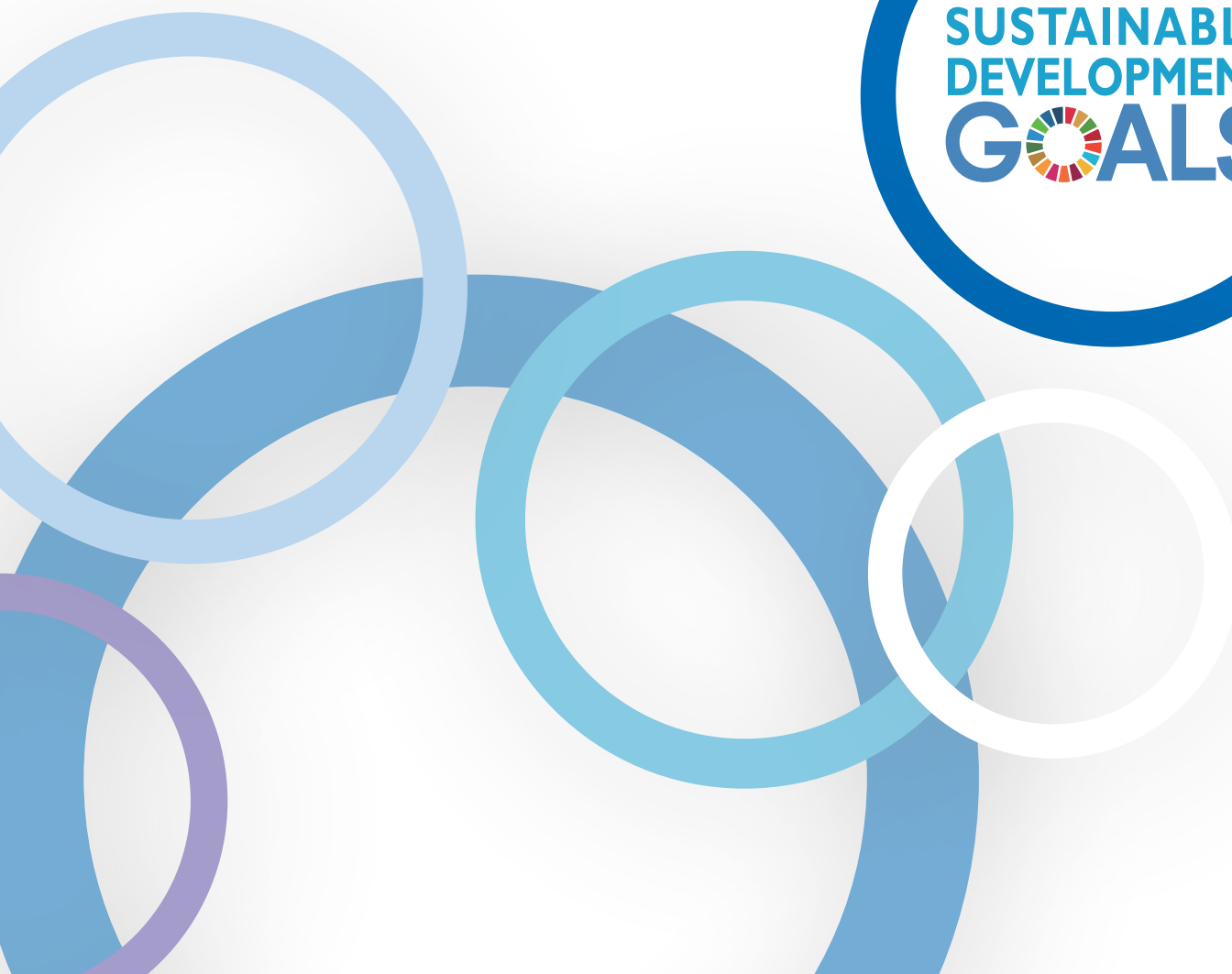




*Empowered lives.  
Resilient nations.*

# China's South-South Cooperation with Pacific Island Countries in the Context of the 2030 Agenda for Sustainable Development

*Series Report:  
An Overarching Analysis*





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## Series Report: An Overarching Analysis

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United Nations Development Programme in China

2017

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# Preface

China has become a major development partner worldwide, providing not only increased financing but also important knowledge, skills and technology to other developing countries, including Pacific island countries (PICs). With a view to strengthening cooperation between China and the Pacific towards achieving the Sustainable Development Goals (SDGs), and as part of UNDP China's support to China's South-South cooperation, UNDP China launched a research project to explore opportunities and challenges in China's South-South development cooperation with the PICs in the context of the SDGs. It builds upon the 2014 UNDP research project on The Development Needs of the Pacific Island Countries and bears strong policy relevance as both development partners and PICs are making plans towards the SDGs.

This research project aims to take the lead in identifying the gaps and opportunities for China to enhance its support to PICs in implementing the SDGs. The project comprises a policy series of one overarching analysis and four sector-specific reports. The overarching report analyzes the development needs and challenges for PICs to implement the SDGs, and the opportunities and gaps in China's development cooperation with the region. The four sector-specific reports look at four selected sectors in PICs, namely, health, renewable energy, infrastructure and climate change. They provide in-depth analysis on the challenges and opportunities of China's engagement in each sector in the SDG context. While the overarching report provides cross-sector recommendations and also overall recommendations for each of the four sectors, the four sector-specific reports provide more specific and technical recommendations on how China-PICs development cooperation could be strengthened in the context of the SDGs.

As part of this research project, an international workshop was organized by UNDP China on November 17-18, 2016 in Beijing where over thirty participants discussed issues and exchanged perspectives related to country needs and priorities, financing and capacity gaps, China's development cooperation in the Pacific and opportunities for enhancing China's contribution to the SDG implementation in the region. Participants come from government institutions of Samoa, Fiji and Papua New Guinea; Chinese policy banks including China Development Bank and Export-Import Bank of China; major Chinese think tanks and universities; Pacific country embassies in Beijing, UNDP Pacific country offices, and major bilateral development agencies based in Beijing. With active participation from these key stakeholders, the workshop stimulated heated debate and discussions around China-Pacific cooperation from various perspectives. In addition, a wider stakeholder group was consulted for the research project throughout the process. For example, the policy series has been strengthened by extensive comments from Pacific governments and UNDP country offices in the Pacific region, and received strong support and interest from a number of development partners, including Australia, New Zealand and the US. It is expected that this research project can stimulate further discussion on this topic and lead to practical cooperation based on the recommendations from the policy series and consultation processes.



*International workshop on China-Pacific Island Countries  
Cooperation for the Sustainable Development Goals  
November 17-18, 2016, UNDP China, Beijing*

# Acknowledgement

UNDP would like to thank Mr. Denghua Zhang for writing this report as part of the policy series titled “China’s South-South Cooperation with Pacific Island Countries in the Context of the 2030 Agenda for Sustainable Development”, and for supervising and coordinating the policy series as leader of the research team. This report also received invaluable inputs and strong support from Ms. Ellen Kulumbu and Mr. George Cater as members of the research team for this policy series. Acknowledgement also goes to all the interviewees for this report, all the reviewers from UNDP Pacific countries offices, as well as experts and officials that actively participated in the international workshop on “China-Pacific Island Countries Cooperation for the Sustainable Development Goals”, hosted by UNDP China on 17-18 November, 2016 in Beijing. This report also benefited from the management support, substantive inputs and quality assurance provided by Ms. Christine Han, Mr. Niels Knudsen and other officials from the UNDP China Office. It is hoped that this report, along with the larger policy series, can stimulate further discussion and debate on the topic of China-Pacific development cooperation.

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## List of Acronyms

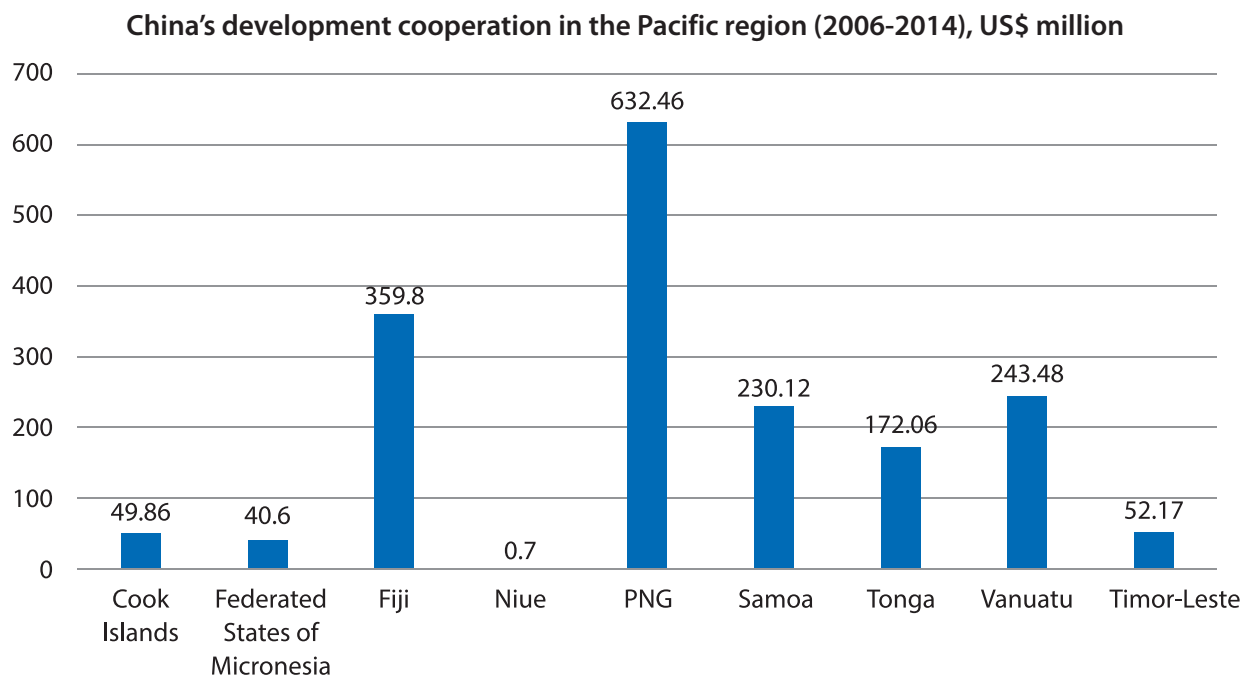
|        |  |
|--------|--|
| ADB    | Asian Development Bank   |
| AIIB   | Asian Infrastructure Investment Bank                             |
| BRI    | Belt and Road Initiative   |
| BRICS  | Brazil, Russia, India, China and South Africa                    |
| CROP   | Council of Regional Organizations in the Pacific                 |
| FAO    | Food and Agriculture Organization                                |
| FSM    | Federated States of Micronesia                                   |
| GDP    | Gross domestic product   |
| LDC    | Least developed country  |
| MDGs   | Millennium Development Goals                                     |
| MFAT   | Ministry of Foreign Affairs and Trade (New Zealand)              |
| MOFA   | Ministry of Foreign Affairs (China)                              |
| MOFCOM | Ministry of Commerce (China)                                     |
| MoU    | Memorandum of Understanding                                      |
| MPs    | Member of Parliaments  |
| NCDs   | Non-communicable diseases  |
| NDB    | New Development Bank   |
| ODA    | Official development assistance                                  |
| PICs   | Pacific island countries   |
| PIF    | Pacific Islands Forum  |
| PIFS   | Pacific Islands Forum Secretariat                                |
| PNG    | Papua New Guinea   |
| SDGs   | Sustainable Development Goals                                    |
| SIDS   | Small island developing states                                   |
| STIs   | Sexually transmitted infections                                  |
| WHO    | World Health Organization  |
| UNDP   | United Nations Development Programme                             |
| UNESCO | United Nations Educational, Scientific and Cultural Organization |

## Executive Summary

In September 2015, the UN General Assembly adopted the 2030 Agenda for Sustainable Development, with 17 Sustainable Development Goals (SDGs) and 169 targets to be achieved by 2030. The implementation of the SDGs becomes an important task for developing countries, including Pacific islands countries (PICs). China has emerged as a major development partner globally, which presents opportunities for other developing countries. China's diplomatic and economic engagement with PICs has been notable in the last decade. Though facing persistent development challenges, PICs have started to implement the SDGs. China's role in supporting these countries in achieving the SDGs is a new topic that deserves further analysis.

The report finds that PICs have recorded mixed outcomes on the Millennium Development Goals (MDGs). As the SDGs build on the MDGs but represent a more ambitious agenda, PICs are facing persistent challenges to achieve the SDGs. These challenges include: the complexity of SDGs; poor measurement; capacity constraints; challenging geography; weak governance; lack of funding; natural hazards; and aid fragmentation. In the infrastructure sector, there are huge gaps in infrastructure construction/upgrading. Post-construction maintenance is another area in need of support across the region. In the health sector, a main challenge is the provision of basic health service to the whole population especially in rural areas. Lack of access to clean water and sanitation remains another challenge. Climate change poses direct and severe challenges to PICs, in particular to those low-lying atoll states including Kiribati, Marshall Islands and Tuvalu. How to secure sufficient resources, including funding and technical expertise, to address climate change is a challenge for PICs. In the area of renewable energy, technical capacity and funding are two main challenges for PICs to make full use of their abundant renewable energy resources such as solar and wind power.

China's growing presence in the Pacific presents opportunities for PICs to achieve the SDGs. China has increased its development cooperation with the region over the past decade. According to recent data, China has become the third largest development partner in the Pacific region, after Australia and the US, with the provision of a total of US\$1.78 billion over the period of 2006-2014 (Brant, 2016).



Source: Brant, 2016

During 2015-2016, Chinese leadership pledged a series of development cooperation measures to other developing countries, as the table below shows. There is great potential for PICs to benefit from these commitments. Moreover, China-proposed initiatives such as the Belt and Road Initiative (BRI), the BRICS New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) also provide important financing and technical cooperation opportunities that PICs could explore.

**China's major development cooperation pledges (including climate change), 2015-2016**

| Occasion   | Development cooperation pledges  |
|--|--|
| UN Sustainable Development Summit, 2015                                  | <ul style="list-style-type: none"> <li>» Set up the US\$2 billion (initial funding) South-South Cooperation Aid Fund</li> <li>» Increase investment in least developed countries (LDCs) to US\$12 billion by 2030</li> <li>» Exempt the debt of the outstanding intergovernmental interest-free loans due by the end of 2015 owed by the relevant LDCs, landlocked developing countries and small island developing states (SIDS)</li> <li>» Establish an international development knowledge center</li> </ul>  |
| High-Level Roundtable on South-South Cooperation, 2015                   | <ul style="list-style-type: none"> <li>» Undertake "Six 100" projects to support developing countries in the next five years, including 100 poverty reduction projects, 100 agricultural cooperation projects, 100 trade promotion projects, 100 environmental protection and climate change projects, 100 hospitals and clinics, and 100 schools and vocational training centers</li> <li>» Provide 120,000 opportunities and 150,000 scholarships to developing countries for training and tertiary education in China, and help train 500,000 professional technicians</li> <li>» Establish the Institute of South-South Cooperation and Development</li> <li>» Provide US\$2 million in cash to the World Health Organization</li> </ul> |
| Global Leaders' Meeting on Gender Equality and Women's Empowerment, 2015 | <ul style="list-style-type: none"> <li>» Contribute US\$10 million to UN Women</li> <li>» Conduct 100 health projects for women and children</li> <li>» Conduct 100 "happy campus" projects to finance the schooling of poor girls</li> <li>» Train 30,000 women from developing countries in China and provide another 100,000 skills training opportunities in local communities in other developing countries</li> </ul>  |
| UN General Assembly General Debate, 2015                                 | <ul style="list-style-type: none"> <li>» Establish a 10-year, US\$1 billion China-UN Peace and Development Fund</li> </ul>   |
| President Xi's visit to the US, 2015                                     | <ul style="list-style-type: none"> <li>» Set up the RMB 20 billion (US\$3 billion) South-South Cooperation Climate Change Fund</li> </ul>  |
| COP21, 2015  | <ul style="list-style-type: none"> <li>» Pilot 10 low-carbon industrial parks in other developing countries</li> <li>» Conduct 100 mitigation and adaptation programmes in other developing countries</li> <li>» Provide 1000 training opportunities to other developing countries on climate change</li> </ul>  |
| UN General Assembly General Debate, 2016                                 | <ul style="list-style-type: none"> <li>» Provide US\$300 million worth of humanitarian assistance to other countries and international organizations</li> <li>» Raise annual contribution to UN development agencies by US\$100 million by 2020 from 2015 level</li> </ul>   |

Source: Made by author

Based on an analysis of PICs' development needs in the context of the SDGs and China-PICs development cooperation to date, this report has identified a number of opportunities and challenges in China-PICs development cooperation towards the SDGs. It has drawn a number of cross-sector recommendations for China to enhance development cooperation with PICs in the context of the SDGs, as well as overall recommendations for the infrastructure, health, climate change and renewable energy sector respectively. These overall recommendations for the four sectors are complemented by more specific and technical recommendations in the four sector-specific reports of the same policy series.

| Cross-sector recommendations   |  |
|--|--|
| <ul style="list-style-type: none"> <li>» Support priority areas in each PIC's national development plan and localize China's country strategy in the context of individual PICs, based on an understanding of the diversity and complexity of PICs, and the recognition of country and regional priorities and systems.</li> <li>» Allow flexibility and identify innovative approaches to delivering development cooperation in the Pacific region, such as working with sub-national level authorities and regional organizations.</li> <li>» Continue to include development cooperation as a key point of discussion in China's regular policy dialogue with PICs and consider increasing participation in coordination mechanisms with other development partners, especially when the agenda is led by PIC.</li> <li>» Provide more capacity building opportunities in PICs rather than in China, and more education opportunities using the newly established Institute of South-South Cooperation and Development at Peking University.</li> <li>» Strengthen statistical capacities of PICs so that they could produce more reliable baseline data for SDG tracking, monitoring and evaluation, and reporting.</li> </ul> |  |
| Overall recommendations for the four sectors   |  |
| Infrastructure   | <ul style="list-style-type: none"> <li>» Make use of new initiatives to support infrastructure construction and upgrading in identified areas for the Pacific through the NDB and AIIB.</li> <li>» Put more efforts on post-construction maintenance to reduce the risk of the "Build-Neglect-Rebuild" paradigm.</li> <li>» Enhance partnership with other bilateral, regional and multilateral development partners and increase consultation with regional and multilateral organizations in the Pacific.</li> <li>» Increase the use of local technicians and labourers in China's infrastructure projects by subcontracting some maintenance work to local companies, for example.</li> <li>» Communicate concessional loan repayment policy more clearly to partner countries.</li> </ul> |
| Health   | <ul style="list-style-type: none"> <li>» Make full use of recent commitments to support health development in PICs.</li> <li>» Enhance knowledge-sharing and capacity building in the health sector through the establishment of China-PICs sister hospitals and experience-sharing in the integration of traditional and modern medicine.</li> <li>» Consider increasing contribution through multilateral agencies such as the WHO and regional organizations to make use of their regional and global network.</li> </ul>   |
| Climate change   | <ul style="list-style-type: none"> <li>» Increase the volume of development cooperation to the climate change sector in PICs under China's new pledges in the form of bilateral development cooperation and also contributions to regional organizations.</li> <li>» Provide more technical support to PICs to improve their capacity to combat climate change, in terms of both mitigation and adaptation, in climate change policy-making and mainstreaming as well as in technical areas.</li> </ul>  |

|                  |  |
|------------------|--|
| Renewable energy | <ul style="list-style-type: none"> <li>» Increase renewable energy support to PICs using existing renewable energy sources such as solar power, biomass, wind-power, tidal energy and geothermal power by establishing a Special Pacific Renewable Energy Fund.</li> <li>» Strengthen PICs' capacity in renewable energy research and development by providing more tailored technical training opportunities and targeted technology transfers in identified priority areas.</li> </ul> |
|------------------|--|

Traditional development partners and multilateral agencies recognize that China can play a significant role in supporting PICs in their SDG implementation process. As a result, two of the major development partners in the region, Australia and New Zealand, have already increased their engagement with China in the Pacific, including through trilateral partnerships. UNDP has also been piloting trilateral cooperation projects with China in Africa and Asia. Building on existing trilateral cooperation experience, UNDP and China are jointly planning to expand their trilateral partnership to the Pacific region, which presents opportunities for PICs in the process of implementing the SDGs. This report has drawn a number of recommendations for potential trilateral cooperation in the Pacific between China and other development partners, including bilateral and multilateral development partners.

#### Recommendations for China on trilateral cooperation in the Pacific

- » Deepen and expand trilateral cooperation with traditional development partners in sectors such as agriculture, health, climate change, renewable energy, and infrastructure (construction and maintenance).
- » Enhance knowledge-sharing with traditional development partners by establishing a China-Australia/New Zealand Knowledge Partnership Programme, for example.
- » Explore trilateral partnership with UNDP to support PICs' implementation of the SDGs. Potential areas for cooperation could include climate change, renewable energy, agriculture, health and disaster risk management.
- » Identify cooperation opportunities with other UN agencies such as FAO, WHO and UNESCO in their respective specialized areas.

## An Introduction to the Research Project

### Research background and goals

On September 25, 2015, the United Nations General Assembly officially adopted the 2030 Agenda for Sustainable Development which set out 17 Sustainable Development Goals (SDGs) and 169 targets to be achieved by 2030 (UN, 2015). This new development agenda is a continuation of the Millennium Development Goals (MDGs) that expired by the end of 2015, marking a milestone in global development. The SDGs provide a powerful vehicle for the coordination and policy negotiation of nations on development cooperation in the next 15 years.

China has become an increasingly important development partner for PICs, engaging in a wide range of areas in the region, including infrastructure, health, education, agriculture and climate change, among others. China's diplomatic and economic engagement with PICs has been notable in the last decade. In April 2006, the then Chinese Premier Wen Jiabao inaugurated the first China-Pacific Island Countries Economic Development and Cooperation Forum in Nadi, Fiji, and pledged RMB 3 billion (US\$462 million)<sup>1</sup> concessional loans to PICs over the following three years. At the second Forum in Guangzhou, China in November 2013, Chinese Vice Premier Wang Yang announced that China would provide US\$1 billion in concessional loans to PICs over the following four years to support major production projects, infrastructure and livelihood projects, together with an additional US\$1 billion special loan for infrastructure from the China Development Bank. One year later, Chinese President Xi Jinping paid his first state visit to the Pacific region and held a group meeting with PICs' leaders in Fiji. President Xi announced new measures of development cooperation including providing 2,000 scholarships and 5,000 training opportunities to PICs over the following five years and granting tariff-free treatment to 97 per cent products from the least developed PICs. PICs were encouraged to benefit from the China-initiated 21<sup>st</sup> Century Maritime Silk Road proposal.<sup>2</sup> Leaders from both sides agreed to elevate their bilateral relationship to a "strategic partnership of mutual respect and common development". The above show the growing importance of the Pacific region in China's global engagement.

PICs, most of which are small in land area and some of which lack mineral and energy resources,<sup>3</sup> face persistent development challenges such as infrastructure deficit, natural disasters, public health and education issues, and the impact of climate change. The increasing engagement between China and PICs provides substantial opportunities for the latter to address these challenges. And China's strong commitment to supporting the developing world in implementing the SDGs provides new opportunities for PICs.

In addition to China, PICs also receive development assistance from other bilateral and multilateral development partners which also play a significant role in strengthening PICs' capacity to achieve the SDGs. The increase of development partners in the Pacific region creates new opportunities and challenges that deserve further exploration. As a typical example, China is piloting trilateral cooperation with Australia and New Zealand in Papua New Guinea (PNG) and Cook Islands, focusing on malaria control and water supply upgrading respectively. The growing trilateral partnership between China and other development partners in the region offers new opportunities for their further cooperation in PICs, especially in the process of SDGs implementation.

How China could strengthen its development cooperation to support PICs' implementation of the SDGs is an issue of great significance. As the SDG implementation is still in its initial stage, research on the impact of China's development cooperation on SDGs has just started. For instance, the Chinese Academy of International Trade and Economic Cooperation, the German Development Institute and the China International Development Research Network have recently completed a research project on China-European Union (EU) development cooperation in the post-2015 Agenda (Fues et al., 2015). However, such research remains limited.

---

1. 1 USD equals 6.49 RMB in December 2015. This exchange rate is used consistently in this report.

2. This is a parallel initiative to the Silk Road Economic Belt initiative under the BRI. It aims to promote investment and foster economic cooperation with countries in Southeast Asia, Oceania and North Africa.

3. The exception is fisheries. For instance, the Pacific has 15 per cent supply of the world's tuna. Also, there are other resources unexplored such as the seabed minerals.

As part of a policy series,<sup>4</sup> this overarching report analyzes China's overall South-South development cooperation in PICs with a view to identifying opportunities for China to enhance engagement and improve coordination with PICs and other development partners in the SDGs implementation process, and vice versa. Concrete policy recommendations will be provided on how China could strengthen its support to PICs in their SDG implementation process.

## Methodology

The research is mainly qualitative using data from primary and secondary sources. It is based on an extensive literature review on China's South-South cooperation, China-PICs development cooperation, and the 2030 Sustainable Development Agenda. More importantly, this project has included a number of semi-structured interviews with government officials, development experts and academics from China, UNDP offices, PICs and other development partners, especially Australia and New Zealand, over the period of June-August 2016<sup>5</sup> (see Annex 1). This has enabled the researchers to solicit first-hand perspectives from policy-makers and development experts. Interviews were mainly undertaken through emails, Skype or phone calls.

As the 2014 UNDP report *The Development Needs of Pacific Island Countries* focused on Papua New Guinea (PNG), Samoa, and Tonga, this policy series brings in analysis of other PICs to complement the 2014 report, and has a specific focus on four sectors: health, renewable energy, infrastructure and climate change. The four sectors were selected based on an examination of the priority areas identified in a range of Pacific regional development plans, including the Barbados Programme of Action, the Mauritius Strategy and the SAMOA Pathway, as well as consultation with major Chinese and international experts. The analysis in this research project will be developed at two levels. Firstly, it will discuss the region as a whole and cover all the PICs, especially the eight countries that have diplomatic relations with China.<sup>6</sup> Then, it will mainly focus on three PICs: PNG, Fiji and Samoa.

These three countries were selected based on their diversity and representativeness. PNG and Fiji are the two main partner countries of China's development cooperation in the region. They are also the two largest PICs in terms of population and land size. In addition, PNG and Fiji are home to the majority of poor population in the region. Around 75 per cent (2 million) of the regional population under poverty live in PNG while half of the remaining 600,000 live in Fiji (PIFS, 2015a, 18). PNG receives around a quarter of all the recorded aid flows to the region (PNG government and Secretariat, 2013, 2). In terms of Samoa, it is the second PIC to have established diplomatic relations with China, and has been the leading performer among PICs with regards to aid coordination, which is in stark contrast to PNG. In addition, this selection includes PICs from both Melanesia (PNG and Fiji) and Polynesia (Samoa). The three countries also represent three types of PICs in terms of trilateral development cooperation with China: PNG is among the first PICs to undertake trilateral development cooperation with China and traditional development partners. Fiji is in discussion with China and UNDP on a renewable energy project. By contrast, trilateral development cooperation between China and traditional development partners has yet to take place in Samoa. The above differences make the exploration on China-PICs development cooperation under the SDGs representative.

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4. The policy series includes five reports, including an overarching report and four sector-specific reports. The overarching paper is written by Denghua Zhang, and the four sector-specific reports are written by Ellen Kulumbu and George Cater respectively under the guidance of Denghua Zhang as the team leader.

5. Some of the author's interviews from November 2014 to September 2015 are also used in the analysis.

6. The eight PICs include PNG, Fiji, Tonga, Samoa, Vanuatu, the Federated States of Micronesia, Cook Islands and Niue.



## Development Needs and Challenges: PICs and SDGs

This section explores PICs' needs and challenges in the context of implementing the SDGs. It aims to answer the following questions: What is PICs' performance towards achieving the MDGs? What are their positions on the SDGs? What are their development needs and challenges in implementing the SDGs? This section will include but is not restricted to the four sectors of infrastructure, climate change, health and renewable energy.

### The MDGs: Unfinished business for PICs

As the SDGs build upon the MDGs, an examination of PICs' performance in implementing the MDGs will facilitate the understanding of their needs and challenges to achieve the SDGs. Before proceeding, it is worthwhile to point out that speaking about the Pacific as a whole is an illusion. There are substantial variations among the 14 Pacific island sovereign states in terms of land area, population and gross domestic product (GDP) per capita (PIFS, 2015a). Table 1 presents a continuum ranging from Niue which has a population of around 1,500 living in the only atoll, to PNG, the second largest country in terms of both population and land area in Oceania, second only to Australia. Cook Islands and Niue are different from other PICs as they are in free association with New Zealand, which grants them open migration to New Zealand. Micronesia nations such as Palau, the Federated States of Micronesia (FSM) and the Marshall Islands are freely associated with the US and receive migration and aid benefits from the US.

**Table 1. Overview of 14 PICs**




| Country          | Land area (sq km) | Population | GDP per capita (USD) |
|------------------|-------------------|------------|----------------------|
| PNG              | 463,000           | 7,398,500  | 2,088                |
| Fiji             | 18,000            | 859,200    | 4,572                |
| Solomon Islands  | 28,370            | 610,800    | 1,954                |
| Vanuatu          | 12,190            | 264,700    | 3,303                |
| Samoa            | 2,820             | 187,400    | 3,647                |
| Kiribati         | 726               | 108,800    | 1,651                |
| Tonga            | 718               | 103,400    | 4,427                |
| FSM              | 700               | 10,300     | 3,235                |
| Palau            | 487               | 17,800     | 11,810               |
| Niue             | 259               | 1,500      | 10,358               |
| Cook Islands     | 240               | 15,200     | 13,478               |
| Marshall Islands | 181               | 54,200     | 3,325                |
| Tuvalu           | 25.6              | 10,900     | 3,861                |
| Nauru            | 21                | 10,500     | 6,954                |

Source: Made by author based on PIFS report, 2015a

Table 2 is a brief summary of PICs' progress towards the MDGs (PIFS, 2015a, 16-17). It shows that PICs recorded mixed outcomes. Cook Islands and Niue are the only two PICs that have achieved all the MDGs, which is partially attributable to their small population and free association with New Zealand. Fiji, Palau and Tonga completed at least half of the MDGs. By contrast, the rest of PICs have achieved less than half of the MDGs. PNG is the only country in the Pacific region that failed to achieve any single target of the MDGs, which could be explained later on by the enormous challenges it has faced.



Table 2. PICs' progress towards the MDGs<sup>7</sup>

| Country   | MDGs |   |   |   |   |   |   |   |
|---|------|---|---|---|---|---|---|---|
|   | 1    | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Cook Islands  |      |   |   |   |   |   |   | - |
| FSM   |      |   |   |   |   |   |   | - |
| Fiji  |      |   |   |   |   |   |   | - |
| Kiribati  |      |   |   |   |   |   |   | - |
| Marshall Islands  |      |   |   |   |   |   |   | - |
| Nauru   |      |   |   |   |   |   |   | - |
| Niue  |      |   |   |   |   |   |   | - |
| Palau   |      |   |   |   |   |   |   | - |
| PNG   |      |   |   |   |   |   |   | - |
| Samoa   |      |   |   |   |   |   |   | - |
| Solomon Islands   |      |   |   |   |   |   |   | - |
| Tonga   |      |   |   |   |   |   |   | - |
| Tuvalu  |      |   |   |   |   |   |   | - |
| Vanuatu   |      |   |   |   |   |   |   | - |
| <div>  Achieved            Mixed            Not achieved         </div> |      |   |   |   |   |   |   |   |

Source: Made by author based on PIFS report, 2015a

## A strong drive to achieve the SDGs

Leaders of PICs have pledged to implement the SDGs, including working on the “unfinished business” of the MDGs, while expressing concerns over the large number of SDGs that are difficult for PICs to manage and achieve (PIFS, 2014, 2, 2015b, 6). In particular, PICs call for continuous support from development partners, consistent with their commitment under the SAMOA Pathway<sup>8</sup> and Addis Ababa Action Agenda,<sup>9</sup> in the areas of financing, statistics, partnerships, SDG integration, follow-up and review, and the particularity of small PICs (PIFS, 2015b, 6).

The desire for PICs to localize SDGs is strong.<sup>10</sup> Part of the reason is that PICs were struggling to meet the eight MDGs goals and the SDGs have 17 goals which are more difficult for PICs to achieve.<sup>11</sup> In light of the complexity of SDGs, PICs leaders have asked the Pacific Islands Forum Secretariat (PIFS), in collaboration with the Council of Regional Organizations in the Pacific (CROP) and UN agencies, to lead the regional consultation on SDGs which aims to select the relevant SDG indicators for PICs, develop a process for integrated regional reporting and

7. The 8<sup>th</sup> goal of MDGs is developing partnership for development.

8. This refers to the outcome document of the Third International Conferences on Small Island Developing States held in September 2014 in Samoa.

9. This refers to the outcome document adapted at of the Third International Conference on Financing for Development held in July 2015 in Addis Ababa.

10. SDG localization is a process of defining, implementing and monitoring the SDGs at the local level.

11. Author's interview with PIF secretariat advisor, Niue, 15 July 2016.

align with PICs' national priorities. PIFS has established the Pacific SDG Taskforce that consists of representatives of Pacific Islands Forum (PIF) member states, multilateral agencies, bilateral partners, non-governmental organizations and academic institutions. Since June 2016, the Taskforce has begun to draft the Pacific Roadmap to guide the regional efforts to implement SDGs, including mapping out steps to prepare regional indicators, providing assistance to PICs for the implementation and reporting of SDGs, SAMOA Pathway and the Framework for Pacific Regionalism (PIFS, 2016). The draft Roadmap was presented to PICs leaders at the PIF Summit in September 2016 and the final version will be submitted for approval in September 2017 (PIFS, 2016). The Pacific SDG Taskforce is additional to the CROP Sustainable Development Working Group which is also working on a regional response to SDGs. Regional knowledge institutions have also started the discussion of their roles in implementing the SDGs in the region (Monash Sustainability Institute, Pacific Community, and SDSN, 2016).

Some PICs have embarked on incorporating SDGs into their national development plans. As an example, PNG is tailoring the SDGs into its Medium-Term Development Plan 3 for 2017-2018 with greater political inputs from the government.<sup>12</sup> The Department of National Planning and Monitoring, the main aid management agency in PNG, has started the discussion to roll out a 15-year roadmap on the implementation of SDGs in PNG over three stages: Stage One (2016-2020), Stage Two (2020-2025), and Stage Three (2025-2030).<sup>13</sup> Similarly, Niue is completing its National Strategic Plan 2015-2025 which includes elements of the SDGs.<sup>14</sup> With the UN's support, the Marshall Islands has also commenced prioritizing the SDGs in its national policies.<sup>15</sup>

## Barriers for PICs to achieve the SDGs

### 1. Overview of PICs' development challenges in the context of the SDGs

Table 3. PICs' Human Development Index ranking 2015

| Country         | Index ranking (out of 188 countries) |
|-----------------|--------------------------------------|
| Palau           | 60                                   |
| Fiji            | 91                                   |
| Tonga           | 101                                  |
| Samoa           | 104                                  |
| FSM             | 127                                  |
| Vanuatu         | 134                                  |
| Kiribati        | 137                                  |
| PNG             | 154                                  |
| Solomon Islands | 156                                  |

Source: UNDP, 2016

PICs are facing many challenges to implement the SDGs. As aforementioned, there are great diversities across the region, which we need to bear in mind when assessing the PICs' development needs and challenges to implement the SDGs. Table 3 on PICs' ranking on Human Development Index is an example (UNDP, 2016). In addition, the unique political, economic and cultural context of PICs needs to be taken into account. Compared

12. Author's interview with PNG official from Department of National Planning and Monitoring, Port Moresby, 19 July 2016.

13. Ibid.

14. Author's interview with Richard Hipa, Secretary of Government of Niue, Niue, 14 July 2016.

15. Author's interview with Radika Kumar, Trade Adviser funded by the Hub and Spokes Program and Commonwealth Secretariat, Canberra, 30 July 2016.

to developing countries in other regions such as Africa and Asia, most PICs are small in land area and population and have scarce endowment of natural resources except PNG. Being island countries, most PICs are vulnerable to the impact of climate change especially the low-lying countries such as Kiribati, Palau and Tuvalu.<sup>16</sup> Affected by the fast pace of changes globally, inequality and vulnerability of PICs to external challenges have increased. The small sizes and fragile features limit PICs' capability to achieve the SDGs, and the international community needs to be realistic about PICs' potential towards achieving the SDGs.<sup>17</sup>

Some of the main challenges faced by PICs include:

» **The complexity of SDGs**

Overall, PICs have achieved mixed results on the MDGs. The SDGs, with 17 goals and 169 targets, are more complicated than the MDGs for PICs as their implementation capacities are relatively weak. This point has been acknowledged by PICs and multilateral stakeholders on many occasions including the Pacific Consultation on the Progress of MDGs and the Post-2015 Development Agenda held in November 2014 in Suva (UNDP, 2014). The localization of SDGs in the Pacific will be a necessary but difficult process.

» **Poor measurement**

The challenge of database and statistics is common across the Pacific (PIFS, 2013:61). Accurate and reliable data is essential to inform policy-making and service delivery. However, the lack of reliable baseline data in most PICs (Samles, 2016) makes it extremely difficult to assess whether PICs have achieved the SDGs in the future.<sup>18</sup> Besides technical constraints and data unavailability, another reason for poor measurement drawn from the MDGs case is that some of the MDGs indicators are not suitable in the Pacific context (PIFS, 2015a, 11). This is also one of the reasons why the PICs scored poorly on the MDGs.

» **Capacity constraints**

Most PICs face severe constraints of human and institutional capacity in policy-making and implementation. This will undoubtedly hamper their implementation efforts of the SDGs. Education is one important causal factor. For instance, the quality of tertiary education in many PICs is below international standards<sup>19</sup> (Levine, 2013).

» **Challenging geography**

Geographic isolation and dispersion have increased PICs' difficulties in implementing the SDGs.<sup>20</sup> For instance, the Solomon Islands are dispersed among nearly 1,000 islands. How to link them to the infrastructure facilities is a big challenge. Transporting sick or injured people from outer islands to the only national hospital located in Honiara may, in the worst circumstances, take weeks by boat. Similarly, the rugged landscape and steep mountains in PNG, together with about 600 islands, pose great challenges for the government to deliver necessary social services to the population.

» **Weak governance**

Weak governance has been a persistent issue for many PICs which have performed poorly in the control of corruption, governance effectiveness, regulatory quality, rule of law and government accountability. Again, some Pacific countries perform better than the others. Figure 1 is an example of the Index on Corruption Control of PICs. FSM, Vanuatu, Samoa and Kiribati have higher scores than the rest of the PICs. Palau, Nauru and especially PNG have the lowest record in corruption control.

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16. Tuvalu is a typical example. Around five hundred Tuvalu climate "refugees" are settling in Niue which has a tiny population of 1,500.

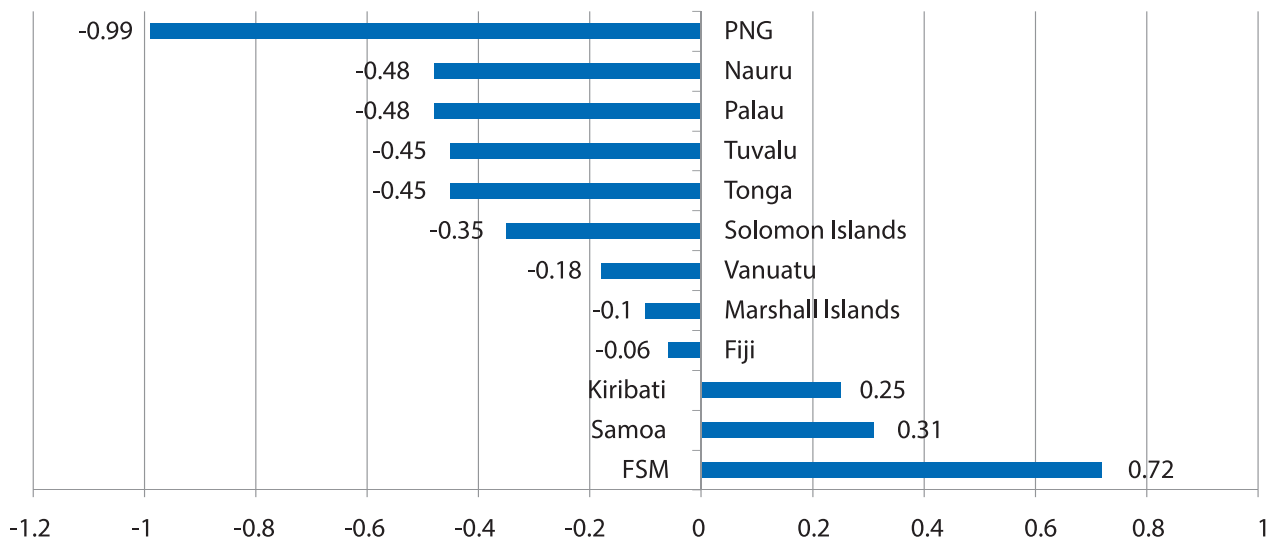
17. Author's interview with former AusAID senior official, Canberra, 21 July 2016.

18. This point is also supported by author's interviews with former AusAID senior official and ANU PNG experts, Canberra, 19, 21 and 22 July 2016.

19. Some PNG experts from ANU also expressed concerns about the education standard issue of the University of PNG, Canberra, July 2016.

20. Author's interview with Terence Wood, Research Fellow at ANU Devpolicy Center, Canberra, 19 July 2016.

Figure 1. Control of Corruption Index of PICs,<sup>21</sup> 2015 estimate



Source: Made by author based on World Bank data

#### » Lack of funding

Adequate funding is vital for PICs to implement the SDGs. However, most PICs lack natural resources and have narrow economic bases such as agriculture, fishery and tourism. The remoteness from major markets has also constrained PICs' participation in international trade. Most PICs' economies are not viable (Hezel, 2012), and they have relied heavily on development assistance to deliver economic and social services. Therefore, lack of funding is a main challenge for them to implement the SDGs.<sup>22</sup> In Niue, for example, funding availability together with capacity constraints, are identified by the Niue government as two main challenges to implement the SDGs.<sup>23</sup> Burdensome application and reporting requirements, partly a problem caused by PICs' weak capacity, make it more difficult for PICs to apply for external funding. The case of PNG is different. The country has consistent economic growth for the past 15 years, but has yet to translate it into social development outcomes. Furthermore, since 2015, because of falling natural gas prices, the PNG government has made major cuts to its 2016 budget.

#### » Natural hazards

PICs have been significantly affected by natural disasters and extreme weathers, which pose great challenges to their development. Over 80 per cent of PICs' population live within 1.5 km of the ocean or within river basin (WHO, 2013, 1), making them extremely vulnerable to floods, cyclones, storms and tsunamis which threaten people's welfare, sources of fresh water and food security. It is estimated that natural disasters cost most PICs over 2 per cent of their GDP each year (Nakao, 2015). In December 2012, Samoa was hit by the worst cyclone (Cyclone Evan) since 1991. Similarly, Cyclone Pam devastated Vanuatu in March 2015 and caused tremendous loss to the country. In February 2016, Cyclone Winston hit Fiji and caused an estimated damage and loss equivalent to 31 per cent of its GDP (ADB, 2016, 5). Port Villa, Capital city of Vanuatu, is ranked in a recent global risk analysis as the world's most exposed city to natural hazards.<sup>24</sup> In 2015, PNG was ravaged by El Nino resulting in widespread drought for over six months, which led to food shortages, hunger, diseases and the closure of the Ok Tedi mine due to low water level. PNG is still recovering from the impact, especially on food supply and food production.

21. See <http://databank.worldbank.org/data/reports.aspx?source=Worldwide-Governance-Indicators>. According to the World Bank, control of corruption captures perceptions of the extent to which public power is exercised for private gains.

22. Author's interview with PIF secretariat advisor, Niue, 15 July 2016; UNDP official, Canberra, 30 August 2016.

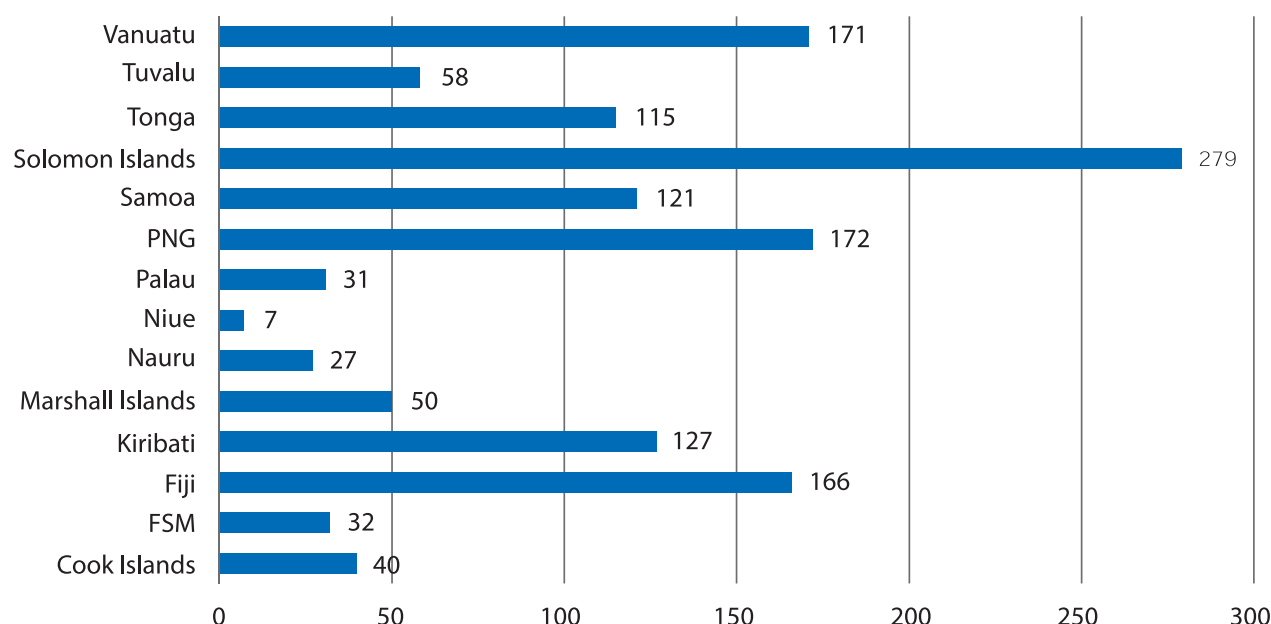
23. Author's interview with Richard Hipa, Secretary of Government; Josie Tamate, Director-General, Niue, 15 July 2016.

24. See <http://www.abc.net.au/news/2015-03-10/port-vila-identified-worlds-most-exposed-city-natural-disasters/6295608>.

» **Aid fragmentation**

The increasing number of development partners, coupled with the PICs' weak capacity in aid coordination, has led to increased aid fragmentation in the region. Divergent aid approaches of development partners have further complicated the issue. Figure 2 lists the number of country visits (including missions and technical visits) by development partners to each PIC in the year of 2012 alone. To some extent, this is testimony to the amounting difficulties for PICs aid departments, which are often under-staffed, to receive the missions and promote aid coordination.<sup>25</sup>

**Figure 2. Development partners' country visit to PICs, 2012<sup>26</sup>**



Source: Made by author based on PIFS data

Compared with these general challenges, the following ones are sector-specific, focusing on infrastructure, health, climate change and renewable energy.

## II. Infrastructure gaps

One main challenge in PICs relates to the improvement of infrastructure. For instance, in terms of power supply, it is estimated that 70 per cent of households in PICs have no access to electricity and 85 per cent have no access to clean cooking energy technology (Dornan, 2014, 727). The road networks in the Pacific region cover approximately 40,200 km and only 23 per cent are sealed (ADB, 2011, 69). More investment is needed in the construction of roads, seaports and airports to promote social and economic development, and reduce the cost of doing business. This is already recognized by development partners including the Asian Development Bank (Nakao, 2015).

Another main challenge is post-construction management and maintenance. What has happened in the region is that PIC governments lack the capacity, especially financial capacity, to well manage and maintain the infrastructure completed by development partners. The cost of infrastructure maintenance is estimated at

25. Some countries like PNG have localized aid coordinating frameworks aligned to international principles of Aid Effectiveness, but the implementation demands more inputs from all the parties.

26. See [http://www.spc.int/nmdi/forumcompact/number\\_of\\_missions](http://www.spc.int/nmdi/forumcompact/number_of_missions). The development partners in the Figure include ADB, Australia, EU, Japan, New Zealand, UN and the World Bank.

around 6 per cent of PICs' GDP which is well beyond the actual spending (UNESCAP, 2015, 1). As a result, PICs could be easily trapped in the "Build-Neglect-Rebuild" paradigm<sup>27</sup> (Alejandrino-Yap, Dornan, and McGovern, 2013). Addressing this challenge requires greater attention from both development partners and PIC governments. Furthermore, some development experts argue that many sports facilities built across the Pacific region are not that needed by the PICs. They are often constructed for one-off games especially the Pacific Games, and the PIC governments have insufficient capacity to manage these sports facilities.<sup>28</sup>

Table 4 below presents an example of the challenges faced by PICs in one particular sub-sector of infrastructure: the maritime transport sector (ADB, 2007, 2011; SPC, 2014; UNCTAD, 2014).

**Table 4. PICs' challenges in the maritime transport sub-sector**

| Issue/challenge                                   | Description   |
|---|---|
| <b>Financial and economic factors</b>             |   |
| Financial constraints                             | Limited funding from government budgets for developing, rehabilitating and maintaining port infrastructure and facilities. PICs classified as low-middle-income countries have limited access to financial resources.                                       |
| Trade imbalances; low and imbalanced cargo volume | Pacific island economies are small. The volume of imports out-weighs exports. Trade imbalances create operational challenges and higher costs. Investors tend not to be attracted to areas with trade imbalances.   |
| <b>Facilities</b>                                 |   |
| Seaport facilities, infrastructure and equipment  | Vary widely. As many port facilities were built before containerization, the layout of port, terminal designs, space allocated for warehousing and storage do not meet requirements for handling containers. Facilities lack maintenance.                   |
| <b>Institutional factors</b>                      |   |
| Lack of capacity                                  | Limited qualified human resources with capacity in management, supervision and technical skills.  |
| <b>Geographical factors</b>                       |   |
| Long distance between ports                       | For domestic shipping services, countries are scattered over vast distances. Long and indirect routes impact on transport costs.  |
| Lack of access to global shipping networks        | PICs are remote and far from global markets, and are not in the path of the main shipping networks connecting the markets in international trade and shipping.  |
| <b>Exogenous factors</b>                          |   |
| Natural hazards                                   | Many PICs are located in areas that expose them to natural hazards (earthquakes, tsunamis and hurricanes) and extreme meteorological effects (storms, floods, droughts). These situations have serious impact on the transport infrastructure and services. |
| Climate change                                    | Rising sea level, extreme heat and heavy rainfalls in many PICs can damage roads, port facilities and overall transport sector.   |

Sources: ADB, 2007, 2011; SPC, 2014; UNCTAD, 2014

27. This refers to the phenomenon that after development partners build the physical infrastructure, the failure of partner country/ development partners to maintain the infrastructure leads to its pre-mature deterioration, and then development partners need to rebuild it.

28. Author's interview with Dr. Matthew Dornan, Deputy Director of ANU Development Policy Center, Niue, 16 July 2016.

### III. Health challenges

PICs face many health challenges though there are differences across the region. Table 5 offers an overview of the main health issues in each of the 14 PICs (Russell, 2011; SPC, 2012; WHO, 2013; UNFPA, 2014). Non-communicable diseases (NCDs) such as diabetes and cardiovascular diseases are prevalent in many PICs. They have become the leading causes of deaths in most PICs ranging from an estimated 60 per cent of deaths in the Solomon Islands to 77 per cent in Fiji (Hou, Anderson, and Burton-Mckenzie, 2016, 1). In Melanesia nations such as PNG and the Solomon Islands, the biggest challenge is the provision of basic health care to the whole population, especially those in rural areas. Many hospitals are under-staffed and lack medicine supplies, which has greatly compromised their ability to deliver adequate medical services to the population. Malaria remains a serious health challenge in PNG though there has been a massive reduction in prevalence over the past few years due to aggressive and multi-partner intervention, particularly through the funding support of the Global Fund. Malaria is also endemic in the Solomon Islands and Vanuatu. Even for Niue which has performed fairly well in achieving the MDGs, the challenge is to build on the gains made. Health and education remain the two most important sectors for Niue to strengthen in order to achieve the SDGs.<sup>29</sup>

PICs are faced with the "double disease" burden of NCDs and infectious diseases. Many PICs are still not able to contain the basic infectious diseases associated with poor living conditions such as diarrhea, water-borne diseases, tuberculosis (TB), and sexually transmitted infections (STIs), and are now faced with the epidemic of NCDs as result of rapid modernization.

**Table 5. Health issues affecting PICs**

| Country          | Health issues   |
|------------------|---|
| Cook Islands     | NCDs, such as diabetes, hypertension, obesity   |
| FSM              | NCDs, leprosy, infant mortality, hepatitis B, suicide, alcoholism   |
| Fiji             | anemia, chronic diseases  |
| Kiribati         | NCDs, cancer, cervical cancer, infant mortality   |
| Marshall Islands | NCDs, teenage pregnancies, suicide, alcoholism  |
| Nauru            | NCDs, TB, leprosy, vitamin deficiencies   |
| Niue             | NCDs, alcoholism  |
| Palau            | Chronic diseases, diabetes, oral cancers  |
| PNG              | Communicable diseases (STIs, HIV/AIDS, TB), malaria, diarrhea, acute respiratory infections, maternal and infant mortality; NCDs. |
| Samoa            | NCDs, such as diabetes  |
| Solomon Islands  | NCDs, malaria   |
| Tonga            | NCDs, such as diabetes  |
| Tuvalu           | NCDs, STIs, skin infections   |
| Vanuatu          | NCDs, nutritional deficiencies, anemia  |

Sources: Russell, 2011; SPC, 2012; WHO, 2013; UNFPA, 2014

Water and sanitation are also huge challenges in many PICs. Only 40 per cent of the population in the region had access to clean water and 19 per cent to proper sanitation in 2012 (PIFS, 2015a, 79). Factors that have hindered progress include limited freshwater resources, isolated communities, rapidly growing urbanization, health financing challenges and high vulnerability to climate variations and natural disasters.

29. Author's interview with Richard Hipa, Secretary of Government of Niue, Niue, 15 July 2016.



#### IV. Responding to climate change threats

PICs are in a tricky situation in terms of climate change. While being the smallest contributors to greenhouse emissions, contributing less than 0.03 per cent of total global greenhouse gas emissions, they are among the first to feel the impact of climate change (SPREP, 2016). They are also among the most vulnerable but least able to address climate change issues. Some small PICs such as Kiribati, Marshall Islands and Tuvalu are particularly threatened by the rise of sea level. PICs have committed to tackling climate change, including through the 2015 PIF Leaders' Declaration on Climate Change Action (PIFS, 2015c). Two regional strategies have been developed to address disaster and climate change challenges, including the Pacific Disaster Risk Reduction and Disaster Management Framework for Action 2005-2015 and the Pacific Islands Framework for Action on Climate Change 2006-2015 (SPC, 2005; SPREP, 2005). The drafting of a new Strategy for Resilient Development in the Pacific is underway to integrate and succeed the two existing documents.

PICs have also demonstrated strong commitments to climate change mitigation by making ambitious pledges for renewable energy, as Table 6 demonstrates (ESCAP, 2016, 1; NZ MFAT, 2016b). Among all 14 of them, seven PICs have pledged to achieve the 100 per cent renewable energy goal on electricity generation. Some argued that PICs should focus on climate change adaption, and expressed concerns that PICs' ambitious plans on renewable energy are not economically viable and could compromise their economic development.<sup>30</sup> However, to secure sufficient funding to address climate change is a big challenge for PICs.

#### V. Renewable energy targets and gaps

Table 6. PICs' renewable energy goals on electricity generation<sup>31</sup>

| Country          | Target  | Year | Current share of renewable energy |
|------------------|---|------|-----------------------------------|
| Cook Islands     | 100%  | 2020 | 50% (2014)                        |
| Fiji             | 100%  | 2030 | 60% (2013)                        |
| Kiribati         | 45% urban, 60% rural public infrastructure, 100% rural households | 2025 | 0 (2014)                          |
| Marshall Islands | 20% (with at least 95% access)                                    | 2020 | 5% (2013)                         |
| FSM              | 30% (and 50% decrease in diesel imports)                          | 2020 | 4.3% (2009)                       |
| Nauru            | 50%   | 2020 | 0.5% (2014)                       |
| Palau            | 45% (and 35% energy efficiency improvement)                       | 2025 | 8% (2014)                         |
| PNG              | 100%  | 2030 | 39% (2014)                        |
| Samoa            | 100%  | 2017 | 20% (2012)                        |
| Solomon Islands  | 100%  | 2030 | -                                 |
| Tonga            | 50% (and 100% access)   | 2020 | 9% (2014)                         |
| Tuvalu           | 100% (and 30% efficiency improvement)                             | 2025 | 50% (2014)                        |
| Vanuatu          | 100%  | 2030 | 19% (2013)                        |
| Niue             | 80%   | 2025 | -                                 |

Sources: ESCAP, 2016; NZ MFAT, 2016b

30. Author's interview with Dr. Matthew Dornan from the Australian National University, Niue, 16 July 2016.

31. A small change is that Niue is added by author to the original table from ESCAP report. Figures from the two reports conflict for Fiji, PNG, Palau, Niue, Solomon Islands and Nauru. Under these circumstances, the figure from the Pacific Energy Country Profile is used in the Table. For instance, according to the Pacific Energy Country Profile, Nauru's target is 20 per cent increase in efficiency and 50 per cent reduction in outage, while the ESCAP report puts Nauru's target as 5 per cent.



The development of renewable energy by PICs has substantial opportunities though variations exist. As Table 7 shows, all PICs have rich resources for solar power generation (Dornan, 2015, 498). Some PICs have good resources to develop hydropower. There are also potentials for some PICs to make use of wind, biomass and geothermal resources for power generation. The abundance of renewable energy resources is an advantage for PICs to achieve their ambitious renewable energy goals on electricity generation. According to a comprehensive regional energy assessment conducted in 2003-2004, by developing renewable energy, Fiji, PNG, Tonga and Vanuatu have the potential to displace more than the projected demand for petroleum fuel required for electricity generation, or transport, or both (ESCAP, 2012, 51). However, obstacles exist in the process of implementation, including lack of technical capacity and funding, which is similar to challenges for PICs to achieve the other goals of the SDGs.

**Table 7. Renewable energy resources for power supply in PICs**

| Country          | Hydropower | Wind power | Solar power | Biomass  | Geothermal |
|------------------|------------|------------|-------------|----------|------------|
| Cook Islands     | No         | Moderate   | Good        | Some     | No         |
| Fiji             | Good       | Moderate   | Good        | Good     | Good       |
| Kiribati         | No         | Moderate   | Good        | Some     | No         |
| Marshall Islands | No         | N/A        | Good        | Some     | No         |
| FSM              | No         | N/A        | Good        | Some     | No         |
| Nauru            | No         | N/A        | Good        | No       | No         |
| Niue             | No         | N/A        | Good        | No       | No         |
| Palau            | No         | No         | Good        | No       | No         |
| PNG              | Good       | Moderate   | Good        | Good     | Good       |
| Samoa            | Good       | Moderate   | Good        | Moderate | No         |
| Solomon Islands  | Moderate   | N/A        | Good        | Good     | TBD        |
| Tonga            | No         | Moderate   | Good        | TBD      | No         |
| Tuvalu           | No         | No         | Good        | Some     | No         |
| Vanuatu          | No         | Moderate   | Good        | Moderate | Good       |

Source: Dornan, 2015

## VI. Country-specific challenges: PNG, Fiji and Samoa

### PNG

PNG faces tremendous challenges to implement SDGs. It is the only Pacific country that failed to achieve any single target of the MDGs although significant progress was made in health and education. For instance, malaria prevalence in PNG has been noted to have been reduced by 75 per cent within the global targets. However, in some other areas, it has even regressed. How to translate the economic wealth from the mining industry into economic and social services for the population remains a huge challenge. According to senior officials from the PNG Department of National Planning and Monitoring, the main challenges faced by the country to achieve the SDGs are similar to those faced in terms of implementing the MDGs. These include the lack of knowledge about the SDGs, inadequate public awareness and skilled human resources, shortage of funding for priority areas, a weak database to keep track of the tailored/localized indicators, diverse geographical challenges, inadequate systems and institutions, monitoring and evaluation difficulties (PNG DNPM, 2015, 47).<sup>32</sup> Law and order remains another challenge in PNG, which could continue to hamper the economic and social development and drive away potential investors. The crime rate (crimes per 1000 population) was high at 91 in 2010, and 150,000

Author's interview, Port Moresby, 19 July 2016.

incidences of major crimes were reported in the year 2005 alone (PNG government, 2015, 60). In terms of development assistance, there is a lack of mechanism for consistent leadership of the PNG government on aid modalities, allocations and practices (PNG government and Secretariat, 2013, 15).

Compared to other PICs, the complexity and diversity in PNG also pose a big challenge. As the largest and most diverse country in the Pacific, PNG has 22 provinces, 89 districts and around 800 languages. Development conditions and challenges vary across the country. Many development partners fail to comprehend the complexity and diversity in PNG. As an expert on PNG noted, "The more they [development partners] think there is an easy answer [to the development problems in PNG], that is just building new things, the more likely they will get wrong and their investment will not help PNG achieve the SDGs."<sup>33</sup>

In the sector of infrastructure, one main challenge is that the buildings are constructed, but on many occasions fail to operationalize. The issue of poor infrastructure maintenance is severe. In 2014, only 39 per cent of the national roads in PNG are in good condition (PNG government, 2015, 53). The big incentive for the Members of Parliament (MPs) and politicians is to build new infrastructure and show them to the community as part of showcasing their election commitment, whereas they lack the financial and human resources to operationalize the projects and/or maintain the existing facilities.

In terms of health, malaria, pneumonia and TB are endemic in PNG. An estimated 94 per cent of PNG's population live in areas classified as highly endemic for malaria, and on average 1.5 to 1.8 million suspected cases of malaria are reported by PNG health facilities every year (NDH, 2014, 26; Australian High Commission, 2016). HIV/AIDS is serious in certain areas. Encouragingly, in addition to the progress made in malaria control as mentioned above, good progress has also been noted in combating HIV/AIDS. It has been reduced from "generalized epidemic" in 2003 to "concentrated epidemic" with high prevalence in certain provinces particularly among the youth and sexually active demographic. There has been insufficient basic health care especially in PNG's rural areas as a result of the closure and/or poorly maintained health facilities in rural areas. Medical equipment and regular medical supplies are also needed for hospitals and clinics. Maternal mortality (220 cases per 100,000) is among the highest in the Pacific region (PNG DNPM, 2015, 30). Only 33 per cent of rural households and 88 per cent of urban households have access to clean water, and only 13 per cent of rural households and 56 per cent of urban households have access to improved sanitation (PNG government, 2015, 56). Just half of the health and education institutions have access to safe water (PNG government, 2015, 57). As a result, the death tolls related to water, sanitation and hygiene reached around 6,164 per year in PNG, and cholera re-emerged in PNG in 2009 after 50 years of absence (PNG government, 2015, 56).

PNG has identified combating climate change as a core strategic objective of development in its national development plans (PNG government, 2014). The PNG government has made ambitious targets to enhance PNG's capacities in planning, monitoring, reporting and responding to climate change (PNG Office of Climate Change and Development, 2014). PNG has the greatest renewable energy resources compared to its PIC neighbours in hydropower, wind power, solar power, biomass and geothermal power. The issue is that PNG needs technical and financial assistance from development partners to tap into these resources.

Weak governance deserves special attention in supporting the SDG implementation in PNG. Despite that the national budget has increased substantially, especially in recent years with the mining windfall, the weak capacity of PNG's public administration remains a challenge. Corruption is a persistent challenge in PNG. The politicization of development funding is also serious in PNG, a common issue shared by some other PICs with development initiatives becoming linked to an electoral timetable (Hughes, 2013, 25). In addition, PNG's budget is undergoing significant changes of decentralization. The emergence of the district<sup>34</sup> as a crucial part in policy-making and the delivery of development assistance is viewed by some as a logical response to the extreme difficulties in providing services to rural areas (PNG government and Secretariat, 2013, 5). The District Development Authority Act was passed in November 2014, under which a larger proportion of budget would be allocated directly to district MPs (Open MPs)<sup>35</sup> to be spent on economic and social development in their

33. Author's interview with ANU PNG expert, Canberra, 22 July 2016.

34. It is a lower-level administration area under provinces in PNG.

35. 89 of the 111 MPs in PNG national parliament represent open district electorates, commonly referred to as Open MPs.

constituencies, while national-level departments have less power in determining where the budget should be spent.<sup>36</sup> As a result of weak governance, corruption, politicization of development funding and decentralization, providing development assistance through national-level departments has, in many cases, not achieved the expected results.<sup>37</sup> There is a big gap between government policies and implementation.

## Fiji

The work to incorporate SDGs into the national development plans in Fiji started in 2015 when the Fiji government worked to produce five-year and twenty-year strategic national plans. This would be the first time that Fiji would develop a national development plan since the coup in 1987. At the same time, efforts were made towards integrating the SDGs into Fiji's two main policy documents on climate change – the National Climate Change Policy and the Green Growth Framework. The Green Growth Framework is a roadmap for a green economy that incorporates climate change to all the thematic development areas under the three pillars: environment, social and economic. Fiji has completed the SDG consultation and incorporation process, and is expected to hold National Development Plan consultations in March 2017 (Turaga, 2017).

In 2007, Fiji was ranked at the lower half of the infrastructure development index for Asia-Pacific countries (UNESCAP, 2015, 1). Further investment in transport infrastructure is needed though the Fiji government has invested heavily in this sector since 2012 (ADB, 2014, 9). As the Fiji Roads Authority estimated, even with this current high level of investment in transport, it would take up to five years to return the roads to an acceptable level of repair (Ibid.). The rapid growth of urban population has put increasing pressure on infrastructure facilities such as water and sanitation. NCDs pose a main challenge to Fiji's health sector, accounting for 40 per cent of all health care costs in 2011 and the figure is expected to rise in the future (Fiji Ministry of Health and Medical Services, 2015, 6). In terms of energy supply, Fiji is heavily dependent on imported petroleum-based fuels. As much as 17 per cent of its GDP was spent on imported fuels in 2008, and US\$310 million annually in 2008-2011 despite the drop of international oil price (IRENA, 2015, 5). The potential of renewable energy resources such as hydropower, solar power and biomass remains to be fully assessed and tapped.

## Samoa

Similar to Fiji, Samoa has completed the process of incorporating the SDGs into its national development plan by mid-2016. The new Samoa Development Strategy 2016/17-2019/20, released in December 2016, with the theme "accelerating sustainable development and creating opportunities for all" (Samoa government, 2016), is the result of two years of policy reviews and public consultation.

Samoa has performed much better than some other PICs in promoting country ownership and aid harmonization. For instance, the degree of development partners' use of Samoa's national financial and procurement system was 62 per cent and 55 per cent in 2010 while the equivalent figures for PNG were 23 per cent and 30 per cent respectively (PNG government and Secretariat, 2013, 15). Compared to some other PICs, Samoa has also performed better in infrastructure construction and maintenance (Alejandrino-Yap, Dornan, and McGovern, 2013). However, challenges still exist as a result of population growth, increasing demand for infrastructure facilities, natural disasters and still deficient infrastructure maintenance (Samoa government, 2011, 5-6).

In terms of health, the Samoa Health Sector Plan 2008-2018 identifies four crucial areas for health challenges, including: the rapidly increasing level of NCDs; reproductive, maternal and child health; infectious diseases; and injuries (Samoa government, 2008, 11). It calls for greater participation of development partners in the health sector (Samoa government, 2008, 13). In terms of water supply, it is estimated that access to safe water is likely low (30-40 per cent) (PIFS, 2015a, 83). In the climate change sector, Samoa has taken a "whole-of-government" approach to addressing climate change, and has integrated climate change adaptation into its national development plans, budgets and strategies.

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36. Author's interview with ANU PNG expert, Canberra, 22 July 2016. PNG Department of Rural Implementation and Development has a guideline on how MPs should spend their electoral funds but monitoring it is problem. Over the past three years 3 billion kina has been spent on districts through the Provincial and District Service Improvement Program (PSIP & DSIP) grants.

37. Author's interview with ANU PNG expert, Canberra, 22 July 2016.

## China-PICs Development Cooperation for the SDGs

This section will analyze the opportunities and challenges for China-PICs development cooperation in supporting PICs' SDG implementation. It aims to address the following questions: What is China's policy on the SDGs? What is the status of China's development cooperation in the Pacific to date? What are the opportunities and challenges for China-PICs development cooperation in supporting PICs' SDG implementation?

### China's commitment to international development cooperation and the SDGs

China started to conduct development cooperation with other developing countries under the framework of South-South cooperation back in the 1950s. With its increased economic strength and more active diplomacy, China's development cooperation with other developing countries has increased rapidly over the past decade. According to China's two white papers on foreign aid, China provided RMB 256.29 billion (US\$39.4 billion) and RMB 89.34 billion (US\$14.41 billion) to other developing countries over 1950-2009 and 2010-2012 respectively (State Council, 2011, 2014). China has become a main development partner for other developing countries.

China has strongly committed to supporting the SDG implementation globally though it was not as active as some other actors such as the EU in SDG negotiations in the sectors of climate change, marine resource conservation and sustainable development (Fues et al., 2015, 29; Mao, 2014; Zhang, 2015a, 117). China's rich experience in achieving the MDGs could be shared with other developing countries. It is well advanced in implementing the MDGs relative to most other developing countries and has achieved 13 of the 15 MDG targets (China MOFA and UN, 2015, 9-10). China was also the first developing country to achieve the poverty eradication targets of MDGs. So far, the Chinese government has released four policy papers on SDGs. The first two policy papers, released in 2013 and 2015 respectively, explain China's position on promulgating the SDGs (China MOFA, 2013, 2015a). The third paper reveals China's principles and plans on SDG implementation while the fourth one represents China's national plan to implement the SDGs (China MOFA, 2016a, 2016b). The four policy papers all highlight some common principles including: emphasizing the eradication of poverty and hunger; respecting the diversity in development models; adhering to the principle of "common but differentiated responsibilities"<sup>38</sup> for developed and developing nations; and enhancing global partnership.<sup>39</sup> China has also pledged additional US\$100 million in annual contribution to UN development agencies in 2020 on top of the amount in 2015, aiming to support UN agencies' role in SDG implementation (State Council, 2016).

China has established a coordination mechanism to promote SDG policy exchange in China and negotiations and implementation globally. Led by China's Ministry of Foreign Affairs (MOFA), this mechanism comprises 43 ministerial-level government agencies such as the National Development and Reform Commission, Ministry of Commerce (MOFCOM) and Ministry of Education (China MOFA, 2016a). MOFA is responsible for domestic coordination and external liaison. To be more specific, the Department of International Economic Affairs of MOFA is heavily involved in China's preparation and coordination of the SDGs. Important conferences on SDGs have been held in recent years. As an example, Chinese MOFA and the UN System in China co-hosted an international symposium on the implementation of SDGs globally in May 2016, which could be testimony to China's commitment to global SDG implementation.<sup>40</sup> China's Country Plan on implementing the SDGs at home and globally, released in October 2016, translates each SDG goal into specific action plans.

China also used its capacity as rotating chair of the G20 in 2016 to prioritize SDGs as a key agenda item. The SDGs were, for the first time, integrated into the global macroeconomic policy coordination framework at the G20 summit level. The G20 Action Plan on the 2030 Agenda for Sustainable Development was released during the G20 Summit in Hangzhou, China in September 2016 (G20, 2016a). According to Chinese Foreign Minister Wang Yi, "This year, China will encourage G20 members to help Africa and least developed countries (LDCs) speed up

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38. This is a crucial point in Chinese policy which emphasizes North-South cooperation should remain the core of international development partnership and South-South cooperation is a supplement. It is also reflected in China's position on issues including the global climate change.

39. This concurs with author's interview with a senior Chinese expert on the SDGs, Canberra, 21 July 2016.

40. Author's interview with Professor Huang Meibo, Canberra, 9 August 2016.

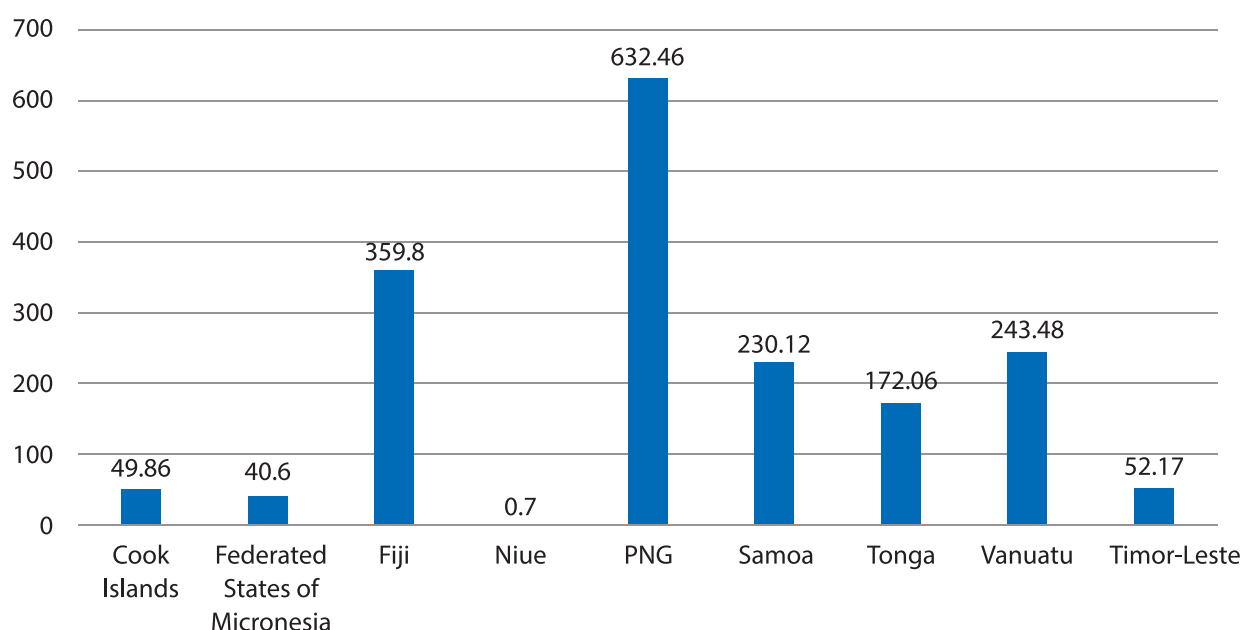
industrialization, reduce poverty and pursue sustainable development by means of capacity building, investment and infrastructure improvement" (Wang, 2016). From all of the above, it is clear that China is committed to supporting developing countries in achieving the SDGs.

## China: Now a major development partner for PICs

China's development assistance to the Pacific region has increased substantially over the past decade, along with China's rapidly growing aid budget. China's overall assistance to the PICs reached RMB14 billion (US\$2.15 billion) up until 2012, accounting for around 4 per cent of its overall aid budget (State Council, 2011, 2014). Infrastructure is a main sector of development cooperation between China and the PICs. With the support of Chinese concessional loans, a number of infrastructure projects such as the Goroka University dormitory project (phase 2-4, PNG) and the reconstruction of Nuku'alofa central business district (Tonga) have been undertaken. Capacity building is another important component of China-PICs cooperation. Since the inauguration of the China-Pacific Islands Countries Economic Development and Cooperation Forum in April 2006, China had trained over 2,500 officials and technicians from the Pacific region by 2012<sup>41</sup> (State Council, 2014).

According to data from the Lowy Institute, China has become the third largest development partner in the Pacific region, after Australia and the US, with the provision of a total of US\$1.78 billion over the period of 2006-2014 (Brant, 2016). As shown in Figure 3 below, during 2006-2014, PNG was the biggest partner of China's development cooperation, followed by Fiji, Vanuatu and Samoa. In terms of project volume, the top three sectors of Chinese development cooperation in the region were transport (42 per cent), government and civil society (13 per cent) and education (9 per cent) (Ibid.). In the same period, China provided US\$359.8 million to Fiji and overtook Australia (US\$303.14 million) as the largest development partner of the country (Ibid.).

**Figure 3. China's development cooperation in the Pacific region (2006-2014), US\$ million**



Source: Brant, 2016

Table 8 below provides an overview of China's pledges to PICs on three high-level occasions. With its growing presence in the region, China is increasingly seen by PICs as a major alternative development partner.

41. This figure is for the period of April 2006 to the release of China's second white paper on foreign aid in July 2014.



Table 8. Chinese development cooperation pledges to PICs

| Occasion                              | Development cooperation pledges  |
|---------------------------------------|--|
| Premier Wen Jiabao, April 2006        | <ul style="list-style-type: none"> <li>» RMB 3 billion (US\$462 million) in concessional loans to PICs over the next three years</li> <li>» Zero-tariff for the majority of exports from LDCs to China; cancellation of due debts by 2005 owed by least developed PICs</li> <li>» Extend debt repayment owed by other PICs for ten years</li> <li>» 2,000 short-term training opportunities to PICs over the next three years</li> </ul> |
| Vice-Premier Wang Yang, November 2013 | <ul style="list-style-type: none"> <li>» US\$1 billion concessional loans to PICs over the next four years</li> <li>» Zero-tariff for 95 per cent of exports from LDCs to China</li> <li>» 2,000 short-term training opportunities to PICs over the next four years</li> </ul>   |
| President Xi Jinping, November 2014   | <ul style="list-style-type: none"> <li>» Establish a “strategic partnership of mutual respect and common development”</li> <li>» Invite PICs to benefit from China’s economic development including the BRI</li> <li>» Zero-tariff for 97 per cent of LDC’s export to China</li> <li>» 2,000 scholarships over the next five years</li> <li>» 5,000 training opportunities over the next five years</li> </ul>                           |

Source: Made by author

## Enhancing China-PICs development cooperation in the context of the SDGs

### I. Overview of opportunities and challenges of China-PICs development cooperation

#### Opportunities

Chinese government agencies are making plans to integrate the SDGs into China’s South-South cooperation in their respective areas. For instance, MOFCOM is in the process of making plans to materialize the South-South Cooperation Aid Fund that could be used to support SDG implementation in other developing countries. In the agricultural sector, SDGs have served as a direct guidance for Chinese officials to make plans for South-South cooperation in the sector.<sup>42</sup> The communiqué of the G20 Agricultural Ministers’ Conference held in Xi’an, China in June 2016 includes pledges to achieve the SDGs in agriculture (G20, 2016b). Other line ministries such as the National Health and Family Planning Commission, the Ministry of Science and Technology and the Ministry of Environmental Protection are responsible for development cooperation especially related to technical transfer and knowledge-sharing with other developing countries in their respective portfolios.

China has become the second largest economy since 2010 and has played an increasingly significant role in the international development arena. Its development assistance and other financial flows overseas have been expanding rapidly and the trend is expected to continue in the foreseeable future. Apparently, PICs can benefit from this trend to promote their economic and social improvement. China’s rise in the Pacific provides more options for PICs and is openly welcomed by countries such as Samoa, Niue and Tonga (Firth, 2013, 5; Zhang, 2015d, 277-279). During the meeting with the visiting Prime Minister of Vanuatu, Sato Kilman, in September 2015, President Xi Jinping emphasized that China is willing to strengthen the exchange of views and coordination with Vanuatu on the 2030 Agenda for Sustainable Development and climate change (China MOFA, 2015e). China has also pledged to support the SAMOA Pathway for Small Island Developing States (UN, 2014).

Another encouraging fact is, China has increased the proportion of its aid on poverty reduction and welfare projects, a greater share of which could be directed towards PICs. As Chinese MOFCOM revealed, China spent nearly 50 per cent of its aid on improving people’s wellbeing in partner countries over the period of 2010-2012, and more than 61 per cent of Chinese aid budget focused on least developed and low-income countries

42. Author’s interview with Chinese agricultural official, Canberra, 20 July 2016.

(Fang, 2014). Of similar importance is that China is starting to pay growing attention to sector and programme framework in development cooperation though project-based approach<sup>43</sup> will continue to dominate Chinese development cooperation in the foreseeable future (Fues et al., 2015, 47). With this new change, PICs could better use China's support to align with their sector-based development.

The commitments from Chinese top leadership at the UN Summit in New York in 2015 and 2016 deserve special attention as they provide substantial opportunities for PICs to benefit from. As Table 9 below lists, China made a series of development cooperation pledges to support developing countries in implementing the SDGs. (UN Secretary-General, 2015; China MOFA, 2015d, c, b). Some of the pledges have already come to fruition. For instance, the Institute of South-South Cooperation and Development was inaugurated at Peking University in April 2016, which will provide doctoral and master degree training for officials and practitioners from developing countries. The first batch of 49 students from 27 countries were enrolled in September 2016, pursuing Master's and doctorate degrees (ISSCD, 2016).

**Table 9. China's development cooperation pledges 2015-2016**

| Occasion   | Development cooperation pledges  |
|--|--|
| UN Sustainable Development Summit, 2015                                  | <ul style="list-style-type: none"> <li>» Set up the US\$2 billion (initial funding) South-South Cooperation Aid Fund</li> <li>» Increase investment in least developed countries (LDCs) to US\$12 billion by 2030</li> <li>» Exempt the debt of the outstanding intergovernmental interest-free loans due by the end of 2015 owed by the relevant LDCs, landlocked developing countries and small island developing states (SIDS)</li> <li>» Establish an international development knowledge center</li> </ul>  |
| High-Level Roundtable on South-South Cooperation, 2015                   | <ul style="list-style-type: none"> <li>» Undertake "Six 100" projects to support developing countries in the next five years, including 100 poverty reduction projects, 100 agricultural cooperation projects, 100 trade promotion projects, 100 environmental protection and climate change projects, 100 hospitals and clinics, and 100 schools and vocational training centers</li> <li>» Provide 120,000 opportunities and 150,000 scholarships to developing countries for training and tertiary education in China, and help train 500,000 professional technicians</li> <li>» Establish the Institute of South-South Cooperation and Development</li> <li>» Provide US\$2 million in cash to the World Health Organization</li> </ul> |
| Global Leaders' Meeting on Gender Equality and Women's Empowerment, 2015 | <ul style="list-style-type: none"> <li>» Contribute US\$10 million to UN Women</li> <li>» Conduct 100 health projects for women and children</li> <li>» Conduct 100 "happy campus" projects to finance the schooling of poor girls</li> <li>» Train 30,000 women from developing countries in China and provide another 100,000 skills training opportunities in local communities in other developing countries</li> </ul>  |
| UN General Assembly General Debate, 2015                                 | <ul style="list-style-type: none"> <li>» Establish a 10-year, US\$1 billion China-UN Peace and Development Fund</li> </ul>   |
| UN General Assembly General Debate, 2016                                 | <ul style="list-style-type: none"> <li>» Provide US\$300 million worth of humanitarian assistance to other countries and international organizations</li> <li>» Raise annual contribution to UN development agencies by US\$100 million by 2020 from 2015 level</li> </ul>   |

Source: Made by author

43. Programme aid focuses on a particular sector such as education or health, but project aid is individual project based.

China's development assistance to PICs has a number of advantages over that of other development partners. One is that Chinese projects can be conducted at lower costs compared with traditional development partners. The rich development experience and technologies accumulated in China's domestic development over the past six decades present to be more relevant to PICs context. Take the health sector as an example. China has improved the medical and health care system, and reduced mortality rates of children and women by 80 percent and 73.9 percent respectively (China MOFA, 2015a). Similarly, many of Chinese agricultural technologies, which may not be as advanced as those of developed countries, could better suit the needs of other developing countries.<sup>44</sup>

There are also opportunities for China to support the trade, agriculture and tourism sectors in the Pacific. China and PICs can work together towards regional economic integration in trade, especially in the area of inclusive growth in the region.<sup>45</sup> One example of agricultural cooperation relates to the dispatching of Chinese agricultural experts to Nuku'alofa to complete the quarantine check on Tonga's squash. This paves the way for the export of Tonga's squash, a significant income source for the country, to China. Tourism is another main sector in PICs and has great potential for revenue generation. Between 2009 and 2014, the number of Chinese visitors to 11 PICs<sup>46</sup> grew by an average of 27 per cent per annum, accounting for 7 per cent of the inbound market (Perrottet and Garcia, 2016, iii). With improved access such as aviation and visa policies, the number of Chinese tourists is expected to increase to 620,000 by 2025, accounting for 26 per cent of the market share (Ibid.). Take Fiji as another example. Since the mutual visa exemption between China and Fiji was agreed in March 2014, the number of Chinese tourists to Fiji increased rapidly by 41 per cent and exceeded 40,000 in 2014 (Zhang, 2015f).

### Challenges

There are also challenges in Chinese development cooperation delivery in PICs. For instance, in agricultural cooperation, Chinese agricultural experts are normally posted to partner countries including PICs for two years. This short duration poses problems, as the first year is always used by experts to familiarize themselves with local agricultural conditions and conduct experiments while the second year is a crucial period for fruition but the agricultural experts will finish their posting soon.<sup>47</sup> Moreover, better coordination is needed between China and the partner countries. This could narrow the gap between the actual local needs and those perceived by China.

The quality of development cooperation projects is a common issue faced by development partners including China. The quality of Chinese construction in the Pacific is mixed and there is a need for ensuring quality.<sup>48</sup> Regional experts have also raised concerns on Chinese concessional loans contributing to the rising debt levels in PICs such as Tonga and Samoa (Smith et al., 2014; Dornan and Brant, 2014).<sup>49</sup> Sometimes, Pacific country officials pay insufficient consideration to their debt repayment abilities when they apply for concessional loans from China, with the expectation that these concessional loans could be turned into interest-free loans or even grants and will be written off in the future (Dornan and Brant, 2014, 12). There is need to make sure that external aid to PICs will not increase the fragility and vulnerability of PICs including debt situation.<sup>50</sup> In addition, some experts suggest that, wherever possible, more local labour should be used in Chinese development cooperation projects and local concerns should be taken to the design stage of projects.<sup>51</sup> Language barrier is also mentioned by some interviewees as another significant obstacle for China-PICs development cooperation on the ground.

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44. Author's interview with Chinese agricultural official, Canberra, 20 July 2016.

45. Author's interview with Radika Kumar, Canberra, 30 July 2016.

46. The 11 PICs include all the 14 PICs except Nauru, Cook Islands and Niue.

47. Author's interview with Chinese agricultural official, Canberra, 20 July 2016.

48. Author's interview with Dr. Matthew Dornan, Canberra, 16 July 2016.

49. This point is also highlighted by author's interview with former New Zealand Senior diplomat in China and Pacific, Canberra, 18 July 2016.

50. Author's interview with former New Zealand Senior diplomat in China and Pacific, Canberra, 18 July 2016; with former AusAID senior official, Canberra, 21 July 2016.

51. Ibid.



## II. Infrastructure

### Opportunities

Poor infrastructure remains a significant impediment for most PICs to achieve the SDGs. Chinese development cooperation, which is heavily infrastructure-oriented, can provide tremendous opportunities for PICs to improve and upgrade their infrastructure. In recent years, the Chinese government has put forward a series of new initiatives such as the BRI, AIIB, and NDB which focus on infrastructure development and connectivity. This is partly attributed to China's desire to "co-shape the evolution of the international development architecture based on its own experience and knowledge through institutions and programmes which it can directly influence" (Fues et al., 2015, 48). President Xi has openly welcomed PICs to benefit from the BRI (Du and Yan, 2014, 1). As for the AIIB, although it will mainly target developing countries in Asia, according to Chinese officials, the boundary is not so clear-cut and PICs can apply for development project funding.<sup>52</sup> The NDB aims to include all developing countries, which would naturally include PICs.

### Challenges

Maintenance of China-built infrastructure in the Pacific has been a persistent challenge for both PICs and China. This problem mainly results from the insufficient capacity of PICs to operationalize and maintain the facilities after hand-over from China. The mixed performance of Chinese contractors in project quality is another challenge that deserves full attention. In addition, unemployment has been a persistent challenge in the region. The unemployment rate is estimated to be as high as more than 50 per cent of the working-age population in many PICs (World Bank, 2016, 9). Aid officials from PICs such as PNG hoped that China could provide more employment opportunities and technical training for local staff in development cooperation projects<sup>53</sup> (Zhang, 2015d, 280).

## III. Health

### Opportunities

Health assistance is an integral part of Chinese development cooperation overseas including to PICs. China has increased its health assistance to the Pacific region over the past decade. Many health facilities have been built with Chinese support across the region, such as the National Hospital in Samoa and the Navua Hospital in Fiji. Chinese medical teams have been dispatched to many countries in the region, including Tonga, Samoa, Vanuatu, FSM and PNG. China has also routinely donated medical equipment and medicines to PICs and supplied anti-malaria medicines to the Pacific as pledged by Chinese former Premier Wen Jiabao in 2006 (Wen, 2006).

China's rich medical experience, if shared with PICs, has great potential to support PICs in addressing health challenges. Malaria control is a typical example. Though China used to be a victim of malaria which was prevalent in around 80 per cent of China's counties in the 1950s (Qian and Tang, 2000, 225), it has now reached the state of near elimination of malaria. Artemisinin was also first discovered and extracted in the 1960s by Chinese medical experts from annua wormwood, a traditional Chinese medical plant, and was then widely used in malaria treatment (Miller and Su, 2011). This kind of China's medical expertise holds great value for PICs which are struggling to achieve SDG health targets.

The engagement between Chinese local governments and PICs also provides opportunities for development cooperation in the health sector in the Pacific. For instance, Guangdong Province in China has a long-term engagement with the Pacific region and it is also a top source for Chinese diaspora in the Pacific.<sup>54</sup> In 2012, Guangdong and Pohnpei State of FSM signed a memorandum of understanding (MoU) on the development of traditional medicines for diabetes. Since then, more than 10 medical delegations from Guangdong Province have visited PICs to provide free medical services (Xinhua, 2015a).

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52. Author's interview with Chinese aid official, Canberra, 19 July 2016.

53. Some aid officials and development experts in the Pacific region complained during interviews that China uses their own workers in aid projects and employment opportunities for the local need to be improved.

54. The majority of Chinese diaspora in Fiji and Samoa are from Guangdong province. Similarly, the majority of Chinese diaspora in Tonga is from neighboring Fujian province.

## Challenges

Two main challenges exist with regards to Chinese health assistance to the Pacific region. Firstly, PICs and their health environment and challenges are still new to China. To what extent and what kind of Chinese medical expertise is adoptable in PICs' context needs further exploration and experimentation. Secondly, many health facilities in PICs lack adequate maintenance, well-trained health workers and medical supplies including equipment and drugs.

## IV. Climate change

### Opportunities

Climate change has the potential to become a new priority area for China-PICs development cooperation. PICs are among the main and immediate victims of climate change especially the rise of sea level. Table 10 lists some of China's pledges on climate change at international fora. China has been paying increasing attention to addressing climate change issues as the country itself is under severe pressure due to air, water and soil pollution at home. China issued the National Climate Change Programme (2014-2020) in 2014, outlining objectives and tasks to address climate change by the year 2020. The National Plan on Implementation of the 2030 Agenda for Sustainable Development also proposed concrete measures to combat climate change. China's experience and technology in climate change adaption could be shared with PICs. China has already established dialogue mechanisms with regional development partners such as Australia and New Zealand on climate change. Apparently, the increased engagement between China and Australia and New Zealand provides opportunities for them to jointly support PICs in the battle against climate change.

**Table 10. China's pledges on climate change**

| Occasions                                      | Climate change pledges  |
|--|---|
| Rio+20 Summit, June 2012                       | China's former Premier Wen Jiabao pledged that China would provide RMB 200 million (US\$30.8 million) to support SIDS, African nations and LDCs.  |
| UN Climate Summit, September 2014              | Chinese Vice Premier Zhang Gaoli pledged that China would establish the South-South Cooperation Climate Change Fund and double its annual support since 2015, and provide US\$6 million to support UN Secretary-General in combating climate change.  |
| 2011-2015                                      | China provided a total of RMB 400 million (US\$61.6 million) to SIDS, African nations and LDCs to address climate change, including through material donations and human resources training.  |
| President Xi's visit to the US, September 2015 | Chinese President Xi pledged to provide RMB 20 billion (US\$3 billion) to set up the South-South Cooperation Climate Change Fund.   |
| COP21, December 2015                           | Chinese President Xi announced the "10+100+1000" scheme for other developing countries, including: pilot 10 low-carbon industrial parks; conduct 100 mitigation and adaptation programmes; and provide 1000 training opportunities on climate change. |

Source: Made by author

Table 11 below provides an overview of Chinese development cooperation to Fiji on climate change (Zhang, 2015e). China's climate change support to Samoa and its related impact is another illustration. In November 2015, the Ocean Campus of the National University of Samoa was completed with Chinese support, which could improve Samoa's capacity in ocean studies and addressing climate change issues.

**Table 11. Chinese development cooperation with Fiji on climate change**

| Year | Chinese climate change projects   |
|------|---|
| 1988 | China constructed the hydropower station in Bukuya.   |
| 2012 | The Nadarivatu Hydropower station was commissioned which was funded partially with loans from the China Development Bank. It has an installed capacity of 45 MW, accounting for one sixth of the total installed capacity in Fiji.  |
| 2013 | The Kiuva village seawall project funded by China's grants was completed.   |
| 2014 | China's Red Cross donated inflatable boats, emergency kits, life jackets and other humanitarian supplies to Fiji's Red Cross.<br>During President Xi's visit to Fiji, China and Fiji signed a MoU on China's provision of RMB 20 million (US\$3 million) worth energy-saving LED street lights to Fiji. |
| 2015 | The Wainisavulevu Weir Raising project was commissioned which was built by Sinohydro Corporation. It will generate an additional 10 million units of electricity annually.  |
| 2016 | The Somosomo mini hydropower project was completed which has an installed capacity of 700 kW.   |

Source: Made by author based on Zhang 2015e

China has also delivered significant humanitarian relief in the Pacific region after climate-related natural disasters. For instance, China provided RMB 30 million (US\$4.6 million) worth of emergency supplies to Vanuatu after Cyclone Pam in April 2015, and US\$500, 000 in grants to FSM to combat Cyclone Maysak. The emergency assistance has played a role in meeting the basic demand of those affected.

## Challenges

How to make full use of China's technical know-how in climate change mitigation and adaptation, and support PICs in implementing SDGs deserves a systematic consideration. Moreover, the variations across individual PICs in terms of threats from climate change, their resources and capacities to address the related issues pose another challenge for China's development cooperation with PICs in the sector. This deserves China's attention in updating its development cooperation country strategies for the PICs.

## V. Renewable energy

### Opportunities

In recent years, China has expanded its efforts to assist other developing countries in developing renewable energy solutions and addressing climate change-related challenges. Since 2014, China has hosted more than 130 training sessions on climate change and green energy for over 3,500 officials and technicians from developing countries including PICs (Chinese Government, 2015, 42). With its practical technologies on renewable energy such as solar power and biomass, China can share its expertise with PICs and help them achieve their renewable energy goals on electricity generation. Some PICs have started to benefit from Chinese development cooperation in this regard. In 2015, China donated US\$2.3 million (5 million Tongan Pa'anga) worth of supplies to Tonga, including the installation of solar-powered streetlights in Ha'apai island (Huang, 2015). With the support of Chinese agricultural experts, Tonga successfully conducted its first household biogas project in 2010. PICs can also benefit from the South-South Cooperation Climate Change Fund as shown in Table 10. Under this initiative, potentials can be tapped for PICs to promote the development and application of renewable energy technologies.

### Challenges

The development of renewable energy is an integral part of all efforts to address climate change issues. Therefore, the challenges for China-PICs development cooperation in the sector of renewable energy are similar to the above challenges for climate change.

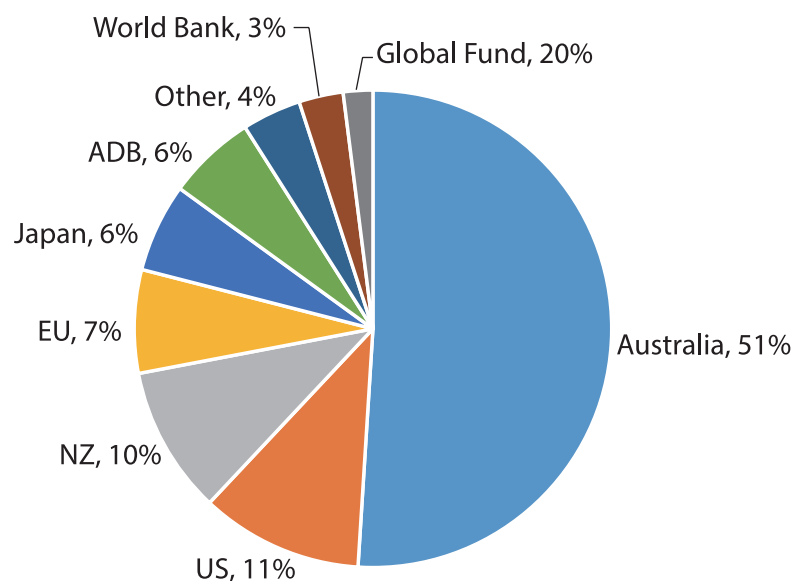
## Enhancing Cooperation with Other Development Partners in the Pacific

This section will look at other development partners in the Pacific which are supporting PICs' SDG implementation, and areas of their cooperation with China in PICs. It will focus on Australia, New Zealand and UNDP as representatives of the bilateral and multilateral development partners in the Pacific. The analysis will be guided by the following research question: What are the opportunities and challenges for Australia/New Zealand/UNDP's development cooperation with China in supporting PICs' SDG implementation? As the discussion here targets all PICs and all sectors, the findings can apply to PNG, Fiji and Samoa, and the four selected sectors of infrastructure, health, climate change and renewable energy.

### Major development partners in the Pacific

Traditional development partners and multilateral agencies agree that China has a significant role to play in promoting development in the Pacific, as China is increasingly engaging with the region, both politically and economically.<sup>55</sup>

**Figure 4. Traditional development partners in the Pacific, 2013**



Source: PIFS, 2015a

Figure 4 is a snapshot of major traditional bilateral and multilateral development partners in the Pacific in 2013 (PIFS, 2015a, 41). Australia, the US, New Zealand, the EU, and Japan are the main traditional bilateral development partners in the Pacific region. The Asian Development Bank (ADB), the World Bank and the Global Fund are the main multilateral development partners. Australia is the largest development partner for PICs, far ahead of the other main development partners in the region. Development cooperation flows from Australia accounted for 51 per cent of the total that PICs received in 2013. According to the latest data for the financial year 2016-2017, Australia has allocated AU\$1,138.4 million (US\$831 million)<sup>56</sup> of development cooperation financing to the Pacific, accounting for 29.7 per cent of its total official development assistance (ODA). In PNG alone, Australian development cooperation reached AU\$558.3 million (US\$407.5 million) (DFAT, 2016, 7-8).

55. Author's interview with former senior AusAID official, Canberra, 21 July 2016.

56. This is calculated on the exchange rate of 0.73 in December 2015. This exchange rate is used consistently in this report.

In recent years, Australia and China have increased their policy dialogue on Pacific issues including through the annual ministerial-level political consultation between the two ministries of foreign affairs. The two countries signed a MoU in April 2013 and pledged to strengthen development cooperation and explore trilateral partnership in third countries in priorities areas such as global poverty reduction, health, water and environmental sustainability (DFAT, 2013). On March 24, 2017, during Chinese Premier Li Keqiang's visit to Australia, China and Australia signed a new MoU on Strengthening Development Cooperation.<sup>57</sup>

New Zealand is another most important and long-established development partner in the Pacific region given its close historical, political and cultural links with PICs. For the three years starting from 2015/2016, New Zealand aid budget towards the Pacific region will exceed NZ\$835.2 million (US\$571.1 million),<sup>58</sup> accounting for 49.1 per cent of New Zealand's total ODA (NZ MFAT, 2015, 8). Its top four partners in the Pacific are PNG, Solomon Islands, Vanuatu and Cook Islands. Similar to Australia, New Zealand has also been seeking new opportunities to work together with China in the Pacific region. As officials from New Zealand's Ministry of Foreign Affairs and Trade (MFAT) noted, Chinese development cooperation to the region is "game-changing and value-adding".<sup>59</sup> On March 27, during Premier Li's visit to New Zealand, China and New Zealand signed the Arrangement on Strengthening International Development and Cooperation Exchanges, based on their successful pilot trilateral water project in Cook Islands.<sup>60</sup>

Climate change is a priority area for New Zealand's development cooperation to PICs. For instance, the Pacific Energy Conference was co-hosted by New Zealand and the EU in June 2016 in Auckland with the attendance of other development partners including the ADB, World Bank, Japan, the United Arab Emirates and Australia. Development partners pledged to provide NZ\$1 billion (US\$684 million) for sustainable energy projects in the region, among which New Zealand committed an additional NZ\$100 million (US\$68.4 million), bringing its total aid to the region on climate change to NZ\$220 million (US\$150.5 million) (NZ Government, 2016). Given New Zealand's focus on climate change in PICs and China's rich technical expertise in this sector, climate change could become a potential area for development cooperation between New Zealand and China in the Pacific.<sup>61</sup>

While welcoming China's development assistance to PICs, officials and development experts in Australia and New Zealand have expressed concerns about coordination, transparency and accountability of Chinese development cooperation to PICs (Xinhua, 2011; AAP, 2013). The indebtedness issue in fragile PICs has also been discussed between New Zealand and China's Export-Import Bank officials during bilateral dialogues.<sup>62</sup> According to the Chinese government, China has made pledges to write off the debts from its interest-free loans owed by developing nations for seven times since 2000<sup>63</sup> (Xinhua, 2015b). The issue of insufficient communication between China and traditional development partners caused by factors such as language obstacles was also raised by experts during interviews. As a former Australian senior official pointed out, "there are a lot of opportunities [for cooperation] we did not identify because of the difficulties of communication."<sup>64</sup>

UNDP is a significant multilateral development partner with the PICs. It is well positioned to assist PICs in the localization and implementation of the SDGs. This builds upon its long-term engagement with PICs in the implementation of the MDGs and the coherent Framework for SDG Implementation Support known as MAPS (Mainstreaming, Acceleration and Policy Support). UNDP also has global and regional networks including its Pacific country offices located in PNG, Fiji and Samoa. As one of the two UN members of the Pacific SDG taskforce with the PIF, along with UNESCAP, UNDP provides technical assistance to PICs such as PNG and Fiji in tailoring the SDG indicators.<sup>65</sup>

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57. For more detailed information on the MoU please refer to the Ministry of Commerce of the People's Republic of China: <http://www.mofcom.gov.cn/article/ae/ai/201703/20170302539893.shtml>.

58. This is calculated on the exchange rate of 0.684 in December 2015. This exchange rate is used consistently in this report.

59. Author's interview, Canberra, 4 August 2016.

60. For more detailed information on the agreement please refer to the Ministry of Commerce of the People's Republic of China: <http://www.mofcom.gov.cn/article/ae/ai/201703/20170302540794.shtml>.

61. Author's interview with NZ officials, Canberra, 4 August 2016.

62. *Ibid.*

63. Debts from China's concessional loans are seldom forgiven. One reason is that the principal of concessional loans is raised by China Exim Bank from the commercial market and needs to be repaid.

64. Author's interview, Canberra, 21 July 2016.

65. Author's interview with UNDP officials, Canberra, 30 August, 1 and 2 September 2016.

## Testing place for trilateral development cooperation

The Pacific region has been a testing place for China's trilateral development cooperation with traditional development partners. Despite differences in development cooperation principles and practices, China and traditional development partners have started to undertake trilateral cooperation projects. For instance, China and Australia have embarked on the work to explore opportunities for trilateral projects in third countries since the signing of the MoU on development cooperation in April 2013. The two countries officially launched their trilateral cooperation project on malaria control in PNG in January 2016. Based on the agreement, Australia has provided AU\$4 million (US\$2.92 million) to support the project while China dispatched medical experts to work in PNG on malaria research and control (Zhang, 2015b).

China has also started its trilateral cooperation project with New Zealand on water supply upgrading in Cook Islands since February 2014. While New Zealand contributed NZ\$15 million (US\$10.2 million) in grant, China's Export-Import Bank provided US\$23 million worth of concessional loan to Cook Islands for the project (Zhang, 2015c). Satisfaction with the progress of the project has been expressed by the three governments involved.<sup>66</sup> Although the project met with land dispute during its operation (Radio NZ, 2016), New Zealand officials explained that the Cook Islands government, with full support of New Zealand and China, is working progressively to solve the issue.<sup>67</sup>

The advantages of trilateral development cooperation in promoting development partners' mutual understanding, combining their respective strengths and reducing aid duplication have been acknowledged by officials from Australia and New Zealand<sup>68</sup> (Bishop, 2014).

**Table 12. UNDP-China trilateral cooperation projects**

| Partner country | Area  | Status                        |
|-----------------|---|-------------------------------|
| Cambodia        | Agriculture (cassava cultivation and trade) | Phase 1 completed (2011-2012) |
|                 |   | Phase 2 completed (2013-2015) |
| Ghana           | Renewable energy                            | Ongoing (2014-2018)           |
| Zambia          | Renewable energy                            | Ongoing (2014-2018)           |
| Bangladesh      | Disaster risk management                    | Phase 1 completed (2013-2015) |
|                 |   | Phase 2 ongoing (2015-2017)   |
| Nepal           | Disaster risk management                    | Phase 1 completed (2013-2015) |
|                 |   | Phase 2 ongoing (2015-2017)   |
| Malawi          | Disaster risk management                    | Ongoing (2015-2017)           |

Source: UNDP China, 2015

UNDP has been an important partner with China on trilateral cooperation in recent years. As Table 12 shows (UNDP China, 2015, 8-10), the two sides have conducted/are conducting six trilateral projects in Asian and African countries. There are also opportunities for trilateral development cooperation between UNDP and China in the Pacific region. This is because the demand for an increased level of aid coordination is strong in the region. PICs have committed to strengthening aid coordination including signing up for international mechanisms such as

66. Author's interviews with officials from the three countries since early 2015.

67. Author's interview with NZ officials, Canberra, 4 August 2016.

68. This point is also supported by author's interview with NZ officials, Canberra, 4 August 2016.



the Paris Declaration (2005), the Accra Agenda for Action (2008), the Busan Partnership for Effective Development Cooperation (2011) and the Global Partnership for Effective Development Cooperation monitoring framework (2014). They have also committed to regional mechanisms including the Pacific Plan for strengthening regional cooperation and integration (2006), the Pacific Aid Effectiveness Principles (2007) and the Cairns Compact on strengthening development coordination in the Pacific (2009). Take PNG as an example. It has signed up to the Commitment on Aid Effectiveness with traditional development partners and China in 2008, which is a reflection of readiness for improved aid coordination from all sides (PNG DNPM, 2008). Though substantial progress is yet to be seen due to persistent constraints such as weak capacity in PICs and insufficient coordination between different types of development partners, signing up to the above international mechanisms provides frameworks for increased development cooperation in the region.

## Opportunities for China to Enhance Development Cooperation with the Pacific for the SDG Implementation

Building upon the analysis in the previous sections, this part will provide policy recommendations to China on how to better support PICs' implementation of the SDGs. Potential areas of cooperation will be identified which include but are not limited to the four areas of infrastructure, climate change, health and renewable energy. Trilateral cooperation as an option will also be explored. The main research questions in this section are: Overall, what can China do to enhance its support to PICs in implementing the SDGs? In the four selected sectors, what can China do to enhance its support to PICs in implementing the SDGs? What are the potential areas for China's trilateral development cooperation with traditional development partners and multilateral agencies in PICs?

### Opportunities for enhancing China-PICs bilateral development cooperation

Based on the analysis above on PICs' development needs and challenges to implement the SDGs, and the opportunities and challenges arising from China's development cooperation, policy recommendations are drawn which aim to shed light on China-PICs South-South cooperation in the context of the SDGs.

#### 1. Cross-sector recommendations

- » **Support priority areas in each PIC's national development plan and localize China's country strategy in the context of individual PICs.** PICs' are diverse and complex rather than homogeneous. Based on this understanding, China's country strategies and its efforts to support PICs' SDG implementation should be located in the context of individual PICs. Pacific governments emphasize that the role of development partners in supporting PICs should be determined by PICs themselves. Even if China is to work more with CROP agencies, the mandate to identify which areas to focus on has to come from PICs while recognizing the Pacific Framework for regionalism which identifies regional priorities. In addition, the importance of using PICs' country systems in delivering development cooperation was also highlighted by development partners and Pacific governments.
- » **Allow flexibility and identify innovative approaches to delivering development cooperation in the Pacific region.** As an example, as the PNG government is shifting more of its budget and development responsibility from national-level departments to district development authorities, China could identify opportunities to work directly with district development authorities in PNG in addition to national-level departments to deliver development cooperation. At the same time, China could increase engagement and cooperation with regional organizations in the Pacific, which would help enhance China's understanding of regional priorities in SDG implementation, and improve the effectiveness of its development cooperation.
- » **Continue to include development cooperation as a key point of discussion in its regular policy dialogue with PICs and consider increasing participation in coordination mechanisms with other development partners, especially when the agenda is led by PICs.** This could include country-level engagement and headquarter-level dialogue. Increased engagement and consultation with other development partners at different levels could help reduce duplication of development efforts in the region and increase development cooperation effectiveness and outcomes.

- » **Provide more capacity building opportunities for PICs.** China could consider providing more training sessions in PICs rather than in China. This will allow Chinese experts to access first-hand information on local demand, technical constraints and appropriate solutions, which will in turn enable them to design more tailored training programmes. In addition to trainings, education<sup>69</sup> is an important area for China-PICs development cooperation towards the SDGs. China could help improve education infrastructure and consider providing more scholarship opportunities to PICs. The newly established Institute of South-South Cooperation and Development at Peking University could be a useful platform to increase degree opportunities for PICs and share China's development experience and technical expertise with PICs on SDG implementation.
- » **Strengthen statistical capacities of PICs.** Data collection, monitoring and analysis is becoming increasingly relevant for SDG monitoring and reporting. UN agencies such as the United Nations Population Fund (UNFPA), the United Nations International Children's Emergency Fund (UNICEF), and UNDP have been supporting data collection and/or analysis in most PICs for decades. Regional organizations, such as the Secretariat of the Pacific Community (SPC), and bilateral development partners such as New Zealand and Australia have provided similar support. China can provide more training to statisticians from PICs to help improve data collection and statistics at all levels of government. With strengthened statistical capacities, PICs will be able to produce more reliable baseline data for SDG tracking, monitoring and evaluation, and reporting.

## II. Overall recommendations for the four sectors

### Infrastructure

- » **Make use of new initiatives to support infrastructure construction and upgrading in identified areas for the Pacific.** China could encourage and support PICs in applying for project funding from the NDB and AIIB. Some of the priority sectors could include road, ports, telecommunications and electricity generation. This concurs with the suggestions from the Australia and the World Bank on improving regional connectivity such as transport and communication links (AusAID, 2006, 44, 2008; World Bank, 2011, 5). Given that large-scale infrastructure projects such as high-speed railway might not be suitable for PICs due to geographical and local demand constraints, it might be more practical for China to explore other opportunities such as establishing direct commercial flights between China and PICs. Accompanied by visa facilitation/exemption policies, this could improve regional connectivity and support the development of the tourism sector, which could generate more revenue for PICs.
- » **In addition to new infrastructure projects, China could put more efforts on post-construction maintenance to reduce the risk of the "Build-Neglect-Rebuild" paradigm.** This point is of high policy relevance for Chinese development cooperation, as infrastructure is China's main focus in the region. After the hand-over of infrastructure projects, China could consider providing additional support to maintain and operationalize these facilities. It could set up a maintenance fund for such a purpose. This will be not only in the interest of partner countries, especially the final beneficiaries in the communities, but also in the long-term interest of China, by maximizing the impact of its development cooperation projects. It is encouraging that the Chinese government has become increasingly aware of the maintenance issue and started to urge Chinese contractors to provide supplementary services after the completion of infrastructure projects.<sup>70</sup>
- » **Enhance partnership with other bilateral, regional and multilateral development partners.** China could consider possibilities of partnership with other development partners in the infrastructure sector and learn from their technical expertise and practical experience. For example, China and Australia could share experience on environmental and social standards in order to deliver long-term sustainable infrastructure investment in the Pacific (Varrall, 2014, 15-16). China could also increase its consultation with regional and multilateral organizations in the Pacific to better understand infrastructure needs of the region.

69. Education here refers to general education which includes primary, secondary and tertiary education. It is different from the training opportunities for the four selected sectors.

70. Author's interview with Chinese SOE representative, Canberra, 20 July 2016.



- » **In response to the concerns on the labour issue, China could increase the use of local technicians and labourers in China's infrastructure projects when appropriate.** Employing more local labour could help improve household income and bring tangible benefits to local communities. One option could be to subcontract some maintenance work to local companies in the PICs, which will help build up local capacity for infrastructure maintenance and create local employment opportunities.
- » **Communicate concessional loan repayment policy more clearly to the partner countries.** With regards to the concerns on the rising debt risk associated with China's concessional loans to fragile PICs, it is suggested that China explain the difference between interest-free loans (can be cancelled) and concessional loans (cannot be cancelled) and the terms of their agreement more clearly to its Pacific country counterparts at the very beginning of their negotiation. This could help avoid PIC officials' false expectations that the concessional loans from China will be changed to interest-free loans and even grants in the future. In this way, they will be more cautious about their loan repayment abilities when applying for Chinese concessional loans.

### Health

- » **Make full use of recent commitments (see Table 9) to support health development in PICs.** These include: the US\$2 billion South-South Cooperation Aid Fund; the pledge to undertake 100 projects on hospitals and clinics in developing countries; the large number of scholarships and short-term training opportunities for developing countries in the next five years; and the 100 "health projects for women and children" by dispatching medical teams to provide medical service in developing countries. In September 2016, Chinese Premier Li Keqiang pledged that Chinese contribution to the Global Fund to fight AIDS, Tuberculosis and Malaria could reach US\$18 million in the next three years (State Council, 2016), from which PICs could also seek to benefit.
- » **Enhance knowledge-sharing and capacity building in the health sector.** In addition to increasing the number of scholarships and technical training opportunities for PICs within its recent commitments, China could explore the establishment of China-PICs sister hospitals, which could start from countries such as PNG where the medical service faces tremendous challenges, especially in rural areas. By establishing sister hospital relations, Chinese hospitals could provide medical training for staff from PICs' hospitals and supply medicine and equipment. This sister hospital partnership could begin with sister provinces/cities between China and PICs, especially Chinese provinces/cities that have the history of dispatching medical teams to the Pacific region as they understand the local demand better. Guangdong and Fujian Province in China could take the lead in this process. In addition, China could share experience with PICs on the integration of traditional and modern medicine, an area in which PICs have been shown increasing interest (McNee, 2012), and in managing disasters and building responsive prepared health systems.
- » **Consider increasing contribution through multilateral agencies such as the WHO.** This could help China make use of multilateral agencies' professional expertise and global network to improve the effectiveness of its development cooperation. China could also increase its engagement with Pacific regional organizations such as PIF, the South Pacific Commission and CROP to support PICs' implementation of SDGs in health.

### Climate change

- » **Increase the volume of development cooperation to the climate change sector in PICs.** More climate change projects could be conducted under China's new pledges (see Table 9 and 10). These include the RMB 20 billion (US\$3 billion) South-South Cooperation Climate Change Fund, the US\$2 billion South-South Cooperation Aid Fund, and the pledge to undertake 100 environmental protection and climate change projects. This could be carried out in the form of bilateral development cooperation and also contributions to regional organizations such as the Secretariat of the Pacific Regional Environment Programme. To move beyond one-off projects, China could consider developing a Climate Assistance Plan for the Pacific region, and setting up a Special Climate Change Adaptation Fund for PICs as its longer-term programming in the region.
- » **Provide more technical support to improve PICs' capacity to combat climate change, in terms of both mitigation and adaptation.** In particular, China could make full use of its scholarship and training

pledges to increase the technical capacity of PICs in terms of both climate change mitigation and adaptation. This could include the sharing of experience and knowledge in climate change policy-making and mainstreaming as many PICs are undergoing the process of finalizing their climate change policies in national development plans. Moreover, with the shared knowledge, China could support PICs in technical areas such as strengthening coastal zone management, meteorological services and early warning systems for cyclones, earthquakes and other natural disasters.

### Renewable energy

- » **Increase renewable energy support for PICs using existing renewable energy sources such as solar power, biomass, wind-power, tidal energy and geothermal power.** will help PICs make better use of their existing resources (Table 7) to complement traditional energy and achieve their short- and long-term renewable energy targets (Table 6). To do so, China could consider establishing a Special Pacific Renewable Energy Fund under its country plans for PICs. This will help China-PICs development cooperation move towards longer-term programming from one-off projects, and meet partner countries' long-term and diverse energy priorities.
- » **Strengthen PICs' capacity in renewable energy research and development.** China could provide more tailored technical training opportunities to PICs in renewable energy through its existing tertiary and short-term training programmes, and provide targeted technology transfers to identified priority areas such as battery energy storage and voltage control systems.

### Opportunities for trilateral development cooperation in PICs

There is great potential for trilateral cooperation between China and other bilateral development partners and multilateral agencies to support PICs' implementation of the SDGs. China has undertaken an increasing number of trilateral projects with traditional development partners, including the US, UK, Australia, New Zealand, and a range of UN agencies.<sup>71</sup> It has emphasized global partnership in achieving the SDGs, and pledged to "strengthen South-South cooperation, increase triangular cooperation" (China MOFA, 2016b). Chinese scholars also echo this view and suggest that China establish trilateral partnerships with international organizations and traditional bilateral development partners in implementing the SDGs in third countries (Huang, Zhu, and Wu, 2015, 112).

It is of great importance for China, traditional bilateral development partners and multilateral development partners to identify areas of common interest for trilateral cooperation. This process demands an increasing level of dialogue and communication. It is also important that all development partners focus on the ultimate goal of delivering tangible results. The trilateral project on malaria control in PNG is a good example of combining the comparative advantages of China and Australia to address a major health challenge in a third country.

While there is potential for trilateral cooperation between China and other development partners in the Pacific, it is to note that obstacles still exist. For instance, not all government agencies in PICs encourage China's trilateral cooperation with traditional development partners in their countries: Officials from PICs' aid coordination departments tend to be more supportive of trilateral cooperation than their colleagues from agencies such as the foreign ministry that are strengthened by China's bilateral approach (Smith, 2014, 7). In the end, trilateral cooperation has to be cooperation of the willing, and more discussions are needed among those interested partners. Technical obstacles also deserve further attention. For instance, the construction standards from China could differ from those of Australia or New Zealand.<sup>72</sup>

#### I. Trilateral cooperation with traditional development partners

Potential areas for trilateral cooperation between China and traditional development partners could include agriculture, health, climate change, renewable energy, and infrastructure (construction and maintenance) such as maritime infrastructure.<sup>73</sup> For example, health is a priority area for Australian development cooperation in

71. For more detailed information and analysis on China's trilateral cooperation, please refer to a recent discussion paper by UNDP China: "Trilateral Cooperation with China: Sharing Development Experience through Innovative Partnerships". February 2017. Available from: <http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/trilateral-cooperation-with-china-.html>.

72. Author's interview with Chinese SOE representative, Canberra, 20 July 2016.

73. Some of these areas are from author's interview with NZ officials, Canberra, 4 August 2016.

PNG, accounting for 13 per cent of its total ODA in 2016-17 (DFAT, 2016, 2). It is also an important component of Chinese development cooperation in the country. Building on their experience in the pilot trilateral project in PNG, it is expected that China and Australia will continue to explore cooperation opportunities in the health sector in PNG and other PICs in light of the newly signed MoU. In addition, considering that traditional development partners' focus in PNG's health sector is more on infectious diseases (such as HIV/AIDS, TB and malaria) and medical supply, China could look at NCDs and health promotion in future trilateral cooperation. Last but not least, agriculture is a major area in Chinese development cooperation including in PICs such as Fiji. It is also an important sector for New Zealand's aid to Fiji as the two countries signed the development cooperation agreement in February 2016 (NZ MFAT, 2016a). Therefore, there is potential for China and New Zealand to explore trilateral cooperation in agricultural development in Fiji under the newly signed China-New Zealand agreement on development cooperation.

Trilateral cooperation in climate change and renewable energy in PICs deserves special attention from China and traditional development partners. By combining their comparative advantages in terms of financing, technical expertise and local knowledge, they could assist PICs in strengthening their capacities to minimize the negative impact of climate change. As a Chinese scholar noted, trilateral cooperation between China, traditional development partners and PICs in the area of climate change will be ideal, as "the area of climate change is low in sensitivity and it is a win-win-win cooperation".<sup>74</sup>

Knowledge-sharing is another potential area for trilateral cooperation between China and traditional development partners. As the development experience and technical expertise from both China and traditional development partners hold great value for PICs, it is important for these countries to explore innovative ways to share their knowledge with the partner countries. It might be useful to consider establishing a China-Australia/New Zealand Knowledge Partnership Programme in the Pacific. Similar arrangements have already been set up between China and other traditional development partners and multilateral agencies such as the China-World Bank Knowledge Hub for Development and the China-UK Development Knowledge Partnership Programme. China and Germany are also discussing the establishment of a China-Germany Sustainable Development Center (Fues et al., 2015, 46).

## **II. Trilateral cooperation with multilateral development partners**

There are substantial opportunities for trilateral cooperation between China and multilateral agencies across the Pacific. In recent years, UNDP has taken the lead in testing the trilateral modality with Chinese government agencies such as MOFCOM, Ministry of Science and Technology and Ministry of Civil Affairs, in African and Asian countries. Given UNDP's strong link with PIC governments and its strong capacity in project mainstreaming, implementation, and monitoring and evaluation, China could continue to explore trilateral partnership with UNDP to support PICs' implementation of the SDGs. Potential areas for cooperation could include climate change, renewable energy, agriculture, health and disaster risk management.<sup>75</sup> As China's development cooperation has a strong focus on the provision of "hardware" such as infrastructure and goods and materials, there is great potential for UNDP to provide complementary "software" support in areas such as human resources and institutional capacity building in PICs.<sup>76</sup>

Opportunities also exist for trilateral cooperation between China and other UN agencies. In terms of agriculture, China and the Food and Agriculture Organization (FAO) have undertaken a number of trilateral projects to support the agriculture sector in other developing countries, including seven PICs over the period of 2004-2007.<sup>77</sup> More projects were implemented with the US\$30 million contribution from China in 2008. A second contribution of US\$50 million was pledged by the Chinese government in 2015 for China-FAO agricultural cooperation in other developing countries. There are potentials for PICs to benefit from this initiative. Similarly, China could explore trilateral cooperation with WHO and the UN Educational, Scientific and Cultural Organization (UNESCO) to support the health and education sector in PICs respectively.

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74. Author's interview with Wang Xuedong from Sun Yat-sen University, Canberra, 27 July 2016.

75. For instance, health and disaster risk reduction were highlighted by UNDP officials during interviews.

76. This point is also mentioned by UNDP official during interview, Canberra, 2 September 2016.

77. Author's interview with FAO official, Beijing, 17 August 2015.

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## Annex 1. List of Interviewees

June-July 2016

### **Australia**

Former AusAID senior official

Dr. Matthew Dornan, Deputy Director, Development Policy Center, Australian National University

Dr. Terence Wood, Research Fellow, Development Policy Center, Australian National University

Senior expert on PNG, Australian National University

### **China**

Mao Xiaojing, Director, Division of International Cooperation, Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce

Agricultural aid official

Assistant Professor Yu Changsen, Deputy Director, Center for Oceania Studies, Sun Yat-sen University

Assistant Professor Wang Xuedong, Deputy Director, Center for Oceania Studies, Sun Yat-sen University

Professor Huang Meibo, Xiamen University

Chinese senior expert on development

### **New Zealand**

Official from Ministry of Foreign Affairs and Trade, New Zealand

Official from Ministry of Foreign Affairs and Trade, New Zealand

Former senior diplomat in Asia and the Pacific, New Zealand

### **Niue**

Richard Hipa, Secretary of Government

Josie Tamate, Director-General, Ministry of Resources

### **Papua New Guinea**

Chinese company representative

### **Commonwealth Secretariat**

Radika Kumar, Trade Adviser funded by the Hub and Spokes Program

### **UNDP**

UNDP official

UNDP official

UNDP official

UNDP official

### **FAO**

FAO official (Aug 2015)

### **Pacific Islands Forum Secretariat**

Development official

## Annex 2. 17 Sustainable Development Goals

|              |   |
|--------------|---|
| <b>SDG1</b>  | No poverty. End poverty in all its forms everywhere.  |
| <b>SDG2</b>  | Zero hunger. End hunger, achieve food security and improved nutrition and promote sustainable agriculture.  |
| <b>SDG3</b>  | Good health and well-being. Ensure healthy lives and promote well-being for all ages.   |
| <b>SDG4</b>  | Quality education. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.  |
| <b>SDG5</b>  | Gender equality. Achieve gender equality and empower all women and girls.   |
| <b>SDG6</b>  | Clean water and sanitation. Ensure availability and sustainable management of water and sanitation for all.   |
| <b>SDG7</b>  | Affordable and clean energy. Ensure access to affordable, reliable, sustainable and modern energy for all.  |
| <b>SDG8</b>  | Decent work and economic growth. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.  |
| <b>SDG9</b>  | Industry, innovation and infrastructure. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.   |
| <b>SDG10</b> | Reduced inequality. Reduce inequality within and among countries.   |
| <b>SDG11</b> | Sustainable cities and communities. Make cities and human settlements inclusive, safe, resilient and sustainable.   |
| <b>SDG12</b> | Responsible consumption and production. Ensure sustainable consumption and production patterns.   |
| <b>SDG13</b> | Climate action. Take urgent action to tackle climate change and its impacts.  |
| <b>SDG14</b> | Life below water. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.   |
| <b>SDG15</b> | Life on land. Protect, restore and promote sustainable use of territorial ecosystems, sustainably manage forests, combat desertification and salt and reverse land degradation and halt biodiversity loss.                  |
| <b>SDG16</b> | Peace, justice and strong institutions. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels. |
| <b>SDG17</b> | Partnerships for the goals. Strengthen the means of implementation and revitalize the global partnership for sustainable development.   |



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