reference groups will help underpin these reviews.

The Performance Framework will be a ‘living’ document that will be updated and refined as required over the life of the Strategy. It will also consider adaptation of new methods and tools for performance monitoring as appropriate. It will build on the substantial information already being collected at the activity/program level creating stronger links between the review of individual activities and the overall CPS. A mid-term review of the strategy will be conducted in 2008.

China - Australia Program Strategy Performance Framework

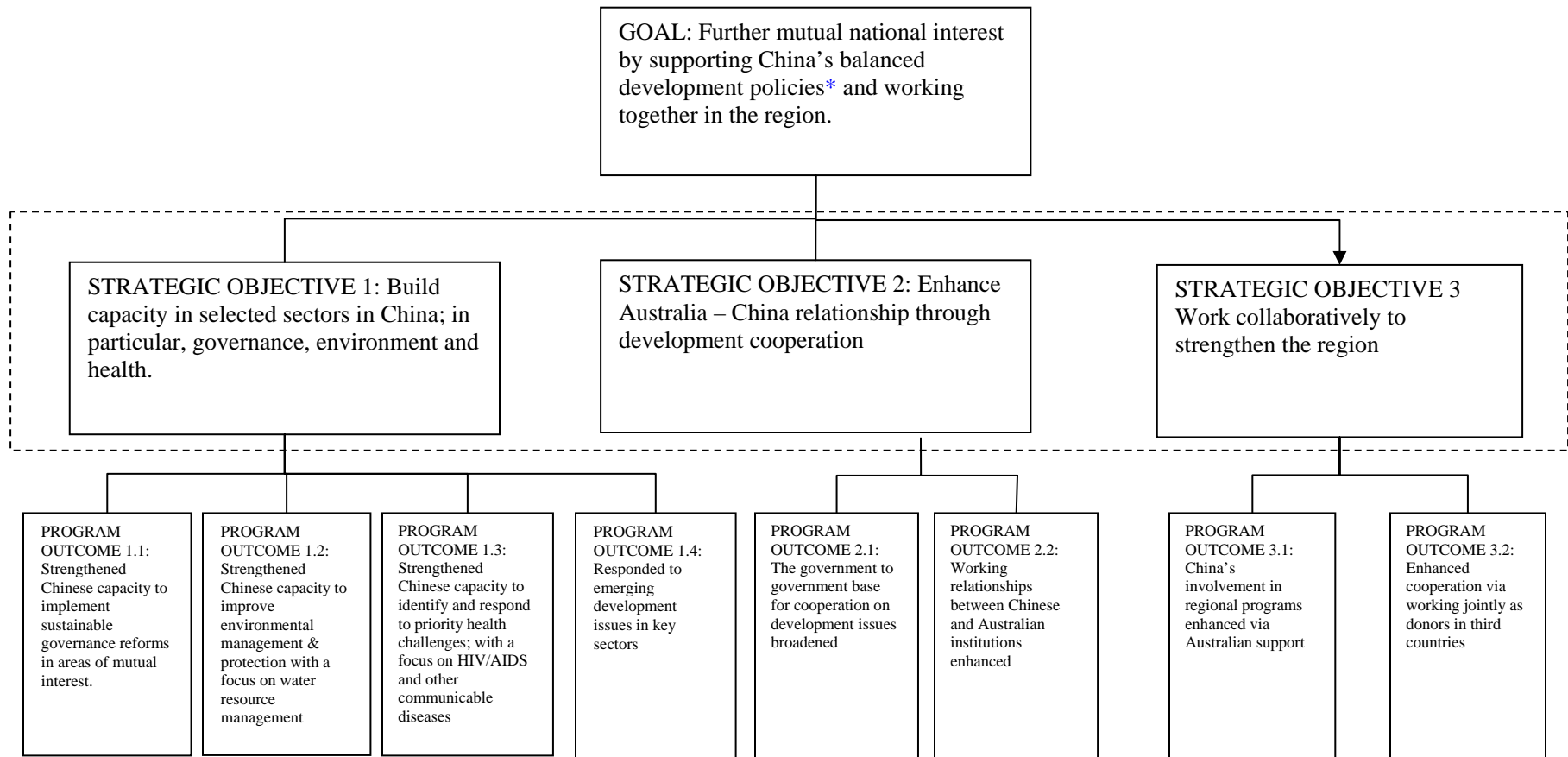
Level	Objectives/Outcomes	Indicators to measure performance over the life of the Strategy (ie. At the end of the strategy period, how will we know if the program has been successful?)	YEAR 1 Intermediate Indicators
Goal	Further mutual national interest by supporting China's balanced development policies and working together in the region		
Strategic Objective 1	Build capacity in selected sectors in China, in particular governance, environment and health		
Program Outcome 1.1	Strengthened Chinese capacity to implement sustainable governance reforms;	a) Number of Australian supported reforms successfully implemented in Chinese bureaucracy b) Examples of non-government entities engaging effectively on governance issues in China	<i>Priority reforms and policies identified and agreed</i> <i>Key non-government actors to support identified and agreed</i>
Program Outcome 1.2	Strengthened Chinese capacity to improve environmental management & protection with a focus on water resource management	a) Number of river basins subject to aspects of Integrated River Basin Management b) Improved awareness of the benefits of water entitlements and trading systems	<i>Practical application of aspects Integrated River Basin Management principles in at least one location</i> <i>Evidence provided to decision-makers that demonstrates the effectiveness of water resource management approaches based on entitlements, trading and pricing</i>
Program Outcome 1.3	Strengthened Chinese capacity to identify and respond to priority health challenges with a focus on HIV/AIDs and other communicable diseases	a) Harm reduction approaches implemented as part of HIV/AIDS prevention strategies b) Implementation of practical strategies to reduce the transmission of other communicable diseases in China	<i>Evidence of enhanced understanding of harm reduction as an important contribution to the range of effective prevention-based strategies</i> <i>Other communicable diseases for priority attention identified and agreed</i>

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Program Outcome 1.4	Responded to emerging development issues in key sectors	a) Program responded appropriately to emerging priorities/issues b) Effective dialogue established to identify and respond to emerging issues	
Strategic Objective 2	Enhance Australia - China relationship through development cooperation		
Program Outcome 2.1	Broadening the government to government base for cooperation on development issues	a) Strengthened development components of MOUs b) Increased 'other' ODA	<i>Evidence of strengthened engagement including visits, conferences etc.</i>
Program Outcome 2.2	Working relationships between Chinese and Australian institutions enhanced	a) Number of mutually-supportive links between Chinese and Australian health institutions and experts b) Number of mutually-supportive links between Chinese and Australian environment institutions and experts	<i>Enhanced Chinese understanding of Australian health sector expertise</i> <i>Enhanced Chinese understanding of Australian environment sector expertise</i>
Strategic Objective 3	Working collaboratively to strengthen the region		
Program Outcome 3.1	China's involvement in regional programs enhanced via Australian support	a) Number of priority regional programs where Chinese involvement has commenced or increased	<i>Agreement on priority regional issues for Australia-China cooperation (e.g. HIV/AIDS, Greater Mekong Sub-region, zoonotic diseases)</i>
Program Outcome 3.2	Enhanced cooperation via working jointly as donors in third countries	a) GoPRC understanding of development issues enhanced b) Number of joint development activities planned/commenced	<i>Planning undertaken for activities such as training (e.g. reporting to DAC), placements at AusAID, seminars etc.</i> <i>Agreement at HLCs for commencement of discussions on joint donor cooperation</i> <i>Initial areas of focus agreed (e.g. HIV/AIDS programs in third countries)</i>

China – Australia Country Program Strategy objective tree

Advance Australia's national interest by assisting developing countries to reduce poverty and achieve sustainable development.



** Balanced Development" means balancing: (1) urban and rural development; (2) regional development (within China); (3) economic and social development; (4) economic growth and the environment; (5) domestic development and further opening up to the outside world.*